

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 30, 1952. The Board met in the Board Room at 9:45 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Noyes, Director, Division of Selective Credit Regulation
Mr. Benner, Assistant Director, Division of Selective Credit Regulation

Chairman Martin stated that the purpose of this meeting was to discuss Regulation X, Real Estate Credit, its current effectiveness, the position which the Board should adopt with respect to its continuance, and, if it seemed desirable to continue the regulation, what modifications, if any, should be made in its terms.

He then called upon Mr. Noyes, who stated that the principal effect of Regulation X at the present time was to make it possible for the Housing and Home Finance Administrator to place some restraint on terms for residential credit extensions under the Government-aided programs of the Veterans Administration and the Federal Housing Administration.

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In the absence of Regulation X, Mr. Noyes said, it would be possible for the Veterans Administration to guarantee loans with no down payment, whereas so long as Regulation X was in effect it was mandatory that minimum terms related to those provided in the regulation be applied to loans guaranteed or made by the Veterans Administration. Even though there was a preference resulting in lower down payments on loans guaranteed by the Veterans Administration, the present arrangement was resulting in some restraint on such loans and this would probably disappear, Mr. Noyes said, if Regulation X were not continued with respect to private conventional financing. In the case of Federal Housing Administration loans, the Housing and Home Finance Administrator had applied the same credit terms as those required by private conventional financing but he would have no authority to continue such requirements in the absence of Regulation X. While the principal effect of Regulation X was as stated, Mr. Noyes also said that it was also having a restrictive effect on credit terms for higher priced private residential properties and a marked effect in the case of commercial construction, partly because of the terms required on first mortgage loans and also because of the prohibition against secondary borrowing.

In response to inquiries by members of the Board, Mr. Noyes commented on the effect upon the regulation of the amendments which were adopted effective September 1, 1951, by virtue of the enactment of the Defense Housing and Community Facilities and Services Act of 1951. He suggested that, if the regulation were to be continued, it would be desirable to change

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the schedule of minimum down payments so that it would progress more smoothly as the price of the house increased. Messrs. Noyes and Benner also commented on the desirability of some relaxation of the terms applicable to commercial construction and multi-unit residences, as well as in higher priced single family dwellings.

There followed a general discussion of the purposes of instituting controls over real estate credit, namely, to restrict the expansion of credit in that field and to influence the diversion of materials to uses identified with the defense program, and also whether the Board, in considering the relaxation or elimination of selective credit controls, should consider the consumer and real estate credit regulations together or separately. Governor Evans felt the two regulations should be considered together, while the other members of the Board felt that the areas of credit covered by the respective regulations were different and therefore warranted separate consideration.

Chairman Martin summarized by saying that it appeared to be the view of the Board that, pending further developments, major changes in Regulation X were not necessary and that its continuance would be favored, perhaps with modifications along the lines suggested by Mr. Noyes.

It was understood that the Chairman would testify along those lines if called by the House Banking and Currency Committee during its hearings on the extension of the Defense Production Act, and that the

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staff would prepare background material for possible use in that connection.

At this point all of the members of the staff withdrew and the Board went into executive session.

Following the executive session, the Secretary was informed that the Board had agreed to provide a speaker for one lecture at the School of Consumer Banking to be conducted this summer at Charlottesville, Virginia, by the Consumer Bankers Association, it being understood that Mr. Young, Director, Division of Research and Statistics, would be the speaker if he could arrange his schedule to accept the assignment.

The following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 29, 1952, were approved unanimously.

Memorandum dated April 24, 1952, from Mr. Bethea, Director, Division of Administrative Services, recommending that the resignation of Teresa Crowell, Charwoman in that Division, be accepted to be effective in accordance with her request at the close of business May 10, 1952.

Approved unanimously.

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

"Reurtel April 29, 1952, Board extends to May 30, 1952, the time within which The Houtzdale Bank, Houtzdale, Pennsylvania, may effect the voluntary withdrawal from membership in the system previously authorized in letter of November 8, 1951."

Approved unanimously.

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Letter to the Board of Directors, Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, reading as follows:

"Pursuant to a request submitted through the Federal Reserve Bank of Philadelphia under date of April 15, 1952, the Board of Governors of the Federal Reserve System hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the absorption by the Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, of the National Bank of Olney at Philadelphia, Philadelphia, Pennsylvania, without an increase in your capital stock to an amount which will equal the aggregate capital stock of the two banks involved in the proposed absorption, provided that prior formal approval is obtained from the appropriate State authorities and provided further that the absorption is effected substantially in accordance with the plan as submitted."

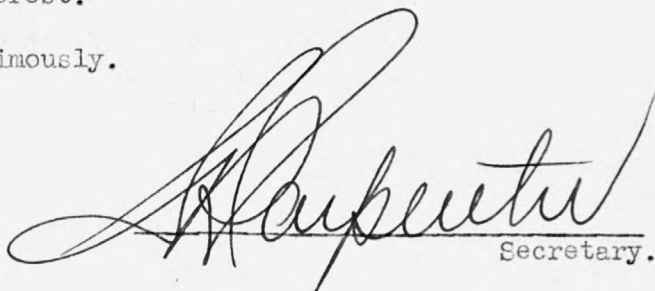
Approved unanimously, for
transmittal through the Federal
Reserve Bank of Philadelphia.

Letter to The Honorable Walter F. George, United States Senate, Washington, D. C., reading as follows:

"Thank you for your referral slip of April 22, 1952, with which you enclosed a letter you had received from Mr. Auston Abbott, Atlanta, Georgia. Mr. Abbott, who is in the used car business, urges removal of the installment credit restrictions provided in Regulation W in view of softening in the automobile market.

"We shall appreciate your informing Mr. Abbott that we are glad to have his views, that the Board is watching economic and market developments closely, and that it is prepared to amend the regulation promptly when this appears to be in the public interest."

Approved unanimously.


Secretary.