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THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

February 14, 1944.

Dear Marriner:

While the Secretary is away during the next two weeks, I would like to get complete agreement between the Treasury, the Board and the Executive Committee on the refunding of the securities maturing or callable up to and including June 15, 1944. We have, as you know, Treasury notes, Treasury bonds, Federal Farm Mortgage Corporation bonds, Home Owners Loan Corporation bonds and a Reconstruction Finance Corporation note maturing or callable up to June 15th in the aggregate amount of $4,730 million. We also have two certificates, one in the amount of $5,250 million maturing on April 1st and one in the amount of $1,655 million maturing on May 1st. It is contemplated, of course, that these last two issues will be rolled over and, if necessary, we might increase the one maturing May 1st to $3 billion in order to secure some additional cash to help us through the summer.

As to the other maturities aggregating $4,730 million, our thinking here in the Treasury is running along this line: that we offer on or about March 2nd a 1-1/2% note with a maturity of about September 1948 and reopen (assuming prices are right) the 2-1/4% and the 2-1/2% currently being offered in the Fourth War Loan Drive in exchange for all of these maturing or callable securities, with the optinn in the holder of getting interest at the rate borne by the maturing or callable security or of accepting interest from March 15th at the rate borne by the security accepted in exchange for the maturing or callable security. This provision to allow the holder a choice of interest rates up to the date of maturity would be new in Treasury refunding operations, but in view of the spread between the coupons on the various maturing securities and also the further fact that some of them are tax exempt, we believe it advisable to provide this option.

We think it advisable to get this large volume of securities out of the way before the Fifth War Loan Drive. I am suggesting the date of the offering around March 2nd in order that we can give more time for the refunding than we have heretofore given. As you know, the 3-1/4% Treasury bonds were put out in 1934 in exchange for the old Fourth 4-1/4s and the HOLC and FFMC bonds were given in exchange for mortgages. According to our last tabulation, large volumes of these securities were still outside of the banking system. There may have been some shifts during the Fourth War Loan Drive, but I do think it is advisable to give the individual holders plenty of time in which to exchange their holdings.

Please consider this in the nature of a preliminary memorandum just to let you know how we are thinking at this time. I would like to get together at the end of this week or first part of next.

Sincerely yours,

(Signed) Dan

Honorable Marriner S. Eccles
Chairman
Board of Governors
Federal Reserve System
Washington, D. C.