

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, January 8, 1955

CASH OFFERING FEDERAL NATIONAL MORTGAGE ASSOCIATION 2½ PERCENT NOTES

**To all Banking Institutions and Others Concerned
in the Eleventh Federal Reserve District:**

Enclosed is Treasury Department Circular No. 953 covering an offering of 2½ percent notes of the Federal National Mortgage Association, designated 2½ percent notes of Series ML-1958-A. Enclosed also is a supply of subscription forms. Additional circulars and forms will be forwarded upon request. Reproduced on the reverse hereof is the Treasury Department's press statement covering this offering.

The books for the receipt of subscriptions to this offering will be opened on Tuesday, January 11, 1955, subject to closing at any time without notice. Subscriptions will be received at this bank and its branches at El Paso, Houston, and San Antonio.

Commercial banks may submit subscriptions for the account of customers, but others than commercial banks will not be permitted to enter subscriptions except for their own account. Subscriptions by commercial banks for their own account should be entered by the subscribing bank and not through another bank.

Subscriptions from commercial banks for their own account will be received without deposit, but will be restricted in each case to an amount not exceeding one-half of the combined capital, surplus and undivided profits of the subscribing bank as of December 31, 1954. Subscriptions from all others must be accompanied by payment of 10 percent of the amount of notes applied for.

Payment for the notes by Treasury Tax and Loan Account credit is not authorized. However, under arrangements made between the Federal National Mortgage Association and the Treasury Department, the Treasury, upon request, will deposit on January 20, 1955, with subscribing Treasury Tax and Loan depositaries, amounts up to the amount of notes allotted to such banks, for themselves and customers, but not more than the amounts in excess of existing deposits for which the depositaries are qualified. If a depositary wishes to avail itself of this deposit arrangement, the appropriate space on the application form should be marked. The depositary will make payment for the notes as indicated in the subscription form, and in addition, on January 20 will enter a deposit in its Treasury Tax and Loan Account on its books for the amount of deposit credit desired, up to the amount permitted. In connection with the special deposit, a certification form will be sent to the depositary bank with the notice of its allotment, the form to be returned to this bank or appropriate branch by January 20. As Fiscal Agent of the Treasury, we will, at the same time, pay a like amount to the depositary in the same manner in which payment was made for the notes allotted to it. The notes allotted to a subscribing bank's own account may be pledged as collateral to Treasury Tax and Loan accounts.

Withdrawal of these deposits from Treasury Tax and Loan depositaries will be made in the same manner and as a part of the customary Treasury Tax and Loan withdrawals.

It is important that subscriptions be filed promptly since, as indicated above, subscription books will be opened on Tuesday, January 11, and may be closed without notice.

Yours very truly,

WATROUS H. IRONS

President

TREASURY DEPARTMENT
Washington

Friday, January 7, 1955

The Treasury Department announced today that on Tuesday, January 11, the Secretary of the Treasury on behalf of the Federal National Mortgage Association will offer for cash subscription \$500 million of 2½ percent notes of the Association to be dated January 20, 1955, and to mature January 20, 1958.

As announced by the Association on December 30, 1954, the Treasury Department has agreed to handle this offering for the Association and it will utilize the facilities of the Federal Reserve Banks, as fiscal agents of the United States, in receiving subscriptions, making allotments, and delivering securities allotted in much the same manner as public debt offerings are handled.

Subscriptions from commercial banks, which for this purpose are defined as banks accepting demand deposits, for their own account, will be received without deposit, but will be restricted in each case to an amount not exceeding one-half of the combined capital, surplus and undivided profits of the subscribing bank as of December 31, 1954. On all other subscriptions a payment of 10 percent of the amount of notes subscribed for must be made, not subject to withdrawal until after allotment.

Although payment by Treasury Tax and Loan Account credit will not be permitted, arrangements have been made between the Association and the Treasury whereby the Treasury will deposit with qualified banks, upon request, amounts equal to notes allotted to such banks for themselves and their customers. This is the same procedure followed last November in connection with the sale of Commodity Credit Corporation Certificates of Interest.

Commercial banks and other lenders are requested to refrain from making unsecured loans or loans collateralized in whole or in part by the notes subscribed for, to cover the 10 percent deposits required to be paid when subscriptions are entered. A certification by the subscribing bank that no such loan has been made will be required on each subscription entered by it for account of its customers. A certification that the bank has no beneficial interest in its customers' subscriptions, and that no customers have any beneficial interest in the bank's own subscription, will also be required.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

TWO AND ONE-HALF PERCENT NOTES OF SERIES ML-1958-A

Dated and bearing interest from January 20, 1955

Due January 20, 1958

Interest payable January 20 and July 20

1955
Department Circular No. 953
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT
Office of the Secretary
Washington, January 11, 1955

I. OFFERING OF NOTES

1. The Secretary of the Treasury, on behalf of the Federal National Mortgage Association, invites subscriptions, at par and accrued interest, from the people of the United States for notes of the Federal National Mortgage Association, designated 2½ percent notes of Series ML-1958-A. The amount of the offering is \$500,000,000, or thereabouts.

II. DESCRIPTION OF NOTES

1. The notes will be dated January 20, 1955, and will bear interest from that date at the rate of 2½ percent per annum, payable semiannually on July 20, 1955, and thereafter on January 20 and July 20 in each year until the principal amount becomes payable. They will mature January 20, 1958, and will not be subject to call for redemption prior to maturity. Maturing principal, and interest coupons, will be payable when due at any Federal Reserve Bank or Branch, or at the Office of the Treasurer of the United States, Washington.

2. The notes will be issued under authority contained in Section 306(b) of the Federal National Mortgage Association Charter Act (Title III of the National Housing Act, as amended by Public Law 560, 83rd Congress, approved August 2, 1954), which provides that obligations, together with the interest thereon, issued thereunder are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the Association.

3. The income derived from the notes does not have any exemption, as such, under the Internal Revenue Code of 1954. The notes are subject to Federal estate, gift or other excise taxes. The Federal National Mortgage Association Charter Act does not contain any specific exemption with respect to taxes now or hereafter imposed on the principal of or interest on the notes by any State, or any of the possessions of the United States, or by any local taxing authority.

4. The notes shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority and control of the United States or any officer or officers thereof. The notes also shall be eligible as investment securities for national banking associations.

5. Bearer notes with interest coupons attached will be issued in denominations of \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000. The notes will not be issued in registered form.

6. Transactions in the notes will be subject, so far as applicable, to the regulations and procedures now or hereafter prescribed by the Treasury for the conduct of similar transactions involving marketable United States securities.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Office of the Treasurer of the United States, Washington. Commercial banks, which for this purpose are defined as banks accepting demand deposits, may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than commercial banks will not be permitted to enter subscriptions except for their own account. Subscriptions from commercial banks for their own account will be received without deposit, but will be restricted in each case to an amount not exceeding one-half of the combined capital, surplus and undivided profits of the subscribing bank as of December 31, 1954. Subscriptions from all others must be accompanied by payment of 10 percent of the amount of notes applied for,

not subject to withdrawal until after allotment. Following allotment, any portion of the 10 percent payment in excess of 10 percent of the amount of notes allotted may be released upon the request of the subscribers.

2. The Secretary of the Treasury reserves the right to reject or reduce any subscription, to close the books at any time without notice, and to allot less than the amount of notes applied for; and any action he may take in these respects shall be final. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for notes allotted hereunder must be made or completed on or before January 20, 1955, or on later allotment. In every case where payment is not so completed, the payment with application up to 10 percent of the amount of notes allotted shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited.

2. Under arrangements made between the Federal National Mortgage Association and the Treasury Department, the Treasury will deposit on January 20, 1955, with subscribing banks which have qualified to maintain Treasury tax and loan accounts, amounts equal to the notes allotted to such banks for themselves and their customers, but not in excess of any amounts for which they may be qualified in excess of existing deposits. Banks desiring to avail themselves of such deposits should remit payment for the full amount of notes allotted to them by charges to reserve accounts or by drafts payable in funds immediately available on or before January 20, 1955. They should also credit on January 20, 1955, to the Treasury tax and loan accounts on their books any amount for which they desire such credit up to the amounts of their payments for notes allotted. The Treasury has authorized Federal Reserve Banks, as fiscal agents of the United States, to pay from other funds in the account of the Treasurer of the United States amounts equivalent to such credits to the respective subscribing banks for deposit in their Treasury tax and loan accounts. Such payments will be credited to accounts on the books of the Federal Reserve Banks or remitted to or for the accounts of the subscribing banks, as the latter may direct.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. Further information with respect to the organization of the Federal National Mortgage Association, its financial position, and the notes to be issued hereunder, may be obtained upon application to any Federal Reserve Bank, or to the principal office of the Association in Washington, D. C.

3. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

G. M. HUMPHREY,
Secretary of the Treasury.