

Minutes of actions taken by the Board of Governors of the
Federal Reserve System on Thursday, July 17, 1952.

PRESENT: Mr. Martin, Chairman
Mr. Vardaman
Mr. Mills

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary

Letter to Mr. Parten, Chairman, Federal Reserve Bank of Dallas,
reading as follows:

"This letter refers to yours of March 6, 1952,
and your subsequent conversation with Chairman Martin
with respect to the resignation of Mr. G. A. Frierson
as a Class C director of the Federal Reserve Bank of
Dallas.

"In accordance with the conversation, the Board
accepts Mr. Frierson's resignation and will appreciate
receiving any recommendations that you might have with
respect to who might be selected for appointment by the
Board for the unexpired portion of the term ending
December 31, 1953."

Approved unanimously.

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

"As recommended in your letter of July 8, 1952,
the Board of Governors has extended to January 31, 1953,
the time within which The County Trust Company, White
Plains, New York, may establish a branch on South Fulton
Avenue, Mount Vernon, New York."

Approved unanimously.

Letter to Mr. Austin, Vice President, Federal Reserve Bank of
Dallas, reading as follows:

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"This refers to your letter of July 11 regarding a deficient reserve penalty of \$17.02 incurred by the First National Bank, Munday, Texas, during September 1951, which was waived by your Bank through a clerical oversight, apparently due to a misunderstanding of the provisions of Paragraph E of the instructions (F.R.L.S. #6120) pertaining to waiver of penalties. The waiver was noted in the course of the examination of your Bank as of January 4, 1952.

"In order that there may be no question in the future as to the action taken, the Board ratifies the waiving of the penalty by your Bank."

Approved unanimously.

Letter to Mr. Olson, Vice President, Federal Reserve Bank of Chicago, in regard to George Narodich, doing business as B & G Television Distributors, Chicago, Illinois, a registrant under Regulation W, Consumer Credit, reading as follows:

"Since, as you pointed out in your letter transmitting this matter to the Board, no customers have been contacted, and since none can now be contacted in view of the enactment of the Defense Production Act Amendments of 1952, the Board is closing its file in connection with this case."

Approved unanimously.

Letter to Mr. Olson, Vice President, Federal Reserve Bank of Chicago, in regard to William Woodworth, doing business as Monroe Television Sales & Service Company, Chicago, Illinois, a registrant under Regulation W, Consumer Credit, reading as follows:

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"In accordance with the recommendation contained in your letter transmitting the above matter to the Board, and in view of the insufficiency of the evidence, the Board is closing its file in this case."

Approved unanimously.

Letter to Mr. Cook, Vice President and Cashier, Federal Reserve Bank of Dallas, reading as follows:

"This will acknowledge your letter of June 24, 1952, about the certifications made in connection with properties located in Borger and Odessa under section 5(m) of Regulation X. After a careful consideration of the facts you present, we concur in your action in issuing certificates of exemption in both cases.

"We agree with your viewpoint that while the language employed in the letters of certification sent you by the Petroleum Administration for Defense does not precisely follow the language provided in section 5(m), the variations do not appear to alter the meaning of the certifications to the extent that they fail to comply with the requirements of this section.

"The only suggestion we would make for your consideration in connection with similar future communications is that, if the opportunity presents itself and you consider it desirable to do so, you may wish to obtain letters which precisely follow the language of section 5(m). The signing official would appear to be proper, since the deputy administrator of the Petroleum Administration for Defense is the assistant head. The principal official is the Honorable Oscar L. Chapman, Administrator, who is Secretary of the Interior."

Approved unanimously.

Letter for the signature of the Chairman to The Honorable Lyndon B. Johnson, United States Senate, Washington, D. C., reading as follows:

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"This refers to your letter to the Board, dated June 19, 1952, which was accompanied by a telegram from Mr. R. W. Clemens of Houston, Texas, dated June 19, 1952, in which Mr. Clemens recommends the elimination of Regulation X--Real Estate Credit.

"As you know, the purpose of Regulation X, as authorized by the Defense Production Act, as amended, is to restrain inflationary forces inherent in the exceptionally high level of building that was attained in 1950 and that has showed relatively little tendency to decrease in the months that followed. In the first five months of this year, 455,000 new residential units were started. To stimulate further such a high level of building activity does not seem to be appropriate in a period when the inflationary pressures in the general economy, although somewhat eased, have not fully abated. It is believed that the terms of Regulation X as revised on June 11, 1952, place the regulation in the position of a balance wheel--not unduly stimulating building activity and the expansion of mortgage debt beyond present high levels, but at the same time avoiding stringently restrictive terms.

"Mr. Clemens indicates that he feels that the present schedule of terms in Regulation X is discriminatory. A review of the actions taken since October 12, 1950, when the regulation was initially issued, would not substantiate such a claim. The regulation at all times has had much less restrictive terms applicable to builders and buyers of lower-priced homes, and these terms have become progressively more restrictive as the prices of the houses increased. The regulation as originally issued in 1950 prescribed terms accepted by the Board and the many representatives of the trade who were consulted as an equitable application of real estate credit controls among the various price groups, and we believe the recent amendment to the regulation leaves it well-balanced in this respect.

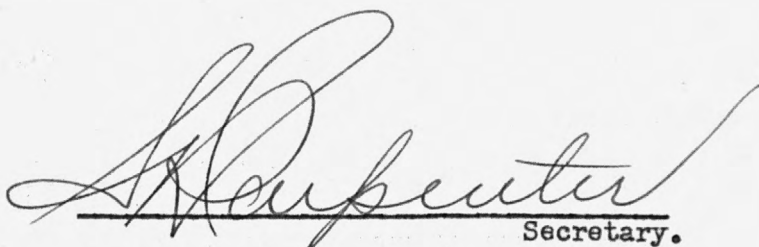
"We are enclosing a copy of a press statement of June 30, 1952, which clarifies the present status of Regulation X under the Defense Production Act Amendments of 1952. You will note that the regulation, including the latest revision of June 11, remains for the present in effect without further change.

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"We hope that this information clarifies the present status of Regulation X. Mr. Clemens may find it convenient to call upon or write to the Houston branch of the Federal Reserve Bank of Dallas if he desires any further information concerning Regulation X or the revised terms."

Approved unanimously.



R. B. Carpenter
Secretary.