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FEDERAL RESERVE BOARD**WASHINGTON****ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD**February 16, 1927,
St. 5273.**SUBJECT: Classification of Borrowings and Reserve
Balances, by Size of Cities.**

Dear Sir:

On a number of occasions in the past the Board has attempted to determine the relative amount of accommodation extended to member banks for agricultural and livestock purposes by classifying paper held under discount into agricultural paper and other paper, also by classifying member bank loans, borrowings, etc., according to agricultural, semi-agricultural, and non-agricultural counties. While the latter figures were of more value than the former, neither of them were reasonably satisfactory indicators of the amount of accommodation that the Federal reserve banks were extending for agricultural and livestock purposes. More recently we have attempted to classify the volume of bills discounted according to the size of the city in which the discounting member banks are located, adjusting the volume discounted for each group to a common maturity basis. Such data have not been of much value, principally because of the large amount of paper rebated. It is believed, however, that a classification of borrowings according to the size of city or town in which the rediscounting bank is located would be helpful in following the trend of borrowings and would throw as much light on the general purposes for which the funds are borrowed as can be well obtained. To give a fairly accurate picture of the relative amount of accommodation received by the various classes of banks, however, the amount of borrowings should be related to the size of the borrowing banks, and it occurs to us that this might be well brought out by a comparison of borrowings with reserve balances.

In order to enable us to go a little more fully into the value of such figures, it will be appreciated if you will classify your member banks by states and population groups in accordance with the form shown below and furnish the Board with a statement showing, as of January 26, 1927, the total amount of paper held under discount for member banks in each group and the total amount of reserve balances actually maintained with the reserve bank by all banks in each group (including those not borrowing from the Federal reserve bank):

BORROWINGS FROM FEDERAL RESERVE BANK AND RESERVE BALANCES OF MEMBER BANKS,
BY POPULATION GROUPS, ON JANUARY 26, 1927.

District No. _____

(Amounts in thousands of dollars)

State and population group	Borrowings from Federal reserve bank	Reserve balances of all banks in group	Ratio of borrowings to reserve balances (Per cent)
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(Name of State)

Less than 2,500
2,500 to 5,000
5,000 to 10,000
10,000 to 25,000
25,000 to 100,000
100,000 or more
Total

It is understood, of course, that these figures, like any others, are subject to possible misinterpretation, particularly as member banks in the larger centers frequently make substantial loans to country correspondents, nonmembers as well as members, at the same time that they are borrowing from the Federal reserve bank. The amount of Federal reserve bank accommodation going to banks in small communities in this indirect way is, however, extremely difficult if not impossible of measurement.

In submitting your report we shall appreciate any suggestions which you may care to offer regarding the value of data of this character for the purpose of following the trend of borrowings at the reserve banks and of giving a better idea of the purposes for which the borrowed funds are being used, as well as suggestions for the classifications of borrowings in any other manner which you feel might be more helpful for the purpose in mind.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

ALL FEDERAL RESERVE AGENTS*