



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

November 27, 1990

DALLAS, TEXAS 75222

Circular 90-88

TO: The Chief Executive Officer of each member bank and others concerned in the Eleventh Federal Reserve District

SUBJECT

Restructuring of Interest Rates Charged on Borrowing from the Discount Window for Seasonal Credit

DETAILS

The Federal Reserve Board of Governors announced on November 7, 1990, a restructuring of interest rates for seasonal credit. The interest rate charged on seasonal credit will be a market-related rate instead of the basic discount rate. The new structure will become effective on January 9, 1992.

ATTACHMENT

A copy of the Board's press release is attached.

MORE INFORMATION

For further information, please contact Jesse D. Sanders or Finlay R. Higgins at (214) 651-6240. For additional copies of this circular, please contact the Public Affairs Department at (214) 651-6289.

Sincerely yours,

A handwritten signature in cursive script that reads "William H. Wallace".

FEDERAL RESERVE press release



For immediate release

November 7, 1990

The Federal Reserve Board today announced a restructuring of interest rates that are charged on borrowings from the discount window for seasonal credit. The new structure will become effective on January 9, 1992.

Seasonal credit is designed to make funds available at the discount window to small and mid-sized agricultural banks that do not have access to the national money markets. It is also used to some extent by banks in resort areas. A typical use of the program is to fund farmers over the planting and production cycle.

Under the restructuring, the interest rate charged on seasonal borrowings will be a market-related rate instead of the basic discount rate which was charged on this type borrowing in past years. The rate will be based on the level of the federal funds rate and the rate in the secondary market for 90-day certificates of deposit. Under current conditions, this rate would be 8.05 percent.

No change was made in the basic discount rate for adjustment credit which is currently 7 percent.

During 1990, more than 700 banks have borrowed under the seasonal program. The largest amount of seasonal credit outstanding during any one week in 1990 was \$445 million during the week ended August 29, 1990. Historically, the largest amount of seasonal credit outstanding during any one week was \$513 million during the week ending July 26, 1989.