

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, December 3, 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 30, 1951, were approved unanimously.

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

"In accordance with the request contained in your letter of November 27, 1951, the Board approves the appointment of Charles F. Napoli as an assistant examiner for the Federal Reserve Bank of Boston. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

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

"Reference is made to your letter of November 20, 1951, submitting the proposal of the Central Valley Bank of California, Richmond, California, to retire its outstanding preferred stock in the amount of \$250,000 (par value \$50) through the exchange of 1-1/4 shares of common stock for each share of preferred stock tendered and the retirement of the remaining preferred shares as and when additional common stock is sold to net the bank \$50 per share.

12/3/51

-2-

"In view of your recommendation, the Board of Governors approves the proposed retirement of preferred stock by the Central Valley Bank of California, Richmond, California, in accordance with the plan outlined in your letter, provided the prior approval of the State authorities is obtained."

Approved unanimously.

Letter to Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, reading as follows:

"In the November 18, 1951, issue of The Ogden Standard Examiner, Ogden City, Utah, it is indicated that Mr. Frank M. Browning, who is a director of the Salt Lake City Branch, together with others is applying to the State Bank Commissioner to establish the Bank of Utah.

"As you know, the Board's regulations relating to the operation of Branches of Federal Reserve Banks provide that the directors appointed by the Board of Governors shall be persons who are not primarily engaged in banking and preferably are not directors of banks, although they may be stockholders. While this provision permits some latitude in the selection of directors, it follows the general principle established in the Federal Reserve Act that some of the directors of the Federal Reserve Banks should not be associated with commercial banks. The Board feels that it is in the public interest to have diversified representation on the Boards of Directors of the Branches as well as at the parent Bank, and it has followed the general policy of selecting as its appointees individuals who were not officers or directors of commercial banks. However, on a few occasions in the past, the Board of Governors interposed no objection to a Branch director, who had become a director of a commercial bank, continuing to serve as a director for the remainder of the current year.

"It will be appreciated, therefore, if you will develop and forward to the Board such information with respect to the organization of the proposed Bank of Utah and Mr. Browning's connection with it as will enable the

12/3/51

-3-

"Board to determine whether, in accordance with the policy set forth above, his services as a Branch director should be terminated. Inasmuch as he has already been appointed a Branch director for a new two-year term beginning January 1, 1952, it would be helpful if the matter could be decided before that date."

Approved unanimously.

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

"There have been forwarded to you today under separate cover the indicated number of copies of the following forms, a copy of each of which is attached, for use of State member banks and their affiliates in submitting reports as of the next call date:

Number of  
copies

Form F. R. 105 (Call No. 122), Report of condition of State member banks.

Form F. R. 105b (Revised August 1939), Loans and advances to affiliates and investments in and loans secured by obligations of affiliates.

Form F. R. 105e (Revised May 1948), Publisher's copy of report of condition of State member banks.

Form F. R. 105e-1 (Revised May 1948), Publisher's copy of report of condition of State member banks.

Form F. R. 220 (Revised August 1946), Report of affiliate or holding company affiliate.

Form F. R. 220a (Revised August 1946), Publisher's copy of report of affiliate or holding company affiliate.

Form F. R. 220b (Revised August 1946), Instructions for the preparation of reports of affiliates and holding company affiliates.

"All of the forms are the same as those used on October 10, 1951 except for a breakdown of Schedule A of form F. R. 105, item 6(b), real estate loans secured by residential properties (other than farm) into sub-items (1) Insured by Federal Housing Administration, (2) Insured or guaranteed by Veterans Administration, (3) Not insured or

12/3/51

-4-

"guaranteed by FHA or VA. Item 6(b)(1) should include loans insured under Title I if actually secured by liens on real estate. In cases where there are first mortgages insured by the FHA in combination with second mortgages guaranteed by the VA, the first mortgage should be reported against item 6(b)(1) and the second mortgage against item 6(b)(2).

"The same revisions are being made in the condition report forms used by the Comptroller of the Currency and the FDIC; and the Executive Committee of the National Association of Supervisors of State Banks, at its September meeting in St. Louis, agreed to recommend the same changes in call report forms prescribed by State banking departments. Since most banks now segregate their FHA and VA loans, the additional breakdown in Schedule A should impose little, if any, additional reporting burden.

"The additional data showing FHA and VA loans separately are needed to determine the nature of the expansion in residential real estate loans since June 1950 and future changes therein, and whether the changes differ among commercial banks of various sizes or in different parts of the country. The data would also be helpful in the administration of Federal real estate credit regulations."

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

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

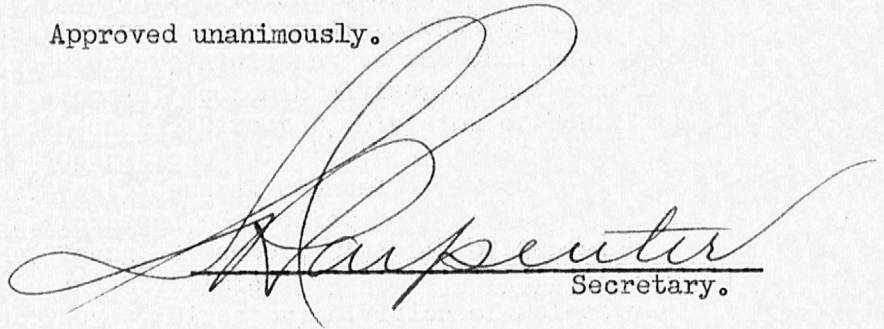
"Reurtel November 28 concerning proposed mixed-purpose working capital loan to borrower who within past four months has made major improvements to non-residential structure with non-borrowed funds. We share your difficulty in assuming that borrower did not have subsequent borrowing in mind when improvements were made. Mere fact that loan will be made after improvements have been completed does not demonstrate conclusively that portion is not 'for the purpose of

12/3/51

-5-

"financing a major addition or major improvement' within meaning of section 4(a)(2) of Regulation X. Questions of this type are most difficult to answer categorically and necessarily depend upon all relevant facts in each particular case, but if it clearly appears that portion of subsequent borrowing is to be used to replenish borrower's working capital used in paying for improvements then we believe you properly should consider that portion of loan to be subject to regulation and thereby limited to 50 per cent of cost of improvements."

Approved unanimously.



R. A. Carpenter  
Secretary.