Minutes for April 4, 1960.

To: Members of the Board
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin
Gov. Szymczak
Gov. Mills
Gov. Robertson
Gov. Balderston
Gov. Shepardson
Gov. King
Minutes of the Board of Governors of the Federal Reserve System

on Monday, April 4, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Szymczak 1/
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research and Statistics
Mr. Koch, Adviser, Division of Research and Statistics
Mr. Landry, Assistant to the Secretary
Mr. Keir, Chief, Government Finance Section, Division of Research and Statistics

Money market developments. Messrs. Thomas and Keir presented a report on money market conditions, following which Messrs. Koch and Keir withdrew from the meeting and Messrs. Farrell, Director, Division of Bank Operations; Solomon, Director, Division of Examinations; Johnson, Director, Division of Personnel Administration; Hexter, Assistant General Counsel; and Miss Dingle, Chief, Consumer Credit and Finances Section, Division of Research and Statistics, entered the room.

Items circulated to the Board. The following items, which had been circulated to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

1/ Attended morning session only.
Letter to the Federal Reserve Bank of Dallas approving the appointment of James R. Benton as Assistant Federal Reserve Agent.

Letter to the Federal Reserve Bank of Dallas approving the appointment of Alex S. Bourdon as Federal Reserve Agent's Representative at the San Antonio Branch.

Letter to Mr. Yingling concerning S. 2755 (Item No. 3). There had been distributed a draft of letter to Mr. Yingling, Chief of Staff, Senate Banking and Currency Committee, replying to his letter of March 25, 1960, relating to a document entitled "State requirements for retail instalment sales contracts," which was inserted in the record of the Committee hearings on March 23, 1960, with respect to S. 2755, a bill to require the disclosure of finance charges in connection with extensions of credit. The draft letter to Mr. Yingling would transmit a tabulation of material that had been presented in the September 1959 issue of Time Sales Financing indicating in summary form the requirements of some 30 States with respect to items of information that must be disclosed by vendors or lenders in connection with retail instalment sales contracts. The transmittal letter would emphasize that the information in this tabulation did not originate with the Federal Reserve.

Mr. Shay suggested that since Chairman Martin would appear tomorrow morning before the Senate Committee on Banking and Currency to testify on S. 2755, it might be preferable not to send the proposed reply to Mr. Yingling today but instead to make it possible for the Chairman to hand the letter to Senator Douglas at the hearing tomorrow.
Following a discussion, unanimous approval was given to a letter for transmittal in the form of attached Item No. 3, with the understanding that it would not be sent until Chairman Martin had indicated whether he wished to present it when he appeared at the hearing on April 5.

Secretary's Note: The letter was transmitted to Mr. Yingling by Mr. Shay on April 5, 1960.

Testimony by Chairman Martin on S. 2755. There had been distributed a draft of testimony to be given Tuesday morning, April 5, 1960, by Chairman Martin before the Subcommittee on Production and Stabilization of the Senate Committee on Banking and Currency relative to S. 2755.

Mr. Noyes said that following the discussion at last Friday's meeting he had attempted to prepare a draft of testimony incorporating suggestions made at that time. If the Board so desired, additional material could be incorporated in the statement relating to the difficulties that would be encountered by any agency undertaking to administer legislation of the type envisaged by S. 2755.

Governor Mills observed that although he had not had the benefit of the Board's discussion at its meeting on Friday, the draft struck him as failing to discuss the merits of the bill sufficiently and as devoting a disproportionate amount of space to protesting that the Board was not qualified to administer any legislation that might be forthcoming in this area.

Governor Robertson agreed and suggested certain changes that might be made in the draft testimony to this end.
Mr. Noyes suggested that the best case the Board could present against being given the responsibility to administer legislation of this kind was that the bill did not require the exercise of judgment in the light of changing economic conditions, following which Governor Szymczak expressed the view that the testimony should: (1) express agreement with the fundamental objective of the bill; (2) contain some reference to the Board's experience with the administration of selective credit controls; and (3) indicate that regulation proposed under S. 2755 related not to credit conditions but to disclosure of interest charges.

Messrs. Thomas and Johnson withdrew from the meeting at this point.

Noting that he had endeavored to draft a shorter statement along the lines indicated by Governors Szymczak and Mills, Governor Balderston read his alternative draft. During discussion of it, Mr. Noyes observed that although 30 States have financial disclosure laws, relatively few require administration by some specified agency. He went on to say that of the two major provisions of the law, one requiring full disclosure of financial charges on extensions of credit to consumers and the other the translation of these charges into simple interest, the latter constituted the real difficulty.

Following further discussion, it was agreed that Governor Balderston would work with the staff on redrafting a statement to be presented by Chairman Martin tomorrow, with the understanding that when the revised draft had been prepared the Board would reconvene to consider it.
4/4/60

The meeting then recessed and reconvened at 4:00 p.m., with Vice Chairman Balderston and Governors Mills, Robertson, and Shepardson present. Messrs. Sherman, Young, Shay, Molony, Noyes, Solomon, Hexter, and Landry, and Miss Dingle also were present.

Pursuant to the understanding at the morning session, a revised draft of statement on S. 2755 to be presented on April 5, 1960, by Chairman Martin before the Subcommittee on Production and Stabilization of the Senate Banking and Currency Committee was considered. Further suggestions as to changes were made, and a statement in a form reflecting these suggestions was agreed upon, with the understanding that the statement would be presented in a final form satisfactory to Chairman Martin.

The meeting then adjourned.

[Signature]
Secretary
Mr. Robert J. Smith,
Chairman of the Board and
Federal Reserve Agent,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Smith:

In accordance with the request contained in your letter of March 24, 1960, the Board of Governors approves the appointment of Mr. James R. Benton as Assistant Federal Reserve Agent at the Federal Reserve Bank of Dallas to succeed Mr. Ernest G. Hudel.

This approval is given with the understanding that Mr. Benton will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Board of Governors.

When not engaged in the performance of his duties as Assistant Federal Reserve Agent, Mr. Benton 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.

It will be appreciated if Mr. Benton is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is noted from your letter that with the approval of Mr. Benton's appointment by the Board of Governors, he will execute the usual Oath of Office which will be forwarded to the Board of Governors together with advice as to the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Mr. Robert J. Smith,
Chairman of the Board and
Federal Reserve Agent,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Smith:

In accordance with the request contained in your letter of March 24, 1960, the Board of Governors approves the appointment of Mr. Alex S. Bourdon as a Federal Reserve Agent’s Representative at the San Antonio Branch to succeed Mr. W. R. Stockwell, effective April 1, 1960.

This approval is given with the understanding that Mr. Bourdon will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative, Mr. Bourdon may, with the approval of the Federal Reserve Agent and the Vice President in charge of the San Antonio Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Bourdon is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is noted from your letter that with the approval of Mr. Bourdon's appointment by the Board of Governors, he will execute the usual Oath of Office which will be forwarded to the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Mr. J. H. Yingling, Chief of Staff,
Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Yingling:

This is in response to your letter of March 25, relating to a document entitled "State Requirements for Retail Instalment Sales Contracts", which was inserted in the record of the hearings on March 23 with respect to S. 2755, a bill to require the disclosure of finance charges in connection with extensions of credit. Senator Douglas has requested that the Board of Governors prepare a table, similar in form to Table 17 of the Committee Print entitled "Consumer Credit Statistics", which would indicate in greater detail the requirements of the various States with respect to the several matters listed under the heading "Disclosure" in the above-mentioned document.

As you will recall, when the material later published in the Committee Print entitled "Consumer Credit Statistics" was furnished to you, it was pointed out that much of it was not the result of primary research and study but was compiled from a number of other sources, and was being made available in this form for use in connection with the Committee's consideration of the bill.

The information in the document entitled "State Requirements for Retail Instalment Sales Contracts" was derived, in the main, from a summary of State instalment regulatory laws published in the periodical Time Sales Financing (issue of September 1959), supplemented to a limited extent from other sources. Pursuant to your request, this information has been set up along the lines of Table 17 in the Committee Print entitled "Consumer Credit Statistics", showing the presence or absence of statutory provisions regarding disclosure of various items of information in each of the States listed.
Mr. J. H. Yingling

It is hoped that this tabulation will be of use to the Committee. Needless to say, however, the Board is not in a position to present it as accurate and up-to-date in all respects, and consequently it is requested that the tabulation not be presented to the Committee, or published, as a Federal Reserve product. It is probable that the tabulation is substantially correct, but it does not purport to cover legislation that may have been enacted, repealed, or amended in recent months. Furthermore, since a table of this type summarizes, with an "X", a provision that may be a long paragraph in the statute involved, differences in interpretation are almost inevitable.

If the Committee or its staff should desire to consult the chief source of this tabulation, it should be noted that the various categories follow generally those enumerated on page 4 of the September 1959 issue of *Time Sales Financing*, and the provisions of the various States on this matter are presented as item 4 of the summaries beginning on page 7 of that issue. As noted on that page, those summaries only outline the major aspects of these laws, and reference to the text of the particular law itself is recommended for complete details.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure