

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, September 13, 1951.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 11, 1951, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 12, 1951, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated September 10, 1951, from Mr. Young, Director, Division of Research and Statistics, recommending that the resignation of Miss Elsie M. Bevan, Clerk-Stenographer in that Division, be accepted to be effective, in accordance with her request, at the close of business September 21, 1951.

Approved unanimously.

Memorandum dated September 7, 1951, from Mr. Young, Director, Division of Research and Statistics, recommending that the resignation of Miss Kathryn A. Walsh, 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.

9/13/51

-2-

Memorandum dated September 12, 1951, from Mr. Boothe, Assistant Director, Division of Selective Credit Regulation, recommending that the resignation of Miss Adele Hug, Secretary to Mr. Benner, Assistant Director of that Division, which had been approved September 11, 1951, be rescinded and that she be reinstated in her former position, at the same basic salary, \$3,100 per annum, effective as of the date she reports for duty. Miss Hug will continue as a contributing member of the Civil Service Retirement System.

Approved unanimously.

Memorandum dated September 11, 1951, from Mr. Young, Director, Division of Research and Statistics, recommending an increase in the basic salary of Paul S. Anderson, Economist in that Division, from \$4,725 to \$4,850 per annum, effective September 16, 1951.

Approved unanimously.

Memorandum dated September 10, 1951, from Mr. Bethea, Director, Division of Administrative Services, recommending the appointment of Miss Lura Jean Mull as a Page in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,200 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 September 11, 1951, from Mr. Bethea, Director,

9/13/51

-3-

Division of Administrative Services, recommending that Charles R. Norris, Clerk in the Board Members' Section, be transferred to the position of Operator, Duplicating Devices, in the Division of Administrative Services, with no change in his present basic salary of \$3,355 per annum, effective September 16, 1951.

Approved unanimously.

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

"In view of the circumstances described in your letter of September 10, 1951, the Board of Governors approves the payment of salary to Mr. John Lenz while occupying the position of Chief, Coin Division, Cash Department, at the rate of \$9,185. per annum, which is \$685. in excess of the maximum approved for the grade in which this position is classified. It is assumed, from your letter, that efforts will be made to place Mr. Lenz in another position that would be commensurate with his salary."

Approved unanimously.

Letter to Mr. Gilbert Sorrells, 602 Glower, San Antonio, Texas, reading as follows:

"This refers to your letter to the President, dated August 8, 1951, which was referred to us inasmuch as it concerns real estate credit terms as contained in Regulation X. We have delayed our reply in order that we might incorporate in it information with respect to changes in the regulations applicable to extension of real estate credit resulting from the Defense Housing and Community Facilities and Services Act of 1951, signed by the President on September 1, 1951.

"As you know, Regulation X was issued under the authority of the Defense Production Act of 1950 to facilitate the

9/13/51

-4-

"diversion of labor and materials to the national defense effort and to aid in restraining inflationary pressures by curtailing the expansion of real estate credit, which had attained unprecedented proportions in the postwar period.

"Nevertheless, you may find material relief in the relaxation in credit terms specified in the Supplement to Regulation X for one- to four-family units which was made by the Board on September 1, 1951, in accordance with the Defense Housing and Community Facilities and Services Act of 1951. A copy of the schedule of maximum loan values which has been incorporated into Amendment No. 6 to Regulation X is attached. The Federal Housing Administration has made a similar relaxation in its credit terms. Loans guaranteed by the Veterans Administration will allow a larger maximum loan value in order to maintain the veterans' preferential status as prescribed in Section 605 of the Defense Production Act of 1950, as amended. In addition to the increase in maximum loan values indicated in the schedule, maximum maturities have been increased from 20 to 25 years for houses valued at \$12,000 or less.

"It was the intention of the Board and other agencies concerned with administering the provisions of the Defense Production Act to establish credit restrictions that would accomplish the required diversion of labor and materials and restraint on inflation while at the same time restricting the construction of new homes as little as possible. These intentions yielded a goal of 850,000 new residences in 1951 as a feasible objective. In the first seven months of 1951, 669,500 new residences were started. In view of the above-mentioned relaxation and the current rate of starts, it seems entirely reasonable to assume that more than 850,000 new residences will be built this year. Compared to other postwar years, 1951 will be a year of intense building activity.

"It was also the intention of the parties concerned to establish credit restrictions that would be as equitable as possible in their impact among all income groups. For this reason, the down-payment requirements of the regulation are graduated from 10 per cent on houses valued at \$5,000 or less to 50 per cent on houses valued at more than \$24,500, not actually reaching one-third until the value of the house is more than \$16,000. Veterans retain

9/13/51

-5-

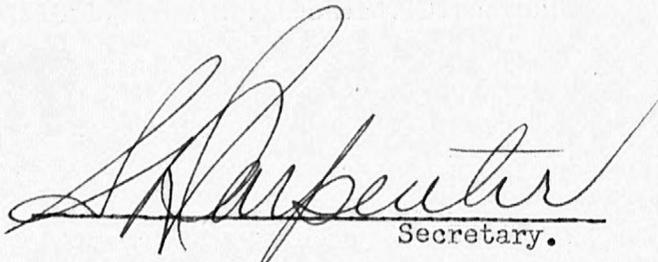
"a preferential status in the various housing price classes. The eligible veteran does not have to pay one-third down until the value of the house reaches the high-priced levels above \$18,000. It should be noted, however, that these terms are minimums which the buyer must place as a down payment and in no way do they prohibit a lender from requiring a larger down payment whenever he feels such action is financially prudent. This freedom of lenders occurs in conjunction with your Government's desire to make necessary controls as unrestrictive as possible on the individual's right to make decisions.

"We appreciate the opportunity of hearing from interested citizens as it assists our study of the effects of Regulation X, which is carried on continuously with the view of making adjustments in the credit restraints whenever necessary. We hope this letter provides a satisfactory explanation of the problem you raise. If you desire any additional information or assistance concerning the amended regulation, you may contact the San Antonio branch of the Federal Reserve Bank of Dallas."

Approved unanimously, with the understanding that similar letters would be sent in response to other inquiries where appropriate.

Memorandum dated September 12, 1951, from Mr. Carpenter, Secretary of the Board, recommending that the Board approve an increase not to exceed \$4,200, in the Miscellaneous budget of the Division of Administrative Services, to provide for expenses incurred by a series of seven proposed dinner and luncheon meetings for the purpose of formulating plans with Volunteer Workers for the defense bond drive beginning September 3.

Approved unanimously.

  
Secretary.