

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 23, 1939.

Dear Sir:

There have been forwarded to you today under separate cover the indicated number of copies of the six forms attached hereto, for the use of State bank members and their affiliates in submitting reports as of the next call date:

Number of
copies

Form

Form F. R. 105, Report of condition of State bank member.

Form F. R. 105b (Schedule "O"), Loans and advances to affiliates and investments in and loans secured by obligations of affiliates.

Form F. R. 105e, Publisher's copy of report of condition of State bank member.

Form F. R. 220, Report of affiliate or holding company affiliate.

Form F. R. 220a, Publisher's copy of report of affiliate or holding company affiliate.

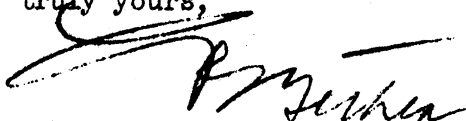
Form F. R. 220b, Instructions for preparation of reports of affiliates and holding company affiliates.

No change has been made in any of the forms except form F. R. 105e. On that form a notary's jurat has been added following the signatures of the bank officers and directors, also following the certificate of publication on the reverse side, with a note to the effect that the jurat need not be executed if not required by the State banking department. Provision has also been made in the certificate of publication for the signature of either an officer of the bank or an officer of the newspaper. The execution of the

certificate of publication by either one may be accepted by Federal Reserve banks. The changes on form F. R. 105e were made at the suggestion of a number of Federal Reserve banks, in order to facilitate the single, joint publication of condition reports rendered by State bank members to their respective Federal Reserve banks and State banking departments.

There is enclosed a memorandum with respect to the principal items that were incorrectly reported in the December 31, 1938, call reports of State bank members.

Very truly yours,



L. P. Bethea,
Assistant Secretary.

Enclosures 7

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

MEMORANDUM IN CONNECTION WITH CONDITION
REPORTS OF STATE BANK MEMBERS

March 23, 1939.

Schedule A, "Loans and discounts". Amounts reported against item 5, "Other loans for the purpose of purchasing or carrying stocks, bonds, and other securities", should include loans made to enable persons to purchase stocks, bonds and other securities, loans for this purpose that have been renewed, and borrowings for the purpose of providing funds to pay off indebtedness incurred in purchasing securities. If a person borrows for business purposes and uses stocks, bonds or other securities as collateral, such loans should be reported against item 1, "Commercial and industrial loans". Similarly, borrowings for agricultural purposes should be reported against item 2, "Agricultural loans", even though secured by stocks, bonds, or other securities. Loans to individuals for the purpose of enabling them to purchase household equipment or automobiles, to repair or repaint their homes, to pay medical and educational expenses, to provide funds for vacation, etc., should be reported as "All other loans" against item 8 of the schedule, even though secured by stocks, bonds, or other securities.

If no information is available as to the purpose of a given loan that is already outstanding, for the reason that the loan is an old one or for some other reason, the loan may be presumed (even though secured by stocks and bonds) to be "commercial and industrial" if the borrower is a business enterprise and "agricultural" if the borrower is a farmer. If no information is available as to the purpose of a loan to a borrower other than a business enterprise, farmer, or bank, and the loan is secured by stocks and bonds, it may be regarded as having been made for the purpose of enabling the borrower to purchase or carry stocks, bonds, and other securities.

Schedule B, "Bonds, Stocks, and Other Securities". The only securities now outstanding which can properly be reported against item 1(b)(4) of Schedule B are (1) notes issued by the Commodity Credit Corporation, (2) notes issued by the United States Housing Authority, and (3) Mutual Mortgage Insurance Fund debentures issued by the Federal Housing Administration following foreclosure of insured mortgages.

The only securities now outstanding which can properly be reported against item 3(a)(3) of Schedule B are debentures of Federal Home Loan banks and notes of the Federal National Mortgage Association.

The amount reported against item 6 of Schedule B should be consistent with the figures reported under item 1(b). Item 6 should, therefore, include all obligations of the Reconstruction Finance Corporation as shown against item 1(b)(1), all obligations of the Commodity Credit Corporation included in item 1(b)(4), and any Home Owners' Loan Corporation bonds and Federal Farm Mortgage Corporation bonds maturing in 1939 -1943 included in items 1(b)(2) and 1(b)(3).

The amount reported against item 7 should be consistent with the figures reported under item 3(a). Item 7 should, therefore, include all obligations of the Federal Intermediate Credit banks as shown against item 3(a)(2), all debentures of Federal Home Loan Banks included in item 3(a)(3), and such obligations of the Federal National Mortgage Association included in item 3(a)(3) as mature in 1939 - 1945.

Unallocated valuation allowances on loans and investments. Allowances which have been set up against total loans, total securities or certain groups of loans and securities, should be allocated on an approximate basis, for the purpose of the condition report, against the appropriate items of Schedules A and B. (See third paragraph on page 11 and second paragraph on page 14 of instructions, form F. R. 105a.) State bank members may, if they wish, show in parentheses to the left of the extended figures in Schedules A and B, the amounts of unallocated reserves deducted from the applicable items in the schedules.

Memorandum item 32. "Secured and preferred liabilities". The figures reported under item 32 should represent the amounts of secured and preferred liabilities, not the amounts of assets pledged against such liabilities.

All deposits secured by pledged assets, including those standing to the credit of the trust department, should be reported against item 32(a).