

FEDERAL RESERVE BANK  
OF NEW YORK

AT CURNOS 149  
July 20, 1977

EXPIRATION OF LAW ESTABLISHING UNIFORM FEDERAL CEILING  
ON LARGE BUSINESS AND AGRICULTURAL LOANS

*To All Member Banks, and Others Concerned,  
in the Second Federal Reserve District:*

As you may be aware, the provisions of Title II of Public Law 93-501, which established a uniform Federal ceiling on certain business and agricultural loans, expired on July 1, 1977. Congress enacted these provisions in 1974 as an emergency measure to permit national banks, State-chartered banks insured by the Federal Deposit Insurance Corporation, and institutions insured by the Federal Savings and Loan Insurance Corporation--if not otherwise permitted--to charge interest on business or agricultural loans of \$25,000 or more at a rate of not more than five percent in excess of the discount rate on 90-day commercial paper in effect at the Federal Reserve Bank in the Federal Reserve District where the lender is located. The provisions of the statute permitted such a rate to be charged notwithstanding State interest rate ceilings to the contrary. The purpose of this legislation was to prevent disruption of the flow of credit for businesses in States where market rates exceeded prescribed State interest rate ceilings.

In view of the termination of the legislation, State ceilings are effective with respect to loans made after June 30, 1977. Title II of Public Law 93-501 did not affect provisions of the Federal statute relating to interest rates on loans made by national banks other than business or agricultural loans of \$25,000 or more. These provisions remain in effect. We suggest that you consult your own local counsel on the application of State law to your particular circumstances.

PAUL A. VOLCKER,  
*President.*