Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, June 3, 1952. The Board met in executive session in the Board Room at 10:00 a.m.

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

At the conclusion of the executive session the following members of the staff were called into the meeting:

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board
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

Governor Evans stated that Mr. Noyes had talked further with the office of Mr. Foley, Housing and Home Finance Administrator, since the meeting yesterday concerning possible changes in the terms of Regulation X, Real Estate Credit, and that as a result of the various discussions that had been had to date he (Governor Evans) would be inclined to recommend that the Board amend the regulation so as to (a) relax the terms on houses valued at more than $12,000 along lines previously discussed to provide for a maximum loan value of 66-2/3 per cent on houses selling for over $22,500; (b) smooth the schedule for credit permitted on houses valued between $7,000 and $12,000, which would result in minor relaxation at certain points in this price range; (c) make no change in the schedule applicable to houses valued at less than $7,000; and (d) increase the loan value on commercial construction to 66-2/3 per cent. Governor Evans added that except for the third suggestion, Mr. Foley had indicated he was agreeable to all parts of this proposal but that in the case of houses valued at less than $7,000 Mr. Foley felt some relaxation would be desirable. As a result, Governor Evans said, while he would prefer that there be no relaxation in houses valued at less than $7,000, if Mr. Foley strongly preferred either suspension or relaxation in that price range he (Governor Evans) would suggest that the regulation be suspended entirely for such houses on the grounds that it would be better not to cover them at all than it would to indicate down-payments as low as 7 per cent, as suggested by Mr. Foley last week.

Chairman Martin stated that he did not feel it desirable to take any action at this meeting since he would like to have Mr. Foley meet with the Board and express his reasons why the changes he recommended should be made in the real estate credit regulations. Chairman Martin also noted that Governor Szymczak would be able to attend meetings of the Board later this week, and said that he felt it desirable to have as many of the Board members present as possible when action was taken.

There followed a general discussion of the basis for action to relax or suspend the regulation, during which views were expressed that while the economic situation might not call for relaxation of the regulation at this time neither did it call for retention of terms which were as restrictive as those imposed in October 1950 for houses selling in the upper price brackets, or in February 1951 for commercial building. It was also stated that the materials supply situation had changed considerably over the past several months and, whereas a year ago there were shortages of certain materials, surpluses of virtually all building materials now existed or were in prospect with the possible exception of copper and aluminum. It was also stated that as a matter of equity within the regulation some relaxation for houses selling in upper price brackets would seem to be called for and such action should not be deferred.

Mr. Thurston emphasized the need for reaching a decision and making an appropriate announcement promptly, preferably this week, as to whether or not the regulation was to be changed, pointing out that the impression had been created both by Chairman Martin's testimony on the Defense Production Act extension and by statements of Mr. Foley that active consideration was being given to a modification of the regulation.

At the conclusion of the discussion, Chairman Martin suggested that no action be taken toward changing the regulation at this meeting with the understanding that he would try to arrange for Mr. Foley to meet with the Board for a discussion of the matter tomorrow.

This suggestion was approved unanimously.

There was presented a letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Kansas City and its Branches for the period June 1, 1952, through May 31, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of May 22, 1952.

Name	Title	Annual Salary
H. G. Leedy	President	$ 25,000
Henry O. Koppang	First Vice President	18,000
D. W. Woolley	Vice President	16,200
G. A. Gregory	Vice President	12,000
M. W. E. Park	Vice President	11,000
Clarence W. Tow	Vice President	13,000
P. A. Debus	Cashier	8,000
E. U. Sherman	Assistant Vice President	9,600
E. D. Vanderhoof	Assistant Vice President	8,600
J. T. Boysen	Assistant Vice President	8,000
C. A. Cravens	Assistant Cashier	7,600
J. T. White	Assistant Cashier	7,000
J. S. Handford	Assistant Cashier	7,500
C. L. Bollinger	Auditor	8,900
L. F. Mills	Chief Examiner	9,000
	Denver Branch	
F. H. Larson	Cashier	8,800
H. L. Stempel	Assistant Cashier	7,800
Hubert G. Duck	Assistant Cashier	7,800
	Oklahoma City Branch	
R. L. Mathes	Vice President	13,800
F. W. Alexander	Cashier	8,800
F. R. Fritz	Assistant Cashier	7,800
Fred C. Schmocker	Assistant Cashier	7,700

"Name	Title	Annual Salary
	Omaha Branch	
L. H. Earhart	Vice President	$ 15,000
J. K. Friedebach	Cashier	8,800
U. S. Berry	Assistant Cashier	7,900
William P. Doran	Assistant Cashier	7,700

"As indicated in the schedule attached to your letter, the Board of Governors has previously approved the payment of salaries to Vice Presidents John Phillips, Jr. and G. H. Pipkin, at the rates of $11,000 and $13,000 per annum, respectively, for the period ending June 30, 1952."

Approved unanimously.

There was also presented a letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to your letter of May 26, 1952, requesting the Board's approval of the payment of salaries to the officers of the Federal Reserve Bank of Dallas for the year beginning June 1, 1952.

"The Board of Governors approves the payment of salaries to you, as President of the Federal Reserve Bank of Dallas, and to Mr. W. D. Gentry, as First Vice President, for the period June 1, 1952, through May 31, 1953, at the rates of $25,000 and $18,000 per annum, respectively, if fixed by the Board of Directors at such rates.

"The Board of Governors also approves the payment of salaries to the following officers for the period June 1, 1952, through May 31, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as indicated in your letter.

Name	Title	Annual Salary
R. B. Coleman	Vice President	$ 15,000
E. B. Austin	Vice President	14,000
L. G. Pondrom	Vice President	14,000
W. H. Irons	Vice President	14,000
Mac C. Smyth	Vice President	11,500
J. L. Cook	Vice Pres. & Cashier	10,600
Morgan H. Rice	Asst. Vice President & Secretary of the Board	10,200

"Name	Title	Annual Salary
Howard Carrithers	Assistant Cashier	$ 8,900
W. D. Waller	Assistant Cashier	8,300
T. W. Plant	Assistant Cashier	8,000
H. W. Kilman	Assistant Cashier	8,000
E. H. Berg	Assistant Cashier	7,500
George F. Rudy	Assistant Counsel	6,000
N. B. Harwell	Chief Examiner	8,400
	Houston Branch	
W. H. Holloway	Vice Pres. in Charge	11,500
H. K. Davis	Cashier	7,800
B. J. Troy	Assistant Cashier	6,900
	San Antonio Branch	
W. E. Eagle	Vice Pres. in Charge	11,500
A. E. Mundt	Cashier	7,200
F. C. Magee	Assistant Cashier	6,600
	El Paso Branch	
C. M. Rowland	Vice Pres. in Charge	9,600
A. E. Russell	Cashier	6,900
T. C. Arnold	Assistant Cashier	6,300

"As indicated in your letter, the Board of Governors has previously approved the payment of salaries to Mr. G. R. Murff, as General Auditor, and to Mr. Harry A. Shuford, as Vice President and General Counsel, at the rates of $13,000 and $12,000 per annum, respectively, for the period ending May 31, 1953."

Approved unanimously.

At the meeting on May 22, 1952, consideration was given to a draft of letter which it was proposed would be signed jointly by the Chairman of the Board, the Chairman of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the President of the National Association of Supervisors of State Banks, and the President of the American Bankers Association and sent to the chief executive officer of each bank in the United States as a part of the effort to stimulate interest in the Treasury's savings bond program. Following that discussion, the draft of letter was referred to Mr. Thurston for revision along lines suggested by Governor Powell.

Before this meeting a revised draft had been circulated to the members of the Board, with the understanding that if the Board approved the draft, it would be discussed by the Treasury Department with the Federal Deposit Insurance Corporation and the Comptroller of the Currency. Governor Powell stated that he would recommend that the Board indicate to the Treasury Department that it approved the letter in the following form:

"Your business, and ours, is to face financial problems squarely and solve them realistically. This has led to a pay-as-you-go and save as-much-as-you-can policy during the defense emergency. This policy has paid dividends --more than 15 months of relatively stable prices in the face of rising defense expenditures.

"As essential spending for our defense continues to rise, maintaining a pay-as-you-go program becomes increasingly difficult. We must therefore continue to encourage the upward trend in savings. This is the people's solution to the problem of inflation.

"United States Savings Bonds play an important part in the public's savings program. Savings Bonds can be sold and are being sold. Bankers have played an indispendable role in this great thrift program. More than 57 billion dollars are now outstanding,--substantially more than at the end of 1945. About 2 million more payroll savers were signed up in 1951 by concerted efforts in business and industry. Sales of small denomination E bonds were up almost 25 per cent in the first four months of 1952.

"In order to show needed improvement in sales of the larger denominations, we solicit the same effective support "by bankers to inform their customers as to the features of the improved Savings Bonds Series E, H, J, and K. The public should be informed that these series now carry improved investment yields which make them more attractive to larger as well as smaller denomination buyers.

"We endorse the Treasury's new Savings Bonds Program and we urge every banker to enlist personally in an intensified effort to promote the sale of these new and improved bonds."

Approved unanimously.

At this point all of the members of the staff with the exception of Messrs. Carpenter and Sherman withdrew, and the action stated 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 June 2, 1952, were approved unanimously.

Memorandum dated May 23, 1952, from Mr. Young, Director, Division of Research and Statistics, recommending that the resignation of Nancy A. Ware, Clerk-Typist in that Division, be accepted to be effective in accordance with her request at the close of business June 13, 1952.

Approved unanimously.

Letter to Mr. Neely, Federal Reserve Agent, Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of May 26, 1952, the Board of Governors approves "the payment of salary to Genevieve M. Barnett, Alternate Assistant Federal Reserve Agent, at the rate of $5,100 per annum, effective June 1, 1952."

Approved unanimously.

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

"Reference is made to your letter of May 26, 1952, enclosing a certified copy of a resolution adopted by the Board of Directors of the Chesterton State Bank, Chesterton, Indiana, signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal. It is understood that the bank has applied to the Federal Deposit Insurance Corporation for continuance of insurance of its deposits.

"In view of your recommendation, the Board of Governors waives the requirement of six months' notice of withdrawal. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the Chesterton State Bank, Chesterton, Indiana, you are authorized to cancel such stock and make appropriate refund thereon. Under the provisions of the Board's letter of February 19, 1937 (F.R.L.S. #3548) the bank may accomplish the termination of its membership at any time within four months of the date of this letter. If a longer period is required the bank should request an extension of time. Please advise when cancellation is effected and refund is made.

"The certificate of membership issued to the bank should be obtained, if possible and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective.

"It is noted that the bank is withdrawing because it does not have the minimum capital stock required by Federal Statute for the establishment of an out-of-town branch."

Approved unanimously.

Letter to the Honorable Raymond M. Foley, Administrator, Housing and Home Finance Agency, Washington, D. C., reading as follows:

"This refers to your letter of May 20, 1952, and your supplemental letter of May 28, 1952, concerning your intention to grant to builders in the States of North Dakota, South Dakota, Minnesota, Iowa, Nebraska, and Missouri exceptions from residential credit restrictions with respect to financing the construction of 300 programed dwelling units in the areas above-mentioned for the replacement of houses destroyed or damaged by recent floods. We understand the President, under authority of Public Law 875 (approved September 30, 1950), has determined that the disaster is of such severity and magnitude as to warrant assistance by the Federal Government.

"You will recall that the Board on April 24, 1952 wrote to Mr. Fitzpatrick, Acting Administrator, Housing and Home Finance Agency, concurring in a proposal to construct 150 programed dwelling units in the State of Arkansas for the replacement of homes destroyed or damaged by a tornado. In that letter the Board referred to its interpretation dated August 1, 1951 of section 5(e) of Regulation X to the effect 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, the Board 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.

"In the circumstances described in your letter the Board recognizes the same need and desirability of some relief from real estate credit restrictions as it did in the case of the Arkansas tornado. Accordingly, the Board concurs in your proposed action provided appropriate safeguards are adopted to insure that the 300 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 floods."

Approved unanimously.

S. R. Carpenter

Secretary.