Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 10, 1952.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
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 April 9, 1952, were approved unanimously.

Memorandum dated April 8, 1952, from Mr. Vest, General Counsel, recommending that the resignation of Richard J. Lewis, Law Clerk in the Legal Division, be accepted to be effective in accordance with his request at the close of business April 19, 1952.

Approved unanimously.

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

"Reference is made to your letter of March 26, 1952, submitting for the Board's consideration a proposal of the Elston Bank & Trust Company, Crawfordsville, Indiana, to purchase certain assets and assume the deposit liabilities of the Citizens National Bank of Crawfordsville, Indiana, under a plan which provides for the retirement of the outstanding capital stock of the latter institution at its full value and an increase of only $100,000 in the capital of the assuming bank.

"It is noted that the Elston Bank & Trust Company expects to retain about two-thirds of the deposits acquired
"from the Citizens National Bank and that the transaction will result in a net pay-out of capital funds of approximately $125,800. It is also noted that the capital funds of the Elston Bank & Trust Company in relation to total assets are less than the national average for member banks and that the ratio would be further reduced following the absorption of the national bank.

"In all the circumstances, the Board does not feel that it would be justified in approving the proposed transaction upon the undertaking of the continuing bank to increase its capital $100,000."

Approved unanimously.

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


Approved unanimously.

Letter to International Banking Corporation, 55 Wall Street, New York, New York, reading as follows:

"The Board of Governors of the Federal Reserve System authorizes International Banking Corporation, a corporation organized and existing under the laws of the State of Connecticut and having its principal office and place of business in New York, New York, pursuant to the provisions of the agreement entered into with the Board of Governors of the Federal Reserve System under the provisions of Section 25 of the Federal Reserve Act, to establish an agency at the New York International Airport, Queens County, New York, New York, and to operate and maintain such agency subject to the provisions of such agreement and the following limitations and conditions:

(1) That the functions to be performed by the agency will be limited to those described in the license issued by the Superintendent"
"of Banks of the State of New York under date of March 5, 1952;

(2) That the agency will be established and opened for business within six months from the date of this letter; and

(3) That the agency will be discontinued whenever the Board of Governors of the Federal Reserve System may deem it advisable and shall so require."

Approved unanimously, for transmittal through the Federal Reserve Bank of New York.

Letter to The Farmers National Bank of Annapolis, Annapolis, Maryland, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as registrar of bonds in the City of Annapolis, Maryland, and the County of Anne Arundel, Maryland, the exercise of such authority to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System."

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, together with the following letter to Mr. Leach, President, Federal Reserve Bank of Richmond:

"The Board of Governors has approved, in part, the application of The Farmers National Bank of Annapolis, Annapolis, Maryland, for fiduciary powers as evidenced by the enclosed letter, which you are requested to forward to the applicant. A copy of such letter is also enclosed for your files."
"It has been the policy of the Board not to grant fiduciary powers to national banks except in terms of section 11(k) of the Federal Reserve Act and for this reason, authority to act as 'paying agent', requested by the applicant, is not included in the grant of fiduciary powers in this instance. In this regard it is the view of the Board that the duties and responsibilities involved in corporate and municipal paying agency appointments are not inconsistent with those embraced in the charter authority to conduct a general banking business. Therefore, a special grant of fiduciary authority should not be necessary to support the acceptance and administration of appointments of such kinds. Will you please advise The Farmers National Bank of Annapolis accordingly."

Telegram to Mr. Raisty, Assistant Vice President, Federal Reserve Bank of Atlanta, reading as follows:

"Reurtel April 7, 1952. Regulation W Amendment No. 7 did not reverse W-104. FHA Title I Credit Application form satisfies requirements of section 4(d) of regulation in case of Group D article. According to FHA advice, both the FHA Title I Cash Down Payment Certificate form and the Credit Application form referred to in W-104 are required in the case of 'combination units' subject to Group P."

Approved unanimously.

Letter to Mr. Strothman, Vice President, Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of March 24, 1952, concerning Regulation W and the instalment leasing of automobiles by Lend-Lease Transportation Company of Minneapolis. The question raised by the Company involves the proper treatment of such matters as insurance and finance charges in connection with leases subject to the regulation. "From your letter it appears that the Company makes a specified charge for 'hazard insurance' which is included in
"the rental to be paid under any such lease. It appears further, however, that the 'only finance cost' relative to such leases is included in 'general administrative expenses' and that, according to the Company, 'it would not be feasible to allocate a financing charge to each lease'.

"Under sections 3(a) and 6(c)(4) of the regulation—and as indicated by S-1277 (W-132) to which you referred—the balance remaining after the required down payment or deposit and subject to the installment payment and maximum maturity provisions, must include any insurance and finance or similar charges in connection with an installment lease which are items of cost to the lessee. This conforms also to the principles stated in paragraph (9) of W-97, S-1190 and S-1432 (W-180).

"In accordance with the foregoing, it seems clear that the insurance charge should be included in calculating the installment rental payments. On the other hand, if a finance or similar charge is not allocated to each lease as a cost to the lessee, the installment rental payments would not have to be increased to cover any such charge."

Approved unanimously.

Mr. Carpenter reported that the Comptroller of the Currency would issue a call on April 14, 1952, on all national banks for reports of condition as of the close of business on March 31, 1952, and that, in accordance with the usual practice and the Board's letter of April 9, 1952, a call would be made on April 14 on behalf of the Board of Governors of the Federal Reserve System on all State member banks for reports of condition as of March 31, 1952.

The call to be made on behalf of the Board on April 14, 1952, was approved unanimously.

Secretary.