Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 23, 1952. The Board met in the Board Room at 11:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Mills
Mr. Robertson

Mr. Carpenter, Secretary
Mr. Allen, Director, Division of Personnel Administration

Chairman Martin stated that the Banking and Currency Committee of the House of Representatives would hold a hearing tomorrow on the Spence bank holding company bill, (H.R. 6504), that he understood that only representatives of the Board of Governors, the Comptroller of the Currency, and the two independent bankers associations were being asked to testify, and that he would suggest that Governor Robertson be asked to represent the Board at the hearing.

This suggestion was approved unanimously.

Chairman Martin then said that the bill (S.2938) relating to capital requirements for admission to membership in the Federal Reserve System and for the establishment of branches by member banks passed the Senate late Friday, that an effort was being made to have the bill reported to the House without hearings, and that if that were done it was possible that the bill might be passed at this session of Congress.

At the request of the Board, Mr. Allen reviewed the policy followed in the past with respect to salaries of secretaries to the members of the Board and to the assistants to the Chairman and the Board, and during the ensuing discussion Governor Vardaman requested that the Division of Personnel Administration be asked to present a proposal to increase these salaries. He also asked that the Board again review the compensation of the chauffeurs on the Board's staff with the idea of providing some increase in these salaries.

Governor Evans suggested that the Board should not increase salaries of the chauffeurs without also increasing salaries of other lower paid members of the Board's staff.

> At the conclusion of the discussion, it was agreed unanimously that Mr. Allen would present to the Board for consideration a statement of the information that should be taken into account by the Board in considering any changes in the salaries of secretaries to members of the Board, including salaries for positions in other departments and agencies of the Federal Government.

The meeting then recessed and reconvened at 2:30 p.m. with the following attendance:

Mr. Martin, Chairman
Mr. Evans
Mr. Vardaman
Mr. Mills
Mr. Robertson

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thomas, Economic Adviser to the Board
Mr. Bethea, Director, Division of Administrative Services
Mr. Young, Director, Division of Research and Statistics
Mr. Noyes, Director, Division of Selective Credit Regulation
Mr. Sloan, Director, Division of Examinations
Mr. Horbett, Assistant Director, Division of Bank Operations
Mr. Fauver
Mr. Jones, Chief, Consumer Finances Section, Division of Research and Statistics
Mr. Schweiger, Economist, Division of Research and Statistics
Mr. Lorie, Consultant, Division of Research and Statistics

Mr. Rensis Likert, Director, Institute of Social Research, University of Michigan, and Messrs. Angus Campbell, Director, George Katona, Program Director, and John Lansing, Assistant Program Director, of the Survey Research Center of the University of Michigan, were also present in accordance with the understanding at the meeting on June 16, at which time it was agreed that members of the staff of the Survey Research Center should be asked to meet with the Board for the purpose of explaining and discussing the methods used in making the consumer finances surveys.

Mr. Likert summarized the origin and development of the consumer finances survey which was started in 1945 as a survey of liquid assets of individuals and families. The first such surveys were made for the Board in the Division of Program Surveys of the United States Department of

Agriculture, he noted, but in 1946 personnel formerly with that Division became associated with the Survey Research Center of the University of Michigan where the surveys have been made each year since. He commented generally upon developments in sampling techniques over the past twelve years, which had made it possible to obtain more accurate information as well as to increase the scope of the surveys.

Mr. Katona then outlined the methods used in selecting 3,000 families out of approximately 45 million families in the country so as to have a representative sample for the purpose of the interviews, and following his statement Mr. Campbell described the procedures followed in developing a questionnaire and carrying on interviews with the family units selected in order to obtain as full information as possible concerning the object of the inquiry. Mr. Campbell also commented on methods of selecting interviewers and their qualifications.

Mr. Lansing described the procedures used in coding, reviewing, and tabulating completed questionnaires.

Mr. Thurston, Assistant to the Board entered the room during the foregoing statements, and at their conclusion, Governor Robertson withdrew from the meeting to keep another appointment.

There followed a general discussion of the procedures used in making the surveys of the tests applied to determine the quality of the information furnished, and of the indicated uses of the information contained in the published surveys. In the course of this discussion Mr. Likert pointed out that the Survey Research Center was making six or eight studies a year, that the consumer finances survey was perhaps the most complex of the surveys being made, and that through use of the part-time interviewers for the various jobs it was possible to hold down the cost of surveys and still produce what were believed to be reliable indications for the country as a whole.

Mr. Vardaman withdrew from the meeting during this discussion.

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 then taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 20, 1952, were approved unanimously.

Letter to Mr. Slade, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of May 2, 1952, submitting copies of letters and memoranda relating to the acquisition of banking house by the Portland Trust Bank, Portland, Oregon, at a cost of $775,000. After giving effect to certain capitalized leasehold improvements and to certain capitalized expenses the gross investment in bank premises is computed to have been $816,736.30, less any writedown of leasehold improvements which may have been made between examination as of January 29, 1951, and August 31, 1951, the date of acquisition of the bank premises.

"The member bank's total investment in bank premises, counting the mortgage on the banking house acquired by it, "exceeds the amount of the bank's capital and therefore requires the approval of the Board under the provisions of section 24A of the Federal Reserve Act. The Board hereby grants such approval. In granting approval the Board recognized the fact that the transaction had been completed in good faith and in accordance with the requirements and advice of the State banking authorities. It feels, however, that the total investment in banking premises is disproportionate to the capital of the member bank and would not have its action accepted as establishing a precedent in connection with any future cases of this kind.

"The question of how the bank's investment in bank premises should be reflected in condition reports is complicated by the factors inherent in and surrounding the transaction. However, in all the circumstances, it is felt that in this particular case the investment in bank premises would be reflected satisfactorily if the bank shows the net equity figure against asset item 7 in its reports of condition on Form F. R. 105 and published statements on Form F. R. 105e, with a parenthetical note placed directly under the item as follows: '(Bank premises owned are subject to $__________ liens)'. This would be accomplished by striking out the words 'not assumed by bank' appearing in the parenthetical clause already provided on Form F. R. 105."

Approved unanimously.

Letter to Mr. Norton Goodwin, Goodwin, Rosenbaum and Meacham, 824 Connecticut Avenue, N. W., Washington, D. C., reading as follows:

"This will acknowledge your letter of June 12, 1952, and attached correspondence, about which you telephoned on June 19 and which relates to the construction of a shopping center at Millburn, New Jersey. As you are aware, the residential provisions of Regulation X were relaxed on June 11, but no action was announced in respect to the nonresidential provisions. The Board indicated in its press statement, however, that a change in this area was still under consideration.

"The Board has given the most careful consideration to the desirability of making exceptions to the regulation under special circumstances, as you suggest, but has concluded that no arrangement can be made which would be equitable to all the persons participating in real estate credit transactions subject to Regulation X.

"We will be glad to discuss your problem with you further if you wish additional information."

Approved unanimously.

Letter to Mr. Stephen J. Weston, North Atlantic Constructors, A. P. O. #23, c/o Postmaster, New York, New York, reading as follows:

"This is in reply to your letters of May 15 and June 7, 1952, asking certain questions in respect to Regulation X--Real Estate Credit. Regulation X has not been suspended, but amendments to its credit terms have been adopted, effective June 11, 1952, as indicated by the enclosed statement for the press. The authority for the issuance of the regulation which is contained in the Defense Production Act of 1950, as amended, will expire on June 30, 1952, unless Congress extends such authority beyond that date. Aside from the legislative authority, the Board of Governors makes a continuing review of the effects and operation of the regulation and will make further administrative modifications in its credit terms or even suspend the regulation should that become advisable in the interests of the national economy.

"Regulation X is applicable only to new construction begun after August 3, 1950, which includes major additions and major improvements to existing structures commenced after this same date. While the regulation does specify a straight 50 per cent maximum loan value and conversely a 50 per cent minimum down payment with respect to nonresidential structures, which include so-called commercial construction, required down payments applicable to one- to four-family residences range from 5 per cent for a value per family unit of not more than $7,000 up to 40 per cent for a value per family unit of $25,000 and over. Similarly, down payments prescribed for multi-unit residences (those containing more than four family units) also are on a graduated basis, ranging from 10 "per cent for a value per family unit of not more than $7,000 to 40 per cent for a value per family unit of $25,000 and over. A copy of the regulation is enclosed for your convenient reference but the terms set forth above must be obtained by reference to the enclosed Amendment No. 10 to the regulation rather than the printed regulation.

"As previously indicated, the regulation covers new construction and does not apply to credit extended for the purchase of unimproved land in cases where credit is not also being obtained for the purpose of financing new construction thereon."

The letter also contained the following postscript:

"Should you wish further information concerning this matter, please feel free to write us again, or to address your inquiry to the Federal Reserve Bank of New York, 33 Liberty Street, New York 45, New York."

Approved unanimously.

Letter to the Board of Directors, Security Trust & Savings Bank of San Diego, San Diego, California, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment and operation of a branch at El Cajon, California, and a branch at Lakeside, California, by Security Trust & Savings Bank of San Diego, provided the absorption of Valley Commercial & Savings Bank, El Cajon, California, is effected substantially as proposed and that prior formal approval of the appropriate State authorities is obtained."

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

S R Carpenter

Secretary.