

X-7850

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal reserve banks)

April 3, 1934.

Mr. _____,

_____.

Dear Sir:

Receipt is acknowledged of your letter of March 5, 1934, regarding the question whether a Federal Savings and Loan Association organized under the provisions of the Home Owners' Loan Act of 1933, may be considered a "bank" within the meaning of Section 19 of the Federal Reserve Act.

Section 5 of the Home Owners' Loan Act of 1933 provides for the organization of Federal Savings and Loan Associations "in order to provide local mutual thrift institutions in which people may invest their funds and in order to provide for the financing of homes." Such associations are authorized to raise their capital "only in the form of payments on such shares as are authorized in their charter, which shares may be retired as is therein provided" and to lend their funds "only on the security of their shares or on the security of first liens upon homes or combination of homes and business property within fifty miles of their home office." They are expressly prohibited from accepting deposits and from issuing certificates of indebtedness

except for such borrowed money as may be authorized by regulations of the Federal Home Loan Bank Board.

In the circumstances, the Federal Reserve Board is of the opinion that Federal Savings and Loan Associations are not to be considered banks within the meaning of those provisions of Section 19 of the Federal Reserve Act which relate to the computation of reserves.

Very truly yours,

(Signed) Chester Morrill
Chester Morrill,
Secretary.