

Lump Sum Drawdown Agreements for CDBG Entitlement Communities

March 17, 1993

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

Special Attention of: Notice: CPD-93-12

Regional Administrators Issued: March 17, 1993

Category "A" Field Office Managers Expires: March 17, 1994

Regional Directors for CPD

CPD Division Directors Cross References: CPD Notices 92-02, 90-37,
CDBG Entitlement Grantees and 88-32

Subject: Lump Sum Drawdown Agreements for CDBG Program for Entitlement Communities

PURPOSE: The purpose of this Notice is to notify entitlement communities that lump sum drawdown agreements under the Community Development Block Grant (CDBG) program are eligible with Fiscal Year 1993 funds, and to provide guidance to grantees on the current lump sum drawdown requirements. This Notice supersedes CPD Notice 92-02, CPD-90-37 and CPD-88-32.

BACKGROUND: In prior years, units of general local government receiving assistance under the Community Development Block Grant (CDBG) program were permitted to receive funds in one payment (lump sum drawdown) for use in establishing or supplementing revolving loan funds in the manner provided under section 104(h) of the Housing and Community Development Act of 1974, as amended, and the implementing regulations at 24 CFR 570.513. On March 11, 1988, new provisions governing lump sum drawdown agreements were published in the Federal Register as part of Subpart J of the CDBG program. (Attachment A provides the text to Section 570.513.) These regulatory provisions became effective on October 1, 1988.

Public Law 101-144, signed by President Bush on November 9, 1989, repealed the authority for grantees to either establish new lump sum drawdown agreements or supplement existing agreements after September 30, 1989. The 1990 National Affordable Housing Act (NAHA) reauthorized new lump sum drawdown agreements for Fiscal Year 1992 and, subsequent funds. However, the HUD Appropriations Act for Fiscal Year 1992 (enacted October 28, 1991) rescinded the NAHA reauthorization.

The language of the HUD Appropriations Act for Fiscal Year 1992 reads ". . . Provided further, that after September 30, 1991, notwithstanding section 909 of the Cranston-Gonzalez National Affordable Housing Act (Public Law 101-625), no funds provided or heretofore provided in this or any other appropriations

Act shall be used to establish or supplement a revolving fund under section 104(h) of the Housing and Community Development Act of 1974, as amended."

The HUD Appropriations Act for Fiscal Year 1993 does not contain a similar prohibition. Therefore, in the Department's opinion, the reauthorization of lump sum drawdowns by NAHA is effective for funds appropriated after Fiscal Year 1992.

IMPLEMENTING LUMP SUM DRAWDOWN AGREEMENTS FOR CDBG: To implement the lump sum drawdown authorization under NAHA, the Department will permit entitlement communities to draw CDBG funds in a lump sum for eligible rehabilitation activities, provided the activity is in its Fiscal Year 1993 Final Statement. The rehabilitation fund shall be used to finance the rehabilitation of privately owned properties eligible under the general policies in §570.200 and the specific provisions of either §570.202, including the acquisition of properties for rehabilitation, or §570.203. In order to prevent grantees from using prior years' CDBG allocations, Final Statements for years prior to 1993 may not be amended to include rehabilitation activities to be funded through a lump sum drawdown agreement. Grantees should refer to CPD Notice 92-29 for more detailed information on the content of Final Statements, including how to account for program income.

The following provides a summary of the implementing regulations at 24 CFR 570.513 and gives guidance to Field Offices responsible for monitoring grantee performance with respect to lump sum drawdown agreements. At present, there should be no outstanding agreements, since lump sum drawdowns have not been permitted since 1989, and agreements could be created for no more than two years.

LUMP SUM DRAWDOWN REQUIREMENTS

1. **Deposits:** A grantee is not limited to one current agreement. Section 570.513 provides that a grantee may draw funds from its line of credit in a lump sum to establish a rehabilitation fund in one or more private financial institutions for the purpose of financing the rehabilitation of privately owned property. Section 570.513 presumes, however, that there will be a single deposit to the rehabilitation fund under any single agreement. In other words, a single deposit is allowed under each agreement, but each grantee may have more than one agreement.

Section 570.513(a)(1) further indicates that grantees should examine their program and capacity. Any lump sum deposit, together with anticipated program income from interest and loan repayments, should not exceed the amount reasonably expected to be required for the rehabilitation activities to be undertaken in the period specified in the agreement. The grantee's projection of grant funds that need to be on deposit should take into consideration program income that may be generated from interest and loan repayments. In the event additional funds are needed to carry out a program, a grantee may enter into a separate, new agreement with the lending institution to cover the additional funds. Such additional agreements may contain all the same requirements as the original agreement and, in effect, be a continuation of the program.

The grantee shall provide HUD with written notification of the amount of funds to be distributed to a private financial institution before distribution of the funds (§570.513(e)). The lump sum agreement between the grantee and the private financial institution must specify the anticipated

level of rehabilitation activity by the financial institution, including the fixed amount to be drawn from the grantee's line of credit (§570.513(b)(2)), and other such terms necessary for program compliance. The regulations aside, good business practice and sound financial management would require that the agreement specify these terms.

2. **Disbursements:** The statute requires that, in addition to initial use of the funds within 45 days of the deposit, there must be substantial disbursement of the funds within 180 days. Section 570.513(b)(4) provides that a grantee with a 2-year agreement that has disbursed 25 percent of the funds within 180 days, has met this requirement. For agreements with terms of less than 2 years, grantees may use a prorated percentage as the "safe harbor," as demonstrated below:
 - Substantial Disbursement
 - 2-year agreement 25% of funds disbursed
 - 18-month agreement 38% of funds disbursed
 - 1-year agreement 50% of funds disbursed

According to Section 570.513(b)(4), grantees should consider the lump sum deposits and interest earned when determining whether if they have satisfactorily met the 25 percent disbursement rule. Other program income, such as payments on loans made from lump sum deposits, should not be included in the calculation when making the determination.

As stated above, while a grantee may have multiple agreements, only a single deposit may be made under each individual agreement. The 45-day initial and 180-day substantial disbursement rules are applicable to each individual agreement. This methodology allows both the grantees and HUD to monitor lump sum deposits and will prevent any problems in accountability.

3. **Interest:** In consideration for the lump sum deposit by the grantee in a private financial institution(s), the deposit must result in certain benefits to the local rehabilitation program. §570.513(b)(9)(i) requires that the financial institution with whom the lump sum deposit is made must pay interest on the lump sum deposit. The minimum interest rate (a higher rate may be paid) a grantee may earn is three percentage points below the yield on a 1-year United States Treasury obligation at constant maturity. Yields on constant maturity Treasury obligations can be obtained by reference to the Federal Reserve Statistical Release H.15(519), published weekly (See Attachment B for an example).

An agreement may be entered into that provides for a variable rate of interest (rather than a fixed rate of interest) over the term of that agreement. However, the grantee and the financial institution must ensure that the effective rate at the time of change does not violate the regulatory minimum interest requirements, and must retain auditable evidence of this in their files. For example, if an agreement stipulates a quarterly (or monthly, semi-annual, etc.) interest rate adjustment, a copy of the Federal Reserve Statistical Release that covers the date of change must be referred to in order to establish a new rate in compliance with the requirements; and that publication, retained in the files, will serve to confirm compliance.

Another issue commonly raised concerns interest to be paid when a lump sum deposit must be broken down into sub-accounts (e.g., an "operating" account and a "holding" account). In some

States, the rate of interest that can be paid on certain types of accounts may be restricted. This rate may be less than the statutory minimum rate that has been established for lump sum drawdown deposits. Since the minimum rate of interest must be paid on the lump sum drawdown deposit, it is not necessary that each sub-account earn the statutory minimum but rather, that the entire deposit does. In such cases, if the overall interest earned on the entire deposit is equal to or exceeds the minimum earnings expected, the requirement will be considered to have been met. This may be achieved by ensuring that interest rates paid on the associated sub-accounts are sufficiently higher to compensate for the lower rate on the affected sub-account. The grantee and the financial institution are expected to maintain records that document and support overall compliance in these cases.

4. **Benefits to be provided:** In addition to the payment of interest on the deposit, the private financial institution must provide at least one additional benefit, as specified at 24 CFR 570.513(b)(9)(ii), in return for the deposit.

In some cases, there appears to be a misconception that a lump sum drawdown agreement must provide for a loan program in which the financial institution is required to make private funds available to participants in the grantee's rehabilitation program. This is not the case. Although providing loan funds (under properly qualified conditions) will satisfy the requirement for an additional benefit in addition to the payment of interest on the deposit, that benefit requirement may also be satisfied by the financial institution through the provision of administrative services such as the servicing of the grantee's direct loan portfolio at no cost, or lower than actual cost. Therefore, it should be understood that the leveraging of private funds in support of a rehabilitation program is only one of several benefit options, and not a requirement.

5. **Grants:** The regulations preclude the use of lump sum drawdown funds to provide grants except when those grants will serve to leverage non-CDBG funds for the rehabilitation of the same property. Numerous inquiries have been received as to whether a deferred payment loan (DPL) is considered to be a loan or a grant for the purposes of this requirement. This confusion is created by differences in the definition of a DPL from program to program. A DPL is considered to meet the criteria of a loan if there is some trigger for eventual repayment of that loan (e.g., repayment of the loan balance upon sale of the property). This is true when it is a "forgivable" loan that has a fixed term; that is, if the balance is reduced, for example, 20 percent per year-over a 5 year period. Therefore, it is the action or intent of the financing mechanism, rather than its label that will determine whether a DPL meets the requirements.
6. **Tracking and Monitoring of Agreements:** Prior to distribution of funds to a private institution, the grantee shall provide the HUD Field Office with written notification of the amount of funds to be distributed. Upon execution of the agreement, a copy must be provided to the HUD Field Office. Any modifications made during the term of the agreement must also be provided to HUD.

In addition to retaining copies of agreements and modifications, Field Offices shall maintain a log of lump sum drawdown agreements for each applicable grantee. The log shall include a record of all agreements and modifications, the date of execution, the date of deposit, the expiration date of the agreement (or the length of the agreement) and the amount being deposited, the interest rate and the other benefits being provided. This recordkeeping is critical to the successful

management of lump sum agreements and meeting CDBG compliance requirements at 24 CFR 570.513.

Lump sum agreements are expected to result in substantial benefit to a grantee's program in return for the deposit. Those benefits can accrue only if participating grantees and financial institutions comply with the regulatory provisions governing such agreements. Therefore, though it is not required that HUD approve lump sum agreements prior to execution, it is important that Field Offices are aware of, and have copies of, all lump sum agreements and know the status of funds. Field Offices are to immediately review lump sum agreements submitted by grantees to ensure that they comply with regulatory requirements. They are also to monitor closely CDBG Entitlement grantees during site visits to assure grantees have implemented the lump sum in accordance with the regulation. To assist in their review, Field Offices should examine the Grantee Performance Report (GPR), which has been designed in part to provide information regarding the lump sum drawdown.

During grantee monitoring, Field Offices are to ensure that disbursement rates meet the minimum established thresholds. Where a grantee is not in compliance with the disbursement rates, the Field Office is to direct the grantee to return unexpended deposit funds to the grantee's program (line of credit) account. If a Field Office believes that there are extenuating circumstances for non-compliance with the "substantial use" provisions, and real prospects for timely use of deposited funds exist, then the Field Office Manager, or his or her designee, may grant a single extension of the 25 percent "substantial use" provision.

Lump sum drawdown agreements shall continue to be governed by and monitored pursuant to the appropriate CDBG program regulations under 24 CFR 570.513.

7. **Miscellaneous:** The private financial institution, into which the lump sum funds are deposited, is directly responsible for the payment of interest on the deposit as well as for providing the additional benefit that is required. There may be a third party to the lump sum drawdown agreement whose function it is to provide loans and loan services as a part of the overall agreement. However, it must be stressed that this approach does not substitute for the requirement that the private institution that enters into an agreement with a grantee must provide one of the benefits as required under 24 CFR 570.513(b)(9)(ii) of the regulations. It is the private financial institution that the grantee must hold accountable for ensuring compliance with the applicable regulations.
8. **Treatment of Program Income Following Closeout of a Lump Sum Drawdown Agreement:** Program income generated during the term of a lump sum drawdown agreement (such as interest on the deposit or loan repayments) must be used for eligible rehabilitation activities in accordance with the terms of the lump sum agreement, as specified at 24 CFR 570.513. Once the lump sum drawdown agreement has been closed out, program income (such as loan repayments) in the account at the time of closeout or renewal thereafter, from rehabilitation activities assisted with funds during the life of the agreement may be used for any CDBG eligible activity, and is subject to the requirements of 24 CFR 570.504.

This information should be transmitted to grantees immediately. Field Office questions concerning lump sum drawdowns should be directed to the Office of Affordable Housing Programs at (202) 708-2470.

Summary of Lump Sum Drawdown Requirements

Subject Current Requirements

- Amount of drawdown Amount may not exceed what the grantee reasonably expects to use during the period covered by the agreement, taking into consideration the amount of interest and any loan repayments expected to be generated by the funds during the period.
- Eligible rehabilitation activities Rehabilitation of privately owned properties eligible under the general policies of 570.200 and the specific provisions of either 570.202 or 570.203. 570.513(b)(1)
- Uses of rehabilitation funds Allows use for loans, interest subsidies, loan guarantees, loan reserves, and other uses if approved by HUD. Allows use for grants only for leveraging non-CDBG funds combined in the same property. Administrative costs of both the grantee and the financial institutions may not be funded through lump sum drawdown. 570.513 and 570.513(a)(3)
- HUD notification Prior to distribution of funds to the private financial institution, the grantee must notify the HUD Field Office, in writing, of the amount of the intended lump sum drawdown to be distributed. 570.513(e)
- Written agreement with financial institution
 - Term Maximum allowable term is two (2) years; descriptive basis for early termination of the agreement. 570.513(b)(3) and 570.513(b)(6)
 - Content Terms and conditions, including: the level of rehabilitation activity (amount of loans, etc.) to be provided by the financial institution, the interest rate and other benefit(s) to be provided by the financial institution, and the term of the agreement. 570.513 (b) (2)
- Submission to HUD Upon execution, grantee must submit a copy of the agreement and any subsequent amendments to the HUD Field Office. Prior Field Office review and approval of a request for a lump sum drawdown is not necessary. 570.513(b)(2) and 570.513(b)(3)
- Limitations on the drawdowns Amount of the drawdown may not exceed what is reasonably expected to be necessary during the term of the -agreement. (See "Amount of drawdown" above.) 570.513(a)(1) Lump sum drawdown may not be made solely for investment purposes, even if the income is used for rehabilitation activity. 570.513 (a) (2) Neither grantee's nor lender's administrative costs may be funded through lump sum drawdowns. 570.513(a)(3)
- Time limit on the use of deposited funds Use of funds must commence within 45 days of deposit. 570.513 (b) (4) Substantial use of funds must be accomplished within 180 days of deposit. Substantial use is defined as disbursement of 25% of the funds for grantees with 2-year agreements, or a pro-rated share for shorter agreements. Justification for the determination of a lesser amount must be retained in the program file. 570.513(b)(4) and Section 104(h) When use does not start within 45 days or substantial disbursement does not occur within 180 days, HUD may require the return of deposited funds to grantee's line of credit. 570.513 (b) (4)

- Review of level of program activity Grantee shall conduct an annual review of the level of program activity. Where activity is substantially below that anticipated, program funds shall be returned to the grantee's line of credit 570.513 (b) (5)
- Return of unused deposits At termination of the agreement, unobligated funds must be returned to the line of credit, unless the grantee enters into a new agreement. 570.513 (b) (7)
- Rehabilitation loans made with non-CDBG funds When funds are used to subsidize, guarantee or supplement rehabilitation loans made with non-CDBG funds, the rehabilitation activities are subject to CDBG rules. However, repayments of private funds are not program income. 570.513 (b) (8)
- Program benefits in return for lump sum deposit The financial institution must provide benefits to support the grantee's rehabilitation program:
 - Interest Minimally, the financial institution must pay the grantee interest at a floor limit of no more than three points below the rate on one year treasury obligations at constant maturity. 570.513(b) (9) (i)
 - Other benefits In addition, the financial institution must provide at least one of the following benefits:
 1. Leverage deposited funds such that private funds are committed for rehabilitation loans in an amount substantially in excess of the deposited amount;
 2. Commit private funds for rehabilitation loans below market interest rates, at higher than normal risk or longer than normal repayment periods; or
 3. Administrative services to support the rehabilitation loan program at no cost, or at lower than actual cost. 570.513(b)(9)(ii)
- Program income Interest earned on the lump sum deposit must be treated the same as the deposited funds. Payments on loans made from the funds are also to be treated in the same manner during the term of the agreement. 570.513(c)
- Outstanding findings New agreements may not be entered into while auditor monitoring findings on previous lump sum agreements remain unresolved. 570.513(d)
- Record-keeping requirements Grantee must maintain in its files a copy of the written agreement and all related documents establishing conformance with this section and concerning performance by the private financial institution. 570.513(f)

ATTACHMENT A

8602 Federal Register / Vol. 53, No. 48 / Friday, March 11, 1988 / Rules and Regulations

§570.513 Lump sum drawdown for financing of property rehabilitation activities.

Subject to the conditions prescribed in this section, recipients may draw funds from the letter of credit in a lump sum to establish a rehabilitation fund in one or more private financial institutions for the purpose of financing the rehabilitation of privately owned properties. The fund may be used in conjunction with various rehabilitation financing techniques, including loans, interest subsidies, loan guarantees, loan reserves, or such other uses as may be approved by HUD consistent with the objectives of this section. The fund may also be used for making grants, but only for the purpose of leveraging non-CDBG funds for the rehabilitation of the same property.

- a. Limitation on drawdown of grant funds.
 1. The funds that a recipient deposits to a rehabilitation fund shall not exceed the grant amount that the recipient reasonably expects will be required, together with anticipated program income from interest and loan repayments for the rehabilitation activities during the period specified in the agreement to undertake activities, based on either:
 - I. Prior level of rehabilitation activity: or
 - II. Rehabilitation staffing and management capacity during the period specified in the agreement to undertake activities.
 2. No grant funds may be deposited under this section solely for the purpose of investment, notwithstanding that the interest or other income is to be used for the rehabilitation activities.
 3. The recipient's rehabilitation program administrative costs and the administrative costs of the financial institution may not be funded through lump sum drawdown. Such costs must be paid from periodic letter of credit withdrawals in accordance with standard procedures or from program income other than program income generated by the lump sum distribution.
- b. Standards to be met. The following standards shall apply to all lump sum drawdowns of CDBG funds for rehabilitation:
 1. Eligible rehabilitation activities. The rehabilitation fund shall be used to finance the rehabilitation of privately owned properties eligible under the general policies in §570.200 and the specific provisions of either §570.202, including the acquisition of properties for rehabilitation, or §570.203.
 2. Requirements for agreement. The recipient shall execute a written agreement with one or more private financial institutions for the operation of the rehabilitation fund. The agreement shall specify the obligations and responsibilities of the parties, the terms and conditions on which CDBG funds are to be deposited and used or returned, the anticipated level of rehabilitation activities by the financial institution, the rate of interest and other benefits to be provided by the financial institution in return for the lump sum deposit, and such other terms as are necessary for compliance with the provisions of this section. Upon execution of the agreement, a copy must be provided to the HUD field office for its record and use in monitoring. Any modifications made during the term of the agreement must also be provided to HUD.
 3. Period to undertake activities. The agreement must provide that the rehabilitation fund may only be used for authorized activities during a period of no more than two years. The lump sum deposit shall be made only after the agreement is fully executed.
 4. Time limit on use of deposited funds. Use of the deposited funds for rehabilitation financing assistance must start (e.g. first loan must be made, subsidized or guaranteed) within 45 days of the deposit. In addition, substantial disbursements from the fund must occur within 180 days of the receipt of the deposit. (Where CDBG funds are used as a guarantee, the funds that must be substantially disbursed are the guaranteed funds.) For a recipient with an agreement specifying two years to undertake activities, the disbursement of 25 percent of the fund (deposit plus any interest earned) within 180 days will be regarded as meeting this requirement. If a recipient with an agreement specifying two years to undertake activities determines that it has had substantial disbursement from the fund within the 180 days although it had not met this 25 percent threshold, the justification for the recipient's determination shall be included in the program file. Should use of deposited funds not start within 45 days, or substantial disbursement from such fund not occur within 180 days, the recipient may be required by HUD to return all or part of the deposited funds to the recipient's letter of credit.

5. Program activity. Recipients shall review the level of program activity on a yearly basis. Where activity is substantially below that anticipated, program funds shall be returned to the recipient's letter of credit.
6. Termination of agreement. In the case of substantial failure by a private financial institution to comply with the terms of a lump sum drawdown agreement, the recipient shall terminate its agreement, provide written justification for the action, withdraw all unobligated deposited funds from the private financial institution, and return the funds to the recipient's letter of credit.
7. Return of unused deposits. At the end of the period specified in the agreement for undertaking activities, all unobligated deposited funds shall be returned to the recipient's letter of credit unless the recipient enters into a new agreement conforming to the requirements of this section. In addition, the recipient shall reserve the right to withdraw any unobligated deposited funds required by HUD in the exercise of corrective or remedial actions authorized under §§570.910(b), 570.911, 570.912 or 570.913.
 - a. Rehabilitation loans made with non-CDBG funds. If the deposited funds or program income derived from deposited funds are used to subsidize or guarantee repayment of rehabilitation loans made with non-CDBG funds, or to provide a supplemental loan or grant to the borrower of the non-CDBG funds, the rehabilitation activities are considered to be CDBG-assisted activities subject to the requirements applicable to such activities, except that repayment of non-CDBG funds shall not be treated as program income.
 - b. Provision of consideration. In consideration for the lump sum deposit by the recipient in a private financial institution, the deposit must result in appropriate benefits in support of the recipient's local rehabilitation program. Minimum requirements for such benefits are:
 - I. Grantees shall require the financial institution to pay interest on the lump sum deposit.
 - A. The interest rate paid by the financial institution shall be no more than three points below the rate on one year Treasury obligations at constant maturity.
 - B. When an agreement sets a fixed interest rate for the entire term of the agreement, the rate should be based on the rate at the time the agreement is executed.
 - C. The agreement may provide for an interest rate that would fluctuate periodically during the term of the agreement, but at no time shall the rate be established at more than three points below the rate on one year Treasury obligations at constant maturity.
 - II. In addition to the payment of interest, at least one of the following benefits must be provided by the financial institution:
 - A. Leverage of the deposited funds so that the financial institution commits private funds for loans in the rehabilitation program in an amount substantially in excess of the amount of the lump sum deposit:
 - B. Commitment of private funds by the financial institution for rehabilitation loans at below market interest rates, at higher than normal risk, or with longer than normal repayment periods, or
 - C. Provision of administrative services in support of the rehabilitation program by the participating financial institution at no cost or at lower than actual cost.
 - D. Program income. Interest earned on lump sum deposits and payments on loans made from such deposits are program income and during the period of the agreement, shall be used for rehabilitation activities under the provisions of this section.
 - E. Outstanding findings. Notwithstanding any other provision of this section, no recipient shall enter into a new agreement during any period of time in which an audit or monitoring finding on a previous lump sum drawdown agreement remains unresolved.

- F. Prior notification. The recipient shall provide the HUD field office with written notification of the amount of funds to be distributed to a private financial institution before distribution under the provisions of this section.
- G. Recordkeeping requirements. The recipient shall maintain in its files a copy of the written agreement and related documents establishing conformance with this section and concerning performance by a financial institution in accordance with the agreement.

ATTACHMENT B

FEDERAL RESERVE statistical release

These data are released each Monday. The availability of the release is announced on (202) 452-3206

H.1 5 (519) For Immediate Release

SELECTED INTEREST RATES November 9, 1992

Yields In percent per annum

	1992	1992	1992	1992	1992	1992	1992	1992	1992	1992
Instruments	Nov	Nov	Nov	Nov	Nov	Nov	Nov	Oct	Oct	
	2	3	4	5	6	6	30			
Federal Funds (effective)	1	2	3							
Commercial paper	3	4	5	3.21	3.09	2.98	2.92	2.86	3.07	2.96 3.10
1 -month	3.26	3.26	3.25	3.25	3.24	3.25	3.26	3.22		
3-month	3.47	3.49	3.47	3.47	3.49	3.48	3.47	3.33		
6-month	3.47	3.50	3.48	3.48	3.50	3.49	3.48	3.33		
Finance Paper placed directly	3	4	6							
1-month	3.20	3.21	3.21	3.19	3.19	3.20	3.21	3.14		
3-month	3.41	3.45	3.44	3.44	3.44	3.44	3.38	3.24		
6-month	3.40	3.43	3.44	3.44	3.44	3.43	3.35	3.23		
Bankers acceptances (top rated)	3	4	7							
3-month	3.35	3.36	3.34	3.33	3.35	3.35	3.32	3.19		
6-month	3.35	3.36	3.34	3.33	3.35	3.35	3.32	3.19		
CDs (secondary market)	3	1								
1-month	3.16	3.17	3.14	3.13	3.13	3.15	3.16	3.11		
3-month	3.41	3.45	3.41	3.42	3.41	3.42	3.39	3.26		
6-month	3.43	3.47	3.43	3.44	3.43	3.44	3.41	3.27		
Eurodollar deposits (London)	3	9								
1-month	3.13	3.13	3.06	3.06	3.06	3.09	3.15	3.10		
3-month	3.50	3.50	3.44	3.44	3.44	3.46	3.46	3.30		
6-month	3.50	3.56	3.50	3.50	3.50	3.51	3.49	3.32		
Bank prime loan	2	3	10	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Discount window borrowing	2	11	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
U.S. government securities										
Treasury bills										
Auction average	3	4	12							
3-month	3.05	3.05	2.97	2.84						

6-month 3.27 3.27 3.22 2.98
 1-year 3.12
 Auction average (investment)¹²
 3-month 3.12 3.12 3.04 2.90
 6-month 3.37 3.37 3.32 3.07
 Secondary market 3 4
 3-month 3.01 3.03 3.02 3.01 3.06 3.03 2.94 2.86
 6-month 3.25 3.23 3.22 3.20 3.27 3.23 3.19 3.04
 1-year 3.46 3.41 3.40 3.38 3.44 3.42 3.36 3.17
 Treasury constant maturities 13
 1 -year 3.62 3.57 3.56 3.54 3.60 3.58 3.50 3.30
 2-year 4.47 4.44 4.44 4.39 4.48 4.44 4.35 4.08
 3-year 5.07 5.03 5.01 4.96 5.07 5.03 4.93 4.64
 5-year 5.96 5.94 5.94 5.93 6.02 5.96 5.85 5.60
 7-year 6.46 6.45 6.46 6.44 6.54 6.47 6.34 6.15
 10-year 6.88 6.87 6.89 6.87 6.97 6.90 6.78 6.59
 30-year 7.66 7.65 7.69 7.69 7.76 7.69 7.63 7.53
 Composite
 Over 10 years (long-term)¹⁴ 7.45 7.44 7.47 7.46 7.53 7.47 7.39 7.26
 Corporate bonds
 Moody's seasoned
 AAA 8.10 8.10 8.10 8.10 8.14 8.11 8.07 7.99
 BAA 9.02 9.01 9.00 9.02 9.07 9.02 8.96 8.84
 A-utility 15 8.65 8.65 8.52 8.40
 State & local bonds 6.51 6.51 6.62 6.41
 Conditional mortgages 11 8.29 8.29 8.21 8.09

FOOTNOTES

1. The daily effective federal funds rate is a weighted average of rates on trades through N.Y. brokers.
2. Weekly figures are averages of 7 calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year or bank interest.
4. Quoted on a discount basis.
5. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
6. An average of offering rates on paper directly placed by finance companies.
7. Representative dosing yields for acceptances of the highest rated money center banks.
8. An average of dealer offering rates on nationally traded certificates of deposit.
9. Bid rates for Eurodollar deposits at 11 a.m. London time.
10. One of several base rates used by banks to price short-term business loans.
11. Rate for the Federal Reserve Bank of New York.
12. Auction date for daily data: weekly and monthly averages computed on an issue date basis.
13. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Treasury.

14. Unweighted average of rates on all outstanding bonds neither due nor callable in less than 10 years.
15. Estimate of the yield on a recently offered, A-rated utility bond with a maturity of 30 years and call protection of 5 years; Friday quotations.
16. Bond Buyer Index, general obligation, 20 years to maturity, mixed quality; Thursday quotations.
17. Contract interest rates on commitments for fixed-rate first mortgages. Source: FHLMC.

Note: Weekly and monthly figures are averages of business days unless otherwise noted.

DESCRIPTION OF THE TREASURY CONSTANT MATURITY SERIES

Yields on Treasury securities at 'constant maturity' are interpolated by the U.S. Treasury from the daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of Quotations reported by five leading U.S. Government securities dealers to the Federal Bank of New York. The constant maturity yield values are read from the yield curve at fixed maturities, currently 1, 2, 3, 4, 5, 7, 10, and 30 years. This method provides a yield for a 10-year maturity, for example, even if no outstanding security has exactly 10 years remaining to maturity.

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