

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, July 10, 1951. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 Mr. Vardaman
 Mr. Norton

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Vest, General Counsel
 Mr. Townsend, Solicitor
 Mr. Young, Director, Division of Research
 and Statistics
 Mr. Youngdahl, Chief, Government Finance
 Section, Division of Research and Statistics
 Mr. Leach, Economist, Division of Research
 and Statistics

Mr. Youngdahl presented a report on developments in the Government securities market.

At this point all of the members of the staff with the exception of Messrs. Carpenter, Sherman, 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 July 5, 1951, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 6 and 9, 1951, were approved and the actions recorded therein were ratified unanimously.

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Memorandum dated July 6, 1951, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Miss Pauline Jane Fletcher as a Clerk in that Division, on a temporary basis for a period of twelve months, with basic salary at the rate of \$2,890 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 July 6, 1951, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Miss Callie Lavon Watson as a Clerk in that Division, on a temporary indefinite basis, 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 July 9, 1951, from Mr. Bethea, Director, Division of Administrative Services, recommending an increase in the basic salary of Geraldine M. Venable, Cafeteria Helper in that Division, from \$2,190 to \$2,260 per annum, effective July 22, 1951.

Approved unanimously.

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

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Chicago for the period June 28, 1951, through March 31, 1952, at the rates indicated, in accordance with the action taken by the Board of Directors as reported in your letter of June 28, 1951:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
John J. Endres	General Auditor	\$15,000
A. M. Gustavson	Assistant General Auditor	9,500
P. C. Carroll	Assistant Vice President	10,000
C. T. Laibly	Assistant Vice President	11,000"

Approved unanimously.

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

"In accordance with the request contained in your letter of July 6, 1951, the Board approves the appointment of J. Lloyd Adams as an assistant examiner for the Federal Reserve Bank of Atlanta. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Organizers of Bank of Lebanon, Lebanon, Oregon, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation E and the following special condition, the Board approves the Bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of San Francisco:

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3. At the time of admission to membership, such bank shall have a paid-up and unimpaired capital stock of \$180,000, surplus of \$36,000 and other capital funds of not less than \$36,000.

Approved unanimously, for transmittal through the Federal Reserve Bank of San Francisco, together with a letter to Mr. Mangels, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of June 26, 1950, with which you furnished a copy of the Articles of Incorporation of the proposed Bank of Lebanon, Lebanon, Oregon, and in which you asked for an expression of opinion with respect to the handling of applications for membership in circumstances similar to those pertaining to that of the Bank of Lebanon.

"The circumstances as set forth in your letter have been carefully noted and the Board and its staff are always glad to cooperate in expediting the handling and consideration of applications in such and similar circumstances. However, the Board is required to consider certain factors in connection with all applications for membership and, in the case of a bank in the process of organization, some of the factors have special significance.

"Under the provisions of paragraph 4 of section 9 of the Federal Reserve Act, the Board is required to consider whether or not the corporate powers exercised by the applying bank are consistent with the purposes of the Act. Also, in the case of an uninsured bank approved for membership, whether operating or in process of organization, the Board is required, pursuant to sections 4 and 6 of the Federal Deposit Insurance Act, to certify to the Federal Deposit Insurance Corporation that consideration has been given to several factors, including whether or not the corporate powers of the applicant are consistent with the purposes of the Federal Deposit Insurance Act.

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"In the case of the Bank of Lebanon, the information furnished with your letter of June 19 was sufficient and satisfactory with respect to all necessary factors except with regard to the corporate powers of the proposed bank. While, as you suggest, it would expedite matters if the Reserve Bank could assume responsibility for the legal questions involved, it appears that the statute places such responsibility directly and solely upon the Board of Governors. Usually the organization of a bank will not have proceeded very far before the corporate powers to be applied for, at least, shall have been determined. If such a determination has been reached and a copy of the proposed Articles or Charter, or a descriptive statement of the provisions to be contained therein, can be made available, the Board would be in a position to consider the question of the acceptability of the proposed bank in regard to its corporate powers."

Letter to the Presidents of all Federal Reserve Banks and Vice Presidents in charge of the Los Angeles and Detroit Branches, reading as follows:

"The Department of the Air Force advises us that, in some instances where a V-loan is to be personally guaranteed by the principals of a borrower, the financial statements of the proposed guarantors are not always attached to the V-loan applications. In a memorandum dated July 5, 1951, received by the Board from Mr. Chester D. Seftenberg, Deputy for Contract Financing to the Assistant Secretary of the Air Force, it is requested that in the future Federal Reserve Banks submit the financial statements of all proposed guarantors with each V-loan application."

Approved unanimously.

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Letter to John H. More, Esquire, Taft, Stettinius & Hollister,
603 Dixie Terminal Building, Cincinnati, Ohio, reading as follows:

"This refers to your letter of June 11, 1951, concerning the application of Regulation W, as amended, to the leasing of automobiles by your client, Contract Automobile Rental Co., a division of Taxicabs of Cincinnati, Inc.

"You state that the Company, as lessor, leases new automobiles on a monthly payment basis for periods of one year only. Some of the Company's outstanding lease arrangements are stated to cover several automobiles, while others cover only single vehicles. With particular reference to the latter arrangement, you state that the Company's experience is that it can only build up multiple leases through the preceding lease of a single automobile to the same lessee, and you suggest that the exemption contained in section 7(1)(2) be broadened to permit use of single car leases without compliance with the terms of the regulation.

"You indicate in your letter that the Company has no multiple-car leases for less than three cars. You also indicate that the approximate value of the cars leased by the Company is \$1,700. Accordingly, it seems probable that the Company's multiple leases would qualify for exemption as being in excess of \$5,000. In this regard, there are enclosed herewith copies of two interpretations issued by the Board which were published at 16 Federal Register 2439 and 5321.

"It will be noted from the first of these interpretations that Regulation W does not prohibit any leases and merely requires, in the case of those subject to the regulation, that certain specified down payments and monthly payments be obtained. Since you have indicated that the Company's interest in single-car leases arises especially from a desire to provide prospective lessees with an opportunity to try out the operation to determine for themselves whether it is more satisfactory than owning the car outright, it may be that in many such cases such determinations can be made while complying with the payments specified in the regulation.

"On the basis of the information before it, the Board has felt that it would not be equitable at this time to provide further relaxations for leases as compared with other

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"transactions subject to the regulation. We hope that the enclosed interpretations and the principles mentioned above will be helpful in the operations of the Company."

Approved unanimously.

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

"Your letter of June 13 raises a question concerning the status of water softening units under Regulation W. Although not specifically included in S-1143 (W-69) of September 21, 1950, it is the Board's view that 'plumbing and sanitary fixtures' would include water softening units. As listed articles, either the instalment sale or leasing of such units would be subject to the provisions of the regulation.

"In this connection, we note that the Board found it necessary in October of 1941 (S-382, W-104) to distinguish between water softeners 'designed for household use' and those designed for 'commercial' use. This distinction was made on a basis of including as listed articles 'water softeners having a rated capacity of 120,000 grains or less of hardness removal between regenerations'. This ruling has not been reinstated under the present regulation but it may be necessary for the Board to make this or a similar distinction between household and commercial units. It would, therefore, be helpful if you could determine the rated capacity of the water softening units referred to in your letter of June 13 and any other pertinent information which you believe might be helpful in assisting the Board to make such a distinction if it should become necessary."

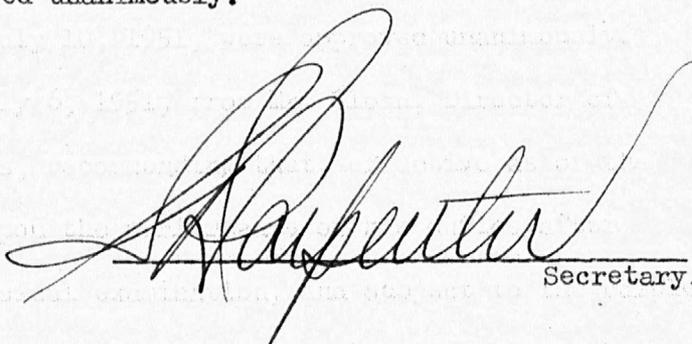
Approved unanimously.

Letter to the Honorable Marriner S. Eccles, Member, Board of Governors of the Federal Reserve System, reading as follows:

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"Because of your long service as chairman and a member of the Board of Governors, it has occurred to the other members of the Board that you would like to have something from your office as a tangible reminder of the years you have spent in Washington. Accordingly, the Board takes pleasure in presenting to you the desk chair in your office which was especially designed for you and the mantel electric clock as a token of genuine appreciation of the pleasure and benefit which the other members have derived from your participation in the deliberations of the Board throughout the period of your service."

Approved unanimously.


Secretary.