

59
FEDERAL RESERVE BOARD

WASHINGTON

**ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD**

X-4772

January 14, 1927.

**SUBJECT: Correspondence with Director of
Veterans' Bureau.**

Dear Sir:

There is attached hereto, for your information, copy of a letter which the Board addressed recently to the Director of the United States Veterans Bureau, together with a copy of his reply, both of which are self explanatory.

Very truly yours,

J. C. Noell,
Assistant Secretary.

To Governors of all F.R.Banks.

Enclosures:

(C O P Y)

UNITED STATES VETERANS' BUREAU

WASHINGTON

X-4772-a

January 11, 1927.

Honorable D. R. Crissinger,
Governor,
Federal Reserve Board,
Washington, D.C.

My dear Governor Crissinger:

I wish to acknowledge your letter of January 10, 1927, propounding certain questions in respect to loans on Adjusted Service Certificates.

The use of the term "bank" in Regulation No. 163 was deemed to include the Federal Reserve Banks where applicable and this Bureau will honor loans presented by such banks in the same manner as loans received from other banks will be redeemed. For this Bureau to assume a position that Federal Reserve Banks were not intended to be allowed to redeem notes when such notes are made eligible for discounting with the Federal Reserve Banks would, in my mind, have the effect of nullifying the intent of the Statutes.

In regard to the matter of honoring loans made to a person not authorized to receive such loan, I do not believe that the Bureau would be empowered to make payment thereon as the effect of redeeming these loans would be the same as paying on a forged instrument, which, of course, is directly contrary to all accepted procedure.

With kindest personal regards.

Very truly yours,

Frank T. Hines,
Director.

(COPY)

FEDERAL RESERVE BOARD
WASHINGTON

X-4772-b

January 10, 1927.

Honorable Frank T. Hines, Director,
United States Veterans' Bureau,
Washington, D.C.

My dear General Hines:

The question has been raised as to what your policy will be with respect to paying to Federal reserve banks the amounts of notes representing loans made to veterans on the security of adjusted service certificates, which notes have been rediscounted with Federal reserve banks and left on their hands unpaid at maturity.

The Board is familiar, of course, with the statement of policy contained in subdivision (b) of Section 8 of your Regulation No. 163; but subdivision (a) of that paragraph states that if the veteran does not pay the loan at its maturity "the bank holding the note and certificate" may present the note to you for payment, and no specific mention is made of Federal reserve banks. It would seem that the word "bank" as here used would clearly include Federal reserve banks; but, in view of the fact that some question has been raised about the matter, I believe it would be desirable for you to give the Board a specific statement as to what your policy will be when such notes are presented to you for payment by Federal reserve banks.

The question has also been raised as to whether there would be any likelihood of your declining to pay a note presented by a Federal reserve bank when such note is accompanied by an affidavit of the lending bank stating that the person who obtained the loan evidenced by such note is known to be the veteran named in the adjusted service certificate securing such note, but the Veterans' Bureau discovers that the loan was not actually obtained by the veteran named in the certificate. In other words, the question has been raised whether under such circumstances there would be any likelihood of the Federal reserve bank suffering any loss in the event of the insolvency of the bank which rediscounted such note with the Federal reserve bank. A definite statement from you on this point will aid materially in clarifying the situation.

An early reply from you will be greatly appreciated and the substance thereof will be communicated promptly to all Federal reserve banks.

Very truly yours,

D. R. Crissinger
Governor.