

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, May 29, 1951.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 28, 1951, were approved unanimously.

Memorandum dated May 28, 1951, from Mr. Sloan, Assistant Director of the Division of Examinations, recommending an increase in the basic salary of Adrien P. Francoeur, Assistant Federal Reserve Examiner in that Division, from \$3,575 to \$3,700 per annum, effective June 10, 1951.

Approved unanimously.

Memorandum dated May 23, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending that the resignation of LeRoy Dunn, Research Assistant in that Division, be accepted to be effective, in accordance with his request, at the close of business June 1, 1951.

Approved unanimously.

Memorandum dated May 24, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending that the resignation of Richard W. Lindholm, Economist in that Division, be accepted

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to be effective, in accordance with his request, at the close of business June 15, 1951.

Approved unanimously.

Memorandum dated May 24, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending that the resignation of Mrs. Mary M. Donohoe, Clerk-Typist in that Division, be accepted to be effective, in accordance with her request, at the close of business May 23, 1951.

Approved unanimously.

Memorandum dated May 25, 1951, from Mr. Noyes, Director of the Division of Selective Credit Regulation, recommending the appointment of Miss Lois Marilyn Moye as a Clerk-Stenographer in that Division, on a temporary basis for a period of three months, with basic salary at the rate of \$2,650 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 24, 1951, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Miss Katherine Robinson as a Page in that Division, on a temporary basis for a period of three months, with basic salary at the rate of \$2,200 per annum, effective as of the date upon which she enters upon

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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 21, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending that Roland I. Robinson be employed as a Consultant in that Division for a period not to exceed December 31, 1951 to assist with work on the Voluntary Credit Restraint Program, that he be paid \$40 for each day of service for the Board, and that he be allowed actual necessary transportation expenses in accordance with the Board's travel regulations applicable to persons other than heads or assistant heads of divisions and per diem in lieu of subsistence of \$9 while away from his home, Evanston, Illinois, on Board business.

Approved, Mr. Vardaman
voting "no".

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, prepared pursuant to the action taken at the meeting of the Board on May 15, 1951, reading as follows:

"As requested in your letters of April 20, 1951, and May 25, 1951, 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.

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
R. B. Coleman	Vice President	\$15,000
E. B. Austin	Vice President	13,000
L. G. Pondrom	Vice President & Cashier	13,000
H. R. DeMoss	Vice President	13,000
W. H. Irons	Vice President	13,000
Mac C. Smyth	Vice President	10,500
Harry A. Shuford	Counsel	10,500
Morgan H. Rice	Assistant Vice President & Secretary of the Board	10,200
J. L. Cook	Assistant Cashier	9,000
Howard Carrithers	Assistant Cashier	8,400
W. D. Waller	Assistant Cashier	7,800
T. W. Plant	Assistant Cashier	7,500
H. W. Kilman	Assistant Cashier	7,500
Leon Daniels	General Auditor	10,000
E. H. Berg	Assistant General Auditor	7,000
George F. Rudy	Assistant Counsel	5,000
<u>Houston Branch</u>		
W. H. Holloway	Vice President in Charge	11,500
H. K. Davis	Cashier	7,800
B. J. Troy	Assistant Cashier	6,900
<u>San Antonio Branch</u>		
W. E. Eagle	Vice President in Charge	10,500
A. E. Mundt	Cashier	6,900
F. C. Magee	Assistant Cashier	6,300
<u>El Paso Branch</u>		
C. M. Rowland	Vice President in Charge	9,000
Alvin E. Russell	Cashier	6,600
T. C. Arnold	Assistant Cashier	6,000

"The Board regrets that it was unable to take action on these salaries prior to the meeting of your Board of Directors on May 10."

Approved unanimously.

Letter to Mr. James H. McCarthy, 660 Burleigh Drive, Pasadena, California, reading as follows:

"Thank you for sending to the Board of Governors a copy of your letter of May 9, 1951, to Representative Carl Hinshaw concerning the application of credit controls to existing houses. As you know, the Board does not now have authority to regulate credit on existing houses. A bill

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"is under consideration by the Congress which would provide such authority, however, and in a recent statement before the Senate Banking and Currency Committee, Chairman Martin presented the Board's view on this matter as follows:

To make restrictions of mortgage credit adequately effective, the authority over such credit needs to be extended to cover loans made on existing properties. Since passage of the Defense Production Act, prices of old as well as new houses have increased significantly, thereby raising the loan values of old properties and adding to the potential volume of credit based on this type of asset. Price increases for old properties in turn tend to support increases of prices of, and the amount of credit extended on, new houses. Thus, restriction of credit extended on existing properties would help to make the restraint of new construction credit more effective as well as to limit inflationary mortgage credit expansion generally.

The amount of mortgage credit extended on old houses during 1950 was the largest on record, almost 9 billion dollars or about three-fifths of all the credit extended on all 1- to 4-family properties. In the first quarter of 1951, lending on old houses was maintained at a very high rate and continued to account for a large share of the total volume of mortgage credit extension.

The President, as well as the Council of Economic Advisers, and the Joint Committee on the Economic Report, have recommended that authority be granted to control credit on purchases of existing houses. The Board joins in this recommendation and urges that the authority provided in the bill presently under consideration be granted.

Total mortgage debt outstanding on 1- to 4-family houses, new and old combined, is 2-1/4 times what it was at the end of World War II. Continuation of such rapid expansion of mortgage debt would not only threaten the stability of real estate markets, but also have a serious inflationary impact on the whole economy.

"You may be sure that if authority to regulate credit on existing houses is delegated to the Board of Governors of the Federal Reserve System, the Board will do all that it can to exercise it in the national interest."

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Approved unanimously.

Letter to Mr. Carroll Gunderson, Secretary, National Bank Division, American Bankers Association, 12 East 36th Street, New York, New York, reading as follows:

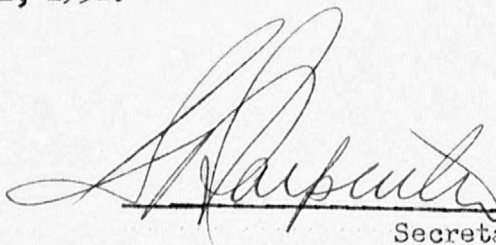
"The Board of Governors has been informed that a special committee of the National Bank Division of the American Bankers Association has recently completed a study and will soon publish a booklet which will discuss the policies of commercial banks relating to investments in municipal bonds, offer suggestions as to factors to be considered in their selection, suggest forms for maintaining credit information on individual issues, and list sources of information regarding municipal obligations.

"For a great many years, the Board of Governors and the Federal Reserve Banks have actively encouraged member banks to maintain adequate credit information on loans and other investments, and the Board feels that the National Bank Division should be commended for its efforts to develop and maintain conservative, yet progressive, investment policies regarding municipal obligations which are such an important part of the portfolios of banks."

Approved unanimously.

Memorandum dated May 28, 1951, from Mr. Carpenter, Secretary of the Board, stating that the Annual Report to the Congress covering the calendar year 1950 was ready for approval and would be sent to the printer for final printing should members of the Board so indicate.

Approved, with the understanding that copies would be sent to the Speaker of the House of Representatives and the President of the Senate as soon as it was printed, with a letter of transmittal signed by former Chairman McCabe under date of March 31, 1951.


Secretary.