

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 16, 1952.

PRESENT: Mr. Martin, Chairman
Mr. Evans
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 15, 1952, were approved unanimously.

Letter to Mr. Wiltse, Vice President, Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of March 24, 1952, submitting the request of The Marine Trust Company of Western New York, Buffalo, New York, for permission to establish a branch (de novo) in the Town of Amherst, New York, in and as a part of the proposed Falls Boulevard Shopping Center, Incorporated.

"In view of your recommendation the Board of Governors approves the establishment and operation of the branch in the Town of Amherst, New York, by The Marine Trust Company of Western New York, provided (a) a formal permit for the branch is issued by the Superintendent of Banks of the State of New York, and (b) provided such branch is established within one year from the date of this letter.

"It is understood counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branch."

Approved unanimously.

Telegram to Mr. Stevens, Chairman and Federal Reserve Agent, Federal Reserve Bank of New York, authorizing him to issue a general voting permit, under the provisions of Section 5144 of the Revised

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Statutes of the United States, to Marine Midland Corporation, Jersey City, New Jersey, entitling that organization to vote the stock which it owns or controls of The Syracuse Trust Company, Syracuse, New York, subject to the following condition stated in the telegram:

- 1. Prior to the issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

The telegram further stated:

"In advising corporation of issuance of permit please transmit following statement to corporation with comment that it is transmitted at request of Board: 'In granting this permit, Board has not made, and should not be deemed to have made, any decision as to application of Clayton Antitrust Act or any related statutes to Marine Midland Corporation.'"

Approved unanimously.

Telegram to Mr. Harris, First Vice President, Federal Reserve Bank of Chicago, reading as follows:

"Referring your April 14 letter, Board notes without objection proposed charge against the Detroit building contingent fund of \$10,169.95 in connection with replacing existing flooring in the old building. As requested, drawing is being returned."

Approved unanimously.

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

"At its February 1952 meeting, the Presidents' Conference adopted recommendation that, where Federal Reserve

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"Banks advance own funds to purchase guaranteed portion of V-loan when authorized to do so as fiscal agent by guaranteeing agency, uniform practice be followed of charging interest on such advance against guaranteeing agency at rediscount rate in effect when advance was made. Pursuant to Defense Production Act and Executive Order thereunder, Board approves charging of interest on advances by Federal Reserve Banks in such cases at then existing rediscount rate in accordance with action taken by Presidents' Conference."

Approved unanimously.

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

"Confirming your telephone conversation with Mr. Swan, increase in down payment exemption under Regulation W to \$100 did not change the position that a trade-in allowance cannot be deducted from the cash price in determining whether an article falls below the \$100 limit."

Approved unanimously.

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

"A question has been received concerning the application of Regulation W to instalment credit for the purchase by an automobile 'driver-training school' of a 'full dual-control' passenger automobile.

"Briefly, section 7(d) of the regulation exempts, among other things, any credit extended to a 'school ..., or other ... educational ... institution'. Assuming that the purchaser of the automobile is not, for example, merely a part-time driving-instructor, but is, in fact, an institution which is devoted to giving driving lessons and which holds itself out in that capacity, the transaction described above would be exempt from the regulation under section 7(d)."

Approved unanimously.

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Letter to Mr. Everson, Assistant Vice President, Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of March 26, 1952, and its enclosure, concerning Regulation W and the merchandising of frozen foods at retail by Foodbank, Inc., Oakland, California.

"From the above enclosures it appears that Foodbank, Inc., which specializes in the bulk selling of frozen foods, will enter into a 12 months' contract to furnish a year's supply of frozen food to a customer at \$418.80 payable in equal monthly instalments of \$34.90. The \$418.80 is composed of a \$285.64 charge for food, \$76.50 for the use of a food locker in the plant of Foodbank, Inc., \$20 for 'delivery and pickup', and \$36.66 for 'minor charges for financing, handling, etc.'. Also included under the contract is the use, for a period not exceeding the 12 months, of a 4 cubic food freezer for the temporary storage of food in the customer's home, if he so desires. It is said, however, that 'no charge is made for the use of the freezer', and that the \$20 'delivery and pickup' charge is eliminated from the contract if the customer elects not to take the freezer.

"As indicated at 927 of the Regulation W Service (W-97, para. 51), the classification in Group B covering refrigerators and food freezers does not include a locker in a locker plant. Consequently, it appears that the only question is whether the regulation is applicable in those cases where the customer elects to be furnished a 4 cubic foot freezer as described above.

"A definite answer to such question would depend on whether Foodbank, Inc., actually rents the home freezers to its customers and, if so, what the value of the rental equipment may be. Among the relevant considerations would be the reasonableness and bona fides of the above specific items of cost included under the contract; whether, for example, Foodbank, Inc., has any substantial number of customers who elect not to be supplied with a home freezer; and whether food freezers are sold or rented by Foodbank, Inc., to customers who do not execute a contract for food. Furthermore, the competitive aspects of the Foodbank, Inc., plan might well encourage the further use of promotional arrangements of doubtful validity under the regulation.

"In the circumstances and on the basis of the facts as presented, however, we are not inclined to differ with your

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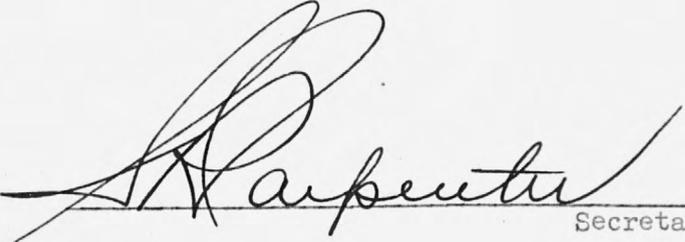
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"conclusion that the regulation is not applicable. We would, of course, be glad to reconsider the matter if, in your judgment, there may be additional facts and circumstances which would warrant that course."

Approved unanimously.

Memoranda dated April 11 and April 15, 1952, from Mr. Chase, Assistant Solicitor, recommending that in accordance with recommendations of the Federal Reserve Banks of Richmond and Boston, respectively, the matters of Johnny's Auto Service, Baltimore, Maryland, and Park Motor Mart, Inc., Auburn, Maine, registrants under Regulation W, Consumer Credit, be referred to the Department of Justice for such criminal proceedings as that Department might deem appropriate.

Approved unanimously.


Secretary.