

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, January 21, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Mills
 Mr. Robertson
 Mr. Balderston

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Vest, General Counsel

The following matters, which had been circulated among the members of the Board, were presented for consideration and the action taken in each instance was as indicated:

Letter to Mr. Robert C. Goodwin, Director, Bureau of Employment Security, Department of Labor, Washington, D. C., reading as follows:

Pursuant to section 609.9 of your regulations implementing the provisions of Public Law 767, Eighty-third Congress, Second Session, the Board of Governors of the Federal Reserve System has designated Mr. John B. Bazuin of the Division of Personnel Administration as its liaison with your agency in connection with the administration of the Federal employee unemployment compensation program.

Approved unanimously.

Letter to Mr. Willis, Secretary, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of January 13, 1955, advising that the Board of Directors has approved an extension, for a period of approximately one month, of the leave of absence without pay commencing about September 24, 1954, for Mr. Arthur I. Bloomfield. It is noted from your letter that the extension of Mr. Bloomfield's original leave is necessitated by the delay involved in the initial clarification of the job which he was to do as consultant to the

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Administration's mission to Indochina and in subsequently arranging for an appropriate successor to him there.

In the light of the circumstances, the Board of Governors interposes no objection to the extension of leave approved for Mr. Bloomfield as described in your letter.

Approved unanimously.

Letter to Mr. Hill, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

In accordance with the request contained in your letter of January 14, 1955, the Board approves the designation of the following named employees of your bank as special assistant examiners for the Federal Reserve Bank of Philadelphia for the purpose of participating in the examination of State member banks only:

Joseph F. Caruso	Alan H. Sonnheim
Arthur R. Gray	Edward A. Logan
George E. Hughes	Peter M. DiPlacido
Vincent J. Moran	Denis J. Reckner
Joseph B. Everman	

Approved unanimously.

Letter to Mr. Virden, Federal Reserve Agent, Federal Reserve Bank of Cleveland, reading as follows:

In accordance with the request contained in your letter of January 6, 1955, the Board of Governors approves the appointment of Mr. Roy M. Trout as Assistant Federal Reserve Agent, effective February 1, 1955, to succeed Mr. Norman R. Matter.

This approval is given with the understanding that Mr. Trout will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Agent, to the Board of Governors for the proper performance of his duties. When not engaged in the performance of his duties as Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with his duties as Assistant Federal Reserve Agent.

The Board of Governors also approves the appointment of Mr. Arthur J. Francis as an Alternate Assistant Federal

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Reserve Agent, effective February 1, 1955, to succeed Mr. Roy M. Trout.

This approval is given with the understanding that Mr. Francis will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent or, during a vacancy in the office of the Federal Reserve Agent, of the Assistant Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

It is noted from your letter that, upon the approval of the appointments of Messrs. Trout and Francis, they will execute the usual oath of office, which should be forwarded to the Board of Governors.

It is further noted that, while the maximum salary established for the position of Alternate Assistant Federal Reserve Agent is \$5,959, it is proposed to continue Mr. Francis at his present salary. In view of the circumstances described in your letter and in a subsequent discussion of the matter, the Board of Governors approves the continuation of the payment of salary to Mr. Arthur J. Francis at his present rate of \$7,592 per annum, while serving as Alternate Assistant Federal Reserve Agent, with the understanding that the situation with respect to Mr. Francis will be watched with a view to placing him in a position commensurate with the salary paid him, whenever an appropriate opportunity is presented.

Approved unanimously.

Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

In accordance with the requests contained in your letters of January 13, 1955, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Richmond to participate in the examination of State member banks only:

Arthur V. Myers, Jr.
Robert R. Smith
Joseph M. Hissey
Donald J. Kovalic

Joseph A. Mryncza
W. Glenn Griffin
Robert R. Fentress
Frederick L. Carr

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The Board also approves the designation of Louis C. Donahoe as a special assistant examiner for the Federal Reserve Bank of Richmond.

Appropriate notations have been made in the Board's records of the names to be deleted from the list of special assistant examiners.

Approved unanimously.

Letter to Mr. Harris K. Weston, Dinsmore, Shohl, Sawyer & Dinsmore, 1218-1227 Union Central Building, Cincinnati, Ohio, reading as follows:

This refers to your letter of December 21, 1954, requesting a determination by the Board of Governors as to the status of The Eagle-Gazette Company, Cincinnati, Ohio, as a holding company affiliate.

From the information supplied, the Board understands that the nature and purpose of the present activities of The Eagle-Gazette Company is the publication of a newspaper; that The Eagle-Gazette Company owns 430 of the 800 outstanding shares of capital stock of The Farmers and Merchants Bank, Williamsburg, Ohio; and that The Eagle-Gazette Company does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that The Eagle-Gazette Company, Cincinnati, Ohio, is not engaged directly or indirectly, as a business, in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended, and, accordingly, The Eagle-Gazette Company is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that The Eagle-Gazette Company might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

Approved unanimously, for transmittal through the Federal Reserve Bank of Cleveland. This action was taken

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with the understanding that, because of the ownership by related interests in this case of the stock of other banks, the facts might change at any time in such a way as to require reconsideration by the Board.

Letter to Mr. Roger D. Knight, Jr., President, The United States National Bank of Denver, Denver, Colorado, reading as follows:

This refers to your letter of December 28, 1954, requesting information with respect to the limitations contained in section 17 of Regulation F concerning the publication of information on the common trust fund maintained by your bank. It is noted that you contemplate preparation of a pamphlet descriptive of the operations of your common trust fund which would contain information taken from the annual audit report of such fund, including information concerning the earnings realized on the fund and the value of the assets thereof. It is further noted that you plan to make such pamphlet available to directors and stockholders of your bank, to present and prospective customers, to selected attorneys, and to correspondent banks for the purpose of furnishing information relative to your common trust fund and, presumably, to point out the desirability of its use by prospective trust customers.

The annual reports of audits required to be made of common trust fund operations are for use solely in informing those persons to whom a regular periodic accounting of the trusts participating in the fund ordinarily would be rendered. Material contained in these audit reports, or similar to that so contained, cannot, under existing provisions of Regulation F, be publicized in booklet form, or in any other form, with the intent to inform the general public concerning the operations of a common trust fund. The word "publish", as used in the publicity prohibition contained in sections 17(a) and 17(c)(3) of the Regulation, refers not only to publication in newspapers or periodicals, but to publication in any form designed to reach outside the group comprising those who ordinarily would receive periodic accountings related to administration of a common trust fund.

The unsolicited furnishing of information to the general public, or to selected portions of the public, should be confined to acquainting the reader with the existence of the common trust fund and the purpose and use of such fund. It is wholly appropriate, therefore, to publicize the fact that

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a common trust fund has been established or is maintained by a bank, as well as to make known its special and restricted purposes and uses. However, the common trust fund is not to be regarded as an investment "entity" to be popularized in and of itself. Publicity efforts of a trust institution operating a common trust fund should be directed toward demonstrating the desirability of and need for corporate fiduciary services. Reference to the common trust fund in such publicity should be incidental to the provision of such services and should be discussed only as one medium to possibly facilitate the investment of funds held for true fiduciary purposes. Furthermore, trusts created and used for bona fide fiduciary purposes are to be distinguished from trusts created by individuals primarily seeking the benefits to be derived from corporate fiduciary investment management.

While banks operating common trust funds are enjoined to use particular care in the preparation of advertising and publicity material to see that it is in every way compatible with the spirit as well as with the letter of provisions of sections 17(a) and 17(c)(3) of Regulation F, the Board has not adopted a practice of determining the propriety of any specific common trust fund advertising in advance of its use. However, it is hoped that the foregoing discussion will clarify the principles and restrictions embodied in Regulation F with respect to the advertising of common trust funds.

Approved unanimously, with the understanding that the text of the letter would be sent to the Presidents of all Federal Reserve Banks and would be published in an early issue of the Federal Reserve Bulletin.

There was presented a request from Mr. Benner, Assistant Director, Division of Examinations, for authority to travel to Philadelphia, Pennsylvania, on February 2, 1955, to attend the Bank Operations Clinic of the Pennsylvania Bankers Association.

Approved unanimously.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, St. Louis, and San Francisco approving

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the establishment without change by the Federal Reserve Banks of Boston and St. Louis on January 17, by the Federal Reserve Bank of San Francisco on January 19, and by the Federal Reserve Banks of New York and Philadelphia on January 20, 1955, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Vest referred to the discussion at the meeting of the Board on January 17, 1955, regarding recent proposals of the Defense Mobilization Board for extension of the Defense Production Act. He said that a revised draft of the proposed legislation subsequently was received from the Office of Defense Mobilization in which authority was provided, in the event of enemy attack, for consumer and real estate credit controls and for voluntary credit restraint, the authority in each case being substantially the same as that contained in the original Defense Production Act of 1950. After discussing other provisions of the revised draft, Mr. Vest went on to say that a meeting of lawyers representing various interested Government agencies was held at the Office of Defense Mobilization yesterday and that, after having discussed the matter with Chairman Martin, he and Mr. Shay, Assistant Counsel, presented at that meeting a substitute draft of the provisions relating to credit controls. He then reviewed the principal changes made by the substitute draft which, as stated in his memorandum to the Board dated January 21, 1955, would place authority for regulation of consumer and real estate credit and for voluntary credit

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restraint directly in the Board of Governors and would eliminate some of the difficulties experienced by the Board in these fields under the law as previously in effect. This draft was tentatively accepted, Mr. Vest said, although it was indicated that it would be desirable to state that these powers could not be exercised by the Board until the President took some action or in some way declared that there had been an enemy attack. It was understood that the proposed legislation would be circulated by the Bureau of the Budget so that the Board and other agencies could make such comments as they desired.

During a discussion based on Mr. Vest's comments, he stated, in response to a question, that the revised draft of legislation contained no provision for war risk insurance. It was the view of the members of the Board that provision for such insurance was important and that if the draft circulated later by the Bureau of the Budget contained no such authority, the Board should consider commenting on that point.

Chairman Martin reported receipt of a letter from Senator Douglas, Chairman of the Congressional Joint Committee on the Economic Report, announcing a series of panel discussions on various matters covered in the President's Economic Report, including a discussion of monetary policies on Monday, January 31, 1955. The letter invited the Board to be represented on the panel that day and requested that the Board's representative submit a ten minute opening statement, of which copies should be sent to the Committee at least one day in advance.

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Chairman Martin suggested that Mr. Riefler, Assistant to the Chairman, be designated as the representative of the Board on the panel, with the understanding that a draft of Mr. Riefler's opening statement would be submitted to the Board in advance.

Chairman Martin's suggestion was approved unanimously.

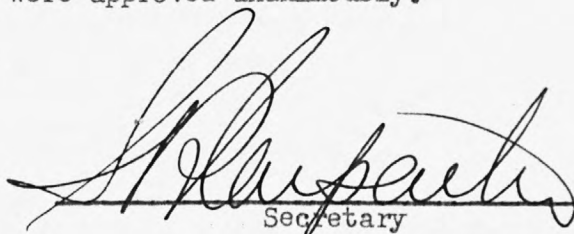
Chairman Martin then reported that Mr. Riefler had been invited to address a graduate economics seminar at the Massachusetts Institute of Technology in Cambridge, Massachusetts, on a date to be arranged by Mr. Riefler, probably during the month of February. He suggested that Mr. Riefler be authorized to accept the invitation.

This suggestion was approved unanimously.

Following an informal discussion of possible legal questions involved in the proposed merger of The Chase National Bank of the City of New York and Bank of the Manhattan Company, also of New York City, Governor Robertson asked if any of the members of the Board had any topics to suggest for discussion at the meeting on Monday, January 24, 1955, of the Standing Interagency Committee, consisting of representatives of the Federal and State bank supervisory agencies. No new topics were suggested.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 19, 1955, were approved unanimously.

The meeting then adjourned.


Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, January 25, 1955. The Board met in the Board Room at 10:15 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

The following matters, which had been circulated among the members of the Board, were presented for consideration and the action taken in each instance was as indicated:

Memoranda from appropriate individuals concerned recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective January 30, 1955:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Research and Statistics</u>		
Marjorie C. Capps, Clerk-Stenographer		\$3,495	\$3,575
Helen R. Dyer, Librarian		5,310	5,435
Edwin J. Swindler, Economist		5,310	5,435
	<u>Bank Operations</u>		
Rita D. Brinley, Clerk-Typist		3,030	3,110
Jean S. Glascock, Clerk-Stenographer		3,415	3,495
	<u>Examinations</u>		
Eugene W. Lowe, Assistant Federal Reserve Examiner		3,920	4,205

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Salary increases, effective January 30, 1955 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Examinations</u>		
John M. Poundstone, Assistant Federal Reserve Examiner		\$4,995	\$5,120
F. W. Troup, Review Examiner		9,160	9,360
	<u>Administrative Services</u>		
Charles E. Crowell, Chauffeur		3,230	3,310
	<u>Office of the Controller</u>		
John Kakalec, Accountant		5,185	5,310

Approved unanimously.

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

This refers to your letter of January 14, regarding the penalty of \$338.54 incurred by the Union National Bank of Lowell, Lowell, Massachusetts, on a deficiency of 5.6 per cent in its required reserves for the semi-monthly period ended December 31, 1954.

It is noted that during the holiday season the subject bank arranged with a local express service to deliver its cash letters and other deposits over the road; that the deficiency resulted from the bank's failure to include in these express shipments large drafts drawn on its Boston correspondent to transfer funds to the subject bank's reserve account; and that the bank has not been assessed a penalty in the last six years. It is assumed that the drafts were mailed and, as a consequence, the transfers to the bank's reserve account were delayed.

In the circumstances, the Board authorizes your Bank to waive assessment of the penalty in this case.

Approved unanimously.

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Letter to the Organization Committee, The Bank of Albion, Albion, Michigan, stating that subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago, effective if and when the bank opens for business under appropriate State authorization:

3. At the time of admission to membership, such bank shall have a paid-up and unimpaired capital stock of not less than \$200,000 and other capital funds of not less than \$150,000.

The letter also contained the following special paragraphs:

It appears that the bank will be authorized to exercise trust powers under its charter but that it does not intend to engage in such activities. Attention is invited to the fact that if the bank desires to exercise trust powers it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them.

Acceptance of the conditions of membership contained in ~~this~~ letter should be evidenced by a resolution adopted by the Board of Directors after the bank's Certificate of Authority to Commence Business has been issued. The Board of Directors should also adopt, at the same time, a resolution ratifying the action which has been taken in the bank's behalf in making application for membership in the Federal Reserve System. A certified copy of each resolution, together with advice of compliance with the provisions of condition numbered 3, should be transmitted to the Federal Reserve Bank of Chicago. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

Approved unanimously, together
with the following letter to Mr. Young,
President, Federal Reserve Bank of
Chicago:

The Board of Governors of the Federal Reserve System
approves the application made on behalf of The Bank of

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Albion, Albion, Michigan, for membership in the Federal Reserve System, effective if and when the bank opens for business under appropriate State authorization, subject to the conditions prescribed in the enclosed letter, which you are requested to forward to the Organization Committee of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner, State Banking Department, for the State of Michigan for his information.

Before issuing stock in the Federal Reserve Bank of Chicago to the new institution, you are requested to satisfy yourself that a Certificate of Authority to Commence Business has been issued, and that its capital stock of \$200,000 has been paid-in and not less than \$150,000 of other capital funds have been provided. At such time your Counsel should review all steps taken in the organization of the bank with special consideration being given to the Articles of Incorporation, since they were not submitted to the Board. All certified copies of all organization papers and resolutions adopted by the board of directors should be forwarded to the Board, together with a copy of Counsel's opinion.

In order to eliminate any possible later misunderstandings, the Board would like to receive copies of all proposed organization papers, including Articles of Incorporation, in all applications for membership on behalf of organizing banks.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

Reference is made to your letter of January 14, 1955, submitting the request of the Security Bank, Lincoln Park, Michigan, for a further extension of time within which to establish a branch at Northline Road and Dix-Toledo Road in Southgate, Ecorse Township, Wayne County, Michigan.

The Board concurs in the Reserve Bank's recommendation and extends to May 9, 1955, the time within which the Security Bank may establish the branch, provided a similar extension of time is granted by the State Banking Department. It is indicated that the pending litigation with respect to the establishment of this branch will be concluded in the near future, and it is assumed that the branch will not be established until the litigation is settled in such a manner that will conclusively permit the branch to be legally established.

Approved unanimously.

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Letter to the Board of Directors, California Bank, Los Angeles, California, reading as follows:

Pursuant to your request, submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch by California Bank in the vicinity of the intersection of Washington and Rosemead Boulevards, an unincorporated area, Los Angeles County, California, provided the branch is established within one year from the date of this letter.

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

Letter to the Board of Directors, Bank of Las Vegas, Las Vegas, Nevada, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch in the vicinity of the intersection of Main Street and College Avenue, North Las Vegas, Nevada, by Bank of Las Vegas, provided additional capital funds of not less than \$500,000 is supplied as required by the Superintendent of Banks of the State of Nevada and the branch is established within one year from the date of this letter.

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

Letters to the Comptroller of the Currency, Treasury Department, Washington, D. C., (Attention: Mr. L. A. Jennings, Deputy Comptroller of the Currency), reading as follows:

Reference is made to a letter from your office dated August 17, 1954, enclosing photostatic copies of an application to organize a national bank at East Rochester, New York, and requesting a recommendation as to whether or not the application should be approved.

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A report of investigation of the application made by a representative of the Federal Reserve Bank of New York and covering the factors usually considered in connection with such applications indicates that the proposed capital structure of the bank would be adequate for the first few years of operation. However, the successful operation of the bank seems problematical; definite arrangements have not been made to insure adequate management, and the need for additional banking facilities in the area is questionable. In view of these unfavorable factors, the Board of Governors is of the opinion that the application should not be approved at this time.

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.

Reference is made to a letter from your office dated December 16, 1954, enclosing photostatic copies of an application to convert the First Bank of Biloxi, Mississippi, into a national banking association and requesting a recommendation as to whether or not the application should be approved.

Information obtained from the Federal Reserve Bank of Atlanta with respect to the factors usually considered in connection with such applications indicates that the financial history of this bank is not very impressive; that the present capital structure is barely adequate; and that future earnings prospects might be satisfactory if the bank is properly managed. In this connection it is indicated that the present management of the bank is in need of strengthening. It is apparent that the bank provides a needed service in the community and, assuming that the question of adequacy of management will be resolved to your satisfaction, the Board of Governors recommends approval of the application.

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.

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

Your wire January 20. Board approves an extension of the arrangement to make loan or loans by your Bank to the Bank for International Settlements not to exceed \$25 million in the aggregate at any one time outstanding on the following terms and conditions:

A. Each such loan or loans to be made up to 98 per cent of the value of gold bars to be set aside at the time of each drawing under pledge to you.

B. Each such loan to run for a period of not more than seven days.

C. Each such loan to bear interest from the date it is made until paid at the discount rate of your Bank in effect on the date such loan is made.

D. The loan arrangement to expire on April 30, 1955.

It is understood that the usual participation will be offered to the other Federal Reserve Banks.

Approved unanimously.

Memorandum from Mr. Carpenter dated January 18, 1955, submitting a proposed letter to Mr. Richard M. Berg of the Program Analysis Office, National Science Foundation, which would transmit data with respect to certain positions on the Board's staff that are "not graded" to supplement the information sent to the National Science Foundation with the Board's letter of January 10, 1955.

The letter to Mr. Berg was approved unanimously.

Prior to this meeting there had been circulated to the members of the Board a draft of letter to Mr. Sam Strauss, President, Pfeifers of Arkansas, Little Rock, Arkansas, accepting his resignation as a director of the Little Rock Branch of the Federal Reserve Bank of St. Louis, effective January 31, 1955, because of his anticipated association with a commercial bank as a director.

Following suggestions by Governor Balderston for changes in the draft, unanimous approval

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was given to the letter in the following form:

Your letter of January 15, in which you submit your resignation as a director of the Little Rock Branch of the Federal Reserve Bank of St. Louis, because of your anticipated association with a commercial bank, has been brought to the attention of the Board of Governors and in the circumstances the Board reluctantly has accepted your resignation, effective January 31, 1955. In taking this action, the members of the Board requested me to convey to you their appreciation of the contribution you have made to the Federal Reserve System through your service as a Branch director.

The comments contained in your letter with respect to your association with the Federal Reserve System are most gratifying, and the Board trusts that you will continue to maintain an active interest in the System and its problems.

Your suggestion of Mr. Louis Rosen, of the insurance firm of Williams and Rosen, as a possible choice for the vacancy on the Board of Directors of the Little Rock Branch resulting from your resignation is appreciated. His name will have consideration along with others before the Board when the selection of your successor is taken up.

Reference was made to the following telegram to the Presidents of all Federal Reserve Banks which was sent yesterday with the approval of the available members of the Board:

Following wire of Thursday, in view of changes that are taking place in money markets, and the close connection between the current high level of real estate and construction activities and the situation in credit and security markets in general, it would be helpful to have up-to-date information on current developments in the real estate and mortgage markets. Therefore, the Board will appreciate it if you will interview a few lenders and builders in your District (perhaps reinterviewing some of those you talked to last July and August), along the lines suggested by the appended questions.

It would be desirable to direct questions to as many different types of lenders -- originating and secondary --

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and builders as is necessary to secure a balanced picture in your District. The survey should be confined, however, to residential building and financing, omitting commercial, industrial, and utility construction. We should prefer to have your interpretations and evaluations of answers rather than the detailed answers themselves, and you may find it advisable to distinguish between the answers of national and of local lenders. Your replies should be scheduled to reach the Board's offices by Wednesday, February 16.

Suggested Questions for Lenders

1. Do you plan to invest more or less in mortgages in 1955 than in 1954? If more, will this require sale of other investments or special arrangements such as warehousing of mortgages? With whom would you make such arrangements if they prove necessary?
2. What are typical terms with respect to down payments, maturities and interest rates on FHA, VA, and conventional mortgages now being closed on new houses? How do current terms on these mortgages compare with those on mortgages closed 6 months ago, and a year ago?
3. Official figures for the country as a whole suggest that quite a lot of new houses built with FHA and VA inspection are being sold with conventional mortgages. Is this the case in your experience? If so, what is the explanation? Does it reflect a special effort on the part of lenders to have the buyers take conventional loans? Are the terms and settlement costs on conventional loans more attractive to the buyers? Does it reflect an effort on the part of builders to be in a position to offer a variety of financing arrangements to buyers?
4. Are you making take-out commitments to builders for future loans on about the same or different terms as for current loans? Do you require take-out commitments before you make construction loans? Is much building going on without take-out commitments?

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5. Is the market for old houses stronger or weaker than 6 months ago? A year ago? What factors account for any change? How is the state of the market for old houses influencing sale of new houses and plans of builders for 1955?
6. What are typical terms with respect to down payments, maturities, and interest rates on FHA, VA, and conventional loans now being closed on old houses? How do current terms on these mortgages compare with those on mortgages closed 6 months ago, and a year ago? To what extent are you making FHA loans on old houses on the liberalized terms permitted under the new Housing Act? Has there been any appreciable change in the proportion of cases in which sellers of old houses take back second mortgages from the buyers? How much of the price is typically covered by the second mortgage in such cases? Is there a market for such mortgages, and if so where, and what are the terms?

Suggested Questions for Builders

1. How does the number of houses you plan to build this year compare with the number you built last year? Will they be in the same or a different price class?
2. Are you seeking advance commitments from lenders? If so, are there any differences in lenders' requirements now compared with 6 months ago, and a year ago? Has there been any change in discounts on FHA and VA loans in this period?
3. Are the credit terms on which you are selling houses any different from what they were 6 months ago, and a year ago? If so, in what respects? Are second mortgages involved more or less frequently than 6 months ago, and a year ago? What proportion of your houses, compared with 6 months ago, and a year ago are being sold with VA loans? Of these, how many (1) involve no down payment, and (2) carry 30 year maturities, and (3) both involve no down payment and run for 30 years?
4. What proportion of your houses built with FHA or VA inspection is being sold with conventional financing? Has this proportion changed appreciably in the past 6 months? In the past year? What factors seem to account for any change?

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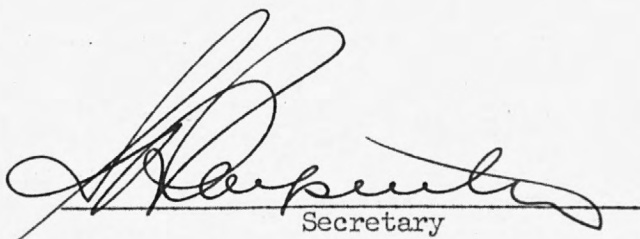
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5. Has the market for old houses changed appreciably in the past 6 months? In the past year? If so, how? Has this change influenced your sales? If so, how?

The action taken in sending the foregoing telegram was approved and ratified by unanimous vote.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 21, 1955, were approved unanimously.

The meeting then adjourned.



Secretary