

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, April 6, 1953. The Board met in the Board Room at 10:10 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Noyes, Assistant Director, Division of Research and Statistics
Mr. Cherry, Legislative Counsel

Mr. Cherry made a report on legislative developments of interest to the Board during which he said that hearings had been completed by the Senate Banking and Currency Committee on Bills S. 753 and S. 1081, to provide stand-by and temporary economic controls, respectively, and that the Committee was to meet beginning tomorrow in executive session to write a new bill which he understood would include some provision for the extension of rent controls that expire April 30.

Mr. Cherry also commented on Bill S. 1559, introduced by Senator Robertson of Virginia, to amend section 13b of the Federal Reserve Act and Bill S. 1523, introduced by Senator Thye of Minnesota, to establish a Small Business Administration.

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Mr. Vest stated that the Clerk of the House Banking and Currency Committee called him on the telephone last week to inquire whether the Board often had occasion to consult the lists of shareholders furnished by national banks to the Comptroller of the Currency. Mr. Vest said that after checking on the matter he called back to report that the Board only very infrequently had had occasion to refer to those lists.

At the request of Chairman Martin, Mr. Young summarized the meeting at the Treasury last Friday, April 3, concerning certain questions related to Government-aided housing loans. The meeting was attended by Messrs. Martin, Young, and Noyes; Messrs. Cole and Hardy, Administrator and Assistant Administrator, respectively, of the Housing and Home Finance Agency; and Mr. Burgess, Special Deputy to the Secretary of the Treasury.

Mr. Young said there were three matters which took up most of the discussion, the first being the question of an increase in the allowable interest rates on FHA-insured and VA-guaranteed loans. The argument was made that the rate ought to be advanced enough so as to avoid the likelihood of another controversy in the future and perhaps a further increase in the rate. Therefore, the disposition was to go to 4-1/2 per cent rather than 4-1/4 per cent. It appeared to be the feeling of Mr. Burgess that this proposal was reasonable, although he suggested that perhaps the matter ought to be discussed further before a final decision was made.

The second item, Mr. Young said, concerned the proposal to remove

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the remaining regulations governing terms of Government-aided housing credit, which would permit Veterans Administration loans with no down payment and maturities up to 30 years. Messrs. Cole and Hardy argued for removal of the regulations quite strongly, while Mr. Noyes pointed out the possibility that their removal might bring about a considerable stimulation of the housing market. Apparently Mr. Cole had not thought that through fully, and he appeared somewhat disturbed by the views expressed by Mr. Noyes. Mr. Hardy, however, insisted that the regulations should be removed, stating that in any event there would be no extension of the controls provided by the Defense Production Act after June 30. Mr. Young thought that the fact that the argument on the other side of the question was presented might have had the effect of causing the matter to be thought through more carefully and that this might result in some delay in action. Mr. Burgess, he said, seemed inclined to question how much effect on the housing market there would be as a result of removing the regulations, particularly in light of the current tightness of funds.

Mr. Young added that the third item concerned the discontinuance of acquisitions of mortgages by the Federal National Mortgage Association and the beginning of the liquidation of that agency's mortgage portfolio. A plan was discussed by Messrs. Cole and Hardy which contemplated packaging the mortgages and offering them on the market at auction bidding to determine what the market would bring and distributing the securities according to the demand in the market. It was generally agreed that it

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should be possible to get some distribution and that this would be a desirable way of proceeding.

Mr. Young said it appeared that the House Appropriations Committee wanted to say something in a report which it is planning to issue about the middle of April concerning rates on FHA-insured and VA-guaranteed loans and the liquidation of Federal National Mortgage Association. The general feeling at the Treasury meeting was that it would be desirable for the Committee to take some of the responsibility in these matters and say something in its report.

Mr. Noyes brought out that there is a provision in the law requiring the Veterans Administration to make direct loans in areas where money is not available at 4 per cent and therefore it was hoped that there could be a rider on an appropriations bill to change that rate to 4-1/2 per cent. He also noted that at the conclusion of the meeting on Friday it was agreed that the several matters mentioned would be discussed by Mr. Cole at a meeting this week with the Secretary of the Treasury, the Director of the Bureau of the Budget, and Chairman Martin, prior to presenting them to the President in advance of a public announcement.

Following a discussion of the matters mentioned by Messrs. Young and Noyes, Chairman Martin said it was clear from the discussion at the meeting on Friday that some rather critical decisions might be made within the next few weeks. He thought that an announcement by the Treasury of

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its pending financing plans probably would precede the announcement referred to by Mr. Noyes.

Governor Robertson suggested that the Board, having studied the organization of the Government securities market and approved the institution of a study of the discount rate mechanism, should ask its staff to start a study of member bank reserve requirements so that the Board, if called upon, would be prepared to state its position as to what reserve requirement plan it favored.

During a discussion it was brought out that a number of studies had been made in the past regarding various plans on which reserve requirements might be based, and Governor Robertson said that his suggestion contemplated that these plans would be summarized by the staff so that the members of the Board might develop their thoughts on the matter.

Following a discussion of Governor Robertson's comment, Chairman Martin suggested that members of the staff, including Messrs. Riefler, Thomas, and Young should study the various steps that might be taken by the Board to carry out an effective monetary and credit policy in the event of a downward adjustment in the economy.

The meeting then adjourned. During the day the following additional actions were taken by the Board, with all of the members except Governor Mills present:

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Reserve System on April 3, 1953, were approved unanimously.

Telegram to Mr. Clifford M. Hardin, Director, Michigan Agricultural Experiment Station, Michigan State College, East Lansing, Michigan, prepared pursuant to action taken by the Board on April 1, 1953, and reading as follows:

"Board of Governors of the Federal Reserve System has appointed you a director of the Detroit Branch of the Federal Reserve Bank of Chicago for unexpired portion of two-year term ending December 31, 1954, and will be pleased to have your acceptance by collect telegram.

"It is understood that you are not a director of a bank and do not hold public or political office. Should your situation in these respects change during the tenure of your appointment, it will be appreciated if you will advise the Chairman of the Board of Directors of the Federal Reserve Bank of Chicago."

Approved unanimously.

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

"Reference is made to your letter of March 23, 1953, advising of the actions taken by the Executive Committee of the Board of Directors with respect to the fixing of officers' salaries.

"In accordance with the action taken with respect to increased salaries, the Board of Governors approves the payment of salaries to the following officers for the period April 1, 1953, through June 30, 1953, at the rates indicated, which are the rates fixed by the Executive Committee as reported in your letter.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Robert V. Roosa	Assistant Vice President	\$15,000
O. Ernest Moore	Manager, Research Department	12,250"

Approved unanimously.

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Letter to Mr. W. M. Taylor, Deputy Comptroller of the Currency,
Treasury Department, Washington, D. C., reading as follows:

"Reference is made to your letter of March 4, 1953, enclosing a photostatic copy of an application to organize a national bank at Grundy, Virginia, under the title of Grundy National Bank, and requesting a recommendation as to whether or not the application should be approved.

"We have received a report of investigation of the application, made by the Federal Reserve Bank of Richmond, setting forth information with respect to factors usually considered in connection with such applications. While it appears that the proposed capital structure of the bank would be adequate, it is doubtful that a definite need for an additional bank in the community exists and its future earnings prospects are uncertain. According to our information no definite arrangements have been made for the operating management of the bank. In view of these unfavorable factors it is believed that the application should be disapproved.

"The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office, if you so desire."

Approved unanimously.

Letter to Mr. W. M. Taylor, Deputy Comptroller of the Currency,
Treasury Department, Washington, D. C., reading as follows:

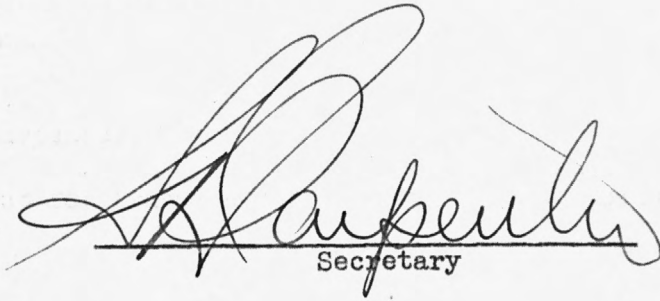
"Reference is made to your letter of February 5, 1953, enclosing a photostatic copy of an application to organize a national bank at Loves Park, Illinois, under the title of First National Bank of Loves Park and requesting a recommendation as to whether or not the application should be approved.

"Information contained in a report of investigation of the application by the Federal Reserve Bank of Chicago indicates favorable findings with respect to the factors usually considered in connection with such applications. It is understood, however, that another group has applied for a State bank charter in Loves Park and it would not be prudent to open two banks in the community at this time. The Board of Governors recommends approval of the application to organize a national bank in Loves Park provided a charter to organize a State bank in the community has not been granted first.

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"The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire."

Approved unanimously.


Secretary

The following...

Name and Title

Walter H. Gooden, Assistant
Division of Examinations

To travel to ...
being conducted by ...
part of accounting ...
incident of that ...
in preparation for the ...
being considered for ...

Referred to the ...

Chairman of the ...

President of the ...

Board of Examiners of the ...

Committee, and the ...

... It was ...

the ...

Division of the ...

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