

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, May 15, 1951. The Board met in the Board Room at 2:40 p.m.

PRESENT: Mr. Martin, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Norton
Mr. Powell

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Murff, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Thomas, Economic Adviser to the Board
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Hilkert, Acting Director, Division of Personnel Administration
Mr. Noyes, Director, Division of Selective Credit Regulation
Mr. Allen, Assistant Director, Division of Personnel Administration
Mr. Smith, Special Counsel

Mr. Hodge, General Counsel of the Federal Reserve Bank of Chicago, who was acting as technical adviser to the Hearing Officer in connection with the Clayton Act proceeding against Transamerica Corporation, also was present.

Mr. Evans referred to the discussion at the Board meeting on April 12, 1951, concerning the Clayton Act proceeding against Transamerica Corporation at which time he stated that he intended to present to the Board for consideration a schedule for completion of the hearings. Mr. Evans

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said that thereafter he requested Mr. Hodge to study a possible time schedule and that Mr. Hodge had now formulated recommendations in which he (Mr. Evans) concurred.

Mr. Hodge stated that sometime ago Counsel for Transamerica Corporation and the Solicitor for the Board asked what could be done about extending the time for filing exceptions, objections, and briefs after receipt of the Hearing Officer's report and for filing reply briefs, since Rule VII of the Board's Rules of Practice for Formal Hearings required that the former be filed within 15 days after the Hearing Officer's report and Rule VIII required that reply briefs be filed within an additional 10 days. Mr. Hodge said that vacations presented a problem, and that counsel had asked if the matter could be presented to the Board for early determination so that they could make plans. Counsel for Respondent, he said, had suggested that they be permitted a 90-day period for filing exceptions after receipt of the Hearing Officer's report, while the Board's Solicitor had suggested that 30 days for filing exceptions and 15 days thereafter for filing replies would be sufficient. Mr. Hodge went on to say that after studying the matter it was his recommendation that the Board enter an order extending from 15 to 30 days the time within which exceptions, objections, and briefs must be filed following the presentation of the report of the Hearing Officer and allowing 15 days thereafter for the filing of reply briefs. This meant, Mr. Hodge said, that if the Hearing Officer submitted his report

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by June 15 exceptions, objections, and briefs would be due by July 15 and reply briefs must be filed by July 30.

If this schedule were maintained, Mr. Hodge stated, it would be his recommendation that the Board set a date two or three days after the filing of the reply briefs for the presentation of oral arguments before the full Board. He pointed out that by setting dates at this time, members of the Board would be able to make the necessary arrangements in order to be present for the oral arguments.

In a comment concerning the setting of time for oral argument before the Board, Mr. Evans recommended allowing the Solicitor for the Board approximately 2½ hours the morning of the day decided upon and permitting Counsel for Respondent to present his argument for the same length of time during the afternoon. Mr. Evans said that in his opinion this would be adequate time.

Mr. Evans also stated it was his desire that the case be disposed of as promptly as possible consistent with fair treatment of the parties involved, and that the establishment of a time schedule by the Board would be advantageous to counsel on both sides and to the members of the Board so that they might make appropriate arrangements, although the schedule need not be formal and fixed. He pointed out that the case had been filed in June 1948, that a large number of pages of testimony and exhibits had been filed, that opportunity had been given

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to cover all phases of the case during the hearings at which he presided as Hearing Officer, that very generous time allowances had been made when necessary to comply with requests of the Board's Solicitor and Counsel for Respondent, and that counsel on both sides were thoroughly conversant with all the facts of the case and should be able to conclude their presentation within the time schedule recommended by Mr. Hodge.

Chairman Martin then called upon Mr. Smith, Special Counsel, who said that, in view of the fact that the Solicitor for the Board and Counsel for Respondent had asked that the Board set a tentative date for the filing of exceptions, objections, and briefs after receipt of the Hearing Officer's report, there would be in his opinion no objection to doing so. However, if such a request had not been received, he would question the advisability of the Board taking any action to set the dates until formal motion was filed by Counsel for Respondent, because the entering of such an order without request could be considered to imply an effort by the Board to preclude Counsel for Respondent from having the proper time to prepare briefs. Mr. Smith said that it was his opinion that the time proposed for the filing of exceptions and briefs was too short. He pointed out that time must be allowed for mimeographing or printing the briefs and for their transmission to the Board and also that the 30-day period would include several weekends and a holiday. He noted that the exceptions were required by the Board's rules to include all exceptions to the Hearing Officer's rulings on evidence which Counsel for Respondent

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might wish to raise, and that there might be hundreds of such exceptions. He went on to bring out that there were points of law involved in this proceeding on which no court had passed and that the three newer members of the Board, especially, must familiarize themselves with the case. Mr. Smith said that the arguments of counsel on both sides would be helpful in assisting the Board in deciding the case and that by reducing too severely the time before oral arguments the members of the Board might lose the benefit of arguments which otherwise might be presented in the briefs. As to the proposed date for presentation of oral arguments, Mr. Smith said that the allowance of only two or three days after filing of reply briefs seemed to him insufficient, especially because of the fact that the members of the Board should take ample time to study the briefs in order to render a decision on the case. He doubted also that the period of time proposed for the oral arguments would be sufficient.

Chairman Martin stated that it was his opinion, arrived at from several experiences with noted counsel (in particular Mr. Albert Milbank his counsel in the Stock Exchange) that when a matter of fairness was the issue it was wiser to accept the views of the more lenient of two lawyers who disagreed. As a new man on the Board he was inclined to side with Mr. Smith.

In reply to Mr. Smith, Mr. Hodge noted that Counsel for Respondent had wanted a preliminary indication from the Board as to the time to be allowed and that for the reasons given by Mr. Evans he felt that

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the recommended schedule would allow a sufficient interval, and that in any event it would not preclude Transamerica from filing a petition asking for more time. As to the length of time to be allowed for oral argument, Mr. Hodge noted the restrictions placed upon the time for the argument of cases before the United States Supreme Court.

Mr. Smith expressed the opinion that Mr. Hodge's comparison in this respect was not appropriate because of the fact that when cases reached the Supreme Court as the result of several appeals there remained few points to be argued which had not been covered in the appellate courts. He said it would be his recommendation that the Board make no determination at this time as to a time schedule, but that it await the Hearing Officer's report for a study of its content and recommendation, since it was difficult to prejudge the matter pending the receipt and study of this report. At that time, he said, a determination might be made with regard to any requests for extension of time by the Solicitor for the Board or Counsel for Respondent.

Mr. Evans stated that he did not believe it was practicable to proceed in the manner suggested by Mr. Smith, that he felt it was necessary for the Board members to have some idea of the time to be allowed in order to permit them to arrange their schedules, and that while the schedule need not be fixed absolutely, he felt the Board should arrive at some decision as to the timing of the case.

In response to a question from Chairman Martin, Mr. Vest said that he felt that all members of the Board who were qualified to act in this case

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should be present at the time of oral argument. With respect to the recommendations of Messrs. Hodge and Smith, Mr. Vest stated that he felt the Board would be in a better position to decide the questions of time to be allowed for the various purposes mentioned and of what date should be set for oral argument if it had before it for consideration the reasons advanced by counsel on each side for their requests. He also said that perhaps in view of the oral request which he understood counsel for Transamerica and the Board's Solicitor had made for an extension of time for filing briefs, the Board might reach a decision on that question subject to further consideration on its merits of any further request that might be made by either side for an additional extension of time. He stated that it was his understanding that neither counsel for Transamerica nor the Solicitor for the Board had asked that the time for filing of reply briefs or of oral argument be set at this time, and that in view of the circumstances, he felt it would be more appropriate for the Board to wait in setting those dates.

Mr. Smith stated that he would see no objection to the Board entering an Order at this time reciting that upon receipt of an oral request from the Solicitor for the Board and Counsel for Transamerica the Board was fixing the time for filing of briefs at some date to be determined by the Board provided that the Order stated that it was entered without prejudice to the right of either counsel to request a further extension of time.

Mr. Hodge then stated that, after consideration in light of discussion at this meeting, it would be his recommendation that an Order be entered by the Board as outlined by Mr. Smith.

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After some further discussion, Mr. Smith commented that since it appeared that granting the present requests from the Solicitor for the Board and Counsel for Transamerica Corporation for an indication of the time that might be granted for filing exceptions, objections, and briefs would be an accommodation to them, he would recommend that, on the basis that Transamerica had specifically requested the Board to enter at this time an Order fixing the time for filing exceptions, objections, and briefs, the Board enter an Order without prejudice to the right of the Solicitor or Counsel for Respondent to request an extension of the time limits therein prescribed, but that he would strongly recommend against setting at this time a date for oral argument.

Thereupon, upon motion by Mr. Powell, the following Order was adopted, Mr. Eccles having taken no part in the consideration of or action on the matter:

"UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

IN THE MATTER OF
TRANSAMERICA CORPORATION

ORDER FIXING TIME
FOR FILING EXCEPTIONS AND BRIEFS

The Board is informed by its Hearing Officer that the Solicitor for the Board and Counsel for the Respondent have orally requested the Board to fix at this time the dates on which the exceptions, objections, and briefs referred to in Rules VII and VIII of the Board's Rules of Practice for Formal Hearings may be filed in this proceeding. Pursuant to such request, it is ORDERED that:

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"1. Such exceptions, objections and briefs as the Solicitor for the Board and Counsel for Respondent may wish to file pursuant to Rule VII may be filed within 30 days after their respective receipt of the Hearing Officer's report.

2. Reply briefs, as authorized by paragraph (b) of Rule VIII, may be filed by the Solicitor for the Board and by Counsel for Respondent within 45 days after their respective receipt of the Hearing Officer's report.

This order is entered without prejudice to the right of the Solicitor for the Board or of Counsel for the Respondent timely to move the Board to enlarge, for good cause, the time limits herein prescribed.

This 15th day of May, 1951.

By the Board

(signed) S. R. Carpenter
Secretary

Governor Eccles took no part in the Board's consideration of or action upon the request referred to in the foregoing Order."

At this point Messrs. Evans, Smith, and Hodge withdrew.

Before the meeting there had been distributed to the members of the Board a memorandum from the staff dated May 15, 1951, setting forth the text of a proposed Amendment No. 3 to Regulation W, Consumer Credit, providing for changes in the exemption provisions of the Regulation, relating to (1) the methods used by a Federal Reserve Bank in designating disaster credits under the Regulation and (2) rental agreements.

Upon motion by Mr. Norton, Amendment No. 3 to Regulation W, Consumer Credit, was approved unanimously, effective May 15, 1951, as follows. In taking this action, it was understood that the amendment and a press release in a form satisfactory to Mr. Evans would be sent by telegram to all Federal Reserve Banks and Branches with a request that they arrange for the printing of the amendment and such distribution as they deemed desirable:

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"AMENDMENT NO. 3 TO REGULATION W

Regulation W is hereby amended in the following respects, effective May 15, 1951:

1. By amending subsection (j) of section 7 to read as follows:

'(j) Disaster Credits. - Any credit of a kind designated by a Federal Reserve Bank under this subsection as a result of a flood or other similar disaster which the Federal Reserve Bank determines has created within its district an emergency affecting the credit needs of a substantial number of the inhabitants of the stricken area. This exemption shall apply only within such areas and during such periods, and shall be subject to such other conditions, as the Federal Reserve Bank may prescribe.'

2. By amending subsection (1) of section 7 to read as follows:

'(1) Certain Rentals. - Any rental, leasing or bailment contract or arrangement (1) for a specified period of not more than 3 months if (i) the transaction is to be terminated, and the article returned to the Registrant, on or before the expiration of the specified period, and (ii) the transaction is not renewable and does not directly or indirectly relate to or involve any subsequent lease, use of, or other interest in, the article or any similar article; or (2) existing during 1950 between the Registrant and the obligor, or any bona fide continuation or modification thereafter of such existing contract or arrangement, which (i) does not expand the number of articles outstanding between the Registrant and the obligor beyond the maximum number outstanding between them at any one time during 1950, and (ii) does not otherwise alter the essential nature of the original contract or arrangement."

Unanimous approval also was given to a statement for publication in the Federal Register reading in part as follows:

"(a) The above amendment to Regulation W is issued under the authority of section 5 (b) of the Act of October 6, 1917, as amended, U.S.C., Title 50, App., sec. 5(b); Executive Order No. 8843, dated August 9, 1941; and the 'Defense Production Act of 1950', particularly section 601 thereof.

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"The purposes of the amendment are to provide certain technical changes in the provisions of the regulation exempting certain disaster credits and certain rentals. The change relating to disaster credits primarily concerns the method to be used by a Federal Reserve Bank in designating disaster areas under the regulation. The primary purpose of the other change is to add to the provision of the regulation concerning certain temporary rentals, a provision permitting the continuation of certain rental arrangements in effect during the year 1950.

"(b) These amendments were adopted by the Board after consideration of all relevant matter, including that presented to it pursuant to a notice published in 15 F. R. 8856, December 14, 1950, § 222.126, relating to 'Rental Transactions'. Special circumstances rendered impracticable further consultation with industry representatives, including trade association representatives, in the formulation of the above amendment, especially in view of the relaxing and technical nature thereof; and, therefore, as authorized by section 709 of the Defense Production Act of 1950, the amendment has been issued without such further consultation. Section 709 of the Defense Production Act of 1950 provides that the functions exercised under such Act shall be excluded from the operation of the Administrative Procedure Act (60 Stat. 237), except as to the requirements of section 3 thereof."

There was presented a memorandum from Mr. Hilbert, Acting Director of the Division of Personnel Administration, prepared under date of April 27, 1951, which had been circulated among the members of the Board prior to consideration at a meeting. The memorandum referred to the suggestion in the Price, Waterhouse & Company report on the Board's organization and procedures dated June 9, 1950, that the Civil Service leave policy followed by the Board be abandoned in favor of a policy similar to that generally followed by most business organizations and by the Federal Reserve Banks and recommended that, for reasons stated in the memorandum, the Board continue to adhere to its present annual

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and sick leave policies at least until such time as changes in policies may be made by the Government.

This recommendation was approved unanimously.

Before the meeting there had been distributed to the members of the Board a memorandum from the Personnel Committee dated May 14, 1951, attaching a schedule setting forth proposed salaries for the officers of the Federal Reserve Bank of Dallas, as submitted by that Bank, for the year beginning June 1, 1951, and a memorandum from the Division of Personnel Administration dated May 7, 1951. The latter memorandum stated that representatives of the Division of Personnel Administration and the Office of the Secretary had reviewed the proposed salaries for conformance with good salary administration and the maintenance of desirable relationships within the Bank and with other Federal Reserve Banks and that it appeared that in every case proper relationships had been maintained and no question was raised with respect to any of the proposed salaries.

Following a statement by Mr. Norton that it was the recommendation of the Personnel Committee that the salaries be approved as submitted, it was agreed unanimously, upon motion by Mr. Norton, that the Federal Reserve Bank of Dallas be advised informally that if submitted formally the official salaries would be approved at the rates specified in the memorandum of May 7, 1951, referred to above.

Mr. Norton presented a memorandum dated May 11, 1951 stating

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that on May 10 the Housing and Home Finance Administrator recommended that Star Lake, New York, be designated a defense area for the purpose of permitting special terms for credit in connection with housing under Regulation X, Real Estate Credit, that as a result of a survey made by the Housing and Home Finance Agency it had been determined that there was an urgent need for 75 housing units to be located within commuting distance of the Benson Mine, of the Jones-Laughlin Ore Company, that the Defense Production Administration had certified this area as a defense area for purposes of special assistance, and that the Administrator recommended that if the designation of the defense area was concurred in by the Board the schedule of relaxed credit terms be the same as approved for Atomic Energy Commission installations in South Carolina, Kentucky, and Idaho.

Thereupon, upon motion by Mr. Norton, unanimous approval was given to a letter to Mr. Foley, Housing and Home Finance Administrator, as follows:

"This is to advise you that the Board of Governors concurs in your designation of the Star Lake, New York, area as a defense area for the purposes of defense construction to which special credit terms may be applicable under section 6 (p) of Regulation X, Real Estate Credit. Your letter of May 10, 1951, states that there is a need for approximately 75 housing units, for sale or rental, to be located within reasonable commuting distance of the defense establishments in the area. Under the terms of the exemption, the entire 75 units will be controlled by your agency through the issuance of specific certificates.

"In accordance with your suggestion, the relaxation of terms prescribed by Regulation X will be identical with that previously announced for the Atomic Energy Commission installations in South Carolina, Kentucky, and Idaho."

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At this point all of the members of the staff with the exception of Messrs. Carpenter, Sherman, Murff, 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 14, 1951, were approved unanimously.

Memorandum dated May 3, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending the appointment of Mrs. Mary R. Carroll as a clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,810 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.

Memorandum dated May 11, 1951, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Thomas R. Turner as an operator, duplicating devices, in that Division, on a temporary basis for a period of two months, with basic salary at the rate of \$2,450 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.

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Memorandum dated May 11, 1951, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the temporary appointment of Miss Lettie E. Green, a charwoman in that Division, be extended on a temporary indefinite basis effective May 26, 1951, with no change in her present basic salary at the rate of \$2,120 per annum.

Approved unanimously.

Memorandum dated May 11, 1951, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the temporary appointment of Saul Clanton, a laborer in that Division, be extended on a temporary indefinite basis effective May 19, 1951, with no change in his present basic salary at the rate of \$2,252 per annum.

Approved unanimously.

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

"In accordance with the request contained in your letter of May 10, 1951, the Board approves the appointment of Walter H. MacDonald as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Mr. McCormick, Chairman of the Federal Reserve Bank of Richmond, prepared in accordance with the understanding at the meeting of the Board on May 1, 1951, reading as follows:

"The Board of Governors approves the payment of salary to Mr. Hugh Leach as President of the Federal Reserve Bank of Richmond at the rate of \$25,000 per annum

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"and to Mr. J. S. Walden, Jr. as First Vice President of the Federal Reserve Bank of Richmond at the rate of \$18,000 per annum for the period June 1, 1951, through May 31, 1952.

"The Board of Governors also approves the payment of salary to the following officers at the rates indicated for the period June 1, 1951, through May 31, 1952. According to your letters of March 15, 1951, and May 10, 1951, these are the rates which have been approved by the Board of Directors.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Edward A. Wayne	Vice President	\$17,000
R. W. Mercer	Vice President & Cashier	13,000
C. B. Strathy	Vice President & Secretary	12,500
Brantley Watson	Vice President	13,000
Chas. W. Williams	Vice President	13,000
N. L. Armistead	Vice President	12,000
Upton S. Martin	Assistant Vice President	9,600
Edward Waller, Jr.	Assistant Cashier	8,400
Joseph M. Nowlan	Assistant Cashier	8,500
Wythe B. Wakeham	Assistant Cashier	7,800
James W. Dodd, Jr.	Assistant Cashier	7,800
John L. Nosker	Assistant Cashier	7,800
R. S. Brock, Jr.	Auditor	10,500
Aubrey N. Heflin	Counsel	10,000
G. Harold Snead	Chief Examiner	8,500
<u>Baltimore Branch</u>		
W. R. Milford	Vice President	15,000
Donald F. Hagner	Cashier	10,500
John A. Johnston	Assistant Cashier	8,500
Adolph C. Wienert	Assistant Cashier	7,800
Bernard F. Armstrong	Assistant Cashier	7,500
<u>Charlotte Branch</u>		
Robert L. Cherry	Vice President	13,000
Stanhope A. Ligon	Cashier	9,600
Robert L. Honeycutt	Assistant Cashier	7,500
E. Clinton Mondy	Assistant Cashier	7,000"

Approved unanimously.

Letter to Mr. Weigel, Secretary of the Federal Reserve Bank of St. Louis, prepared in accordance with the understanding at the

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meeting of the Board on May 1, 1951, reading as follows:

"The Board of Governors approves the payment of salary to the following officers at the rates indicated for the period June 1, 1951, through May 31, 1952. According to your letter of May 10, 1951, these are the rates which have been approved by the Board of Directors.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Wm. E. Peterson	Vice President	\$14,500
Frederick L. Deming	Vice President	11,000
Howard H. Weigel	Vice President & Secretary	10,000
Joseph C. Wotawa	Vice President	10,000
Dale M. Lewis	Vice President	10,000
S. F. Gilmore	Assistant Vice President	10,000
J. H. Gales	Assistant Vice President	9,500
F. N. Hall	Assistant Vice President	8,000
G. O. Hollocher	Assistant Vice President	8,000
Earl R. Billen	Assistant Vice President	8,000
John J. Christ	Assistant Vice President	8,000
Harold B. Kline	Counsel & Assistant Secretary	9,000
George W. Hirshman	General Auditor	7,200
<u>Little Rock Branch</u>		
C. M. Stewart	Vice President & Manager	12,000
Clifford Wood	Assistant Manager	6,800
Clay Childers	Assistant Manager	5,800
W. J. Bryan	Assistant Manager	5,500
<u>Louisville Branch</u>		
C. A. Schacht	Vice President & Manager	12,000
Fred Burton	Assistant Manager	8,000
L. K. Arthur	Assistant Manager	6,500
L. S. Moore	Assistant Manager	6,000
<u>Memphis Branch</u>		
P. E. Schroeder	Vice President & Manager	10,000
C. E. Martin	Assistant Manager	7,500
S. K. Belcher	Assistant Manager	7,000
H. C. Anderson	Assistant Manager	5,800

"The Board also approves the payment of salary to the following officers at the rates indicated for the period May 10, 1951, through May 31, 1951:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Frederick L. Deming	Vice President	\$10,000
Howard H. Weigel	Vice President & Secretary	9,500
Joseph C. Wotawa	Vice President	9,000
Dale M. Lewis	Vice President	9,000"

Approved unanimously.

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Letter to Mr. Shepard, Federal Reserve Agent of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in Mr. Peyton's letter of May 11, 1951, the Board of Governors approves, effective May 16, 1951, the payment of salaries to the following named members of the Federal Reserve Agent's staff at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Head Office</u>	
M. G. Anderson	Alternate Assistant Federal Reserve Agent	\$4,695.00
W. S. Ferrian	Alternate Assistant Federal Reserve Agent	5,760.00
John Johnson	Alternate Assistant Federal Reserve Agent	5,340.00"

Approved unanimously.

Letter to Mr. Dearmont, Federal Reserve Agent of the Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the request contained in your letter of May 10, 1951, the Board of Governors approves, effective June 1, 1951, the payment of salary to Mr. Wm. S. Dawson, Federal Reserve Agent's Representative, Little Rock Branch, at the rate of \$5,160.00 per annum."

Approved unanimously.

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

"A church organized on a nationwide basis has a central organization, which, in turn, has boards and agencies. The church also has regional organizations which, in turn, have a number of congregations and missions. Each such unit of the church is a corporate entity. Credit sometimes is extended by such units in connection with new construction being purchased or constructed by

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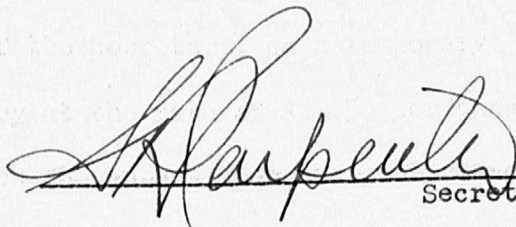
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"other units of the church. The question has been raised whether the credit is subject to the provisions of Regulation X.

"The credit is not subject to the regulation if the new construction is a church because section 2(r)(3) of the regulation excludes churches from the definition of 'non-residential structure'. However, credit extended to finance the purchase or construction of new construction covered by the regulation is subject to the regulation when the unit of the church extending the credit is a Registrant, that is, if the unit has made sufficient extensions of credit to be deemed to be engaged in the business of extending real estate credit. So long as such units are corporate entities, the funds borrowed must be considered as funds of the units lending them rather than funds of the over-all church organization.

"It may be noted, however, that the regulation does not affect in any way the purchase or construction of new construction by a unit of the church in possession of the necessary funds, or its participation on an equity basis in the construction or purchase of new construction by another unit of the church."

Approved unanimously.


Secretary.