Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, October 31, 1951.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 30, 1951, were approved unanimously.

Memorandum dated October 29, 1951, from Mr. Marget, Director, Division of International Finance, recommending an increase in the basic salary of Samuel I. Katz, Economist in that Division, from $7,240 to $8,360 per annum, effective November 11, 1951.

Approved unanimously.

Memorandum dated October 30, 1951, from Mr. Marget, Director, Division of International Finance, recommending an increase in the basic salary of Miss Foteny Economon, Clerk-Stenographer in that Division, from $2,950 to $3,030 per annum, effective November 11, 1951.

Approved unanimously.

Letter to Mr. W. K. Pierpont, Vice President, University of Michigan, Ann Arbor, Michigan, reading as follows:

"Enclosed is a copy of the contract submitted in the form of your letter of September 28, 1951, with respect to the terms and conditions under which the University of Michigan agrees to conduct for the Board of Governors of the Federal Reserve System a seventh
"annual survey of consumer finances. This has been executed on behalf of the Board indicating its approval and acceptance of the terms and conditions stated."

Approved unanimously.

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

"Replies to the Board's letter of October 3, 1951, regarding Reserve Bank conferences on Regulations W and X have now been received from all of the Federal Reserve Banks. The letters from the Reserve Banks indicate generally that such conferences would be desirable but they show a divided opinion on the matter of whether the conferences should be held in November of this year or early in 1952. It was pointed out by those favoring a later date that the additional experience of the System in connection with the regulations during the next two or three months would contribute materially to the value of the conferences.

The Board believes there is merit in the latter suggestion and, accordingly, it will proceed with plans for a series of Bank conferences to be held soon after the first of next year. A detailed schedule will be developed and submitted to you for comment at a later date."

Approved unanimously.

Letter to Mr. Cook, Vice President and Cashier of the Federal Reserve Bank of Dallas, reading as follows:

"This refers to your letter of October 23, 1951, concerning the acquisition by co-tenants of undivided interests in real property. Our conclusion is that section 2(1)(4)(B) of Regulation X is applicable and that a Registrant may make a $60,000 loan to acquire a co-tenant's undivided one-half interest in debt-free nonresidential property having an appraised value of $120,000.

We recognize the question as an unusual and difficult one which may quite reasonably be interpreted either way. We adopted our position primarily for practical administrative reasons for, as you will note, the total amount of credit
"that ultimately can be extended with respect to the property is the same under either interpretation, and we might as well permit the borrowers to do in one step what they permissively may do in two. For example, if in this particular case we took the position that the transaction is a sale within the meaning of section 2(1)(h)(A), and that the 'value' is the sale price of $60,000, the purchasers would be limited to borrowing $30,000. However, as soon as the transaction was completed, they would own nonresidential property having a value of $120,000, with outstanding credit of only $30,000, and permissively could borrow $30,000 more. Moreover, inasmuch as any outstanding credit necessarily must be taken into consideration in such transactions, adoption of the other alternative would unnecessarily complicate computations when fractional undivided interests in real property are acquired."

Approved unanimously.

Secretary.