

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, June 12, 1952.

PRESENT: Mr. Szymczak, Chairman pro tem.  
Mr. Evans  
Mr. Vardaman  
Mr. Mills

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 June 11, 1952, were approved unanimously.

Letter to Mr. Strathy, Vice President, Federal Reserve Bank of Richmond, reading as follows:

"There is enclosed a copy of a letter submitted by Mr. Milton A. Barlow, Secretary-Treasurer of Twin Bridges, Inc., an affiliate of Hot Shoppes, located at 4115 Kansas Avenue, N. W., Washington 11, D. C. You will note that the letter describes proposed construction, consisting of a hotel building, multi-unit residential buildings, and a gasoline service station, to be located in Arlington County, Virginia. Mr. Barlow desires to obtain an expression from us as to the effect of Regulation X on the financing of the project, the facts of which he sets forth in his letter. He had previously discussed the project with us and at that time we informed him that the determination as to the applicability of Regulation X would be made by the Federal Reserve Bank of Richmond and that you would reply to his letter.

"To assist you in your analysis of the problem, we have given consideration to the facts presented by Mr. Barlow in his letter and other information we have obtained directly from him. It seems to us that the maximum loan value should be based upon the kind of structures which comprise the property and that an extension of credit for mixed purposes, as defined in section 6(h) of Regulation X, would be proper in this case. On this basis, we have concluded that the maximum loan value of the seven multi-unit residential structures

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"should be based upon the appraised value of those structures plus the value of the land area necessary for their construction and operation. In determining the maximum loan applicable to this portion of the property, the terms of the multi-unit residential schedule should be employed.

"The maximum loan value of the two nonresidential structures, (a) main building and (b) gasoline service station, should be based upon an appraisal of the nonresidential structures plus the land on which they are situated and such additional land as is necessary to their proper operation. In determining the maximum loans, the terms of the nonresidential schedule should be employed. The appraiser can, in our belief, readily allocate the necessary land areas to each of the buildings to the extent that the entire seven-acre plot is properly allocated to the respective buildings. He could then apportion his appraisal among the various types of structures to be used. It is our understanding that the multi-unit residential structures are so located that they could reasonably be sold separately, and this consideration is one of the bases of our conclusion that the loan can be deemed a credit for mixed purposes.

"If you concur in our conclusions in respect to the proposed credit, we would appreciate it if you will reply to Mr. Barlow's letter, and we would be glad to have a copy of your reply."

Approved unanimously.

Letter to Mr. Vergari, Counsel, Federal Reserve Bank of Philadelphia,

reading as follows:

"Reference is made to your letter of May 28, 1952 and previous correspondence regarding A.B.C. Credit, Inc., Philadelphia, Pennsylvania.

"It appears from the information submitted, that A. B. C. made a number of loans for the purchase of listed articles in excess of the maximum permitted by the regulation, lending the entire price of the article in many instances. The loan company papers usually showed compliance by listing a fictitious down payment and inflating the price of the article.

"With your letter of March 14, 1952 you submitted a report of a preliminary investigation and suggested that an order for

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"a formal investigation be issued. Later it was thought that some of the necessary evidence might be obtained by customer interviews and the formal proceeding used for the remainder. In view of the Board's telegram of May 8, 1952 stating that no further investigations would be made, you forwarded a report in partially completed form.

"In order to fix the guilt in cases of this kind, it is necessary to determine who was responsible for the inflation of the price. If the dealer or the customer was responsible, and the loan company is innocent, no case can be made out. The eleven customers who were interviewed indicated that they had not had anything to do with this, and other information which you obtained indicated that in some cases it may have been the salesman and in some instances the seller. However, you also obtained information which created a strong suspicion that the manager of the loan company not only knew that the prices were inflated in many cases but that he himself had been responsible for inflating them. It was for this reason that you desired to complete the investigation.

"However, for the reasons stated above, the investigation was not completed, and it is apparent that there is not now sufficient evidence to support a criminal case. Accordingly, the Board is closing its file."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:

"There have been forwarded to you today under separate cover the indicated number of copies of the following forms, a copy of each of which is attached, for use of State member banks and their affiliates in submitting reports as of the next call date:

Number of  
copies

Form F. R. 105 (Call No. 124), Report of condition of State member banks.

Form F. R. 105e (Revised May 1948), Publisher's copy of report of condition of State member banks.

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"Form F. R. 105e-1 (Revised May 1948), Publisher's copy of report of condition of State member banks.

Form F. R. 220 (Revised March 1952), Report of affiliate or holding company affiliate.

Form F. R. 220a (Revised March 1952), Publisher's copy of report of affiliate or holding company affiliate.

"All of the forms are the same as those used on March 31, 1952 with the exception of a minor change in the wording of the nonmarketable bond item in Schedule B of form F. R. 105.

"Continuing the program for collecting branch statistics, it is requested that reports of deposits by counties be obtained from those State member banks that have out-of-county branches. This information will be used to tabulate data to be published in the pamphlet, Distribution of Bank Deposits by Counties and Standard Metropolitan Areas, which was last published as of December 30, 1950. It is anticipated that branch statistics will be collected biennially hereafter at mid-year call dates. Similar data were obtained in response to the Board's letter of December 15, 1950.

"These reports should be as of the same date as the call for reports of condition and should include the following:

- (1) Demand deposits of individuals, partnerships, and corporations. (Total should agree with item 13 of the report of condition.)
- (2) Time deposits of individuals, partnerships, and corporations. (Total should correspond to item 14 of the report of condition.)
- (3) Other deposits. (Total should correspond to items 15, 16, 17, and 18 of the report of condition.)

"The Banks should estimate data for counties in which they have branches that accept deposits but do not maintain separate records. Figures for each branch may be furnished, arranged by counties, in lieu of county totals.

"The reports received from the respondent banks should be checked for reasonableness and to assure that the totals by counties are in agreement with the corresponding items on the reports of condition, and should then be forwarded to the Board. Reasonable extensions of time may be granted the member banks to prepare these reports.

"Similar reports are being collected from national banks by the Comptroller of the Currency and from nonmember banks by

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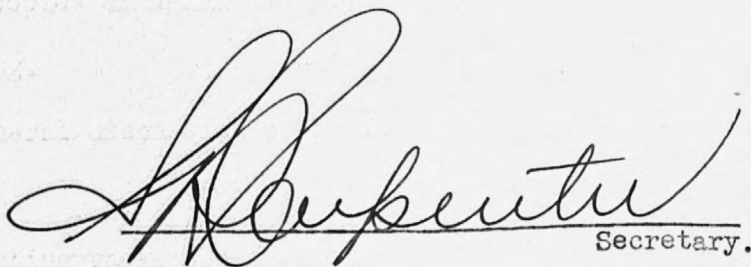
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"the Federal Deposit Insurance Corporation. The Bureau of the Budget has approved collection of these data under Budget Bureau No. 55-R182."

Approved unanimously, with the understanding that the letters would be mailed when the forms have been printed.

Memorandum dated June 10, 1952, from Mr. Hooff, Assistant Counsel, recommending that there be published in addition to the material previously submitted for publication in the Law Department of the June issue of the Federal Reserve Bulletin, Amendment No. 10 to Regulation X, Real Estate Credit, together with an introductory statement in the form attached to the memorandum.

Approved unanimously.

  
Secretary.