

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, August 8, 1951.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary

Letter to Mr. Mangels, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"In accordance with the request contained in your letter of August 3, 1951, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of San Francisco:

Los Angeles Branch

- | | |
|-----------------|-----------------|
| C. L. Blackburn | R. E. Newton |
| R. C. Cromer | G. L. Niemi |
| J. H. McConnell | P. N. Truelson" |
| W. H. Moss | |

Approved unanimously.

Letter to Clarence A. Bradford, Esq., 8174 La Salle Boulevard, Detroit, Michigan, reading as follows:

"Under date of July 23, 1951, we received a letter from the Honorable Homer Ferguson enclosing a copy of your letter to him of July 18, 1951. In this letter you raise a question with respect to Regulation W and the leasing of automobiles by your client, Automobile Leasing Corporation of Detroit. This letter refers to the fact that you had previously written to the Board in this regard under date of April 17.

"Your letter of April 17 was forwarded to us via the Federal Reserve Bank of Chicago and its Detroit Branch. Investigation reveals that our failure to reply has been the result of misunderstanding between our office and that of the Federal Reserve Bank of Chicago. We understand, however, that you have had discussions with representatives of the Detroit Branch of the Federal Reserve Bank of Chicago both prior and subsequent to your letters of April 17 and June 20 referred to in your letter to Senator Ferguson.

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"We regret exceedingly that this matter has been delayed, and we wish to advise you that on the basis of the information you have submitted the contracts in question appear to be subject to Regulation W when they involve less than \$5,000. You state in your letter of April 17 that your contracts are 'very rarely' for less than that amount.

"In those instances in which the contracts appear to be subject to the regulation, the substance, though perhaps not the form, appears little if any different from ordinary conditional sale or chattel mortgage arrangements. You suggest that the contracts should not be subject to the regulation because 'none of the money paid for the rental of this automobile applies on the purchase price.' This seems to assume that the regulation applies only in cases in which title to property passes to the customer. Such a result would open the door to widespread evasion and would be contrary to the clear language of the statutory authority, which specifically includes, among other things, a number of situations not involving any passage of title. Among them are 'any loan or mortgage' and 'any contract for the bailment or leasing of property under which the bailee or lessee obligates himself to pay as compensation a sum substantially equivalent to or in excess of the value thereof'. The authority not only includes such transactions but a great many more, including 'any transaction or series of transactions having a similar purpose or effect.'

"Although, as indicated above, on the basis of the information presented the contracts in question appear to be subject to the regulation when for less than \$5,000, the Board would be glad to consider any further information or any memorandum of points and authorities which you might wish to present.

"We wish to express again our regret at the misunderstanding that resulted in the delay in replying to your inquiry."

Approved unanimously.

Letter to the Honorable Irving M. Ives, United States Senate, Washington, D. C., reading as follows:

"This is in reply to your communication of July 17, 1951, which forwarded to the Board a letter from Mr. E. D.

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"Schmidt of Bronxville, New York. Your constituent reported a newspaper story referring to enforcement activities in connection with Regulation W--consumer credit control.

"In its administration of the regulation, the Board has felt that an appropriate program of enforcement was essential not only to achieve its desired anti-inflationary effect, but to make certain that all lenders and vendors were treated equally and equitably under the regulation.

"Compliance with the provisions of the regulation has been almost universally good. There are always some exceptions and it would be grossly unfair to everyone doing business in compliance with the regulation to allow some to violate its provisions at will. Where evidence of non-compliance is found, it is necessary to investigate such cases with sufficient thoroughness to determine whether further administrative action is warranted.

"On occasion, as where willful violations are found but denied by the seller, it is sometimes necessary to inquire directly of the customer. Such investigations are not undertaken lightly, and are carried out with carefully selected and well-trained personnel on the staff of the various Federal Reserve Banks. We want to assure both you and Mr. Schmidt that great effort is made to safeguard the rights and privileges of the individuals who may be contacted for whatever purpose in the course of a Regulation W investigation.

"We appreciate the opportunity to comment on Mr. Schmidt's letter which is being returned with this letter."

Approved unanimously.

Letter to the Honorable Allan Hunter, House of Representatives, Washington, D. C., reading as follows:

"Your communication of July 18, 1951, addressed to Mr. Michael DiSalle, has been referred to us since this Board has been charged with the administration of Regulation W concerning consumer credit. The letter from Mr. George Kaye of Kaye's Music Company, Fresno, California, which was attached to your communication protested the 25 per cent down payment requirement on appliances and that sellers of musical instruments were able to offer less strict credit terms than appliance dealers.

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"Since that letter was written the regulation has been substantially relaxed. As directed by the Congress in the Defense Production Act as revised and extended, the Board has amended Regulation W as it applies to appliances to require a 15 per cent instead of a 25 per cent down payment and to provide that all or part of that down payment may be in the form of a trade-in. The maximum maturity has been extended from 15 to 18 months.

"The regulation, along with other monetary and fiscal measures, is intended to dampen the demand for consumer instalment credit during this period when the money supply has been greatly swollen by the expansion of private credit. Therefore, in considering which articles or classes of articles should be subject to the regulation, the Board was guided primarily by the magnitude of instalment credit arising out of the sale of particular goods. Since the amount of credit arising out of the sale of musical instruments is comparatively small and because they are frequently purchased for educational purposes, the Board has felt that the greatly increased administrative burden on the trade that would result from inclusion of musical instruments in the coverage of the regulation would not be justified.

"The Board is continually studying the effect of Regulation W in the markets for regulated articles and we appreciate the opportunity of commenting on Mr. Kaye's letter which is returned as requested."

Approved unanimously.

Memorandum dated August 7, 1951, from Mr. Townsend, Solicitor, referring to the matter of Andrew C. Cain, William C. Cain, and Lee Bing, doing business as Dixie Sewing Dealers, New Orleans, Louisiana, which was referred to the Department of Justice pursuant to action of the Board on June 19, 1951, in order that that Department might, in its discretion, institute criminal proceedings under the provisions of Regulation W, Consumer Credit; stating that the Department, in a letter

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dated August 1, 1951, requested that a supplementary investigation and report be made in order to supply additional evidence; and recommending that in accordance with that request, the Board adopt an order for investigation as follows:

"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 8th day of August, A. D., 1951.

In the Matter of
ANDREW C. CAIN, WILLIAM C. CAIN
and LEE BING, (d.b.a., Dixie
Sewing Dealers).

ORDER DIRECTING INVESTIGATION
AND DESIGNATING OFFICERS
TO TAKE TESTIMONY.

I

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

Andrew C. Cain, William C. Cain and Lee Bing, doing business as Dixie Sewing Dealers, 916 Poydras Street, New Orleans, Louisiana, have made instalment sales of sewing machines subject to Regulation W:

1. Without obtaining a down payment in cash of not less than one-fourth of the purchase price of the sewing machine as 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 them 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 Atlanta, and for the purpose of (1) determining whether Andrew C. Cain, William C. Cain and Lee Bing 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 Andrew C. Cain, William C. Cain and Lee Bing have engaged in the acts and practices set forth in paragraph I hereof, or any acts and practices of similar purport or object.

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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 Harold T. Patterson, 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."

Approved unanimously.

Stipulation of Counsel in the matter of H. Bartels, Inc.,
52nd & Market Streets, Philadelphia, Pennsylvania, a registrant under
Regulation W, Consumer Credit, reading as follows:

"UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of

H. BARTELS, INC.

52nd & MARKET STREETS

PHILADELPHIA, PENNSYLVANIA

STIPULATION OF COUNSEL

Pursuant to the discussion commencing at Page 1611 of the transcript of the testimony in the above entitled matter, and subject to the approval of the trial examiner and the Board of Governors of the Federal Reserve System, it is stipulated by and between counsel for Bartels, Inc. and counsel for the Board:

1. That counsel for the Board and counsel for the respondent, respectively, shall have until September 5, 1951 to submit to the trial examiner their requested findings of fact and conclusions of law herein; and
2. That the trial examiner shall have until October 8, 1951, to file with the Secretary of the Board his report containing his recommended decision herein.

Dated August 3rd, 1951.

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"(signed) James S. Clifford, Jr.
James S. Clifford, Jr.
for MacCoy, Evans & Lewis
Counsel for the Board of Governors
of the Federal Reserve System
(signed) Cornelius C. O'Brien
Cornelius C. O'Brien
Counsel for the Respondent

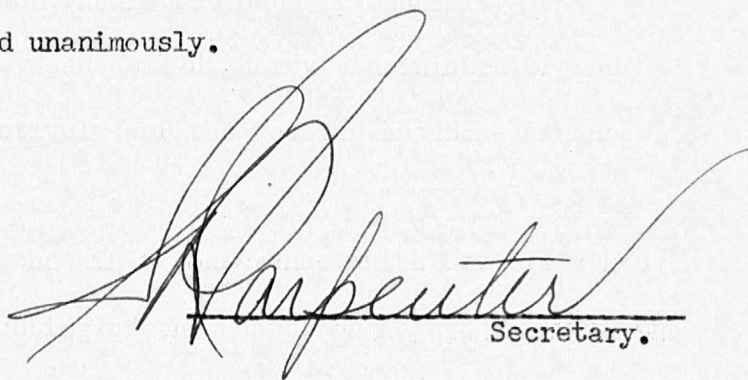
Approved August 7, 1951
(signed) H. B. Teegarden
Trial Examiner

The Board of Governors of the Federal Reserve System having read and considered the stipulations of counsel hereinabove contained does hereby approve such stipulations.
Dated August 8, 1951.

(signed) S. R. Carpenter
Secretary
Board of Governors of the Federal Reserve System"

(Seal)

Approved unanimously.


Secretary.