Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, February 8, 1951. The Board met in the Special Library at 12:30 p.m.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Evans
Mr. Norton
Mr. Powell

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics

Chairman McCabe stated that a request had been received from Congressman Celler, Chairman, sub-committee of the House Judiciary Committee on Study of Monopoly Power, that a representative of the Board testify before the sub-committee with respect to fees being charged in connection with V-loans.

Mr. Riefler stated that the request came in the form of a telephone call to Mr. Vardaman from Mr. Shears, Counsel to the sub-committee, that Mr. Vardaman suggested that Mr. Shears talk with Mr. Phelan, Acting Director, Division of Selective Credit Regulation, and that it appeared that the charge had been made that the guarantee fees on V-loans were so high in cases where the guarantee covered 90 per cent to 100 per cent of the loan that the net return to financing institutions was not sufficient to interest them in such loans with
the result that small concerns were unable to get the necessary fi-
nancing for defense contracts.

In the ensuing discussion it was suggested that Mr. Phelan
be requested to appear before the sub-committee tomorrow morning.

This suggestion was approved
unanimously.

Mr. Norton referred to the discussion at the meeting on
January 23 of the program to be followed in connection with the poss-
sible revision of Regulation X, Residential Real Estate Credit, to
cover commercial properties. He stated that he and members of the
staff had been working on the matter and that he hoped to have a
draft of the revised regulation to present to the Board for consid-
eration at a meeting tomorrow. He went on to say that one of the
Problems that had not yet been solved had to do with a possible
exemption of defense housing from the terms of the regulation, that
this question had been under discussion by the staff with other
interested Governmental agencies, but that it probably would be neces-
sary to adopt the amended regulation without the exemption or with
the understanding that it would be incorporated as soon as possible.

Chairman McCabe stated that Senator Robertson had mentioned
that he would like to have some member of the Board testify at the
hearings on S. 349, Defense Housing and Community Facilities and Serv-
ices Act of 1951, a bill which would authorize the Federal Housing
Administration to insure mortgages on defense facilities and increase by $3 billion the limitation on the authority of the Federal Housing Administration to insure mortgages. Chairman McCabe said that at the time Regulation X was adopted a goal of 800 to 850 thousand housing units was set as an objective for housing starts this year but that in view of the continued pressure of inflationary forces he felt the goal should be reduced materially. He stated that during World War II approximately one million housing units were built which meant construction at the rate of approximately 200 thousand units a year, that inflationary forces were stronger at this time than during much of World War II, and that he would be strongly inclined to indicate to the Committee that the present terms of Regulation X should be tightened substantially as a means of substantially reducing the number of housing starts.

This suggestion was discussed and it was understood that the staff would prepare a draft of statement which might be used by Chairman McCabe or Mr. Norton in the event the Board received a request to testify on the Bill.

At this point all of the members of the staff with the exception of Messrs. Carpenter and Sherman withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the
Federal Reserve System on Wednesday, February 7, 1951, were approved unanimously.

Memoranda from the heads of the divisions indicated below recommending increases in the basic annual salaries of the following employees in those divisions, effective February 18, 1951:

<table>
<thead>
<tr>
<th>Date of Memo &amp; Division</th>
<th>Title</th>
<th>From</th>
<th>To</th>
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</thead>
<tbody>
<tr>
<td>1/31/51</td>
<td>RESEARCH &amp; STATISTICS</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Mary Jane Harrington</td>
<td>Economist</td>
<td>4,200</td>
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<td>Genevieve G. Duarte</td>
<td>Clerk</td>
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<td></td>
<td>Jesse D. Smith</td>
<td>Messenger</td>
<td>2,850</td>
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<td>2/5/51</td>
<td>INTERNATIONAL FINANCE</td>
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<tr>
<td></td>
<td>Harrison Parker</td>
<td>Economist</td>
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<td>Florence R. Cox</td>
<td>Secretary to Mr. Dembitz</td>
<td>3,475</td>
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<td></td>
<td>Gretchen H. Fowler</td>
<td>Research Assistant</td>
<td>3,350</td>
</tr>
<tr>
<td>2/5/51</td>
<td>ADMINISTRATIVE SERVICES</td>
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<td></td>
<td>J. Paul Lynch</td>
<td>Reservation Clerk</td>
<td>3,950</td>
</tr>
<tr>
<td></td>
<td>Howard W. Kushner</td>
<td>Telegraph Operator</td>
<td>3,100</td>
</tr>
<tr>
<td></td>
<td>Jean W. Myers</td>
<td>Clerk</td>
<td>2,650</td>
</tr>
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Approved unanimously.

Memorandum dated January 24, 1951, from Mr. Horbett, Assistant Director of the Division of Bank Operations, recommending that Charles V. Carey, cafeteria helper in the Division of Administrative Services, be transferred to the Division of Bank Operations as a messenger, on a non-permanent basis in accordance with the Board action of December 29, 1950, with an increase in his salary from $2,190 to $2,332 per annum, effective as of the date he reports for duty in the Division of Bank Operations. The memorandum also stated that the Division of Administrative Services...
Services was agreeable to this transfer.

Approved unanimously.

Memorandum dated February 1, 1951, from Messrs. Young and Williams, Director and Assistant Director, respectively, of the Division of Research and Statistics, recommending that Mrs. Mary F. Weaver, a clerk in that Division, who has given notice of approaching confinement and who under the maternity leave policy adopted by the Board July 27, 1943, would ordinarily begin maternity leave on March 1, 1951, be allowed to continue on duty until on or about April 1, 1951. The memorandum transmitted a certificate from Mrs. Weaver's physician stating that she may carry on her regular work until on or about April 1, 1951.

Approved unanimously.

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

"The Board of Governors approves the reappointments of Messrs. Arthur G. Nelson, Edward J. Noble and William H. Pouch as members of the Industrial Advisory Committee for the Second Federal Reserve District to serve for terms of one year each beginning March 1, 1951, in accordance with the action taken by the board of directors, as reported in your letter of February 1, 1951. It is noted from your letter that, in view of the small volume of applications for loans under Section 13b of the Federal Reserve Act, the directors consider it inadvisable at this time to seek additional members of the Committee to fill the two existing vacancies."

Approved unanimously.
Letter to Mr. Whittier, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"This will acknowledge your letter of January 25, 1951, addressed to Governor Szymczak advising that the Executive Committee of the Board of Directors has voted increases in the salaries of President Williams and First Vice President Davis retroactive to January 1, 1951.

"As you know, the whole question of salary increases is awaiting clarification of the general wage stabilization regulation recently issued by the Government and until we have some further word as to how the regulation is to be applied, no action can be taken by the Board. When such clarification is received, however, the proposal will be taken up in the light of the policy established by the regulation as well as other aspects of the problem, including those which have been considered by the Board in the past and with which you are familiar."

Approved unanimously.

Letter to Mr. McCreedy, Secretary of the Federal Reserve Bank of Philadelphia, prepared pursuant to the action taken at the meeting of the Board on January 30, 1951, reading as follows:

"As requested in your letter of January 19, 1951, the Board of Governors approves the reappointments of Mr. Alfred H. Williams as President and Mr. W. J. Davis as First Vice President of the Federal Reserve Bank of Philadelphia for five-year terms beginning March 1, 1951. The Board also approves the payment of salary to Mr. Williams at the rate of $25,000 per annum and to Mr. Davis at the rate of $18,000 per annum, the rates fixed by the directors, for the period March 1, 1951, through April 30, 1951."

Approved unanimously.

Letter to Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland, prepared pursuant to the action taken at the meeting of the Board on January 30, 1951, reading as follows:
The Board of Governors approves the appointment of Mr. Ray M. Gidney as President of the Federal Reserve Bank of Cleveland and of Mr. Wm. H. Fletcher as First Vice President of the Federal Reserve Bank of Cleveland for terms of five years beginning March 1, 1951. It is noted from your letter of October 19, 1950, that First Vice President Fletcher will resign when he attains age 65, or not later than December 31, 1952.

The Board of Governors also approves the payment of salary to Mr. Gidney at the rate of $25,000 per annum and to Mr. Fletcher at the rate of $18,000 per annum for the period March 1, 1951, through April 30, 1951. These rates, according to your telegram of January 11, 1951, are the rates which were fixed by your directors.

The Board further approves the payment of salary to Messrs. Gidney and Fletcher at the rates of $25,000 per annum and $18,000 per annum, respectively, for the period May 1, 1951, through April 30, 1952, provided these rates are fixed by your directors.

Approved unanimously.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request submitted with your letter of January 12, 1951, the Board of Governors approves, effective January 1, 1951, the payment of salary to Mrs. Robert P. Burruss at the rate of $1,320 per annum while employed fifty-five per cent of her normal work week."

Approved unanimously.

Letter to Mr. Meyer, Assistant Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"In view of the circumstances described in your letter of February 5, 1951, the Board of Governors approves the payment of salaries to the following employees at the rates indicated on the basis of a forty-hour work week:

[Details of salaries not provided in the image.]"
Letter to Mr. Dawes, Secretary of the Federal Reserve Bank of Chicago, prepared pursuant to the action taken at the meeting of the Board on January 30, 1951, reading as follows:

"Reference is made to your letter of January 12, 1951, with respect to the action taken by your Directors at their meeting on January 11, 1951.

"The Board approves the reappointments of Mr. C. S. Young as President and Mr. E. C. Harris as First Vice President for five-year terms beginning March 1, 1951, and approves the payment of their salaries at $35,000 and $25,000 per annum, respectively, provided the rate for President Young is subsequently fixed by your Directors.

"The Board has taken no action with respect to the proposal that the salary of President Young be increased. It will be necessary to consider this matter in the light of a clarification of the newly-issued Government order regulating salaries and other aspects of the general problem, including those which have been considered by the Board in the past.

"The Board also approves the payment of salaries to the following officers at the rates indicated for the period January 11, 1951, through March 31, 1951. It is understood that these rates have been fixed by your Directors and that they are the same as these officers are currently receiving.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
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<tbody>
<tr>
<td>Allan M. Black</td>
<td>Vice President</td>
<td>$13,500</td>
</tr>
<tr>
<td>Walter A. Hopkins</td>
<td>Vice President</td>
<td>11,000</td>
</tr>
<tr>
<td>Laurence H. Jones</td>
<td>Cashier</td>
<td>10,000</td>
</tr>
<tr>
<td>Orville C. Barton</td>
<td>Assistant General Counsel</td>
<td>9,000</td>
</tr>
</tbody>
</table>
"The Board further approves the appointment of Mr. George W. Mitchell as Vice President to be in charge of the research function of the Federal Reserve Bank of Chicago and the payment of his salary at the rate of $12,000 per annum, effective April 1, 1951, through March 31, 1952.

"It is noted from your letter that Mr. Neil B. Dawes has been appointed Secretary; that Messrs. Heath and Barton have been appointed as Assistant Secretaries; and that the other officers not referred to above have been reappointed for the current year.

"The Board approves the reappointments of the present members of the Industrial Advisory Committee for a further term of one year beginning March 1, 1951."

Approved unanimously.

Letter to Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, prepared pursuant to the action taken at the meeting of the Board on January 30, 1951, reading as follows:

"The Board of Governors approves the appointment of Mr. C. E. Earhart as President, and of Mr. H. N. Mangels as First Vice President of the Federal Reserve Bank of San Francisco, for terms of five years beginning March 1, 1951, in accordance with the action taken by the Board of Directors as reported in your letter of January 13, 1951.

"The Board of Governors also approves the payment of salary to Mr. Earhart at the rate of $25,000 per annum and to Mr. Mangels at the rate of $18,000 per annum for the period March 1, 1951, through April 30, 1952.

"No action has been taken on the proposal in your letter of January 23, 1951, that the salaries of the President and First Vice President be increased. It will be necessary to consider the matter in the light of the newly-issued salary regulations and other aspects of the problem, including those which have been considered by the Board in the past."

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

"This refers to your letter of December 13, 1950, regarding the basis for computing profits on sales of stock of Middlesex County National Bank, Everett, Massachusetts, acquired by Baystate Corporation, Boston, Massachusetts, in connection with the merger of such bank and First National Bank in Medford, Medford, Massachusetts.

"You point out that the purchases and sales in question were designed only to facilitate the merger, and that there is no desire or intent on the part of Baystate Corporation to acquire additional stock of banks in which it holds controlling interests. Accordingly, you recommend that the turnover of Middlesex County National Bank stock by Baystate Corporation since October 13, 1950, the effective date of the merger, and prior to March 31, 1951, be treated for reserve purposes as straight purchase and sale transactions to the extent that sales of such stock do not exceed the number of shares acquired by Baystate Corporation in connection with the Medford-Middlesex merger. No objection will be interposed if, in determining Baystate Corporation's net earnings during 1950 and 1951 for purposes of arriving at its required reserve of readily marketable assets pursuant to Section 5144, Revised Statutes, profits on such sales, made within the limits as to time and number of shares recommended by you, are computed on the basis of the actual cost to Baystate Corporation of the Middlesex County National Bank stock acquired in connection with the merger."

Approved unanimously.

Telegram to Mr. Armistead, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"Reurtel February 7. Board extends to April 8, 1951, the time within which Wachovia Bank and Trust Company, Winston-Salem, North Carolina, may establish branch at West Asheville, North Carolina."

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

"During the V-loan program of World War II it will be recalled that the Board and the guaranteeing agencies consistently adopted the position that no termination fee, service fee, or other fee of a similar character might be charged a borrower in connection with a guaranteed loan except that charges covering out-of-pocket expenses might properly be made. Question has recently arisen as to whether a similar policy should be followed with respect to loans guaranteed under the current V-loan program and specifically whether a premium may be charged a borrower in the event of prepayment of any part of the loan before maturity.

"After consultation with the guaranteeing agencies, the Board has now prescribed a general rule that no termination fee, premium or fee on account of prepayment, service fee, or other fee of a similar character, except charges covering out-of-pocket expenses, may be charged a borrower by a financing institution in connection with any loan made primarily for working capital purposes which may be guaranteed pursuant to section 301 of the Defense Production Act of 1950 and the Board's Regulation V.

"While this rule should, of course, be borne in mind in connection with any V-loan negotiations, it is requested that this letter not be given publication or circularized among financing institutions."

Approved unanimously.

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

"Questions have been received concerning the application of section 7(h)(3) of Regulation W which, briefly, exempts any credit 'subjected to' Regulation X. For example, it has been asked whether a $2,400 instalment loan to finance the construction of a 'major addition' costing $2,600 would be 'subjected to' Regulation X and, therefore, exempt from Regulation W.

"By virtue of section 5(a) of Regulation X, such a loan not in excess of $2,500 would be exempt from the substantive provisions of that regulation, i.e., the
"maximum loan value, maximum maturity, and amortization requirements. Because of this, the Board is of the view that the loan would not be 'subjected to' Regulation X for the purposes of section 7(h)(3) of Regulation W and, consequently, would not qualify for exemption under that section. The fact that the Statement of the Borrower and record keeping requirements of Regulation X are applicable to such loan is not material for these purposes."

Approved unanimously.

Letter to Mr. R. R. Gilbert, Chairman, Presidents' Conference Committee on Fiscal Agency Operations, c/o Federal Reserve Bank of Dallas, Dallas 13, Texas, reading as follows:

"Referring to discussions when you were in Washington on February 1, the Board would be pleased to be represented on the Subcommittee on Fiscal Agency Operations and would like to designate Mr. Lowell Myrick, Assistant Director, Division of Bank Operations, as Associate of the subcommittee if that would be agreeable to the Committee on Fiscal Agency Operations."

Approved unanimously.

[Signature]
Secretary.