

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-4193
November 24, 1924.

SUBJECT: Loans on Real Estate and Farm Lands by National Banks
having no Time Deposits.

Dear Sir:

Inquiry has been made of the Federal Reserve Board as to whether a national bank which has no deposits that are classed as time deposits may make loans on improved and unencumbered farm lands and real estate under the provisions of Section 24 of the Federal Reserve Act.

The Board has considered this question and is of the opinion that the right of national banks to make loans on farm land and real estate should not be restricted to banks having deposits which are classed as time deposits. Section 24 provides in part that "Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land ***** and may also make loans secured by improved and unencumbered real estate *****". From this it seems apparent that the only restriction intended to be placed upon the right of national banks to make real estate loans is that they shall not be situated in a central reserve city, provided, of course, that the loans comply in other respects with the provisions of Section 24 of the Federal Reserve Act. The provision of this section with regard to the aggregate sum which a national bank may loan upon real estate, that is, up to 25% of its capital and surplus or to 1/3 of its time deposits, whichever may be the greater, is merely a limitation on the amount of such loans which a national bank, otherwise qualified, may make and was not intended to restrict the right to make such loans only to those banks having time deposits.

Very truly yours,

Walter L. Eddy,
Secretary.

TO GOVERNORS OF ALL F. R. BANKS