

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 6, 1952. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 Mr. Evans
 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. Thomas, Economic Adviser to the Board
 Mr. Vest, General Counsel
 Mr. Noyes, Director, Division of Selective Credit Regulation
 Mr. Garfield, Adviser on Economic Research, Division of Research and Statistics
 Mr. Solomon, Assistant General Counsel
 Mr. Benner, Assistant Director, Division of Selective Credit Regulation

Chairman Martin stated that he, Governor Szymczak, and Governor Evans attended a meeting of the interagency Committee on Stabilization Policy yesterday at which there was a discussion of the possible liberalization of the terms of the real estate credit regulations. At that meeting, Chairman Martin said, Mr. Foley, Housing and Home Finance Administrator, expressed himself in favor of immediate relaxation of the regulations as applied to residential properties, while others present indicated that, pending settlement of the steel strike, it might be

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preferable to make no change in terms, at least in those applicable to commercial construction. Chairman Martin also said that later in the day Mr. Putnam, Economic Stabilization Director, called him on the telephone to say that he would be agreeable to a liberalization of Regulation X, Real Estate Credit, insofar as it related to one- to four-family residences and multi-unit residences but that he would prefer that action with respect to commercial construction be deferred until such time as the effect of the steel strike on the defense program could be determined. He went on to say that this morning he called Mr. Steelman, Acting Director of Defense Mobilization, who said that he would support Mr. Putnam's view that nothing be done for the present with regard to commercial construction although he would have no objection to liberalization of the terms in that field as soon as the steel strike was settled. Chairman Martin said he told Mr. Foley before this meeting that the Board would consider the matter this morning and that he (Mr. Foley) would be advised as to the decision reached.

Governor Evans then outlined in general terms the nature of the proposed revisions in the Regulation X schedules relating to residential construction, stating that in the one- to four-family residences this would involve a reduction in the required down payment from 10 to 5 per cent on houses valued at \$7,000 or less, a smoothing of the required down-payment schedule for houses valued from \$7,000 to \$12,000, and a

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relaxation for houses valued at more than \$12,000 with a maximum down payment requirement of 40 per cent for houses costing \$25,000 or more. Comparable changes would be made for multi-residential properties. He noted that under the companion regulation covering veterans housing there would be no down payment requirement on Veterans Administration guaranteed loans for houses valued at \$7,000 or less because of the preference for veterans required by the Defense Production Act, although closing costs would be required to be paid in cash.

Governor Mills inquired whether it would be necessary to maintain the present 50 per cent requirement on commercial construction in view of the fact that the Defense Production Administration presumably could exercise such restrictions over the use of steel as appeared warranted by the current strike through tightening up on allocations, to which Governor Evans responded that Mr. Foley spoke to that effect at the meeting yesterday but that others present appeared greatly concerned over the effect of the strike and did not support Mr. Foley's views.

Governor Robertson asked whether, in view of the concern expressed over the use of steel in commercial construction, consideration had been given at yesterday's meeting to the effect of a relaxation in the terms of Regulation X upon the amount of steel that might be used in multi-unit housing, and Governor Szymczak commented by saying that although the point was raised, the subject of multi-unit residences was not dwelt upon at any

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length, nearly all of the discussion relating to commercial properties. He also stated that some of those present appeared to doubt that the economic situation warranted any relaxation of credit controls, the representative of the Council of Economic Advisers expressing the thought that no action should be taken at this time and that direct controls should first be eliminated. He added, however, that no one at the meeting had figures on which to base a forecast as to probable developments in the economy for which reason the discussion was confined principally to the effects of the strike and the financing of the Treasury deficit. He went on to say that it was indicated that, except for the possibility of a prolonged steel strike, materials for construction would be in good supply. Governor Szymczak said it was generally agreed that some announcement should be made as to whether there would or would not be a liberalization of the real estate credit regulations.

Governor Robertson raised the question whether the Board could justify taking action to relax Regulation X terms with respect to multi-unit residences (apartment houses) and not acting on commercial properties.

During a discussion of this point, Mr. Noyes summarized a telephone conversation which he had this morning with an official of the Defense Production Administration, who indicated that purely from the steel-supply viewpoint it would be difficult to justify a relaxation of Regulation X with respect to multi-unit residences and not with respect to

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commercial properties, and that, in fact, it might be difficult to justify action with respect to one- to four-family residences as compared with commercial properties. Mr. Noyes added, however, that it was not anticipated that the contemplated relaxation in the field of multi-unit residences would lead to greatly increased activity because of the current high level of construction costs per unit.

During a further discussion of Governor Robertson's question, the view was expressed that a failure to take action with respect to commercial construction at this time, while relaxing for residential properties, must be resolved principally on the basis that the Board was complying with the specific request of Government officials who were concerned with the effect of the steel strike on the supply situation.

The question then was raised as to what might be said in response to inquiries from the press and the public if the Board were to act with respect to residential but not commercial properties, and it was understood that it should be stated merely that a change in the terms relating to commercial properties was still under consideration.

Governor Evans said that in the circumstances he would recommend that the Board approve a revision of the schedules of maximum loan value for one- to four-family residences and multi-unit residences along the lines suggested, if concurred in by the Housing and Home Finance Administrator.

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At the request of Governor Evans, Mr. Noyes commented on two suggested technical amendments to Regulation X, one of which would amend section 5(e) of the regulation to liberalize the exemption to finance the replacement or repair of structures destroyed or substantially damaged by flood, fire, or other similar casualty. Mr. Noyes said that this amendment would recognize the view of the Housing and Home Finance Agency that the assistance provided by section 5(e) was not sufficient to provide relief in areas affected by major disasters and that, in order to stimulate the construction of housing for the use of disaster victims, it would be necessary to provide builders with an exemption from the regulation for housing which they would undertake for the use of disaster victims. He said that the HHFA proposed to regulate such exempt housing under the terms of a specific program to be administered by that Agency in the disaster areas, the program to be limited to a specific number of starts by builders certified by that Agency who would be required to offer the new structures exempt for sale or rent to disaster victims for at least 60 days. Mr. Noyes said that, while it was technically possible that some of the houses might not be taken by disaster victims and would then go on an exempt basis to others, the assurance of the exemption was necessary in order to bring forth the necessary construction and the HHFA was confident that as a practical matter very few, if any, of the units

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would go to anyone other than disaster victims. The other technical amendment would add to section 5(f) relating to contracts to sell a provision extending indefinitely beyond six months the period during which such contracts were not subject to the regulation, so long as the purchaser did not receive title to or occupy or otherwise use the property.

Thereupon, upon motion by Governor Evans, Amendment No. 10 to Regulation X, Real Estate Credit, was approved unanimously in the following form, to become effective June 11, 1952, provided the Housing and Home Finance Administrator concurred in the amendment and the effective date. In taking this action it was understood that a press release would be issued jointly by the Board and the Housing and Home Finance Agency on June 9, 1952, in a form satisfactory to Messrs. Thurston and Noyes, and that the text of the amendment would be sent to the Federal Reserve Banks with the request that it be reprinted and distributed within their respective districts:

"1. In paragraph (e) of section 5 strike out the words 'real estate construction credit as to which' and insert therefor the following:

'real estate construction credit (1) which is extended pursuant to a program established by the Housing and Home Finance Administrator to relieve distress caused by flood, fire or other similar disaster, or (2) as to which'.

2. Add the following sentence at the end of paragraph (f) of section 5:

'None of the provisions of this regulation shall apply to any contract to sell real property under which the purchaser is not to receive title, and not to have any

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"occupancy or other use of the property, until the terms of the credit conform to the applicable provisions of the regulation and the Supplement thereto in effect on the date the contract was entered into."

3. In the Maximum Loan Value provision of Schedule I of the Supplement delete the table and insert therefor the following:

If the 'value per family unit' is	The 'maximum loan value per family unit' is
Not more than \$7,000	95% of 'value per family unit'
More than \$7,000 but not more than \$10,000	\$6,300 (i.e., 90% of \$7,000) plus 75% of excess of 'value per family unit' over \$7,000
More than \$10,000 but not more than \$15,000	\$8,550 plus 55% of excess of 'value per family unit' over \$10,000
More than \$15,000 but not more than \$21,000	\$11,300 plus 45% of excess of 'value per family unit' over \$15,000
More than \$21,000 but not more than \$25,000	\$14,000 plus 25% of excess of 'value per family unit' over \$21,000
Over \$25,000	60% of 'value per family unit'

4. In the Maximum Loan Value provision of Schedule II of the Supplement delete the table and insert therefor the following:

If the 'value per family unit' is	The 'maximum loan value per family unit' is
Not more than \$7,000	90% of 'value per family unit'
More than \$7,000 but not more than \$10,000	\$6,300 plus 55% of 'value per family unit' in excess of \$7,000
More than \$10,000 but not more than \$15,000	\$7,950 plus 54% of 'value per family unit' in excess of \$10,000
More than \$15,000 but not more than \$20,000	\$10,650 plus 50% of 'value per family unit' in excess of \$15,000
More than \$20,000 but not more than \$25,000	\$13,150 plus 37% of 'value per family unit' in excess of \$20,000
Over \$25,000	60% of 'value per family unit'

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Secretary's Note: By letter dated June 6, 1952, the Housing and Home Finance Administrator advised that he concurred in the amendment and was agreeable to the effective date.

In connection with this action, unanimous approval also was given to a statement for publication in the Federal Register reading in part as follows:

"2. a. The above amendment is issued by the Board of Governors of the Federal Reserve System, with the concurrence of the Housing and Home Finance Administrator with respect to provisions relating to real estate construction credit involving residential property and multi-unit residential property, under authority of the Defense Production Act of 1950, approved September 8, 1950, as amended, and Executive Order No. 10161, dated September 9, 1950.

The amendment is designed primarily to modify and relax previous credit restrictions as to one- to four-unit residential and multi-unit residential property. It also contains provisions of a technical nature intended to clarify those provisions of the regulation which exempt (1) extensions of credit which are necessary for restoring property damaged or destroyed by flood, fire, or other casualty, and (2) certain contracts to sell real property.

b. Section 709 of the Defense Production Act of 1950 provides that the functions exercised under such Act shall be excluded from the operations of the Administrative Procedure Act (60 Stat. 237) except as to the requirements of section 3 thereof.

The change in section 7 was adopted by the Board after consideration of all relevant matter, including the recommendations received from time to time in consultations with industry and trade association representatives. Special circumstances prevented or rendered impracticable consultation with industry representatives, including trade association representatives, in the formulation of certain provisions of the amendment which are of a technical nature, and, therefore, as authorized by the aforesaid section 709, these provisions have been included in the amendment without such consultation."

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Pursuant to the request contained in a memorandum from the President dated May 28, 1952, there had been prepared a draft of comments on the credit and monetary aspects of the economic situation for consideration in the preparation of the President's Midyear Economic Report. A copy of the draft had been sent to each member of the Board before this meeting.

Unanimous approval was given to the letter to the President in the following form:

"In response to your memorandum of May 28 with regard to the President's Midyear Economic Report, I enclose several paragraphs dealing with credit and monetary aspects of the economic scene for your consideration in preparing the report."

Reference was made to a motion proposed to be filed with the United States Court of Appeals for the Third Circuit by Transamerica Corporation petitioning the Court to stay, pending the decision of the case by the Court, the effectiveness of the order issued by the Board on March 27, 1952, in proceedings entitled "In the Matter of Transamerica Corporation" directing Transamerica to divest itself of the stock of certain named banks and to file reports of compliance at periodic intervals. The proposed motion, a copy of which had been sent to each member of the Board as an attachment to a memorandum dated June 4, 1952 from the Secretary of the Board, stated that attorneys for Transamerica had

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requested that the Board indicate to the Court that it would not oppose the motion in the form requested. There was appended to the motion a statement to be signed by the attorney for the Board to the effect that the Board would not oppose the proposed motion.

Upon motion by Governor Evans, it was voted unanimously to authorize its Assistant Solicitor to sign the statement that the Board would not oppose the motion.

Messrs. Riefler, Thomas, Vest, Noyes, Garfield, Solomon, and Benner withdrew from the meeting at this point.

Before this meeting there was sent to each member of the Board a draft of letter to Mr. Leach, Chairman of the Conference of Presidents of the Federal Reserve Banks, reading as follows:

"Recently, representatives of the Association of Reserve City Bankers raised with the Board the question of free delivery of currency and coin by the Reserve Banks to member banks located in Federal Reserve cities. They alleged that the present arrangements were discriminatory in that the Federal Reserve Banks are providing free delivery of currency and coin to country member banks but do not provide this service to member banks located in Federal Reserve cities. Upon previous occasions representatives of the Association have raised this same question with certain Federal Reserve Banks.

"The Presidents' Conference has considered the matter a number of times and as background for such consideration several studies regarding the absorption of transportation costs in connection with the movement of currency and coin have been made by committees and subcommittees of the Conference. The latest such study was apparently in 1946.

"The Board would like to have the benefit of the views of the Presidents, based on a current study of the proposal

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"and what is involved. Accordingly, it will be appreciated if you will have such a study made by an appropriate committee."

After commenting briefly upon the representations made recently by a committee of the Association of Reserve City Bankers, Governor Mills said that, according to his understanding, the present arrangement regarding free delivery of currency and coin to member banks was designed to equalize the benefits of System membership as between banks located in cities having Federal Reserve Banks or branches and those located elsewhere, that the most recent study of the current arrangement, made in 1946 under the auspices of the Presidents' Conference, resulted in the conclusion that no change should be made, and that although it seemed likely that another review would result in the same conclusion, President Leach had indicated informally that he would be agreeable to placing the matter before the next meeting of the Presidents' Conference for further consideration.

Thereupon, upon motion by
Governor Mills, unanimous approval
was given to a letter to President
Leach in the form set forth above.

Chairman Martin referred to recent discussions by the Board concerning matters of salary administration at the Federal Reserve Banks, including the policy to be followed by the Board in the approval of officers' salaries, maximum salaries for presidents and first vice

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presidents, the formulation of executive training and development programs, and the level of employee salaries under the job evaluation and salary administration plan, and stated that, if agreeable to the other members of the Board, he would designate Messrs. Szymczak, Mills, and Robertson as a committee, with Mr. Szymczak acting as Chairman, to consider these and related matters and present recommendations to the full Board.

All of the members of the Board indicated that they were agreeable to this procedure.

There were presented telegrams to the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on June 4 and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, and Dallas on June 5, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

At this point Mr. Thurston withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

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Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 5, 1952, were approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective June 8, 1952:

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
<u>Memorandum from Mr. Vest, General Counsel</u>			
5/22/52	Walter H. Young, Assistant Counsel	\$9,600	\$9,800
	Robert S. O'Shea, Law Clerk	4,580	4,705
<u>Memorandum from Mr. Sloan, Director, Division of Examinations</u>			
5/28/52	A. P. Francoeur, Assistant Federal Reserve Examiner	4,045	4,170
<u>Memorandum from Mr. Bethea, Director, Division of Administrative Services</u>			
5/28/52	Edward L. Hampton, Tabulation Planner	4,455	4,580
	Alfred W. Minutolo, Operator (Tabulation Equipment)	3,920	4,045
	Wanda H. Herbough, Operator (Tabulation Equipment)	3,175	3,255
	Dorothy Watkins, Operator (Key Punch)	3,270	3,350
	Glenn B. Hopkins, Painter	3,935	4,035
	William F. Becker, Guard	2,990	3,070

Approved unanimously.

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Letter to the Board of Directors, Peoples Trust Company of Wyomissing, Pa., Wyomissing, Pennsylvania, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment and operation of a branch in Shillington, Pennsylvania, by the Peoples Trust Company of Wyomissing, Pa., upon condition that prior formal approval is obtained from the appropriate State authorities and the branch is established within twelve months after the date of this letter."

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

Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of May 28, 1952, enclosing a certified copy of a resolution adopted by the Board of Directors of The Bank of Sharon, Sharon, Tennessee, 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 assumed 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 Bank of Sharon, Sharon, Tennessee, 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.

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"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."

Approved unanimously.

Letter to Mr. Heflin, Counsel, Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of April 13, 1951 referring to the Board the matter of apparent violations of Regulation W by the National Clothing & Furniture Company, Baltimore, Maryland.

"As you will remember, this case was discussed orally on several occasions by you and Mr. Chase and Mr. Townsend, and it was the consensus that further action should be deferred pending a reinvestigation of the registrant.

"In view of the fact that the regulation has been suspended, and in view of the Board's telegram of May 8, 1952 stating that no further investigations will be made, the Board is now closing its file on this matter."

Approved unanimously.

Letter to Mr. Scheffer, Manager, Real Estate Credit Department, Federal Reserve Bank of New York, in regard to Peerless Television, Inc., Rochester, New York, and Carl Esler, doing business as Peerless of Irondequoit, Rochester, New York, registrants under Regulation W, Consumer Credit, reading as follows:

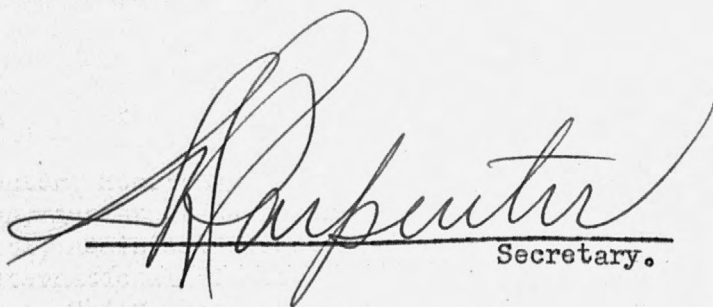
"Reference is made to your letter of May 13, 1952, regarding the above matters in which you recommended that no action be taken.

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"The Board concurs in this recommendation and is closing its files in these cases."

Approved unanimously.


Secretary.