Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, November 28, 1951.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 23, 1951, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 26 and 27, 1951, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated November 23, 1951, from Mr. Carpenter, Secretary of the Board, recommending an increase in the basic salary of John C. Brennan, General Assistant in the Office of the Secretary, from $5,750 to $5,875 per annum, effective December 9, 1951.

Approved unanimously.

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

"In accordance with the request contained in your letter of November 23, 1951, the Board approves the appointment of John C. Krueer as an assistant examiner for the Federal Reserve Bank of New York. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.
Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the requests contained in your letters of November 20, 1951, the Board of Governors approves the appointments of Morris G. Anderson, Robert G. Briere, and Ralph J. Dreitzler, at present assistant examiners, as examiners for the Federal Reserve Bank of Minneapolis.

"It is noted that Mr. Briere is indebted to the Princeton State Bank, Princeton, Minnesota, and Mr. Dreitzler to the First Robbinsdale State Bank, Robbinsdale, Minnesota, both non-member banks. It is assumed that the Federal Reserve Bank of Minneapolis will not authorize these examiners to participate in any examinations of the banks to which they are indebted."

Approved unanimously.

Letter to Mr. Shepard, Federal Reserve Agent of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in Mr. Peyton's letter of November 20, 1951, the Board approves, effective December 1, 1951, the payment of salary to Mr. Morris G. Anderson at the rate of $5,000 per annum as Alternate Assistant Federal Reserve Agent."

Approved unanimously.

Memorandum dated November 23, 1951, from Mr. Powell, recommending that Dr. James J. O'Leary, Director of Investment Research of the Life Insurance Association of America, New York, New York, be appointed an alternate member of the Voluntary Credit Restraint Committee, to serve in the absence of Mr. Carrol M. Shanks.

Approved unanimously.
Telegram to Mr. Armistead, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"Reurtel November 27 Board extends to May 28, 1952, time within which Wachovia Bank and Trust Company, Winston Salem, North Carolina, may establish its branch on West Morehead Street in Charlotte, North Carolina."

Approved unanimously.

Letter to Mr. William Gage Brady, Jr., Chairman, Board of Directors, International Banking Corporation, 55 Wall Street, New York, New York, reading as follows:

"There are enclosed two copies each of the reports of examination of the foreign branches of International Banking Corporation made, as of the dates indicated below, by examiners for the Board of Governors of the Federal Reserve System:

London Branch -- June 25, 1951
Paris Branch -- August 14, 1951

The second copy of each of the reports is for the information and files of the officer in charge of the respective branch.

After these reports have been presented to your directors for their consideration, please advise the Board of Governors regarding any actions taken or contemplated with respect to the recommendations and suggestions of the examiner. Any comments you may care to make with regard to the operations of the branches as disclosed by the reports of examination will also be appreciated."

Approved unanimously, for transmittal through the Federal Reserve Bank of New York.

Letter to Mr. Diercks, Vice President of the Federal Reserve Bank of Chicago, reading as follows:
"The Board of Governors of the Federal Reserve System has considered the recommendation of the Board of Directors of your Bank, contained in your letter of November 15, 1951, and pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to The Steel City National Bank of Chicago, Chicago, Illinois, a conversion of the Steel City State Bank of South Chicago, to maintain the same reserves required to be maintained by banks located in reserve cities, effective as of the date of commencement of business by the subject bank as a national bank."

"Please advise the bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System."

Approved unanimously, Mr. Vardaman having previously approved the letter.

Letter to Miss E. F. Downey, Secretary, Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

"Reference is made to your letter of November 21, 1951, concerning the application of The Houtzdale Bank, Houtzdale, Pennsylvania, for continuance of insurance after withdrawal from membership in the Federal Reserve System.

"The report of examination of The Houtzdale Bank, made as of August 18, 1951, reflects a sound asset condition, strong capital structure and capable management. Correspondence between the subject bank and the Federal Reserve Bank of Philadelphia shows that a small estimated loss in loans has been charged off and that other requests and recommendations have received attention.

"No other corrective programs have been urged upon the bank, or agreed to by it, in connection with which the Board of Governors would consider it desirable to incorporate conditions with respect to continuance of insurance."

Approved unanimously, with a copy to Mr. Hill, Vice President of the Federal Reserve Bank of Philadelphia.
Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"The Board has given consideration to conclusion numbered 3 in the memorandum submitted with your letter of October 22, 1951, which, in effect, proposes that the State member banks in the Second Federal Reserve District that are rated 'A', presently 59 in number, be examined by the Reserve Bank only every other year. The proposal further contemplates that one or two examiners for the Reserve Bank would participate with State examiners in the intervening year for the purpose of sitting in on discussions with management of such banks and reviewing the bank's compliance with Federal Reserve Law and Regulations and, if experience with the plan proves favorable, that the procedure be extended to banks rated 'B' or that experience may eventually indicate the extent to which the Reserve Bank might forego the examination of State member banks, if and where State supervision was considered competent. It is noted that your Board of Directors favors the proposal and would desire to put it into effect beginning January 1, 1952.

"As you know, the procedures of the System in the field of bank examination and supervision have been under study but definite determinations have not been reached. Also, the recent upsurge in exposure of bank defalcations has caused concern in many quarters and gave rise to the suggestion made by the last Conference of Presidents that the System should sponsor a conference of the Federal and State supervisory authorities and other interested agencies and organizations for the purpose of discussing ways and means of preventing and detecting defalcations.

"The Board appreciates the ideas expressed in your letter and the accompanying memorandum, will be glad to discuss them further with you, and expects to give them full consideration in reaching a final determination with respect to System activities in the field of examinations and supervision. However, it does not feel that it is appropriate at the present time to relax the program for examination of State member banks in any Federal Reserve
"District. Also, it would not wish to sanction the proposed action, in any event, without the benefit of discussion with the Conference of Presidents."

Approved unanimously.

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

"This refers to Mr. Dawes' letter of November 2, 1951, transmitting two copies of the proposed classification of member banks for election purposes, to be effective upon approval by the Board of Governors and applicable to the 1952 election of directors.

The Board has considered the matter and in accordance with the recommendations of your Bank's Executive Committee has changed the classification of member banks in the Seventh Federal Reserve District for the purpose of electing Class A and Class B directors as follows:

<table>
<thead>
<tr>
<th>Group</th>
<th>Banks with Capital and Surplus of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$2,000,000 and over</td>
</tr>
<tr>
<td>2</td>
<td>Over $250,000 and under $2,000,000</td>
</tr>
<tr>
<td>3</td>
<td>$250,000 and under</td>
</tr>
</tbody>
</table>

Approved unanimously.

Telegram to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reurlet November 20. Replies to Board's letter of August 15 regarding possible amendment of Section 3(d) of Regulation Q were not unanimous; several Reserve Banks oppose amendment. No recommendation submitted to Board as yet because supplementary information requested from some State banking departments was received only recently. Consultation with FDIC is also planned because of corresponding regulation pertaining to insured nonmember banks. For these reasons it is doubtful that Regulation Q will be revised by end of year.

"Until final decision is reached, Board will interpose no objection for time being to member bank computing
"interest payments in accordance with its advertisements as described in your letter of July 16, with distinct understanding that this does not establish a precedent and that, depending on the decision as to amendment of Regulation Q, the bank's method of computation may have to be changed."

Approved unanimously.

Memorandum dated November 20, 1951, from Mr. Townsend, Solicitor, recommending, for the reasons stated therein, that no proceeding be instituted at this time against General Television Corporation, Cleveland Heights, Ohio, a registrant under Regulation W, Consumer Credit, to suspend the Corporation's license to do an instalment credit business under the Regulation, and that, in the circumstances, the file in this case be closed. The memorandum stated that the Federal Reserve Bank of Cleveland concurred in this recommendation.

Approved unanimously.

Letter to Mr. David Hornstein, Tower Building, 14th & K Streets, N. W., Washington, D. C., reading as follows:

"This refers to your letter of November 23, 1951, and earlier discussions between you and members of the Board's staff concerning the proposed leasing of housing now under construction in Wheaton, Maryland, by the Gelman Construction Company. In your letter you quoted a proposed provision to be inserted in a conventional five year lease to be used in the leasing of the housing.

"Section 602(d)(2) of the Defense Production Act, as incorporated into section 2(c) of Regulation X, defines 'Credit' as including 'any rental-purchase contract, or any contract for the bailment, leasing, or other use..."
of property under which the bailee, lessee, or user has
the option of becoming the owner thereof, obligates him-
self to pay as compensation a sum substantially equivalent
to or in excess of the value thereof, or has the right to
have all or part of the payments required by such con-
tract applied to the purchase price of such property or
similar property;'. In our opinion the proposed leasing
provision comes within this definition of 'Credit' and,
accordingly, the proposed leasing plan will be subject
to the provisions of Regulation X."

Approved unanimously, with
copies to the Federal Reserve Bank
of Richmond and its Baltimore Branch.

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

"Reurlet November 6 about whether a building used in
repairing, servicing, or maintaining electric motors can
be considered as 'processing materials' within the meaning
of section 2(r)(5)(i) of Regulation X. We do not think
that these business activities are ordinarily equivalent
to the processing of materials, goods, or articles into
finished or partly-finished manufactured products, and the
proposed addition to the property of Moran Electric Service,
Inc., probably is subject to Regulation X as a major addi-
tion and improvement to a nonresidential structure. How-
ever, it should be observed that some large manufacturing
operations are for the purpose of restoring used equipment
to serviceable condition, such as plants employed in the
rebuilding of automobile engines. Such manufacturing
operations as the last or other similar kinds might, upon
a study of the facts, be classified as processors, and, if
they met the floor-space test in section 2(r)(5)(i), they
might be exempt from the nonresidential provisions of the
regulation."

Approved unanimously.

Notice for publication in the Federal Register, reading as
follows:
"Regulation W - Consumer Credit - issued by the Board of Governors of the Federal Reserve System pursuant to section 601 of the Defense Production Act of 1950, as amended, regulates instalment credit, including such credit in connection with the purchase of certain articles listed in Part 1 of section 9 (the Supplement to the regulation). Part 1 of such section 9 also specifies the percentages of minimum down payment and maximum loan value permissible for such listed articles, and Part 4 and Part 5 of section 9 relate to the calculation of minimum down payments and maximum loan values.

"In view of the promulgation by the Office of Price Stabilization of ceiling price regulations, including ceiling prices in dollars and cents for used automobiles by CPR 94 (16 FR 11639), the desirability of certain changes in the matters covered by Parts 4 and 5 of section 9 of Regulation W is indicated. This is especially true with respect to the reference in Part 4 to 'appraisal guide value'.

"In the circumstances, the Board is considering whether or not it would be practicable and otherwise appropriate to amend section 9 of Regulation W in the following respects:

1. By amending Part 4 of section 9 (the Supplement to the regulation) to read as follows:

   Part 4. Calculation of down payment and maximum loan value for listed articles. The required down payment and maximum loan value for a listed article shall be the specified percentage of the cash price of the article, except that:

   (a) If the cash price of an article listed in Group D cannot be determined at the time the required down payment must be obtained or at the time of the loan, (1) the Registrant may substitute for the cash price in calculating such down payment a bona fide estimated cash price, or (2) the borrower may substitute for the cash price, and in calculating the maximum loan value the Registrant may rely in good faith on a bona fide estimated cash price as so stated in the Statement of the Borrower; and

   (b) In the case of any article for which a maximum retail price is prescribed by the Federal price authorities, the amount of credit extended in connection with such article shall in no event exceed the amount which would have been
"permitted if the article had been sold at the maximum retail price.
Such required down payment may be obtained in the form of cash, trade-in, or both.
2. By deleting in its entirety Part 5 of section 9 (the Supplement to the regulation).
"To aid in the consideration of this matter, the Board will be glad to receive from interested persons any relevant explanations, data, or other information. Any such material should be submitted in writing to be received by the Board not later than December 12, 1951.
"Approved this 28th day of November 1951.
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
(signed) S. R. Carpenter,
Secretary."

Approved unanimously.

Memorandum dated November 27, 1951, from Mr. Sherman, Assistant Secretary, recommending that the Board authorize the payment of costs of the dinner and luncheons and other incidental expenses incurred during the Conference of the Chairmen of the Federal Reserve Banks on December 3 and 4, 1951, in Washington.

Approved unanimously.

Memorandum dated November 20, 1951, from Mr. Thurston, Assistant to the Board, referring to a memorandum dated November 15, 1951, from Mr. Goodman, Federal Reserve Examiner, Division of Examinations, proposing that a group of executives of the United States Chamber of Commerce who will be meeting in Washington on December 13 and 14, 1951, be invited to the Federal Reserve Building on one of those dates for luncheon and a discussion of the purposes and functions of the Federal Reserve System. The memorandum from Mr. Thurston suggested that if the
Program were approved, the Board pay the cost of the luncheon.

Approved unanimously.

Secretary.