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**FRB Discount Window Getting Started**

Federal Reserve System: Bank Discount Window and Payment Risk

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Getting Started

This page is for first time visitors and for those unfamiliar with the Discount Window. The following information should help visitors understand the basic principles and regulations that govern the Discount Window, the application process for access to Federal Reserve credit, and the different types of credit arrangements offered by the Discount Window.

Information on Federal Reserve Credit & the Discount Window

What is the Discount Window?

The Discount Window is an instrument of monetary policy that allows eligible institutions to borrow money, usually on a short-term basis, to meet temporary shortages of liquidity caused by internal or external disruptions.

What legislation & regulations provide institutions access to the Discount Window?

Access to the Discount Window was established through legislation passed by congress in 1913 and incorporated in the Federal Reserve Act, Regulation A: Loans to Depository Institutions, governing borrowing by depository institutions at the Discount Window and provides guidelines for lending under several programs.

Applying for Discount Window Access

What documentation & legal agreements are necessary to set up a relationship with the Discount Window?

Operating Circular No. 10 [PDF; 249K] is the lending agreement and promissory Note for Federal Reserve advances. It sets forth the terms under which Reserve Banks will extend credit to a depository institution and the specific procedures to be followed with such an extension. The circular specifies the legal documents that must be filed before a depository institution can borrow from the Discount Window.

Required legal documents include:

- Letter of Agreement
- Authorizing Resolutions for Borrowers
- Certificate
- Official Authorization List

Other agreements are included in Operating Circular No. 10 for special circumstances, such as correspondent relationships and custodial collateral arrangements.

Where do I submit the completed documents?

Completed documents should be sent the Discount Window staff at your Reserve Bank.
Credit Programs Offered Through the Discount Window

What type of credit arrangements are available through the Discount Window?

- **Primary credit**

  Primary credit is available to generally sound depository institutions on a very short-term basis, typically overnight, at a rate above the Federal Open Market Committee's target rate for federal funds. Because primary credit is the Federal Reserve's main discount window program, the Federal Reserve at times uses the term "discount rate" to refer to the primary credit rate.

- **Secondary credit** is available to depository institutions that are not eligible for primary credit. It is extended on a very short-term basis, typically overnight, at a rate that is above the primary credit rate. Secondary credit is available to meet backup liquidity needs when its use is consistent with a timely return to a reliance on market sources of funding or the orderly resolution of a troubled institution.

- **Seasonal credit** is designed to assist small depository institutions in managing significant seasonal swings in their loans and deposits. Seasonal credit is available to depository institutions that can demonstrate a clear pattern of recurring intra-yearly swings in funding needs.

- **Emergency credit** is available in unusual and exigent circumstances. The Board of Governors may authorize a Reserve Bank to provide emergency credit to individuals, partnerships, and corporations that are not depository institutions.

Collateral

Are there collateral requirements relating to Discount Window Loans?

All loans must be secured by collateral acceptable to the Reserve Bank. For more information, see our introduction to pledging collateral.

Borrowing

Who do I call to borrow?

Contact your Reserve Bank.

For more information, see our introduction to Borrowing.