

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, December 12, 1951.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
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 December 11, 1951, were approved unanimously.

Memoranda dated December 10, 1951, from Mr. Leonard, Director, Division of Bank Operations, recommending increases in the basic annual salaries of the following employees in that Division, effective December 23, 1951:

Name	Title	Salary Increase	
		From	To
John R. Farrell	Chief, Reserve Bank Budget and Expense Section	\$8,360	\$8,560
Frank J. Callahan	Clerk	3,910	4,035
Mrs. Alice C. Fry	Statistical Clerk	3,175	3,255
Mrs. Eleanor I. Klein	Statistical Clerk	3,110	3,255

Approved unanimously.

Memorandum dated December 7, 1951, from Mr. Young, Director, Division of Research and Statistics, stating that Mrs. Viola A. Hodson, Clerk in that Division, had applied for retirement in accordance with provisions of the Federal Reserve Retirement System, effective as of the close of business December 31, 1951.

Noted.

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Memorandum dated December 11, 1951, from Mr. Kelleher, Assistant Director, Division of Administrative Services, recommending the reinstatement of Thomas V. Kopfman, who had been on military leave, as Clerk in that Division, with basic salary at the rate of \$3,190 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.

Memorandum dated December 10, 1951, from Mr. Carpenter, Secretary of the Board, recommending for reasons stated therein that the present assignment at the Federal Reserve Bank of Atlanta of Mrs. Mildred E. Pilger, Supervisor, Federal Open Market Administrative and Subject Files, Files Section, Office of the Secretary (approved by the Board on November 6, 1951), be extended to January 7, 1952, with the understanding that she would be continued on the Board's pay roll during the period of this assignment, that the Board would continue to defray her travel expenses, including per diem at the rate of \$9.00, and that the 1951 budget of the Office of the Secretary would be increased by an amount sufficient to cover travel expenses and per diem to the end of 1951.

Approved unanimously.

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Letter to Mr. Whittier, Federal Reserve Agent of the Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with the request contained in Mr. Wilgus' letter of December 3, 1951, the Board of Governors approves, effective December 1, 1951, the payment of salaries to the following named members of the Federal Reserve Agent's staff at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
J. Frank Rehffuss	Assistant Federal Reserve Agent	\$8,400
Elwood J. Braker	Alternate Assistant Federal Reserve Agent	4,368
Glendon M. Burr	Alternate Assistant Federal Reserve Agent	5,820"

Approved unanimously.

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

"Reference is made to your letter of December 5, 1951, requesting the Board of Governors to approve an increase in the salary structures of the Federal Reserve Bank of New York and the Buffalo Branch.

"Subject to the proper clearance with the Wage and Salary Stabilization Boards and the approval of your Board of Directors, the Board of Governors approves the following minimum and maximum salaries for the respective grades, effective December 27, 1951:

<u>Grade</u>	<u>Head Office</u> <u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$ 1,800	\$ 2,460
2	2,100	2,820
3	2,340	3,180
4	2,580	3,480
5	2,820	3,800
6	3,120	4,200
7	3,420	4,600
8	3,800	5,100
9	4,100	5,600

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Grade	<u>"Head Office</u>	
	<u>Minimum Salary</u>	<u>Maximum Salary</u>
10	\$ 4,500	\$ 6,100
11	4,900	6,600
12	5,300	7,200
13	5,800	7,800
14	6,400	8,600
15	7,100	9,600
16	7,900	10,600
	<u>Buffalo Branch</u>	
1	\$ 1,680	\$ 2,280
2	1,860	2,520
3	2,040	2,760
4	2,280	3,060
5	2,520	3,360
6	2,760	3,700
7	3,000	4,100
8	3,300	4,500
9	3,600	4,900
10	3,900	5,300
11	4,300	5,800
12	4,700	6,400
13	5,200	7,000
14	5,700	7,600
15	6,200	8,400
16	7,000	9,400

"The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is understood that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than March 1, 1952."

Approved unanimously.

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

"Reference is made to your letter of December 3, 1951, requesting the Board of Governors to approve an increase of

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"approximately five per cent in the salary structure of the Federal Reserve Bank of Philadelphia.

"The Board of Governors approves the following minimum and maximum salaries for the respective grades for the Federal Reserve Bank of Philadelphia, effective December 1, 1951, provided the necessary clearance for such structural adjustment is received from the Salary and Wage Stabilization Boards:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1320	\$1740
2	1500	2040
3	1740	2400
4	2040	2820
5	2340	3240
6	2700	3700
7	3060	4200
8	3480	4700
9	3900	5200
10	4300	5800
11	4700	6400
12	5300	7100
13	5800	7800
14	6400	8600
15	7000	9600
16	7700	10500

"The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than March 1, 1952."

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of November 26, 1951, requesting the Board of Governors to approve an

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"increase of approximately six per cent in the salary structure of the Federal Reserve Bank of Kansas City.

"The Board of Governors approves the following minimum and maximum salaries for the respective grades for the Federal Reserve Bank of Kansas City, including the Branches, effective January 1, 1952, provided the necessary clearance for such structural adjustment is received from the Salary and Wage Stabilization Boards:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1560	\$2100
2	1740	2340
3	1920	2640
4	2160	2940
5	2400	3300
6	2700	3660
7	3060	4080
8	3420	4560
9	3780	5100
10	4260	5760
11	4740	6420
12	5340	7200
13	5940	8040
14	6660	9000
15	7440	10080
16	8340	11280

"The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than March 1, 1952."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to your letter of December 4, 1951, requesting the Board of Governors to approve an increase of 3.25 per cent in the salary structure of the

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"Head Office and El Paso and Houston Branches of the Federal Reserve Bank of Dallas.

"The Board of Governors approves the following minimum and maximum salaries for the respective grades, effective November 1, 1951, provided these rates are approved by your Board of Directors and contingent upon the approval of the Wage and Salary Stabilization Boards:

Grade	Head Office, El Paso, Houston	
	Minimum Salary	Maximum Salary
1	\$1486	\$1983
2	1610	2169
3	1796	2417
4	1982	2664
5	2230	2974
6	2478	3346
7	2787	3717
8	3035	4130
9	3469	4647
10	3820	5163
11	4233	5679
12	4749	6402
13	5059	6815
14	5885	7951
15	6608	8880
16	7124	9706

"The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than February 1, 1952.

"It is understood that no change will be made in the salary structure for the San Antonio Branch at this time."

Approved unanimously.

Letter to the Honorable Maple T. Harl, Chairman, Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

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"There is enclosed a copy of a proposed bill to amend section 9 of the Federal Reserve Act and section 5155 of the Revised Statutes which has for its purpose certain modifications in the capital requirements for membership in the Federal Reserve System and for the establishment of out-of-town branches by national banks and State member banks. This proposed bill was submitted by the Board to the Bureau of the Budget some months ago, and in a letter dated August 6, 1951, the Bureau advised the Board that there would be no objection to the submission of this legislation to Congress.

"Since that time, it has been suggested that the proposed bill be modified to provide in effect that a national bank may not establish an out-of-town branch unless it meets the capital requirements prescribed by State law for the establishment of out-of-town branches by State banks. The Board wishes to recommend the bill with this modification to Congress when it reconvenes in January; and we have been advised informally by the Bureau of the Budget that this change in the bill will not make it necessary for the Board to resubmit the bill to that Bureau for further clearance.

"There is enclosed a memorandum as to the reasons for which this change in the bill is considered desirable; and if you should have any comments regarding this matter we shall be glad to have them at your early convenience."

Approved unanimously.

Letter to Mr. Samuel E. Neel, Washington Counsel, Mortgage Bankers Association of America, 1001 15th Street, N. W., Washington, D. C., reading as follows:

"This refers to your letter of November 6, 1951, to Mr. Noyes and to your subsequent conversations with him concerning the application of Regulation W to mortgage lenders. With your letter you enclosed a copy of a letter to you from Mr. C. Armel Nutter, President of the Nutter Mortgage Service, with offices in Philadelphia and Camden.

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"Briefly, the above correspondence raises the question whether institutions lending money on real estate mortgage security are subject to the registration provisions of Regulation W.

"In general, registration under the regulation is necessary in the case of any person or institution engaged in the business of extending instalment credit, as indicated in section 2(a) of the regulation, unless all such credit extended is exempted from the regulation. The fact that the nonexempted instalment credit extended may be a relatively small part of the total credit extended by a particular lender does not relieve him of registration and other requirements of the regulation. It should be noted that under the present regulation, the mere fact that an instalment credit, as defined in the regulation, is secured by a real estate mortgage is immaterial, as is the fact that the particular institution also may be subject to Regulation X. Consequently, banks and savings and loan associations are examples of institutions whose businesses are such as to require registration under both regulations, since some of their transactions are subject to one regulation and some to the other.

"Some of Mr. Nutter's misunderstanding in this connection may arise from the fact that under the original 1941 version of Regulation W, instalment credit secured by a first lien on improved real estate was specifically exempted. It may also be due in part to the fact that, except for the period April 1, 1942 to October 15, 1945, instalment credit for residential repairs, modernization or improvements, as such, was not subject to the regulation until the reinstatement of the present regulation in September of 1950. As of June 11, 1945, however, the first-lien test for exemption was repealed. Since that time the regulation has contained a purpose test along the lines of present section 7(h). A reason for this change was the fact that some instalment credit secured by real estate was used for purposes other than the construction or purchase of residential structures.

"We believe that the foregoing will be of assistance in determining the responsibility for registration under Regulation W by mortgage lenders. Of course, the application of the regulation in particular cases necessarily

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"depends upon the facts and circumstances of the individual situations in the light of detailed provisions of the regulation.

"As you know, the Board's staff is always available for discussions of such matters, and will be glad to discuss with you any further aspects of the matter at any time mutually convenient."

Approved unanimously, with
a copy to the Federal Reserve Bank
of Philadelphia.

Letter to Mr. Leedy, President of the Federal Reserve Bank
of Kansas City, reading as follows:

"Receipt is acknowledged of your letter of November 26, 1951, enclosing a report of an investigation of the Pettyjohn Motor Company, Inc., Monte Vista, Colorado, and your letter of November 29, 1951, enclosing a report of an investigation of the Payton-Nash Company, North Kansas City, Missouri.

"Both reports describe violations which on the basis of the information submitted appear to be flagrant and wilful.

"In the circumstances it appears that these are both cases in which it would be desirable to complete the investigation in order that the Board may be in a position to decide what action it should take. Accordingly, it will be appreciated if you will have the investigators make customer contacts and forward reports thereof to the Board."

Approved unanimously.

Telegram to Mr. Scheffer, Manager, Real Estate and Consumer
Credit Department, Federal Reserve Bank of New York, reading as follows:

"Reurlet November 26 with respect to applicability of Regulation X to a building being constructed as an enlargement to American Can Company manufacturing plant facilities in Baltimore, Maryland.

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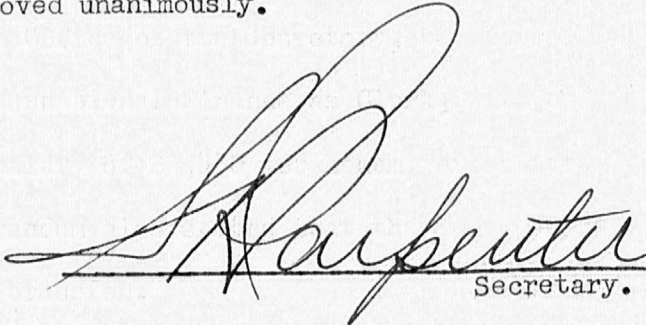
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"After fully considering the matter in the light of the correspondence which you forwarded, we agree with your view and are also inclined to feel the construction in question is a 'nonresidential structure' as defined in Section 2(r) of the regulation, particularly because 20 per cent of the floor space in the new building will be devoted to actual manufacturing operations and the remaining 80 per cent to storage of unsealed cans and raw materials while in the present manufacturing plant 45 per cent of the floor space is utilized in the actual production of cans and 55 per cent for storage purposes. In cases of such warehouse-type structures, while the guiding principles contained in the Board's interpretation letter, X-32 (S-1271), may be of some help, the final decision must rest on the facts in each case, interpreted in the light of normal business operation in the industries concerned."

Approved unanimously.

Memorandum dated December 5, 1951, from the Division of Personnel Administration recommending that the Board's employees be given time off on December 24 and 31, 1951 without charge to annual leave, with the understanding that this time would be made up on the following Saturdays, December 29, 1951, and January 5, 1952.

Approved unanimously.


Secretary.