

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, January 8, 1952. The Board met in the Board Room at 11:45 a.m.

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

Mr. Carpenter, 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. Young, Director, Division of Research and Statistics
Mr. Noyes, Director, Division of Selective Credit Regulation
Mr. Solomon, Assistant General Counsel

Before this meeting there was sent to each member of the Board a memorandum dated January 7, 1952, from Mr. Norton setting forth the reasons for and concurring in a recommendation of the staff that Regulation X, Real Estate Credit, be amended to exempt secondary credit extended to a veteran subject to a guaranteed first mortgage given by him where the total of the credits does not exceed the amount which the Veterans Administration would be authorized to guarantee and that agency approves the secondary credit.

Upon motion by Mr. Norton, unanimous approval was given to Amendment No. 9 to Regulation X, Real Estate Credit, effective

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January 9, 1952, as follows, contingent upon concurrence by the Housing and Home Finance Administrator, with the understanding that the Federal Reserve Banks would be advised by telegram and requested to print the amendment and make such distribution of it as appeared desirable:

"1. Add the following new subsection (p) to section 5:

(p) Certain Government-aided Loans.--The prohibitions of subsections (a) and (b) of section 4 of this regulation shall not apply to a secondary loan to a borrower when the primary loan is made, insured, or guaranteed, in whole or in part, by any department or agency of the United States, if (1) the total amount of the primary and secondary loans does not exceed the maximum loan which legally could have been made, insured, or guaranteed by the department or agency for the borrower, and (2) the department or agency approves the making of the secondary loan."

Secretary's Note: The Housing and Home Finance Administrator advised by letter dated today that he concurred in the amendment and was agreeable to the effective date.

In this connection unanimous approval was given to a press statement for release January 9, 1952, reading as follows:

"The Board of Governors of the Federal Reserve System announced today an amendment to Regulation X--Real Estate Credit--designed to clarify the position of veterans and other persons financing the purchase of a home in cases where secondary loans are combined with loans made, insured, or guaranteed by a department or agency of the United States Government.

"The text of the amendment is attached."

Unanimous approval also was given to a statement for publication in the Federal Register, reading as follows:

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"2. a. The above amendment is issued by the Board of Governors of the Federal Reserve System with the concurrence of the Housing and Home Finance Administrator, 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 clarify the position of veterans and other persons financing the purchase of a home in cases where secondary loans are combined with loans made, insured, or guaranteed by a department or agency of the United States Government.

"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.

"Special circumstances have rendered impracticable consultation with industry representatives, including trade association representatives, in the formulation of the above amendment; and, therefore, as authorized by the aforesaid section 709, the amendment has been issued without such consultation."

Mr. Evans reported that the Executive Committee of the Conference of Chairmen of the Federal Reserve Banks had tentatively set Monday and Tuesday, May 5 and 6, 1952, for the next meeting of the Conference to be held in Washington. All of the members of the Board indicated that these dates would be satisfactory to them.

The budgetary procedure adopted by the Board on June 12, 1951 provided for a semi-annual review in January and July of the work of members of the staff for the purpose of considering merit increases. In accordance with this procedure each Division director had submitted the names of employees who he felt were entitled to such increases at

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this time, these recommendations had been reviewed by the Personnel Committee, and that Committee had approved the following increases in basic salaries, effective January 20, 1952:

<u>Name and Title</u>	<u>Salary Increase</u>	
	<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>		
Ruth H. Goodyear, Secretary to Mr. Murff	\$3,410	\$3,660
Margaret J. Dougherty, Clerk, Administration and Minutes Section	3,335	3,415
<u>Division of Research and Statistics</u>		
Arthur L. Broida, Economist	7,240	7,440
Harold L. Cheadle, Economist	7,240	7,440
Lyndall C. McCloud, Economist	6,540	6,740
Eleanor S. Frase, Economist	6,140	6,340
Saul B. Klamman, Economist	5,940	6,140
Peter M. Cody, Economist	5,185	5,310
John Frechtling, Economist	5,185	5,310
Winfield S. Smith, Economist	4,330	4,455
Howard G. Smith, Economist	4,205	4,330
Edwin J. Swindler, Economist	4,330	4,455
June E. Crawley, Clerk	3,255	3,335
Jennie L. Glass, Clerk	3,270	3,350
Janet E. Long, Clerk	3,110	3,190
Vera F. Small, Clerk-Typist	3,110	3,190
<u>Division of International Finance</u>		
Margaret Garber, Statistical Assistant	4,455	4,580
Florence I. Jaffy, Economist	5,940	6,140
Ann Roberts, Clerk-Stenographer	3,270	3,350
Franc S. Valentine, Secretary to Mr. Marget	4,045	4,170
<u>Division of Examinations</u>		
R. T. Pettijohn, Assistant Federal Reserve Examiner	4,045	4,170

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<u>Name and Title</u>	<u>Salary Increase</u>	
	<u>From</u>	<u>To</u>
<u>Division of Examinations</u>		
Nancy L. Chelberg, Secretary to Mr. Hostrup	\$3,785	\$3,910
Jean Callovini, Clerk-Typist	2,750	2,830
Elizabeth Kropog, Stenographer	2,910	2,990
<u>Division of Bank Operations</u>		
John Kakalec, Analyst	4,205	4,330
Patricia B. Ivie, Secretary to Mr. Myrick	3,785	3,910
Pearle E. Randour, Statistical Clerk	3,660	3,785
Charles V. Carey, Messenger	2,632	2,712
<u>Division of Personnel Administration</u>		
June E. Ayers, Administrative Assistant	5,940	6,140
Margaret H. Wolverton, Personnel Clerk	4,455	4,580
Elizabeth Ann McMahon, Personnel Clerk	3,535	3,660
<u>Division of Selective Credit Regulation</u>		
O. H. Jones, Analyst	5,060	5,185
<u>Division of Administrative Services</u>		
Herbert W. Young, Mechanical Superintendent	5,560	5,685
Raymond C. Twomey, Supervisor, Duplicating and Mail Section	5,120	5,245
John N. Lyon, Accountant	4,455	4,580
Mary E. Sanders, Secretary to Mr. Bethea	3,920	4,045
Jean Startup, Stenographer	3,255	3,335
Louise L. Hiller, Operator (Key Punch)	3,110	3,190
Benjamin L. Dinkins, Mail Clerk	2,830	2,910
Rudolph Reece, Laborer	2,552	2,632
Anna M. Utz, Charwoman	2,770	2,840

Approved unanimously.

In accordance with the applicable provisions of the salary procedure approved by the Board June 12, 1951, the Personnel Committee submitted

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a memorandum dated January 5, 1952 recommending that the Board approve merit increases for employees in Group W and above as follows, effective January 20, 1952:

<u>Name and Title</u>	<u>Salary Increase</u>	
	<u>From</u>	<u>To</u>
<u>Division of Research and Statistics</u>		
Albert R. Koch, Chief, Banking Section	\$10,800	\$11,050
C. Richard Youngdahl, Chief, Government Finance Section	10,800	11,050
Tynan C. Smith, Economist	10,000	10,200
<u>Division of International Finance</u>		
J. Herbert Furth, Chief, Central and Eastern European Section	9,800	10,000
<u>Division of Selective Credit Regulation</u>		
J. J. Connell, Technical Assistant	8,360	8,560
F. R. Pawley, Technical Assistant	8,360	8,560

Approved unanimously.

In accordance with several discussions of the Board in executive session, the Chairman was authorized to negotiate with the firm of Arthur Andersen and Company, Certified Public Accountants, to audit the accounts of the Board of Governors for the year 1952.

Before this meeting there was circulated to the members of the Board a memorandum from Mr. Powell dated December 13, 1951, describing the work done thus far on the special revision of the consumer credit series which was approved by the Board on June 26, 1951, and the work remaining to be accomplished. The memorandum stated that in view of the public interest in these data and their close relationship to Regulation

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W, it seemed that it might be advisable to expand somewhat the originally contemplated program and to obtain at a later date the services of additional consultants to review the tentative decisions made and offer advice on further procedures, and that subsequently a meeting with trade representatives might be held, to be followed by another meeting of a selected small group from the trade with the consultants and the System staff. The memorandum added that while this plan was more elaborate than was earlier thought necessary, it might be advisable in order to be completely sure that the System obtained the best technical and practical advice possible on the revision.

Mr. Powell said that the memorandum had been circulated in order that the members of the Board might be advised of the steps already taken and the problems encountered, and that he would recommend that the study be carried forward along the lines suggested.

Following statements by Messrs. Evans and Vardaman concerning the importance of insuring the accuracy of the Board's consumer credit statistics, it was agreed unanimously that the project for the revision of the statistics should be carried on along the lines suggested in the memorandum under the general supervision of Mr. Powell.

A memorandum dated December 27, 1951, from Mr. Solomon, reviewing the matter of H. Bartels, Inc., of Philadelphia, Pennsylvania, a

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registrant under Regulation W, Consumer Credit, in the light of the hearing record, exceptions taken by counsel for registrant to the hearing examiner's recommendations, and briefs filed by counsel for registrant and the Board's Solicitor, was sent to the members of the Board on December 28, 1951. At this meeting there was a discussion of the further action to be taken by the Board on the basis of the record in the matter, including oral argument before the Board on January 4, 1952.

At the request of the Board, Mr. Vest summarized the Legal Division's review of the case, stating that the principal exceptions taken by registrant's counsel related to the fact that the Board filed an amended and supplemental complaint in the case while the hearing was in process. He said that no recess was taken at that time, although counsel for the registrant undertook to reserve the right to raise the question at a subsequent time and did so in his brief and during the oral argument, that the record indicated that counsel for registrant had an opportunity to request a recess in order to prepare a defense to the revised complaint but did not do so, that the differences between the supplemental and the original complaint were of a technical nature, and that the preparation of a defense to the original complaint would in large measure have enabled the preparation of a defense to the supplemental complaint. In the circumstances, Mr. Vest said, it was felt that there was little real substance to the objections, especially since

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counsel for the registrant failed to protect himself as completely as he might have.

Regarding the charge by the registrant of prejudice on the part of the hearing examiner, which charge was based largely on participation by the examiner in the interrogation of witnesses, Mr. Vest stated that the examiner in this respect conformed to a practice frequently followed in such hearings and there appeared to have been nothing in his conduct which in any way prejudiced the rights of the respondent.

As to objections regarding the sufficiency of evidence, Mr. Vest said it seemed clear from the record that there were numerous violations of the provisions of Regulation W, that the examiner found a lack of good faith on the part of the registrant, and that the number of the violations tended to verify this finding. He added that in the opinion of the Legal Division the case was well supported by the record and the Board would be justified in entering an order if it felt that to be the proper course of action.

Mr. Vest then said that whereas the hearing examiner recommended an indefinite suspension of license for instalment sales of television sets only, the Board's Solicitor had argued that the suspension should cover instalment sales by the registrant of all listed articles. He said it was his own feeling that a suspension of license for a specific period might be preferable out of fairness to the registrant, who would

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know the full extent of the penalty, and because under an indefinite suspension the Board would have to rule later on a petition by the registrant for termination of the order.

In answer to a question by Mr. Evans, Mr. Vest said that in view of the seriousness and frequency of the violations indicated by the record, he felt that an order suspending the license of the registrant to do an instalment credit business for as much as 90 days would be appropriate and reasonable.

Mr. Vardaman referred to a statement by counsel for respondent during oral argument to the effect that the registrant had offered before the beginning of the hearing to consent to any injunction against future violations of the Regulation, and inquired why if this was correct, the case had not been concluded on that basis to avoid the trouble and expense of a hearing.

In response Mr. Noyes said that he understood such an offer had been made by the registrant's attorney but that it was the opinion of the Federal Reserve Bank of Philadelphia and the Board's Solicitor that this would not constitute a sufficient penalty in view of the gravity of the alleged violations.

The meeting then went into executive session, after which Mr. Szymczak informed the Secretary that the Board had decided by the vote of five members (Chairman Martin,

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who did not sit at the oral argument on January 4, did not participate in the decision) that an order should be issued by the Board suspending the license of H. Bartels, Inc., with respect to instalment sales of all articles covered by Regulation W for a period of 30 days, and that Mr. Vest had been requested to draw up the necessary order.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 7, 1952, were approved unanimously.

Memorandum dated December 28, 1951, from Mr. Sloan, Director, Division of Examinations, recommending that Assistant Federal Reserve Examiner Herbert H. Hagler be appointed a Federal Reserve Examiner, with an increase in his basic salary from \$5,370 to \$5,940 per annum, effective January 20, 1952.

Approved unanimously.

Memorandum dated January 7, 1952, from Mr. Bethea, Director, Division of Administrative Services, recommending increases in the basic annual salaries of the following employees in that Division, effective January 20, 1952:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Elizabeth L. Carmichael	Chief, Publications Section	\$5,625	\$5,750
Mary E. Dorsey	Printing Clerk	4,455	4,580
Helen L. Hulen	Publications Clerk	4,295	4,420

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<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
J. Robert Surguy	Printing Clerk	\$4,045	\$4,170
Woodley Boothe	General Mechanic	3,835	3,935
Henry Tate	Laborer	2,632	2,712
James T. Stewart	Operator (Mimeograph)	2,552	2,632

Approved unanimously.

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

"In accordance with the request contained in your letter of January 4, 1952, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Atlanta:

William E. Briscoe
Richard A. Dill
Floyd N. Greer"

Approved unanimously.

Memorandum dated January 4, 1952, from Messrs. Thomas, Young, and Marget, Economic Adviser to the Board, and Directors of the Divisions of Research and Statistics and International Finance, respectively, reading as follows:

"In connection with the Third Meeting of Technicians of Central Banks of the American Continent, which is now scheduled to be held in Havana from February 25 to March 7, 1952, the Banco Nacional de Cuba has now asked for a definite indication of the number of persons who will be attending the Conference. Federal Reserve participation in this Conference was previously approved by the Board on May 25, 1951; at that time the Board deferred any decision as to the exact composition of the Federal Reserve Delegation.

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"It is now recommended that the Board authorize the attendance of a delegation consisting of two members of the Board's staff, two representatives from the Federal Reserve Bank of New York and one representative from the Federal Reserve Bank of Atlanta. This would be similar to the Federal Reserve representation at previous conferences of this series. The head of this delegation would be Mr. Ralph A. Young, Director of the Division of Research and Statistics; should it prove impossible for Mr. Young to remain in Havana for the entire conference, it is proposed that either Mr. Frank R. Garfield or Mr. Kenneth B. Williams be authorized to go when Mr. Young returns and to serve in his place. The other representative of the Board's staff should be Mr. David L. Grove, Chief of the Latin American Section in the Division of International Finance.

"The Federal Reserve Bank of New York has previously indicated that it proposed to send two staff members, which the Board approved last March 29; the New York Bank now indicates that these representatives will be Mr. Walter H. Rozell, Jr., Manager of the Foreign Department, and Mr. Eugene R. Schlesinger, an Economist in the Foreign Research Division of the Research Department. The President of the Federal Reserve Bank of Atlanta has indicated informally that his Bank would like to be represented at the forthcoming conference, especially since the conference is to be in Havana, and that they are prepared to send Mr. Charles T. Taylor, Senior Economist. That Bank has not previously been represented at these conferences.

"It is also recommended that the Board's representatives to the Havana Conference be allowed actual necessary transportation and subsistence expenses in accordance with the Board's travel regulations, as supplemented by the standardized Government travel regulations; and that the head of the delegation be authorized an additional amount not to exceed \$500 to cover other expenses of the delegation, including necessary entertainment, without requiring the furnishing of receipts. The additional expenditures under this authorization are to be reported to the Board's Personnel Committee. A similar arrangement was approved by the Board for the heads of the Federal Reserve Delegations at the conferences of 1946 and 1949.

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"The expenses of the representatives from the Federal Reserve Banks of New York and Atlanta would be paid by those Banks."

Approved unanimously.

Letter to The Wallkill National Bank, Wallkill, New York, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as executor, the exercise of such right to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary power granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of New York.

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

"Advices received from the officers in charge of examinations at the several Federal Reserve Banks indicate that the dates tentatively selected for holding a conference of representatives of the Bank Examination Departments in Washington, immediately after the 1952 Mid-Winter Trust Conference of the American Bankers Association, will be satisfactory. Accordingly, the Examiners' Conference will be held in the Board's offices in Washington on Thursday, Friday and Saturday, February 7 - 9, 1952.

"Matters pertaining to both bank examination and supervision will be discussed and it is expected that each

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"Reserve Bank will be represented by the officer in charge of examinations and the Chief Examiner, if practicable. It will be appreciated if you will give us the names of the representatives of your Bank who will attend the Conference.

"The officers in charge of examination are being requested to suggest topics for discussion and a copy of the agenda will be sent you when it has been prepared."

Approved unanimously.

Letter to Mr. H. G. Morison, Assistant Attorney General, Department of Justice, Washington, D. C., reading as follows:

"Receipt is acknowledged of your letter of December 18, 1951, addressed to Chairman Martin, outlining the procedure for the guidance of agencies concerned with voluntary agreements under section 708 of the Defense Production Act and reviewing the criteria and standards which your Department considers applicable to such agreements.

"The Voluntary Credit Restraint Program, with which your office is familiar, is the only program set up under section 708 of the Defense Production Act that is sponsored by the Federal Reserve System. We have endeavored to keep the representatives of your office in close touch with the problems arising under this Program, and we believe that it is operating in accordance with the statute and also in a manner consistent with your letter of December 18, as we understand it. We appreciate very much the cooperation which we have received from representatives of your Department in connection with various aspects of the Voluntary Credit Restraint Program which we have discussed with them from time to time."

Approved unanimously.

Letter to Mr. Peyton, President, Federal Reserve Bank of Minneapolis, reading as follows:

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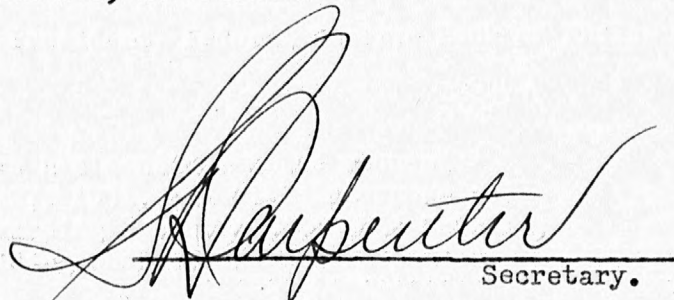
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"With reference to the forthcoming Regional Conference on Regulations W and X in Minneapolis, it is planned that the conference will spend January 23 discussing general enforcement policy and objectives with reference to both Regulations W and X. On January 24 there will be a discussion of administrative problems in connection with Regulation X and on January 25 a similar discussion of problems relating to Regulation W.

"The Federal Reserve Banks of Richmond and San Francisco are being told that you will write to them later concerning the program. We are suggesting that each Bank's representation include a member of its legal staff and one investigator from each office, as well as such other representatives as the Bank may feel it desirable to send.

"Copies of a suggested program outline for both Regulations W and X are enclosed. We should appreciate it if you would make any changes you wish and send copies to the Richmond and San Francisco Banks inviting suggestions. We should also appreciate it if as host Bank you would arrange session chairmen from the conferring Banks and prepare the final programs, forwarding copies to each of the Banks and to us, together with a list of conferees. It is expected that five or six members of the Board's staff will attend each of the conference sessions."

Approved unanimously, with similar letters to the Presidents of the Federal Reserve Banks of Cleveland, Atlanta, and Dallas.


Secretary.