

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 16, 1951.

PRESENT: Mr. McCabe, Chairman  
 Mr. Szymczak  
 Mr. Evans  
 Mr. Vardaman  
 Mr. Norton  
 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 March 15, 1951, were approved unanimously.

Telegrams to the Federal Reserve Banks of New York, Philadelphia, Chicago, St. Louis, Kansas City, and San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on March 13, by the Federal Reserve Bank of St. Louis on March 14, and by the Federal Reserve Banks of New York, Philadelphia, Chicago, and Kansas City on March 15, 1951, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated March 14, 1951, from Mr. Vest, General Counsel, recommending that the resignation of Miss Rita M. Dixon, a stenographer in the Legal Division, be accepted to be effective, in accordance with her request, at the close of business March 30, 1951.

Approved unanimously.

Memorandum dated March 6, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending an increase in

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the basic salary of Mrs. Monica F. Jones, a clerk in that Division, from \$3,035 to \$3,225 per annum, effective April 1, 1951.

Approved unanimously.

Memorandum dated March 15, 1951, from Mr. Szymczak, recommending an increase in the basic salary of Earle J. Wade, Secretary to Mr. Szymczak, from \$4,700 to \$5,300 per annum, effective March 18, 1951.

Approved unanimously.

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

"Reference is made to your letter of February 28, 1951, submitting the request of the County Bank and Trust Company, Cambridge, Massachusetts, for approval of an additional investment in bank premises of \$175,000, for the purpose of renovating and improving its banking quarters.

"It is understood that the carrying value of the bank's investment in bank premises was \$133,900 on December 30, 1950, and the proposed additional investment would bring the total to an amount approximately \$8,900 in excess of its capital stock. It is noted, however, that the State Commissioner of Banks approved the proposed expenditure with the proviso that only \$150,000 of the amount expended be capitalized and that amortization of bank premises be at least twice that taken for income tax purposes for the next ten years.

"In the circumstances, and in view of your recommendation, the Board of Governors approves the additional expenditure as proposed provided the conditions imposed by the State banking authorities are met."

Approved unanimously.

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

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"This refers to your letter of March 8, 1951, in which it is recommended that the Board, pursuant to authority contained in section 21 of the Federal Reserve Act, waive the requirement for the submission and publication of a report as of December 30, 1950, of the Burlington Transportation Company, an affiliate of Bankers Trust Company, New York.

"We understand that this affiliation arose by reason of the acquisition by the trust company of the stock of the transportation company following a default in respect to loans to another corporation for which such stock was pledged as collateral, and disposal of the stock has been temporarily postponed pending conclusion of negotiations to obtain payment of the defaulted loans. It is noted that you have also recommended that the Board extend its general waiver provisions, as printed on form FR 220b, to include this and similar situations.

"The Board is not prepared at present to act on your recommendation for an amendment to the general terms of waiver. However, in view of the above-described circumstances and the lapse of time since the last call date, it appears that no useful purpose would be accomplished by requiring that the report be furnished and published. Therefore, the Board waives the requirement for the submission and publication by Bankers Trust Company of a report as of December 30, 1950, of the Burlington Transportation Company."

Approved unanimously.

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

"This refers to your letter of March 8, regarding the penalty of \$59.49 incurred by the Interboro Bank and Trust Company, Prospect Park, Pennsylvania, on a deficiency in its reserves for the period ended January 15.

"It is noted that the deficiency resulted from the fact that the maintenance of reserves did not receive proper attention during part of the period, due to the disappearance of the assistant treasurer; and that previously, as well as during the three completed reserve computation periods since January 15, the bank had excess reserves.

"In the above circumstances, the Board authorizes your Bank to waive the assessment of the penalty in this case."



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Approved unanimously.

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

"Reference is made to your letter of March 7, 1951, submitting the application of 'The Hibernia National Bank in New Orleans', New Orleans, Louisiana, for permission to create acceptance liability on drafts or bills of exchange to an amount not exceeding at any one time in the aggregate 100 per centum of its capital and surplus.

"Pursuant to the provisions of Section 13 of the Federal Reserve Act, the Board of Governors of the Federal Reserve System authorizes The Hibernia National Bank in New Orleans, New Orleans, Louisiana, to accept drafts or bills of exchange to an amount (which amount shall include any drafts and bills of exchange accepted by other banks for its account) not exceeding at any one time in the aggregate 100 per centum of its paid up and unimpaired capital stock and surplus, subject to the provisions of the Federal Reserve Act and the Board's Regulation C issued pursuant thereto.

"Please advise The Hibernia National Bank in New Orleans of the Board's action."

Approved unanimously.

Letter to Aurora National Bank, Aurora, Illinois, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

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"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, for  
transmittal through the Federal  
Reserve Bank of Chicago.

Letter to Mr. McCormick, Chairman of the Federal Reserve  
Bank of Richmond, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Richmond, made as of January 4, 1951, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also left for President Leach.

"The Board will appreciate advice that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination, or as to action taken or to be taken as a result of the examination, will also be appreciated."

Approved unanimously.

Letter to Mr. A. J. Gock, Chairman, Bank of America, c/o  
Bank of America National Trust and Savings Association, 300 Montgomery  
Street, San Francisco, California, reading as follows:

"There are enclosed two copies of the report of examination of Bank of America, New York, New York, made as of November 13, 1950, by examiners for the Board of Governors of the Federal Reserve System. The second copy of the report is for the information and files of Mr. Henry A. J. Ralph, Vice President and Manager in charge of the Home Office in New York.

"After the report has been presented to your directors for their consideration, please advise the Board of Governors regarding the actions taken or contemplated with respect to the recommendations and suggestions of the



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"examiner, particularly as set forth on pages 47-49. Any comments you may care to make with regard to the operations of the Bank as disclosed by the report of the examination will also be appreciated."

Approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington 25, D. C., reading as follows:

"Referring to your communication of March 15, 1951, requesting the views of the Board on the enrolled bill H. R. 2268, to authorize the payment of interest on Series E savings bonds retained after maturity, and for other purposes, you are advised that the Board has no objection to the approval of this bill by the President."

Approved unanimously.

Letter to Mr. Wilson Anderson, Secretary, Securities Investment Company, Securities Acceptance Building, Farnam at 18th Street, Omaha, Nebraska, reading as follows:

"The individual members of the Board of Governors have received your letters of March 8, 1951, in which you ask why we have Regulation W, especially since we now have price and wage control and allocations.

"As explained in our letter of March 13 to Mr. Clarence L. Landen, President and Treasurer of your Company, in answer to his letters of March 2, Consumer Credit--Regulation W is presently designed to reduce the money demand in the area represented by consumer instalment credit, at a time when the supply of consumer durable goods is insufficient to meet the demand. The fact that expansion of consumer instalment credit has been halted since the imposition of Regulation W would appear to indicate that the regulation has had a marked effect on consumer purchasing power. The reduction of demand in both the new and used automobile field has been reflected in the price of all automobiles. In the case of new automobiles this effect is noticeable in the

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"reduction of the number of 'extras' involved in new car sales particularly in November and December of 1950.

"The regulation is one part of the broad fiscal, monetary and credit program designed to restrain the inflationary pressures that result in higher prices and to facilitate diversion of critical material and manpower to military production. The Board is of the opinion that the regulation is presently making an important contribution to this program."

Approved unanimously.

Letter to Honorable William K. Divers, Chairman, Home Loan Bank Board, Washington, D. C., reading as follows:

"The Board in its letters of October 23 and November 22 and attached memoranda and its letter of November 30 outlined a uniform enforcement program in connection with the administration of consumer credit--Regulation W and residential real estate credit--Regulation X. This enforcement procedure contemplated the reporting of willful violations disclosed by your examiners.

"In placing the enforcement program in effect many of the Federal Reserve Banks have asked local offices of the cooperating supervisory agencies to furnish the Banks with additional information in connection with Regulations W and X Registrants subject to the supervision of the cooperating supervisory agencies: for example, not only the facts pertinent to willful violations but the total number of Regulation W or X Registrants examined during the current period together with an indication of the number of such examinations disclosing inadvertent violations. The Board believes this additional information to be of value not only to the Federal Reserve Banks but to the Board in discharging its credit regulation responsibility under the Defense Production Act of 1950.

"In this connection because both the enforcement and administration of the regulation have been decentralized among the twelve Federal Reserve Banks it is quite probable that the Federal Reserve Banks in requesting information from your local offices may not request quite the same information or ask that it be reported in quite the same way. It would, therefore, be helpful if your local offices could furnish the respective Federal Reserve Banks with this credit



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"regulation enforcement information in the manner requested by the Banks rather than under a single standardized form.

"In the interest of simplification and to avoid duplication, it would also be helpful if the credit regulation enforcement information could be made available to the Federal Reserve Banks in connection with all associations examined by the Home Loan Bank Board whether Federally chartered or insured State chartered under arrangements to be worked out with the related Federal Reserve Bank."

Approved unanimously, together  
with a similar letter to Honorable I.  
W. Duggan, Governor, Farm Credit  
Administration, Department of Agriculture,  
Washington, D. C.

Letter to Mr. Arthur J. Frentz, Assistant Commissioner,  
Federal Housing Administration, Washington, D. C., reading as follows:

"From time to time there are brought to the attention of the Federal Reserve Banks certain violations of Regulation W in connection with residential repair, alteration, or improvement contracts, such as shortages or the non-existence of down payments. In those cases where the contracts are FHA insured, there has been some question as to whether the violations should be called to the attention of the local FHA offices.

"This matter was the subject of a telephone conversation last week between your Mr. McIntosh and Mr. Heath of the Board's staff. At that time it was agreed tentatively, subject to your approval, that when such violations also constitute a violation of FHA insurance requirements, they be reported formally or informally by the Federal Reserve Banks or branches concerned to your local FHA offices.

"During the same telephone conversation it was agreed further that it would also be helpful if the arrangement just described could be a reciprocal one under which such violations of FHA insurance requirements coming to the attention of the local FHA offices could be reported to the appropriate Federal Reserve Bank or branch. Such a reciprocal arrangement should work to our mutual advantage.

"Your views in this regard will be much appreciated."

Approved unanimously.



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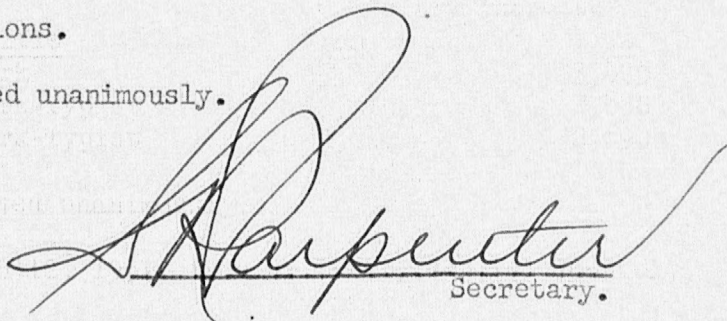
Telegram to Mr. DeMoss, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"Reurtel March 14, about building for newspaper printing. A structure used in the printing of a newspaper is exempt from Section 2(r)(5)(i) if at least eighty per cent of the floor space in the structure is used solely and exclusively in the actual printing of the newspaper."

Approved unanimously.

Memorandum dated March 16, 1951, from Mr. Sloan, Assistant Director of the Division of Examinations, recommending that the Chief Federal Reserve Examiner be authorized to use the same travel accommodations as are allowed assistant heads of divisions pursuant to the Board's Travel Regulations.

Approved unanimously.

  
Secretary.