

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

## STATEMENT FOR THE PRESS

For immediate release.

March 7, 1931.

The Federal Reserve Board has amended its Regulation G governing the rediscount by Federal reserve banks of notes secured by adjusted service certificates so as to conform to the Act of February 27, 1931, amending Section 502 of the World War Adjusted Compensation Act; and copies of the amended regulation with the new portions indicated by capital letters are released herewith.

The amendments contained in the Act of February 27, 1931, apply to loans by banks as well as to loans by the Veterans' Bureau. The principal changes effected by the amendments are, (1) to increase the loan value of each adjusted service certificate immediately to 50 per cent of the face value of such certificate, and (2) to provide that the rate of interest on any such loan shall in no event exceed  $4\frac{1}{2}$  per cent per annum, compounded annually. The original provision of Section 502 of the World War Adjusted Compensation Act to the effect that the rate of interest charged by banks on loans to veterans secured by their adjusted service certificates shall in no event exceed by more than 2 per cent per annum the rate charged at the date of the loan for the rediscount of 90 day commercial paper by the Federal reserve bank of the Federal reserve district in which the lending bank is located, remains in effect. Therefore, as to all loans made on and after February 27, 1931, the rate of interest must not exceed, (a) simple interest at a rate not exceeding by more than 2 per cent per annum the rate charged at the date of the loan for the rediscount of 90 day commercial paper by the Federal reserve bank of the district in which the lending bank is located, or (b)  $4\frac{1}{2}$  per cent per annum compounded annually, whichever is the lower.

Subsection (e) of Section III of the Board's Regulation G contains a provision to the effect that, when a note given by a veteran for a loan on his adjusted service certificate contains, in the form approved by the Director of the Veterans' Bureau, a provision for the extension of the maturity thereof from year to year, at the option of the holder evidenced by his endorsement thereon, the maturity of said note (after the first maturity stated thereon) shall, for the purpose of determining its eligibility, be deemed to be that stated in the latest extension endorsed thereon by the holder. Notes in this form need be used only where the lending bank desires to retain the eligibility of such notes for rediscount at Federal reserve banks subsequent to the first maturity. Banks not desiring to preserve such eligibility after the first maturity may continue to use U.S. Veterans' Bureau Form No. 6615, which has been used heretofore.