

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 7, 1952.

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

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 March 6, 1952, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Atlanta, Chicago, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of Boston and St. Louis on March 3, by the Federal Reserve Bank of San Francisco on March 4, by the Federal Reserve Bank of Atlanta on March 5, and by the Federal Reserve Banks of New York, Philadelphia, and Chicago on March 6, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated March 5, 1952, from Mr. Leonard, Director, Division of Bank Operations, recommending the appointment of Helen B. Arnold Templeton as Statistical Clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of \$3,190 per annum, effective as of the date upon which she enters upon the performance

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of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the request contained in your letter of March 4, 1952, the Board approves the appointment of Stanley L. McCarron as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

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

"In accordance with the request contained in your letter of March 5, 1952, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Philadelphia:

Betty Cooper
Gladys S. Lane
Audrey MacCart

Audrey A. Vogel
Jane A. Wilson
Charles Baker"

Approved unanimously.

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

"In reviewing Schedule A enclosed with your letter of January 15, 1952, it was noted that several employees are reported as receiving salaries in excess of their respective maximums, authority for the payment of which was requested in Mr. Davis' letter of December 3, 1951.

"In accordance with the request contained in Mr. Davis' letter, the Board of Governors approves effective December 1, 1951, the payment of salaries to the following

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"employees at the rates indicated, which exceed the maximums established for the grades in which their positions are classified:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Samuel G. Mactague	Batch Clerk	\$3360.31
G. C. Rodgers	Reg. Mail Clerk	2869.25
*William S. Magee	Medical Director	4471.65
*Catherine Bellas	Waitress	1529.42
*L. F. Lohmuller	Waitress	1529.42
*Reba L. McLaughlin	Waitress	1529.42
*Part-time basis."		

Approved unanimously.

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

"In accordance with the request contained in your letter of March 5, 1952, the Board of Governors approves, effective March 6, 1952, the payment of salary to Mrs. Florence M. Dobiszewski, Janitress, at the rate of \$2,580 per annum, which exceeds by \$180 the maximum established for the grade in which her position is classified."

Approved unanimously.

Telegram to Mr. Sanford, Assistant Vice President, Federal Reserve Bank of New York, reading as follows:

"Your wire March 6. Board approves granting of loan or loans by your Bank to Banque Centrale de la Republique de Turquie not to exceed \$15,000,000 in the aggregate at any one time outstanding over and above any loan or loans under the existing loan arrangement on the following terms and conditions:

- A. Such loan or loans to be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;
- B. Such loan or loans to run for three months but may be repaid at any time before maturity;
- C. Any such loan or loans to be requested and made on or before June 30, 1952;

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- "D. Each such loan to bear interest from the date such loan is made until paid at the discount rate of your Bank in effect on the date on which such loan is made;
- E. The amount advanced at any one time and the amount repaid at any one time to be in round amounts of not less than \$500,000.

"It is understood that the usual participation will be offered to the other Federal Reserve Banks."

Approved unanimously.

Letter to The Honorable James M. McInerney, Assistant Attorney General, Department of Justice, Washington, D. C., reading as follows:

"This refers to your letter of February 7, 1952, addressed to Chairman Martin.

"The files of the Board have been examined in accordance with your letter, and they show that there have been no cases or instances of possible bribery, theft, embezzlement, fraud, violation of the conflict-of-interest statutes or other forms of corruption or misconduct that might be in violation of any Federal criminal statute on the part of any officer or employee of the Board. Should any such violation or misconduct occur in the future, the Board would immediately call it to the attention of the Federal Bureau of Investigation, as you request.

"This letter refers only to officers and employees of the Board of Governors. It does not include officers or employees of the Federal Reserve Banks, since they are not Federal officers or employees."

Approved unanimously.

Letter to Mr. Raymond J. Saulnier, Director, Financial Research Program, National Bureau of Economic Research, West 254 Street and Independence Avenue, New York, New York, reading as follows:

"As requested in your recent conversations with Mr. Kolb, there are enclosed copies of form F. R. 107, in Section

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"B of which we have shown aggregate annual data for State member banks, 1948-1950, on factors of increase and decrease in bank capital accounts. Data for 1951 are in process of compilation and will be made available to you shortly.

"These data are not normally published by the Board but there is no objection to your using them in your projected study (for publication) of the sources of bank capital. We understand that similar data covering national banks have been made available to you by the office of the Comptroller of the Currency, except that figures corresponding to items 11-d and 13-d were not furnished, since the first of these items is not tabulated and the second is not applicable and is not reported.

"The numbers of banks included in the enclosed tabulations are the numbers in operation at year-ends and the dollar figures are aggregates for these banks. Net profits after dividends do not therefore agree with comparable published figures because of our practice of including in the latter figures partial-year earnings of banks which were State member banks for a portion of the year but not at year-end. The differences, shown below, are not large.

	<u>Published Net Profits</u>	<u>Amount in Enclosed</u>
	<u>After Dividends</u>	<u>Tabulation</u>
1948	\$ 98,013,000	\$ 97,750,000
1949	104,288,000	102,730,000
1950	127,695,000	127,395,000"

Approved unanimously.

Letter to Mr. Walter F. Ryan, Clearance Officer, Division of Statistical Standards, Bureau of the Budget, Washington, D. C., reading as follows:

"There are enclosed two copies each of the following report forms pertaining to affiliates: F. R. 105b (Schedule O), F. R. 220, F. R. 220a, and F. R. 220b, as approved by the Board for revision. We are also enclosing two copies of your form 83 covering the revised forms F. R. 220 and 220a.

"These forms do not lend themselves to statistical analysis and have not been used for that purpose. Form

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"F. R. 105b is being discontinued because the essential information contained therein can be obtained from examination reports. The changes in forms F. R. 220 and 220a are largely of a clarifying nature. The instructions for the preparation of these forms, heretofore printed on form F. R. 220b, will be printed on the back of form F. R. 220, thus resulting in the elimination of form F. R. 220b as a separate sheet.

"We are also enclosing two copies of the report of condition, form F. R. 105, and of your form 83. The proposed revision in form F. R. 105, is in Schedule FF, and is for consistency with the revisions in the affiliate forms. The proposed revision provides that the reporting bank shall insert the number of affiliates for which forms F. R. 220 must be submitted and published rather than the total number of affiliates including accidental fiduciary affiliates, as at present.

"These changes do not affect existing requirements for the submission and publication of reports by holding company affiliates.

"We understand the office of the Comptroller of the Currency expects to make similar changes in its forms. These forms are not used by the Federal Deposit Insurance Corporation, since, as defined in Section 2(b) and (c) of the Banking Act of 1933, the terms 'affiliates' and 'holding company affiliates' refer only to member banks."

Approved unanimously.

Letter to Mr. Olson, Vice President, Federal Reserve Bank of Chicago, in regard to the matter of Jerry's Auto Sales, Monroe, Michigan, a registrant under Regulation W, Consumer Credit, reading as follows:

"Reference is made to your letter of February 18, 1952, regarding the above matter in which you and your Detroit Branch recommend that an injunction be sought restraining this registrant from further violations of Regulation W.

"The Board concurs in this recommendation and authorizes your Bank to confer with the registrant with a view to obtaining an injunction by consent or making a further recommendation to the Board following the conference."

Approved unanimously.

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Memorandum dated March 5, 1952, from Mr. Chase, Assistant Solicitor, recommending that, in accordance with the recommendation of the Federal Reserve Bank of Cleveland, an Order for Investigation be issued in the matter of Seaboard Finance Company, Pittsburgh, Pennsylvania, a registrant under Regulation W, Consumer Credit, reading 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 7th day of March, A. D., 1952.

In the Matter of
SEABOARD FINANCE COMPANY,
Pittsburgh, Pennsylvania.

ORDER DIRECTING INVESTIGATION
AND DESIGNATING OFFICERS TO
TAKE TESTIMONY.

I

The Federal Reserve Bank of Cleveland has transmitted information to the Board which tends to show that Seaboard Finance Company is a corporation with its main offices in Los Angeles, California, with branch offices in the state of Pennsylvania, and that through its office located at 144 Sixth Street, Pittsburgh, Pennsylvania, it has made instalment loans subject to Regulation W when it knew or had reason to know that the proceeds of such loans were to be used to purchase listed articles and that the principal amount lent exceeded the maximum loan value specified for the respective articles in the Supplement to the Regulation, in violation of the provisions of Section 4(a) of the Regulation.

II

The Board having considered the aforesaid report by the Federal Reserve Bank of Cleveland and for the purpose of (1) determining whether the Seaboard Finance Company has violated the provisions of Regulation W and (2) aiding in the enforcement of said Regulation, deems it necessary and appropriate that an investigation be made to determine whether Seaboard Finance Company has engaged in the acts and practices set forth in paragraph I hereof, or any acts and practices of similar purport or object.

III

IT IS ORDERED, pursuant to Section 604 of the Defense Production Act of 1950, and for the purpose of such investigation,

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"that Wilbur T. Blair 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 any books, papers, correspondence, memoranda, or other records deemed relevant or material to the inquiry, and to perform all other duties in connection therewith as authorized by law.

By the Board.

(Seal)

(signed) S. R. Carpenter,
Secretary."

Approved unanimously.

Letter to Mr. Lewis, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

"With reference to your letter of February 20, 1952, respecting a proposed new nursing home in Memphis, Tennessee to take care of and treat nonambulatory and mental patients, we concur in the St. Louis Bank's decision, based on the description of its use given in your letter, that this particular property is properly classifiable as a hospital and therefore exempt from Regulation X."

Approved unanimously.

Letter to Mr. Cook, Vice President and Cashier, Federal Reserve Bank of Dallas, reading as follows:

"This is in reference to your letter of February 21, 1952, regarding the applicability of Regulation X to the financing of the purchase of an office building constructed before 1950, at a present contemplated sale price of \$500,000 and the subsequent addition and repairs to the building costing another \$500,000. Inasmuch as this building situated in Wichita Falls, Texas, is not new construction, any credit extended to Mr. Pate, the proposed buyer, for the purpose of purchasing it is not subject to Regulation X.

"The adding of several stories to the building and the making of repairs to the existing lower floors at an estimated total cost of \$500,000 after Mr. Pate has taken possession of

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"the property as referred to in your letter would constitute a major addition under Regulation X. The maximum amount of credit or maximum loan that could be advanced or made by a Registrant with respect to this estimated \$500,000 major addition is \$250,000, whether or not the Registrant also is financing the purchase of the existing building. Additionally, as you know, such a loan or the part of any mixed purpose loan which is for the purpose of making the nonresidential major addition will also have to comply with the maturity and amortization provisions specified in the Supplement to the regulation.

"The crux of this question, as we view it, revolves around the fact that Mr. Pate may not exceed the maximum loan value of the major addition which is covered by Regulation X and must make the necessary \$250,000 down payment out of his nonborrowed cash resources. Hence, either plan 1 or plan 2 as described in your letter would comply with the regulation providing the other applicable provisions of the regulation respecting nonresidential properties are observed."

Approved unanimously.

Statement on behalf of the Board with respect to the extension of the Defense Production Act of 1950, filed with the Senate Banking and Currency Committee as of March 4, 1952. The statement was prepared in response to a request from Senator Maybank for any statement that the Board might wish to make in connection with the extension of the Act in addition to the statement made by Chairman Martin on March 4, 1952. Having been approved by all of the members of the Board except Mr. Vardaman, who was absent, the statement was delivered by Mr. Cherry, Legislative Counsel, to the Clerk of the Senate Banking and Currency Committee this afternoon.

Approved unanimously.


Secretary.