The Voluntary Credit Restraint Committee, at its meeting on April 18, 1951, in considering the functioning of the Program to date, discussed the matter of financing for capital expenditures and unanimously adopted the following statement.

American business concerns are currently planning to spend, and are spending, record sums for the enlargement and modernization of their facilities. According to a recent survey of business plans, outlays for new plant and equipment during 1951 may total 24 billion dollars, an increase of 29 per cent from the 1950 level, nearly one-fourth greater than the previous peak expenditure of 19.2 billion in 1948, and three times the dollar expenditures in 1941. ¹

This huge expenditure for capital investment bids fair to exceed the total amount of savings, both corporate and individual, for the next twelve months. Perhaps some substitution of bank credit for savings will be necessary. But at a time like the present when materials and labor are scarce, it becomes imperative, if we desire to curtail inflationary forces, that great care be exercised by financing institutions participating in the Voluntary Credit Restraint Program in extending credit for investment purposes where such an extension does not tend to increase output essential for the defense program.

In nondefense industry, business savings, if not spent on plant and equipment, could be used as working capital to meet payrolls, carry inventories, and finance accounts of buyers of their products. This would reduce the need for bank loans and other credit.

Roughly half of the anticipated capital expenditures of business concerns during 1951 may be classed as defense or defense supporting, with emphasis on the latter. Included in these categories are expansion of basic productive capacity in such manufacturing industries as steel, aluminum, and petroleum; additions to electric power generating and transmission facilities; and the purchase of additional rolling stock by the railroads. Every effort should be made to assure availability of materials, equipment, and financing essential to the completion of these projects.

On the other hand, approximately half of the capital expenditures planned by business for 1951 falls in a more or less indeterminate class so far as their relationship to the defense effort is concerned. Some are clearly nonessential and deferrable, while others border closely on the defense-supporting area. There is, for example, the 5.4 billion dollar capital expenditure anticipated by the commercial and miscellaneous group, a large part of which could undoubtedly be postponed without detriment to the defense effort and in the interest of reducing inflationary pressures and conserving labor and materials. Limitations on construction of specific types and governmental restrictions and allocations of materials should play a large part in curtailing some business plans for capital expenditures and in eliminating others. Thus the responsibility of financing institutions will be limited to those cases whose essentiality has not been predetermined by Government agencies.

Since it may be difficult in individual cases to differentiate essential from nonessential capital expenditures, as well as those which it would be desirable to postpone in the interest of longer run economic stability, certain tests are suggested to financing institutions cooperating in the Voluntary Credit Restraint Program in making financing decisions. Among the nonessential uses of long-term financing that in the judgment of the Committee might be postponed to a more propitious time are those for such purposes as:

(1) Construction of facilities to improve the competitive position of an individual producer of nonessential goods.

(2) Expansion and modernization expenditures of concerns in distribution or service lines where

¹ The survey referred to is that of the U. S. Department of Commerce and the Securities and Exchange Commission.
VOLUNTARY CREDIT RESTRAINT RELEASES

the distribution or service is not defense supporting.

(3) Expansion and modernization programs for the manufacture of consumer goods not related to the defense effort.

STATEMENT OF VOLUNTARY CREDIT RESTRAINT COMMITTEE
APRIL 24, 1951

The National Voluntary Credit Restraint Committee has announced the following appointment and designations relative to the regional commercial banking committees:

Mr. Walter S. Bucklin, President, The National Shawmut Bank of Boston, Boston, Massachusetts, has been designated Chairman of the First District Commercial Banking Voluntary Credit Restraint Committee, succeeding Mr. Charles E. Spencer, Jr., Chairman of the Board, The First National Bank of Boston, Boston, Massachusetts, who was forced to resign his membership on the Committee for reasons of health.

Mr. George Champion, Senior Vice President, The Chase National Bank of the City of New York, New York, New York, has been designated Vice Chairman of the Second District Commercial Banking Voluntary Credit Restraint Committee.

Mr. J. Finley McRae, President, The Merchants National Bank of Mobile, Mobile, Alabama, has been designated Vice Chairman of the Sixth District Commercial Banking Voluntary Credit Restraint Committee.

Certain amendments to the Program for Voluntary Credit Restraint were recently suggested by the Voluntary Credit Restraint Committee to the Board of Governors of the Federal Reserve System and were approved by the Board. The Board consulted with the Attorney General and the Chairman of the Federal Trade Commission regarding these amendments, and the Attorney General, by letter dated April 18, 1951, has approved a request of the Board to all financing institutions to act in accordance with the Program as thus amended. All of the changes except one are of a procedural character and do not modify the Statement of Principles. The last change is a slight modification of one of the paragraphs in the Statement of Principles.

There is attached a memorandum showing the changes which were made in the Program by these amendments.

AMENDMENTS TO PROGRAM FOR VOLUNTARY CREDIT RESTRAINT

The following amendments, suggested by the Voluntary Credit Restraint Committee, were approved by the Attorney General on April 18, 1951. Accordingly, on April 20, 1951, the Board of Governors issued its Request under Section 708 of the Defense Production Act of 1950 to financing institutions that they act pursuant to the Program for Voluntary Credit Restraint as amended.

1. Strike out the fifth sentence of Paragraph 1 of the Procedure for Implementing the Program beginning "In selecting and appointing" and insert in lieu thereof two new sentences reading as follows:

"The Board may appoint one or more alternates from each group to serve on the Committee in case of the absence of a member or members of the Committee representing such group. In selecting and appointing the members of the Committee and alternates, the Board shall have due regard to fair representation thereon for small, for medium and for large financing institutions, and for different geographical areas."

2. At the end of Paragraph 1 of the Procedure for Implementing the Program, insert the following new sub-paragraphs:

"(d) Issue bulletins or memoranda from time to time to the subcommittees or to financing institutions regarding general matters relating to the Program and related credit problems, including statements implementing or clarifying the Statement of Principles, and describing the types of credits which, in the Committee's opinion should or should not be regarded as proper under the terms of the Program.

"(e) Request the chairman of the Committee to designate an employee of the Board of Governors to serve as secretary. Such secretary, in consultation with the chairman of the Committee, is authorized to conduct correspondence on behalf of..."
the Committee in conformity with actions taken by
the Committee within the scope of the Program.”

3. At the end of Paragraph 2 of the Procedure for Implementing the Program, insert the following paragraph:

“The chairman of each subcommittee will be designated by the Committee and in the absence of such chairman, the subcommittee may elect an acting chairman from among its members. The Committee may appoint one or more alternates to serve at the request of the chairman of a subcommittee in case of the absence of a member or members of the subcommittee. The Federal Reserve

POSTPONEMENT OF STATE AND LOCAL GOVERNMENT BORROWING

Following is the text of a letter sent by Charles E. Wilson, Director, Office of Defense Mobilization, to the Governors of all States, the Mayors of principal cities, and financial officials of counties and other political subdivisions. The letter was released simultaneously with a bulletin of the Voluntary Credit Restraint Committee on postponement of State and local government borrowing.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
WASHINGTON 25, D. C.

May 7, 1951

To: governors of all states
mayors of major cities
financial officials of principal counties
and other political subdivisions:

Gentlemen:

Control of inflation is vital to national defense. The national defense outlay will grow monthly to a peak in 1952 or later. It will take a steadily increasing share of our country’s production and absorb a growing portion of its manpower during this period. Thus, to avoid a runaway rise in prices, it is vital that all practicable steps be taken to reduce other demand for goods and labor at this time.

I am writing to you as the leader of a great municipality to enlist your support and the understanding and cooperation of your constituents in this objective which is second only to adequate defense to the future well-being of our people.

MAY 1951 497
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http://fraser.stlouisfed.org/
It is my earnest request that, during the defense emergency, every State and municipal borrowing of 1 million dollars or over receive the approval of one of these committees before being consummated either by a single lender or by public sale. Unprecedented as this request may be, your patriotic cooperation will be a major contribution to the future welfare of our country. No one could have a higher aim.

Sincerely,
(Signed) CHARLES E. WILSON,
Director

BULLETIN NUMBER 3 OF THE VOLUNTARY CREDIT RESTRAINT COMMITTEE

The Voluntary Credit Restraint Committee, at its latest meeting on May 3, 1951, discussed the matter of credits to State and local governments and unanimously adopted the following statement:

In 1951 State and local debt outstanding has reached an all-time high approaching 22 billion dollars. Since Korea nearly 2 billion dollars of public securities have been sold to raise new money.

To curb inflation in 1951 every segment of the economy, public and private, must reduce expenditures wherever possible. Financing institutions participating in the Voluntary Credit Restraint Program should carefully screen loans to State and local governments as well as loans to other borrowers. Expansion programs that under normal conditions would be financed without hesitation should be critically examined. Ordinary government as well as private expenditures should be met largely out of current revenue rather than financed by new borrowing. If not urgently needed for preservation of public health and safety or for purposes directly related to defense, public works should be deferred.

Long-term borrowing. Projects for expanding or modernizing municipally owned facilities constitute the major demand for public capital borrowing. Roads, schools, water systems, drainage and sewage projects and the like are the principal purposes. In the majority of cases local governments can borrow only on the approval of the electorate, which means that long periods intervene between first proposals and final financing. In many cases funds were authorized some time ago to finance projects that are just being put under way or which will be started shortly. Some projects which had voter approval before Korea are turning out to be underfinanced at present prices and may require additional financing if they are carried forward on the basis of original plans. Examination of these plans might eliminate nonessential features and avoid more borrowing.

It is sometimes difficult in individual cases to differentiate essential from nonessential expenditures and to sort out those programs which should be undertaken immediately from those which it would be desirable to postpone. Therefore, certain tests are suggested to financing institutions cooperating in the Voluntary Credit Restraint Program to be used in arriving at financing decisions in discussions with municipal authorities.

Soldiers' bonus issues are inflationary under today's conditions. They add to the spending power of the public through the creation of credit. It would seem desirable to postpone such issues until a time when immediate purchasing power is needed to counteract unemployment and when it might be more beneficial to the veteran.

Among the types of State and local government capital outlays for which, in the judgment of the Committee, the financing should be postponed are:

1. Replacement of any existing facilities that can continue to perform their function during the emergency period.
2. Construction of facilities of the types not recommended by the Defense Production Administration—such as recreational facilities and war memorials.
3. Acquisition of sites or rights-of-way not immediately needed.
4. Purchase of privately owned utilities by municipalities, which involves borrowing to replace equity capital.

Short-term indebtedness. Lenders are urged to encourage local governments to balance operating budgets and thus to avoid any deficit borrowing.

Borrowing in anticipation of taxes or other revenues should be held to the minimum amounts and periods required for operation of State and local governments. Such borrowing should be discouraged if it exceeds reasonable expectations of revenues, since there is always the danger that deficits may thus be concealed.

Temporary borrowing for capital purposes, unless anticipating current revenues, should be judged by the standards specified above for long-term capital loans.

FEDERAL RESERVE BULLETIN
VOLUNTARY CREDIT RESTRAINT RELEASES

Advance clearance of large issues. Regional committees have been established for consultation as to whether or not pending financing is consistent with the principles of the Voluntary Credit Restraint Program.

The Committee recognizes that the established procedure for origination and bidding on public issues of State and local governments differs from other types of financing. We are advised that for this reason Defense Mobilization Director Wilson has requested public bodies to submit financing of 1 million dollars or more to these regional committees for a ruling as to conformance with the Program before negotiation of private sale or advertising for public sale.

Financing institutions are requested to cooperate in this matter by not participating in the public or private sale or purchase of such securities unless the issue involved has been cleared by the proposed issuer, or as the result of an application for a ruling by the financing institution itself. All such transactions, regardless of size, should be screened by the financing institutions in accordance with the Statement of Principles of the Program, and may be referred to the regional committees if the financing institutions so desire.

The regional committees available to consider these transactions are the investment banking regional committees as follows:

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<tr>
<th>Committee</th>
<th>Chairman</th>
<th>Territory</th>
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<tbody>
<tr>
<td>Mid-Western</td>
<td>D. Dean McCormick, McCormick &amp; Co., 231 S. LaSalle St., Chicago 4, Illinois.</td>
<td></td>
</tr>
<tr>
<td>Southwestern</td>
<td>John H. Rauscher, Rauscher, Pierce &amp; Co. Mercantile Bank Bldg., Dallas 1, Texas.</td>
<td></td>
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<tr>
<td>Western</td>
<td>Frank F. Walker, Dean Witter &amp; Co., 45 Montgomery St., San Francisco, Calif.</td>
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May 7, 1951.

STATEMENT OF VOLUNTARY CREDIT RESTRAINT COMMITTEE
MAY 10, 1951

The Board of Governors of the Federal Reserve System has approved the expansion of the membership of the Voluntary Credit Restraint Committee to include two representatives each of mutual savings banks and savings and loan associations and has appointed the following as members of the Committee to represent these groups:

**Mutual Savings Banks**
Harry Held, Vice President, Bowery Savings Bank, New York, New York
Robert M. Morgan, Vice President and Treasurer, The Boston Five Cents Savings Bank, Boston, Massachusetts

**Savings and Loan Associations**
M. K. M. Murphy, President, Boiling Springs Savings and Loan Association, Rutherford, New Jersey
W. H. Walker, President, First Federal Savings and Loan Association, Miami, Florida

The following appointments and designations affecting the membership of regional committees have been announced by the Voluntary Credit Restraint Committee:

**First District Commercial Banking Voluntary Credit Restraint Committee**
John E. Toulmin, Senior Vice President, The First National Bank of Boston, Boston, Massachusetts, has been appointed a member of the Committee and has been designated as Vice Chairman.

**Second District Commercial Banking Voluntary Credit Restraint Committee**
The following have been appointed alternate members of the Committee:
Walter E. Dennis, Vice President, The Chase National Bank of the City of New York, New York, New York
J. L. Hockenos, Vice President, Lincoln Rochester Trust Company, Rochester, New York
Edward Schickhaus, Vice President, Fidelity Union Trust Company, Newark, New Jersey

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Francis A. Smith, Vice President, The Marine Trust Company of Buffalo, Buffalo, New York
R. G. Coombe, Vice President, Central Hanover Bank and Trust Company, New York, New York

Fifth District Commercial Banking Voluntary Credit Restraint Committee
John S. Alfriend, President, National Bank of Commerce, Norfolk, Virginia, has been appointed an alternate member of the Committee.

Ninth District Commercial Banking Voluntary Credit Restraint Committee
The following have been appointed alternate members of the Committee:
E. C. Brown, Senior Vice President, The First National Bank of Saint Paul, Saint Paul, Minnesota
Wendell T. Burns, Vice President, Northwestern National Bank, Minneapolis, Minnesota
Emmons W. Collins, Vice President, First and American National Bank of Duluth, Duluth, Minnesota
Gordon Murray, Vice President, First National Bank of Minneapolis, Minneapolis, Minnesota

Eastern Investment Banking Voluntary Credit Restraint Committee
T. Jerrold Bryce, of Clarke, Dodge & Company, 61 Wall Street, New York, New York, has been designated as Vice Chairman of the Committee.

The following have been appointed alternate members of the Committee:
J. Emerson Thors, Kuhn, Loeb & Co., 52 William Street, New York, New York
William M. Rex, Clarke, Dodge & Co., 61 Wall Street, New York, New York
Belmont Towbin, C. E. Unterberg & Co., 61 Broadway, New York, New York
Joshua A. Davis, Reynolds & Co., 120 Broadway, New York, New York

Mid-Western Investment Banking Voluntary Credit Restraint Committee
Robert E. Simond, of Halsey, Stuart & Co., Inc., 123 South LaSalle Street, Chicago, Illinois, has been appointed a member of the Committee.

Eastern Insurance Voluntary Credit Restraint Committee
Frederick W. Ecker, Executive Vice President, Metropolitan Life Insurance Company, New York, New York, has been designated as Vice Chairman of the Committee.

Mid-Western Insurance Voluntary Credit Restraint Committee
Willard N. Boyd, Vice President, Continental Assurance Company, Chicago, Illinois, has been designated as Chairman of the Committee replacing Robert B. Richardson, President, Western Life Insurance Company, Helena, Montana, who has resigned as Chairman but will continue as a member of the Committee.

The following have been appointed members of the Committee:
Robert B. Patrick, Financial Vice President, Bankers Life Company, Des Moines, Iowa
Howard J. Tobin, Vice President, The Northwestern Mutual Life Insurance Company, Milwaukee, Wisconsin

West Coast Insurance Voluntary Credit Restraint Committee
Harry J. Stewart, President, West Coast Life Insurance Company, San Francisco, California, has been designated as Chairman of the Committee replacing Asa V. Call, President, Pacific Mutual Life Insurance Company, Los Angeles, California, who has resigned as Chairman but will continue as a member of the Committee.

At the request of its members the name of the West Coast Investment Banking Voluntary Credit Restraint Committee has been changed to Western Investment Banking Voluntary Credit Restraint Committee.
The Voluntary Credit Restraint Committee, at its meeting on June 6, 1951, discussed the application of the principles of the Voluntary Credit Restraint Program in the field of real estate credit and adopted the following statement:

Real estate credit transactions governed by Regulation X, which covers the permanent financing of most new construction and major additions or improvements to existing structures, are not normally within the area of influence of this Voluntary Program. Neither does the Program apply to FHA or VA loans or to other loans guaranteed or insured or authorized as to purpose by an agency of the United States Government. The Program does apply, however, to all other real estate credit transactions. Financing institutions extending such credit are urged to observe the principles and the spirit of the Program.

For the guidance of financing institutions in granting real estate credit encompassed by the Voluntary Program, the National Committee makes the following recommendations:

1. Loans on residential property (one- to four-family units). The Committee has been informed that most financing institutions are following conservative lending policies on existing residential properties (one- to four-family units). The Committee urges all financing institutions to follow such policies and in no case to make a loan on existing property in an amount which would cause the total amount of credit outstanding (primary and all other credit combined) with respect to the property or with respect to the transaction to exceed the limits which Regulation X imposes as to new construction.

2. Loans on agricultural property. While the Committee recognizes that in some instances a loan on agricultural property may be in effect a loan on residential property, the Committee feels that normally such a loan falls in the category of a loan on commercial property (see Section 3 below), and the lender should be guided by the recommendations of that section as to over-all credit limits and purposes.

3. Loans on residential property (more than four-family units) and on commercial property. Loans on residential property (more than four-family units) and loans on commercial property, such as office buildings, stores, hotels, motels, motor courts, restaurants, etc., should be screened as to purpose and the loan should not be made unless it is in harmony with the principles of the Program. If the loan is to be made in connection with a sale of commercial or residential property a determination by the financing institution that the sale and the sale price are bona fide may constitute a sufficient screening of the loan. The Committee conceives that it is not the function of the Voluntary Credit Restraint Program to make the transfer of real estate impossible or impracticable, but rather to reduce inflationary pressures by limiting the amount of additional credit created in the process of real estate transfer.

Financing institutions are urged to limit a loan, on any type of property described in this section, whether or not a sale is involved, to an amount which would not cause the total amount of credit outstanding with respect to the property or with respect to the transaction to exceed 66²/₃ per cent of the fair value of the property. Also, the Committee urges that financing institutions require an appropriate and substantial amortization of principal.

The Committee recognizes that hard-ship cases

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1 If the facts are not already known, the financing institution presumably will want to request the borrower to furnish information as to any other indebtedness or credit existing or contemplated in connection with the transaction.

2 “Fair value” as used here means: 1. If the loan is to be made to finance the purchase of real property: the bona fide sale price, or the appraised value of the property securing the loan, whichever is lower; 2. In all other cases: the appraised value of the property securing the loan.

The appraised value should be determined in accordance with sound and established practice in the community. A good definition of “bona fide sale price” is given in Section 2(i) of Regulation X.
VOLUNTARY CREDIT RESTRAINT RELEASES

may arise where a 66\(\frac{2}{3}\) per cent loan limitation would not be sound or equitable. Such cases would include a loan to finance the sale of property to close an estate or to pay estate taxes, the refinancing of a maturing mortgage, or the sale of property of a bankrupt company. The Committee makes no recommendation in such cases.

4. Loans on industrial property. Loans on industrial property should be screened as to purpose whether or not the loan is to be made in connection with a sale of real property. In this instance, however, there appears to be no need for a percentage limitation on the amount of the loan, since in the industrial field mortgage security usually is merely one of the factors considered by the lender in determining whether to make the loan and often bears comparatively little relation to the amount of the loan.

5. Sale-lease back arrangements. The Committee also urges financing institutions to recognize that in most instances a "sale-lease back" arrangement, whereby real property is purchased by a financing institution and leased to the vendor or his nominee, is a substitute for a form of financing and therefore comes within the Program and should be screened as to purpose.

STATEMENT OF VOLUNTARY CREDIT RESTRAINT COMMITTEE REGARDING CHANGES IN REGIONAL COMMITTEES, JUNE 15, 1951

The Board of Governors of the Federal Reserve System has appointed Mr. J. Lawrence Pagen, Vice President and Treasurer of Blyth & Co., Inc., New York, New York, an alternate member of the Voluntary Credit Restraint Committee to serve in the absence of Mr. Lee M. Limbert of the same firm.

The Voluntary Credit Restraint Committee announces the appointment of Mr. Otto N. Frenzel, President, Merchants National Bank of Indianapolis, Indianapolis, Indiana, as a member of the Seventh District Commercial Banking Voluntary Credit Restraint Committee to fill an existing vacancy.

To facilitate the work of the Program in the Seventh and Eighth Federal Reserve Districts, the Voluntary Credit Restraint Committee has approved the establishment of regional committees to serve the State of Iowa, the State of Michigan (excluding that portion of the State which lies within the Ninth Federal Reserve District), and the Little Rock Branch territory of the Federal Reserve Bank of St. Louis. Under this arrangement the Seventh and Eighth District Commercial Banking Committees will continue to serve all other areas within their respective Districts. The three new regional committees will have equal status with all other regional committees. The names of these Committees and the members thereof follow:

Michigan Regional Commercial Banking Voluntary Credit Restraint Committee
Donald F. Valley, Chairman, General Vice President, National Bank of Detroit, Detroit, Michigan
Milton J. Drake, Vice President, The Detroit Bank, Detroit, Michigan
Arthur J. Fushman, Vice President, The Manufacturers National Bank of Detroit, Detroit, Michigan
E. W. Potter, Executive Vice President, Citizens Commercial and Savings Bank, Flint, Michigan
Heber W. Curtis, Chairman of the Board, Old Kent Bank, Grand Rapids, Michigan
C. H. Kleinstuck, President, First National Bank & Trust Co., Kalamazoo, Michigan
H. J. Chalfont, Vice President, Federal Reserve Bank of Chicago, Detroit, Michigan

Iowa Regional Commercial Banking Voluntary Credit Restraint Committee
E. F. Buckley, Chairman, President, Central National Bank and Trust Co., Des Moines, Iowa
H. J. Stuhlmiller, President, State Savings Bank, Fontanelle, Iowa
C. L. Fredericksion, President, Live Stock National Bank, Sioux City, Iowa
Frank C. Welch, President, Peoples Bank and Trust Company, Cedar Rapids, Iowa
W. H. Brenton, President, Brenton State Bank, Dallas Center, Iowa
Albert J. Robertson, Senior Vice President, Iowa-Des Moines National Bank, Des Moines, Iowa
V. O. Figge, President, Davenport Bank and Trust Co., Davenport, Iowa

Little Rock Regional Commercial Banking Voluntary Credit Restraint Committee
James H. Penick, Chairman, President, Worthen Bank and Trust Co., Little Rock, Arkansas

July 1951
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Harvey C. Couch, Jr., President, Union National Bank, Little Rock, Arkansas
A. E. McLean, President, The Commercial National Bank of Little Rock, Little Rock, Arkansas
J. V. Satterfield, Jr., President, Peoples National Bank, Little Rock, Arkansas
Henry O. Topf, President, The Twin City Bank, North Little Rock, Arkansas
C. M. Stewart, Vice President, Federal Reserve Bank of St. Louis, Little Rock, Arkansas

The following appointments and designations affecting the membership of regional committees also are announced:

First District Commercial Banking Voluntary Credit Restraint Committee

The following have been appointed alternate members of the Committee:
George E. Pierce, Senior Vice President, The National Shawmut Bank of Boston, Boston, Massachusetts
Roger C. Damon, Vice President, The First National Bank of Boston, Boston, Massachusetts
John N. Eaton, Vice President, Merchants National Bank of Boston, Boston, Massachusetts
Rupert C. Thompson, Jr., Executive Vice President, Providence Union National Bank and Trust Company, Providence, Rhode Island
Samuel S. Rodman, Vice President, The Hartford-Connecticut Trust Company, Hartford, Connecticut
Frederick J. Olson, Vice President, First Portland National Bank, Portland, Maine
Earle O. Latham, Vice President, Federal Reserve Bank of Boston, Boston, Massachusetts

Third District Commercial Banking Voluntary Credit Restraint Committee

The following have been appointed alternate members of the Committee:
E. L. Worstell, Vice President, Philadelphia National Bank, Philadelphia, Pennsylvania
Donald Horsey, President, First National Bank, Conshohocken, Pennsylvania
O. H. Perry Baldwin, President, Farmers Bank of the State of Delaware, Wilmington, Delaware

D. S. Davis, Cashier and Executive Vice President, Wilkes-Barre Deposit & Savings Bank, Wilkes-Barre, Pennsylvania
E. F. Kirkman, President, Boardwalk National Bank, Atlantic City, New Jersey
N. G. Dash, Assistant Vice President, Federal Reserve Bank of Philadelphia, Philadelphia, Pennsylvania

Sixth District Commercial Banking Voluntary Credit Restraint Committee

D. B. Harris, President, Hamilton National Bank, Chattanooga, Tennessee, has been appointed a member of the Committee.

Seventh District Commercial Banking Voluntary Credit Restraint Committee

The following have been appointed alternate members of the Committee:
Richard E. Pritchard, Vice President, Harris Trust and Savings Bank, Chicago, Illinois
William M. McKenzie, Executive Vice President, Commercial National Bank of Peoria, Peoria, Illinois
Edward R. Droppers, Vice President, First Wisconsin National Bank of Milwaukee, Milwaukee, Wisconsin
N. B. Dawes, Vice President, Federal Reserve Bank of Chicago, Chicago, Illinois

Eighth District Commercial Banking Voluntary Credit Restraint Committee

The following have been appointed alternate members of the Committee:
Albert Wagenfuehr, Chairman of the Executive Committee, The Boatmen's National Bank of St. Louis, St. Louis, Missouri
George W. Coleman, Economist, Mississippi Valley Trust Company, St. Louis, Missouri

Eleventh District Commercial Banking Voluntary Credit Restraint Committee

E. B. Austin, Vice President, Federal Reserve Bank of Dallas, Dallas, Texas, has been appointed an alternate member of the Committee.

Federal Reserve Bulletin
VOLUNTARY CREDIT RESTRAINT RELEASES

Portland Regional Commercial Banking Voluntary Credit Restraint Committee

Arnold W. Groth, Vice President, The First National Bank of Portland, Portland, Oregon, has been appointed an alternate member of the Committee.

San Francisco Regional Commercial Banking Voluntary Credit Restraint Committee

F. A. Ferroggiaro, Senior Vice Chairman of the Board, Bank of America National Trust and Savings Association, San Francisco, California, has been designated as Vice Chairman of the Committee.

The following have been appointed alternate members of the Committee:

William H. Owen, Vice President, The Anglo California National Bank of San Francisco, San Francisco, California
Marsden S. Blois, Vice President, Bank of America National Trust and Savings Association, San Francisco, California
William M. Hale, Executive Vice President, American Trust Company, San Francisco, California
F. L. Greiner, Vice President, Wells Fargo Bank & Union Trust Company, San Francisco, California

Southwestern Insurance Voluntary Credit Restraint Committee

K. I. Fosdick, Treasurer, American National Insurance Co., Galveston, Texas, has been appointed a member of the Committee and designated as Chairman, replacing W. L. Vogler, Executive Vice President of that Company whose resignation as a member of this Committee has been accepted.

The following have been appointed members of the Committee:

F. Burr Betts, Vice President and Treasurer, Security Life and Accident Company, Denver, Colorado
Franz Hindermann, Vice President and Treasurer, Pan-American Life Insurance Company, New Orleans, Louisiana

FORMATION OF REGIONAL COMMITTEES FOR SAVINGS AND LOAN ASSOCIATIONS

JUNE 22, 1951

The Voluntary Credit Restraint Program provides that subcommittees may be established for each type of financing institution participating in the Program, these committees to be available for consultation with individual financing institutions to assist them in determining the application of the Statement of Principles with respect to loans for which application has been made to such financing institutions. In order to provide such advisory service for savings and loan associations in the same manner as for banks, investment bankers, and life insurance companies, the Voluntary Credit Restraint Committee has approved the establishment of subcommittees representing those associations within each Federal Reserve District, and has appointed the following as members of the respective committees:

First District Savings and Loan Voluntary Credit Restraint Committee

Ralph R. Crosby, President, Chairman, Old Colony Co-operative Bank, 58 Weybosset Street, Providence 1, Rhode Island

Second District Savings and Loan Voluntary Credit Restraint Committee

George L. Bliss, President, Chairman, Century Federal Savings and Loan Association, 441 Lexington Avenue, New York 17, New York
Ernest A. Minier, President, Carteret Savings and Loan Association, 866 Broad Street, Newark 2, New Jersey

July 1951

Henry H. Pierce, President, Merchants Co-operative Bank, 24 School Street, Boston, Massachusetts
Frederick T. Backstrom, Executive Vice President, First Federal Savings and Loan Association of New Haven, 80 Elm Street, New Haven 3, Connecticut
Raymond P. Harold, President, Worcester Federal Savings and Loan Association, 22 Elm Street, Worcester, Massachusetts
O. A. Schlaikjer, Vice President and General Counsel, Federal Reserve Bank of Boston, Boston 6, Massachusetts
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Willis J. Almekinder, President, First Federal Savings and Loan Association of Rochester, 18 Franklin Street, Rochester 4, New York
E. Harold Schoonmaker, Executive Vice President, Tenafly Mutual Savings and Loan Association, 80 County Road, Tenafly, New Jersey
Arthur Phelan, Vice President, Federal Reserve Bank of New York (alternate for Mr. Treiber)

Third District Savings and Loan Voluntary Credit Restraint Committee
James J. O'Malley, President, Chairman, First Federal Savings and Loan Association, 23 West Market Street, Wilkes-Barre, Pennsylvania
John H. Dempster, President, Quaker City Federal Savings and Loan Association, 20 South 15th Street, Philadelphia 2, Pennsylvania
Joseph A. O'Brien, President, Fidelity Mutual Building and Loan Association, 423 Market Street, Camden, New Jersey
Louis W. Marmorstein, President, First Federal Savings and Loan Association of South Philadelphia, 424-430 S. Fourth Street, Philadelphia 47, Pennsylvania
W. J. Davis, First Vice President, Federal Reserve Bank of Philadelphia, Philadelphia 1, Pennsylvania
Norman G. Dash, Assistant Vice President, Federal Reserve Bank of Philadelphia (alternate for Mr. Davis)

Fourth District Savings and Loan Voluntary Credit Restraint Committee
E. J. Rupert, President, Chairman, The Broadview Savings and Loan Company, 4221 Pearl Road, Cleveland, Ohio
C. Elwood Knapp, Executive Vice President, Friendship Federal Savings and Loan Association, 217 North Highland Avenue, Pittsburgh 6, Pennsylvania
Morris G. Taylor, Secretary-Treasurer, Dollar Federal Savings and Loan Association, S. E. Corner Third and High Streets, Hamilton, Ohio
C. C. Guthrie, President, Buckeye State Building and Loan Company, 36 East Gay Street, Columbus 15, Ohio
William H. Fletcher, First Vice President, Federal Reserve Bank of Cleveland, Cleveland 1, Ohio

Wilbur T. Blair, Vice President, Counsel, and Secretary, Federal Reserve Bank of Cleveland (alternate for Mr. Fletcher)

Fifth District Savings and Loan Voluntary Credit Restraint Committee
E. C. Baltz, President, Chairman, Perpetual Building Association, 500 Eleventh Street, N. W., Washington 4, D. C.
Marion M. Hewell, President, Fidelity Federal Savings and Loan Association, 12 W. McBe Avenue, Greenville, South Carolina
Henry F. Ir, President, Baltimore Federal Savings and Loan Association, Fayette & St. Paul Streets, Baltimore 2, Maryland
J. B. Bourne, President, Franklin Federal Savings and Loan Association, 616 East Franklin Street, Richmond, Virginia
N. L. Armistead, Vice President, Federal Reserve Bank of Richmond, Richmond 13, Virginia

Sixth District Savings and Loan Voluntary Credit Restraint Committee
J. D. McLamb, President, Chairman, First Federal Savings and Loan Association, 30 East Bryan Street, Savannah, Georgia
Frank Yeilding, President, Jefferson Federal Savings and Loan Association, 213 North 21st Street, Birmingham 3, Alabama
C. L. Clements, President, Chase Federal Savings and Loan Association, 1111 Lincoln Road, Miami Beach 39, Florida
Irving H. Schonberg, President, Union Savings and Loan Association, 353 Carondelet Street, New Orleans, Louisiana
V. K. Bowman, Vice President, Federal Reserve Bank of Atlanta, Atlanta 3, Georgia

Seventh District Savings and Loan Voluntary Credit Restraint Committee
Walter Gehrke, President, Chairman, First Federal Savings and Loan Association of Detroit, Griswold Street at Lafayette Boulevard, Detroit 26, Michigan
Ben F. Bohac, President, Talman Federal Savings and Loan Association, 5501 South Kedzie Avenue, Chicago 29, Illinois
Edward L. Johnson, Vice President, Bell Savings and Loan Association, 79 West Monroe Street, Chicago, Illinois
Fermor S. Cannon, President, Railroadmen's Federal Savings and Loan Association, 21 Virginia Avenue, Indianapolis 4, Indiana

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A. L. Olson, Vice President, Federal Reserve Bank of Chicago, Chicago 90, Illinois

Eighth District Savings and Loan Voluntary Credit Restraint Committee
Roy M. Marr, President, Chairman, Leader Federal Savings and Loan Association, 158 Madison Avenue, Memphis 3, Tennessee
Gustav Flexner, Secretary-Treasurer, Greater Louisville First Federal Savings and Loan Association, 417 West Market Street, Louisville 2, Kentucky.
George S. Metcalfe, President, Roosevelt Federal Savings and Loan Association, 407 North Ninth Street, St. Louis, Missouri
W. P. Gulley, President, Pulaski Federal Savings and Loan Association, 201 West 2nd Street, Little Rock, Arkansas
Paul E. Schroeder, Vice President, Memphis Branch of the Federal Reserve Bank of St. Louis, Memphis 1, Tennessee

Ninth District Savings and Loan Voluntary Credit Restraint Committee
Roy W. Larsen, President, Chairman, Twin City Federal Savings and Loan Association, Corner Marquette Avenue and Eighth Street, Minneapolis 2, Minnesota
C. A. Williams, Executive Vice President, First Federal Savings and Loan Association of Fargo, 13 North Broadway, Fargo, North Dakota
P. C. Bulen, Chairman, First Federal Savings and Loan Association of Great Falls, 15 Fourth Street, North, Great Falls, Montana
Harry C. Lindquist, Executive Vice President, Minnesota Federal Savings and Loan Association, Minnesota at 4th, St. Paul, Minnesota
Maurice H. Strothman, Jr., Vice President, Federal Reserve Bank of Minneapolis, Minneapolis 2, Minnesota

Tenth District Savings and Loan Voluntary Credit Restraint Committee
Henry A. Bubb, President, Chairman, Capitol Federal Savings and Loan Association, 534 Kansas Avenue, Topeka, Kansas
C. R. Mitchell, Executive Vice President, First Federal Savings and Loan Association, 919 Walnut, Kansas City 6, Missouri

Louis W. Grant, President, Home Federal Savings and Loan Association, Third and Boston, Tulsa 3, Oklahoma
Kenneth King, President, Columbia Savings, Building and Loan Association, 209 16th Street, Denver 2, Colorado
Henry O. Koppang, First Vice President, Federal Reserve Bank of Kansas City, Kansas City 18, Missouri

Eleventh District Savings and Loan Voluntary Credit Restraint Committee
W. W. McAllister, President, Chairman, San Antonio Building and Loan Association, 401 Navarro at the River, San Antonio 5, Texas
E. E. Shelton, President, Dallas Federal Savings and Loan Association, 1411 Main Street, Dallas, Texas
Peyton L. Townsend, President, Metropolitan Building and Loan Association, 1400 Main Street, Dallas 1, Texas
C. Roy Smith, Executive Vice President, First Federal Savings and Loan Association, 116 East 4th Street, Clovis, New Mexico
H. R. DeMoss, Vice President, Federal Reserve Bank of Dallas, Dallas 13, Texas
Mac C. Smyth, Vice President, Federal Reserve Bank of Dallas (alternate for Mr. DeMoss)

Twelfth District Savings and Loan Voluntary Credit Restraint Committee
Thomas T. Taylor, Jr., President, Chairman, Prudential Federal Savings and Loan Association, 125 S. Main Street, Salt Lake City 1, Utah
Ben H. Hazen, President, Benj. Franklin Federal Savings and Loan Association, 517 S. W. Stark Street, Portland 4, Oregon
J. Howard Edgerton, President, California Federal Savings and Loan Association, 5680 Wilshire Boulevard, Los Angeles 36, California
Gerrit VanderEnde, President, Pacific First Federal Savings and Loan Association, 204 South 11th Street, Tacoma 1, Washington
E. R. Millard, Vice President, Federal Reserve Bank of San Francisco, San Francisco, 20, California
H. F. Slade, Vice President, Federal Reserve Bank of San Francisco (alternate for Mr. Millard)

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The National Voluntary Credit Restraint Committee has approved the establishment of regional committees to consult with and advise mutual savings banks in their respective territories concerning the application of the Statement of Principles of the Program to specific loan inquiries. Similar committees heretofore have been announced for commercial banks, insurance companies, investment bankers, and savings and loan associations.

The names of the mutual savings bank regional committees, the territories to be served by them, and their membership are shown below:

New England Mutual Savings Bank Voluntary Credit Restraint Committee
(Will serve States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.)
Richard A. Booth, Chairman, President, Springfield Institution for Savings, Springfield, Massachusetts
N. Preston Breed, Vice Treasurer, Provident Institution for Savings, Boston, Massachusetts
J. Fred French, Vice President, Amoskeag Savings Bank, Manchester, New Hampshire
Hans C. Christensen, Vice President, Society for Savings, Hartford, Connecticut
O. A. Schlaikjer, Vice President and General Counsel, Federal Reserve Bank of Boston, Boston, Massachusetts

New York-New Jersey Mutual Savings Bank Voluntary Credit Restraint Committee
(Will serve States of New York and New Jersey.)
Joseph Kaiser, Chairman, Vice President, The Williamsburgh Savings Bank, Brooklyn, New York
Norman G. McGrory, Vice President, The Howard Savings Institution, Newark, New Jersey
Randolph H. Brownell, President, Union Square Savings Bank, New York, New York
Raymond F. Eisenhardt, Vice President, The Buffalo Savings Bank, Buffalo, New York
Arthur Phelan, Vice President, Federal Reserve Bank of New York, New York, New York
William F. Treiber, Vice President, Federal Reserve Bank of New York, New York, New York (Alternate for Mr. Phelan)

Mid-Atlantic Mutual Savings Bank Voluntary Credit Restraint Committee
(Will serve States of Pennsylvania, Delaware, and Maryland.)
Donaldson Cresswell, Chairman, Vice President, The Philadelphia Savings Fund Society, Philadelphia, Pennsylvania
George B. Oates, President, The Dollar Savings Bank, Pittsburgh, Pennsylvania
Harry J. Landbeck, Vice President, Central Savings Bank of Baltimore, Baltimore, Maryland
Joseph Bringhurst, Vice President, Artisans' Savings Bank, Wilmington, Delaware
W. J. Davis, First Vice President, Federal Reserve Bank of Philadelphia, Philadelphia, Pennsylvania
Norman G. Dash, Assistant Vice President, Federal Reserve Bank of Philadelphia, Philadelphia, Pennsylvania (Alternate for Mr. Davis)

Mid-Western Mutual Savings Bank Voluntary Credit Restraint Committee
(Will serve States of Ohio, Indiana, Minnesota, and Wisconsin.)
Irving W. Distel, Chairman, Vice President, Society for Savings in the City of Cleveland, Cleveland, Ohio
Harry J. Fitzgerald, Secretary, The Peoples Savings Bank, Evansville, Indiana
George G. Cowie, Vice President, Farmers and Mechanics Savings Bank of Minneapolis, Minneapolis, Minnesota
William H. Fletcher, First Vice President, Federal Reserve Bank of Cleveland, Cleveland, Ohio
Wilbur T. Blair, Vice President, Counsel and Secretary, Federal Reserve Bank of Cleveland, Cleveland, Ohio (Alternate for Mr. Fletcher)

Due to the limited number of mutual savings banks located in the States of Oregon and Washington, the National Committee has decided against establishing a separate regional committee for that area. However, Mr. Dietrich Schmitz, President of the Washington Mutual Savings Bank, Seattle, Washington, has been appointed to the Seattle Regional Commercial Banking Voluntary Credit Restraint Committee, which will be prepared to assist savings banks in the Oregon-Washington area with respect to loan inquiries.

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BULLETIN NUMBER 5 OF THE NATIONAL VOLUNTARY CREDIT RESTRAINT COMMITTEE—INTERNATIONAL FINANCING, JULY 23, 1951

As a result of inquiries from regional committees about the status of foreign borrowings in United States markets, the National Voluntary Credit Restraint Committee has discussed the status of such borrowings under the Voluntary Credit Restraint Program.

The Committee concluded that all such credit applications on behalf of foreign borrowers should be screened to the same extent, and with the same purpose tests, as comparable American credits.

It may be difficult in some cases for financing institutions or Regional Committees to determine whether a proposed foreign credit would indirectly contribute to defense or other objectives of the United States Government. It will be particularly desirable, therefore, when foreign cases are submitted for review, that financing institutions submit full facts to enable a judgment as to purpose. In exceptional cases when a Regional Committee finds the facts available to it are inadequate to judge an application, the National Committee, if requested, will endeavor to obtain supplementary information from Government agencies.

BULLETIN NUMBER 6 OF THE NATIONAL VOLUNTARY CREDIT RESTRAINT COMMITTEE—LOANS SECURED BY STOCKS AND BONDS, JULY 24, 1951

The original Statement of Principles of the Program for Voluntary Credit Restraint provided that "the foregoing principles (the antispeculative provisions) should be applied in screening as to purpose on all loans on securities whether or not covered by Regulations U or T." The first amendment to the Statement of Principles deleted the phrase "whether or" from the Statement. This provision has been the subject for a number of inquiries. For example, the question has been raised as to whether a loan on securities not covered by Regulations U or T must be screened as to purpose even though the amount of credit advanced might be permissible under these regulations. Such an interpretation would appear to treat the loans secured by unlisted stocks more severely than those on listed (i.e., "registered") securities. In order to cure this ambiguity, the following principles are recommended for your guidance by the National Committee:

1. Loans on securities covered by Regulations U or T are basically for the purpose of purchasing or carrying listed securities. It is recommended, therefore, that all loans on securities for purchasing or carrying unlisted securities be presumed to be for a proper purpose if the amount of credit extended is no greater than that permitted in the case of listed securities by Regulations U or T.

2. Loans on securities, whether or not listed, but not for the purpose of purchasing or carrying securities should be made only for purposes consistent with the principles of voluntary credit restraint.

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The National Voluntary Credit Restraint Committee announces the following appointments and designations affecting the membership of the subcommittees indicated:

**Fourth District Commercial Banking Voluntary Credit Restraint Committee**

Designation of Francis H. Bean, Senior Vice President, The National City Bank of Cleveland, Cleveland, Ohio, as Vice Chairman.

Appointment of the following as alternate members:
- Harry F. Burmester, Senior Vice President, Union Bank of Commerce, Cleveland, Ohio
- Ralph E. Bauman, Vice President, The National City Bank of Cleveland, Cleveland, Ohio
- Ray Harrison, Vice President, Mellon National Bank and Trust Company, Pittsburgh, Pennsylvania
- H. E. Paige, Executive Vice President, First National Bank of Akron, Akron, Ohio
- Thomas M. Conroy, Executive Vice President, The Central Trust Company, Cincinnati, Ohio
- John H. Lucas, Vice President, Peoples First National Bank and Trust Company, Pittsburgh, Pennsylvania
- Wilbur T. Blair, Vice President, Counsel, and Secretary, Federal Reserve Bank of Cleveland, Cleveland, Ohio

**Sixth District Commercial Banking Voluntary Credit Restraint Committee**

Appointment of Frank T. Davis, Vice President, First National Bank of Atlanta, Atlanta, Georgia, as an alternate member.

**Eighth District Commercial Banking Voluntary Credit Restraint Committee**

Appointment of John R. Kirk, Jr., President, Plaza Bank of St. Louis, St. Louis, Missouri, as a member.

**Little Rock Regional Commercial Banking Voluntary Credit Restraint Committee**

Appointment of the following as alternate members:
- John G. Potts, Vice President, Worthen Bank & Trust Company, Little Rock, Arkansas
- A. G. Kahn, Chairman, Board of Directors, Union National Bank, Little Rock, Arkansas
- C. E. Crossland, Executive Vice President, Commercial National Bank, Little Rock, Arkansas
- Clifford Wood, Assistant Manager, Little Rock Branch, Federal Reserve Bank of St. Louis, Little Rock, Arkansas

**Tenth District Commercial Banking Voluntary Credit Restraint Committee**

Designation of Taylor Abernathy, President, The First National Bank, Kansas City, Missouri, as Vice Chairman.

**Los Angeles Regional Commercial Banking Voluntary Credit Restraint Committee**

Appointment of the following as alternate members:
- Nolan Browning, Vice President, Bank of America, N.T.&S.A., Los Angeles, California
- Clifford Tweter, Vice President, California Bank, Los Angeles, California
- W. C. Fostvedt, Vice President, Citizens National Trust & Savings Bank, Los Angeles, California
- Fred B. Dickey, Vice President, Farmers and Merchants National Bank, Los Angeles, California
- T. W. Johnson, Vice President, Security-First National Bank of Los Angeles, Los Angeles, California
- Louis Siegel, Vice President, Union Bank & Trust Company, Los Angeles, California
- W. F. Volberg, Vice President, Los Angeles Branch, Federal Reserve Bank of San Francisco, Los Angeles, California

**Portland Regional Commercial Banking Voluntary Credit Restraint Committee**

Designation of Frederick Greenwood, Vice President, The Bank of California, N.A., Portland, Oregon, as Vice Chairman.

Appointment of the following as alternate members:
- A. L. Mills, Jr., First Vice President, United States National Bank of Portland, Portland, Oregon
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M. A. Case, Assistant Manager, The Bank of California, N.A., Portland, Oregon
C. F. Adams, President, Portland Trust & Savings Bank, Portland, Oregon
J. L. Searcy, Vice President, Commercial National Bank of Hillsboro, Hillsboro, Oregon
J. A. Randall, Assistant Manager, Portland Branch, Federal Reserve Bank of San Francisco, Portland, Oregon

Salt Lake City Regional Commercial Banking Voluntary Credit Restraint Committee

Designation of John A. Schoonover, President, The Idaho First National Bank, Boise, Idaho, as Vice Chairman.
Appointment of the following as alternate members:

Lane W. Adams, Vice President, Utah First National Bank, Salt Lake City, Utah
Harmon B. Barton, First Vice President, Commercial Security Bank, Ogden, Utah
Chas. L. Smith, Chairman of the Board, First Security Bank of Utah, N.A., Salt Lake City, Utah
William E. Irwin, Vice President, The Idaho First National Bank, Boise, Idaho
Emerson S. Sturdevant, Vice President, Continental National Bank & Trust Company, Salt Lake City, Utah
E. R. Barglebaugh, Assistant Manager, Salt Lake City Branch, Federal Reserve Bank of San Francisco, Salt Lake City, Utah

Seattle Regional Commercial Banking Voluntary Credit Restraint Committee

Appointment of A. R. Munger, President, Seattle-First National Bank, Seattle, Washington, as a member and his designation as Chairman, succeeding Thomas F. Gleed, who resigned from the Committee upon accepting a position outside the field of banking.
Designation of Warren M. Jenkins, President, The First National Bank of Everett, Everett, Washington, as Vice Chairman.
Appointment of the following as alternate members:

D. H. Wageman, Vice President, Seattle-First National Bank, Seattle, Washington
A. W. Faragher, Vice Chairman, National Bank of Commerce, Seattle, Washington
Joshua Green, Jr., President, The Peoples National Bank of Washington, Seattle, Washington
J. A. Norway, Executive Vice President, The First National Bank of Everett, Everett, Washington
W. E. Tollenaar, Executive Vice President, The Old National Bank of Spokane, Spokane, Washington
B. A. Russell, Assistant Manager, Seattle Branch, Federal Reserve Bank of San Francisco, Seattle, Washington

Southwestern Insurance Voluntary Credit Restraint Committee

Designation of Carl C. Weichsel, Executive Vice President, Great National Life Insurance Company, Dallas, Texas, as Vice Chairman.
Appointment of the following as alternate members:

W. H. Painter, Vice President and Secretary, United Fidelity Life Insurance, Dallas, Texas
A. F. Ashford, President, Western Reserve Life Insurance Company, Austin, Texas
W. O. Watson, Assistant Treasurer, American National Insurance Company, Galveston, Texas
Friend W. Gleason, Vice President and Secretary, Pan-American Life Insurance Company, New Orleans, Louisiana
W. A. Anderson, Vice President, Atlas Life Insurance Company, Tulsa, Oklahoma
Wm. F. Schmausser, Vice President, The Capital Life Insurance Company, Denver, Colorado
Mac C. Smyth, Vice President, Federal Reserve Bank of Dallas, Dallas, Texas

Western Insurance Voluntary Credit Restraint Committee

Designation of Dwight L. Clarke, Chairman of Advisory Board, Occidental Life Insurance Company of California, Los Angeles, California, as Vice Chairman.

Eastern Investment Banking Voluntary Credit Restraint Committee


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Southwestern Investment Banking Voluntary Credit Restraint Committee

Designation of William C. Jackson, Jr., First Southwest Company, Dallas, Texas, as Vice Chairman.

Appointment of C. B. Page, R. J. Edwards, Inc., Oklahoma City, Oklahoma, as an alternate member.

First District Savings and Loan Voluntary Credit Restraint Committee

Appointment of the following as alternate members:

Ray B. Owen, Vice President, Old Colony Co-operative Bank, Providence, Rhode Island
L. C. Trott, Treasurer, Merchants Co-operative Bank, Boston, Massachusetts
A. C. Ten Eyck, Assistant Vice President, First Federal Savings and Loan Association of New Haven, New Haven, Connecticut
Frank L. Farr, Vice President, Worcester Federal Savings and Loan Association, Worcester, Massachusetts
L. A. Zehner, Assistant Vice President, Federal Reserve Bank of Boston, Boston, Massachusetts

Second District Savings and Loan Voluntary Credit Restraint Committee

Designation of Ernest A. Minier, President, Carteret Savings and Loan Association, Newark, New Jersey, as Chairman of the Committee, replacing George L. Bliss, who resigned from the Committee.

Appointment of the following as members:

Norman H. Polhemus, President, First Savings and Loan Association of Poughkeepsie, Poughkeepsie, New York

C. Harry Minners, President, Bankers Federal Savings & Loan Association, New York, New York

New England Mutual Savings Bank Voluntary Credit Restraint Committee

Appointment of the following as alternate members:

Homer R. Feltham, Vice Treasurer, Springfield Institution for Savings, Springfield, Massachusetts
George L. Wrenn, 2d, Treasurer, The Provident Institution for Savings in the Town of Boston, Boston, Massachusetts
Justin R. Tucker, Assistant Vice President, Society for Savings, Hartford, Connecticut
Howard L. Huxtable, Treasurer, Amoskeag Savings Bank, Manchester, New Hampshire
L. A. Zehner, Assistant Vice President, Federal Reserve Bank of Boston, Boston, Massachusetts

New York-New Jersey Mutual Savings Bank Voluntary Credit Restraint Committee

Designation of Norman P. McGrory, Vice President, The Howard Savings Institution, Newark, New Jersey, as Vice Chairman.

Appointment of the following as alternate members:

George J. Bender, Vice President, Brooklyn Savings Bank, Brooklyn, New York
Walter C. Aberg, Vice President, Greenwich Savings Bank, New York, New York
Lee L. Norton, Vice President, Erie County Savings Bank, Buffalo, New York

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The Voluntary Credit Restraint Committee at its meeting on September 5, 1951 evaluated the experience to date with Bulletin No. 4 covering loans on real estate, and adopted the following statement:

The permanent financing of most new construction will continue to be governed by Regulation X as revised on September 1, 1951 to conform with the provisions of the recently enacted Defense Housing and Community Facilities and Services Act of 1951.

Section 1 of Bulletin No. 4 is revised to recommend, in the case of loans on residential properties of one- to four-family units, that loans on existing properties should not exceed the limitations imposed by Regulation X or 66&frac23; per cent of the fair value of the property, whichever is greater. This means that on properties the fair value of which is $16,700 or less, the recommended limitations are those imposed by Regulation X (all of which are above 66&frac23; per cent); on properties the fair value of which is greater than $16,700, the limitation on borrowing is 66&frac23; per cent. In all other respects Bulletin No. 4 remains unchanged.

Experience indicates that two points in Bulletin 4 are deserving of special emphasis. First, in determining whether proposed financing conforms to the Bulletin, all mortgage indebtedness to be outstanding on the property, including secondary financing, should be taken into account. Second, loans on residential property of more than four units and loans on commercial property should be screened as to purpose and loans should not be made unless they are in harmony with the principles of the Program. A sale with credit involved not exceeding that recommended in this Bulletin is sufficient evidence of proper purpose.

Mortgage lenders, who do not have a regional committee from which to obtain opinions in doubtful cases, may refer questions to the regional insurance voluntary credit restraint committee serving their area.

For the guidance of financing institutions in granting real estate credit encompassed by the Voluntary Program, Bulletin No. 4, as amended, is reprinted below.

**REVISED BULLETIN NO. 4—LOANS ON REAL ESTATE**

Real estate credit transactions governed by Regulation X, which covers the permanent financing of most new construction and major additions or improvements to existing structures, are not within the area of influence of this Voluntary Program. Neither does the Program apply to FHA or VA loans or to other loans guaranteed or insured or authorized as to purpose by an agency of the United States Government. The Program does apply, however, to all other real estate credit transactions. Financing institutions extending such credit are urged to observe the principles and the spirit of the Program.

1. Loans on residential property (one- to four-family units). The Committee has been informed that most financing institutions are following conservative lending policies on existing residential properties (one- to four-family units). The Committee urges all financing institutions to follow such policies and in no case to make a loan on existing property in an amount which would cause the total amount of credit outstanding (primary and all other credit combined) with respect to the property or with respect to the transaction to exceed the limit which Regulation X imposes as to new construction or a limit of 66&frac23; per cent of the fair value of the property, whichever of such limits is the greater.3

Wherever used in this Bulletin, "fair value" means:

1. If the loan is to be made to finance the purchase of real property: the bona fide sale price, or the appraised value of the property securing the loan, whichever is lower; 2. In all other cases: the appraised value of the property securing the loan.

The appraised value should be determined in accordance with sound and established practice in the community. A good definition of "bona fide sale price" is given in Section 2(i) of Regulation X.

As a working rule, the above statement may be interpreted as meaning that where the fair value of the property is $16,700 or less, the recommended limitations are those imposed by Regulation X; on properties the fair value of which is greater than $16,700, the limitation on borrowing is 66&frac23; per cent.
2. Loans on agricultural property. While the Committee recognizes that in some instances a loan on agricultural property may be in effect a loan on residential property, the Committee feels that normally such a loan falls in the category of a loan on commercial property (see Section 3 below), and the lender should be guided by the recommendations of that section as to over-all credit limits and purposes.

3. Loans on residential property (more than four-family units) and on commercial property. Loans on residential property (more than four-family units) and loans on commercial property, such as office buildings, stores, hotels, motels, motor courts, restaurants, etc., should be screened as to purpose and the loan should not be made unless it is in harmony with the principles of the Program.

If the loan is to be made in connection with a sale of commercial or residential property a determination by the financing institution that the sale and the sale price are bona fide may constitute a sufficient screening of the loan. The Committee conceives that it is not the function of the Voluntary Credit Restraint Program to make the transfer of real estate impossible or impracticable, but rather to reduce inflationary pressures by limiting the amount of additional credit created in the process of real estate transfer.

Financing institutions are urged to limit a loan, on any type of property described in this section, whether or not a sale is involved, to an amount which would not cause the total amount of credit outstanding with respect to the property or with respect to the transaction to exceed \( 66\frac{2}{3} \) per cent of the fair value of the property.\(^8\) Also, the Committee urges that financing institutions require an appropriate and substantial amortization of principal.

The Committee recognizes that hardship cases may arise where a \( 66\frac{2}{3} \) per cent loan limitation would not be sound or equitable. Such cases would include a loan to finance the sale of property to close an estate or to pay estate taxes, the refinancing of a maturing mortgage, or the sale of property of a bankrupt company. The Committee makes no recommendation in such cases.

4. Loans on industrial property. Loans on industrial property should be screened as to purpose whether or not the loan is to be made in connection with a sale of real property. In this instance, however, there appears to be no need for a percentage limitation on the amount of the loan, since in the industrial field mortgage security usually is merely one of the factors considered by the lender in determining whether to make the loan and often bears comparatively little relation to the amount of the loan.

5. Sale-lease-back arrangements. The Committee also urges financing institutions to recognize that in most instances a "sale-lease-back" arrangement, whereby real property is purchased by a financing institution and leased to the vendor or his nominee, is a substitute for a form of financing and therefore comes within the Program and should be screened as to purpose.

\(^8\)If the facts are not already known, the financing institution presumably will want to request the borrower to furnish information as to any other indebtedness or credit existing or contemplated in connection with the transaction.

NATIONAL FRATERNAL CONGRESS OF AMERICA JOINS VOLUNTARY CREDIT RESTRAINT PROGRAM \(^4\)

The Chairman of the National Voluntary Credit Restraint Committee, Oliver S. Powell, has issued an invitation to the National Fraternal Congress of America and its members comprising the fraternal life insurance companies of the United States to join in the Voluntary Credit Restraint Program to combat inflation. The National Voluntary Credit Restraint Committee had voted to issue this invitation at its last meeting. President John P. Stock of the National Fraternal Congress has accepted this invitation and pledged the whole-hearted support of his organization to the Voluntary Credit Restraint Program.

Representatives of the fraternal life insurance companies will be appointed to serve on the regional insurance committees of the Voluntary Credit Restraint Program to give the fraternal companies a voice in decisions as to the desirability of borderline loan applications. The National Fraternal Congress, through its Secretary...

\(^4\)Statement by the National Voluntary Credit Restraint Committee on Sept. 27, 1951.

FEDERAL RESERVE BULLETIN
Treasurer-Manager, Mr. Foster F. Farrell, will keep its members informed as to the status of the Program and the principles to be followed in restraining inflation under the Voluntary Program.

STATE BOND ISSUES TO FINANCE BONUS PAYMENTS

The National Voluntary Credit Restraint Committee today conferred with Governor Okey L. Patteson of West Virginia and a delegation of West Virginia State and banking officials who had been invited to discuss their proposal to issue 75 million dollars in State bonds to finance bonus payments to veterans voted in the November 1950 elections. There was also some discussion of a somewhat similar situation in the State of Oregon where a veterans' bonus plan has also been approved by the voters.

In addition to Governor Patteson, the West Virginia delegation included William H. Ansel, State Treasurer; W. C. Marland, Attorney General; Fred Diddle, Assistant State Treasurer; Mason Crickard, Vice President of the Charleston National Bank, Charleston; and Hayes Picklesimer, President of the Kanawha Valley Bank, Charleston.

In view of the fact that investment bankers in compliance with the Voluntary Credit Restraint Program have refrained from bidding on the pending issue of bonds, the Governor of West Virginia proposes to offer these bonds to the public directly by placing them on sale through the banks of West Virginia. The plan contemplates that any bonds left unsold would be purchased by using various State trust funds, disposing of other obligations if necessary.

The Committee expressed its genuine concern over the difficult situation in which the Governor and his staff have been placed by credit restraint measures taken in the national interest to facilitate the defense program. In conformity with these measures, the Committee has adhered to the position announced on May 7, 1951, that "soldiers' bonus issues are inflationary under today's conditions. They add to the spending power of the public through the creation of credit. It would seem desirable to postpone such issues until a time when immediate purchasing power is needed to counteract unemployment and when it might be more beneficial to the veteran."

It was announced that Mobilization Director Charles E. Wilson had invited the Governor and the members of his West Virginia delegation and other interested parties to meet with him on October 5.

There was no change in the position of either Governor Patteson or the Committee on this bonus issue as a result of the discussions today.

Statement by the National Voluntary Credit Restraint Committee on Sept. 28, 1951.
More than 50 national and regional committee members of the Voluntary Credit Restraint Program met Monday and Tuesday, October 15 and 16, to discuss the progress of the Program as an anti-inflationary control measure and some of the current problems in connection with its administration. This was the first meeting since April which all of the regional chairmen of the various industry groups represented on the National Committee had been invited to attend.

In reviewing the Voluntary Credit Restraint Program, Reserve Board Governor Oliver S. Powell, National Chairman, cited statistics showing that business loan expansion during the third quarter of 1951 had been less than half of the increase registered during the same period in 1950. Some increase from June to September, he pointed out, was to be expected from purely seasonal factors.

Reserve Board Chairman William McChesney Martin, Jr. expressed the gratification of the Board with the progress of the Voluntary Credit Restraint Program. The enthusiasm and interest demonstrated by all those serving on the regional and national committees, he said, has confounded the cynics and those who sneer at self-regulation.

Among the subjects discussed during the two-day meetings was the relationship of the Voluntary Credit Restraint Program to possible “leaks in the dyke” through credit granted under Government programs in fields where private financing institutions are attempting to restrain unnecessary credit expansion. The committee also discussed the relocation of industries from defense to nondefense areas, the consideration to be given to the granting of an NPA permit where the use of material allotment subsequently involved the use of credit, and a clarification of the specific application of the Statement of Principles and the various bulletins issued recently by the National Committee in the fields of loans to finance companies, loans on oil and gas properties, smaller municipal issues and residential real estate loans. In the field of mortgage credit, the relationship of mortgage bankers to the Voluntary Credit Restraint Program was discussed, and it was decided that greater effort should be made to keep this group informed on the application of the Program to their operations.

Members of the National Voluntary Credit Restraint Committee in attendance at these meetings included:

William K. Barclay, Jr., Partner, Stein Bros. and Boyce, Philadelphia, Pennsylvania
C. Sterling Bunnell, Vice President, The National City Bank of New York, New York, New York
Kenton R. Cravens, Vice President, Mercantile Trust Co., St. Louis, Missouri
Carlisle R. Davis, Vice President, State-Planters Bank and Trust Company, Richmond, Virginia
Robert M. Morgan, Vice President and Treasurer, The Boston Five Cents Savings Bank, Boston, Massachusetts
M. K. M. Murphy, President, Boiling Springs Savings and Loan Association, Rutherford, New Jersey
Oliver S. Powell, Member, Board of Governors of the Federal Reserve System, Washington, D. C.
Everett D. Reese, President and Trust Officer, Park National Bank, Newark, Ohio
Carrol M. Shanks, President, Prudential Insurance Company of America, Newark, New Jersey
Rudolf Smutny, Partner, Salomon Bros. and Hutzler, New York, New York
E. B. Stevenson, Jr., Executive Vice President, National Life and Accident Insurance Company, Nashville, Tennessee
W. H. Walker, President, First Federal Savings & Loan Association, Miami, Florida

Chairmen and other representatives of the regional committees present were:

For commercial banks:

John E. Toulmin, Senior Vice President, First National Bank of Boston, Boston, Massachusetts
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John K. Thompson, President, Union Bank of Commerce, Cleveland, Ohio
Archie K. Davis, Senior Vice President, Wachovia Bank & Trust Company, Winston-Salem, North Carolina
John A. Sibley, Chairman of the Board, Trust Company of Georgia, Atlanta, Georgia
Homer J. Livingston, President, First National Bank of Chicago, Chicago, Illinois
Arthur J. Fushman, Vice President, Manufacturers National Bank of Detroit, Detroit, Michigan
D. T. Beals, President, Inter-State National Bank of Kansas City, Kansas City, Missouri
Milton F. Brown, President, Mercantile National Bank at Dallas, Dallas, Texas
William M. Hale, Executive Vice President, American Trust Company, San Francisco, California
Chester A. Rude, Chairman, Executive Committee, Security-First National Bank of Los Angeles, Los Angeles, California
E. C. Sammons, President, United States National Bank of Portland, Portland, Oregon

For insurance companies:
Frederick W. Ecker, Executive Vice President, Metropolitan Life Insurance Co., New York, New York
James J. O'Leary, Director of Investment Research, Life Insurance Association of America, New York, New York
Willard N. Boyden, Vice President, Continental Assurance Co., Chicago, Illinois

For investment banking:
Harry J. Stewart, President, West Coast Life Insurance Co., San Francisco, California
Percy M. Stewart, Kuhn, Loeb & Co., New York, New York
D. Dean McCormick, McCormick & Co., Chicago, Illinois
John H. Rauscher, Rauscher, Pierce & Co., Dallas, Texas

For savings and loan associations:
Ralph R. Crosby, President, Old Colony Cooperative Bank, Providence, Rhode Island
Ernest A. Minier, President, Carteret Savings & Loan Association, Newark, New Jersey
James J. O'Malley, President, First Federal Savings and Loan Association, Wilkes-Barre, Pennsylvania
J. B. Bourne, President, Franklin Federal Savings and Loan Association, Richmond, Virginia
Edward L. Johnson, Vice President, Bell Savings and Loan Association, Chicago, Illinois
C. R. Mitchell, Executive Vice President, First Federal Savings and Loan Association, Kansas City, Missouri
Gerrit VanderEnde, President, Pacific First Federal Savings and Loan Association, Tacoma, Washington

For mutual savings banks:
Richard A. Booth, President, Springfield Institution for Savings, Springfield, Massachusetts
Joseph Kaiser, Vice President, Williamsburgh Savings Bank, Brooklyn, New York
Donaldson Cresswell, Vice President, Philadelphia Savings Fund Society, Philadelphia, Pennsylvania
Irving W. Distel, Vice President, Society for Savings in the City of Cleveland, Cleveland, Ohio

DIGEST OF OPINIONS RENDERED BY REGIONAL COMMITTEES ON TYPICAL CASES REFERRED TO LENDING INSTITUTIONS

The National Voluntary Credit Restraint Committee released today the attached digest of opinions rendered through September 1951 by the regional committees on typical cases referred to them by individual lending institutions. The regional committees, consisting of representatives of various kinds of lending institutions, were established following inauguration of the Voluntary Credit Restraint Program last March to aid in its administration and to offer opinions regarding the applicability of the adopted principles to proposed loans specifically referred to them by individual lending institutions.

The National Committee believes that the re-
VOLUNTARY CREDIT RESTRAINT RELEASES

lease of information on typical cases will assist co-operating financing institutions in conducting their operations in accordance with the principles of the Program. Moreover, the publication of these digests should be of interest to borrowers in planning their operations and to the public at large.

The regional committees have been guided in rendering opinions by standards provided in the Program to the effect that financing institutions should extend credit in such a way as to help maintain and increase the strength of the domestic economy by restricting credit for nonessential purposes and making readily available credit for the essential needs of agriculture, industry, and commerce. In addition they, as well as individual financing institutions, have been aided through the issuance of periodic bulletins by the National Committee interpreting and supplementing the principles of the Program with reference to specific credit areas.

The digest of cases represents in general opinions on cases which have raised doubts in the minds of lenders and have, therefore, been referred to the regional committees. The volume of such opinions has been substantial indicating that the cooperating financing institutions have been diligent in the application of the principles of the Program to the conduct of their every day operations and that their efforts have been effective in reducing the volume of credit for purposes not in harmony with its standards.

### Seasonal and Inventory Loans

<table>
<thead>
<tr>
<th>Borrower and Purpose</th>
<th>Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale seeds</td>
<td>Favorable</td>
</tr>
<tr>
<td>To buy and clean seeds for resale to retailers of seed for use by farmers in necessary reseeding operations.</td>
<td></td>
</tr>
<tr>
<td>Retail dry goods</td>
<td>Favorable</td>
</tr>
<tr>
<td>For normal seasonal inventory acquisition.</td>
<td></td>
</tr>
<tr>
<td>Retail hardware, lumber and building supplies</td>
<td>Favorable</td>
</tr>
<tr>
<td>For normal inventory acquisition to care for summer and early fall trade.</td>
<td></td>
</tr>
<tr>
<td>Retail fuel oil</td>
<td>Favorable</td>
</tr>
<tr>
<td>To purchase 1 million gallons of fuel oil (1/10 of annual volume) for storage and sale during the 1951-2 season.</td>
<td></td>
</tr>
<tr>
<td>Public accountant</td>
<td>Favorable</td>
</tr>
<tr>
<td>Seasonal loan for operating funds.</td>
<td></td>
</tr>
<tr>
<td>Retail hardware</td>
<td>Favorable</td>
</tr>
<tr>
<td>To enable borrower to carry inventory disproportionate to his normal business operations.</td>
<td></td>
</tr>
</tbody>
</table>

### Building Programs

<table>
<thead>
<tr>
<th>Borrower and Purpose</th>
<th>Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machine tool company</td>
<td>Favorable</td>
</tr>
<tr>
<td>To build new plant to take care of present needs. Present rental property too small and unsuitable for increased volume and employment.</td>
<td></td>
</tr>
<tr>
<td>Delicatessen</td>
<td>Favorable</td>
</tr>
<tr>
<td>To build a new store building to serve a newly developed residential area.</td>
<td></td>
</tr>
<tr>
<td>Retail farm tractor and implement dealer</td>
<td>Unfavorable</td>
</tr>
<tr>
<td>To erect sales and service building in order to retain franchise.</td>
<td></td>
</tr>
<tr>
<td>Grain elevator and feed mill—Sale of seeds and seeds to farmers</td>
<td>Unfavorable</td>
</tr>
<tr>
<td>To erect a new building to replace present facilities which are not very convenient from standpoint of services to customers.</td>
<td></td>
</tr>
<tr>
<td>Municipality</td>
<td>Unfavorable</td>
</tr>
<tr>
<td>To erect agricultural-live stock exhibition building.</td>
<td></td>
</tr>
<tr>
<td>Nursing home for aged</td>
<td>Favorable</td>
</tr>
<tr>
<td>To buy existing building which is suitable for needed additional space for operations.</td>
<td></td>
</tr>
<tr>
<td>Mortuary</td>
<td>Favorable</td>
</tr>
<tr>
<td>To build a new mortuary in replacement of present quarters which are inadequate for needs of community. This is the only mortuary serving the area.</td>
<td></td>
</tr>
<tr>
<td>Tourists’ hotel</td>
<td>Unfavorable</td>
</tr>
<tr>
<td>To construct 25-room motel in vacation and recreational area.</td>
<td></td>
</tr>
<tr>
<td>Educational institution</td>
<td>Favorable</td>
</tr>
<tr>
<td>To finance partially construction of a library.</td>
<td></td>
</tr>
<tr>
<td>Municipality</td>
<td>Favorable</td>
</tr>
<tr>
<td>For construction of needed school buildings. Committee deferred its opinion on financing for that part of program which extended beyond current fiscal year.</td>
<td></td>
</tr>
<tr>
<td>Church</td>
<td>Favorable</td>
</tr>
<tr>
<td>To build a new church in replacement of present structure which is in unsafe and hazardous condition.</td>
<td></td>
</tr>
<tr>
<td>Church</td>
<td>Unfavorable</td>
</tr>
<tr>
<td>To build a parish hall and an addition to Sunday School building.</td>
<td></td>
</tr>
</tbody>
</table>

### New Plant or Equipment

<table>
<thead>
<tr>
<th>Borrower and Purpose</th>
<th>Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publisher of daily newspaper</td>
<td>Favorable</td>
</tr>
<tr>
<td>To purchase a printing press in replacement of outmoded press which does not take care of present requirements.</td>
<td></td>
</tr>
</tbody>
</table>

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BORROWER AND PURPOSE

Tankship owners
To purchase oil tanker for charter to an oil company.

Excavating contractor
To purchase diesel tractor shovel to replace worn and obsolete equipment now in use.

Wholesale petroleum
To buy tractor-tanker units necessary in operations; one replacement and one additional unit.

Public utility
For improvements to its gas distribution system.

Municipality
For needed fire fighting equipment in rapidly expanding community.

Laundry
To purchase new machinery and equipment for expansion of plant. Deferrable unless program had been started and commitments made prior to inauguration of VCR Program.

Social club and recreation center
To purchase bar and equipment together with furnishings for social room. Present facilities not adequate to meet demand.

MODERNIZATION

Farmer
To repair and remodel farm buildings on 176 acre producing farm.

Retail variety store
For modernization and enlargement of store building. Approval based on facts that architect's plans drawn and materials contracted for prior to inception of VCR Program.

Retail ladies ready-to-wear
To modernize store, add new front and increase floor capacity to maintain competitive position.

Gasoline service station
For purchase and modernization of equipment and facilities of two existing gas stations.

WORKING CAPITAL LOANS

Woodworking—Manufacturer of business fixtures and equipment
For necessary and normal working capital in connection with contract work in process.

Metal stamping plant
For necessary and normal working capital. Sixty-five per cent of present volume is under defense contract.

Shoe manufacturer
For necessary and normal working capital.

opinion

Favorable

DEBT RETIREMENT AND REFINANCING

Retail automobile dealer
To repay existing bank loans.

Manufacturer of electrical appliances
For reduction of bank debt.

Retail milk dealer
To refinance existing indebtedness held by former owner of business.

Chain variety stores
To retire outstanding preferred stock.

ACQUISITION OF EXISTING BUSINESSES

Hotel operator
To purchase building and equipment of hotel from owner who is retiring because of ill health. Failure to effect transfer might create hardship for community in having hotel closed. Approval based on assumption self-financing purchaser cannot be found or that seller is unable to accept a purchase-money mortgage.

Trucking
To purchase motor trucking company and equipment for expansion of present operations. Trucking business to be acquired is currently hauling foodstuffs but continued operation by present owner is assured until a sale can be made.

ACQUISITION OF STOCKHOLDERS' OR PARTNERS' INTERESTS

Individual (officer and principal stockholder—machine tool manufacturer)
To acquire one-third stock interest in company from widow of borrower's former partner. Proceeds of this loan, used to purchase the minority interest in the company, would preserve continuity of management and avoid the minority stock interest getting into possibly unfriendly hands.

Retail novelty store
To buy other partner's interest in business to become sole owner.

Wholesale iron and steel
To purchase minority shareholders' interest.

Trucking company
Family group operating company wishes to buy back 51 per cent of stock now held by outside interests.
VOLUNTARY CREDIT RESTRAINT RELEASES

NEW VENTURES

BORROWER AND PURPOSE

OPINION

Retail grocer Favorable
To stock a new store to be opened in a new and expanding community now lacking a grocery.

Retail grocer Unfavorable
To stock a new grocery store which facility appears not to be necessary in the community.

Dentist Favorable
To purchase furnishings and equipment necessary to operate a dental office. Borrower recently graduated from dental school.

Retail men's clothing Unfavorable
To open new men's clothing store. City has sufficient retailers to satisfy the demand.

Retail gasoline distributor Unfavorable
To equip a new self-service station. Present facilities in community are adequate.

Amusement park Unfavorable
For erection of plant and purchase of equipment necessary for operations. Other amusement and recreational facilities are available in area.

LOANS TO FARMERS, ETC.

Rancher Favorable
To purchase and carry cattle.

Farmer Favorable
To clear 50 additional acres of land for pasture.

Farmer Favorable
To purchase 260 acre farm for purpose of putting it into production.

Farmer Unfavorable
To purchase farm land for lease as an investment. Considered speculative in character where the land is already in production and borrower desires simply to increase his holdings of real estate.

DEVELOPMENT OF LAND

Individual Favorable
To purchase acreage for housing developments in a defense area.

Individual Unfavorable
To purchase and develop land for sale as building lots.

Municipality Unfavorable
To acquire unimproved land for erection of parking facilities.

OTHER LOANS

Housewife Unfavorable
To buy single premium life insurance contract. To provide for purchase of discounted premium life insurance contract.

Individual Unfavorable
To purchase real estate for investment. Property is already financed on a long-term basis.

State Government Unfavorable
For payment of bonus to veterans of World War II.

CHANGES IN REGIONAL VOLUNTARY CREDIT RESTRAINT COMMITTEES

STATEMENT OF NATIONAL VOLUNTARY CREDITRESTRAINT COMMITTEE, SEPTEMBER 24, 1951

The National Voluntary Credit Restraint Committee announces the following appointments and designations affecting the membership of the subcommittees indicated:

Los Angeles Regional Commercial Banking Voluntary Credit Restraint Committee

Designation of J. C. Lipman, Senior Vice President, Union Bank and Trust Company of Los Angeles, Los Angeles, California, as Vice Chairman.

Seattle Regional Commercial Banking Voluntary Credit Restraint Committee

Appointment of Stuart Frazier, Executive Vice President, Washington Mutual Savings Bank, Seattle, Washington, as an alternate member.

Mid-Western Insurance Voluntary Credit Restraint Committee

Designation of Frank J. Travers, Vice President, American United Life Insurance Company, Indianapolis, Indiana, as Vice Chairman.

Appointment of the following as alternate members:

Richard H. Samuels, Financial Secretary, Continental Assurance Company, Chicago, Illinois
Grant Torrance, Vice President and Treasurer, Business Men's Assurance Company of America, Kansas City, Missouri
Howard Dean, Financial Secretary, Bankers Life Company, Des Moines, Iowa

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Norman H. Nelson, Vice President, The Minnesota Mutual Life Insurance Company, St. Paul, Minnesota
James H. Windsor, Financial Vice President, Equitable Life Insurance Company of Iowa, Des Moines, Iowa
Andrew H. Alexander, Manager of City Loans, The Northwestern Mutual Life Insurance Company, Milwaukee, Wisconsin
Edward Karrmann, Treasurer, American United Life Insurance Company, Indianapolis, Indiana
Neil B. Dawes, Vice President, Federal Reserve Bank of Chicago, Chicago, Illinois

Southwestern Insurance Voluntary Credit Restraint Committee
Appointment of Charles S. Sharp, Vice President, Fidelity Union Life Insurance Company, Dallas, Texas, as an alternate member.

Western Insurance Voluntary Credit Restraint Committee
Appointment of H. F. Slade, Vice President, Federal Reserve Bank of San Francisco, San Francisco, California, as an alternate member to replace R. E. Everson.

Western Investment Banking Voluntary Credit Restraint Committee
Appointment of H. F. Slade, Vice President, Federal Reserve Bank of San Francisco, San Francisco, California, as an alternate member.

Second District Savings and Loan Voluntary Credit Restraint Committee
Designation of Willis J. Almekinder, President, First Federal Savings and Loan Association of Rochester, Rochester, New York, as Vice Chairman.

Third District Savings and Loan Voluntary Credit Restraint Committee
Appointment of the following as alternate members:
Walter E. Margie, President, First Federal Savings and Loan Association, Pittston, Pennsylvania
Fred A. Werner, President, Lansdowne Federal Savings and Loan Association, Lansdowne, Pennsylvania
James W. Cullen, President, Anchor Savings and Loan Association, Atlantic City, New Jersey
G. Raymond Greeby, President, Burton C. Simon Savings and Loan Association, Philadelphia, Pennsylvania

New York-New Jersey Mutual Savings Bank Voluntary Credit Restraint Committee
Appointment of M. Harold Higgins, President, Bloomfield Savings Bank, Bloomfield, New Jersey, as an alternate member.

Mid-Atlantic Mutual Savings Bank Voluntary Credit Restraint Committee
Appointment of the following as alternate members:
R. Stewart Rauch, Jr., Vice President, Philadelphia Savings Fund Society, Philadelphia, Pennsylvania
Howard A. Hoffman, Assistant Secretary and Assistant Treasurer, Dollar Savings Bank, Pittsburgh, Pennsylvania
Gerard W. Kirby, Vice President, Provident Savings Bank, Baltimore, Maryland
Thomas Tatnall, Vice President, Wilmington Savings Fund Society, Wilmington, Delaware

STATEMENT OF NATIONAL VOLUNTARY CREDIT RESTRAINT COMMITTEE, OCTOBER 23, 1951

The National Voluntary Credit Restraint Committee announces the following appointments and designations affecting the membership of the subcommittees indicated:

First District Commercial Banking Voluntary Credit Restraint Committee
Appointment of Walter E. Borden, Senior Vice President and General Manager, The National Shawmut Bank of Boston, Boston, Massachusetts, as an alternate member, replacing George E. Pierce, deceased.

Eighth District Commercial Banking Voluntary Credit Restraint Committee
Appointment of William M. Harlan, President, Manchester Bank of St. Louis, St. Louis, Missouri, as an alternate member.

Ninth District Commercial Banking Voluntary Credit Restraint Committee

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Tenth District Commercial Banking Voluntary Credit Restraint Committee
Appointment of the following as alternate members:
C. J. Chandler, President, First National Bank, Wichita, Kansas
G. P. Bramwell, Vice President, First National Bank, Kansas City, Missouri
Wilfred C. Wann, Vice President, Commerce Trust Company, Kansas City, Missouri
W. B. Millard, Jr., President, Omaha National Bank, Omaha, Nebraska
R. E. Thompson, Senior Vice President, First National Bank and Trust Company, Tulsa, Oklahoma
P. K. Alexander, Vice President, First National Bank, Denver, Colorado
D. W. Woolley, Vice President, Federal Reserve Bank of Kansas City, Kansas City, Missouri

Southwestern Insurance Voluntary Credit Restraint Committee
Appointment of Mac C. Smyth, Vice President, Federal Reserve Bank of Dallas, formerly an alternate member, as a member, replacing H. R. DeMoss, and appointment of J. Lee Cook, Vice President and Cashier, Federal Reserve Bank of Dallas, as an alternate member.

Mid-Western Mutual Savings Bank Voluntary Credit Restraint Committee
Designation of Harry J. Fitzgerald, Secretary, The Peoples Savings Bank, Evansville, Indiana, as Vice Chairman.
Appointment of the following as alternate members:
M. F. Schaeffer, President, The Peoples Savings Bank, Evansville, Indiana
C. P. Clifford, Assistant Treasurer, Farmers and Mechanics Savings Bank, Minneapolis, Minnesota
G. G. Litzko, Vice President, Society for Savings in the City of Cleveland, Cleveland, Ohio

Fourth District Savings and Loan Voluntary Credit Restraint Committee
Designation of C. Elwood Knapp, Executive Vice President, Friendship Federal Savings and Loan Association, Pittsburgh, Pennsylvania, as Vice Chairman.
Appointment of the following as alternate members:
Allen R. Rankin, Secretary, Buckeye Federal Savings and Loan Association, Columbus, Ohio
D. H. Fork, Secretary, Friendship Federal Savings and Loan Association, Pittsburgh, Pennsylvania
Cyrus J. Fitton, Attorney, Dollar Federal Savings and Loan Association, Hamilton, Ohio

Tenth District Savings and Loan Voluntary Credit Restraint Committee
Designation of C. R. Mitchell, Executive Vice President, First Federal Savings and Loan Association, Kansas City, Missouri, as Vice Chairman.

Eleventh District Savings and Loan Voluntary Credit Restraint Committee
Appointment of Mac C. Smyth, Vice President, Federal Reserve Bank of Dallas, formerly an alternate member, as a member, replacing H. R. DeMoss, and appointment of J. Lee Cook, Vice President and Cashier, Federal Reserve Bank of Dallas, as an alternate member.

Twelfth District Savings and Loan Voluntary Credit Restraint Committee
Designation of Gerrit VanderEnde, President, Pacific First Federal Savings and Loan Association, Tacoma, Washington, as Vice Chairman.
The Voluntary Credit Restraint Committee has reviewed the outlook for business spending on plant and equipment and has revised Bulletin Number 2 as follows:

1. The economic outlook suggests the need for continued careful screening, under the Program, of all business capital financing programs. Business spending on plant and equipment is at record levels and is contributing to shortages of basic materials. The prospects are that plant expansion programs will remain at high levels for some time to come; business requirements for outside financing are expected to remain large during 1952. At the same time, the supply situation in several basic raw materials is likely to become worse before it improves. Consequently, financing institutions should exert continued devoted efforts to channel funds used by business concerns into defense, defense-supporting and essential civilian purposes.

Plant expansion for nondefense and nonessential purposes consumes scarce materials and syphons off funds which might better be used to finance the defense effort. Thus it becomes a menace to the soundness of the American dollar. Such outlays have apparently been large in 1951, although, thanks to careful screening, the amount financed by borrowed money and stock issues has been held to a moderate sum.

However, there will come a time when these nondefense plant expenditures will afford welcome support to business and employment. Business management and finance can jointly do a great public service both now and later by timing plant outlays and the financing thereof with full consideration of the foregoing factors.

2. Typical of the uses of funds which have a high priority under present conditions are the following: increasing capacity for the production of defense goods and of basic raw materials (such as metal and petroleum); loans to railroads and other public transportation, electric, gas and water utilities; loans under certain conditions to construction companies with bona fide contracts for the construction of defense facilities, highways, schools, port improvements, public utilities or railroads.

3. Among the nonessential uses of long-term financing that might be postponed to a more propitious time are those for such purposes as: (1) construction of facilities to improve the competitive position of an individual producer of nonessential goods; (2) expansion and modernization expenditures of concerns in distribution or service lines where the distribution or service is not defense-supporting; (3) expansion and modernization programs for the manufacture of consumer goods not related to the defense effort; and (4) purchase of existing plants or firms to improve the diversification of a company's products.

4. The purpose for which funds will be used, rather than the type of financing is the important consideration in screening capital expenditure financing under the Program. Thus, it is recommended that all types of security issues be screened—term loans, notes, debentures, bonds, preferred stock, common stock, sale-lease-back arrangements or any other form of financing. Interim financing should be screened by the same tests that will be applied to the screening of the ultimate financing.

5. Financing institutions are urged to give equal consideration to the needs of small as well as large business in screening applications for long-term financing.

6. The financing of business plant and equipment programs should be screened under the Program even though the project has received a certificate of tax amortization, or has been allotted materials under the Controlled Materials Plan. Such certificates or allotments are important factors which should be given substantial weight by financing institutions and by the regional committees in their screening, under the Program, of a financing proposal, but such certificates or allotments should

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1 Statement issued by National Voluntary Credit Restraint Committee on Dec. 19, 1951 for release on Dec. 21, 1951.
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not automatically exempt financing from evaluation under the Program. Such screening is welcomed by the Office of Defense Mobilization.

7. Since there may be cases in which business management has decided for policy reasons against applying for a certificate of tax amortization, the absence of such a certificate should not be taken as conclusive evidence that proposed financing of a plant program does not conform to the lending standards of the Voluntary Credit Restraint Program.

In conjunction with the issuance of the revised Bulletin Number 2, the National Voluntary Credit Restraint Committee made the following statement:

FINANCING OF BUSINESS CAPITAL EXPENDITURES

High level of business investment. Business spending on plant and equipment is currently at record levels and is likely to remain relatively high for some time to come. In the fourth quarter of 1951, it is estimated that such spending was at the rate of 25 billion dollars per year, and for the year the total is likely to be 23 billion or more. These figures reflect recent Department of Commerce revisions of plant and equipment expenditure estimates, and represent a 15 per cent increase over 1948, the previous record year.

Of the total for 1951, nearly 12 billion dollars will be accounted for by manufacturing and mining, nearly 6 billion by public utilities and transportation, and the remaining 5 billion by trade, service and other. While a substantial part of these expenditures doubtless represents additions to productive facilities that are essential to the defense effort, it seems likewise obvious that a large amount represents expenditures that might better have been postponed until labor and materials were in more plentiful supply. Some decline from the record fourth quarter level would not be unexpected, but present indications are that total expenditures in 1952 may be about as large as for 1951.

Need for outside financing. The amount of financing to be done via the securities market, private placements and the commercial banks may be about as large in 1952 as it was in 1951; the need for outside financing is likely to be especially heavy during the first half of the year. Payments of Federal income and excess profit taxes will be substantially larger in 1952. Furthermore, whereas in 1951 accruals for tax liabilities ran in excess of payments and thus were a source of funds, the reverse may well prove to be the case in 1952. The acceleration of tax payments in the first half of the year as the result of the "Mills plan" and the probability that corporations in general have not fully provided for their income tax liabilities also mean that the financing requirements of many companies will be unusually heavy in the next few months.

At the same time, retained earnings plus depreciation accruals are expected to show little if any increase from the 1951 level. Thus, corporations may well require a large volume of financing from external sources such as commercial banks, life insurance companies, and the securities markets during 1952.

These prospects suggest the need for an especially careful screening of business financing programs during the next few months. That there is room for restricting nondefense uses of funds is suggested by the data on corporate new capital securities issues, including private placements, during the first nine months of 1951. The aggregate of such financing, 5.3 billion dollars, was significantly larger than in the comparable period in 1950. Of this total, an estimated 3.9 billion was accounted for by such defense and defense-supporting industries as railroads, public utilities, and manufacturers of iron and steel, nonferrous metals, machinery, and other transportation equipment, chemicals, rubber and petroleum. Of the remaining 1.5 billion, roughly one-half reflected financing by manufacturers of food, beverage, and tobacco products, paper, construction materials and house furnishings and appliances, and the balance presented issues by trade, financial and other companies.

Government policy re plant expansion. In part, the current record levels of business spending reflect Government policy. Through subsidy and exploration contracts, efforts have been made to increase supplies, largely, of basic raw materials. Of greater aggregate significance is the incentive to plant expansion provided by accelerated amortization for tax purposes. Under this program some 4,300 certificates of tax amortization have been issued covering proposed plant investments amounting to 10.6 billion dollars.

The desire to build at great speed a plant capacity sufficient to meet simultaneously the demands of the defense program and the require-
VOLUNTARY CREDIT RESTRAINT RELEASES

ments of a high standard of living civilian economy, has meant that it has not been feasible, until recently at least, to give much attention to the development of well-integrated programs in the various sectors of our tremendously complex economy. Incentives to plant expansion have not been limited to defense plants, narrowly defined, but have been given to a fairly broad list of industries.

On the other hand, first through N.P.A. certificates and other controls over construction and currently by means of the Controlled Materials Plan efforts have been made to limit less essential construction. But C.M.P. is still in its formative stages. The practice of "over-allotting," has been followed, based on the premise that not all allotments would be utilized, and it has been stated that an allotment is no guarantee that the specified materials will in fact be available. Self-certification allows some use of materials without specific control under the Program.

These comments underline the difficult problems encountered in trying to determine, for the expansion of productive plant and for the allotment of short materials, policies appropriate to a part-defense, part-civilian economy. The difficulties are probably greater than they would be under conditions of all-out war. Assistance under the Voluntary Credit Restraint Program will be welcomed by the Office of Defense Mobilization through the process of screening financing for business expansion even though the projects may have received certificates of tax amortization, allotment of materials under C.M.P., or some other similar recognition.

There may be additional reasons for screening the financing of such projects under the Program. A certificate of tax amortization does not necessarily mean that financing is required immediately since a considerable period may elapse before the materials will become available. Premature financing increases the probability that funds may be diverted to other uses not related to the project for which a certificate has been obtained. In some cases only part of a plant project may be classified as "essential" whereas the financing program may cover the entire venture. The character and type of financing proposed should be appropriate to the circumstances: thus, it would seem reasonable to insist upon reasonably adequate debt retirement provisions in the case of projects which have received certificates of tax amortization. It is conceivable that there may be cases in which financing institutions, because of their intimate knowledge of a local situation, may have reason to doubt whether a given project has a reasonable chance of achieving its objectives.

BULLETIN NUMBER 4 (AMENDED) OF THE NATIONAL VOLUNTARY CREDIT RESTRAINT COMMITTEE—LOANS ON REAL ESTATE

At the meeting of the National Committee on November 15, 1951, it was agreed that if the Board of Governors should decide to exempt leasing arrangements from Regulation X there should be an amendment of Bulletin No. 4 (revised). Effective December 31, 1951, as indicated on page 27 of this Bulletin, the Board amended its Regulation X so that leasing arrangements involving new construction of commercial and industrial property are no longer subject to that regulation. Therefore, the last paragraph of Bulletin No. 4 was amended to bring these leasing arrangements within its purview. The amended paragraph follows:

5. LEASING ARRANGEMENTS. The Committee also urges financing institutions to recognize that leasing arrangements sometimes are used as substitutes for mortgage financing and therefore come within the Program and should be screened as to purpose. This principle should apply to existing construction of all types and should also apply to new construction of commercial or industrial property, since leasing arrangements involving commercial or industrial property are no longer subject to Regulation X. Some examples of leasing arrangements which may be used as substitutes for mortgage credit and where, if this is the case, the above principle (i.e., screening as to purpose) should apply are sale-lease-back arrangements, long-term leases which may be renewed for a nominal rental, and leases in which the lessee has the right to have rental payments applied to the purchase price in a subsequent exercise of an option to buy the leased property.

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Federal Reserve Board Governor Oliver S. Powell, Chairman of the National Voluntary Credit Restraint Committee, made public today an important new series of financial data relating to the loan and investment commitments of life insurance companies. In so doing, he called attention to the fact that there has been an increase in the proportion of life insurance company funds earmarked for the financing of defense and defense-supporting activities, as revealed by the commitments figures for 45 life insurance companies. Of a total of 4.0 billion dollars of commitments outstanding at the end of October, roughly 46 per cent were to borrowers classed by the reporting companies as defense or defense-supporting; as of April 30 such borrowers had accounted for about 37 per cent of outstanding loan and investment commitments.

Since life insurance company financing commitments frequently extend over a long period of time, any shift from the nondefense to defense and defense-supporting categories would of necessity be gradual. However, figures on new commitments entered into, whose collection was begun in September, reveal an increase in the proportion of defense and defense-supporting to total new commitments from 46 per cent in September to 48 per cent in October. So far as new commitments made to finance defense and defense-supporting activities are concerned, the data reveal that from September to October there was a decline in those to railroads and public utilities, whereas those to "business and industrial concerns," primarily manufacturing companies, increased sharply both in absolute amount and in relation to total new commitments of all types.

These and other relevant statistics on the lending and investment activities of life insurance companies have been compiled for the National Voluntary Credit Restraint Committee by the Life Insurance Association of America from reports submitted by 45 companies whose combined assets represent 85 per cent of all life insurance company assets. These data do not permit a full appraisal of the Voluntary Credit Restraint Program as applied to life insurance companies, since they do not cover loans and investments deferred in accordance with the principles of the Program. Nevertheless, they constitute a new and important source of information on the lending and investment activities of one of the major groups of financing institutions.

Between the end of April and the end of August outstanding commitments of the 45 life insurance companies declined by roughly 750 million dollars. Of this amount, 420 million was accounted for by residential real estate mortgage loan commitments and roughly 240 million by other nondefense financing commitments. As commitments for individual business mortgage loans of less than $100,000 and foreign securities marketed for United States dollars were first included in the September figures, the increase in outstanding commitments during September is not indicative of trends in life insurance company lending and investment activities. However, comparison of the September and October commitments totals reveals a moderate increase during the latter month.

Financing of plant and equipment expansion accounts for the greater part of the proposed uses of funds by borrowers in nondefense industries; the same is probably true for borrowers in defense and defense-supporting industries, since those which are engaged in extensive expansion of productive capacity—including railroads, electric and gas utilities, and manufacturers of iron and steel, machinery, petroleum, and chemical products—accounted for a large proportion of commitments outstanding at the end of October.

Of the 4.0 billion dollar total of life insurance company commitments outstanding on October 31, it was estimated by the reporting companies that 2.5 billion would be taken down within the ensuing six months. In the case of business other than railroads and public utilities, about half of the commitments outstanding at the end of October are expected to be taken down sometime after April 1952; for most other borrowers, the bulk of their outstanding commitments are expected to be taken down during the fourth quarter of 1951 and the first quarter of 1952.

*Statement issued by the National Voluntary Credit Restraint Committee on Dec. 18, 1951 for release on Dec. 20, 1951.*
VOLUNTARY CREDIT RESTRAINT RELEASES

APPOINTMENTS TO REGIONAL VOLUNTARY CREDIT RESTRAINT COMMITTEES

REPRESENTATION OF FRATERNAL INSURANCE ASSOCIATIONS

The National Voluntary Credit Restraint Committee has completed arrangements whereby the fraternal insurance associations of the country will be represented along with other important classes of financing institutions in the regional committee organization of the Voluntary Credit Restraint Program. Under this plan representatives of the fraternal associations have been appointed to the existing regional insurance committees, which have headquarters in New York, Chicago, Dallas, and San Francisco, respectively. Fraternal associations are invited to submit to the appropriate insurance committee any questions which they may have with respect to the applicability of the adopted principles of the voluntary program to specific items of financing.

The appointments made by the National Committee are shown below:

Eastern Insurance Voluntary Credit Restraint Committee
Ernest R. Deming, President, The Unity Life and Accident Insurance Association, 636 South Warren Street, Syracuse 1, New York
Norman MacKay, Secretary, Order of Scottish Clans, 899 Boylston Street, Boston 15, Massachusetts
Michael J. Wargovich, President, The First Catholic Slovak Union of the United States of America, 3289 East 55th Street, Cleveland 27, Ohio (alternate)

Mid-Western Insurance Voluntary Credit Restraint Committee
Luke E. Hart, General Counsel, Knights of Columbus, La Salle Building, St. Louis 1, Missouri
De E. Bradshaw, Chairman of the Board, Woodmen of the World Life Insurance Society, Insurance Building, Omaha 2, Nebraska

Southwestern Insurance Voluntary Credit Restraint Committee
Anton E. Hill, Secretary, The Praetorians, Praetorians Building, Dallas 1, Texas
Alan Brown, President, Woodmen of the World, 1447 Tremont Place, Denver 2, Colorado (alternate)

West Coast Insurance Voluntary Credit Restraint Committee
Joseph A. Bradley, Box 548, San Mateo, California
Minerva Codding, Grand Guardian, Neighbors of Woodcraft, 1410 S. W. Morrison Street, Portland 5, Oregon (alternate)

THIRD DISTRICT COMMERCIAL BANKING COMMITTEE

The National Voluntary Credit Restraint Committee has approved certain changes in the membership of the Third District Commercial Banking Voluntary Credit Restraint Committee.

Mr. Glenn K. Morris, President of the National Bank of Germantown & Trust Co., Philadelphia, Pennsylvania, who had been serving as an alternate, has been appointed a member of the Committee, while Mr. J. Wilson Steinmetz, Vice President of The Philadelphia National Bank, succeeds Mr. E. L. Worstall, also a Vice President of The Philadelphia National Bank, as an alternate member. Mr. Steinmetz formerly had been a member of the Committee while President of the Ninth Bank and Trust Company, Philadelphia. Mr. Henry Knepper, President of the First Camden National Bank & Trust Co., Camden, New Jersey, has joined the Committee as an alternate member.

*Statement issued by National Voluntary Credit Restraint Committee on Dec. 12, 1951 for release on Dec. 14, 1951.
THE ROAD AHEAD

It has now been a full year since the nation's financing institutions, under the authority granted by the Defense Production Act, entered into a Voluntary Credit Restraint Program designed to assure adequate financing for defense and defense-related activities and to curtail credit for non-essential or deferrable purposes.

At the outset of the Program, which was without precedent in the country's financial history, there was widespread skepticism as to what might be accomplished by a self-regulation effort in the highly competitive field of lending. This has been supplanted by a recognition that the Program has proved practicable, workable, and effective as a supplement to fiscal, credit, and other anti-inflationary weapons. The national and regional committees, consisting of representatives of financial institutions which extend to all parts of the country, have provided lenders with criteria which have assisted them in differentiating between those credits which are essential and those which are not. As a result, the need for credit restraint in the interest of a sound dollar has become more widely understood than probably could have been accomplished by any other means.

The year has witnessed a decided change in public psychology and a great strengthening of confidence everywhere in the nation's ability to preserve the value of the dollar. There has been a marked and healthy increase in the volume of savings and recently these have been increasing at the highest rate since the end of the war.

The contribution which the Voluntary Credit Restraint Program has made to stabilization is not measurable in dollars, but the cumulative effect of the restriction of credit to essential purposes is clearly evident from reports received from lenders in all sections of the country. The Program has been an important factor in holding prices level during the first year of its operation. There is need, however, for a new determination to preserve the progress that has been made in containing inflationary forces.

The Congress has authorized huge expenditures to assure the nation's security and in coming months outlays of funds for defense purposes will reach new high levels. For the first time since the outbreak of hostilities in Korea there is the prospect of a sustained period when cash income of the Government will be less than its current expenditures. In the second half of this year we face the task of raising substantial amounts of new money to cover the deficit.

The full impact of this factor on the equilibrium of the economy cannot be measured at the present time. To the extent, however, that it is possible through the voluntary efforts of financial institutions and borrowers to postpone or curtail less important and less urgent private and municipal financing more savings will be available to meet this additional demand for funds. Economy at national, State and local levels of government, fiscal measures to cover outlays so far as possible, and measures of credit restraint are all essential safeguards against a resurgence of inflationary pressures.

Appropriate measures taken now will make it possible to finance Government requirements out of private savings, instead of by resort to the highly inflationary process of borrowing from the banking system. Moreover, postponement of less essential projects now will build up a backlog which will be most welcome when the defense program tapers off.

To this added objective the Voluntary Credit Restraint Program can make a contribution as important as it has to the goal of stabilization achieved during its first year of operation.

Statement released by National Voluntary Credit Restraint Committee, Mar. 10, 1952.
VOLUNTARY CREDIT RESTRAINT RELEASES

RECOMMENDATIONS TO REGIONAL VOLUNTARY CREDIT RESTRAINT COMMITTEES

The following recommendations were voted at a recent meeting of the National Voluntary Credit Restraint Committee. Will you kindly give the subject matter such distribution as seems appropriate?

1. Interim and permanent financing. In certain financing programs in which the interim financing is being handled by one group and the permanent financing by a different group of financial institutions, some question has arisen as to the appropriate procedure to insure that the financing is screened under the Program.

It is the view of the National Committee that the institution making the first commitment should either screen the financing under the Program or, if it so elects, submit same to the appropriate regional committee for screening. The responsibility under the Program of financing institutions making the second commitment for financing involving substantially the same amount may be discharged by either ascertaining that the proposed financing has been approved by the appropriate regional committees in the first instance, or lacking such approval, by themselves screening in the usual manner. Should the amount sought substantially exceed that previously approved, then such excess should be screened under the Program.

Banks financing underwriters temporarily pending distribution of securities should insure that the financing has been screened by the underwriter.

2. Direct or private placements. Problems have also arisen in the case of direct or private placements in which a number of investing institutions may be interested. The problem here is to avoid multiple requests to regional committees but at the same time to insure that such issues are properly screened.

The views of the National Committee are as follows: (1) In cases where an investment banker, security dealer or other financing institution is acting as intermediary between the borrower and the lenders, the intermediary should either screen the proposed financing under the Program, or if it so elects, submit same to the appropriate regional committee for screening. The lending financing institutions should, if the proposed financing has not already been favorably screened by a regional committee, either screen the proposed financing, or, if they so elect, submit same to an appropriate regional committee. (2) In cases where there is no intermediary, it is the responsibility of the investing institutions or agent-lender to screen the issue themselves, or if they so elect, submit same to the appropriate regional committee for screening. (3) In each instance where the first financing institution participating in the negotiations, either as intermediary or, in the absence of an intermediary, as ultimate investor or lender has submitted the proposed financing to the appropriate regional committee for screening and a favorable opinion has been accorded, the responsibility under the Program of subsequent financing institutions entering the negotiations does not extend beyond ascertaining that the proposed financing has been approved by the appropriate regional committee.

3. Loans to retire stock. The National Committee reaffirmed its position that loans to retire equity securities (including preferred stock) are contrary to the Statement of Principles of the Program in the absence of unusual extenuating circumstances.

4. Screening foreign borrowing. Since foreign borrowing in the financial markets of the United States involves a negotiated sale to a group of investment bankers (either on an agency or firm commitment basis), the investment bankers have access to all pertinent financial information regarding the borrower. Consequently, the appropriate regional committee to consider such foreign borrowing should be the committee serving in the city in which the agent or principal underwriter is domiciled.

5. State and local interim financing. Certain municipalities have been arranging interim financing. At a later date they have requested clearance of permanent financing on the grounds that inability to fund outstanding obligations would create undue hardship and embarrassment.

Bulletin Number 3 specifically recommends that "temporary borrowing for capital purposes, unless anticipating current revenues, should be judged by the standards specified . . . for long-term capital loans." The Bulletin also urges local governments to balance operating budgets and to hold borrowing in anticipation of taxes or other revenues to a minimum. Consequently, financing institutions are urged to assure themselves that interim financing

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VOLUNTARY CREDIT RESTRAINT RELEASES

by State and local governments is evaluated under the Program in the same manner and by the same standards as would be applicable in the case of long-term financing.

6. Transportation equipment. The question has been raised with the National Committee as to whether loans for the purchase of transportation equipment already in use, i.e., ships, trucks, etc., were contrary to the principles of the Voluntary Credit Restraint Program.

The National Committee expressed the opinion that such loans are ordinarily not in conformance with the principles of the Voluntary Credit Restraint Program except in the event that denial of credit for such a purchase would result in the withdrawal of the equipment from active use for defense or essential civilian purposes.

7. Temporary real estate financing. The question was raised with the National Committee as to whether the Committee should amend its Bulletin Number 4 as Regulation X has recently been amended to permit temporary financing in excess of permanent financing connected with the purchase of a home when the prospective buyer is selling his present home to finance the down payment required for the purchase of the other and where the two transactions cannot be perfectly synchronized.

The view of the Committee is that there are undoubtedly some cases where the timing of the two transactions cannot be perfectly synchronized despite the best efforts of all parties concerned and that to deny temporary credit in these circumstances for this reason alone would be unrealistic and would work an undue hardship. However, lending institutions should make every effort to ascertain that the delay in sale of the present property is, in fact, unavoidable and provide for a maturity date or provisions to pay off in terms that would reflect the “temporary” nature of the credit required in such cases.

CHANGES IN REGIONAL VOLUNTARY CREDIT RESTRAINT COMMITTEES

STATEMENT OF THE NATIONAL VOLUNTARY CREDIT RESTRAINT COMMITTEE, JANUARY 30, 1952

Richard W. Simmons, of the firm of Blunt, Ellis & Simmons, 208 South LaSalle Street, Chicago, Illinois, formerly Vice Chairman, has been appointed Chairman of the Mid-Western Investment Banking Voluntary Credit Restraint Committee. Mr. Simmons, a member of the Committee since its formation, succeeds D. Dean McCormick, of McCormick & Co., who found it necessary to relinquish the chairmanship after nearly a full year of service in that capacity.

Robert E. Simond, of Halsey, Stuart & Company, Inc., has been appointed Vice Chairman of the Committee and John T. Stentz, of the staff of the Federal Reserve Bank of Chicago, has been named Secretary. Inquiries may be addressed to the Committee in care of Mr. Stentz at 230 South LaSalle Street, Chicago 90, Illinois.

The territory served by the Mid-Western Committee includes the States of Illinois, Michigan, Wisconsin, Indiana, Kentucky, Mississippi, Missouri, Kansas, Nebraska, the Dakotas, Minnesota, Iowa, and Colorado.

STATEMENT OF THE NATIONAL VOLUNTARY CREDIT RESTRAINT COMMITTEE, FEBRUARY 7, 1952

Fred B. Dickey, Vice President of The Farmers and Merchants National Bank of Los Angeles, Los Angeles, California, has been appointed a member of the Los Angeles Regional Commercial Banking Voluntary Credit Restraint Committee. Mr. Dickey, who had been serving as an alternate member of the Committee, succeeds H. M. Craft of the same institution. M. F. Bowler, Jr., also a Vice President of The Farmers and Merchants National Bank, has been appointed an alternate member of the Los Angeles Committee.

Lewis D. Fox, President of the Tarrant County Building and Loan Association of Fort Worth, Fort Worth, Texas, has been appointed a member of the Eleventh District Savings and Loan Voluntary Credit Restraint Committee. His appointment fills the vacancy on the Committee which was occasioned by the death of Peyton L. Townsend.
VOLUNTARY CREDIT RESTRAINT RELEASES

SUSPENSION OF SCREENING OF STATE AND LOCAL GOVERNMENT FINANCING

At its meeting March 28 the National Voluntary Credit Restraint Committee gave consideration to the action of the President on March 24, 1952, in requesting the suspension of screening of State, municipal and public body financing by the regional VCR committees.

The National Committee has instituted the necessary procedure to comply with the President's request.

It remains to be seen, the Committee said, whether those bodies, now freed from screening of issues by the voluntary credit restraint committees, will exercise the self-restraint urged by the President, or whether there will be a rush to issue public securities for purposes deemed unnecessary and contrary to the anti-inflationary objectives for which the Voluntary Credit Restraint Program was organized. It was pointed out by the Committee that the failure by public bodies to exercise the desired restraint would seriously affect the morale essential to the success of the Program in private financing channels.

Regional committees were urged to continue to operate as heretofore in the field of private finance pending determination of the over-all effect of these new developments or until such time as the responsible monetary authorities determine that the inflationary dangers are abated. Financing institutions were urged to continue their record of excellent cooperation and compliance with the Program.

The texts of the President's letter and of Mr. Wilson’s letter of March 28, 1952, to the Chairman of the Board of Governors of the Federal Reserve System in connection with the President’s letter, are attached.

1 Statement released by National Voluntary Credit Restraint Committee, Mar. 31, 1952.
I cannot too strongly emphasize the importance of continued adherence to the principles under which the Voluntary Credit Restraint Program was established and is being effectively carried out by the national and regional committees representing every section of the United States.

Sincerely yours,
(Signed) C. E. Wilson.

Honorable William McChesney Martin, Jr.
Chairman
Board of Governors
Federal Reserve System
Washington 25, D. C.

My dear Mr. Wilson:

I should like you to undertake the necessary steps to remove from the restrictions of the credit restraint program the financial actions of State and local governments.

As you know, the credit restraint program was set up, more than a year ago, under the terms of the Defense Production Act which exempt from the anti-trust laws voluntary agreements among private businessmen if those agreements are approved by the appropriate Government officials. In this case, private commercial bankers, investment bankers, and others in the financial field, agreed on certain standards they would apply in extending credit during the present emergency period. Those standards, which were approved by the Federal Reserve Board and the appropriate mobilization agencies, were intended to limit the granting of bank loans and other types of credit, insofar as possible, to those cases where there would result some expansion of needed productive capacity or where there would be some other result achieved which was valuable in this time of emergency. I have always believed this to be a sensible approach to the problem, and I believe the credit restraint program as a whole has done a great deal of good in limiting credit expansion in inflationary pressures.

One feature of the program has, however, worried me from the start. That is the feature under which State and local governments were requested to submit their proposals for new financing to committees made up of private bankers and others in the private financial field for advice as to whether the financing should be undertaken during the present emergency. Furthermore, private financial houses were requested not to extend credit in cases where the credit restraint committees recommended against the State or local bond issue.

This arrangement has meant, in effect, that the Federal Government has restricted the proposed actions of State and local governments in matters which should be decided, under our scheme of government, by State and local initiative. While some bond issues which would clearly have been inflationary have been prevented in this fashion, it has necessarily resulted in disapproving actions which have been decided on through democratic processes by State and local governments. I believe that the application of such an arrangement to the affairs of State and local governments should be continued no longer than is absolutely necessary.

Accordingly, I have given continuing thought to how soon we can return to the State and local governments full responsibility for deciding what financing is desirable in the public interest during the present emergency. I believe that time has now come, and I therefore request that you undertake to work out the necessary arrangements for terminating the present system of review and approval of proposed State and local financing by voluntary credit restraint committees.

I am strongly of the opinion that State and local governments should continue to exercise great caution in deciding on new bond issues. They should take into account, in every case, the possible effect of any proposed financing on the strength of the bond market, on the heavy inflationary pressures which continue to face us, and the continued need to restrict credit expansion to what is absolutely necessary under emergency conditions.

I hope and expect that State and local government officials will make their decisions on the basis of what is best in the interest of the whole Nation. Furthermore, they will, of course, continue to have to adjust their plans to the limitations imposed by the scarcity of certain materials. Consequently, I believe we need no longer exercise the same degree

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AMENDMENT TO PROGRAM FOR VOLUNTARY CREDIT RESTRAINT

The following amendment to the Program for Voluntary Credit Restraint, suggested by the Voluntary Credit Restraint Committee as the result of the request of the President transmitted to the Defense Mobilization Director on March 24, 1952, was approved by the Acting Attorney General on April 11, 1952. Accordingly, on April 17, 1952, the Board of Governors issued a Request under section 708 of the Defense Production Act of 1950 to financing institutions to act and refrain from acting pursuant to the Program as thus amended.

At the end of the sentence in the Statement of Principles which commences with the words “This Program would not seek to restrict . . .,” add an asterisk with a footnote reading as follows: “In accordance with the request of the President transmitted to the Defense Mobilization Director on March 24, 1952, the Program will not seek to restrict, and will not apply to, the financing of or loans to States or local governments including counties, municipalities, districts or other political subdivisions.”

SUSPENSION OF PROGRAM FOR VOLUNTARY CREDIT RESTRAINT

STATEMENT FOR THE PRESS, MAY 5, 1952

The Board of Governors of the Federal Reserve System has concurred unanimously in the recommendation of the National Voluntary Credit Restraint Committee that the screening of applications for financing, in accordance with the principles established by the Voluntary Credit Restraint Program, be suspended in the light of current circumstances. The Voluntary Credit Restraint organization will continue on a standby basis so that the voluntary program may be reinstated should subsequent developments require.

WITHDRAWAL BY BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM OF ITS REQUEST TO FINANCING INSTITUTIONS TO ACT PURSUANT TO PROGRAM FOR VOLUNTARY CREDIT RESTRAINT

Pursuant to the provisions of section 708 of the Defense Production Act of 1950 and Executive Order No. 10161, the Board of Governors of the Federal Reserve System, on March 9, 1951, requested every financing institution in the United States to act, and to refrain from acting, pursuant to and in accordance with the provisions of a “Program for Voluntary Credit Restraint” which had been prepared and approved in accordance with the procedures and requirements prescribed by the said section 708 and by the said Executive Order. The Voluntary Credit Restraint Committee created pursuant to the Program, every subcommittee created pursuant to the Program, and every individual member of the said Committee and of said subcommittees were also requested by the said Board, on March 9, 1951, to act and to refrain from acting pursuant to and in accordance with the provisions of the Program. Subsequently, on April 20, 1951, and on April 17, 1952, the said Board requested every financing institution in the United States, the said Committee, the said subcommittees, and the individual members thereof, to act and to refrain from acting pursuant to and in accordance with the provisions of an amended “Program for Voluntary Credit Restraint” which had been prepared, amended and approved in accordance with the procedures and requirements prescribed by the said section 708 and by Executive Order No. 10161.

On May 2, 1952, the Voluntary Credit Restraint Committee recommended to the Board of Governors of the Federal Reserve System that the screening of applications for financing, in accordance with the principles established by the Voluntary Credit Restraint Program, be suspended in the light of current circumstances. The Board of Governors of the Federal Reserve System is unanimously in agreement with this recommendation of the Voluntary Credit Restraint Committee. Accordingly, effective May 12, 1952, the Board of Governors of the Federal Reserve System hereby withdraws the
VOLUNTARY CREDIT RESTRAINT RELEASES

requests which it addressed to all financing institutions, the Committee, the subcommittees, and members thereof, on March 9, 1951, April 20, 1951, and April 17, 1952, to act and to refrain from acting pursuant to and in accordance with the provisions of the Program.

Under the provisions of section 708 of the Defense Production Act of 1950, acts or omissions to act pursuant to the requests above referred to and the Program for Voluntary Credit Restraint which occur while said section 708 is in effect and before the withdrawal of such requests are not construed to be within the prohibitions of the anti-trust laws or of the Federal Trade Commission Act of the United States. As the result of this withdrawal by the Board of the requests previously made by it, the provisions of said section 708 will not apply to any act or omission to act by reason of such requests on or after May 12, 1952.

By order of the Board of Governors of the Federal Reserve System, this 2nd day of May, 1952.

S. R. CARPENTER, Secretary.

CURRENT EVENTS AND ANNOUNCEMENTS

Federal Reserve Meetings

The Conference of Chairmen of the Federal Reserve Banks met with the Board of Governors in Washington on May 5-6, 1952.

Appointment of Class C Director

On April 30, 1952, the Board of Governors announced the appointment of Mr. Philip Young, Dean, Graduate School of Business, Columbia University, New York, New York, as a Class C director of the Federal Reserve Bank of New York for the unexpired portion of the three-year term ending December 31, 1952. Mr. Young succeeded Mr. Robert P. Patterson, deceased. Mr. Patterson was a member of the firm of Patterson, Belknap and Webb, Attorneys at Law, New York, New York.

Revised Annual Industrial Production Indexes

In the course of revising the Board’s industrial production index, as announced in the BULLETIN for December 1951, page 1527, tentative new annual indexes have been developed for most major groups of manufacturing industries, covering the period since 1947. These indexes, together with information on weights, base period quantities, and sources of data, are now available for distribution to interested persons for the purpose of obtaining comments which can be used to improve the measures prior to publication of the finally revised annual and monthly indexes. These new annual indexes are not for publication in their present form.

The material is arranged by major industry groups and may be obtained for a single group or for all groups listed below, on request to the Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington 25, D. C.

- Food and kindred products
- Tobacco manufactures
- Textile mill products
- Apparel and related products
- Lumber and products
- Furniture and fixtures
- Paper and allied products
- Printing and publishing
- Petroleum and coal products
- Rubber products
- Leather and leather products
- Stone, clay, and glass products
- Primary metals
- Fabricated metal products
- Machinery (except electrical)
- Electrical machinery
- The remaining manufacturing groups (chemicals, transportation equipment, ordnance, and miscellaneous industries) and the mining industry groups will be available at a later date.

Change in Board’s Staff

The Board of Governors on May 9 announced the appointment of Mr. Robert H. Craft, Vice President and Treasurer of the Guaranty Trust Company of New York, as Technical Consultant to the Federal Open Market Committee. Mr. Craft has been granted a leave of absence by the Guaranty Trust Company while he serves in this capacity.