

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, September 21, 1951.

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

Mr. Carpenter, Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 20, 1951, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Atlanta, Chicago, St. Louis, Kansas City, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on September 17, by the Federal Reserve Bank of San Francisco on September 18, by the Federal Reserve Bank of Atlanta on September 19, by the Federal Reserve Banks of New York, Philadelphia, Chicago, and Kansas City on September 20, 1951, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated September 19, 1951, from Mr. Sloan, Director, Division of Examinations, recommending the appointment of Miss Irene S. Burns as a Clerk-typist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,690 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

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completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated September 18, 1951, from Mr. Leonard, Director, Division of Bank Operations, recommending an increase in the basic salary of John Kakalec, Analyst in that Division, from \$3,700 to \$3,825 per annum, effective September 30, 1951.

Approved unanimously.

Letter to Mr. Peterson, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of September 17, 1951, enclosing a certified copy of a resolution adopted by the Board of Directors of The Oaktown Bank, Oaktown, Indiana, signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

"As requested, the Board of Governors waives the requirement of six months' notice. Accordingly, upon surrender of the Federal Reserve Bank stock issued to The Oaktown Bank, Oaktown, Indiana, you are authorized to cancel such stock and make appropriate refund thereon.

"Please advise when cancellation is effected and refund is made. The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State Banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective."

Approved unanimously.

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

"Reference is made to your letter of September 17, 1951, enclosing a certified copy of a resolution adopted

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"by the Board of Directors of the Bank of Babylon, Babylon, New York, signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

"As requested, the Board of Governors waives the requirement of six months' notice. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the Bank of Babylon you are authorized to cancel such stock and make appropriate refund thereon. It is noted that the bank is withdrawing because it does not have the \$500,000 minimum capital stock required by Federal statutes for the establishment of an out-of-town branch in a nearby community, the establishment of which has been approved by the State authorities.

"Please advise when cancellation is effected and refund is made. The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks and the Managing Officers at Detroit and Los Angeles, reading as follows:

"Mr. John S. Bachman, Chairman of the Contract Finance Committee, has requested informally that future reports from the Federal Reserve Banks on their investigation of applications for guarantees include data on approximate number of employees of the borrower. The same data should be reported as will be shown on Form F.R. 577 in accordance with the Board's telegram of September 7, 1951 (V-52).

"Mr. Bachman's request applies to all V-loan applications involving guarantees by the Departments of the Army, Navy, and Air Force. However, it is suggested that similar information be obtained for reports of investigation of V-loan applications involving guarantees by the other guaranteeing agencies."

Approved unanimously.

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

"Thank you for your letter of August 10, 1951, informing us of questions concerning leases under Regulation X which have come to the attention of the San Francisco Bank. It is helpful in the administration of the regulation to know of the questions which are presented to the Federal Reserve Banks.

"The questions referred to were similar to those discussed in your letter of September 5 and our reply of September 14, except that your letter of August 10 concerned cases where a lessee builds on real property in which he has a leasehold interest. However, we believe the principles stated in our letter of September 14 should be followed in both cases, and we agree with your view that in determining the amount a lessee can borrow for the purpose of financing new construction to be situated on leased land the maximum loan value must be reduced by the amount of the value of the leased land, regardless of whether the lease itself is subject to the regulation within the meaning of the proposed leasing amendment.

"We also agree with your view that in such cases the 'outstanding credit' (that is, the value of the land) should be reduced by any amounts advanced by the lessee to the lessor as a prepayment or deposit on the lease."

Approved unanimously.

Memorandum dated September 19, 1951, from Mr. Chase, Assistant Solicitor, recommending that the Board's file in the case of Bush-Burns Realtors, St. Louis, Missouri, a registrant under Regulation X, Real Estate Credit, be closed, inasmuch as Mr. Robert A. Burns, sole owner of the Company, allowed investigators for the Federal Reserve Bank of St. Louis to inspect his books after a subpoena was served upon him in accordance with the Board's order of June 13, 1951.

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Approved unanimously.

Memorandum dated September 20, 1951, from Mr. Chase, Assistant Solicitor, stating that the Federal Reserve Bank of Richmond had reported apparent violations of Regulation W, Consumer Credit, by Jack Vane, doing business as Vane's United Phonograph Company, Charleston, South Carolina, and recommending that in accordance with the recommendation of the Reserve Bank 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 21st day of September, A.D., 1951.

In the Matter of
JACK VANE, d. b. a.,
Vane's United Phonograph Co.

ORDER DIRECTING INVESTIGATION
AND DESIGNATING OFFICERS TO
TAKE TESTIMONY.

I

The Federal Reserve Bank of Richmond has transmitted information to the Board which tends to show that:

Jack Vane, doing business as Vane's United Phonograph Company, Charleston, S. C., has made installment sales of electrical appliances subject to Regulation W, consumer credit:

1. Without obtaining the down payment required by Regulation W;
2. Without scheduling the first instalment payment on such sales within the time permitted by Section 6 (b) of the Regulation.
3. Without maintaining and preserving such books of account, records and other papers as are relevant to establishing whether or not credit extended by it is in conformity with the requirements of said Regulation.

II

The Board having considered the aforesaid report by the Federal Reserve Bank of Richmond, and for the purpose of (1) determining

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"Whether Jack Vane has 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 Jack Vane has engaged in the acts and practices set forth in paragraph I hereof, or any acts and practices of similar purport or object.

III

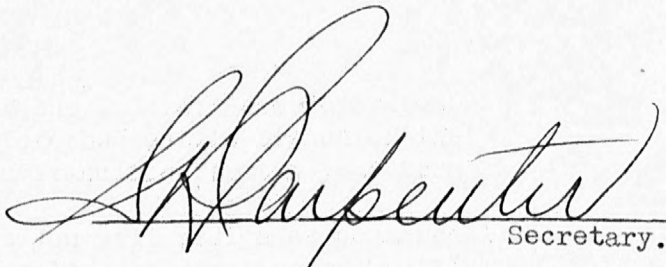
IT IS ORDERED, pursuant to Section 604 of the Defense Production Act of 1950 that an investigation be made to determine the matters set forth in paragraph II hereof.

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 Aubrey N. Heflin and Victor E. Pregeant, III, 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.


Secretary.