

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 4, 1951.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
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 June 1, 1951, were approved unanimously.

Memorandum dated May 23, 1951, from Mr. Sloan, Director of the Division of Examinations, recommending the appointment of Miss Zoe Gratsias as a Stenographer in that Division, on a temporary basis for a period of three months, with basic salary at the rate of \$2,610 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. Bethea, Director of the Division of Administrative Services, recommending increases in the basic annual salaries of the following employees in that Division, effective June 10, 1951:

Date of Memorandum and Name	Title	Salary Increase	
		From	To
5/25/51 Arthur S. Myers	Operating Engineer	\$3,225	\$3,325
5/28/51 Glenn B. Hopkins	Painter	3,525	3,625
William F. Becker	Guard	2,610	2,690

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Date of Memorandum and Name	Title	Salary Increase	
		From	To
5/29/51 Edward L. Hampton	Tabulation Planner	\$3,950	\$4,075
Alfred W. Minutolo	Operator (Tabulation Equipment)	3,350	3,575
Dorothy Reamey	Operator (Key Punch)	2,850	2,970

Approved unanimously.

Memorandum dated May 29, 1951, from Mr. Vest, General Counsel, recommending the appointment of Miss Diane K. Vigeant as a Stenographer in the Legal Division, on a temporary basis for a period of three months, with basic salary at the rate of \$2,610 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 31, 1951, from Mr. Marget, Director of the Division of International Finance, reading as follows:

"The Bank of Greece has asked our help in finding a competent person to go to Greece for a year and instruct them on the principles and procedures of bank examination. It seems desirable for the Federal Reserve System to comply with this request since it was one of the recommendations made by Delos C. Johns on his mission to Greece and also because it would directly assist in the restoration and maintenance of financial stability in Greece. It would be difficult at the present time to find a person within the Federal Reserve System to send on this mission, but we have spoken with Mr. W. H. Dillistin who recently retired as General Auditor of the Federal Reserve Bank of New York and who is regarded as an outstanding person in this field. Mr. Dillistin indicates that he may be interested and he is willing to come to Washington to discuss the subject in more detail.

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"Under these circumstances it seems very desirable that we bring Mr. Dillistin to Washington, preferably before June 6 in order that he may talk to Sir Theodore Gregory, the British member of the Greek Currency Commission who is temporarily here. It is recommended, therefore, that the Board approve the payment of Mr. Dillistin's necessary travel expenses for coming from his home in Patterson, New Jersey to Washington and return, along with a subsistence allowance of \$12 per diem."

Approved unanimously.

Memorandum dated May 28, 1951, from the Divisions of Administrative Services and Personnel Administration, recommending that the Board give its approval to withholding from pay roll monthly dues for hospitalization and surgical services offered through Group Hospitalization, Inc., with the understanding that withholding will be made upon appropriate written authorization from the employee, that such monthly dues be withheld the first pay day in the month, and that distribution of descriptive literature, application forms, etc., relative to the hospitalization and surgical service plans and the advising of employees concerning these matters be placed in the Division of Personnel Administration. The memorandum also transmitted a draft of memorandum to be distributed to present employees and to persons hereafter employed informing them of the procedure.

Approved unanimously.

Letter to Mr. L. A. Jennings, Deputy Comptroller of the Currency, Washington, D. C., reading as follows:

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"This refers to your letter of April 30 regarding the addition of the following memorandum item to Schedule A of the national bank call report form:

Item 13. MEMORANDUM: Total amount of loans or portions thereof which are fully guaranteed or insured by the United States Government or its agencies plus the amount of FHA Title I loans fully covered by insurance reserves.

"Promptly upon receipt of your letter and after discussions with Mr. Cramer, Chief of the Division of Research and Statistics of the Federal Deposit Insurance Corporation, we began informal negotiations with the National Association of Supervisors of State Banks to clear the new item with the Association before adding it to the form of State member bank call report. Confirming the telephonic advice already given you, we were unable to obtain clearance in time to include the item in the forms to be used at the mid-year call. However, we shall continue our negotiations with the Association, and we hope that at its fall meeting consideration will be given to its inclusion in the end-of-year report form."

Approved unanimously.

Letter to Senator Richard B. Russell, United States Senate, Washington, D. C., reading as follows:

"This refers to your letter of May 18, 1951, with which you enclosed a letter from Mr. H. W. Robinson, Vice President and General Manager of Harry Sommers, Inc., Atlanta, Georgia. The letter pertains to Regulation W concerning consumer credit, particularly with respect to the effects of the present credit terms of the regulation on instalment sales of automobiles to persons of moderate income.

"We feel certain you will agree that it is difficult to consider Regulation W and its intended purposes apart from other monetary and fiscal measures all of which are directed at reducing heavy inflationary pressures. The regulation, of course, is designed specifically to dampen demand for consumer credit because of the heavy impact of an expansion in credit throughout the economy during a period such as the present when the entire price structure is subject to severe upward pressures because of increases in the money supply. It

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"was these pressures that caused the Board to adopt the terms which are presently incorporated in the Regulation.

"While it is frequently stated that the present fifteen months maximum maturity provision of the regulation makes it impossible for the man of moderate income to purchase an automobile, analysis of the facts does not support such a contention. As former Chairman McCabe pointed out in his statement of December 8, 1950, before the Joint Committee on Defense Production, the truth is that Regulation W has helped rather than penalized the person of moderate or low income. It helps him where he is most in need of help -- in his pocketbook. Cars, new or used, are available at various prices to meet the budgets of practically all workers who want or need cars and these cars cost less than they would have in the absence of Regulation W.

"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, in the light of general economic and credit conditions, it believes that instalment credit should be strongly curbed at this time in the interest of the national defense program.

"Mr. Robinson's letter is returned herewith as requested, and we appreciate your interest in referring it to us for consideration since we are always glad to have the benefit of the views of the trade in our continuing study of the effects of the regulation."

Approved unanimously.

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

"This refers to your letter of May 15, 1951, addressed to Chairman Martin, with which you enclosed a letter from Mr. Tom M. Holt of Harley-Holt Company, Nashville, Tennessee. Mr. Holt's letter relates to Regulation W, concerning consumer credit, particularly with respect to the effects of the credit terms on the instalment sales of household appliances and television sets. It is suggested in the letter that the regulation be changed so as to permit 10 per cent down payments, or nothing down, on such articles.

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"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, in the light of general economic and credit conditions, it believes that instalment credit should be strongly curbed in the interests of the national defense program.

"With respect to Mr. Holt's comment concerning the newspaper advertisement in which a competitor offers to sell a refrigerator at less than the actual cost of the article, Regulation W does not prohibit such sales. Such offerings are occasionally to be expected, of course, where there is free competition and a seller decides to use price appeal to stimulate sales of merchandise he wishes to move.

"Mr. Holt's letter is returned herewith as requested, and we appreciate your interest in referring it to us for consideration since we are always glad to have the benefit of the views of the trade.

"We received an identical letter from Mr. Holt through Representative Sutton's office to which we replied in substantially this same way."

Approved unanimously, with
the understanding that similar
letters would be sent in response
to other inquiries where appropriate.

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

"This refers to your letter of May 15, 1951, concerning the application of section 6(f) of Regulation X to the veterans' loan program of the State of Wisconsin.

"The intent of section 6(f) is to permit eligible veterans being aided by State programs to finance new construction on terms as liberal as those currently permitted under Title III of the Servicemen's Readjustment Act of 1944.

"It is our understanding that under the Wisconsin program a veteran may get a second mortgage loan up to \$3500. In the example which you cite, the purchase of a home having a 'value' of \$10,000, we believe that a Registrant properly can make a first mortgage loan for as much as \$5,200, making the total credit extended \$8,700,

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"or the same as the maximum that is permitted under a VA guarantee in a similar transaction.

"While it is our opinion that conventional credit may be extended in amounts which make up the difference between maximum loan value and \$3500, it should not also be substituted for the difference between \$3500 and any amount which the state will lend short of \$3500. In the example given, if Wisconsin lends a particular borrower only \$3000, the conventional credit may still be only \$5200, not \$5700. This is based on the position which we have taken in the past to the effect that preferred terms are available not to veterans per se, but to veterans who finance with a VA guarantee. We have stated, therefore, that if a veteran cannot obtain the maximum loan amount permissible with VA guarantee, he may not, under Regulation X, borrow the remainder from any source. Since the \$3500 loan in the instance mentioned is, in a sense, a substitute for the VA guarantee, it seems reasonable to apply the same rule.

"Similarly, since the exemption in section 6(f) is applicable only to State programs which are essentially comparable in purpose or effect to the Federal program, the principle stated in the third paragraph of this letter would not apply if the State program provided for only nominal or relatively small loans to be made, insured, or guaranteed.

"Concerning the use of a Certificate of Reasonable Value as the basis for 'value', it is our opinion that this would be permitted. The valuation base, for this purpose, may be considered as a part of the 'terms of the credit' within the meaning of section 6(f).

"Inasmuch as we may not be aware of all the necessary facts about the Wisconsin program, we should appreciate having your reaction to our position on this matter."

Approved unanimously.

Letter to Mr. Frederick J. Lawton, Director, Bureau of the Budget, Washington, D. C., reading as follows:

"This refers to Bureau of the Budget Bulletin No. 51-17, dated May 29, 1951, to the Heads of Executive Departments and Establishments, relating to the designation of agencies as 'Departments' pursuant to the

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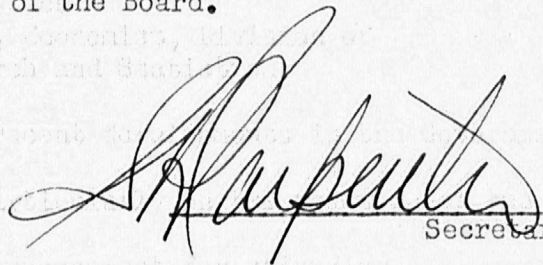
"Renegotiation Act of 1951.

"The Board of Governors of the Federal Reserve System does not have any activity having a direct and immediate connection with the national defense which has resulted, or is likely to result, in the awarding of contracts. Accordingly, it is recommended that the Board of Governors of the Federal Reserve System should not be designated by the President for inclusion under the Renegotiation Act."

Approved unanimously.

Memorandum dated June 4, 1951, from Mr. Carpenter, Secretary of the Board, regarding general protective measures to be followed in the Federal Reserve Building in the event of an air raid warning.

Approved unanimously, with the understanding that a copy of the memorandum would be sent to each employee of the Board.


Secretary.