

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, October 25, 1951.

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

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

Memorandum dated October 23, 1951, from Mr. Murff, Assistant Secretary of the Board, recommending an increase in the Miscellaneous classification of the 1951 budget of the Board Members Section in the amount of \$3,000 in order to provide for salaries and traveling expenses of hearing examiners temporarily borrowed from other Government agencies in connection with administrative hearings as a part of the enforcement procedure under Regulation W, Consumer Credit.

Approved unanimously.

Memorandum dated October 23, 1951, from the Personnel Committee recommending for reasons stated therein that the Board authorize the respective Division heads, with the consent of the Budget Officer, to make commitments against Division budgets for the following year for routine purchases where, in the opinion of the Budget Officer, the aggregate amounts involved bear a reasonable relationship to the current year's budget for the particular classification of expense; and that because of recent changes in the Board's budgetary procedures, the Board reaffirm that portion of its action of December 20, 1939, wherein it approved unanimously a recommendation that it:

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"authorize the respective division heads, with the consent of the Budget Officer to make expenditures during 1940 and in subsequent years beyond the amount authorized in the approved non-personal services budget for the division for the particular year to an amount not exceeding 10 per cent of the original budget authorization for any individual classification, provided the aggregate authorization for non-personal services for the division will not be exceeded as a result of such additional expenditures. The latter recommendation contemplated that in the case of any major expenditures not contemplated in the original budget and all expenditures which would exceed the proposed 10 per cent limitation, it would be necessary, as in the past, for the head of the division concerned to submit a recommendation to the Board for an additional authorization."

Approved unanimously.

Memorandum dated October 23, 1951, from the Division of Personnel Administration, recommending for the reasons stated therein that the Board's donation to the Reserve Board Club be increased from \$1,200 to \$1,250 per year, effective with the calendar year 1952, and that the Reserve Board Club not be charged for the use of the telephone in the Club library.

Approved unanimously.

Letter to Mr. Weigel, Secretary of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of October 19, 1951, requesting the Board's approval of the retention in active service through June 30, 1952, of Mr. Clay Childers.

"For the reasons outlined in your letter the Board of Governors approves the payment of salary to Mr. Childers as Assistant Manager of the Little Rock Branch at the rate of \$5,800 per annum for the period December 1, 1951, through June 30, 1952, or at such other rate as may

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"subsequently be fixed by the directors and approved by the Board of Governors."

Approved unanimously.

Letter to Mr. Hodgkinson, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of October 16, 1951, requesting the Board's approval of the retention in active service through June 30, 1952, of Vice President Hult.

"For the reasons outlined in your letter the Board of Governors approves the payment of salary to Mr. Ellis G. Hult as Vice President at the rate of \$16,000 per annum for the period December 1, 1951, through June 30, 1952, or at such other rate as may subsequently be fixed by the directors and approved by the Board of Governors."

Approved unanimously.

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

"In accordance with the request contained in your letter of October 22, 1951, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of San Francisco:

M. J. Coulam
R. C. Dunn"

Approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

"This is in response to your communication of October 22, 1951, requesting an expression of our views on the Enrolled Bill H.R. 5745, 'To permit the Federal National Mortgage Association to make commitments to purchase certain mortgages.'

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"The purpose of the bill is to enable the Federal National Mortgage Association to enter into advance commitment contracts not exceeding \$30 million outstanding at any one time with respect to certain mortgages under section 213 of the National Housing Act, as amended, which the Federal Housing Commissioner has issued either a commitment to insure or a statement of eligibility prior to June 29, 1951. Not more than \$3,500,000 of such authorization would be available for such commitments in any one State.

"The Board has been, and is, concerned about the inflationary effects of mortgage credit expansion and particularly such expansion from the use of Federal funds, which this bill would authorize. Lacking knowledge of the urgency of the specific situation the bill is designed to meet, however, the Board does not feel qualified to take any firm position with respect to its enactment."

Approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

"This is in response to your communication of October 22, 1951, requesting the Board's comments on the enrolled enactment of a bill (H.R. 1672) for the relief of the Bank of America National Trust and Savings Association.

"It is the Board's understanding that the claim in the amount of \$20,403.65 arose in connection with a contract entered into by the War Department with the San Jose Manufacturers, Incorporated, San Jose, California, during World War II. The Bank of America made a loan to the San Jose Company which, under the V-loan program, was guaranteed up to 80 per cent by the War Department. The loan was not paid and 80 per cent of the loss was borne by the War Department and 20 per cent of the loss was borne by the Bank. H.R. 1672 would reimburse the Bank of America for its loss in the amount mentioned above.

"The Board of Governors has not previously had occasion to consider or to report on this bill. It is not in a position, therefore, within the limited time now available to give adequate consideration to the merits of the claim before advising the President.

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"However, since the Federal Reserve Banks act as fiscal agents for the guaranteeing agencies in connection with the current V-loan program, the Board has a real interest in any action which may have a bearing on that program. Regardless of the merits of the claim in any particular case, it seems quite likely that enactment of a special statute, providing for payment by the Government to any financing institution of an amount over and above the percentage of the Government's guarantee, would in all probability be used as a precedent with respect to other similar claims and, as a consequence, both the spirit and purpose of the program might be jeopardized."

Approved unanimously.

Letter to Mr. Olson, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"We have received your letter of October 18, 1951, inquiring whether the Johnson Nursing Home of Joliet, Illinois, could be considered as a hospital exempt from Regulation X under section 2(r)(3). Your letter states that this nursing home is licensed by the Division of Hospitals and Chronic Illness of the Department of Public Health of the State of Illinois, and that patients consist of aged persons who have suffered some form of disability, most of whom are bedridden, requiring nursing and medical care.

"As you know, footnote 10 to section 2(k) of Regulation X specifically defines 'rest homes' as nonresidential structures if more than one-half of the floor space of the structure consists of units which do not contain kitchen facilities or space designed for kitchen facilities. Inasmuch as many 'rest homes' are merely boarding houses for aged, infirm, or convalescent persons providing a form of nursing service as a means of inducing their patronage, it has been our belief that we should ordinarily not classify such institutions as hospitals exempt from Regulation X. There are, however, some nursing homes which do provide a complete medical and nursing service for cases of chronic invalidism, which are similar to

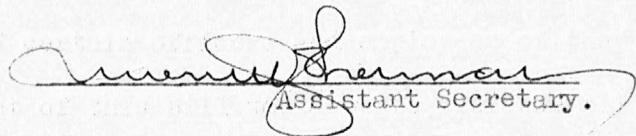
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"sanitariums and hospitals and quite properly could be classified as hospitals exempt from the regulation. Since the granting of an exemption for this type of institution may cause other proprietors of nursing homes which do not provide the same complete medical and nursing service indicated in your letter to apply for exemptions, in general, it would seem that great care should be exercised in determining the extent of the in-patient hospital services afforded by the institution before classifying a rest home as a hospital.

"It would seem, therefore, that if you believe that the Johnson Nursing Home provides in-patient services and accommodations similar to a hospital it would be exempt from the terms of Regulation X."

Approved unanimously.


Assistant Secretary.