

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, November 10, 1955. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Vardaman  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Fauver, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board

The following members of the staff of the Division of Research and Statistics also were present:

Mr. Garfield, Adviser on Economic Research  
Mr. Williams, Assistant Director  
Mr. Koch, Assistant Director  
Mr. Brill, Chief, Business Finance and Capital Markets Section  
Mr. Eckert, Chief, Banking Section  
Mr. Gehman, Chief, Business Conditions Section  
Mr. Miller, Chief, Government Finance Section  
Mr. Weiner, Chief, National Income, Moneyflows, and Labor Section  
Mr. Allen, Economist  
Mr. T. Smith, Economist  
Mr. Trueblood, Economist  
Mr. Wernick, Economist  
Mr. Wood, Economist

The representatives of the Division of Research and Statistics presented a review of business and credit developments. Following a discussion based on the review, Mr. Fauver and all of the members of the staff of the Research Division except Mr. Garfield withdrew from the meeting.

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There had been circulated to the members of the Board a memorandum from Mr. Carpenter dated November 3, 1955, recommending the appointment of Georgia R. Perry as Records Clerk in the Office of the Secretary, with basic salary at the rate of \$3,415 per annum, effective as of the date she assumes her duties.

Approved unanimously.

Messrs. Leonard, Director, and Horbett, Associate Director, Division of Bank Operations, entered the room at this point.

Prior to this meeting, there had been sent to the members of the Board copies of a draft of telegram to the Presidents of all Federal Reserve Banks requesting a second survey of mortgage warehousing loans and commitments for purposes of Chairman Martin's testimony before the Subcommittee on Housing of the Senate Banking and Currency Committee on November 28-29, 1955, and in order that current factual data might be available and thus avoid surmises and varied estimates.

The matter was considered from the standpoint of the desirability of obtaining current data in this field, particularly in view of the indicated interest on the part of the Senate Subcommittee on Housing, and from the standpoint of the heavy reporting burden imposed upon commercial banks by virtue of other surveys recently completed, now in progress, or scheduled for the near future.

Governor Mills withdrew from the meeting at this point to keep another engagement. Before leaving, however, he stated that although the

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information would be useful if it were assembled, its collection at the present time might stir up more trouble than would be warranted by the value of the data. He said that he sensed a feeling among bankers and investment people that if the Board should probe further, it would put a more severe light on the System's intentions than anything the Board presumably had in mind. Governor Mills went on to say that there were many different phases of mortgage warehousing, that the Board's concern was with mortgage warehousing involving the insurance companies, and that he would be concerned about doing anything that might "rock the boat".

In a further discussion, Mr. Horbett stated that it would be possible to get approximately 95 per cent dollar coverage by limiting the current request to about 150 or 200 banks rather than the 400 banks included in the first survey. It was also suggested that the fewer number of banks probably would find it much easier to furnish the requested data than the other institutions which are less active in the field of mortgage warehousing. In the circumstances, agreement was expressed that the survey coverage should be limited to the maximum extent possible consistent with obtaining reasonably accurate data.

There followed some discussion regarding clearance of the survey with the Bureau of the Budget during which Mr. Horbett stated reasons why he anticipated that such clearance could be obtained without delay. The discussion included reference to the legal requirements concerning clearance of proposed statistical surveys with the Bureau of the Budget and the

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applicability of such requirements to the Board of Governors. It was understood that Mr. Horbett would discuss this point further with Governor Robertson.

At the conclusion of the discussion, unanimous approval was given to a telegram to the Presidents of all Federal Reserve Banks in the following form:

Reourlet July 29, 1955, which requested data on "warehousing" loans and commitments as of August 10.

For purposes of Chairman's testimony before Subcommittee on Housing, Senate Banking and Currency Committee, on November 28-29, on the subject of Monetary Policy and Real Estate Markets, and in order that current factual data may be available and thus avoid surmises and varied estimates, it is most desirable that similar current data be obtained, but from a smaller number of banks and with omission of a good deal of the information previously called for. Specifically, items 1.1 and 2.1 on FHA and VA loans are not needed, nor year-ago comparative figures and call report item references requested in columns 2 and 3 of previous form.

The information now desired is the approximate amount as of Wednesday, November 16, of each sub-item of items 1, 2, 3, and 4 of the previous form. Reports need not be obtained from the weekly reporting banks that reported a total of less than one million dollars of such loans and commitments on August 10.

District summary figures of all items and sub-items in these reports, 1.a through 4.e inclusive, should be dispatched to arrive here not later than Tuesday noon, November 22. Individual bank reports not required by Board. Editing of reports at your Bank may be limited to tests for consistency with August 10 figures.

This telegram is being sent to you in advance of Budget Bureau clearance, anticipated on November 14, in order to enable you to make preparations. You will be advised of Budget Bureau action.

Governor Vardaman and Mr. Garfield withdrew from the meeting at this point.



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Governor Szymczak stated that an officer of the First National City Bank of New York had told him that the bank was contemplating an increase to 2 1/2 per cent in the rate of interest paid on savings deposits, that at present the bank followed the practice of compounding interest on a monthly basis, and that it had been noticed that the Board's Regulation Q, Payment of Interest on Deposits, specifies a maximum rate of interest of 2 1/2 per cent compounded quarterly. The question raised was whether the Board might grant permission to the bank to pay 2 1/2 per cent interest compounded on a monthly basis or, if not, how much time would be involved if the bank should make a request of the Board for a change in Regulation Q and the Board should decide to adopt such an amendment. Governor Szymczak said that members of the Legal Division had indicated to him that a period of several months probably would be involved before an amendment to the Regulation could become effective.

In a discussion of the matter, the opinion was expressed that there would seem to be no basis on which the Board could accede to a request from an individual bank for permission, under the terms of the present regulation, to pay 2 1/2 per cent interest compounded on a monthly basis. It was suggested that current circumstances and developments since the maximum rates of interest specified in Regulation Q were established might make it appropriate to have a general review of the maximum rates of interest now prescribed by the regulation.

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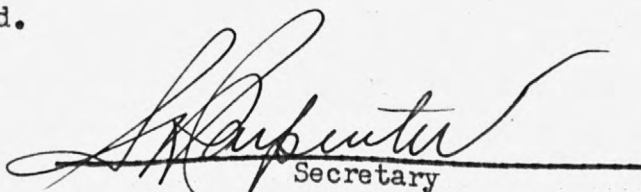
Chairman Martin suggested that Governor Szymczak be requested to supervise a review of the kind mentioned and present recommendations to the Board.

There was unanimous agreement with this suggestion.

Governor Robertson stated that the Office of Defense Mobilization had sent to the Board a proposed defense mobilization order having to do with responsibilities relating to finance and the banking system in the event of a national emergency and that he had sent a copy to the Chairman of the Special Committee on Emergency Operations of the Presidents' Conference in order to obtain the Committee's views and suggestions before presenting the matter to the Board of Governors. He said that the Chairman of the Special Committee, President Sproul, called him on the telephone and said that the Committee would like to meet with him following the meeting of the Federal Open Market Committee next Wednesday, November 16. Governor Robertson said he told Mr. Sproul that he would be glad to arrange such a meeting to obtain the Committee's views, which he would then present to the Board.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 9, 1955, were approved unanimously.

The meeting then adjourned.

  
Secretary