Federal Reserve Notes

FEDERAL RESERVE BANK OF SAN FRANCISCO • March 1981

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REG C COMMENTS SOUGHT BY FED

The Federal Reserve Board of Governors has issued a proposal to simplify and shorten Regulation C, which implements the Home Mortgage Disclosure Act (HMDA). The Board will accept public comments on its proposal through April 15. Regulation C requires public disclosure of loan locations by depository institutions that have offices in Standard Metropolitan Statistical Areas (SMSAs).

The proposed regulation is roughly 30 percent shorter than the current version, in line with the objectives of the Board's regulatory-improvement project. The redraft is designed to make Regulation C more concise, and to focus disclosure requirements in the most useful area and at the most reasonable compliance cost.

Under the simplification proposal, institutions that lose their exempt status (on grounds of size, location or provisions of state law) would be permitted to compile data for the year *after* they lose that status rather than the year *before*. Also, no branch would have to disclose data for the SMSA in which the home office is located.

Institutions would be allowed to omit all data relating to loans in SMSAs other than that in which the branch office is located, and would not be required to provide the public with annual notice of the availability of mortgage-loan data.

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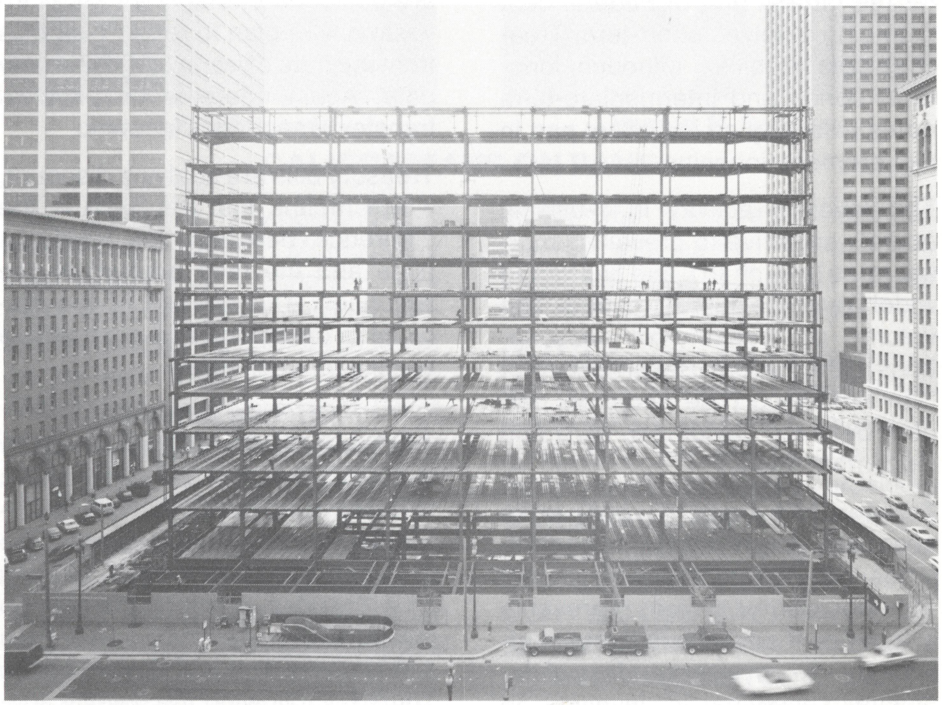

STEEL RISING FOR NEW FED BUILDING

Construction is proceeding smoothly in downtown San Francisco on the new 12-story headquarters building of the Federal Reserve Bank of San Francisco.

"Barring unforeseen circumstances, we hope to move into the new structure during the final quarter of 1982," said Rix Maurer Jr., vice president of facilities planning for the Bank. "Steel erection began in the latter part of January, and we are somewhat ahead of schedule."

The $84 million structure, located on lower Market Street near the famed Ferry Building, will have a large four-story base containing mainly operational departments and an eight-story office tower rising above it. Its design will feature a reddish-gray granite exterior and deep bronze ribbon windows.

Groundbreaking for the new building was March 13, 1980. Some 9,508 cubic yards of concrete have been poured for the foundation mat in the 115,000 gross square-foot basement area, which will house the vaults, cash department, protection services, supplies and various mechanical and maintenance functions. In addition, 1,368 concrete piles, up to 142 feet long, were driven to support the weight of the building.

There will be approximately 651,000 gross square feet in the building. Present plans call for the Federal Reserve to occupy the basement and 10 floors, with the remaining two floors being leased to other concerns. Major needs for the new building include consolidating

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FED EXPANDS T-BILL ACTIVITY

The following article is the second in a series discussing Federal Reserve services to depository institutions and the general public.

The Federal Reserve System acts as the fiscal agent of the U.S. Treasury, and in that role it handles the process by which interested investors acquire public-debt issues and redeem maturing securities. By far the largest part of Federal debt financing involves short-term Treasury bills (T-bills), although long-term bonds and intermediate-term notes also play an important part in Government financing.

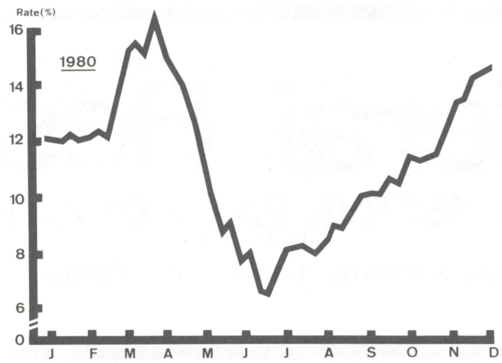
The level of activity in T-bills is acutely sensitive to prevailing market rates (see chart), and has varied widely over the past 12 months. The volume of Treasury-bill subscriptions at the Federal Reserve Bank of San Francisco rose about 40 percent between December 1979 and December 1980.

Treasury bills are held in book-entry accounts, which means that certificates are not printed and issued. This book-entry system represents a significant advance in terms of efficiency. No physical handling of definitive securities is involved in issuing, transferring or redeeming T-bills. This translates into benefits of many kinds. Counterfeiting and the risks of loss or theft have been eliminated. This greatly reduces the overall cost to the government of funding debt, and in the final analysis, means money in the pocket of the public.

Financial institutions purchasing T-bills through the Federal Reserve may have the bills held in a book-entry account at the Federal Reserve Bank. These accounts, which reflect the total amount purchased of each issue of bills, may be used to support securities transfers.

The general public may purchase bills from banks or other dealers—or directly from the Treasury, through the Federal Reserve Bank. These direct purchases are held in the form of entries in accounts maintained on the records of the Bureau of Public Debt. Treasury accounts are designed primarily for small investors who plan to retain their bills from the date of issue to the maturity date. Again, there is no physical transfer of securities involved.

Interest Paid on 13-Week T-Bills



Treasury bills are sold at a discount, which means that the yield is the difference between the purchase price and the face amount of the securities. The amount of the discount is determined by competitive bidding for each issue.

Offering schedule

The Treasury offers regularly, every week, two series of bills—one with a 13-week and the other with a 26-week maturity period. Normally the Treasury announces each offering on a Tuesday, auctions the bills on the following Monday, and then sends out its discount checks on the Thursday following the weekly auction. Since the auction establishes the discount rate for the securities, the buyer does not know when subscribing exactly what rate of return will be realized. In similar fashion, but on a different time schedule, the Treasury offers bills with a 52-week maturity period every four weeks.

The Treasury has established a $10,000 minimum purchase price for its T-bills, with $5,000 multiples for purchases over $10,000. Purchasers must submit their tenders by the deadline established in the offering announcement, usually 10:30 a.m. Pacific time. At the Federal Reserve Bank of San Francisco, the relevant business hours are 9:00 a.m. to 3:00 p.m. each business day, except for an earlier opening hour of 8:30 a.m. on Mondays.

At each T-bill auction, purchasers bid the price they wish to pay, either in competition with other bidders or (more commonly) on a noncompetitive basis. By filing a noncompetitive bid, a purchaser agrees to purchase the bill at the auction issue price, calculated as the weighted average of the accepted competitive bids.

In the auction process, the Treasury first accepts all noncompetitive bids in full. Then it accepts competitive bids, beginning with the highest-priced down through successively lower-priced bids, until it achieves its desired amount of financing. Competitive bids are priced on a basis of 100, with the highest-priced bid yielding the lowest rate of return.

When a purchaser's competitive bid is accepted in the auction, that accepted price becomes the bill's actual purchase price. Of course, a purchaser submitting a competitive bid takes a risk—he pays a higher price than others if he bids too high, and he loses the opportunity to invest in the issue if he bids too low.

Payment and taxes

T-bill purchasers must make payment in full for the par amount when submitting bill tenders. They may make payment in cash, mature Treasury securities, certified or cashier's check made payable to the Federal Reserve Bank receiving the tender—or, in the case of financial institutions, through a charge to their account with the Federal Reserve.

On the date of issue, the Federal Reserve mails the purchaser a discount check or refund—or credits an account on its books for financial institutions maintaining such an account—representing the difference between the amount submitted for the tender and the issue price as determined by the auction.

The discount represents ordinary gain—not capital gain, because the Internal Revenue Service has ruled that Treasury bills are not capital assets. Income derived from T-bills is subject to all Federal taxes, but is exempt from state and local taxes. Purchasers must report this income to the IRS in the year that the bill matures or is disposed of.

The Treasury pays the face amount of the maturing bills by Treasury check or credit through an account with the Federal Reserve. Purchasers maintaining an account directly with the Bureau of Public Debt may elect to have the proceeds "rolled-over" (reinvested) into new bills. But roll-overs may be made only on a noncompetitive basis, and only when the new-bill issue date coincides with the maturing-bill maturity date. Purchasers may make a request for a roll-over, on a one-time basis, on the tender form at the time of the original purchase, and may make subsequent requests by filling out the roll-over form mailed out shortly after the reinvestment of the security. When a purchaser rolls over his bills, the Treasury sends him a check for the new discount rate.

Further information on Treasury bills can be obtained from any of the five offices of the Federal Reserve Bank of San Francisco:

San Francisco	(415) 544-2452
Los Angeles	(213) 683-8563
Portland	(503) 221-5931
Salt Lake City	(801) 355-3251
Seattle	(206) 442-1650

NEW BUILDING

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all departments and some 1,200 employees of the San Francisco Fed in one building, and replacing obsolete vaults and operations space. Currently, the Fed occupies five separate buildings in the city's financial district.

Architects for the project are Skidmore, Owings and Merrill. The construction manager is the Dinwiddie Construction Company.

James F. Montgomery

Herbert M. Sandler

CALIFORNIANS ON PANEL

Two California savings-and-loan executives—James F. Montgomery and Herbert M. Sandler—have been selected by the Federal Reserve Board of Governors to serve on its new thrift advisory panel. Montgomery is president of Great Western Savings & Loan of Beverly Hills, while Sandler is chairman of World Savings & Loan of Oakland.

Nationwide, the Board has named nine thrift-industry representatives to the panel, which will consider matters relating to implementation of the Depository Institutions Deregulation and Monetary Control Act of 1980. That legislation, among other things, requires all financial institutions offering transaction (check-type) accounts to maintain reserves with the Fed. The advisory panel will meet four times a year with Board members and staff.

Montgomery, an accounting graduate of UCLA, came to Great Western in 1975 as president, chief operating officer and director after serving for nearly six years as president of Citizens Savings and Loan of Los Angeles. Sandler, a former New York City attorney and graduate of CCNY and Columbia University, became chairman of World and Golden West Financial Corporation in 1975 when Golden West S&L merged with World. He had served as president of Golden West since 1963.

VIDEOTAPE PROGRAM

The Federal Reserve Bank of San Francisco has produced six more videotapes in its "Economic Issues" series, and is offering them on a free-loan basis to depository institutions, educational institutions and other interested groups. Altogether, the Bank's library of videotapes includes 25 items produced during the last several years. Each videotape runs between 15 and 25 minutes, and features a Bank economist's discussion of some current issue of economic activity.

The six new videotapes cover a wide range of subjects—money in the U.S. economy, savings and investment, demographic trends, housing developments, oil prices, and the Chinese economy. In earlier taping sessions, the topic of inflation received considerable attention —in such areas as the history of inflation, international sources of inflation, money demand and inflation, food-price increases, and the differences among price indexes.

A complete listing of the three-quarter-inch tapes in the Economic Issues series is available from the Public Information Section, Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco 94120. Phone (415) 544-2184. Tapes can be borrowed from that unit, or from the Bank and Public Services Departments at the Bank's branch offices.

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REGULATION HANDBOOKS AVAILABLE FROM BOARD

A new looseleaf service of all Federal Reserve regulations and related interpretations is now available to financial institutions, securities dealers, lawyers, law libraries and other interested parties.

The publications released under the "Federal Reserve Regulatory Service" are designed to help those who must refer frequently to the Board of Governors' regulatory materials. The materials will be updated at least once a month, and each will be cross-indexed.

The new service actually has four parts—a complete service covering all Board regulations and related materials, and three separate handbooks on securities credit, monetary policy and consumer regulations.

One handbook has already been published on Securities Credit Transactions. It contains Regulations G, T, U and X, which deal with extensions of credit for the purchase of securities, along with related statutes, Board interpretations and staff opinions.

A similar handbook on Monetary Policy and Reserve Requirements, containing Regulations A, D and Q plus related materials, is expected off the presses in April. It also contains the rulings of the Depository Institutions Deregulation Committee.

Scheduled for publication in June is the Consumer and Community Affairs Handbook, which contains Regulations, B, C, E, Z, AA and BB, and associated documents. A comprehensive publication encompassing material in all of the handbooks also is scheduled for June publication.

The two-volume, full-service handbook will cost $150 each year, while the other handbooks will be priced at $50 apiece annually. They can be ordered from the Publications Section of the Federal Reserve Board, 20th and Constitution Avenue NW, Washington, D.C. 20551.

DEREG COMMITTEE ALTERS PREMIUM RULE

The Depository Insitutions Deregulation Committee has prohibited the pyramiding of premiums through the opening of multiple accounts on one large deposit solicited by a depository institution. The ruling took the form of a temporary amendment to the Committee's set of rules on premiums, finders fees and prepayment of interest which took effect December 31.

REG C COMMENTS

(Continued from page 1)

The Board's proposed revisions reflect amendments to the HMDA that were included in the Housing and Community Development Act of 1980. (That legislation extended the life of the HMDA for five more years.) The Fed has already implemented one amendment requiring compilation and disclosure of mortgage-loan data on a calendar-year rather than fiscal-year basis.

Other Congressional amendments included in the Fed's proposed revision cover itemization of data by census tract and county (rather than by census tract and ZIP Code), the use of a standard disclosure format, a system of central data repositories in each SMSA, and aggregation of mortgage-loan data to cover all institutions in each SMSA.

Comments regarding the revision and simplification of Regulation C should be sent to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Copies of the Board's proposal are available from the Supply Dept., Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco, 94120. Phone (415) 544-2016.