

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, November 30, 1951.

PRESENT: Mr. Martin, Chairman  
 Mr. Szymczak  
 Mr. Vardaman  
 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 29, 1951, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, New York, Atlanta, Chicago, St. Louis, Kansas City, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of Boston and St. Louis on November 26, by the Federal Reserve Bank of San Francisco on November 27, by the Federal Reserve Bank of Atlanta on November 28, by the Federal Reserve Banks of New York and Chicago on November 29, and by the Federal Reserve Bank of Kansas City on November 30, 1951, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated November 28, 1951, from Mr. Norton, referring to the arrangement approved by the Board on June 19, 1951, under which Miss Va Lois Egbert, Secretary to Mr. Eccles, was to be retained on the pay roll of the Board until November 30, 1951, to afford her an opportunity

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to go through Mr. Eccles' personal file for the purpose of determining what material should be turned over to the Board for its official files, and recommending that, although her salary would terminate on November 30, Miss Egbert be permitted to retain an office in the Federal Reserve Building for such period in December as might be necessary to enable her to complete the task.

Approved unanimously.

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

"In accordance with the request contained in your letter of November 27, 1951, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Philadelphia:

Stanley J. Grigalunas	Leonard McCann
Walter C. Benz	Francis McGirney
Edward H. Keane	John A. Muntz
John J. Lowery	John W. Murray
Harry K. Margolf	Henry A. Rickert, Jr.

"Appropriate notations have been made in our records of the names to be deleted from the list of special assistant examiners."

Approved unanimously.

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

"There have been forwarded to you today under separate cover copies of form F. R. 107 to be used by State member banks in submitting their reports of earnings and dividends for the calendar year 1951. The form is the same as the one used in submitting reports for the calendar year 1950, except that the words 'and excess profits tax' have

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"been added to the income tax item 7.

"The Board's letter of May 31, 1951, transmitting the mid-year earnings forms, mentioned certain revisions affecting taxes on net income that would be made in the next reprinting of the Board's Instructions for the Preparation of Reports of Earnings and Dividends, form F. R. 107a, in the interest of uniformity with the Federal Deposit Insurance Corporation and the Comptroller of the Currency instructions. Since that time the FDIC instructions have been reprinted containing the instructions to the effect that both item 2(f), taxes other than on net income, and item 7, taxes on net income, should include current taxes adjusted for all over and under accruals, refunds, and deficiency payments. Similar revisions will be made in the next reprinting of the Board's instructions."

Approved unanimously, with the understanding that the letters would be mailed when the forms have been printed.

Letter to Mr. Gerhard Gesell, Covington & Burling, Union Trust Building, Washington, D. C., reading as follows:

"The Board has received and carefully considered your letter of November 28, together with a memorandum from the Solicitor for the Board dated November 29, relating to the order of oral argument in the above matter.

"The dominant question to be argued to the Board is whether or not a divestment order should be entered against Transamerica. The Board's Solicitor contends that it should be. Counsel for Transamerica contends that it should not. In the circumstances, it is the Board's opinion that, in accordance with the usual procedure followed in presenting the affirmative and the negative of an issue, the Solicitor for the Board has the right to open and close the argument. If the Board's Solicitor and Transamerica's counsel desire to follow a different procedure, the Board has no objection to hearing argument in any order upon which the Solicitor for the Board and counsel for Transamerica mutually agree. In the absence of such an agreement, however, the Board will expect its Solicitor to open and close.

"By direction of the Board."

Approved unanimously.

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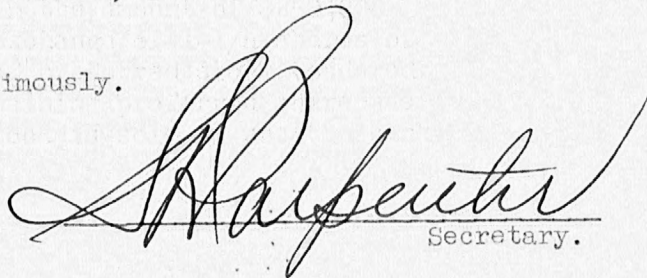
Telegram to the Presidents of all Federal Reserve Banks, reading as follows:

"Section 5(e) of Regulation X provides an exemption for credit to finance the purchase or construction of a structure to be used in substitution for a similar structure of which the borrower 'has been deprived through or by reason of eminent domain or condemnation proceedings'. Section 6(e) of the regulation provides an exemption for credit extended by a Registrant in connection with a sale of property 'acquired by him through foreclosure proceedings'.

"Several questions have been raised from time to time as to the meaning of 'proceedings' as used in these sections. For example, is section 6(e) applicable to a sale of property acquired not through strict mortgage foreclosure but by deed from a trustee in bankruptcy of the defaulting mortgagor? As a further example, does the applicability of section 5(e) extend to a borrower who has sold property under a threat of formal eminent domain or condemnation proceedings?

"It is our understanding that it is a common practice among lenders to avoid the expense and delays of formal foreclosure by accepting from a defaulting mortgagor, or from his trustee in bankruptcy or other qualified representative of creditors, a deed in lieu of foreclosure, and that most property which may be subject to formal eminent domain or condemnation proceedings is acquired through settlement in lieu of formal proceedings. To limit the applicability of these provisions to cases where there have been formal proceedings and a court order issued would be unnecessarily strict and would defeat the purpose for which the exemptions were provided. Accordingly, we believe the applicability of the provisions should extend to cases of the types mentioned above, and other similar cases of property transfers, when the circumstances clearly show the transfer to be in lieu of formal eminent domain, condemnation, or foreclosure proceedings."

Approved unanimously.

  
Secretary.