

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, May 12, 1953. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Evans, Acting Chairman  
Mr. Vardaman  
Mr. Mills  
Mr. Robertson

Mr. Carpenter, Secretary  
Mr. Sherman, 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. Boothe, Administrator, Office of Defense Loans  
Mr. Hackley, Assistant General Counsel  
Mr. Noyes, Assistant Director, Division of Research and Statistics  
Mr. Connell, Technical Assistant, Office of Defense Loans

Reference was made to (1) a memorandum sent to each member of the Board before this meeting with respect to the meeting which was held in the Board's offices May 6, 1953 with representatives of the guaranteeing agencies for the purpose of consulting with them concerning the need for increasing the maximum permissible rate of interest on V-loans, and (2) a memorandum which had been distributed this morning summarizing the comments received from the Reserve Banks in response to the Board's wire of May 7 asking for their views on the question.

5/12/53

-2-

Governor Vardaman stated that he felt it would be appropriate for the Board, following Chairman Martin's return, to increase the maximum rate from the present 5 per cent to 5 1/2 per cent, that he would be opposed to making any change in the schedule of guarantee fees as had been recommended by two of the Federal Reserve Banks, and that he would not be in favor of increasing the maximum permissible interest rate to 6 per cent as had been recommended by five of the Federal Reserve Banks.

The matter was discussed at length in the light of the views expressed by the representatives of the guaranteeing agencies at the meeting on May 6 and by the Federal Reserve Banks. At the conclusion of the discussion Governor Vardaman said that he had not brought up the question with the thought of taking action at this meeting, that he felt it was desirable to have a general discussion of the question, and that he would suggest that Mr. Riefler review the discussion with Chairman Martin upon the latter's return, with a view to giving further consideration to the matter at an early meeting of the Board.

The meeting then adjourned. During the day the following additional actions were taken by the Board with all of the members except Chairman Martin and Governor Szymczak present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 11, 1953, were approved unanimously.

5/12/53

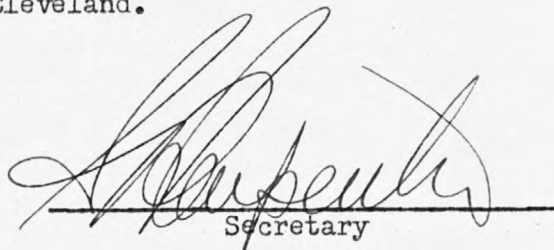
-3-

Letter to the Board of Directors, The Fifth Third Union Trust Company, Cincinnati, Ohio, reading as follows:

"Pursuant to the request submitted through the Federal Reserve Bank of Cleveland the Board of Governors approves the establishment and operation of branches in the city of Cincinnati at the following locations: Clifton and McMillan Streets, Paddock and California Avenues, and at the corner of 12th and Vine Streets by The Fifth Third Union Trust Company provided the absorption of The Western Bank and Trust Company, Cincinnati, Ohio, is effected substantially as proposed and prior formal approval of the appropriate State authorities is obtained.

"In connection with the proposed absorption of The Western Bank and Trust Company by The Fifth Third Union Trust Company, the Board of Governors hereby gives its consent to the transaction as required under Section 18(c) of the Federal Deposit Insurance Act provided (a) the banking houses, furniture and fixtures acquired from The Western Bank and Trust Company are not placed on the books of The Fifth Third Union Trust Company in amounts in excess of their depreciated values computed for Federal income tax purposes and (b) any and all securities acquired by The Fifth Third Union Trust Company from The Western Bank and Trust Company in the transaction are not carried on the books of The Fifth Third Union Trust Company at amounts in excess of the market value of such securities as of the date the transaction is consummated."

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

  
Secretary