

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, January 12, 1951.

PRESENT: Mr. McCabe, Chairman
Mr. Evans
Mr. Vardaman

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

Telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, and Dallas stating that the Board approves the establishment without change by the Federal Reserve Bank of Atlanta on January 10, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, and Dallas on January 11, 1951, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Stevens, Chairman of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors appreciates very much the careful consideration given in your letter of December 14, 1950 to the questions raised by the Board with respect to the political activities of Mr. Henry J. Bailey and the outside business activities of Mr. Lyon Boston, who are employed in the legal department of your bank.

"In view of the fact stated in your letter, that the name of the Federal Reserve Bank has not been associated in any way with Mr. Bailey's activities and your feeling that because of the relatively subordinate positions which he has held in the bank, there is no reason to suppose that his activities would be interpreted as

1/12/51

-2-

"associating the bank with a political party or political activity, the requirements of the Board's resolution of December 23, 1915 appear to have been met. The Board has previously taken the position that its policy in this regard is not intended in any way to restrict the expression by a director of a Federal Reserve bank of his political views in his individual capacity and this would be clearly applicable to an employee. Mr. Bailey's activities would appear to fall in that category.

"On the basis of the special circumstances outlined in your letter with respect to the outside business activities of Mr. Boston, the Board would have no objection thereto, particularly since the officers of the bank do not consider his situation as a precedent that would be followed in other cases."

Approved unanimously.

Letter to Mr. Denmark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of January 9, 1951, the Board approves the designation of the following individuals as special assistant examiners for the Federal Reserve Bank of Atlanta:

Bernard Martinez
Edgar M. Vallette
Theodore Walter."

Approved unanimously.

Letter to Mr. B. R. Kennedy, Director, Division of the Federal Register, The National Archives, Washington 25, D. C., reading as follows:

"Pursuant to section 302 of Executive Order No. 10182, dated November 21, 1950, the Board of Governors of the Federal Reserve System submits below the following information with respect to the persons whom the Board has appointed to assist in the responsibility of the Board under the Defense Production Act of 1950 and the duties delegated to the Board by the President in accordance with Executive Order No. 10161:

1/12/51

-3-

<u>"Name</u>	<u>Type of Appointment</u>	<u>Title</u>	<u>Private Employer</u>
Fisher, Ernest W.	Per diem basis - paid when actually employed	Consultant (Division of Research and Statistics)	Columbia University, New York City.
Clarke, William A.	Per diem basis - paid when actually employed	Consultant (Division of Selective Credit Regu- lation)	W. A. Clarke Mortgage Company, Philadelphia, Pennsylvania.
Fisher, Charles T., Jr.	Per diem basis*	Special Con- sultant to the Board with respect to financial and credit matters.	National Bank of Detroit, Detroit, Michigan.
Saulnier, R. J.	Per diem basis - paid when actually employed	Consultant (Division of Selective Credit Regu- lation)	Columbia University, New York City.
Stevens, Nicholas	Per diem basis - paid when actually employed	Assistant (Division of Selective Credit Regu- lation)	W. A. Clarke Mortgage Company, Philadelphia, Pennsylvania.
Colean, Miles L.	Hourly basis - paid when actu- ally employed	Consultant (Division of Research and Statistics)	Independent real estate consul- tant.
Wilde, Frazar B.	Per diem basis*	Consultant (Division of Selective Credit Regu- lation)	Connecticut General Life Insurance Company, Hartford, Connecticut.

*Messrs. Fisher and Wilde have elected not to accept compensation."

Approved unanimously.

Letter to Mr. Latham, Vice President of the Federal Reserve Bank
of Boston, reading as follows:

1/12/51

-4-

"Reference is made to your letter of January 5, 1951, regarding the establishment of four branches by the Industrial Trust Company, Providence, Rhode Island, three of which require permission of the Board of Governors. The proposed branches which require approval are a branch in Warwick and additional branches in Newport and East Providence, all in Rhode Island.

"It is noted that prior approval of the State authorities has been obtained and in view of your recommendation, the Board of Governors approves the establishment and operation by Industrial Trust Company, Providence, Rhode Island, of a branch in the City of Warwick, one additional branch in the City of Newport, and one additional branch in the Town of East Providence, all in Rhode Island, provided the branches are established within six months of the date of this letter.

"It is understood that Counsel for the Reserve Bank will satisfy himself as to the legality of all steps taken to establish the branches."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:

"The arrangements for a conference of trust examiners, proposed in a letter dated December 22, 1950, from the Board's Division of Examinations, are acceptable to the various Reserve Banks. Accordingly, a Trust Examiners' Conference will be held at the Federal Reserve Bank of New York on Thursday, Friday and Saturday, February 1-3, 1951.

"The conference will be devoted primarily to consideration of the revised trust examination report form and to matters directly related to its use in field examination work. If time permits, other topics of current interest in the field of trust examination will be introduced but no formal agenda is being prepared in this connection.

"While it is expected that each Reserve Bank will be represented at the conference by its Trust Examiner, other representatives of the Bank Examination Departments will be welcome if they desire to attend."

Approved unanimously.

1/12/51

-5-

Letter to Honorable William Langer, United States Senate,
Washington, D. C., reading as follows:

"This refers to your letter of December 24 to Chairman McCabe, which enclosed a letter you had received from Mr. N. I. Roop, Vice President, The First National Bank of Bismarck, North Dakota. Mr. Roop questions an interpretation under Regulation W issued by Mr. Rockwell of the Federal Reserve Bank of Minneapolis, to the effect that the provisions of Regulation W apply to the instalment sale of a repossessed automobile.

"Mr. Rockwell's ruling is in accordance with the provisions and intent of Regulation W. The regulation states in section 5(c) that 'the instalment sale of any repossessed article must comply with the applicable requirements of this regulation.' This provision applies whether or not the seller of the repossessed article is a financing institution or a dealer.

"It seems to us that it would not be in accordance with the intent of the regulation and that it would be impracticable to permit an exemption for the instalment sale of repossessed articles. Such a provision not only would tend to increase the amount of instalment credit outstanding but would also raise questions of discrimination between sellers of articles that had been repossessed and those that had not, and it might lead to serious evasions of the regulation.

"We understand Mr. Roop's position in this matter but we feel that it would be undesirable to make the exception he requests since this in our opinion would tend to weaken the effectiveness of the regulation.

"We appreciate having this opportunity to comment on Mr. Roop's letter which we are returning as you requested."

Approved unanimously.

Letter to Honorable Joseph R. McCarthy, United States Senate,
Washington, D. C., reading as follows:

"This will acknowledge your memorandum of December 26, 1950, requesting a report on a letter you received from Mr. John Allan of Eagle, Wisconsin.

1/12/51

-6-

"As we understand Mr. Allan's letter, his application for a \$300 loan for the dual purpose of making automobile repairs and paying off minor bills was declined by his regular banking connection with Regulation W being assigned as one of the reasons for the refusal. While it is true that the fundamental purpose of Regulation W is to dampen demand for consumer credit during this period of severe inflationary pressures, there is nothing in the regulation to prohibit a lender from making an instalment loan for the purposes mentioned in Mr. Allan's letter. Section 4(b) of the regulation permits such loans upon terms and the general rules prescribed in section 4.

"Section 4(e) specifically prohibits loans to make down payments on the purchase of listed articles, but the regulation does not otherwise prohibit any loan. There is, however, no provision in the regulation which would prevent a lender from declining for any reason whatsoever to make a loan or imposing more restrictive terms than those prescribed by the regulation.

"A copy of the regulation together with a copy of this letter is enclosed."

Approved unanimously.

Letter for the signature of the Chairman to Honorable W. Stuart Symington, Chairman, National Security Resources Board, Washington 25, D. C., reading as follows:

"In response to the request contained in your letter of December 6, 1950, there is attached a statement covering developments since November in the work of the Federal Reserve System under the delegations of the President's Executive Order 10161 with respect to (1) guarantee of defense production loans, (2) real estate credit, and (3) voluntary agreements by financing institutions.

"As stated in my letter of December 18, 1950, in order that you may have a complete picture of the activities of the System under the Defense Production Act of 1950, there is also attached a statement showing developments since November with respect to the regulation by the Board of Governors of consumer credit under the provisions of Section 601 of that Act."

Approved unanimously.

1/12/51

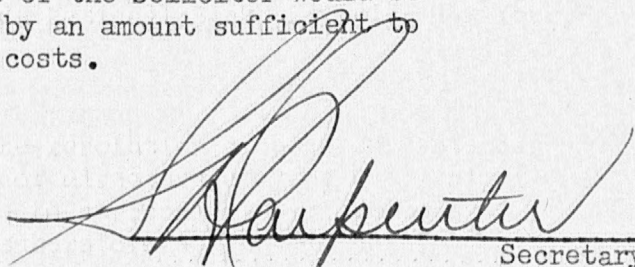
-7-

Memorandum dated January 3, 1951, from Mr. Townsend, Solicitor, recommending that the Solicitor's Office be authorized to retain the services of Gregory O'Keefe until the legal work in the Trans-america proceeding has been completed.

Approved, Mr. Vardaman not voting.

Memorandum dated January 12, 1951, from Mr. Chase, Assistant Solicitor, referring to the action taken by the Board on January 2, 1951, directing the staff to proceed with the taking of testimony in connection with alleged violations of Regulation W, Consumer Credit, by Fifth Avenue Motors Inc., Columbus, Ohio. The memorandum stated that, pursuant to a Federal statute (5 U.S.C. 95 (a); 60 Stat. 809, Sec. 10 and Sec. 18), witnesses in this and other similar hearings will be entitled to the same witness fees as witnesses attending in United States courts, namely, \$4.00 a day plus 7¢ per mile to and from their places of residence plus \$5.00 per day in the event they reside at such a distance that they cannot return home at night.

Approved unanimously, with the understanding that the 1951 Budget of the Office of the Solicitor would be increased by an amount sufficient to cover the costs.


Secretary.