

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, February 26, 1951.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 23, 1951, were approved unanimously.

Memorandum dated February 21, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending that Mrs. Nancy W. Ware, clerk-typist in the Division of Bank Operations, be transferred, on a nonpermanent basis in accordance with the procedure adopted by the Board on December 29, 1950, to the Division of Research and Statistics as a clerk-typist, with no change in her present basic salary of \$2,610 per annum, effective as of the date on which she enters upon the performance of her new duties. The memorandum also stated that Mr. Horbett is agreeable to this transfer.

Approved unanimously.

Memorandum dated February 20, 1951, from Mr. Vest, General Counsel, recommending that the resignation of Mrs. Christine B. Stakes, stenographer in the Legal Division, be accepted to be effective, in accordance with her request, at the close of business

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February 23, 1951.

Approved unanimously.

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

"The Board of Governors approves the appointment of Mr. Allan Sproul as President and of Mr. Leslie R. Rounds as First Vice President of the Federal Reserve Bank of New York for terms of five years beginning March 1, 1951, in accordance with the action taken by the executive committee of the board of directors as reported in your letter of February 15, 1951.

"In previous correspondence with Mr. Stevens it is noted that your board feels some adjustment should be made in the salaries of Mr. Sproul and Mr. Rounds, as well as in the general official salary scale. Because of the salary stabilization orders it is, of course, not possible to increase these salaries at this time above what has been the pattern in the past. If subsequent clarifications permit adjustments in such cases, the Board will be happy to consider the matter, taking into account the other general factors which the Board feels are important, and with which you are familiar.

"The Board does approve the payment of salary to Mr. Sproul at the rate of \$50,000 per annum for the period March 1, 1951, through March 31, 1952, and to Mr. Rounds at the rate of \$35,000 per annum for the period March 1, 1951, through February 29, 1952; provided these rates are fixed by your directors. It is understood from Mr. Sproul's letter of February 5 that Mr. Rounds is to resign after serving one year and, accordingly, the Board has approved his salary for that period only."

Approved unanimously.

Telegram to Mr. Clark, First Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"Reurtel February 20, no objection to officer of branch Federal Reserve Bank acting as Federal Reserve

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"Agent's representative, with Board's approval, provided officer not connected with money department of branch and work performed for branch not inconsistent, in Federal Reserve Agent's opinion, with duties as representative."

Approved unanimously.

Letter to Mr. Neely, Federal Reserve Agent of the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your telegrams of February 22 and 23, 1951, the Board of Governors approves the appointments of Messrs. Hugh Moreland and George W. Mason as Federal Reserve Agent's Representatives at the Birmingham Branch, with salaries at the rates of \$4,620 and \$4,640 per annum, respectively.

"This approval is given with the understanding that Messrs. Moreland and Mason will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of their duties. When not engaged in the performance of their duties as Federal Reserve Agent's Representatives they may, with the approval of the Federal Reserve Agent or, in his absence, of the Assistant Federal Reserve Agent, and the Vice President in charge of the Birmingham Branch, perform such work for the Branch as will not be inconsistent with their duties as Federal Reserve Agent's Representatives.

"Mr. Moreland and Mr. Mason should execute the usual oaths of office which should be forwarded to the Board together with advice of the effective date of their appointments."

Approved unanimously.

Letter to Mr. Neely, Federal Reserve Agent of the Federal Reserve Bank of Atlanta, reading as follows:



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"In accordance with the request contained in your telegrams of February 22 and 23, 1951, the Board of Governors approves the appointments of Messrs. John Richard Moser, Jr. and William Lester Hicks as Federal Reserve Agent's Representatives at the Jacksonville Branch, with salaries at the rates of \$4,620 and \$4,800 per annum, respectively.

"This approval is given with the understanding that Messrs. Moser and Hicks will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agency, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of their duties. When not engaged in the performance of their duties as Federal Reserve Agent's Representatives they may, with the approval of the Federal Reserve Agent or, in his absence, of the Assistant Federal Reserve Agent, and the Vice President in charge of the Jacksonville Branch, perform such work for the Branch as will not be inconsistent with their duties as Federal Reserve Agent's Representatives.

"Mr. Moser and Mr. Hicks should execute the usual oaths of office which should be forwarded to the Board together with advice of the effective date of their appointments."

Approved unanimously.

Letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of February 19, 1951, enclosing a certified copy of a resolution adopted by the Board of Directors of the 'Bank of New Hyde Park', New Hyde Park, New York, signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

"As requested, the Board of Governors waives the requirement of six months' notice. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the Bank of New Hyde Park you are authorized to cancel

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"such stock and make appropriate refund thereon. It is noted that the bank is withdrawing because it does not have the \$500,000 minimum capital stock required by Federal statutes for the establishment of an out-of-town branch in a near-by community, the establishment of which has been approved by the State authorities.

"Please advise when cancellation is effected and refund is made. The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective."

Approved unanimously.

Telegram to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reurtel February 23. In accordance with your recommendation Board grants an additional period of 20 days from February 25 for submission of report as of December 30, 1950 of Burlington Transportation Company as an affiliate of Bankers Trust Company."

Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks and Managing Officers of all Federal Reserve Bank Branches, reading as follows:

"(This wire to all Reserve Bank Presidents also being sent to Managing Officers of all Federal Reserve Bank Branches for their information)

"Following is the text of a statement being handed to the press today for immediate release:

"The Board of Governors of the Federal Reserve System today obtained a judgment in the United States District Court at Los Angeles, California, against the Duke Randall Motors, Inc., a dealer in new and used automobiles in San Pedro, California, and its President, Duke Randall, enjoining



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"them from further violations of consumer credit Regulation W.

"Regulation W provides that credit for the instalment financing of certain listed articles, including automobiles, shall not be extended without obtaining a down payment in the amount prescribed by the Regulation. In the case of automobiles the present terms of the Regulation require a down payment of one third of the cash price of the automobile and the balance must be paid within 15 months. In this case the defendants had violated the Regulation by not obtaining the required down payment in a number of its sales and by not maintaining adequate records.

"Will appreciate your giving statement whatever distribution in your district you consider desirable."

Approved unanimously.

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

"This refers to your letter of February 13, 1951, and enclosures, concerning the applicability of Regulation X to a loan to finance the construction of a superstructure on a 'basement house' completed several years ago.

"We recognize that such basement houses may be customarily regarded as incompleated residences by the owners and financing institutions, and that it can be cogently argued that the addition of such a superstructure is merely the completion of pre-August 3, 1950, construction. We have no desire to interfere unnecessarily with generally accepted methods of construction or financing but, as you stated, it is difficult to distinguish on principle between the addition of a superstructure to a basement house that has been used for several years as a residence, and additions to other existing residences.

"It is difficult to make a general statement that would be fairly applicable to all cases that might arise, but as a general rule the Board concurs in your previously expressed opinion that unless

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"there appears to have been a rather continuous process of construction between the time the basement was roofed over and occupied as a residence, and August 3, 1950, the subsequent construction of a superstructure should be regarded as a major addition to an existing residence."

Approved unanimously.

Letter to Mr. Millard, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Enclosed is a copy of a letter dated February 16, 1951, from the Sepulveda Park Apartments, Beverly Hills, California, concerning a question under Regulation X.

"It will be appreciated if you will answer this inquiry. The company has been advised that its letter is being referred to you for reply.

"You will note that the company plans to sell homes for \$12,500, and that the Veterans' Administration, pursuant to an application filed on July 13, 1950, is committed to guarantee loans for \$12,150. The company asks for comments on a proposed plan under which the Veterans' Administration would guarantee a \$10,000 loan, the Company would make a second mortgage loan of \$1,250, and a cash down payment of \$1,250 would be required.

"A loan guaranteed by the Veterans' Administration is not 'real estate construction credit' within the meaning of Regulation X, and, since the Veterans' Administration is committed to guarantee a \$12,150 loan, a guaranteed loan for that amount would not be in violation of Regulation X. Under the proposed plan, however, the \$1,250 second mortgage loan (which would not be guaranteed) would be 'real estate construction credit' extended in violation of the regulation. For that reason, we believe that in answering this inquiry you should advise the Company that its proposed plan would be in violation of Regulation X."

Approved unanimously.

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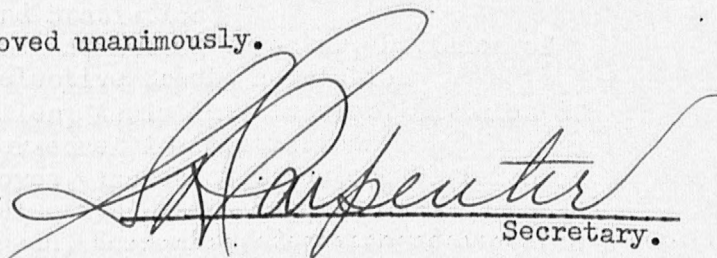
Letter to Mr. Treiber, Vice President of the Federal Reserve

Bank of New York, reading as follows:

"This refers to your letter of February 19, 1951, enclosing a draft of proposed Supplement No. 1 to the Fiscal Agency Agreement dated February 6, 1950, between the Federal Reserve Bank of New York and the International Bank for Reconstruction and Development, which would amend Schedule A of the Fiscal Agency Agreement so that it will be applicable to a proposed issue by the International Bank of Twenty-Five Year Bonds of 1951 due March 1, 1976, together with a draft of a resolution which is proposed to be adopted by the Executive Directors of the International Bank.

"The Board of Governors approves the execution by your Bank of an agreement with the International Bank in the form or substantially in the form of the proposed Supplement No. 1 enclosed with your letter."

Approved unanimously.



Secretary.