

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, September 23, 1952. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Noyes, Director, Division of
 Selective Credit Regulation
 Mr. Allen, Director, Division of
 Personnel Administration

At the meeting on September 16, 1952, consideration was given to the discontinuance of the Division of Selective Credit Regulation, including the placement of members of the staff of the Division whose transfers had not already been approved by the Board. It was understood at that time that action to discontinue the Division would be deferred pending a study by Governor Robertson of certain adjustments which he might wish to recommend within the Division of Examinations.

Pursuant to this understanding, there had been sent to the members of the Board before this meeting copies of a memorandum from Mr. Sloan, Director of the Division of Examinations, dated September 19, 1952, recommending: (1) the transfer of Henry Benner, Assistant Director, Division of Selective Credit Regulation, to the Division

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of Examinations as Assistant Director and his appointment as Federal Reserve Examiner, with salary at the rate of \$11,500 per annum; (2) the appointment of Glenn M. Goodman, Federal Reserve Examiner, as Assistant Director of the Division of Examinations, with salary at the rate of \$11,000 per annum; and (3) approval of increases in the salaries of eight members of the staff of the Division of Examinations.

There was also presented a memorandum from Mr. Noyes, dated September 12, 1952, recommending the transfer of Ruth D. Stone, Secretary in the Division of Selective Credit Regulation, to the Division of Research and Statistics as Secretary.

Referring to Mr. Sloan's memorandum, Governor Robertson stated that he approved the recommendations contained therein; that Mr. Benner, by reason of his experience in the field of examinations, would strengthen the staff of the Division of Examinations; that Mr. Benner's availability also would permit some rearrangement of the duties of the official staff which would insure greater flexibility; and that the proposed salary adjustments would bring the compensation of those persons affected more nearly in line with salaries paid by the other Federal bank supervisory agencies to

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persons having comparable responsibilities. Governor Robertson said that in addition, for reasons which he outlined, he would recommend an increase in the salary of Mr. Sloan from \$14,000 to \$15,000 per annum.

Thereupon, the following actions were taken by the Board:

1. The Division of Selective Credit Regulation was discontinued, effective immediately, and, in accordance with the Board's action on July 22, 1952, an Office of Defense Loans was established to administer the guaranteed loan program, with Gardner L. Boothe, II, as Administrator.
2. Mr. Benner was transferred to the position of Assistant Director, Division of Examinations, and appointed a Federal Reserve Examiner, effective immediately, with no change in his present annual salary at the rate of \$11,500.
3. Mr. Goodman was appointed Assistant Director of the Division of Examinations, effective immediately, and his salary was increased from \$10,000 to \$11,000 per annum, effective September 28, 1952.
4. Salary increases for members of the staff of the Division of Examinations were approved as follows, effective September 28, 1952:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
George S. Sloan	Director	\$14,000	\$15,000
Arthur H. Lang	Chief Federal Reserve Examiner	11,000	11,500
Robert C. Masters	Assistant Director	11,000	11,500
Charles N. Griffin	Federal Reserve Examiner	8,960	10,000
William D. Smith	Federal Reserve Examiner	9,800	10,000

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<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
W. J. McClelland	Federal Reserve Examiner	\$8,560	\$8,960
J. R. Radford, Jr.	Federal Reserve Examiner	8,560	8,960
Fred W. Troup	Federal Reserve Examiner	8,560	8,960
George E. Good	Federal Reserve Examiner	8,560	8,960

3. Mrs. Stone was transferred to the Division of Research and Statistics as Secretary, effective immediately, with no change in her present basic salary of \$4,420 per annum and with the understanding that in accordance with the Board's established policy, her salary would remain unchanged until the beginning of the first pay roll period following the expiration of a six months' period, within which time her position would be reviewed and an appropriate salary established.

Mr. Noyes called attention to the status of Messrs. Charles T. Fisher, Jr., Frazar B. Wilde, and W. A. Clarke as consultants on real estate credit matters and suggested that, with the suspension of Regulation X, Real Estate Credit, and the discontinuance of the Division of Selective Credit Regulation, the Board might wish to terminate their appointments. He stated in this connection that Messrs. R. J. Saulnier and Ernest M. Fisher also had acted as consultants on real estate credit problems but that the Division of Research and Statistics, under a current authorization from the Board, probably would want to utilize their services further in connection with the preparation of statistical series on mortgage credit.

Following discussion, Chairman Martin suggested that

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appropriate letters be prepared for his signature to Messrs. Charles T. Fisher, Jr., Wilde, and Clarke.

This suggestion was approved unanimously, with the understanding that the appointments of the three consultants were terminated, effective immediately.

Mr. Carpenter then referred to the request contained in a letter dated March 17, 1952, from Mr. Frederick J. Lawton, Director of the Bureau of the Budget, that histories of the programs carried out by the Board under the authority of the Defense Production Act of 1950 be prepared for the files of that agency as part of an overall defense history program. He stated that members of the staff of the Division of Selective Credit Regulation had been engaged in preparing such statements concerning Regulation W, Consumer Credit, Regulation X, Real Estate Credit, and the V-loan program, and suggested that the responsibility for assembling this material be placed in the Office of the Secretary.

Following a discussion, during which it was suggested that the statements be prepared in as brief a form as possible consistent with the request of the Bureau of the Budget, Mr. Carpenter's suggestion was approved unanimously.

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Governor Evans stated that in accordance with the understanding at the meeting on July 14, 1952, Mr. Leonard, Director of the Division of Bank Operations, had been collaborating with Mr. Persina, the Board's consulting architect, on a revision of the Trowbridge formula, which defined the term "building proper", as used in allocating the costs of Federal Reserve branch bank construction and remodeling projects; and that a copy of a memorandum from Mr. Leonard, dated September 17, 1952, discussing a revised formula suggested by Mr. Persina, was being sent to each member of the Board.

Governor Evans said that the revised formula, which would take into account changes in building practices and building equipment, such as air conditioning, since the adoption of the Trowbridge formula in 1923, would provide a more accurate allocation of costs to "building proper". He went on to say that an allocation of costs would be necessary in connection with branch construction work now in process at Jacksonville and Detroit, that application of the proposed formula would be desirable, and that after the computations of costs allocable to "building proper" in those two cases had been made, it would be possible to determine whether enough funds would be available within the current statutory limitation placed by Congress upon expenditures for Federal Reserve branch buildings to permit either the construction of a new branch building at Louisville or the erection of an addition to the Los Angeles Branch, both of which projects are urgent.

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Governor Vardaman inquired whether there would be any objection to an expenditure of approximately \$40 for a radio to replace the radio presently in his office.

The purchase was approved.

At Governor Vardaman's request, the Board went into executive session, with Messrs. Allen and Noyes remaining in the meeting.

Following the meeting, the Secretary was informed that upon recommendation of Governor Vardaman the salary of Mr. Boothe, Administrator of the Office of Defense Loans, was increased from \$12,000 to \$13,000 per annum, effective September 28, 1952, and that in taking this action it was understood that when the Office of Defense Loans was discontinued as a separate unit of the Board's staff Mr. Boothe would be placed in the best position available on the staff for which he was qualified and his salary would be adjusted to the salary for that position.

The following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 22, 1952, were approved unanimously.

Letter to Mr. Melvin Purvis, Chief Counsel, Subcommittee on Federal Manpower Policies, Committee on Post Office and Civil

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Service, United States Senate, Washington, D. C., reading as follows:

"Reference is made to three letters, dated August 8, August 18, and August 23, 1952, addressed to Chairman Martin by your Subcommittee, requesting certain information in connection with supervisory selection in Federal Government, Incentive Awards Program in the Federal Government, and appeals and grievance procedures in the Federal service.

"As you know, Mr. Cherry of the Board's staff has discussed with Mr. Hertz of your staff the reasons why the Board has not replied to these letters, the principal reason being the assumption that the scope of the investigation of your Subcommittee would not include the Board of Governors, because of the special situation of the Board under section 10 of the Federal Reserve Act and the fact that the Board's employees are not under Civil Service and the Board is not under appropriations from Congress.

"At the suggestion of Mr. Hertz, this letter is written in order that you may consider further whether your Subcommittee desires the information requested in the three letters referred to above. You may be assured that the Board desires to cooperate with your Subcommittee to the fullest extent possible, but we will await further advice from you before attempting to furnish the information requested."

Approved unanimously.

Letter to the Honorable James P. McGranery, Attorney General of the United States, Washington, D. C., reading as follows:

"Enclosed herewith is a copy of a letter of September 11, 1952, which the Board has received from the Federal Reserve Bank of New York concerning certain publicity relating to banks in the Buffalo area. Also enclosed are photostats

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"of the newspaper clippings referred to in the letter from the Federal Reserve Bank.

"As the enclosed letter suggests, the matter is brought to your attention for such consideration as you may think appropriate."

Approved unanimously.

Letter to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of September 15, 1952, advising that Hadley Falls Trust Company, Holyoke, Massachusetts, contemplates the removal of its branch office located at the corner of Dwight and Main Streets in Holyoke to a new location at the junction of Main and Race Streets in Holyoke which is approximately one block from its present location.

"On the basis of the facts submitted, it appears that the proposed change in location constitutes a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or the customers it serves. The Board concurs in your opinion that the proposal does not constitute the establishment of a branch within the meaning of the applicable provisions of Section 9 of the Federal Reserve Act, and therefore the Board's approval is not required."

Approved unanimously.

Letter to the Board of Directors, Franklin Washington Trust Company, Newark, New Jersey, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment and operation of a branch (auxiliary office) at 405 Seventh Avenue, Newark, New Jersey, by Franklin Washington Trust Company, provided such office is established within six months from the date of this letter.

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"Although the Board feels that the trust company should not expand branchwise without augmenting its capital structure and should not further increase its investment in bank premises, it has approved the establishment of this auxiliary office in order that the trust company may provide better service to its customers."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of New York.

Letter to the Board of Directors, The Detroit Bank,
Detroit, Michigan, reading as follows:

"Pursuant to your requests submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment and operation of branches at 1553 Woodward Avenue, 15540 Warren Avenue, West, and at Eight Mile Road, West, near Greenfield Avenue, all within the city limits of Detroit, Michigan, by The Detroit Bank, provided the branches are established within six months from the date of this letter and the respective approval given by the State Banking Department is effective at the time each branch is established."

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

Letter to Mr. Olson, Vice President, Federal Reserve Bank
of Chicago, in regard to Morton Charles Kaiser-Frazer on Broadway,
a registrant under Regulation W, Consumer Credit, reading as follows:

"The material which was submitted by your Bank regarding apparent violations of Regulation W by the above firm showed that the down payment requirement had been violated in a number of instances by the action of a salesman in taking a customer to a loan company to borrow

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"the down payment. However, except possibly in one instance, there is no evidence to prove that either of the partners personally had knowledge of the violations.

"In the circumstances your Bank recommended that an injunction be obtained. However, the suspension of the regulation made this course unavailable, and since the evidence of scienter to support a criminal charge is insufficient and since no more evidence can now be obtained, the Board has closed its file in this case."

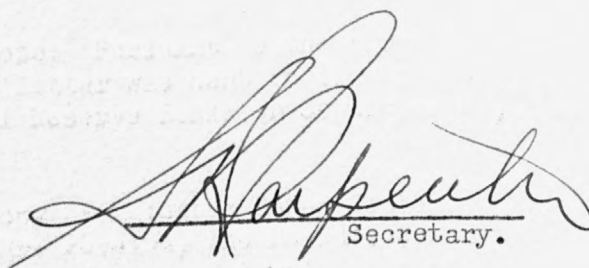
Approved unanimously.

Letter to Mr. Olson, Vice President, Federal Reserve Bank of Chicago, in regard to Taylor Motor Sales, Inc., a registrant under Regulation W, Consumer Credit, reading as follows:

"The above case was sent to the Board with the recommendation that no action be taken concerning violations reported by your investigators.

"The Board concurs in this recommendation, and the file should therefore be regarded as closed."

Approved unanimously.


Secretary.