Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, February 29, 1952. The Board met in the Board Room at 12:30 p.m.

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

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. Leonard, Director, Division of Bank Operations
Mr. Bethea, Director, Division of Administrative Services
Mr. Vest, General Counsel
Mr. Williams, Assistant Director, Division of Research and Statistics
Mr. Sprecher, Assistant Director, Division of Personnel Administration

Telegrams to the Federal Reserve Banks of New York, Cleveland, Richmond, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on February 25, by the Federal Reserve Bank of San Francisco on February 26, and by the Federal Reserve Banks of New York, Cleveland, Richmond, Minneapolis, Kansas City, and Dallas on February 28, 1952, of the rates of discount and purchase in their
existing schedules.

Approved unanimously.

Before this meeting there had been submitted a memorandum covering topics to be discussed at a joint meeting of the Board and the Presidents of the Federal Reserve Banks to be held today at 2:15 p.m. The Board considered the topics listed and it was agreed that the views of the Board would be stated substantially as recorded in the minutes of the joint meeting.

At this point all of the members of the staff with the exception of Messrs. Carpenter, Sherman, and Kenyon withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 28, 1952, were approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective March 2, 1952:

<table>
<thead>
<tr>
<th>Date of Memorandum</th>
<th>Name and Title</th>
<th>Salary Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/19/52</td>
<td>Joan N. Yamamoto, Statistical Assistant</td>
<td>$3,255 $3,410</td>
</tr>
<tr>
<td>Date of Memorandum</td>
<td>Name and Title</td>
<td>From</td>
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<td>--------------------</td>
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<tr>
<td>2/27/52</td>
<td>Raymond J. Martin, Operator, Duplicating Devices</td>
<td>$2,830</td>
</tr>
<tr>
<td>2/27/52</td>
<td>Harvey A. Robinson, Clerk</td>
<td>$4,160</td>
</tr>
</tbody>
</table>

Approved unanimously.

Memorandum dated February 20, 1952, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Jane S. Sundeen as Clerk-Typist in that Division, on a temporary indefinite basis, with basic salary at the rate of $2,950 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated February 27, 1952, from Mr. Leonard, Director, Division of Bank Operations, recommending the appointment of Helen A. Bennett as Clerk-Typist in that Division, on a temporary indefinite basis, with basic salary at the rate of $2,950 per annum, effective as of the date upon which she enters upon the
2/29/52

performance of her duties after having passed the usual physical
examination and subject to the completion of a satisfactory employ-
ment investigation.

Approved unanimously.

Letter to Mr. Neely, Federal Reserve Agent, Federal Reserve
Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of February 25, 1952, the Board of Governors approves the payment of salary to Mr. Nicholas Bandi, Federal Reserve Agent's Representative at the New Orleans Branch, at the rate of $1,080.00 per annum."

Approved unanimously.

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

"In view of the recommendation contained in your letter of February 27, 1952, the Board of Governors extends until September 14, 1952, the time within which the Liberty Bank of Buffalo, Buffalo, New York, may establish a branch in Niagara Falls, New York, as approved by the Board on September 14, 1951."

Approved unanimously.

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

"In view of the recommendation contained in your letter of February 27, 1952, the Board of Governors extends until September 14, 1952, the time within which
"The Marine Trust Company of Western New York, Buffalo, New York, may establish an additional branch in North Tonawanda, New York, as approved by the Board on September 14, 1951."

Approved unanimously.

Letter to Mr. Bloomfield, Assistant Vice President, Detroit Branch of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of January 23, 1952, in which you advised the Board of the reasons why the expenses for certain items of expenditure at your office exceeded the 1951 budget estimates.

"Appropriate notations are being made in the Board's records concerning these overexpenditures."

Approved unanimously.

Letter to Mr. Orville L. Freeman, Larson, Loevinger, Lindquist & Freeman, Midland Bank Building, Minneapolis, Minnesota, reading as follows:

"Receipt is acknowledged of your letter of February 20, 1952, addressed to Chairman Martin regarding River Lake Motor Company, Minneapolis, Minnesota.

"As you pointed out in your letter, this case has already been referred by the Board to the Department of Justice. The Board, therefore, is no longer in a position to decide how it is to be handled. However, the fact that the Board referred the case to the Department of Justice indicates that it viewed the case in a different light from that indicated in your letter."

Approved unanimously.
Letter to Mr. J. Saxton Lloyd, President, National Automobile Dealers Association, 35th-60 North Beach Street, Daytona Beach, Florida, reading as follows:

"This will acknowledge your letter of February 26 requesting a meeting on Friday afternoon, March 7, in connection with Regulation W—Consumer Credit—to discuss the automobile situation.

"March 7, the suggested date, is satisfactory and the meeting has been scheduled for 3 o’clock that afternoon. Mr. Deo of your Washington office has indicated that that time would be convenient. We shall advise Mr. Deo later as to the room to be used for the meeting."

Approved unanimously.

Letter to Mr. Lewis, Vice President, Federal Reserve Bank of St. Louis, relative to the matter of Robert L. McManemy, doing business as Standard Auto Sales, 4212 State Street, East St. Louis, Illinois, a registrant under Regulation W, Consumer Credit, reading as follows:

"Reference is made to your letters of February 11, and February 15, 1952, regarding the above matter.

"In view of the circumstances described in your letters and enclosures, and the telephonic advice which we have received from you, the Board concurs in your recommendation that an injunction be sought restraining Robert L. McManemy from further violations of Regulation W.

"Since your Bank has already handled one injunction proceeding, it is presumed that it will handle this matter. Of course, the Board’s staff will stand ready to give you any assistance possible."

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

"This refers to your letter of February 20, 1952, regarding the inquiry from Mr. Arthur S. Lesser, concerning the application of Regulation W to two transactions each involving the extension of installment credit in the amount of $3,780 by Nash Kelvinator Sales Corporation in connection with the sale of a total of 21 refrigerators for delivery to three apartment houses each owned by a different corporation. In the first transaction, one individual owns all the outstanding stock of each of the three corporations and executes a single conditional sales contract covering all 21 refrigerators. In the second transaction, where all the outstanding stock of the corporations is owned by two individuals, both individuals would execute the single conditional sales contract and be liable jointly, not severally, thereon.

The transaction would not comply with the terms of the regulation if there were deemed to be an extension of credit to each corporation with respect to the seven refrigerators delivered to it, and the exemption in section 7(a) would not be available since the installment credit with respect to the refrigerators delivered to each corporation would be less than $2,500. On the other hand, if each transaction involving 21 refrigerators is deemed to be a single extension of credit, it would be exempt under section 7(a) as a non-automotive credit in excess of $2,500.

There appear to be two especially significant features of the transactions.

1. In each case there would be a single contract, in one case with a single individual, and in the other with two individuals. However, in the latter case the two would be liable jointly on the contract, and they have a pre-existing community of business interest which was created for purposes unrelated to the regulation.

2. Although the refrigerators would not be delivered to the obligors on the contracts, they would be delivered
"to apartment houses that are the property of the corporation whose stock is owned entirely by the respective obligors on the contracts.

"The Board agrees with your view that, if there is a single obligation, and both the conditions outlined in paragraphs 1 and 2 exist, each sale of 21 refrigerators could properly be treated as a single extension of credit in an amount exceeding $2,500.

"As you indicate, there is some possibility that this conclusion might lead to attempts to evade the regulation by using transactions superficially similar to these. Such an instance is reflected in the interpretation at 1950 Federal Reserve Bulletin 1613, Regulation W Service #855.1. Accordingly, in advising Mr. Lesser it would seem advisable to emphasize that the conclusion here is based on and limited to the particular facts presented."

Approved unanimously.

Memorandum dated February 27, 1952, from Mr. Chase, Assistant Solicitor, recommending that in accordance with the recommendation of the Federal Reserve Bank of San Francisco, an Order be issued directing investigation and designating officers to take testimony in the matter of B. E. Turner, Inc., Arcadia, California, a registrant under Regulation X, Real Estate Credit, as follows:

"UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
At a meeting of the Board of Governors of the Federal Reserve System held at its offices in the City of Washington, D. C., on the 29th day of February, A. D., 1952.

In the Matter of

B. E. TURNER, INC.,
Arcadia, California.

ORDER DIRECTING INVESTIGATION AND DESIGNATING OFFICERS TO TAKE TESTIMONY."
Members of the staff of the Federal Reserve Bank of San Francisco have reported information to that Bank, which that Bank has transmitted to the Board, which tends to show that:

1) B. E. Turner, Inc., of Arcadia, California, is engaged in the business of extending real estate credit subject to Regulation X, Real Estate Credit, issued by the Board of Governors of the Federal Reserve System.

2) B. E. Turner, Inc., has failed and refused to permit the Federal Reserve Bank of San Francisco, by its duly authorized representatives, to inspect the books and records which the company is required to keep pursuant to the said Regulation.

The Board, having considered the aforesaid report, deems it necessary and appropriate that an investigation be made for the purpose of determining whether or not B. E. Turner, Inc., is engaged in the business of extending real estate credit subject to Regulation X and, if so, whether it has violated the provisions of Section 602(b) of the Defense Production Act of 1950 and of Section 6(d) of Regulation X in refusing to permit inspection of its books and records.

It is ordered pursuant to Section 705 of the Defense Production Act of 1950 and Section 902(a) of Executive Order 10,161 that an investigation be made to determine the matters set forth in paragraph II hereof.

It is further ordered, pursuant to Section 902 of the said Executive Order, that for the purpose of such investigation, John A. O'Kane and Walter F. Scott, and each of them, is hereby designated an officer of the Board and empowered to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence and require the production of such books, papers, correspondence, memoranda or other records as may be deemed relevant or material to the inquiry, and to perform all other duties in connection therewith as authorized bylaw.

By the Board.

(signed) S. R. Carpenter, Secretary."
Approved unanimously, with the understanding that in the event of failure of the registrant to comply with the command contained in the subpoena, the General Counsel of the Federal Reserve Bank of San Francisco would be authorized to file suit in the United States District Court asking a mandatory injunction requiring the respondent to permit inspection of his books and records as required by the regulation.

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

"In the Board's letter of January 18, 1952, (S-1430, W-179), reference was made under item (6) to the desirability of attempting to work out uniform standards which could be followed by all Reserve Banks. In discussions at the regional conferences on the regulation, it has appeared that it would be helpful to the Reserve Banks to have advice of the disposition of cases referred to the Board for action, including a brief statement of the background of the case and the facts disclosed by the investigation.

"With the thought that this procedure would be helpful, it is contemplated that in the future there will be sent to the presidents of all Reserve Banks a statement of this kind illustrating various types of cases. A sufficient number of copies of the statement will be sent so that they may be furnished to individuals handling investigative work either at the head office or branches of the individual Reserve Banks. These statements will come to you in the form of a separate series of bulletins to be known as Enforcement Bulletins — (W-ENF 1) etc. The first of these bulletins, which you will note is for use of Reserve Bank Personnel only, is enclosed.

"We should be glad to receive any comments you may care to make concerning the usefulness of these reports in connection with the compliance and enforcement program for either Regulation W or Regulation X."

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

"We understand from informal discussions with representatives of the Reconstruction Finance Corporation and the Defense Production Administration that application has been made to you for an exemption under section 5(m) of Regulation X for proposed construction of laboratory facilities by Ledoux and Company, Inc., in Teaneck, New Jersey, for the weighing, analysis, and testing of strategic materials. We understand further that the Reconstruction Finance Corporation and a stockholder of the corporation who is or would be a Registrant under Regulation X are to finance the construction.

"Mr. Manly Fleischmann, Administrator, Defense Production Administration, has certified that the proposed construction is essential to the national defense and, accordingly, we believe it will be proper for your Bank to issue a certificate of exemption therefor under section 5(m) of Regulation X. Copies of the certification made by Mr. Fleischmann and our reply are enclosed."

Approved unanimously.

[Signature]

Secretary.