

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 24, 1952. The Board met in executive session in the Board Room at 10:00 a.m.

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

The Secretary later was advised by the Chairman that during the executive session the actions indicated had been taken with respect to the following matters:

Memorandum dated April 21, 1952, from Mr. Marget, Director, Division of International Finance, recommending that Frank M. Tamagna, Chief of the Financial Operations and Policy Section of that Division, be authorized to accept an invitation to discuss the problem of development planning before a group of graduate students and faculty members at Yale University, New Haven, Connecticut, on April 29, 1952, and that he be granted one day official leave and reimbursed for expenses incurred in connection with this assignment in accordance with the provisions of the Board's travel regulations.

Approved unanimously.

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

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"The Board of Governors approves the payment of salaries for the period March 13, 1952, through May 31, 1952, to the following officers of the Federal Reserve Bank of Kansas City, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of March 14, 1952, and referred to in your letter of April 18.

<u>Name</u>	<u>Title</u>	<u>Salary</u>
G. A. Gregory	Vice President	\$10,000
M. W. E. Park	Vice President	9,600
P. A. Debus	Cashier	6,600
J. T. Boysen	Asst. Vice Pres.	6,800"

Approved unanimously.

In accordance with the request made at the meeting on April 8, 1952, Governor Robertson had reviewed the question of the applicability of section 8 of the Clayton Act to service on the advisory board of the Mercantile Trust Company of St. Louis, Missouri, and, for the reasons outlined in a memorandum addressed by him to the Board under date of April 21, 1952, it was Governor Robertson's opinion that the position previously taken by the Board in its letter of October 10, 1951, that a member of the advisory board of the Mercantile Trust Company was prohibited by the provisions of section 8 of the Clayton Act from serving at the same time as a director of another bank in St. Louis, was correct.

The position taken in the Board's letter of October 10, 1951, was reaffirmed by unanimous vote.

Unanimous approval was given to the transfer, effective immediately, of the following matters to Governor Robertson for primary consideration:

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Supervision and examination of State member banks, including foreign and domestic branches, mergers and consolidations, capital, maintenance of required reserves, payment of interest on deposits, loans and investments of member banks; matters relating to membership of State banks in the Federal Reserve System; supervision and examination of bank holding companies and their affiliates; trust powers of national banks; interlocking relations of directors, officers, and employees of member banks; loans to executive officers of member banks, removal of, and criminal charges against, directors, officers and employees of member banks; relations regarding the above matters with the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Reconstruction Finance Corporation, State Banking Departments, and Bankers Associations.

At the conclusion of the executive session the following members of the staff joined the meeting:

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Vest, General Counsel  
Mr. Townsend, Solicitor  
Mr. Sloan, Director, Division of  
Examinations

Mr. Sloan reported that although for a considerable period of time the established practice with respect to informal clearance of applications by national banks to establish additional branches had not been followed by the Office of the Comptroller of the Currency with respect to applications by banks in the Transamerica group, informal telephone requests had recently been received from the Office of the

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Comptroller for clearance of applications by Bank of America National Trust and Savings Association to establish a de novo branch at Blythe, Riverside County, California, and an additional branch in Los Angeles at Pico and Westwood Boulevard, and to move a branch from 829 Temple Street in Los Angeles to South Gate, a suburb of that city, and an application of the First National Bank of Arizona, Phoenix, Arizona (a Transamerica-owned bank covered by the Board's order of March 27, 1952) to establish a de novo branch at Wellton, Arizona. He explained that the matter was being brought to the attention of the Board for any comments it might wish to make in the light of the Clayton Act proceeding against Transamerica Corporation.

At the request of the Board Mr. Sloan reviewed the position taken by the Board over the past several years with respect to the establishment of branches by banks in the Transamerica group, and following his statement Messrs. Vest and Townsend commented briefly.

In response to an inquiry by Governor Evans, Mr. Sloan outlined the procedure under which the Division of Examinations has advised the Office of the Comptroller of the Currency informally, after checking with the appropriate Federal Reserve Bank, whether the Bank knew of any additional facts which would be pertinent to the consideration by that Office of branch applications, particularly whether any applications by

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State member banks for branches in the same vicinity were pending. At the conclusion of Mr. Sloan's statement, Governor Evans said that, in his opinion, all such inquiries by the other Federal bank supervisory agencies should be brought by the Division of Examinations to the attention of the Board, and that with regard to the current inquiry, he would want the Board to register an objection to the granting by the Comptroller of the Currency of the applications.

Governor Robertson then made a statement in which he said that the procedure for informal clearance of pending applications for branches among the three Federal bank supervisory agencies was intended to be solely for the purpose of securing all available facts which might be valuable to the agency having responsibility for making the decision, such as other pending applications and the needs of the community for new banking facilities, that the other agencies should furnish only information and not advice, and that in the circumstances the Board should no more undertake to offer advice to the Comptroller regarding the establishment of new branches of national banks than the Comptroller should attempt to influence the Board's decision concerning an application for membership in the System.

At this point Governor Vardaman withdrew from the meeting to keep a previous appointment, but before leaving stated that his position

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was the same as that of Governor Robertson.

Governor Mills then suggested that the matter be taken under consideration pending further discussion at a meeting of the Board tomorrow, stating that he was concerned whether the Board should pass on the matter without making some record of its attitude since the action of the Comptroller in approving the applications, should that be his decision, would be the occasion of comment on the West Coast. He thought the Board might send the Comptroller a letter pointing out that, although there were no other pending applications of which the Board was aware and although it was recognized that responsibility for making a decision concerning the applications rested with the Comptroller, the Board assumed that the Comptroller was acquainted with the provisions of the order of March 27, 1952, in the matter of Transamerica Corporation, and would give consideration to the inferences which might be drawn in the event the applications were granted before the divestment order was carried out.

After further discussion it was understood that Governor Robertson would prepare a draft of letter for consideration at the meeting tomorrow in the light of Governor Mills' suggestions.

At this point all of the members of the staff with the exception of Messrs. Carpenter and Kenyon withdrew, and the action stated

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with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 23, 1952, were approved unanimously.

Telegram to Mr. Philip Young, Dean, Graduate School of Business, Columbia University, New York, New York, prepared pursuant to the Board's action of April 7, 1952, reading as follows:

"Board of Governors of the Federal Reserve System has appointed you a Class C Director of Federal Reserve Bank of New York for unexpired portion of term ending December 31, 1952. It will be appreciated if you will advise by collect telegram of your acceptance. It is understood that in order to qualify as a Class C Director you will resign as commercial bank director and dispose of any bank stock you may own."

Approved unanimously.

Letter to Mr. Brainard, Federal Reserve Agent, Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the request contained in Mr. Fletcher's letter of April 22, 1952, the Board of Governors approves the payment of salaries to the following named members of the Federal Agent's staff at the rates indicated, effective April 27, 1952.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Head Office</u>	
Edison F. Peck	Alternate Asst. F. R. Agent	\$4,771.00
	<u>Cincinnati Branch</u>	
W. Howard Marsh	F. R. Agent's Representative	5,707.00
Harry H. Ostendorf	F. R. Agent's Representative	5,980.00

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
William J. Cosgrove	<u>Pittsburgh Branch</u> F. R. Agent's Representative	\$4,784.00
Gordon M. Trowbridge	F. R. Agent's Representative	5,018.00"

Approved unanimously.

Telegram to Mr. Cook, Vice President and Cashier, Federal Reserve Bank of Dallas, reading as follows:

"Reurlet April 9, 1952 enclosing correspondence between your Bank and the Federal Land Bank of Houston. In cases where a farmer is constructing a farm-residence and proposes to use some lumber from other buildings on his farm and also proposes that certain labor will be performed by himself and his family, we agree with the opinion expressed in your letter of April 9, 1952 to the Federal Land Bank of Houston that '\* \* \* in determining "value" for loan computation purposes, (the lender) could include reasonable allowances for the bona fide estimated value of the old lumber furnished by the borrower and for the labor to be performed by himself and his family."

Approved unanimously.

Letter to Mr. Clark, First Vice President, Federal Reserve Bank of Atlanta, reading as follows:

"Thank you for your letter of April 17, regarding the classification under Regulation W of items eligible for Federal Housing Administration Title I financing.

"We agree that eligibility for Federal Housing Administration financing has no particular relevance with respect to the classification of Group B items. No change of the sort suggested by the Tennessee Valley



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"Electric Company and the American National Bank and Trust Company of Chattanooga is contemplated."

Approved unanimously.

Letter to Mr. Phelan, Vice President, Federal Reserve Bank of New York, relative to the matter of Alsar, Inc., Buffalo, New York, a registrant under Regulation W, Consumer Credit, reading as follows:

"In accordance with the last paragraph of the Board's letter of March 26, 1952, S-1141, this case is being closed."

Approved unanimously.

Letter to Mr. Debus, Cashier, Federal Reserve Bank of Kansas City, relative to the matter of Western Slope Sales & Equipment Company, Rifle, Colorado, a registrant under Regulation W, Consumer Credit, reading as follows:

"This refers to your letter of April 10, 1952, and previous correspondence regarding the above registrant under Regulation W.

"In view of the fact that no violations were found when this registrant was reinvestigated March 24, 1952, you recommend that the case be closed. The Board agrees with your recommendation."

Approved unanimously.

Letter to Mr. Debus, Cashier, Federal Reserve Bank of Kansas City, relative to the matter of Western Slope Sales, Rifle, Colorado, a registrant under Regulation W, Consumer Credit, reading as follows:

"This refers to your letter of April 10, 1952, and previous correspondence regarding the above registrant under Regulation W.

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"In view of the fact that no violations were found when this registrant was reinvestigated March 24, 1952, you recommend that the case be closed. The Board agrees with your recommendation."

Approved unanimously.

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

"For your information we are enclosing copies of a letter dated March 31, 1952 received from Kenneth Barnard, Chairman of the Committee on Installment Contracts, Association of Better Business Bureaus, Inc., and the Board's reply of April 9, 1952. During the recent meeting with officials of the Association of Better Business Bureaus, Inc., the question of trade-ins was discussed, and in addition the question of notification of Bureau officials regarding action on Regulation W cases was again raised by Mr. Barnard and discussed at length. This had been previously discussed in Mr. Barnard's letter of December 10, 1951, and the Board's reply to Mr. Barnard of January 28, 1952, copies of which were sent to you.

"In the Board's opinion it may be feasible to provide the Better Business Bureaus with somewhat more information, without disclosing details of the investigation, regarding cases they have brought to the attention of the Reserve Banks than the Bureaus have been given in the past. In addition to acknowledging the Better Business Bureaus' complaints, which the Bureau officials admit is done promptly, the Reserve Banks might in the interest of good public relations and good compliance, upon the conclusion of an investigation of a Bureau complaint, notify the local Better Business Bureau in confidence that:

- (1) An investigation of the registrant had been made but that no significant violations were disclosed.
- (2) An investigation revealed only minor or inadvertent violations by the registrant. The requirements of the regulation have been explained to the registrant and the Bank will

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- "reinvestigate to assure that his operations are in full compliance.
- (3) Following an investigation, action has been taken which the Bank believes to be sufficient to assure compliance with the regulation. Further action, if any, will be based on the results of reinvestigation.
  - (4) Following an investigation, the matter has been referred to the Board for review and possible further action.

"The Board recognizes that this suggested policy will provide more information to Better Business Bureaus than in the past, but it believes that limited information of the sort suggested above can be disclosed to Better Business Bureaus on a confidential basis without either subjecting the Banks to criticism for revealing information or prejudicing further action that might be taken. Mr. Nyborg, President of the Association, and Mr. Barnard felt rather strongly that there is a definite lack of appreciation both within the Better Business Bureaus and among the business public generally of the extent of the System's compliance and enforcement activities.

"The Board would be pleased to have your comments on this suggestion."

Approved unanimously.

Letter to Mr. B. T. Fitzpatrick, Acting Administrator, Housing and Home Finance Agency, Office of the Administrator, Normandy Building, 1626 K Street Northwest, Washington, D. C., reading as follows:

"This refers to your letter of April 16, 1952 concerning your intention to grant to builders in Lonoke and White Counties and in adjacent areas in Arkansas exceptions from residential credit restrictions with respect to financing the construction of 150 programmed dwelling units in the areas above-mentioned for the replacement of houses destroyed or damaged by a recent tornado. We understand the President has determined that the tornado was a 'major

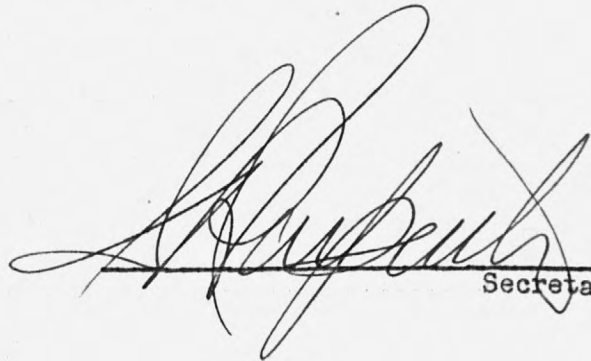
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"'disaster' warranting disaster assistance by the Federal Government.

"As you know, section 5(e) of Regulation X provides an exemption for credit to be used solely for the replacement, reconstruction, or repair of a structure destroyed or substantially damaged by flood, fire, or other similar casualty. In interpreting this section, the Board stated on August 1, 1951, in an interpretation published in the Federal Register, that the applicability of the exemption extends to tenants as well as owners and, later, in a telegram to one of the Federal Reserve Banks on August 6, 1951, stated that the exemption also extends to a person building a structure for lease to a tenant who will use the structure to replace a structure destroyed by casualty.

"The Board recognizes the need and desirability of some relief from real estate credit restrictions in areas where there has been a 'major disaster' warranting disaster assistance by the Federal Government. Accordingly, the Board concurs in your proposed action provided appropriate safeguards are adopted to insure that the 150 dwelling units to be constructed by private builders will be sold or rented to persons who formerly occupied, as tenants or owners, homes which were destroyed or substantially damaged by the tornado."

Approved unanimously.

  
Secretary.