

FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

[Circular No. 4518]
October 17, 1957]

FNMA CASH FINANCING

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

The following statement was made public today:

The Treasury Department announced today that on Monday, October 21, the Secretary of the Treasury on behalf of the Federal National Mortgage Association will offer for cash subscription at par \$750 million of 4 $\frac{7}{8}$ percent ML (Management and Liquidating) Notes of the Association to be dated October 29, 1957, and to mature June 26, 1958. The books will be open for one day, on October 21.

As announced by the Association on October 15, 1957, the Treasury Department has agreed to handle this offering for the Association and it will utilize the facilities of the Federal Reserve Banks, as fiscal agents of the United States, in receiving subscriptions, making allotments, and delivering securities allotted in much the same manner as public debt offerings are handled.

Subscriptions from commercial banks, which for this purpose are defined as banks accepting demand deposits, for their own account, will be received without deposit, but will be restricted in each case to an amount not exceeding one-half of the combined capital, surplus and undivided profits of the subscribing bank. On all other subscriptions a payment of 2 percent of the amount of notes subscribed for must be made, not subject to withdrawal until after allotment.

Although payment by Treasury Tax and Loan account credit will not be permitted, arrangements have been made between the Association and the Treasury whereby the Treasury will deposit with qualified banks, upon request, amounts equal to notes allotted to such banks for themselves and their customers. This is the same procedure followed in January 1955 in connection with the sale of the earlier issue of Series ML notes.

Commercial banks and other lenders are requested to refrain from making unsecured loans or loans collateralized in whole or in part by the notes subscribed for, to cover the 2 percent deposits required to be paid when subscriptions are entered. A certification by the subscribing bank that no such loan has been made will be required on each subscription entered by it for account of its customers. A certification that the bank has no beneficial interest in its customers' subscriptions, and that no customers have any beneficial interest in the bank's own subscription, will also be required.

Any subscription addressed to a Federal Reserve Bank or Branch, or to the Treasurer of the United States, and placed in the mail before midnight, October 21, will be considered as timely.

Subscription forms for the offering will be mailed to reach you on Monday, October 21. Please note that the subscription books will be open for only one day, October 21.

ALFRED HAYES,
President.