

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 17, 1951.

PRESENT: Mr. Martin, 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 May 16, 1951, were approved unanimously.

Memorandum dated May 7, 1951, from Mr. Sloan, Assistant Director of the Division of Examinations, recommending an increase in the basic salary of James C. Smith, Federal Reserve Examiner in that Division, from \$7,400 to \$8,800 per annum, effective May 27, 1951.

Approved unanimously.

Memorandum dated May 14, 1951, from Mr. Bethea, Director of the Division of Administrative Services, recommending an increase in the basic salary of Alfred W. Minutolo, Operator, Tabulating Equipment, in that Division, from \$3,225 to \$3,350 per annum, effective May 27, 1951.

Approved unanimously.

Memorandum dated May 14, 1951, from Mr. Leonard, Director of the Division of Bank Operations, recommending an increase in the basic salary of Mrs. Jewell B. Smith, Secretary to Mr. Leonard, from \$4,325 to \$4,450 per annum, effective May 27, 1951.

Approved unanimously.

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Memorandum dated May 15, 1951, from Mr. Carpenter, Secretary of the Board, recommending an increase in the basic salary of Madison P. Coe, Senior Index Clerk in the Office of the Secretary, from \$4,700 to \$4,825 per annum, effective May 27, 1951.

Approved unanimously.

Memorandum dated May 11, 1951, from Mr. Powell, recommending that Edward L. Holsten, of Salomon Bros. & Hutzler, New York, New York be appointed as alternate to Rudolf Smutny on the Voluntary Credit Restraint Committee.

Approved, Mr. Vardaman
not voting.

Letter to Mr. Clarke, Secretary of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of May 10, 1951, advising that the International Monetary Fund has requested an extension in the leave of absence without pay granted Mr. Thomas J. Roche, Assistant Chief of the Foreign Operations Division, Foreign Department.

"The Board has no objection to Mr. Roche's leave being continued beyond August 31, 1951, on a month-to-month basis with the understanding that he will return to the Bank not later than November 1, 1951."

Approved unanimously.

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

"Reference is made to your letter of April 27, 1951, submitting the application of The Farmers State Bank, Brookston, Indiana, for permission to exercise fiduciary powers.

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"In view of the Reserve Bank's recommendation and the information submitted, the Board of Governors of the Federal Reserve System grants the applicant permission, under the provisions of its condition of membership numbered 1, to exercise the fiduciary powers now or hereafter authorized under the terms of its charter and the laws of the State of Indiana.

"You are requested to advise The Farmers State Bank, Brookston, Indiana, of the Board's action."

Approved unanimously.

Letter to the Honorable Wayne Morse, United States Senate, Washington, D. C., reading as follows:

"In our letter of May 4, 1951 in reply to your memorandum of April 23 enclosing a letter from Mr. M. E. Woodcock, Corvallis, Oregon, we outlined generally the part Regulation W--Consumer Credit is expected to play in the overall credit restraint program. It is our understanding that additional correspondence in your office raises the particular question of the possibility of longer maturities on later model used cars than is presently provided by the regulation and that the proposals further suggest varying maturities according to the age of the used car or the amount of the unpaid balance on the obligation or both.

"The Board's staff has devoted considerable time and study to the problem of split maturities in connection with the regulation of automobile instalment credit. There are, however, certain major difficulties in such an approach. In the first place longer maturities for larger amounts of credit tend to force the amount of individual obligations into the upper bracket or group in order to benefit from the lower repayment schedule resulting from the longer maturity. Such a tendency is, of course, directly contrary to the purpose of the regulation which is to reduce the amount of credit in the instalment financing of a listed article. In addition such split maturities provide a competitive advantage as between age groups of cars and would, it is believed, result in an artificial displacement of the market for the various used car models.

"Very often in requesting a split maturity provision in Regulation W petitioners will point out that incorporating the provision would be little more than recognition of a trade practice which existed before the imposition of consumer credit controls and

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"continues to exist under the regulation. This is true to the extent that finance institutions may not be willing to grant the full 15 months credit permitted by Regulation W in connection with their financing of prewar model used cars. Placing a 12 months maturity limitation on such financing in the regulation would not accomplish very much that is not already being accomplished by present terms. Further it would tend to remove an area of creditor discretion that now exists by virtue of the difference between the 12 months generally adhered to in the trade and the 15 months permissible under Regulation W which is thereby left available for use in certain necessitous cases.

"In this connection, it is interesting to note that income groups normally tend to purchase automobiles, new or used, according to their own income bracket and it appears that the present provisions of Regulation W are likely to preserve this pattern while an adoption of the split maturities plan might serve to disrupt it.

"We trust that the foregoing information will enable you to provide a satisfactory answer to the letters mentioned in Mr. Adams' telephone conversation with Mr. Heath."

Approved unanimously.

Letter to the Securities and Exchange Commission, 425 Second Street, N. W., Washington, D. C., prepared pursuant to the action at the meeting on May 10, 1951, reading as follows:

"It is understood that informal arrangements have been made with you for the loan of the services of one of your Hearing Examiners to direct a hearing on charges of violations of Regulation W consumer credit issued by the Board of Governors.

"We understand that Mr. Harold B. Teegarden, Hearing Examiner, GS-13, will be available and we are, therefore, officially requesting that he be detailed to the Board of Governors to conduct the hearing above mentioned. The Board of Governors will reimburse the Securities and Exchange Commission for Mr. Teegarden's salary and any travel expenses involved for the period of time his services are utilized in this detail.

"It will be appreciated if you will confirm this reimbursable detail so that the necessary arrangements may be made for the hearing, probably in the week of June 25."

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Approved unanimously, together
with the following letter to the
United States Civil Service Commission,
Washington, D. C.:

"The Board of Governors desires to hold a hearing under Section 8 (b) of its Regulation W, consumer credit, issued pursuant to Section 601 of the Defense Production Act of 1950 with respect to a case involving the question whether or not a registrant's license to do business of the kind which is subject to Regulation W should be suspended.

"The Board of Governors does not have any hearing examiners to hold such a hearing, and therefore asks the approval of your commission for the loan of the services of Mr. Harold B. Teegarden, a Hearing Examiner of Securities and Exchange Commission. We have already communicated with the Securities and Exchange Commission and have been advised that the loan of the services of Mr. Teegarden has been consented to by it. Copies of the letters which were exchanged are attached hereto."

Letter to the Honorable Burnet R. Maybank, Chairman, Joint Committee on Defense Production, United States Senate, Washington, D. C., reading as follows:

"We are pleased to reply to your recent letter which requested our consideration of a telegram from Hind's County Retail Furniture Dealers Association of Jackson, Mississippi. The telegram had been referred to the Joint Committee by Senator Eastland. The Association is concerned about the effect of Regulations W and X on the retail furniture business and the ability of people in the Jackson area to purchase homes and home furnishings under the terms of the regulations.

"One of the major problems involved in administering regulations such as these is to make them restrictive enough that they will be effective in accomplishing their purposes and at the same time to keep them from being an excessive burden on the people who are subject to them. 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, a major purpose of the regulation is to curb the increased purchasing power that results from the expansion of instalment credit.

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"The possibility that some purchases of furniture might not be readily deferrable was recognized by the Board when it provided more lenient terms under Regulation W for furniture than for appliances and automobiles. As against the down payment requirement of 33 1/3 per cent for automobiles and 25 per cent for appliances, radios and television sets, the minimum down payment required under the regulation for furniture is 15 per cent. Furthermore, the down payment is not required by the regulation where the price of the article is less than \$50. The Board has felt that terms more lenient than these would be inconsistent with the purposes of the regulation in this period of national emergency.

"You inquire in your letter about the retail inventory situation of consumer durable goods. There has been some reduction in demand for these goods from the exceptionally high levels of December and January and inventories have increased. Inventories of consumer durable goods have increased in value largely because output has generally been maintained in excess of consumer buying, but also because of a rise in prices.

"Retail inventories of household durable goods have risen about two-thirds or more above their value a year ago, with the increase in stocks of television much greater and of furniture somewhat less. New passenger car stocks held by dealers are above the very low levels of a year ago, and in relation to sales are not high judging by historical relationships. Stocks of used cars have also increased.

"Currently sales of most durable goods are not far below the advanced levels of a year ago. With the direct effects of large-scale defense expenditures closer at hand, and with important declines in output for civilian purposes beginning to appear, a reduction in inventories of consumer durable goods can be expected in coming months.

"The staff is continually studying the effects of the regulations and is glad to receive for consideration information and views such as those submitted by the Hind's County Retail Dealers Association. While a relaxing of the terms has not appeared to be appropriate at this time the flexible nature of Regulation W will allow the Board to relax or tighten the terms if and when such action is in the interests of the national defense. We are returning the Association's telegram for your files."

Approved unanimously.

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Memorandum dated May 16, 1951, from Mr. Chase, Assistant Solicitor, stating that the Federal Reserve Bank of Richmond had reported apparent violations of Regulation W, Consumer Credit, by Herbert Sweren and Arnold L. Schwartz, a partnership doing business as Arnold Sales Company, 2038 West North Avenue, Baltimore, Maryland, consisting of failure to receive the required down payment in a number of sales, extension of other credit in violation of the provisions of the Regulation, and failure to maintain records in conformity with the requirements of the Regulation; and recommending that in accordance with the recommendation of the Reserve Bank, the Board adopt an order for investigation as follows with a view to obtaining an injunction:

"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 17th day of May, A. D., 1951.

In the Matter of
HERBERT SWEREN and
ARNOLD L. SCHWARTZ,
a partnership, d. b. a.,
ARNOLD SALES COMPANY

ORDER DIRECTING INVESTIGATION
AND DESIGNATING OFFICERS
TO TAKE TESTIMONY.

I

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

Herbert Sweren and Arnold L. Schwartz, a partnership doing business as Arnold Sales Company, 2038 West North Avenue,

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"Baltimore, Md., have made instalment sales of television sets subject to Regulation W, consumer credit, issued by the Board of Governors of the Federal Reserve System -

1. Without obtaining the down payment required by Regulation W;
2. When they, or those acting on their behalf, knew or had reason to know that other credit was, or was to be, extended in violation of the provisions of Regulation W;
3. 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 Richmond, and for the purpose of (1) determining whether Herbert Sweren and Arnold L. Schwartz (Arnold Sales Company) have 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 Herbert Sweren and Arnold L. Schwartz have 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 and Aubrey N. Heflin, 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."

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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 16, 1951, from Mr. Chase, Assistant Solicitor, stating that the Federal Reserve Bank of Richmond had reported apparent violations of Regulation W, Consumer Credit, by Alexander Max, doing business as National Clothing and Furniture Company, 933 Pennsylvania Avenue, Baltimore, Maryland, consisting of failure to receive the required down payment in a number of cases, extension of other credit in violation of the provisions of the Regulation, and failure to maintain records in conformity with the requirements of the Regulation; and recommending that in accordance with the recommendation of the Reserve Bank, the Board adopt an order for investigation as follows with a view to obtaining an injunction:

"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 17th day of May, A. D., 1951.

In the Matter of
ALEXANDER MAX, d.b.a.,
NATIONAL CLOTHING AND
FURNITURE COMPANY.

ORDER DIRECTING INVESTIGATION
AND DESIGNATING OFFICERS
TO TAKE TESTIMONY.

I

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

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"Alexander Max, doing business as National Clothing and Furniture Company, 933 Pennsylvania Avenue, Baltimore, Maryland, has made instalment sales of clothing and furniture subject to Regulation W, consumer credit, issued by the Board of Governors of the Federal Reserve System -

1. Without obtaining the down payment required by Regulation W;
2. When he, or those acting on his behalf, knew or had reason to know that other credit was, or was to be, extended in violation of the provisions of Regulation W;
3. 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 Richmond, and for the purpose of (1) determining whether Alexander Max 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 Alexander Max 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 and Aubrey N. Heflin, 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, and 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.

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Memorandum dated May 16, 1951, from Mr. Chase, Assistant Solicitor, stating that the Federal Reserve Bank of Richmond had reported apparent violations of Regulation W, Consumer Credit, by Rosen Home Equipment Company, Inc., 729 North Gay Street, Baltimore, Maryland, consisting of failure to receive the required down payment in a large number of instances and failure to keep records in conformity with the requirements of the Regulation; and recommending that in accordance with the recommendation of the Reserve Bank, the Board adopt an order for investigation as follows with a view to obtaining an injunction:

"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 17th day of May, A. D., 1951.

In the Matter of
ROSEN HOME EQUIPMENT COMPANY, INC.
729 North Gay Street,
Baltimore, Maryland

ORDER DIRECTING INVESTIGATION
AND DESIGNATING OFFICERS
TO TAKE TESTIMONY.

I

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

Rosen Home Equipment Company, Inc., has made installment sales of articles subject to Regulation W, consumer credit, issued by the Board of Governors of the Federal Reserve System -

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.

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II

"The Board, having considered the aforesaid report by members of the staff of the Federal Reserve Bank of Richmond, and for the purpose of (1) determining whether Rosen Home Equipment Company, Inc., 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 Rosen Home Equipment Company, Inc., 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 and Aubrey N. Heflin, and each of them, is hereby designated an officer of the Board and empowered to administer oaths and subpoena witnesses, compel their attendance, take evidence, affirmations, require the production of any books, papers, correspondence, memoranda, and 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 16, 1951, from Mr. Chase, Assistant Solicitor, stating that the Federal Reserve Bank of Richmond had reported apparent violations of Regulation W, Consumer Credit, by R. B. Brown, doing business as Sylvan Radio and Television Company, 2415 Pennsylvania Avenue, N. W., Washington, D. C., consisting of failure to receive the required down payment; and recommending that in accordance with the recommendation of the Reserve Bank, the Board adopt an order for investigation as follows with a view to obtaining an injunction:

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"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 17th day of May, A. D., 1951.

In the Matter of
R. B. BROWN, d. b. a.,
Sylvan Radio and Television Company

ORDER DIRECTING INVESTIGATION
AND DESIGNATING OFFICERS
TO TAKE TESTIMONY.

I

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

R. B. Brown, doing business as Sylvan Radio and Television Company, 2415 Pennsylvania Avenue, N. W., Washington, D. C., has made instalment sales of articles subject to Regulation W, consumer credit, issued by the Board of Governors of the Federal Reserve System -

1. Without obtaining the down payment required by Regulation W;
2. When he, or those acting on his behalf, knew or had reason to know that other credit was, or was to be, extended in violation of the provisions of Regulation W.

II

The Board, having considered the aforesaid report by members of the staff of the Federal Reserve Bank of Richmond, and for the purpose of (1) determining whether R. B. Brown 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 R. B. Brown 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 and Aubrey N. Heflin, 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,

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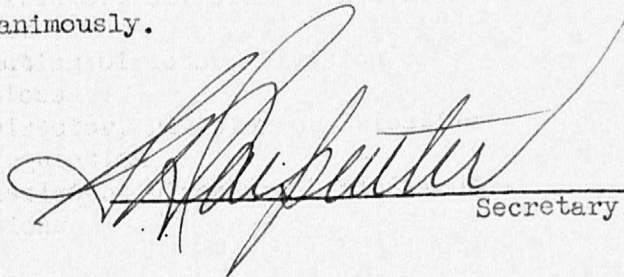
"or other records deemed relevant or material to the inquiry, and to perform all other duties in connection therewith as authorized by law.
By the Board.

(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 16, 1951, from Mr. Hooff, Assistant Counsel, recommending that there be published in the Law Department of the May issue of the Federal Reserve Bulletin Amendment No. 3 to Regulation W, Consumer Credit, together with an introductory statement in the form attached.

Approved unanimously.


Secretary.