

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 15, 1951.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

Telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on June 12, by the Federal Reserve Bank of Atlanta on June 13, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on June 14, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated June 7, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending that Morris A. Copeland be reemployed as a Consultant in that Division for a period not to exceed December 31, 1951 to assist in the development of the moneyflows work, that he be paid \$40 for each day of service for the Board, either in Washington or outside this city, 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.

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The memorandum also recommended that for the purposes of travel, headquarters for Mr. Copeland be designated as the point from which he is directed to travel for the purpose of rendering services for the Board.

Approved unanimously.

Memorandum dated June 14, 1951, from Mr. Powell, recommending the appointment of Mr. George B. Vest, General Counsel, as alternate chairman of the Voluntary Credit Restraint Committee to serve in that capacity at times when Mr. Powell might be out of town or otherwise unavailable.

Approved unanimously.

Telegram to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, stating that subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H and the special condition specifically stated hereafter, the Board approves the application of the Sunray State Bank, Sunray, Texas, for membership in the Federal Reserve System, effective if and when the bank is authorized to commence business by appropriate State authorities, with the understanding that prior to admission to membership such bank will have qualified for Federal deposit insurance. The special condition was as follows:

3. At the time of admission to membership, such bank shall have a paid-up and unimpaired capital of not less than \$75,000 and other capital funds of not less than \$37,500.

Approved unanimously.

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Letter to the Board of Directors, The Tenaflly Trust Company,
Tenaflly, New Jersey, reading as follows:

"It is noted that, under the terms of the merger agreement submitted, the proposed merger with The Dumont National Bank, Dumont, New Jersey, and sale of additional common stock will result in an increase in the common capital stock of the Tenaflly Trust Company, which proposes to change its corporate title to County Trust Company, by an amount \$200,000 in excess of the present aggregate preferred and common stock of the combining institutions and its surplus will be \$100,000 less than the aggregate surplus of the combining institutions. On the basis of the information submitted, the total capital accounts of the continuing institution will equal or approximately equal the present aggregate total capital accounts of the two institutions.

"The Board of Governors hereby gives its written consent pursuant to section 18(c) of the Federal Deposit Insurance Act, for completion of the proposed merger in accordance with the agreement as submitted and without the surplus of the continuing institution being increased to an amount equal to the aggregate surplus of the combining institutions. It is understood that the merger agreement has been approved by the Commissioner of Banking and Insurance of the State of New Jersey."

Approved unanimously, together
with a letter to Mr. Wiltse, Vice
President of the Federal Reserve Bank
of New York, reading as follows:

"Reference is made to your letter of June 8, 1951, submitting the request of the Tenaflly Trust Company, Tenaflly, New Jersey, for permission to establish a branch in Dumont, New Jersey, in connection with its proposal to change its name to County Trust Company, increase its common capital stock to \$500,000, and absorb, through merger, The Dumont National Bank.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch in Dumont, New Jersey, by the Tenaflly Trust Company, Tenaflly,

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"New Jersey, or the County Trust Company if the change in the corporate title of the Tenafly Trust Company has been effected as proposed, provided the capital stock of the institution is increased to \$500,000, the formal approval of the appropriate State authorities is obtained and the merger with The Dumont National Bank is effected substantially in accordance with the agreement as submitted.

"It is noted that the consent of the Board of Governors is also requested, pursuant to the provisions of section 18(c) of the Federal Deposit Insurance Act, because the plan of merger provides that the surplus of the continuing institution will be less than the aggregate surplus of the combining banks. Such consent has been granted and is contained in the enclosed letter which you will please deliver to the directors of the Tenafly Trust Company. A copy of the letter is enclosed for your files.

"It is understood that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the merger and establish the branch."

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

follows:

"A Federal Reserve Bank recently received an inquiry concerning the application of Regulation W to the refinancing of a balloon note of the kind referred to in paragraph (19) of W-97 (Regulation W Service 321,431) where, however, the Registrant proposed to add to the balance to be refinanced an amount representing the premium for a further term of insurance covering the listed article for which the instalment debt held by the Registrant was incurred. The Registrant has branches located in several States, some of which by statute may limit the maturity of instalment contracts to periods of less than 15 months.

"The Reserve Bank stated in reply that the regulation and paragraph (19) of W-97 would not permit any such refinancing which included any amount for insurance not included in the total instalment indebtedness incurred at the time of the original transaction. Among other things, the Reserve Bank said that: 'If, at the outset, there had been an express agreement that when the balloon

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"note matured it would be renewed on a basis which would result in substantially equal instalments which would retire the entire credit within the applicable maximum maturity, the insurance premium should have been computed at the time the credit was (originally) extended so that amortization in equal amounts would have taken place over the entire life of the contract."

"The Board concurs in the views expressed by the Reserve Bank."

Approved unanimously.

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

"Reurtel June 4. In view of section 2(g) and footnote 4 thereto, our view is that if, under the floor-space test in section 2(r)(5)(i), a structure is excluded from the definition of 'nonresidential structure', credit extended in connection with a major addition to the structure is exempt from Regulation X unless the structure will become a 'nonresidential structure' by reason of such major addition. On the other hand, however, if the structure is a 'nonresidential structure' before the major addition, even though it will no longer be a 'nonresidential structure' after the addition is completed, credit extended in connection with the major addition is subject to the regulation. In summary, if the structure by reason of the floor-space test is or will be a 'nonresidential structure' before or after the major addition is completed, the credit is subject to the regulation."

Approved unanimously.

Letter to Mr. Raymond M. Foley, Administrator, Housing and Home Finance Agency, 1626 K Street, N. W., Washington, D. C., reading as follows:

"We have been advised by the Atomic Energy Commission that it will be necessary to construct temporary housing at its Savannah River plant in South Carolina to house construction workers. This temporary housing will take the form of

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"barracks-type buildings to accommodate 7500 persons. It is our understanding that E. I. du Pont de Nemours and Company, which is constructing the plant for the United States Government, will soon ask for proposals from contractors for the construction of such housing. Such proposals, we are informed, may or may not be on a competitive-bid basis.

"In a discussion of this project with Mr. Carroll Towne and other representatives of the Atomic Energy Commission, the viewpoint was developed that Regulation X might serve to impede such construction, because barracks-type buildings of the kind proposed would be non-residential structures for which the maximum loan under the regulation would be so restrictive that contractors would be unable to finance the properties. As a consequence, the representatives of AEC believe that this particular temporary housing should be wholly exempt from the terms of Regulation X.

"The Charlotte (N. C.) branch of the Federal Reserve Bank of Richmond, in connection with this AEC project, has submitted a request from the Citizens and Southern National Bank of South Carolina, Columbia, South Carolina, for the exemption from the terms of Regulation X of a loan it proposes to make for the construction of these barracks-type buildings. Copies of correspondence covering this are enclosed. The request from the National Bank results from an application for a loan of 100 per cent of the construction cost by a contractor named Lyles and Lang Construction Company of Columbia, South Carolina. A copy of a contract dated June 2, 1951, between this contractor and du Pont was sent to us, but the AEC has informed us that they have no knowledge of the consummation of this particular contract.

"It is the opinion of the representatives of AEC that if the terms of Regulation X are modified in connection with this construction project, the regulation should be made available to any and all bidders in advance of the submission of bids. In other words, they believe this project should be part of an approved program, and that terms respecting Regulation X should be announced in advance as in the case of rental and sale housing in critical defense areas.

"Inasmuch as the area in the vicinity of the Savannah River plant of the AEC has already been designated as a critical defense area, we would appreciate your making a

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"survey of the proposed project for the construction of a 7500-unit barracks-type building operation to determine the need for special assistance through a partial or full relaxation of the terms of Regulation X. We are particularly desirous of learning what specific new construction, necessary to the national defense, is proposed to be built, its location, and whether you would recommend a relaxation of the terms of the regulation, and the extent of the relaxation, as the only means through which the project can be completed.

"We would appreciate knowing also whether this project can be made a part of your general program for regulating housing within this critical defense area, and whether you would undertake to issue certificates to the successful bidder or bidders in connection with the approved project.

"We will appreciate receiving your suggestions and recommendations."

Approved unanimously.

Memorandum dated June 5, 1951, from the Division of Personnel Administration, recommending that no change be made in outstanding instructions to the Federal Reserve Banks that they inform the Board of all requests from agencies in both the domestic and international fields for services of personnel in connection with special assignments; and also recommending that the present Board procedure in considering such matters remain unchanged.

Approved unanimously.

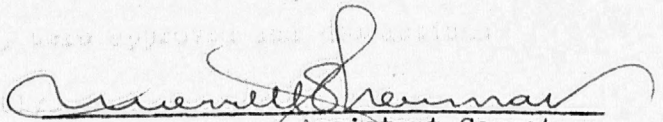
Memorandum dated May 31, 1951, from Mr. Wayne, Acting Director of the Division of Examinations, reading as follows:

"The members of the Board's field staff of examiners while in travel status on official business finance their living expenses out of their own pockets pending reimbursement through the payment of per diem in lieu of subsistence. It is felt that it would be equitable to provide arrangements

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"whereby it would not be required that a member of the field staff continuously have some of his own funds tied up in such expenditures which will later be reimbursed. Depending upon the location of the field staff, a period of as much as four weeks can elapse between the making of expenditures for living expenses and the receipt of per diem payments covering those expenditures. Accordingly, it is recommended that arrangements be made whereby any member of the field staff may, upon his request, be given a travel advance in an amount not exceeding 28 days per diem."

Approved unanimously.


Assistant Secretary.