

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, March 26, 1952. The Board met in the Board Room at 10:05 a.m.

PRESENT: Mr. Martin, Chairman

Mr. Szymczak

Mr. Evans

Mr. Vardaman

Mr. Powell

Mr. Mills

Mr. Robertson

Mr. Sherman, Assistant Secretary

Mr. Murff, Assistant Secretary

Mr. Leonard, Director, Division of Bank
Operations

Mr. Vest, General Counsel

Mr. Sloan, Director, Division of
Examinations

Chairman Martin stated that yesterday afternoon he and Mr. Vest attended a meeting of the Patman Subcommittee in executive session, at which time he delivered to Chairman Patman a letter dated March 25, 1952 transmitting, for examination by the several members of the Subcommittee, certain communications from the Federal Open Market Committee and the Board of Governors to the President and to the Secretary of the Treasury with respect to questions of credit policy and Treasury financing in the period July 1950-February 1951. The material thus transmitted was that which the Subcommittee requested that he (Chairman Martin) submit for its examination when he appeared before it March 11, 1952. Chairman Martin said that the letter of transmittal was read by the members of the

3/26/52

-2-

Subcommittee (all but Congressman Wolcott were present) and that they looked over the documents attached to the extent they desired. He also said that in the course of discussion, Senator Douglas stated that the letter of February 7, 1951 addressed by the Chairman of the Federal Open Market Committee to the President was the one he was "fishing for" and that he thought it would be desirable to put it in the record. Chairman Martin said that after some discussion, which was on a very cordial and friendly basis, he and Mr. Vest withdrew from the room in which the Subcommittee was meeting and that they were called back in 20 or 30 minutes at which time Chairman Patman returned the documents listed in the transmittal letter, stating that he would keep only the transmittal letter and that the Subcommittee would consider further whether the other material would be made a part of the public record. Chairman Martin went on to say that he was disposed to think the Subcommittee might decide not to include the letters in the public record.

During the foregoing report, Messrs. Thurston, Assistant to the Board, and Riefler, Assistant to the Chairman, joined the meeting.

Chairman Martin stated that during the meeting with the Subcommittee he was asked certain questions concerning the savings bond program and that he responded that it would be difficult for him to comment on that program since it was not within the jurisdiction of the Federal Reserve System but was in the province of the Treasury.

3/26/52

-3-

Chairman Patman also brought up the matter of examinations and audits of the Board and of the Federal Reserve Banks and requested that he (Chairman Martin) attend another executive session at ten o'clock on Tuesday morning, April 1, 1952, bringing with him copies of the audit reports covering the Board and the Federal Reserve Banks as made by the Board's examination staff and the Reserve Bank auditors. Chairman Martin said that he would plan to attend the executive session of the Subcommittee next Tuesday accompanied by Mr. Leonard, Mr. Sloan, and perhaps Mr. Lang, Chief Federal Reserve Examiner, with a view to presenting any information which the Subcommittee wished regarding the examination and audit procedures followed.

There followed a discussion of the material that might be called to the attention of the Subcommittee and of the general procedure to be followed in submitting the reports and information requested, and it was understood that a more detailed agenda of material to be presented would be prepared by the staff in consultation with Mr. Robertson between now and the date of the executive session. In this connection, it was understood that material to be prepared would cover not only the audit and examination procedures but also the budget procedures observed by the Board and the Federal Reserve Banks. It was also understood that Mr. Murff would accompany the Chairman at the executive session of the Subcommittee next Tuesday.

3/26/52

-4-

At this point the members of the staff listed above withdrew from the meeting and Mr. Allen, Director of the Division of Personnel Administration, entered the room.

The Secretary was subsequently informed that following a discussion of officers' salaries at the Federal Reserve Banks, Mr. Allen withdrew from the meeting, and that during the executive session that ensued the Board approved a memorandum from Mr. Young, Director of the Division of Research and Statistics, dated March 19, 1952 recommending that Miss Susan S. Burr, Assistant Director, Division of Research and Statistics, be authorized to accept an invitation to participate in the Economic Education Workshops sponsored by the Texas Economic Education Council and that she also be authorized the necessary official leave and traveling expenses to Texas for that purpose, with the understanding that a travel authorization request would be submitted as soon as a definite itinerary was arranged.

The following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 25, 1952, were approved unanimously.

Letter to Mr. Stevens, Federal Reserve Agent, Federal Reserve Bank of New York, reading as follows:

"In accordance with the telephone request of March 24 from Mr. Harris, the Board of Governors approves the payment of salary to Mr. R. E. Hunke at the rate of \$6,550 per annum, effective January 24, 1952, which is the effective date of his appointment as Alternate Assistant Federal Reserve Agent."

Approved unanimously.

Letter to Mr. Lunding, Federal Reserve Agent, Federal Reserve Bank of Chicago, reading as follows:

3/26/52

-5-

"In accordance with the request contained in Mr. Meyer's letter of March 21, 1952, the Board of Governors approves the payment of salary to Mr. Charles J. Scanlon, Alternate Assistant Federal Reserve Agent, at the rate of \$8,800.00 per annum, effective January 14, 1952."

Approved unanimously.

Letter to Mr. Koppang, First Vice President, Federal Reserve Bank of Kansas City, reading as follows:

"In view of the circumstances described in your letter of March 20, 1952, the Board of Governors approves the payment of salaries to the following employees at rates below their respective grade minimums for a further period until April 1, 1952:

<u>Name</u>	<u>Head Office</u>	<u>Department</u>
George E. Moran		Accounting
Magdalen Schofield		Check Collection
Pat Guadagnoli		Dining
Marilyn Childs		File
Lorene Free		Fiscal Agency
Mary Pomie		Fiscal Agency
	<u>Denver Branch</u>	
Margaret Stieb		Check Collection
	<u>Oklahoma City Branch</u>	
Oren Powell		Administrative
Thomas Norman		Building
	<u>Omaha Branch</u>	
Lois Mandolfo		Check Collection
Deloris Shafer		Check Collection

"The Board of Governors also approves the payment of salaries to Messrs. Brenton Leavitt and Elmer Screechfield, Examination Department, at rates below their respective grade minimums for a further period ending July 1, 1952.

"The Board of Governors also approves for a further period ending March 31, 1952, the payment of salaries to Joan Stastny and Lavonne Martin, employees at the Omaha Branch, at rates that are below their respective grade minimums."

Approved unanimously.

3/26/52

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

"In view of the circumstances described in your letter of March 20, 1952, the Board of Governors approves the continuation of the payment of salary to Mr. Ralph H. Rogers while occupying the position of Supervisor of Return Items - Remittances and Country Checks, Transit Department, San Antonio Branch, at the rate of \$3,900 per annum which exceeds the maximum established for the grade in which his position is classified."

Approved unanimously.

Letter to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

"In accordance with the request contained in your letter of March 20, 1952, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Boston:

- | | |
|---------------------|------------------------|
| Foster K. Cummings | Roger C. Meuse |
| Harold J. Kennedy | John O. Barrows |
| Kenneth Holland | William E. Studley |
| Donald A. Pelletier | John F. McTeague |
| Thomas F. Hunt | Harry H. Norris |
| George McLeod | George E. Mulvey |
| George H. Harris | Joseph B. McBride |
| Phillip A. Burbine | John H. Bragg |
| Charles L. Buchanan | William G. Kendricken" |

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 24, 1952, the Board approves the designation of the following as special assistant examiners

3/26/52

-7-

"for the Federal Reserve Bank of Cleveland:

Trimbur, Hilda	Edwards, Arthur E.
Haflinger, Constance R.	Todhunter, Paul E.
Petrovic, Stephanie (Mrs.)	Spies, Olive M.
Zgonik, Elsie B.	Benes, Gladys A. (Mrs.)
Zielaskiewicz, Clara (Mrs.)	Fajfar, Dolores F.
Bergold, Molly (Mrs.)	Sievertson, Gertrude (Mrs.)
Covert, Violet (Mrs.)	Kantor, Marguerite (Mrs.)
Davis, Helen C.	Zinger, Leona I. (Mrs.)
DiBlasi, Frances F.	Winslow, Frances (Mrs.)
Fennell, LaVerne M. (Mrs.)	Kaczorek, Alice J. (Mrs.)
Hawkins, Bernice	Amos, Helen E.
Stroh, Coletta M.	LaBoda, Mary C. (Mrs.)
Blue, Bernice L. (Mrs.)	Berish, Eleanore L.
Campbell, Helen E.	Scott, Helen H.
Eberhart, Edwin A.	Emrhein, Marie
Kamerer, Gordon R.	Lewis, Stella I.
Carn, Charles H.	Hoelke, Clara E.
Clay, W. Rogers, Jr.	Erste, Anne J.
Coby, Arthur B.	Whitmer, Virginia L. (Mrs.)
Janicki, Joseph W.	Dickman, Mildred L. (Mrs.)
Martin, Albert G.	Nichols, Catherine
Peoples, Edgar R.	Smith, Betty Jane
Poelking, John A.	Struble, Janet M.
Stemmler, Charles E.	Wasco, Helen
Pollock, Robert H.	Grover, Rosemarie
	Easton, Claire, P."

Approved unanimously.

Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in your letter of March 21, 1952, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Richmond:

Benjamin F. Harrington, Jr.

John H. Mosner, Jr.

"Appropriate notations have been made in our records of the names to be deleted from the list of special

3/26/52

-8-

"assistant examiners."

Approved unanimously.

Letter to Mr. Vergari, Counsel, Federal Reserve Bank of Philadelphia, reading as follows:

"Receipt is acknowledged of your letter of March 21, 1952, and enclosures relating to apparent violations of Regulation W by Kaplan Furniture Company, Scranton, Pennsylvania. This material was forwarded in accordance with paragraph 7 of the Board's letter of January 18, 1952, W-179.

"In view of the fact that the latest examination showed only three willful violations, consisting of late down payments, your suggestion as to the handling of this matter appears to be entirely in order."

Approved unanimously.

Letter to Mr. Lloyd W. Foutz, Executive Director, Oil Heat Association of Metropolitan Philadelphia, 5035 Sansom Street, Philadelphia, Pennsylvania, reading as follows:

"This refers to your letter of March 21, 1952 regarding the application of Regulation W to the so-called 'Summer Plan' of financing consumer purchases of heating equipment.

"The Board's action in eliminating the down payment requirement for Group D items, including residential heating equipment, should afford at least a partial solution to your problem. Requirements governing maturity and the scheduling of instalment payments remain unchanged, however.

"In the Board's opinion, it would be inadvisable to allow the schedule of instalment payments to be adjusted in accordance with the seasonal use of a product. Such relief could not be equitably granted to any single item

3/26/52

-9-

"alone and its general application would substantially weaken the effectiveness of the Regulation."

Approved unanimously.

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

"In connection with Amendment No. 7 to Regulation W, you may find it helpful to have some additional background concerning the Board's decision to eliminate the down payment requirement in connection with credit extensions for Group D articles, residential repairs, alterations, or improvements. At the time this provision was first included in the Regulation in September 1950, there was general recognition of the great difficulty of obtaining anything like complete observance of such a requirement when applied to all home improvement credits (as distinguished from Federal Housing Administration requirements that there be a down payment only if the credit grantor wished Federal Housing Administration insurance). In adopting this down payment provision, therefore, the Board was aware that it might not prove to be either sufficiently equitable or effective as a credit restraint measure to warrant its indefinite retention in Regulation W. In an effort to make the requirement administratively feasible, the Board provided that the down payment must be obtained before beginning work, but the Defense Production Act amendments of 1951 forbade the requirement of a down payment before completion of the work, and amendment of the regulation to carry out this provision virtually destroyed any chance of successfully enforcing the requirement.

"Experience brought out in practice the problems that had been anticipated in connection with the down payment requirement in the home improvement field and showed that the cost and effort throughout the System of attempting to administer and enforce the provision outweighed any possible restrictive effect on instalment credit expansion. Furthermore, in the case of violations,

3/26/52

-10-

"it was either impossible to obtain the necessary evidence to support a referral to the Department of Justice, or the time and effort needed to secure such information were disproportionate to the significance of such violations. It was these considerations, and not the desire to stimulate the extension of home repair and modernization credit, that led the Board to conclude that the provision should be eliminated.

"The matter also was discussed with the Federal Housing Administration to ascertain whether that agency would seriously object to such action. This discussion brought out the fact that Federal Housing Administration not only had no objection but that it was also prepared to eliminate the down payment requirement with respect to home improvement loans insured under Title I of the Federal Housing Act.

"The Board will not refer any more cases covering violations of the down payment provision of Group D articles to the Department of Justice, even though the violations occurred prior to the effective date of Amendment No. 7. It will not be necessary, therefore, to submit to the Board additional reports of violations of this provision, in accordance with our letter of January 18, 1952, S-1430, W-179."

Approved unanimously.

Order for proceedings pursuant to section 8(b) of Regulation W, Consumer Credit, prepared in accordance with action taken at the meeting on March 18, 1952, in the matter of Video Meter, Inc., 108 Ninth Street, San Francisco, California, a registrant under Regulation W, 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 26th day of March, A. D., 1952.

3/26/52

"In the Matter of
Video Meter, Inc.,
a California Corporation,
108 Ninth Street,
San Francisco, California.

ORDER FOR PROCEEDINGS
PURSUANT TO SECTION 8(b)
OF REGULATION W, CONSUMER CREDIT.

I

The Federal Reserve Bank of San Francisco has advised the Board of Governors of the Federal Reserve System that Video Meter, Inc., a California Corporation, hereinafter called the registrant, has filed a registration statement with that Bank pursuant to Section 2(b) of Regulation W, Consumer Credit, issued by the Board of Governors pursuant to Section 601 of the Defense Production Act of 1950, as amended; and that Bank has transmitted information to the Board of Governors which tends to show that since September 18, 1950, the effective date of Regulation W and contrary to the provisions thereof, the registrant has leased, and made instalment sales of, television receiving sets listed in that Regulation in violation of the terms thereof.

II

The information reported to the Board of Governors, as set forth in Section I hereof tends, if true, to show that the registrant, in instalment sales of listed articles since September 18, 1950, has violated Regulation W:

- a. By not obtaining the down payment required by Section 3(a);
- b. By not obtaining the down payment at or before the time of delivery of listed articles, as required by Section 3(c);
- c. By delivering listed articles in anticipation of instalment sales without obtaining at or before the time of such delivery, a deposit equal to the down payment that would be required on such an instalment sale, as required by Section 6(f);
- d. By inflating the cash price of listed articles sold, thereby evading or circumventing the down payment requirements of the Regulation contrary to the provisions of Section 6(h);
- e. By extending credit for financing the purchase of listed articles knowing that there was other credit extended in connection with the purchase of

3/26/52

"the listed articles, thereby bring the total amount of credit extended in connection with such purchases beyond the amount of instalment credit permitted by the Regulation, contrary to the provisions of Section 6(i);

- f. By allowing discounts to be used as part or all of the down payments on listed articles contrary to the provisions of Section 8(j)(7);
- g. By failing to keep, maintain, and preserve records of such instalment sales as were made by it as is required by Section 8(a);

One or more of the violations alleged in paragraphs a to g, inclusive, hereinabove set out, occurred in connection with one or more of the leases and/or sales of listed articles by the registrant to the following persons or customers:

James Morgan
 E. C. Bergman
 Stanley A. Bergman
 Ione Cain
 W. E. Hall
 Harold Williams
 Mr. C. Raquiza
 J. Laws
 W. Schuchart
 Percy T. Webb
 Horace O. Weaver
 Silvio G. Santori
 Frank Bell
 Lucille Brown
 Warren Scott
 Ginna Ryan
 Daryl Dillon
 E. F. Spencer
 Max C. Singleton
 David Perez
 Frank W. Clark, Jr.
 Donald Chapin
 Sam Ono
 Mrs. Ivy Chargois
 Ozzie Lewis
 Robert L. Martin
 Norman Babkirk

Jane Alexander
 Gladys M. Konchalski
 Eura Lee Edwards
 Richard Carroll
 Allen Gravier
 Robert L. Bebout
 Lester D. Smithers
 C. Teya Chew
 Ann P. Kennedy
 Loretta M. Saunders
 George E. Turner
 Leroy Jacobson
 Barbara Conover
 W. C. Larson
 Chas. Mitrea
 Azzie Lee Thomas
 Mrs. Hazel Elmore
 Mrs. P. Hilsen
 C. Dimmitt
 Mack Pittman
 Lucille L. Bronson
 Lee Baca
 Mrs. James O'Connor
 Robert Lee Nicholson
 John Wood
 Mrs. John W. Little
 Frank J. Scardino

3/26/52

-13-

"Harold R. Follett	Rogers S. Cannel
Thelma Patricks	Marie Bell
Robert E. Sutherland	George Pavis
Herbert M. Johnson	William Guyman
Charles Hoffman	Atelena V. Uribe
E. Norris	Swanson Guest House
1816 Pacific St.	Frank Cascino
Oxford Hall	Curley's Restaurant
Colonial Hall	Dolphine Room
Terrace Guest House	Rainbow Club
Phi Delta Theta	Zenieth Cafe
Joe Caboara	White Guest House
Harold Square	Wilson Guest House
Deetz Residence Club	Santa Maria Club
Roosevelt Hotel	Rockwood Inn
Club Casino	Parkview Inn
5044 Club	North Gables
I. F. O. No. 1 Office	Marogos Club
Launderette	Joaquin Guest House
L & M Cafe	The Henry Clay
Delux Guest House	Hawley House
Barrington Hall	El Rancho Annex
Astoria Guest House	El Rancho San Pablo Motel
Angelos	Chateau de Longpre
Frank C. Weaver	Casa Verda
The Buchanan	Broderick Manor
Fourty-One Club	1035 Haight Street
Gilroy Club	House of Baker
Stewart Hotel	The California Hotel
Berkeley Motel	Crane Hotel

Zeta Psi

III

The Board deems it necessary and appropriate that proceedings be instituted to determine:

- a. Whether the statements set forth in Sections I and II hereof, are true;
- b. Whether it is necessary or appropriate in the public interest to suspend the license of the registrant pursuant to Section 8(b) of Regulation W.

3/26/52

-14-

IV

"IT IS HEREBY ORDERED that a hearing for the purpose of taking evidence on the questions set forth in Section III hereof be held before the Board or before a trial examiner designated by the Board at a time and place to be fixed by the Board.

(signed) Merritt Sherman,
Assistant Secretary."

(SEAL)

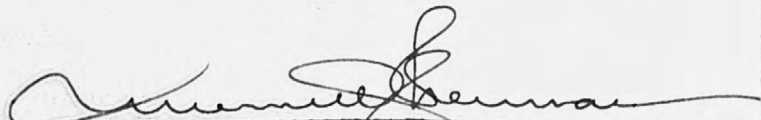
Approved unanimously.

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

"Reference is made to your letter of March 18, 1952, with attachment, regarding the applicability of Regulation X to the construction of a parsonage 'that will be connected to and attached to' the present Church of the Redeemer building in Racine, Wisconsin. The Board is of the same opinion as the Chicago Bank in that the erection of this parsonage should be considered new residential construction and that conventional credit advanced for its permanent financing is subject to Regulation X. This residence would be analogous to a row house or semidetached house which is joined to a structure other than a residence.

"In regard to the status of structures ancillary to churches, hospitals, and schools, no action has been taken on this matter since the time of our past discussions on the question."

Approved unanimously.


Assistant Secretary.