

FEDERAL RESERVE BANK
OF DALLAS

Dallas, Texas, March 22, 1966

FOOD COUPON PROGRAM

To the Bank Addressed:

Enclosed is a revised statement of the Department of Agriculture dated January 1965, entitled "Procedures for Commercial Banks in Handling Food Coupons under The Food Stamp Program." This revised procedure is being forwarded to member and nonmember banks in the vicinity of Caldwell Parish, Louisiana, which is among the additional areas scheduled to commence operations on or about April 5, 1966.

As outlined in our circular letter dated May 25, 1961, which transmitted the original procedure of the Department of Agriculture, this bank and its branches, as fiscal agents of the United States, will pay these food coupons and will accept them for immediate credit when received prior to 2:00 p.m. Mondays through Fridays. Such credit will be given subject to verification and final payment, and any necessary adjustments will be made under appropriate advice to sending banks. Member and nonmember clearing banks may forward the food coupons to us by means ordinarily used in forwarding checks for collection, or the coupons may be forwarded by fourth-class mail (parcel post) if the instructions outlined in paragraph 7 of the Procedures are followed. Nonmember banks should forward the coupons through usual banking channels. Food coupons forwarded to this office for payment should be separately sorted from other items, with only the total number and dollar amount of each denomination shown on the cash letter form. For example:

1,000 Food Coupons @ \$.50 =	\$ 500.00
1,000 Food Coupons @ 2.00 =	2,000.00
<u>2,000</u>	<u>\$2,500.00</u>

It would facilitate the handling of food coupons if they were forwarded in batches of 100 where quantity warrants.

If you have any question regarding the food coupon collection procedure, please let us know. Please acknowledge receipt of this letter and the enclosed statement by signing and returning the attached postal card.

Yours very truly,

Watrous H. Irons
President

Enclosures (2)

Commercial Banks

Procedures for Commercial Banks in Handling Food Coupons Under The Food Stamp Program

The Food Stamp Program, in operation since 1961 on a pilot basis, is now operated by the United States Department of Agriculture under the Food Stamp Act of 1964. Under this program, eligible households will exchange an amount of money representing their normal expenditures for food for an allotment of food coupons of higher monetary value. The coupons will be used to purchase commercial brand food at retail food stores which have been approved to accept coupons by the Agricultural Marketing Service, U. S. Department of Agriculture. Retailers accepting the coupons will be able to redeem them at face value, for account or payment in cash through the facilities of commercial banks, including both members and non-members of the Federal Reserve System. Retailers may also redeem coupons through approved food wholesalers. These wholesalers will subsequently redeem the coupons through the facilities of commercial banks.

Coupons are engraved documents about the size of U. S. currency and are printed by the Bureau of Engraving and Printing, U. S. Department of the Treasury. Coupons are printed in two denominations: fifty-cent coupons (orange) and two-dollar coupons (blue). Coupons are an obligation of the United States within the meaning of 18 U. S. C. 8. The provisions of Title 18 of U. S. Code "Crimes and Criminal Procedure" relative to counterfeiting and alteration of obligations of the United States and the uttering, dealing in, etc., of counterfeit obligations of the United States are applicable to these coupons. Also, the provisions of Section 14 C, The Food Stamp Act of 1964, relating to the making of false claims against the United States are applicable to transactions involving these coupons.

Under Regulations issued by the Secretary of Agriculture:

1. Authorized retail food stores and wholesale food concerns may present food coupons for redemption to commercial banks for account or for cash.
2. Coupons submitted to banks for redemption by approved retail food stores must be accompanied by a properly executed and signed Form AMS-253, Retail Merchant's Food Stamp Program Redemption Certificate (Exhibit A). The back of each coupon must be stamped or otherwise marked with the name or Food Stamp Program Authorization number of the store.

3. Coupons submitted to banks for redemption by approved wholesaler food concerns must be accompanied by a properly executed and signed Form AMS-253-1, Wholesalers' Food Stamp Program Redemption Certificate (Exhibit A). Attached thereto must be the properly executed and signed Form AMS-253 for each retail food store from which the wholesaler has accepted food coupons. The back of each coupon must be stamped or otherwise marked with the name or Food Stamp Program Authorization number of both the retail food store and the wholesale food concern. In addition the name or Food Stamp Program Authorization number of each retailer and the value of coupons each certificate represents must be listed on the reverse of the Wholesaler's certificate.
4. Banks shall not accept coupons for redemption from unauthorized retail food stores, wholesale food concerns, or any other unauthorized persons, partnerships, corporations, or other legal entities. Banks may require persons presenting coupons for redemption to exhibit their Agricultural Marketing Service Food Stamp Program Authorization, Form AMS-254 (Exhibit A)
 - a. Coupons accepted for redemption must be cancelled by the first bank receiving the coupons by indelibly marking "paid" or "cancelled" together with the name of the bank or its ABA routing symbol-transit number on the face of the coupons by means of an appropriate stamp. The coupons should not be endorsed by any bank.
 - b. A portion of a coupon consisting of not less than three-fifths ($3/5$) of a whole coupon may be accepted for redemption at face value. A portion of a coupon of less than three-fifths ($3/5$) of a whole coupon will not be accepted for redemption.
5. The Food Stamp Program Redemption Certificates shall be held by the receiving bank until the coupons have been paid by the Federal Reserve Bank, after which the certificates shall be forwarded weekly by the receiving bank to the Agricultural Marketing Service's local food stamp office. Banks will be notified of the address of this local office by the Agricultural Marketing Service.
6. Banks which are members of the Federal Reserve System and nonmember clearing banks may forward cancelled coupons directly to Federal Reserve Banks for payment in accordance with applicable regulations or instructions of the Federal Reserve Banks. Other banks may forward cancelled coupons through ordinary collection channels.

7. Banks may forward cancelled coupons via fourth-class mail (parcel post), provided that the Food Stamp Authorization number or the name of the food store or wholesale food concern is stamped on the coupon rather than handwritten out. Under postal regulations, any handwritten entry on any part of a mailed item subjects the entire package to the first class mail rate. Shipments under fourth-class mail may be expedited through the Special Handling procedure of the U. S. Post Office.
8. Banks may wish to reduce sorting and handling costs of coupons by requiring those depositors of substantial numbers of coupons to pre-cancel the coupons for the bank and sort them into bundles containing a specific number of coupons (100, for example) prior to making a deposit. This would eliminate all handling of individual coupons by the bank except for any verification count the bank may wish to make. This type of arrangement must be between the bank and the customer on an individual basis. If this procedure is followed, the retailer or wholesaler must cancel the face of the coupon using a stamp that contains: (1) the Food Stamp Program Authorization number of the retail or wholesale concern; (2) the word "PAID" in approximately 3/4 inch high letters, and (3) the ABA routing symbol-transit number of the bank. All lettering on the stamp used by the retailer or wholesaler must be in outline or open type, not solid type. The stamp shall not exceed 1-1/2" by 2". Banks shall inform the AMS local food stamp office if they intend to use this procedure.
9. Federal Reserve Banks acting as fiscal agents of the United States, are authorized to receive cancelled coupons from member banks of the Federal Reserve System and non-member clearing banks sent in accordance with instructions to be issued by the Federal Reserve Banks and to pay such coupons.
10. While in the course of shipment, cancelled coupons shall be considered to be at the risk of the U. S. Department of Agriculture, if the bank transmitting such coupons has exercised due diligence and taken ordinary care in making the shipment. Reports of loss, destruction or damage shall be given promptly on discovery to all of the following: Agricultural Marketing Service; the nearest Secret Service Office; the Post Office or other carrier; and the Secretary of the Treasury, Bureau of Accounts.

