

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve banks)

March 1, 1939.

Mr. E. H. Gough,  
Deputy Comptroller of the Currency,  
Washington, D. C.

Dear Mr. Gough:

This refers to your letter of February 1, 1939, regarding the request of the National \_\_\_\_\_ Bank of \_\_\_\_\_, \_\_\_\_\_, for advice as to the proper method of reporting repayments on installment loans. This question arises in connection with the revised form of condition report and, as stated in your letter, also involves reports for the purpose of computing reserves.

It is understood from your letter and from information furnished by the Federal Reserve Bank of \_\_\_\_\_ that the National \_\_\_\_\_ Bank makes loans which are payable in installments; that when payments are received a memorandum of the fact is made on a card record and the payment is entered in a receipt book kept by the borrower but the amount of the payment is not entered or noted on the back of the note; and that the bank carries on its general ledger among its assets the total amount of these installment loans and, in order to show the amount of payments received, carries among its liabilities the amount of payments received.

Since these installments appear to be payments on the note which, under the contract between the bank and the borrower, immediately reduce the unpaid balance of the loan when received by the bank, they should not be reported as deposits for reserve computation purposes. For your information, in the case of a State member bank, we would take the position that installment payments of this kind should not be reported in item 1(c) of schedule F of the condition report but that the net amount of the loans after deduction of such payments should be reported in the statement of assets and in schedule A of the condition report.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,  
Assistant Secretary.