

FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

[Circular No. 4273
October 6, 1955]

Offering of \$1,600,000,000 of 91-Day Treasury Bills

Dated October 13, 1955

Maturing January 12, 1956

To all Incorporated Banks and Trust Companies, and Others
Concerned, in the Second Federal Reserve District:

Following is the text of a notice published today:

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, October 6, 1955.

TREASURY DEPARTMENT
Washington

The Treasury Department, by this public notice, invites tenders for \$1,600,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing October 13, 1955, in the amount of \$1,600,459,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated October 13, 1955, and will mature January 12, 1956, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000 and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, one-thirty o'clock p.m., Eastern Standard time, Monday, October 10, 1955. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for \$200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on October 13, 1955, in cash or other immediately available funds or in a like face amount of Treasury bills maturing October 13, 1955. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, does not have any exemption, as such, and loss from the sale or other disposition of Treasury bills does not have any special treatment, as such, under the Internal Revenue Code of 1954. The bills are subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States is considered to be interest. Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is not considered to accrue until such bills are sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

This Bank will receive tenders up to 2:30 p.m., Eastern Daylight Saving time, (1:30 p.m., Eastern Standard time), Monday, October 10, 1955, at the Securities Department of its Head Office and at its Buffalo Branch. Please use the form on the reverse side of this circular to submit a tender, and return it in an envelope marked "Tender for Treasury Bills." Tenders may be submitted by telegraph, subject to written confirmation; they may not be submitted by telephone. *Payment for the Treasury bills cannot be made by credit through the Treasury Tax and Loan Account. Settlement must be made in cash or other immediately available funds or in maturing Treasury bills.*

ALLAN SPROUL, *President.*

Results of last offering of Treasury bills (91-day bills dated October 6, 1955, maturing January 5, 1956)

Total applied for.....\$2,067,042,000
Total accepted\$1,600,122,000 (includes \$195,753,000 entered on a noncompetitive basis and accepted in full at the average price shown below)
Average price..... 99.440+ Equivalent rate of discount approx. 2.214% per annum
Range of accepted competitive bids: (Excepting two tenders totaling \$1,500,000)
High 99.475 Equivalent rate of discount approx. 2.077% per annum
Low 99.430 Equivalent rate of discount approx. 2.255% per annum

Federal Reserve District	Total Applied for	Total Accepted
Boston	\$ 38,036,000	\$ 38,036,000
New York	1,474,807,000	1,076,987,000
Philadelphia	29,888,000	17,788,000
Cleveland	46,921,000	46,921,000
Richmond	9,901,000	9,901,000
Atlanta	20,079,000	20,079,000
Chicago	257,262,000	200,262,000
St. Louis	15,421,000	15,421,000
Minneapolis	9,398,000	9,398,000
Kansas City	40,452,000	40,452,000
Dallas	52,298,000	52,298,000
San Francisco	72,579,000	72,579,000
TOTAL	\$2,067,042,000	\$1,600,122,000

(58 percent of the amount bid for at the low price was accepted)

IMPORTANT—Closing time is 2:30 p.m., Eastern Daylight Saving time.

IMPORTANT—If you desire to bid on a competitive basis, fill in rate per 100 and maturity value in paragraph headed "Competitive Bid." If you desire to bid on a noncompetitive basis, fill in only the maturity value in paragraph headed "Noncompetitive Bid." DO NOT fill in both paragraphs on one form. A separate tender must be used for each bid, except that banks submitting bids on a competitive basis for their own and their customers' accounts may submit one tender for the total amount bid at each price, provided a list is attached showing the name of each bidder, the amount bid for his account, and method of payment. Forms for this purpose will be furnished upon request.

No.

TENDER FOR 91-DAY TREASURY BILLS

Dated October 13, 1955

Maturing January 12, 1956

To FEDERAL RESERVE BANK OF NEW YORK, Fiscal Agent of the United States.

Dated at 1955

COMPETITIVE BID

NONCOMPETITIVE BID

Pursuant to the provisions of Treasury Department Circular No. 418, Revised, and to the provisions of the public notice on October 6, 1955, as issued by the Treasury Department, the undersigned offers

Pursuant to the provisions of Treasury Department Circular No. 418, Revised, and to the provisions of the public notice on October 6, 1955, as issued by the Treasury Department, the undersigned offers a noncompetitive tender

* for a total amount of \$..... (Rate per 100) (maturity value)

for a total amount of \$..... (Not to exceed \$200,000) (maturity value)

of the Treasury bills therein described, or for any less amount that may be awarded, settlement therefor to be made at your Bank, on the date stated in the public notice, as indicated below:

(maturity value) of the Treasury bills therein described, at the average price (in three decimals) of accepted competitive bids, settlement therefor to be made at your Bank, on the date stated in the public notice, as indicated below:

By surrender of maturing Treasury bills amounting to\$.....

By surrender of maturing Treasury bills amounting to\$.....

By cash or other immediately available funds

By cash or other immediately available funds

*Price must be expressed on the basis of 100, with not more than three decimal places, for example, 99.925.

The Treasury bills for which tender is hereby made are to be dated October 13, 1955, and are to mature on January 12, 1956.

This tender will be inserted in special envelope marked "Tender for Treasury Bills."

Name of Bidder (Please print)

By (Official signature required) (Title)

Street Address (City, Town or Village, P. O. No., and State)

If this tender is submitted by a bank for the account of a customer, indicate the customer's name on line below:

(Name of Customer) (City, Town or Village, P. O. No., and State)

IMPORTANT INSTRUCTIONS:

- 1. No tender for less than \$1,000 will be considered, and each tender must be for an even multiple of \$1,000 (maturity value).
2. If the person making the tender is a corporation, the tender should be signed by an officer of the corporation authorized to make the tender, and the signing of the tender by an officer of the corporation will be construed as a representation by him that he has been so authorized. If the tender is made by a partnership, it should be signed by a member of the firm, who should sign in the form "....., a copartnership, by, a member of the firm."
3. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.
4. If the language of this tender is changed in any respect, which, in the opinion of the Secretary of the Treasury, is material, the tender may be disregarded.

Payment by credit through Treasury Tax and Loan Account will not be permitted.

\$325,000,000

Federal Home Loan Banks

Consolidated Notes

Non-Callable

Consisting of

\$200,000,000

(or thereabouts)

Date of Issue October 17, 1955

3% Series E-1956

Maturity March 15, 1956

and

\$125,000,000

(or thereabouts)

Date of Issue October 17, 1955

3 1/8% Series F-1956

Maturity July 16, 1956

These Notes are the Joint and Several Obligations of the Federal Home Loan Banks

Issued in denominations of \$5,000, \$10,000, \$50,000, \$100,000, and \$1,000,000.

Interest payable at maturity.

I. OFFERING OF CONSOLIDATED NOTES

The Fiscal Agent of the Federal Home Loan Banks, pursuant to the authority of subsection (c) of Section 11 of the Federal Home Loan Bank Act, as amended, invites subscriptions for the above series of consolidated notes. The offering prices will be announced by telegram to the members of the established selling group.

Subscriptions will be accepted at the office of the undersigned on Thursday, October 6, and on Friday, October 7, 1955 up to 6:00 P.M. Eastern Standard Time.

II. PURPOSE OF THE OFFERING

The purpose of this offering is to refund Series F-1955 2.05% Consolidated Notes totaling \$120,000,000, maturing October 17, 1955, and to provide funds to enable the Banks to assist their member institutions in meeting outstanding commitments.

III. CONCESSIONS TO DEALERS

Concessions of \$0.50 per \$1,000 par value of Series E-1956 notes, and \$0.75 per \$1,000 par value of Series F-1956 notes allotted will be allowed.

IV. SUBSCRIPTIONS AND ALLOTMENTS

Subscriptions will be accepted from recipients of the offering telegram at the office of the undersigned, who reserves the right to close the books as to any or all subscriptions or classes of subscriptions at any time without notice. The right is reserved to the undersigned to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, to make allotments in full upon applications for smaller amounts, to make reduced allotments upon, or to reject, applications for larger amounts, and to make different percentage allotments to members of the established selling group, and his action in any or all of these respects shall be final.

Subscriptions must be entered by wire or telephone and subsequently confirmed by letter to the office of the undersigned. No subscriptions will be received prior to Thursday, October 6, 1955.

Allotments will be announced on Monday, October 10, 1955.

V. DELIVERY AND PAYMENT

Delivery of the notes allotted will be made on October 17, 1955 at the Federal Reserve Bank of New York.

Subscribers upon receipt of notice of allotments are requested to advise immediately the denominations desired and the name of the New York City bank or firm authorized to take delivery.

On October 17, 1955 payment for notes allotted must be made in Federal Reserve Funds at the Federal Reserve Bank of New York.

EVERETT SMITH
Fiscal Agent
25 Broadway
New York 4, N. Y.

Phone: Digby 4-8680
October 4, 1955.

\$325,000,000

Federal Home Loan Banks

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Consolidated Notes

Non-Callable

Consisting of

\$200,000,000

(or thereabouts)

Date of Issue October 17, 1955

3% Series E-1956

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\$125,000,000

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Maturity July 16, 1956

These Notes are the Joint and Several Obligations of the Federal Home Loan Banks

Issued in denominations of \$5,000, \$10,000, \$50,000, \$100,000, and \$1,000,000.
Interest payable at maturity.

The following is summarized from the detailed information relating to these notes set forth by the Federal Home Loan Bank Board over the signature of its Chairman, Walter W. McAllister:

PURPOSE OF ISSUE—The purpose of this issue is to refund Series F-1955 2.05% Consolidated Notes totaling \$120,000,000, maturing October 17, 1955, to enable the Banks to assist their member institutions in meeting outstanding commitments, and for other lawful purposes of the Banks.

DESCRIPTION OF CONSOLIDATED NOTES—These notes are to be issued under the authority of subsection (c) of section 11 of the Federal Home Loan Bank Act, as amended, which authorizes the issuance of consolidated bonds which are the joint and several obligations of all the Federal Home Loan Banks. The regulations for the issuance of such bonds impose limitations as follows:

1. Consolidated bonds shall not be issued in excess of twelve times the total paid-in capital stock and reserve under Section 16 of the Federal Home Loan Bank Act, as amended, of all the Federal Home Loan Banks;
2. The Banks shall at all times maintain assets of the following types, free from any lien or pledge, in a total amount at least equal to the amount of consolidated bonds outstanding: (a) cash; (b) obligations of or fully guaranteed by the United States; (c) secured advances; and (d) mortgages as to which one or more Federal Home Loan Banks have any guaranty or insurance, or commitment therefor, by the United States or any agency thereof.

Under the regulations, consolidated bonds issued with maturities of one year or less may be designated consolidated notes. Such notes are included in the above limitations on consolidated bonds.

THE FEDERAL HOME LOAN BANKS—The Federal Home Loan Bank System includes eleven Federal Home Loan Banks and their member institutions. The Federal Home Loan Banks are instrumentalities of the United States, and are under the supervision of the Federal Home Loan Bank Board. The Banks were established to act as a credit reserve system, to meet both short-term and long-term needs of approved mortgage lending institutions eligible for membership under the provisions of the Act. The Federal Home Loan Banks opened for business in October, 1932. Their member institutions numbered 4,298 on August 31, 1955.

RESOURCES AND CAPITALIZATION—As of August 31, 1955, the total consolidated resources of the Federal Home Loan Banks amounted to \$1,719,736,773. These total resources consisted primarily of the following items:

Cash	\$ 38,381,738
Investments in United States Government and Agency Obligations	486,280,716
Loans Outstanding to Members	1,187,047,475

The total loans made by the Banks since the beginning of operations in October, 1932, to August 31, 1955, amounted to \$6,965,691,308. The balance outstanding on August 31, 1955, was \$1,187,047,475. As of that date no Bank had ever sustained a loss on any loan. The combined capital structure of the Federal Home Loan Banks as of August 31, 1955, is summarized as follows:

Capital Stock—Paid-in	\$501,299,050
Surplus—Earned	
Legal Reserve	\$ 23,648,664
Reserve for Contingencies	3,203,593
Total Surplus Reserves	\$ 26,852,257
Undivided Profits	20,074,618
Total Earned Surplus	\$ 46,926,875
Total Capital	\$548,225,925

TAX STATUS—These notes are subject to surtaxes, estate, inheritance, gift or other excise taxes, whether Federal or state, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any state, or any of the possessions of the United States, or by any local taxing authority. The income derived from these notes is subject to all taxes imposed under the Internal Revenue Code of 1954, or laws amendatory or supplementary thereto.

LEGALITY AS INVESTMENTS FOR TRUST FUNDS AND AS SECURITY FOR PUBLIC DEPOSITS—The Federal Home Loan Bank Act, as amended, provides that obligations of the Federal Home Loan Banks, issued with the approval of the Federal Home Loan Bank Board under said Act, 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 or control of the United States or any officer or officers thereof.

LEGALITY AS INVESTMENTS FOR SAVINGS BANKS AND FIDUCIARIES—These notes are legal for investments by savings banks, insurance companies, trustees, and other fiduciaries under the laws of many states.

Although these notes are not obligations of the United States, and are not guaranteed by the United States, they are the joint and several obligations of the Banks operating under Federal charter with governmental supervision.

The legality of the issuance of these notes has been approved by the General Counsel of the Federal Home Loan Bank Board, and all legal matters relating to the issuance thereof will be passed upon by such Counsel.

Everett Smith, Fiscal Agent
25 BROADWAY, NEW YORK 4, N. Y.
Telephone: DIgby 4-8680

Federal Home Loan Bank Board

Washington, D. C.

In connection with the public offering of Series E-1956 and Series F-1956 consolidated Federal Home Loan Bank notes, the following information is furnished by the Federal Home Loan Bank Board.

PURPOSE OF ISSUE

The purpose of this issue is to refund Series F-1955 2.05% Consolidated Notes totalling \$120,000,000, maturing October 17, 1955, to enable the Banks to assist their member institutions in meeting outstanding commitments, and for other lawful purposes of the Banks.

ORGANIZATION OF THE FEDERAL HOME LOAN BANK SYSTEM

The Federal Home Loan Bank System includes eleven Federal Home Loan Banks and their member institutions. The Federal Home Loan Banks are instrumentalities of the United States and are under the supervision of the Federal Home Loan Bank Board. They were established to act as a credit reserve system, to meet both short-term and long-term needs of approved mortgage lending institutions eligible under the provisions of the Federal Home Loan Bank Act.

In accordance with law, the country has been divided into eleven Federal Home Loan Bank districts, and there has been established in each district a Federal Home Loan Bank which is now operating. The eleven Federal Home Loan Banks are located as follows:

Boston, Mass.	Cincinnati, Ohio	Little Rock, Ark.
New York, N. Y.	Indianapolis, Ind.	Topeka, Kans.
Pittsburgh, Pa.	Chicago, Ill.	San Francisco, Calif.
Greensboro, N. C.	Des Moines, Iowa	

Any savings and loan association, building and loan association, cooperative bank, homestead association, insurance company, or savings bank is eligible to become a member of a Federal Home Loan Bank provided it meets the requirements for eligibility. No such institution is eligible for membership unless it is duly organized under the laws of a state or of the United States and is subject to inspection and regulation under the banking laws, or under similar laws, of the state or of the United States, except that a building and loan association otherwise eligible but not subject to such inspection and regulation becomes eligible upon subjecting itself to such inspection and regulation as the Federal Home Loan Bank Board may prescribe.

Further, no such institution is eligible for membership unless it makes such home mortgage loans as, in the judgment of the Federal Home Loan Bank Board, are long-term loans and, in the case of a savings bank, unless in the judgment of the Board its time deposits, as defined in Section 19 of the Federal Reserve Act, warrant its making such loans. In addition, no such institution is eligible to become a member if, in the judgment of the Federal Home Loan Bank Board, its financial condition is such that advances may not safely be made to it or the character of its management or its home-financing policy is inconsistent with sound and economical home financing or with the purposes of the Federal Home Loan Bank Act.

The Federal Home Loan Bank Act, as amended, requires that each member of a Federal Home Loan Bank must acquire and hold capital stock in such Bank in an amount equal to at least 2 per centum of the aggregate of the unpaid principal of its home mortgage loans, home purchase contracts, and similar obligations, but not less than \$500.

LENDING OPERATIONS OF FEDERAL HOME LOAN BANKS

Each Federal Home Loan Bank, subject to the requirements of the Act, as amended, and applicable rules, regulations, and orders, may make secured and unsecured loans to member institutions.

As additional security for indebtedness of a member to it, a Bank has a statutory lien upon the member's stock.

Advances with maturity greater than one year made to members under Section 10(a) of the Act are required to be secured by home mortgages as defined in the Act and/or obligations of or fully guaranteed by the United States, and are subject to the following limitations as to amounts:

- (1) If secured by a home mortgage given in respect of an amortized home mortgage loan which was for an original term of six years or more, or in cases where shares of stock, which are pledged as security for such loan, mature in a period of six years or more, the advance may be for an amount not in excess of 65 per centum of the unpaid principal of the home mortgage loan; but in no case may the amount of the advance exceed 60 per centum of the value of the real estate securing the home mortgage loan;
- (2) If secured by a mortgage insured under the provisions of Title I, Title II, Title VI, Title VIII, or Title IX of the National Housing Act, the advance may be for an amount not in excess of 90 per centum of the unpaid principal of the mortgage loan;
- (3) If secured by a home mortgage given in respect of any other home mortgage loan, the advance may be for an amount not in excess of 50 per centum of the unpaid principal of the home mortgage loan; but in no case may the amount of such advance exceed 40 per centum of the value of the real estate securing the home mortgage loan;
- (4) If secured by obligations of the United States, or obligations fully guaranteed by the United States, the advance may be for an amount not in excess of the face value of such obligations.

No home mortgage may be accepted as collateral security for an advance by a Federal Home Loan Bank under Section 10(a) of the Act if, at the time such advance is made, (1) the home mortgage loan secured by it has more than twenty-five years to run to maturity, unless such home mortgage is insured under the National Housing Act, as amended, or insured or guaranteed under the Servicemen's Readjustment Act of 1944, as amended, or (2) the home mortgage exceeds \$35,000, or (3) is past due more than six months when presented, unless the amount of the debt secured by such home mortgage is less than 50 per centum of the value of the real estate with respect to which the home mortgage was given, as such real estate was appraised when the home mortgage was made. Section 10(d) of the Act provides that each Bank shall reserve the right to require at any time, when deemed necessary for its protection, deposits of additional collateral security or substitutions of security by the borrowing institution, and provides that each borrowing institution shall assign additional or substituted security when and as so required. Section 10(c) of the Act provides that at no time shall the aggregate outstanding advances made by any Bank to any member exceed twelve times the amounts paid in by such member for outstanding capital stock held by it.

Advances, secured or unsecured, with a maturity of not exceeding one year may also be made to members as provided in the Act, as amended.

In addition, a Federal Home Loan Bank may make advances to nonmember mortgagees approved under Title II of the National Housing Act, upon the security of mortgages insured under said Title. While such advances are not subject to the other provisions and restrictions of the Act, they must be at such rates of interest and on such terms and conditions as are determined by the Federal Home Loan Bank Board and may be made only to chartered institutions which have succession and are subject to the inspection and supervision of a governmental agency, and whose principal activity in the mortgage field must consist of lending their own funds; and no such advance may be for an amount in excess of 90 per centum of the unpaid principal of the mortgage loan given as security. As of August 31, 1955 no advances to nonmember mortgagees were outstanding.

RESERVES, INVESTMENTS, AND DIVIDENDS

Each Federal Home Loan Bank is required by Section 16 of the Act, as amended, to carry to a reserve account semiannually 20 per centum of its net earnings until said reserve account shows a credit balance equal to the paid-in capital of such Bank; thereafter 5 per centum of its net earnings must be added semiannually to such reserve account. Each Federal Home Loan Bank is also required under said Section 16 to establish such additional reserves and/or make such charge-offs on account of depreciation or impairment of its assets as the Federal Home Loan Bank Board may require from time to time.

The reserves of each Federal Home Loan Bank are required to be invested, subject to such regulations, restrictions, and limitations as may be imposed by the Federal Home Loan Bank Board, in direct obligations of the United States, in obligations of the Federal National Mortgage Association, and in such securities as fiduciary and trust funds may be invested in under the laws of the State in which the Federal Home Loan Bank is located. Under subsection (g) of Section 11 of the Act, as amended, each Federal Home Loan Bank must at all times have at least an amount equal to the current deposits received from its members invested in (1) obligations of the United States, (2) deposits in banks or trust companies, or (3) advances to members or non-member borrowers with maturities not to exceed

one year, made on specified terms and conditions. Such part of the assets of each Bank (except reserves and amounts provided for in subsection (g) of Section 11) as are not required for advances to members may be invested, subject to such regulations, restrictions, and limitations as may be prescribed by the Board, in obligations of the United States, in obligations of the Federal National Mortgage Association, and in such securities as fiduciary and trust funds may be invested in under the laws of the State in which the Bank is located.

No dividends may be paid except out of net earnings remaining after all reserves and charge-offs required under the Act have been provided for, and then only with the approval of the Federal Home Loan Bank Board.

HISTORY OF OPERATIONS

Twelve Federal Home Loan Banks opened for business in October, 1932. Effective March 29, 1946, the assets and liabilities of the Federal Home Loan Bank of Los Angeles were transferred to the Federal Home Loan Bank of Portland; the name and location of the latter bank were changed to the Federal Home Loan Bank of San Francisco, San Francisco, California, and the Federal Home Loan Bank of Los Angeles was dissolved.

On August 31, 1955, there were 4,298 member institutions consisting of 1,668 Federal savings and loan associations, 2,603 State-chartered associations, 24 savings banks, and 3 insurance companies.

As of August 31, 1955, the members of the System were subscribers to 5,014,238 shares of stock in the eleven Banks, all of which were full paid with the exception of \$124,750.

The consolidated assets of the Federal Home Loan Banks, as of August 31, 1955, amounted to \$1,719,736,773. In addition to cash of \$38,381,738 and obligations of the United States and agencies amounting to \$486,280,716, loans were outstanding totaling \$1,187,047,475 of which \$744,528,862 were secured and \$442,518,613 were on an unsecured basis. The aggregate loan figure represents \$821,950,948 in short-term loans which were due and payable within a period of one year, and \$365,096,527 in longer-term loans amortized over a period of not to exceed 10 years, on which installments totaling \$80,541,652 were due within twelve months. The aggregate payments due and payable within one year therefore amounted to \$902,492,600.

The total loans made by the Banks since the beginning of operations in October, 1932 to August 31, 1955, amounted to \$6,965,691,308. The balance outstanding on August 31, 1955, was \$1,187,047,475. As of that date no Bank had ever sustained a loss on any loan.

While the United States Government originally subscribed to and purchased \$124,741,000 of the capital stock of the Federal Home Loan Banks, the retirement of all such Government-owned stock was completed on July 2, 1951. As of August 31, 1955, the members of the Federal Home Loan Bank System had subscribed to \$501,423,800 of the Bank stock, of which amount \$501,187,300 was fully paid.

Effective June 27, 1950, the Federal Home Loan Bank Act was amended to authorize the Secretary of the Treasury, in his discretion, to purchase obligations of the Federal Home Loan Banks, up to a limit of \$1,000,000,000 on the principal amount of his outstanding holdings thereof at any time.

RELATIONSHIP WITH THE FEDERAL HOME LOAN BANK BOARD

The Federal Home Loan Bank Board has supervisory control over the Federal Home Loan Banks. It determines the eligibility of members and has authority to make rules, regulations, and orders necessary for carrying out the purposes of the provisions of the Act. The Act requires that annual reports be made to the Congress. The Act provides that the Board shall, at least annually, require examinations and reports of condition of the Banks in such form as the Board shall prescribe. Pursuant to this provision, each Federal Home Loan Bank is examined at least annually by examiners attached to the staff of the Director of Audits of the Federal Home Loan Bank Board. Also, the Banks are subject to annual audits by representatives of the General Accounting Office pursuant to the provisions of the Government Corporation Control Act, and the internal fiscal operations of the Board are audited annually by representatives of that Office. Annual reports on these audits are rendered to Congress. The Government Corporation Control Act provides that in making the audits provided for therein the Comptroller General shall, to the fullest extent deemed by him to be practicable, utilize reports of examinations of government corporations made by supervising administrative agencies pursuant to law. In keeping with this provision, representatives of the General Accounting Office have confined their activities largely to periodic surveys of the operations of the Federal Home Loan Banks and analyses of examinations and audit reports made by the staff of the Board's Director of Audits, as well as review of the internal audit of the Federal Home Loan Bank Board. The Government Corporation Control Act also requires that all purchases and sales by the Banks of obligations of the United States in excess of \$100,000, as well as all issues by the Federal Home Loan Bank Board of consolidated Federal Home Loan Bank obligations (which are the joint and several obligations of all the Federal Home Loan

Banks), be cleared with the United States Treasury Department. Furthermore, the Treasury is supplied not only with a copy of the Board's annual report to the Congress, but also with monthly reports reflecting all security transactions of the Banks and with other quarterly and annual reports reflecting the operations of the Banks.

The Federal Savings and Loan Advisory Council, created by the Federal Home Loan Bank Act, as amended, consists of one member for each Federal Home Loan Bank district elected annually by the board of directors of the Bank in that district and six members appointed annually by the Federal Home Loan Bank Board. The Council is empowered to confer with the Board on general business conditions and on special conditions affecting the Banks and their members, and to make recommendations with respect to matters within the jurisdiction of the Federal Home Loan Bank Board. The Bank Presidents' Conference, composed of the presidents of the eleven Banks, which meets at frequent intervals, further assists the effective operations of the System.

MANAGEMENT

Each Federal Home Loan Bank is a body corporate and is managed, under the supervision of the Federal Home Loan Bank Board, by a board of twelve directors, all residents of the district in which the Bank is located. Four of these directors are appointed by the Board, and eight are elected by the member institutions of the Bank. The Act, as amended, authorizes the Federal Home Loan Bank Board, in the case of a district including five or more states (which term as so used includes the District of Columbia), to increase the number of elective directors to not more than twice the number of states, provided that there shall be not less than one nor more than three elective directors from any such state and provided further that the total number of elective directors in any such district shall not exceed eleven.

DESCRIPTION OF NOTES

Subsection (c) of Section 11 of the Federal Home Loan Bank Act, as amended, provides that the Federal Home Loan Bank Board may, at any time that no debentures are outstanding under the Act, or in order to refund all outstanding consolidated debentures issued under said section, issue consolidated Federal Home Loan Bank bonds which shall be the joint and several obligations of all the Federal Home Loan Banks and shall be secured and be issued upon such terms and conditions as the Board may prescribe.

The regulations for the issuance of such bonds impose limitations as follows:

1. Consolidated bonds shall not be issued in excess of twelve times the total paid-in capital stock and reserves under Section 16 of the Federal Home Loan Bank Act, as amended, of all the Federal Home Loan Banks;
2. The Banks shall at all times maintain assets of the following types, free from any lien or pledge, in a total amount at least equal to the amount of consolidated bonds outstanding: (a) cash; (b) obligations of or fully guaranteed by the United States; (c) secured advances; and (d) mortgages as to which one or more Federal Home Loan Banks have any guaranty or insurance, or commitment therefor, by the United States or any agency thereof.

Under the regulations, consolidated bonds issued with maturities of one year or less may be designated consolidated notes. Such notes are included in the above limitations on consolidated bonds.

The consolidated Federal Home Loan Bank notes now being offered are to be issued under the foregoing provisions of the Act and the regulations thereunder, and will be the joint and several obligations of all the Banks. Delivery of the notes allotted will be made at the Federal Reserve Bank of New York. Both interest and principal will be payable at any Federal Reserve Bank or branch thereof or at such other agency or agencies as the Federal Home Loan Bank Board may designate from time to time. The notes will be issued in denominations of \$5,000, \$10,000, \$50,000, \$100,000 and \$1,000,000. Denominational exchanges may be effected at the Federal Reserve Bank of New York. Requests for such exchanges may be made through any Federal Reserve Bank or branch thereof.

Although these notes are not obligations of the United States, and are not guaranteed by the United States, they are the joint and several obligations of the Banks operating under Federal charter with governmental supervision.

Legality as Investments for Trust Funds and as Security for Public Deposits—The Federal Home Loan Bank Act, as amended, provides that obligations of the Federal Home Loan Banks, issued with the approval of the Federal Home Loan Bank Board under said Act, 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 or control of the United States or any officer or officers thereof.

Legality as Investments for Savings Banks and Fiduciaries—These notes are legal for investments by savings banks, insurance companies, trustees, and other fiduciaries under the laws of many states.

Tax Status—These notes are subject to surtaxes, estate, inheritance, gift or other excise taxes, whether Federal or state, but are exempt from all taxation now or hereafter imposed on the principal or interest thereof by any state, or any of the possessions of the United States, or by any local taxing authority. The income derived from these notes is subject to all taxes imposed under the Internal Revenue Code of 1954, or laws amendatory or supplementary thereto.

The legality of the issuance of these consolidated notes has been approved by the General Counsel of the Federal Home Loan Bank Board, and all legal matters relating to the issuance thereof will be passed upon by such Counsel.

CONSOLIDATED STATEMENTS OF CONDITION AND PROFIT AND LOSS STATEMENTS

There are appended hereto Consolidated Statements of Condition of the Federal Home Loan Banks as of August 31, 1955 and 1954. There are also appended hereto Consolidated Profit and Loss Statements of the Federal Home Loan Banks covering the first eight months of the years 1955 and 1954 and the calendar years 1954 and 1953. These statements have been prepared by the Office of the Director, Division of Federal Home Loan Bank Operations, of the Federal Home Loan Bank Board on the basis of information furnished by the Federal Home Loan Banks.

WALTER W. McALLISTER
Chairman, Federal Home Loan Bank Board

FEDERAL HOME LOAN BANKS

COMPARATIVE CONSOLIDATED STATEMENTS OF CONDITION

As of the close of business on dates indicated

ASSETS

	Aug. 31, 1955	Aug. 31, 1954
CASH		
On Hand and in Banks	\$ 24,134,622.42	\$ 17,347,557.32
With U. S. Treasury	14,247,115.37	6,249,554.31
Total	\$ 38,381,737.79	\$ 23,597,111.63
INVESTMENTS		
U. S. Treasury Obligations	\$ 469,994,891.36	\$ 606,164,260.80
Securities Held under Resale Agreements	14,287,188.52	67,939,421.16
Securities of Government Agencies	1,998,636.42	6,904,009.86
Total	\$ 486,280,716.30	\$ 681,007,691.82
ADVANCES OUTSTANDING		
Short Term—1 year or less	\$ 821,950,947.78	\$ 422,300,525.80
Long Term Amortized—over 1 year	365,096,527.68	236,267,482.48
Total	\$1,187,047,475.46	\$ 658,568,008.28
ACCRUED INTEREST RECEIVABLE	\$ 7,603,543.01	\$ 6,146,249.45
ACCOUNTS RECEIVABLE AND OTHER ASSETS	\$ 11,507.69	\$ 16,243.40
DEFERRED CHARGES	\$ 411,792.47	\$ 201,620.06
TOTAL ASSETS	\$1,719,736,772.72	\$1,369,536,924.64

LIABILITIES AND CAPITAL

Liabilities

DEPOSIT LIABILITIES		
Members	\$ 705,944,136.34	\$ 783,228,753.65
Applicants for Membership	827,800.00	456,125.00
Total	\$ 706,771,936.34	\$ 783,684,878.65
ACCRUED INTEREST PAYABLE	\$ 4,723,265.65	\$ 4,045,271.99
ACCOUNTS PAYABLE	\$ 15,645.96	\$ 19,035.32
*CONSOLIDATED OBLIGATIONS		
1.15% Series E-1954, due 9-15-54	\$ —0—	\$ 55,000,000.00
1.30% Series A-1955, due 1-17-55	—0—	60,000,000.00
2.05% Series F-1955, due 10-17-55	120,000,000.00	—0—
1.90% Series E-1955, due 11-15-55	60,000,000.00	—0—
2.40% Series B-1956, due 1-16-56	125,000,000.00	—0—
2.25% Series A-1956, due 2-15-56	80,000,000.00	—0—
2.50% Series C-1956, due 4-16-56	75,000,000.00	—0—
Total	\$ 460,000,000.00	\$ 115,000,000.00
TOTAL LIABILITIES	\$1,171,510,847.95	\$ 902,749,185.96

Capital

CAPITAL STOCK—PAID IN	\$ 501,299,050.00	\$ 425,156,275.00
SURPLUS—EARNED		
Legal Reserve (Sec. 16 of Act)	\$ 23,648,663.74	\$ 20,699,923.26
Reserve for Contingencies	3,203,592.92	3,167,132.76
Undivided Profits	20,074,618.11	17,764,407.66
Total	\$ 46,926,874.77	\$ 41,631,463.68
TOTAL CAPITAL	\$ 548,225,924.77	\$ 466,787,738.68
TOTAL LIABILITIES AND CAPITAL	\$1,719,736,772.72	\$1,369,536,924.64

* Consolidated Federal Home Loan Bank obligations now outstanding are the joint and several obligations of all Federal Home Loan Banks.

FEDERAL HOME LOAN BANKS

CONSOLIDATED PROFIT AND LOSS STATEMENTS FOR PERIODS INDICATED

	January 1, 1955 to August 31, 1955	January 1, 1954 to August 31, 1954	January 1, 1954 to December 31, 1954	January 1, 1953 to December 31, 1953
EARNED OPERATING INCOME:				
Interest Earned on Advances	\$14,879,982.76	\$12,429,928.11	\$18,785,747.20	\$19,867,803.57
Interest Earned on Investments	8,757,498.98	8,189,484.85	12,420,851.20	9,404,480.77
Other Operating Income	12,662.51	10,717.26	23,127.60	6,360.35
Total Earned Operating Income..	\$23,650,144.25	\$20,630,130.22	\$31,229,726.00	\$29,278,644.69
OPERATING EXPENSES:				
Compensation	\$ 862,405.79	\$ 827,390.71	\$ 1,237,586.22	\$ 1,184,709.32
Travel	75,336.87	75,871.32	118,185.16	117,594.99
Other Operating Expenses	397,946.84	338,099.44	505,930.67	450,800.98
Interest on Consolidated Obligations..	2,732,506.94	3,019,692.36	3,905,053.48	7,938,938.33
Concessions on Consolidated Obligations	164,424.08	150,159.89	210,863.98	332,922.62
Paid through Office of Fiscal Agent...	66,117.75	48,159.97	66,397.18	62,307.50
Interest on Deposits of Members.....	8,501,522.52	8,564,158.16	12,664,718.19	8,264,922.28
G.A.O. Audit Expense	—0—	8,165.18	8,165.18	6,146.25
Assessment for FHLBB Expenses....	270,416.77	259,133.43	388,300.00	381,600.00
Total Operating Expenses	\$13,070,677.56	\$13,290,830.46	\$19,105,200.06	\$18,739,942.27
NET OPERATING INCOME	\$10,579,466.69	\$ 7,339,299.76	\$12,124,525.94	\$10,538,702.42
NONOPERATING INCOME:				
Profit on Sales of Investments	\$ 55,190.18	\$ 413,005.41	\$ 467,141.56	\$ 176,452.48
Furniture and Equipment Sales	3,838.16	2,886.20	3,018.70	5,679.63
Refund of FHLBB Assessment	100,000.00	100,000.00	100,000.00	100,000.00
Miscellaneous	612.95	175.28	175.28	929.32
Total Nonoperating Income	\$ 159,641.29	\$ 516,066.89	\$ 570,335.54	\$ 283,061.43
NONOPERATING CHARGES:				
Losses on Sales of Investments	\$ 310,080.82	\$ 7,123.05	\$ 9,422.76	\$ 71,064.97
Furniture and Equipment Purchases..	22,991.60	30,431.96	43,899.09	43,807.04
Membership Fee-Savings & Loan Foundation	33,063.99	18,521.35	29,542.67	—0—
Total Nonoperating Charges	\$ 366,136.41	\$ 56,076.36	\$ 82,864.52	\$ 114,872.01
NET INCOME	\$10,372,971.57	\$ 7,799,290.29	\$12,611,996.96	\$10,706,891.84