

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, August 30, 1951.

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

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary

Memoranda dated August 27, 1951, from Mr. Carpenter, Secretary of the Board, recommending increases in the basic annual salaries of the following employees in the Office of the Secretary, effective September 2, 1951:

| <u>Name</u>                    | <u>Title</u> | <u>Salary Increase</u> |           |
|--------------------------------|--------------|------------------------|-----------|
|                                |              | <u>From</u>            | <u>To</u> |
| Mrs. Helen E. Cook             | File Clerk   | \$3,275                | \$3,355   |
| Mrs. Pearl E. Farrington       | File Clerk   | 3,050                  | 3,130     |
| Mrs. Margaret J. Molster       | File Clerk   | 3,035                  | 3,115     |
| Miss Jeanette Elizabeth Devlin | File Clerk   | 2,970                  | 3,050     |
| Mrs. Jean F. Stockwell         | File Clerk   | 2,730                  | 2,810     |
| Mrs. Frances B. Smith          | File Clerk   | 2,770                  | 2,890     |
| Miss Marjorie Kidd             | File Clerk   | 2,690                  | 2,810     |
| Miss Mabel E. Wike             | File Clerk   | 2,610                  | 2,730     |

Approved unanimously.

Memorandum dated August 28, 1951, from Mr. Marget, Director, Division of International Finance, recommending increases in the basic annual salaries of the following employees in that Division, effective September 2, 1951:

| <u>Name</u>      | <u>Title</u>                                | <u>Salary Increase</u> |           |
|------------------|---|------------------------|-----------|
|                  |   | <u>From</u>            | <u>To</u> |
| J. Herbert Furth | Chief, Central and Eastern European Section | \$8,800                | \$9,000   |

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| <u>Name</u>         | <u>Title</u>   | <u>Salary Increase</u> |           |
|---------------------|--|------------------------|-----------|
|                     |  | <u>From</u>            | <u>To</u> |
| David L. Grove      | Chief, Latin American Section                            | \$8,800                | \$9,000   |
| Albert O. Hirschman | Chief, Western European and British Commonwealth Section | 8,800                  | 9,000     |

Approved unanimously.

Memorandum dated August 27, 1951, from Mr. Leonard, Director, Division of Bank Operations, recommending that the resignation of Geraldine A. Cunningham, Clerk-typist in that Division, be accepted to be effective, in accordance with her request, at the close of business September 7, 1951.

Approved unanimously.

Memorandum dated August 27, 1951, from Mr. Leonard, Director, Division of Bank Operations, recommending that the resignation of Carolyn G. Smith, Clerk-typist in that Division, be accepted to be effective, in accordance with her request, at the close of business August 31, 1951.

Approved unanimously.

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

"An inquiry has been received under Regulation W concerning the value to be used for computing the required deposit in the case of the lease of an automobile. The problem arises because the Registrant is engaged

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"both as a seller and lessor of automobiles and because his current selling price is below the so-called list price. In addition, a current model car after being leased, say, for six months to one lessee is sometimes leased again to another party.

"The Board is of the view that in connection with leases of automobiles the lessor may select any reasonable method for computing value. In the case of a second or subsequent lease of a car, a reasonable amount could properly be deducted for depreciation. Of course, when the Registrant has selected a principle for computing values, he should follow it consistently, giving it similar application in all similar situations."

Approved unanimously.

Letter to Mr. Lewis E. Williams, Acting Administrator, Housing & Home Finance Agency, Washington, D. C., reading as follows:

"In response to your letter of August 27, 1951, this is to advise you that the Board of Governors concurs in the programming of an additional 125 housing units by your Agency for the Brazoria County, Texas, defense housing area which are to be eligible for the special credit terms. It is noted from your letter that on the basis of further study these additional dwelling units are needed to serve the defense activities in the locality and can be constructed mainly in the smaller cities in the area.

"Your letter states that these 125 units, to be added to the original 600 units, are to be properties for sale, 75 two-bedroom houses at a sales price not to exceed \$8,000 and 50 three-bedroom houses at a sales price not to exceed \$9,000."

Approved unanimously.

Letter to the Honorable Raymond M. Foley, Administrator, Housing and Home Finance Agency, Washington, D. C., reading as follows:



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"This will acknowledge receipt of your letter of August 29, 1951, concurring in proposed Amendment No. 6 to Regulation X and asking whether the issuance of certain instructions, in the form enclosed with your letter, to the Administrator of Veterans Affairs and corresponding instructions to the Federal Housing Administration would be satisfactory to the Board.

"The instructions enclosed with your letter would in effect suspend credit controls for housing for which relaxed credit terms have been approved in areas which have been designated by the Housing and Home Finance Administrator, with the concurrence of the Board of Governors, under the provisions of section 6(p) of Regulation X, and would contemplate similar suspension in areas declared to be critical defense housing areas under the Defense Production Act of 1950, as amended. Such suspension would apply only to defense housing programmed for defense areas under your regulations.

"This is to advise that the issuance of instructions to the Administrator of Veterans Affairs in the form enclosed with your letter and of corresponding instructions to the Federal Housing Commissioner would be satisfactory to the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to Mr. Calvin K. Snyder, Secretary, Realtors' Washington Committee, National Association of Real Estate Boards, 1737 K Street, N. W., Washington, D. C., reading as follows:

"Thank you for your letter of July 25, 1951, to Mr. Noyes, Director of the Board's Division of Selective Credit Regulation, with the attached excerpt from a letter to you respecting Regulation X, Real Estate Credit.

"Subsection 2(i)(2)(B)(ii) of the regulation concerning residential property requires that if any part of the cost of the property was incurred more than 12 months prior to the extension of credit or was acquired by gift, exchange, or inheritance, value will be the appraised value as determined in good faith by the Registrant. In the specific example cited in the extract from Mr. Dupuy's

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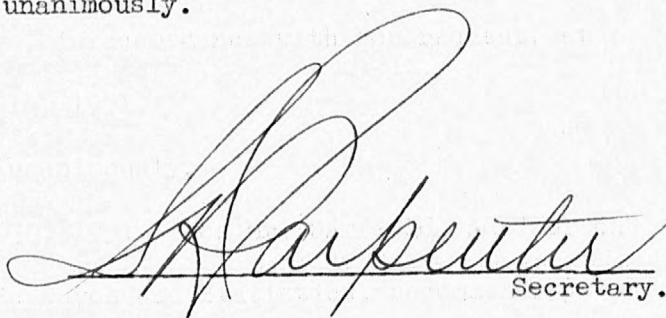
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"letter, if the lot owned by the borrower had been purchased within one year immediately preceding the extension of credit, a maximum loan of \$16,250 would be allowed on the basis of the \$28,000 estimated cost of improving the \$4,500 parcel of land. On the other hand, however, if the lot had been purchased more than 12 months previous to the time credit is extended and if the appraisal according to Travelers Insurance Company cost factors results in a total appraised value of \$24,200 for both land and building, the lower permissible loan value of \$12,100 comes about from the disparity between the contractor's price of completing the house plus cost of land and the lender's combined appraised value of the lot and the anticipated improvements.

"Considerable effort was expended in the preparation of section 2(i) 'maximum loan value' with a view to making it as equitable and flexible as possible in order to take into account differences in value occurring from the time cost is incurred for a part or parts of the property and the time a loan subject to the regulation is consummated. To base the value of unimproved land on the original cost in every instance would not reflect changes in economic conditions or permit the use of the current market value.

"The Board is always interested and appreciates receiving comments from those in the real estate field respecting the operation and effect of Regulation X."

Approved unanimously.

  
Secretary.