

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, October 14, 1957

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

Enclosed is the text of a press statement, dated October 15, 1957, by the Federal National Mortgage Association, concerning a forthcoming public cash offering of \$750,000,000, or thereabouts, of its Series ML notes. Enclosed also is a general prospectus prepared by the Association containing additional data relating to the offering and providing information regarding FNMA background and operations, capitalization, borrowing authority, etc.

As indicated in the press statement, the FNMA offering will be made by the Treasury Department on October 21, 1957, through the facilities of the Federal Reserve banks as fiscal agents of the United States. The Treasury's announcement and subscription forms will be mailed out prior to that date.

Yours very truly,

Watrous H. Irons

President

FOR RELEASE: Tuesday, October 15, 1957

FEDERAL NATIONAL MORTGAGE ASSOCIATION
WASHINGTON 25, D. C.

The Federal National Mortgage Association has entered into an agreement with the Treasury Department to handle a public cash offering of \$750 million or thereabouts, of its Series ML (Management and Liquidating) Notes it was announced today by FNMA President J. Stanley Baughman.

Proceeds of the sale of the Series ML Notes will be used to reduce the indebtedness of the Association to the U. S. Treasury.

The FNMA offering will be made by the Treasury Department on October 21 through the facilities of the Federal Reserve Banks as fiscal agents of the United States. The channels and procedures to be followed in marketing the notes are virtually the same as those used by the Treasury Department in offering public debt securities.

The notes will be short-term with a maturity of approximately 8 months. The maturity date and interest rate of the issue will be stated in an announcement of the offering to be made by the Treasury Department October 17. Subscription books for the FNMA offering will be open only on Monday, October 21. Payment is scheduled for October 29.

The FNMA ML Notes are not guaranteed by the United States. FNMA has received assurance from the Treasury Department that it will make loans to FNMA if needed to provide for interest payments and payment of principal at maturity of the ML Notes. After this financing the outstanding ML Notes will continue to be less than 80 percent of the assets as described in the prospectus. In connection with this, Mr. Baughman pointed out that "FNMA's Management and Liquidating Functions have an excellent earning record with a net income of \$105 million shown for the past three fiscal years based on a net profit of \$35 million for each of fiscal years 1955, 1956 and 1957."

In his announcement Mr. Baughman said that "one of the favorable features of this issue is the arrangement FNMA has made with the Treasury Department that will enable qualified subscribing banks to obtain credits to their Treasury Tax and Loan Accounts in amounts equal to notes allotted and paid for, by following the procedure to be prescribed in the forthcoming Treasury circular announcing the offering. The notes may be pledged as collateral to Treasury Tax and Loan Accounts."

The FNMA notes are lawful investments and may be used as security for all fiduciary, trust and public funds, the investment or deposit of which is under the authority and control of the United States or any officer or officers thereof. The FNMA Charter Act makes no provisions for specific exemption of these notes from Federal, state, municipal, or local taxation.

Mr. Baughman also declared that "these notes may be purchased by and held without limit by national banks since the law exempts obligations of FNMA from restrictions and limitations generally applicable to investment securities."