

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, March 19, 1952.

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

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 18, 1952, were approved unanimously.

Memorandum dated March 13, 1952, from Mr. Bethea, Director, Division of Administrative Services, recommending that the resignation of Pauline A. Melton, Stenographer in that Division, be accepted to be effective in accordance with her request at the close of business March 21, 1952.

Approved unanimously.

Letter for the signature of the Chairman to the Honorable Burnet R. Maybank, Chairman, Committee on Banking and Currency, United States Senate, Washington, D. C., reading as follows:

"This is in response to Mr. McMurray's letter of March 13, 1952, requesting a report on S. 2841, a bill 'To amend section 14(b) of the Federal Reserve Act, as amended.'

"S. 2841 would make permanent the present temporary authority of the Federal Reserve Banks to purchase

3/19/52

-2-

"Government obligations directly from the United States.

"Except between the years 1935 and 1942, the Federal Reserve Banks have always had authority to purchase Government obligations directly from the Treasury. Since 1942 this authority has been limited by section 14(b) of the Federal Reserve Act to an aggregate maximum amount of five billion dollars at any one time, and the provision has been temporary in nature. While the time limit has been extended from time to time, the authority under present law will terminate on June 30, 1952.

"The Board of Governors believes that the direct purchase authority of the Federal Reserve Banks is desirable. This authority provides a useful mechanism for helping to smooth out the effect of short-run peaks in Treasury cash receipts and disbursements so that the disturbing effect of their flow through the banking system may be held to a minimum. It also makes it possible for the Treasury to operate with a smaller cash balance than might otherwise be needed, since it provides a means by which the Treasury, if necessary, may temporarily meet large cash outlays of which it has not had previous notice. Under both the existing law and that prior to 1935, the direct purchase authority has been used only infrequently and for short periods as a convenient means of meeting temporary situations.

"For the reasons indicated, the Board favors enactment of the proposed legislation. The Bureau of the Budget advises that the enactment of this legislation is in accord with the program of the President."

Approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

"This refers to your letter of February 25, 1952, requesting the views of the Board with respect to a report submitted by the Housing and Home Finance Agency

3/19/52

-3-

"with regard to H.R. 6102 'To amend section 5 of the Home Owners' Loan Act of 1933, as amended.' This bill would authorize Federal savings and loan associations to purchase loans secured by first liens on improved real estate which are insured under the National Housing Act or the Servicemen's Readjustment Act of 1944 without regard to the 50-mile area restriction.

"Savings and loan associations have traditionally been local thrift and home financing institutions gathering investment funds of individuals from the local community and lending them to home owners and prospective home owners within the local community. This is clearly the basic function which Congress intended Federal savings and loan associations to perform, although it permitted them, as a matter of operating flexibility, to engage in other lending activities within well-defined limits.

"While the Board believes this element of flexibility is proper and useful, if operations now permitted as exceptions to the rule should become the general rule, the functions of these organizations would be extended beyond the scope which was originally intended. The Board considers, therefore, that the present restrictions should continue with respect to purchases of loans secured by first liens on improved real estate located outside the association's locality (i.e., beyond 50 miles).

"For the above reasons, it is the view of the Board that the enactment of H.R. 6102 would not be desirable."

Approved unanimously.

Letter to Mr. Cornelius C. O'Brien, 2023-27 Land Title Building, Broad and Chestnut Streets, Philadelphia, Pennsylvania, reading as follows:

"This will acknowledge your letter of March 13, 1952, stating that the Board's Order of March 4, 1952, In the Matter of H. Bartels, Inc., will be honored and followed and that no further legal proceedings challenging or contesting same will be filed either before the

3/19/52

-4-

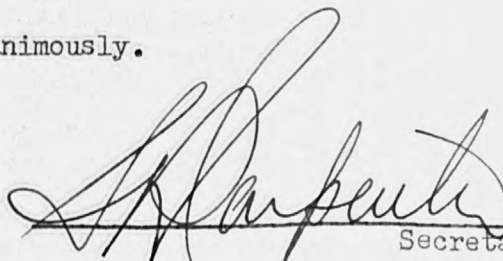
"Board or in any court. This letter also presented certain questions concerning the application of the Order.

"You asked whether the delivery of a listed article on or after March 24, pursuant to an instalment obligation entered into prior to that date, would be contrary to the Board's Order.

"Assuming that the instalment obligation so entered into was a legally binding obligation covering a listed article in Bartel's possession, and that such obligation was entered into in good faith and was complete in all details, including the information required by section 6(c) of the regulation, the actual delivery of the article to the customer on or after March 24 would be unobjectionable under the Order. In addition, the discount or purchase of such an obligation on or after March 24 by a bank or other financing institution would not be objectionable under the Order or regulation merely because of delivery of the article to the customer on or after March 24. Of course, whether to accept for purchase or discount any instalment obligation, even though it complies with all legal requirements, is always a matter within the discretion of the purchasing or discounting bank or other financial institution.

"It would also be unobjectionable to complete on or after March 24 a transaction of the type covered under the second paragraph of section 6(f) of the regulation and entered into prior to that date, where there has been compliance with all the requirements of that provision of the regulation. However, on or after March 24 and until April 23, not only instalment sales but also deliveries of any kind subject to section 6(f) would be improper under the Order, and this would be true also of negotiations with customers during the suspension period of the Order for delivery of listed articles after the expiration of the suspension period. In this latter regard, it is noted that Bartels will not advertise or state to the public that it will so negotiate during the suspension period."

Approved unanimously.

  
Secretary.