

C O P Y

THE INDIANA NATIONAL BANK
INDIANAPOLIS

August 31 1934

Chas. E. Quincey & Company
First National Bank Building,
Cincinnati, Ohio

Att: Mr. Howard H. Banker,
Resident Partner

Gentlemen:

It is our opinion that if the Home Owners' Loan Corporation Bonds and the Federal Farm Mortgage Corporation Bonds are permitted to be listed by banks under the classification of Government Bonds in their authorized published statements, that the market for these guaranteed bonds will be materially benefited.

Very truly yours,

(Signed) Arthur V. Brown

President

AVB/MEF

C O P Y

THE FIFTH THIRD UNION TRUST CO.

CINCINNATI, OHIO

Sterling B. Cramer
First Vice President

August 31, 1934

Handwritten: Home Owners' Loan Corporation

Mr. T. R. Goldsmith,
Charles E. Quincey & Company
24 Broad Street
New York, N. Y.

Dear Mr. Goldsmith:

The reason for disinclination to increase our holdings of Home Owners' Loan Corporation and Federal Farm Mortgage Corporation Bonds at this time is that although they are guaranteed by the United States Government, their market is affected by several factors of uncertainty which do not attach to U. S. Government bonds themselves.

It is difficult to see any distinction between a bond which carries the name of the United States Government on its face as payee and one which carries it on its back as guarantor of principal and interest. The Comptroller of the Currency, however, has ruled that these issues cannot be listed as U. S. Government obligations, which introduces a qualification into the published statements of national banks at least, which they do not wish to make.

The recent offering of bonds for discretionary bids has also proved unattractive to the majority of potential purchasers. In one case some institutions which made abnormally low bids were able to acquire bonds more than two points less than was paid by other bidders. This created the unfortunate feeling that an undue risk had been taken by anyone who paid substantially above the lowest price. The natural tendency in the future will consequently be either the entering of a bid at an extremely low price, or retiring completely from competitive bidding.

These factors, plus the pressure on the market from continuing dribbling liquidation from closed banks and individuals who accept the bonds only for liquidation purposes, make us feel that the guaranteed obligations, although by every rule of common sense exactly as good as Government Bonds, will not enjoy as favorable markets.

Very truly yours,

(Signed) S. B. Cramer

C O P Y

FIRST NATIONAL BANK

LOUISVILLE, KY.

Aug. 31, 1934

Charles E. Quincey and Co.,
First National Bank Bldg.,
Cincinnati, Ohio.

Attention Mr. H. H. Banker

Gentlemen:

With regard to your recent inquiry, we are very glad to state it as our opinion that the market value of Home Owners' Loan Corporation and Federal Farm Mortgage bonds would be improved if banks were permitted to carry such bonds in their statements as U. S. Government obligations. We have no reservation in expressing this opinion, and should be very glad indeed to see such a change made.

Very truly yours,

(Signed) J. V. Norman, Jr.

Vice President

JVN:VR

C O P Y

THE UNION TRUST COMPANY OF INDIANAPOLIS

120 East Market Street

Indianapolis, Ind.

August 31, 1934

Chas. E. Quincey & Company
Cincinnati, Ohio

Att: Mr. Howard E. Banker,
Resident Partner

Gentlemen:

It is our opinion that if banks be permitted to list guaranteed obligations of the Government, namely Home Owners' Loan Corporation and Federal Farm Mortgage Corporation Bonds, in their statements as Government obligations, that the market for these guaranteed obligations will be materially benefited.

Very truly yours,

(Signed) J. Floyd King

Assistant Treasurer

JFK*VM