

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, July 18, 1952.

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

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary

Telegrams to the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on July 14, by the Federal Reserve Bank of San Francisco on July 15, and by the Federal Reserve Banks of New York, Philadelphia, Atlanta, and Chicago on July 17, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased, in the amounts indicated, effective July 20, 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. Young, Director, Division of Research and Statistics</u>		
7/3/52	Alfred P. Johnson, Economist	\$4,035	\$4,205
7/7/52	Mary F. Miller, Clerk	3,430	3,575
7/14/52	Marian E. Fadeley, Clerk	3,030	3,175
	<u>Memorandum from Mr. Sloan, Director, Division of Examinations</u>		
7/11/52	J. V. Fisler, Assistant Federal Reserve Examiner	4,870	5,060

7/18/52

-2-

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary From</u>	<u>Increase To</u>
<u>Memorandum from Mr. Bethea, Director, Division of Administrative Services</u>			
7/14/52	Anita B. McCalley, Assistant Manager of Cafeteria	\$2,974	3,410

Approved unanimously.

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

"Your wire July 17. Board approves opening and maintenance of an account on your books in the name of the Banco Central del Paraguay subject to the usual terms and conditions upon which your bank maintains accounts for foreign central banks and governments. It is understood that you will, in due course, offer participation in this account to other Federal Reserve Banks. It is further understood that in due course the account on your books in the name of Banco del Paraguay will be closed."

Approved unanimously.

Letter to the Honorable Preston Delano, Comptroller of the Currency, Washington, D. C., reading as follows:

"In April 1951, Deputy Comptroller Robertson requested the Board (1) to reconsider the position it had taken with respect to the branch of the National City Bank of New York in San Juan, Puerto Rico, operating an armored truck for the purpose of delivering payrolls and receiving deposits under requirements similar to those where a Night Depository service is rendered, or (2) to designate an individual to confer with a representative of your office and a representative of the Federal Deposit Insurance Corporation for the purpose of seeing whether the agencies could arrive at a uniform position.

7/18/52

-3-

"Pursuant to this letter conferences were held between representatives of the three agencies and on July 31, 1951, Deputy Comptroller Robertson was advised that the Board had been requested to send a delegation to Puerto Rico which, while there, could develop first hand information with regard to use of the armored truck by the San Juan branch of the National City Bank and it was suggested that further consideration of the matter be deferred pending receipt of such information.

"An investigation was made by the Board's representatives and the following facts were developed with regard to receipt of deposits by the armored truck:

1. The armored truck operated by the branch of the National City Bank in San Juan does not serve any customers outside the City of San Juan.
2. The service is rendered under one of two plans:  
Plan A. Provides for the depository bag to be held unopened under bank custody until claimed by the depositor either the same or following business day at which time it will be delivered to him or his accredited representative against receipt.  
Plan B. Provides for the depository bag to be opened by the bank and the contents verified and credited to the depositor's account. The opening of the bag at the office of the branch and counting of its contents must be done by the head teller in the presence of another witnessing teller.
3. The service is rendered only to customers who have executed a formal contract which provides, among other things, that:
  - (i) Prior to the locking of a bag, the undersigned shall prepare or cause to be prepared, on printed forms supplied by you, an itemized deposit slip in triplicate with respect to the contents of the bag, two copies of which (and, if desired, the pass book pertaining to the account) shall be placed in the bag prior to locking the same and the third copy thereof shall be handed to your guard who accompanies the Depository Truck;
  - (ii) On each occasion, the undersigned shall (either personally or by his duty authorized

7/18/52

-4-

"representative) (a) close and lock the bag, which shall contain only the intended deposit, the mentioned two deposit slips and possibly the pass book pertaining to the account, (b) place the bag in the slot of the Depository Truck provided therefor, and (c) ascertain to the best of his/her knowledge that the same has dropped through the chute into the compartment of the Depository Truck -- it being understood that none of your Guards is authorized to close or lock any bag, to place the same in the slot or otherwise to handle the same;

(iii) The placing of any bag in the Depository Truck in the matter aforesaid shall be deemed to constitute a bailment (depositum) of a locked article, but not a deposit to the Account.

"On the basis of the facts above stated, it would appear that the operation of the armored truck by the branch of the National City Bank of New York in San Juan, Puerto Rico, does not constitute the operation of an additional branch; and the Board has not prescribed any condition or regulation pursuant to its authority under section 25 of the Federal Reserve Act which would prevent or affect the operation of armored trucks in this manner by a foreign or insular branch of a national bank."

Approved unanimously.

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

"This refers to your letter of July 3, 1952, and its enclosure, concerning whether a deposit in a member bank of funds of a bankrupt estate by a trustee in bankruptcy may properly be classified as a savings deposit under the applicable provisions of Regulation Q.

"From the above correspondence, it appears that the trustee in bankruptcy for a bankrupt corporation wishes to open a savings account in a branch of a member bank in his name, as trustee for the bankrupt, and deposit therein funds of the



7/18/52

-5-

"bankrupt estate. It also appears that the bankrupt was organized for profit, and that corporations and partnerships operated for profit are among the creditors of the bankrupt.

"You state that it is your view, in which Counsel for your Bank concurs, that the proposed deposit may not qualify as a savings deposit under Regulation Q and the Board's interpretation published in the 1936 Federal Reserve Bulletin, page 191. This view is also shared by the member bank.

"On the basis of the facts presented, the Board agrees that the proposed deposit may not be classified as a savings deposit within the definition in Regulation Q and the principles stated in the aforementioned interpretation."

Approved unanimously.

Letter to Mr. Olson, Vice President, Federal Reserve Bank of Chicago, in regard to Jack T. Jaycox, doing business as Midwestern Television Sales, Chicago, Illinois, a registrant under Regulation W, Consumer Credit, reading as follows:

"Since, as you pointed out in your letter transmitting the above case to the Board, it would appear that this seller did not extend credit, and since no customer contacts have been made or can now be made, the Board is closing its file in this case."

Approved unanimously.

Letter to Mr. Olson, Vice President, Federal Reserve Bank of Chicago, in regard to Oak Park Television Sales & Service, Oak Park, Illinois, a registrant under Regulation W, Consumer Credit, reading as follows:

"Since no customer contacts have been made in this case, and since none can now be made in view of the enactment of the Defense Production Act Amendments of 1952, the Board is closing its file."

Approved unanimously.

7/18/52

-6-

Letter to Mr. Olson, Vice President, Federal Reserve Bank of Chicago, in regard to I. H. Mandel, doing business as B & M Sales, Chicago, Illinois, a registrant under Regulation W, Consumer Credit, reading as follows:

"In accordance with your recommendation, the Board is closing its file in connection with the above matter since no customer contacts were made and since none can now be made."

Approved unanimously.

Letter to Mr. Olson, Vice President, Federal Reserve Bank of Chicago, in regard to John Forester, doing business as Forester & Company, Chicago, Illinois, a registrant under Regulation W, Consumer Credit, reading as follows:

"In accordance with your recommendation, the Board is closing its file in connection with the above matter since no customer contacts were made and since none can now be made."

Approved unanimously.

Letter to Mr. Thomas Jefferson Miley, Executive Vice President, Commerce and Industry Association of New York, 233 Broadway, New York, New York, reading as follows:

"We acknowledge your letter of June 20, 1952, to Chairman Martin, in which you urge the relaxation of the nonresidential terms of Regulation X from a maximum loan value of 50 per cent to  $66\frac{2}{3}$  per cent. As you perhaps know, the residential terms of Regulation X were relaxed on June 11, 1952, and at that time the Board announced that a change in the terms affecting nonresidential properties also was under consideration.

7/18/52

-7-

"The relaxation of the residential terms included multi-unit residential properties for which substantial increases in maximum loan values were authorized. It would seem to be in the field of residential rather than nonresidential construction that the greatest lag in building in New York City has occurred; hence the latest relaxation of the terms of the residential credit restrictions may be of considerable assistance to New York builders. In this respect, the statistics of the Department of Commerce indicate that residential construction in New York City for 1951 aggregated \$192,829,000, whereas the total for 1950 was \$280,276,000. In the case of 'other new building' (not including residential) in New York City, the totals are more favorably uniform since the year 1950 when credit regulations did not affect this class of building. Total nonresidential building was less in 1950 than in 1951, during which year Regulation X covered new nonresidential construction for ten and one-half months. Buildings other than residences totaled \$103,233,000 in 1950, and \$113,744,000 in 1951. During the first five months of 1952, the total of 'other new building' construction in New York aggregated \$53,579,000, and in 1951 for the same period the total was \$54,375,000. It should be noted also that Regulation X covers only a relatively small part of 'other new building' as reported by the Department of Commerce, since most construction for manufacturing, public utilities, public works, and other Governmental uses are not subject to the regulation, but are included in the above statistics.

"In our continuing study of the effects of Regulation X on construction, we are desirous of obtaining information concerning any important construction projects which have been impeded by the regulation. If you wish to do so, we would appreciate receiving a list of such projects which have been brought to your attention so that we can make a further study of the facts in each case.

"We will be glad to hear from you further, and appreciate receiving the benefit of the views of your association on the real estate credit regulation. We would also like to suggest that the Federal Reserve Bank of New York will be glad to discuss with you at any time problems in connection with Regulation X, and in this connection you may wish to talk with Mr. A. Phelan, Vice President."

Approved unanimously.

7/18/52

-8-

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

"Since the enactment of the Defense Production Act Amendments of 1952, builders' trade organizations and individual builders have protested that the amendments affecting real estate credit control have caused so great a state of confusion and disorder that serious harm may be done to the construction industry. Such protests, in addition to including the customary objections to the regulation, also assert that many buyers may have withdrawn from the real estate market expecting to get better terms later. Builders also contend that they have difficulty planning for future operations because of the indefinite future status of the regulation. While we question the accuracy of many such reports, especially since it is too early to have experienced the effect of the new amendments, we are anxious to be fully and accurately informed on market developments. Accordingly, we would appreciate it if you would make periodic reviews of real estate activity in your district, with particular reference to sales of new houses and builders' plans for the future as evidenced by land transfers, zoning applications, and building permits issued, as well as information obtained directly from builders and financing institutions. We would appreciate an appraisal of the situation each month, beginning August 15."

Approved unanimously.

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

"We have received your telegram of July 15 in respect to the proposed construction of a shopping center near Angleton, Texas, by the Angleton Building and Holding Corporation. A letter dated July 10, 1952, from Mr. Neal J. Hardy, Assistant Administrator of the



7/18/52

-9-

Housing and Home Finance Agency was received by us in which he certifies that the proposed construction is essential to the national defense pursuant to section 5(m) of Regulation X. We are enclosing this letter of certification from the Housing and Home Finance Agency, together with the letter file that was attached.

"We believe the letter of certification complies with the requirements of section 5(m) and, accordingly, we concur in any action taken by you pursuant to this letter exempting under the provisions of section 5(m) the proposed construction."

Approved unanimously.

Letter to the Honorable James M. McInerney, Assistant Attorney General, Department of Justice, Washington, D. C., prepared in accordance with the action taken at the meeting of the Board on June 10, 1952, reading as follows:

"Pursuant to Section 21 of the Securities Exchange Act of 1934, made applicable to the Board of Governors by Section 604 of the Defense Production Act of 1950, the Board of Governors is transmitting to you herewith a report concerning acts and practices which appear to the Board to constitute violations of its Regulation W by Mayfair Television Sales, Inc., and George Georgian, 2169 Milwaukee Avenue, Chicago, Illinois. This report is sent to you in order that you may, in your discretion, institute criminal proceedings."

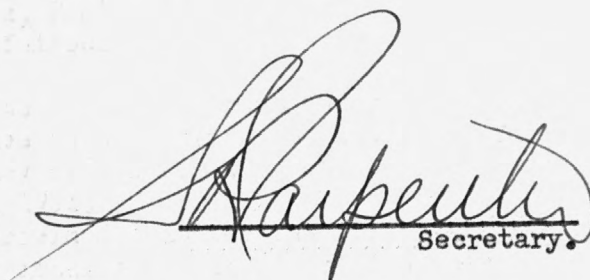
Approved unanimously, together with similar letters, to Mr. McInerney relating to the following additional registrants under Regulation W:

Public Loan Trust of Malden,  
doing business as Public Loan  
Company of Malden,  
6 Pleasant Street, Malden, Mass.,  
Verdun H. Williams, and Domenic  
Florentino.

7/18/52

-10-

Public Loan Trust of Waltham,  
doing business as Public Loan  
Company of Waltham,  
353 Moody Street  
Waltham, Massachusetts;  
Harvey Motor Sales, Inc.,  
Everett, Massachusetts, and  
George Gould.  
Personal Finance Company,  
Chicago, Illinois  
Liberty Loan Corporation,  
188 West Randolph Street,  
Chicago, Illinois.

  
Secretary.