Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 10, 1951. The Board met in the Board Room at 10:40 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Thomas, Economic Adviser to the Board
Mr. Leonard, Director, Division of Bank Operations
Mr. Townsend, Solicitor
Mr. Chase, Assistant Solicitor

Mr. Evans stated that he had reviewed the enforcement program for Regulation W, Consumer Credit, and that he would like Mr. Townsend to comment on it so as to acquaint the other members of the Board with the current situation and additional types of action contemplated.

Mr. Townsend said that more than 20 cases under the current regulation had been referred to the Board by the Federal Reserve Banks with recommendation for enforcement action, that there appeared to be considerable divergence among the Reserve Banks in their approach to investigation and enforcement methods, and that he expected to present specific recommendations to the Board within the next few weeks with respect to an integrated program which would achieve maximum results. Mr. Townsend went on to say that based on the number of cases thus far referred to the Board, such a program might ultimately necessitate an

increase in the staff in the Office of the Solicitor.

Referring to the action taken by the Board on May 8, 1951, authorizing the referral to the Department of Justice of a case involving apparent collusion between Public Loan Corporation and Herman Bryan Hamric, an automobile dealer in San Francisco, California, to violate the Regulation, Mr. Townsend said that yesterday he and Messrs. Evans, Chase, and O'Keefe (a member of the staff of the Federal Reserve Bank of New York who was assisting the Board on a temporary basis), visited the Criminal Division of the Department of Justice at which time they discussed the case in general terms with the staff of the Defense Production Section of that Division, and that on the basis of that conversation he anticipated that the United States Attorney in San Francisco would be instructed by the Department of Justice to proceed to prosecute the case. In the future, Mr. Townsend said, if the Board took action to refer other cases to the Department of Justice for possible criminal prosecution, the Office of the Secretary would address a formal letter to the Attorney General transmitting a criminal reference report prepared in the Office of the Solicitor requesting the Attorney General to take such action as his Department deemed appropriate.

Mr. Townsend stated that in addition to the two methods thus far employed by the Board for enforcing the Regulation, (i.e. injunctive proceedings and reference of cases to the Attorney General for possible criminal

prosecution), a third possible enforcement measure would be the institution by the Board of administrative proceedings, particularly in cases where an injunction seemed too mild but the facts of the case did not indicate that criminal action would be warranted. The objective of an administrative proceeding, Mr. Townsend said, would be to determine whether, on the basis of evidence presented, suspension by the Board of the license of the registrant would be warranted. Such a proceeding, Mr. Townsend explained, would be handled in conformity with the requirements of the Administrative Procedures Act, and a hearing would be held before a trial examiner appointed by the Board in accordance with the provisions of that Act. The examiner, he said, might be a member of the Board designated for the purpose; otherwise, since the Board did not have a full-time examiner for that purpose one would have to be chosen from a roster maintained by the Civil Service Commission. The examiner, after hearing the case, would present his findings and recommendations to the Board and the Board would then determine whether the license of the registrant should be suspended. Use of this procedure was suggested by the Federal Reserve Bank of Philadelphia in a case recently submitted by that Bank involving apparent violations of Regulation W by H. Bartels, Inc., a furniture and appliance seller located at 52nd and Market Streets, Philadelphia, Pennsylvania, Mr. Townsend said, and after reviewing the facts of the case as presented by the Philadelphia Bank in correspondence and in telephone conversation he felt that an administrative proceeding

would be the most appropriate of the enforcement measures available.

Mr. Heath, Acting Assistant Director, Division of Selective Credit Regulation, joined the meeting at this point.

During a discussion of the advisability of instituting administrative proceedings as an alternate enforcement procedure, Mr. Vardaman said that he would be opposed to such a practice, that he felt responsibilities for enforcing Regulation W should not rest with the Board, that in so far as the Board took action for enforcing the Regulation it should use the injunctive procedure, that if an investigation disclosed facts which might warrant criminal prosecution the case should be referred to the Department of Justice, and that otherwise no action should be taken. He added that there were an estimated 164,000 registrants under Regulation W, that a large staff might have to be built up within the Board and the Reserve Banks to handle violations if administrative proceedings were decided upon, and that he felt it was not a proper function of the Board to act as a police agency.

During the ensuing discussion, Mr. Townsend stated that if the Board were to use the authority given it for suspending a license of a registrant, it would first have to proceed to hold a hearing in accordance with the Administrative Procedures Act.

Mr. Powell questioned the desirability of using the administrative hearing procedure, stating that he would prefer not to have such

authority in the Board, but that since the Board had been given the responsibility he felt it might be appropriate to use such a procedure in the case submitted by the Philadelphia Bank.

> Following the discussion, during which a majority of the members present indicated the opinion that administrative proceedings along the lines proposed by Mr. Townsend would be proper in certain cases, upon motion by Mr. Evans, approval was given to the institution of an administrative proceeding in order to determine whether, on the basis of the evidence disclosed in a hearing, the license of H. Bartels, Inc., Philadelphia, Pennsylvania, a registrant under Regulation W, Consumer Credit, should be suspended. On this action Mr. Vardaman voted "no".

At this point Messrs. Chase and Heath withdrew.

Mr. Evans referred to the monthly reviews and other publications of the Federal Reserve Banks and raised the question whether the expenditure of time and the cost involved in their preparation and distribution was justified. Mr. Evans then inquired whether the articles contained in Reserve Bank publications were submitted to the Board for review in advance of publication, and in response Mr. Thomas stated that while the contents of the publications were the direct responsibility of the respective Reserve Banks, it was the general practice to submit them to the Board's staff for suggestions. This review by the Board's staff,

Mr. Thomas pointed out, comprised a general review of the subject matter, but did not include a detailed check of the accuracy of factual statements contained in the articles.

During a discussion of Mr. Evans' remarks, reference was made to the study which the Board requested the Personnel Committee to make of Board and Reserve Bank publications early last year, and to the recommendations in the Personnel Committee's report which was approved by the Board on June 1, 1950.

In a further discussion it was suggested that some person from outside the System might be requested to survey the entire field of Board and Reserve Bank publications with a view to determining their usefulness and ways in which they might be revised to the best advantage of the System, but no conclusion was reached regarding this suggestion.

Mr. Evans stated that he had also been reviewing the agricultural research activities of the Federal Reserve Banks, and that in his opinion, instead of interpreting the System, its activities, and its functions to farm groups, the Reserve Banks were devoting too much time to compiling and distributing material already available from other Governmental sources.

Following a discussion of this comment it was understood that the Personnel Committee and Mr. Powell would look into the matter and make a recommendation to the Board.

At this point all of the members of the staff with the exception of Messrs. Carpenter, Sherman, and Kenyon 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 May 9, 1951, were approved unanimously.

Memorandum dated May 3, 1951, from Mr. Marget, Director of the Division of International Finance, recommending the appointment of Charles N. Henning as an Economist in that Division, on a temporary indefinite basis, with basic salary at the rate of $7,600 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved, Mr. Vardaman voting "no".

Memorandum dated May 7, 1951, from Mr. Vest, General Counsel, recommending the appointment of Robert S. O'Shea as a Law Clerk in the Legal Division, on a temporary indefinite basis, with basic salary at the rate of $4,200 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated May 7, 1951, from Mr. Sloan, Assistant Director of the Division of Examinations, recommending the appointment of Miss Catherine Jean Callovini as a Clerk-Typist in that Division, on a temporary indefinite basis, with basic salary at the rate of $2,450 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memoranda from Mr. Leonard, Director of the Division of Bank Operations, recommending increases in the basic annual salaries of the following employees in that Division, effective May 13, 1951:

Date of Memorandum and Name	Title	Salary Increase From	To
5/7/51 Carrie Turner	Clerk-Stenographer	$2,970	$3,115
5/8/51 Mrs. Pearl S. Wade	Clerk-Stenographer	2,970	3,115

Approved unanimously.

Memorandum dated May 7, 1951, from Mr. Kelleher, Assistant Director of the Division of Administrative Services, recommending that the resignation of Miss Janet Thompson, a Page in that Division, be accepted to be effective, in accordance with her request, at the close of business May 25, 1951.

Approved unanimously.

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

"This refers to your letter of May 2 relating to the report of condition as of April 9, 1951, as published by the Union Bank and Trust Company of Los Angeles, California.

"Since the inclusion of the name of the attesting officer in the list of attesting directors was merely by publisher's error, and the published report was attested by three others who are directors of the bank, we agree with you that republication of the report should not be required."

Approved unanimously.

Letter to Mr. Christian C. Luhnow, Editor and Publisher, Trusts and Estates, 50 East 42nd Street, New York, New York, reading as follows:

"This refers to your letter of February 15, 1951, addressed to Mr. Masters, regarding your desire for an official letter or other statement from the Board of Governors of the Federal Reserve System which will provide authoritative basis for those banks, operating common trust funds under the provisions of the Board's Regulation F, to furnish data and information relative to such funds for your use in compiling analytical summaries and supporting material for publication in your journal, Trusts and Estates.

"A review of the facts and circumstances outlined in your letter of February 15 and reconsideration of various aspects of this general problem in light of the restrictions relating to publication contained in Subsections (a) and (c)(3) of section 17 of Regulation F do not seem to provide a basis for change in the view, previously expressed by the Board in its letter to you dated June 8, 1950, that it would be inappropriate for it to furnish or to publish a letter for the purposes you have in mind. The Board is still of the opinion that the import of a letter of this kind might be misunderstood or misinterpreted to the end that the desirable effects of the restriction upon publication of information contained in audit reports of common trust funds could be weakened or negated, and that publication

"of information concerning earnings realized on common trust funds or values of assets or units of participation thereof, even though these are presented in composite form and in such manner as to conceal the identity of the individual funds involved, could lead to inaccurate and unfair comparisons and conclusions. As you know, the Board has not taken objection to the publication of general summaries relating either to the composition of common trust funds by classes and types of investments or to the aggregate of dollars or numbers of fiduciary accounts invested in such funds.

"In view of the increasing importance of common trust funds in corporate fiduciary administrative practice, evidenced by the substantial increase in recent years both in the number of such funds established and in the aggregate amount of fiduciary funds invested therein, the Board plans to carefully and fully reexamine the many questions concerned with the publicizing of data of various kinds relative to the operation and administration of common trust funds. In this endeavor, the Board will seek to obtain the views of leading trustmen and of Federal and State bank supervisory agencies which have an interest in this problem. Upon consummation of such a study a further statement of the Board's views relative to this matter may be found desirable. In the meantime we do not feel that we can furnish you with the letter or statement of authorization which you have requested."

Approved unanimously.

Letter to Mr. James D. Secrest, General Manager, Radio-Television Manufacturers Association, 1317 F Street, N. W., Washington, D. C., reading as follows:

"The Board has given careful consideration to the information and views that you and your associates have presented in requesting a relaxation of Regulation W as it applies to instalment sales of television sets. We appreciate the time and interest that you have taken to inform the Board in our meetings of March 23 and April 26, and in your letters of April 9 and April 17, 1951.

"In your letter of April 9 you stated that 'our request for an amendment to Regulation W is based primarily

"'on the fact that the present application of Regulation W is discriminatory in favor of the automobile industry and against the television industry.' In this connection, we should like to point out that the present trade-in rules under the regulation have been in effect ever since Regulation W was first issued by the Board in 1941. For reasons that have seemed to be compelling, the approach to the regulation of automobile instalment credit has been and is different from the approach in the appliance and furniture areas.

"The regulation does not, of course, prohibit the acceptance of a trade-in on television sets or appliances. Dealers are free under the regulation to allow trade-ins and to give them any value they wish as a deduction from the cash price of the article sold. The trade-in provision merely requires that the down payment in the case of articles other than automobiles be computed as a percentage of the net price after deducting any trade-in value.

"The Board recognizes that the down payment requirement is less restrictive in the case of automobile instalment sales than it is for other articles. This is largely because the majority of automobile sales traditionally involves the trading-in of an older automobile (in many cases the value assigned to this trade-in represents as much as 50 per cent of the price of the automobile being purchased). In recognition of this established trade practice the regulation has been designed to have its restrictive effect through the length of time the buyer can take to pay for his car. Because of the relatively large size of the average automobile instalment contract, variations in maturity have a substantial effect on the size of the monthly payment which the purchaser must make, and consequently on the restrictive effect of the regulation.

"In the case of appliances and other listed articles, the regulation has depended on the down payment requirement for the greater part of its restrictive effect. This approach seems to be realistic because the monthly payment on the average instalment note for such articles is so small that differences in maturities have little effect on the ability of the purchaser to meet monthly payments. Further, as a matter of trade practice in the appliance and television field, trade-ins are very often a sales promotion device in the form of a token allowance or discount. Adoption of the automobile trade-in rule for appliances would tend to nullify the down payment requirement in the appliance field.

"The monthly payments required under the present 15 months maturity limitation tend to make the regulation as restrictive in the automobile area as it is for other listed articles even though the down payment requirement is itself less restrictive. An amendment that allowed trade-ins to count as part or all of the down payment for articles other than automobiles would constitute a material relaxation of the regulation.

"Mr. McDaniel in his memorandum of April 26 suggested that the minimum down payment requirement on television sets should be reduced to 15 per cent to make this provision consistent with that provided for household furnishings. As the Board's staff pointed out in the meeting with you on April 26, the Board has felt that a somewhat less restrictive down payment requirement was justified in the case of furniture because purchases of these articles are often less deferrable than purchases of television sets and appliances.

"Although the Board recognizes that there has recently been a marked softening of demand for television sets, compared with the heavy buying wave during December and January, it doubts that the restrictions of Regulation W have been the dominant factor in this relative slackening of demand for such sets. The phenomenal expansion of television production and sales in the relatively short span of the past few years raises a question as to whether there may now be a temporary condition of near-saturation of existing major markets. Also, many potential purchasers in the existing major markets probably are deferring purchases for one reason or another, such as the expectation of further price reductions as present inventories are liquidated, or the imminence of ultra-high frequency television. In so far as Regulation W is not the cause of the reduction in sales of television sets, a relaxation of the requirements of the regulation could not reasonably be expected to solve the problem.

"In administering Regulation W the Board makes every practicable effort, consistent with the purposes of the regulation, to avoid disturbing established competitive relationships between sellers of the different regulated articles. To some extent all of the listed articles compete with each other for a share of the consumer's disposable income. This is especially true among the various articles listed in Group B. A major relaxation for one regulated article -- such as allowing trade-ins

"to be counted as down payments on television sets -- would tend to create important competitive inequities unless there was also such an equivalent relaxation for competing articles as to amount to a general relaxation that would tend to nullify the effectiveness of the regulation.

"The consumer credit regulation must be restrictive, of course, if it is to accomplish its major purpose of helping to restrain general inflationary forces by curbing consumer instalment credit. While the Board does not wish to be excessively restrictive in the case of individual articles or industries, nevertheless in carrying out its responsibilities under the Defense Production Act it must at the same time consider the necessity for curbing the inflationary effect of instalment credit in the interests of the country as a whole in this period of national emergency.

"The Board has therefore decided, on the basis of the considerations outlined above, against granting at this time your request for a relaxation of the requirements of Regulation W as they relate to the instalment sale of television sets."

Approved unanimously, together with similar letters to Mr. Edwin A. Dempsey, Executive Director, National Television Dealers Association, Inc., 402-3 Washington Building, Washington, D. C., Mr. David Lasser, International Union of Electrical Radio and Machine Workers, C. I. O., 734 15th Street, N. W., Washington, D. C., and Mr. Bruce Waybur, United Electrical, Radio and Machine Workers of America, 1000 11th Street, N. W., Washington, D. C., and a statement for the press reading as follows:

"The Board of Governors of the Federal Reserve System has recently held a number of consultations with representatives of the television industry including manufacturers, dealers, and labor unions who sought relief from the provisions of Regulation W. After careful consideration of the information and views presented by industry representatives, the Board concluded that modification at

"this time of the provisions applying to the instalment financing of television sales would not be consistent with the purpose of the regulation in restraining the growth of consumer instalment credit.

"Although the Board recognizes that there has been a general softening in the markets for consumer durable goods following the heavy buying wave of last December and January, nevertheless, in the light of general economic and credit conditions, the requested relaxation of the regulation at this time does not appear to be in the interest of the national defense program."

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

"Reurtel April 27 about air conditioning. Section 2(g) Regulation X defines major addition and major improvement as including that which becomes or is to become physically attached to and a part of the structure. In your first problem, air conditioning units are to be attached to special plumbing and wiring installed to make air conditioning system operative. In this case, the entire system, including cooling tower, special wiring, plumbing, and probably duct work, and eleven air conditioning units, is an entire installation, each part being essential to the operation of the whole. Not to include the air conditioning units would be somewhat the same as excluding ordinary boiler and furnace from a building heating system. Entire installation, including eleven air conditioning units, therefore, is major improvement subject to regulation if cost tests are met. If air conditioning units are to be attached only by a rubber hose to ordinary water outlets, and only ordinary wiring connections are to be used, then it would seem that they are not a major improvement subject to the regulation. It seems extremely unlikely, however, that an installation of the second type you describe could be efficiently operated under such conditions, and we were so advised by industry representatives in connection with the exemption of larger units from Regulation W. In the circumstances, we believe installation in your problem number two should be considered major improvement if within cost test, unless facts are shown to be different from what we understand them to be in such cases."

Approved unanimously.

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

"This refers to your letter of April 28 concerning a request for exemption from Regulation X submitted by Mr. John A. Paap on behalf of his client, Mrs. Bertha Henningsen.

"While we are entirely sympathetic to Mrs. Henningsen's problem, we can see no way of solving it by way of a special exemption. On the other hand, we are sure you will agree that it is not desirable at this time to reopen Section 5(g) to all cases of this kind.

"The Board has stated in its telegram of February 16, 1951 (X-30) that it will offer no objection if the Reserve Banks accept statements of oral commitments after January 1, 1951, where advisable for reasons of equity. If Mrs. Henningsen could demonstrate that she had obtained an oral commitment before October 12, she could obtain an exemption under this provision."

Approved unanimously.

Letter to Mr. Debus, Assistant Cashier of the Federal Reserve Bank of Kansas City, reading as follows:

"This refers to your letter of April 26 to Mr. Benner concerning an inquiry of the Cook Paint & Varnish Company, Kansas City, Missouri, about Regulation X.

"The regulation, as you know, does not apply to credit in connection with structures in which more than 80 per cent of the floor space is used or designed for use in processing materials, goods, or articles into finished or partly finished manufactured products. Generally speaking, it applies to warehouses unless essential to the processing operation and an integral part thereof. (See the Board's letters X-32 and X-39.)

"As we understand the plans of the Cook Paint & Varnish Company, the new building is to be used by the Wallpaper and Floor Covering Departments. The important consideration, therefore, would seem to be the exact use of the new building. If 80 per cent of the floor space is used in manufacturing, or if the building is an integral part of and essential to the processing operation,

"it would not be covered by the regulation. We do not possess the necessary information to state definitely whether or not this is the case. On the basis of information which you have provided, we would be inclined to believe the regulation would apply."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks except Boston, Richmond, and San Francisco, reading as follows:

"In 1929 an arrangement was made for the establishment at the Bureau of Engraving and Printing of a reserve stock of 4,250,000 sheets of Federal Reserve notes in process. The plan was submitted to your Bank with our letter of October 25, 1929. After acceptance by the Federal Reserve Banks, the Board approved the arrangement, which was confirmed in the Board's letter of December 2, 1929, to the Secretary of the Treasury, a copy of which was sent to your Bank with our letter of the same date (X-6431).

"In accordance with this arrangement, your Bank was assessed its share of the cost of the reserve stock on May 9, 1930, as shown in the attached statement.

"The Treasury Department has advised us that, in connection with the printing of 1950 Series notes, it is no longer necessary to maintain stock in process for each denomination for the respective Federal Reserve Banks, i.e., with the Bank identification, which is now overprinted at the same time as the serial numbers; also, that since the reserve stock for the previous series of notes has been liquidated, the Bureau desires to refund the amount invested by the Banks in the reserve stock in 1930. It is proposed to effect the refund by deducting the amount paid in 1930 from your Bank's bill for finished Federal Reserve notes delivered during the current month.

"As you know, completed notes supplied by the Bureau of Engraving and Printing are charged for at a rate based on the current production cost, and the reserve stock of work in process has been maintained in the quantities and denominations originally specified. While there was never any agreement regarding eventual disposition of the amount paid for this reserve stock, the method proposed by the Treasury appears to be a fair one, and it will be appreciated if you will advise the Board whether it is satisfactory to your Bank."

Approved unanimously,
together with similar letters
to the Presidents of the Federal Reserve Banks of Boston,
Richmond, and San Francisco.

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

"This refers to your letter of April 23, 1951, enclosing correspondence between your Bank and the First National Bank of Portland, Portland, Oregon, with respect to the transfer at par value of non-marketable 2-3/4 per cent Treasury bonds from individual trusts to a common trust fund in exchange for participations therein.

"It is noted that you have advised the bank of the Treasury Department ruling to the effect that the Department does not object to such a transfer of these bonds. A similar ruling was contained in Public Debt Bulletin No. 21 of March 6, 1945, with respect to the transfer of Series F or G savings bonds. The Bureau of Public Debt has prepared forms for this purpose which your Bank, as fiscal agent, probably can supply.

"Although it is provided in section 17 of Regulation F that a common trust fund is a fund maintained exclusively for the collective investment and reinvestment of 'moneys contributed thereto' by the bank in its trust capacity, the Board will not object to the direct transfer at par value of United States savings bonds and the recently issued 2-3/4 per cent nonmarketable Treasury bonds from individual trust estates to a common trust fund in exchange for participations therein."

Approved unanimously,
with the understanding that
the Presidents of all Federal
Reserve Banks would be advised
of this action by letter.

Memorandum dated April 19, 1951, from Mr. Carpenter, Secretary of the Board, submitting drafts of entries for the record maintained

by the Board, in accordance with the provisions of the last paragraph of section 10 of the Federal Reserve Act, with respect to the policy actions taken by the Board of Governors of the Federal Reserve System during the year 1950.

Approved unanimously.

Memorandum dated April 19, 1951, from Mr. Carpenter, Secretary of the Board, stating that replies had been received from the representative members of the Federal Open Market Committee in response to the Board's request for their comments and suggestions regarding the policy record of the Federal Open Market Committee covering the year 1950, and recommending that the revised draft of the open market policy record attached to the memorandum be approved with the understanding that it would be published in the appendix of the annual report of the Board for 1950.

Approved unanimously.

Memorandum dated May 10, 1951, from Mr. Townsend, Solicitor, stating that the Federal Reserve Bank of Chicago had reported that Atlas Furniture Company, Detroit, Michigan, a registrant under Regulation W, Consumer Credit, engaged in the business of selling furniture and appliances, appeared to have violated the Regulation through misuse of Section 6(g) by selling sets of furniture as individual items and by attempting to conceal the violation by maintaining misleading records; and recommending that in accordance with the recommendation of the

Reserve Bank the Board authorize the issuance of an order as follows for investigation of the concern mentioned with a view to obtaining an injunctive decree against continuing violations of the Regulation:

"UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
At a meeting of the Board of Governors of the Federal Reserve System held at its offices in the City of Washington, D. C., on the 10th day of May, A. D., 1951.

In the Matter of ATLAS FURNITURE COMPANY

ORDER DIRECTING INVESTIGATION AND DESIGNATING OFFICERS TO TAKE TESTIMONY.

I

Members of the staff of the Federal Reserve Bank of Chicago have reported information to that Bank, which that Bank has transmitted to the Board, which tends to show that:

Atlas Furniture Company of Detroit, Mich., has made instalment sales of home improvements subject to Regulation W, consumer credit:

1. Without obtaining the down payment required by Regulation W;
2. Without maintaining and preserving such books of account, records and other papers as are relevant to establishing whether or not credit extended by it is in conformity with the requirements of said Regulation.

II

The Board having considered the aforesaid report by members of the staff of the Federal Reserve Bank of Chicago, and for the purpose of (1) determining whether Atlas Furniture Company has violated the provisions of Regulation W and (2) aiding in the enforcement of said Regulation, deems it necessary and appropriate that an investigation be made to determine whether Atlas Furniture Company has engaged in the acts and practices set forth in paragraph I hereof, or any acts and practices of similar purport or object.

III

IT IS ORDERED, pursuant to Section 604 of the Defense Production Act of 1950 that an investigation be made to determine the matters set forth in paragraph II hereof.

IT IS FURTHER ORDERED, pursuant to the provisions of Section 604 of the Defense Production Act of 1950 that for the purpose of such investigation G. Howland Chase, Paul C. Hodge

"and Gordon Lamphere, and each of them, is hereby designated an officer of the Board and empowered to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, or other records deemed relevant or material to the inquiry, and to perform all other duties in connection therewith as authorized by law.

By the Board.

(signed) S. R. Carpenter,
Secretary."

Approved unanimously, with the understanding that if circumstances should warrant taking other action, a further recommendation would be presented to the Board.

Memorandum dated May 10, 1951, from Mr. Townsend, Solicitor, stating that the Federal Reserve Bank of Chicago had reported that Illinois Improvement Company, Peoria, Illinois, a registrant under Regulation W, Consumer Credit, engaged in the business of making home improvements, appeared to have violated the Regulation by failing to receive the required down payment, and had attempted to conceal the facts by maintaining inadequate records; and recommending that in accordance with the recommendation of the Reserve Bank the Board authorize the issuance of an order as follows for investigation of the concern mentioned with a view to obtaining information upon which to base a future course of action:

"UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
At a meeting of the Board of Governors of the Federal Reserve System held at its offices in the City of Washington, D. C., on the 10th day of May, A. D., 1951.

"In the Matter of

ILLINOIS IMPROVEMENT COMPANY

ORDER DIRECTING INVESTIGATION AND DESIGNATING OFFICERS TO TAKE TESTIMONY.

I

Members of the staff of the Federal Reserve Bank of Chicago have reported information to that Bank, which that Bank has transmitted to the Board, which tends to show that:

Illinois Improvement Company has made instalment sales of home improvements subject to Regulation W, consumer credit:

1. Without obtaining the down payment required by Regulation W;
2. Without maintaining and preserving such books of account, records and other papers as are relevant to establishing whether or not credit extended by it is in conformity with the requirements of said Regulation.

II

The Board having considered the aforesaid report by members of the staff of the Federal Reserve Bank of Chicago, and for the purpose of (1) determining whether Illinois Improvement Company has violated the provisions of Regulation W and (2) aiding in the enforcement of said Regulation, deems it necessary and appropriate that an investigation be made to determine whether Illinois Improvement Company has engaged in the acts and practices set forth in paragraph I hereof, or any acts and practices of similar purport or object.

III

IT IS ORDERED, pursuant to Section 604 of the Defense Production Act of 1950 that an investigation be made to determine the matters set forth in paragraph II hereof.

IT IS FURTHER ORDERED, pursuant to the provisions of Section 604 of the Defense Production Act of 1950 that for the purpose of such investigation G. Howland Chase, Paul C. Hodge and Gordon Lamphere, and each of them, is hereby designated an officer of the Board and empowered to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, or other records deemed relevant or material to the inquiry, and to perform all other duties in connection therewith as authorized by law.

By the Board.

(signed) S. R. Carpenter,
Secretary."

Approved unanimously, with the understanding that if circumstances warranted taking other action, a further recommendation would be presented to the Board.

Secretary.