Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, July 28, 1952.

PRESENT: Mr. Martin, Chairman
        Mr. Vardaman
        Mr. Mills
        Mr. Carpenter, Secretary
        Mr. Kenyon, Assistant Secretary

Letter to Mr. McConnell, Vice President, Federal Reserve Bank of Minneapolis, reading as follows:

"Reference is made to your letter of July 21, 1952, enclosing a certified copy of a resolution adopted by the Board of Directors of the Sault Savings Bank, Sault Ste. Marie, Michigan, 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 understood that the bank has applied to the Federal Deposit Insurance Corporation for continuance of insurance of its deposits.

"In accordance with the bank's request 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 Sault Savings Bank, Sault Ste. Marie, Michigan, you are authorized to cancel such stock and make appropriate refund thereon. Under the provision 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.

"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. Strathy, Vice President and Secretary, Federal Reserve Bank of Richmond, reading as follows:

"This is in reply to your letter of July 17, 1952, with enclosures, in which you present four sets of facts, each of which presents the question as to whether one or two extensions of credit, as defined in Regulation X, are involved. Your letter states in part as follows:

'Case 1 involves a situation in which a nonregistrant builder sells new construction which is subject to a present indebtedness secured by a mortgage on the property. The purchaser agrees with the seller to assume the existing indebtedness and agrees to pay the builder-seller an additional amount evidenced by a note secured by a second mortgage or deed of trust. The seller is not released by the holder of the first mortgage from the obligation which the purchaser has assumed.

'Case 2 involves a transaction in which a nonregistrant builder sells new construction with the purchaser agreeing to pay all or part of the purchase price at a future date, his obligation being evidenced by two notes, one secured by a first mortgage or deed of trust and the other secured by a second mortgage or deed of trust. **

'Case 3 involves a loan on new construction by a nonregistrant who accepts two notes from the borrower, the notes being of different priority but secured by the same mortgage or deed of trust. **

'Case 4 involves the same situation as that set forth in Case 3, except the two notes are of equal dignity. **

"With particular reference to case 1, it seems apparent that the purchaser takes the property subject to the indebtedness which is secured by the first mortgage, thus bringing
"this portion of the transaction within the express language of section 2(d) of Regulation X. Another extension of credit is of course involved in the additional loan as evidenced by the note secured by the second mortgage.

"In each of the other three cases, two separate notes are given representing separate obligations of the purchaser which the lender could enforce individually. The Board concurs in your view that for the purposes of Regulation X in each of these cases there are two separate extensions of credit."

Approved unanimously.

Letter to the Honorable James M. McInerney, Assistant Attorney General, Department of Justice, Washington, D.C., in regard to Robert E. Anderson, Rogers Loan Company, 140 No. Dearborn Street, Chicago, Illinois, 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 the above. 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:
Al Ross
Jack Gordon
Gordon Car Company
3301 W. Belmont Avenue
Rosemont Motors
1730 W. Ogden Avenue
Chicago, Illinois

Alex Berezin
Lawndale Auto Brokers
3804 W. Ogden Avenue
Chicago, Illinois

Anthony Stevens
South Side Auto Sales, Inc.
5030 South Halsted Street
Chicago, Illinois.