

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, December 20, 1951. The Board met in the Board Room at 10:35 a.m.

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
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Vest, General Counsel
Mr. Townsend, Solicitor
Mr. Noyes, Director, Division of Selective
Credit Regulation
Mr. Allen, Director, Division of Personnel
Administration
Mr. Solomon, Assistant General Counsel
Mr. Youngdahl, Chief, Government Finance
Section, Division of Research and
Statistics

Mr. Thomas presented a report on developments in the Government securities market which was followed by a brief discussion during the course of which Mr. Szymczak said that he had received a telephone call this morning from President Young, of the Federal Reserve Bank of Chicago, who stated that the directors of that Bank were to meet today and that there was some indication that certain of the directors would raise the question of an increase in the discount rate of the Bank. Mr. Young indicated, Mr. Szymczak said, that other directors were believed

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not to favor an increase and that he was supplying this information merely in order that the Board would be advised of the situation.

Mr. Youngdahl then withdrew from the meeting.

Before this meeting there were sent to the members of the Board copies of a memorandum from Mr. Evans dated December 18, 1951, stating that the Office of Price Stabilization had established dollar and cent price ceilings for used automobiles in the form of Ceiling Price Regulation No. 94, scheduled to become effective December 31, 1951, and recommending that an amendment to Regulation W, Consumer Credit, be adopted to bring the Regulation into conformity with the ceiling price regulation. To the memorandum were attached a draft of a proposed Amendment No. 5 to Regulation W and a memorandum dated December 17, 1951, from Messrs. Noyes and Solomon commenting in greater detail on the proposed amendment.

Mr. Evans said that the amendment would set the maximum loan value for used cars at two-thirds of the cash price of the car being financed but in no event more than two-thirds of the maximum retail price established by the Office of Price Stabilization, that this would follow the precedent established during World War II in relating the maximum loan value under Regulation W to the ceiling price of the article involved, and that there had been adequate public notice of this contemplated change and no objections had been received from the

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trade. He suggested that, if adopted, the effective date of the amendment to Regulation W coincide with the effective date of Ceiling Price Regulation No. 94.

Thereupon, upon motion by Mr. Evans, unanimous approval was given to Amendment No. 5 to Regulation W, Consumer Credit, as follows, to be effective December 31, 1951, with the understanding that the Federal Reserve Banks would be advised by telegram and requested to arrange for the printing of the amendment and such distribution as believed desirable, and with the further understanding that a press statement would be issued in a form satisfactory to Mr. Evans:

"1. By amending Part 4 of 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. The amount of credit extended in connection with any article for which a maximum retail price is prescribed by Federal price authorities 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.

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.

"2. By deleting in its entirety Part 5 of the Supplement to the regulation.

"3. By substituting 'Part 4' for 'Part 5' in footnote 5 to section 4(d) of the regulation.

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"4. By substituting 'Part 4' for 'Parts 4 and 5' in the language in parenthesis in the first sentence of Part 1 of the Supplement to the regulation."

In this connection unanimous approval also was given to a statement for publication in the Federal Register reading as follows:

"2. a. The above amendment to Regulation W is issued under the authority of section 5(b) of the Act of October 6, 1917, as amended, U.S.C., Title 50, App., sec. 5(b); Executive Order No. 8843, dated August 9, 1941; and the 'Defense Production Act of 1950', as amended, particularly section 601 thereof.

"The purpose of the amendment is to discontinue the provisions of the regulation relating to 'appraisal guide value' and to provide that in the case of any listed article for which a maximum retail price is prescribed by the Federal price authorities, the maximum amount of credit extended in connection with such article shall be the specified percentage of the cash price but in no event in excess of the amount which would have been permitted under the regulation if the article had been sold at the maximum retail price.

"b. In 16 Federal Register 12231, December 4, 1951, a proposed amendment in this connection was set forth, together with a statement indicating that the Board was considering whether or not such an amendment would be practicable or otherwise appropriate; and to aid in such consideration the Board invited the submission to it of any relevant explanations, data, or other information. Under date of November 29, 1951, publishers of automobile appraisal guides were individually notified of the proposed amendment and invited to submit comment thereon.

"The amendment set forth herein was adopted by the Board after consideration of all relevant matter, including responses to the above-mentioned notices to appraisal guide publishers and the notice in the Federal Register. Special circumstances rendered impracticable further consultation with industry representatives, including trade association representatives, in the formulation of the above amendment,

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"especially in view of the technical nature thereof; and, therefore, as authorized by section 709 of the Defense Production Act of 1950, the amendment has been issued without such further consultation. Section 709 of the Defense Production Act of 1950 provides that the functions exercised under such Act shall be excluded from the operation of the Administrative Procedure Act (60 Stat. 237) except as to the requirements of section 3 thereof."

Before this meeting there were sent to the members of the Board copies of a memorandum dated December 20, 1951, from Messrs. Norton and Powell, reading in part as follows:

"For some time the Board's staff has been studying leasing arrangements on nonresidential properties under Regulation X with a view to amending the regulation so as to clarify the effect of the regulation on such leases. The regulation in its present form is unsatisfactory in this respect in that it is difficult to distinguish clearly nonresidential leases which are and which are not covered by the regulation. Many leasing arrangements are tantamount to extensions of real estate credit, and in effect are substitutes for mortgages or other conventional real estate loans. The aggregate of such leasing transactions is substantial and could easily expand, and the need for limiting the resulting volume of credit would seem to be an appropriate part of the general program for the restraint of inflation. The regulation of this form of nonresidential real estate credit has proven to be especially difficult of effectual and equitable accomplishment because of the great variety and complexity of nonresidential leasing arrangements (caused partly by inclusion in many leases of clauses designed to protect the interests of landlords or tenants or both) some of which are only partly or not at all substitutes for mortgage or other credit extensions.

"In view of the difficulties encountered in amending Regulation X so as to delineate satisfactorily the nonresidential leasing arrangements which should be subject to the regulation and those which would not be subject thereto,

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"the matter was taken up with and considered by the National Voluntary Credit Restraint Committee at its meeting of November 15. After careful consideration by such Committee, it agreed that if the Board decided to exempt nonresidential leases from Regulation X it was prepared to amend Voluntary Credit Restraint Bulletin No. 4 so as to include therein all nonresidential leasing arrangements involving new construction which represent extensions of credit through sale-lease-back arrangements, long-term leases which may be renewed for a nominal rental, and leases in which the lessee has the right to have rental payments applied to the purchase price in a subsequent exercise of an option to buy leased property. If this procedure is adopted, nonresidential leasing arrangements screened as to purpose under the Voluntary Credit Restraint Program which are approved as falling within the Program may be consummated without meeting any equity requirements. The proposed revision of Bulletin No. 4 pertaining to leasing arrangements is attached for the information of the Board.

"It will be noted that the Voluntary Credit Restraint Program will not be applicable to leases on new residential construction but that such leases will continue to remain subject to Regulation X."

To the memorandum was attached a draft of a proposed amendment to Regulation X, Real Estate Credit, exempting certain nonresidential leases, together with the revision of Bulletin No. 4 approved by the Voluntary Credit Restraint Committee.

Mr. Norton said that it was the opinion of the staff, after considering various alternatives, that despite some objections which might be raised, adoption of the proposed amendment to Regulation X and coverage of nonresidential leasing arrangements under the Voluntary Credit Restraint Program represented the best available method for

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effectively controlling such arrangements at this time.

Mr. Powell stated that the Voluntary Credit Restraint Committee was prepared to issue an amendment to its Bulletin No. 4 upon advice that the Board had amended Regulation X to exempt nonresidential leasing arrangements, but that it would, of course, be necessary to watch closely the effectiveness of the voluntary program in this field. If the results should prove unsatisfactory, he said, the Board could reconsider alternative solutions.

Mr. Vardaman said that while he would favor the exemption of nonresidential leasing arrangements from the provisions of Regulation X, he interpreted the proposed revision of Bulletin No. 4 of the Voluntary Credit Restraint Committee as constituting an admonition to lenders against certain types of leasing arrangements. He noted particularly the reference in the bulletin to leases in which the lessee has the right to have rental payments applied to the purchase price in a subsequent exercise of an option to buy the leased property. He pointed out that this was an old and established method of financing by which smaller companies without large amounts of working capital were enabled to acquire property, and expressed the view that it would be unfortunate if the Voluntary Credit Restraint Committee took a position which closed the only channel through which small business concerns might acquire a place to carry on their business without depleting their working capital.

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Mr. Powell stated that the Voluntary Credit Restraint Committee incorporated this type of leasing arrangement in the proposed revision of the bulletin as an illustration of arrangements sometimes used as substitutes for mortgage financing and therefore of a character which in the view of the Committee should be screened as to purpose for conformity with the adopted principles of the Voluntary Credit Restraint Program. He added that he felt sure the Voluntary Credit Restraint Committee would have no objection to minor changes in the language of the proposed revision of Bulletin No. 4 designed to clarify the intent of the Committee as to screening leasing arrangements, so long as no change was made in the substance of the statement, and that he would study Mr. Vardaman's suggestion further.

Thereupon, upon motion by Mr. Norton, unanimous approval was given to Amendment No. 8 to Regulation X, Real Estate Credit, as follows, effective December 31, 1951, with the understanding that the Federal Reserve Banks would be advised by telegram and requested to print the amendment for distribution to interested registrants in their respective districts to reach them as soon as possible after release of a press statement, to be prepared in a form satisfactory to Mr. Norton (or in his absence to Mr. Evans) and to Mr. Powell:

- "1. Add the following new subsection (o) to section 5:
(o) Nonresidential Leases. - The prohibitions of section 4 of this regulation, except subsection 4(a)(5), shall not apply to any extension of real estate construction credit which is

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"a contract for the leasing of nonresidential property. 18a/
18a/ Leases exempt under this subsection shall be considered 'subject to' the regulation for purposes of subsection 4(a)(5). Moreover, even though contracts for the leasing of nonresidential property are exempt to the extent provided in subsection (o) above, in cases where there is borrowing to finance nonresidential construction on leased land, and under the contract for leasing the lessee has the option of becoming the owner of the land, or has the right to have all or part of the payments required by the contract subsequently applied to a purchase of the land, or obligates himself to pay a sum substantially equivalent to or in excess of the value of the land, the amount of credit outstanding by reason of the lease must be taken into account in determining the amount of additional credit which may be extended to the lessee to finance the construction. In such cases, the amount of credit outstanding by reason of the lease shall be considered to be the appraised value of the land less any amounts which have been paid and which are applicable to the purchase of the land."

In this connection unanimous approval also was given to the following statement for publication in the Federal Register:

"2. a. The above amendment is issued by the Board of Governors of the Federal Reserve System under authority of the 'Defense Production Act of 1950', approved September 8, 1950, as amended; and Executive Order No. 10161, dated September 9, 1950.

"The purpose of the amendment is to exempt extension of credit in connection with the leasing of nonresidential properties from the down payment and maturity requirements of the regulation.

"b. Section 709 of the Defense Production Act of 1950 provides that the functions exercised under such Act shall be excluded from the operations of the Administrative Procedure Act (60 Stat. 237) except as to the requirements of section 3 thereof.

"In amending this regulation and in accordance with the requirements of the aforesaid section 709, there has been consultation with industry representatives, including trade association representatives, and consideration has been given

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"to their recommendations."

At this point all of the members of the staff with the exception of Messrs. Carpenter, Riefler, and Allen withdrew from the meeting.

Mr. Norton stated that since the general pay increase approved for employees of the Board in October, the Personnel Committee had been studying the recommendations that it would make with respect to increases in the salaries of the official staff, and after careful consideration of the matter wished to recommend that increases be approved by the Board as set forth in attachments to a memorandum addressed to the Board by the Personnel Committee under date of December 18, 1951. He also said that these recommendations were based on the belief that in view of the salary stabilization regulations no increase should exceed \$1,000 at this time, that increases of the size proposed were in accordance with good personnel procedure, that adjustments should be made in certain salaries to bring about a better balance between the salaries of members of the staff, and that other adjustments which might otherwise be considered at this time should be deferred or approved in a reduced amount because of the recent appointment of the individuals to their present positions. The increases recommended in the memorandum dated December 18, 1951, from the Personnel Committee were as follows:

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<u>Name</u>	<u>Title</u>	<u>Present Salary</u>	<u>Proposed Increase</u>	<u>Proposed Salary</u>
Arthur W. Marget	Director, Division of International Finance	\$15,000	\$1,000	\$16,000
Dwight L. Allen	Director, Division of Personnel Administration	10,000	1,000	11,000
Guy E. Noyes	Director, Division of Selective Credit Regu- lation	13,000	500	13,500
Clarke L. Fauver	Assistant to Mr. Thurston	10,000	500	10,500
<u>Office of the Secretary</u>				
Merritt Sherman	Assistant Secretary	11,500	1,000	12,500
G. R. Murff	Assistant Secretary	11,000	1,000	12,000
Kenneth A. Kenyon	Assistant Secretary	7,500	1,000	8,500
<u>Legal Division</u>				
Frederic Solomon	Assistant General Counsel	12,000	1,000	13,000
Howard H. Hackley	Assistant General Counsel	10,500	1,000	11,500
<u>Office of the Solicitor</u>				
G. Howland Chase	Assistant Solicitor	11,000	1,000	12,000
<u>Division of Research and Statistics</u>				
Frank R. Garfield	Adviser on Economic Research	11,500	1,000	12,500
Kenneth B. Williams	Assistant Director	11,000	1,000	12,000
Susan S. Burr	Assistant Director	11,000	1,000	12,000
<u>Division of International Finance</u>				
Lewis N. Dembitz	Assistant Director	11,500	500	12,000

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<u>Name</u>	<u>Title</u>	<u>Present Salary</u>	<u>Proposed Increase</u>	<u>Proposed Salary</u>
<u>Division of Examinations</u>				
Clarence C. Hostrup	Assistant Director	\$11,000	\$ 500	\$11,500
Arthur H. Lang	Chief Federal Reserve Examiner	10,000	1,000	11,000
<u>Division of Bank Operations</u>				
J. E. Horbett	Assistant Director	12,500	1,000	13,500
<u>Division of Selective Credit Regulation</u>				
Gardner L. Boothe, II	Assistant Director	11,500	500	12,000
Henry Benner	Assistant Director	11,000	500	11,500
<u>Division of Administrative Services</u>				
J. E. Kelleher	Assistant Director	7,500	750	8,250
Edwin J. Johnson	Assistant Director	7,500	750	8,250
<u>Division of Personnel Administration</u>				
H. Franklin Sprecher, Jr.	Assistant Director	7,500	750	8,250

Mr. Vardaman expressed the view that the salary of Mr. Sloan, Director of the Division of Examinations, should be increased at least \$500 for the reason that in his opinion Mr. Sloan was carrying the responsibility of the position in a satisfactory manner, that the Division was one of the most important, if not the most important, in the Board's staff from the standpoint of sound banks and bank supervision, and that if he was doing the work his performance should be recognized by a salary increase.

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In the discussion of Mr. Vardaman's comment, Messrs. Norton and Evans as members of the Personnel Committee stated that their recommendation with respect to Mr. Sloan was based on the fact that his salary had been increased \$2,000 during 1951, that he was appointed as Director of the Division on June 1, 1951, and that if he discharged his responsibilities satisfactorily consideration might be given to an adjustment in his salary during the course of the coming year.

At the conclusion of the discussion, Mr. Norton moved that the salary increases recommended by the Personnel Committee and as listed above be approved, effective January 6, 1952, with the understanding that the Board's budget for personal services for the year 1952, approved at the meeting on December 18, 1951, would be increased by an amount equal to the total amount of the increases.

This motion was put by the chair and carried, Mr. Vardaman voting "no".

In connection with his vote, Mr. Vardaman stated that while he favored the increases proposed for the assistant Division heads, he was opposed to any increases in the salaries of Division heads if an increase was not also to be approved for Mr. Sloan.

Mr. Evans stated that he understood that on a recent date the volume of telegrams passing through the Board's telegraph office exceeded

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that of any previous day, that the office continued to operate in a most efficient manner, and that he would suggest that the Board request that the Secretary address a letter to Mr. Ott, Supervisor of the Telegraph Section, commending the office for its performance.

This suggestion was approved unanimously, with the understanding that a copy of the letter would be posted on the bulletin board on the fourth floor.

Mr. Norton referred to recent discussions at meetings of the Board with respect to an increase in the salaries of the Board's chauffeurs, and stated that following the last discussion of the matter the Personnel Committee looked into it again and was now considering the problem in the light of whether it would be desirable to propose a blanket increase for all employees in the three or four lowest grades. He also said that as soon as the Personnel Committee was able to complete its study after the first of the year it would make a recommendation to the Board as to the action to be taken.

Thereupon the members of the staff withdrew and the Board went into executive session.

After the executive session the Chairman informed the Secretary that the Board had approved the recommendation contained in a memorandum dated December 13, 1951, from Mr. Sloan, Director of the Division of Examinations, that

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Federal Reserve Examiner Robert C. Masters be appointed on a nonpermanent basis as an Assistant Director of the Division of Examinations with annual salary at the rate of \$11,000, the increase in salary to take effect at the beginning of the first pay roll period following approval of the appointment by the Board.

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 19, 1951, were approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased, effective December 23, 1951:

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
	<u>Memorandum from Mr. Kelleher, Assistant Director, Division of Administrative Services</u>		
12/19/51	Elsie N. Carrick, Assistant Supervisor, Stenographic Section	\$ 3,655	\$3,785
	<u>Memorandum from Mr. Young, Director, Division of Research and Statistics</u>		
12/14/51	Arthur L. Broida, Economist	7,040	7,240
	Harold L. Cheadle, Economist	7,040	7,240
	Edwin J. Swindler, Economist	4,205	4,330
	Eleanor M. Boylan, Editorial Clerk	3,415	3,495

Approved unanimously.

Memorandum dated December 20, 1951, from Mr. Boothe, Assistant Director, Division of Selective Credit Regulation, recommending that

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the temporary appointment of Marlene Mayer, Clerk-typist in that Division, be extended on a temporary basis to the close of business February 1, 1952, with no change in her present basic salary at the rate of \$2,750 per annum.

Approved unanimously.

Letter to Mr. Dearmont, Federal Reserve Agent, Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the request contained in your letter of December 13, 1951, the Board of Governors approves, effective December 16, 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>
	<u>Head Office</u>	
Edward H. Hoppe	Assistant Federal Reserve Agent	\$ 4,800
Richard O. Kaley	Alternate Assistant Federal Reserve Agent	4,800
	<u>Louisville Branch</u>	
G. H. Parsell	Federal Reserve Agent's Representative	5,100
	<u>Memphis Branch</u>	
Carl Ritzel	Federal Reserve Agent's Representative	5,220
Benjamin B. Monaghan	Federal Reserve Agent's Representative	5,220"

Approved unanimously.

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

"Reference is made to your letter of December 12, 1951, submitting the request of the Montgomery Trust

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"Company, Norristown, Pennsylvania, for approval of the establishment of a branch in North Wales, Pennsylvania, in connection with the proposed absorption of the North Wales National Bank, North Wales, Pennsylvania.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch in North Wales, Pennsylvania, by the Montgomery Trust Company, Norristown, Pennsylvania, provided the proposed absorption of the North Wales National Bank is effected substantially in accordance with the plan submitted and the prior approval of the appropriate State authorities is obtained; and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the transaction and establish the branch."

Approved unanimously.

Letter to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

"Referring to your letter and recommendation of December 17, 1951, the Board of Governors further extends until June 30, 1952, the time within which The Colonial Trust Company, Pittsburgh, Pennsylvania, may establish the branch in Neville Township, Allegheny County, Pennsylvania, as approved by the Board under date of June 29, 1950."

Approved unanimously.

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

"It is desired that the regular annual reports of holding company affiliates on Form F.R. 437 be obtained for the year ending December 31, 1951, or for the holding company affiliate's latest fiscal year if it differs from the calendar year. Accordingly, please request each

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"holding company affiliate which has its principal executive office in your district, and which holds a general voting permit, to file such a report in duplicate with your Bank not later than February 1, 1952. However, if the annual audit of any such holding company affiliate by public accountants has not been completed by that date, the holding company may, if it so desires, await the completion of the audit, provided that its report to the Board is filed as soon as practicable thereafter.

"Please inform us as to the number of copies of Form F.R. 437 which your Bank will need, in excess of its present stock, in obtaining the reports of holding company affiliates in your district. The form has not been revised.

"It is requested that the annual reports of the holding company affiliates for 1951 be obtained and processed by your Bank in the same manner as the previous annual reports of holding company affiliates. This contemplates that one copy of each report will be forwarded to the Board immediately after receipt by your Bank, to be followed as soon as practicable by such additional data and explanation as you may find it necessary to obtain from the respective holding company affiliates to complete or correct their reports. It is contemplated also that, when your Bank has analyzed and reviewed the reports of examination by the supervisory authorities of the banks and their affiliated organizations in each group, and has completed the review of each report filed by a holding company affiliate, a copy of the memorandum relating to the review will be forwarded to the Board, together with any recommendations, comments, or suggestions which you may have regarding each case."

Approved unanimously.

Memorandum dated December 18, 1951, from Mr. Townsend, Solicitor, recommending that a report concerning apparent violations of Regulation W, Consumer Credit, by The Barney Roth Company, Inc.,

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Philadelphia, Pennsylvania, and Raleigh Finance Company, Philadelphia, Pennsylvania, be transmitted to the Department of Justice for the institution of such criminal proceedings as that Department might deem appropriate.

Approved unanimously.

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

"A Federal Reserve Bank recently requested the Board to answer certain questions about the intent, meaning, and applicability of Amendment No. 7 to Regulation X, which provides a limited exemption for secondary short-term credit to finance the purchase of residential property. In its telegraphic reply the Board stated that:

'Clause (1) should be literally interpreted.

Words "from one part of country to another" in press release should not be construed to change its intent, meaning, or applicability. Prospective borrower's reasons for moving are irrelevant. Certificate of exemption should not be issued unless clauses (1), (2), and (3) are satisfied factually and Reserve Bank is satisfied that "making or completion of the sale of the presently held property has been delayed for unavoidable reason". We believe that you should consider as "unavoidable" only those reasons which cannot be prevented by common prudence and foresight exercised with reasonable diligence and skill.'

"It would seem to be desirable to present in somewhat greater detail the Board's views on the meaning of the clause 'that the making or completion of the sale of the presently held property has been delayed for an unavoidable reason' contained in Amendment No. 7. The principal question raised is what is to be considered an 'unavoidable reason' by a Federal Reserve Bank. Clause (3) of the Amendment indicates through the use of the phraseology

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"who has sold or is to sell" that two general classes of causes for delay may be considered--first, those delaying settlements for properties which have been sold and, second, those which have delayed the actual sale of the presently held property. While it is not possible to set forth all of the legitimate causes for delays in settlements, characteristic causes may be title difficulties, pending litigation, inability to arrange coincident settlements, illness, delay in obtaining financing by buyer of presently held property, etc. Unavoidable delays in arranging the sale of the presently held property may result from illness, absence from home, inability to sell quickly without undue financial sacrifice, inability to ascertain date of completion of new house, other financing difficulties beyond control of seller, services of real estate broker unsatisfactory, etc.

"Another question in respect to the amendment which has been raised is whether the certificate issued by the Reserve Bank should be in all cases for six months. It is our belief that the facts in each case should determine the length of time for which the certificate is issued and that the certificate should not be issued for a period longer than the time reasonably required to correct the conditions causing the unavoidable delay.

"It will be appreciated if you will report the number and amount of total secondary credit exemptions approved by your Bank each month, in connection with the monthly enforcement reports on Regulation X."

Approved unanimously.

Telegram to Mr. Denmark, Vice President, Federal Reserve Bank of Atlanta, reading as follows:

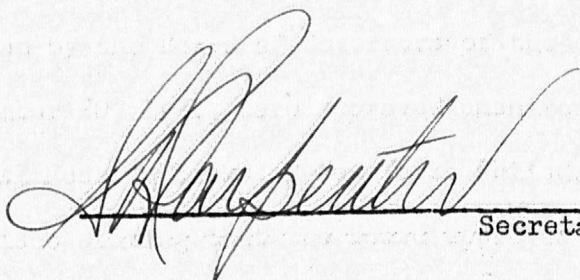
"Reurtel December 18 about trailer courts at Savannah River. We understand that the information available initially indicated that the trailer courts were nonresidential structures similar to motels, and that a request was made for exemption from Regulation X under section 5(m).

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"Later you determined that each of the trailers would be complete residential units and therefore would be subject to the residential provisions of the regulation. Hence, section 5(m) would be inapplicable, since it covers nonresidential structures only. In accordance with our telephone conversations, we have discussed the problem with the Housing Agency and await further information from them."

Approved unanimously.



Secretary.