

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, December 26, 1951.

PRESENT: Mr. Martin, Chairman  
 Mr. Szymczak  
 Mr. Evans  
 Mr. Vardaman  
 Mr. Powell

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 21, 1951, were approved unanimously.

Letter to Mr. Earhart, President, Federal Reserve Bank of San Francisco, prepared in accordance with action taken at the meeting on December 18, 1951, reading as follows:

"This letter is in confirmation of our telephone conversations with respect to the service of Eliot Swan as Acting Assistant Director of the Board's Division of Selective Credit Regulation for a six-month period beginning January 8, 1952.

"It is understood that Mr. Swan will remain on the pay roll of the Federal Reserve Bank of San Francisco and that the Board will reimburse your Bank for his salary, the Bank's retirement contributions in his behalf, travel, and other proper expenses. The arrangement also contemplates that at least once during the period Mr. Swan will be permitted to make a trip to his home in San Francisco and that expenses incident to any such trips will be reimbursed by the Board.

"We greatly appreciate your willingness to make Mr. Swan's services available to us."

Approved unanimously.

Letter to the Board of Directors, Warren Bank and Trust Company, Warren, Pennsylvania, reading as follows:

"Pursuant to a request submitted through the Federal Reserve Bank of Cleveland under date of December 14, 1951,

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"the Board of Governors of the Federal Reserve System approves the establishment and operation of branches in Tidioute, Pennsylvania and in Sugar Grove, Pennsylvania, by the Warren Bank and Trust Company, Warren, Pennsylvania, and hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the absorption of the Tidioute State Bank, Tidioute, Pennsylvania and the Sugar Grove Savings Bank, Sugar Grove, Pennsylvania, without increasing the surplus of the Warren Bank and Trust Company to an amount which will equal the aggregate surplus of the three banks involved in the proposed absorption, provided that prior formal approval is obtained from the appropriate State authorities and provided further that your capital stock is increased to not less than \$500,000 and the absorption of the two banks is effected substantially in accordance with the plans submitted."

Approved unanimously for transmittal through the Federal Reserve Bank of Cleveland, with the understanding that Counsel for the Reserve Bank would review and satisfy himself as to the legality of all steps taken to effect the absorption of the banks and to establish the branches.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of December 11, 1951 submitting the request of the City Bank, Detroit, Michigan, for permission to establish a branch at Hazel Park, Michigan, following its proposed consolidation with the Peoples State Bank of Hazel Park, Michigan.

"In view of your recommendation, the Board approves the establishment and operation of a branch in Hazel Park, Michigan, by the City Bank, Detroit, Michigan, with the understanding that the transaction has the prior approval of the appropriate State authorities and that Counsel for the Reserve Bank will review and satisfy himself as to the legality of the steps taken to effect the consolidation and establish the branch."

Approved unanimously.

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

"The Board has received a request from Mr. John Exter, Governor of the Central Bank of Ceylon, that we arrange for the services of a man who could advise that institution during the next year on problems of commercial bank examination and supervision. As you may be aware, Mr. Harold Snead, Chief Examiner of the Federal Reserve Bank of Richmond, has been in Ceylon for about a year to advise the Central Bank in the initial stages of its work in these fields. Mr. Snead is now about to return to the Federal Reserve Bank of Richmond, but the Central Bank of Ceylon hopes that the Federal Reserve System can provide another man to give advice on these subjects for another 12-month period.

"From discussions between members of the Board's staff and Mr. Crosse of your Bank, it is understood that your Bank may be in a position to make available a man who could provide the needed advice. If this proves possible, Mr. Exter has suggested that the man might plan to leave for Ceylon during February, after having an opportunity to confer with Mr. Snead who is planning to be back in the United States by early February 1952. The Central Bank of Ceylon indicates that it would be prepared to pay all the costs of this requested mission, including the advisor's salary as well as all other direct expenses involved in the movement of the man and his family.

"If your Bank finds that it can supply a man in response to this request, we will of course be glad to collaborate in working out the arrangements and in obtaining the requisite clearance of the Department of State."

Approved, Mr. Vardaman not  
voting.

Letter to The Honorable, The Comptroller of the Currency, Treasury Department, Washington, D. C., reading as follows:

"It is respectfully requested that you place with the Bureau of Engraving and Printing an order for printing 10,000 additional sheets of Federal Reserve notes during the fiscal year ending June 30, 1952, for the Federal Reserve Bank of



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"Cleveland. This is a supplemental order to the order for 52,225,000 sheets contained in our letter of June 21, 1951, and the order for 10,000,000 sheets contained in our letter of September 11, 1951."

Approved unanimously.

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

"From time to time questions have been presented concerning the application of Regulation W to instalment credit in connection with floor or wall furnaces.

"The Board has expressed the view that a floor or wall furnace which transmits heat to a room from a recess in which the furnace is located and which is installed as a permanent part of the realty, is not a space heater, even though the heat is not transmitted by means of pipes or ducts. The reference to 'space heaters' in the interpretation published at p. 1310 of the 1950 Federal Reserve Bulletin and 15 Federal Register 6630, October 3, 1950 does not include such furnaces. Accordingly, when sold for installation in an existing residential building, a floor or wall furnace as described herein constitutes a listed article under Group D, Part 1, of the Supplement to the regulation."

Approved unanimously.

Letter to Mr. Kenneth Barnard, Chairman, Committee on Installment Contracts, Association of Better Business Bureaus, Inc., 7 South Dearborn Street, Chicago, Illinois, reading as follows:

"This is to acknowledge your letter of December 10 and to express our appreciation for your bringing to our attention the views of your committee on the observance and enforcement of Regulation W.

"You may be assured that we share your concern about the need for adequate and uniform compliance with the requirements of the regulation as an essential element in its equitable administration. We have sent a copy of your letter to each of the Federal Reserve Banks so that we may be in a

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"position to make a more adequate reply. You may expect to hear from us again as soon as we have complete information from the Reserve Banks.

"As indicated in our letter of September 15, 1950, to Mr. Nyborg, the Board is greatly appreciative of the substantial contribution which the Better Business Bureaus have made to the public understanding of Regulation W."

Approved unanimously.

Letter to Mr. Frank McCabe, Mortgage Bankers Association of America, 111 West Washington Street, Chicago, Illinois, reading as follows:

"In response to Mr. Neel's letter of October 26, 1951, and your telephone request of November 16, 1951, the pamphlet 'Home Loan Amounts at a Glance' has been carefully reviewed in those parts that pertain to Regulation X and suggested revisions are enclosed. Exemptions and tables pertaining to nonresidential construction which are now included in Regulation X have been omitted as you requested.

"We hope that the suggested revisions will be helpful in bringing some of the details of real estate credit regulation to the attention of your membership in this reference form. Inasmuch as full reliance upon a digest of a subject as complex as Regulation X may lead to erroneous conclusions, those persons who will use the pamphlet should be advised to refer directly to the regulation for accurate, complete statements. We would be glad to review the galley proof of the pamphlet if you care to submit it to us."

Approved unanimously.

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

"This will acknowledge your letters of November 8 and December 10 regarding the proposed improvements to a building in Gainesville, Florida, to be leased to the General Services Administration for occupancy by agencies of the United States Department of Agriculture.

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"According to your letter of December 10, Mr. T. C. Clark, Assistant Manager of the Jacksonville branch, received a telephone call from Mr. Joseph A. Kelly of the General Services Administration, during which he stated that 'the owners of the property had decided to proceed with the necessary repairs to the building and so far as he was concerned the matter was closed'. Also in his letter to the Jacksonville branch Mr. Kelly stated that 'satisfactory arrangements have now been made to house the several agencies of the U. S. Department of Agriculture'.

"After considering the facts in the case, you take the position that the proposed financing of the major addition and major improvement is subject to Regulation X. We have reviewed the various correspondence you sent us and concur in your conclusion."

Approved unanimously.

Memorandum dated December 20, 1951, from Mr. Johnson, Assistant Director, Division of Administrative Services, recommending that an assessment of two-hundred and sixty-five thousandths of one per cent (.00265) of the total paid-in capital and surplus (Section 7 and Section 13b) of the Federal Reserve Banks as of the close of business December 31, 1951, be levied against the Federal Reserve Banks for the general expenses of the Board for the period January 1 to June 30, 1952, and that the Banks be instructed to pay in the assessment in two equal installments, the first on or before January 15, 1952, and the second on March 3, 1952.

The following resolution  
levying an assessment in accordance  
with the above recommendation was  
adopted by unanimous vote:

"WHEREAS, Section 10 of the Federal Reserve Act, as amended, provides among other things that the Board of Governors of the Federal Reserve System shall have power to levy semiannually upon the Federal Reserve Banks, in



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"proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, and

"WHEREAS, it appears from a consideration of the estimated expenses of the Board of Governors of the Federal Reserve System that for the six months' period beginning January 1, 1952, it is necessary that a fund equal to two hundred and sixty-five thousandths of one per cent (.00265) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal Reserve Banks be created for such purposes, exclusive of the cost of printing, issuing and redeeming Federal Reserve notes;

"NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, THAT:

"(1) There is hereby levied upon the several Federal Reserve Banks an assessment in an amount equal to two hundred and sixty-five thousandths of one percent (.00265) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such Bank at the close of business December 31, 1951.

"(2) Such assessment, rounded to the nearest hundred dollars, shall be paid by each Federal Reserve Bank in two equal installments, the first on or before January 15, 1952, and the second on March 3, 1952.

"(3) Every Federal Reserve Bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates as above provided through the Inter-district Settlement Fund to the Federal Reserve Bank of Richmond for credit to the account of the Board of Governors of the Federal Reserve System on the books of that Bank, with telegraphic advice to Richmond of the purpose and amount of the credit, and the Federal Reserve Bank of Richmond shall pay its assessment by crediting the amount thereof on its books to the Board of Governors of the Federal Reserve System on the dates as above provided."

  
Assistant Secretary.