

Savings Bonds interest decreases

Due to a decline in the key market interest rates, the guaranteed minimum for Series EE U.S. Savings Bonds has also taken a dip. Effective Nov. 1, 1986, the guaranteed minimum became 6.0 percent, down from 7.5 percent for bonds purchased between Nov. 1, 1982 until Oct. 31, 1986.

Also, on November 1, the semi-annual interest rate went to 6.06 percent, from 7.02 percent for the previous six months from May 1 through Oct. 31, 1986. Semiannual market-based rates are announced each May and November, based on 85 percent of the market rates on five-year Treasury securities during the preceding six months. These rates, in turn, form the basis for the rate on a bond held five years or longer.

The current minimum rate will affect all EE Bonds purchased on and after Nov. 1, 1986, until such time as market conditions may again require a change. Older bonds will retain their original or current extended maturity period and their minimum guaranteed returns—generally, 7.5 percent or higher depending on the age of the bond.

In addition to the decline in the guaranteed minimum, new Series EE

Bonds will have a maturity period of 12 years. Savings Bonds maturities are based on the time it takes a bond to increase in value from its issue price to face amount at the minimum rate current at the time of purchase. If the market-based rate applying to a bond is higher than the current minimum, it will double in value (reach its face amount) sooner, and continue to earn interest to maturity. Bonds held less than five years earn interest at fixed, graduated rates depending on how long they are held and the scale in effect on the date of purchase.

Those holders of HH and H Bonds will experience similar changes. Beginning Nov. 1, new issues of Series HH Savings Bonds, available only in exchange for Series EE and E Bonds and Savings Notes with combined redemption values of \$500 or more, will earn interest at a flat 6.0 percent rate over a 10-year maturity period. Older HH and H Bonds retain their current interest rates to the end of their current original or extended maturity periods. Interest on both H and HH Bonds is paid semiannually by check or by direct deposit to the owner's account at the financial institution of their choice.

Savings Bonds continue to be a cost-effective way to manage a portion of the public debt. Periodic revisions in the current minimum rate to reflect changes in the cost of market borrowing will provide the Treasury with a continued source of cost-effective borrowing, while assuring a competitive rate of return for the small saver and investor.

Treasury officials report that since speculation began earlier this year that a reduction in the guaranteed minimum rate was being considered, savings bond sales have increased dramatically. The Treasury said about \$1.2 billion of Series EE Bonds were sold during August, the largest amount for any month since the government began offering variable-rate savings bonds nearly four years ago.

INSIDE

■ GOLD EAGLE COINS

■ CREDIT GUIDANCE

■ RATE DECREASE

■ POSTAL CONVERSION

'American Eagle' coins heralded

The Federal Reserve Bank hosted a continental breakfast reception on Friday, Oct. 10, to introduce the new "American Eagle" gold coin series, as well as to honor Miley Busiek, a Dallas artist whose "Family of Eagles" design is displayed on the coin.

The coins, currently sold through coin shop dealers, brokerage firms, and some financial institutions, can be purchased in \$50, \$25, \$10 and \$5 denominations. Weights of the coins are one-ounce, half-ounce, quarter-ounce, and one-tenth ounce, respectively.

Prices of each of the coins in the "American Eagle" coin series fluctuate day-to-day with the market price of gold per ounce, plus a premium is charged by each of the distributors.

Dallas Fed President Robert H. Boykin welcomed some 135 members of the community in attendance while First Vice President William H. Wallace introduced the keynote speaker, Katherine D. Ortega, Treasurer of the United States.



Hugh G. Robinson, a Dallas Fed Board member and president of Cityplace Development Corporation, shakes hands with Tom Landry, Dallas Cowboys head football coach, at the gold bar exhibit during the ceremony which honored Ortega and Busiek.

Ortega told the crowd of many local business persons that the U.S. expects to sell 2.2 million ounces of the coin in its first year, which would add up quickly at approximately \$400 an ounce.

Ortega gave some background on how Busiek had to solicit letters to local business persons and members of Congress in order to receive an endorsement from Congress for her design to be accepted.

Busiek told those in attendance that she used the "eagle family" on the coin series design since it is an important national symbol. In her opinion, the purpose of the design symbolically represents the United States of America as a peace-loving, caring nation.

"The adult family of the American Bald Eagles depicts strong leadership, compassion and unity of purpose," stated Busiek.

"The newly-hatched eaglets are positioned with one slightly separated from the mother and the other nestled in her wing; the first represents youth, depicting those who are equipped and eagerly anticipating the challenges of the future. The second stands for those among us who need special care and nurturing. In this way, every American possesses personal worth and dignity, added Busiek.

The design contains an olive branch, which Busiek feels symbolizes our responsibility to pass on our heritage of peace, democracy and freedom.

In conclusion, Busiek stated, "It is my hope that every American can identify with some element of this design and know that it personally honors them and the values we hold dear in this great nation. And, as these coins are exchanged throughout the world, it is my dream that the design will symbolically carry an uplifting message of hope and goodwill."



Miley Busiek, Dallasite designer of the new "American Eagle" gold coin series, stands next to Katherine D. Ortega, U.S. Treasurer, at a reception hosted at the Dallas Fed to honor them.

Credit guidance offered

Interested in learning more about business credit and the protections provided by the Equal Credit Opportunity Act? Then, the Federal Reserve Bank of Dallas has a new pamphlet for you—"A Guide to Business Credit and the Equal Credit Opportunity Act."

The pamphlet, written to facilitate and improve access to credit for business owners (particularly first-time borrowers), describes the credit application process from the lender's perspective and provides guidance on the preparation of effective loan proposals. In addition, it explains how the business applicant must be informed of a lender's reasons for a credit denial.

The booklet was prepared in consultation with the National Association of Bank Women, the Consumer Bankers Association, the Independent Bankers Association of America, the National Bankers Association and U.S. Small Business Administration. The Dallas Fed will mail copies of the pamphlet to those who contact the Public Affairs Department at (214) 651-6289.

New exchange rate index created

W. Michael Cox, a senior economist and policy advisor at the Federal Reserve Bank of Dallas, has developed a new exchange rate index.

Cox, who became interested in trade and exchange rates in doing an economic forecast for 1986, projected a 3 percent growth in real GNP for 1986, assuming that the dollar would decline by 5-10 percent during the year. The results Cox expected to see from the declining dollar were improvements in the U.S. international trade deficit and a boost to the national economy.

Instead, when the trade deficit worsened and GNP growth slowed, Cox did more research to see what had happened. He found that the dollar had not declined as much as had been claimed by standard measures of the dollar's value.

"The answer is in the exchange rate indexes. Most of them contain the currencies of only 10 to 22 countries, whereas the U.S. presently trades with 131 countries," Cox said. Cox expanded the existing

10-country index used by the Federal Reserve Board to include the currencies of all 131 U.S. trading partners, and thus termed his dollar index the X-131 Dollar Index ("X" for exchange rate and "131" to indicate the number of countries involved).

Using this new index, Cox found the dollar's decline over the past 20 months to be just 6 percent, as opposed to the 34 percent reported by the Federal Reserve Board in their exchange rate index computation.

"National policy succeeded in forcing down the value of the dollar relative to the countries with which the U.S. attempted to coordinate, but not relative to other countries' currencies, against which the dollar has actually appreciated over the same period," added Cox.

In studying this issue, Cox found that the goods of Europe and Japan have become relatively much more expensive over the past few years while those of Latin America, Canada, the Pacific Newly Industrialized Countries, and the rest of the world have

become relatively cheaper. Thus Cox feels that, rather than seeing big reductions in the U.S. international trade deficit, we will mainly be substituting one country's products for another's which will result in changes in the pattern of U.S. trade.

Cox, an economist at the Dallas Fed for the past two years, holds a Ph.D. in economics from Tulane University. He writes articles on economics for Dallas Fed publications and for national journals.

In January 1987, the Dallas Fed will begin a new monthly statistical release, "Trade-Weighted Value of the Dollar", that will contain the X-131 Index. In addition, it will include related data on the dollar's value internationally. The annual subscription fee for this release is \$48.00. Anyone interested in having their name added to the mailing list should send a check or money order made payable to the Federal Reserve Bank of Dallas and mail to: Public Affairs Department, Federal Reserve Bank of Dallas, Station K, Dallas, TX 75222.

ACH postal conversion

U.S. postal service employees nationwide are beginning to see a change in the way they are paid. As a result of a new program, these employees get their payroll checks in one of two ways. They can receive a paper check or they can have a direct deposit payment made to the financial institution of their choice through the automated clearinghouse (ACH). This is a change from the past, where an employee could have the paper check delivered to their institution. In an effort to streamline operations, this option is no longer available.

"The postal conversion, which took place in October for approximately 600,000 employees, is one stage of efforts by the Federal Reserve and U.S. Treasury to convert all U.S. govern-

ment, civilian, military and postal service employees payroll checks to direct deposit," said Larry Ripley, assistant vice president of ACH operations at the Dallas Fed.

"Direct deposit is growing in popularity among our customers for payroll check services because employees have access to their funds earlier on payday and employers don't have to contend with replacing lost checks," added Ripley.

Financial institutions that choose to receive postal service or other government payroll related checks through ACH will not incur any additional charges for that service. For more information on ACH direct deposit, contact Larry Ripley at (214) 651-6118.

Tell Us Your Story

The Dallas Fed's Community Affairs Office hopes to serve as an important source of information on community development issues and techniques. We're anxious to learn of instances where banks have contributed to their communities' economic and social development. Future issues of *Roundup* will publicize these examples. Don't be shy! Let us know of your accomplishments. Write us at: Community Affairs Office, Federal Reserve Bank of Dallas, Station K, Dallas, TX 75222.

Pricing set on binders

Sets of binders containing Federal Reserve System regulations and Dallas Fed operating bulletins are available to financial institutions and the general public from the Federal Reserve Bank of Dallas. There is no limit on the number of sets that can be requested. There is a charge of \$30 for handling and postage for each two-volume set. Checks or money orders should be made out to the Federal Reserve Bank of Dallas and sent to the Public Affairs Department, Federal Reserve Bank of Dallas, Station K, Dallas, TX 75222.



On September 11, the Dallas Fed hosted a joint meeting of the boards of directors of the Federal Reserve Banks of Dallas and Kansas City. The directors discussed issues of mutual concern, including agriculture and energy. Pictured above are (from left) Robert H. Boykin, President of the Dallas Fed; Robert Guffey, President of the Kansas City Fed; Robert D. Rogers, President and Chief Executive Officer of Texas Industries, Inc., Dallas, and Chairman of the Dallas Fed Board; Irvine O. Hockaday, Jr., President and CEO, Hallmark Cards, Inc., Kansas City, and Chairman of the Kansas City Fed Board; and Robert G. Lueder, Chairman of the Board, Lueder Construction Company, Omaha, Nebraska, and Deputy Chairman of the Kansas City Fed Board.

FEDERAL RESERVE BANK OF DALLAS
STATION K
DALLAS, TEXAS 75222
ADDRESS CORRECTION REQUESTED



BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 191

Roundup is published monthly by the Federal Reserve Bank of Dallas and its Branches at El Paso, Houston, and San Antonio. Additional copies of most issues and subscription information are available from the Public Affairs Department. Editor: Dione Anteau