

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, May 12, 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. Powell
Mr. Mills
Mr. Robertson

The Chairman later informed the Secretary that the following actions were taken during the executive session:

Unanimous approval was given to the recommendation contained in a memorandum dated May 1, 1952, from Mr. Vest, General Counsel, that, for reasons stated therein, A. M. Stone, Clerk-Stenographer in the Legal Division, who was applying for disability retirement effective June 1, 1952, be granted a further extension of sick leave with pay beginning with the expiration of his accumulated and current annual leave on or about May 13, 1952, through May 31, 1952, with the understanding that neither this sick leave nor the 30 days' sick leave previously advanced to Mr. Stone would be repaid by him. This action was taken by the Board with the understanding that no precedent was being established for similar cases which might arise in the future.

Following consideration of a memorandum dated April 15, 1952, from Mr. Murff, Assistant Secretary and Budget Officer, it was agreed unanimously that the Moody's Services and the Economist for the Special Library should be discontinued, and that hereafter a policy should be followed of ordering text books which would be desirable for the purpose of keeping the text books on financial matters in the Special Library up to date.

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The following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 9, 1952, were approved unanimously.

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

"This refers to your letter of May 7, 1952, and its enclosures, concerning the proposed issue by the International Bank for Reconstruction and Development of its Twenty-Three-Year-Bonds of 1952 due May 15, 1975 in an aggregate principal amount of \$50 million. In this regard, you indicate that it is proposed also to amend Schedule A of the Fiscal Agency Agreement dated as of February 6, 1950 between the International Bank and your Bank to include the bonds in question.

"The Board of Governors approves the contemplated undertaking by your Bank to act as fiscal agent with respect to the proposed bond issue, and the execution in that connection by your Bank of an agreement with the International Bank in the form or substantially in the form of Supplements No. 1 and No. 2 to the Fiscal Agency Agreement."

Approved unanimously.

Letter to Mr. L. F. Corrigan, 2008 Mercantile Bank Building, Dallas, Texas, reading as follows:

"Reference is made to your letter of April 12, 1952, to the Housing and Home Finance Agency, which has been referred to the Board of Governors. Your letter concerns the permanent financing of a hotel which you plan to construct in Albuquerque, New Mexico. Under Regulation X, Real Estate Credit, hotels are classified as nonresidential structures, and permanent credit advanced for their construction cannot exceed the 50 per cent maximum loan value based on appraised value of the land and building as determined by the Registrant who extends the credit rather than upon estimated cost as mentioned in your letter. This particular provision is contained

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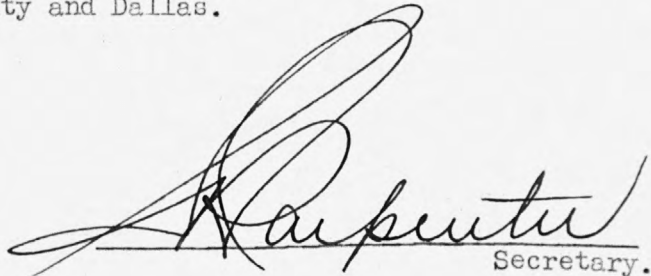
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"in section 2(i)(4)(B) on page 5 of the regulation, a copy of which is enclosed. Credit extended with respect to the items of furnishings, fixtures, and operating equipment mentioned in your letter that are not a part of the hotel structure is not restricted by Regulation X, and, in the event you are able to negotiate liberal financing in connection with these items, this may possibly bring the total credit to be obtained up to the \$1,000,000 sum desired.

"Section 6(p), Defense Construction, of the regulation to which you refer is no longer operative and was utilized only to facilitate the construction of residential and multi-unit residential housing construction in critical defense areas. The presently effective section of the regulation in this regard, 6(q) Critical Defense Housing Areas, likewise only applies to 'construction of housing needed for defense workers and military personnel.'

"At the time the nonresidential amendments were added to Regulation X, it was realized that some provision would have to be made for nonresidential construction necessary to national defense activities. With this purpose in mind, section 5(m), Essential Nonresidential Defense Construction, was added to the regulation whereby in exceptional circumstances the head or assistant head of an appropriate agency or department of the Federal Government can make a certification to the Federal Reserve Bank of the district that certain proposed nonresidential construction is essential to the national defense. In cases of such a proper application, the Federal Reserve Bank will issue a certificate of exemption for the credit to be extended with respect to the specified nonresidential construction."

Approved unanimously, with
copies to the Federal Reserve Banks
of Kansas City and Dallas.


Secretary.