

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, April 13, 1951.

PRESENT: Mr. Szymczak, Chairman pro tem.
Mr. Evans
Mr. Powell

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

Telegrams to the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on April 10, by the Federal Reserve Bank of Richmond on April 11, and by the Federal Reserve Banks of New York, Cleveland, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on April 12, 1951, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated April 11, 1951, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Mrs. Pauline E. Stanley, a clerk in that Division, be accepted to be effective, in accordance with her request, on April 15, 1951.

Approved unanimously.

Memorandum dated April 13, 1951, from Mr. Carpenter, Secretary of the Board, recommending an increase in the basic salary of Mrs. Aline L. Yates, Index Clerk in the Office of the Secretary, from

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\$3,600 to \$3,725 per annum, effective April 15, 1951.

Approved unanimously.

Letter to Mr. Boyd, Chief Examiner of the Federal Reserve Bank of Cleveland, reading as follows:

"Referring to your letter and recommendation of April 9, 1951, the Board of Governors extends until November 1, 1951, the time within which The Central Trust Company, Cincinnati, Ohio, may establish the branch in North College Hill, Hamilton County, Ohio, as approved by the Board under date of November 7, 1950."

Approved unanimously.

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

"In view of the recommendation contained in your letter of April 7, 1951, the Board of Governors further extends until July 1, 1951, the time within which the American Trust Company, San Francisco, California, may establish the branch at Twelfth and K Streets, Modesto, California, as approved by the Board August 1, 1950."

Approved unanimously.

Letter to the Honorable Harry P. Cain, United States Senate, Washington, D. C., reading as follows:

"This refers to your letter of April 3, 1951, with which you enclosed a copy of a resolution adopted March 13 by the Washington Association of Roofing Siding and Insulation Contractors, Inc., regarding the present credit terms of Regulation W, particularly as they pertain to home improvements and repairs.

"One of the major problems involved in administering a regulation such as this is to make it restrictive enough so that it will be effective in accomplishing

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"its purposes, and at the same time keep it from being an excessive burden on the people who are subject to it. The possibility of hardship in cases of necessitous home repairs was recognized by the Board when it provided a down payment of 10 per cent and maximum maturity of 30 months for this type of credit as against substantially larger down payments and a maximum maturity of 15 months for other listed articles.

"The Board has felt that relatively tight terms for instalment credit are required at present in order to help restrain the strong inflationary pressures that are tending to raise the prices of all goods and services. As you know, the major purpose of the regulation is to curb the increased purchasing power that results from the expansion of instalment credit, particularly in this emergency period when the production of consumer goods is being restricted. A further purpose is to facilitate the diversion of critical materials and labor to military production.

"The staff is continually studying the effects of the regulation and is interested in receiving for consideration information such as that presented in the resolution. While a relaxing of the terms has not appeared to be appropriate at this time, the flexible nature of the regulation will allow us to relax or tighten the terms if and when such action is deemed necessary in the interests of the national defense. The resolution is returned herewith for your files and we appreciate your interest in referring it to us for consideration."

Approved unanimously.

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

"In the interest of coordinating activities of the Federal Reserve System under the Regulation W enforcement program with related activities of the Federal Housing Administration, arrangements have been made with officials of the FHA for an informal exchange of pertinent information between the Federal Reserve Banks or branches and the local FHA offices.

"Under these arrangements it is contemplated that

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"consequential violations of the down payment or maturity provisions of Regulation W, disclosed during the course of regular investigations of Regulation W Registrants by Federal Reserve investigators in connection with paper submitted for FHA insurance, will be reported as they are detected by the Federal Reserve Bank or branch to the local FHA office for whatever use or disposition the FHA office may care to make. Similarly, violations of the down payment or maturity restrictions coming to the attention of the local FHA offices will be made available to the nearest Federal Reserve Bank or branch. For your information there is enclosed a copy of a letter the FHA is sending to its local offices.

"As indicated in the attached FHA letter, you will receive from time to time copies of precautionary measures letters. A complete list of dealers made the subject of previous precautionary measures letters by the FHA can be obtained from the local FHA insuring offices. In connection with this coordination program you may find it helpful to have one of your Regulation W representatives call on the local FHA director at the time of your next scheduled visit to one of the FHA insuring office cities.

"The FHA insuring offices have been furnished with a list of the Federal Reserve Bank or branch officers in charge of Regulation W. A list of the names and addresses of local FHA directors as well as a map of FHA field office jurisdiction is enclosed for your information and guidance in supplying the subject information to the respective insuring offices."

Approved unanimously.

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

"An organization subject to Regulation W solely because it is engaged in the business of leasing automobiles or other listed articles should file a Registration Statement as required in section 2(b). Such businesses should use the Registration Statement form for instalment sellers. Under III, 'Principle business of Registrant', such a Registrant

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"should check Item 9 and specify 'lessor--automobiles' (or '--household appliances', '--furniture', etc., as the case may be). The following numbers should be used in coding these Registrants: 40--Lessors of automobiles, 41--Lessors of household appliances, radios, and television sets, 42--Lessors of furniture, and 43--Lessors of other goods.

"In completing section IV,A, of the Registration Statement, line 1, 'Total net retail sales' should be changed to read 'Total income from leases' and the amount of receipts from leases, including all net (unrefunded) deposits, during the 12 months ended September 30, 1950 (or other convenient later date) should be entered. On line 2(b)(2) the amount of leases sold or assigned to banks or other financing institutions should be entered. The information called for in lines 2(a), 2(b)(1), 2(c), and 2(d) need not be furnished. Section IV, B, line 3, 'Total retail receivables owned', should be changed to read 'Total leases or rental contracts owned' and the Registrant should report the amount of the unpaid balances on all leases or rental contracts held by the lessor and not assigned, sold, or discounted to others with or without recourse. The information called for in lines B, 4(a), (b), and (c) need not be furnished."

Approved unanimously.

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

"Inquiries have been received concerning the application of Regulation W to the leasing of listed articles for indefinite periods at uniform, monthly rentals payable in advance. Either the lessor or the lessee may terminate the lease by giving a 30-day advance notice, and the lessor may terminate the lease at will and repossess the article for default of the lessee, such as failure to pay the monthly rental or negligent care or use of the article leased.

"The Board is of the view that such leasing arrangements are subject to Regulation W and do not qualify for exemption under section 7(1) thereof.

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"In some cases the listed article leased on the above basis may have a bona fide value of less than \$50. If so, no down payment or deposit would be necessary in view of the present dollar figure in Part 1 of the Supplement. In any such case where the value is less than \$50, the payment provisions of the regulation would be met if the scheduled rental payments were not less than \$5.00 per month or \$1.25 per week. Such minimum rate of payment, however, would not be required beyond the time when the sum of the rental payments would equal the value of the article leased plus any charges for such items (or their equivalents) that are specified for inclusion in the time balance by section 6(c)(4) in the case of an instalment sale. Of course, as indicated in S-1277 (W-135), the lessor may return to the lessee any portion of the rental payments when the article is returned and the lease terminated; and the lease may provide in advance for such refunds."

Approved unanimously.

Letter to Mr. Harry E. Ward, Long Beach Radio Technicians Association, Inc., Long Beach, California, reading as follows:

"This is in reply to your letter dated March 30, 1951, relative to the provisions of consumer credit control under Regulation W.

"The provisions of the regulation are constantly being studied by the Board's staff and the Federal Reserve Banks with a view toward keeping them adapted to current economic and credit conditions. It will no doubt be of interest to the members of your association to know that we recently met with representatives of the radio and television field, at their request, to allow them to present information regarding conditions in the trade.

"In its administration of Regulation W under the Defense Production Act of 1950 the Board must consider not only the supply-demand conditions in markets for specific regulated articles, including radio and television sets, but also the general inflationary pressures in the economy as a whole. A major purpose of the regulation is to curb instalment credit. If

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"the regulation is to be effective in this time of serious inflationary dangers, it must have a definite restrictive effect in this credit field.

"We appreciate your forwarding your comments to the Board and you may be certain that the Board will continue to study the regulation in the light of all the facts which come to its attention."

Approved unanimously.

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

"Prior to issuance of S-1297 (W-139), consideration was given to allowing value for radio and heater to be added to appraisal guide value of used cars for purpose of computing maximum loan value. This change would have eliminated the inconsistency which appears to exist due to OPS ruling that certain values may be added for used cars equipped with radios and heaters.

"For your confidential information, our decision not to make this change was based principally on the following points:

(1) Available data indicated more than half of used cars had radios and heaters; (2) average retail values shown in January 1951 appraisal guides already included any value allowed for such installed radios and heaters; (3) after cars become a few years old, any actual value remaining in a radio or heater is negligible compared with difference in car value based on condition of the car, mileage, etc.; (4) the degree of confusion between the OPS and W provisions probably is exaggerated; the same situation arose before price ceilings when the cash price was higher than the appraisal guide value. OPS has indicated, unofficially, that at such time as they might issue dollars and cents ceilings for used cars, they will consider eliminating added value for these items."

Approved unanimously.

Memorandum dated April 12, 1951, from Mr. Hooff, Assistant

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Counsel, recommending that there be published in the law department of the April issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following:

Delegation of Functions under Defense Production Act
Executive Order No. 10223 (S-1287-a)

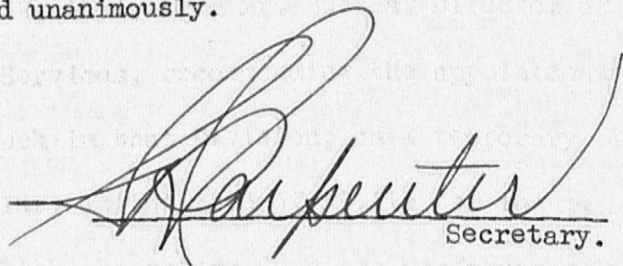
Real Estate Credit
Amendments to Regulation X
Participating Share in Cooperative Development (X-40)

Loan Guarantees for Defense Production
Amendment to Regulation A (S-1290)
National Bank Loan Limitations (S-1299)

Consumer Credit
Automobile Appraisal Guides (W-139)

Common Trust Funds
Valuation of Nonmarketable United States Bonds (S-1289-a)

Approved unanimously.


Secretary.