

F E D E R A L R E S E R V E B O A R D

Washington

February 5, 1915.

My dear Governor:

In the accompanying letter Mr. McDougal asks for an expression of opinion on the subject of whether or not a national bank which is a member of the Federal Reserve System may make loans on real estate which is not situated in the district in which the national bank is located.

In reply I beg to advise that Section 24 of the Federal Reserve Act provides in terms that -

"Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land, situated within its Federal reserve districtThe Federal Reserve Board shall have power from time to time to add to the list of cities in which national banks shall not be permitted to make loans secured upon real estate in the manner described in this section."

Section 5137 of the Revised Statutes provides that national banking associations may purchase, hold and convey real estate for certain specific purposes and for no others. The effect of Section 24 of the Federal Reserve Act is to extend the powers granted by Section 5137 and since this Act specifically limits loans to those secured by farm land situated within the district in which the bank is located, it is obvious that the Federal Reserve Board is without power by regulation to vitiate this restriction.

Respectfully,

(Signed) M. C. ELLIOTT

Counsel.

Hon. Charles S. Hamlin,
Governor.