

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, March 10, 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 7, 1952, were approved unanimously.

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

"In accordance with the request contained in your letter of March 3, 1952, the Board approves the appointment of Leo G. Schneider as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise us of the date upon which the appointment becomes effective and also as to salary rate."

Approved unanimously.

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

"This will acknowledge your letter of February 26, 1952, and attachments, to Mr. Guy E. Noyes, Director of the Division of Selective Credit Regulation. Among the correspondence you forwarded is a photostatic letter dated January 28, 1952, from Mr. Alexander Mintz, President, Shaker Savings Association, Shaker Heights, Ohio,

3/10/52

-2-

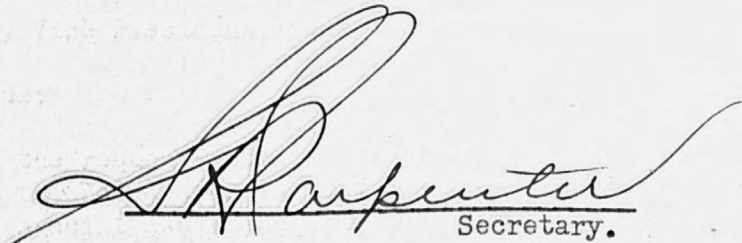
"suggesting that it should be permissible to extend credit in excess of the maximum loan value on a new home for a period of six months through the use of a blanket mortgage to cover both the new home and an existing home which the prospective buyer wishes to sell. You have confirmed your correspondent's first statement which he phrases in question form that such an arrangement is not permitted by Regulation X in your letter of February 5 except in respect to the exemption afforded by section 5(n). Your correspondent's second question is concerned with the problem of whether the regulation should not be amended to cover persons moving 'within a municipality or county' instead of 'from one municipality or county to another' as provided in section 5(n).

"In issuing Amendment No. 7 which added section 5(n) to Regulation X it was not the Board's intention that the secondary borrowing prohibitions of Regulation X should be generally relaxed. The purpose of the amendment as expressed in the press release of November 15, 1951, was to 'assist persons moving from one part of the country to another' in the purchase of a new home when there is a delay in obtaining the proceeds from the sale of their old home. It had been strongly represented to the Board that the regulation was unduly restrictive in the case of such removals inasmuch as many persons during the war period were required to move from one part of the country to another. The amendment, therefore, was for the purpose of giving recognition to an unnecessarily burdensome hardship by providing a means for facilitating such transfers. The employment of the criteria 'municipality or county' was for the purpose of providing a readily understood geographical limitation, since the phrase 'moving from one part of the country to another' had to be defined in concrete terms. Obviously, any more restrictive criteria such as 'from state to state' would not have served the purpose since distances of too great an extent would have been involved in such a standard.

3/10/52

"In respect to persons moving short distances within the boundaries of municipalities or counties the same troublesome considerations in respect to transfers do not apply and such persons generally can make suitable arrangements without suffering the inconvenience and manifest difficulties of persons who are required to go long distances. The Board did not think it desirable to relax the secondary borrowing prohibitions in respect to these latter transactions since there would be very little limitation on secondary credit if that were done, and the administration and enforcement of the secondary borrowing prohibitions would have been made extraordinarily difficult."

Approved unanimously.


Secretary.