

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7310

December 20, 1932.

SUBJECT: Method of Handling Funds of Federal Home Loan Banks.

Dear Sir:

For your information there is transmitted herewith a copy of a letter dated December 17, 1932, addressed by the Comptroller of the Federal Home Loan Bank Board to the Federal Home Loan Bank of Cambridge, Massachusetts, regarding a plan which has been decided upon by the Federal Home Loan Bank Board for the handling of funds of the Federal home loan banks. It is understood that a similar letter has been sent to each of the Federal home loan banks. It is also understood that supplementary instructions will be sent to all Federal reserve banks by the Secretary of the Treasury.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure.

TO GOVERNORS OF ALL F. R. BANKS.

C O P Y

X-7310-a

December 17, 1932

Mr. Walter H. Neaves, Executive Vice Pres.,
Federal Home Loan Bank of Cambridge,
Kendall Square Building,
Cambridge, Massachusetts.

Dear Mr. Neaves:

Re: Government subscription to stock

The Federal Home Loan Bank Board has arranged with the Treasury Department to act in the capacity of banker for the Federal Home Loan Banks with respect to funds called for on account of the \$125,000,000. made available by Congress to enable the Secretary of the Treasury to subscribe to stock in the Federal Home Loan Banks.

Under the procedure contemplated, all of such funds applicable to the various Federal Home Loan Banks will remain on deposit with the Treasurer of the United States until actually required by the banks for the purpose of consummating loans. The Board will, by resolution, call upon the Treasurer from time to time to make available certain sums of money for each bank. At such time as your institution requires funds in order to make loans, after having exhausted all other available funds, it is requested that you kindly sign one of the forms of receipt evidencing purchase by the Government of capital stock in lump sums of \$100,000. Such receipts should then be forwarded to the Federal Reserve Bank of your district or the branch which you are now using, with the request that the Treasurer of the United States be advised by wire. Upon receipt of this wire the Treasurer of the United States will telegraph your bank to the effect that a like amount has been placed to your credit on his books. Upon receipt of such telegraphic advice you may then issue your bank's check on the Treasurer of the United States payable to the borrower for the exact amount of the loan. Dividend on such sums thus obtained from the Treasurer of the United States will run only from the date of your receipt. It is requested that you refrain from issuing such receipts in blocks of \$100,000. each until you are actually ready to close loans up to such amount. After all other funds have been exhausted, you may also draw on this symbol account for operating purposes, provided in such cases you refrain from drawing in excess of \$10,000. at any one time. The proceeds of checks drawn for operating purposes may be deposited in your commercial checking account.

The Treasurer of the United States is forwarding you an emergency supply of 100 checks numbered numerically, and an order has been placed for the printing of 2,000 additional checks numbered from 101 to 2,101. These additional checks will be forwarded you direct from the Bureau of Engraving and Printing and no charge will be made therefor. The Treasurer of the

United States has assigned Symbol No. 79988 to your bank and all correspondence you may have occasion to conduct with the Treasurer should make reference to such symbol number, which number will likewise appear on all checks furnished you. It is suggested that you obtain locally a supply of duplicate checks similar to those being forwarded you in order to enable you to maintain carbon copies of all checks drawn. At the end of each month the Treasurer of the United States will forward to your bank all cancelled checks, together with a transcript of your account, copy of which will also be forwarded to the undersigned.

No entries should be made on your books in connection with these transactions until you have executed your receipts in the manner above indicated and have received a telegram from the Treasurer of the United States indicating that the amounts thereof have been placed to your bank's credit. Careful record should, of course, be maintained of each such receipt in order that you may properly accrue dividend at 2%, as required by the Act, such dividend to accrue only from the date on which your receipts are executed. All checks should be signed only by the officials whose facsimile signatures you have forwarded to the Treasurer of the United States.

We shall be glad if you will acknowledge the receipt of this letter, and call our attention to any points in connection with the contemplated procedure which may not be entirely clear to you.

Very truly yours,

RRB/myr

Comptroller.

cc - Mr. Fort
cc - Dr. Gries
cc - Mr. Best
cc - Mr. Bodfish
cc - Mr. Murray
cc - Mr. Berlin