

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, May 5, 1952.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 2, 1952, were approved unanimously.

Minutes of the joint meeting of the Board and the Voluntary Credit Restraint Committee on May 2, 1952, were approved unanimously.

Memorandum dated April 30, 1952, from Mr. Carpenter, Secretary of the Board, recommending that the resignation of G. R. Murff, Assistant Secretary, be accepted to be effective in accordance with his request at the close of business May 31, 1952.

Approved unanimously.

Memorandum dated April 30, 1952, from Mr. Young, Director, Division of Research and Statistics, recommending that Mrs. Athens J. Messick, Stenographer in the Division of Examinations, be transferred to the Division of Research and Statistics as Clerk-Stenographer, with an increase in her present basic salary from \$3,190 to \$3,335 per annum, effective as of the date she enters upon the performance of her new duties. The memorandum also stated that the Division of Examinations

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was agreeable to this transfer.

Approved unanimously.

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

"In view of the circumstances described in your letter of May 1, 1952, the Board of Governors approves, effective May 1, 1952, the payment of salaries to Ignacy Gwynar and Stanley A. Ukinski, while serving as window washers, at the rate of \$4,616.56 per annum each, which, when converted to an annual rate, exceeds the maximum established for the grade in which their position is classified."

Approved unanimously.

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

"In accordance with the request contained in your letter of April 29, 1952, the Board approves the appointment of William James Kilroy as an assistant examiner for the Federal Reserve Bank of Minneapolis."

Approved unanimously.

Letter to Mr. Shepard, Federal Reserve Agent, Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in Mr. Peyton's letter of May 1, 1952, the Board of Governors approves the payment of salary to Mr. Morris G. Anderson, Alternate Assistant Federal Reserve Agent, at the rate of \$5,500 per annum, effective May 16, 1952."

Approved unanimously.

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Letter to Miss E. F. Downey, Secretary, Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

"Reference is made to your letter of April 22, 1952, advising that The Citizens and Southern Buckhead Bank (formerly The Peachtree Bank & Trust Company), Atlanta, Georgia, has requested that action be resumed on its application of September 12, 1951, for continuance of insurance after withdrawal from membership in the Federal Reserve System.

"As you know, the subject bank's Board of Directors adopted a resolution on January 2, 1952, rescinding its previous action to withdraw from membership in the Federal Reserve System.

"With regard to the condition of the bank as reflected in the report of examination made by the F.D.I.C. as of October 2, 1951, Mr. Mills B. Lane, Vice President of The Citizens and Southern Holding Company, advised the Federal Reserve Bank of Atlanta on January 4, 1952, that, if at the next examination made by examiners for the Federal Reserve Bank the capital originally paid into the bank (\$175,000) should be found to be impaired, the holding company was committed to replace it. Although no examination has been made by examiners for the Federal Reserve Bank during 1952, this situation has been followed closely in cooperation with the State Supervisory authorities, who conducted an examination on January 7, 1952. On March 10, 1952, Mr. Jack F. Glenn, Assistant President of The Citizens and Southern National Bank, advised the three supervisory agencies that the holding company had paid \$56,000 into the bank's undivided profits account and that \$43,466.43 of estimated losses had been charged off. In his opinion, the criticisms and suggestions outlined by supervisory authorities have received the necessary attention and the capital structure of the bank, after the entries stated, was said to be \$176,237.49.

"It is believed that under the guidance of the managing officers of The Citizens and Southern National Bank, necessary measures have been or will be taken which

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"will result in a satisfactory condition and management. No other corrective programs have been urged upon the bank, or agreed to by it, in connection with which the Board of Governors would consider it desirable to incorporate conditions with respect to continuance of insurance."

Approved unanimously, with a copy to Mr. Denmark, Vice President, Federal Reserve Bank of Atlanta.

Letters to Mr. Olson, Vice President, Federal Reserve Bank of Chicago, stating that the Board concurs in the recommendations of that bank that no action be taken by the Board concerning reported violations of Regulation W, Consumer Credit, by the following registrants:

- Herman J. Veltman, d/b/a Fairway Hardware,
158 West 103rd Street, Chicago 28, Illinois
- Melvin's, Inc.,
1614 Otto Boulevard, Chicago Heights, Illinois
- Leo D. Tekippe, d/b/a Tekippe's Skelgas Service,
218 West Water Street, Decorah, Iowa
- Ernest Anderson, d/b/a Anderson Furniture and Hardware,
377 Main Street, West DePere, Wisconsin
- Klimesh Motor Sales, Inc.,
Calmar, Iowa
- Walter Schlise, d/b/a Schlise Fuel Company,
226 No. Water Street, New London, Wisconsin.

Approved unanimously.

Letter to Mr. Irvin A. Blietz, Chairman, Custom Home Builders Committee, National Association of Home Builders, 1028 Connecticut Avenue, N. W., Washington, D. C., reading as follows:

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"This will acknowledge your letter of April 18, 1952, about the restrictive effect of Regulation X--Real Estate Credit--on the businesses of some of the builders who construct houses for sale at prices of \$15,000 and higher. We appreciate receiving information about the effect of the regulation from persons who are operating under its provisions, particularly when they represent an important segment of the construction industry as you do.

"You indicate that the maximum loan provisions of the regulation are especially restrictive in respect to large dwellings and, because of the consequent limitation of the demand for this kind of residential structure, you state that some builders of large houses have had difficulty in marketing their products or have been unable to undertake construction programs in proportion to the scope of their business and financial obligations. We agree that Regulation X and the companion regulations of the Federal Housing Administration and the Veterans Administration have been restrictive in respect to demand for large houses, but the National Production Authority has consistently maintained a limitation on the construction of large houses because of the greater utilization of scarce materials in such structures, and Regulation X has conformed to this established policy of the Government.

"Real estate credit regulations have had the twofold purpose of curtailing the use of essential materials and restraining inflation during the period when the defense program was expanding. As you know, during the year 1951 approximately 1,100,000 residential units were started, the second highest annual total thus far, and during the first three months of 1952 about 225,000 private housing units have been begun. Real estate debt increased by \$6.5 billion in 1951. While it is true that large houses account for a relatively small proportion of these totals, the value of large-house construction and the proportion of mortgage debt devoted to it are substantial.

"We feel that as long as real estate credit regulations are maintained they should be restrictive to some extent with respect to all classes of persons. The appropriateness of a given set of terms is a matter of judgment

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"on which opinions may honestly differ, but it seems apparent that the regulations have not unduly retarded construction or real estate finance generally. Some individuals or groups may feel that the regulations have dealt more restrictively with them than with others, and in this respect we have made, and will continue to make, a conscientious effort to prescribe requirements which are as equitable as possible in their effect on all persons.

"We believe that Mr. Noyes, in his discussion with you, pointed out that the specific hardship clause suggested in your letter would have the effect of making Regulation X largely ineffective, since the release of new houses from the terms of the regulation 30 days after completion, if they had not previously been sold, could easily tend to apply to all new houses and could become an established trade practice without serious inconvenience to anyone. If the waiting period you suggest were lengthened to an extent which would not disturb the regulatory effect of the credit restrictions, there would be doubts about the equitableness of such a provision on competing builders, especially in the lower-price classes.

"Despite these considerations, we assure you that your letter is having our careful attention. We agree with you and your colleagues as to the desirability of finding some workable solution to the special problems of your segment of the home-building industry. We also assure you that the real estate credit regulations are most carefully considered in respect to the changing economic situation and that they may be relaxed or suspended as circumstances would seem to indicate."

Approved unanimously.


Telegram to the Presidents of all Federal Reserve Banks, prepared in accordance with action taken by the Board on May 2, 1952, reading as follows:

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"Re suspension of Voluntary Credit Restraint program today the National Voluntary Credit Restraint Committee recommended, and the Board approved, continuation of weekly reporting member bank statistics on commercial and industrial loans by industry -- purpose classification to be eliminated. Please advise cooperating member banks by telephone, telegram, or letter that, since Voluntary Credit Restraint program continues on a stand-by basis, their further cooperation in supplying weekly figures is requested. Please ascertain cooperating banks' suggestions for modification or simplification of reporting. Simplification might include raising the cut-off limits of reported loans, and elimination of new loans and repayment data, substituting for the latter either the net change or the outstanding volume of large loans, whichever is the easier to compile. Some reduction in number of reporting banks might be effected without lessening the value of the series."

Approved unanimously.


Secretary