

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, August 13, 1951. The Board met in the Board Room at 12:00 noon.

PRESENT: Mr. Szymczak, Chairman pro tem  
Mr. Evans  
Mr. Powell

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Leonard, Director, Division of Bank Operations  
Mr. Solomon, Assistant General Counsel  
Mr. Fauver, Assistant Director, Division of Selective Credit Regulation

There was presented a draft of letter to Mr. A. E. Howse, Assistant to the Director, Office of Defense Mobilization, Washington, D. C., prepared in response to a memorandum from the Office of Defense Mobilization dated August 9, 1951, requesting that status reports on the Kansas-Missouri flood disaster rehabilitation be submitted in triplicate at a meeting of the Emergency Washington Committee on Flood Relief to be held today at 2:00 p.m., and also requesting for submission at that meeting comments on the following flood disaster bills: H. J. Resolution 307, to authorize the Federal National Mortgage Association to enter into agreements prior to construction to purchase mortgages on housing in disaster areas; S.1935, to provide payment for property losses resulting from the 1951 floods in the States of Kansas, Missouri and Oklahoma, and for other purposes; and H.R. 5022, for the same purposes as S.1935.

8/13/51

-2-

Mr. Carpenter stated that following receipt of the memorandum from the Office of Defense Mobilization, he sent a telegram to President Leedy, of the Federal Reserve Bank of Kansas City, quoting its contents, that he discussed the matter subsequently with Mr. Leedy by telephone, and that Mr. Leedy in two telegrams dated August 11, 1951, summarized the additional steps taken by the Reserve Bank in connection with flood disaster rehabilitation since the report of the Board to Mr. Howse on July 24, 1951, and also offered comments on the joint resolution and the two bills referred to above.

The proposed letter to Mr. Howse was read and discussed, and several changes were suggested, following which it was approved unanimously as follows:

"This letter is in response to Mr. Young's memorandum of August 9, 1951, asking for a status report on the Kansas-Missouri flood disaster rehabilitation.

"H.J. Res. 307 amends the National Housing Act to authorize the Federal National Mortgage Association to enter into agreements prior to construction to purchase mortgages on housing in any area declared by the President to be a disaster area as the result of a major disaster. The Board recognizes the desirability of providing assistance to persons suffering the loss of their homes as the result of a major disaster. The joint resolution, however, would authorize assistance in the case of housing not necessarily related to a disaster. Consideration, therefore, should be given to modifying the joint resolution by restricting its applicability to the purchase of mortgages for the purpose of replacing or repairing housing which has been damaged or destroyed.

"The Board of Governors has been in touch with Mr. Leedy, President of the Federal Reserve Bank of Kansas City and a member of the Kansas City Regional Defense Mobilization Committee, and there are attached copies of telegrams received from him which will cover the other matters referred

8/13/51

-3-

"to in Mr. Young's memorandum and will serve to bring up to date the report submitted by the Board on July 24, 1951."

Mr. Riefler stated that following receipt of the memorandum from the Office of Defense Mobilization late on Thursday, August 9, he discussed the matter with Chairman Martin, who suggested that since it appeared that the problem of financing the rehabilitation through the use of V-loans or a similar program involving System facilities might be brought up at the meeting of the Emergency Washington Committee on Flood Relief this afternoon, Mr. Vardaman might wish to attend. Mr. Riefler said that he had attempted to get in touch with Mr. Vardaman, but that he had not been able to reach him. It was then suggested that Mr. Powell, as Mr. Vardaman's alternate, confer with Mr. Riefler and decide who should represent the Board at today's meeting of the Committee.

This suggestion was approved unanimously.

At this point all of the members of the staff with the exception of Messrs. Carpenter and Kenyon withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Memorandum dated August 7, 1951, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Miss Billie Jo Hickman as a Clerk-Typist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,730 per annum, effective as of the date upon which she enters upon the performance of

8/13/51

-4-

her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of August 7, 1951, the Board of Governors approves the appointments of Charles Eaton and Franklin F. Mittricker, Jr., at present assistant examiners, as examiners for the Federal Reserve Bank of New York; the appointments of Patrick F. Callahan, George B. Rodda and Harold L. Saf as assistant examiners; and the designations of Stephen K. Frank and Richard W. Rahe as special assistant examiners.

"Please advise us of the dates upon which the appointments of the examiners and assistant examiners are made effective."

Approved unanimously.

Letter to Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Thank you very much for sending us a copy of your disaster designation under Regulation W for Wakeeney, Kansas, following the tornado there on June 27. With all of the extra work you have had in recent weeks as a result of the July flood, there is no occasion for an apology over the delay in getting this to us as indicated in your letter of August 2. We appreciated receiving copies of the inspection report and the newspaper clippings indicating the extent and nature of the damage.

"As indicated in W-154, the purpose of the amendment to section 7(j) of the regulation was to provide the Reserve Banks with greater discretionary powers for defining the scope of the exemption to conform to the needs of the particular case involved. You will recall, however, that in our recent correspondence and conversations relative to the disaster designations for the flood, we indicated our concern about providing adequate limitations on the

8/13/51

-5-

"use of the exemption. Just as an example, we noted that in the Wakeeney case 30 automobiles were totally destroyed and approximately 65 received damage ranging from minor to major in character. Lifting the restrictions of the regulation for those whose automobiles were totally destroyed or received major damage would appear altogether reasonable. On the other hand, there have been cases in the past where a broken windshield or a dented fender caused by flying debris has been the excuse for replacing the damaged car with a new one. This is a transaction of the kind which it is now possible to eliminate in a Reserve Bank's disaster area designation.

"The only other comment we should like to make is in regard to the time limit of 6 months for an exemption of this kind. It would be an unusual case in which 6 months would be needed to provide for all of the exempt cases, especially in the automobile field. Under such a designation if a shorter period such as 3 months is used initially, it can always be extended at a later date if circumstances warrant it."

Approved unanimously.

Memorandum dated August 10, 1951, from Mr. Hooff, Assistant Counsel, recommending that there be published in the law department of the August issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:"

Legislation

Extension of Defense Production Act

Consumer Credit

Amendment to Regulation W

Real Estate Credit

Dining Cars as Nonresidential Structures (X-58)

Unavoidable Delay in Credit Extension (X-60)

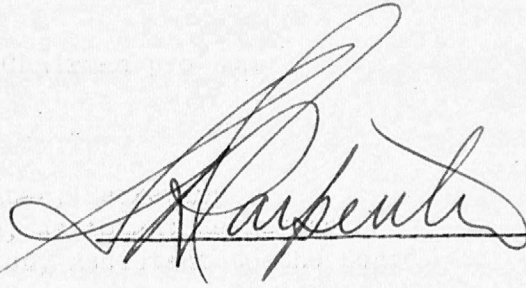
Casualty Exemption for Tenants (X-61)

Loans to Affiliates

Purchase of Affiliate's Note (S-1373)

8/13/51

Approved unanimously.



Secretary.