

Circular of the Reconstruction Finance Corporation.

Reconstruction Finance Corporation.

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CIRCULAR No. 1

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION FOR BANKS AND OTHER FINANCIAL
INSTITUTIONS DESIRING TO APPLY FOR LOANS
UNDER THE RECONSTRUCTION FINANCE
CORPORATION ACT



FEBRUARY 1932

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1932

INFORMATION FOR BANKS AND OTHER FINANCIAL INSTITUTIONS DESIRING TO APPLY FOR LOANS UNDER THE RECONSTRUCTION FINANCE CORPORATION ACT

1. TO WHOM LOANS MAY BE MADE.

The Reconstruction Finance Corporation is authorized to make loans to aid in financing agriculture, commerce, or industry, including facilitating the exportation of agricultural and other products, to the following:

Banks.	Federal land banks.
Savings banks.	Joint-stock land banks.
Trust companies.	Federal intermediate credit banks.
Building and loan associations.	Credit unions.
Insurance companies.	Agricultural credit corporations.
Mortgage loan companies.	Livestock credit corporations.

2. MATURITIES AND INTEREST RATES.

Loans may be made for such periods as the corporation may approve, having regard to the circumstances of each case, not exceeding three years. The rates of interest or discount will be determined by the corporation from time to time.

3. SECURITY.

The Act provides that all such loans made by the corporation must be fully and adequately secured. It also provides that no loan or advance may be made upon foreign securities or foreign acceptances as collateral.

4. FORM OF OBLIGATION.

Loans may be made directly upon promissory notes of the borrower or by way of discount or rediscount of obligations tendered for the purpose, in such manner as to impose upon the borrower an unconditional obligation to repay such loans in accordance with their terms.

5. LIMITATIONS AND CONDITIONS.

The Reconstruction Finance Corporation Act prescribes certain limitations and conditions upon loans, and accordingly the corporation will require proper showing that all loans are within such limitations.

(a) No loans or advances may be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities or foreign acceptances.

(b) No loan may be made for the purpose of initiating, setting on foot, or financing any enterprise not initiated, set

on foot, or undertaken prior to January 22, 1932, except that this limitation does not apply to loans made to agricultural or livestock credit corporations or Federal land banks, joint-stock land banks, or Federal intermediate credit banks, nor to loans made to banks for the purpose of financing agricultural operations.

(c) All borrowers must consent to such examinations as the corporation may require and that reports of examinations by constituted authorities may be furnished by such authorities to the corporation upon request therefor.

6. APPLICATIONS.

A form of application has been prepared and may be obtained from the corporation at Washington, D. C., or from any Federal Reserve Bank or branch thereof. Applications for loans should be made on the prescribed form.

Credit information.

Sufficient information should be submitted to enable the corporation to determine promptly the financial condition of the applicant, and the reasonable value of the security offered. Such information should include financial statements of the makers of collateral notes or true copies thereof, and appropriate data on mortgages and unlisted securities, including copies of recent appraisals covering real estate securing mortgage loans. Collateral listed in the application must be considered and valued by the officers authorized to execute the application.

False statements and overvaluations of such security are subject to the penal provisions of the Act.

Examination reports.

Applicants which are not subject to supervision and examination by Federal authority are required to submit copies of the latest report of examination by State authorities if subject to State supervision, and, if not, are required to submit the latest available audit.

7. PROCEDURE.

Resolution authorizing the application and loan must be adopted by the board of directors of the applicant, and the application, exhibits, and collateral submitted to counsel for the applicant and his opinion obtained in the form prepared by the corporation.

Three copies of the application and exhibits should be filed with the nearest loan agency of the corporation, and such agency may

require such additional information as it deems advisable prior to transmitting the application to the corporation with its recommendation.

The applicant will be duly notified of the action taken by the Reconstruction Finance Corporation. If the application is approved, the corporation will make the proceeds of the loan available through the Federal Reserve Bank or branch of the district in which the applicant is located, upon the deposit of the applicant's obligation and the collateral therefor in accordance with the requirements of the corporation. Collateral should be properly indorsed or assigned, and mortgages should be accompanied by title papers and executed assignments to the corporation in form for recordation.

8. OTHER APPLICANTS.

Information as to applications by railroads and the receivers thereof is the subject of Circular No. 2 issued by the corporation.

Reconstruction Finance Corporation Act

The following sections of the Reconstruction Finance Corporation Act applicable to loans are quoted for the information of applicants:

SEC. 5. To aid in financing agriculture, commerce, and industry, including facilitating the exportation of agricultural and other products, the corporation is authorized and empowered to make loans, upon such terms and conditions not inconsistent with this act as it may determine, to any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State or of the United States, including loans secured by the assets of any bank that is closed, or in process of liquidation, to aid in the reorganization or liquidation of such banks, upon application of the receiver or liquidating agent of such bank, and any receiver of any national bank is hereby authorized to contract for such loans and to pledge any assets of the bank for securing the same: *Provided*, That not more than \$200,000,000 shall be used for the relief of banks that are closed, or in the process of liquidation.

All loans made under the foregoing provisions shall be fully and adequately secured. The corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. Such loans may be made directly upon promissory notes or by way of discount or rediscount of obligations tendered for the purpose, or otherwise in such form and in such amount and at such interest or discount rates as the corporation may approve: *Provided*, That no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances. In no case shall the aggregate amount of advances made under this section to any one corporation and its subsidiary or affiliated organizations exceed at any one time 5 per centum of (1) the authorized capital stock of the Reconstruction Finance Corporation plus (2) the aggregate amount of bonds of the corporation authorized to be outstanding when the capital stock is fully subscribed.

Each such loan may be made for a period not exceeding three years, and the corporation may from time to time extend the time of payment of any such loan, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond five years from the date upon which such loan was made originally. Except as provided in section 5a hereof, no loan or advancement shall be made by the corporation for

the purpose of initiating, setting on foot, or financing any enterprise not initiated, set on foot, or undertaken prior to the adoption of this act: *Provided*, That the foregoing limitation shall not apply to loans made to agricultural or livestock credit corporations, or Federal land banks, joint-stock land banks, or Federal intermediate credit banks, nor to loans made to banks for the purpose of financing agricultural operations. The corporation may make loans under this section at any time prior to the expiration of one year from the date of the enactment hereof; and the President may from time to time postpone such date of expiration for such additional period or periods as he may deem necessary, not to exceed two years from the date of the enactment hereof.

Within the foregoing limitations of this section, the corporation may also, upon the approval of the Interstate Commerce Commission, make loans to aid in the temporary financing of railroads and railways engaged in interstate commerce, to railroads and railways in process of construction, and to receivers of such railroads and railways, when in the opinion of the board of directors of the corporation such railroads or railways are unable to obtain funds upon reasonable terms through banking channels or from the general public and the corporation will be adequately secured: *Provided*, That no fee or commission shall be paid by any applicant for a loan under the provisions hereof in connection with any such application or any loan made or to be made hereunder, and the agreement to pay or payment of any such fee or commission shall be unlawful. Any such railroad may obligate itself in such form as shall be prescribed and otherwise comply with the requirements of the Interstate Commerce Commission and the corporation with respect to the deposit or assignment of security hereunder, without the authorization or approval of any authority, State or Federal, and without compliance with any requirement, State or Federal, as to notification, other than such as may be imposed by the Interstate Commerce Commission and the corporation under the provisions of this section.

* * * * *

SEC. 6. Section 5202 of the Revised Statutes of the United States, as amended, is hereby amended by striking out the words "War Finance Corporation Act" and inserting in lieu thereof the words "Reconstruction Finance Corporation Act."

* * * * *

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon issued by the corporation, or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged, or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) in so far as applicable, are extended to apply to contracts or agreements with the corporation under this act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.



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CIRCULAR No. 2
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION FOR RAILROADS AND RECEIVERS
THEREOF DESIRING TO APPLY FOR LOANS
UNDER THE RECONSTRUCTION
FINANCE CORPORATION ACT



FEBRUARY, 1932

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1932

RECONSTRUCTION FINANCE CORPORATION

INFORMATION FOR RAILROADS AND RECEIVERS THEREOF DESIRING TO APPLY FOR LOANS UNDER THE RECONSTRUCTION FINANCE CORPORATION ACT

Loans may be made by the Reconstruction Finance Corporation (a) to aid in the temporary financing of railroads and railways engaged in interstate commerce; (b) to railroads and railways in process of construction; and (c) to receivers of such railroads and railways; subject to the following limitations:

1. The board of directors of the Reconstruction Finance Corporation must be of the opinion that such railroads or railways are unable to obtain funds upon reasonable terms through banking channels, or from the general public, and that the Corporation will be adequately secured.

2. Loans must have the approval of the Interstate Commerce Commission, and the form of obligation and terms and security therefor must comply with the requirements of the Interstate Commerce Commission and of the Corporation.

3. The maturity of the loans may not exceed three years.

4. Loans may not be made for the purpose of initiating, setting on foot, or financing any enterprise not initiated, set on foot, or undertaken prior to January 22, 1932.

5. Loans to any one corporation and its subsidiary or affiliated organizations may not exceed at any one time \$100,000,000.

6. No fee or commission shall be paid by any applicant for a loan under the provisions of the Act in connection with any application or any loan made or to be made under the Act, and the agreement to pay or payment of any such fee or commission is unlawful.

7. The applicant must consent to such examinations as the Corporation may require and that reports of examinations by the Interstate Commerce Commission, or other constituted authorities, may be furnished to the Corporation upon request therefor.

8. Statements and valuations of securities offered by or in behalf of an applicant are subject to all of the governing provisions of the Act, and all such provisions should be read and studied by the individual or individuals making such statements or valuations.

Form of Application

No special form of application is required. Nine copies of each application should be filed, three copies, including one signed original, to be delivered to the Reconstruction Finance Corporation at its office at 1825 H Street NW., Washington, D. C., and the remaining six copies to be delivered to the Interstate Commerce Commission, Washington, D. C. Representations and material in support of applications should be arranged in the following order, as uniformity in presentation will expedite consideration:

1. Designation of applicant:

(a) If a receiver, or receivers, full title, with date of appointment, qualification, and court having jurisdiction.

(b) Full corporate name of railroad, with states of incorporation and dates of incorporation.

(c) Whether applicant is engaged in interstate commerce, with essential facts.

(d) Whether applicant is a railroad in process of construction.

2. The name, title, and address of the person with whom conferences or correspondence should be had with respect to the application.

3. State whether applicant can secure the necessary funds in whole or in part from any other source and, if so, upon what terms. If not, the efforts which have been made and the reasons for this situation should be stated, giving full details of all negotiations undertaken.

4. Consent of applicant to such examinations as the Corporation may require for the purposes of the Act and/or that reports of examinations by constituted authorities may be furnished by such authorities to the Corporation upon request therefor.

5. Statement that no agreement has been or will be made by the applicant to pay any person, association, firm, or corporation, either directly or indirectly, any commission or fee for the loan applied for and that no such payments have been or will be made by the applicant.

6. The purpose of the loan and uses to which it will be applied, and the date or dates on which the funds must be available to

the applicant. (Note limitations of the Act with respect to new enterprises.)

7. The present status of the applicant's existing financial relations with the United States as to—

(a) Loans made to the applicant and the security therefor: (1) Under Federal control; (2) under section 210, Transportation Act, 1920; and (3) under section 5 of the Reconstruction Finance Corporation Act of January 22, 1932.

(b) Claims under section 209, Transportation Act, 1920, and the security pledged therefor.

(c) Claims on account of deficits under section 204, Transportation Act, 1920.

(d) Payments made by the applicant on account of excess net railway operating income under paragraph 6 of section 15a of the Interstate Commerce Act, and securities pledged for indebtedness under that section. Give present status of proceedings before Interstate Commerce Commission.

(e) Any other debits or credits existing between the applicant and the United States other than mail pay, transportation of troops, or income tax matters.

8. State whether applicant desires the entire amount of the loan for the full term applied for. If so, full particulars should be given.

9. The latest valuation placed by the Interstate Commerce Commission upon applicant's property, separately stated for owned carrier and noncarrier property, and date as of which valuation was determined, together with the aggregate net property changes to the latest date to which such changes have been reported to the Bureau of Valuation.

10. State whether any subsidiary or affiliated organization of the applicant, or any organization of which the applicant is a subsidiary, has applied for or received loans from the Reconstruction Finance Corporation. If so, full particulars should be given.

11. State whether the applicant has become a party to the marshaling and distributing plan, 1931, of the Railroad Credit Corporation. If not, the reasons therefor should be given.

12. Comparative statement, by months, to date, of the amounts paid to the Railroad Credit Corporation derived from the increases in freight rates permitted by the Interstate Commerce Commission in Ex parte No. 103.

13. Comparative monthly estimate of the maximum and minimum revenues received and expected to be received from the increases in freight rates permitted by Ex parte No. 103.

14. State whether the applicant has applied for or received loans from the Railroad Credit Corporation, or whether the applicant intends to apply for such loans. If so, full particulars should be given.

15. Statement of principal commodities carried, and statement of ten most important industries served.

16. Statement in detail as to the particular facts upon which applicant relies as to its present and prospective ability to repay the loan and to discharge its obligations in regard thereto.

17. Detailed description of the security to be offered for the loan. The applicant must furnish full information, together with copies of documents, and data appropriate to the security offered. The applicant should state its opinion of the value of any collateral offered and the basis for that opinion.

18. Schedules A to R, below:

SCHEDULE A

Miles of line owned; miles operated, subdivided as to first track, other main tracks, yard track and sidings, and total all tracks operated; also, the principal termini of the road operated. State number of units of locomotives, freight cars, and passenger cars, owned and leased.

SCHEDULE B

(a) Comparative income account for the years ended December 31, 1921 to 1931, inclusive, and for each subsequent month of 1932, so far as available, in the form prescribed in Schedule 300-I of annual report form for steam roads, together with an estimate of such income, showing the basis therefor, for the remaining months of the current year. State whether the amounts reported include revenues from increases in freight rates permitted by the Interstate Commerce Commission in Ex Parte No. 103.

(b) The total dividends declared and the total dividends paid for each of the years indicated under (a) preceding.

(c) Comparative statement of expenditures for maintenance of (1) way and structures and (2) equipment for the years ended December 31, 1921 to 1931, inclusive, together with estimates for the year ended December 31, 1932, and the basis of such estimates.

(d) For the years indicated in (a) above, details of dividend income (account 513), income from funded securities (account 514), income from unfunded securities and accounts (account 515), and miscellaneous income (account 519).

NOTE.—The data required by paragraphs (a), (c), and (d) above must give effect to any restatement of the accounts which has been made by the Interstate Commerce Commission.

SCHEDULE C

(a) State whether any corporation or corporations, transportation or other, hold control over the applicant. If control is so held, (1) the form of control, whether sole or joint; (2) the name of the controlling corporation or corporations; (3) the manner in which control was established; (4) the extent of control; (5) whether control is direct or indirect; and (6) the name of the intermediary through which control, if indirect, was established.

(b) State whether any individual, association, or corporation holds control, as trustee or otherwise, over the applicant. If control is so held, (1) the name of the individual or trustee; (2) the name of the beneficiary or beneficiaries for whom the trust is maintained; and (3) the purpose of the trust.

SCHEDULE D

Statement of comparative general balance sheets as of December 31, 1921 to 1931, inclusive, and as of the close of the latest month for which figures are available. Use the Interstate Commerce Commission's annual report form, Schedules 200-A and 200-L.

SCHEDULE E

Details of capital stock. Large roads should use the Interstate Commerce Commission's annual report form, Schedule 251. Small roads should use Schedule 690.

SCHEDULE F

Details of long-term debt: Large roads should use the Interstate Commerce Commission's annual report forms, Schedules 261-M, 261-E, 261-P, 262, 263, and 275. Small roads should use Schedules 670 and 902. A list of the mortgages, pledges, or other liens should be given, together with a brief statement concerning each, indicating

the property or securities encumbered; the mortgage limit per mile, if any; and particulars as to priority and as to whether "open," "closed," or "open-end." If practicable, one copy each of all mortgages, deeds of trust, or other similar instruments pertinent to the loan requested should be furnished; it will be necessary to furnish only one copy to the Interstate Commerce Commission and one copy to the Corporation.

SCHEDULE G

Details of loans and bills payable: Large roads should use the Interstate Commerce Commission's annual report form, Schedule 271. Small roads should use Schedule 901. Class II and III roads should report in detail items in excess of \$10,000 and \$5,000, respectively. Information on bank loans must include name of lending banks, amounts, maturities, interest rate of obligation, and security therefor.

SCHEDULE H

Details of loans and bills receivable. The Interstate Commerce Commission's annual report form, Schedule 223, should be used. Class II and III roads should report in detail items in excess of \$10,000 and \$5,000 respectively.

SCHEDULE I

State whether or not the applicant is under obligation as guarantor or surety for the performance by any other corporation, association, firm, or individual of any agreement or obligation. If so, particulars should be given.

SCHEDULE J

Details of other unadjusted debits. The Interstate Commerce Commission's annual report form for large roads, Schedule 228, should be used.

SCHEDULE K

Details of other unadjusted credits. The Interstate Commerce Commission's annual report form for large roads, Schedule 286, should be used.

SCHEDULE L

The par value of securities of other companies, owned, pledged, and unpledged, listing each class of securities separately, showing purposes for which such securities are pledged.

SCHEDULE M

Comparative statement for the four years ended December 31, 1931, of the amount charged to operating expenses under depreciation accounts, separately for way and structures and equipment, and the estimated amount of such charges for the year 1932, and subsequently by years during the period for which the loan is desired. State whether applicant has received or applied for authority to charge amortization depreciation and, if so, the basis and reasons for such accounting.

SCHEDULE N

An estimate of (a) nonoperating income, and (b) deductions from gross income, as defined and classified under Schedule 300-I of the Interstate Commerce Commission's annual report form for large roads, for the term of the loan applied for, stating under each account the basis of the estimate.

SCHEDULE O

Statement in detail of applicant's probable fixed charges and appropriations of income and surplus for the year ended December 31, 1932, and subsequently by years during the period for which the loan is desired.

SCHEDULE P

If a loan is requested for any construction purpose other than ordinary additions and betterments, copy of complete engineering estimates of costs and time required for completion, contracts, maps, etc., should be furnished.

SCHEDULE Q

If an advance is requested for financing an ordinary program of additions and betterments, file list giving description and estimated cost for all items involving gross expenditures in excess of \$10,000, supporting detail regarding any very large special items, the sum total involved, discussion of benefits of program as a whole, and extent to which program is under way.

SCHEDULE R

Applicant should furnish a carefully prepared monthly forecast for 1932 showing the cash balance at the beginning of each month

and the cash receipts and disbursements, stating controlling factors used in making estimates.

NOTE.—In connection with all comparative statements supporting the application, substantial fluctuations should be explained. Omit cents from all financial and statistical statements. One complete set only of applicant's annual reports to stockholders since December 31, 1920, should be furnished to the Interstate Commerce Commission and one set to the Reconstruction Finance Corporation with application.

Legal Requirements

19. Applicants other than receivers are required to furnish with the application the following papers:

(a) Documents evidencing the legal power and authority of the applicant to enter into the obligations and give the security contemplated by the application and showing what corporate action by stockholders, directors, or otherwise will be required to validly exercise such powers. This data will generally include special statutes, charters, by-laws, or certified extracts of the same, showing the corporate powers, etc., of the applicant.

(b) Preliminary opinion of counsel that he is familiar with the corporate powers of the applicant, that the applicant is authorized to apply for the loan, and that when proper corporate action has been taken and the obligations executed, and security delivered as contemplated by the application, such obligations will constitute the valid and subsisting obligations of the applicant duly secured by a first and paramount lien on the same, or by a lien of the rank and priority stated in the application. Such opinion should also cover the validity and lien of each item of the collateral offered.

(c) Certified copy of resolutions of applicant's board of directors or executive committee will be required showing the authority of the officers to execute and deliver the application.

20. When and if the application is approved, the following papers will be required for deposit with the security:

(a) Resolutions of the board of directors or executive committee of the applicant, and where necessary, of meetings of the stockholders, authorizing the execution and delivery of the obligations of the applicant evidencing the loan and pledge of the security described therein, pursuant to and under the terms of the application, and authorizing the designated officers to receive and receipt for the proceeds of the loan.

(b) Certificate of election and present incumbency in office of officers designated in the foregoing resolutions, such certificate to contain specimen signatures of such officers and to be duly acknowledged before a notary public.

(c) Final opinion by counsel for the applicant to the effect that he is familiar with the corporate powers of the applicant; that the applicant is authorized to execute and deliver the notes or other obligations evidencing the same, and to pledge and hypothecate the securities described in the application; that the notes or other obligations so executed and so delivered constitute the valid and binding obligations of the applicant, secured by the collateral described in the application and indicating that the Corporation will obtain a lien on such security of the rank and priority stated in the application. Such opinion should also cover the priority and lien of each item of the collateral offered.

21. In the case of applications by receivers, the application should be accompanied by the following:

(a) Certified copy of the order of court authorizing the receiver to make the application.

(b) Opinion of counsel for the receiver that such receiver is properly qualified and acting, and that he is authorized to make the application; that the court appointing such receiver has jurisdiction and may legally authorize execution of the obligations and pledge of the security as contemplated by the application; that if and when proper decree or order of the court is entered, the receiver or receivers will be authorized to execute such obligations or give the security contemplated in the application. Such opinion should also cover the priority and lien of each item of the collateral offered.

(c) If and when the application of the receiver is approved by the Corporation, the receiver will be required to deposit with the Corporation certified copies of the court orders and decrees authorizing him to execute and deliver the obligations, and to give the security under and according to the terms of the application, together with final opinion of counsel as to the validity of the obligation and the lien of the corporation upon the security so pledged. Such opinion should also cover the priority and lien of each item of the collateral offered.

22. Under special circumstances, additional legal documents and information may be required.

ACKNOWLEDGMENT AND VERIFICATION

23. The application should be executed in the name of the applicant by the authorized officers and its corporate seal affixed and attested. It should be acknowledged in the usual form and verified as follows with appropriate changes and omissions in the case of receivers:

STATE OF _____

COUNTY OF _____, ss:

_____ makes oath and says
that he is the _____ of the _____
(Title)

_____ that he has carefully examined each and all of the statements contained in the foregoing application; that they are true and correct to the best of his knowledge and belief; that the foregoing application is made with the approval and at the direction of the board of directors or executive committee of said applicant, as appears by resolution adopted at a meeting of said board, a certified copy of which is attached to the said application, said meeting having been held at _____

_____ on the _____ day of _____, 1932, and that he is the person who has been authorized by said board to execute the foregoing papers and any others which may be required in connection with the loan.

(Signature of affiant)

Subscribed and sworn to before me, a _____
_____ in and for the State and County above-named, this _____
day of _____, 1932.

[SEAL.] _____

My commission expires _____

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CIRCULAR No. 4

(REVISED)

RECONSTRUCTION FINANCE CORPORATION

ITS POWERS AND FUNCTIONS



AUGUST 1933

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

RECONSTRUCTION FINANCE CORPORATION

1825 H STREET NORTHWEST

WASHINGTON, D. C.

DIRECTORS AND OFFICERS

JESSE H. JONES, *Chairman, Board of Directors.*

W. H. WOODIN (Secretary of the Treasury), *Director Ex Officio.*

JOHN J. BLAINE, *Director.*

HARVEY C. COUCH, *Director.*

WILSON MCCARTHY, *Director.*

CARROLL B. MERRIAM, *Director.*

FREDERIC H. TABER, *Director.*

GEORGE R. COOKSEY, *Secretary.*

STANLEY REED, *General Counsel.*

HENRY A. MULLIGAN, *Treasurer.*

RECONSTRUCTION FINANCE CORPORATION

The Reconstruction Finance Corporation was created by "An Act to provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes", approved January 22, 1932, which may be cited as the "Reconstruction Finance Corporation Act." The powers of the Corporation were increased and the scope of its operations extended by subsequent legislation. This circular outlines the organization, functions, and authority of the Corporation under existing law.

I. MANAGEMENT AND ORGANIZATION

The Reconstruction Finance Corporation was organized on February 2, 1932, pursuant to the provisions of the Reconstruction Finance Corporation Act which provides that it shall have succession for a period of 10 years from January 22, 1932, unless sooner dissolved by an act of Congress. Under the Act, as amended, its management is vested in a board of directors consisting of the Secretary of the Treasury (or, in his absence, the Under Secretary of the Treasury), who is a member ex officio, and six other directors appointed by the President of the United States by and with the advice and consent of the Senate.

The Corporation functions through a principal office at Washington and loan agencies established in cities throughout the United States, as follows:

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N.C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	St. Louis, Mo.
Cleveland, Ohio.	Louisville, Ky.	Salt Lake City, Utah.
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Seattle, Wash.
El Paso, Tex.	New York, N.Y.	Spokane, Wash.
Helena, Mont.	Oklahoma City, Okla.	

In addition to the foregoing, the Corporation has a special representative at San Juan, Puerto Rico.

The Federal Reserve banks are authorized to act as depositories, custodians, and fiscal agents for the Corporation. The proceeds of loans generally are disbursed by the Corporation through the Federal Reserve banks and their branches which also, acting as custodians, hold the primary obligations of borrowers evidencing indebtedness to the Corporation, as well as the collateral pledged with the Corporation as security therefor. Since there is no Federal Reserve bank or branch bank in Puerto Rico, the Insular Treasurer at San Juan acts as custodian for the Corporation.

The funds of the Corporation are kept on deposit with the Treasurer of the United States.

II. LOANS TO FINANCIAL INSTITUTIONS AND RAILROADS UNDER SECTION 5 OF THE RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED

The Corporation, under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended, is authorized to make loans at any time prior to January 22, 1934, on full and adequate security and upon the terms and conditions stated in the law, to:

Any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the United States, including loans secured by the assets of any bank, savings bank, or building and loan association that is closed, or in process of liquidation, to aid in their reorganization or liquidation, upon application of the receiver or liquidating agent of such institution.

Under the same section of the law, the Corporation is authorized, upon the approval of the Interstate Commerce Commission, to make loans to:

- (a) Railroads and railways engaged in interstate commerce, to aid in the temporary financing thereof, to railroads and railways in process of construction, and to receivers of such railroads and railways, when, in the opinion of the board of directors of the Corporation, such railroads or railways are unable to obtain funds upon reasonable terms through banking channels or from the general public and the Corporation will be adequately secured.
- (b) Trustees of railroads which proceed to reorganize under section 77 of the Bankruptcy Act of March 3, 1933.

Loans under section 5 of the Reconstruction Finance Corporation Act, as amended, may be made for a period not exceeding 3 years, and the Corporation may renew or extend the time of payment up to a maximum of 5 years from the dates upon which such loans were made originally.

Section 4 of an Act of Congress, approved June 10, 1933, provides that the Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932:

- (1) If at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Corporation, and

- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Corporation while such loan is outstanding and unpaid.

For the purposes of this section, the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

Section 5 of the Reconstruction Finance Corporation Act, as amended, provides that in no case shall the aggregate amount of advances made thereunder to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2½ per centum of

- (1) The authorized capital stock of the Reconstruction Finance Corporation, plus
- (2) The aggregate amount of bonds authorized to be outstanding when the capital stock is fully subscribed.¹

Section 5 also provides that no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances.

III. SUBSCRIPTIONS FOR PREFERRED STOCK OF NATIONAL OR STATE BANKS OR TRUST COMPANIES, LOANS SECURED BY SUCH STOCK AS COLLATERAL, OR PURCHASES OF CAPITAL NOTES OR DEBENTURES OF STATE BANKS OR TRUST COMPANIES

Under section 304 of the Act of Congress approved March 9, 1933, as amended, the Reconstruction Finance Corporation is authorized to subscribe for preferred stock, exempt from double liability, in any National or State bank or trust company,² upon the request of the Secretary of the Treasury with the approval of the President. The Corporation also is authorized to make loans secured by the preferred stock of National or State banks or trust companies as collateral, upon the request of the Secretary of the Treasury with the approval of the President. In any case in which a State bank or trust company is not permitted, under the laws of the State in which it is located, to issue preferred stock exempt from double liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, the Corporation is authorized, for the purposes of this section, to purchase the legally issued capital notes or debentures of such State bank or trust company.

The Corporation is further authorized, with the approval of the Secretary of the Treasury, and under such rules and regulations as he may prescribe, to

¹ See X.—FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION under heading 2—Issue of notes, debentures, bonds, or other such obligations, pp. 9-11.

² As used herein "State bank or trust company" includes other banking corporations engaged in the business of industrial banking and under the supervision of State banking departments or of the Comptroller of the Currency.

sell in the open market the whole or any part of the preferred stock, capital notes, or debentures of any National or State bank or trust company acquired by the Corporation pursuant to the foregoing authority.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 6.

IV. SUBSCRIPTIONS FOR PREFERRED STOCK AND PURCHASES OF CAPITAL NOTES OF INSURANCE COMPANIES, AND LOANS SECURED BY SUCH STOCK OR NOTES AS COLLATERAL

Pursuant to the provisions of an Act of Congress approved June 10, 1933, as amended, the Corporation is authorized, upon the request of the Secretary of the Treasury with the approval of the President, to subscribe for preferred stock of any class, exempt from assessment or additional liability, in any insurance company³ of any State of the United States which is in need of funds for capital purposes either in connection with the organization of such company or otherwise, or to make loans secured by such stock as collateral. The Corporation further is authorized, with the approval of the Secretary of the Treasury, and under such rules and regulations as he may prescribe, to sell in the open market the whole or any part of the preferred stock of any such insurance company acquired by it pursuant to the aforesaid provisions of law.

In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than 20 days, the Corporation is authorized, for the purposes indicated above, to purchase the legally issued capital notes of such insurance company or to make loans secured by such notes as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

The Corporation may not subscribe for any such preferred stock or purchase any such capital notes of any applicant insurance company:

- (1) If at the time of such subscription, purchase, or loan, any officer, director or employee of the applicant is receiving total compensation, including any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services, in a sum in excess of \$17,500 from the applicant and/or any of its affiliates; and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees.

Subscriptions for preferred stock, purchases of legally issued capital notes, or loans upon preferred stock or capital notes of insurance companies may be made by the Corporation during the continuance of the emergency recognized by the Act approved March 9, 1933, as amended, or until the Act approved June 10,

³ As used herein the term "insurance company" includes any corporation engaged in the business of insurance or in the writing of annuity contracts, irrespective of the nature thereof, and operating under the supervision of a State superintendent or department of insurance in any of the States of the United States.

1933, as amended, shall be declared no longer operative by proclamation of the President.

The total amount of loans outstanding, preferred stock subscribed for, and capital notes purchased and held by the Corporation pursuant to the aforesaid provisions of law relating to insurance companies may not exceed at any one time \$50,000,000.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 8.

V. LOANS TO REDUCE AND REFINANCE THE OUTSTANDING INDEBTEDNESS OF AGRICULTURAL IMPROVEMENT DISTRICTS FOR THE BENEFIT OF FARMERS

Section 36 of the Emergency Farm Mortgage Act of 1933, as amended, authorizes the Corporation to make loans, not to exceed an aggregate amount of \$50,000,000, to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts duly organized under the laws of any State, and to or for the benefit of political subdivisions of States, which prior to May 12, 1933 (the date on which the Emergency Farm Mortgage Act of 1933 became law), have completed projects devoted chiefly to the improvement of lands for agricultural purposes. Such loans shall be made for the purpose of enabling any such district or political subdivision to reduce or refinance its outstanding indebtedness incurred in connection with any such projects. They are subject, with certain exceptions, to the same terms and conditions as loans under section 5 of the Reconstruction Finance Corporation Act, as amended.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 7.

VI. LOANS FOR THE EXPORTATION OF AGRICULTURAL OR OTHER PRODUCTS

Under section 5a of the Reconstruction Finance Corporation Act, the Corporation is authorized, subject to specified limitations, to accept drafts and bills of exchange drawn upon it, having at the time of acceptance a maturity of not more than 12 months, which grow out of transactions involving the exportation of agricultural or other products actually sold or transported for sale subsequent to the enactment of the law, and in process of shipment to buyers in foreign countries. All such drafts and bills of exchange must be in terms payable in the United States, in currency of the United States, and, in addition to the draft or bill of exchange, must at all times be fully secured by American securities as collateral, or must be guaranteed by a bank or trust company of undoubted solvency, organized under the laws of the United States or any State, Territory, or insular possession thereof.

Under section 201 (c) of the Emergency Relief and Construction Act of 1932, the Corporation is authorized to make loans for the purpose of financing sales of surpluses of agricultural products in the markets of foreign countries

in which such sales cannot be financed in the normal course of commerce, in order that such surpluses may not have a depressing effect upon current prices of such products; but it is stipulated that no such sales shall be financed by the Corporation if, in its judgment, such sales will affect adversely the world markets for such products, and that no such loan may be made to finance the sale in the markets of foreign countries of cotton owned by the Federal Farm Board or the Cotton Stabilization Corporation. All loans made under this section must be fully and adequately secured.

VII. LOANS FOR THE CARRYING AND ORDERLY MARKETING OF AGRICULTURAL COMMODITIES AND LIVESTOCK

Under section 201 (d) of the Emergency Relief and Construction Act of 1932, the Corporation is authorized, at any time prior to January 23, 1934, to make loans to bona fide institutions, organized under the laws of any State or of the United States and having resources adequate for their undertakings, for the purpose of enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States. All such loans are required to be fully and adequately secured.

VIII. OTHER LOANS AND ADVANCES

1. Other Loans Under Section 5 of the Reconstruction Finance Corporation Act, as amended

The Corporation is authorized to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to:

- (a) Any State insurance fund established or created by the laws of any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of paying or insuring payment of compensation to injured workmen and those disabled as a result of disease contracted in the course of their employment, or to their dependents.
- (b) Any fund created by any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of insuring the repayment of deposits of public moneys of such State, or any of its political subdivisions, in banks or depositories qualified under the law of such State to receive such deposits.
- (c) Parties to any marketing agreement entered into by the Secretary of Agriculture with processors, associations of producers, and others engaged in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, for the purpose of carrying out any such agreement; as authorized by section 8 of the Agricultural Adjustment Act.
- (d) Processors or distributors of agricultural commodities for the payment of processing and compensating taxes levied pursuant to the provisions of Title I of the Agricultural Adjustment Act; as authorized by section 19(c) thereof.

2. Loans and Advances to the Secretary of Agriculture to Acquire Cotton

Under the provisions of section 5 of the Agricultural Adjustment Act, approved May 12, 1933, the Corporation is authorized and directed to advance money and to make loans to the Secretary of Agriculture to acquire (a) all cotton owned by the Federal Farm Board and all departments or other agencies of the Government, not including the Federal intermediate credit banks, and (b) all cotton on which money has been loaned or advanced by any department or agency of the United States, including futures contracts for cotton, or which is held as collateral for loans or advances; and to pay the classing, carrying, and merchandising costs thereon, in such amounts and upon such terms as may be agreed upon by the Secretary of Agriculture and the Reconstruction Finance Corporation.

3. Loans to Receivers Appointed under Section 29 of the Federal Farm Loan Act, as amended, or by a United States District Court

Section 27 of the Emergency Farm Mortgage Act of 1933, approved May 12, 1933, as amended, authorizes the Reconstruction Finance Corporation, upon approval of the Land Bank Commissioner, to make loans to any receiver appointed pursuant to section 29 of the Federal Farm Loan Act, as amended, or to any receiver appointed by a district court of the United States for the purpose of paying taxes on farm real estate owned by such bank in receivership or securing the mortgages held by it. The receiver may issue receiver's certificates against the assets of such bank as security for any such loan received from the Reconstruction Finance Corporation, and such certificates shall constitute a prior lien on such assets.

4. Loan to the Corporation of Foreign Security Holders

The Corporation of Foreign Bondholders Act, 1933, approved May 27, 1933, which is not to take effect until the President finds that such action is in the public interest and by proclamation so declares, creates a body corporate with the name of the "Corporation of Foreign Security Holders" for the purpose of protecting, conserving, and advancing the interests of the holders of foreign securities in default. Under section 209 of such Act, the Reconstruction Finance Corporation is authorized to loan out of its funds not to exceed \$75,000 for the use of the Corporation of Foreign Security Holders.

5. Advances to the Reclamation Fund

Section 37 of the Emergency Farm Mortgage Act of 1933 authorizes the Corporation, upon request of the Secretary of the Interior, to advance funds to the reclamation fund created by the Act of June 17, 1902, not exceeding \$5,000,000 for the completion of projects or divisions of projects now under construction, or projects approved or authorized. Funds so advanced shall be repaid out of any receipts and accretions accruing to the reclamation fund within such time as may be fixed by the Reconstruction Finance Corporation,

not exceeding 5 years from the date of advance, with interest at the rate of 4 per centum per annum. Sums so advanced may be expended in the same way as other moneys in the reclamation fund.

IX. FUNDS OF RECONSTRUCTION FINANCE CORPORATION ALLOCATED AND MADE AVAILABLE TO OTHER GOVERNMENTAL AGENCIES

1. Allocation of Funds to the Secretary of Agriculture and Farm Credit Administration

Under section 2 of the Reconstruction Finance Corporation Act, the Corporation was authorized to allocate and make available to the Secretary of Agriculture a certain part of its funds in order to enable the Secretary to make loans to farmers for crop production purposes during 1932. Pursuant to the provisions of section 201 (e) of the Emergency Relief and Construction Act of 1932 the Corporation paid for the capital stock of the regional agricultural credit corporations out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under this section of the law. By an Act of Congress approved February 4, 1933, the authority of the Secretary of Agriculture was extended with respect to the use of funds allocated and made available to him by the Reconstruction Finance Corporation so as to enable him to make loans, within certain limitations, to farmers during 1933. The availability of funds allocated under the foregoing provisions of law for the purpose of making loans to farmers was transferred from the Secretary of Agriculture to the Farm Credit Administration by the Executive order of March 27, 1933, effective May 27, 1933, and to the Governor of the Farm Credit Administration by section 5 of the Farm Credit Act of 1933.

2. Allocation of Funds to Land Bank Commissioner

The Corporation is authorized and directed, under section 30 (a) of the Emergency Farm Mortgage Act of 1933, to make available to the Land Bank Commissioner the sum of \$100,000,000, to be used for a period not exceeding 2 years from the date of the enactment of such Act, i.e., May 12, 1933, for the purpose of making loans to joint-stock land banks.

Under section 32 of the same Act, the Corporation is authorized and directed also to allocate and make available to the Land Bank Commissioner the sum of \$200,000,000, or so much thereof as may be necessary, to be used for the purpose of making loans to farmers.

3. Funds Made Available to the Federal Emergency Relief Administrator

Section 2 (a) of the Federal Emergency Relief Act of 1933 authorizes and directs the Corporation to make available out of the funds of the Corporation not to exceed \$500,000,000, for expenditure in accordance with the terms stated in the Act, upon certification by the Federal Emergency Relief Administrator, for the purpose of furnishing relief to needy and distressed people. Section 3 (b) of such Act provides that the Corporation shall pay the expenses, not exceeding

\$350,000, of the Federal Emergency Relief Administration, out of the funds made available by the Act, upon presentation of vouchers approved by the Administrator or by an officer of that Administration designated by him for that purpose.

4. Capital of Federal Home Loan Banks Subscribed by the United States

Section 6 (f) of the Federal Home Loan Bank Act amended the Reconstruction Finance Corporation Act to provide that \$125,000,000, or as much thereof as may be necessary for the purpose, be allocated and made available by the Corporation to the Secretary of the Treasury in order to enable him to pay for the capital stock of Federal Home Loan Banks subscribed for by the United States.

5. Capital of Home Owners' Loan Corporation Subscribed by the United States

Section 4 (b) of the Home Owners' Loan Act of 1933 authorizes and directs the Reconstruction Finance Corporation to allocate and make available to the Secretary of the Treasury the sum of \$200,000,000, or so much thereof as may be necessary, in order to enable him to make payments for subscriptions for the capital stock of the Home Owners' Loan Corporation, created by such Act.

X. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION

1. Capital Stock

The capital stock of the Corporation was fixed by section 2 of the Reconstruction Finance Corporation Act at \$500,000,000, all of which was subscribed by the Secretary of the Treasury on behalf of the Government of the United States on February 2, 1932. The entire capital stock has been paid in by the Secretary of the Treasury and is held by the United States.

2. Issue of Notes, Debentures, Bonds, or Other Such Obligations

The Reconstruction Finance Corporation Act, as amended by the Emergency Relief and Construction Act of 1932, authorizes the Corporation, with the approval of the Secretary of the Treasury, to issue, and to have outstanding at any one time, its notes, debentures, bonds, or other such obligations in an amount aggregating not more than six and three-fifths times its subscribed capital stock.

However, the National Industrial Recovery Act, which terminated the power of the Reconstruction Finance Corporation to make loans or contracts to finance self-liquidating projects, etc., under the provisions of section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, provides that the amount of notes, debentures, bonds, or other such obligations which the Reconstruction Finance Corporation is authorized to have outstanding at any one time is decreased \$400,000,000. On the other hand, the amount of notes, debentures, bonds, or other such obligations which the Corporation is authorized

to issue and have outstanding at any one time is increased by the provisions of other laws, as follows:

- (a) By an amount not to exceed \$125,000,000, in order to enable the Secretary of the Treasury to make payments for subscriptions for capital stock of the Federal Home Loan Banks, as provided for in section 6 (f) of the Federal Home Loan Bank Act.
- (b) By such amount as may be necessary—
 - (1) To enable the Corporation to subscribe for preferred stock of National or State banks or trust companies, to make loans secured by such stock as collateral, and to purchase capital notes or debentures of State banks or trust companies, as provided by section 304 of an Act approved March 9, 1933, as amended;
 - (2) To enable the Corporation to make loans to the Secretary of Agriculture to acquire certain cotton and to pay the classing, carrying, and merchandising costs thereon under the provisions of the Agricultural Adjustment Act.
- (c) By an amount not to exceed \$50,000,000 to enable the Corporation to subscribe for preferred stock, to purchase capital notes of insurance companies, and to make loans secured by such stock or notes as collateral, as provided by the Act approved June 10, 1933.
- (d) By \$500,000,000 to enable the Federal Emergency Relief Administrator to make grants to States and Territories (including Alaska, Hawaii, the Virgin Islands, and Puerto Rico) and the District of Columbia to aid in meeting the costs of furnishing relief and work relief and in relieving the hardship and suffering caused by unemployment, as provided by the Federal Emergency Relief Act of 1933. Additional notes, debentures, bonds, or other such obligations may be issued under this authority only at such times and in such amounts as the President may approve.
- (e) By \$300,000,000 in order to provide funds for allocation to the Land Bank Commissioner for the purpose of making loans to joint-stock land banks and to farmers, as provided by the Emergency Farm Mortgage Act of 1933.
- (f) By an amount not to exceed \$200,000,000 in order to provide funds for allocation to the Secretary of the Treasury for the purpose of making payments for subscriptions for the capital stock of the Home Owners' Loan Corporation, as provided by section 4 (b) of the Home Owners' Loan Act of 1933.

Notes, debentures, bonds, or other such obligations issued by the Corporation are to mature not more than 5 years from their respective dates of issue, to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rate

of interest as may be determined by the Corporation. The Corporation, with the approval of the Secretary of the Treasury, also may sell on a discount basis short-term obligations payable at maturity without interest. The law provides that the notes, debentures, bonds, or other such obligations of the Corporation shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Corporation which may be issued pursuant to the provisions of the law, and may, at any time, sell any of the obligations of the Corporation acquired by him. He is further authorized, at the request of the Reconstruction Finance Corporation, to market for the Corporation its notes, debentures, bonds, and other such obligations, using therefor all the facilities of the Treasury Department authorized by law for the marketing of obligations of the United States. The Reconstruction Finance Corporation Act, as amended, also provides that any and all notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) at any time imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

XI. REPORTS

1. Quarterly Reports

Section 15 of the Reconstruction Finance Corporation Act provides that the Corporation shall make and publish a report quarterly of its operations to the Congress stating the aggregate loans made to each of the classes of borrowers provided for and the number of borrowers by States (including the District of Columbia, Alaska, Hawaii, and Puerto Rico) in each class. The law further provides that the statement shall show the assets and liabilities of the Corporation and the names and compensation of all persons employed by the Corporation whose compensation exceeds \$400 per month.

2. Monthly Reports

Under section 201 (b) of the Emergency Relief and Construction Act of 1932, the Corporation is required to submit monthly to the President and to the Senate and the House of Representatives (or the Secretary of the Senate and the Clerk of the House of Representatives, if those bodies are not in session) a report of its activities and expenditures, together with a statement showing the names of the borrowers to whom loans and advances were made, and the amount and rate of interest involved in each case.

XII. AUTHORITY OF RECONSTRUCTION FINANCE CORPORATION TERMINATED AND FUNCTIONS TRANSFERRED TO THE JURIS- DICTION AND CONTROL OF OTHER GOVERNMENTAL AGENCIES

1. Regional Agricultural Credit Corporations

An Executive order issued on March 27, 1933, effective on May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration. The Reconstruction Finance Corporation will continue to pay all expenses incurred in connection with the operations of these corporations, and to rediscount paper for them, as provided in section 201 (e) of the Emergency Relief and Construction Act of 1932.

2. Self-Liquidating Loans, Etc., under Section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended

The power of the Corporation to make self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, pursuant to the provisions of section 301 of the National Industrial Recovery Act, which created the Federal Emergency Administration of Public Works. The functions of the Corporation in this field were superseded by the functions of that Administration. Section 301 of the National Industrial Recovery Act provided, however, that the Corporation may issue funds to a borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932 prior to January 23, 1939, under the terms of any agreement or any commitment to bid upon or purchase bonds entered into with such borrower pursuant to an application approved prior to the date of termination of the power of the Corporation to approve applications under such section.

3. Funds for Relief of Destitution

The power of the Corporation to make funds available to States and Territories under section 1 of the Emergency Relief and Construction Act of 1932 for the relief of destitution was terminated at the close of June 1, 1933, pursuant to section 2 (c) of the Federal Emergency Relief Act of 1933, which created the Federal Emergency Relief Administration.

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CIRCULAR No. 5
OF THE
RECONSTRUCTION
FINANCE CORPORATION

REGARDING REGIONAL AGRICULTURAL CREDIT CORPORATIONS
CREATED BY THE RECONSTRUCTION FINANCE CORPORA-
TION, UNDER SECTION 201 (E) OF THE EMERGENCY
RELIEF AND CONSTRUCTION ACT OF 1932



MARCH, 1933

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

INFORMATION REGARDING THE REGIONAL AGRICULTURAL CREDIT CORPORATIONS

Under the authority conferred by the provisions of subsection (e) of section 201, Title II, of the "Emergency relief and construction act of 1932," the Reconstruction Finance Corporation has created a regional agricultural credit corporation in each Federal land bank district. A list of such districts, showing the locations of the principal and branch offices of the respective regional agricultural credit corporations serving such districts, is set forth at a later point in this circular.

Eligible Applicants

Under the law the regional agricultural credit corporations are authorized "to make loans or advances to farmers and stockmen, the proceeds of which are to be used for an agricultural purpose (including crop production), or for the raising, breeding, fattening, or marketing of livestock." Eligible applicants for loans from such institutions, therefore, are limited to those individuals, partnerships, and corporations which are engaged in the business of farming, or in the business of raising, breeding, fattening, or marketing of livestock. Persons not engaged in such pursuits as vocations and not dependent thereon for their livelihood are not considered as either farmers or stockmen. Cannerymen, packers, processors, commission merchants, commercial hatcheries, and others not ordinarily considered as either farmers or stockmen are not eligible. Although the membership of cooperative associations may be composed of farmers or stockmen, or both, such associations are not considered as either "farmers" or "stockmen."

General Loan Purposes and Classes

It is not intended that the regional agricultural credit corporations will engage in making farm-mortgage loans, either originally or for the purpose of refunding such loans now in existence. They will make agricultural loans and livestock loans.

In this circular the term "agricultural loan" is used to designate a loan made for an agricultural purpose to an individual farmer or a partnership or corporation engaged in the business of farming. Such loans will include loans or advances for the purpose of defraying the cost of seed, cultivation, and harvesting, primarily secured by liens on growing crops and other personal property; marketing loans secured by warehouse receipts (preferably issued by warehouses licensed under the United States warehouse act) covering agricultural com-

modities; and "barnyard loans," or loans secured by first mortgage liens on milch cows, hogs, work horses, mules, small stock, and equipment.

The term "livestock loan" is used in this circular to designate a loan to a livestock grower, feeder, or breeder secured by a first lien on livestock, where the loan is expected to be repaid through funds obtained from: (a) the sale of the livestock and/or the increase, etc., in the case of a range or breeder loan; or (b) the sale of fat cattle and sheep, in the case of a feeder or pasture loan.

Where Applications May be Made

A borrower is expected to make application to, and receive loans and advances from, the regional agricultural credit corporation (through the principal office or a branch office) serving the Federal land bank district in which his farming or livestock business is conducted.

The one major exception to the general rule above stated is the financing of the purchase of "feeder" livestock at central livestock markets. Such loans may be made through the regional agricultural credit corporation offices located at such central livestock markets, without regard to the location of the places where the borrowers conduct their feeding operations. However, it is not contemplated that a country purchase of feeder livestock will be handled by any regional agricultural credit corporation other than the one serving the territory in which the borrower proposes to conduct his feeding operations.

The regional agricultural credit corporations will function through their respective principal offices and branch offices; and applications to a regional agricultural credit corporation for loans will be received and acted upon at any of its offices. However, it is intended that, except as above stated, all transactions of a regional agricultural credit corporation with any one borrower will be handled by one office.

General Security Requirements

The statute requires that all loans made by the regional agricultural credit corporations shall be "fully and adequately secured." Under the regulations prescribed in conformity with the provisions of the act, primary security for all loans made by the regional agricultural credit corporations, to be acceptable, must consist of first and paramount liens on personal property, and it is not contemplated that such loans shall be secured primarily by mortgages or other liens on real estate, whether farm, ranch, or city property; but this class of security may be considered for the purpose of meeting the requirements for additional collateral.

Generally speaking, it will be required that an applicant for a crop production loan give a first lien on all crops growing or to be grown by him (whether on owned or leased land), with such additional security as may be necessary to insure liquidation of the loan at maturity. Where the applicant is a tenant farmer, a waiver or subordination of the landlord's lien ordinarily will be required.

Lending Policies

Undue competition on the part of regional agricultural credit corporations with existing agencies, both governmental and private, engaged in similar financing, would tend to create an undesirable condition. This is particularly true since the regional agricultural credit corporations are of a more or less temporary character. It is therefore expected that the policies and operations of the regional agricultural credit corporations will be, as far as possible, non-competitive with other governmental agencies and with private concerns engaged in financing of a similar character. Accordingly, any applicant who has established a credit relationship with such an existing agency that is able and willing to continue to extend credit to such applicant on a satisfactory basis will be expected to establish, to the satisfaction of the regional agricultural credit corporation to which he applies for a loan, a proper reason for desiring to transfer the credit relationship.

Where a loan is desired for the purpose of financing the production of a specialty crop, or a crop of a highly perishable nature when harvested, the applicant will be required to furnish evidence of some satisfactory marketing arrangement with a competent sales organization. Loans for the production of experimental crops ordinarily will be made only where such crops have been successfully produced on a commercial basis in the territory where the applicant proposes to grow them.

Maximum Maturities

It is contemplated that the following will be the maturities for livestock loans made by the regional agricultural credit corporations:

Range and breeder loans: Not to exceed one year.

Pasture loans: One year, or an earlier point of time coincidental with the expected time for marketing the livestock.

Feeder loans: Eight months, or an earlier point of time coincidental with the expected time for marketing the livestock.

Crop production loans will be made with maturities not exceeding one year; and it is contemplated that such loans will usually be made for the period of time such loans are customarily made in the locality, or to mature at such time as liquidation of the loans will be expected.

Applications

Although appropriate loan application forms may be obtained from the office serving the territory in which the applicant is located, such forms also have been generally distributed to, and may be obtained from, county agents, local banks, and other local organizations. All applications for loans are to be made on these prescribed forms. These forms call for the submission of certain information which should be furnished by an applicant in such detail as to enable the regional agricultural credit corporation to determine the financial condition of the applicant, the reasonable value of the security offered, and such other pertinent matters as will enable it to give prompt and adequate consideration to the application.

Pertinent Statutory Provisions

The following paragraphs of section 201, Title II, of the emergency relief and construction act of 1932, applicable to the regional agricultural credit corporations, are quoted for the information of applicants:

(e) The Reconstruction Finance Corporation is further authorized to create in any of the twelve Federal land-bank districts where it may deem the same to be desirable a regional agricultural credit corporation with a paid-up capital of not less than \$3,000,000, to be subscribed for by the Reconstruction Finance Corporation and paid for out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under section 2 of the Reconstruction Finance Corporation act. Such corporations shall be managed by officers and agents to be appointed by the Reconstruction Finance Corporation under such rules and regulations as its board of directors may prescribe. Such corporations are hereby authorized and empowered to make loans or advances to farmers and stockmen, the proceeds of which are to be used for an agricultural purpose (including crop production), or for the raising, breeding, fattening, or marketing of livestock, to charge such rates of interest or discount thereon as in their judgment are fair and equitable, subject to the approval of the Reconstruction Finance Corporation, and to rediscount with the Reconstruction Finance Corporation and the various Federal reserve banks and Federal intermediate credit banks any paper that they acquire which is eligible for such purpose. All expenses incurred in connection with the operation of such corporations shall be supervised and paid by the Reconstruction Finance Corporation under such rules and regulations as its board of directors may prescribe.

(f) All loans made under this section, * * * shall be fully and adequately secured.

(i) No fee or commission shall be paid by any applicant for a loan under the provisions of this section in connection with any such application or any loan made or to be made under this section, and the agreement to pay or payment of any such fee or commission shall be unlawful.

List of Federal Land Bank Districts and Offices of Regional Agricultural Credit Corporations

DISTRICT No. 1 (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey): Regional Agricultural Credit Corporation of Albany, N. Y.

Principal office: Albany, N. Y.

Branch office: Bangor, Me.

DISTRICT No. 2 (Pennsylvania, Delaware, Maryland, Virginia, West Virginia): Regional Agricultural Credit Corporation of Baltimore, Md.

Principal office: Baltimore, Md.

DISTRICT No. 3 (North Carolina, South Carolina, Georgia, Florida): Regional Agricultural Credit Corporation of Raleigh, N. C.

Principal office: Raleigh, N. C.

Branch office: Macon, Ga.

DISTRICT No. 4 (Ohio, Indiana, Kentucky, Tennessee): Regional Agricultural Credit Corporation of Columbus, Ohio.

Principal office: Columbus, Ohio.

Branch office: Louisville, Ky.

DISTRICT No. 5 (Mississippi, Alabama, Louisiana): Regional Agricultural Credit Corporation of Jackson, Miss.

Principal office: Jackson, Miss.

Branch office: Montgomery, Ala.

DISTRICT No. 6 (Missouri, Arkansas, Illinois): Regional Agricultural Credit Corporation of St. Louis, Mo.

Principal office: St. Louis, Mo.

Branch offices: Chicago, Ill.; Kansas City, Mo.; Pine Bluff, Ark.

DISTRICT No. 7 (Minnesota, North Dakota, Wisconsin, Michigan): Regional Agricultural Credit Corporation of Minneapolis, Minn.

Principal office: Minneapolis, Minn.

DISTRICT No. 8 (Iowa, Nebraska, South Dakota, Wyoming): Regional Agricultural Credit Corporation of Sioux City, Iowa.

Principal office: Sioux City, Iowa.

Branch offices: Omaha, Nebr.; Cheyenne, Wyo.

DISTRICT No. 9 (Kansas, Colorado, New Mexico, Oklahoma): Regional Agricultural Credit Corporation of Wichita, Kans.

Principal office: Wichita, Kans.

Branch offices: Denver, Colo.; Oklahoma City, Okla.; Santa Fe, N. Mex.

DISTRICT No. 10 (Texas): Regional Agricultural Credit Corporation of Fort Worth, Tex.

Principal office: Fort Worth, Tex.

Branch offices: Houston, Tex.; San Angelo, Tex.

DISTRICT No. 11 (Utah, Nevada, California, Arizona): Regional Agricultural Credit Corporation of Salt Lake City, Utah.

Principal office: Salt Lake City, Utah.

Branch offices: San Francisco, Calif., Los Angeles, Calif., Phoenix, Ariz., Reno, Nev.

DISTRICT No. 12 (Washington, Oregon, Idaho, Montana): Regional Agricultural Credit Corporation of Spokane, Wash.

Principal office: Spokane, Wash.

Branch offices: Portland, Oreg., Boise, Idaho, Helena, Mont.



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CIRCULAR No. 6

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING SUBSCRIPTIONS FOR
PREFERRED STOCK, OR LOANS UPON PREFERRED
STOCK BY THE RECONSTRUCTION FINANCE
CORPORATION AS AUTHORIZED IN THE
ACT OF CONGRESS, APPROVED
MARCH 9, 1933



MARCH, 1933

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

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**INFORMATION REGARDING SUBSCRIPTIONS FOR PREFERRED STOCK,
OR LOANS UPON PREFERRED STOCK BY THE RECONSTRUCTION
FINANCE CORPORATION AS AUTHORIZED IN THE ACT OF CON-
GRESS, APPROVED MARCH 9, 1933**

The act of Congress approved March 9, 1933 (Public No. 1, 73d Cong.), authorizes national banks to issue nonassessable preferred stock. The act thus gives an opportunity to communities in which national banks are or may be located to assist in the organization or reorganization of such institutions by the purchase of stock which does not carry the usual double liability. The act also authorizes the Reconstruction Finance Corporation to purchase such nonassessable preferred stock or make loans thereupon, and thereby assist in particular instances where it may not be possible to raise locally all of the required capital.

The Reconstruction Finance Corporation may also subscribe for or lend on preferred stock of State banks and trust companies in those States in which such institutions are authorized to issue preferred stock.

This circular is issued to give information concerning:

- I. Subscription by the Reconstruction Finance Corporation to preferred stock in a national banking association, or State bank or trust company, and
- II. Loans by the Corporation to others upon the security of preferred stock in such institutions.

By virtue of section 304 of the act, the Corporation is authorized to subscribe for preferred stock in any national banking association, or any State bank or trust company if the Corporation is requested to do so by the Secretary of the Treasury with the approval of the President. Upon similar request and approval, the Corporation is authorized to make loans secured by such stock as collateral. The Corporation is further authorized, with the approval of the Secretary of the Treasury and under such rules and regulations as he may prescribe, to sell in the open market, or otherwise, the whole or any part of such preferred stock acquired by the Corporation pursuant to the provisions of said section.

I. Procedure to be followed in making application to the Corporation for the Corporation's direct subscription to preferred stock of the applicant

1. Application may be made for subscription to the preferred stock of an open bank which is to continue doing business, a closed bank which contemplates reorganization, or a bank to be newly formed.

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(1)

2. The applicant institution issuing the stock must be authorized by law to issue preferred stock. National banking associations are authorized to issue preferred stock by section 301 of the act. The ability of State banks and trust companies to offer preferred stock for subscription will of course depend upon the laws of the respective States under which they are incorporated. The laws of most States at the present time do not permit the issuance of preferred stock by State banks and trust companies.

3. Application should be made by the applicant bank or trust company directly to the loan agency of the corporation serving the territory in which the applicant is located. The application should include and be accompanied by the following information and documents:

(a) Copy of the charter and any proposed amendment thereto, under which the preferred stock offered for subscription is to be issued.

(b) If applicant is other than a national bank, copy of the statutes from which the applicant derives its authority to issue preferred stock.

(c) Copy of a resolution already adopted or proposed to be adopted by the board of directors of the applicant authorizing the sale of such stock.

(d) Copy of the latest report of examination of the applicant.

(e) Statement of the applicant's condition as at the close of business on the date the application is forwarded.

(f) Schedules in adequate detail showing assets pledged to secure borrowed money, public funds, or other liabilities.

(g) Statement of any plan of reorganization which the applicant proposes to put into operation.

(h) Information relating to the approval by the supervisory authority of the proposed plan and the conditions under which such supervisory authority is willing to permit the applicant to resume normal business.

4. The applicant must show that its earning capacity will be sufficient at least to enable it to pay dividends on the preferred stock at the rate of six per centum (6%) per annum after meeting all other expenses and making proper provisions for elimination of losses and/or doubtful assets, and required contributions to surplus and reserve

5. The terms of the preferred stock offered must give the Corporation substantially the same protection of and provision for retirement of its investment or security interest in the preferred stock as the terms of the suggested Articles of Association for national banking associations issuing preferred stock attached hereto. (R.F.C. Form PS 1, March 20, 1933.) Note particularly that, to be acceptable, any preferred stock must, while any part of it is outstanding, be protected by:

(a) Substantial voting rights in all matters concerning the issuing institutions.

(b) Limitations on common stock dividends.

(c) Compulsory regular application of a substantial part of net profits of the issuing institution to the retirement of preferred stock.

(d) Understandings from time to time between the bank and this Corporation with respect to general policies.

(e) An agreement to furnish the Corporation from time to time such reports of the bank's operations and policies as the Corporation may require.

When the applicant is governed by State law as to the issuance of preferred stock, and when under the law such preferred stock is assessable, the Corporation will not subscribe for such stock (although it may consider making loans upon the collateral thereof).

6. It is anticipated that the Corporation will be asked to participate in preferred stock issues in the following general situations:

(a) Where the capital is partially impaired.

(b) Where the capital is entirely eliminated by losses.

(c) Where the deposits are impaired after total elimination of the capital structure.

Before the Corporation will subscribe for or lend upon the preferred stock of any bank, it shall be determined that the sound value of the assets is at least equal to the deposit liabilities and other liabilities in the bank or to be assumed by the reorganized bank. In addition, there should be provided a reasonable margin of protection for the preferred stock to be taken by the Corporation, represented by common stock, or by a class of preferred stock subordinated to that to be taken by the Corporation, or otherwise.

In case (a) above, it should be determined whether the remaining capital structure is sufficient to furnish such reasonable margin of protection.

In case (b) above, the margin of protection for the preferred stock held by the Corporation may be provided as follows:

1. Purchase of common stock or subordinated preferred stock, by the stockholders, depositors, and others, and/or
2. The voluntary reduction or subordination by depositors and other creditors of a part of their claims against the bank.

In case (c) above, the impairment must be taken care of by a reduction on a pro rata basis of the deposits and/or other creditor claims affected, so that the total of deposits and other creditor claims of the institution will not exceed the sound value of its assets, after which the procedure will be the same as in case (b) above.

Any scaling of liabilities or use of the funds belonging to depositors or other creditors, whether in connection with a reorganization or otherwise, if not actually consented to by the depositors or other creditors affected, must be undertaken in strict conformity with statutory authority. Note that section 207 of the act relates only to national banks.

II. Procedure for making application for a loan secured by stock as collateral

1. The Corporation may make loans to individuals, firms, or corporations desiring to purchase the preferred stock of a bank, but temporarily in need of funds to finance the investment. In making such loans the Corporation will

be governed by the usual factors determining a sound credit risk. The preferred stock will be accepted as collateral and in addition the financial responsibility of the borrowers will be given careful consideration. Where necessary, other collateral may be pledged as a margin in addition to the preferred stock. The Corporation must receive satisfactory voting rights on preferred stock pledged as collateral.

2. The application for such a loan on preferred stock as collateral should include all information and documents which would be required in and with an application for direct subscription to such stock by the Corporation, and in addition:

- (a) A statement of the proposed terms of the loan,
- (b) A statement of the applicant's financial condition,
- (c) A statement of any collateral offered for the loan in addition to the preferred stock.

III. Form of application

Application forms shortly will be provided and will be obtainable at the loan agencies of the Corporation. Meanwhile applications may be made in writing to the loan agencies in any form that will briefly, but adequately, supply the information herein requested.

IV. Statutory provisions

A copy of the act of Congress approved March 9, 1933, is enclosed herewith.



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CIRCULAR No. 7
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION FOR PROSPECTIVE APPLICANTS FOR LOANS
FOR THE PURPOSE OF REFINANCING THE OUTSTANDING
INDEBTEDNESS OF AGRICULTURAL IMPROVEMENT
DISTRICTS UNDER THE PROVISIONS OF SEC-
TION 36, PART 4, OF THE EMERGENCY
FARM MORTGAGE ACT OF 1933
AS AMENDED



JUNE 1933

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

JUL 3 1 1933

INFORMATION FOR PROSPECTIVE APPLICANTS FOR LOANS UNDER THE PROVISIONS OF THE EMERGENCY FARM MORTGAGE ACT OF 1933 RELATIVE TO REFINANCING OUTSTANDING INDEBTEDNESS OF AGRICULTURAL IMPROVEMENT DISTRICTS

The Reconstruction Finance Corporation has been authorized under section 36, part 4, of the Emergency Farm Mortgage Act of 1933, as amended, to make loans to enable certain agricultural improvement districts and political subdivisions of States to reduce and refinance their outstanding indebtedness incurred in connection with completed projects of such districts. This section is reprinted on the closing pages of this circular.

I. Eligible borrowers

(a) The Corporation is authorized to make loans to drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, duly organized under the laws of any State, and to political subdivisions of States which have projects devoted chiefly to the improvement of agricultural lands.

(b) Loans may be made only for the purpose of refinancing indebtedness incurred in connection with projects in operation prior to May 12, 1933.

II. Conditions of loans

(a) The term of any such loan shall not exceed 40 years.

(b) The loan shall be secured by bonds, notes, or other obligations which are a lien on the real property within the project or on the assessments, taxes, or other charges imposed by the borrower pursuant to State law, or by such other collateral as may be acceptable to the corporation.

(c) The borrower shall agree not to issue, during the term of the loan, any other bonds so secured except with the consent of the Corporation.

(d) The borrower shall agree, insofar as it lawfully may, to pay to the Corporation, until all bonds or other obligations of the borrower acquired by the Corporation are retired, an amount equal to the amount by which the assessments, taxes, and other charges collected by the borrower exceed the costs of operation and maintenance of the project and maturities of interest and principal on its outstanding obligations.

(e) The borrower shall agree, to the satisfaction of the Corporation, to reduce, insofar as it lawfully may, the annual taxes, assessments, and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal

and interest of its outstanding indebtedness by reason of the operation of the act.

- (f) All loans must be fully and adequately secured.
- (g) Loans may be made at any time prior to January 23, 1934.

III. Prerequisites to disbursement of loans by Corporation

Loans will be authorized by the Corporation subject to performance of the conditions stipulated in subdivision (C) following but will not be disbursed until such requirements have been met. The cost of appraisals will be reimbursable to the Corporation by the applicant.

(A) The Corporation shall cause an appraisal to be made of the property securing and/or underlying the outstanding bonds of the applicant.

(B) The Corporation shall determine that the project of the applicant is economically sound.

(C) The Corporation shall be satisfied that an agreement has been entered into between the applicant and holders of its outstanding bonds or other obligations under which the applicant will be able to purchase or refund such bonds or other obligations at a price determined by the Corporation to be reasonable after taking into consideration the average market price of such bonds over the six months' period ending March 1, 1933 and under which a substantial reduction will be brought about in the amount of the outstanding indebtedness of the applicant.

IV. Applications for loans

Applications should be made in writing to the Reconstruction Finance Corporation at its office at 1825 H Street N.W., Washington, D.C.

It has not been found practicable to provide printed forms of application. All applications should present the information indicated below in the order there given. All exhibits should bear the signature and address of the engineer or other person who prepared them.

Each copy of the application and its accompanying exhibits should be firmly bound together, preferably in a single binder.

Five complete signed copies of each application, being one master copy and a copy for each of the sections of the Corporation concerned with its examination, should be filed. For convenience in examination, it is requested that all applications follow the system of numbering and lettering indicated.

INFORMATION REQUIRED

1. General information:
 - (a) Full legal title of applicant.
 - (b) Citations to laws under which organized.
 - (c) Date of organization.
 - (d) Names, with respective offices, of officers and directors.

- (e) Name and address of the person with whom correspondence should be conducted.
- (f) Names and addresses of legal counsel and engineers.
- 2. Applicant's estimate of amount of loan required for refunding purposes.
- 3. Full statement as to purpose of loan.
- 4. A brief description and history of the project including, in addition to such other information as the applicant thinks necessary or desirable, the following:
 - (a) Map or sketch showing the project and location thereof.
 - (b) Nature of soil, climate, and topography, principal crops and markets, and transportation facilities.
 - (c) Number of farms in the district, size of each of the 10 largest farms, size of average farm, and number of inhabitants of the district.
 - (d) Brief statement as to the general financial condition of landowners with approximate number of foreclosures of farm mortgages in each of the years 1931, 1932, and 1933 to the time of the application.
 - (e) Average assessed valuation per acre of land for ad valorem tax purposes, percentage of such valuation to fair and reasonable market value and rate of taxation (including State, county, and school district taxes but excluding any taxes imposed by the applicant) for each of the past 5 years immediately preceding.
 - (f) If applicant is an irrigation district the following additional information should be supplied:
 - (1) A description of the water rights, including the amount of water, source, capacity of storage reservoirs, water required per acre per year, and full information as to permits, decrees, etc., including a statement as to any adverse suits now pending or threatened affecting the water rights.
 - (2) If irrigation water is provided by pumping give average lift and cost per acre-foot for pumping. If pumping is from wells give capacity of wells and average drawn-down at end of season.
 - (3) State what drainage work has been done to overcome seepage from irrigation ditches and drainage work now needed for such purpose. Also state whether or not alkali is present in water or soil.
 - (g) If applicant is a drainage district, give statement as to condition of ditches and drains with reference to silting and the need for cleaning. State if silt basins are provided.
 - (h) Give full statement as to physical condition of project with special reference to dams, dikes, levees, and pumping plants.

5. Description and history of present outstanding indebtedness including the following:

- (a) State amount of bonds or other securities outstanding at date of application, date of issue, interest rate, maturity dates, amount per \$100 of face value received by applicant from sale, defaults, if any, in payment of principal or interest, and name and address of bank or brokerage house by which such bonds or securities were underwritten or through which the sale to the public was effected.
- (b) Furnish, if available, counterpart of opinion as to validity of such bonds or other securities given by counsel in connection with issue and sale thereof.
- (c) State whether or not a bondholders' committee or other agency has been formed for the protection of such bondholders or security holders and, if so, give name and address of such committee or other agency and state the amount of bonds which have been deposited with the same.
- (d) If no such bondholder's committee or other agency has been formed, state if the applicant has or has available a list of bondholders or other security holders.
- (e) Citation to laws under which the present indebtedness was incurred including a citation to statutory and constitutional provisions and all court decisions with reference to constitutionality and interpretation and the validity of the particular indebtedness.
- (f) Statement of all bonds issued by the applicant since date of organization including (1) date and amount of each such issue, (2) interest rate, (3) net amount per \$100 of face value received by the district, (4) maturity dates, (5) dates and amounts of any and all bonds paid or retired, and (6) statement as to any defaults in payment of principal or interest, with explanation of reason therefor. This information should be given, so far as practicable, in accordance with the form of Schedule A, hereafter set out.
- (g) Statement of acreage assessed, amounts of annual assessments and other charges, collections thereof and percentage of defaults in ad valorem taxes for each of the years during which the present bonded indebtedness has been outstanding, in accordance with the form of Schedule B hereinafter set out.
- (h) State number of acres within the district now owned by the State or county, giving separately acreage acquired by tax sale and acreage otherwise acquired.
- (i) State whether or not a sale for delinquent State, county, or school district taxes cancels delinquent assessments or charges imposed by the district.

- (j) A brief summary of all litigation, pending or threatened, with respect to the validity of the indebtedness of the applicant or the enforcement of the rights of the holders thereof and applicant's plan for disposing of such litigation in the event the loan is granted. If no such litigation is pending or threatened it should be so stated.
6. Statement as to the refunding bonds, existing bonds, or other collateral offered as security including:
- (a) Maturities of obligations offered.
 - (b) Citations to all statutes and constitutional provisions (including court decisions having a bearing upon constitutionality or interpretation) with reference to the validity of the obligations offered and the refunding or refinancing of the indebtedness. In the case of any recent statutes or court decisions not yet included in authorized publications complete copies thereof should be supplied and attached as exhibits to the application.
 - (c) Statement as to whether the maturities and interest rates on any obligations offered are fixed by law or may be varied, minimum price at which they can be sold and maximum interest rate.
 - (d) Statement of liens securing or underlying such obligations and sources of revenue for payment; if payable out of ad valorem taxes, statement of property taxable and limitations, if any, as to tax rate; if payable out of assessments or taxes other than ad valorem taxes, a complete statement of the benefits or values, the limitations on the assessments or taxes that can be levied annually and state whether or not such assessments or taxes are prepayable. State whether assessment or rate is fixed or variable (with citation to law).
 - (e) The nature of recourse against lands for nonpayment of taxes or assessments or other charges, time within which proceedings for sale for nonpayment can be commenced and completed and period of redemption.
 - (f) Statement of any other properties or revenues which the applicant can offer as security.
 - (g) Outline of proposed method of handling refinancing and repayment of loan and brief by counsel for applicant as to legality thereof.
7. The following financial statements:
- (a) Balance sheet, or statement of assets and liabilities, as of the latest date available, together with similar statements, as of December 31 (or close of applicant's fiscal year) for each of the 4 years, 1929 to 1932. In those instances where public accountants have audited the accounts, such statements for the 4 years shall be certified by such public accountant. In the other instances and for the latest balance sheet, such statements shall be certified to by the applicant's chief fiscal officer.

- (b) Income accounts showing, in reasonable detail, items of income and expense for each of the 4 years, 1929 to 1932, certified by the chief fiscal officer or, in those instances of public audits, by the public accountant; also, a similar statement for as many months of 1933 as are available, compared with the similar period of 1932, signed by the chief fiscal officer.
 - (c) A description of any assets or liabilities or items of income and expense not properly described in the statements requested under "a" and "b", above, or which are unusual, or which, for any reason, require special attention.
8. Miscellaneous:
- (a) Quotations, or sale prices, applying to obligations of the applicant included in plan of refinancing for each of the 5 years, 1928 to 1932, and for each of the 6 months ending March 1, 1933. (State source of quotations and sale prices.)
 - (b) Acreage and assessed value of land to which the applicant has taken title under tax or assessment sale in each of the last 5 years, 1928 to 1932, and the amount of such acreage to which title is still held by the applicant.
 - (c) In the case of irrigation districts, the amount of acreage on which water has been shut off because of nonpayment of water or other charges at the end of each of the 5 years, 1928 to 1932, and the amount of such acreage at the time of application.
 - (d) Statement that the applicant consents to and authorizes such examinations as the Reconstruction Finance Corporation may require and/or that reports of examinations by constituted authorities may be furnished by such authorities to the Corporation upon request therefor.
 - (e) Statement that no fee or commission has been or will be paid by the applicant in connection with the application or any loan made or to be made by the Reconstruction Finance Corporation, and that no agreement to pay such fee or commission has been or will be made.

V. Procedure

A resolution shall be adopted by the Board of Directors or other governing body of the applicant authorizing one or more of said named officers to execute and deliver the application and exhibits thereto in the exact form in which they are submitted, and further authorizing such officers to supply the Reconstruction Finance Corporation with any other instruments or data in connection with such application. A certified copy of such resolutions should be attached to the application as an exhibit.

All applications should be verified in substantially the following form:

STATE OF _____

County of _____, ss:

_____ makes oath and says that he is the _____
 (Name of affiant) (Office held by affiant)
 of _____; that he has carefully examined each and all
 (Full legal title of applicant)

of the statements contained in the foregoing application and in the exhibits and other data attached thereto or submitted therewith; that such statements are true and correct to the best of his knowledge and belief; that such application is made with the approval and at the direction of the _____ of said applicant, as appears by
 (Governing body)

a resolution duly adopted at a meeting thereof, a certified copy of which is attached to such application, said meeting having been held at _____ on the _____ day of _____, 193__; and that he is the person who has been authorized by such resolution to execute such application.

(Signature of affiant)

Subscribed and sworn to before me, a _____ in and for the State and county above named, this _____ day of _____, 193__.

[SEAL] _____

My commission expires _____.

The applicant will be notified of any additional information required, and of the action taken by the Reconstruction Finance Corporation.

SCHEDULE A

Number of acres	Original assessment	Second assessment	Third assessment	Fourth assessment	Fifth assessment	Total of all assessments	Average per acre	Highest per acre	Lowest per acre
Year levied.....									
Amount of bonds issued against each assessment.....									
Rate of interest.....									
Date of maturities giving series, etc.....									
Sale price net to applicant.....									
Amount matured and paid off to date.....									
Amount unpaid to date.....									
Amount delinquent as of date of application.....									

NOTE.—State reasons for default, if any.

SCHEDULE B

Schedule of annual assessments, taxes and other charges against lands within district

Year	Total charges for bond service				Total charges for maintenance-operation		Total of all other charges ¹		Number of acres assessed	Percent- age of State, county, and school ad valo- rem taxes delin- quent ²	Number acres sold for delin- quent State, county, and school district ad valo- rem taxes
	Charged		Collected		Charged	Col- lected	Charged	Col- lected			
	Princi- pal	Interest	Princi- pal	Interest							

¹ Nature of charges should be explained.² If figures for district not available applicant may give figures for county in which district is located; if in more than one county, may give average for all counties.

VI. Statutory provisions

The following section of the Emergency Farm Mortgage Act of 1933 as amended by section 19 of an act approved June 16, 1933, designated as "Public No. 78, 73rd Congress", is quoted for the information of applicants:

SEC. 36. The Reconstruction Finance Corporation is authorized and empowered to make loans as hereinafter provided, in an aggregate amount not exceeding \$50,000,000 to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts duly organized under the laws of any State, and to or for the benefit of political subdivisions of States, which prior to the date of enactment of this Act have completed projects devoted chiefly to the improvement of lands for agricultural purposes. Such loans shall be made for the purpose of enabling any such district or political subdivision (hereafter referred to as the "borrower") to reduce and refinance its outstanding indebtedness incurred in connection with any such projects, and shall be subject to the same terms and conditions as loans made under Section 5 of the Reconstruction Finance Corporation Act, as amended; except that (1) the term of any such loan shall not exceed 40 years; (2) each such loan shall be secured by bonds, notes or other obligations which are a lien on the real property within the project or on the assessments, taxes or other charges imposed by the borrower pursuant to State law, or by such other collateral as may be acceptable to the Corporation; (3) the borrower shall agree not to issue during the term of the loan any other bonds so secured except with the consent of the Corporation; (4) the borrower shall agree, in so far as it lawfully may, to pay to the Corporation, until all bonds or other obligations of the borrower acquired by the Corporation are retired, an amount equal to the amount by which the assessments, taxes, and other charges collected by the borrower exceed the costs of operation and maintenance of the project and maturities of interest and principal on its outstanding obligations, and (5) the borrower shall agree, to the satisfaction of the Corporation, to reduce, in so far as it lawfully may, the annual taxes, assessments and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of this section. No loan shall be made under this section until the Reconstruction Finance Corporation (A) has caused an appraisal to be made of the property securing and/or underlying the outstanding bonds of the applicant, (B) has determined that the project of the applicant is economically sound, and (C) has been satisfied that an agreement has been entered into between the applicant and holders of its outstanding bonds or other obligations under which the applicant will be able to purchase or refund all or a major portion of such bonds or other obligations at a price determined by the Corporation to be reasonable after taking into consideration the average market price of such bonds over the six months' period ending March 1, 1933, and under which a substantial reduction will be brought about in the amount of the outstanding indebtedness of the applicant.

The following section of the Reconstruction Finance Corporation Act, being the section referred to in section 36 of the Emergency Farm Mortgage Act, as amended, is also quoted for the information of applicants:

SEC. 5. To aid in financing agriculture, commerce, and industry, including facilitating the exportation of agricultural and other products the corporation is authorized and empowered to make loans, upon such terms and conditions not inconsistent with this act as it may determine, to any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State or of the United States, including loans secured by the assets of any bank or savings bank that is closed, or in process of liquidation to aid in the reorganization of liquidation of such banks, upon application of the receiver or liquidating agent of such bank and any receiver of any national bank is hereby authorized

to contract for such loans and to pledge any assets of the bank for securing the same: *Provided*, That not more than \$200,000,000 shall be used for the relief of banks (including savings banks) that are closed or in the process of liquidation.

All loans made under the foregoing provisions shall be fully and adequately secured. The Corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. Such loans may be made directly upon promissory notes or by way of discount or rediscount of obligations tendered for the purpose, or otherwise in such form and in such amount and at such interest or discount rates as the Corporation may approve: *Provided*, That no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances. In no case shall the aggregate amount of advances made under this section to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2% per centum of (1) the authorized capital stock of the Reconstruction Finance Corporation plus (2) the aggregate amount of bonds of the corporation authorized to be outstanding when the capital stock is fully subscribed.

Each such loan may be made for a period not exceeding 3 years, and the Corporation may from time to time extend the time of payment of any such loan, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond 5 years from the date upon which such loan was made originally. The Corporation may make loans under this section at any time prior to the expiration of 1 year from the date of the enactment hereof; and the President may from time to time postpone such date of expiration for such additional period or periods as he may deem necessary, not to exceed 2 years from the date of the enactment hereof. Within the foregoing limitations of this section, the Corporation may also, upon the approval of the Interstate Commerce Commission, make loans to aid in the temporary financing of railroads and railways engaged in interstate commerce, to railroads and railways in process of construction, and to receivers of such railroads and railways, when in the opinion of the board of directors of the Corporation such railroads or railways are unable to obtain funds upon reasonable terms through banking channels or from the general public and the Corporation will be adequately secured: *Provided*, That no fee or commission shall be paid by any applicant for a loan under the provisions hereof in connection with any such application or any loan made or to be made hereunder, and the agreement to pay or payment of any such fee or commission shall be unlawful. Any such railroad may obligate itself in such form as shall be prescribed and otherwise comply with the requirements of the Interstate Commerce Commission and the Corporation with respect to the deposit or assignment of security hereunder, without the authorization or approval of any authority, State or Federal, and without compliance with any requirement, State or Federal, as to notification, other than such as may be imposed by the Interstate Commerce Commission and the Corporation under the provisions of this section.

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CIRCULAR No. 8

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING APPLICATIONS TO THE
RECONSTRUCTION FINANCE CORPORATION FOR SUBSCRIPTION
FOR PREFERRED STOCK AND PURCHASE OF CAPITAL NOTES
OF INSURANCE COMPANIES, AND LOANS ON SUCH PREFERRED
STOCK OR CAPITAL NOTES AS COLLATERAL SECURITY, AS
AUTHORIZED BY ACT OF CONGRESS, APPROVED JUNE 10, 1933
(PUBLIC, No. 35, 73D CONGRESS)



JULY 1933

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

INFORMATION REGARDING APPLICATIONS FOR: (a) SUBSCRIPTIONS FOR PREFERRED STOCK OR PURCHASES OF CAPITAL NOTES OF INSURANCE COMPANIES, OR (b) LOANS UPON PREFERRED STOCK OR CAPITAL NOTES OF INSURANCE COMPANIES, BY THE RECONSTRUCTION FINANCE CORPORATION, AS AUTHORIZED IN THE ACT OF CONGRESS, APPROVED JUNE 10, 1933. (PUBLIC, NO. 35, 73d CONGRESS)

The Act of Congress "to authorize the Reconstruction Finance Corporation to subscribe for preferred stock and purchase the capital notes of insurance companies," approved on June 10, 1933, provides that if, in the opinion of the Secretary of the Treasury, any insurance company of any State of the United States is in need of funds for capital purposes either in connection with the organization of such company or otherwise, the Secretary of the Treasury may, with the approval of the President, request the Reconstruction Finance Corporation to subscribe for preferred stock of any class, exempt from assessment or additional liability, in such insurance company, or to make loans secured by such stock and/or other collateral. The Reconstruction Finance Corporation may comply with such request, subject to conditions hereinafter set forth.

The Act defines an insurance company as including "any corporation engaged in the business of insurance, or in the writing of annuity contracts, irrespective of the nature thereof, and operating under the supervision of the State superintendent or department of insurance in any of the States of the United States."

The Reconstruction Finance Corporation may, with the approval of the Secretary of the Treasury and under such rules and regulations as he may prescribe, sell in the open market the whole or any part of the preferred stock of any such insurance company acquired by the Corporation pursuant to this section.

Funds Available

The total amount of loans outstanding, preferred stock subscribed for, and capital notes purchased and held by the Reconstruction Finance Corporation, under the provisions of sections 1, 2, and 3 of this act, shall not exceed at any one time \$50,000,000.

Companies Incorporated in States Which Do Not Permit the Issuance of Preferred Stock

In the case of companies incorporated under the laws of States which do not permit the issuance of preferred stock, exempt from assessment or additional liability, or if such laws permit such issuance of preferred stock only by unanimous consent of stockholders, or upon notice of more than 20 days, the Reconstruction Finance Corporation is authorized under this act to purchase the legally issued capital notes of such insurance companies or to make loans secured by such notes as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

In the case of mutual companies, fraternal associations, etc., determining factors as to type of securities that may be issued by the applicant aside from the laws of the State under which they are organized, may be found in the provisions of the company's bylaws and/or its contracts of insurance issued to its policyholders; or in the mutual contracts, as between policyholders constituting the membership of any association or reciprocal exchange.

**Amount of Subscriptions for Preferred Stock and Purchase of Capital Notes,
or Loans Secured by Such Stock or Notes**

Section 3 of the Act provides that the Reconstruction Finance Corporation shall not subscribe for or purchase any preferred stock or capital notes of any applicant insurance company until the applicant shows to the satisfaction of the Corporation that it has unimpaired capital stock, or that it will furnish new capital which will be subordinate to the preferred stock or capital notes to be subscribed for or purchased by the Corporation, equal to the amount of said preferred stock or capital notes so subscribed for or purchased by the Corporation: *Provided*, That the Corporation may make loans upon said preferred stock or capital notes, if, in its opinion, such loans will be adequately secured by said stock or capital notes, and/or such other forms of security as the Corporation may require.

The gross amount of direct subscriptions for preferred stock and purchases of capital notes or loans upon such preferred stock and/or capital notes which the Corporation will make in respect of any insurance company will be determined on the basis of the sound net worth of the company, or the net worth created by any new capital proposed to be paid in to the net worth of the company from sources other than those contemplated by the application to this Corporation and the probable future of the company. The net worth of the company will be determined after full provision has been made for required reserves and all losses or doubtful assets. In appraising the assets market values will be used for securities having a market value, and sound values will be used for all mortgages and securities having no readily marketable value.

Any compromises or scaling down of liabilities or subordination of funds belonging to policyholders or creditors, whether in connection with a reorganization or otherwise, must be undertaken in strict conformity with statutory authority and must have the unqualified approval of the supervisory authorities having jurisdiction over such transactions.

Restrictions on Subscriptions, Purchases, and Loans

The Reconstruction Finance Corporation shall not subscribe for any preferred stock or purchase any capital notes or make loans on such stock or notes as collateral security, (1) if at the time of such subscription, purchase, or loan any officer, director, or employee of the applicant is receiving total compensation in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees, and not to retire any of its stock, notes, bonds, or debentures issued for capital purposes, while any part of the preferred stock, notes, bonds, or debentures of such company is held by the Corporation. The term "compensation," as used herein and defined by the Act, includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services.

Applications to the Reconstruction Finance Corporation for Subscription for Preferred Stock and Purchase of Capital Notes of Insurance Companies

1. Applications may be made for subscription for the preferred stock or the purchase of capital notes of an existing insurance company, or of a company formed for the purpose of reinsuring or taking over the business of another company or companies, within the limitations suggested in the preceding paragraphs.

2. Application may be made by insurance companies directly to the loan agency of the Corporation serving the territory in which the applicant's home office is located, or to the Washington office of the Corporation. The application should be made in triplicate on the prescribed forms and should be accompanied by the following information and documents:

- (a) A copy of the charter and proposed amendments thereto under which the preferred stock and/or capital notes offered to the Corporation are to be issued.
- (b) A copy of the statutes under which the applicant derives its authority to issue preferred stock and/or capital notes.
- (c) A copy of resolutions already adopted or proposed to be adopted by the board of directors of the applicant authorizing the issuance and sale of such stock and/or such capital notes.
- (d) A copy of the latest report of examination of the applicant, by a legally designated supervising agency.
- (e) Copies of the applicant's convention reports as filed with the superintendents of insurance of the various States for the last preceding 5 full years, and a complete copy of the annual financial statement on the regulation convention forms as of the most recent date available, but in no event more than 4 months prior to the date of application.

Actual market values of securities should be extended on these reports for the purpose of ready reference thereto by the examiners of the Corporation. However, it is understood that such market values may not be reflected in the balance sheets and other supporting schedules in cases where the reports were filed on the basis of convention values.

- (f) Statement of applicant's cash receipts and disbursements for the last 5 full years, and for the elapsed period of time from the last convention report to the date of the interim report filed on a convention form referred to in (e) above.
- (g) If not fully reflected in the convention reports, supporting schedules should be filed showing in detail all assets pledged to secure borrowed money, together with schedules of assets deposited with the various State departments of insurance.
- (h) A complete statement of any plan of reorganization, financial and/or otherwise, which the applicant proposes to put into operation.
- (i) A complete statement of the sources from which other funds are to be raised, showing the names of the subscribers to any capital stock by classes, capital notes, and otherwise, distinguishing between subscriptions applied for to the Corporation, subscriptions to be made by others, and subscriptions to be made by those proposing to offer such stock as collateral for loans from this Corporation.

- (j) A copy of the resolution of the board of directors showing that no officer, director, or employee of the applicant is receiving a total compensation as defined by the Act in a sum in excess of \$17,500 per annum from the applicant or any of its affiliates, and that such compensation will not be increased while any part of the preferred stock, capital notes, bonds, or debentures of such company is held by the Corporation.
- (k) A copy of the resolution of the board of directors of the applicant company showing that there are no agreements outstanding to retire any of its preferred stock, capital notes, bonds, or debentures issued for capital purposes, and that the company will not enter into any such agreement while any of the preferred stock, capital notes, bonds, or debentures are held by the Reconstruction Finance Corporation.
- (l) A complete statement of approval of the reorganization or refinancing plan by the supervisory insurance authority of the State in which the home office of the applicant is located, together with any conditions imposed by such supervisory authority in connection with approval of the plan.
- (m) A statement showing the names of holders of 10 percent or more of the capital stock of the applicant and the amount of stock held by each.

The Corporation also should be furnished with any contracts of reinsurance whereby the applicant, as a part of the plan under consideration in connection with the proposed subscription for preferred stock, purchase of capital notes or loan by this Corporation, intends to reinsure or take over any other company or part or all of the business of any other company or companies. Such contracts should be accompanied by the specific approval of the supervisory authorities of the States having jurisdiction over such contracts of reinsurance.

3. The applicant should show that its earning capacity will be sufficient at least to enable it to pay dividends on the preferred stock at the rate of 5 percent (five percent) per annum to the dividend payment date nearest to 5 years from the date dividend begins to accrue, and thereafter at the rate of 6 percent (six percent) per annum, after meeting all other expenses, assuming a mortality rate or a loss and expense ratio of no greater than the average ratio for the last full 5 years taken as a whole. Proper adjustments should be made to reflect the full rates of mortality or the full loss and expense ratios in respect to business taken over or reinsured during the 5-full-year period. Full provision should be made at the time of reorganization or refinancing against all losses and/or doubtful assets reasonably determinable.

4. The terms of the preferred stock and/or capital notes offered must provide for retirement, dividends, and/or interest. Other terms shall be in accordance with the requirements established by the Corporation.

Applications for Loans Secured by Preferred Stock and/or Capital Notes and/or Other Form of Security

1. The Corporation may make loans to individuals, firms, or corporations desiring to purchase the preferred stock and/or capital notes of an insurance company, provided these loans are adequately secured. In making such loans the Corporation will be governed by the factors usually taken into consideration in determining a sound credit risk. Preferred stock and/or capital notes will

be considered as collateral, together with such other forms of security as may be offered or as the Corporation may require.

2. Applications for loans on preferred stock and/or capital notes should include all of the information and documents which are required in applications for direct subscriptions for such stock and/or purchase of capital notes. The terms of such preferred stock and/or capital notes should include substantially the same provisions as outlined in paragraphs 3 and 4 under the heading Applications to the Reconstruction Finance Corporation for Subscription for Preferred Stock and Purchase of Capital Notes of Insurance Companies.

In addition thereto, there should be attached to the application—

- (a) A statement of the proposed terms of the loan.
- (b) A statement of the applicant's financial condition.
- (c) A statement of any collateral (with full credit information in support thereof) offered as security for the loan in addition to the preferred stock and/or capital notes.

Form of Application

Application forms will be obtainable at the loan agencies and at the Washington office of the Corporation. Meanwhile, applications may be made in writing to the loan agencies or to the Washington office of the Corporation in any form that will briefly but adequately supply the information herein requested.

Statutory Provisions

The pertinent provisions of the act of Congress approved June 10, 1933 (Public, No. 35, 73d Congress), are copied below:

An Act To authorize the Reconstruction Finance Corporation to subscribe for preferred stock and purchase the capital notes of insurance companies, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That during the continuance of the existing emergency heretofore recognized by Public, No. 1, of the Seventy-third Congress, or until this Act shall be declared no longer operative by proclamation of the President, and notwithstanding any other provision of any other law, if, in the opinion of the Secretary of the Treasury, any insurance company of any State of the United States is in need of funds for capital purposes either in connection with the organization of such company or otherwise, he may, with the approval of the President, request the Reconstruction Finance Corporation to subscribe for preferred stock of any class, exempt from assessment or additional liability, in such insurance company, or to make loans secured by such stock as collateral, and the Reconstruction Finance Corporation may comply with such request. The Reconstruction Finance Corporation may, with the approval of the Secretary of the Treasury and under such rules and regulations as he may prescribe, sell in the open market the whole or any part of the preferred stock of any such insurance company acquired by the corporation pursuant to this section. The total face amount of loans outstanding, preferred stock subscribed for, and capital notes purchased and held by the Reconstruction Finance Corporation, under the provisions of this section and section 2, shall not exceed at any one time \$50,000,000, and the amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized and empowered to issue and to have outstanding at any one time under existing law is hereby increased by an amount sufficient to carry out the provisions of this section and section 2.

SEC. 2. In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock, exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than 20 days, the Reconstruction Finance Corporation is authorized for the purposes of this Act to purchase the legally issued capital notes of such insurance company or to make loans secured by such notes as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

SEC. 3. The Reconstruction Finance Corporation shall not subscribe for or purchase any preferred stock or capital notes of any applicant insurance company, (1) until the applicant shows to the satisfaction of the Corporation that it has unimpaired capital stock, or that it will furnish new capital which will be subordinate to the preferred stock or capital notes to be subscribed for or purchased by the Corporation, equal to the amount of said preferred stock or capital notes so subscribed for or purchased by the Corporation: *Provided*, That the Corporation may make loans upon said preferred stock or capital notes, if, in its opinion, such loans will be adequately secured by said stock or capital notes, and/or such other forms of security as the Corporation may require; (2) if at the time of such subscription, purchase, or loan any officer, director, or employee of the applicant is receiving total compensation in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates; and (3) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees, and not to retire any of its stock, notes, bonds, or debentures issued for capital purposes, while any part of the preferred stock, notes, bonds, or debentures of such company is held by the Corporation. For the purposes of this section, the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services.

SEC. 11. As used in this act the term "insurance company" shall include any corporation engaged in the business of insurance or in the writing of annuity contracts, irrespective of the nature thereof, and operating under the supervision of a State superintendent or department of insurance in any of the States of the United States.

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CIRCULAR No. 9
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING APPLICATIONS FOR
LOANS FROM THE RECONSTRUCTION FINANCE
CORPORATION FOR THE PURPOSE OF PAYING
PROCESSING TAXES, COMPENSATING TAXES, AND
TAXES ON FLOOR STOCKS UNDER SECTION 19 (C)
OF THE AGRICULTURAL ADJUSTMENT
ACT OF 1933



AUGUST 1933

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

INFORMATION REGARDING APPLICATIONS FOR LOANS FROM THE
RECONSTRUCTION FINANCE CORPORATION FOR THE PURPOSE
OF PAYING PROCESSING TAXES, COMPENSATING TAXES, AND
TAXES ON FLOOR STOCKS UNDER SECTION 19 (C) OF THE AGRICULTURAL
ADJUSTMENT ACT OF 1933

In section 19 (c) of the Agricultural Adjustment Act of 1933 it is provided:

In order that the payment of taxes under this title may not impose any immediate undue financial burden upon processors or distributors, any processor or distributor subject to such taxes [processing taxes, compensating taxes, and taxes on floor stocks] shall be eligible for loans from the Reconstruction Finance Corporation under section 5 of the Reconstruction Finance Corporation Act.

1. General Requirements

The Reconstruction Finance Corporation may make loans as provided in the foregoing paragraph only to prevent the "immediate undue financial burden" which the taxes referred to may impose.

Inasmuch as it is provided by section 19 (b) of the Agricultural Adjustment Act that the payment of such taxes may be postponed by the Secretary of the Treasury for a period not exceeding 90 days, it is not contemplated that loans will be made by the Reconstruction Finance Corporation except in the event that postponement of payment for the full 90-day period has been obtained. Wherever possible, a signed copy of the order of postponement for the full 90-day period should be filed with the original application. However, the Corporation will consider applications for loans when they are accompanied by signed orders granting a postponement for a lesser period; *but in no event will the loan be disbursed until copies of signed orders granting postponement for the aggregate period of 90 days have been filed with the loan agency.*

Exception.—Where the Bureau of Internal Revenue has granted a general postponement with respect to certain taxes in connection with a particular commodity, and will not grant any individual extension with respect to such taxes, applications may be received at the beginning of and disbursement made immediately prior to the end of such period of general postponement.

Since in the case of the *compensating tax*, the tax is not payable until the importer wishes to withdraw the imported articles from customs custody or control, such order of postponement will not be required. However, the loan application should be accompanied by a certificate signed by the Collector of Customs to the effect that such articles are actually in customs custody or control. These certificates are now being prepared and will be obtainable at the office of the Collector of Customs.

2. Security Requirements

Section 5 of the Reconstruction Finance Corporation Act provides that all loans must be "fully and adequately secured." Warehouse receipts (preferably issued by warehouses licensed under the United States Warehouse Act) on commodities which are the basis of the tax, or warehouse receipts on other acceptable commodities as well as other forms of security customarily accepted

by banking institutions, which will furnish full and adequate security for the loan requested, will be considered.

No loans may be made on foreign securities as collateral.

3. Maturities and Interest Rates

Loans will be made for the normal turn-over period of the commodity and in no event to exceed 6 months. However, the Corporation will consider applications for renewals in the event that the turn-over period exceeds 6 months.

Interest rates on all classes of eligible loans are determined by the Board of Directors of the Corporation from time to time. The rate of interest on this class of loans has been fixed at 5 percent in the current rate schedule.

4. Applications

Application forms for loans may be obtained at the loan agency of the Reconstruction Finance Corporation serving the territory in which the applicant is located. The address of the proper loan agency may be obtained by inquiring at the office of any collector of internal revenue. When asking for application forms the prospective applicant should specify whether the application is to be made by an individual, a partnership, or a corporation.

Applications for loans should be made to such loan agency, and should not be filed with the Commissioner of Internal Revenue or with any collector of Internal Revenue.

Upon receipt of the application forms the same should be completed in accordance with instructions provided with the forms and returned to the loan agency together with the securities offered as collateral. If the application is approved, the applicant will be so advised, and disbursement of the proceeds of the loan will be made by the Corporation in a form of a check payable to the order of and delivered to the Collector of Internal Revenue.

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CIRCULAR No. 6
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING SUBSCRIPTIONS
FOR AND LOANS SECURED BY PREFERRED
STOCK OF BANKS AND TRUST COMPANIES
AND THE PURCHASE OF CAPITAL NOTES
AND DEBENTURES OF SUCH INSTITUTIONS



SEPTEMBER 1933

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

INFORMATION REGARDING SUBSCRIPTIONS FOR AND LOANS SECURED BY PREFERRED STOCK OF BANKS AND TRUST COMPANIES AND THE PURCHASE OF CAPITAL NOTES AND DEBENTURES OF SUCH INSTITUTIONS

The act of Congress approved March 9, 1933 (Public, No. 1, 73d Cong.), as amended, authorizes national banks to issue nonassessable preferred stock. The legislatures of many States have passed similar acts, applicable to State banks and trust companies. These acts, by permitting the sale of stock having a preferred position and being at the same time free from liability for assessment, should make it less difficult for communities to raise funds necessary in connection with the organization, reorganization, or recapitalization of local banks and trust companies.

The Reconstruction Finance Corporation may subscribe for the non-assessable preferred stock of banks or trust companies and thus render assistance in particular instances where it may not be possible to raise locally all the capital required for such institutions.

The Corporation also may make loans secured by preferred stock of banks or trust companies as collateral, whether such stock is assessable or nonassessable, and it may purchase the capital notes or debentures of a State bank or trust company which is not empowered by law to issue nonassessable preferred stock or which is empowered to issue such stock only with the unanimous consent of all of its stockholders.

Subscriptions for preferred stock and loans secured by preferred stock may be made and capital notes or debentures purchased only if the Corporation is requested to do so by the Secretary of the Treasury with the approval of the President.

The Corporation may, with the approval of the Secretary of the Treasury and under such rules and regulations as he may prescribe, sell in the open market the whole or any part of the preferred stock, capital notes, or debentures acquired by it.

This circular is issued to give information concerning:

- A. Purchase by Reconstruction Finance Corporation of preferred stock of a national banking association, and preferred stock, capital notes or debentures of a State bank, or trust company; and
- B. Loans by the Reconstruction Finance Corporation upon the security of preferred stock of a national banking association, State bank, or trust company.

Section I—General

1. All applications should be made directly to the Loan Agency of the Corporation serving the territory in which the applicant is located. Loan agencies will supply application forms upon request. In filing applications care should be taken to observe the instructions contained in the application forms. Prospective applicants are urged not to announce to the public any plan of reorganization involving the purchase of preferred stock, capital notes, or debentures by the Corporation or the making of a loan secured by such preferred stock, and not to take any definite public action intended to carry out any part of such plan until the Board of Directors of the Corporation has indicated its approval of the application.

2. The terms of the articles of association or incorporation of the bank or trust company governing its preferred stock, capital notes, or debentures, and the terms of the capital notes or debentures must comply substantially with standard forms prepared by the Corporation. The following forms have been prepared to cover provisions of the articles of association or incorporation authorizing the issue of the following-mentioned securities: (a) One class of preferred stock—R.F.C. Form P.S.-1 (revised August 18, 1933); (b) two classes of preferred stock—R.F.C. Form P.S.-3 (revised August 18, 1933).

R.F.C. Form P.S.-2 (revised August 18, 1933) has been prepared to cover the actual provisions of debentures.

3. The sound value of the assets of the bank or trust company must at least equal its deposits and other liabilities. In addition there must be provided a reasonable margin of protection for its preferred stock, capital notes, or debentures, represented by common stock alone, or by common stock and junior preferred stock or junior capital notes or debentures. After an application has been filed, examiners for the Corporation will examine the assets of the bank or trust company before any commitment is made by the Corporation.

4. The anticipated earning capacity of the bank or trust company must be sufficient to enable it to pay dividends at the stipulated rate on the preferred stock or interest on the capital notes or debentures to be purchased by the Corporation, or pledged to the Corporation in the case of preferred stock, after meeting expenses and making proper provisions for reserves and retirement of preferred stock, capital notes, or debentures.

5. Any plan of organization, or of reorganization, of a bank or trust company or any plan supplementing the existing sound capital of a bank or trust company in which the issue of preferred stock, capital notes, or debentures is contemplated, must be carried out with strict compliance with constitutional statutory authority.

Section II—Purchase of Preferred Stock, Capital Notes, or Debentures

1. Application may be made to the Corporation to subscribe for the preferred stock or to purchase the capital notes or debentures of a bank or

trust company which is (a) open, (b) closed and contemplating reorganization, or (c) to be newly formed. Applicants should first ascertain whether the institution is empowered by law to issue the contemplated preferred stock, capital notes, or debentures.

2. The Corporation will not subscribe for the preferred stock of any State bank or trust company unless such stock is by law nonassessable and unless the holders thereof are not liable for any debts, contracts, or obligations of the bank or trust company issuing the same (although it may consider a loan on such preferred stock as hereinafter provided). If the bank or trust company cannot issue preferred stock meeting these requirements the applicant should consider either:

- (a) The issue by the bank or trust company of capital notes or debentures or
- (b) A loan, as hereinafter provided, by the Corporation upon the collateral of such preferred stock as the applicant is authorized by law to issue.

3. In cases where the Corporation purchases capital notes or debentures the Corporation will require satisfactory assurances that the management of the bank or trust company and the compensation paid its officers, directors, and employees will be satisfactory to it.

Section III—Loans Secured by Preferred Stock

1. Application may be made to the Corporation for loans to individuals, firms, or corporations desiring to purchase the preferred stock of a bank or trust company, to be secured by such preferred stock as collateral.

2. In making loans secured by preferred stock of banks or trust companies, the Corporation will be governed by the usual factors determining a sound credit risk. The financial responsibility of each borrower will, therefore, be given careful consideration. In general, other collateral will be required as a margin in addition to the preferred stock purchased with the proceeds of the Corporation's loan.

3. The Corporation will require satisfactory assurances that the management of the bank or trust company and the compensation paid the officers, directors, and employees will be satisfactory to it.

4. The law does not authorize the Corporation to make loans upon capital notes and debentures, or for the purpose of issuing such notes or debentures.

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CIRCULAR No. 10

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION FOR PROSPECTIVE APPLICANTS
FOR LOANS TO FINANCE THE CARRYING AND
ORDERLY MARKETING OF AGRICULTURAL
COMMODITIES UNDER SECTION 201 (d) OF THE
EMERGENCY RELIEF AND CONSTRUCTION
ACT OF 1932



SEPTEMBER 1933

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

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INFORMATION FOR PROSPECTIVE APPLICANTS FOR LOANS TO FINANCE THE CARRYING AND ORDERLY MARKETING OF AGRICULTURAL COM- MODITIES UNDER SECTION 201 (d) OF THE EMERGENCY RELIEF AND CONSTRUCTION ACT OF 1932

Paragraph (d) of section 201, title II of the Emergency Relief and Construction Act of 1932 provides as follows:

The Reconstruction Finance Corporation is authorized and empowered to make loans to bona fide institutions, organized under the laws of any State or of the United States and having resources adequate for their undertakings, for the purpose of enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States.

Under this authority, the Reconstruction Finance Corporation is now making loans to eligible borrowers for the purposes set forth above.

Eligible Borrowers

Eligible applicants must be bona fide institutions organized under the laws of any State or of the United States and having resources adequate for their undertakings. In order to comply with the requirement that applicants be bona fide institutions, such applicants must have been organized for the purpose of engaging in good faith in business of such character as to qualify them as eligible applicants. Such institutions which include private corporations and cooperative associations, must be in sound financial condition and must be: (a) Engaged in the business of making loans or advances to others for the carrying and/or orderly marketing of agricultural commodities and livestock produced in the United States, or (b) engaged in the business of carrying and/or orderly marketing of agricultural commodities produced in the United States.

Ordinarily such institutions will be incorporated; but an institution which meets other requirements for eligibility and which is organized under the laws of any State or the United States, even though not incorporated, will be eligible for a loan. In general, an institution which is not incorporated will be considered as organized under the laws of any State, if it conforms to the following requirements: (1) The name of the institution shall be filed with some designated officer of the State, and (2) the institution shall be set up under such laws as shall provide for actual organization as a legal entity as distinguished from mere regulation.

Purposes for Which Loans will be Made

Loans may be made for the following purposes: (1) to institutions mentioned in (a) above for the purpose of making loans or advances to others in order to enable them to carry and/or orderly market agricultural commodities and

livestock; (2) to institutions mentioned in (b) above for the purpose of: (a) Making loans or advances to farmers or stockmen to enable them to carry and/or orderly market agricultural commodities and livestock; (b) financing agricultural commodities and livestock purchased or to be purchased directly from farmers or stockmen; or (c) financing agricultural commodities or livestock purchased or to be purchased for use in their business of carrying and/or marketing in an orderly manner; provided, that applicants for loans for the purpose of carrying out (b) and (c) shall submit evidence satisfactory to the Corporation that loans cannot be obtained for such purposes upon reasonable terms from the normal sources.

The purposes of loans to institutions mentioned above may include the financing of such packaging and processing of perishable agricultural commodities as may be necessary to preserve them and to place them in condition for warehousing and distribution, such as curing tobacco, canning fruits and vegetables, making butter and cheese, et cetera. However, loans may not be made for the purpose of processing livestock into meats, lard, et cetera, and nonperishable agricultural commodities into manufactured products, such as flour, cotton cloth, cotton-seed oil, et cetera.

Loans may not be made for the purpose of acquiring, constructing, or repairing physical facilities, or for the purpose of liquidating indebtedness on such facilities.

Security Requirements

All loans must be fully and adequately secured. A distinction will be made between loans to finance the carrying and/or marketing of nonperishable commodities and those of a perishable nature.

Loans on nonperishable commodities must be fully secured by warehouse receipts representing such commodities, issued by independent warehouses acceptable to the Corporation, preferably those licensed under the provisions of the United States Warehouse Act. Applicants engaged in the business of carrying and/or marketing such commodities, represented by warehouse receipts, must present evidence satisfactory to the Corporation that such commodities were purchased directly from farmers or, if not purchased from farmers, give assurances satisfactory to the Corporation that such commodities were purchased not for resale, but solely for use in their business.

The Board has not attempted to define the term "nonperishable agricultural commodities", but is prepared to consider as such cotton, wool and mohair, rice, grains, seeds, tobacco, sirups, canned or dried fruits and vegetables (including cold pack fruits), cottonseed, and raw sugar. In some instances loans also may be made upon the security of warehouse receipts representing commodities of a semiperishable nature, such as eggs, butter and cheese, apples, and potatoes.

Loans to finance the carrying and/or orderly marketing of perishable or semiperishable commodities may be secured by collateral other than the pledge of the commodities, provided the Corporation obtains full and adequate security. Such security may include a first mortgage on physical facilities, provided the applicant presents evidence satisfactory to the Corporation that the loan will

be fully liquidated out of the proceeds of the sale of such perishable products on or before maturity. The Board has classified as perishable commodities fresh fruits and vegetables, dairy products, and poultry and eggs. A few commodities have been included under both classifications, and loans with reference to the carrying and orderly marketing of such commodities will be made either upon the security of warehouse receipts representing such commodities where the applicant has given satisfactory evidence that care will be taken to prevent deterioration, either through proper storage or processing, or upon other security satisfactory to the Corporation.

The question of what other commodities are to be considered as "agricultural commodities" under either of the above classifications will be determined by the Board of Directors of the Reconstruction Finance Corporation as individual applications are presented.

It is not contemplated that the Corporation will be requested to make loans to institutions to finance the carrying and orderly marketing of livestock under these provisions of the act in view of the fact that such institutions ordinarily will qualify as livestock loan companies and, as such, be eligible as applicants for loans from the Corporation under the provisions of section 5 of the Reconstruction Finance Corporation Act.

Maturities and Interest Rates

Loans will be made for the normal turn-over period of the commodity and in no event to exceed 6 months. However, the Corporation will consider applications for renewals in the event the turn-over period exceeds 6 months.

Interest rates on all classes of eligible loans are determined by the Board of Directors of the Corporation from time to time.

Applications

Application forms for loans may be obtained at the loan agency of the Reconstruction Finance Corporation serving the territory in which the applicant is located. In addition to information called for in the application forms, the Corporation will require the following:

- (1) Statement setting forth the organization and history of the applicant.
- (2) Statement setting forth the plan of operations of the applicant with particular reference to such matters as warehousing of the commodities, warehouse charges, and the plans for the marketing of the commodities.
- (3) Statement of the aggregate amount of applicant's probable financial requirements for the season.
- (4) Two sample copies of form of warehouse receipt to be used by the applicant and tendered to this Corporation as collateral; also two copies of the form of marketing agreement, if any, used by the applicant covering the marketing of the commodities.
- (5) Where the applicant proposes to make or has made loans or advances to others, original or verified copies of financial statements of the collateral

note makers, together with complete particulars as to the provisions made by the applicant for supervision of its loans and inspection of collateral.

(6) Such general statement relative to the commodities to be financed as may be necessary fully to inform the Corporation. This should include information regarding the keeping qualities of the commodities and hazards to which they are subject; f.o.b. prices of the commodities at the point of storage or shipment; methods of grading, packing, and storing; cost of packaging and/or processing; and other pertinent information.

(7) Such other statements and documents as, in the opinion of the loan agency, will be helpful in the consideration of the application.

The application forms and exhibits indicated above should be completed by the applicant and returned to the loan agency together with the securities offered as collateral or a schedule of such securities to be offered. If the application is approved, the applicant will be advised and disbursement of the proceeds of the loan will be made in accordance with the terms thereof.



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CIRCULAR No. 11
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS TO ASSIST IN THE
NATIONAL RECOVERY ADMINISTRATION PROGRAM



SEPTEMBER 1933

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

OCT 24 '33

INFORMATION REGARDING LOANS TO ASSIST IN THE NATIONAL RECOVERY ADMINISTRATION PROGRAM

1. LOANS TO ASSIST IN THE NATIONAL RECOVERY PROGRAM.

For the purpose of assisting business and industry in cooperation with the National Recovery Administration program, the Reconstruction Finance Corporation will make loans to banks, trust companies, and mortgage-loan companies for periods of 6 months or less, with interest at the rate of 3 percent per annum, to enable the borrowing banks, trust companies, and mortgage-loan companies to make loans—

- (a) For the purchase of materials for manufacture;
- (b) To cover the actual cost of labor in the manufacture and processing of material; or
- (c) To assist merchants and others especially affected by the National Recovery Administration program.

2. CONDITIONS.

Such loans will be made by the Reconstruction Finance Corporation on the following conditions:

- (a) That the proceeds thereof be relented by the applicants¹ for any part of 6 months at a rate of interest not in excess of 5 percent per annum;
- (b) That the notes of borrowers,¹ tendered to the Reconstruction Finance Corporation as collateral, be secured by a valid assignment of an unconditional order for the manufactured product, and/or mortgages, real or chattel, on plant, equipment, real estate, raw material or manufactured product, or in any other manner acceptable to the lending bank, trust company, or mortgage-loan company and to the Reconstruction Finance Corporation;
- (c) That satisfactory evidence be furnished that the borrowers, whose notes are tendered as collateral security, have complied with all provisions of the applicable approved code of fair competition for the trade or industry, or subdivision thereof concerned, or if there be no approved code of fair competition for the trade or industry of such borrower, then with the provisions of the President's Reemployment Agreement promulgated under authority of section 4 (a) of the National Industrial Recovery Act; and
- (d) That the application be accompanied by satisfactory evidence that the borrower to whom the proceeds of the loan will be lent will use the funds for one or more of the purposes outlined in (a), (b), and (c) in paragraph 1 hereof.

Loans described in paragraphs 1 and 2 are of a short-term character and for the purpose, essentially, of providing working capital.

¹ The term "applicants" is used herein to refer to the banks, trust companies and mortgage-loan companies borrowing from Reconstruction Finance Corporation, and the term "borrowers" to refer to those obtaining loans from such applicants.

3. OTHER LOANS TO ASSIST RECOVERY.

General purpose.

The Corporation will also make other loans of a sound character for which the necessity can be definitely established. Should the local banks or other usual financial channels be unwilling to undertake this type of financing, it is suggested that local mortgage-loan companies, either already existing or newly organized, be used for making such loans. The Corporation wants to make its facilities available quite generally in order to assist in carrying out the recovery program. Such facilities are available, through mortgage-loan companies or other eligible applicants, for any sound and worthy purpose in keeping with the law.

While it is not the intention to restrict the general purpose for which the facilities of this Corporation may be used, as outlined in the preceding paragraph, nevertheless in order to answer inquiries which have been received from numerous sources, it is necessary to make some comment upon loans to finance construction and loans to finance real estate development projects.

Construction loans.

While loans to finance repairs will be considered, loans will not be encouraged which are intended to provide for new construction unless a real need for such new construction can be established. The test as to whether such construction will be approved will be whether satisfactory evidence can be produced showing a need and a volume of business, actual or assured, sufficient to warrant such financing and to assure repayment within a reasonable time. It should also be shown that the transaction would not result in unnecessarily duplicating or adding to existing facilities.

Financing real estate development projects.

It is not deemed desirable, unless special circumstances are definitely established, to make loans for financing real estate development projects.

Terms.

Loans made by the Reconstruction Finance Corporation to such mortgage-loan companies (or banks or other eligible borrowing institutions) for financing this type of borrowing will bear interest at the rate of 4 percent per annum and may have a maturity up to 3 years. The applicant will not be permitted to charge borrowers to whom the proceeds of the Corporation's advances are loaned a greater rate of interest than 6 percent per annum. Loans made by mortgage-loan companies (or other eligible borrowing institutions) under paragraph 3 must be secured in a manner acceptable to the applicant and to the Reconstruction Finance Corporation. While the maturity of such loans is not limited to a 6 months' period as is the case of loans under paragraphs 1 and 2, the borrowers obtaining such loans must be able to demonstrate their ability to liquidate them within a reasonable period of time out of profits or through the sale or liquidation of assets or by means of a refunding program.

4. MORTGAGE-LOAN COMPANIES.

Definition.

The term "mortgage-loan company" as used in this circular includes corporations having charter power to make loans secured by either real estate or chattel mortgages (including loans for industrial purposes), the principal business of which is the making of such loans. The term "chattel mortgages" shall not include conditional sales agreements and installment sales contracts or contracts of a similar character. The chattel mortgages should be on property owned by and in the possession of the borrower from the mortgage-loan company. If in certain communities credit requirements cannot be met by banks and it is deemed necessary or advisable to employ an existing mortgage-loan company or to organize a new mortgage-loan company, it is contemplated that, as a general rule, such company will be a community enterprise and that it will hold its facilities open, not to just one or two borrowers, but to all worthy borrowers in the community requiring the type of accommodations discussed in this circular, or at least to all such worthy borrowers of a sufficiently large group.

The Reconstruction Finance Corporation does not intend to make loans to a "one purpose" mortgage-loan company, that is, a mortgage-loan company which has been organized to serve a single borrower.

Capital.

Generally speaking, the Reconstruction Finance Corporation will make loans to such mortgage-loan companies, when properly secured, up to five times the capital of such companies. This ratio may be varied or increased, however, depending upon the character of the loans made by the mortgage-loan companies. The capital of the mortgage-loan companies must be represented by cash or assets of sound value.

Organization.

Where new mortgage-loan companies are to be organized, it is suggested that where practicable they be organized as community or trade enterprises. The prospective borrowers themselves may subscribe in whole or in part for the capital of such mortgage-loan companies. It is hoped that local banks, clearing houses, and chambers of commerce will assist in the organization of such mortgage-loan companies, either by subscribing for or assisting in obtaining capital, or by grouping borrowers and facilitating contacts among them in order that such borrowers may cooperate in the organization of the mortgage-loan company.

5. SECURITY REQUIREMENTS.

Section 5 of the Reconstruction Finance Corporation Act requires that all loans made thereunder shall be fully and adequately secured. Therefore, in connection with all loans made pursuant to the provisions of this circular, it will be required either that a margin of collateral be pledged by the applicant or that the notes tendered as collateral be secured by an ample margin of sub-collateral.

6. ONLY SOUND LOANS CONSIDERED.

It is the desire of the Reconstruction Finance Corporation to render genuine assistance, in so far as it legitimately can, to fundamentally sound enterprises to which, for one reason or another, normal credit either is not available from or will not be extended by the usual banking and financial channels. Enterprises of a promotional nature will not be considered, nor enterprises which have no reasonable hope of success or for which there appears to be no real economic need.

7. CHARGES, COMMISSIONS, BONUSES, FEES, ETC.

No charges or commissions in any form not fully disclosed and reasonable for actual services rendered may be charged to any applicant or to any borrower from any applicant. Payment of bonuses, special fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited.

8. INFORMATION TO BE FILED WITH APPLICATION.

With respect to each note of a borrower offered by a bank, trust company, or mortgage-loan company, complete information in duplicate should be furnished by the applicant, and should include the following:

(a) Balance sheet and income account for the past 2 years. Information as to scope of the borrower's present operations, including the present number of employees.

(b) If the loan comes within the provisions of paragraphs 1 and 2 of this circular, the amount of materials to be purchased and additional labor to be employed as a result of the loan.

(c) If the loan comes within the provisions of paragraphs 1 and 2 of this circular, unfilled orders on the books or in prospect or other satisfactory evidence that the borrower will be able to operate successfully and to pay the loan.

(d) If the loan comes within the provisions of paragraph 3 of this circular, adequate information must be furnished regarding the use to which the proceeds of the loan will be put.

(e) If the loan comes within the provisions of paragraph 3 of this circular, evidence must be furnished of the ability of the borrower to operate successfully and to liquidate or refund the loan within a reasonable time. This will involve information regarding the economic need for the borrower in the community.

(f) Information showing compliance with paragraph 7 of this circular.

9. METHOD OF FILING APPLICATION.

The proper application forms may be obtained from the Loan Agency of the Reconstruction Finance Corporation serving the territory in which the applicant is located. (See list of such Loan Agencies on page 5 of this circular.)

The application should be accompanied by a schedule of the borrowers to whom the proceeds of the loan will be or has been lent and the amount of

each loan; also by a duly executed agreement by the applicant that the proceeds of the loan will be lent to such borrowers at a rate not to exceed 5 percent or 6 percent per annum, as the case may be.

Applicants will be required to furnish full and adequate credit data as well as complete information relative to the security offered. In the event all of the notes offered as collateral are not available for delivery at the time the loan is to be closed pursuant to approval of the application by the Board of Directors of the Corporation, disbursement will be made in part in accordance with existing regulations covering this subject.

LOAN AGENCIES OF THE RECONSTRUCTION FINANCE CORPORATION

Loan agencies of the Reconstruction Finance Corporation are located in the following cities:

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N.C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	Salt Lake City, Utah.
Cleveland, Ohio.	Louisville, Ky.	San Antonio, Tex.
Dallas, Tex.	Minneapolis, Minn.	San Francisco, Calif.
Denver, Colo.	Nashville, Tenn.	Seattle, Wash.
Detroit, Mich.	New Orleans, La.	Spokane, Wash.
El Paso, Tex.	New York, N.Y.	St. Louis, Mo.
Helena, Mont.	Oklahoma City, Okla.	

Acts of Congress

The following sections of the Reconstruction Finance Corporation Act, as amended, applicable to loans are quoted for the information of applicants:

SEC. 5. To aid in financing agriculture, commerce, and industry, including facilitating the exportation of agricultural and other products, the corporation is authorized and empowered to make loans, upon such terms and conditions not inconsistent with this act as it may determine, to any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State or of the United States, including loans secured by the assets of any bank, savings bank, or building and loan association, that is closed, or in process of liquidation, to aid in the reorganization or liquidation of such banks, or building and loan associations, upon application of the receiver or liquidating agent of such bank, or building and loan association, and any receiver of any national bank is hereby authorized to contract for such loans and to pledge any assets of the bank for securing the same.

All loans made under the foregoing provisions shall be fully and adequately secured. The corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. Such loans may be made directly upon promissory notes or by way of discount or rediscount of obligations tendered for the purpose, or otherwise in such form and in such amount and at such interest or discount rates as the corporation may approve: *Provided*, That no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the

purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances. In no case shall the aggregate amount of advances made under this section to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2½ per centum of (1) the authorized capital stock of the Reconstruction Finance Corporation plus (2) the aggregate amount of bonds of the corporation authorized to be outstanding when the capital stock is fully subscribed.

Each such loan may be made for a period not exceeding three years, and the corporation may from time to time extend the time of payment of any such loan, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond five years from the date upon which such loan was made originally. The corporation may make loans under this section at any time prior to the expiration of one year from the date of the enactment hereof; and the President may from time to time postpone such date of expiration for such additional period or periods as he may deem necessary, not to exceed two years from the date of the enactment hereof.¹

* * * * *

SEC. 6. Section 5202 of the Revised Statutes of the United States, as amended, is hereby amended by striking out the words "War Finance Corporation Act" and inserting in lieu thereof the words "Reconstruction Finance Corporation Act."

* * * * *

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon issued by the corporation, or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged, or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) in so far as applicable, are extended to apply to contracts or agreements with the corporation under this act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of Public Act No. 35, Seventy-third Congress, is applicable to loans referred to in this circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending

¹ By proclamation of the President, Dec. 8, 1932, the power of Reconstruction Finance Corporation to make loans under provisions of sec. 5 was extended to "any time prior to the 22d day of January, 1934."

such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

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CIRCULAR NO. 12

OF THE

RECONSTRUCTION
FINANCE CORPORATION

PUBLIC ADVERTISEMENT REGARDING
NOTES OF THE RECONSTRUCTION FINANCE CORPORATION
SERIES OF FEBRUARY 1, 1934



OCTOBER 26, 1933

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

PUBLIC ADVERTISEMENT REGARDING NOTES OF THE RECONSTRUCTION FINANCE CORPORATION, SERIES OF FEBRUARY 1, 1934

1. Reconstruction Finance Corporation offers for subscription under the authority of the Reconstruction Finance Corporation Act of January 22, 1932, as amended and supplemented, an issue of notes, series of February 1, 1934, payment for which will be received in gold as hereinafter provided. The amount of the offering is \$50,000,000, or thereabout.

DESCRIPTION OF NOTES

2. The notes will be bearer obligations of the Reconstruction Finance Corporation and will be fully and unconditionally guaranteed by the United States. They will be issued on a discount basis, the discount being equal to interest at the rate of one quarter of 1 percent per annum on the purchase price from the date of issue to February 1, 1934, the date of maturity; they will be issued and dated as of the time certification of the gold offered in payment therefor is received by the proper Federal Reserve bank from a United States mint or assay office; and they will mature on February 1, 1934, when the face amount will be payable at the office of the Treasurer of the United States, Washington.

3. As provided in section 10 of the Reconstruction Finance Corporation Act, the notes "shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority."

APPLICATION AND PAYMENT

4. Application for the notes must be made on R.F.C. form N-1 and filed at the United States mints in Philadelphia, San Francisco, or Denver, or at the United States assay offices in New York or Seattle. Gold tendered in payment of the notes must be deposited at the mint or assay office where the application is made and must be accompanied by the affidavit and consignment agreement (form TG-7A or form TG-8A) and any supplementary affidavits required by the regulations prescribed under the Executive order of October 25, 1933. The United States mints and assay offices will receive gold tendered in payment for the notes only if satisfied that such gold may be received on consignment therefor in accordance with the Executive order of October 25, 1933, and the regulations prescribed thereunder.

ISSUANCE AND DELIVERY

5. The mint or assay office to which the gold is tendered, when satisfied that the gold is receivable under the Executive order of October 25, 1933, and the regulations prescribed thereunder, and after assay of the gold and receipt

of the mint charges, will certify to the Federal Reserve bank in the district in which the mint or assay office is located, the amount of gold so received. The Reconstruction Finance Corporation acting through the Federal Reserve bank as fiscal agent will issue to the applicant such an amount of notes as may be purchased in accordance with the table appended hereto with the amount of gold so certified at the rate for such gold last announced by the Reconstruction Finance Corporation prior to the time certification by the mint or assay office, is received by the proper Federal Reserve bank.

6. Upon receipt by the Federal Reserve bank of the certification of a deposit of gold, such bank will forward to the applicant at the address given in the application R.F.C. form N-1 the notes (or interim certificates) purchased with such deposit of gold. Thereafter, the mint or assay office will hold the gold with which the notes were purchased for the account of the Reconstruction Finance Corporation. Pending the engraving of the notes delivery thereof will be postponed, but the Federal Reserve banks may issue interim certificates when request therefor is made.

GENERAL

7. The Reconstruction Finance Corporation reserves the right to withdraw, amend, or supplement this circular and the offer of notes made hereby and all deposits of gold, and applications for notes hereunder will be received subject to such right to withdraw, amend, or supplement.

H. A. MULLIGAN,
Treasurer Reconstruction Finance Corporation.

Table showing face amount of note maturing Feb. 1, 1934, per one dollar (\$1.00) of purchase price

Date	Number of days	Value	Date	Number of days	Value
1933			1933		
Oct. 25.....	99	\$1. 0006780822	Dec. 15.....	48	\$1. 0003287671
Oct. 26.....	98	1. 0006712329	Dec. 16.....	47	1. 0003219178
Oct. 27.....	97	1. 0006643836	Dec. 17.....	46	1. 0003150685
Oct. 28.....	96	1. 0006575342	Dec. 18.....	45	1. 0003082192
Oct. 29.....	95	1. 0006506849	Dec. 19.....	44	1. 0003013699
Oct. 30.....	94	1. 0006438356	Dec. 20.....	43	1. 0002945205
Oct. 31.....	93	1. 0006369863	Dec. 21.....	42	1. 0002876712
Nov. 1.....	92	1. 0006301370	Dec. 22.....	41	1. 0002808219
Nov. 2.....	91	1. 0006232877	Dec. 23.....	40	1. 0002739726
Nov. 3.....	90	1. 0006164384	Dec. 24.....	39	1. 0002671233
Nov. 4.....	89	1. 0006095890	Dec. 25.....	38	1. 0002602740
Nov. 5.....	88	1. 0006027397	Dec. 26.....	37	1. 0002534247
Nov. 6.....	87	1. 0005958904	Dec. 27.....	36	1. 0002465753
Nov. 7.....	86	1. 0005890411	Dec. 28.....	35	1. 0002397260
Nov. 8.....	85	1. 0005821918	Dec. 29.....	34	1. 0002328767
Nov. 9.....	84	1. 0005753425	Dec. 30.....	33	1. 0002260274
Nov. 10.....	83	1. 0005684932	Dec. 31.....	32	1. 0002191781
Nov. 11.....	82	1. 0005616438	1934		
Nov. 12.....	81	1. 0005547945	Jan. 1.....	31	1. 0002123288
Nov. 13.....	80	1. 0005479452	Jan. 2.....	30	1. 0002054795
Nov. 14.....	79	1. 0005410959	Jan. 3.....	29	1. 0001986301
Nov. 15.....	78	1. 0005342466	Jan. 4.....	28	1. 0001917808
Nov. 16.....	77	1. 0005273973	Jan. 5.....	27	1. 0001849315
Nov. 17.....	76	1. 0005205479	Jan. 6.....	26	1. 0001780822
Nov. 18.....	75	1. 0005136986	Jan. 7.....	25	1. 0001712329
Nov. 19.....	74	1. 0005068493	Jan. 8.....	24	1. 0001643836
Nov. 20.....	73	1. 0005000000	Jan. 9.....	23	1. 0001575342
Nov. 21.....	72	1. 0004931507	Jan. 10.....	22	1. 0001506849
Nov. 22.....	71	1. 0004863014	Jan. 11.....	21	1. 0001438356
Nov. 23.....	70	1. 0004794521	Jan. 12.....	20	1. 0001369863
Nov. 24.....	69	1. 0004726027	Jan. 13.....	19	1. 0001301370
Nov. 25.....	68	1. 0004657534	Jan. 14.....	18	1. 0001232877
Nov. 26.....	67	1. 0004589041	Jan. 15.....	17	1. 0001164384
Nov. 27.....	66	1. 0004520548	Jan. 16.....	16	1. 0001095890
Nov. 28.....	65	1. 0004452055	Jan. 17.....	15	1. 0001027397
Nov. 29.....	64	1. 0004383562	Jan. 18.....	14	1. 0000958904
Nov. 30.....	63	1. 0004315068	Jan. 19.....	13	1. 0000890411
Dec. 1.....	62	1. 0004246575	Jan. 20.....	12	1. 0000821918
Dec. 2.....	61	1. 0004178082	Jan. 21.....	11	1. 0000753425
Dec. 3.....	60	1. 0004109589	Jan. 22.....	10	1. 0000684932
Dec. 4.....	59	1. 0004041096	Jan. 23.....	9	1. 0000616438
Dec. 5.....	58	1. 0003972603	Jan. 24.....	8	1. 0000547945
Dec. 6.....	57	1. 0003904110	Jan. 25.....	7	1. 0000479452
Dec. 7.....	56	1. 0003835616	Jan. 26.....	6	1. 0000410959
Dec. 8.....	55	1. 0003767123	Jan. 27.....	5	1. 0000342466
Dec. 9.....	54	1. 0003698630	Jan. 28.....	4	1. 0000273973
Dec. 10.....	53	1. 0003630137	Jan. 29.....	3	1. 0000205479
Dec. 11.....	52	1. 0003561644	Jan. 30.....	2	1. 0000136986
Dec. 12.....	51	1. 0003493151	Jan. 31.....	1	1. 0000068493
Dec. 13.....	50	1. 0003424658	Feb. 1.....	0	1. 0000000000
Dec. 14.....	49	1. 0003356164			

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CIRCULAR No. 4

(REVISED)

RECONSTRUCTION
FINANCE CORPORATION

ITS POWERS AND FUNCTIONS



MARCH 1934

UNITED STATES
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RECONSTRUCTION FINANCE CORPORATION
1825 H STREET NORTHWEST
WASHINGTON, D. C.

DIRECTORS AND OFFICERS

JESSE H. JONES, *Chairman, Board of Directors.*

HENRY MORGENTHAU, Jr. (Secretary of the Treasury), *Director Ex Officio.*

JOHN J. BLAINE, *Director.*

HARVEY C. COUCH, *Director.*

CHARLES B. HENDERSON *Director.*

CARROLL B. MERRIAM, *Director.*

FREDERIC H. TABER, *Director.*

GEORGE R. COOKSEY, *Secretary.*

STANLEY REED, *General Counsel.*

HENRY A. MULLIGAN, *Treasurer.*

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RECONSTRUCTION FINANCE CORPORATION

The Reconstruction Finance Corporation was created by "An Act to provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes", approved January 22, 1932, which may be cited as the "Reconstruction Finance Corporation Act." The powers of the Corporation were increased and the scope of its operations extended by subsequent legislation. This circular outlines the organization, functions, and authority of the Corporation under existing law.

I. MANAGEMENT AND ORGANIZATION

The Reconstruction Finance Corporation was organized on February 2, 1932, pursuant to the provisions of the Reconstruction Finance Corporation Act which provides that it shall have succession for a period of 10 years from January 22, 1932, unless sooner dissolved by an act of Congress. Under the Act, as amended, its management is vested in a board of directors consisting of the Secretary of the Treasury (or, in his absence, the Under Secretary of the Treasury), who is a member ex officio, and six other directors appointed by the President of the United States by and with the advice and consent of the Senate.

The Corporation functions through a principal office at Washington and loan agencies established in cities throughout the United States, as follows:

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N.C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	St. Louis, Mo.
Cleveland, Ohio.	Louisville, Ky.	Salt Lake City, Utah.
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Seattle, Wash.
El Paso, Tex.	New York, N.Y.	Spokane, Wash.
Helena, Mont.	Oklahoma City, Okla.	

In addition to the foregoing, the Corporation has a special representative at San Juan, Puerto Rico.

The Federal Reserve banks are authorized to act as depositories, custodians, and fiscal agents for the Corporation. The proceeds of loans generally are disbursed by the Corporation through the Federal Reserve banks and their branches which also, acting as custodians, hold the primary obligations of borrowers evidencing indebtedness to the Corporation, as well as the collateral pledged with the Corporation as security therefor. Since there is no Federal Reserve bank or branch bank in Puerto Rico, the Insular Treasurer at San Juan acts as custodian for the Corporation.

The funds of the Corporation are kept on deposit with the Treasurer of the United States.

II. LOANS TO FINANCIAL INSTITUTIONS AND RAILROADS UNDER SECTION 5 OF THE RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED

The Corporation, under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended, is authorized to make loans until February 1, 1935, or such earlier date as the President may fix by proclamation, on full and adequate security and upon the terms and conditions stated in the law, to:

Any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the United States, including loans secured by the assets of any bank, savings bank, or building and loan association that is closed, or in process of liquidation, to aid in their reorganization or liquidation, upon application of the receiver or liquidating agent of such institution.

Under the same section of the law, the Corporation is authorized, upon the approval of the Interstate Commerce Commission, to make loans to:

- (a) Railroads and railways engaged in interstate commerce, to aid in the temporary financing thereof, to railroads and railways in process of construction, and to receivers of such railroads and railways, when, in the opinion of the board of directors of the Corporation, such railroads or railways are unable to obtain funds upon reasonable terms through banking channels or from the general public and the Corporation will be adequately secured.
- (b) Trustees of railroads which proceed to reorganize under section 77 of the Bankruptcy Act of March 3, 1933.

Loans under section 5 of the Reconstruction Finance Corporation Act, as amended, may be made for a period not exceeding 3 years, and the Corporation may renew or extend the time of payment up to a maximum of 5 years from the dates upon which such loans were made originally.

Section 4 of an Act of Congress, approved June 10, 1933, provides that the Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932:

- (1) If at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Corporation, and

- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Corporation while such loan is outstanding and unpaid.

For the purposes of this section, the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

Section 5 of the Reconstruction Finance Corporation Act, as amended, provides that in no case shall the aggregate amount of advances made thereunder to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2% per centum of

- (1) The authorized capital stock of the Reconstruction Finance Corporation, plus
- (2) The aggregate amount of bonds authorized to be outstanding when the capital stock is fully subscribed.¹

Section 5 also provides that no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances.

III. SUBSCRIPTIONS FOR PREFERRED STOCK OF NATIONAL OR STATE BANKS OR TRUST COMPANIES, LOANS SECURED BY SUCH STOCK AS COLLATERAL, OR PURCHASES OF CAPITAL NOTES OR DEBENTURES OF STATE BANKS OR TRUST COMPANIES

Under section 304 of the Act of Congress approved March 9, 1933, as amended, the Reconstruction Finance Corporation is authorized to subscribe for preferred stock, exempt from double liability, in any National or State bank or trust company,² upon the request of the Secretary of the Treasury with the approval of the President. The Corporation also is authorized to make loans secured by the preferred stock of National or State banks or trust companies as collateral, upon the request of the Secretary of the Treasury with the approval of the President. In any case in which a State bank or trust company is not permitted, under the laws of the State in which it is located, to issue preferred stock exempt from double liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, the Corporation is authorized, for the purposes of this section, to purchase the legally issued capital notes or debentures of such State bank or trust company.

The Corporation is further authorized, with the approval of the Secretary of the Treasury, and under such rules and regulations as he may prescribe, to

¹ See X.—FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION under heading 2—Issue of notes, debentures, bonds, or other such obligations, pp. 9-11.

² As used herein "State bank or trust company" includes other banking corporations engaged in the business of industrial banking and under the supervision of State banking departments or of the Comptroller of the Currency,

sell in the open market the whole or any part of the preferred stock, capital notes, or debentures of any National or State bank or trust company acquired by the Corporation pursuant to the foregoing authority.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 6.

IV. SUBSCRIPTIONS FOR PREFERRED STOCK AND PURCHASES OF CAPITAL NOTES OF INSURANCE COMPANIES, AND LOANS SECURED BY SUCH STOCK OR NOTES AS COLLATERAL

Pursuant to the provisions of an Act of Congress approved June 10, 1933, as amended, the Corporation is authorized, upon the request of the Secretary of the Treasury with the approval of the President, to subscribe for preferred stock of any class, exempt from assessment or additional liability, in any insurance company³ of any State of the United States which is in need of funds for capital purposes either in connection with the organization of such company or otherwise, or to make loans secured by such stock as collateral. The Corporation further is authorized, with the approval of the Secretary of the Treasury, and under such rules and regulations as he may prescribe, to sell in the open market the whole or any part of the preferred stock of any such insurance company acquired by it pursuant to the aforesaid provisions of law.

In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than 20 days, the Corporation is authorized, for the purposes indicated above, to purchase the legally issued capital notes of such insurance company or to make loans secured by such notes as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

The Corporation may not subscribe for any such preferred stock or purchase any such capital notes of any applicant insurance company:

- (1) If at the time of such subscription, purchase, or loan, any officer, director or employee of the applicant is receiving total compensation, including any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services, in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates; and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees.

Subscriptions for preferred stock, purchases of legally issued capital notes, or loans upon preferred stock or capital notes of insurance companies may be made by the Corporation until February 1, 1935, or such earlier date as the President may fix by proclamation.

³ As used herein the term "insurance company" includes any corporation engaged in the business of insurance or in the writing of annuity contracts, irrespective of the nature thereof, and operating under the supervision of a State superintendent or department of insurance in any of the States of the United States.

The total amount of loans outstanding, preferred stock subscribed for, and capital notes purchased and held by the Corporation pursuant to the aforesaid provisions of law relating to insurance companies may not exceed at any one time \$50,000,000.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 8.

V. LOANS TO REDUCE AND REFINANCE THE OUTSTANDING INDEBTEDNESS OF AGRICULTURAL IMPROVEMENT DISTRICTS FOR THE BENEFIT OF FARMERS

Section 36 of the Emergency Farm Mortgage Act of 1933, as amended, authorizes the Corporation to make loans, not to exceed an aggregate amount of \$50,000,000, to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts duly organized under the laws of any State, and to or for the benefit of political subdivisions of States, which prior to May 12, 1933 (the date on which the Emergency Farm Mortgage Act of 1933 became law), have completed projects devoted chiefly to the improvement of lands for agricultural purposes. Such loans shall be made for the purpose of enabling any such district or political subdivision to reduce or refinance its outstanding indebtedness incurred in connection with any such projects. They are subject, with certain exceptions, to the same terms and conditions as loans under section 5 of the Reconstruction Finance Corporation Act, as amended.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 7.

VI. LOANS FOR THE EXPORTATION OF AGRICULTURAL OR OTHER PRODUCTS

Under section 5a of the Reconstruction Finance Corporation Act, the Corporation is authorized, subject to specified limitations, to accept drafts and bills of exchange drawn upon it, having at the time of acceptance a maturity of not more than 12 months, which grow out of transactions involving the exportation of agricultural or other products actually sold or transported for sale subsequent to the enactment of the law, and in process of shipment to buyers in foreign countries. All such drafts and bills of exchange must be in terms payable in the United States, in currency of the United States, and, in addition to the draft or bill of exchange, must at all times be fully secured by American securities as collateral, or must be guaranteed by a bank or trust company of undoubted solvency, organized under the laws of the United States or any State, Territory, or insular possession thereof.

Under section 201 (c) of the Emergency Relief and Construction Act of 1932, the Corporation is authorized to make loans for the purpose of financing sales of surpluses of agricultural products in the markets of foreign countries in which such sales cannot be financed in the normal course of commerce, in

order that such surpluses may not have a depressing effect upon current prices of such products; but it is stipulated that no such sales shall be financed by the Corporation if, in its judgment, such sales will affect adversely the world markets for such products, and that no such loan may be made to finance the sale in the markets of foreign countries of cotton owned by the Federal Farm Board or the Cotton Stabilization Corporation. All loans made under this section must be fully and adequately secured.

VII. LOANS FOR THE CARRYING AND ORDERLY MARKETING OF AGRICULTURAL COMMODITIES AND LIVESTOCK

Under section 201 (d) of the Emergency Relief and Construction Act of 1932, the Corporation is authorized, until February 1, 1935, or such earlier date as the President may fix by proclamation, to make loans to bona fide institutions, organized under the laws of any State or of the United States and having resources adequate for their undertakings, for the purpose of enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States. All such loans are required to be fully and adequately secured.

VIII. OTHER LOANS AND ADVANCES

1. Other Loans Under Section 5 of the Reconstruction Finance Corporation Act, as amended

The Corporation is authorized to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to:

- (a) Any State insurance fund established or created by the laws of any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of paying or insuring payment of compensation to injured workmen and those disabled as a result of disease contracted in the course of their employment, or to their dependents.
- (b) Any fund created by any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of insuring the repayment of deposits of public moneys of such State, or any of its political subdivisions, in banks or depositories qualified under the law of such State to receive such deposits.
- (c) Parties to any marketing agreement entered into by the Secretary of Agriculture with processors, associations of producers, and others engaged in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, for the purpose of carrying out any such agreement; as authorized by section 8 of the Agricultural Adjustment Act.
- (d) Processors or distributors of agricultural commodities for the payment of processing and compensating taxes levied pursuant to the provisions of Title I of the Agricultural Adjustment Act; as authorized by section 19(c) thereof.

2. Loans and Advances to the Secretary of Agriculture to Acquire Cotton

Under the provisions of section 5 of the Agricultural Adjustment Act, approved May 12, 1933, the Corporation is authorized and directed to advance money and to make loans to the Secretary of Agriculture to acquire (a) all cotton owned by the Federal Farm Board and all departments or other agencies of the Government, not including the Federal intermediate credit banks, and (b) all cotton on which money has been loaned or advanced by any department or agency of the United States, including futures contracts for cotton, or which is held as collateral for loans or advances; and to pay the classing, carrying, and merchandising costs thereon, in such amounts and upon such terms as may be agreed upon by the Secretary of Agriculture and the Reconstruction Finance Corporation.

3. Loans to Receivers Appointed under Section 29 of the Federal Farm Loan Act, as amended, or by a United States District Court

Section 27 of the Emergency Farm Mortgage Act of 1933, approved May 12, 1933, as amended, authorizes the Reconstruction Finance Corporation, upon approval of the Land Bank Commissioner, to make loans to any receiver appointed pursuant to section 29 of the Federal Farm Loan Act, as amended, or to any receiver appointed by a district court of the United States for the purpose of paying taxes on farm real estate owned by such bank in receivership or securing the mortgages held by it. The receiver may issue receiver's certificates against the assets of such bank as security for any such loan received from the Reconstruction Finance Corporation, and such certificates shall constitute a prior lien on such assets.

4. Loan to the Corporation of Foreign Security Holders

The Corporation of Foreign Bondholders Act, 1933, approved May 27, 1933, which is not to take effect until the President finds that such action is in the public interest and by proclamation so declares, creates a body corporate with the name of the "Corporation of Foreign Security Holders" for the purpose of protecting, conserving, and advancing the interests of the holders of foreign securities in default. Under section 209 of such Act, the Reconstruction Finance Corporation is authorized to loan out of its funds not to exceed \$75,000 for the use of the Corporation of Foreign Security Holders.

5. Advances to the Reclamation Fund

Section 37 of the Emergency Farm Mortgage Act of 1933 authorizes the Corporation, upon request of the Secretary of the Interior, to advance funds to the reclamation fund created by the Act of June 17, 1902, not exceeding \$5,000,000 for the completion of projects or divisions of projects now under construction, or projects approved or authorized. Funds so advanced shall be repaid out of any receipts and accretions accruing to the reclamation fund within such time as may be fixed by the Reconstruction Finance Corporation,

not exceeding 5 years from the date of advance, with interest at the rate of 4 per centum per annum. Sums so advanced may be expended in the same way as other moneys in the reclamation fund.

IX. FUNDS OF RECONSTRUCTION FINANCE CORPORATION ALLOCATED AND MADE AVAILABLE TO OTHER GOVERNMENTAL AGENCIES

1. Allocation of Funds to the Secretary of Agriculture and Farm Credit Administration

Under section 2 of the Reconstruction Finance Corporation Act, the Corporation was authorized to allocate and make available to the Secretary of Agriculture a certain part of its funds in order to enable the Secretary to make loans to farmers for crop production purposes during 1932. Pursuant to the provisions of section 201 (e) of the Emergency Relief and Construction Act of 1932 the Corporation paid for the capital stock of the regional agricultural credit corporations out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under this section of the law. By an Act of Congress approved February 4, 1933, the authority of the Secretary of Agriculture was extended with respect to the use of funds allocated and made available to him by the Reconstruction Finance Corporation so as to enable him to make loans, within certain limitations, to farmers during 1933. The availability of funds allocated under the foregoing provisions of law for the purpose of making loans to farmers was transferred from the Secretary of Agriculture to the Farm Credit Administration by the Executive order of March 27, 1933, effective May 27, 1933, and to the Governor of the Farm Credit Administration by section 5 of the Farm Credit Act of 1933.

2. Allocation of Funds to Land Bank Commissioner

The Corporation is authorized and directed, under section 30 (a) of the Emergency Farm Mortgage Act of 1933, to make available to the Land Bank Commissioner the sum of \$100,000,000, to be used for a period not exceeding 2 years from the date of the enactment of such Act, i.e., May 12, 1933, for the purpose of making loans to joint-stock land banks.

Under section 32 of the same Act, the Corporation is authorized and directed also to allocate and make available to the Land Bank Commissioner the sum of \$200,000,000, or so much thereof as may be necessary, to be used for the purpose of making loans to farmers.

3. Funds Made Available to the Federal Emergency Relief Administrator

Section 2 (a) of the Federal Emergency Relief Act of 1933 authorizes and directs the Corporation to make available out of the funds of the Corporation not to exceed \$500,000,000, for expenditure in accordance with the terms stated in the Act, upon certification by the Federal Emergency Relief Administrator, for the purpose of furnishing relief to needy and distressed people. Section 3 (b) of such Act provides that the Corporation shall pay the expenses, not exceeding

\$350,000, of the Federal Emergency Relief Administration, out of the funds made available by the Act, upon presentation of vouchers approved by the Administrator or by an officer of that Administration designated by him for that purpose.

4. Capital of Federal Home Loan Banks Subscribed by the United States

Section 6 (f) of the Federal Home Loan Bank Act amended the Reconstruction Finance Corporation Act to provide that \$125,000,000, or as much thereof as may be necessary for the purpose, be allocated and made available by the Corporation to the Secretary of the Treasury in order to enable him to pay for the capital stock of Federal Home Loan Banks subscribed for by the United States.

5. Capital of Home Owners' Loan Corporation Subscribed by the United States

Section 4 (b) of the Home Owners' Loan Act of 1933 authorizes and directs the Reconstruction Finance Corporation to allocate and make available to the Secretary of the Treasury the sum of \$200,000,000, or so much thereof as may be necessary, in order to enable him to make payments for subscriptions for the capital stock of the Home Owners' Loan Corporation, created by such Act.

X. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION

1. Capital Stock

The capital stock of the Corporation was fixed by section 2 of the Reconstruction Finance Corporation Act at \$500,000,000, all of which was subscribed by the Secretary of the Treasury on behalf of the Government of the United States on February 2, 1932. The entire capital stock has been paid in by the Secretary of the Treasury and is held by the United States.

2. Issue of Notes, Debentures, Bonds, or Other Such Obligations

The Reconstruction Finance Corporation Act, as amended by the Emergency Relief and Construction Act of 1932, authorizes the Corporation, with the approval of the Secretary of the Treasury, to issue, and to have outstanding at any one time, its notes, debentures, bonds, or other such obligations in an amount aggregating not more than six and three-fifths times its subscribed capital stock.

However, the National Industrial Recovery Act, which terminated the power of the Reconstruction Finance Corporation to make loans or contracts to finance self-liquidating projects, etc., under the provisions of section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, provides that the amount of notes, debentures, bonds, or other such obligations which the Reconstruction Finance Corporation is authorized to have outstanding at any one time is decreased \$400,000,000. On the other hand, the amount of notes, debentures, bonds, or other such obligations which the Corporation is authorized

to issue and have outstanding at any one time is increased by the provisions of other laws, as follows:

- (a) By an amount not to exceed \$125,000,000, in order to enable the Secretary of the Treasury to make payments for subscriptions for capital stock of the Federal Home Loan Banks, as provided for in section 6 (f) of the Federal Home Loan Bank Act.
- (b) By such amount as may be necessary—
 - (1) To enable the Corporation to subscribe for preferred stock of National or State banks or trust companies, to make loans secured by such stock as collateral, and to purchase capital notes or debentures of State banks or trust companies, as provided by section 304 of an Act approved March 9, 1933, as amended;
 - (2) To enable the Corporation to make loans to the Secretary of Agriculture to acquire certain cotton and to pay the classing, carrying, and merchandising costs thereon under the provisions of the Agricultural Adjustment Act.
- (c) By an amount not to exceed \$50,000,000 to enable the Corporation to subscribe for preferred stock, to purchase capital notes of insurance companies, and to make loans secured by such stock or notes as collateral, as provided by the Act approved June 10, 1933.
- (d) By \$500,000,000 to enable the Federal Emergency Relief Administrator to make grants to States and Territories (including Alaska, Hawaii, the Virgin Islands, and Puerto Rico) and the District of Columbia to aid in meeting the costs of furnishing relief and work relief and in relieving the hardship and suffering caused by unemployment, as provided by the Federal Emergency Relief Act of 1933. Additional notes, debentures, bonds, or other such obligations may be issued under this authority only at such times and in such amounts as the President may approve.
- (e) By \$300,000,000 in order to provide funds for allocation to the Land Bank Commissioner for the purpose of making loans to joint-stock land banks and to farmers, as provided by the Emergency Farm Mortgage Act of 1933.
- (f) By an amount not to exceed \$200,000,000 in order to provide funds for allocation to the Secretary of the Treasury for the purpose of making payments for subscriptions for the capital stock of the Home Owners' Loan Corporation, as provided by section 4 (b) of the Home Owners' Loan Act of 1933.
- (g) By \$850,000,000, as provided by section 3 of the Act approved January 20, 1934.

Notes, debentures, bonds, or other such obligations issued by the Corporation are to mature not more than 5 years from their respective dates of issue,

to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rate of interest as may be determined by the Corporation. The Corporation, with the approval of the Secretary of the Treasury, also may sell on a discount basis short-term obligations payable at maturity without interest. The law provides that the notes, debentures, bonds, or other such obligations of the Corporation shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Corporation which may be issued pursuant to the provisions of the law, and may, at any time, sell any of the obligations of the Corporation acquired by him. He is further authorized, at the request of the Reconstruction Finance Corporation, to market for the Corporation its notes, debentures, bonds, and other such obligations, using therefor all the facilities of the Treasury Department authorized by law for the marketing of obligations of the United States. The Reconstruction Finance Corporation Act, as amended, also provides that any and all notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) at any time imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

XI. REPORTS

1. Quarterly Reports

Section 15 of the Reconstruction Finance Corporation Act provides that the Corporation shall make and publish a report quarterly of its operations to the Congress stating the aggregate loans made to each of the classes of borrowers provided for and the number of borrowers by States (including the District of Columbia, Alaska, Hawaii, and Puerto Rico) in each class. The law further provides that the statement shall show the assets and liabilities of the Corporation and the names and compensation of all persons employed by the Corporation whose compensation exceeds \$400 per month.

2. Monthly Reports

Under section 201 (b) of the Emergency Relief and Construction Act of 1932, the Corporation is required to submit monthly to the President and to the Senate and the House of Representatives (or the Secretary of the Senate and the Clerk of the House of Representatives, if those bodies are not in session) a report of its activities and expenditures, together with a statement showing the names of the borrowers to whom loans and advances were made, and the amount and rate of interest involved in each case.

XII. AUTHORITY OF RECONSTRUCTION FINANCE CORPORATION TERMINATED AND FUNCTIONS TRANSFERRED TO THE JURIS- DICTION AND CONTROL OF OTHER GOVERNMENTAL AGENCIES

1. Regional Agricultural Credit Corporations

An Executive order issued on March 27, 1933, effective on May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration. The Reconstruction Finance Corporation will continue to pay all expenses incurred in connection with the operations of these corporations, and to rediscount paper for them, as provided in section 201 (e) of the Emergency Relief and Construction Act of 1932.

2. Self-Liquidating Loans, Etc., under Section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended

The power of the Corporation to make self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, pursuant to the provisions of section 301 of the National Industrial Recovery Act, which created the Federal Emergency Administration of Public Works. The functions of the Corporation in this field were superseded by the functions of that Administration. Section 301 of the National Industrial Recovery Act provided, however, that the Corporation may issue funds to a borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932 prior to January 23, 1939, under the terms of any agreement or any commitment to bid upon or purchase bonds entered into with such borrower pursuant to an application approved prior to the date of termination of the power of the Corporation to approve applications under such section.

3. Funds for Relief of Destitution

The power of the Corporation to make funds available to States and Territories under section 1 of the Emergency Relief and Construction Act of 1932 for the relief of destitution was terminated at the close of June 1, 1933, pursuant to section 2 (c) of the Federal Emergency Relief Act of 1933, which created the Federal Emergency Relief Administration.



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CIRCULAR No. 4

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RECONSTRUCTION
FINANCE CORPORATION

ITS POWERS AND FUNCTIONS



OCTOBER 1934

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1934

RECONSTRUCTION FINANCE CORPORATION

1825 H STREET NORTHWEST

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(II)

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RECONSTRUCTION FINANCE CORPORATION

The Reconstruction Finance Corporation was created by "An Act to provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes", approved January 22, 1932, which may be cited as the "Reconstruction Finance Corporation Act." The powers of the Corporation were increased and the scope of its operations extended by subsequent legislation, the text of which is contained in a pamphlet entitled "Reconstruction Finance Corporation Act, as amended, and other Laws and Documents pertaining to Reconstruction Finance Corporation", revised and issued in July, 1934.

This circular outlines the organization, functions, and authority of the Corporation under existing law.

I. MANAGEMENT AND ORGANIZATION

The Reconstruction Finance Corporation was organized on February 2, 1932, pursuant to the provisions of the Reconstruction Finance Corporation Act which provides that it shall have succession for a period of 10 years from January 22, 1932, unless sooner dissolved by an act of Congress. Under the Act, as amended, its management is vested in a board of directors consisting of the Secretary of the Treasury (or, in his absence, the Under Secretary of the Treasury), who is a member ex officio, and six other directors appointed by the President of the United States, by and with the advice and consent of the Senate.

The Corporation functions through a principal office at Washington and loan agencies established in cities throughout the United States,¹ as follows:

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	St. Louis, Mo.
Cleveland, Ohio.	Louisville, Ky.	Salt Lake City, Utah.
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Seattle, Wash.
El Paso, Tex.	New York, N. Y.	Spokane, Wash.
Helena, Mont.	Oklahoma City, Okla.	

In addition to the foregoing, the Corporation has a special representative at San Juan, Puerto Rico, and a special representative and custodian at Honolulu, T. H.

The Federal Reserve banks are authorized and directed to act as depositories, custodians, and fiscal agents for the Corporation. The proceeds of

¹ A map showing the territory served by each loan agency will be found on p. 20.

loans generally are disbursed by the Corporation through the Federal Reserve banks and their branches which also, acting as custodians, hold the primary obligations of borrowers evidencing indebtedness to the Corporation, as well as the collateral pledged with the Corporation as security therefor. Since there is no Federal Reserve bank in Puerto Rico, the Insular Treasurer at San Juan acts as custodian for the Corporation. The special representative and custodian at Honolulu, mentioned above, holds the primary obligations of borrowers from the Corporation in the Territory of Hawaii and the collateral pledged as security therefor.

The funds of the Corporation are kept on deposit with the Treasurer of the United States.

II. LOANS TO FINANCIAL INSTITUTIONS AND RAILROADS UNDER SECTION 5 OF THE RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED

The Corporation, under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended, is authorized to make loans on full and adequate security and upon the terms and conditions stated in the law, to:

Any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the United States, including loans secured by the assets of any bank, savings bank, or building and loan association that is closed,² or in process of liquidation, to aid in the reorganization or liquidation thereof, upon application of the receiver or liquidating agent of such institution.

Under the same section of the law, the Corporation is authorized, upon the approval of the Interstate Commerce Commission, to make loans to:

(a) Railroads and railways engaged in interstate commerce, to aid in the temporary financing thereof, to railroads and railways in process of construction, and to receivers of such railroads and railways, when, in the opinion of the board of directors of the Corporation, such railroads or railways are unable to obtain funds upon reasonable terms through banking channels or from the general public and the Corporation will be adequately secured.

(b) Trustees of railroads which proceed to reorganize under section 77 of the Bankruptcy Act, approved July 1, 1898, as amended.

Loans under section 5 of the Reconstruction Finance Corporation Act, as amended, may be made for a period of five years, or any shorter period, from February 1, 1935, and the Corporation may at any time, or from time to time,

²Regarding loans to closed banks, see also p. 7.

extend, or consent to the extension of, the time of payment of any loan or advance made by it, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond five years from February 1, 1935.

In respect of loans or advances under such section 5 to railroads, railways, and receivers or trustees thereof, the Corporation may require as a condition of making any such loan or advance for a period longer than three years that such arrangements be made for the reduction or amortization of the indebtedness of the railroad or railway, either in whole or in part, as may be approved by the Corporation, after the prior approval of the Interstate Commerce Commission. The law further provides that the time of payment of loans or advances to railroads, railways, and receivers or trustees thereof, shall not be extended through renewal, substitution of new obligations, or otherwise, except with the prior approval of the Interstate Commerce Commission, and, in the case of a loan to a railroad or railway, with the prior certification of the Interstate Commerce Commission that the railroad or railway is not in need of financial reorganization in the public interest.

Section 4 of an Act of Congress, approved June 10, 1933 (Public, No. 35, 73d Cong.), provides that the Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932:

- (1) If at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Corporation, and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Corporation while such loan is outstanding and unpaid.

For the purposes of this section, the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

Section 5 of the Reconstruction Finance Corporation Act, as amended, provides that in no case shall the aggregate amount of advances made thereunder to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2½ per centum of

- (1) The authorized capital stock of the Reconstruction Finance Corporation, plus
- (2) The aggregate amount of bonds authorized to be outstanding when the capital stock is fully subscribed.³

Such limitation, however, does not apply to advances to receivers or other liquidating agents of closed banks when made for the purpose of liquidation or reorganization.

³ See "2. Issue of Notes, Debentures, Bonds, or Other Such Obligations", under "XX. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION," PP. 14-16.

No loans or advances may be made under section 5 of the Reconstruction Finance Corporation Act upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances.

III. SUBSCRIPTIONS FOR PREFERRED STOCK OF NATIONAL OR STATE BANKS OR TRUST COMPANIES, LOANS SECURED BY SUCH STOCK AS COLLATERAL, OR PURCHASES OF CAPITAL NOTES OR DEBENTURES OF STATE BANKS OR TRUST COMPANIES

Under section 304 of the Act of Congress approved March 9, 1933, as amended (Public, No. 1, 73d Cong.), the Reconstruction Finance Corporation is authorized to subscribe for preferred stock, exempt from double liability, in any National or State bank or trust company,⁴ upon the request of the Secretary of the Treasury with the approval of the President. The Corporation also is authorized to make loans secured by the preferred stock of National or State banks or trust companies as collateral, upon the request of the Secretary of the Treasury with the approval of the President. In any case in which a State bank or trust company is not permitted, under the laws of the State in which it is located, to issue preferred stock exempt from double liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, the Corporation is authorized, for the purposes of this section, to purchase the legally issued capital notes or debentures of such State bank or trust company.

The Corporation is further authorized, with the approval of the Secretary of the Treasury, and under such rules and regulations as he may prescribe, to sell in the open market the whole or any part of the preferred stock, capital notes, or debentures of any National or State bank or trust company acquired by the Corporation pursuant to the foregoing authority.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 6 (revised) and No. 18.

IV. SUBSCRIPTIONS FOR PREFERRED STOCK AND PURCHASES OF CAPITAL NOTES, ETC., OF INSURANCE COMPANIES, AND LOANS SECURED BY SUCH STOCK OR NOTES, ETC., AS COLLATERAL

Pursuant to the provisions of an Act of Congress approved June 10, 1933, as amended (Public, No. 35, 73d Cong.), the Corporation is authorized, upon the request of the Secretary of the Treasury with the approval of the President,

⁴ The term "State bank or trust company", as defined by the Act approved March 9, 1933, includes a bank or trust company organized under the laws of any State, Territory, or possession of the United States, or the Canal Zone; and other banking corporations engaged in the business of industrial banking and under the supervision of State banking departments or of the Comptroller of the Currency.

to subscribe for preferred stock of any class, exempt from assessment or additional liability, in any insurance company⁵ of any State⁶ of the United States which is in need of funds for capital purposes either in connection with the organization of such company or otherwise, or to make loans secured by such stock as collateral. The Corporation further is authorized, with the approval of the Secretary of the Treasury, and under such rules and regulations as he may prescribe, to sell in the open market the whole or any part of the preferred stock of any such insurance company acquired by it pursuant to the aforesaid provisions of law.

In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than 20 days, or if the insurance company is a mutual organization without capital stock, the Corporation is authorized, for the purposes indicated above, to purchase the legally issued capital notes of such insurance company, or, if the company is a mutual organization without capital stock, such other form or forms of indebtedness as the laws of the State under which such company is organized permit, or to make loans secured by such notes or such other form or forms of indebtedness as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

The Corporation may not subscribe for any such preferred stock or purchase any such capital notes or make loans upon such stock or notes of any applicant insurance company:

- (1) If at the time of such subscription, purchase, or loan, any officer, director, or employee of the applicant is receiving total compensation, including any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services, in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates; and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees, except with the consent of the Corporation and in no event to an amount exceeding \$17,500 per annum, so long as preferred stock or capital notes, etc., are held by the Corporation.

The total amount of loans outstanding, preferred stock subscribed for, and capital notes or such other form or forms of indebtedness purchased and held by the Corporation pursuant to the aforesaid provisions of law relating to insurance companies may not exceed, at any one time, \$50,000,000.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 8.

⁵ As defined by the Act approved June 10, 1933, the term "insurance company" includes any corporation engaged in the business of insurance or in the writing of annuity contracts, irrespective of the nature thereof, and operating under the supervision of a State superintendent or department of insurance in any of the States of the United States.

⁶ The term "State", as defined by the Act approved June 10, 1933, means any State, Territory, or possession of the United States, the Canal Zone, and the District of Columbia.

V. LOANS TO INDUSTRIAL OR COMMERCIAL BUSINESS DIRECT, OR IN CONJUNCTION WITH BANKS AND OTHER LENDING INSTITUTIONS

For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized, pursuant to the provisions of section 5d of the Reconstruction Finance Corporation Act, as amended, to make loans to any industrial or commercial business, which shall include the fishing industry,⁷ established prior to January 1, 1934. Such loans shall in the opinion of the board of directors of the Corporation be adequately secured, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall have maturities not to exceed five years, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine. The aggregate amount of loans to any one borrower under such section 5d may not exceed \$500,000.

No provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under such section 5d prior to January 31, 1935, or such earlier date.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 13 (revised October 1934) and No. 15.

VI. LOANS TO OR FOR THE BENEFIT OF CERTAIN AGRICULTURAL IMPROVEMENT DISTRICTS, ETC., TO REDUCE AND REFINANCE OUTSTANDING INDEBTEDNESS, ETC.

Section 36 of the Emergency Farm Mortgage Act of 1933, as amended, authorizes the Corporation to make loans, not to exceed \$125,000,000 in the aggregate, to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, mutual nonprofit companies and incorporated water users' associations duly organized under the laws of any State and to or for the benefit of political subdivisions of States, which prior to May 12, 1933 (the date on which the Emergency Farm Mortgage Act of 1933 became law), have completed economically sound projects

⁷ The Corporation also is authorized to make loans to the fishing industry under section 15 of the Act approved June 19, 1934. (See "XI. LOANS TO THE FISHING INDUSTRY", p. 8.)

devoted chiefly to the improvement of land for agricultural purposes. Such loans shall be made for the following purposes:

1. To enable an applicant to reduce and refinance its outstanding indebtedness incurred in connection with its project;

2. To enable an applicant (irrespective of whether or not it has any outstanding indebtedness) to purchase or otherwise acquire in connection with its project, storage reservoirs, or dams or sites therefor or additional water rights or canals, ditches, or rights-of-way for the conduct of water or other works or appurtenances necessary for the delivery of water. Such loans shall only be made, however, if such purchase or acquisition is not intended to bring additional lands into production;

3. To enable an applicant, to whom a loan has been authorized for any of the purposes mentioned above, to make such repairs and necessary extensions or improvements to its project, as are necessary or desirable for the proper functioning of its project or for the further assurance of its ability to repay such loan. Such loans shall only be made, however, if such repairs and necessary extensions or improvements are not designed to bring new lands into production;

and shall be subject, with certain exceptions, to the same terms and conditions as loans under section 5 of the Reconstruction Finance Corporation Act, as amended.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 7 (revised August 1934).

VII. LOANS UPON OR PURCHASE OF THE ASSETS OF CLOSED BANKS

Section 5e (a) of the Reconstruction Finance Corporation Act, as amended, authorizes the Corporation to make loans upon or purchase the assets of any bank, savings bank, or trust company, which has been closed on or after December 31, 1929, and prior to January 1, 1934, and the affairs of which have not been fully liquidated or wound up, upon such terms and conditions as the Corporation may by regulations prescribe. This section also makes provision for loans upon or purchase by the Corporation of the assets of closed banks which have been trustee or are otherwise held for the benefit of depositors or depositors and others.⁸

VIII. MINING LOANS

Section 14 of the Act approved June 19, 1934 (Public, No. 417, 73d Cong.), authorizes the Corporation to make loans upon adequate security, based on mineral acreage to recognized and established incorporated agencies, individuals and partnerships engaged in the business of mining, milling, or smelting of ores.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 14.

⁸ The Corporation also may make loans to closed banks under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended. (See p. 2.)

IX. LOANS TO MANAGING AGENCIES OF FARMERS' COOPERATIVE MINERAL RIGHTS POOLS

Pursuant to the provisions of section 13 of the Act approved June 19, 1934 (Public, No. 417, 73d Cong.), the Corporation is authorized to make loans upon full and adequate security, based on mineral acreage, to recognized and established incorporated managing agencies of farmers' cooperative mineral rights pools for the purpose of defraying the cost of organizing such pools.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 16.

X. LOANS FOR THE PAYMENT OF TEACHERS' SALARIES

Under the provisions of section 16 of the Act approved June 19, 1934 (Public, No. 417, 73d Cong.), the Corporation is authorized to make loans upon full and adequate security, to public-school districts or other similar public-school authorities organized pursuant to State law, for the purpose of payment of teachers' salaries due prior to June 1, 1934. The aggregate amount of such loans at any time outstanding shall not exceed \$75,000,000.

XI. LOANS TO THE FISHING INDUSTRY

By section 15 of the Act approved June 19, 1934 (Public, No. 417, 73d Cong.), the Corporation is authorized to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to any person, association, or corporation organized under the laws of any State, the District of Columbia, Alaska, Hawaii, or Puerto Rico, for the purpose of financing the production, storage, handling, packing, processing, carrying and/or orderly marketing of fish of American fisheries and/or products thereof.⁹

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 17.

XII. LOANS TO NONPROFIT CORPORATIONS FOR THE REPAIR OF DAMAGES CAUSED BY FLOODS OR OTHER CATASTROPHES

Pursuant to the provisions of the Act approved April 13, 1934 (Public, No. 160, 73d Cong.), the Corporation is authorized to make loans, upon terms and conditions specified therein and not to exceed \$5,000,000 in the aggregate, to nonprofit corporations, with or without capital stock, organized for the purpose of financing the acquisition of home or building sites in replacement of sites formerly occupied by buildings where such sites are declared by public authority to be unsafe by reason of flood, danger of flood, or earthquake, and for the purpose of financing the repair or construction of buildings or structures, or water, irrigation, gas, electric, sewer, drainage, flood-control, communication or trans-

⁹ The Corporation may also make loans to the fishing industry under the provisions of section 5d of the Reconstruction Finance Corporation Act, as amended, (See "V. LOANS TO INDUSTRIAL OR COMMERCIAL BUSINESS DIRECT," etc., p. 6.)

portation systems, damaged or destroyed by earthquake, conflagration, tornado, cyclone, or flood in the year 1933, and in the months of January and February 1934, and deemed by the Corporation to be economically useful or necessary.

XIII. LOANS FOR THE CARRYING AND ORDERLY MARKETING OF AGRICULTURAL COMMODITIES AND LIVESTOCK

Under section 201 (d) of the Emergency Relief and Construction Act of 1932, the Corporation is authorized to make loans to bona fide institutions, organized under the laws of any State¹⁰ or of the United States and having resources adequate for their undertakings, for the purpose of enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States. All such loans are required to be fully and adequately secured.

XIV. SELF-LIQUIDATING LOANS UNDER SECTION 201 (A) OF THE EMERGENCY RELIEF AND CONSTRUCTION ACT OF 1932, AS AMENDED

The power of the Corporation to make self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, pursuant to the provisions of section 301 of the National Industrial Recovery Act, which created the Federal Emergency Administration of Public Works. The functions of the Corporation in this field were superseded by the functions of that Administration. Section 301 of the National Industrial Recovery Act provides, however, that the Corporation may issue funds to a borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, prior to January 23, 1939, under the terms of any agreement or any commitment to bid upon or purchase bonds entered into with such borrower pursuant to an application approved prior to the date of termination of the power of the Corporation to approve applications under such section.

Section 301 of the National Industrial Recovery Act, as amended by the Act approved June 19, 1934, provides that in connection with any loan or contract or any commitment to make a loan entered into by the Corporation prior to June 26, 1933, to aid in financing part or all of the construction cost of projects pursuant to the provisions of section 201 (a) (1) of the Emergency Relief and Construction Act of 1932, as amended, the Corporation may make such further loans and contracts, subject to all the terms and conditions set forth in the Emergency Relief and Construction Act of 1932, as amended, for the completion of any such project, or for improvements, additions, extensions, or equipment which are necessary or desirable for the proper functioning of any such project, or which will materially increase the assurance that the borrower will be able to repay the entire investment of the Corporation in such project, including such improvements, additions, extensions, or equipment.

¹⁰ The Emergency Relief and Construction Act of 1932, as amended, defines the term "State" as used in Title II thereof (of which sec. 201 (d) is a part) as including the District of Columbia, Alaska, Hawaii, and Puerto Rico.

XV. LOANS FOR THE EXPORTATION OF AGRICULTURAL OR OTHER PRODUCTS

Under section 5a of the Reconstruction Finance Corporation Act, as amended, the Corporation is authorized, subject to specified limitations, to accept drafts and bills of exchange drawn upon it, which grow out of transactions involving the exportation of agricultural or other products actually sold or transported for sale subsequent to the enactment of the law, and in process of shipment to buyers in foreign countries. All such drafts and bills of exchange must be in terms payable in the United States, in currency of the United States, and, in addition to the draft or bill of exchange, must at all times be fully secured by American securities as collateral, or must be guaranteed by a bank or trust company of undoubted solvency, organized under the laws of the United States or any State, Territory, or insular possession thereof.

Under section 201 (c) of the Emergency Relief and Construction Act of 1932, the Corporation is authorized to make loans for the purpose of financing sales of surpluses of agricultural products in the markets of foreign countries in which such sales cannot be financed in the normal course of commerce, in order that such surpluses may not have a depressing effect upon current prices of such products; but it is stipulated that no such sales shall be financed by the Corporation if, in its judgment, such sales will affect adversely the world markets for such products, and that no such loan may be made to finance the sale in the markets of foreign countries of cotton owned by the Federal Farm Board¹¹ or the Cotton Stabilization Corporation. All loans made under such section 201 (c) must be fully and adequately secured.

Joint resolution approved March 26, 1934 (Public Resolution, No. 17, 73d Cong.), states:

That it is the sense of Congress that in any loans made by the Reconstruction Finance Corporation * * * to foster the exporting of agricultural or other products, provision shall be made that such products shall be carried exclusively in vessels of the United States, unless, as to any or all of such products, the Shipping Board Bureau, after investigation, shall certify to the Reconstruction Finance Corporation * * * that vessels of the United States are not available in sufficient numbers, or in sufficient tonnage capacity, or on necessary sailing schedule, or at reasonable rates.

XVI. OTHER LOANS AND ADVANCES

1. Under Section 5 of the Reconstruction Finance Corporation Act, as Amended

The Corporation is authorized to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, upon full and adequate security to:

- (a) Any State insurance fund established or created by the laws of any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of paying or insuring payment of compensation

¹¹ Name changed to Farm Credit Administration by Executive order of Mar. 27, 1933.

to injured workmen and those disabled as a result of disease contracted in the course of their employment, or to their dependents.

- (b) Any fund created by any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of insuring the repayment of deposits of public moneys of such State, or any of its political subdivisions, in banks or depositories qualified under the law of such State to receive such deposits.
- (c) Parties to any marketing agreement entered into by the Secretary of Agriculture with processors, producers, associations of producers, and others engaged in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, for the purpose of carrying out any such agreement; as authorized by section 8 of the Agricultural Adjustment Act, as amended.
- (d) Processors or distributors of agricultural commodities for the payment of processing and compensating taxes and taxes on floor stocks levied pursuant to the provisions of Title I of the Agricultural Adjustment Act, as amended, as authorized by section 19 (c) thereof. More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 9 (revised June 1934).

2. Loans and Advances to the Secretary of Agriculture

Under the provisions of section 5 of the Agricultural Adjustment Act, as amended, the Corporation is authorized and directed to advance money and to make loans to the Secretary of Agriculture to acquire (a) all cotton owned by the Federal Farm Board ¹¹ and all departments or other agencies of the Government, not including the Federal intermediate credit banks, and (b) all cotton on which money has been loaned or advanced by any department or agency of the United States, including futures contracts for cotton, or which is held as collateral for loans or advances.

3. Loans to Receivers Appointed under Section 29 of the Federal Farm Loan Act, as Amended, or by a United States District Court

Section 27 of the Emergency Farm Mortgage Act of 1933, as amended, authorizes the Reconstruction Finance Corporation, with the approval of the Land Bank Commissioner, to make loans to any receiver appointed pursuant to section 29 of the Federal Farm Loan Act, as amended, or to any receiver appointed by a district court of the United States for the purpose of paying taxes on farm real estate owned by the bank or securing the mortgages held by it.

¹¹ Name changed to Farm Credit Administration by Executive order of Mar. 27, 1933.

4. Loans to the Corporation of Foreign Security Holders

The Corporation of Foreign Bondholders Act, 1933, which is not to take effect until the President finds that such action is in the public interest and by proclamation so declares, creates a body corporate with the name "Corporation of Foreign Security Holders" for the purpose of protecting, conserving, and advancing the interests of the holders of foreign securities in default. Under section 209 of such Act, the Reconstruction Finance Corporation is authorized to loan out of its funds not to exceed \$75,000 for the use of the Corporation of Foreign Security Holders.

5. Advances to the Reclamation Fund

Section 37 of the Emergency Farm Mortgage Act of 1933 authorizes the Corporation, upon request of the Secretary of the Interior, to advance funds to the reclamation fund created by the Act of June 17, 1902, not exceeding \$5,000,000 for the completion of projects or divisions of projects now under construction, or projects approved and authorized. Funds so advanced shall be repaid out of any receipts and accretions accruing to the reclamation fund within such time as may be fixed by the Reconstruction Finance Corporation, not exceeding 5 years from the date of advance, with interest at the rate of 4 per centum per annum. Sums so advanced may be expended in the same way as other moneys in the reclamation fund.

XVII. PURCHASE OF MARKETABLE SECURITIES FROM THE FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS

The Corporation is authorized, pursuant to the provisions of Title II of the Emergency Appropriation Act, Fiscal Year 1935, to purchase marketable securities, satisfactory to the Corporation, acquired or to be acquired by the Federal Emergency Administration of Public Works. The amount that the Corporation may have invested at any one time in such securities shall not exceed \$250,000,000.

XVIII. PURCHASE OF DEBENTURES OR OBLIGATIONS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Section 5e (b) of the Reconstruction Finance Corporation Act, as amended, authorizes the Corporation to purchase at par value such debentures or other obligations of the Federal Deposit Insurance Corporation as are authorized to be issued under subsection (o) of section 12B of the Federal Reserve Act, as amended, upon the request of the board of directors of the Federal Deposit Insurance Corporation, whenever in the judgment of said board additional funds are required for insurance purposes. The Corporation may not purchase or hold at any time said debentures or other obligations in excess of \$250,000,000 par value.

XIX. FUNDS OF RECONSTRUCTION FINANCE CORPORATION ALLOCATED AND MADE AVAILABLE TO OTHER GOVERNMENTAL AGENCIES

1. Allocation of Funds to the Secretary of Agriculture and Farm Credit Administration

Under section 2 of the Reconstruction Finance Corporation Act, the Corporation was authorized to allocate and make available to the Secretary of Agriculture a certain part of its funds in order to enable the Secretary to make loans to farmers for crop production purposes during 1932. Pursuant to the provisions of section 201 (e) of the Emergency Relief and Construction Act of 1932, the Corporation paid for the capital stock of the regional agricultural credit corporations, created by it under such section 201 (e), out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under section 2 of the Reconstruction Finance Corporation Act. By an Act of Congress approved February 4, 1933 (Public, No. 327, 72d Cong.), the authority of the Secretary of Agriculture was extended with respect to the use of funds allocated and made available to him by the Reconstruction Finance Corporation so as to enable him to make loans, within certain limitations, to farmers during 1933.

The funds made available and allocated under the foregoing provisions of law were transferred to and vested in the Farm Credit Administration by the Executive order of March 27, 1933, and to the Governor of the Farm Credit Administration by section 5 of the Farm Credit Act of 1933, as amended.

2. Allocation of Funds to Land Bank Commissioner

The Corporation is authorized and directed, under section 30 (a) of the Emergency Farm Mortgage Act of 1933, to make available to the Land Bank Commissioner the sum of \$100,000,000, to be used for a period not exceeding 2 years from the date of the enactment of such Act, i. e., May 12, 1933, for the purpose of making loans to joint-stock land banks.

Under section 32 of the same Act, the Corporation is authorized and directed also to allocate and make available to the Land Bank Commissioner the sum of \$200,000,000, or so much thereof as may be necessary, to be used for the purpose of making loans to farmers.

3. Funds Made Available to the Federal Emergency Relief Administrator

Section 2 (a) of the Federal Emergency Relief Act of 1933 authorizes and directs the Corporation to make available out of the funds of the Corporation not to exceed \$500,000,000, for expenditure in accordance with the terms stated in the Act, upon certification by the Federal Emergency Relief Administrator, for the purpose of furnishing relief to needy and distressed people. Section 3 (b) of such Act provides that the Corporation shall pay the expenses, not exceeding \$350,000, of the Federal Emergency Relief Administration, out of the funds

made available by the Act, upon presentation of vouchers approved by the Administrator or by an officer of that Administration designated by him for that purpose.

4. Funds Made Available to the Federal Housing Administrator

Section 4 of the National Housing Act provides that the Corporation shall make available to the Federal Housing Administrator such funds as he may deem necessary for the purposes of carrying out the provisions of Titles I, II, and III of such Act.

5. Capital of Federal Home Loan Banks Subscribed by the United States

Section 6 (f) of the Federal Home Loan Bank Act amended the Reconstruction Finance Corporation Act to provide that \$125,000,000, or as much thereof as may be necessary for the purpose, be allocated and made available by the Corporation to the Secretary of the Treasury in order to enable him to pay for the capital stock of Federal Home Loan Banks subscribed for by the United States.

6. Capital of Home Owners' Loan Corporation Subscribed by the United States

Section 4 (b) of the Home Owners' Loan Act of 1933 authorizes and directs the Reconstruction Finance Corporation to allocate and make available to the Secretary of the Treasury the sum of \$200,000,000, or so much thereof as may be necessary, in order to enable him to make payments for subscriptions for the capital stock of the Home Owners' Loan Corporation, created by such Act.

XX. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION

1. Capital Stock

The capital stock of the Corporation was fixed by section 2 of the Reconstruction Finance Corporation Act at \$500,000,000, all of which was subscribed by the Secretary of the Treasury on behalf of the Government of the United States on February 2, 1932. The entire capital stock has been paid in by the Secretary of the Treasury and is held by the United States.

2. Issue of Notes, Debentures, Bonds, or Other Such Obligations

The Reconstruction Finance Corporation Act, as amended by the Emergency Relief and Construction Act of 1932, authorizes the Corporation, with the approval of the Secretary of the Treasury, to issue, and to have outstanding at any one time, its notes, debentures, bonds, or other such obligations in an amount aggregating not more than six and three-fifths times its subscribed capital stock.

However, the National Industrial Recovery Act, which terminated the power of the Reconstruction Finance Corporation to make loans or contracts to

finance self-liquidating projects, etc., under the provisions of section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, provides that the amount of notes, debentures, bonds, or other such obligations which the Reconstruction Finance Corporation is authorized to have outstanding at any one time is decreased \$400,000,000. On the other hand, the amount of notes, debentures, bonds, or other such obligations which the Corporation is authorized to issue and have outstanding at any one time is increased by the provisions of other laws, as follows:

- (a) By an amount not to exceed \$125,000,000, in order to enable the Secretary of the Treasury to make payments for subscriptions for capital stock of the Federal Home Loan Banks, as provided in section 6 (f) of the Federal Home Loan Bank Act.
- (b) By such amount as may be necessary—
 - (1) To enable the Corporation to subscribe for preferred stock of National or State banks or trust companies, to make loans secured by such stock as collateral, and to purchase capital notes or debentures of State banks or trust companies, as provided by section 304 of an Act approved March 9, 1933, as amended (Public, No. 1, 73d Cong.).
 - (2) To enable the Corporation to make loans to the Secretary of Agriculture upon cotton in his possession or control, as provided by section 5 of the Agricultural Adjustment Act, as amended.
 - (3) To provide funds for the Federal Housing Administrator to enable him to carry out the provisions of Titles I, II, and III of the National Housing Act, as provided by section 4 of said Act.
- (c) By an amount not to exceed \$50,000,000 to enable the Corporation to subscribe for preferred stock, to purchase capital notes of insurance companies, and to make loans secured by such stock or notes as collateral, as provided by the Act approved June 10, 1933, as amended (Public, No. 35, 73d Cong.).
- (d) By \$500,000,000 to enable the Federal Emergency Relief Administrator to make grants to States and Territories (including Alaska, Hawaii, the Virgin Islands, and Puerto Rico) and the District of Columbia to aid in meeting the costs of furnishing relief and work relief and in relieving the hardship and suffering caused by unemployment, as provided by the Federal Emergency Relief Act of 1933; and to make such expenditures, not to exceed \$350,000, as are necessary to carry out the provisions thereof. Additional notes, debentures, bonds, or other such obligations may be issued under this authority only at such times and in such amounts as the President may approve.

- (e) By \$300,000,000 in order to provide funds for allocation to the Land Bank Commissioner for the purpose of making loans to joint-stock land banks and to farmers, as provided by the Emergency Farm Mortgage Act of 1933, as amended.
- (f) By an amount not to exceed \$200,000,000 in order to provide funds for allocation to the Secretary of the Treasury for the purpose of making payments for subscriptions for the capital stock of the Home Owners' Loan Corporation, as provided by section 4 (b) of the Home Owners' Loan Act of 1933.
- (g) By \$850,000,000, as provided by section 3 of the Act approved January 20, 1934 (Public, No. 84, 73d Cong.).
- (h) By an amount not to exceed \$250,000,000 at any one time for the purchase at par value of debentures and other obligations of the Federal Deposit Insurance Corporation, as provided by section 5e (b) of the Reconstruction Finance Corporation Act, as amended.
- (i) By an amount not to exceed \$250,000,000 at any one time for the purchase of marketable securities acquired or to be acquired by the Federal Emergency Administration of Public Works, as provided by Title II of the Emergency Appropriation Act, Fiscal Year 1935.

Notes, debentures, bonds, or other such obligations issued by the Corporation, with the approval of the Secretary of the Treasury, are to mature not more than 5 years from their respective dates of issue, to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rates of interest as may be determined by the Corporation. The Corporation, with the approval of the Secretary of the Treasury, also may sell on a discount basis short-term obligations payable at maturity without interest. The law provides that the notes, debentures, bonds, or other such obligations of the Corporation shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Corporation which may be issued pursuant to the provisions of the law, and may, at any time, sell any of the obligations of the Corporation acquired by him. He is further authorized, at the request of the Reconstruction Finance Corporation, to market for the Corporation its notes, debentures, bonds, and other such obligations, using therefor all the facilities of the Treasury Department authorized by law for the marketing of obligations of the United States. The Reconstruction Finance Corporation Act, as amended, also provides that any and all notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) at any time imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

XXI. REGIONAL AGRICULTURAL CREDIT CORPORATIONS

An Executive order issued on March 27, 1933, effective on May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration. The Reconstruction Finance Corporation will continue to pay all expenses incurred in connection with the operations of these corporations, and to rediscount paper for them, as provided in section 201 (e) of the Emergency Relief and Construction Act of 1932.

XXII. FUNDS FOR RELIEF OF DESTITUTION

The power of the Corporation to make funds available to States and Territories under section 1 of the Emergency Relief and Construction Act of 1932 for the relief of destitution was terminated at the close of June 1, 1933, pursuant to section 2 (c) of the Federal Emergency Relief Act of 1933, which created the Federal Emergency Relief Administration.

XXIII. REPORTS

1. Quarterly Reports

Section 15 of the Reconstruction Finance Corporation Act provides that the Corporation shall make and publish a report quarterly of its operations to the Congress stating the aggregate loans made to each of the classes of borrowers provided for and the number of borrowers by States (including the District of Columbia, Alaska, Hawaii, and Puerto Rico) in each class. The law further provides that the statement shall show the assets and liabilities of the Corporation and the names and compensation of all persons employed by the Corporation whose compensation exceeds \$400 per month.

2. Monthly Reports

Under section 201 (b) of the Emergency Relief and Construction Act of 1932, the Corporation is required to submit monthly to the President and to the Senate and the House of Representatives (or the Secretary of the Senate and the Clerk of the House of Representatives, if those bodies are not in session) a report of its activities and expenditures under the Reconstruction Finance Corporation Act and under section 201 of the Emergency Relief and Construction Act of 1932, together with a statement showing the names of the borrowers to whom loans and advances were made, and the amount and rate of interest involved in each case.

XXIV. CIRCULARS

Detailed information regarding certain types of loans which the Reconstruction Finance Corporation is authorized to make under existing law is contained in the following circulars, which are available, except those marked obsolete or superseded, at the Corporation's office in Washington or at any of its loan agencies.

Circular No. 1.—Information for banks and other financial institutions desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 2.—Information for railroads and receivers thereof desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 3 (Obsolete).—Information for prospective applicants for loans for "self-liquidating" projects under the Emergency Relief and Construction Act of 1932. (The power of the Corporation to make new self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, and the functions of the Corporation in this field were superseded by the functions of the Federal Emergency Administration of Public Works.)

Circular No. 4 (Revised).—Reconstruction Finance Corporation, its powers and functions.

Circular No. 5 (Obsolete).—Regarding Regional Agricultural Credit Corporations created by the Reconstruction Finance Corporation under section 201 (e) of the Emergency Relief and Construction Act of 1932. (An Executive order issued on March 27, 1933, effective May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration.)

Circular No. 6 (Revised).—Information regarding subscriptions for and loans secured by preferred stock of banks and trust companies and the purchase of capital notes and debentures of such institutions.

Circular No. 7 (Revised).—Information for prospective applicants for loans under the provisions of section 36, part 4, of the Emergency Farm Mortgage Act of 1933, as amended, relating to agricultural projects.

Circular No. 8.—Information regarding applications to the Reconstruction Finance Corporation for subscription for preferred stock and purchases of capital notes of insurance companies, and loans on such preferred stock or capital notes as collateral security, as authorized by Act of Congress approved June 10, 1934 (Public, No. 35, 73d Cong.).

Circular No. 9 (Revised).—Information regarding applications for loans from the Reconstruction Finance Corporation for the purpose of paying processing taxes, compensating taxes, and taxes on floor stocks under section 19 (c) of the Agricultural Adjustment Act of 1933.

Circular No. 10.—Information for prospective applicants for loans to finance the carrying and orderly marketing of agricultural commodities under section 201 (d) of the Emergency Relief and Construction Act of 1932.

Circular No. 11 (Superseded).—Information regarding loans to assist in the National Recovery Administration program. (Superseded by Circular No. 13, revised October 1934.)

Circular No. 12 (Obsolete).—Public advertisement regarding notes of the Reconstruction Finance Corporation—Series of February 1, 1934.

Circular No. 13 (Revised).—Information regarding loans to industry.

Circular No. 14.—Information regarding mining loans.

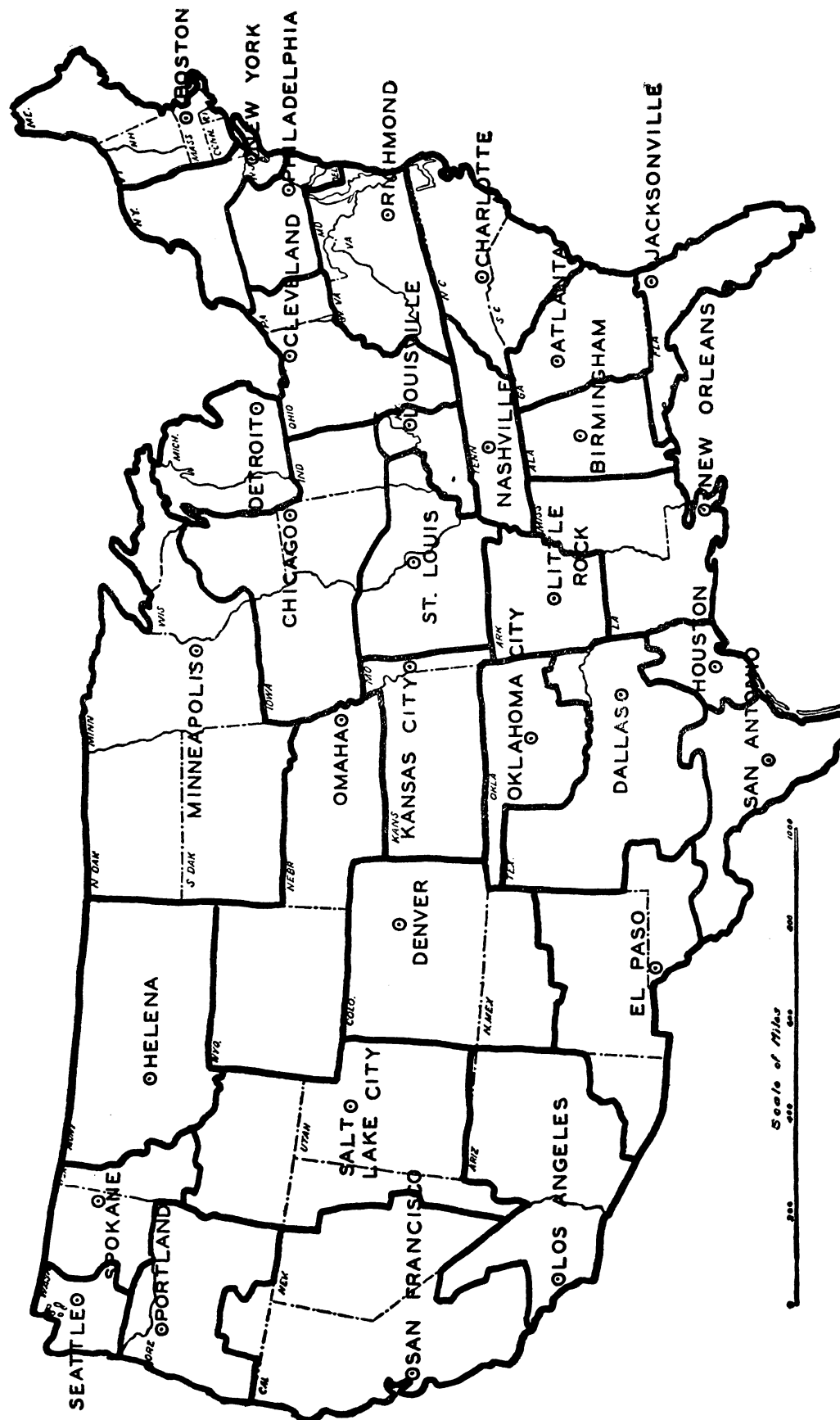
Circular No. 15.—Information regarding loans to industry in conjunction with banks and other lending institutions.

Circular No. 16.—Information regarding loans to incorporated managing agencies of farmers' cooperative mineral rights pools under the provisions of section 13 of the Act relating to direct loans for industrial purposes, approved June 19, 1934 (Public, No. 417, 73d Cong.).

Circular No. 17.—Information regarding loans to the fishing industry.

Circular No. 18.—Information regarding subscriptions for preferred stock and purchases of capital notes or debentures of trust companies and loans to trust companies and mortgage loan companies engaged in the business of lending upon real estate.

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



CIRCULAR No. 7
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION FOR PROSPECTIVE APPLICANTS FOR
LOANS UNDER THE PROVISIONS OF SECTION 36,
PART 4, OF THE EMERGENCY FARM MORTGAGE
ACT OF 1933, AS AMENDED, RELATING TO
AGRICULTURAL PROJECTS



AUGUST 1934

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1934

SEP 18 1934

INFORMATION FOR PROSPECTIVE APPLICANTS FOR LOANS UNDER THE PROVISIONS OF SECTION 36, PART 4, OF THE EMERGENCY FARM MORTGAGE ACT OF 1933, AS AMENDED, RELATING TO AGRICULTURAL PROJECTS

The Reconstruction Finance Corporation (hereinafter referred to as the Corporation) is authorized under section 36, part 4, of the Emergency Farm Mortgage Act of 1933, as amended, to make loans, not exceeding \$125,000,000 in the aggregate, to or for the benefit of certain districts, political subdivisions, companies and associations (hereinafter referred to as applicants). For the information of applicants said section 36 (hereinafter referred to as the act), and section 5 of the Reconstruction Finance Corporation Act, referred to in said section 36, are reprinted on the last pages of this circular.

A. Eligible borrowers

1. Applicants must be in one of the following classifications:
 - (a) Drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts;
 - (b) Political subdivisions of States;
 - (c) Mutual nonprofit companies; or
 - (d) Incorporated water users' associations.
2. Applicants must have completed projects prior to May 12, 1933.
3. The project of the applicant, so completed, must be devoted chiefly to the improvement of lands for agricultural purposes.
4. The project of the applicant must be economically sound.

B. Purposes of loans

All loans must be for one of the three following purposes:

1. To enable an applicant to reduce and refinance its outstanding indebtedness incurred in connection with its project.
2. To enable an applicant, to whom a loan has been authorized for the purpose of reducing and refinancing its outstanding indebtedness, to make such repairs and necessary extensions or improvements to its project, as are necessary or desirable for the proper functioning of its project or for the further assurance of its ability to repay such loan. Such loans shall only be made, however, if such repairs and necessary extensions or improvements are not designed to bring new lands into production.
3. To enable an applicant (irrespective of whether or not it has any outstanding indebtedness) to purchase or otherwise acquire in connection with its project, storage reservoirs, or dams or sites therefor or additional water rights

(1)

or canals, ditches, or rights-of-way for the conduct of water or other works or appurtenances necessary for the delivery of water. Such loans shall only be made, however, if such purchase or acquisition is not intended to bring additional lands into production.

C. Security for loans

1. All loans shall be fully and adequately secured.
2. Each loan shall be secured by bonds, notes, or other obligations, which are a lien on the real property within the project or on the assessments, taxes, or other charges imposed by the borrower pursuant to State law, or by such other collateral as may be acceptable to the Corporation.

D. Disbursement, interest rates and maturities

1. *Disbursement.*—All loans must be disbursed by the Corporation within such time as it may fix.
2. *Interest rates.*—The interest rate on loans made to enable applicants to reduce and refinance their outstanding indebtedness will be 4 percent. The interest rate on loans for other purposes will be such as may be fixed by the Corporation, from time to time, for loans of such character, or as may be fixed and determined by the Corporation in individual cases.
3. *Maturities.*—Loans shall be for such term as may be fixed in each case by the Corporation, and in no event shall exceed 40 years.

E. Terms and conditions of loans

1. *Issuance of other securities.*—The borrower shall agree not to issue during the term of the loan any other bonds so secured except with the consent of the Corporation.
2. *Repayment.*—The borrower shall agree, insofar as it may lawfully do so, that so long as any part of such loan shall remain unpaid the borrower will in each year apply to the repayment of such loan or to the purchase or redemption of the obligations issued to evidence such loan, an amount equal to the amount by which the assessments, taxes, and other charges collected by it exceed (a) the cost of operation and maintenance of the project, (b) the debt charges on its outstanding obligations, and (c) provision for such reasonable reserves as may be approved by the Corporation.
3. *Reduction in taxes and charges.*—In the case of a loan to reduce or refinance its outstanding indebtedness the borrower shall agree, to the satisfaction of the Corporation, to reduce, insofar as it lawfully may, the annual taxes, assessments, and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of the act.
4. *Charges, commissions, bonuses, fees, etc.*—Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. The borrower, however, subject to the approval of the Corporation,

may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loans will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

5. *Compliance with N.R.A. code.*—When loans are for the purpose of making repairs, extensions, or improvements, or for the purpose of purchasing or acquiring works, etc., and the employment of labor or purchase of materials will be entailed, the applicant must execute a certificate that it is complying with and will continue to comply with the President's Reemployment Agreement promulgated under authority of section 4 (a) of the National Industrial Recovery Act and/or any other agreement promulgated by the President under the National Industrial Recovery Act. In order to comply with Executive Order No. 6646, issued by the President of the United States on March 14, 1934, each applicant must agree that all contracts and orders by the applicant, or by its general contractor, if any, for machinery, articles, materials, or services, to be acquired, in whole or in part, with any of the proceeds of the loan, shall require, before performance or delivery, a certificate, as hereinafter described, signed by the party awarded such contract or order and by all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials, or services. Such certificate shall state that the party signing it is complying with and shall continue to comply with each approved code of fair competition to which it is subject; or, if engaged in any trade or industry for which there is no approved code of fair competition, the certificate shall state that the party signing it has become a party to, is complying with and shall continue to comply with the agreement with the President under section 4 (a) of the National Industrial Recovery Act. In the event that invitations for bids are issued by the applicant, or by its general contractor, if any, for machinery, articles, materials, or services, to be acquired in whole or in part with any of the proceeds of the loan, they shall require the bid to contain such a certificate by the bidder, and an agreement by the bidder to obtain such a certificate from all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials, or services. Each applicant must give the Corporation such proof of fulfillment of its agreement as the Corporation may require.

6. *Costs of examination.*—Applicants must agree to pay the expenses that may be incurred by the Corporation in making such appraisals and field examinations and investigations as the Corporation may require, and, if the Corporation so requests, applicants will be required to make a deposit, in an amount to be determined in each case by the Corporation, to cover such costs.

7. *Additional terms and conditions.*—Such other terms and conditions as the Corporation may determine.

F. Conditions precedent

1. Loans shall not be made until the Corporation has caused an appraisal to be made of the property securing and/or underlying the outstanding bonds of the applicant.

2. The Corporation must have determined that the project of the applicant is economically sound.

3. Loans to reduce and refinance an applicant's outstanding indebtedness will not be disbursed until the Corporation is satisfied that an agreement has been entered into between the applicant and holders of its outstanding bonds or other obligations under which the applicant will be able to purchase or refund such a large proportion of such bonds or other obligations as may be acceptable to the Corporation at a price determined by the Corporation to be reasonable after taking into consideration the average market price of such bonds over the 6 months' period ending March 1, 1933, and under which a substantial reduction will be brought about in the amount of the outstanding indebtedness of the applicant.

G. Applications for loans

Applications should be made in writing to the Reconstruction Finance Corporation at its office at 1825 H Street NW., Washington, D.C.

No printed forms of applications will be provided but all applications shall present the information indicated below and shall follow in the order given and by apt reference thereto the system of numbering and lettering indicated.

Each copy of the application shall be written upon 8½ by 13 inch legal paper with exhibits folded to that size and with accompanying exhibits firmly bound together, preferably in a single binder.

Five complete signed copies of each application shall be filed.

Applications shall be signed by the president and secretary of the applicant and, if prepared under the direction of any attorney or engineer, such fact shall be stated and such application must be approved by each such person.

Exhibits shall bear the signature of the person who prepared them.

A resolution shall be adopted by the board of directors or other governing body of the applicant expressly agreeing to meet and comply with each separate condition listed in E, above, and authorizing and directing the proper officers of the applicant to supply the Corporation with all instruments or data requested by it in connection with the application and to execute and deliver the application and exhibits thereto in the exact form in which they are submitted. A certified copy of such resolution should be attached to the application as an exhibit.

All applications shall be verified in substantially the following form:

STATE OF _____

County of _____, ss.

_____ makes oath and says that he is the _____
(Name of affiant) (Office held by affiant)

of _____; that he has carefully examined each and all of
(Full legal title of applicant)
the statements contained in the foregoing application and in the exhibits and other data
attached thereto or submitted therewith; that such statements are true and correct to the
best of his knowledge and belief; that such application is made with the approval and at the
direction of the _____ of said applicant, as appears by a
(Governing body)
resolution duly adopted at a meeting thereof, a certified copy of which is attached to such
application, said meeting having been held at _____ on the _____ day
of _____, 193...; and that he is the person who has been authorized by such
resolution to execute such application.

(Signature of affiant)

Subscribed and sworn to before me, a _____ in and for the State and
county above named, this _____ day of _____, 193...

[SEAL]

My commission expires _____

INFORMATION REQUIRED

SECTION 1. INFORMATION REQUIRED FROM ALL APPLICANTS IRRESPECTIVE OF PURPOSE OF LOAN

1. General information:

- (a) Full legal title of applicant. Care should be exercised to give the full and exact legal title.
- (b) Citation to laws under which organized.
- (c) Date of organization.
- (d) Names and addresses of each officer and director.
- (e) Name and address of the person with whom correspondence should be conducted.
- (f) Names and addresses of attorneys and engineers.

2. Amount of loan requested.

3. Full statement as to purpose of loan.

4. Brief description and history of the project, including with such other information as the applicant thinks necessary or desirable, the following:

- (a) Map showing the project and location thereof.
- (b) Topography, climate, transportation facilities, nature of soil and extent of alkali.
- (c) Total acres in applicant's project, number of acres assessed or charged, number of cultivated acres and number of irrigated acres.
- (d) Number of farms in applicant's project, size of each of the 10 largest farms with names and addresses of owners, size of average farm, and number of inhabitants in the project.
- (e) Brief statement as to the general condition of landowners with approximate number of foreclosures of farm mortgages in each of the years 1931, 1932, 1933, and 1934 to the time of application.
- (f) Average assessed valuation per acre of irrigated land, of cultivated or improved land, and uncultivated or unimproved land for ad valorem or general tax purposes, percentage of such valuation to fair and reasonable market value and the millage rate of taxation (including state, county and school district taxes, but excluding any taxes or charges imposed by the applicant or by other improvement districts or projects of companies or associations) for each year beginning with 1928 in the form set forth in Schedule A.

5. The following data is required respecting overlapping districts or overlapping projects of companies or associations (if none, so state):

- (a) Indicate on map the overlapped area.
- (b) State total number of acres in overlapped area, separately listing irrigated, cultivated, and uncultivated or unimproved areas.
- (c) Average tax per acre for district purposes of each overlapping district in the overlapped area, for each year beginning with 1928.
- (d) Total area of each overlapping district or project.
- (e) Amount and interest rate of bonds outstanding of each overlapping district or project.
- (f) First and last maturity date of bonds outstanding of each overlapping district or project.
- (g) If the bonds or coupons of overlapping districts or projects are in default, give dates and amounts thereof in each overlapping district or project.

6. Full statement as to any litigation pending or threatened involving the applicant.

7. Full statement as to the physical condition of the project of the applicant with special reference to dams, canals, dikes, levees, pumping plants, etc. State in each instance the size of dams and number of miles of levees, dikes, canals, and ditches. If applicant is a drainage district give statement with reference to

growth in and silting of ditches as well as when the same were last cleaned and present need for cleaning. State whether silting basins are needed or provided.

8. Statement as to gross crop values per acre each year, beginning with the year 1928, itemized as to each cash crop.

9. Statement as to the source and basis of applicant's revenues however derived.

10. Statement as to the apportionment of revenues to particular funds and as to the purposes for which same may be used.

11. Statement as to the present outstanding indebtedness of the applicant including the following:

- (a) Total amount.
- (b) Description and history of each issue.
- (c) Furnish, if available, the opinion or counterpart of opinion as to the validity of such obligations given by bond or other counsel in connection with the issue and sale thereof.
- (d) Give citations to laws under which the present indebtedness was incurred, including court decisions with reference to the same.
- (e) Statement as to each issue of bonds or secured obligations issued by the applicant since date of organization in the specimen form set forth in schedule B.
- (f) Statement of acreage assessed or charged for service, amounts of annual assessments and other charges and collections thereof for each of the years during which the present indebtedness has been outstanding, in accordance with the form set forth in schedule C.
- (g) Statement of the number of acres within or served by the applicant now owned by the State or county giving separately dates and acreage acquired by tax sale and acreage otherwise acquired.

12. General statement as to the nature of and security for the obligations which the applicant will offer to evidence the loan.

13. The following financial statements:

- (a) Balance sheet or statement of assets and liabilities, as of the latest date available, together with similar statements as of December 31 (or close of applicant's fiscal year), for each year beginning with 1928. In those instances where public accountants have audited the accounts such statements for the 6 years shall be certified by such public accountants. In the other instances and for the latest balance sheet such statement shall be certified to by the applicant's chief fiscal officer.
- (b) Income and disbursement accounts showing, in reasonable detail, items of income and expense for each year beginning with 1928, certified by the chief fiscal officer or, in those instances of public audits, by the public accountant; also, a similar statement for

as many months of 1934 as are available compared with the similar period of 1933 certified to by the applicant's chief fiscal officer. Expenditures for betterments and for maintenance and operation shall be separated so that the total amount expended for each class of expenditures will be clearly shown.

- (c) Description of any assets or liabilities or items of income and expense not properly described in the statements requested under (a) and (b) above, or which are unusual, or which, for any reason, require special attention.

14. If applicant is an irrigation district, mutual nonprofit company, or incorporated water users' association, or drainage district within or served by same the following additional information is required:

- (a) Description of the water rights including amount of water actually delivered (maximum, minimum, and average), source, priorities, capacity of storage reservoirs, water required per acre per year, and full information as to permits, decrees, etc.
- (b) If water for irrigation is provided by pumping give average lift and cost per acre-foot of pumping, including rate for electric current used and, if furnished under contract, supply copy thereof. If pumping is from wells give capacity of wells and average draw-down at end of season. Also state what the effect has been on the depth of the water table in the basin as a result of pumping operations since inception thereof.
- (c) Give average annual cost per irrigated acre for each year, beginning with 1928, for maintenance and operation and for water tolls, and the total thereof.
- (d) State what drainage work has been done and what is now needed.
- (e) If applicant is a drainage district served by an irrigation project, state whether the water rights are appurtenant to the land and, if so, how accomplished.

15. If applicant is a district or political subdivision of a State the following information is also required.¹

- (a) Citations to all statutes and constitutional provisions (including court decisions having a bearing upon the constitutionality or interpretation of statutes) with reference to the obligations offered to evidence the loan. In case of any recent statutes or court decisions not yet included in authorized publications, complete copies thereof should be supplied and attached as exhibits to the application.

¹ When a loan is authorized to a district or political subdivision of a State having benefits assessed against the lands therein, (commonly called "benefit districts"), disbursements will not be made until the applicant has furnished the Corporation with certain information in tabular form as called for in schedules D and E hereof, taken from the assessment roll of the applicant or from some other tax roll or source where such information may be found. As such information doubtless will generally come from the same source or sources as will much of the other information called for in this circular, the attention of applicant districts is here directed to this requirement so they may furnish this information as a part of their applications if they so desire.

- (b) State limitations, if any, imposed by law as to the term and interest rate of obligations to be issued.
- (c) Statement as to nature of revenues from which such obligations are payable. If payable out of ad valorem or general taxes, give a statement of the property taxable and the limitations, if any, as to tax rate. If payable from assessments or taxes other than ad valorem or general taxes, give a complete statement of the benefits or values and the limitations on the assessments or taxes that can be levied. State whether or not such taxes are prepayable and whether the rate is fixed or variable.
- (d) State whether payment of taxes and assessments may be made by bonds, coupons, warrants or the like, citing authority therefor.
- (e) Statement as to the acreage of irrigated, cultivated and uncultivated or unimproved lands and assessed value thereof to which the applicant has taken title under tax or assessment sale in each year beginning with 1928 and the acreage of each class still held by the applicant.
- (f) State whether a sale for delinquent State, county, or school district taxes cancels delinquent assessments imposed by the district or political subdivision with citation to statutes or court decisions governing the matter.
- (g) Statement as to the nature of the obligations offered to evidence the loan, whether general or special with the nature of the recourse against lands for nonpayment of taxes or assessments, time within which proceedings for sale of lands for nonpayment of taxes and assessments can be commenced and completed, together with the period of redemption.
- (h) Give a reference to any statutes affecting the delinquency of taxes or assessments or providing for a moratorium thereon. Supply copies of recent legislation, if any.
- (i) Statement of any other revenues and properties which the applicant can offer as security.

16. If applicant is a mutual nonprofit company or incorporated water users' association, the following additional information is required:

- (a) Exhibits required:
 - (1) Articles of incorporation.
 - (2) Bylaws.
 - (3) Water regulations (rules and regulations respecting delivery and distribution of water).
 - (4) Copy of stock certificate.
 - (5) Copy of bond or other evidence of outstanding indebtedness.
 - (6) Copy of bond indenture or other instrument securing outstanding indebtedness, if any.

- (b) Give a general summary of the plan of operation, including the method of apportioning and delivering water and fixing and collecting charges.
- (c) Statement as to the classification and incidents of stock of the company or association, including:
 - (1) Schedule of stock of each class authorized, issued and outstanding (common, preferred, par value, no par value, treasury).
 - (2) Statement whether the stock is appurtenant to lands and, if so, how accomplished.
 - (3) Statement as to how the stock is held (by individuals or collectively by company).
 - (4) Statement as to the relationship of water rights and deliveries to stock of each class and method of apportioning water to the stock and to various parcels of land.
 - (5) State whether apportionments of water to stock are for fixed amounts or for a proportion of the whole.
 - (6) State whether the ratio of stock to acreage is uniform or varies. If uniform state what the ratio is of shares to each acre. If the ratio varies state what the extent and basis of variations are.
 - (7) State whether the stock is classified so as to segregate rights to different priorities or sources, or as to direct flow or reservoir water, or in relation to service from different canals. If so classified explain the classification.
 - (8) Statement as to what rights, if any, exist to transfer rights to receive water to other lands.
 - (9) If stock is floating stock state what its market value is and what limitations, if any, are imposed upon its transfer.
 - (10) State whether the right exists to rent stock or rights incident thereto. If so, state what rentals are secured.
 - (11) State whether the company holds any treasury stock. If so, state the source of ownership and what the liability is therefor for assessments and what conditions and limitations exist on its resale.
 - (12) State whether water is supplied to others than stockholders. If so, state upon what basis delivery is made and what obligation exists to continue such delivery.
- (d) Statement as to stock assessments of the applicant, including the following:
 - (1) State what the relationship of levies is to different classes of stock.
 - (2) Statement as to time and method of making levies.

- (3) State relation of levies to each acre of land and each acre-foot of water supplied.
- (4) Full statement as to the right to sell stock in the event of delinquency with a statement as to any stock or other properties to which the applicant has taken title for assessments or charges in each year beginning with 1928 and the amount thereof still held by the applicant.
- (5) Full statement as to the applicant's right to refuse delivery of water in the event of delinquency, and a statement as to the acreage on which water has been shut off because of the nonpayment of water charges for each year beginning with 1928 and the amount of such acreage on which water is shut off at the time of the application.
- (e) Statement as to applicant's revenues, including the following:
 - (1) Stock assessments.
 - (2) Water tolls or sales to stockholders in excess of amounts to which they are entitled by reason of stock ownership.
 - (3) Sales to others than stockholders.
 - (4) Other sources, detailing each such source.
- (f) Statement as to the property and works of the applicant, including a general description thereof, title by which the same is held, appraisals and valuations:
 - (1) Water rights.
 - (2) Canals and distribution ditches.
 - (3) Reservoirs and dams.
 - (4) Pumping facilities.
 - (5) Easements and rights-of-way.
 - (6) Franchises.
 - (7) Other works and structures.
 - (8) Other real and personal property.
- (g) Statement as to water supply and distribution thereof, including the following:
 - (1) Place of delivery of water, whether delivered to each landowner or only to various units or to laterals.
 - (2) Statement as to water presently or prospectively available to stockholders and landowners from other sources and comparative costs.
- (h) Statement as to requirements for approval of stock or bond transactions under Blue Sky laws, including the following:
 - (1) Necessity therefor, with citation to appropriate statutes and decisions.
 - (2) Applications previously made and action thereunder.
 - (3) Applications made or contemplated in connection with the proposed loan.

SECTION II. ADDITIONAL INFORMATION REQUIRED WHEN LOAN IS FOR THE
PURPOSE OF REDUCING AND REFINANCING OUTSTANDING INDEBTEDNESS

1. Statement as to the present outstanding indebtedness, including the following:

- (a) Statement as to total amount of various classes of obligations to be refunded and purposes for which such indebtedness was incurred. If the refunding program includes the refunding of warrants, judgments, unsecured notes, or open indebtedness, a list of the items thereof in the form of an exhibit shall be furnished, including, in the case of warrants, the date of issue, date of registration, name of holder, nature of claim, and fund on which same is drawn. Similarly, full particulars as to judgments, unsecured notes, and open indebtedness shall be given, including the basis of the judgment, note, or account. If there is indebtedness which the applicant does not propose to refund, the amount and character thereof should be stated and the reasons for not including such indebtedness should be given.
- (b) State whether or not a bondholders' committee or other agency or concern has been formed for the protection of or contacting holders of outstanding obligations and, if so, give name and address of such committee or other agency or concern and state the amount of obligations which have been deposited with same.
- (c) If no such bondholders' committee or other agency has been formed state whether the applicant has available a list of bondholders or other security holders, as well as efforts, if any, which have been made to secure such a list.
- (d) State what assurances, if any, the applicant has that its refinancing program will be acceptable to the holders of its outstanding indebtedness.
- (e) Quotations or sale prices applying to obligations of the applicant, local or otherwise, during each year, beginning with 1928, and for each month, beginning September 1, 1932. State source of quotations and sale prices.

SECTION III. ADDITIONAL INFORMATION REQUIRED WHEN LOAN IS FOR THE
PURPOSE OF MAKING REPAIRS, NECESSARY EXTENSIONS OR IMPROVEMENTS

When the information required under prior sections of this circular has been previously furnished it will not be necessary to repeat the same. Reference should, however, be made to the same and any changes therein set forth. Applications for loans for the purpose both of reducing and refinancing outstanding indebtedness and of making repairs, necessary extensions, or improve-

ments should include the information required in sections I, II, and III of this circular.

1. Engineering information:

- (a) Purpose of and necessity for proposed work.
- (b) General description of work and manner in which it is to be performed.
- (c) Map indicating where work is to be done.
- (d) Engineer's estimate of cost of proposed repairs and necessary extensions or improvements. This information should be itemized giving quantities and estimated prices for each item. Cover unusual conditions to be encountered. State whether the expenses incurred will be recurring and, if so, how frequently.

2. Financial information: When application is made for a loan for repairs and necessary extensions or improvements, subsequent to the authorization of a loan for the purpose of refunding or refinancing outstanding indebtedness, the following information as to the financial condition of the applicant shall be given:

- (a) A general description of any changes in the financial condition of the applicant subsequent to the granting of the loan for the purpose of refunding or refinancing its outstanding indebtedness.
- (b) Balance sheet, or statement of assets and liabilities as of the latest date available, certified to by the applicant's chief fiscal officer.
- (c) Income and disbursement accounts showing, with reasonable detail, items of income and expense for the period elapsing between the application for a loan to refund and refinance applicant's outstanding indebtedness and the application for a loan for repairs and necessary extensions and improvements to be certified to by the applicant's chief fiscal officer. Expenditures for betterments and maintenance and operation shall be segregated.

3. General information:

- (a) Statement as to the additional land which the proposed work will bring into cultivation.
- (b) Statement as to the additional land which the proposed work will make available for cultivation.
- (c) Estimate, with supporting data, as to the additional cost per acre (on both cultivated and unimproved acreage) resulting from the performance of the repairs, extensions, or improvements.
- (d) Effect of the proposed work upon maintenance and operation charges and the relationship of increase of charges to the increased ability of lands to repay.

SECTION IV. ADDITIONAL INFORMATION REQUIRED WHEN LOAN IS FOR THE
PURPOSE OF PURCHASING OR ACQUIRING ADDITIONAL PROPERTY AND
WORKS

1. If it is proposed to purchase or acquire existing property or works, there shall be included, in addition to other information considered desirable, the following:

- (a) Purpose of and necessity for the proposed purchase or acquisition.
- (b) Itemized and detailed description of property or works to be acquired; with plans, maps, and plats in appropriate cases.
- (c) Statement of expenditures that will be required, with itemized and detailed appraisals and full supporting data respecting valuations.
- (d) Full information respecting present owners of property, and condition of titles.

2. If acquisition of additional property or works will entail new construction, a complete engineer's report shall be furnished which shall include, in addition to other information considerable desirable, the following:

- (a) Purpose of and necessity for proposed work.
- (b) Maps and plats showing location of structures.
- (c) Detailed plans of structure.
- (d) Detailed estimate of cost.
- (e) Statement of any unusual conditions to be encountered such as foundation for dams, side-hill work, rock work, and necessity for lining canals.

SCHEDULE A

Ad valorem tax record

(State, county, and school district taxes)

	Year 1928				Year 1929			
	Culti- vated or im- proved land	Irrigated land	Unculti- vated or unim- proved land	All land	Culti- vated or im- proved land	Irrigated land	Unculti- vated or unim- proved land	All land
Year.....								
Assessed valuation per acre.....								
Tax per \$100 assessed valuation.....								
Tax per acre.....								
Percent defaults.....								
Acres sold for taxes.....								

(Continue schedule to include present year.)

SCHEDULE B

Designation of issue (first bond issue, etc.)
 Use of proceeds construction of, refunding, etc.
 Bonds dated October 1, 1918.
 Amount of issue, \$80,000.
 Interest rate, 6 percent.
 Net price received per \$100 face value, 98½.
 Assessed benefits, total, \$200,000.
 Assessed benefits, per acre, highest \$30, lowest \$10, average \$20.
 Acres assessed for benefits, 10,000.
 Acres on which benefits have been paid in full, 2,000.
 Acres now subject to assessment for bond service, 8,000.
 Amount of unused benefits, total \$173,000; on cultivated land, \$102,000.
 Underwriters, bankers, and brokers handling issue (insert name)

Date of maturity	Payments due		Paid		Unpaid	
	Bonds	Coupons	Bonds	Coupons	Bonds	Coupons
Oct. 1, 1921		\$2,400		\$2,400		
Apr. 1, 1922		2,400		2,400		
Oct. 1, 1922		2,400		2,400		
Apr. 1, 1923	\$3,000	2,400	\$3,000	2,400		
Oct. 1, 1923		2,310		2,310		
Apr. 1, 1924	4,000	2,310	4,000	2,310		
Oct. 1, 1924		2,190		2,190		
Apr. 1, 1925	5,000	2,190	5,000	2,190		
Oct. 1, 1925		2,040		2,040		
Apr. 1, 1926	5,000	2,040	5,000	2,040		
Oct. 1, 1926		1,890		1,890		
Apr. 1, 1927	5,000	1,890	5,000	1,890		
Oct. 1, 1927		1,740		1,740		
Apr. 1, 1928	6,000	1,740	5,000	1,740	\$1,000	
Oct. 1, 1928		1,560		1,560		
Apr. 1, 1929	6,000	1,560	4,000	1,560	2,000	
Oct. 1, 1929		1,380		1,380		
Apr. 1, 1930	6,000	1,380	6,000	1,380		
Oct. 1, 1930		1,200		1,110		\$90
Apr. 1, 1931	8,000	1,200		1,110	8,000	90
Oct. 1, 1931		960		600		360
Apr. 4, 1932	8,000	960	1,000	600	7,000	360
Oct. 1, 1932		720		360		360
Apr. 1, 1933	8,000	720		330	8,000	390
Oct. 1, 1933		480				480
Apr. 1, 1934	8,000	480			8,000	480
Oct. 1, 1934		240				240
Apr. 1, 1935	8,000	240			8,000	240
Total	80,000	43,020	38,000	39,930	42,000	3,090

Defaulted bonds \$34,000
 Unmatured bonds 8,000
 Outstanding bonds 42,000
 Defaulted coupons \$2,810

Date of this statement

NOTE.—Above is a specimen to illustrate the information desired and manner of stating same.

Schedule of annual assessments, taxes, and other charges against lands within district

Year	Total charges for bond service ¹		Total charges for maintenance-operation		Total of all other charges ²		Number of acres assessed for bond service
	Charged	Collected	Charged	Collected	Charged	Collected	
1928							
1929							
1930							
1931							
1932							
1933							
1934							

¹ Collections through payment of taxes by bonds, coupons, or warrants should be segregated from cash collections for each year.

² Nature of charges should be explained.

R.F.C. docket no. ref. -----

Date _____

(Name of district)

(Post office address)

Assessment roll

Page 1.

[illegible]

Schedule D Instructions.—On the first page insert the name and address of the district and other information called for in the blanks provided for that purpose. All privately owned lands should be listed first, showing totals of each column thereof, then follow with a list of all district-owned lands showing the totals of each column thereof. Leave column 1 blank. In column 2 insert in numerical order a serial number for each separate tract or parcel of land as shown on the assessment roll although several tracts or parcels may be assessed in the name of one owner. (These same serial numbers will be used in making up schedule E.) In column 3 insert the names of landowners. If the territory in the district is sectionized then give the section, township, and range of each tract in columns 4, 5, and 6, if not sectionized leave these columns blank. In column 7 give an accurate description of each separate tract or parcel of land. In column 8 show the acreage in each separate tract. If more than one sheet is required use the same spacings and numbers for the columns on the second and subsequent sheets, but the other headings need not be used. Totals should be carried forward from each sheet to the next sheet.

See note on p. 8 of circular.

(Name of district)

(Post-office address)

Information taken from assessment roll of above district

Page 1

[illegible]

Schedule E instructions.—If more than 1 sheet is required to give the information called for, use the same spacings and numbering for the columns on the second and subsequent sheets, but the other headings need not be used. The totals should be carried forward from each sheet to the next sheet. All privately owned lands should be listed first, showing the totals of each column thereof. It will not be necessary to have the several tracts of lands surveyed in order to determine the exact acreage of cultivated lands and uncultivated lands as called for in columns 3, 4, 8, 9, 10, 11, 14, and 15 of this schedule. The acreage given must be substantially correct and when estimated that fact and the source of information from which such estimates are made should be fully stated or explained.

When schedules D and E have been completed, the correctness of the information set out therein must be not only verified by the affidavit of officer or officers of the district who sign and verify the application, but the correctness of the information must also be certified to by the State or county official having custody of the assessment roll of the district or other tax rolls from which such information was taken.

See note on p. 8 of circular.

STATUTORY PROVISIONS

The following section of the Emergency Farm Mortgage Act of 1933, approved May 12, 1933, as amended by section 19, Independent Offices Appropriation Act, 1934, approved June 16, 1933 (Public, No. 78, 73d Cong.); section 11, Act approved June 19, 1934 (Public, No. 417, 73d Cong.); and joint resolution approved June 27, 1934 (Public, No. 53, 73d Cong.), is quoted for the information of applicants:

SEC. 36. The Reconstruction Finance Corporation is authorized and empowered to make loans as hereinafter provided, in an aggregate amount not exceeding \$125,000,000 to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, mutual nonprofit companies and incorporated water users' associations duly organized under the laws of any State, and to or for the benefit of political subdivisions of States, which prior to the date of enactment of this Act have completed projects devoted chiefly to the improvement of lands for agricultural purposes. Such loans shall be made for the purpose of enabling any such district, political subdivision, company, or association (hereafter referred to as the "borrower") to reduce and refinance its outstanding indebtedness incurred in connection with any such projects; or, whether or not it has any such indebtedness, to purchase or otherwise acquire in connection with such project storage reservoirs or dams or sites therefor, or additional water rights, or canals, ditches, or rights-of-way for the conduct of water, or other works or appurtenances necessary for the delivery of water, provided such purchase or acquisition is not intended to bring additional lands into production. Such loans shall be subject to the same terms and conditions as loans made under section 5 of the Reconstruction Finance Corporation Act, as amended; except that (1) the term of any such loan shall not exceed forty years; (2) each such loan shall be secured by bonds, notes, or other obligations which are a lien on the real property within the project or on the assessments, taxes, or other charges imposed by the borrower pursuant to State law, or by such other collateral as may be acceptable to the Corporation; (3) the borrower shall agree not to issue during the term of the loan any other bonds so secured except with the consent of the Corporation; (4) the borrower shall agree, insofar as it may lawfully do so, that so long as any part of such loan shall remain unpaid the borrower will in each year apply to the repayment of such loan or to the purchase or redemption of the obligations issued to evidence such loan, an amount equal to the amount by which the assessments, taxes, and other charges collected by it exceed (a) the cost of operation and maintenance of the project, (b) the debt charges on its outstanding obligations, and (c) provisions for such reasonable reserves as may be approved by the Corporation; and (5) in the case of a loan to reduce or refinance its outstanding indebtedness, the borrower shall agree, to the satisfaction of the Corporation, to reduce, insofar as it lawfully may, the annual taxes, assessments, and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of this section. No loan shall be made under this section until the Reconstruction Finance Corporation (A) has caused an appraisal to be made of the property securing and/or underlying the outstanding bonds of the applicant, (B) has determined that the project of the applicant is economically sound, and (C) in the case of a loan to reduce or refinance the outstanding indebtedness of an applicant, has been satisfied that an agreement has been entered into between the applicant and holders of its outstanding bonds or other obligations under which the applicant will be able to purchase or refund all or a major portion of such bonds or other obligations at a price determined by the Corporation to be reasonable after taking into consideration the average market price of such bonds over the six months' period ending March 1, 1933, and under which a substantial reduction will be brought about in the amount of the outstanding indebtedness of the applicant.

When any loan is authorized pursuant to the provisions of this section and it shall then or thereafter appear that repairs and necessary extensions or improvements to the project of such district, political subdivision, company, or association are necessary or desirable for the proper functioning of its project or for the further assurance of its ability to repay such loan, and if it shall also appear that such repairs and necessary extensions or improvements are not designed to bring new lands into production, the Corporation, within the limitation as to total amount provided in this section, may make an additional loan or loans to such district, political subdivision, company, or association for such purpose or purposes. When application therefor shall have been made by any such district, political subdivision, company, or association any loan authorized by this section may be made either to such district, political subdivision, company, or association or to the holders or representatives of the holders of their existing indebtedness, and such loans may be made upon promissory notes collateralized by the obligations of such district, political subdivision, company, or association or through the purchase of securities issued or to be issued by such district, political subdivision, company, or association.

The following section of the Reconstruction Finance Corporation Act being the section referred to in section 36 of the Emergency Farm Mortgage Act, as amended, is also quoted for the information of applicants:

SEC. 5. To aid in financing agriculture, commerce, and industry, including facilitating the exportation of agricultural and other products, the corporation is authorized and empowered to make loans, upon such terms and conditions not inconsistent with this Act as it may determine, to any bank, savings bank, trust company, building and loan association, insurance company, mortgage-loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporations, organized under the laws of any State or of the United States, including loans secured by the assets of any bank, savings bank, or building and loan association that is closed, or in process of liquidation to aid in the reorganization or liquidation of such banks or building and loan associations, upon application of the receiver or liquidating agent of such bank or building and loan association, and any receiver of any national bank is hereby authorized to contract for such loans and to pledge any assets of the bank for securing the same.

All loans made under the foregoing provisions shall be fully and adequately secured. The corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. Such loans may be made directly upon promissory notes or by way of discount or rediscount of obligations tendered for the purpose, or otherwise in such form and in such amount and at such interest or discount rates as the corporation may approve: *Provided*, That no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances. In no case shall the aggregate amount of advances made under this section to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2% per centum of (1) the authorized capital stock of the Reconstruction Finance Corporation plus (2) the aggregate amount of bonds of the corporation authorized to be outstanding when the capital stock is fully subscribed: *Provided*, That such limitation shall not apply to advances to receivers or other liquidating agents of closed banks when made for the purpose of liquidation or reorganization.

Each such loan may be made for a period not exceeding three years, and the corporation may from time to time extend the time of payment of any such loan, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond five years from the date upon which such loan was made originally. The corporation may make loans under this section at any time prior to the expiration of one year from the date of the enactment hereof; and the President may from time to time postpone such date

of expiration for such additional period or periods as he may deem necessary, not to exceed two years from the date of the enactment hereof. Within the foregoing limitations of this section, the corporation may also, upon the approval of the Interstate Commerce Commission, make loans to aid in the temporary financing of railroads, and railways engaged in interstate commerce, to railroads and railways in the process of construction, and to receivers of such railroads and railways, when in the opinion of the board of directors of the corporation such railroads or railways are unable to obtain funds upon reasonable terms through banking channels or from the general public and the corporation will be adequately secured: *Provided*, That no fee or commission shall be paid by any applicant for a loan under the provisions hereof in connection with any such application or any loan made or to be made hereunder, and the agreement to pay or payment of any such fee or commission shall be unlawful. Any such railroad may obligate itself in such form as shall be prescribed and otherwise comply with the requirements of the Interstate Commerce Commission and the corporation with respect to the deposit or assignment of security hereunder, without the authorization or approval of any authority, State or Federal, and without compliance with any requirement, State or Federal, as to notification, other than such as may be imposed by the Interstate Commerce Commission and the corporation under the provisions of this section: *Provided further*, That the corporation may make said loans to trustees of railroads which proceed to reorganize under section 77 of the Bankruptcy Act of March 3, 1933.

The Reconstruction Finance Corporation is further authorized and empowered to make loans if adequately secured to any State insurance fund established or created by the laws of any State for the purpose of paying or insuring payment of compensation to injured workmen and those disabled as a result of disease contracted in the course of their employment, or to their dependents. As used in this paragraph, the term "State" includes the several States and Alaska, Hawaii, and Puerto Rico.

The Reconstruction Finance Corporation is further authorized and empowered to make loans if adequately secured to any fund created by any State for the purpose of insuring the repayment of deposits of public moneys of such State or any of its political subdivisions in banks or depositories qualified under the law of such State to receive such deposits. Such loans may be made at any time prior to January 23, 1934, and upon such terms and conditions as the corporation may prescribe; except that any fund which receives a loan under this paragraph shall be required to assign to the corporation, to the extent of such loan, all amounts which may be received by such fund as dividends or otherwise from the liquidation of any such bank or depository in which deposits of such public moneys were made. As used in this paragraph, the term "State" includes the several States and Alaska, Hawaii, and Puerto Rico.

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CIRCULAR No. 9
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING APPLICATIONS FOR LOANS
FROM THE RECONSTRUCTION FINANCE CORPORATION
FOR THE PURPOSE OF PAYING PROCESSING TAXES,
COMPENSATING TAXES, AND TAXES ON FLOOR STOCKS
UNDER SECTION 19 (C) OF THE AGRICULTURAL
ADJUSTMENT ACT OF 1933



JUNE 1934

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON: 1934

JUL 23 '34

INFORMATION REGARDING APPLICATIONS FOR LOANS FROM THE RECONSTRUCTION
FINANCE CORPORATION FOR THE PURPOSE OF PAYING PROCESSING TAXES,
COMPENSATING TAXES, AND TAXES ON FLOOR STOCKS UNDER SECTION 19 (C)
OF THE AGRICULTURAL ADJUSTMENT ACT OF 1933

In section 19 (c) of the Agricultural Adjustment Act of 1933 it is provided:

In order that the payment of taxes under this title may not impose any immediate undue financial burden upon processors or distributors any processor or distributor subject to such taxes (processing taxes, compensating taxes, and taxes on floor stocks) shall be eligible for loans from the Reconstruction Finance Corporation under section 5 of the Reconstruction Finance Corporation Act.

1. GENERAL REQUIREMENTS

The Reconstruction Finance Corporation may make loans as provided in the foregoing paragraph only to prevent the "immediate undue financial burden" which the taxes referred to may impose.

Inasmuch as it is provided by section 19 (b) of the Agricultural Adjustment Act that the payment of such taxes may be postponed by the Secretary of the Treasury for a period not exceeding 90 days, it is contemplated that applicants will obtain, if possible, postponement of the payment of the taxes for the full 90-day period. However, the Corporation will give consideration to applications for loans where the postponement for the full 90-day period, or for any part thereof, has been denied. Wherever possible, a signed copy of the order of postponement for the full 90-day period, or for a lesser period, or of the denial of the request for postponement should be filed with the original application. The Corporation will consider applications for loans when accompanied by satisfactory evidence that the postponement for the full 90-day period has been requested; but in no event will the loan be disbursed until a signed copy of the order granting postponement for the full 90-day period, or for a lesser period, or of the denial of the request, has been filed with the loan agency.

Exception.—Where the Bureau of Internal Revenue has granted a general postponement with respect to certain taxes in connection with a particular commodity, and will not grant any individual extension with respect to such taxes, applications may be received at the beginning of and disbursement made immediately prior to the end of such period of general postponement.

Since in the case of the compensating tax the tax is not payable until the importer wishes to withdraw the imported articles from customs custody or control, such order of postponement will not be required. However, the loan application should be accompanied by a certificate signed by the collector of customs to the effect that such articles are actually in customs custody or control.

2. SECURITY REQUIREMENTS

Section 5 of the Reconstruction Finance Corporation Act provides that all loans must be "fully and adequately secured." Warehouse receipts (preferably issued by warehouses licensed under the United States Warehouse Act) on commodities which are the basis of the tax, or warehouse receipts on other acceptable commodities as well as other forms of security customarily accepted by banking institutions, which will furnish full and adequate security for the loan requested will be considered.

No loans may be made on foreign securities as collateral.

3. MATURITIES AND INTEREST RATES

Loans will be made for the normal turn-over period of the commodity and in no event to exceed 6 months. However, the Corporation will consider applications for renewals in the event that the turn-over period exceeds 6 months.

Interest rates on all classes of eligible loans are determined by the Board of Directors of the Corporation from time to time. The rate of interest on this class of loans has been fixed at 4 percent in the current rate schedule.

4. APPLICATIONS

Application forms for loans may be obtained at the loan agency of the Reconstruction Finance Corporation serving the territory in which the applicant is located. The address of the proper loan agency may be obtained by inquiring at the office of any collector of internal revenue. When asking for application forms the prospective applicant should specify whether the application is to be made by an individual, a partnership, or a corporation.

Applications for loans should be made to such loan agency and should not be filed with the Commissioner of Internal Revenue or with any Collector of Internal Revenue.

Upon receipt of the application forms the same should be completed in accordance with instructions provided with the forms and returned to the loan agency, together with a description of the securities offered as collateral. If the application is approved, the applicant will be advised to transmit to the loan agency the securities offered as collateral, and disbursement of the proceeds of the loan will be made by the Corporation in a form of a check payable to the order of and delivered to the appropriate Collector of Internal Revenue.



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CIRCULAR NO. 13
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS
TO INDUSTRY



JUNE 1934

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1934

JUL 23 '34

INFORMATION REGARDING LOANS TO INDUSTRY

For the purpose of maintaining and increasing the employment of labor, the Reconstruction Finance Corporation will make loans, when adequately secured, to industry, directly or in cooperation with Federal Reserve Banks or other banks or lending institutions or by the purchase of participations in loans made by banks or others, to aid solvent industrial concerns established prior to January 1, 1934, when credit at prevailing bank rates for loans of the character of loan applied for is not otherwise available at banks.

1. Limitations Imposed by Law

- (a) The applicant must have been established in business prior to January 1, 1934.
- (b) Adequate security must be provided.
- (c) The maturity of the loan must not exceed five years.
- (d) The applicant must be solvent at the time of disbursement of the loan.
- (e) Credit at prevailing bank rates for loans of the character applied for must be not otherwise available at banks.
- (f) Such loans may be made only when deemed to offer reasonable assurance of continued or increased employment of labor.
- (g) The aggregate of such loans to any one applicant, or the participation of Reconstruction Finance Corporation therein, shall not exceed \$500,000.
- (h) Such other terms, conditions, and restrictions as Reconstruction Finance Corporation may determine.

2. Terms and Conditions

Loans will be made by the Reconstruction Finance Corporation, either directly, or in cooperation with Federal Reserve Banks or other banks or lending institutions, or by the purchase of participations in loans, upon the following terms and conditions, and for the following purposes:

A. Maturities

Such loans shall mature at such time within five years as the Reconstruction Finance Corporation may in each case determine. A program of payments will be required with a view to the borrower's liquidating its debt within the period of time agreed upon.

B. Interest rates

Interest shall be at the prevailing bank rates for the character of loan applied for.

C. Maximum Amount

The aggregate of such loans to any one applicant or the participation of Reconstruction Finance Corporation therein shall not exceed \$500,000. Any industrial concern requiring more than \$500,000 may be accommodated by Federal Reserve Banks or other banks or lending institutions participating in the loan to the extent of the excess above the \$500,000 limit placed by Congress upon the amount that Reconstruction Finance Corporation may lend to any one borrower.

D. Purposes

As Section 5d of the Reconstruction Finance Corporation Act, as amended, provides that loans thereunder shall be made for maintaining and increasing the employment of labor, the Corporation will make such loans for the following purposes:

(a) *Working Capital*.—Loans will be made primarily to supply needed working capital (such as for the payment of labor and the purchase of materials) as contrasted with fixed capital.

(b) *Payment of Existing Indebtedness*.—In general, loans will not be made when the proceeds are to be used to pay existing indebtedness. In cases where working capital is needed and the applicant has substantial outstanding indebtedness and/or its properties are already encumbered, it will be necessary for such applicant to work out some arrangement with existing creditors whereby, in consideration of new working capital coming into the business or perhaps by reason of a relatively small payment on account, existing indebtedness and encumbrances will be deferred and subordinated during the period of the proposed loan in order to provide adequate security and to assure that the new funds will be continuously devoted to operating purposes. In the event that such a plan can be effected, an incidental portion of the loan may be used to make such payment on account.

(c) *Loans for Tax Payments*.—An incidental portion of such loans may, under certain circumstances, be applied to the payment of taxes on properties which are necessary to the operation of the business.

(d) *Loans to be used for Construction, Improvement, and Repair*.—In general, loans will not be made when the proceeds are to be used primarily to finance new construction. When funds are required chiefly for working capital purposes, but where it is necessary for the applicant to make replacements or to make minor repairs or improvements to plant in order to enable the applicant to operate more effectually, a small portion of the loan may be permitted to be applied to such purposes.

(e) *Loans to Contractors*.—Under exceptional circumstances, loans may be made to contractors for working capital, provided that satisfactory arrangements have been made to finance the entire cost of the project which the contractor has been engaged to construct. An assignment of a contract will not be considered sufficient security for such loans; such contracts may be considered only as evidence of ability to repay loans which are otherwise satisfactorily secured.

It is not the intention of the Corporation to make such loans—

- (1) To finance consumer purchases, installment sales, or similar contracts.
- (2) To finance imports or exports.
- (3) For development or promotional purposes, or to enable business concerns to expand into new fields of endeavor, or to concerns which have no reasonable assurance of success or for which there appears to be no economic need.
- (4) To provide for the operation of any business in receivership. However, applications will be considered for loans contingent upon the termination of the receivership by a settlement with creditors or otherwise so that the business will be restored to a solvent condition.
- (5) To concerns which are not in operation, especially if they have been inactive for a substantial period.

3. Eligibility

Applications will be received from industrial concerns, including the fishing industry, (whether corporations, partnerships or individuals) only if established prior to January 1, 1934.

4. Security Requirements

Section 5d of the Reconstruction Finance Corporation Act, as amended, requires that all loans made thereunder shall be "adequately secured." The security may consist of any one or more of the following: a first mortgage on real estate, plant and equipment, a first mortgage on chattels, an assignment of current accounts or notes receivable, trade acceptances, warehouse receipts on merchandise stored in bonded warehouses, or a first lien on other assets of sound value acceptable to the Corporation. An assignment of orders will not constitute adequate primary security; however, such orders are important to establish the ability of the applicant to repay the loan. The Corporation will not usually consider as satisfactory primary security the following: second mortgages, parts of a bond issue (even though such issue is a first lien) unless the bonds have a readily ascertainable market value, shares of stock of corporate applicants or shares of stock without readily ascertainable market value, franchises, patents, goodwill, or foreign securities. Any due or delinquent taxes constituting a lien on the properties or earnings of the business must usually be fully paid or provided for before any loan will be made. A pledge of inventories will generally not be regarded as satisfactory collateral, unless stored in a bonded or otherwise acceptable warehouse.

5. Solvency

Section 5d of the Reconstruction Finance Corporation Act, as amended, provides that such loans shall be made only when, in the opinion of the board of directors of the Corporation, the applicant is solvent. If the applicant is not solvent at the time of making application, the application should indicate the manner in which the applicant will become solvent prior to the time of disbursement of the proposed loan, for example, by additional capital paid in and/or

by releases of indebtedness and/or conversion of indebtedness into stock by creditors of the applicant in sufficient amount to restore the applicant to solvency.

6. Compliance With National Recovery Administration Codes

Each applicant must execute a certificate that it is complying and will continue to comply with the approved code of fair competition for the applicant's trade or industry, or subdivision thereof concerned, or, if there be no approved code of fair competition for the trade or industry in which the applicant is engaged, has signed, and is complying and will continue to comply with, the President's Reemployment Agreement promulgated under authority of section 4 (a) of the National Industrial Recovery Act.

In order to comply with Executive Order No. 6646, issued by the President of the United States on March 14, 1934, each applicant must agree that all contracts and orders by the applicant, or by his general contractor, if any, for machinery, articles, materials, or services, to be acquired, in whole or in part, with any of the proceeds of the loan, shall require, before performance or delivery, a certificate as hereinafter described signed by the party awarded such contract or order and by all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials, or services. Such certificate shall state that the party signing it is complying with and shall continue to comply with each approved code of fair competition to which it is subject; or, if engaged in any trade or industry for which there is no approved code of fair competition, the certificate shall state that the party signing it has become a party to, is complying with and shall continue to comply with the agreement with the President under section 4 (a) of the National Industrial Recovery Act. In the event that invitations for bids are issued by the applicant, or by his general contractor, if any, for machinery, articles, materials, or services, to be acquired in whole or in part with any of the proceeds of the loan, they shall require the bid to contain such a certificate by the bidder, and an agreement by the bidder to obtain such a certificate from all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials, or services. Each applicant must give the Corporation such proof of fulfillment of his agreement as it may require.

7. Charges, Commissions, Bonuses, Fees, Etc.

Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. However, the borrower, subject to the prior approval of the Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Reconstruction Finance Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loan will be objected to, as also will fees or charges made contingent upon the

obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

8. Salaries and Dividends

The applicant must agree that, so long as any portion of the loan remains unpaid, it will not pay any salaries which are not deemed by the Corporation to be reasonable.

So long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant nor any distribution (except reasonable compensation for services) made by partnership or individual applicants, without the consent of the Corporation.

9. Audits and Appraisals

An independent audit of the applicant and an appraisal of plant and equipment, both satisfactory to Reconstruction Finance Corporation and made as of a date not more than 6 months preceding the date of filing of the application, will be required. However, independent audits will not generally be required in the case of loans of \$10,000 or less when the applicant furnishes satisfactory sworn financial statements.

10. Loans in Cooperation with Banks or Other Lending Institutions, and Purchases of Participations in Loans

The Corporation will receive applications from Federal Reserve banks or other banks and lending institutions for the purchase by the Corporation of participations in such loans made by such banks or other lending institutions, and will make such loans in cooperation with Federal Reserve banks or other banks or lending institutions, when such loans are for the purposes and in accordance with the terms and conditions set forth in this Circular.

The provision for the purchase of participations is interpreted by the Corporation to allow Federal Reserve banks or other banks to complete loans to qualified industrial borrowers in their own name so that the normal relationship of banker and customer will be maintained. The lending bank may feel that the loan desired is, for one reason or another, too large for the bank to carry and may desire that other lending institutions or this Corporation participate in the risk. Provided such loans are hereafter made and are in accordance with the terms and conditions set forth in this Circular, this Corporation will purchase participation in such loans from the lending bank, either alone or with other lending institutions.

The Corporation will also cooperate with Federal Reserve banks or other banks in making such loans; that is, for instance, by making a part of a loan directly to the borrower at the same time that another part of a loan is made by the bank or other lending institutions, or by other arrangements which will

bring about cooperation in lending money between existing financial institutions and the Corporation. The Corporation invites the cooperation of banks in making such loans, and it is expected that banks or other lending institutions will participate in the program outlined herein principally by this method of taking a part of a particular loan, in the hope that such bank or other lending institution will later take the entire loan, when conditions and the credit risk justify.

11. Loans Under Circular No. 11

The Corporation will continue to receive applications from banks, trust companies, and mortgage loan companies (including newly organized mortgage loan companies) for industrial loans, subject to the limitations of this Circular No. 13.

12. Information to be Filed and Method of Filing

The proper application forms may be obtained from the Loan Agency of the Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of such Loan Agencies below and map showing Loan Agency districts on page 7.) Applications should be filed with the Loan Agency serving applicant's district. **No application will be received directly at the Washington office of the Corporation.**

All requests for further information should be directed to the local Loan Agency of the Corporation serving applicant's district and not to the Washington office.

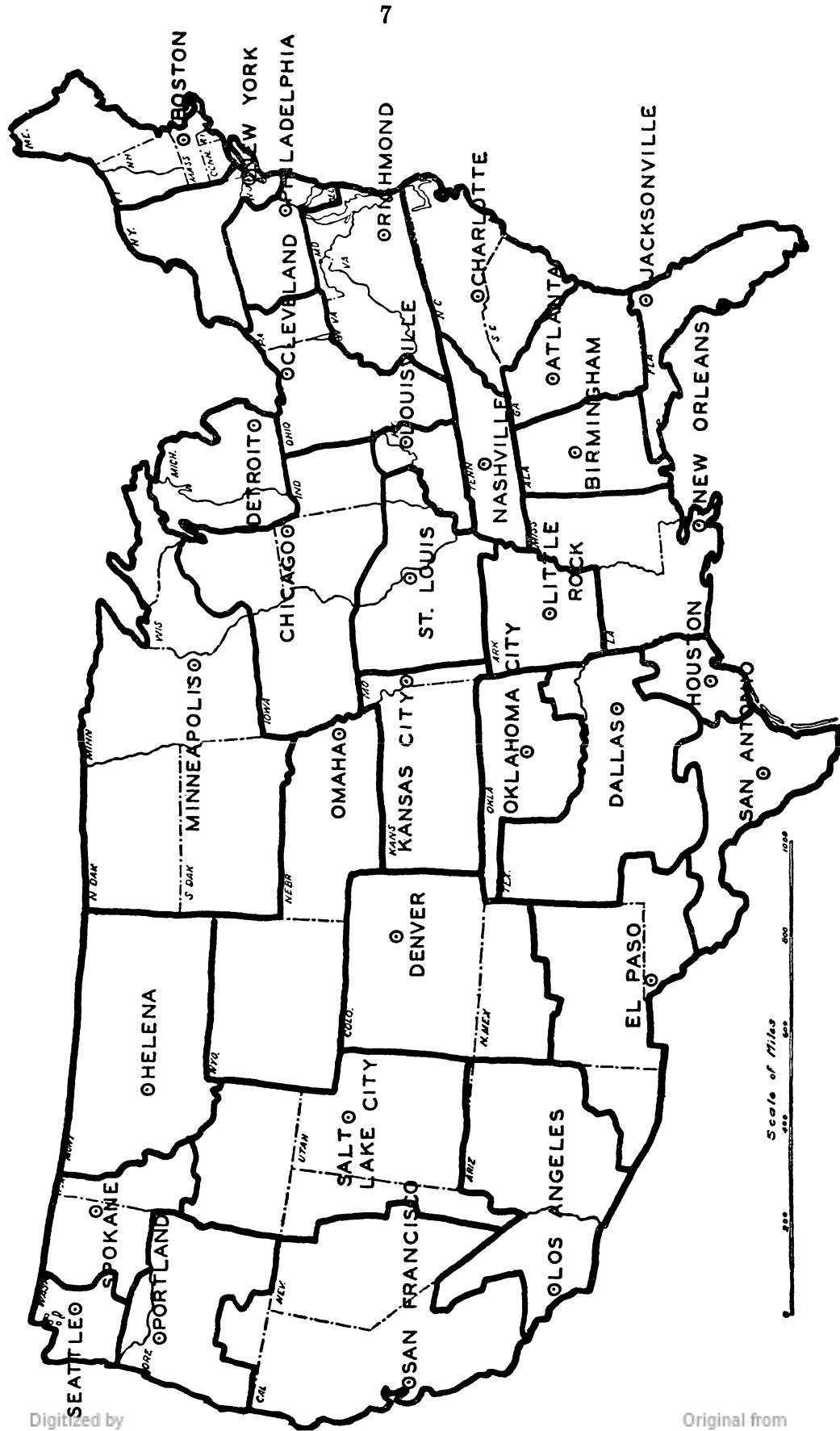
Each agency will maintain facilities for assisting applicants in determining the eligibility of their prospective loans, and for instructions in the preparation of applications.

13. Locations of Local Loan Agencies of Reconstruction Finance Corporation

(The territory served by each Loan Agency is indicated on the map on page 7 of this Circular.)

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N.C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	Salt Lake City, Utah.
Cleveland, Ohio.	Louisville, Ky.	San Antonio, Tex.
Dallas, Tex.	Minneapolis, Minn.	San Francisco, Calif.
Denver, Colo.	Nashville, Tenn.	Seattle, Wash.
Detroit, Mich.	New Orleans, La.	Spokane, Wash.
El Paso, Tex.	New York, N.Y.	St. Louis, Mo.
Helena, Mont.	Oklahoma City, Okla.	

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



14. Acts of Congress Applicable to Loans of the Character Herein Described

The following sections of the Reconstruction Finance Corporation Act, as amended, applicable to such loans, are quoted for the information of prospective borrowers:

SEC. 5d. For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized and empowered to make loans to any industrial or commercial business which shall include the fishing industry, established prior to January 1, 1934. Such loans shall in the opinion of the board of directors of the Corporation be adequately secured, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall have maturities not to exceed five years, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine. The aggregate amount of loans to any one borrower under this section shall not exceed \$500,000.

The power to make loans given herein shall terminate on January 31, 1935, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1935, or such earlier date.

* * * * *

The following section of Public Act No. 417, Seventy-third Congress, relates to loans to finance the American fisheries industry:

The Corporation is authorized and empowered to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to any person, association, or corporation organized under the laws of any State, the District of Columbia, Alaska, Hawaii, or Puerto Rico, for the purpose of financing the production, storage, handling, packing, processing, carrying, and/or orderly marketing of fish of American fisheries and/or products thereof upon the same terms and conditions, and subject to the same limitations, as are applicable in case of loans made under said section 5, as amended.

* * * * *

The following sections of the Reconstruction Finance Corporation Act, as amended, are applicable to loans under section 5 and section 5d of the Reconstruction Finance Corporation Act, as amended:

SEC. 5. * * * All loans made under the foregoing provisions shall be fully and adequately secured. The corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. Such loans may be made directly upon promissory notes or by way of discount or rediscount of obligations tendered for the purpose, or otherwise in such form and in such amount and at such interest or discount rates as the corporation may approve: *Provided*, That no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances. In no case shall the aggregate amount of advances made under this section to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2% per centum of (1) the authorized capital stock of the Reconstruction Finance Corporation plus (2) the aggregate amount of bonds of the corporation authorized to be outstanding when the capital stock is fully subscribed.

SEC. 5b. Notwithstanding any other provision of law—

(1) * * * the period for which the Corporation may make loans or advances * * * under section 5 of this Act may be five years, or any shorter period, from February 1, 1935 * * *.

(2) The Corporation may at any time, or from time to time, extend, or consent to the extension of, the time of payment of any loan or advance made by it, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond five years from February 1, 1935 * * *.

SEC. 8. In order to enable the corporation to carry out the provisions of this Act and the Emergency Relief and Construction Act of 1932, the Treasury Department, the Federal Farm Loan Board, the Comptroller of the Currency, the Federal Reserve Board, the Federal Reserve banks, and the Interstate Commerce Commission are hereby authorized, under such conditions as they may prescribe, to make available to the corporation, in confidence, such reports, records, or other information as they may have available relating to the condition of applicants with respect to whom the corporation has had or contemplates having transactions under either of such Acts, or relating to individuals, associations, partnerships, corporations, or other obligors whose obligations are offered to or held by the corporation as security for loans under either of such Acts, and to make, through their examiners or other employees for the confidential use of the corporation, examinations of applicants for loans. Every applicant for a loan under either of such Acts shall, as a condition precedent thereto, consent to such examination as the corporation may require for the purposes of either of such Acts and that reports of examinations by constituted authorities may be furnished by such authorities to the corporation upon request therefor.

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U.S.C., title 18, ch. 5, secs. 202 to 207, inclusive) insofar as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of Public Act No. 35, Seventy-third Congress, is applicable to loans referred to in this circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emer-

gency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

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CIRCULAR NO. 13
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS
TO INDUSTRY



OCTOBER 1934

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1934

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INFORMATION REGARDING LOANS TO INDUSTRY

For the purpose of maintaining and increasing the employment of labor, the Reconstruction Finance Corporation will make loans, when adequately secured, to industry, directly or in cooperation with Federal Reserve Banks or other banks or lending institutions or by the purchase of participations in loans, to aid solvent industrial businesses established prior to January 1, 1934, when credit at prevailing bank rates for loans of the character of loan applied for is not otherwise available at banks.

1. Requirements Imposed by Law

- (a) The business must have been established prior to January 1, 1934.
- (b) Adequate security must be provided.
- (c) The maturity of the loan must not exceed five years.
- (d) The applicant must be solvent at the time of disbursement of the loan.
- (e) Credit at prevailing bank rates for loans of the character applied for must not otherwise be available at banks.
- (f) Such loans may be made only when deemed to offer reasonable assurance of maintaining and increasing the employment of labor.
- (g) The aggregate of such loans to any one applicant, or the participation of Reconstruction Finance Corporation therein, shall not exceed \$500,000.
- (h) Such other terms, conditions, and restrictions as Reconstruction Finance Corporation may determine.

2. Terms and Conditions

Loans will be made by the Reconstruction Finance Corporation, either directly or in cooperation with Federal Reserve Banks or other banks or lending institutions, or by the purchase of participations in loans, upon the following terms and conditions, and for the following purposes:

A. Maturities

Such loans shall mature at such time within five years as the Reconstruction Finance Corporation may in each case determine. A program of payments will be required with a view to the borrower's liquidating its debt within the period of time agreed upon.

B. Interest Rates

Interest shall be at the prevailing bank rates for the character of loan applied for, but will not exceed 6 percent.

C. Maximum Amount

The aggregate of such loans to any one applicant or the participation of Reconstruction Finance Corporation therein shall not exceed \$500,000. Any industrial concern requiring more than \$500,000 may be accommodated by Federal Reserve Banks or other banks or lending institutions participating in the loan to the extent of the excess above the \$500,000 limit placed by Congress upon the amount that Reconstruction Finance Corporation may lend to any one borrower.

The Comptroller of the Currency has ruled that the act of Congress of June 19, 1934, relating to industrial loans was intended to expand the scope of the lending power of national banks so as to permit a national bank to make a loan under said act which exceeds or departs from the restrictive provisions of the United States Revised Statutes, section 5200, as amended, and the Federal Reserve Act, section 24, provided that the national bank has obtained a commitment from the Reconstruction Finance Corporation or a Federal Reserve Bank to take, within a specified period, a portion of said loan so that the net amount of the national bank's participation, after giving effect to the commitment, would be within the limitations imposed by the aforesaid restrictive provisions.

D. Purposes

As section 5d of the Reconstruction Finance Corporation Act, as amended, provides that loans thereunder shall be made for **maintaining and increasing the employment of labor**, the Corporation will make such loans for the following purposes:

(a) *Labor and Materials.*—Loans will be made primarily to supply funds for the payment of labor and the purchase of materials incident to the operation of the business, as contrasted with fixed capital expenditures.

(b) *Payment of Existing Indebtedness.*—In general, loans will not be made when the proceeds are to be used primarily to pay existing indebtedness. In cases where an applicant has substantial outstanding indebtedness, it may be necessary to work out some arrangement with existing creditors whereby, after the receipt of the proceeds of any loan made by this Corporation, the applicant's current position will be such that it can reasonably be expected to continue operations without embarrassment from creditors. To accomplish this it may be necessary for the applicant to secure the consent of all or a substantial part of its creditors to accept either a capital liability, such as common or preferred stock, or possibly a compromise of the indebtedness. Where this is not possible, it may be that an agreement can be secured from its creditors whereby, in consideration of new money coming into the business, the existing indebtedness will be deferred and/or subordinated during the life of the proposed loan. In order to accomplish this readjustment of the applicant's liabilities, it may be necessary to use an incidental portion of the loan to make a payment on account. This will not be objectionable provided the applicant will have sufficient operating capital after the completion of the financial readjustment. Where the outstanding indebtedness is due to a closed bank, special consideration will be given in

determining the portion of the loan which may be applied to the payment of such indebtedness; but a major portion of the proceeds may be so applied only when it is definitely established that the loan is necessary to maintain or increase the employment of labor.

(c) *Loans for Tax Payments.*—An incidental portion of such loans, in certain circumstances, may be applied to the payment of taxes on properties which are necessary to the operation of the business.

(d) *Loans to be used for Construction, Improvement, and Repair.*—In general, loans will not be made when the proceeds are to be used primarily to finance new construction. When funds are required chiefly for the payment of labor and the purchase of materials incident to the operation of the business, but where it is necessary for the applicant to make minor replacements, repairs, or improvements to plant in order to enable the applicant to operate more efficiently, a small portion of the loan may be permitted to be applied to such purposes.

(e) *Loans to Contractors.*—In exceptional circumstances, loans may be made to contractors, provided (i) that satisfactory arrangements have been made otherwise to finance the entire cost of the project which the contractor has been engaged to construct, and (ii) that the proceeds are to be used for the payment of labor or the purchase of material while the project is under construction. An assignment of a contract will not be considered sufficient security for such loans; and such contracts may be considered only as evidence of ability to repay loans otherwise satisfactorily secured.

It is not the intention of the Corporation to make such loans—

- (1) To finance consumer purchases, installment sales, or similar contracts.
- (2) To finance imports or exports, except where such imports or exports are only minor and incidental to the general business conducted.
- (3) For development or promotional purposes, or to enable business concerns to expand into new fields of endeavor, or to concerns which have no reasonable assurance of success, or for which there appears to be no economic need.
- (4) To provide for the operation of any business in receivership. However, applications will be considered for loans contingent upon the termination of the receivership by a settlement with creditors, or otherwise, so that the business will be restored to a solvent condition.
- (5) To concerns which have not been in operation for a substantial period, unless it can be definitely shown that it will be economically sound to revive an established business.
- (6) To finance the development or purchase of new inventions, the cost of obtaining patents, the expense of infringement suits or any other litigation.

3. Eligibility

Applications will be received from industrial and commercial businesses (whether corporations, partnerships or individuals) established prior to January 1, 1934. It is the view of the Corporation that the purpose of such loans,

as expressed by Congress, i. e. "maintaining and increasing the employment of labor", necessitates a construction which emphasizes the employment of labor, as in manufacturing concerns, as distinguished from the purchase of inventories as in commercial businesses.

Loans to the ore industry, to managing agencies of farmers' cooperative mineral rights pools and to the fishing industry will be made under the provisions of this Corporation's Circulars Nos. 14, 16, and 17, respectively, and not, generally, under the provisions of this revised Circular No. 13. Loans to institutions for the exclusive purpose of financing the carrying and orderly marketing of agricultural commodities will be made only under the provisions of Circular No. 10.

Each Loan Agency of the Corporation will, when requested, assist and advise with applicants in determining their eligibility and in the preparation of applications; provided, however, that any such assistance, advice or suggestions by such Agencies shall in no sense be considered as a commitment of the Reconstruction Finance Corporation to make the loan.

4. Security Requirements

Section 5d of the Reconstruction Finance Corporation Act, as amended, requires that all loans made thereunder shall be "adequately secured." The security may consist of one or more of the following: A first mortgage on real estate, plant and equipment, an assignment of warehouse receipts on marketable merchandise stored in satisfactory warehouses, a first mortgage on chattels or an assignment of current receivables (accounts, notes or trade acceptances); but such loans generally will not be made on the sole security of receivables or of equipment or other chattels not represented by warehouse receipts. The applicant may offer, as additional collateral, a first lien on any other assets of sound value. An assignment of orders will not constitute adequate primary security; however, such orders are important to establish the ability of the applicant to repay the loan. The Corporation usually will not consider as satisfactory primary security the following: second mortgages, shares of stock of corporate applicants or shares of stock without readily ascertainable market value, franchises, patents, goodwill or foreign securities. A pledge of inventories generally will not be regarded as satisfactory collateral, unless stored in a bonded or otherwise acceptable warehouse, or unless the applicable state law provides for a satisfactory lien upon inventory not so warehoused.

5. Solvency

Section 5d of the Reconstruction Finance Corporation Act, as amended, provides that such loans shall be made only when, in the opinion of the Board of Directors of the Corporation, the applicant is solvent. If the applicant is not solvent at the time of making application, the application should indicate the manner in which the applicant will become solvent prior to the time of disbursement of the proposed loan; for example, by additional capital paid in

and/or by releases of indebtedness and/or conversion of indebtedness into stock by creditors of the applicant in sufficient amount to restore the applicant to solvency.

6. Compliance with National Recovery Administration Codes

Each applicant must execute a certificate that it is complying and will continue to comply with the approved code of fair competition for the applicant's trade or industry, or subdivision thereof concerned; or, if there be no approved code of fair competition for the trade or industry in which the applicant is engaged, has signed, and is complying and will continue to comply with, the President's Reemployment Agreement promulgated under authority of section 4 (a) of the National Industrial Recovery Act.

In order to comply with Executive Order No. 6646, issued by the President of the United States on March 14, 1934, each applicant must agree that all contracts and orders by the applicant, or by his general contractor, if any, for machinery, articles, materials, or services, to be acquired in whole or in part with any of the proceeds of the loan, shall require, before performance or delivery, a certificate as hereinafter described signed by the party awarded such contract or order and by all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials or services. Such certificate shall state that the party signing it is complying with and shall continue to comply with, each approved code of fair competition to which it is subject; or, if engaged in any trade or industry for which there is no approved code of fair competition, the certificate shall state that the party signing it has become a party to, is complying with and shall continue to comply with the agreement with the President under section 4 (a) of the National Industrial Recovery Act. In the event that invitations for bids are issued by the applicant, or by his general contractor, if any, for machinery, articles, materials, or services, to be acquired in whole or in part with any of the proceeds of the loan, they shall require the bid to contain such a certificate by the bidder, and an agreement by the bidder to obtain such a certificate from all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials or services. Each applicant must give the Corporation such proof of fulfillment of his agreement as it may require.

7. Charges, Commissions, Bonuses, Fees, Etc.

Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. However, the borrower, subject to the prior approval of the Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loan will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or

commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

8. Salaries and Dividends

The applicant must agree that, so long as any portion of the loan remains unpaid, it will not pay any salaries which are not deemed by the Corporation to be reasonable.

So long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant nor any distribution (except reasonable compensation for services) made by partnership or individual applicants, without the consent of the Corporation.

9. Audits and Appraisals

An independent audit of the applicant and an appraisal of plant and equipment, both satisfactory to the Corporation and made as of a date not more than 6 months preceding the date of filing of the application, will be required. However, independent audits will not generally be required in the case of loans of \$10,000 or less when the applicant furnishes satisfactory sworn financial statements.

10. Loans in Cooperation with Banks or Other Lending Institutions, and Purchases of Participations in Loans

The Corporation will receive applications from Federal Reserve Banks or other banks for the purchase by the Corporation of participations in loans of the character described in this Circular made by such banks, and will make such loans in cooperation with Federal Reserve Banks, banks or other lending institutions, when such loans are for the purpose and in accordance with the terms and conditions set forth in this Circular.

The provision for the purchase of participations is interpreted by the Corporation to allow Federal Reserve Banks or other banks to complete loans to qualified industrial borrowers in their own name so that the normal relationship of banker and customer will be maintained. The lending bank may feel that the loan desired is, for one reason or another, too large for the bank to carry and may desire that this Corporation participate in the risk. Provided such loans are hereafter made and are in accordance with the terms and conditions set forth in this Circular, this Corporation will purchase, or will make an agreement to purchase if requested to do so within a specified time, participation in such loans from the lending bank.

The Corporation will also cooperate with Federal Reserve Banks or other banks or lending institutions in making such loans; for instance, by making a loan directly to the borrower at the same time that another loan is made by the bank or other lending institution, or by other mutually satisfactory arrangements which will bring about cooperation in lending money between existing financial institutions and the Corporation.

The Corporation invites the cooperation of banks in making such loans, and it is expected that banks or other lending institutions will participate in the program outlined herein, in the hope that such bank or other lending institution will later take the entire loan, when conditions and the credit risk justify.

Further information concerning this type of loans or agreements may be obtained from this Corporation's Circular No. 15.

11. Loans Under Circular No. 11

Since the Corporation is now authorized to make loans directly to industrial and commercial businesses, the Corporation has determined that generally it will confine its industrial loans to cases of applications for *direct* loans (as provided in this circular) or for loans in cooperation with banks or other lending institutions or for purchases of participations (as provided in Circular No. 15), in accordance with section 5d of the Reconstruction Finance Corporation Act, as amended. Accordingly this revised Circular No. 13 supersedes Circular No. 11, which provided for loans to banks, trust companies or mortgage-loan companies for relending to business and industry.

12. Information to be Filed and Method of Filing

The proper application forms may be obtained from the Loan Agency of the Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of such Loan Agencies below and map showing Loan Agency districts on page 8.)

Applications should be filed with the Loan Agency serving applicant's district. No application will be received directly at the Washington office of the Corporation.

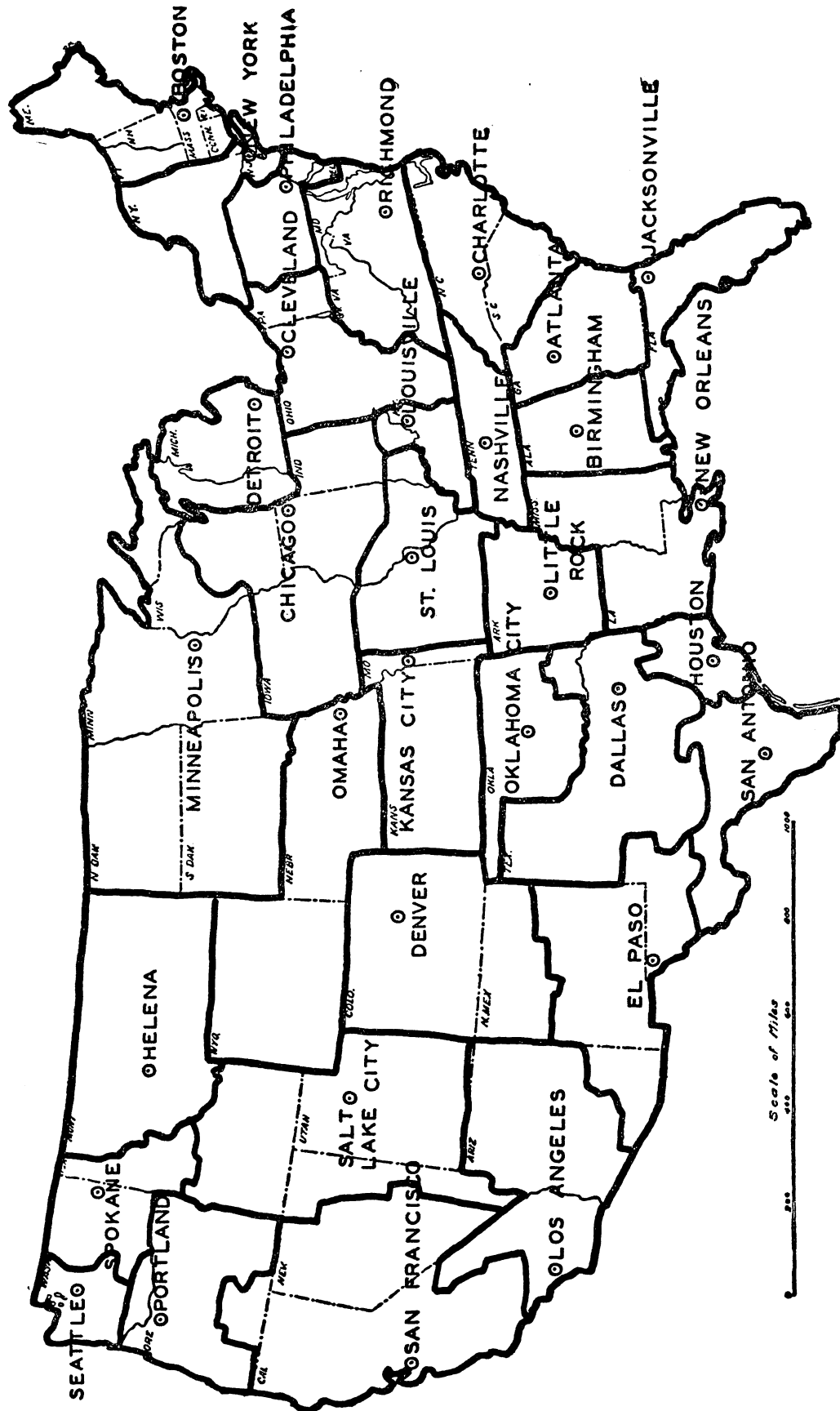
All requests for information should be directed to the local Loan Agency of the Corporation serving applicant's district and not to the Washington office.

13. Locations of Local Loan Agencies of Reconstruction Finance Corporation

(The territory served by each Loan Agency is indicated on the map on page 8 of this Circular.)

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	Salt Lake City, Utah.
Cleveland, Ohio.	Louisville, Ky.	San Antonio, Tex.
Dallas, Tex.	Minneapolis, Minn.	San Francisco, Calif.
Denver, Colo.	Nashville, Tenn.	Seattle, Wash.
Detroit, Mich.	New Orleans, La.	Spokane, Wash.
El Paso, Tex.	New York, N. Y.	St. Louis, Mo.
Helena, Mont.	Oklahoma City, Okla.	

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



Scale of Miles
0 100 200 300 400 500 600 700 800 900 1000

14. Acts of Congress Applicable to Loans of the Character Herein Described

The following sections of the Reconstruction Finance Corporation Act, as amended, applicable to such loans, are quoted for the information of prospective borrowers:

SEC. 5d. For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized and empowered to make loans to any industrial or commercial business which shall include the fishing industry, established prior to January 1, 1934. Such loans shall in the opinion of the board of directors of the Corporation be adequately secured, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall have maturities not to exceed five years, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine. The aggregate amount of loans to any one borrower under this section shall not exceed \$500,000.

The power to make loans given herein shall terminate on January 31, 1935, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1935, or such earlier date.

* * * * *

The following sections of the Reconstruction Finance Corporation Act, as amended, are applicable to loans under section 5d of the Reconstruction Finance Corporation Act, as amended:

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) insofar as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which

for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of Public Act No. 35, Seventy-third Congress, is applicable to loans referred to in this circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

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CIRCULAR No. 14
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING
MINING LOANS



JULY 1934

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1934

NOV 13 '34

INFORMATION REGARDING MINING LOANS

The Reconstruction Finance Corporation will make loans, under section 14 of Public Act No. 417, Seventy-third Congress, upon adequate security, based on mineral acreage, to recognized and established corporations, individuals, and partnerships, engaged in the business of mining, milling, or smelting of ore.

1. Limitations Imposed by Law

(a) The applicant must be a recognized and established corporation, individual, or partnership, engaged in the business of mining, milling, or smelting of ore.

(b) Adequate security must be provided.

2. Terms and Conditions

Loans will be made by the Reconstruction Finance Corporation upon the following terms and conditions, and for the following purposes:

A. MATURITIES

Loans will ordinarily be made for a period not in excess of five years, but may be made for a longer period when, in the judgment of the Corporation, it is not practicable to require reimbursement of the Corporation within five years.

B. INTEREST RATES

• Interest shall be determined in each case by the Corporation, but probably will not exceed 6 percent in any case.

C. PURPOSES

The Corporation will make such loans for the following purposes:

(a) *Working Capital Loans.*—Loans will be made to provide working capital needed in connection with the mining, milling, or smelting of ore.

(b) *Fixed Capital Loans.*—Loans will be made for construction, improvement, repair, purchase of equipment, and for other fixed capital purposes, provided that the mining properties of the applicant operated in connection with the project for which the loan is needed contain sufficient reserves of developed ore to justify the capital investment.

(c) *Payment of Existing Indebtedness.*—Loans will not be made when the proceeds are to be used to pay existing indebtedness. In cases where working capital is needed and the applicant has substantial outstanding indebtedness

and/or its properties are already encumbered, it will be necessary for such applicant to work out an arrangement with existing creditors satisfactory to the Corporation whereby, in consideration of new capital coming into the business, or perhaps by reason of a relatively small payment on account, existing indebtedness and encumbrances will be deferred and subordinated during the period of the proposed loan in order to provide adequate security.

(d) *Loans for Tax Payments.*—An incidental portion of such loans may, under certain circumstances, be applied to the payment of taxes on properties which are necessary to the operation of the applicant's mining, milling, or smelting business.

(e) *Promotional Loans.*—The Corporation is not authorized to make loans for purely prospective or promotional purposes, or on properties in which ore of sufficient value to insure repayment of the loan has not been blocked out at least partially.

3. Eligibility

Applications will be received only from recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting of ore. "Recognized and established", as applied to corporations, individuals, or partnerships, means that the business of mining, milling, or smelting of ore in which the applicant is engaged must have been established at such a time prior to the filing of the application that such business shall have obtained recognition in the business world. The word "ore" means any native compound from which a metal or metals can be extracted at a profit. Thus, coal and other nonmetallic minerals, salts, or other substances taken from the ground do not come within the purview of this section.

4. Security Requirements

Section 14 of Public Act No. 417, Seventy-third Congress, requires that all loans thereunder shall be made upon "adequate security, based on mineral acreage." "Mineral acreage" is mining property (land and/or mineral rights) on which there has been a reasonable amount of development and at least a partial blocking out of ore. If the mining property is owned by the applicant, a first mortgage thereon (including plant, equipment, and water rights) will be required. If the mining property is held by the applicant under a lease either with or without bond or option to purchase, an assignment of all the applicant's rights under the lease may sometimes be adequate security, although a first mortgage on the property and an assignment of the owner's royalty rights may also be required. Ordinarily, also, the applicant will be required to make an arrangement satisfactory to the Corporation by which the Corporation will receive a reasonable percentage of all receipts received by or due to the applicant on account of the sale of ore taken from the property on which the loan is based; and an assignment of a favorable milling, smelting, sales, or transportation contract may also be required. The following may also be acceptable to the Corporation as additional security: a first mortgage on chattels, an assignment of current accounts or notes receivable, trade accept-

ances, warehouse receipts on ore or metals stored in bonded warehouses, or a first lien on other assets of sound marketable value.

5. Compliance with N.R.A. Code

Each applicant must execute a certificate that it is complying with and will continue to comply with the approved code of fair competition for the type of operation being conducted by the applicant, or, if there be no approved code of fair competition for the business in which the applicant is engaged, that it has signed, and is complying with or will continue to comply with, the President's Reemployment Agreement promulgated under authority of section 4(a) of the National Industrial Recovery Act and/or any other agreement promulgated by the President under the National Industrial Recovery Act.

In order to comply with Executive Order No. 6646, issued by the President of the United States on March 14, 1934, each applicant must agree that all contracts and orders by the applicant, or by its general contractor, if any, for machinery, articles, materials, or services, to be acquired, in whole or in part, with any of the proceeds of the loan, shall require, before performance or delivery, a certificate as hereinafter described signed by the party awarded such contract or order and by all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials, or services. Such certificate shall state that the party signing it is complying with and shall continue to comply with each approved code of fair competition to which it is subject; or, if engaged in any trade or industry for which there is no approved code of fair competition, the certificate shall state that the party signing it has become a party to, is complying with and shall continue to comply with the agreement with the President under section 4(a) of the National Industrial Recovery Act and/or any other agreement promulgated by the President under the National Industrial Recovery Act. In the event that invitations for bids are issued by the applicant, or by its general contractor, if any, for machinery, articles, materials, or services, to be acquired in whole or in part with any of the proceeds of the loan, they shall require the bid to contain such a certificate by the bidder, and an agreement by the bidder to obtain such a certificate from all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials, or services. Each applicant must give the Corporation such proof of fulfillment of its agreement as the Corporation may require.

6. Charges, Commissions, Bonuses, Fees, Etc.

Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. The borrower, however, subject to the prior approval of the Corporation, may be allowed to pay the actual reasonable costs incurred in connection with the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Corporation. Such charges must be fully disclosed. A fee

based upon a percentage of the loans will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

7. Salaries and Dividends

The applicant must agree that, so long as any portion of the loan remains unpaid, it will not pay any salaries which are not deemed by the Corporation to be reasonable.

So long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant nor any distribution (except compensation for service regarded by the Corporation as reasonable) made by partnership or individual applicants, without the consent of the Corporation.

8. Audits and Appraisals

An independent audit of the applicant and an appraisal of the properties involved by a reputable mining engineer, both satisfactory to this Corporation, and made as of a date not more than 6 months preceding the date of the filing of the application, will be required in connection with each application.

9. Deposit to Cover Cost of Examination

The applicant will be required, upon request by the Corporation, to make a deposit, in an amount to be determined in each case by the Corporation, to cover the cost of any field work which may be necessary in connection with the examination of the property of the applicant. Such examination will not be undertaken until the required deposit is made.

10. Method of Filing Application

Applications should be filed direct with the Reconstruction Finance Corporation at its office at 1825 H Street NW., Washington, D.C. No applications will be considered unless submitted on the proper forms, which may be obtained by writing to the Washington office of the Corporation.

11. Acts of Congress Applicable to Loans of the Character Herein Described

The following section of Public Act No. 417, Seventy-third Congress, applicable to loans of the character referred to in this Circular, is quoted for the information of applicants:

SEC. 14. The Reconstruction Finance Corporation is authorized and empowered to make loans upon adequate security, based on mineral acreage to recognized and established incorporated agencies, individuals, and partnerships engaged in the business of mining, milling, or smelting of ores.

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CIRCULAR No. 15
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS TO INDUSTRY
IN CONJUNCTION WITH BANKS AND OTHER
LENDING INSTITUTIONS



AUGUST 1934

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1934

SEP 18 '34

INFORMATION REGARDING LOANS TO INDUSTRY IN CONJUNCTION WITH BANKS AND OTHER LENDING INSTITUTIONS

Reconstruction Finance Corporation Circular No. 13 contains information regarding loans to industry to be made by this Corporation. The general provisions and requirements with respect to such loans are set forth in such Circular. Attention is called to paragraph 10 of such Circular, which outlines briefly the subject matter of this Circular.

In addition to its power to make loans directly and independently to industrial borrowers, this Corporation is authorized to purchase, or to execute agreements to purchase, participations in such loans to be made by banks or other lending institutions, and to make such loans directly to industrial borrowers in cooperation with banks or other lending institutions (hereinafter collectively referred to as "banks"). The sale of any participation to this Corporation will be without liability on the part of the bank, as endorser or guarantor.

It is believed that this Corporation can be helpful to industrial borrowers and to banks by purchasing, or agreeing to purchase, participations in loans to be made by banks. This plan permits banks to continue their normal relations with their customers and gives assurance that their customers will secure adequate credit. Furthermore, it permits the banks to extend credit to industrial borrowers without unduly impairing their liquid position.

I. Purchase of, and Agreements to Purchase, Participations in Loans to Industry

Such purchases, and agreements to purchase, will be made by the Corporation in conjunction with one or more banks. The amount of the Corporation's participation in any loan shall be such percentage of the principal amount thereof as shall be acceptable to the Corporation, but not over \$500,000 in any case.

The Corporation will not purchase, or agree to purchase, participations in loans already made by banks. Furthermore it must appear, in the case of every loan in which this Corporation participates, that the industrial borrower is an eligible borrower (as defined in Section 5d of the Reconstruction Finance Corporation Act, as amended, and as such section is interpreted from time to time by the Corporation), that such borrower is unable to obtain through banks the entire loan at prevailing bank rates for the character of the loan, and that the character, purposes and terms of the loan comply with said Section 5d and with the Corporation's policies regarding such loans.

A. Applications.—Application forms, including notes, to be used by industrial borrowers in applying for such loans from banks will be supplied by this Corporation through its Loan Agencies and must be used in order to

qualify a loan for purchase of a participation therein by this Corporation. The Corporation will also supply through such Agencies application forms to be used by the banks, requesting this Corporation to purchase, or to make agreements to purchase, participations in such loans. The same forms will be used whether the applicant bank requests the Corporation immediately to purchase, or to make an agreement to purchase, such a participation.

B. *Purchases of Participations.*—If the applicant bank so requests in its application, the Corporation, if it approves such application, will pay for its participation simultaneously with the closing of the loan to the industrial borrower or immediately thereafter.

C. *Agreements to Purchase.*—In lieu of paying for its participation at the time of the closing of the loan to the borrower, the Corporation, if it approves such application, will, at the request of the applicant bank, make an agreement, subject to conditions to be agreed upon, to pay for such participation at the request of such bank at any time (not later than the maturity date of the borrower's note) during a specified period, generally not in excess of 2 years from the date of the borrower's note, which shall be dated not later than 60 days after the approval of such application by the Corporation. Where a need for credit for terms longer than 2 years is shown, the Corporation will consider applications for agreements to purchase participations up to 5 years from the date of the borrower's note. The bank shall have a right to call upon the Corporation to take up its participation in the loan at any time within the period fixed in the agreement with the Corporation, upon giving 10 days' written notice to the Corporation, provided the bank has carried out its obligations under such agreement. The Corporation shall have the right to purchase its participation from the bank without the request of the bank whenever, during the period fixed in such agreement, it deems such action desirable in its own interests, and will have the right to purchase the entire note (or the bank's portion thereof if the Corporation shall previously have paid for its participation therein) if it deems such action necessary to protect its interests. If the principal amount of the note has been reduced by payments or otherwise during the period of the commitment, the Corporation's participation shall be the percentage, fixed in the agreement, of the unpaid balance of the note at the time of purchase by the Corporation.

D. *Rates of Interest.*—Interest rates to be paid by the borrower on loans in which the Corporation will purchase, or agree to purchase, a participation, shall be the prevailing bank rates, but in no case in excess of 6 percent per annum. If the Corporation acquires a participation in a note at the time the loan is made, or later in pursuance of an agreement to purchase, it will be entitled to all the interest payable by the borrower with respect to its share of such note from the date of such purchase.

E. *Charges for Participation Agreements.*—Until further notice, the Corporation will make a charge, for agreements to purchase participations for a period up to 1 year, of one-half of 1 percent of the Corporation's agreed participation for each 3 months' period or fraction thereof covered by the Corporation's

agreement. Such charge shall be payable in installments, the portion payable with respect to each 3 months' period to be payable at the commencement of each such period, but if the Corporation purchases its participation prior to the payment of the entire charge, the unpaid installments payable for the entire period of the agreement shall become payable at such time and shall be deducted by the Corporation from the purchase price for such participation. If such purchase is made without the request of the bank, in accordance with the provisions of paragraph C hereof, such charge, instead of being at a fixed rate as aforesaid, shall be an amount equal to 2 percent per annum of the face amount of said participation, computed from the date of the borrower's note to the date of such purchase, but in no event less than 1 percent of such face amount of said participation, and the Corporation upon such purchase shall refund to the bank any payments in excess of such charge which it may have received from the bank prior to such purchase. If the agreement to purchase a participation shall be for a period in excess of 1 year and up to 2 years, the charge for the entire period in excess of 1 year shall, until further notice, be 1 percent of the Corporation's agreed participation, such charge of 1 percent to be payable at the end of the first year; but the bank shall have the right, at any time prior to the end of such first year, to cancel the agreement for the period beyond 1 year, and in such event there shall be no charge for such period beyond 1 year. A reduction of 50 percent shall be made with respect to all such charges in cases where the bank or banks retain for its or their own account as much as 50 percent of the principal amount of the note. Charges for agreements to purchase participations for periods longer than 2 years will be determined upon negotiation of the particular loan and prior to the time authorized by the Corporation.

Upon the purchase of its participation in a note, whether at the request of the bank or through the exercise of its right to purchase referred to in paragraph C hereof, the Corporation will pay to the bank a sum equal to the amount of its participation plus accrued interest on such participation, at the rate fixed in the note, computed from the date of the loan or of the last preceding interest payment, whichever date is later, until the date of such purchase. If the Corporation purchases the entire note, in accordance with the provisions of paragraph C hereof, it will pay to the bank a sum equal to the unpaid principal amount of the note plus accrued interest thereon, as above provided.

F. Disposition of Collateral—In cases where the Corporation has agreed to purchase a participation but has not actually purchased such participation, the bank will be permitted, subject to the provisions hereof, to hold the note and collateral of the borrower and to deal with them in the customary manner, except that it may not, without the prior written consent of the Corporation, change any terms of the loan, or change or release any collateral except upon full payment of the loan, or incur any substantial items of expense with respect to the loan.

Upon the closing of the sale of a participation to the Corporation, either at the time of the making of the loan or at any time thereafter, the note of the

borrower and the collateral therefor must be deposited, against such payment, with the Federal Reserve Bank for the bank's district, to be held by the Federal Reserve Bank as custodian for this Corporation. This Corporation will be authorized to receive payments upon the note and collateral and to discharge the borrower to the extent of such payments. Promptly upon the receipt of such proceeds, this Corporation will remit to the bank its pro rata share thereof, after making any necessary adjustments for amounts due between this Corporation and the bank. While the note is held by the Federal Reserve Bank as such custodian, this Corporation reserves the right, in its own name, to bring suit upon the note or to bring foreclosure proceedings with respect to all or any part of the collateral, but shall not, without the prior written consent of the bank, change any terms of the note, or change or release any collateral except upon full payment of the loan. However, at the option of the Corporation, the bank may, subsequently to the purchase by the Corporation of its participation in the note, hold such note and the collateral therefor as trustee for the Corporation and itself, under terms to be agreed upon.

If the Corporation deems it necessary properly to protect its interests, it may, prior to or after the purchase of its participation, require the bank to deliver the note and the collateral therefor to said Federal Reserve Bank, to be held by it as custodian for this Corporation, under the same terms and conditions as aforesaid, this Corporation agreeing promptly to remit to the bank its share of the proceeds of all payments, less any amounts that may be due the Corporation.

G. *Expenses*.—The bank may not charge any bonus, fee, or commission in connection with making the loan, and, except with the prior consent of this Corporation, may not charge the borrower for any expenses incurred in the making of the loan. The bank may not make any charge for servicing the borrower's note or the collateral therefor. Expenses in connection with the collection of the note will be shared pro rata by this Corporation and the bank, to the extent that such expenses are not recoverable from the borrower under the terms of its note. Special items of collection expense, such as fees for attorneys, shall not be incurred by the bank without the prior consent of this Corporation.

II. DIRECT LOANS TO INDUSTRY IN COOPERATION WITH BANKS

The Corporation will also enter into agreements with one or more banks whereby the Corporation will make a loan, of the character described in Circular No. 13, directly to an eligible industrial borrower in consideration of the making of a loan or loans to the same borrower at the same time by a bank or banks. Both the Corporation and the bank will use their own application forms and notes, respectively, the borrower executing a note payable to each lender for the amount advanced by such lender. The application forms to be used in applying for such loans from this Corporation will be its forms for applying for direct loans, which are available at the local Loan Agencies of the Corporation.

III. ACTS OF CONGRESS APPLICABLE TO LOANS OF THE CHARACTER HEREIN DESCRIBED

The following sections of the Reconstruction Finance Corporation Act, as amended, applicable to such loans, are quoted for the information of prospective applicant banks and borrowers from such banks:

SEC. 5d. For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized and empowered to make loans to any industrial or commercial business which shall include the fishing industry, established prior to January 1, 1934. Such loans shall in the opinion of the board of directors of the Corporation be adequately secured, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall have maturities not to exceed 5 years, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine. The aggregate amount of loans to any one borrower under this section shall not exceed \$500,000.

The power to make loans given herein shall terminate on January 31, 1935, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1935, or such earlier date.

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SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U.S.C., title 18, ch. 5, secs. 202 to 207, inclusive) insofar as applicable, are extended to apply to contracts or agreements with the corporation under this Act which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

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CIRCULAR No. 18

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING SUBSCRIPTIONS FOR PREFERRED
STOCK AND PURCHASES OF CAPITAL NOTES OR DEBENTURES
OF TRUST COMPANIES AND LOANS TO TRUST COMPANIES AND
MORTGAGE LOAN COMPANIES ENGAGED IN THE BUSINESS
OF LENDING UPON REAL ESTATE



OCTOBER 1934

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1934

NOV 9 '34

INFORMATION REGARDING SUBSCRIPTIONS FOR PREFERRED STOCK AND PURCHASES OF CAPITAL NOTES OR DEBENTURES OF TRUST COMPANIES AND LOANS TO TRUST COMPANIES AND MORTGAGE LOAN COMPANIES ENGAGED IN THE BUSINESS OF LENDING UPON REAL ESTATE

The reestablishment of a Nation-wide market for sound real estate mortgages by privately owned and privately managed financial institutions is an important element in recovery.

To assist in creating and expanding institutions that are principally engaged in, or that will engage in the mortgage business, the Reconstruction Finance Corporation is prepared to subscribe for or lend upon preferred stock in trust companies authorized to issue preferred stock, and to buy capital notes and debentures of trust companies not authorized to issue preferred stock.

The Farm Credit Administration, the Home Owners' Loan Corporation, and the Federal Housing Administration are contributing in their particular fields but they do not provide certain types of real estate mortgage money, and it is to complement their efforts and to assist in establishing new trust companies on a permanent basis that the Reconstruction Finance Corporation is now interested.

In addition to investing in the preferred stock, capital notes or debentures of such companies, the Corporation is authorized to make loans to such institutions, as well as to mortgage loan companies.

Numerous cases have appeared where mortgage loans which are in default, and mortgage loans that are about to mature, may be refinanced now, in whole or in part, on a sound basis, greatly to the benefit of both the mortgage note holders and the debtors. Certain new building projects may be financed on a sound basis; and many buildings, such as apartments, hotels, warehouses, business and office buildings, etc., covered by mortgage bonds and now in receivership, may be safely reorganized in the interest of both the bondholders and the equity owners, without loss of the new money invested.

Upon the determination of the Secretary of the Treasury that a trust company¹ is in need of funds for capital purposes and upon his request, with the approval of the President, the Corporation may subscribe for or lend upon preferred stock or purchase capital notes or debentures of existing trust companies and of new trust companies. The Corporation may also make loans to mortgage loan companies and trust companies, as well as subscribe for preferred stock and purchase capital notes or debentures of trust companies,

¹ To be eligible for assistance under this program trust companies are construed to be financial corporations organized under the laws of any State, Territory, or possession of the United States, or the Canal Zone, under statutes specially providing for the organization of trust companies and under the supervision of the same supervisory authority as banks organized under the laws of such State, Territory, or possession of the United States, or the Canal Zone.

thus enabling such mortgage loan companies and trust companies to make loans for the following purposes:

- (1) For new construction which will tend to an increase in employment and the stimulation of the capital goods industries, and where, in the opinion of the Corporation, the enterprises to be financed are soundly conceived.
- (2) To make advances at reasonable rates of interest to holders of mortgages and mortgage bonds or certificates upon the security of such mortgages, bonds, or certificates.
- (3) To refinance mortgages where the value and/or income of the mortgaged property, and the ability of the borrower to meet interest and principal payments, will adequately support the mortgage.
- (4) To underwrite new issues of mortgage bonds and otherwise to assist in the preservation and reorganization of distressed properties in cases where the holders of existing obligations have a real chance of preserving all or a substantial part of their property interests.

The Corporation itself has no power to make loans directly to owners of real estate, real estate mortgages, or real estate mortgage bonds for any of the above mentioned purposes. Its funds may be used for investment in the preferred stock, capital notes or debentures of trust companies and for loans to trust companies and mortgage loan companies.

STATE LAWS

In those States in which the banking laws permit trust companies to make the types of loans contemplated by this program, the Corporation, upon the request of the Secretary of the Treasury and with the approval of the President, may subscribe for or lend upon preferred stock or purchase capital notes or debentures of trust companies. It will also make loans to mortgage loan companies in such States. In a number of States, e. g., Maryland, New York, and New Jersey, the existing statutes apparently permit the investment of an unlimited percentage of the assets of trust companies in real estate securities. Other States, such as Delaware, Ohio, and Pennsylvania, have restrictions as to the amount of the assets of such companies that may be so invested. Where the restrictions are such as seriously to hamper the usefulness of trust companies in connection with this program, the Corporation can give more satisfactory assistance through mortgage loan companies.

TRUST COMPANIES

A trust company eligible for assistance may be either an existing trust company or one newly organized for the purpose of cooperating with this program. The common stock of such companies is expected to be provided through private sources.

As outlined in the Corporation's revised Circular No. 6, the Corporation may subscribe for preferred stock in trust companies in those States

where such stock is by law nonassessable and where the holders thereof are not liable for any debts, contracts, or obligations of the trust company issuing the same. If the trust company cannot legally issue preferred stock meeting these requirements, the Corporation may either (a) make loans to individuals, firms, or corporations in order to enable them to subscribe for such preferred stock, such loans to be secured by a pledge of the preferred stock so subscribed for, or (b) may purchase the capital notes or debentures of the trust company, provided the issuance of such obligations is authorized by law. The interest rate on such loans to individuals, firms, or corporations on the security of preferred stock subscribed for by them will be at the rate of 4 percent per annum to and including March 31, 1939, and at the rate of 5 percent per annum thereafter.

SUBSCRIPTION FOR OR LOANS UPON PREFERRED STOCK OR PURCHASE OF CAPITAL NOTES OR DEBENTURES OF TRUST COMPANIES

Application for subscription for preferred stock or loans upon preferred stock or purchase of capital notes or debentures of trust companies should be made directly to the loan agency of the Corporation serving the territory in which the applicant is located. The loan agencies will supply application forms upon request.

The terms of the charter of the trust company governing its preferred stock, capital notes or debentures and the terms of the capital notes or debentures must comply substantially with standard forms prepared by the Corporation. These forms, in general, will provide for the payment of dividends on the preferred stock, and/or interest on the capital notes or debentures, at the rate of 4 percent per annum up to and including January 31, 1935, thereafter at the rate of 3½ percent per annum up to and including January 31, 1940, and thereafter at the rate of 4 percent per annum. No maximum dividend rate is specified for the common stock, but before any common stock dividends can be paid any net profits of the trust company must be applied to the following purposes and in the following order of priority:

- (1) To the payment of dividends on preferred stock or interest on the capital notes or debentures.
- (2) To the payment into the retirement fund each year until February 1, 1940, of a sum equal to one-half of 1 percent of the aggregate par value of the outstanding preferred stock or the aggregate principal amount of the outstanding capital notes or debentures and each year thereafter of a sum equal to 1 percent of such aggregate par value or aggregate principal amount.
- (3) To the payment into the retirement fund of a sum equal to 40 percent of the remainder, if any, of such net profits, provided however, that the aggregate amount paid into the retirement fund in any one year need not exceed 5 percent of the maximum aggregate par value of the preferred stock or maximum aggregate

principal amount of the capital notes or debentures at any time outstanding, plus the amounts specified in paragraph (2) above. Unless otherwise elected by the board of directors of the trust company, payments into the retirement fund are not required to be made except from net profits accruing after December 31, 1935.

Any balance of net profits may be applied from time to time to such lawful purposes as may be determined by the board of directors.

LOANS TO TRUST COMPANIES

In addition to providing a part of the capital of trust companies cooperating with this program, the Corporation will give such trust companies additional assistance by making loans to them, pursuant to the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended, secured by mortgages on real estate. The fact that trust companies cooperating with this program may borrow from the Corporation upon the security of real estate mortgages acquired by them, should enable such institutions to undertake substantial underwriting of new securities offered in the course of reorganization of real estate properties. In such cases, all the costs, fees, and other reorganization expenses will be subject to the approval of the Corporation.

MORTGAGE LOAN COMPANIES

The Corporation will also make loans to mortgage loan companies cooperating with this program upon the security of real estate mortgages. Such loans will place funds in the hands of such mortgage loan companies which they may re-lend on property in their territory.

There are now in existence numerous mortgage loan companies which doubtless can be of assistance to property owners and to the holders of real estate mortgage securities in their territory by making sound real estate mortgage loans, which in turn can be utilized, until absorbed by insurance companies or other investors, as collateral for loans from the Corporation. Such mortgage loan companies to be eligible to borrow from the Corporation must—

- (1) Be actually engaged, pursuant to appropriate charter power, primarily in the business of making real estate mortgage loans to the general public. The Corporation does not intend to make loans to a "one-purpose" mortgage loan company—that is, a mortgage loan company heretofore existing or newly organized which proposes to serve a single borrower.
- (2) Have adequate capital represented by cash or assets of sound value equal to a substantial portion of the total amount of loans requested. The sound value of its capital should be at least \$250,000.
- (3) Have experienced, capable management satisfactory to the Corporation.

If in a particular area there is need for real estate financing for economically useful purposes and in such area there is no existing real estate mortgage loan company or other institution eligible to borrow from the Corporation which can make the desired loans, a mortgage loan company could be organized. In most States, such companies may be organized under the general corporation laws, although a few States have statutes which pertain especially to mortgage loan companies. The pertinent statutes, of course, must be complied with. The Corporation has no power to subscribe for preferred stock or purchase capital notes or debentures of mortgage loan companies.

It is preferable that the capital of such newly organized mortgage loan companies be subscribed locally; and the Corporation will require that the capital be paid in before it will make any disbursement on a loan to such a company. A newly formed company must comply with the eligibility requirements hereinabove enumerated for existing mortgage loan companies.

NATIONAL MORTGAGE ASSOCIATIONS

Title III of the National Housing Act, approved June 27, 1934, authorizes the Federal Housing Administrator to provide for the establishment of national mortgage associations, which shall be authorized, subject to rules and regulations to be prescribed by the Administrator—

- (1) To purchase and sell first mortgages and such other first liens as are commonly given to secure advances on real estate held in fee simple or under a lease for not less than ninety-nine years, under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby, such mortgages not to exceed 80 per centum of the appraised value of the property as of the date the mortgage is purchased; and
- (2) To borrow money for such purposes through the issuance of notes, bonds, debentures, or other such obligations as provided in said act.

Among other things, the National Housing Act provides that any number of natural persons, not less than five, may apply to the Federal Housing Administrator for authority to establish a national mortgage association, which shall have capital stock of a par value of not less than \$5,000,000 paid in full in cash or Government securities; that such association may issue and have outstanding at any time its notes, bonds, and debentures, or other such obligations in an aggregate amount not to exceed 10 times the aggregate par value of its outstanding capital stock; and shall be subject to rules and regulations prescribed by the Federal Housing Administrator.

Such national mortgage associations are eligible to borrow from the Reconstruction Finance Corporation.

GENERAL

Term and Interest Rate

The Corporation may make loans maturing not later than 5 years from February 1, 1935, at an interest rate of 4 percent per annum, to trust companies and mortgage loan companies cooperating with this program and the proceeds of such loans may be re-lent by such trust companies and mortgage loan companies at a rate of interest not in excess of 6 percent per annum. In the event that a note and mortgage pledged as collateral to the Corporation by a borrowing trust company or mortgage loan company bears interest at a rate in excess of 6 percent per annum, such trust company or mortgage loan company must agree to reduce the rate of interest to 6 percent per annum during the period that such note and mortgage is pledged to the Corporation.

Security

Section 5 of the Reconstruction Finance Corporation Act, as amended, requires that all loans made thereunder be fully and adequately secured. Therefore, in connection with all loans made to trust companies or mortgage loan companies, it will be required that a margin of collateral be pledged by the borrower. The margin required will vary depending upon the ratio between the amounts of the mortgages offered as collateral and the appraised value of the properties upon which they constitute liens.

Where eligible, mortgages tendered as collateral security should be insured under the provisions of title II of the National Housing Act which creates the Mutual Mortgage Insurance Fund for that purpose, and in the case of mortgages so insured, the Corporation will make loans up to a substantially higher percentage of the appraised value of the property than would otherwise be the case.

The Corporation will not accept as collateral from trust companies, mortgage loan companies, or other borrowers mortgages given to obtain funds for enterprises that are of a promotional nature, that are highly speculative, that can have no reasonable hope of success, or for which there appears to be no economic need.

Charges, Commissions, Fees, Etc.

Trust companies and mortgage loan companies borrowing from the Corporation may not charge their borrowers any commission, fee, bonus, or charge whatsoever except the actual cost of appraisal and of examination of title, reasonable attorneys' fees for drafting necessary legal documents in connection with the loan, and necessary recording fees. All such charges must be satisfactory to this Corporation, but in no event may mortgagors be charged, to cover such costs, an amount in excess of 3 percent of the principal amount of loans made for 3 years or less, 4 percent of the principal amount of loans made for more than 3 and less than 5 years, and 5 percent of the principal

amount of loans made for 5 years or longer: provided, however, that in connection with mortgages eligible for insurance under title II of the National Housing Act, these percentages may be altered from time to time to conform to any rules or policies promulgated by the Federal Housing Administration. In addition, one half of 1 percent per annum of the average outstanding amount of a mortgagor's loan may be collected as a service charge.

Method of Filing Application

Application forms for loans to trust companies and mortgage loan companies may be obtained from, and should be filed with, the loan agency of the Corporation serving the territory in which the applicant is located. A list of the Corporation's loan agencies and a map showing the territory served by each of them will be found at the end of this circular.

The application should be accompanied by all required exhibits, including applicant's financial statement; a list, on the forms provided therefor, of all mortgages constituting the collateral; an opinion of counsel as to the priorities of the various mortgages offered as collateral, or, in lieu thereof, a title policy or certificate issued by an acceptable title company.

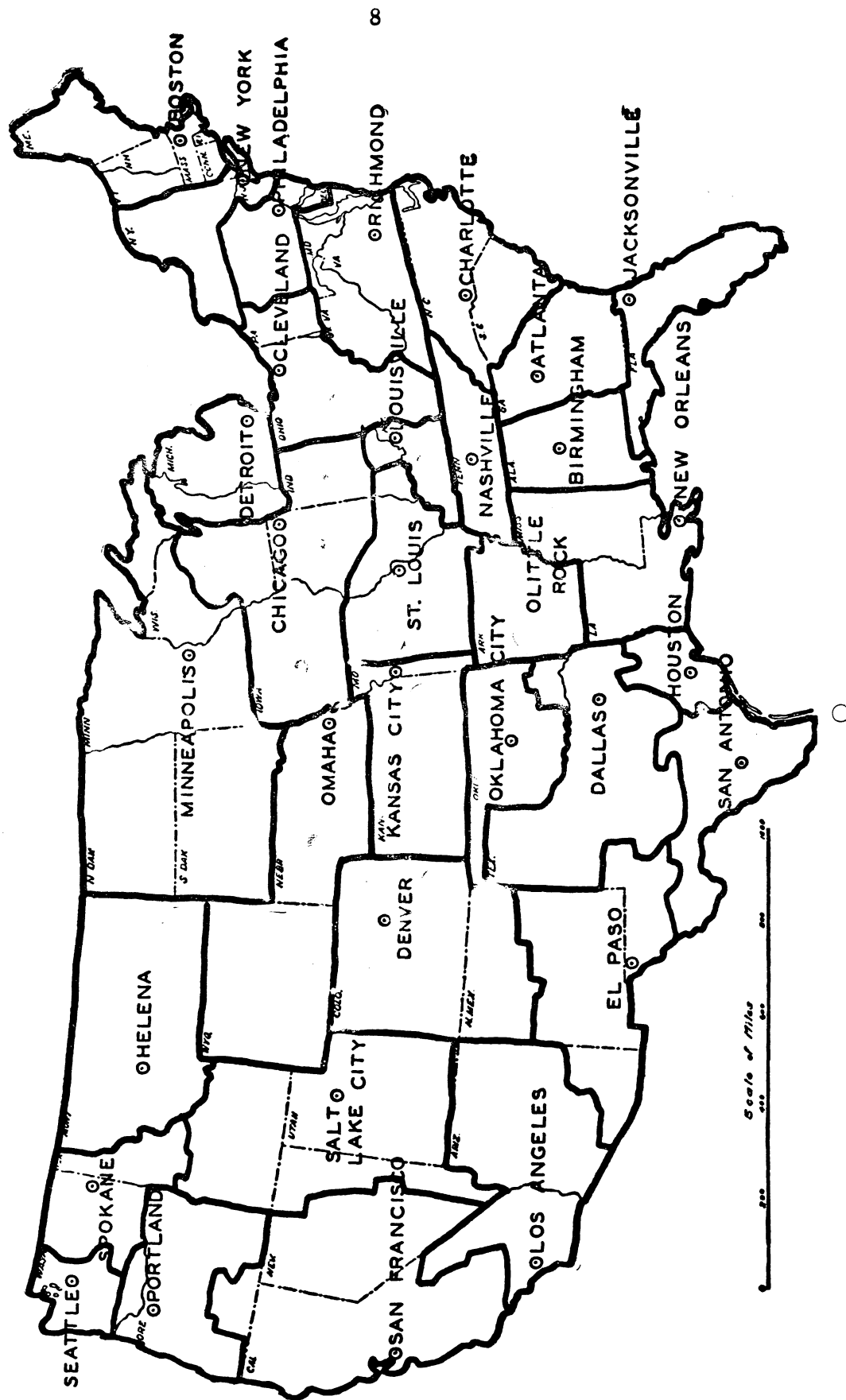
Applicants will be required also to furnish full and adequate credit data concerning the mortgagor as well as complete information relative to the security offered.

Loan Agencies

Loan agencies of the Reconstruction Finance Corporation are located in the following cities:

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	Salt Lake City, Utah
Cleveland, Ohio	Louisville, Ky.	San Antonio, Tex.
Dallas, Tex.	Minneapolis, Minn.	San Francisco, Calif.
Denver, Colo.	Nashville, Tenn.	Seattle, Wash.
Detroit, Mich.	New Orleans, La.	Spokane, Wash.
El Paso, Tex.	New York, N. Y.	St. Louis, Mo.
Helena, Mont.	Oklahoma City, Okla.	

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



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CIRCULAR No. 16

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS TO INCORPORATED
MANAGING AGENCIES OF FARMERS' COOPERATIVE MIN-
ERAL RIGHTS POOLS UNDER THE PROVISIONS OF
SECTION 13 OF THE ACT RELATING TO DIRECT LOANS
FOR INDUSTRIAL PURPOSES, APPROVED JUNE 19, 1934
(PUBLIC, No. 417, 73D CONGRESS)



SEPTEMBER 1934

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1934

INFORMATION REGARDING LOANS TO MANAGING AGENCIES OF FARMERS' COOPERATIVE MINERAL RIGHTS POOLS

The Reconstruction Finance Corporation has been authorized to make loans to recognized and established incorporated managing agencies of Farmers' Cooperative Mineral Rights Pools under the provisions of Section 13 of the Act relating to direct loans for industrial purposes, Public, No. 417, 73d Congress, approved June 19, 1934, which reads as follows:

SEC. 13. The Reconstruction Finance Corporation is authorized and empowered to make loans upon full and adequate security, based on mineral acreage, to recognized and established incorporated managing agencies of Farmers' Cooperative Mineral Rights Pools not engaged in drilling or mining operations, said loans to be made for the purpose of defraying the cost of organizing such pools.

1. ELIGIBLE BORROWERS

(a) Loans will be made only to Managing Agencies, and will not be made to Farmers' Cooperative Mineral Rights Pools.

(b) Loans will be made only to "recognized and established" Incorporated Managing Agencies. Such agencies are those that have been incorporated and established in advance of the filing of the application and have carried on operations in a manner and to an extent as to have obtained recognition in the business world.

2. TERMS AND CONDITIONS OF LOANS

(a) *Security*.—All loans will be made upon "full and adequate security, based on mineral acreage." Additional security, not based upon mineral acreage, may also be required. Mineral acreage as used herein shall be taken to mean the surface measurement of an area which has satisfactory indications of containing oil and/or gas or other minerals.

(b) *Purposes*.—Loans will be made only for the purpose of defraying the costs of organizing such pools.

(c) *Amounts*.—Loans will be authorized for such amounts as the Corporation may determine, not exceeding an amount reasonably required to defray organization costs.

(d) *Disbursements*.—Loans will be disbursed in installments as required to defray organization costs upon presentation of satisfactory vouchers showing use and application of previous disbursements and requisitions showing proposed use and application of additional disbursement.

(e) *Maturities*.—Loans will be made for such a period of time as the Corporation will in each instance determine.

(f) *Interest*.—Interest will be determined in each case by the Corporation, and will probably not exceed six percent.

(g) *Charges, Commissions, Bonuses, Fees, etc.*—Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. The borrower, however, subject to the prior approval of the Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loans will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

(h) *Salaries*.—The applicant must agree that, so long as any portion of the loan remains unpaid, it will not pay any salaries which are not deemed by the Corporation to be reasonable.

(i) *Dividends*.—So long as any portion of the loan remains outstanding, no dividends may be paid by the Borrower without the consent of the Corporation.

(j) *Deposit to Cover Cost of Examination*.—The applicant will be required, if the Corporation so requests, to make a deposit, in an amount to be determined in each case by the Corporation, to cover the cost of any field work which may be necessary in connection with the examination of the property of the applicant. Such examination will not be undertaken until the required deposit is made.

(k) *Additional Terms and Conditions*.—Such other terms, conditions, and restrictions as Reconstruction Finance Corporation may determine.

3. APPLICATIONS FOR LOANS

Applications should be made in writing to the Reconstruction Finance Corporation, at its office at 1825 H Street NW., Washington, D.C.

No printed forms of applications will be provided, but all applications shall present the information indicated below and shall follow the system of numbering and lettering indicated.

Each copy of the application and its accompanying exhibits should be firmly bound together, preferably in a single binder.

Five complete signed copies of each application, being one master copy and a copy for each of the sections of the Corporation concerned with its examination, should be filed.

Applications shall be signed by the President and Secretary of the applicant and, if prepared under the direction of any attorney, engineer, or geologist,

such fact shall be stated and such application must be approved by each such party.

Exhibits shall bear the signature of the party who prepared them.

Each application shall have attached thereto a certificate duly executed before a notary public by the President and Secretary of the applicant, certifying that such application is being filed for and on behalf of the applicant by such officers, first duly authorized, and that all of the statements in said application are true and correct to the best of the information, knowledge, and belief of said officers.

INFORMATION REQUIRED

1. General Information respecting Applicant:
 - (a) Full legal title and address.
 - (b) Date of organization.
 - (c) Citation to or copy of Law under which organized.
 - (d) Name, title, and address of each officer and director.
 - (e) Name, title, and address of the person with whom correspondence should be conducted.
 - (f) Names and addresses of Legal Counsel and Geologists.
 - (g) Names of states in which Applicant is authorized to do business.
 - (h) List of subsidiary and affiliated companies, separately setting forth names of same, where organized, names of officers, capitalization, and brief summary of relationship to each other and to Applicant.
2. Loan for which application is made:
 - (a) Amount for which application is made.
 - (b) Statement of funds required during the period of organization and the time when the same will be required.
 - (c) Statement of necessity for the loan.
 - (d) Proposed time of repayment of the loan.
3. Statement of the purpose of the Loan, including:
 - (a) Description of the work to be done.
 - (b) Time required to organize the pool.
 - (1) When the work will be started.
 - (2) When the pool will be completed.
 - (3) When the pool will be self-sustaining.
 - (c) Estimate of average number of men to be employed.
4. Summarized Total Costs of Organizing Proposed Pool or Pools, Sub-divided into:
 - (a) Executive expense.
 - (b) Legal expense.
 - (c) Engineering and geological expense.
 - (d) Other expenses.
5. Description of the Proposed Pool or Pools, including:
 - (a) Location (state and county).

- (b) Number of Acres to be included.
 - (c) Geological structure.
 - (d) Distance to the nearest producing field and the geographical relation to other producing fields in the locality.
 - (e) History of the acreage, that is, whether mineral leases have been secured and allowed to lapse, and whether any drilling has been done on the acreage.
 - (f) Proposed plan of drilling and developing pool acreage including:
 - (1) Time required to start development of the proposed pool acreage.
 - (2) Allowable production limit for the state.
 - (3) Employment requirements.
 - (4) Estimated cost of development.
 - (g) Estimate of the number of individual owners to be brought into the pool and average number of acres owned by proposed members.
 - (h) Assessed value of the land to be included in the pool or pools and nature and extent of encumbrances against the land.
 - (i) Statement of any mineral rights in lands included in pool in possession of others than the proposed members of the pool.
6. Complete and detailed statement of the security which Applicant proposes to give, together with complete statement concerning the title of the Managing Agency to the proposed security, and statement of applicant that it deems such security to be full and adequate.
 7. Brief description and history of the Applicant's present holdings, including in addition to such other information as the Applicant thinks necessary or desirable, the following:
 - (a) Statement of the number of mineral acres held by the Managing Agency under lease to operating companies, date when said lease was executed, date of expiration of the lease, bonus paid on said lease, royalty reserved thereunder, amount of delay rentals paid and payable thereunder, and short statement of drilling and operating requirements.
 - (b) Statement of the number of acres now held by the Managing Agency and producing oil and/or gas, together with a statement of the amount of revenue presently being received by the Managing Agency from
 - (1) Royalty payments.
 - (2) Lease rentals.
 - (3) Other sources.
 - (c) Statement of the royalty and the average market worth of royalty:
 - (1) Held by Farmers' Cooperative Pool.
 - (2) Held by the Managing Agency.
 - (3) Reserved and held by the individual owner.
 - (d) Statement of presently producing wells, giving:
 - (1) Flush production or potential.

- (2) Allowable production under proration, if it applies.
 - (3) Estimated ultimate production per acre.
 - (4) Number of acres per well.
 - (5) Average production per well.
 - (6) Method of production; that is, air lift, beam pumping, etc.
 - (7) Age of field.
 - (8) Percentage of water lifted.
 - (9) Depth of producing wells, number of producing horizons, size of casing and tubing, thickness and porosity of the sand.
 - (10) Gravity of the oil, present price received per barrel, average price for the past three years.
- (e) Pipe-line connections and proration agreements as they apply to the several fields.
- (f) List and summary of all operating agreements presently in effect between the Managing Agency and operating company or companies together with the names of the company or companies.
8. Statement of whether or not there is any litigation pending or threatened in which the Applicant is involved in any manner, and summary of such litigation, if any.
9. Exhibits (to be attached to application and give exhibit numbers as follows):
- Exhibit 1.*—Certified copy of Articles of Incorporation and copy of the by-laws of the Applicant company.
- Exhibit 2.*—Certified copy of Articles of Incorporation and copy of the By-Laws of the Farmers' Cooperative Mineral Rights Pools, with the names and addresses of their officers and directors.
- Exhibit 3.*—Copy of contracts existing between the Farmers' Cooperative Pools and the Managing Agencies.
- Exhibit 4.*—Copy of form of deed or lease to be executed by the farmer conveying a part or all of his mineral rights to the pool and to the Managing Agency, together with a copy of the power of attorney or contract to be executed by the farmer at the time of such conveyance.
- Exhibit 5.*—Form of Mineral Deed under which mineral rights are held by the Managing Agency and by the Cooperative Pool.
- Exhibit 6.*—Copies of proposed form of leases and royalty agreements to be entered into between Managing Agency and operating companies.
- Exhibit 7.*—Copy of the opinion of counsel concerning the legal title to any of the property included in the mineral acreage, if any such opinion has been secured.
- Exhibit 8.*—Balance sheet or statement of assets and liabilities as of the latest date available, together with a similar statement for the three years preceding the date of application, certified by the Fiscal Officer of the Agency.
- Exhibit 9.*—Income account showing in reasonable detail items of income and expense for the period covering the three years prior to date of application, to be certified by the Fiscal Officer of the Agency.

Exhibit 10.—Copy of all reports available which have been made by reliable and recognized geologists and engineers concerning any of the land or territory in which Applicant has an interest.

Exhibit 11.—Plat of the proposed pool or pools.

Exhibit 12.—Plat showing all the mineral acreage presently held by the Managing Agency and by the Farmers' Cooperative Pool.

Exhibit 13.—Map or plat of each oil and/or gas structure in which the Applicant has an interest showing producing wells.



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CIRCULAR NO. 17

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING
LOANS TO THE FISHING INDUSTRY



OCTOBER 1934

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1934

OCT 29 '34

INFORMATION REGARDING LOANS TO THE FISHING INDUSTRY

The Reconstruction Finance Corporation will make loans, under Section 15 of Public, No. 417, 73d Congress, to corporations, individuals, and associations engaged in the production, storage, handling, packing, processing, carrying, and/or orderly marketing of fish of American fisheries and/or products thereof. (The Corporation's Circular No. 13 describes the loans which the Corporation is authorized to make under Sec. 5(d) of the R. F. C. act, as amended, primarily to supply funds for labor and material, to any industrial or commercial business, including the fishing industry, established prior to January 1, 1934.)

1. LIMITATIONS IMPOSED BY LAW

- (a) All loans must be fully and adequately secured.
- (b) No loans shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances.
- (c) The maturity of any loan shall not exceed 5 years from February 1, 1935.

2. TERMS AND CONDITIONS

Loans will be made by the Corporation to the fishing industry upon the following terms and conditions, and for the following purposes:

A. MATURITIES

Loans shall mature at such time within 5 years from February 1, 1935, as the Corporation may in each case determine. A program of payments will be required with a view to the borrower liquidating its debt within the period of time agreed upon.

B. INTEREST RATES

Interest rates shall be determined in each case by the Corporation, but generally will not exceed 6%.

C. PURPOSES

The Corporation will make loans to the fishing industry for the following purposes:

(a) *Promotion of Orderly Marketing.*—Loans will be made primarily to promote the orderly marketing of fish or fish products. This may be done by supplying working capital to eligible applicants or, under special circumstances by financing the repair, improvement, or reequipment of existing facilities or the construction of new facilities designed to permit fish to be offered to the market and distributed as conditions warrant, e. g., modern refrigeration, storage, and freezing plants, canneries, etc.

(b) *Increase of Market Supply.*—The Corporation will not consider loans to finance the construction of new vessels nor to put back into service vessels which have been laid up, nor to finance the construction or improvement of processing or storage facilities, where the effect of such loan will be merely to increase the market supply of fish and not to promote orderly marketing. The Corporation will make loans, however, under special circumstances, where, in

the opinion of the Corporation, financing is not available through the customary channels, for the repairing and reequipping of fishing vessels in actual operation at the time of the application.

(c) *Payment of Existing Indebtedness.*—In general, loans will not be made when the proceeds are to be used to pay existing indebtedness. In cases where the applicant has substantial outstanding indebtedness, or its properties are already encumbered, it will be necessary for such applicant to work out some arrangement with existing creditors whereby, in consideration of new capital coming into the business, or perhaps by reason of a relatively small payment on account, existing indebtedness and encumbrances will be deferred and subordinated during the period of the proposed loans in order to provide adequate security. In the event that such a plan can be effected, an incidental portion of the loan may be used to make such payment on account.

(d) *Loans for Tax Payments.*—An incidental portion of loans may, under certain circumstances, be applied to the payment of taxes on properties which are necessary to the operation of the business.

The Corporation will not make loans to the fishing industry where the operations of the borrower are not in accord with existing policies of conservation of the U. S. Bureau of Fisheries nor of the various State conservation agencies.

3. ELIGIBILITY

Applications will be received from corporations, individuals, associations, partnerships, and cooperatives engaged in the production, storage, handling, packing, processing, carrying, and/or orderly marketing of fish of American fisheries and/or products thereof.

The word, "fish", means any animal habitually living in the water. Thus lobster, shrimp, clam, oyster, seal, sponge, etc., are included within the purview of this section, but seaweed, kelp, and other aquatic vegetation are not so included.

4. SECURITY REQUIREMENTS

Section 15 of Public Act No. 417 requires that all loans thereunder shall be made subject to the terms and conditions of Section 5 of the Reconstruction Finance Corporation Act, as amended. Section 5 requires that all loans made thereunder shall be "fully and adequately secured." The security may consist of any one or more of the following: a first mortgage on real estate, plant and equipment, a first mortgage on vessels (must be a preferred mortgage in accordance with the Ship Mortgage Act in the case of vessels of over 200 tons), a first mortgage on chattels, assignment of current accounts or notes receivable, trade acceptances, warehouse receipts on merchandise stored in bonded warehouses, or a first lien on other assets of sound value acceptable to the Corporation. Full insurance must ordinarily be carried on any property mortgaged to the Corporation and a portion of the loan may be used for such purpose. An assignment of orders will not constitute adequate primary security, although such orders are important to establish the ability of the applicant to repay the loan. The Corporation will not usually consider as satisfactory primary security the following: second mortgages, parts of a bond issue (even though such issue is a first lien) unless the bonds have a readily ascertainable market value, shares

of stock of corporate applicants or shares of stock without readily ascertainable market value, franchises, patents, goodwill, or foreign securities. Any due or delinquent taxes constituting a lien on the properties or earnings of the business must usually be fully paid or provided for before any loan will be made.

5. COMPLIANCE WITH NATIONAL RECOVERY ADMINISTRATION CODES

Each applicant must execute a certificate that it is complying and will continue to comply with the approved code of fair competition for the applicant's trade or industry, or subdivision thereof concerned, or, if there be no approved code of fair competition for the trade or industry in which the applicant is engaged, has signed, and is complying and will continue to comply with, the President's Reemployment Agreement promulgated under authority of section 4 (a) of the National Industrial Recovery Act.

In order to comply with Executive Order No. 6646, issued by the President of the United States on March 14, 1934, each applicant must agree that all contracts and orders by the applicant, or by his general contractor, if any, for machinery, articles, materials, or services, to be acquired in whole or in part with any of the proceeds of the loan, shall require, before performance or delivery, a certificate as hereinafter described signed by the party awarded such contract or order and by all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials, or services. Such certificate shall state that the party signing it is complying and shall continue to comply with each approved code of fair competition to which it is subject; or, if engaged in any trade or industry for which there is no approved code of fair competition, the certificate shall state that the party signing it has become a party to, is complying and shall continue to comply with the agreement with the President under section 4 (a) of the National Industrial Recovery Act. In the event that invitations for bids are issued by the applicant, or by his general contractor, if any, for machinery, articles, materials, or services, to be acquired in whole or in part with any of the proceeds of the loan, they shall require the bid to contain such a certificate by the bidder, and an agreement by the bidder to obtain such a certificate from all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials, or services. Each applicant must give the Corporation such proof of fulfillment of his agreement as it may require.

6. CHARGES, COMMISSIONS, BONUSES, FEES, ETC.

Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. The borrower, subject to the prior approval of the Corporation, however, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Reconstruction Finance Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loan will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation,

other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

7. SALARIES AND DIVIDENDS

The applicant must agree that, so long as any portion of the loan remains unpaid, it will not pay any salaries which are not deemed by the Corporation to be reasonable.

So long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant nor any distribution (except reasonable compensation for services) made by partnership or individual applicants, without the consent of the Corporation.

8. AUDITS AND APPRAISALS

An independent audit of the applicant and an appraisal of plant and equipment, both satisfactory to Reconstruction Finance Corporation and made as of a date not more than 6 months preceding the date of filing of the application, will be required. Independent audits will not generally be required, however, in the case of loans of \$10,000 or less when the applicant furnishes satisfactory sworn financial statements.

9. INFORMATION TO BE FILED AND METHOD OF FILING

The proper application forms may be obtained from the Loan Agency of the Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of such Loan Agencies below and map showing Loan Agency Districts on page 5.) Applications should be filed with the Loan Agency serving applicant's district. *No application will be received directly at the Washington office of the Corporation.*

All requests for further information should be directed to the local Loan Agency of the Corporation serving applicant's district and not to the Washington office.

Each agency will maintain facilities for assisting applicants in determining the eligibility of their prospective loans, and for instructions in the preparation of applications.

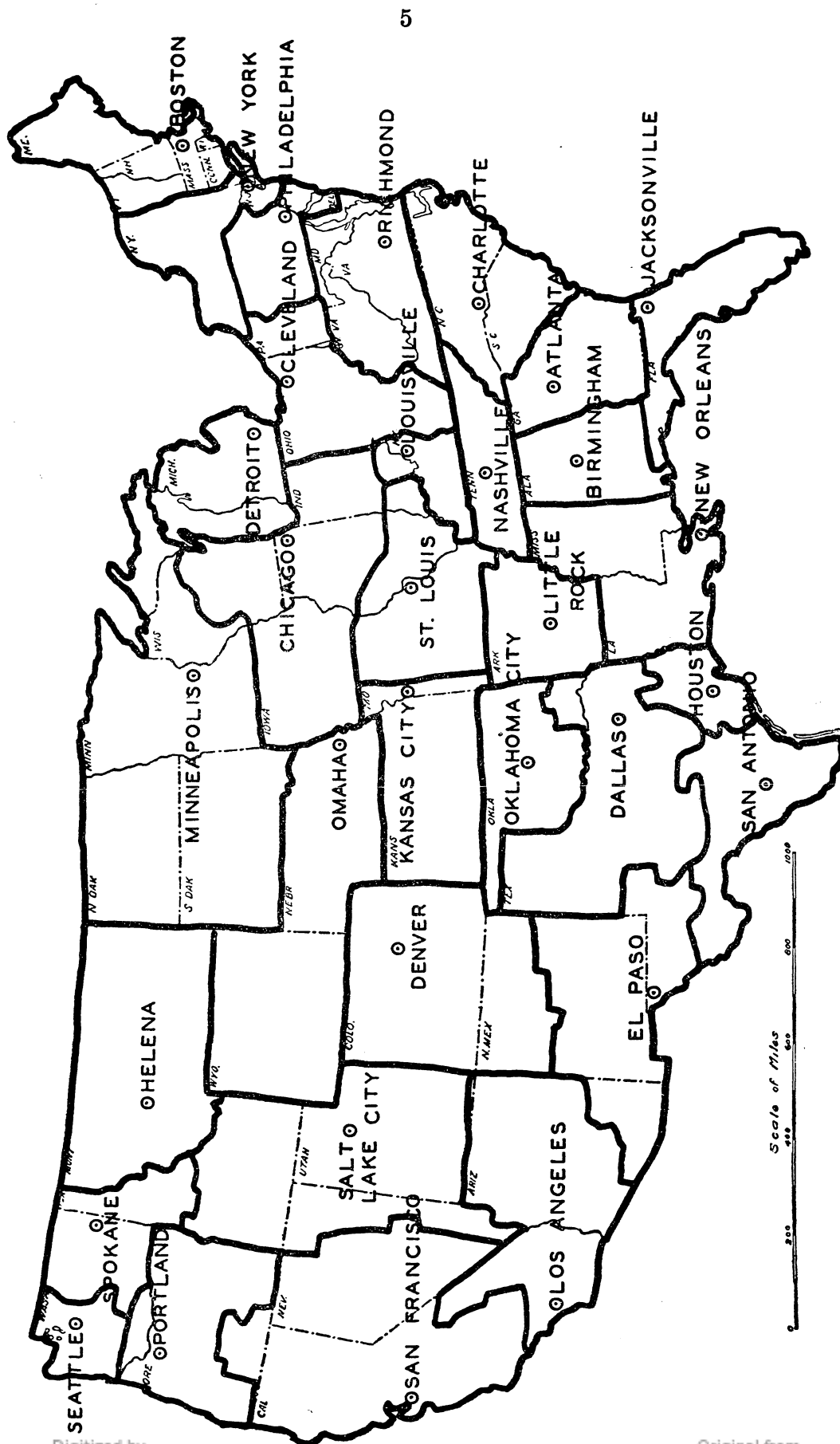
10. LOCATIONS OF LOCAL LOAN AGENCIES OF RECONSTRUCTION FINANCE CORPORATION

(The territory served by each Loan Agency is indicated on the map on page 5 of this Circular.)

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	Salt Lake City, Utah.
Cleveland, Ohio.	Louisville, Ky.	San Antonio, Tex.
Dallas, Tex.	Minneapolis, Minn.	San Francisco, Calif.
Denver, Colo.	Nashville, Tenn.	Seattle, Wash.
Detroit, Mich.	New Orleans, La.	Spokane, Wash.
El Paso, Tex.	New York, N. Y.	St. Louis, Mo.
Helena, Mont.	Oklahoma City, Okla.	

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS

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11. ACTS OF CONGRESS APPLICABLE TO LOANS OF THE CHARACTER HEREIN DESCRIBED

The following section of Public, No. 417, Seventy-third Congress, applicable to loans of the character referred to in this Circular, is quoted for the information of applicants:

SEC. 15. The Corporation is authorized and empowered to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to any person, association, or corporation organized under the laws of any State, the District of Columbia, Alaska, Hawaii, or Puerto Rico, for the purpose of financing the production, storage, handling, packing, processing, carrying, and/or orderly marketing of fish of American fisheries and/or products thereof upon the same terms and conditions, and subject to the same limitations, as are applicable in case of loans made under said section 5, as amended.

The following sections of the Reconstruction Finance Corporation Act, as amended, are applicable to loans under Section 15 of Public Act No. 417, 73d Congress:

SEC. 5. * * * All loans made under the foregoing provisions shall be fully and adequately secured. The Corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. Such loans may be made directly upon promissory notes or by way of discount or rediscount of obligations tendered for the purpose, or otherwise in such form and in such amount and at such interest or discount rates as the corporation may approve: *Provided*, That no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances. In no case shall the aggregate amount of advances made under this section to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2% per centum of (1) the authorized capital stock of the Reconstruction Finance Corporation plus (2) the aggregate amount of bonds of the corporation authorized to be outstanding when the capital stock is fully subscribed.

SEC. 5b. Notwithstanding any other provision of law—

(1) * * * the period for which the Corporation may make loans or advances * * * under section 5 of this Act, may be five years, or any shorter period, from February 1, 1935 * * *.

(2) The Corporation may at any time, or from time to time, extend, or consent to the extension of, the time of payment of any loan or advance made by it, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond five years from February 1, 1935 * * *.



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CIRCULAR No. 4
(REVISED)

RECONSTRUCTION
FINANCE CORPORATION

ITS POWERS AND FUNCTIONS



OCTOBER 1935

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

RECONSTRUCTION FINANCE CORPORATION

1825 H STREET NORTHWEST

WASHINGTON, D. C.

DIRECTORS AND OFFICERS

JESSE H. JONES, *Chairman, Board of Directors.*

HENRY MORGENTHAU, Jr. (Secretary of the Treasury), *Director Ex Officio.*

CHARLES T. FISHER, Jr., *Director.*

CHARLES B. HENDERSON, *Director.*

CARROLL B. MERRIAM, *Director.*

HUBERT D. STEPHENS, *Director.*

FREDERIC H. TABER, *Director.*

GEORGE R. COOKSEY, *Secretary.*

JAMES B. ALLEY, *General Counsel.*

HENRY A. MULLIGAN, *Treasurer.*

(II)

RECONSTRUCTION FINANCE CORPORATION

The Reconstruction Finance Corporation was created by "An Act to provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes", approved January 22, 1932, which may be cited as the "Reconstruction Finance Corporation Act." The powers of the Corporation were increased and the scope of its operations extended by subsequent legislation, the text of which is contained in a pamphlet entitled "Reconstruction Finance Corporation Act, as amended, and other Laws and Documents pertaining to Reconstruction Finance Corporation", revised and issued in February, 1935.

The Corporation may perform all functions it is authorized to perform under law until February 1, 1937, or such earlier date as the President may fix by proclamation.

This circular outlines the organization, functions, and authority of the Corporation under existing law.

I. MANAGEMENT AND ORGANIZATION

The Reconstruction Finance Corporation was organized on February 2, 1932, pursuant to the provisions of the Reconstruction Finance Corporation Act which provides that it shall have succession for a period of 10 years from January 22, 1932, unless sooner dissolved by an act of Congress. Under the Act, as amended, its management is vested in a board of directors consisting of the Secretary of the Treasury (or, in his absence, the Under Secretary of the Treasury), who is a member ex officio, and six other directors appointed by the President of the United States, by and with the advice and consent of the Senate.

The Corporation functions through a principal office at Washington and loan agencies established in cities throughout the United States,¹ as follows:

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	St. Louis, Mo.
Cleveland, Ohio.	Louisville, Ky.	Salt Lake City, Utah.
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Seattle, Wash.
El Paso, Tex.	New York, N. Y.	Spokane, Wash.
Helena, Mont.	Oklahoma City, Okla.	

¹ A map showing the territory served by each loan agency will be found on p. 21.

In addition to the foregoing, the Corporation has a special representative and Custodian at San Juan, Puerto Rico.

The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for the Corporation. The proceeds of loans generally are disbursed by the Corporation through the Federal Reserve banks and their branches which also, acting as custodians, hold the primary obligations of borrowers evidencing indebtedness to the Corporation, as well as the collateral pledged with the Corporation as security therefor. Since there is no Federal Reserve bank in Puerto Rico, the Insular Treasurer at San Juan acts as Custodian for the Corporation.

The funds of the Corporation are kept on deposit with the Treasurer of the United States.

II. LOANS TO FINANCIAL INSTITUTIONS AND RAILROADS UNDER SECTION 5 OF THE RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED

The Corporation, under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended, is authorized to make loans on full and adequate security and upon the terms and conditions stated in the law, to:

Any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the United States, including loans secured by the assets of any bank, savings bank, or building and loan association that is closed,² or in process of liquidation, to aid in the reorganization or liquidation thereof, upon application of the receiver or liquidating agent of such institution.

Under the same section of the law, as amended, the Corporation, with the approval of the Interstate Commerce Commission, including approval of the price to be paid, may, to aid in the financing, reorganization, consolidation, maintenance, or construction thereof, purchase for itself, or for account of a railroad obligated thereon, the obligations of railroads engaged in interstate commerce, including equipment trust certificates, or guarantee the payment of the principal of, and/or interest on, such obligations, including equipment trust certificates, or, when, in the opinion of the Corporation, funds are not available on reasonable terms through private channels, make loans, upon full and adequate security, to such railroads or to receivers or trustees thereof for the aforesaid purposes. In the case of loans to or the purchase or guarantee of obligations, including equipment trust certificates, of railroads not in receivership or trusteeship, the Interstate Commerce Commission shall, in connection with its approval thereof, also certify that such railroad, on the basis of present and prospective earnings, may reasonably be expected to meet its fixed charges, without a reduc-

² Regarding loans to closed banks, see also p. 7-8-

tion thereof through judicial reorganization, except that such certificate shall not be required in case of such loans made for maintenance of, or purchase of equipment for, such railroads. The Reconstruction Finance Corporation Act, as amended, provides that in respect of loans or renewals or extensions of loans or purchases of obligations under section 5 of the Reconstruction Finance Corporation Act, as amended, to or of railroads, the Corporation may require as a condition of making any such loan or renewal or extension for a period longer than 5 years, or purchasing any such obligation maturing later than 5 years from the date of purchase by the Corporation, that such arrangements be made for the reduction or amortization of the indebtedness of the railroad, either in whole or in part, as may be approved by the Corporation after the prior approval of the Interstate Commerce Commission.

Section 4 of an Act of Congress, approved June 10, 1933 (Public, No. 35, 73d Cong.), provides that the Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932:

- (1) If at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Corporation, and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Corporation while such loan is outstanding and unpaid.

For the purposes of this section, the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

Section 5 of the Reconstruction Finance Corporation Act, as amended, provides that in no case shall the aggregate amount of advances made thereunder to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2½ per centum of

- (1) The authorized capital stock of the Reconstruction Finance Corporation, plus
- (2) The aggregate amount of bonds authorized to be outstanding when the capital stock is fully subscribed.³

Such limitation, however, does not apply to advances to receivers or other liquidating agents of closed banks when made for the purpose of liquidation or reorganization.

No loans or advances may be made under section 5 of the Reconstruction Finance Corporation Act upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances.

³ See "2. Issue of Notes, Debentures, Bonds, or Other Such Obligations", under "XXI. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION," pp. 16-18.

III. SUBSCRIPTIONS FOR PREFERRED STOCK OF NATIONAL OR STATE BANKS OR TRUST COMPANIES, LOANS SECURED BY SUCH STOCK AS COLLATERAL, OR PURCHASES OF CAPITAL NOTES OR DEBENTURES OF STATE BANKS OR TRUST COMPANIES

Under section 304 of the Act of Congress approved March 9, 1933, as amended (Public, No. 1, 73d Cong.), the Reconstruction Finance Corporation is authorized to subscribe for preferred stock, exempt from double liability, in any National or State bank or trust company,⁴ upon the request of the Secretary of the Treasury with the approval of the President. The Corporation also is authorized to make loans secured by the preferred stock of National or State banks or trust companies as collateral, upon the request of the Secretary of the Treasury with the approval of the President. In any case in which a State bank or trust company is not permitted, under the laws of the State in which it is located, to issue preferred stock exempt from double liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, the Corporation is authorized, for the purposes of this section, to purchase the legally issued capital notes or debentures of such State bank or trust company.

The Corporation is further authorized, under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), to sell, at public or private sale, the whole or any part of the preferred stock, capital notes, or debentures of any National or State bank or trust company acquired by the Corporation pursuant to the foregoing authority.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 6 and No. 18.

IV. SUBSCRIPTIONS FOR PREFERRED STOCK AND PURCHASES OF CAPITAL NOTES, ETC., OF INSURANCE COMPANIES, AND LOANS SECURED BY SUCH STOCK OR NOTES, ETC., AS COLLATERAL

Pursuant to the provisions of an Act of Congress approved June 10, 1933, as amended (Public, No. 35, 73d Cong.), the Corporation is authorized, upon the request of the Secretary of the Treasury with the approval of the President, to subscribe for preferred stock of any class, exempt from assessment or additional liability, in any insurance company⁵ of any State⁶ of the United States which is in need of funds for capital purposes either in connection with the organization of such company or otherwise, or to make loans secured by such stock as collateral. The Corporation further is authorized, under such rules

⁴ The term "State bank or trust company", as construed by the Act approved March 9, 1933, includes a bank or trust company organized under the laws of any State, Territory, or possession of the United States, or the Canal Zone; and other banking corporations engaged in the business of industrial banking and under the supervision of State banking departments or of the Comptroller of the Currency.

⁵ As construed by the Act approved June 10, 1933, the term "insurance company" includes any corporation engaged in the business of insurance or in the writing of annuity contracts, irrespective of the nature thereof, and operating under the supervision of a State superintendent or department of insurance in any of the States of the United States.

⁶ The term "State", as construed by the Act approved June 10, 1933, means any State, Territory, or possession of the United States, the Canal Zone, and the District of Columbia.

and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), to sell, at public or private sale, the whole or any part of the preferred stock of any such insurance company acquired by it pursuant to the aforesaid provisions of law.

In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than 20 days, or if the insurance company is a mutual organization without capital stock, the Corporation is authorized, for the purposes indicated above, to purchase the legally issued capital notes of such insurance company, or, if the company is a mutual organization without capital stock, such other form or forms of indebtedness as the laws of the State under which such company is organized permit, or to make loans secured by such notes or such other form or forms of indebtedness as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

The Corporation may not subscribe for any such preferred stock or purchase any such capital notes or make loans upon such stock or notes of any applicant insurance company:

- (1) If at the time of such subscription, purchase, or loan, any officer, director, or employee of the applicant is receiving total compensation, including any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services, in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates; and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees, except with the consent of the Corporation and in no event to an amount exceeding \$17,500 per annum, so long as preferred stock or capital notes, etc., are held by the Corporation.

The total amount of loans outstanding, preferred stock subscribed for, and capital notes or such other form or forms of indebtedness purchased and held by the Corporation pursuant to the aforesaid provisions of law relating to insurance companies may not exceed, at any one time, \$75,000,000.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 8.

V. SUBSCRIPTIONS FOR OR LOANS UPON NONASSESSABLE STOCK AND PURCHASE OF CAPITAL NOTES OR DEBENTURES OF NATIONAL MORTGAGE ASSOCIATIONS, MORTGAGE LOAN COMPANIES, TRUST COMPANIES, ETC.

To assist in the reestablishment of a normal mortgage market, the Corporation may, under section 5c of the Reconstruction Finance Corporation Act, as amended, with the approval of the President, subscribe for or make

loans upon the nonassessable stock of any class of any national mortgage association organized under Title III of the National Housing Act, and of any mortgage loan company, trust company, savings and loan association, or other similar financial institution, now or hereafter incorporated under the laws of the United States, or of any State, or of the District of Columbia, the principal business of which institution is that of making loans upon mortgages, deeds of trust, or other instruments conveying, or constituting a lien upon, real estate or any interest therein. In any case in which, under the laws of its incorporation, such financial institution is not permitted to issue nonassessable stock, the Corporation is authorized, for the purposes of section 5c above mentioned, to purchase the legally issued capital notes or debentures of such financial institutions. Under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), the Corporation may sell, at public or private sale, the whole or any part of the stock, capital notes, or debentures acquired by it pursuant to the provisions of said section 5c.

The total face amount of such loans outstanding, nonassessable stock subscribed for, and capital notes or debentures purchased and held by the Corporation, shall not exceed \$100,000,000 at any one time.

VI. LOANS TO INDUSTRIAL OR COMMERCIAL BUSINESS DIRECT, OR IN CONJUNCTION WITH BANKS AND OTHER LENDING INSTITUTIONS

For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized, pursuant to the provisions of section 5d of the Reconstruction Finance Corporation Act, as amended, to make loans to any industrial or commercial business, which shall include the fishing industry,⁷ and to any institution, now or hereafter established, financing principally the sale of electrical, plumbing, or air-conditioning appliances or equipment or other household appliances, both urban and rural. Such loans shall, in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, may be made directly, or in cooperation with banks or other lending institutions, or by purchase of participations, shall mature not later than January 31, 1945, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 13 and No. 15.

⁷ The Corporation also is authorized to make loans to the fishing industry under section 15 of the Act approved June 19, 1934. (See "XII. LOANS TO THE FISHING INDUSTRY", p. 9.)

VII. LOANS TO OR FOR THE BENEFIT OF CERTAIN AGRICULTURAL IMPROVEMENT DISTRICTS, ETC., TO REDUCE AND REFINANCE OUTSTANDING INDEBTEDNESS, ETC.

Section 36 of the Emergency Farm Mortgage Act of 1933, as amended, authorizes the Corporation to make loans, not to exceed \$125,000,000 in the aggregate, to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, mutual nonprofit companies and incorporated water users' associations duly organized under the laws of any State and to or for the benefit of political subdivisions of States, which prior to May 12, 1933 (the date on which the Emergency Farm Mortgage Act of 1933 became law), have completed economically sound projects devoted chiefly to the improvement of land for agricultural purposes. Such loans shall be made for the following purposes:

1. To enable an applicant to reduce and refinance its outstanding indebtedness incurred in connection with its project;

2. To enable an applicant (irrespective of whether or not it has any outstanding indebtedness) to purchase or otherwise acquire in connection with its project, storage reservoirs, or dams or sites therefor or additional water rights or canals, ditches, or rights-of-way for the conduct of water or other works or appurtenances necessary for the delivery of water. Such loans shall only be made, however, if such purchase or acquisition is not intended to bring additional lands into production;

3. To enable an applicant, to whom a loan has been authorized for any of the purposes mentioned above, to make such repairs and necessary extensions or improvements to its project, as are necessary or desirable for the proper functioning of its project or for the further assurance of its ability to repay such loan. Such loans shall only be made, however, if such repairs and necessary extensions or improvements are not designed to bring new lands into production;

and shall be subject, with certain exceptions, to the same terms and conditions as loans under section 5 of the Reconstruction Finance Corporation Act, as amended.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 7.

VIII. LOANS UPON OR PURCHASE OF THE ASSETS OF CLOSED BANKS

Section 5e (a) of the Reconstruction Finance Corporation Act, as amended, authorizes the Corporation to make loans upon or purchase the assets, or any portion thereof, of any bank, savings bank, or trust company, which has been closed on or after December 31, 1929, and prior to January 1, 1934, and the affairs of which have not been fully liquidated or wound up, upon such terms

and conditions as the Corporation may by regulations prescribe. This section also makes provision for loans upon or purchase by the Corporation of the assets, or any portion thereof, of closed banks which have been trusted or are otherwise held for the benefit of depositors or depositors and others.⁸

IX. MINING LOANS

Section 14 of the Act of Congress approved June 19, 1934, as amended (Public, No. 417, 73d Cong.), authorizes the Corporation to make loans upon sufficient security to recognized and established corporations, individuals, and partnerships, engaged in the business of mining, milling, or smelting ores.

The Corporation is authorized also to make loans to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver, when, in the opinion of the Corporation, there is sufficient reason to believe that, through the use of such loan in the development of a lode, ledge, or vein, or mineral deposit, or placer or gravel deposit, there will be developed a sufficient quantity of ore or placer deposits of a sufficient value to pay a profit upon mining operations. The law provides that not to exceed \$20,000 shall be loaned to any corporation, individual, or partnership, for such development purposes; and further provides that a sum not to exceed \$10,000,000 shall be allocated and made available for such development loans.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 14.

X. LOANS TO MANAGING AGENCIES OF FARMERS' COOPERATIVE MINERAL RIGHTS POOLS

Pursuant to the provisions of section 13 of the Act of Congress approved June 19, 1934 (Public, No. 417, 73d Cong.), the Corporation is authorized to make loans upon full and adequate security, based on mineral acreage, to recognized and established incorporated managing agencies of farmers' cooperative mineral rights pools for the purpose of defraying the cost of organizing such pools.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 16.

XI. LOANS TO OR FOR THE BENEFIT OF PUBLIC-SCHOOL DISTRICTS OR OTHER PUBLIC-SCHOOL AUTHORITIES

Pursuant to the provisions of section 1 of the Act of Congress approved August 24, 1935 (Public, No. 325, 74th Cong.), the Corporation is authorized to make loans to or for the benefit of tax-supported public-school districts or other similar public-school authorities in charge of public schools organized pursuant to the laws of the several States, Territories, and the District of

⁸ The Corporation also may make loans to closed banks under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended. (See p. 2.)

Columbia for the purpose of enabling any such district or authority which, or any State, municipality, or other public body which is authorized to incur indebtedness for the benefit of public schools, to reduce and refinance outstanding indebtedness or obligations which have been incurred prior to August 24, 1935, for the purpose of financing the construction, operation, and/or maintenance of public-school facilities.

Loans may also be made to enable applicants, to whom refinancing loans have been authorized, to make such repairs and necessary extensions or improvements to the public-school facilities on account of which the indebtedness refinanced was incurred as are necessary or desirable for the further assurance of the ability of the applicants to repay such refinancing loans.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 20.

XII. LOANS TO THE FISHING INDUSTRY

By section 15 of the Act of Congress approved June 19, 1934 (Public, No. 417, 73d Cong.), the Corporation is authorized to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to any person, association, or corporation organized under the laws of any State, the District of Columbia, Alaska, Hawaii, or Puerto Rico, for the purpose of financing the production, storage, handling, packing, processing, carrying and/or orderly marketing of fish of American fisheries and/or products thereof.⁹

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 17.

XIII. LOANS TO NONPROFIT CORPORATIONS FOR THE REPAIR OF DAMAGES CAUSED BY FLOODS OR OTHER CATASTROPHES

Pursuant to the provisions of the Act of Congress approved April 13, 1934 (Public, No. 160, 73d Cong.), as amended by the Act approved July 26, 1935 (Public, No. 224, 74th Cong.), the Corporation is authorized to make loans, upon terms and conditions specified therein and not to exceed \$5,000,000 in the aggregate, to nonprofit corporations, with or without capital stock, organized for the purpose of financing the acquisition of home or building sites in replacement of sites formerly occupied by buildings where such sites are declared by public authority to be unsafe by reason of flood, danger of flood, or earthquake, and for the purpose of financing the repair or construction of buildings, or structures, or water, irrigation, gas, electric, sewer, drainage, flood-control, communication or transportation systems, damaged or destroyed by earthquake, conflagration, tornado, cyclone, or flood in the years 1933, 1934, 1935, and 1936, and deemed by the Corporation to be economically useful or necessary.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 19.

⁹ The Corporation may also make loans to the fishing industry under the provisions of section 5d of the Reconstruction Finance Corporation Act, as amended. (See "VI. LOANS TO INDUSTRIAL OR COMMERCIAL BUSINESS DIRECT," etc., p. 6.)

XIV. LOANS FOR THE CARRYING AND ORDERLY MARKETING OF AGRICULTURAL COMMODITIES AND LIVESTOCK

Under section 201 (d) of the Emergency Relief and Construction Act of 1932, the Corporation is authorized to make loans to bona fide institutions, organized under the laws of any State¹⁰ or of the United States and having resources adequate for their undertakings, for the purpose of enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States. All such loans are required to be fully and adequately secured.

XV. SELF-LIQUIDATING LOANS UNDER SECTION 201 (A) OF THE EMERGENCY RELIEF AND CONSTRUCTION ACT OF 1932, AS AMENDED

The power of the Corporation to make new self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, pursuant to the provisions of section 301 of the National Industrial Recovery Act, which created the Federal Emergency Administration of Public Works. The functions of the Corporation in this field were superseded by the functions of that Administration. Section 301 of the National Industrial Recovery Act provides, however, that the Corporation may issue funds to a borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, prior to January 23, 1939, under the terms of any agreement or any commitment to bid upon or purchase bonds entered into with such borrower pursuant to an application approved prior to the date of termination of the power of the Corporation to approve applications under such section.

Section 301 of the National Industrial Recovery Act, as amended by the Act of Congress approved June 19, 1934, provides that in connection with any loan or contract or any commitment to make a loan entered into by the Corporation prior to June 26, 1933, to aid in financing part or all of the construction cost of projects pursuant to the provisions of section 201 (a) (1) of the Emergency Relief and Construction Act of 1932, as amended, the Corporation may make such further loans and contracts, subject to all the terms and conditions set forth in the Emergency Relief and Construction Act of 1932, as amended, for the completion of any such project, or for improvements, additions, extensions, or equipment which are necessary or desirable for the proper functioning of any such project, or which will materially increase the assurance that the borrower will be able to repay the entire investment of the Corporation in such project, including such improvements, additions, extensions, or equipment.

In all cases where the Corporation shall hold bonds or other evidences of indebtedness of any borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, whether heretofore or hereafter acquired, and such borrower shall be able and willing to substitute or cause to be substituted

¹⁰ The Emergency Relief and Construction Act of 1932, as amended, construes the term "State" as used in Title II thereof (of which sec. 201 (d) is a part) as including the District of Columbia, Alaska, Hawaii, and Puerto Rico.

therefor any other bonds or other evidences of indebtedness, whether of the same or longer maturities or otherwise differing, which, in the judgment of the Corporation, are more desirable than those so held, the Corporation is authorized to accept such bonds or other evidences of indebtedness, in exchange and substitution for such bonds or other evidences of indebtedness so held by it, upon such terms and conditions agreed upon with such borrower at the time of, or in contemplation of, such exchange and substitution.

XVI. LOANS FOR THE EXPORTATION OF AGRICULTURAL OR OTHER PRODUCTS

Under section 5a of the Reconstruction Finance Corporation Act, as amended, the Corporation is authorized, subject to specified limitations, to accept drafts and bills of exchange drawn upon it, which grow out of transactions involving the exportation of agricultural or other products actually sold or transported for sale subsequent to the enactment of the law, and in process of shipment to buyers in foreign countries. All such drafts and bills of exchange must be in terms payable in the United States, in currency of the United States, and, in addition to the draft or bill of exchange, must at all times be fully secured by American securities as collateral, or must be guaranteed by a bank or trust company of undoubted solvency, organized under the laws of the United States or any State, Territory, or insular possession thereof.

Under section 201 (c) of the Emergency Relief and Construction Act of 1932, the Corporation is authorized to make loans for the purpose of financing sales of surpluses of agricultural products in the markets of foreign countries in which such sales cannot be financed in the normal course of commerce, in order that such surpluses may not have a depressing effect upon current prices of such products; but it is stipulated that no such sales shall be financed by the Corporation if, in its judgment, such sales will affect adversely the world markets for such products, and that no such loan may be made to finance the sale in the markets of foreign countries of cotton owned by the Federal Farm Board¹¹ or the Cotton Stabilization Corporation. All loans made under such section 201 (c) must be fully and adequately secured.

Joint resolution approved March 26, 1934 (Public Resolution, No. 17, 73d Cong.), states:

That it is the sense of Congress that in any loans made by the Reconstruction Finance Corporation * * * to foster the exporting of agricultural or other products, provision shall be made that such products shall be carried exclusively in vessels of the United States, unless, as to any or all of such products, the Shipping Board Bureau, after investigation, shall certify to the Reconstruction Finance Corporation * * * that vessels of the United States are not available in sufficient numbers, or in sufficient tonnage capacity, or on necessary sailing schedule, or at reasonable rates.

¹¹ Name changed to Farm Credit Administration by Executive order of Mar. 27, 1933.

XVII. OTHER LOANS AND ADVANCES

1. Under Section 5 of the Reconstruction Finance Corporation Act, as Amended

The Corporation is authorized to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, upon full and adequate security to:

- (a) Any State insurance fund established or created by the laws of any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of paying or insuring payment of compensation to injured workmen and those disabled as a result of disease contracted in the course of their employment, or to their dependents.
- (b) Any fund created by any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of insuring the repayment of deposits of public moneys of such State, or any of its political subdivisions, in banks or depositories qualified under the law of such State to receive such deposits.
- (c) Parties to any marketing agreement entered into by the Secretary of Agriculture with processors, producers, associations of producers, and others engaged in the handling of any agricultural commodity or product thereof, only with respect to such handling, however, as is in the current of interstate or foreign commerce or which directly burdens, obstructs, or affects, interstate or foreign commerce in such commodity or product thereof, for the purpose of carrying out any such agreement; as authorized by section 8b of the Agricultural Adjustment Act, as amended.
- (d) Processors or distributors of agricultural commodities for the payment of processing and compensating taxes and taxes on floor stocks levied pursuant to the provisions of Title I of the Agricultural Adjustment Act, as amended, as authorized by section 19 (c) thereof. More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 9.

2. Loans and Advances to the Secretary of Agriculture

Under the provisions of section 5 of the Agricultural Adjustment Act, as amended, the Corporation is authorized and directed to advance money and to make loans to the Secretary of Agriculture to acquire (a) all cotton owned by the Federal Farm Board ¹² and all departments or other agencies of the Government, not including the Federal intermediate credit banks, and (b) all cotton on which money has been loaned or advanced by any department or agency of the United States, including futures contracts for cotton, or which is held as collateral for loans or advances.

¹² Name changed to Farm Credit Administration by Executive order of Mar. 27, 1933.

3. Loans to Receivers Appointed under Section 29 of the Federal Farm Loan Act, as Amended, or by a United States District Court

Section 27 of the Emergency Farm Mortgage Act of 1933, as amended, authorizes the Reconstruction Finance Corporation, with the approval of the Land Bank Commissioner, to make loans to any receiver appointed pursuant to section 29 of the Federal Farm Loan Act, as amended, or to any receiver appointed by a district court of the United States for the purpose of paying taxes on farm real estate owned by the bank or securing the mortgages held by it.

4. Loans to the Corporation of Foreign Security Holders

The Corporation of Foreign Bondholders Act, 1933, which is not to take effect until the President finds that such action is in the public interest and by proclamation so declares, creates a body corporate with the name "Corporation of Foreign Security Holders" for the purpose of protecting, conserving, and advancing the interests of the holders of foreign securities in default. Under section 209 of such Act, the Reconstruction Finance Corporation is authorized to loan out of its funds not to exceed \$75,000 for the use of the Corporation of Foreign Security Holders.

5. Advances to the Reclamation Fund

Section 37 of the Emergency Farm Mortgage Act of 1933 authorizes the Corporation, upon request of the Secretary of the Interior, to advance funds to the reclamation fund created by the Act of June 17, 1902, not exceeding \$5,000,000 for the completion of projects or divisions of projects now under construction, or projects approved and authorized. Funds so advanced shall be repaid out of any receipts and accretions accruing to the reclamation fund within such time as may be fixed by the Reconstruction Finance Corporation, not exceeding 5 years from the date of advance, with interest at the rate of 4 per centum per annum. Sums so advanced may be expended in the same way as other moneys in the reclamation fund.

XVIII. PURCHASE OF MARKETABLE SECURITIES FROM THE FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS

The Corporation is authorized, pursuant to the provisions of Title II of the Emergency Appropriation Act, fiscal year 1935, to purchase marketable securities, satisfactory to the Corporation, acquired or to be acquired by the Federal Emergency Administration of Public Works. The amount that the Corporation may have invested at any one time in such securities shall not exceed \$250,000,000.

XIX. PURCHASE OF DEBENTURES OR OBLIGATIONS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Section 5e (b) of the Reconstruction Finance Corporation Act, as amended, authorizes the Corporation to purchase at par value such debentures or other obligations of the Federal Deposit Insurance Corporation as are authorized to be issued under subsection (o) of section 12B of the Federal Reserve Act, as

amended, upon the request of the board of directors of the Federal Deposit Insurance Corporation, whenever in the judgment of said board additional funds are required for insurance purposes. The Corporation may not purchase or hold at any time said debentures or other obligations in excess of \$250,000,000 par value.

XX. FUNDS OF RECONSTRUCTION FINANCE CORPORATION ALLOCATED AND MADE AVAILABLE TO OTHER GOVERNMENTAL AGENCIES

1. Allocation of Funds to the Secretary of Agriculture and Farm Credit Administration

Under section 2 of the Reconstruction Finance Corporation Act, the Corporation was authorized to allocate and make available to the Secretary of Agriculture a certain part of its funds in order to enable the Secretary to make loans to farmers for crop production purposes during 1932. Pursuant to the provisions of section 201 (e) of the Emergency Relief and Construction Act of 1932, the Corporation paid for the capital stock of the regional agricultural credit corporations, created by it under such section 201 (e), out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under section 2 of the Reconstruction Finance Corporation Act. By an Act of Congress approved February 4, 1933 (Public, No. 327, 72d Cong.), the authority of the Secretary of Agriculture was extended with respect to the use of funds allocated and made available to him by the Reconstruction Finance Corporation so as to enable him to make loans, within certain limitations, to farmers during 1933.

The funds made available and allocated under the foregoing provisions of law were transferred to and vested in the Farm Credit Administration by the Executive order of March 27, 1933, and to the Governor of the Farm Credit Administration by section 5 of the Farm Credit Act of 1933, as amended.

2. Allocation of Funds to Land Bank Commissioner

The Corporation is authorized and directed, under section 30 (a) of the Emergency Farm Mortgage Act of 1933, as amended by section 16 (a), Farm Credit Act of 1935, to make available to the Land Bank Commissioner the sum of \$100,000,000, to be used for a period not exceeding 4 years from the date of the enactment of such Act, i. e., May 12, 1933, for the purpose of making loans to joint-stock land banks.

Under section 32 of the same Act, the Corporation is authorized and directed also to allocate and make available to the Land Bank Commissioner the sum of \$200,000,000, or so much thereof as may be necessary, to be used for the purpose of making loans to farmers. By section 3, Federal Farm Mortgage Corporation Act, the funds and proceeds thereof made available to the Land Bank Commissioner under section 32 of the Emergency Farm Mortgage Act of 1933, and the mortgages taken by the Commissioner and the credit instruments secured thereby were transferred to the Federal Farm Mortgage Corporation as capital of that Corporation.

3. Funds Made Available to the Federal Emergency Relief Administrator

Section 2 (a) of the Federal Emergency Relief Act of 1933 authorizes and directs the Corporation to make available out of the funds of the Corporation not to exceed \$500,000,000, for expenditure in accordance with the terms stated in the Act, upon certification by the Federal Emergency Relief Administrator, for the purpose of furnishing relief to needy and distressed people. Section 3 (b) of such Act provides that the Corporation shall pay the expenses, not exceeding \$350,000, of the Federal Emergency Relief Administration, out of the funds made available by the Act, upon presentation of vouchers approved by the Administrator or by an officer of that Administration designated by him for that purpose.

Pursuant to the provisions of Title II, Emergency Appropriation Act, fiscal year 1935, not exceeding \$500,000,000 in the aggregate of any savings or unobligated balances in funds of the Corporation may, in the discretion of the President, be transferred and applied to the purposes of the Federal Emergency Relief Act of 1933 and/or Title II of the National Industrial Recovery Act.

4. Funds Made Available for the Purposes of the Emergency Relief Appropriation Act of 1935

Under section 1 of the Emergency Relief Appropriation Act of 1935, not exceeding \$500,000,000 in the aggregate of any savings or unobligated balances in funds of the Reconstruction Finance Corporation, are immediately available and remain available until June 30, 1937, to be used in the discretion and under the direction of the President for the purposes of the Emergency Relief Appropriation Act of 1935.

5. Funds Made Available to the Federal Housing Administrator

Section 4 of the National Housing Act provides that the Corporation shall make available to the Federal Housing Administrator such funds as he may deem necessary for the purposes of carrying out the provisions of Titles I, II, and III of such Act.

6. Capital of Federal Home Loan Banks Subscribed by the United States

Section 6 (f) of the Federal Home Loan Bank Act amended the Reconstruction Finance Corporation Act to provide that \$125,000,000, or as much thereof as may be necessary for the purpose, be allocated and made available by the Corporation to the Secretary of the Treasury in order to enable him to pay for the capital stock of Federal Home Loan Banks subscribed for by the United States.

7. Capital of Home Owners' Loan Corporation Subscribed by the United States

Section 4 (b) of the Home Owners' Loan Act of 1933 authorizes and directs the Reconstruction Finance Corporation to allocate and make available to the Secretary of the Treasury the sum of \$200,000,000, or so much thereof as may be necessary, in order to enable him to make payments for subscriptions for the capital stock of the Home Owners' Loan Corporation, created by such Act.

XXI. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION

1. Capital Stock

The capital stock of the Corporation was fixed by section 2 of the Reconstruction Finance Corporation Act at \$500,000,000, all of which was subscribed by the Secretary of the Treasury on behalf of the Government of the United States on February 2, 1932. The entire capital stock has been paid in by the Secretary of the Treasury and is held by the United States.

2. Issue of Notes, Debentures, Bonds, or Other Such Obligations

The Reconstruction Finance Corporation Act, as amended by the Emergency Relief and Construction Act of 1932, authorizes the Corporation, with the approval of the Secretary of the Treasury, to issue, and to have outstanding at any one time, its notes, debentures, bonds, or other such obligations in an amount aggregating not more than six and three-fifths times its subscribed capital stock.

However, the National Industrial Recovery Act, which terminated the power of the Reconstruction Finance Corporation to make loans or contracts to finance self-liquidating projects, etc., under the provisions of section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, provides that the amount of notes, debentures, bonds, or other such obligations which the Reconstruction Finance Corporation is authorized to have outstanding at any one time is decreased \$400,000,000. On the other hand, the amount of notes, debentures, bonds, or other such obligations which the Corporation is authorized to issue and have outstanding at any one time is increased by the provisions of other laws, as follows:

- (a) By an amount not to exceed \$125,000,000, in order to enable the Secretary of the Treasury to make payments for subscriptions for capital stock of the Federal Home Loan Banks, as provided in section 6 (f) of the Federal Home Loan Bank Act.
- (b) By such amount as may be necessary—
 - (1) To enable the Corporation to subscribe for preferred stock of National or State banks or trust companies, to make loans secured by such stock as collateral, and to purchase capital notes or debentures of State banks or trust companies, as provided by section 304 of an Act of Congress approved March 9, 1933, as amended (Public, No. 1, 73d Cong.).
 - (2) To enable the Corporation to make loans to the Secretary of Agriculture upon cotton in his possession or control, as provided by section 5 of the Agricultural Adjustment Act, as amended.
 - (3) To provide funds for the Federal Housing Administrator to enable him to carry out the provisions of Titles I, II, and III of the National Housing Act, as provided by section 4 of said Act.

- (c) By an amount not to exceed \$75,000,000 to enable the Corporation to subscribe for preferred stock, to purchase capital notes of insurance companies, and to make loans secured by such stock or notes as collateral, as provided by the Act of Congress approved June 10, 1933, as amended (Public, No. 35, 73d Cong.).
- (d) By \$500,000,000 to enable the Federal Emergency Relief Administrator to make grants to States and Territories (including Alaska, Hawaii, the Virgin Islands, and Puerto Rico) and the District of Columbia to aid in meeting the costs of furnishing relief and work relief and in relieving the hardship and suffering caused by unemployment, as provided by the Federal Emergency Relief Act of 1933; and to make such expenditures, not to exceed \$350,000, as are necessary to carry out the provisions thereof.
- (e) By \$300,000,000 in order to provide funds for allocation to the Land Bank Commissioner for the purpose of making loans to joint-stock land banks and to farmers, as provided by the Emergency Farm Mortgage Act of 1933, as amended, and for the purpose of providing capital for the Federal Farm Mortgage Corporation, pursuant to section 3, Federal Farm Mortgage Corporation Act.
- (f) By an amount not to exceed \$200,000,000 in order to provide funds for allocation to the Secretary of the Treasury for the purpose of making payments for subscriptions for the capital stock of the Home Owners' Loan Corporation, as provided by section 4 (b) of the Home Owners' Loan Act of 1933.
- (g) By \$850,000,000, as provided by section 3 of the Act of Congress approved January 20, 1934 (Public, No. 84, 73d Cong.).
- (h) By an amount not to exceed \$250,000,000 at any one time for the purchase at par value of debentures and other obligations of the Federal Deposit Insurance Corporation, as provided by section 5e (b) of the Reconstruction Finance Corporation Act, as amended.
- (i) By an amount not to exceed \$250,000,000 at any one time for the purchase of marketable securities acquired or to be acquired by the Federal Emergency Administration of Public Works, as provided by Title II of the Emergency Appropriation Act, fiscal year 1935.
- (j) By an amount not to exceed \$100,000,000 at any one time outstanding to enable the Corporation to subscribe for or make loans upon nonassessable stock of any class and to purchase capital notes or debentures of national mortgage associations, mortgage loan companies, trust companies, etc., as provided by section 5c of the Reconstruction Finance Corporation Act, as amended.

Pursuant to the provisions of section 13 of the Act of Congress approved January 31, 1935 (Public, No. 1, 74th Cong.), the Corporation is authorized to use as general funds all receipts arising from the sale or retirement of any of the stock, notes, bonds, or other securities acquired by it pursuant to any provision of law.

Notes, debentures, bonds, or other such obligations issued by the Corporation, with the approval of the Secretary of the Treasury, are to mature not more than 5 years from their respective dates of issue, to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rates of interest as may be determined by the Corporation. The Corporation, with the approval of the Secretary of the Treasury, also may sell on a discount basis short-term obligations payable at maturity without interest. The law provides that the notes, debentures, bonds, or other such obligations of the Corporation shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Corporation which may be issued pursuant to the provisions of the law, and may, at any time, sell any of the obligations of the Corporation acquired by him. He is further authorized, at the request of the Reconstruction Finance Corporation, to market for the Corporation its notes, debentures, bonds, and other such obligations, using therefor all the facilities of the Treasury Department authorized by law for the marketing of obligations of the United States. The Reconstruction Finance Corporation Act, as amended, also provides that any and all notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) at any time imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

XXII. REGIONAL AGRICULTURAL CREDIT CORPORATIONS

An Executive order issued on March 27, 1933, effective on May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration. The Reconstruction Finance Corporation will continue to pay all expenses incurred in connection with the operations of these corporations, and to rediscount paper for them, as provided in section 201 (e) of the Emergency Relief and Construction Act of 1932.

XXIII. FUNDS FOR RELIEF OF DESTITUTION

The power of the Corporation to make funds available to States and Territories under section 1 of the Emergency Relief and Construction Act of 1932 for the relief of destitution was terminated at the close of June 1, 1933, pursuant to section 2 (c) of the Federal Emergency Relief Act of 1933, which created the Federal Emergency Relief Administration.

XXIV. REPORTS

1. Quarterly Reports

Section 15 of the Reconstruction Finance Corporation Act provides that the Corporation shall make and publish a report quarterly of its operations to the Congress stating the aggregate loans made to each of the classes of borrowers provided for and the number of borrowers by States (including the District of Columbia, Alaska, Hawaii, and Puerto Rico) in each class. The law further provides that the statement shall show the assets and liabilities of the Corporation and the names and compensation of all persons employed by the Corporation whose compensation exceeds \$400 per month.

2. Monthly Reports

Under section 201 (b) of the Emergency Relief and Construction Act of 1932, the Corporation is required to submit monthly to the President and to the Senate and the House of Representatives (or the Secretary of the Senate and the Clerk of the House of Representatives, if those bodies are not in session) a report of its activities and expenditures under the Reconstruction Finance Corporation Act and under section 201 of the Emergency Relief and Construction Act of 1932, together with a statement showing the names of the borrowers to whom loans and advances were made, and the amount and rate of interest involved in each case.

XXV. CIRCULARS

Detailed information regarding certain types of loans which the Reconstruction Finance Corporation is authorized to make under existing law is contained in the following circulars, which are available, except those marked obsolete or superseded, at the Corporation's office in Washington or at any of its loan agencies.

Circular No. 1.—Information for banks and other financial institutions desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 2.—Information for railroads and receivers thereof desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 3 (Obsolete).—Information for prospective applicants for loans for "self-liquidating" projects under the Emergency Relief and Construction Act of 1932. (The power of the Corporation to make new self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, and the functions of the Corporation in this field were superseded by the functions of the Federal Emergency Administration of Public Works.)

Circular No. 4.—Reconstruction Finance Corporation, its powers and functions.

Circular No. 5 (Obsolete).—Regarding Regional Agricultural Credit Corporations created by the Reconstruction Finance Corporation under section

201 (e) of the Emergency Relief and Construction Act of 1932. (An Executive order issued on March 27, 1933, effective May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration.)

Circular No. 6.—Information regarding subscriptions for and loans secured by preferred stock of banks and trust companies and the purchase of capital notes and debentures of such institutions.

Circular No. 7.—Information for prospective applicants for loans under the provisions of section 36, part 4, of the Emergency Farm Mortgage Act of 1933, as amended, relating to agricultural projects.

Circular No. 8.—Information regarding applications to the Reconstruction Finance Corporation for subscription for preferred stock and purchases of capital notes of insurance companies, and loans on such preferred stock or capital notes as collateral security, as authorized by Act of Congress approved June 10, 1934 (Public, No. 35, 73d Cong.).

Circular No. 9.—Information regarding applications for loans from the Reconstruction Finance Corporation for the purpose of paying processing taxes, compensating taxes and taxes on floor stocks under section 19 (c) of the Agricultural Adjustment Act of 1933.

Circular No. 10.—Information for prospective applicants for loans to finance the carrying and orderly marketing of agricultural commodities under section 201 (d) of the Emergency Relief and Construction Act of 1932.

Circular No. 11 (Superseded).—Information regarding loans to assist in the National Recovery Administration program. (Superseded by Circular No. 13.)

Circular No. 12 (Obsolete).—Public advertisement regarding notes of the Reconstruction Finance Corporation—Series of February 1, 1934.

Circular No. 13.—Information regarding loans to industry.

Circular No. 14.—Information regarding mining loans.

Circular No. 15.—Information regarding loans to industry in conjunction with banks and other lending institutions.

Circular No. 16.—Information regarding loans to incorporated managing agencies of farmers' cooperative mineral rights pools under the provisions of section 13 of the Act relating to direct loans for industrial purposes, approved June 19, 1934 (Public, No. 417, 73d Cong.).

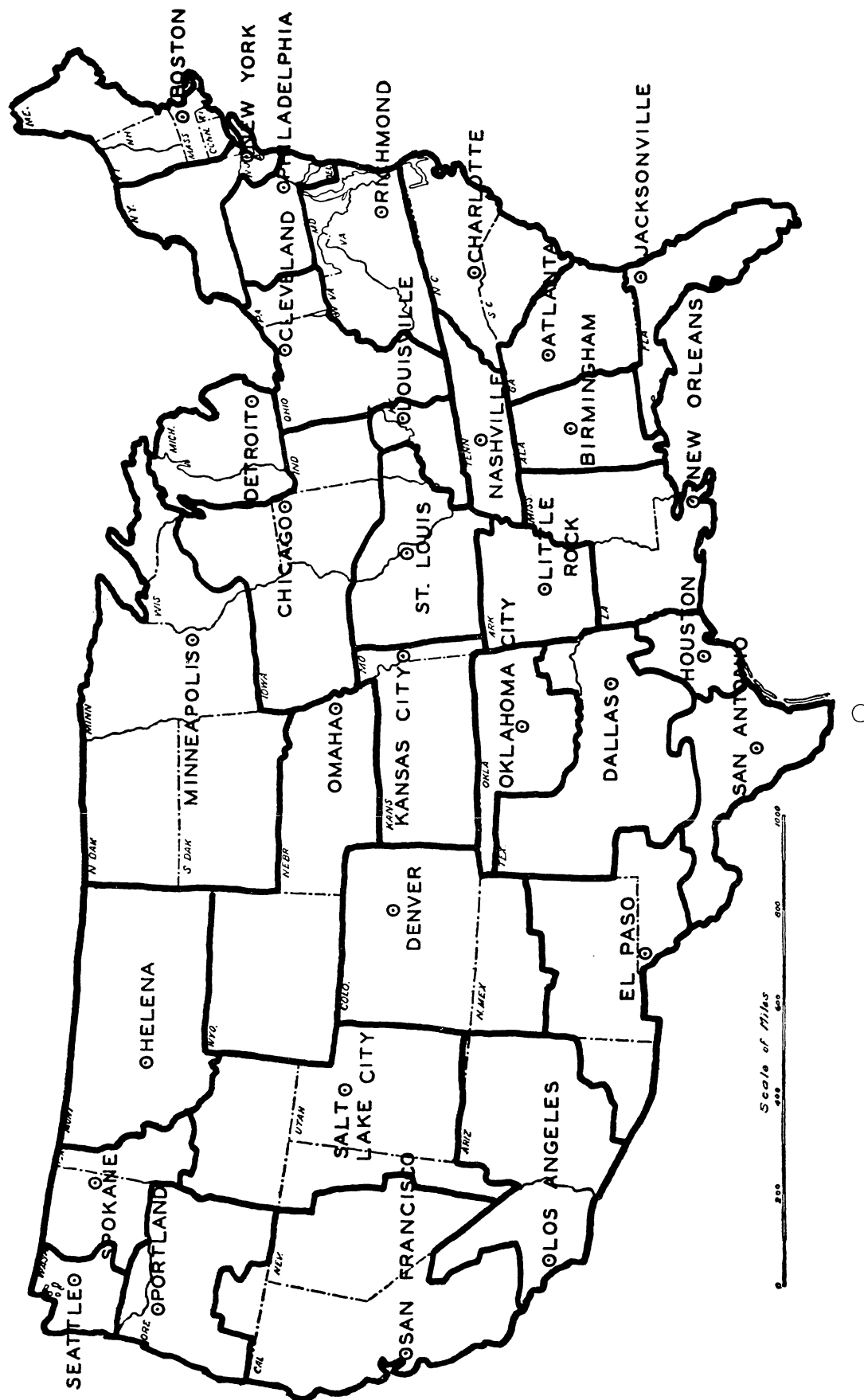
Circular No. 17.—Information regarding loans to the fishing industry.

Circular No. 18.—Information regarding subscriptions for preferred stock and purchases of capital notes or debentures of trust companies and loans to trust companies and mortgage loan companies engaged in the business of lending upon real estate.

Circular No. 19.—Information regarding loans for flood relief.

Circular No. 20.—Information for prospective applicants for loans under the provisions of Public, No. 325, Seventy-fourth Congress, approved August 24, 1935, relating to the refinancing of indebtedness incurred in connection with public schools.

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



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CIRCULAR No. 4
(REVISED)

RECONSTRUCTION FINANCE CORPORATION

ITS POWERS AND FUNCTIONS



FEBRUARY 1935

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

RECONSTRUCTION FINANCE CORPORATION

1825 H STREET NORTHWEST

WASHINGTON, D. C.

DIRECTORS AND OFFICERS

JESSE H. JONES, *Chairman, Board of Directors.*

HENRY MORGENTHAU, Jr. (Secretary of the Treasury), *Director Ex Officio.*

CHARLES B. HENDERSON, *Director.*

CARROLL B. MERRIAM, *Director.*

FREDERIC H. TABER, *Director.*

GEORGE R. COOKSEY, *Secretary.*

STANLEY REED, *General Counsel.*

HENRY A. MULLIGAN, *Treasurer.*

(II)

RECONSTRUCTION FINANCE CORPORATION

The Reconstruction Finance Corporation was created by "An Act to provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes", approved January 22, 1932, which may be cited as the "Reconstruction Finance Corporation Act." The powers of the Corporation were increased and the scope of its operations extended by subsequent legislation, the text of which is contained in a pamphlet entitled "Reconstruction Finance Corporation Act, as amended, and other Laws and Documents pertaining to Reconstruction Finance Corporation", revised and issued in February, 1935.

The Corporation may perform all functions it is authorized to perform under law until February 1, 1937, or such earlier date as the President may fix by proclamation.

This circular outlines the organization, functions, and authority of the Corporation under existing law.

I. MANAGEMENT AND ORGANIZATION

The Reconstruction Finance Corporation was organized on February 2, 1932, pursuant to the provisions of the Reconstruction Finance Corporation Act which provides that it shall have succession for a period of 10 years from January 22, 1932, unless sooner dissolved by an act of Congress. Under the Act, as amended, its management is vested in a board of directors consisting of the Secretary of the Treasury (or, in his absence, the Under Secretary of the Treasury), who is a member ex officio, and six other directors appointed by the President of the United States, by and with the advice and consent of the Senate.

The Corporation functions through a principal office at Washington and loan agencies established in cities throughout the United States,¹ as follows:

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	St. Louis, Mo.
Cleveland, Ohio.	Louisville, Ky.	Salt Lake City, Utah.
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Seattle, Wash.
El Paso, Tex.	New York, N. Y.	Spokane, Wash.
Helena, Mont.	Oklahoma City, Okla.	

In addition to the foregoing, the Corporation has a special representative at San Juan, Puerto Rico, and a special representative and custodian at Honolulu, T. H.

¹ A map showing the territory served by each loan agency will be found on p. 20.

The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for the Corporation. The proceeds of loans generally are disbursed by the Corporation through the Federal Reserve banks and their branches which also, acting as custodians, hold the primary obligations of borrowers evidencing indebtedness to the Corporation, as well as the collateral pledged with the Corporation as security therefor. Since there is no Federal Reserve bank in Puerto Rico, the Insular Treasurer at San Juan acts as custodian for the Corporation. The special representative and custodian at Honolulu, mentioned above, holds the primary obligations of borrowers from the Corporation in the Territory of Hawaii and the collateral pledged as security therefor.

The funds of the Corporation are kept on deposit with the Treasurer of the United States.

II. LOANS TO FINANCIAL INSTITUTIONS AND RAILROADS UNDER SECTION 5 OF THE RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED

The Corporation, under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended, is authorized to make loans on full and adequate security and upon the terms and conditions stated in the law, to:

Any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the United States, including loans secured by the assets of any bank, savings bank, or building and loan association that is closed,² or in process of liquidation, to aid in the reorganization or liquidation thereof, upon application of the receiver or liquidating agent of such institution.

Under the same section of the law, the Corporation, with the approval of the Interstate Commerce Commission, including approval of the price to be paid, may, to aid in the financing, reorganization, consolidation, maintenance, or construction thereof, purchase for itself, or for account of a railroad obligated thereon, the obligations of railroads engaged in interstate commerce, including equipment trust certificates, or guarantee the payment of the principal of, and/or interest on, such obligations, including equipment trust certificates, or, when, in the opinion of the Corporation, funds are not available on reasonable terms through private channels, make loans, upon full and adequate security, to such railroads or to receivers or trustees thereof for the aforesaid purposes. In the case of loans to or the purchase or guarantee of obligations, including equipment trust certificates, of railroads not in receivership or trusteeship, the Interstate Commerce Commission shall, in connection with its approval thereof, also certify that such railroad, on the basis of present and prospective earnings, may reasonably be expected to meet its fixed charges, without a reduction thereof

² Regarding loans to closed banks, see also p. 7.

through judicial reorganization, except that such certificate shall not be required in case of such loans made for maintenance of, or purchase of equipment for, such railroads.

Section 4 of an Act of Congress, approved June 10, 1933 (Public, No. 35, 73d Cong.), provides that the Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932:

- (1) If at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Corporation, and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Corporation while such loan is outstanding and unpaid.

For the purposes of this section, the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

Section 5 of the Reconstruction Finance Corporation Act, as amended, provides that in no case shall the aggregate amount of advances made thereunder to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2% per centum of

- (1) The authorized capital stock of the Reconstruction Finance Corporation, plus
- (2) The aggregate amount of bonds authorized to be outstanding when the capital stock is fully subscribed.³

Such limitation, however, does not apply to advances to receivers or other liquidating agents of closed banks when made for the purpose of liquidation or reorganization.

No loans or advances may be made under section 5 of the Reconstruction Finance Corporation Act upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances.

III. SUBSCRIPTIONS FOR PREFERRED STOCK OF NATIONAL OR STATE BANKS OR TRUST COMPANIES, LOANS SECURED BY SUCH STOCK AS COLLATERAL, OR PURCHASES OF CAPITAL NOTES OR DEBENTURES OF STATE BANKS OR TRUST COMPANIES

Under section 304 of the Act of Congress approved March 9, 1933, as amended (Public, No. 1, 73d Cong.), the Reconstruction Finance Corporation is authorized to subscribe for preferred stock, exempt from double liability, in

³ See "2. Issue of Notes, Debentures, Bonds, or Other Such Obligations", under "XXI. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION," PP. 14-17.

any National or State bank or trust company,⁴ upon the request of the Secretary of the Treasury with the approval of the President. The Corporation also is authorized to make loans secured by the preferred stock of National or State banks or trust companies as collateral, upon the request of the Secretary of the Treasury with the approval of the President. In any case in which a State bank or trust company is not permitted, under the laws of the State in which it is located, to issue preferred stock exempt from double liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, the Corporation is authorized, for the purposes of this section, to purchase the legally issued capital notes or debentures of such State bank or trust company.

The Corporation is further authorized, under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), to sell, at public or private sale, the whole or any part of the preferred stock, capital notes, or debentures of any National or State bank or trust company acquired by the Corporation pursuant to the foregoing authority.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 6 and No. 18.

IV. SUBSCRIPTIONS FOR PREFERRED STOCK AND PURCHASES OF CAPITAL NOTES, ETC., OF INSURANCE COMPANIES, AND LOANS SECURED BY SUCH STOCK OR NOTES, ETC., AS COLLATERAL

Pursuant to the provisions of an Act of Congress approved June 10, 1933, as amended (Public, No. 35, 73d Cong.), the Corporation is authorized, upon the request of the Secretary of the Treasury with the approval of the President, to subscribe for preferred stock of any class, exempt from assessment or additional liability, in any insurance company⁵ of any State⁶ of the United States which is in need of funds for capital purposes either in connection with the organization of such company or otherwise, or to make loans secured by such stock as collateral. The Corporation further is authorized, under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), to sell, at public or private sale, the whole or any part of the preferred stock of any such insurance company acquired by it pursuant to the aforesaid provisions of law.

In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than 20 days, or if the insurance company is a mutual organization without capital stock, the Corporation is authorized, for the purposes indicated

⁴ The term "State bank or trust company", as construed by the Act approved March 9, 1933, includes a bank or trust company organized under the laws of any State, Territory, or possession of the United States, or the Canal Zone; and other banking corporations engaged in the business of industrial banking and under the supervision of State banking departments or of the Comptroller of the Currency.

⁵ As construed by the Act approved June 10, 1933, the term "insurance company" includes any corporation engaged in the business of insurance or in the writing of annuity contracts, irrespective of the nature thereof, and operating under the supervision of a State superintendent or department of insurance in any of the States of the United States.

⁶ The term "State", as construed by the Act approved June 10, 1933, means any State, Territory, or possession of the United States, the Canal Zone, and the District of Columbia.

above, to purchase the legally issued capital notes of such insurance company, or, if the company is a mutual organization without capital stock, such other form or forms of indebtedness as the laws of the State under which such company is organized permit, or to make loans secured by such notes or such other form or forms of indebtedness as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

The Corporation may not subscribe for any such preferred stock or purchase any such capital notes or make loans upon such stock or notes of any applicant insurance company:

- (1) If at the time of such subscription, purchase, or loan, any officer, director, or employee of the applicant is receiving total compensation, including any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services, in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates; and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees, except with the consent of the Corporation and in no event to an amount exceeding \$17,500 per annum, so long as preferred stock or capital notes, etc., are held by the Corporation.

The total amount of loans outstanding, preferred stock subscribed for, and capital notes or such other form or forms of indebtedness purchased and held by the Corporation pursuant to the aforesaid provisions of law relating to insurance companies may not exceed, at any one time, \$75,000,000.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 8.

V. SUBSCRIPTIONS FOR OR LOANS UPON NONASSESSABLE STOCK AND PURCHASE OF CAPITAL NOTES OR DEBENTURES OF NATIONAL MORTGAGE ASSOCIATIONS, MORTGAGE LOAN COMPANIES, TRUST COMPANIES, ETC.

To assist in the reestablishment of a normal mortgage market, the Corporation may, under section 5c of the Reconstruction Finance Corporation Act, as amended, with the approval of the President, subscribe for or make loans upon the nonassessable stock of any class of any national mortgage association organized under title III of the National Housing Act, and of any mortgage loan company, trust company, savings and loan association, or other similar financial institution, now or hereafter incorporated under the laws of the United States, or of any State, or of the District of Columbia, the principal business of which institution is that of making loans upon mortgages, deeds of trust, or other instruments conveying, or constituting a lien upon, real estate or any interest therein. In any case in which, under the laws of its incorporation, such financial institution is not permitted to issue nonassessable stock, the Corporation is authorized, for the purposes of section 5c above mentioned, to purchase the legally issued capital notes or debentures of such financial

institutions. Under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), the Corporation may sell, at public or private sale, the whole or any part of the stock, capital notes, or debentures acquired by it pursuant to the provisions of said section 5c.

The total face amount of such loans outstanding, nonassessable stock subscribed for, and capital notes or debentures purchased and held by the Corporation, shall not exceed \$100,000,000 at any one time.

VI. LOANS TO INDUSTRIAL OR COMMERCIAL BUSINESS DIRECT, OR IN CONJUNCTION WITH BANKS AND OTHER LENDING INSTITUTIONS

For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized, pursuant to the provisions of section 5d of the Reconstruction Finance Corporation Act, as amended, to make loans to any industrial or commercial business, which shall include the fishing industry,⁷ and to any institution, now or hereafter established, financing principally the sale of electrical, plumbing, or air-conditioning appliances or equipment or other household appliances, both urban and rural. Such loans shall, in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, may be made directly, or in cooperation with banks or other lending institutions, or by purchase of participations, shall mature not later than January 31, 1945, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 13 and No. 15.

VII. LOANS TO OR FOR THE BENEFIT OF CERTAIN AGRICULTURAL IMPROVEMENT DISTRICTS, ETC., TO REDUCE AND REFINANCE OUTSTANDING INDEBTEDNESS, ETC.

Section 36 of the Emergency Farm Mortgage Act of 1933, as amended, authorizes the Corporation to make loans, not to exceed \$125,000,000 in the aggregate, to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, mutual nonprofit companies and incorporated water users' associations duly organized under the laws of any State and to or for the benefit of political subdivisions of States, which prior to May 12, 1933 (the date on which the Emergency Farm Mortgage Act of 1933 became law), have completed economically sound projects

⁷ The Corporation also is authorized to make loans to the fishing industry under section 15 of the Act approved June 19, 1934. (See "XII. LOANS TO THE FISHING INDUSTRY", p. 8.)

devoted chiefly to the improvement of land for agricultural purposes. Such loans shall be made for the following purposes:

1. To enable an applicant to reduce and refinance its outstanding indebtedness incurred in connection with its project;

2. To enable an applicant (irrespective of whether or not it has any outstanding indebtedness) to purchase or otherwise acquire in connection with its project, storage reservoirs, or dams or sites therefor or additional water rights or canals, ditches, or rights-of-way for the conduct of water or other works or appurtenances necessary for the delivery of water. Such loans shall only be made, however, if such purchase or acquisition is not intended to bring additional lands into production;

3. To enable an applicant, to whom a loan has been authorized for any of the purposes mentioned above, to make such repairs and necessary extensions or improvements to its project, as are necessary or desirable for the proper functioning of its project or for the further assurance of its ability to repay such loan. Such loans shall only be made, however, if such repairs and necessary extensions or improvements are not designed to bring new lands into production;

and shall be subject, with certain exceptions, to the same terms and conditions as loans under section 5 of the Reconstruction Finance Corporation Act, as amended.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 7.

VIII. LOANS UPON OR PURCHASE OF THE ASSETS OF CLOSED BANKS

Section 5e (a) of the Reconstruction Finance Corporation Act, as amended, authorizes the Corporation to make loans upon or purchase the assets, or any portion thereof, of any bank, savings bank, or trust company, which has been closed on or after December 31, 1929, and prior to January 1, 1934, and the affairs of which have not been fully liquidated or wound up, upon such terms and conditions as the Corporation may by regulations prescribe. This section also makes provision for loans upon or purchase by the Corporation of the assets, or any portion thereof, of closed banks which have been trustee or are otherwise held for the benefit of depositors or depositors and others.⁸

IX. MINING LOANS

Section 14 of the Act of Congress approved June 19, 1934, as amended (Public, No. 417, 73d Cong.), authorizes the Corporation to make loans upon sufficient security to recognized and established corporations, individuals, and partnerships, engaged in the business of mining, milling, or smelting ores.

⁸ The Corporation also may make loans to closed banks under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended. (See p. 2.)

The Corporation is authorized also to make loans to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver, when, in the opinion of the Corporation, there is sufficient reason to believe that, through the use of such loan in the development of a lode, ledge, or vein, or mineral deposit, or placer or gravel deposit, there will be developed a sufficient quantity of ore or placer deposits of a sufficient value to pay a profit upon mining operations. The law provides that not to exceed \$20,000 shall be loaned to any corporation, individual, or partnership, for such development purposes; and further provides that a sum not to exceed \$10,000,000 shall be allocated and made available for such development loans.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 14.

X. LOANS TO MANAGING AGENCIES OF FARMERS' COOPERATIVE MINERAL RIGHTS POOLS

Pursuant to the provisions of section 13 of the Act of Congress approved June 19, 1934 (Public, No. 417, 73d Cong.), the Corporation is authorized to make loans upon full and adequate security, based on mineral acreage, to recognized and established incorporated managing agencies of farmers' cooperative mineral rights pools for the purpose of defraying the cost of organizing such pools.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 16.

XI. LOANS FOR THE PAYMENT OF TEACHERS' SALARIES

Under the provisions of section 16 of the Act of Congress approved June 19, 1934 (Public, No. 417, 73d Cong.), the Corporation is authorized to make loans upon full and adequate security, to public-school districts or other similar public-school authorities organized pursuant to State law, for the purpose of payment of teachers' salaries due prior to June 1, 1934. The aggregate amount of such loans at any time outstanding shall not exceed \$75,000,000.

XII. LOANS TO THE FISHING INDUSTRY

By section 15 of the Act of Congress approved June 19, 1934 (Public, No. 417, 73d Cong.), the Corporation is authorized to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to any person, association, or corporation organized under the laws of any State, the District of Columbia, Alaska, Hawaii, or Puerto Rico, for the purpose of financing the production, storage, handling, packing, processing, carrying and/or orderly marketing of fish of American fisheries and/or products thereof.⁹

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 17.

⁹ The Corporation may also make loans to the fishing industry under the provisions of section 5d of the Reconstruction Finance Corporation Act, as amended. (See "VI. LOANS TO INDUSTRIAL OR COMMERCIAL BUSINESS DIRECT," etc., p. 6.)

XIII. LOANS TO NONPROFIT CORPORATIONS FOR THE REPAIR OF DAMAGES CAUSED BY FLOODS OR OTHER CATASTROPHES

Pursuant to the provisions of the Act of Congress approved April 13, 1934 (Public, No. 160, 73d Cong.), the Corporation is authorized to make loans, upon terms and conditions specified therein and not to exceed \$5,000,000 in the aggregate, to nonprofit corporations, with or without capital stock, organized for the purpose of financing the acquisition of home or building sites in replacement of sites formerly occupied by buildings where such sites are declared by public authority to be unsafe by reason of flood, danger of flood, or earthquake, and for the purpose of financing the repair or construction of buildings, or structures, or water, irrigation, gas, electric, sewer, drainage, flood-control, communication or transportation systems, damaged or destroyed by earthquake, conflagration, tornado, cyclone, or flood in the year 1933, and in the months of January and February 1934, and deemed by the Corporation to be economically useful or necessary.

XIV. LOANS FOR THE CARRYING AND ORDERLY MARKETING OF AGRICULTURAL COMMODITIES AND LIVESTOCK

Under section 201 (d) of the Emergency Relief and Construction Act of 1932, the Corporation is authorized to make loans to bona fide institutions, organized under the laws of any State¹⁰ or of the United States and having resources adequate for their undertakings, for the purpose of enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States. All such loans are required to be fully and adequately secured.

XV. SELF-LIQUIDATING LOANS UNDER SECTION 201 (A) OF THE EMERGENCY RELIEF AND CONSTRUCTION ACT OF 1932, AS AMENDED

The power of the Corporation to make new self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, pursuant to the provisions of section 301 of the National Industrial Recovery Act, which created the Federal Emergency Administration of Public Works. The functions of the Corporation in this field were superseded by the functions of that Administration. Section 301 of the National Industrial Recovery Act provides, however, that the Corporation may issue funds to a borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, prior to January 23, 1939, under the terms of any agreement or any commitment to bid upon or purchase bonds entered into with such borrower pursuant to an application approved prior to the date of termination of the power of the Corporation to approve applications under such section.

Section 301 of the National Industrial Recovery Act, as amended by the Act of Congress approved June 19, 1934, provides that in connection with any loan or contract or any commitment to make a loan entered into by the Corporation

¹⁰ The Emergency Relief and Construction Act of 1932, as amended, construes the term "State" as used in Title II thereof (of which sec. 201 (d) is a part) as including the District of Columbia, Alaska, Hawaii, and Puerto Rico.

prior to June 26, 1933, to aid in financing part or all of the construction cost of projects pursuant to the provisions of section 201 (a) (1) of the Emergency Relief and Construction Act of 1932, as amended, the Corporation may make such further loans and contracts, subject to all the terms and conditions set forth in the Emergency Relief and Construction Act of 1932, as amended, for the completion of any such project, or for improvements, additions, extensions, or equipment which are necessary or desirable for the proper functioning of any such project, or which will materially increase the assurance that the borrower will be able to repay the entire investment of the Corporation in such project, including such improvements, additions, extensions, or equipment.

In all cases where the Corporation shall hold bonds or other evidences of indebtedness of any borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, whether heretofore or hereafter acquired, and such borrower shall be able and willing to substitute or cause to be substituted therefor any other bonds or other evidences of indebtedness, whether of the same or longer maturities or otherwise differing, which, in the judgment of the Corporation, are more desirable than those so held, the Corporation is authorized to accept such bonds or other evidences of indebtedness, in exchange and substitution for such bonds or other evidences of indebtedness so held by it, upon such terms and conditions agreed upon with such borrower at the time of, or in contemplation of, such exchange and substitution.

XVI. LOANS FOR THE EXPORTATION OF AGRICULTURAL OR OTHER PRODUCTS

Under section 5a of the Reconstruction Finance Corporation Act, as amended, the Corporation is authorized, subject to specified limitations, to accept drafts and bills of exchange drawn upon it, which grow out of transactions involving the exportation of agricultural or other products actually sold or transported for sale subsequent to the enactment of the law, and in process of shipment to buyers in foreign countries. All such drafts and bills of exchange must be in terms payable in the United States, in currency of the United States, and, in addition to the draft or bill of exchange, must at all times be fully secured by American securities as collateral, or must be guaranteed by a bank or trust company of undoubted solvency, organized under the laws of the United States or any State, Territory, or insular possession thereof.

Under section 201 (c) of the Emergency Relief and Construction Act of 1932, the Corporation is authorized to make loans for the purpose of financing sales of surpluses of agricultural products in the markets of foreign countries in which such sales cannot be financed in the normal course of commerce, in order that such surpluses may not have a depressing effect upon current prices of such products; but it is stipulated that no such sales shall be financed by the Corporation if, in its judgment, such sales will affect adversely the world markets for such products, and that no such loan may be made to finance the sale in the markets of foreign countries of cotton owned by the Federal Farm Board¹¹ or the Cotton Stabilization Corporation. All loans made under such section 201 (c) must be fully and adequately secured.

¹¹ Name changed to Farm Credit Administration by Executive order of Mar. 27, 1933.

Joint resolution approved March 26, 1934 (Public Resolution, No. 17, 73d Cong.), states:

That it is the sense of Congress that in any loans made by the Reconstruction Finance Corporation * * * to foster the exporting of agricultural or other products, provision shall be made that such products shall be carried exclusively in vessels of the United States, unless, as to any or all of such products, the Shipping Board Bureau, after investigation, shall certify to the Reconstruction Finance Corporation * * * that vessels of the United States are not available in sufficient numbers, or in sufficient tonnage capacity, or on necessary sailing schedule, or at reasonable rates.

XVII. OTHER LOANS AND ADVANCES

1. Under Section 5 of the Reconstruction Finance Corporation Act, as Amended

The Corporation is authorized to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, upon full and adequate security to:

- (a) Any State insurance fund established or created by the laws of any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of paying or insuring payment of compensation to injured workmen and those disabled as a result of disease contracted in the course of their employment, or to their dependents.
- (b) Any fund created by any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of insuring the repayment of deposits of public moneys of such State, or any of its political subdivisions, in banks or depositories qualified under the law of such State to receive such deposits.
- (c) Parties to any marketing agreement entered into by the Secretary of Agriculture with processors, producers, associations of producers, and others engaged in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, for the purpose of carrying out any such agreement; as authorized by section 8 of the Agricultural Adjustment Act, as amended.
- (d) Processors or distributors of agricultural commodities for the payment of processing and compensating taxes and taxes on floor stocks levied pursuant to the provisions of Title I of the Agricultural Adjustment Act, as amended, as authorized by section 19 (c) thereof. More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 9.

2. Loans and Advances to the Secretary of Agriculture

Under the provisions of section 5 of the Agricultural Adjustment Act, as amended, the Corporation is authorized and directed to advance money and to

make loans to the Secretary of Agriculture to acquire (a) all cotton owned by the Federal Farm Board ¹² and all departments or other agencies of the Government, not including the Federal intermediate credit banks, and (b) all cotton on which money has been loaned or advanced by any department or agency of the United States, including futures contracts for cotton, or which is held as collateral for loans or advances.

3. Loans to Receivers Appointed under Section 29 of the Federal Farm Loan Act, as Amended, or by a United States District Court

Section 27 of the Emergency Farm Mortgage Act of 1933, as amended, authorizes the Reconstruction Finance Corporation, with the approval of the Land Bank Commissioner, to make loans to any receiver appointed pursuant to section 29 of the Federal Farm Loan Act, as amended, or to any receiver appointed by a district court of the United States for the purpose of paying taxes on farm real estate owned by the bank or securing the mortgages held by it.

4. Loans to the Corporation of Foreign Security Holders

The Corporation of Foreign Bondholders Act, 1933, which is not to take effect until the President finds that such action is in the public interest and by proclamation so declares, creates a body corporate with the name "Corporation of Foreign Security Holders" for the purpose of protecting, conserving, and advancing the interests of the holders of foreign securities in default. Under section 209 of such Act, the Reconstruction Finance Corporation is authorized to loan out of its funds not to exceed \$75,000 for the use of the Corporation of Foreign Security Holders.

5. Advances to the Reclamation Fund

Section 37 of the Emergency Farm Mortgage Act of 1933 authorizes the Corporation, upon request of the Secretary of the Interior, to advance funds to the reclamation fund created by the Act of June 17, 1902, not exceeding \$5,000,000 for the completion of projects or divisions of projects now under construction, or projects approved and authorized. Funds so advanced shall be repaid out of any receipts and accretions accruing to the reclamation fund within such time as may be fixed by the Reconstruction Finance Corporation, not exceeding 5 years from the date of advance, with interest at the rate of 4 per centum per annum. Sums so advanced may be expended in the same way as other moneys in the reclamation fund.

XVIII PURCHASE OF MARKETABLE SECURITIES FROM THE FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS

The Corporation is authorized, pursuant to the provisions of Title II of the Emergency Appropriation Act, Fiscal Year 1935, to purchase marketable securities, satisfactory to the Corporation, acquired or to be acquired by the Federal Emergency Administration of Public Works. The amount that the Corporation may have invested at any one time in such securities shall not exceed \$250,000,000.

¹² Name changed to Farm Credit Administration by Executive order of Mar. 27, 1933.

XIX. PURCHASE OF DEBENTURES OR OBLIGATIONS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Section 5e (b) of the Reconstruction Finance Corporation Act, as amended, authorizes the Corporation to purchase at par value such debentures or other obligations of the Federal Deposit Insurance Corporation as are authorized to be issued under subsection (o) of section 12B of the Federal Reserve Act, as amended, upon the request of the board of directors of the Federal Deposit Insurance Corporation, whenever in the judgment of said board additional funds are required for insurance purposes. The Corporation may not purchase or hold at any time said debentures or other obligations in excess of \$250,000,000 par value.

XX. FUNDS OF RECONSTRUCTION FINANCE CORPORATION ALLO- CATED AND MADE AVAILABLE TO OTHER GOVERNMENTAL AGENCIES

1. Allocation of Funds to the Secretary of Agriculture and Farm Credit Administration

Under section 2 of the Reconstruction Finance Corporation Act, the Corporation was authorized to allocate and make available to the Secretary of Agriculture a certain part of its funds in order to enable the Secretary to make loans to farmers for crop production purposes during 1932. Pursuant to the provisions of section 201 (e) of the Emergency Relief and Construction Act of 1932, the Corporation paid for the capital stock of the regional agricultural credit corporations, created by it under such section 201 (e), out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under section 2 of the Reconstruction Finance Corporation Act. By an Act of Congress approved February 4, 1933 (Public, No. 327, 72d Cong.), the authority of the Secretary of Agriculture was extended with respect to the use of funds allocated and made available to him by the Reconstruction Finance Corporation so as to enable him to make loans, within certain limitations, to farmers during 1933.

The funds made available and allocated under the foregoing provisions of law were transferred to and vested in the Farm Credit Administration by the Executive order of March 27, 1933, and to the Governor of the Farm Credit Administration by section 5 of the Farm Credit Act of 1933, as amended.

2. Allocation of Funds to Land Bank Commissioner

The Corporation is authorized and directed, under section 30 (a) of the Emergency Farm Mortgage Act of 1933, to make available to the Land Bank Commissioner the sum of \$100,000,000, to be used for a period not exceeding 2 years from the date of the enactment of such Act, i. e., May 12, 1933, for the purpose of making loans to joint-stock land banks.

Under section 32 of the same Act, the Corporation is authorized and directed also to allocate and make available to the Land Bank Commissioner the sum of \$200,000,000, or so much thereof as may be necessary, to be used for the purpose of making loans to farmers.

3. Funds Made Available to the Federal Emergency Relief Administrator

Section 2 (a) of the Federal Emergency Relief Act of 1933 authorizes and directs the Corporation to make available out of the funds of the Corporation not to exceed \$500,000,000, for expenditure in accordance with the terms stated in the Act, upon certification by the Federal Emergency Relief Administrator, for the purpose of furnishing relief to needy and distressed people. Section 3 (b) of such Act provides that the Corporation shall pay the expenses, not exceeding \$350,000, of the Federal Emergency Relief Administration, out of the funds made available by the Act, upon presentation of vouchers approved by the Administrator or by an officer of that Administration designated by him for that purpose.

4. Funds Made Available to the Federal Housing Administrator

Section 4 of the National Housing Act provides that the Corporation shall make available to the Federal Housing Administrator such funds as he may deem necessary for the purposes of carrying out the provisions of Titles I, II, and III of such Act.

5. Capital of Federal Home Loan Banks Subscribed by the United States

Section 6 (f) of the Federal Home Loan Bank Act amended the Reconstruction Finance Corporation Act to provide that \$125,000,000, or as much thereof as may be necessary for the purpose, be allocated and made available by the Corporation to the Secretary of the Treasury in order to enable him to pay for the capital stock of Federal Home Loan Banks subscribed for by the United States.

6. Capital of Home Owners' Loan Corporation Subscribed by the United States

Section 4 (b) of the Home Owners' Loan Act of 1933 authorizes and directs the Reconstruction Finance Corporation to allocate and make available to the Secretary of the Treasury the sum of \$200,000,000, or so much thereof as may be necessary, in order to enable him to make payments for subscriptions for the capital stock of the Home Owners' Loan Corporation, created by such Act.

XXI. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION

1. Capital Stock

The capital stock of the Corporation was fixed by section 2 of the Reconstruction Finance Corporation Act at \$500,000,000, all of which was subscribed by the Secretary of the Treasury on behalf of the Government of the United States on February 2, 1932. The entire capital stock has been paid in by the Secretary of the Treasury and is held by the United States.

2. Issue of Notes, Debentures, Bonds, or Other Such Obligations

The Reconstruction Finance Corporation Act, as amended by the Emergency Relief and Construction Act of 1932, authorizes the Corporation, with

the approval of the Secretary of the Treasury, to issue, and to have outstanding at any one time, its notes, debentures, bonds, or other such obligations in an amount aggregating not more than six and three-fifths times its subscribed capital stock.

However, the National Industrial Recovery Act, which terminated the power of the Reconstruction Finance Corporation to make loans or contracts to finance self-liquidating projects, etc., under the provisions of section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, provides that the amount of notes, debentures, bonds, or other such obligations which the Reconstruction Finance Corporation is authorized to have outstanding at any one time is decreased \$400,000,000. On the other hand, the amount of notes, debentures, bonds, or other such obligations which the Corporation is authorized to issue and have outstanding at any one time is increased by the provisions of other laws, as follows:

- (a) By an amount not to exceed \$125,000,000, in order to enable the Secretary of the Treasury to make payments for subscriptions for capital stock of the Federal Home Loan Banks, as provided in section 6 (f) of the Federal Home Loan Bank Act.
- (b) By such amount as may be necessary—
 - (1) To enable the Corporation to subscribe for preferred stock of National or State banks or trust companies, to make loans secured by such stock as collateral, and to purchase capital notes or debentures of State banks or trust companies, as provided by section 304 of an Act of Congress approved March 9, 1933, as amended (Public, No. 1, 73d Cong.).
 - (2) To enable the Corporation to make loans to the Secretary of Agriculture upon cotton in his possession or control, as provided by section 5 of the Agricultural Adjustment Act, as amended.
 - (3) To provide funds for the Federal Housing Administrator to enable him to carry out the provisions of Titles I, II, and III of the National Housing Act, as provided by section 4 of said Act.
- (c) By an amount not to exceed \$75,000,000 to enable the Corporation to subscribe for preferred stock, to purchase capital notes of insurance companies, and to make loans secured by such stock or notes as collateral, as provided by the Act of Congress approved June 10, 1933, as amended (Public, No. 35, 73d Cong.).
- (d) By \$500,000,000 to enable the Federal Emergency Relief Administrator to make grants to States and Territories (including Alaska, Hawaii, the Virgin Islands, and Puerto Rico) and the District of Columbia to aid in meeting the costs of furnishing relief and work relief and in relieving the hardship and suffering caused by unemployment, as provided by the Federal Emergency Relief Act of 1933; and to make such expenditures, not to exceed \$350,000, as are necessary to carry out the provisions thereof.

- (e) By \$300,000,000 in order to provide funds for allocation to the Land Bank Commissioner for the purpose of making loans to joint-stock land banks and to farmers, as provided by the Emergency Farm Mortgage Act of 1933, as amended.
- (f) By an amount not to exceed \$200,000,000 in order to provide funds for allocation to the Secretary of the Treasury for the purpose of making payments for subscriptions for the capital stock of the Home Owners' Loan Corporation, as provided by section 4 (b) of the Home Owners' Loan Act of 1933.
- (g) By \$850,000,000, as provided by section 3 of the Act of Congress approved January 20, 1934 (Public, No. 84, 73d Cong.).
- (h) By an amount not to exceed \$250,000,000 at any one time for the purchase at par value of debentures and other obligations of the Federal Deposit Insurance Corporation, as provided by section 5e (b) of the Reconstruction Finance Corporation Act, as amended.
- (i) By an amount not to exceed \$250,000,000 at any one time for the purchase of marketable securities acquired or to be acquired by the Federal Emergency Administration of Public Works, as provided by Title II of the Emergency Appropriation Act, Fiscal Year 1935.
- (j) By an amount not to exceed \$100,000,000 at any one time outstanding to enable the Corporation to subscribe for or make loans upon nonassessable stock of any class and to purchase capital notes or debentures of national mortgage associations, mortgage loan companies, trust companies, etc., as provided by section 5c of the Reconstruction Finance Corporation Act, as amended.

Pursuant to the provisions of section 13 of the Act of Congress approved January 31, 1935 (Public, No. 1, 74th Cong.), the Corporation is authorized to use as general funds all receipts arising from the sale or retirement of any of the stock, notes, bonds, or other securities acquired by it pursuant to any provision of law.

Notes, debentures, bonds, or other such obligations issued by the Corporation, with the approval of the Secretary of the Treasury, are to mature not more than 5 years from their respective dates of issue, to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rates of interest as may be determined by the Corporation. The Corporation, with the approval of the Secretary of the Treasury, also may sell on a discount basis short-term obligations payable at maturity without interest. The law provides that the notes, debentures, bonds, or other such obligations of the Corporation shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Corporation which may be issued pursuant to the provisions of the law, and may, at any time, sell any of the obligations of the Corporation ac-

quired by him. He is further authorized, at the request of the Reconstruction Finance Corporation, to market for the Corporation its notes, debentures, bonds, and other such obligations, using therefor all the facilities of the Treasury Department authorized by law for the marketing of obligations of the United States. The Reconstruction Finance Corporation Act, as amended, also provides that any and all notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) at any time imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

XXII. REGIONAL AGRICULTURAL CREDIT CORPORATIONS

An Executive order issued on March 27, 1933, effective on May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration. The Reconstruction Finance Corporation will continue to pay all expenses incurred in connection with the operations of these corporations, and to rediscount paper for them, as provided in section 201 (e) of the Emergency Relief and Construction Act of 1932.

XXIII. FUNDS FOR RELIEF OF DESTITUTION

The power of the Corporation to make funds available to States and Territories under section 1 of the Emergency Relief and Construction Act of 1932 for the relief of destitution was terminated at the close of June 1, 1933, pursuant to section 2 (c) of the Federal Emergency Relief Act of 1933, which created the Federal Emergency Relief Administration.

XXIV. REPORTS

1. Quarterly Reports

Section 15 of the Reconstruction Finance Corporation Act provides that the Corporation shall make and publish a report quarterly of its operations to the Congress stating the aggregate loans made to each of the classes of borrowers provided for and the number of borrowers by States (including the District of Columbia, Alaska, Hawaii, and Puerto Rico) in each class. The law further provides that the statement shall show the assets and liabilities of the Corporation and the names and compensation of all persons employed by the Corporation whose compensation exceeds \$400 per month.

2. Monthly Reports

Under section 201 (b) of the Emergency Relief and Construction Act of 1932, the Corporation is required to submit monthly to the President and to the Senate and the House of Representatives (or the Secretary of the Senate and the Clerk of the House of Representatives, if those bodies are not in session) a report of its activities and expenditures under the Reconstruction Finance

Corporation Act and under section 201 of the Emergency Relief and Construction Act of 1932, together with a statement showing the names of the borrowers to whom loans and advances were made, and the amount and rate of interest involved in each case.

XXV. CIRCULARS

Detailed information regarding certain types of loans which the Reconstruction Finance Corporation is authorized to make under existing law is contained in the following circulars, which are available, except those marked obsolete or superseded, at the Corporation's office in Washington or at any of its loan agencies.

Circular No. 1.—Information for banks and other financial institutions desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 2.—Information for railroads and receivers thereof desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 3 (Obsolete).—Information for prospective applicants for loans for "self-liquidating" projects under the Emergency Relief and Construction Act of 1932. (The power of the Corporation to make new self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, and the functions of the Corporation in this field were superseded by the functions of the Federal Emergency Administration of Public Works.)

Circular No. 4.—Reconstruction Finance Corporation, its powers and functions.

Circular No. 5 (Obsolete).—Regarding Regional Agricultural Credit Corporations created by the Reconstruction Finance Corporation under section 201 (e) of the Emergency Relief and Construction Act of 1932. (An Executive order issued on March 27, 1933, effective May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration.)

Circular No. 6.—Information regarding subscriptions for and loans secured by preferred stock of banks and trust companies and the purchase of capital notes and debentures of such institutions.

Circular No. 7.—Information for prospective applicants for loans under the provisions of section 36, part 4, of the Emergency Farm Mortgage Act of 1933, as amended, relating to agricultural projects.

Circular No. 8.—Information regarding applications to the Reconstruction Finance Corporation for subscription for preferred stock and purchases of capital notes of insurance companies, and loans on such preferred stock or capital notes as collateral security, as authorized by Act of Congress approved June 10, 1934 (Public, No. 35, 73d Cong.).

Circular No. 9.—Information regarding applications for loans from the Reconstruction Finance Corporation for the purpose of paying processing taxes, compensating taxes and taxes on floor stocks under section 19 (c) of the Agricultural Adjustment Act of 1933.

Circular No. 10.—Information for prospective applicants for loans to finance the carrying and orderly marketing of agricultural commodities under section 201 (d) of the Emergency Relief and Construction Act of 1932.

Circular No. 11 (Superseded).—Information regarding loans to assist in the National Recovery Administration program. (Superseded by Circular No. 13.)

Circular No. 12 (Obsolete).—Public advertisement regarding notes of the Reconstruction Finance Corporation—Series of February 1, 1934.

Circular No. 13.—Information regarding loans to industry.

Circular No. 14.—Information regarding mining loans.

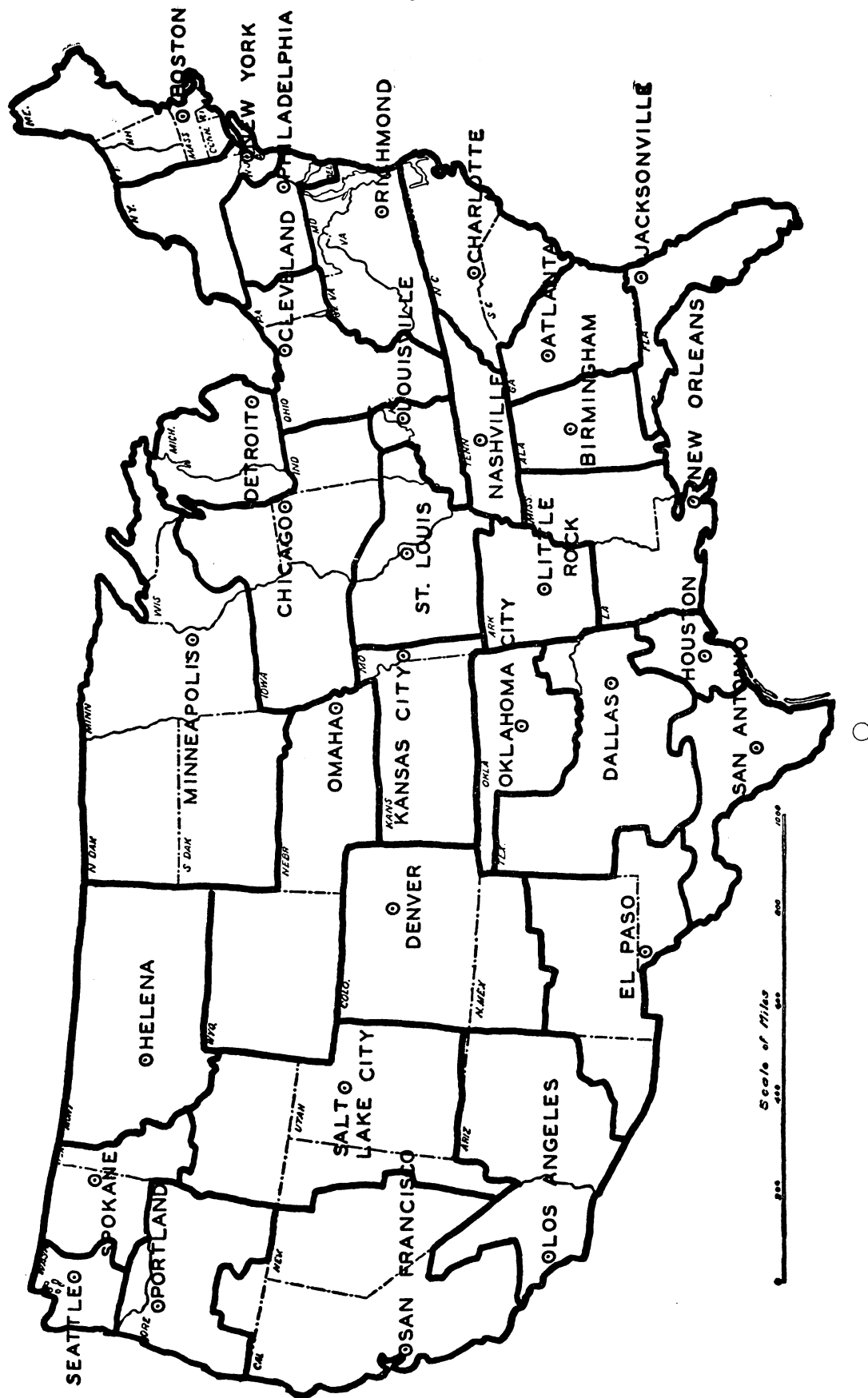
Circular No. 15.—Information regarding loans to industry in conjunction with banks and other lending institutions.

Circular No. 16.—Information regarding loans to incorporated managing agencies of farmers' cooperative mineral rights pools under the provisions of section 13 of the Act relating to direct loans for industrial purposes, approved June 19, 1934 (Public, No. 417, 73d Cong.).

Circular No. 17.—Information regarding loans to the fishing industry.

Circular No. 18.—Information regarding subscriptions for preferred stock and purchases of capital notes or debentures of trust companies and loans to trust companies and mortgage loan companies engaged in the business of lending upon real estate.

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



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CIRCULAR No. 13
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS
TO INDUSTRY



FEBRUARY 1935

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

APR 22 1945

INFORMATION REGARDING LOANS TO INDUSTRY

For the purpose of **maintaining and increasing the employment of labor** the Reconstruction Finance Corporation is authorized to make loans, when so secured as reasonably to assure repayment, to solvent industrial businesses, directly or in cooperation with Federal Reserve Banks or other banks or lending institutions or by the purchase of participations in loans, when credit at prevailing bank rates for loans of the character applied for is not otherwise available at banks.

I. Requirements Imposed by Law

- (a) Credit at prevailing bank rates for loans of the character applied for must not otherwise be available at banks.
- (b) The loan must be so secured as reasonably to assure repayment.
- (c) The loan must mature not later than January 31, 1945.
- (d) Such loans may be made only when deemed to offer reasonable assurance of maintaining or increasing the employment of labor.
- (e) The applicant must be solvent at the time of disbursement of the loan.
- (f) Such other terms, conditions, and restrictions as Reconstruction Finance Corporation may determine must be complied with.

II. Terms and Conditions

Loans to Industry will be made by the Reconstruction Finance Corporation, either directly or in cooperation with Federal Reserve Banks or other banks or lending institutions, or by the purchase of participations in loans, upon the following terms and conditions, and for the following purposes:

A. Maturities

Such loans shall mature at such time, prior to January 31, 1945, as the Reconstruction Finance Corporation may in each case determine. A program of payments will be arranged with a view to the borrower's orderly liquidation of its debt.

It is contemplated that loans will not be made for a longer term than is justified by the facts of the particular case. However, the period of time so determined will be sufficient, insofar as it can be estimated at the time the loan is granted, to enable the borrower to make plans for the development of future business without being unnecessarily restricted by a repayment schedule which would impair the borrower's working capital during the life of the loan. When loans are primarily to finance capital expenditures, a repayment program up to January 31, 1945, may be considered. For established industries whose need is principally for shorter term credit, such loans usually should be repaid within five years or less.

B. Interest Rates

Interest shall be at such rate as may be fixed from time to time by this Corporation.

C. Purposes

As section 5d of the Reconstruction Finance Corporation Act, as amended, provides that loans thereunder shall be made for **maintaining and increasing the employment of labor**, the Corporation will make industrial loans for the following purposes:

(a) *Loans for Labor and Materials.*—The Corporation will give consideration to applications for loans, the proceeds of which will be used for the payment of labor and the purchase of material incident to the operation of a business.

(b) *Loans to Pay Existing Indebtedness and Taxes.*—The Corporation will give consideration to applications for loans where a portion of the proceeds is to be applied to the payment of taxes and existing indebtedness. Loans may be considered where a substantial portion of the proceeds is to be used to satisfy existing indebtedness on a compromise basis that would be satisfactory to the Corporation, provided that it is shown that the loan is necessary to maintain the employment of labor, and that the applicant, after the debt adjustment (which may be made either by compromise settlement in full satisfaction of the debt, or by partial payment in cash and the issuance of junior obligations or equity securities), will have sufficient operating assets, and that there is reasonable assurance of continuous operation.

(c) *Loans for the Purchase of Additional Machinery.*—The Corporation will give consideration to applications for loans when the proceeds will be used for the purchase of additional machinery, provided it is shown that such capital expenditures will assist in rounding out the production of the plant or balancing its operations and that such expenditures are economically sound.

(d) *Loans for New Enterprises and for the Expansion of Existing Businesses.*—The Corporation will consider applications for loans to new industries or to enable established business concerns to expand into new fields of endeavor, provided it can be shown that such loans will be economically sound and socially desirable. Applicants must have substantial equity investment, without giving consideration to services rendered, patents, goodwill, or similar intangibles, or to the potential value which will be established if the operations are successful, so that the funds advanced by this Corporation will be secured as required by law and will not be subject to the risks incident to and properly borne by equity investors. The new enterprise must be sufficiently beyond the developmental or promotional stage that profitable future operations, and therefore continuous employment of labor, can reasonably be assured. Also, it will be required that after giving effect to the loan from this Corporation the applicant will have working capital adequate to assure continuous operation. The collateral value of the security, the net worth and financial condition of the applicant, and future earnings prospects will be considered carefully.

(e) *Loans to Finance Industrial Construction.*—When a loan from this Corporation is to be used in whole or in part to finance industrial construction, the Corporation may advance funds for this purpose as the construction pro-

gresses, provided the initial advances shall be satisfactorily secured by existing assets of the applicant. Final disbursement would be made on the completion of the new industrial property free from all liens other than the Reconstruction Finance Corporation mortgage. In all such cases, it will be necessary to show that either out of the current assets of the company or out of the proceeds of the Reconstruction Finance Corporation loans, sufficient funds have been provided to complete the construction and to provide working capital adequate to insure continuous operation.

(f) *Loans to Contractors.*—In exceptional circumstances, loans may be made to contractors, provided (1) that satisfactory arrangements have been made otherwise to finance the entire cost of the project which the contractor has been engaged to construct, and (2) that the proceeds are to be used for the payment of labor or the purchase of material while the project is under construction. An assignment of a contract will not be considered sufficient security for such loans. Such contracts may be considered as evidence of ability to repay loans otherwise satisfactorily secured.

It is not the intention of the Corporation to make loans:

(1) Where the collateral offered consists solely or principally of the assignment of unsecured obligations of non-industrial retail customers or consists of obligations of non-industrial retail customers secured by liens on chattels in the possession of the customers. However, when an industrial or commercial concern has acceptable collateral, other than such receivables, of a character and amount deemed satisfactory to secure a loan, consideration will be given to the application. The foregoing does not apply to loans to institutions, now or hereafter established, financing principally the sale of electrical, plumbing or air-conditioning appliances or equipment or other household appliances, both urban and rural.

(2) To provide for the operation of any business in receivership. However, applications will be considered for loans contingent upon the termination of the receivership by a settlement with creditors, or otherwise, so that the business will be restored to a solvent condition.

(3) To finance imports or exports, except where such imports or exports are only minor and incidental to the general business conducted.

(4) To finance the development or purchase of new inventions, the cost of obtaining patents, the expense of infringement suits or any other litigation.

III. Eligibility

Applications for industrial loans will be received from industrial and commercial businesses (including the fishing industry), whether corporations, partnerships or individuals. It is the view of the Corporation that the purpose of such loans, as expressed by Congress, i. e. "maintaining and increasing the employment of labor", necessitates a construction which emphasizes the employment of labor, as in manufacturing concerns, as distinguished from the purchase of inventories as in commercial business.

Loans to the ore industries and to managing agencies of farmers' cooperative mineral rights pools will be made under the provisions of this Corporation's Circulars Nos. 14 and 16, respectively, and not, generally, under the provisions of this revised Circular No. 13.

Loans to institutions for the exclusive purpose of financing the carrying and orderly marketing of agricultural commodities will be made only under the provisions of this Corporation's Circular No. 10.

Information regarding loans to institutions financing principally the sale of electrical, plumbing or air-conditioning appliances or equipment or other household appliances, may be obtained from the Corporation upon request.

Loans on real estate which is not owned by and used in connection with the operation of an industrial or commercial business will be made under the provisions of this Corporation's Circular No. 18.

IV. Security Requirements

Section 5d of the Reconstruction Finance Corporation Act, as amended, requires that all loans made thereunder shall be "so secured as reasonably to assure repayment of the loans." It is the opinion of the Corporation that the amendment was intended to allow greater latitude, as to what shall constitute security, than the words "adequate security" as used in Section 5d prior to January 31, 1935, and contemplates that loans made thereunder shall be secured by collateral of character and amount which, taken into consideration with other factors such as the character and ability of the management and prospective earnings, will afford reasonable assurance of repayment.

The security may consist of one or more of the following: A first mortgage on real estate, plant and equipment, an assignment of warehouse receipts for marketable merchandise stored in satisfactory warehouses, a first mortgage on chattels or an assignment of current receivables (accounts, notes or trade acceptances); but such loans generally will not be made on the sole security of unsecured receivables, or of receivables representing non-industrial instalment purchases, or of equipment or other chattels not represented by warehouse receipts. The applicant may offer, as additional collateral, a first lien on any other assets of sound value.

The Corporation usually will not consider as satisfactory primary security the following: second mortgages, shares of stock of corporate applicants or shares of stock without readily ascertainable market value, franchises, patents, goodwill, or foreign securities. An assignment of orders will not constitute satisfactory primary security; however, such orders may be important to establish the ability of the applicant to repay the loan. A pledge or mortgage of inventories generally will not be regarded as satisfactory collateral, unless stored in a bonded or otherwise acceptable warehouse or unless the applicable state law provides for creating and maintaining a satisfactory lien upon inventory not so warehoused.

V. Solvency

Section 5 (d) of the Reconstruction Finance Corporation Act, as amended, provides that such loans shall be made only when, in the opinion of the Board

of Directors of the Corporation, the applicant is solvent. If the applicant is not solvent at the time of making application, the application should indicate the manner in which the applicant will become solvent prior to the time of disbursement of the proposed loan.

VI. Compliance with National Recovery Administration Codes

Each applicant must execute a certificate that he is complying with and will continue to comply with each code of fair competition to which he is subject, and if engaged in any trade or industry for which there is no approved code of fair competition then, as to such trade or industry, that he has become a party to and is complying with and will continue to comply with an agreement with the President under Section 4 (a) of the National Industrial Recovery Act.

In order to comply with Executive Order No. 6646 of March 14, 1934, each applicant must agree that all contracts and purchase orders by the applicant or by his general contractor, if any, for articles, materials, supplies or services to be acquired in whole or in part with any of the proceeds of the loan, shall require, before performance or delivery, or entrance into any subcontracts or contracts, a certificate as hereinafter described, signed by the party awarded such contract, purchase order, or subcontract, and by all concerns supplying, directly or indirectly, the aforesaid articles, materials, supplies, or services. Such certificate shall state that the party signing the certificate is complying with and will continue to comply with each approved code of fair competition to which he is subject, and if engaged in any trade or industry for which there is no approved code of fair competition, then stating that as to such trade or industry, he has become a party to and is complying with and will continue to comply with an agreement with the President under Section 4 (a) of the National Industrial Recovery Act. In the event that invitations for bids are issued by the applicant or by his general contractor, if any, for articles, materials, supplies or services to be acquired in whole or in part with any of the proceeds of the loan, such invitations shall contain a provision requiring the bid to contain such a certificate by the bidder, and an agreement by the bidder to obtain such a certificate from all concerns supplying directly or indirectly, the aforementioned articles, materials, supplies, or services.

In addition to the foregoing, certificates of compliance executed by the applicant and aforementioned parties must contain a provision that all other conditions and requirements of Executive Order 6646 are being and will be complied with. Each applicant must give the Corporation such proof of his fulfillment of his agreement as it may require.

VII. Charges, Commissions, Bonuses, Fees, Etc.

Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. However, the borrower, subject to the prior approval of the Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of

the application to the Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loan will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

VIII. Salaries and Dividends

The applicant must agree that, so long as any portion of the loan remains unpaid, it will not pay any salaries which are not deemed by this Corporation to be reasonable.

So long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant nor any distribution (except reasonable compensation for services) made by partnership or individual applicants, without the consent of this Corporation.

IX. Audits and Appraisals

An independent audit of the applicant and an appraisal of plant and equipment, both satisfactory to this Corporation and made as of a date not more than 6 months preceding the date of filing of the application, may be required. However, independent audits may not be required in the case of loans of \$25,000 or less when the applicant furnishes satisfactory sworn financial statements. The loan agencies of this Corporation, in connection with preliminary applications, do not require formal audits or appraisals.

X. Loans in Cooperation with Banks or Other Lending Institutions and Purchases of Participations in Loans

The Corporation will receive applications from Federal Reserve Banks or other banks for the purchase by the Corporation of participations in loans of the character described in this Circular made by such banks and will make such loans in cooperation with Federal Reserve Banks, banks, or other lending institutions, when such loans are for the purpose and in accordance with the terms and conditions set forth in this Circular.

The provision for this purchase of participations is interpreted by the Corporation to allow Federal Reserve Banks or other banks to complete loans in their own name to qualified industrial borrowers so that the normal relationship of banker and customer will be maintained. The lending bank may feel that the loan desired is, for one reason or another, too large for the bank to carry and may desire that this Corporation participate in the risk. Provided any such loan is made after consideration by this Corporation of the purchase of a participation therein and is in accordance with the terms and conditions set forth in this Circular, this Corporation has authority to purchase, or to make an agreement to purchase if requested to do so within a specified time, a participation in such loan from the lending bank.

The Comptroller of the Currency has ruled that the Act of Congress of June 19, 1934, relating to industrial loans (which Act was amended by the act of January 31, 1935), was intended to expand the scope of the lending power of national banks so as to permit a national bank to make a loan under said Act which exceeds or departs from the restrictive provisions of the United States Revised Statutes, section 5200, as amended, and the Federal Reserve Act, section 24, provided that the national bank has obtained a commitment from the Reconstruction Finance Corporation or a Federal Reserve Bank to take, within a specified period, a portion of said loan so that the net amount of the national bank's participation, after giving effect to the commitment, would be within the limitations imposed by the aforesaid restrictive provisions.

The Corporation will also cooperate with Federal Reserve Banks or other banks or lending institutions in making such loans; for instance, by making a loan directly to the borrower at the same time that another loan is made by the bank or other lending institution, or by other mutually satisfactory arrangements which will bring about cooperation between existing financial institutions and the Corporation in lending money.

The Corporation invites the cooperation of banks in making such loans, and it is expected that banks or other lending institutions will participate in the program outlined herein, in the hope that such bank or other lending institution will later take the entire loan, when conditions and the credit risk justify.

Further information concerning such agreements between this Corporation and the lending bank may be obtained from this Corporation's Circular No. 15.

XI. Information to be Filed and Method of Filing

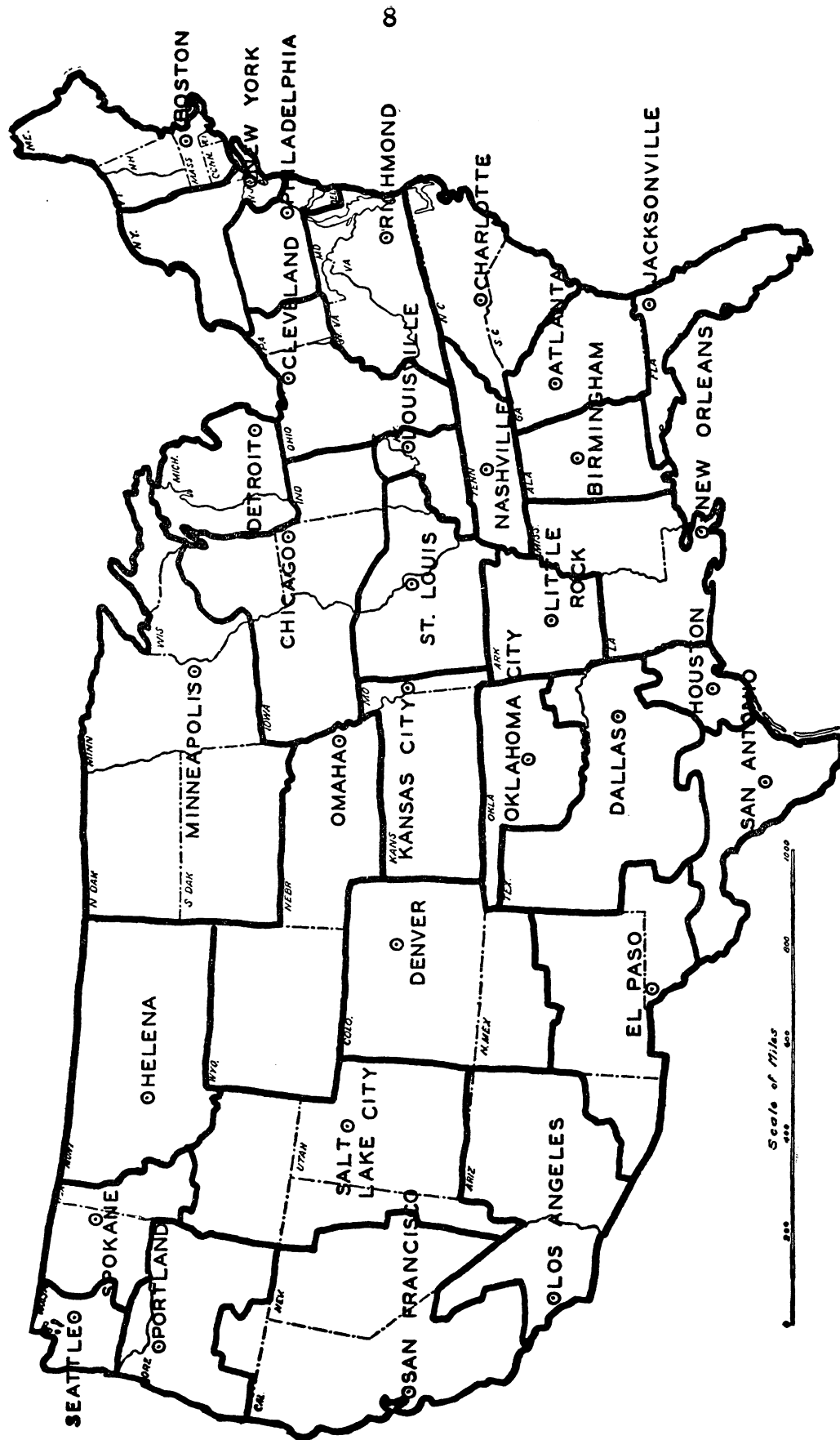
The proper preliminary application forms and formal application forms may be obtained from the Loan Agency of the Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of such Loan Agencies below and map showing Loan Agency districts on page 8.) Preliminary application forms requiring a minimum amount of information, and without audit or appraisals, will be considered by the Loan Agencies in order that applicants may be spared the trouble and expense of filing a formal application where clearly not warranted by the circumstances.

Applications should be filed with the Loan Agency serving applicant's district. No application will be received directly at the Washington office of the Corporation.

All requests for information should be directed to the local Loan Agency of the Corporation serving applicant's district and not to the Washington office.

Each Loan Agency of the Corporation will, when requested, assist and advise with applicants in determining their eligibility and in the preparation of applications; provided, however, that any such assistance, advice or suggestions by such Agencies shall in no sense be considered as a commitment of the Reconstruction Finance Corporation to make the loan.

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



XII. Locations of Local Loan Agencies of Reconstruction Finance Corporation

(The territory served by each Loan Agency is indicated on the map on page 8 of this Circular.)

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	Salt Lake City, Utah.
Cleveland, Ohio.	Louisville, Ky.	San Antonio, Tex.
Dallas, Tex.	Minneapolis, Minn.	San Francisco, Calif.
Denver, Colo.	Nashville, Tenn.	Seattle, Wash.
Detroit, Mich.	New Orleans, La.	Spokane, Wash.
El Paso, Tex.	New York, N. Y.	St. Louis, Mo.
Helena, Mont.	Oklahoma City, Okla.	

XIII. Acts of Congress Applicable to Loans of the Character Herein Described

The following sections of the Reconstruction Finance Corporation Act, as amended, applicable to such loans, are quoted for the information of prospective borrowers:

SEC. 5d. For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized and empowered to make loans to any industrial or commercial business which shall include the fishing industry, and to any institution, now or hereafter established, financing principally the sale of electrical, plumbing, or air-conditioning appliances, or equipment or other household appliances, both urban and rural. Such loans shall, in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall mature not later than January 31, 1945, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine.

The power to make loans given herein shall terminate on January 31, 1937, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1937, or such earlier date.

* * * * *

The following sections of the Reconstruction Finance Corporation Act, as amended, are applicable to loans under section 5d of the Reconstruction Finance Corporation Act, as amended:

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of

value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4), passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) insofar as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of Public Act No. 35, Seventy-third Congress, is applicable to loans referred to in this circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

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CIRCULAR No. 13
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS
TO INDUSTRY



FEBRUARY 1935

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

INFORMATION REGARDING LOANS TO INDUSTRY

For the purpose of **maintaining and increasing the employment of labor** the Reconstruction Finance Corporation is authorized to make loans, when so secured as reasonably to assure repayment, to solvent industrial businesses, directly or in cooperation with Federal Reserve Banks or other banks or lending institutions or by the purchase of participations in loans, when credit at prevailing bank rates for loans of the character applied for is not otherwise available at banks.

I. Requirements Imposed by Law

- (a) Credit at prevailing bank rates for loans of the character applied for must not otherwise be available at banks.
- (b) The loan must be so secured as reasonably to assure repayment.
- (c) The loan must mature not later than January 31, 1945.
- (d) Such loans may be made only when deemed to offer reasonable assurance of maintaining or increasing the employment of labor.
- (e) The applicant must be solvent at the time of disbursement of the loan.
- (f) Such other terms, conditions, and restrictions as Reconstruction Finance Corporation may determine must be complied with.

II. Terms and Conditions

Loans to Industry will be made by the Reconstruction Finance Corporation, either directly or in cooperation with Federal Reserve Banks or other banks or lending institutions, or by the purchase of participations in loans, upon the following terms and conditions, and for the following purposes:

A. Maturities

Such loans shall mature at such time, prior to January 31, 1945, as the Reconstruction Finance Corporation may in each case determine. A program of payments will be arranged with a view to the borrower's orderly liquidation of its debt.

It is contemplated that loans will not be made for a longer term than is justified by the facts of the particular case. However, the period of time so determined will be sufficient, insofar as it can be estimated at the time the loan is granted, to enable the borrower to make plans for the development of future business without being unnecessarily restricted by a repayment schedule which would impair the borrower's working capital during the life of the loan. When loans are primarily to finance capital expenditures, a repayment program up to January 31, 1945, may be considered. For established industries whose need is principally for shorter term credit, such loans usually should be repaid within five years or less.

B. Interest Rates

Interest shall be at such rate as may be fixed from time to time by this Corporation.

C. Purposes

As section 5d of the Reconstruction Finance Corporation Act, as amended, provides that loans thereunder shall be made for **maintaining and increasing the employment of labor**, the Corporation will make industrial loans for the following purposes:

(a) *Loans for Labor and Materials.*—The Corporation will give consideration to applications for loans, the proceeds of which will be used for the payment of labor and the purchase of material incident to the operation of a business.

(b) *Loans to Pay Existing Indebtedness and Taxes.*—The Corporation will give consideration to applications for loans where a portion of the proceeds is to be applied to the payment of taxes and existing indebtedness. Loans may be considered where a substantial portion of the proceeds is to be used to satisfy existing indebtedness on a compromise basis that would be satisfactory to the Corporation, provided that it is shown that the loan is necessary to maintain the employment of labor, and that the applicant, after the debt adjustment (which may be made either by compromise settlement in full satisfaction of the debt, or by partial payment in cash and the issuance of junior obligations or equity securities), will have sufficient operating assets, and that there is reasonable assurance of continuous operation.

(c) *Loans for the Purchase of Additional Machinery.*—The Corporation will give consideration to applications for loans when the proceeds will be used for the purchase of additional machinery, provided it is shown that such capital expenditures will assist in rounding out the production of the plant or balancing its operations and that such expenditures are economically sound.

(d) *Loans for New Enterprises and for the Expansion of Existing Businesses.*—The Corporation will consider applications for loans to new industries or to enable established business concerns to expand into new fields of endeavor, provided it can be shown that such loans will be economically sound and socially desirable. Applicants must have substantial equity investment, without giving consideration to services rendered, patents, goodwill, or similar intangibles, or to the potential value which will be established if the operations are successful, so that the funds advanced by this Corporation will be secured as required by law and will not be subject to the risks incident to and properly borne by equity investors. The new enterprise must be sufficiently beyond the developmental or promotional stage that profitable future operations, and therefore continuous employment of labor, can reasonably be assured. Also, it will be required that after giving effect to the loan from this Corporation the applicant will have working capital adequate to assure continuous operation. The collateral value of the security, the net worth and financial condition of the applicant, and future earnings prospects will be considered carefully.

(e) *Loans to Finance Industrial Construction.*—When a loan from this Corporation is to be used in whole or in part to finance industrial construction, the Corporation may advance funds for this purpose as the construction pro-

gresses, provided the initial advances shall be satisfactorily secured by existing assets of the applicant. Final disbursement would be made on the completion of the new industrial property free from all liens other than the Reconstruction Finance Corporation mortgage. In all such cases, it will be necessary to show that either out of the current assets of the company or out of the proceeds of the Reconstruction Finance Corporation loans, sufficient funds have been provided to complete the construction and to provide working capital adequate to insure continuous operation.

(f) *Loans to Contractors.*—In exceptional circumstances, loans may be made to contractors, provided (1) that satisfactory arrangements have been made otherwise to finance the entire cost of the project which the contractor has been engaged to construct, and (2) that the proceeds are to be used for the payment of labor or the purchase of material while the project is under construction. An assignment of a contract will not be considered sufficient security for such loans. Such contracts may be considered as evidence of ability to repay loans otherwise satisfactorily secured.

It is not the intention of the Corporation to make loans:

(1) Where the collateral offered consists solely or principally of the assignment of unsecured obligations of non-industrial retail customers or consists of obligations of non-industrial retail customers secured by liens on chattels in the possession of the customers. However, when an industrial or commercial concern has acceptable collateral, other than such receivables, of a character and amount deemed satisfactory to secure a loan, consideration will be given to the application. The foregoing does not apply to loans to institutions, now or hereafter established, financing principally the sale of electrical, plumbing or air-conditioning appliances or equipment or other household appliances, both urban and rural.

(2) To provide for the operation of any business in receivership. However, applications will be considered for loans contingent upon the termination of the receivership by a settlement with creditors, or otherwise, so that the business will be restored to a solvent condition.

(3) To finance imports or exports, except where such imports or exports are only minor and incidental to the general business conducted.

(4) To finance the development or purchase of new inventions, the cost of obtaining patents, the expense of infringement suits or any other litigation.

III. Eligibility

Applications for industrial loans will be received from industrial and commercial businesses (including the fishing industry), whether corporations, partnerships or individuals. It is the view of the Corporation that the purpose of such loans, as expressed by Congress, i. e. "maintaining and increasing the employment of labor", necessitates a construction which emphasizes the employment of labor, as in manufacturing concerns, as distinguished from the purchase of inventories as in commercial business.

Loans to the ore industries and to managing agencies of farmers' cooperative mineral rights pools will be made under the provisions of this Corporation's Circulars Nos. 14 and 16, respectively, and not, generally, under the provisions of this revised Circular No. 13.

Loans to institutions for the exclusive purpose of financing the carrying and orderly marketing of agricultural commodities will be made only under the provisions of this Corporation's Circular No. 10.

Information regarding loans to institutions financing principally the sale of electrical, plumbing or air-conditioning appliances or equipment or other household appliances, may be obtained from the Corporation upon request.

Loans on real estate which is not owned by and used in connection with the operation of an industrial or commercial business will be made under the provisions of this Corporation's Circular No. 18.

IV. Security Requirements

Section 5d of the Reconstruction Finance Corporation Act, as amended, requires that all loans made thereunder shall be "so secured as reasonably to assure repayment of the loans." It is the opinion of the Corporation that the amendment was intended to allow greater latitude, as to what shall constitute security, than the words "adequate security" as used in Section 5d prior to January 31, 1935, and contemplates that loans made thereunder shall be secured by collateral of character and amount which, taken into consideration with other factors such as the character and ability of the management and prospective earnings, will afford reasonable assurance of repayment.

The security may consist of one or more of the following: A first mortgage on real estate, plant and equipment, an assignment of warehouse receipts for marketable merchandise stored in satisfactory warehouses, a first mortgage on chattels or an assignment of current receivables (accounts, notes or trade acceptances); but such loans generally will not be made on the sole security of unsecured receivables, or of receivables representing non-industrial instalment purchases, or of equipment or other chattels not represented by warehouse receipts. The applicant may offer, as additional collateral, a first lien on any other assets of sound value.

The Corporation usually will not consider as satisfactory primary security the following: second mortgages, shares of stock of corporate applicants or shares of stock without readily ascertainable market value, franchises, patents, goodwill, or foreign securities. An assignment of orders will not constitute satisfactory primary security; however, such orders may be important to establish the ability of the applicant to repay the loan. A pledge or mortgage of inventories generally will not be regarded as satisfactory collateral, unless stored in a bonded or otherwise acceptable warehouse or unless the applicable state law provides for creating and maintaining a satisfactory lien upon inventory not so warehoused.

V. Solvency

Section 5 (d) of the Reconstruction Finance Corporation Act, as amended, provides that such loans shall be made only when, in the opinion of the Board

of Directors of the Corporation, the applicant is solvent. If the applicant is not solvent at the time of making application, the application should indicate the manner in which the applicant will become solvent prior to the time of disbursement of the proposed loan.

VI. Compliance with National Recovery Administration Codes

Each applicant must execute a certificate that he is complying with and will continue to comply with each code of fair competition to which he is subject, and if engaged in any trade or industry for which there is no approved code of fair competition then, as to such trade or industry, that he has become a party to and is complying with and will continue to comply with an agreement with the President under Section 4 (a) of the National Industrial Recovery Act.

In order to comply with Executive Order No. 6646 of March 14, 1934, each applicant must agree that all contracts and purchase orders by the applicant or by his general contractor, if any, for articles, materials, supplies or services to be acquired in whole or in part with any of the proceeds of the loan, shall require, before performance or delivery, or entrance into any subcontracts or contracts, a certificate as hereinafter described, signed by the party awarded such contract, purchase order, or subcontract, and by all concerns supplying, directly or indirectly, the aforesaid articles, materials, supplies, or services. Such certificate shall state that the party signing the certificate is complying with and will continue to comply with each approved code of fair competition to which he is subject, and if engaged in any trade or industry for which there is no approved code of fair competition, then stating that as to such trade or industry, he has become a party to and is complying with and will continue to comply with an agreement with the President under Section 4 (a) of the National Industrial Recovery Act. In the event that invitations for bids are issued by the applicant or by his general contractor, if any, for articles, materials, supplies or services to be acquired in whole or in part with any of the proceeds of the loan, such invitations shall contain a provision requiring the bid to contain such a certificate by the bidder, and an agreement by the bidder to obtain such a certificate from all concerns supplying directly or indirectly, the aforementioned articles, materials, supplies, or services.

In addition to the foregoing, certificates of compliance executed by the applicant and aforementioned parties must contain a provision that all other conditions and requirements of Executive Order 6646 are being and will be complied with. Each applicant must give the Corporation such proof of his fulfillment of his agreement as it may require.

VII. Charges, Commissions, Bonuses, Fees, Etc.

Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. However, the borrower, subject to the prior approval of the Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of

the application to the Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loan will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

VIII. Salaries and Dividends

The applicant must agree that, so long as any portion of the loan remains unpaid, it will not pay any salaries which are not deemed by this Corporation to be reasonable.

So long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant nor any distribution (except reasonable compensation for services) made by partnership or individual applicants, without the consent of this Corporation.

IX. Audits and Appraisals

An independent audit of the applicant and an appraisal of plant and equipment, both satisfactory to this Corporation and made as of a date not more than 6 months preceding the date of filing of the application, may be required. However, independent audits may not be required in the case of loans of \$25,000 or less when the applicant furnishes satisfactory sworn financial statements. The loan agencies of this Corporation, in connection with preliminary applications, do not require formal audits or appraisals.

X. Loans in Cooperation with Banks or Other Lending Institutions and Purchases of Participations in Loans

The Corporation will receive applications from Federal Reserve Banks or other banks for the purchase by the Corporation of participations in loans of the character described in this Circular made by such banks and will make such loans in cooperation with Federal Reserve Banks, banks, or other lending institutions, when such loans are for the purpose and in accordance with the terms and conditions set forth in this Circular.

The provision for this purchase of participations is interpreted by the Corporation to allow Federal Reserve Banks or other banks to complete loans in their own name to qualified industrial borrowers so that the normal relationship of banker and customer will be maintained. The lending bank may feel that the loan desired is, for one reason or another, too large for the bank to carry and may desire that this Corporation participate in the risk. Provided any such loan is made after consideration by this Corporation of the purchase of a participation therein and is in accordance with the terms and conditions set forth in this Circular, this Corporation has authority to purchase, or to make an agreement to purchase if requested to do so within a specified time, a participation in such loan from the lending bank.

The Comptroller of the Currency has ruled that the Act of Congress of June 19, 1934, relating to industrial loans (which Act was amended by the act of January 31, 1935), was intended to expand the scope of the lending power of national banks so as to permit a national bank to make a loan under said Act which exceeds or departs from the restrictive provisions of the United States Revised Statutes, section 5200, as amended, and the Federal Reserve Act, section 24, provided that the national bank has obtained a commitment from the Reconstruction Finance Corporation or a Federal Reserve Bank to take, within a specified period, a portion of said loan so that the net amount of the national bank's participation, after giving effect to the commitment, would be within the limitations imposed by the aforesaid restrictive provisions.

The Corporation will also cooperate with Federal Reserve Banks or other banks or lending institutions in making such loans; for instance, by making a loan directly to the borrower at the same time that another loan is made by the bank or other lending institution, or by other mutually satisfactory arrangements which will bring about cooperation between existing financial institutions and the Corporation in lending money.

The Corporation invites the cooperation of banks in making such loans, and it is expected that banks or other lending institutions will participate in the program outlined herein, in the hope that such bank or other lending institution will later take the entire loan, when conditions and the credit risk justify.

Further information concerning such agreements between this Corporation and the lending bank may be obtained from this Corporation's Circular No. 15.

XI. Information to be Filed and Method of Filing

The proper preliminary application forms and formal application forms may be obtained from the Loan Agency of the Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of such Loan Agencies below and map showing Loan Agency districts on page 8.) Preliminary application forms requiring a minimum amount of information, and without audit or appraisals, will be considered by the Loan Agencies in order that applicants may be spared the trouble and expense of filing a formal application where clearly not warranted by the circumstances.

Applications should be filed with the Loan Agency serving applicant's district. No application will be received directly at the Washington office of the Corporation.

All requests for information should be directed to the local Loan Agency of the Corporation serving applicant's district and not to the Washington office.

Each Loan Agency of the Corporation will, when requested, assist and advise with applicants in determining their eligibility and in the preparation of applications; provided, however, that any such assistance, advice or suggestions by such Agencies shall in no sense be considered as a commitment of the Reconstruction Finance Corporation to make the loan.

SEATTLE
SPokane
PORTLAND
SALT LAKE CITY
SAN FRANCISCO
LOS ANGELES
EL PASO
SAN ANTONIO
HOUSTON
DALLAS
OKLAHOMA CITY
OKLAHOMA
KANSAS CITY
DENVER
MINNEAPOLIS
CHICAGO
ST. LOUIS
LOUISVILLE
NASHVILLE
ATLANTA
BIRMINGHAM
NEW ORLEANS
JACKSONVILLE
CHARLOTTE
RICHMOND
CLEVELAND
PHILADELPHIA
NEW YORK
BOSTON

Scale of Miles
0 200 400 600 800 1000

XII. Locations of Local Loan Agencies of Reconstruction Finance Corporation

(The territory served by each Loan Agency is indicated on the map on page 8 of this Circular.)

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	Salt Lake City, Utah.
Cleveland, Ohio.	Louisville, Ky.	San Antonio, Tex.
Dallas, Tex.	Minneapolis, Minn.	San Francisco, Calif.
Denver, Colo.	Nashville, Tenn.	Seattle, Wash.
Detroit, Mich.	New Orleans, La.	Spokane, Wash.
El Paso, Tex.	New York, N. Y.	St. Louis, Mo.
Helena, Mont.	Oklahoma City, Okla.	

XIII. Acts of Congress Applicable to Loans of the Character Herein Described

The following sections of the Reconstruction Finance Corporation Act, as amended, applicable to such loans, are quoted for the information of prospective borrowers:

SEC. 5d. For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized and empowered to make loans to any industrial or commercial business which shall include the fishing industry, and to any institution, now or hereafter established, financing principally the sale of electrical, plumbing, or air-conditioning appliances, or equipment or other household appliances, both urban and rural. Such loans shall, in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall mature not later than January 31, 1945, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine.

The power to make loans given herein shall terminate on January 31, 1937, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1937, or such earlier date.

* * * * *

The following sections of the Reconstruction Finance Corporation Act, as amended, are applicable to loans under section 5d of the Reconstruction Finance Corporation Act, as amended:

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of

value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4), passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) insofar as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of Public Act No. 35, Seventy-third Congress, is applicable to loans referred to in this circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

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CIRCULAR NO. 13
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS
TO INDUSTRY



JULY 1935

UNITED STATES
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I. Requirements Imposed by Law

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The security may consist of one or more of the following: A first mortgage on real estate, plant and equipment, an assignment of warehouse receipts for marketable merchandise stored in satisfactory warehouses, a first mortgage on chattels or an assignment of current receivables (accounts, notes or trade acceptances); but such loans generally will not be made on the sole security of unsecured receivables, or of receivables representing non-industrial instalment purchases, or of equipment or other chattels not represented by warehouse receipts. The applicant may offer, as additional collateral, a first lien on any other assets of sound value.

The Corporation usually will not consider as satisfactory primary security the following: second mortgages, shares of stock of corporate applicants or shares of stock without readily ascertainable market value, franchises, patents, goodwill, or foreign securities. An assignment of orders will not constitute satisfactory primary security; however, such orders may be important to establish the ability of the applicant to repay the loan. A pledge or mortgage of inventories generally will not be regarded as satisfactory collateral, unless stored in a bonded or otherwise acceptable warehouse or unless the applicable state law provides for creating and maintaining a satisfactory lien upon inventory not so warehoused.

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of Directors of the Corporation, the applicant is solvent. If the applicant is not solvent at the time of making application, the application should indicate the manner in which the applicant will become solvent prior to the time of disbursement of the proposed loan.

VI. Charges, Commissions, Bonuses, Fees, Etc.

Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. However, the borrower, subject to the prior approval of the Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loan will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

VII. Salaries and Dividends

The applicant must agree that, so long as any portion of the loan remains unpaid, it will not pay any salaries which are not deemed by this Corporation to be reasonable.

So long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant nor any distribution (except reasonable compensation for services) made by partnership or individual applicants, without the consent of this Corporation.

VIII. Audits and Appraisals

An independent audit of the applicant and an appraisal of plant and equipment, both satisfactory to this Corporation and made as of a date not more than 6 months preceding the date of filing of the application, may be required. However, independent audits may not be required in the case of loans of \$25,000 or less when the applicant furnishes satisfactory sworn financial statements. The loan agencies of this Corporation, in connection with preliminary applications, do not require formal audits or appraisals.

IX. Loans in Cooperation with Banks or Other Lending Institutions and Purchases of Participations in Loans

The Corporation will receive applications from Federal Reserve Banks or other banks for the purchase by the Corporation of participations in loans of the character described in this Circular made by such banks and will make such loans in cooperation with Federal Reserve Banks, banks, or other lending insti-

tutions, when such loans are for the purpose and in accordance with the terms and conditions set forth in this Circular.

The provision for this purchase of participations is interpreted by the Corporation to allow Federal Reserve Banks or other banks to complete loans in their own name to qualified industrial borrowers so that the normal relationship of banker and customer will be maintained. The lending bank may feel that the loan desired is, for one reason or another, too large for the bank to carry and may desire that this Corporation participate in the risk. Provided any such loan is made after consideration by this Corporation of the purchase of a participation therein and is in accordance with the terms and conditions set forth in this Circular, this Corporation has authority to purchase, or to make an agreement to purchase if requested to do so within a specified time, a participation in such loan from the lending bank.

The Comptroller of the Currency has ruled that the Act of Congress of June 19, 1934, relating to industrial loans (which Act was amended by the act of January 31, 1935), was intended to expand the scope of the lending power of national banks so as to permit a national bank to make a loan under said Act which exceeds or departs from the restrictive provisions of the United States Revised Statutes, section 5200, as amended, and the Federal Reserve Act, section 24, provided that the national bank has obtained a commitment from the Reconstruction Finance Corporation or a Federal Reserve Bank to take, within a specified period, a portion of said loan so that the net amount of the national bank's participation, after giving effect to the commitment, would be within the limitations imposed by the aforesaid restrictive provisions.

The Corporation will also cooperate with Federal Reserve Banks or other banks or lending institutions in making such loans; for instance, by making a loan directly to the borrower at the same time that another loan is made by the bank or other lending institution, or by other mutually satisfactory arrangements which will bring about cooperation between existing financial institutions and the Corporation in lending money.

The Corporation invites the cooperation of banks in making such loans, and it is expected that banks or other lending institutions will participate in the program outlined herein, in the hope that such bank or other lending institution will later take the entire loan, when conditions and the credit risk justify.

Further information concerning such agreements between this Corporation and the lending bank may be obtained from this Corporation's Circular No. 15.

X. Information to be Filed and Method of Filing

The proper preliminary application forms and formal application forms may be obtained from the Loan Agency of the Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of such Loan Agencies below and map showing Loan Agency districts on page 8.) Preliminary application forms requiring a minimum amount of information, and without audit or appraisals, will be considered by the Loan Agencies in

order that applicants may be spared the trouble and expense of filing a formal application where clearly not warranted by the circumstances.

Applications should be filed with the Loan Agency serving applicant's district. No application will be received directly at the Washington office of the Corporation.

All requests for information should be directed to the local Loan Agency of the Corporation serving applicant's district and not to the Washington office.

Each Loan Agency of the Corporation will, when requested, assist and advise with applicants in determining their eligibility and in the preparation of applications; provided, however, that any such assistance, advice or suggestions by such Agencies shall in no sense be considered as a commitment of the Reconstruction Finance Corporation to make the loan.

XI. Locations of Local Loan Agencies of Reconstruction Finance Corporation

(The territory served by each Loan Agency is indicated on the map on page 8 of this Circular.)

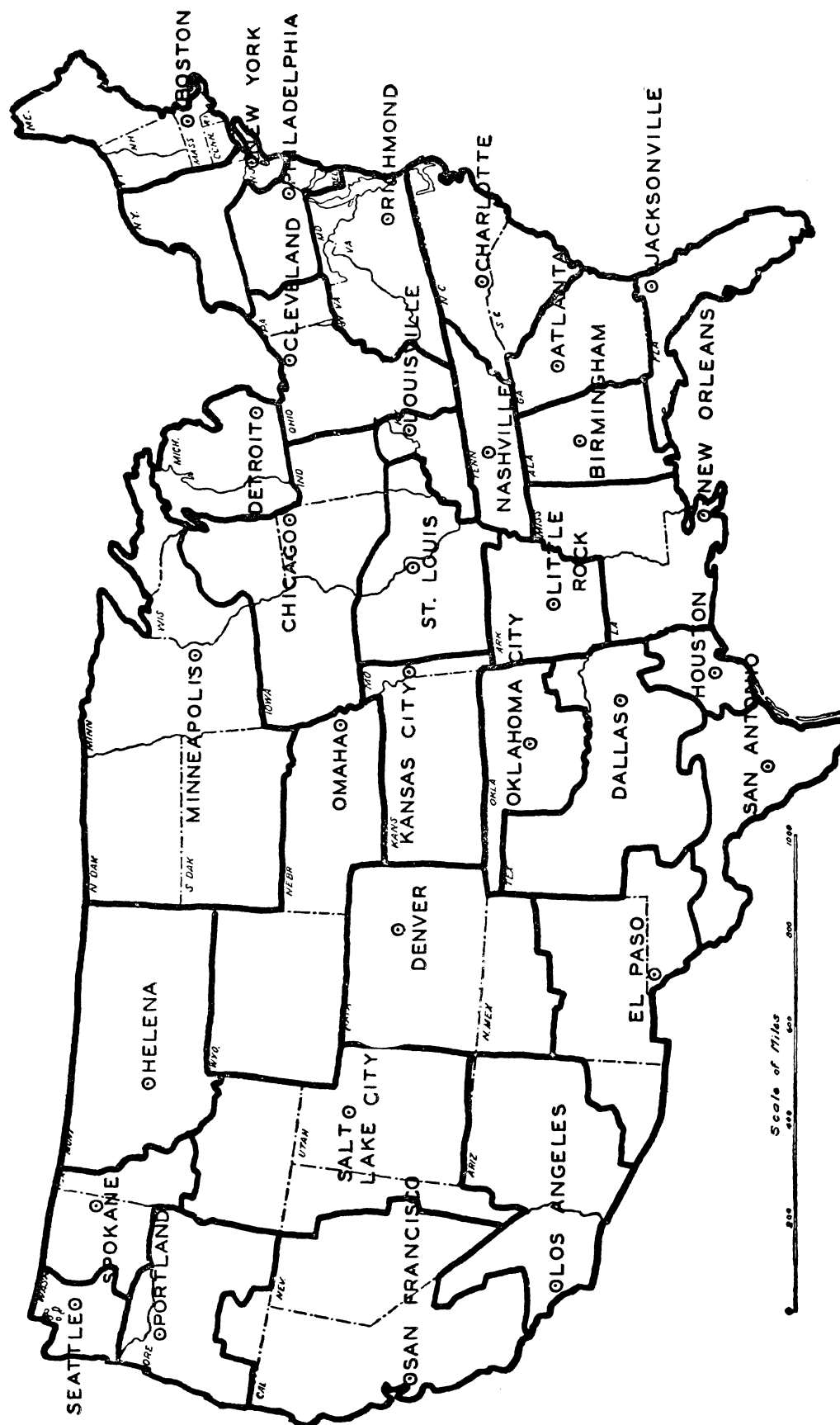
Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	Salt Lake City, Utah.
Cleveland, Ohio.	Louisville, Ky.	San Antonio, Tex.
Dallas, Tex.	Minneapolis, Minn.	San Francisco, Calif.
Denver, Colo.	Nashville, Tenn.	Seattle, Wash.
Detroit, Mich.	New Orleans, La.	Spokane, Wash.
El Paso, Tex.	New York, N. Y.	St. Louis, Mo.
Helena, Mont.	Oklahoma City, Okla.	

XII. Acts of Congress Applicable to Loans of the Character Herein Described

The following sections of the Reconstruction Finance Corporation Act, as amended, applicable to such loans, are quoted for the information of prospective borrowers:

SEC. 5d. For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized and empowered to make loans to any industrial or commercial business which shall include the fishing industry, and to any institution, now or hereafter established, financing principally the sale of electrical, plumbing, or air-conditioning appliances, or equipment or other household appliances, both urban and rural. Such loans shall in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall mature not later than January 31, 1945, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine.

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



The power to make loans given herein shall terminate on January 31, 1937, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1937, or such earlier date.

* * * * *

The following sections of the Reconstruction Finance Corporation Act, as amended, are applicable to loans under section 5d of the Reconstruction Finance Corporation Act, as amended:

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4), passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) insofar as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of Public Act No. 35, Seventy-third Congress, is applicable to loans referred to in this circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

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CIRCULAR No. 14
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING
MINING LOANS



FEBRUARY 1935

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

INFORMATION REGARDING MINING LOANS

The Reconstruction Finance Corporation is authorized to make mining loans under the provisions of section 14, Public, No. 417, Seventy-third Congress, approved June 19, 1934, as amended, which section is as follows:

SEC. 14. The Reconstruction Finance Corporation is authorized and empowered to make loans upon sufficient security to recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting ores. The Reconstruction Finance Corporation is authorized and empowered also to make loans to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver, when, in the opinion of the Reconstruction Finance Corporation, there is sufficient reason to believe that, through the use of such loan in the development of a lode, ledge, or vein, or mineral deposit, or placer gravel deposit, there will be developed a sufficient quantity of ore, or placer deposits of a sufficient value to pay a profit upon mining operations: *Provided*, That not to exceed \$20,000 shall be loaned to any corporation, individual, or partnership, for such development purposes: *Provided further*, That there shall not be allocated or made available for such development loans a sum in excess of \$10,000,000.

APPLICANTS

This act provides for two types of loans as follows:

A. Loans upon "sufficient security" to recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting ores. These loans are hereinafter designated as "loans for general mining, milling, and smelting purposes."

B. Limited loans "to corporations, individuals, and partnerships engaged in the development of quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver." These loans are hereinafter designated as "loans for development."

A. Loans for General Mining, Milling, and Smelting Purposes

1. ELIGIBILITY

Applications for loans will be considered when presented by "recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting ores." The Corporation will determine from the facts and circumstances in each particular case what constitutes "recognized and established" and "engaged in the business of mining, milling, or smelting ores." As the word "ore" is construed to mean any native compound from which a metal or metals can be commercially extracted at a profit, thus coal or other nonmetallic minerals, salts, or other similar substances do not come within the purview of this section.

2. PURPOSES

(a) *Fixed Capital*.—Loans may be made for construction, improvement, repair, purchase, or equipment and other fixed-capital purposes.

(b) *Working Capital*.—Loans may be made to provide working capital needed in connection with mining, milling, or smelting ores.

(c) *Loans for Tax Payment*.—An incidental portion of the loan authorized may, under certain circumstances, be permitted to be applied to the payment of taxes on properties which are necessary to the operation of applicant's mining, milling, or smelting business.

3. AMOUNT

Loans will be limited to an amount reasonably required to accomplish the purposes for which they may be authorized.

4. SECURITY

The act requires "sufficient security" for these loans. Such security may consist of a mortgage on the mining, milling, or smelting property, or it may consist of a lien on property, real or personal, entirely independent of the mining project, provided it constitutes "sufficient security" in the opinion of this Corporation. If mining property is offered, there should be blocked out ore, sufficient in quality and quantity to establish the value claimed. An assignment of a favorable milling, smelting, sales, or transportation contract may also be required.

5. DEPOSIT TO COVER COST OF EXAMINATION

The applicant may be requested to make a deposit, in an amount to be determined in each case by the Corporation, to cover the cost of any field work which may be necessary in connection with the examination of the property of the applicant, and when such request is made an examination will not be undertaken until the required deposit is made.

B. Loans for Development

1. ELIGIBILITY

Loans may be made "to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver."

2. PURPOSES

A loan may be made, when, in the opinion of this Corporation, there is sufficient reason to believe that there will be developed a lode, ledge, or vein, or mineral deposit, or gravel deposit containing a quantity of ore or placer deposits of sufficient value to pay a profit if mined. The proceeds of such loans will be expended subject to the approval of this Corporation.

3. AMOUNT

"Not to exceed \$20,000 shall be loaned to any corporation, individual, or partnership, for such development purposes." However, such loans will be limited to an amount reasonably required to pay for the cost of the contemplated development, including purchase of material and supplies.

4. SECURITY

The security offered must be satisfactory to the Corporation.

5. COST OF EXAMINATION

This Corporation may deduct a reasonable amount from the loan to cover the cost of any field work which may be necessary in connection with the examination of the property of the applicant.

C. General Provisions Applicable to Both Classes of Loans

1. RATE OF INTEREST

Interest will be determined in each case by the Corporation.

2. MATURITIES

Loans may be made for such a period of time as the Corporation shall in each instance determine.

3. UNACCEPTABLE PURPOSES

Loans will not be granted for the purpose of purchasing mineral acreage, nor where the loan is promotional or for prospecting purposes.

4. EXISTING INDEBTEDNESS

In cases where the applicant has substantial outstanding indebtedness and its properties, which are to be the security for the loan, are encumbered, it will be necessary for such applicant to work out an arrangement with existing creditors whereby, in consideration of new capital coming into the business, payments of existing indebtedness and encumbrances may be arranged or deferred or subordinated on terms satisfactory to the Corporation.

5. DISBURSEMENTS

No money will be disbursed on a loan until a mortgage has been duly executed and recorded, or other security assigned or pledged to the satisfaction of this Corporation, and other requirements complied with. Such loans will be disbursed in installments as required to defray the cost of the work as it progresses or to purchase supplies and equipment.

6. COMPLIANCE WITH N. R. A. CODE

Each applicant must execute a certificate that it is complying with and will continue to comply with the approved code of fair competition for the type of operation being conducted by the applicant, or, if there be no approved code of fair competition for the business in which the applicant is engaged, that it has signed, and is complying with or will continue to comply with, the President's Reemployment Agreement promulgated under authority of section 4 (a) of the National Industrial Recovery Act and/or any other agreement promulgated by the President under the National Industrial Recovery Act.

In order to comply with Executive Order No. 6646, issued by the President of the United States on March 14, 1934, each applicant must agree that all contracts and orders by the applicant, or by its general contractor, if any, for machinery, articles, materials, or services to be acquired, in whole or in part, with any of the proceeds of the loan, shall require, before performance of delivery, a certificate as hereinafter described signed by the party awarded such contract or order and by all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials, or services. Such certificate shall state that the party signing it is complying with and shall continue to comply with each approved code of fair competition to which it is subject; or, if engaged in any trade or industry for which there is no approved code of fair competition, the certificate shall state that the party signing it has become a party to, is complying with, and shall continue to comply with the agreement with the President under section 4(a) of the National Industrial Recovery Act and/or any other agreement promulgated by the President under the National Industrial Recovery Act. In the event that invitations for bids are issued by the applicant, or by its general contractor, if any, for machinery, articles, materials, or services, to be acquired in whole or in part with any of the proceeds of the loan, they shall require the bid to contain such a certificate by the bidder, and an agreement by the bidder to obtain such a certificate from all concerns supplying, directly or indirectly, the aforesaid machinery, articles, materials, or services. Each applicant must give the Corporation such proof of fulfillment of its agreement as the Corporation may require.

7. COMPLIANCE WITH OTHER FEDERAL REGULATIONS

Each applicant must agree to comply with the regulations relating to pay for labor promulgated by the Secretary of the Interior and the Secretary of the Treasury, under date of January 8, 1935 (which is set forth in full in exhibit I of the application) as well as with all other regulations which may be promulgated by the President of the United States or any other duly authorized officer.

8. CHARGES, COMMISSIONS, BONUSES, FEES, ETC.

Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. The borrower, however, subject to the prior approval of the Corporation, may be allowed to pay the actual reasonable costs

incurred in connection with the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loans will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

9. SALARIES

The applicant must agree that, so long as any portion of the loan remains unpaid, applicant will not pay any salaries which are not deemed by the Corporation to be reasonable.

10. DIVIDENDS

So long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant nor any distribution (except compensation for services regarded by the Corporation as reasonable) made by a partnership or individual applicants, without the consent of the Corporation.

11. LEGAL OPINIONS

Before any loan will be disbursed, applicant, at his or its expense, may be required to furnish this Corporation with a policy of title insurance issued by a title insurance company approved by this Corporation or a legal opinion, rendered by an attorney of reputable standing, approved by this Corporation, in form satisfactory to its Counsel.

12. REPORTS

Applicant shall furnish with the application reports only as are in its possession or are available to such applicant, pertaining to the properties involved, made by engineers or accountants.

13. METHOD OF FILING APPLICATION

Applications should be filed direct with the Reconstruction Finance Corporation at its office at 1825 H Street NW., Washington, D. C. Forms for applications may be secured by writing to the Washington Office of the Corporation. No application will be considered unless submitted on the proper forms. Care should be taken to submit a complete statement setting forth all information which is requested.



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CIRCULAR No. 15
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS TO INDUSTRY
IN CONJUNCTION WITH BANKS AND OTHER
LENDING INSTITUTIONS



MAY 1935

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

JUN 15 '35

INFORMATION REGARDING LOANS TO INDUSTRY IN CONJUNCTION WITH BANKS AND OTHER LENDING INSTITUTIONS

Reconstruction Finance Corporation Circular No. 13 (Revised) contains information regarding loans to industry to be made by this Corporation. The general provisions and requirements with respect to such loans are set forth in such Circular. Attention is called to paragraph 10 of such Circular, which outlines briefly the subject matter of this Circular.

In addition to its power to make loans directly and independently to industrial borrowers, this Corporation is authorized to purchase, or to execute agreements to purchase, participations in such loans to be made by banks or other lending institutions, and to make such loans directly to industrial borrowers in cooperation with banks or other lending institutions (hereinafter collectively referred to as "banks"). The sale of any participation to this Corporation will be without liability on the part of the bank, as endorser or guarantor.

It is believed that this Corporation can be helpful to industrial borrowers and to banks by purchasing, or agreeing to purchase, participations in loans to be made by banks. This plan permits banks to continue their normal relations with their customers and gives assurance that their customers will secure adequate credit. Furthermore, it permits the banks to extend credit to industrial borrowers without unduly impairing their liquid position.

I. PURCHASE OF, AND AGREEMENTS TO PURCHASE, PARTICIPATIONS IN LOANS TO INDUSTRY

Such purchases, and agreements to purchase, will be made by the Corporation in conjunction with one or more banks. The amount of the Corporation's participation in any loan shall be such percentage of the principal amount thereof as shall be acceptable to the Corporation, but where the Corporation makes an agreement to purchase a participation within a fixed period (rather than purchases such participation upon the making of the loan) the participating bank must retain at least a 20 percent interest in the loan.

The Corporation will not purchase, or agree to purchase, participations in loans already made by banks. Furthermore it must appear, in the case of every loan in which this Corporation participates, that the industrial borrower is an eligible borrower (as defined in Section 5d of the Reconstruction Finance Corporation Act, as amended, and as such section is interpreted from time to time by the Corporation), that such borrower is unable to obtain through banks the entire loan at prevailing bank rates for the character of the loan, and that the character, purposes, and terms of the loan comply with said Section 5d and with the Corporation's policies regarding such loans.

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A. *Applications*.—Application forms, including notes, to be used by industrial borrowers in applying for such loans from banks will be supplied by this Corporation through its Loan Agencies and must be used in order to qualify a loan for purchase of a participation therein by this Corporation. The Corporation will also supply through such Agencies application forms to be used by the banks, requesting this Corporation to purchase, or to make agreements to purchase, participations in such loans. The same forms will be used whether the applicant bank requests the Corporation immediately to purchase, or to make an agreement to purchase, such a participation.

B. *Purchases of Participations*.—If the applicant bank so requests in its application, the Corporation, if it approves such application, will pay for its participation simultaneously with the closing of the loan to the industrial borrower or immediately thereafter.

C. *Agreements to Purchase*.—In lieu of paying for its participation at the time of the closing of the loan to the borrower, the Corporation, if it approves such application, will, at the request of the applicant bank, make an agreement, subject to conditions to be agreed upon, to pay for its participation (which shall not exceed 80 percent of the loan) at the request of such bank at any time (not later than the maturity date of the borrower's note) during a specified period, generally not in excess of 2 years from the date of the borrower's note, which shall ordinarily be dated not later than 60 days after the approval of such application by the Corporation. Where a need is shown, the Corporation will consider applications for agreements to purchase participations up to 5 years from the date of the borrower's note. The bank shall have a right to call upon the Corporation to take up its participation in the loan at any time within the period fixed in the agreement with the Corporation, upon giving 10 days' written notice to the Corporation, provided the bank has carried out its obligations under such agreement. The Corporation shall have the right to purchase its participation from the bank without the request of the bank whenever, during the period fixed in such agreement, it deems such action desirable in its own interests, and will have the right to purchase the entire note (or the bank's portion thereof if the Corporation shall previously have paid for its participation therein) if it deems such action necessary to protect its interests. If the principal amount of the note has been reduced by payments or otherwise during the period of the commitment, the Corporation's participation shall be the percentage, fixed in the agreement, of the unpaid balance of the note at the time of purchase by the Corporation.

D. *Rates of Interest*.—Interest to be paid by the borrower on loans in which the Corporation will purchase, or agree to purchase, a participation, shall be at such rates as shall from time to time be fixed by this Corporation. If the Corporation acquires a participation in a note at the time the loan is made, or later in pursuance of an agreement to purchase, it will be entitled to all the interest payable by the borrower with respect to its share of such note from the date of such purchase.

E. Charges for Participation Agreements.—Until further notice, the Corporation will make a charge, for agreements to purchase participations for a period up to 1 year, of one-half of 1 percent of the Corporation's agreed participation for each 3 months' period or fraction thereof covered by the Corporation's agreement. Such charge shall be payable in installments, the portion payable with respect to each 3 months' period to be payable at the commencement of each such period, but if the Corporation purchases its participation prior to the payment of the entire charge, the unpaid installments payable for the entire period of the agreement shall become payable at such time and shall be deducted by the Corporation from the purchase price for such participation. If such purchase is made without the request of the bank, in accordance with the provisions of paragraph C hereof, such charge, instead of being at a fixed rate as aforesaid, shall be an amount equal to 2 percent per annum of the face amount of said participation, computed from the date of the borrower's note to the date of such purchase, but in no event less than 1 percent of such face amount of said participation, and the Corporation upon such purchase shall refund to the bank any payments in excess of such charge which it may have received from the bank prior to such purchase. If the agreement to purchase a participation shall be for a period in excess of 1 year and up to 2 years, the charge for the entire period in excess of 1 year shall, until further notice, be 2 percent of the Corporation's agreed participation, such charge of 2 percent to be payable at the end of the first year; but the bank shall have the right, at any time prior to the end of such first year, to cancel the agreement for the period beyond 1 year, and in such event there shall be no charge for such period beyond 1 year. Charges for agreements to purchase participations for periods longer than 2 years will be determined upon negotiation of the particular loan and prior to the time authorized by the Corporation.

Upon the purchase of its participation in a note, whether at the request of the bank or through the exercise of its right to purchase referred to in paragraph C hereof, the Corporation will pay to the bank a sum equal to the amount of its participation plus accrued interest on such participation, at the rate fixed in the note, computed from the date of the loan or of the last preceding interest payment, whichever date is later, until the date of such purchase. If the Corporation purchases the entire note, in accordance with the provisions of paragraph C hereof, it will pay to the bank a sum equal to the unpaid principal amount of the note plus accrued interest thereon, as above provided.

F. Disposition of Collateral.—In cases where the Corporation has agreed to purchase a participation but has not actually purchased such participation, the bank will be permitted, subject to the provisions hereof, to hold the note and collateral of the borrower and to deal with them in the customary manner, except that it may not, without the prior written consent of the Corporation, change any terms of the loan, or change or release any collateral except upon full payment of the loan, or incur any substantial items of expense with respect to the loan.

Upon the closing of the sale of a participation to the Corporation, either at the time of the making of the loan or at any time thereafter, the note of the borrower and the collateral therefor must be deposited, against such payment, with the Federal Reserve Bank for the bank's district, to be held by the Federal Reserve Bank as custodian for this Corporation. This Corporation will be authorized to receive payments upon the note and collateral and to discharge the borrower to the extent of such payments. Promptly upon the receipt of such proceeds, this Corporation will remit to the bank its pro rata share thereof, after making any necessary adjustments for amounts due between this Corporation and the bank. While the note is held by the Federal Reserve Bank as such custodian, this Corporation reserves the right, in its own name, to bring suit upon the note or to bring foreclosure proceedings with respect to all or any part of the collateral, but shall not, without the prior written consent of the bank, change any terms of the note, or change or release any collateral except upon full payment of the loan. However, at the option of the Corporation, the bank may, subsequently to the purchase by the Corporation of its participation in the note, hold such note and the collateral therefor as trustee for the Corporation and itself, under terms to be agreed upon.

If the Corporation deems it necessary properly to protect its interests, it may, prior to or after the purchase of its participation, require the bank to deliver the note and the collateral therefor to said Federal Reserve Bank, to be held by it as custodian for this Corporation, under the same terms and conditions as aforesaid, this Corporation agreeing promptly to remit to the bank its share of the proceeds of all payments, less any amounts that may be due the Corporation.

G. *Expenses.*—The bank may not charge any bonus, fee, or commission in connection with making the loan, and, except with the prior consent of this Corporation, may not charge the borrower for any expenses incurred in the making of the loan. The bank may not make any charge for servicing the borrower's note or the collateral therefor. Expenses in connection with the collection of the note will be shared pro rata by this Corporation and the bank, to the extent that such expenses are not recoverable from the borrower under the terms of its note. Special items of collection expense, such as fees for attorneys, shall not be incurred by the bank without the prior consent of this Corporation.

II. DIRECT LOANS TO INDUSTRY IN COOPERATION WITH BANKS

The Corporation will also enter into agreements with one or more banks whereby the Corporation will make a loan, of the character described in Circular No. 13 (Revised), directly to an eligible industrial borrower in consideration of the making of a loan or loans to the same borrower at the same time by a bank or banks. Both the Corporation and the bank will use their own application forms and notes, respectively, the borrower executing a note payable to each lender for the amount advanced by such lender. The application

forms to be used in applying for such loans from this Corporation will be its forms for applying for direct loans, which are available at the local Loan Agencies of the Corporation.

III. ACTS OF CONGRESS APPLICABLE TO LOANS OF THE CHARACTER HEREIN DESCRIBED

The following sections of the Reconstruction Finance Corporation Act, as amended, applicable to such loans, are quoted for the information of prospective applicant banks and borrowers from such banks:

SEC. 5d. For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized and empowered to make loans to any industrial or commercial business which shall include the fishing industry, and to any institution, now or hereafter established, financing principally the sale of electrical, plumbing, or air-conditioning appliances, or equipment or other household appliances, both urban and rural. Such loans shall, in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall mature not later than January 31, 1945, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine.

The power to make loans given herein shall terminate on January 31, 1937, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1937, or such earlier date.

* * * * *

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) insofar as applicable, are extended to apply to contracts or agreements with the corporation under this Act which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.



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CIRCULAR NO. 17
(REVISED)
OF THE
**RECONSTRUCTION
FINANCE CORPORATION**

INFORMATION REGARDING
LOANS TO THE FISHING INDUSTRY



APRIL 1935

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

INFORMATION REGARDING LOANS TO THE FISHING INDUSTRY

The Reconstruction Finance Corporation will make loans, pursuant to the provisions of section 15 of the Act approved June 19, 1934, as amended (Public, No. 417, 73d Cong.), to persons, associations, or corporations for the purpose of financing the production, storage, handling, packing, processing, carrying, and/or orderly marketing of fish of American fisheries and/or products thereof.

The Corporation may also make loans to the fishing industry pursuant to the provisions of section 5d of the Reconstruction Finance Corporation Act, as amended. Detailed information regarding such loans is contained in Circular No. 13.

This circular relates to loans under section 15 of the Act approved June 19, 1934, as amended, mentioned above.

1. LIMITATIONS IMPOSED BY LAW

- (a) All loans must be fully and adequately secured.
- (b) No loans shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances.

2. TERMS AND CONDITIONS

Loans will be made by the Corporation to the fishing industry upon the following terms and conditions, and for the following purposes:

A. MATURITIES

Loans shall mature at such time or times as the Corporation may determine, but not later than January 31, 1945. A program of payments will be required with a view to the borrower liquidating its debt within the period of time agreed upon.

B. INTEREST RATES

Interest rates shall be determined in each case by the Corporation, but generally will not exceed 6%.

C. PURPOSES

The Corporation will make loans to the fishing industry for the following purposes:

(a) *Promotion of Orderly Marketing.*—Loans will be made primarily to promote the orderly marketing of fish or fish products. This may be done by supplying working capital to eligible applicants or, under special circumstances, by financing the repair, improvement, or reequipment of existing facilities or the construction of new facilities designed to permit fish to be offered to the market and distributed as conditions warrant, e. g., modern refrigeration, storage, and freezing plants, canneries, etc.

(b) *Increase of Market Supply.*—The Corporation will not consider loans to finance the construction of new vessels or to put back into service vessels which have been laid up, or to finance the construction or improvement of processing or storage facilities, where the effect of such loan will be merely to increase the market supply of fish and not to promote orderly marketing. The Corporation will make loans, however, under special circumstances, where, in

the opinion of the Corporation, financing is not available through the customary channels, for the repairing and reequipping of fishing vessels in actual operation at the time of the application.

(c) *Loans to Pay Existing Indebtedness and Taxes.*—The Corporation will give consideration to applications for loans where a portion of the proceeds is to be applied to the payment of taxes and existing indebtedness. Loans may be considered where a substantial portion of the proceeds is to be used to satisfy existing indebtedness on a compromise basis that would be satisfactory to the Corporation, provided that it is shown that the loan is necessary to maintain the employment of labor, and that the applicant, after the debt adjustment (which may be made either by compromise settlement in full satisfaction of the debt, or by partial payment in cash and the issuance of junior obligations or equity securities), will have sufficient operating assets, and that there is reasonable assurance of continuous operation.

The Corporation will not make loans to the fishing industry where the operations of the borrower are not in accord with existing policies of conservation of the U. S. Bureau of Fisheries or of the various State conservation agencies.

3. ELIGIBILITY

Applications will be received from corporations, individuals, associations, partnerships, and cooperatives engaged in the production, storage, handling, packing, processing, carrying, and/or orderly marketing of fish of American fisheries and/or products thereof.

The term "fish" means any animal habitually living in water. Lobster, shrimp, clam, oyster, seal, sponge, etc., therefore, are included within the purview of section 15 of the Act approved June 19, 1934; but seaweed, kelp, and other aquatic vegetation are not so included.

4. SECURITY REQUIREMENTS

Section 15 of the Act approved June 19, 1934, as amended, requires that all loans thereunder shall be made upon the same terms and conditions, and subject to the same limitations, as are applicable in case of loans made under section 5 of the Reconstruction Finance Corporation Act, as amended. Among other things, such section 5 requires that all loans made thereunder be "fully and adequately secured."

The security may consist of one or more of the following: A first mortgage on real estate, plant and equipment, a first mortgage on vessels (must be a preferred mortgage in accordance with the Ship Mortgage Act or amendments thereto), an assignment of warehouse receipts for marketable merchandise stored in satisfactory warehouses, a first mortgage on chattels or an assignment of current receivables (accounts, notes, or trade acceptances); but such loans generally will not be made on the sole security of unsecured receivables, or of receivables representing non-industrial installment purchases, or of equipment or other chattels not represented by warehouse receipts. The applicant may offer, as additional collateral, a first lien on any other assets of sound value.

The Corporation will not consider as satisfactory primary security the following: Second mortgages, shares of stock of corporate applicants; or shares

of stock without readily ascertainable market value, franchises, patents, goodwill, or foreign securities. An assignment of orders will not constitute satisfactory primary security; however, such orders may be important to establish the ability of the applicant to repay the loan. A pledge or mortgage of inventories generally will not be regarded as satisfactory collateral, unless stored in a bonded or otherwise acceptable warehouse or unless the applicable State law provides for creating and maintaining a satisfactory lien upon inventory not so warehoused.

5. COMPLIANCE WITH NATIONAL RECOVERY ADMINISTRATION CODES

Each applicant must execute a certificate that he is complying with and will continue to comply with each code of fair competition to which he is subject, and if engaged in any trade or industry for which there is no approved code of fair competition then, as to such trade or industry, that he has become a party to and is complying with and will continue to comply with an agreement with the President under section 4 (a) of the National Industrial Recovery Act.

In order to comply with Executive Order No. 6646 of March 14, 1934, each applicant must agree that all contracts and purchase orders by the applicant or by his general contractor, if any, for articles, materials, supplies, or services to be acquired in whole or in part with any of the proceeds of the loan, shall require, before performance or delivery, or entrance into any subcontracts or contracts, a certificate as hereinafter described, signed by the party awarded such contract, purchase order, or subcontract, and by all concerns supplying, directly or indirectly, the aforesaid articles, materials, supplies, or services. Such certificate shall state that the party signing the certificate is complying with and will continue to comply with each approved code of fair competition to which he is subject, and if engaged in any trade or industry for which there is no approved code of fair competition, then stating that as to such trade or industry, he has become a party to and is complying with and will continue to comply with an agreement with the President under section 4 (a) of the National Industrial Recovery Act. In the event that invitations for bids are issued by the applicant or by his general contractor, if any, for articles, materials, supplies, or services to be acquired in whole or in part with any of the proceeds of the loan, such invitations shall contain a provision requiring the bid to contain such a certificate by the bidder, and an agreement by the bidder to obtain such a certificate from all concerns supplying, directly or indirectly, the aforementioned articles, materials, supplies, or services.

In addition to the foregoing, certificates of compliance executed by the applicant and aforementioned parties must contain a provision that all other conditions and requirements of Executive Order No. 6646 are being and will be complied with. Each applicant must give the Corporation such proof of his fulfillment of his agreement as it may require.

6. CHARGES, COMMISSIONS, BONUSES, FEES, ETC.

Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. The borrower, subject to the prior approval

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of the Corporation, however, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Reconstruction Finance Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loan will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

7. SALARIES AND DIVIDENDS

The applicant must agree that, so long as any portion of the loan remains unpaid, it will not pay any salaries which are not deemed by the Corporation to be reasonable.

So long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant or any distribution (except reasonable compensation for services) made by partnership or individual applicants, without the consent of the Corporation.

8. AUDITS AND APPRAISALS

An independent audit of the applicant and an appraisal of plant and equipment, both satisfactory to Reconstruction Finance Corporation and made as of a date not more than 6 months preceding the date of filing of the application, may be required. Independent audits will not generally be required, however, in the case of loans of \$25,000 or less when the applicant furnishes sworn financial statements.

9. INFORMATION TO BE FILED AND METHOD OF FILING

The proper application forms may be obtained from the Loan Agency of the Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of such Loan Agencies and map showing Loan Agency Districts, on pages 5 and 7, respectively.)

Applications should be filed with the Loan Agency serving applicant's district. No application will be received directly at the Washington office of the Corporation.

All requests for further information should be directed to the local Loan Agency of the Corporation serving applicant's district and not to the Washington office.

Each Loan Agency of the Corporation will, when requested, assist prospective borrowers in the preparation of their applications and in determining their eligibility for loans; but any such assistance, advice, or suggestions by such Loan Agencies shall in no sense be considered as a commitment or agreement by the Corporation to make a loan.

10. LOCATIONS OF LOCAL LOAN AGENCIES OF RECONSTRUCTION FINANCE CORPORATION

(The territory served by each Loan Agency is indicated on the map on page 7 of this Circular.)

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	Salt Lake City, Utah.
Cleveland, Ohio.	Louisville, Ky.	San Antonio, Tex.
Dallas, Tex.	Minneapolis, Minn.	San Francisco, Calif.
Denver, Colo.	Nashville, Tenn.	Seattle, Wash.
Detroit, Mich.	New Orleans, La.	Spokane, Wash.
El Paso, Tex.	New York, N. Y.	St. Louis, Mo.
Helena, Mont.	Oklahoma City, Okla.	

11. ACTS OF CONGRESS APPLICABLE TO LOANS OF THE CHARACTER HEREIN DESCRIBED

Section 15 of the Act approved June 19, 1934 (Public, No. 417, 73d Cong.), relative to loans of the character referred to in this Circular, follows:

SEC. 15. The Corporation is authorized and empowered to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to any person, association, or corporation organized under the laws of any State, the District of Columbia, Alaska, Hawaii, or Puerto Rico, for the purpose of financing the production, storage, handling, packing, processing, carrying, and/or orderly marketing of fish of American fisheries and/or products thereof upon the same terms and conditions, and subject to the same limitations, as are applicable in case of loans made under said section 5, as amended.

There are given below the pertinent portions of section 5 of the Reconstruction Finance Corporation Act, as amended, referred to in section 15 of the Act approved June 19, 1934, above quoted; as well as (1) section 4 of the Act approved June 10, 1933 (Public, No. 35, 73d Cong.); (2) an excerpt from section 3 of the Act approved January 31, 1935 (Public, No. 1, 74th Cong.); and (3) excerpts from section 16 of the Reconstruction Finance Corporation Act, as amended, which are applicable to loans under section 15 of the Act approved June 19, 1934:

SEC. 5. * * * All loans made under the foregoing provisions shall be fully and adequately secured. The corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. Such loans may be made directly upon promissory notes or by way of discount or rediscount of obligations tendered for the purpose, or otherwise in such form and in such amount and at such interest or discount rates as the corporation may approve: *Provided*, That no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances. In no case shall the aggregate amount of advances made under this section to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2% per centum of (1) the authorized capital stock of the Reconstruction Finance Corporation plus (2) the aggregate amount of bonds of the corporation authorized to be outstanding when the capital stock is fully subscribed: * * *

SECTION 4 OF THE ACT APPROVED JUNE 10, 1933

The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

EXCERPT FROM SECTION 3, ACT APPROVED JANUARY 31, 1935

Notwithstanding any other provision of law limiting the maturity of obligations taken by it to shorter periods, the Reconstruction Finance Corporation may make loans or advances or renewals or extensions thereof to authorized borrowers or by other suitable agreement permit them to run so as to mature at such time or times as the corporation may determine, not later than January 31, 1945: * * *

EXCERPTS FROM SECTION 16, RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED

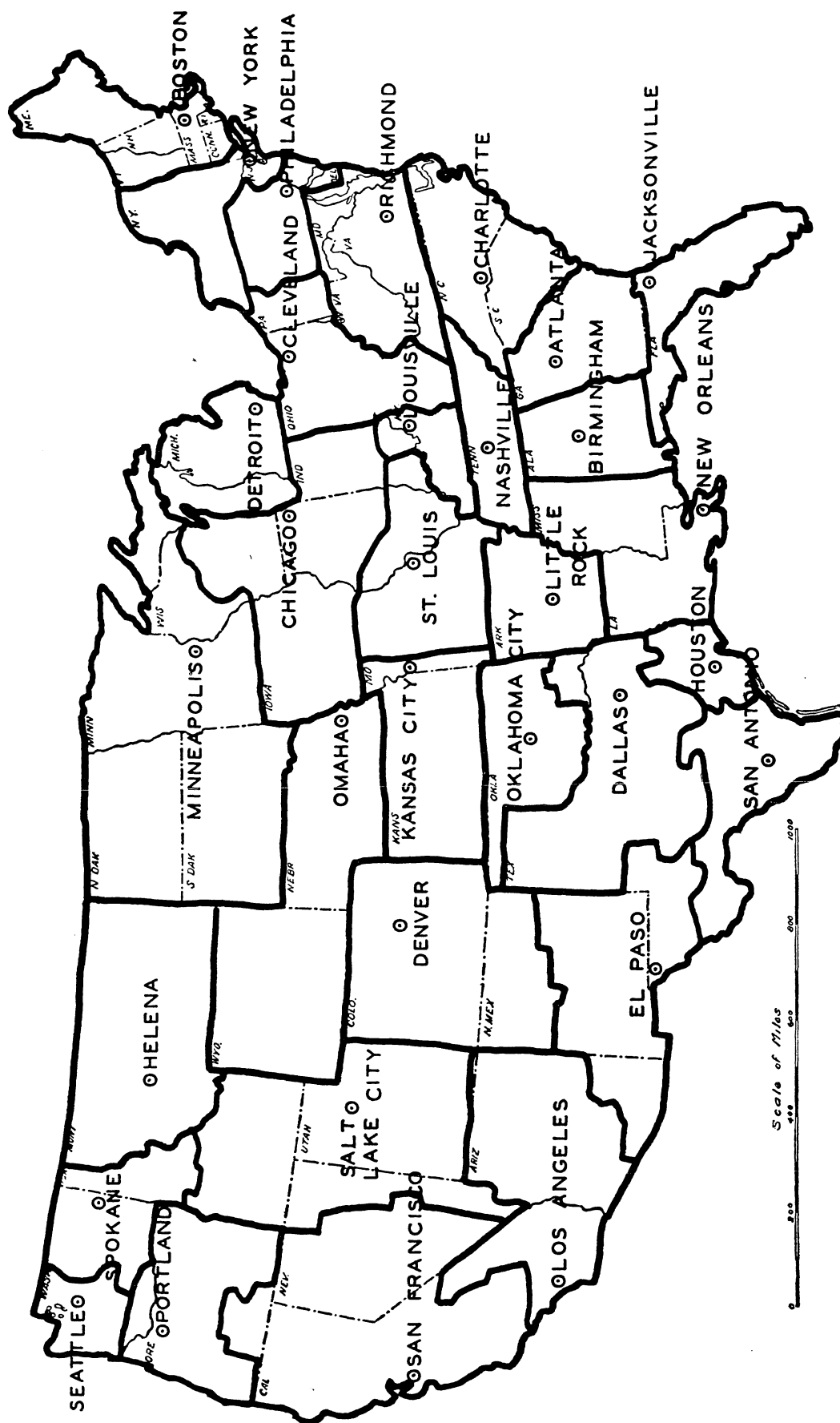
(a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(c) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) in so far as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

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CIRCULAR No. 19

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING
LOANS FOR FLOOD RELIEF



AUGUST 1935

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

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INFORMATION REGARDING LOANS FOR FLOOD RELIEF

The Reconstruction Finance Corporation is authorized, pursuant to the provision of Public No. 160, 73rd Congress, approved April 13, 1934, as amended July 24, 1935, to make loans through such existing agency or agencies as it may designate, to nonprofit corporations with or without capital stock, organized for the purpose of financing the acquisition of home or building sites in replacement of sites formerly occupied by buildings where such sites are declared by public authority to be unsafe by reason of flood or danger of flood, and for the purpose of financing the repair or construction of buildings or structures, or water, irrigation, gas, electric, sewer, drainage, flood control, communication, or transportation systems, damaged or destroyed by flood in the years 1933, 1934, 1935, and 1936, and deemed by the Reconstruction Finance Corporation to be economically useful or necessary.

ELIGIBLE APPLICANTS

Any person, corporation, partnership, municipality, or political subdivision of states or of their public agencies, including public-school boards, and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts, owning property of the type described in the preceding paragraph, damaged or destroyed by flood in the years 1933, 1934, 1935, and 1936, is eligible for a loan under this Circular.

PURPOSES

Loans will be made for the purpose of financing the acquisition of home or building sites in replacement of sites formerly occupied by buildings where such sites are declared by public authority to be unsafe by reason of flood or danger of flood, and for the purpose of financing the repair or construction of buildings or structures, or water, irrigation, gas, electric, sewer, drainage, flood control, communication, or transportation systems, damaged or destroyed by flood in the years 1933, 1934, 1935, and 1936, and deemed by the Reconstruction Finance Corporation to be economically useful or necessary.

AMOUNT

Loans will be limited to an amount reasonably required to accomplish the purposes for which they may be authorized.

SECURITY

The aforesaid Act authorizing the Corporation to make these loans requires that they shall be collateraled—

(a) In case of loans for the acquisition, repair, or reconstruction of private property, by the obligations of the owner of such property, secured by a paramount lien except as to taxes and special assessments on the property to be acquired, repaired, or reconstructed, or on other property of the borrowers;

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(1)

(b) In case of loans for the repair or reconstruction of privately owned water, gas, electric, communication, or transportation systems, by the obligations of the owners of such water, gas, electric, communication, or transportation systems, secured by a lien thereon; and

(c) In case of loans for the repair or reconstruction of property of municipalities or political subdivisions of states or of their public agencies, including public-school boards, and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts, by an obligation of such municipality, political subdivision, public agency, board, or district, payable from any source, including taxation or tax-anticipation warrants.

The Act provides that—

In any case in which any such loan is made, in whole or in part, for the acquisition of land in replacement of land privately owned and declared by public authority to be unsafe by reason of flood, danger of flood, or earthquake, such unsafe property shall be conveyed by the owner thereof, without cost, to the county, municipality, or district in which such property is situated.

TERM OF LOAN

The collateral obligations shall have maturities not exceeding ten years in case of loans made under subparagraph (a) of the preceding section, and not exceeding twenty years in case of loans under subparagraphs (b) and (c) of the preceding section.

INTEREST

The interest rate will be $4\frac{1}{4}\%$ per annum.

GENERAL

A nonprofit corporation will be organized for each area affected through which the loans will be made provided sufficient applications are filed to justify the creation of such a corporation. The Reconstruction Finance Corporation has designated its loan agency in the district in which the damaged property is located as the agency which will handle the loans to the nonprofit corporation in that district. All applicants for loans will apply to the nonprofit corporation in their district which will establish an agency in the flood area immediately after its organization, where application forms and information will be available.

Until such a nonprofit corporation is organized in a particular area, applicants for loans should address all communications to the loan agency of the Reconstruction Finance Corporation serving the territory involved. Loan Agencies of the Reconstruction Finance Corporation are located in the following cities:

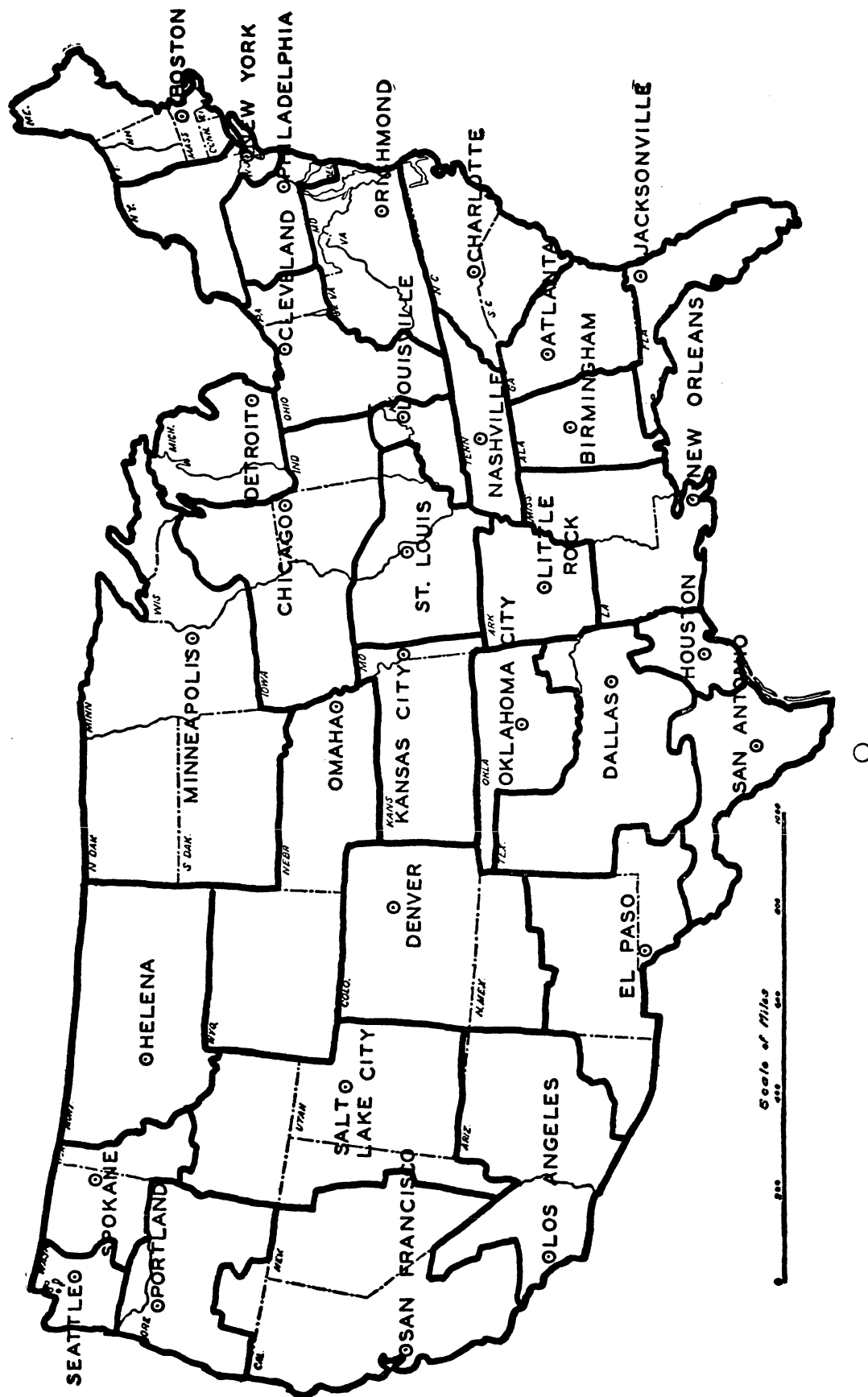
(The territory served by each Loan Agency is indicated on the map on page 3 of this Circular.)

Atlanta, Ga.
Birmingham, Ala.
Boston, Mass.
Charlotte, N. C.
Chicago, Ill.
Cleveland, Ohio
Dallas, Tex.
Denver, Colo.
Detroit, Mich.
El Paso, Tex.
Helena, Mont.

Houston, Tex.
Jacksonville, Fla.
Kansas City, Mo.
Little Rock, Ark.
Los Angeles, Calif.
Louisville, Ky.
Minneapolis, Minn.
Nashville, Tenn.
New Orleans, La.
New York, N. Y.
Oklahoma City, Okla.

Omaha, Nebr.
Philadelphia, Pa.
Portland, Oreg.
Richmond, Va.
Salt Lake City, Utah
San Antonio, Tex.
San Francisco, Calif.
Seattle, Wash.
Spokane, Wash.
St. Louis, Mo.

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



AUG 1 1935

CIRCULAR No. 19

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING
LOANS FOR FLOOD RELIEF



AUGUST 1935

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

INFORMATION REGARDING LOANS FOR FLOOD RELIEF

The Reconstruction Finance Corporation is authorized, pursuant to the provision of Public No. 160, 73rd Congress, approved April 13, 1934, as amended July 24, 1935, to make loans through such existing agency or agencies as it may designate, to nonprofit corporations with or without capital stock, organized for the purpose of financing the acquisition of home or building sites in replacement of sites formerly occupied by buildings where such sites are declared by public authority to be unsafe by reason of flood or danger of flood, and for the purpose of financing the repair or construction of buildings or structures, or water, irrigation, gas, electric, sewer, drainage, flood control, communication, or transportation systems, damaged or destroyed by flood in the years 1933, 1934, 1935, and 1936, and deemed by the Reconstruction Finance Corporation to be economically useful or necessary.

ELIGIBLE APPLICANTS

Any person, corporation, partnership, municipality, or political subdivision of states or of their public agencies, including public-school boards, and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts, owning property of the type described in the preceding paragraph, damaged or destroyed by flood in the years 1933, 1934, 1935, and 1936, is eligible for a loan under this Circular.

PURPOSES

Loans will be made for the purpose of financing the acquisition of home or building sites in replacement of sites formerly occupied by buildings where such sites are declared by public authority to be unsafe by reason of flood or danger of flood, and for the purpose of financing the repair or construction of buildings or structures, or water, irrigation, gas, electric, sewer, drainage, flood control, communication, or transportation systems, damaged or destroyed by flood in the years 1933, 1934, 1935, and 1936, and deemed by the Reconstruction Finance Corporation to be economically useful or necessary.

AMOUNT

Loans will be limited to an amount reasonably required to accomplish the purposes for which they may be authorized.

SECURITY

The aforesaid Act authorizing the Corporation to make these loans requires that they shall be collateralized—

(a) In case of loans for the acquisition, repair, or reconstruction of private property, by the obligations of the owner of such property, secured by a paramount lien except as to taxes and special assessments on the property to be acquired, repaired, or reconstructed, or on other property of the borrowers;

(b) In case of loans for the repair or reconstruction of privately owned water, gas, electric, communication, or transportation systems, by the obligations of the owners of such water, gas, electric, communication, or transportation systems, secured by a lien thereon; and

(c) In case of loans for the repair or reconstruction of property of municipalities or political subdivisions of states or of their public agencies, including public-school boards, and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts, by an obligation of such municipality, political subdivision, public agency, board, or district, payable from any source, including taxation or tax-anticipation warrants.

The Act provides that—

In any case in which any such loan is made, in whole or in part, for the acquisition of land in replacement of land privately owned and declared by public authority to be unsafe by reason of flood, danger of flood, or earthquake, such unsafe property shall be conveyed by the owner thereof, without cost, to the county, municipality, or district in which such property is situated.

TERM OF LOAN

The collateral obligations shall have maturities not exceeding ten years in case of loans made under subparagraph (a) of the preceding section, and not exceeding twenty years in case of loans under subparagraphs (b) and (c) of the preceding section.

INTEREST

The interest rate will be $4\frac{1}{4}\%$ per annum.

GENERAL

A nonprofit corporation will be organized for each area affected through which the loans will be made provided sufficient applications are filed to justify the creation of such a corporation. The Reconstruction Finance Corporation has designated its loan agency in the district in which the damaged property is located as the agency which will handle the loans to the nonprofit corporation in that district. All applicants for loans will apply to the nonprofit corporation in their district which will establish an agency in the flood area immediately after its organization, where application forms and information will be available.

Until such a nonprofit corporation is organized in a particular area, applicants for loans should address all communications to the loan agency of the Reconstruction Finance Corporation serving the territory involved. Loan Agencies of the Reconstruction Finance Corporation are located in the following cities:

(The territory served by each Loan Agency is indicated on the map on page 3 of this Circular.)

Atlanta, Ga.
Birmingham, Ala.
Boston, Mass.
Charlotte, N. C.
Chicago, Ill.
Cleveland, Ohio
Dallas, Tex.
Denver, Colo.
Detroit, Mich.
El Paso, Tex.
Helena, Mont.

Houston, Tex.
Jacksonville, Fla.
Kansas City, Mo.
Little Rock, Ark.
Los Angeles, Calif.
Louisville, Ky.
Minneapolis, Minn.
Nashville, Tenn.
New Orleans, La.
New York, N. Y.
Oklahoma City, Okla.

Omaha, Nebr.
Philadelphia, Pa.
Portland, Oreg.
Richmond, Va.
Salt Lake City, Utah
San Antonio, Tex.
San Francisco, Calif.
Seattle, Wash.
Spokane, Wash.
St. Louis, Mo.



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CIRCULAR NO. 20
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION FOR PROSPECTIVE APPLICANTS FOR LOANS
UNDER THE PROVISIONS OF PUBLIC, No. 325, SEVENTY-
FOURTH CONGRESS, APPROVED AUGUST 24, 1935,
RELATING TO THE REFINANCING OF INDEBT-
EDNESS INCURRED IN CONNECTION
WITH PUBLIC SCHOOLS



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**INFORMATION FOR PROSPECTIVE APPLICANTS FOR LOANS
UNDER THE PROVISIONS OF PUBLIC, NO. 325, SEVENTY-
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TO THE REFINANCING OF INDEBTEDNESS INCURRED IN
CONNECTION WITH PUBLIC SCHOOLS**

The Reconstruction Finance Corporation is authorized and empowered under the Act of Congress approved August 24, 1935 (Public, No. 325, 74th Cong.), to make loans in an aggregate amount not exceeding \$10,000,000 to or for the benefit of tax-supported public-school districts or other similar public-school authorities in charge of public schools, for the purpose of enabling such applicants to refinance their outstanding indebtedness and for certain other purposes hereinafter mentioned. For the information of applicants, said Act is reprinted at the end of this circular.

A. Eligible Borrowers and Purposes of Loans

1. Loans (hereinafter called "refinancing loans") may be made to or for the benefit of tax-supported public-school districts or other similar public-school authorities in charge of public schools organized pursuant to the laws of the several States, Territories, and the District of Columbia for the purpose of enabling any such district or authority which, or any State, municipality, or other public body which is authorized to incur indebtedness for the benefit of public schools, to reduce and refinance outstanding indebtedness or obligations which have been incurred prior to August 24, 1935, for the purpose of financing the construction, operation, and/or maintenance of public-school facilities.

2. Loans (hereinafter called "rehabilitation loans") may also be made to enable applicants, to whom refinancing loans have been authorized, to make such repairs and necessary extensions or improvements to the public-school facilities on account of which the indebtedness refinanced was incurred as are necessary or desirable for the further assurance of the ability of the applicants to repay such refinancing loans.

B. Security for Loans

1. Each loan shall be reasonably and adequately secured.

2. Each loan shall be secured

(a) By bonds, notes, or other obligations for the payment of which shall be pledged the full faith and credit and taxing power of the applicant or of such taxing authority as may be authorized pursuant to State law to levy assessments, taxes, or other charges for the benefit of public schools, and/or

(b) By bonds, notes, or other obligations which are a lien on real property of the applicant, and/or

(c) By such other collateral as may be acceptable to the Corporation.

C. Disbursement, Interest Rates, Maturities, and Evidencing of Loans

1. *Disbursement.*—All loans must be disbursed by the Corporation within such time as it may fix, which in no event shall be after the expiration of one year from the date of the commitment or agreement to make the loan. Loans may be disbursed either directly to the applicants or to the holders or representatives of the holders of the bonds, notes, and/or other obligations to be reduced and refinanced, and either upon promissory notes, collateralized by such bonds, notes, and/or obligations, or through the purchase of securities issued or to be issued by applicants.

2. *Interest Rates.*—The interest rate on refinancing loans will be 4% per annum, payable semiannually when authorized by law. In the case of rehabilitation loans, the interest rate will be such as may be fixed by the Corporation from time to time or as may be fixed and determined by the Corporation in individual cases.

3. *Maturities.*—Loans shall be for such term as may be fixed in each case by the Corporation, which in no event shall exceed thirty-three (33) years.

4. *How Evidenced.*—The Corporation requires that refinancing loans shall ultimately be evidenced by new or refunding bonds to be issued by applicants in form and text satisfactory to the Corporation. If such new or refunding bonds are available for delivery at the time of disbursement of a particular loan, the Corporation will purchase such bonds and the proceeds thereof will be used for the retirement and cancellation of the outstanding indebtedness or obligations to be refinanced. In the event disbursement is made of or from the loan for the purpose of purchasing or otherwise acquiring the obligations evidencing the outstanding indebtedness to be refinanced, prior to the time the new or refunding bonds are issued, the applicant shall cause its new or refunding bonds to be delivered to the Corporation upon their issuance, in exchange for the obligations so purchased or acquired by the Corporation.

Rehabilitation loans shall be evidenced by such obligations of the applicant or such other collateral as may be acceptable to the Corporation.

D. Other Terms and Conditions of Refinancing Loans

1. *Covenants of Applicants.*—When a refinancing loan is authorized, the applicant will be required to enter into the following covenants in the form of an agreement or agreements satisfactory to the Corporation:

(a) The applicant shall agree not to issue, during the term of the loan, any other obligations secured in the same manner as the obligations acquired by the Corporation to evidence or as security for the loan, and insofar as it may lawfully do so, shall agree not to assume, during such term, any further indebtedness for the benefit of public schools, except with the consent of the Corporation.

(b) The applicant shall agree, insofar as it may lawfully do so, that so long as any part of the loan shall remain unpaid, the applicant will in each year

apply to the repayment of such loan or to the purchase or redemption of the obligations issued to evidence such loan an amount equal to the amount by which the assessments, taxes, and other funds from any source received by it for the benefit of public schools exceeds (1) the cost of operation and maintenance of the public-school facilities which are financed in whole or in part by such amount of assessments, taxes, or other charges received by it; (2) the debt charges on its outstanding obligations; and (3) provisions for such reasonable reserves as may be approved by the Corporation.

2. *Conditions Precedent.*—No refinancing loan shall be made until the Corporation

(a) Has caused an appraisal to be made of the taxpaying ability of the taxing district or other territory throughout which assessments, taxes, or other charges are authorized to be levied for the purpose of paying the costs of, or for the purpose of securing funds to repay indebtedness incurred to finance the construction, operation, and/or maintenance of the public-school facilities on account of which the indebtedness was incurred or obligations assumed which are to be reduced and refinanced in connection with the loan from the Corporation;

(b) Has been satisfied that an agreement has been entered into with the holders of the outstanding bonds, notes, and/or other obligations which are to be reduced and refinanced in connection with the loan from the Corporation, under which agreement it will be possible to purchase, reduce, or refund all or a major portion of the aggregate of outstanding indebtedness and obligations incurred by or on behalf of such district or authority at a price determined by the Corporation to be reasonable after taking into consideration the average market price of the evidences of the indebtedness or obligations to be reduced and refinanced over the 6 months' period ending January 1, 1935, and under which a substantial reduction will be brought about in the aggregate of such outstanding indebtedness and obligations; and

(c) Has determined, in view of such appraisal of the taxpaying ability and of such substantial reduction in the aggregate of such outstanding indebtedness and obligations, that the operation of the public-school facilities to refinance indebtedness or obligations incurred for the benefit of which the loan from the Corporation was applied for, is economically sound and will promote the general welfare of the community.

3. *Charges, Commissions, Bonuses, Fees, Etc.*—Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. The applicant, however, subject to the approval of the Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loans will not be permitted, nor fees or charges made con-

tingent upon obtaining of the loan. Applicants must furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

4. *Legislation Concerning Minimum Wages, etc.*—In the case of rehabilitation loans, the applicant must agree that if existing legislation of the Congress of the United States requires observance of minimum wages and/or maximum hours of employment, and/or limitation as to age of employees, or other requirements in connection with the construction of projects financed in whole or in part by loans of money from the United States of America or an Agency of the United States, including Government-owned and Government-controlled corporations, the applicant shall, where contracts involve an expenditure of moneys agreed to be advanced, require compliance with such legislation in its invitations for bids, and in any contracts entered into subject to such bids, and also in any construction, material and supply contracts which are let without bids. The applicant must also agree that in the event any such future legislation may be enacted, it shall, after the effective date of such future legislation, require compliance in any subsequent bids and contracts. Each applicant must give such proof of fulfillment of its agreements as the Corporation may require.

5. *Cost of Examination.*—Applicants must agree to pay the expenses that may be incurred by the Corporation in making such appraisals and field examinations and investigations as the Corporation may require, and if the Corporation so requests, applicants will be required to make a deposit in an amount to be determined in each case by the Corporation, to cover such cost.

6. *Additional Terms and Conditions.*—Such other terms and conditions as the Corporation may determine.

E. Allocation of Loans

The Act requires that the aggregate amount of \$10,000,000, available for making loans thereunder, shall be allocated equitably among the several States, Territories, and the District of Columbia on the basis of demonstrated need.

F. Loans for Payment of School Teachers' Salaries

The Act expressly provides in Section 2 thereof that no loan shall be made by the Corporation thereunder where any part of the proceeds of such loan are to be used for purposes authorized by Section 16 of the Act approved June 19, 1934 (Public, No. 417, 73d Cong.). Said Section 16 provides:

The Reconstruction Finance Corporation is hereby authorized and empowered to make loans at any time prior to January 31, 1935, out of the funds of the Corporation upon full and adequate security, to public-school districts or other similar public-school authorities organized pursuant to State law, for the purpose of payment of teachers' salaries due prior to June 1, 1934: *Provided*, That the aggregate amount of such loans at any time outstanding shall not exceed \$75,000,000.

APPLICATIONS FOR LOANS

Application should be made in writing to the Reconstruction Finance Corporation at its office, 1825 H Street NW., Washington, D. C.

No printed forms of applications will be provided but all applications shall present the information indicated below and shall follow in the order given and by apt reference thereto the system of numbering and lettering indicated.

Each copy of the application shall be written upon 8½-by-13-inch legal paper with exhibits folded to that size and with accompanying exhibits firmly bound together, preferably in a single binder.

Six complete signed copies of each application shall be filed.

Applications shall be dated and signed by the duly authorized officers of the applicant and, if prepared under the direction of any attorney, architect or engineer, such fact shall be stated and such application must be approved by each such person.

Exhibits shall be dated and shall bear the signature of the person who prepared them.

A resolution shall be adopted by the governing body of the applicant, expressly agreeing to meet and comply with each applicable term and condition listed in "D" above, and authorizing and directing the proper officers of the applicant to supply the Corporation with all data and information requested by it in connection with the application and to execute and deliver the application and exhibits thereto in the exact form in which they are submitted. A certified copy of such resolution should be attached to each copy of the application as an exhibit.

All applications shall be verified in substantially the following form:

STATE OF _____,

County of _____, ss:

_____ makes oath and says that he is the _____ of
(Name of affiant) (Office held by affiant)
_____; that he has carefully examined each and all of the
(Full legal title of applicant)

statements contained in the foregoing application and in the exhibits and other data attached thereto or submitted therewith; that such statements are true and correct to the best of his knowledge and belief; that such application is made with the approval and at the direction of the _____ of said applicant, as appears by a resolution
(Governing body)

duly adopted at a meeting thereof, a certified copy of which is attached to such application, said meeting having been held at _____ on the _____ day of _____, 193__; and that he is the person who has been authorized by such resolution to execute such application.

(Signature of affiant)

Subscribed and sworn to before me, a _____ in and for the State and county above named, this _____ day of _____, 193__.

[SEAL]

My commission expires _____.

Information Required in Application

SECTION I. INFORMATION REQUIRED FROM ALL APPLICANTS FOR LOANS

1. General information:

(a) Full legal title of applicant. Care should be exercised to give the full and exact legal title.

(b) Citation to laws under which applicant was organized or functions. In the event the applicant was organized under a special Act of the Legislature of the State of organization, a certified copy of such special Act and of all amendments thereto should accompany the application.

(c) Name and address of each officer and member of the governing body in charge of the school facilities of the applicant.

(d) Name and address of the person with whom correspondence shall be conducted.

(e) Name and address of attorney and architect of applicant.

2. Amount of loan requested.

3. Full statement as to purpose of loan.

4. A brief description and history, including the date of organization, of the applicant, if the applicant is a school district or similar authority, or of the school system of the applicant and in particular the school or schools on account of which the indebtedness sought to be refinanced was incurred, if the applicant is a State, municipality, or other public body exercising several governmental functions. In addition to such other information as the applicant deems necessary or desirable, the applicant shall furnish the following:

(a) Map showing the location and boundaries of the territory within the applicant which is charged with the payment of the indebtedness sought to be refinanced, and the location of the school or schools operated by or under the authority of the applicant.

(b) Classification and grades of such school or schools.

(c) Approximate number of families served by such school or schools; enrollment each year for the past five years; racial classification of enrollment; school term each year for the past five years; and method of transporting pupils.

(d) Brief statement as to the type and general condition of the property owners whose lands and properties are subject to assessments, taxes or other charges for the support of such school or schools and a statement as to the approximate percentage of resident property owners. If the property within the applicant is primarily agricultural in nature, a full statement should be made setting forth approximately the total acreage of principal crops. If applicant is primarily urban, a full statement should be made of the principal industries and approximate number of residents of applicant employed therein.

5. The following data is required respecting overlapping taxing authorities which include the State, county, municipality, and other school districts, improvement districts or any other authority or body exercising the right of taxation or assessment;

(a) Nature of each overlapping taxing authority indicating the type of and limitation on assessments, taxes, or other charges imposed and any priority of tax liens.

(b) Indicate on map the overlapped area or areas.

(c) Total number of acres and/or assessed valuation of land or property in the overlapped area or areas. In the event the property within the area of applicant is subject to ad valorem taxation by more than one authority, the assessed valuation of the property taxed must be given in each case, if different. In the event applicant is overlapped by special assessment or local improvement districts, full information should be given showing area assessed, amount of assessments, liens, or betterments, and the average amount of such assessment, lien, or betterment per acre if agricultural property, or per front foot, if city property.

(d) Annual tax, assessment, or other charge per acre or millage rate of taxation for the purposes of each overlapping authority in the overlapped area for each year from 1928 to 1935 inclusive, and approximate percentage of delinquency of overlapped area in each case.

(e) Total area and approximate total population of each overlapping authority.

(f) Principal amount, interest rates, dates of issuance, and full maturities of outstanding bonds or other evidences of indebtedness of each overlapping authority for which overlapped area is charged. If any such bonds, coupons, or other evidences of indebtedness are in default, give dates and amounts thereof in each case. None of this information need be given in regard to overlapping State indebtedness.

6. Full statement as to any litigation pending or threatened involving the applicant or the indebtedness or obligations to be refinanced.

7. Full statement as to the physical condition of the school building or buildings and other facilities on account of which the indebtedness sought to be refinanced was incurred, including the dimensions and size of each school building, a description stating the type of building (brick, frame, etc.), number of rooms, method of heating and lighting, water supply, sewage disposal, date of construction, and similar pertinent information. A photograph of the school building or buildings should accompany the application.

8. General statement as to the source and basis of applicant's revenues however derived. If applicable, give total assessed valuation for purposes of applicant for each year from 1928 to 1935 inclusive and rate of taxation for each such year. State method of arriving at assessed valuation and percentage of assessed valuation to reasonable value of properties.

9. Statement as to the apportionment of revenues to particular funds and as to the purposes for which the same may be used, including a citation to the laws under which taxes are levied or other revenues are made available for school purposes. State limitations, if any, upon assessments, taxes, or other charges which may be imposed for school purposes.

10. Statement as to the present outstanding indebtedness of the applicant, including the following:

- (a) Debt limitations of applicant.
- (b) Statement as to each outstanding issue of bonds or other obligations of applicant payable from taxes or other charges levied against the property charged for the indebtedness sought to be refinanced in form similar to the specimen forms set forth in Schedules A and A-1.
- (c) If possible, the approximate amount of indebtedness incurred by the applicant in connection with the school or schools within the area or territory charged with the indebtedness sought to be refinanced which has been paid off and retired from the date of the organization of the applicant should be furnished.
- (d) Statement as to assessed value of lands and property assessed or taxed for the payment of the indebtedness sought to be refinanced, in the form of the specimen form set forth in Schedule B. The source of other revenues should be set forth in the form of the specimen form set forth in Schedule B-1.
- (e) Statement of the number of acres and/or assessed value of property charged with the payment of the debt sought to be refinanced now owned by the State, county, city, or applicant giving separately acres or property acquired by tax sale in each year since 1928 and acres or property otherwise acquired.

11. Statement as to the outstanding indebtedness or obligations sought to be refinanced, including the following:

- (a) Statement indicating which of the outstanding obligations or indebtedness listed in Schedules A and A-1 the applicant desires to refinance. If there are any school obligations or there is any school indebtedness which the applicant does not propose to refinance, the reasons for not including such obligations or indebtedness in the proposed refinancing program should be given.
- (b) Furnish, if available, the opinion or a counterpart of opinion as to the validity of the bonds or other obligations to be refinanced given by bond counsel in connection with the issuance and sale thereof.
- (c) Give citations to laws under which the indebtedness to be refinanced was incurred, including any court decisions with reference to the same.
- (d) State whether or not a bondholders' committee or other agency has been formed or designated for the protection of or contacting holders of outstanding obligations and, if so, give name and address of such committee or other agency and state the amount of obligations which have been deposited with same.
- (e) If no such bondholders' committee or other agency has been formed, state whether the applicant has available a list of bondholders or other security holders, and state what efforts, if any, have been made to secure such a list.
- (f) State what assurances, if any, the applicant has that its refinancing program will be acceptable to the holders of its outstanding indebtedness and forward copies of written agreements or proposals, if any.
- (g) Quotations or sale prices applying to the obligations of the applicant listed in Schedules A and A-1, local or otherwise, during each year, beginning

with 1928, and for each month, beginning July 1, 1934. State source of quotations and sale prices.

12. The following financial statements:

(a) Balance sheet or statement of assets and liabilities, as of the latest date available, together with similar statements as of December 31 (or close of applicant's fiscal year), for each year beginning with 1928. In those instances, where public accountants have audited the accounts, such statements shall be certified by such public accountants. In other instances and in the case of the latest balance sheet, such statements shall be certified to by the applicant's chief fiscal officer.

(b) Income and disbursement accounts in connection with school or schools of applicant within the area or territory charged with the indebtedness sought to be refinanced, showing, in reasonable detail, items of income and expense for each year beginning with 1928; certified by the chief fiscal officer, or, in those instances of public audits, by the public accountant; also, a similar statement for as many months of the current year as are available compared with the similar period of the preceding year certified to by the applicant's chief fiscal officer. Expenditures for betterments, for maintenance, and for operation shall be separated so that the total amount expended for each class of expenditures will be clearly shown.

(c) Description of any assets or liabilities or items of income and expense not properly described in the statements requested under (a) and (b) above, or which are unusual, or which, for any reason, require special attention.

(d) Full information in regard to the amount and type of insurance carried on the school or schools of applicant within the area or territory charged with the indebtedness sought to be refinanced.

13. Statement as to the nature of and security for the new or refunding bonds which the applicant will offer to evidence the loan, including the following:

(a) Citations to all statutes and constitutional provisions (including court decisions having a bearing upon the constitutionality or interpretation of statutes) with reference to the new or refunding bonds offered to evidence the loan. In case of any recent statutes or court decisions not yet included in authorized publications, complete copies thereof should be supplied and attached as exhibits to the application.

(b) State limitations, if any, imposed by law as to the term and interest rate of obligations to be issued.

(c) If the nature of the taxes and revenues from which such obligations are payable is different from that available for the payment of the obligations refinanced, a statement should be furnished as to the nature of such taxes and revenues including a statement of the property taxable and the limitations, if any, as to the general tax rate and rate which may be imposed for the obligations.

(d) State whether payment of taxes and/or assessments of applicant may be made with bonds, coupons, warrants, or the like, citing authority therefor.

(e) If assessment or tax levied for school purposes is a special assessment or tax, state whether a sale for general or any other taxes cancels delinquent assess-

ments or taxes imposed for school purposes with citation to statutes or court decisions governing the matter.

(f) Statement as to the time within which proceedings for sale of lands or properties for nonpayment of school taxes and assessments can be commenced and completed, together with the period of redemption.

(g) Give a reference to any statutes affecting the delinquency of taxes or assessments or providing for a moratorium thereon. Supply copies of recent legislation, if any.

(h) Statement of any other revenues and properties which the applicant can offer as security.

SECTION II. ADDITIONAL INFORMATION REQUIRED IN THE CASE OF REHABILITATION LOANS

1. If the applicant desires a rehabilitation loan, the request therefor may be included in the application for the refinancing loan. When an application includes a request for loans for both purposes, the following information should be furnished in addition to that required under Section I hereof:

(a) Purpose of and necessity for proposed work.

(b) General description of work and manner in which it is to be performed.

(c) Architect's or engineer's estimate of cost of proposed repairs and necessary extensions or improvements. This information should be itemized in reasonable detail, giving quantities and estimated prices for each item. Cover unusual conditions to be encountered. State whether the expenses incurred will be recurrent and, if so, how frequently.

2. When application is made for a rehabilitation loan, subsequent to the authorization of a refinancing loan, it will not be necessary to repeat information required under this circular which has been previously furnished. Reference should, however, be made to the same and any changes therein set forth. In addition, the following specific information should be furnished:

(a) Information called for in Section II, subparagraph 1 (a), (b), and (c) hereof.

(b) The following financial information:

1. A general description of any changes in the financial condition of the applicant subsequent to the granting of the refinancing loan.
2. Balance sheet, or statement of assets and liabilities as of the latest date available, certified to by the applicant's chief fiscal officer.
3. Income and disbursement accounts in connection with the school or schools of applicant within the area or territory charged with the indebtedness refinanced, showing with reasonable detail, items of income and expense for the period elapsing between the application for the refinancing loan and the application for the rehabilitation loan, certified to by the applicant's chief fiscal officer. Expenditures for betterments and maintenance and operation shall be segregated.

SPECIMEN FORMS

SCHEDULE A

Designation and purpose of issue: (Construction of waterworks, school, etc.)

Bonds dated: (Oct. 1, 1918.)

Amount of issue: (\$80,000.)

Interest rate: (6 percent.)

Net price received per \$100 face value: (98½.)

Underwriters, bankers, and brokers handling issue: (Name of firm.)

Date of maturity	Payments due		Paid		Unpaid	
	Bonds	Coupons	Bonds	Coupons	Bonds	Coupons
Oct. 1, 1921.....		\$2,400		\$2,400		
Apr. 1, 1922.....		2,400		2,400		
Oct. 1, 1922.....		2,400		2,400		
Apr. 1, 1923.....	\$3,000	2,400	\$3,000	2,400		
Oct. 1, 1923.....		2,310		2,310		
Apr. 1, 1924.....	4,000	2,310	4,000	2,310		
Oct. 1, 1924.....		2,190		2,190		
Apr. 1, 1925.....	5,000	2,190	5,000	2,190		
Oct. 1, 1925.....		2,040		2,040		
Apr. 1, 1926.....	5,000	2,040	5,000	2,040		
Oct. 1, 1926.....		1,890		1,890		
Apr. 1, 1927.....	5,000	1,890	5,000	1,890		
Oct. 1, 1927.....		1,740		1,740		
Apr. 1, 1928.....	6,000	1,740	5,000	1,740	\$1,000	
Oct. 1, 1928.....		1,560		1,560		
Apr. 1, 1929.....	6,000	1,560	4,000	1,560	2,000	
Oct. 1, 1929.....		1,380		1,380		
Apr. 1, 1930.....	6,000	1,380	6,000	1,380		
Oct. 1, 1930.....		1,200		1,110		\$90
Apr. 1, 1931.....	8,000	1,200		1,110	8,000	90
Oct. 1, 1931.....		960		600		360
Apr. 4, 1932.....	8,000	960	1,000	600	7,000	360
Oct. 1, 1932.....		720		360		360
Apr. 1, 1933.....	8,000	720		330	8,000	390
Oct. 1, 1933.....		480				480
Apr. 1, 1934.....	8,000	480			8,000	480
Oct. 1, 1934.....		240				240
Apr. 1, 1935.....	8,000	240			8,000	240
Total.....	80,000	43,020	38,000	39,930	42,000	3,090
Defaulted bonds.....					\$34,000	
Unmatured bonds.....					8,000	
Outstanding bonds.....					42,000	
Defaulted coupons.....						\$2,810

Date of this statement.....

NOTE.—Above is a specimen to illustrate the information desired and general manner of stating same, in regard to all outstanding bonds of applicant payable from taxes or other charges levied against the lands and property charged with the indebtedness sought to be refinanced.

SCHEDULE A-1

List in the following schedule all other outstanding obligations including judgments, notes, warrants, etc., of the applicant payable from taxes or other charges levied against the lands and properties charged with the indebtedness

sought to be refinanced. Full explanation should be made as to the purposes for which such obligations were issued.

Date obligation issued or judgment obtained	To whom issued or judgment creditor	Interest rate	Amount	Date due	Unpaid balance	Amount of principal delinquent	Amount of interest delinquent
-----	-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----	-----

N. B.—In the case of warrants outstanding, it is not necessary to list them separately. They may be shown in total amounts in this schedule. However, such warrants should be classified in groups according to the purposes for which they were issued. All other information requested in the above schedule will be required in the form set forth wherever applicable. State the date of issuance of the oldest outstanding unpaid warrant.

Date of this statement

SCHEDULE B

Schedule showing amounts of annual assessments or taxes, imposed and collected by applicant for school purposes. (This schedule is intended to show the amounts in dollars and cents assessed upon and collected from properties charged with the indebtedness sought to be refinanced.)

Year	Assessed	Collected ¹	Assessed valuation	Millage rate
1928.....	-----	-----	-----	-----
1929.....	-----	-----	-----	-----
1930.....	-----	-----	-----	-----
1931.....	-----	-----	-----	-----
1932.....	-----	-----	-----	-----
1933.....	-----	-----	-----	-----
1934.....	-----	-----	-----	-----
1935.....	-----	-----	-----	-----

¹ Collections through payment of taxes with bonds, coupons, or warrants should be segregated from cash collections for each year.

Date of this statement

SCHEDULE B-1

Schedule of revenues received from other sources. (This schedule is intended to show the amounts in dollars and cents received by applicant for the support of the school or schools within the area or territory charged with the indebtedness sought to be refinanced.)

Year	Source ¹ (State or county, etc.)	Source ¹ (-----)	Source ¹ (-----)
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>
1928.....	-----	-----	-----
1929.....	-----	-----	-----
1930.....	-----	-----	-----
1931.....	-----	-----	-----
1932.....	-----	-----	-----
1933.....	-----	-----	-----
1934.....	-----	-----	-----
1935.....	-----	-----	-----

¹ Full explanation, including the purposes to which revenues were applied, and reasons for any substantial fluctuations from year to year, should be given.

Date of this statement

STATUTORY PROVISIONS

For the information of applicants, Public, No. 325, 74th Congress (S. 3123) approved August 24, 1935, provides as follows:

AN ACT To provide for the relief of public-school districts and other public-school authorities, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Reconstruction Finance Corporation is hereby authorized and empowered to make loans out of the funds of the Corporation in an aggregate amount not exceeding \$10,000,000 to or for the benefit of tax-supported public-school districts or other similar public-school authorities in charge of public schools, organized pursuant to the laws of the several States, Territories, and the District of Columbia. Such aggregate amount shall be allocated equitably among the several States and Territories, and the District of Columbia, on the basis of demonstrated need. Such loans shall be made for the purpose of enabling any such district or authority which, or any State, municipality, or other public body which, is authorized to incur indebtedness for the benefit of public schools (herein referred to as the "borrower") to reduce and refinance outstanding indebtedness or obligations which have been incurred prior to the enactment of this Act for the purpose of financing the construction, operation and/or maintenance of public-school facilities.

Such loans shall be subject to the same terms and conditions as loans made under section 5 of the Reconstruction Finance Corporation Act, as amended, except that (1) the term of any such loans shall not exceed thirty-three years; (2) each such loan shall, in the opinion of the Corporation, be reasonably and adequately secured, and, in respect to the type of security, shall be secured (a) by bonds, notes, or other obligations for the payment of which shall be pledged the full faith and credit and taxing power of the borrower or of such taxing authority as may be authorized pursuant to State law to levy assessments, taxes, or other charges for the benefit of public schools, and/or (b) by bonds, notes, or other obligations which are a lien on real property of the borrower, and/or (c) by such other collateral as may be acceptable to the Corporation; (3) the borrower shall agree not to issue during the term of the loan any other obligations so secured, and insofar as it may lawfully do so, shall agree not to assume during such term any further indebtedness for the benefit of public schools, except with the consent of the Corporation; (4) the borrower shall agree, insofar as it may lawfully do so, that so long as any part of such loan shall remain unpaid the borrower will in each year apply to the repayment of such loan or to the purchase or redemption of the obligations issued to evidence such loan, an amount equal to the amount by which the assessments, taxes, and other funds received by it for the benefit of public schools exceeds (a) the cost of operation and maintenance of the public-school facilities which are financed in whole or in part by such amount of assessments, taxes, or other charges, received by it; (b) the debt charges on its outstanding obligations; and (c) provisions for such reasonable reserves as may be approved by the Corporation.

No loan shall be made under this section until the Corporation (a) has caused an appraisal to be made of the taxpaying ability of the taxing district or other territory throughout which assessments, taxes, or other charges are authorized to be levied for the purpose of paying the costs of, or for the purpose of securing funds to repay indebtedness incurred to finance the construction, operation, and/or maintenance of the public-school facilities on account of which the indebtedness was incurred or obligations assumed which are to be reduced and refinanced in connection with a loan from the Corporation made under this section; (b) has been satisfied that an agreement has been entered into with the holders of outstanding bonds, notes, and/or other obligations incurred by or for the benefit of the tax-supported public-school district or other similar public-school authority in charge of public schools which indebtedness or obligations are to be reduced and refinanced in connection with a loan from the Corporation, under which agreement it will be possible to purchase, reduce, or refund all or a major portion

of the aggregate of outstanding indebtedness and obligations incurred by or on behalf of such district or authority at a price determined by the Corporation to be reasonable after taking into consideration the average market price of the evidences of the indebtedness or obligations to be reduced and refinanced over the six months' period ending January 1, 1935, and under which a substantial reduction will be brought about in the aggregate of such outstanding indebtedness and obligations; and (c) has determined, in view of such appraisal of taxpaying ability and of such substantial reduction in the aggregate of such outstanding indebtedness and obligations, that the operation of the public-school facilities to refinance indebtedness or obligations incurred for the benefit of which a loan from the Corporation is applied for under this section, is economically sound and will promote the general welfare of the community.

When any loan is authorized pursuant to the provisions of this section and it shall then or thereafter appear that repairs and necessary extensions or improvements to the public-school facilities, to refinance the indebtedness or obligations incurred for the benefit of which such loan is authorized, are necessary or desirable for the further assurance of the ability of the borrower to repay such loan, the Corporation, within the limitation as to total amount provided in this section, may make an additional loan or loans to such borrower for such purposes.

The proceeds of any loan applied for by a borrower under this section may be paid either to such borrower or to the holders or representatives of the holders of the bonds, notes, and/or other obligations to be reduced and refinanced in connection with such loan, and such loans may be made upon promissory notes collateralized by such bonds, notes, and/or other obligations, or through the purchase of securities issued or to be issued by such borrower.

SEC. 2. No loan shall be made by the Corporation under this Act where any part of the proceeds of such loan are to be used for purposes authorized by section 16 of the Act approved June 19, 1934 (Public, No. 417, 73d Cong.).

NOTE.—All applicable terms and conditions of section 5 of the Reconstruction Finance Corporation Act, as amended, are contained in the body of this circular. Consequently, there is no necessity for applicant investigating requirements of such section.

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CIRCULAR No. 4
(REVISED)

RECONSTRUCTION
FINANCE CORPORATION

ITS POWERS AND FUNCTIONS



NOVEMBER 1936

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1936

RECONSTRUCTION FINANCE CORPORATION

1825 H STREET NORTHWEST

WASHINGTON, D. C.

DIRECTORS AND OFFICERS

JESSE H. JONES, *Chairman, Board of Directors.*

HENRY MORGENTHAU, Jr. (Secretary of the Treasury), *Director Ex Officio.*

CHARLES T. FISHER, Jr., *Director.*

CHARLES B. HENDERSON, *Director.*

CARROLL B. MERRIAM, *Director.*

EMIL SCHRAM, *Director.*

FREDERIC H. TABER, *Director.*

GEORGE R. COOKSEY, *Secretary.*

JAMES B. ALLEY, *General Counsel.*

HENRY A. MULLIGAN, *Treasurer.*

(11)

JAN 8 1937

RECONSTRUCTION FINANCE CORPORATION

The Reconstruction Finance Corporation was created by "An Act to provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes", approved January 22, 1932, which may be cited as the "Reconstruction Finance Corporation Act." The powers of the Corporation were increased and the scope of its operations extended or otherwise affected by subsequent legislation, the text of which is contained in a pamphlet entitled "Reconstruction Finance Corporation Act, as amended, and other Laws and Documents pertaining to Reconstruction Finance Corporation", revised and issued in November, 1936.

The Corporation may perform all functions it is authorized to perform under law until February 1, 1937, or such earlier date as the President may fix by proclamation.

This circular outlines the organization, functions, and authority of the Corporation under existing law.

I. MANAGEMENT AND ORGANIZATION

The Reconstruction Finance Corporation was organized on February 2, 1932, pursuant to the provisions of the Reconstruction Finance Corporation Act, which provides that it shall have succession for a period of 10 years from January 22, 1932, unless sooner dissolved by an act of Congress. Under the Act, as amended, its management is vested in a board of directors consisting of the Secretary of the Treasury (or, in his absence, the Under Secretary of the Treasury), who is a member ex officio, and six other persons appointed by the President of the United States, by and with the advice and consent of the Senate.

The Corporation functions through a principal office at Washington and loan agencies established in cities throughout the United States,¹ as follows:

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	St. Louis, Mo.
Cleveland, Ohio	Louisville, Ky.	Salt Lake City, Utah
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Seattle, Wash.
El Paso, Tex.	New York, N. Y.	Spokane, Wash.
Helena, Mont.	Oklahoma City, Okla.	

¹ A map showing the territory served by each loan agency will be found on p. 24.

In addition to the foregoing, the Corporation has a special representative and a Custodian at San Juan, Puerto Rico.

The Federal Reserve banks are authorized and directed by law to act as depositories, custodians, and fiscal agents for the Corporation. The proceeds of loans generally are disbursed by the Corporation through the Federal Reserve banks and their branches which also, acting as custodians, hold the primary obligations of borrowers evidencing indebtedness to the Corporation, as well as the collateral pledged with the Corporation as security therefor. Since there is no Federal Reserve bank in Puerto Rico, the Insular Treasurer at San Juan acts as Custodian for the Corporation.

The funds of the Corporation are kept on deposit with the Treasurer of the United States.

II. LOANS UNDER SECTION 5 OF THE RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED ²

1. To Financial Institutions, State Insurance Funds, and Railroads.

The Corporation, under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended, is authorized to make loans on full and adequate security and upon the terms and conditions stated in the law, to:

Any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the United States, including loans secured by the assets of any bank, savings bank, or building and loan association that is closed,³ or in process of liquidation, to aid in the reorganization or liquidation thereof, upon application of the receiver or liquidating agent of such institution; any State insurance fund established or created by the laws of any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of paying or insuring payment of compensation to injured workmen and those disabled as a result of disease contracted in the course of their employment, or to their dependents; and any fund created by any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of insuring the repayment of deposits of public moneys of such State, or any of its political subdivisions, in banks or depositories qualified under the law of such State to receive such deposits.

Under the same section of the law, as amended, the Corporation, with the approval of the Interstate Commerce Commission, including approval of the

² Section 5, Reconstruction Finance Corporation Act (47 Stat., chap. 8, pp. 6-8); as amended by sections 202, 203, and 211, Emergency Relief and Construction Act of 1932, approved July 21, 1932 (47 Stat., chap. 520, pp. 714, 715-716); sections 10, 12, and 13, Act of Congress approved June 10, 1933 (48 Stat., chap. 55, pp. 121-122); Act of Congress approved June 14, 1933 (48 Stat., chap. 72, p. 141); Act of Congress approved June 21, 1934 (48 Stat., chap. 692, p. 1198); and section 4, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, pp. 2-3).

³ Regarding loans to closed banks, see also p. 9.

price to be paid, may, to aid in the financing, reorganization, consolidation, maintenance, or construction thereof, purchase for itself, or for account of a railroad obligated thereon, the obligations of railroads engaged in interstate commerce, including equipment trust certificates, or guarantee the payment of the principal of, and/or interest on, such obligations, including equipment trust certificates, or, when, in the opinion of the Corporation, funds are not available on reasonable terms through private channels, make loans, upon full and adequate security, to such railroads or to receivers or trustees thereof for the aforesaid purposes. In the case of loans to or the purchase or guarantee of obligations, including equipment trust certificates, of railroads not in receivership or trusteeship, the Interstate Commerce Commission shall, in connection with its approval thereof, also certify that such railroad, on the basis of present and prospective earnings, may reasonably be expected to meet its fixed charges, without a reduction thereof through judicial reorganization, except that such certificate shall not be required in case of such loans made for maintenance of, or purchase of equipment for, such railroads. The Reconstruction Finance Corporation Act, as amended, provides that in respect of loans or renewals or extensions of loans or purchases of obligations under section 5 of the Reconstruction Finance Corporation Act, as amended, to or of railroads, the Corporation may require as a condition of making any such loan or renewal or extension for a period longer than 5 years, or purchasing any such obligation maturing later than 5 years from the date of purchase by the Corporation, that such arrangements be made for the reduction or amortization of the indebtedness of the railroad, either in whole or in part, as may be approved by the Corporation after the prior approval of the Interstate Commerce Commission.

2. To Parties to Marketing Agreements.

Section 8b of the Agricultural Adjustment Act, approved May 12, 1933, as amended,⁴ authorizes the Corporation to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to parties to any marketing agreement entered into by the Secretary of Agriculture with processors, producers, associations of producers, and others engaged in the handling of any agricultural commodity or product thereof, only with respect to such handling, however, as is in the current of interstate or foreign commerce or which directly burdens, obstructs, or affects, interstate or foreign commerce in such commodity or product thereof, for the purpose of carrying out any such agreement.

3. To the Fishing Industry.

Section 15 of the Act of Congress approved June 19, 1934,⁵ authorizes the Corporation to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to any person, association, or corporation organized under the laws of any State, the District of Columbia, Alaska, Hawaii, or Puerto Rico, for the purpose of financing the production, storage,

⁴ Section 8, Agricultural Adjustment Act (48 Stat., chap. 25, p. 34), as amended by section 4, Act of Congress approved August 24, 1935 (49 Stat., chap. 641, p. 753).

⁵ 48 Stat., chap. 653, pp. 1112-1113.

handling, packing, processing, carrying and/or orderly marketing of fish of American fisheries and/or products thereof.⁶

More detailed information regarding loans to the fishing industry is contained in Reconstruction Finance Corporation Circular No. 17.

* * * * *

Section 5 of the Reconstruction Finance Corporation Act, as amended, provides that in no case shall the aggregate amount of advances made thereunder to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2% per centum of

- (1) The authorized capital stock of the Reconstruction Finance Corporation, plus
- (2) The aggregate amount of bonds authorized to be outstanding when the capital stock is fully subscribed.⁷

Such limitation, however, does not apply to advances to receivers or other liquidating agents of closed banks when made for the purpose of liquidation or reorganization.

Section 4 of the Act of Congress approved June 10, 1933,^{7a} provides that the Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932:

- (1) If at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Corporation, and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Corporation while such loan is outstanding and unpaid.

For the purposes of this section, the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

No loans or advances may be made under section 5 of the Reconstruction Finance Corporation Act upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances.

⁶ The Corporation also may make loans to the fishing industry under the provisions of section 5d, Reconstruction Finance Corporation Act, as amended. (See "VII. LOANS TO INDUSTRIAL OR COMMERCIAL BUSINESS DIRECT", etc., pp. 7-8.)

⁷ See "XXI. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION", pp. 18-21.

^{7a} 48 Stat., chap. 55, p. 120.

III. SUBSCRIPTIONS FOR PREFERRED STOCK OF NATIONAL OR STATE BANKS OR TRUST COMPANIES, LOANS SECURED BY SUCH STOCK AS COLLATERAL, OR PURCHASES OF CAPITAL NOTES OR DEBENTURES OF STATE BANKS OR TRUST COMPANIES

Under section 304 of the Act of Congress approved March 9, 1933, as amended,⁸ the Reconstruction Finance Corporation is authorized to subscribe for preferred stock, exempt from double liability, in any National or State bank or trust company,⁹ upon the request of the Secretary of the Treasury with the approval of the President. The Corporation also is authorized to make loans secured by the preferred stock of National or State banks or trust companies as collateral, upon the request of the Secretary of the Treasury with the approval of the President. In any case in which a State bank or trust company is not permitted, under the laws of the State in which it is located, to issue preferred stock exempt from double liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, the Corporation is authorized, for the purposes of this section, to purchase the legally issued capital notes or debentures of such State bank or trust company.

The Corporation is further authorized, under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), to sell, at public or private sale, the whole or any part of the preferred stock, capital notes, or debentures of any National or State bank or trust company acquired by the Corporation pursuant to the foregoing authority.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 6 and No. 18.

IV. SUBSCRIPTIONS FOR PREFERRED STOCK AND PURCHASES OF CAPITAL NOTES, ETC., OF INSURANCE COMPANIES, AND LOANS SECURED BY SUCH STOCK OR NOTES, ETC., AS COLLATERAL

Pursuant to the provisions of the Act of Congress approved June 10, 1933, as amended,¹⁰ the Corporation is authorized, upon the request of the Secretary of the Treasury with the approval of the President, to subscribe for preferred stock of any class, exempt from assessment or additional liability, in any

⁸ Section 304, Act of Congress approved March 9, 1933 (48 Stat., chap. 1, p. 6); as amended by section 2, Act of Congress approved March 24, 1933 (48 Stat., chap. 8, p. 21); and section 1, Act of Congress approved March 20, 1936 (49 Stat., chap. 160, p. 1185).

⁹ The term "State bank or trust company", as construed by the Act of Congress approved March 9, 1933, as amended, includes a bank or trust company organized under the laws of any State, Territory, or possession of the United States, or the Canal Zone; and other banking corporations engaged in the business of industrial banking and under the supervision of State banking departments or of the Comptroller of the Currency.

¹⁰ Act of Congress approved June 10, 1933 (48 Stat., chap. 55, pp. 119-120, 121); as amended by section 12, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, pp. 1111-1112); and section 8, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 4).

insurance company ¹¹ of any State ¹² of the United States which is in need of funds for capital purposes either in connection with the organization of such company or otherwise, or to make loans secured by such stock as collateral. The Corporation further is authorized, under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), to sell, at public or private sale, the whole or any part of the preferred stock of any such insurance company acquired by it pursuant to the aforesaid provisions of law.

In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than 20 days, or if the insurance company is a mutual organization without capital stock, the Corporation is authorized, for the purposes indicated above, to purchase the legally issued capital notes of such insurance company, or, if the company is a mutual organization without capital stock, such other form or forms of indebtedness as the laws of the State under which such company is organized permit, or to make loans secured by such notes or such other form or forms of indebtedness as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

The Corporation may not subscribe for any such preferred stock or purchase any such capital notes or make loans upon such stock or notes of any applicant insurance company:

- (1) If at the time of such subscription, purchase, or loan, any officer, director, or employee of the applicant is receiving total compensation, including any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services, in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates; and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees, except with the consent of the Corporation and in no event to an amount exceeding \$17,500 per annum, so long as preferred stock or capital notes, etc., are held by the Corporation.

The total amount of loans outstanding, preferred stock subscribed for, and capital notes or such other form or forms of indebtedness purchased and held by the Corporation pursuant to the aforesaid provisions of law relating to insurance companies may not exceed, at any one time, \$75,000,000.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 8.

¹¹ As construed by the Act of Congress approved June 10, 1933, as amended, the term "insurance company", includes any corporation engaged in the business of insurance or in the writing of annuity contracts, irrespective of the nature thereof, and operating under the supervision of a State superintendent or department of insurance in any of the States of the United States.

¹² The term "State", as construed by the Act of Congress approved June 10, 1933, as amended, means any State, Territory, or possession of the United States, the Canal Zone, and the District of Columbia.

V. SUBSCRIPTIONS FOR OR LOANS UPON NONASSESSABLE STOCK AND PURCHASE OF CAPITAL NOTES OR DEBENTURES OF NATIONAL MORTGAGE ASSOCIATIONS, MORTGAGE LOAN COMPANIES, TRUST COMPANIES, ETC.

To assist in the reestablishment of a normal mortgage market the Corporation may, under section 5c of the Reconstruction Finance Corporation Act, as amended,¹³ with the approval of the President, subscribe for or make loans upon the nonassessable stock of any class of any national mortgage association organized under Title III of the National Housing Act, and of any mortgage loan company, trust company, savings and loan association, or other similar financial institution, now or hereafter incorporated under the laws of the United States, or of any State, or of the District of Columbia, the principal business of which institution is that of making loans upon mortgages, deeds of trust, or other instruments conveying, or constituting a lien upon, real estate or any interest therein. In any case in which, under the laws of its incorporation, such financial institution is not permitted to issue nonassessable stock, the Corporation is authorized, for the purposes of section 5c above mentioned, to purchase the legally issued capital notes or debentures of such financial institutions. Under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), the Corporation may sell, at public or private sale, the whole or any part of the stock, capital notes, or debentures acquired by it pursuant to the provisions of said section 5c.

The total face amount of such loans outstanding, nonassessable stock subscribed for, and capital notes or debentures purchased and held by the Corporation, shall not exceed \$100,000,000 at any one time.

VI. ACQUISITION OF NONASSESSABLE CAPITAL STOCK OF COMMODITY CREDIT CORPORATION

Pursuant to the provisions of the Act approved April 10, 1936,¹⁴ the Reconstruction Finance Corporation is authorized and directed to acquire \$97,000,000 of the nonassessable capital stock of the Commodity Credit Corporation.

VII. LOANS TO INDUSTRIAL OR COMMERCIAL BUSINESS DIRECT, OR IN CONJUNCTION WITH BANKS AND OTHER LENDING INSTITUTIONS

For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized, pursuant to the provisions of section 5d of the Reconstruction Finance Corporation Act,

¹³ Section 5c was added to the Reconstruction Finance Corporation Act, as amended, by section 5, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 3).

¹⁴ 49 Stat., chap. 168, p. 1191.

as amended,¹⁵ to make loans to any industrial or commercial business, which shall include the fishing industry,¹⁶ and to any institution, now or hereafter established, financing principally the sale of electrical, plumbing, or air-conditioning appliances or equipment or other household appliances, both urban and rural. Such loans shall, in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, may be made directly, or in cooperation with banks or other lending institutions, or by purchase of participations, shall mature not later than January 31, 1945, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 13 and No. 15.

VIII. LOANS TO OR FOR THE BENEFIT OF CERTAIN AGRICULTURAL IMPROVEMENT DISTRICTS, ETC., TO REDUCE AND REFINANCE OUTSTANDING INDEBTEDNESS, ETC.

Section 36 of the Emergency Farm Mortgage Act of 1933, as amended,¹⁷ authorizes the Corporation to make loans, not to exceed \$125,000,000 in the aggregate, to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, mutual nonprofit companies and incorporated water users' associations duly organized under the laws of any State or Territory and to or for the benefit of political subdivisions of States and Territories which have or propose to purchase or otherwise acquire projects or portions thereof devoted chiefly to the improvement of lands for agricultural purposes. Such loans shall be made for the following purposes:

1. To enable an applicant to reduce and refinance its outstanding indebtedness incurred in connection with its project;
2. To enable an applicant which has or proposes to purchase or otherwise acquire projects or portions thereof devoted chiefly to the improvement of lands for agricultural purposes, to purchase, acquire, construct or complete such a project or any part thereof or to purchase or acquire additional drainage, levee, or irrigation works, or property, rights, or appurtenances in connection therewith, and to repair, extend, or improve any such project or make such additions thereto

¹⁵ Section 5d was added to the Reconstruction Finance Corporation Act, as amended, by section 5, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, pp. 1108-1109). It was subsequently amended by section 10, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, pp. 4-5).

¹⁶ The Corporation also is authorized to make loans to the fishing industry under section 15 of the Act of Congress approved June 19, 1934. (See "II. LOANS UNDER SECTION 5 OF THE RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED", pp. 3-4.)

¹⁷ Section 36, Emergency Farm Mortgage Act of 1933, approved May 12, 1933 (48 Stat., chap. 25, pp. 49-50), as amended by section 19, Independent Offices Appropriation Act, 1934, approved June 16, 1933 (48 Stat., chap. 101, pp. 308-309); section 11, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, pp. 1110-1111); Joint Resolution of Congress, approved June 27, 1934 (48 Stat., chap. 851, p. 1269); and Act of Congress approved June 22, 1936 (49 Stat., chap. 702, pp. 1818-1819.).

as are consonant with or necessary or desirable for the proper functioning thereof or for the further assurance of the ability of the borrower to repay its loan. Such loans shall not permit additional or new land to be brought into production outside of the present boundaries of any established or reorganized irrigation district;

and shall be subject, with certain exceptions, to the same terms and conditions as loans under section 5 of the Reconstruction Finance Corporation Act, as amended.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 7.

IX. LOANS UPON OR PURCHASE OF THE ASSETS OF CLOSED BANKS

Section 5e (a) of the Reconstruction Finance Corporation Act, as amended,¹⁸ authorizes the Corporation to make loans upon or purchase the assets, or any portion thereof, of any bank, savings bank, or trust company, which has been closed on or after December 31, 1929, and prior to January 1, 1934, and the affairs of which have not been fully liquidated or wound up, upon such terms and conditions as the Corporation may by regulations prescribe. This section also makes provision for loans upon or purchase by the Corporation of the assets, or any portion thereof, of closed banks which have been trustee or are otherwise held for the benefit of depositors or depositors and others.¹⁹

X. MINING LOANS

Section 14 of the Act of Congress approved June 19, 1934, as amended,²⁰ authorizes the Corporation to make loans upon sufficient security to recognized and established corporations, individuals, and partnerships, engaged in the business of mining, milling, or smelting ores.

The Corporation is authorized also to make loans to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver, when, in the opinion of the Corporation, there is sufficient reason to believe that, through the use of such loan in the development of a lode, ledge, or vein, or mineral deposit, or placer or gravel deposit, there will be developed a sufficient quantity of ore or placer deposits of a sufficient value to pay a profit upon mining operations. The law provides that not to exceed \$20,000 shall be lent to any corporation, individual, or partnership, for such development purposes; and further provides that a sum not to exceed \$10,000,000 shall be allocated and made available for such development loans.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 14.

¹⁸ Section 5e was added to the Reconstruction Finance Corporation Act, as amended by section 3 (a), Act of Congress approved June 16, 1934 (48 Stat., chap. 546, p. 971). It was subsequently amended by section 6, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, pp. 3-4).

¹⁹ The Corporation also may make loans to closed banks under the provisions of section 5, Reconstruction Finance Corporation Act, as amended. (See p. 2.)

²⁰ Section 14, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, p. 1112); as amended by section 12, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 5).

XI. LOANS TO MANAGING AGENCIES OF FARMERS' COOPERATIVE MINERAL RIGHTS POOLS

Pursuant to the provisions of section 13 of the Act of Congress approved June 19, 1934,²¹ the Corporation is authorized to make loans upon full and adequate security, based on mineral acreage, to recognized and established incorporated managing agencies of farmers' cooperative mineral rights pools for the purpose of defraying the cost of organizing such pools.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 16.

XII. LOANS TO OR FOR THE BENEFIT OF PUBLIC-SCHOOL DISTRICTS OR OTHER PUBLIC-SCHOOL AUTHORITIES

Pursuant to the provisions of section 1 of the Act of Congress approved August 24, 1935,²² the Corporation is authorized to make loans to or for the benefit of tax-supported public-school districts or other similar public-school authorities in charge of public schools organized pursuant to the laws of the several States, Territories, and the District of Columbia for the purpose of enabling any such district or authority which, or any State, municipality, or other public body which is authorized to incur indebtedness for the benefit of public schools, to reduce and refinance outstanding indebtedness or obligations which have been incurred prior to August 24, 1935, for the purpose of financing the construction, operation, and/or maintenance of public-school facilities.

Loans may also be made to enable applicants, to whom refinancing loans have been authorized, to make such repairs and necessary extensions or improvements to the public-school facilities on account of which the indebtedness refinanced was incurred as are necessary or desirable for the further assurance of the ability of the applicants to repay such refinancing loans.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 20.

XIII. LOANS FOR THE REPAIR OF DAMAGES CAUSED BY FLOODS OR OTHER CATASTROPHES

Pursuant to the provisions of the Act of Congress approved April 13, 1934, as amended,²³ the Corporation is authorized, through such agency or agencies as it may designate, to make loans, upon terms and conditions specified in the law, and not to exceed \$50,000,000 in the aggregate, to corporations, partnerships, or individuals, municipalities or political subdivisions of States or of their public agencies, including public school boards and public school districts, and water, irrigation, sewer, drainage, and flood control districts for the purpose of financing the repair, construction, reconstruction, or rehabilitation of structures

²¹ 48 Stat., chap. 653, p. 1112.

²² 49 Stat., chap. 646, pp. 796-797.

²³ Act of Congress approved April 13, 1934 (48 Stat., chap. 121, pp. 589-590); as amended by Act of Congress approved July 26, 1935 (49 Stat., chap. 421, p. 505); and sections 1 and 2, Act of Congress approved April 17, 1936 (49 Stat., chap. 234 pp. 1232-1233).

or buildings, including such equipment, appliances, fixtures, machinery, and appurtenances as shall be deemed necessary or appropriate by the Corporation, and for the purpose of financing the repair, construction, reconstruction, or rehabilitation of water, irrigation, gas, electric, sewer, drainage, flood-control, communication, or transportation systems, highways, and bridges damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935 or 1936, and for the purpose of financing the acquisition of structures, buildings, or property, real and personal, in replacement of structures, buildings, groins, jetties, bulkheads, or property, real and personal, destroyed or rendered unfit for use by reason of the catastrophe, when such repair, construction, reconstruction, rehabilitation, or acquisition is deemed by the Corporation to be useful or necessary, said loans to be so secured as reasonably to assure repayment thereof.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 19 and No. 21.

XIV. LOANS FOR THE CARRYING AND ORDERLY MARKETING OF AGRICULTURAL COMMODITIES AND LIVESTOCK

Under section 201 (d) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,²⁴ the Corporation is authorized to make loans upon full and adequate security to bona fide institutions, organized under the laws of any State²⁵ or of the United States and having resources adequate for their undertakings, for the purpose of enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 10.

XV. LOANS TO THE ADMINISTRATOR OF THE RURAL ELECTRIFICATION ADMINISTRATION

Section 3 (a) of the Rural Electrification Act of 1936, approved May 20, 1936,²⁶ authorizes and directs the Corporation to make loans to the Administrator of the Rural Electrification Administration, upon his request approved by the President, not exceeding in aggregate amount \$50,000,000 for the fiscal year ending June 30, 1937, with interest at 3 per centum per annum upon the security of the obligations of borrowers from the Administrator. No such loan shall be in an amount exceeding 85 per centum of the principal amount outstanding of the obligations constituting the security therefor. Such obligations incurred for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines, or systems shall be fully amortized over a period not to exceed 25 years, and

²⁴ 47 Stat., chap. 520, p. 712.

²⁵ Pursuant to section 206, Emergency Relief and Construction Act of 1932 (47 Stat., chap. 520, p. 714), the term "State" as used in Title II of such Act (of which section 201 (d) is a part) includes the District of Columbia, Alaska, Hawaii, and Puerto Rico.

²⁶ 49 Stat., chap. 432, p. 1364.

the maturity of such obligations incurred for the purpose of financing the wiring of premises and the acquisition and installation of electrical and plumbing appliances and equipment shall not exceed two-thirds of the assured life thereof and not more than five years.

The Administrator is authorized by such section 3 (a) to make all such endorsements, to execute all such instruments, and to do all such acts and things as shall be necessary to effect the valid transfer and assignment to the Corporation of all such obligations.

No loans shall be made by the Corporation to the Administrator after June 30, 1937.

Moneys representing payments of principal and interest on obligations constituting the security for loans made by the Corporation to the Administrator shall be paid to the Corporation in payment of such loans.

XVI. SELF-LIQUIDATING LOANS UNDER SECTION 201 (A) OF THE EMERGENCY RELIEF AND CONSTRUCTION ACT OF 1932, AS AMENDED

The power of the Corporation to make new self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,²⁷ as amended, was terminated at the close of June 26, 1933, pursuant to the provisions of section 301 of the National Industrial Recovery Act, approved June 16, 1933,²⁸ which created the Federal Emergency Administration of Public Works. The functions of the Corporation in this field were superseded by the functions of that Administration. Section 301 of the National Industrial Recovery Act provides, however, that the Corporation may issue funds to a borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, prior to January 23, 1939, under the terms of any agreement or any commitment to bid upon or purchase bonds entered into with such borrower pursuant to an application approved prior to the date of termination of the power of the Corporation to approve applications under such section.

Section 301 of the National Industrial Recovery Act, as amended by section 9 of the Act of Congress approved June 19, 1934,²⁹ provides that in connection with any loan or contract or any commitment to make a loan entered into by the Corporation prior to June 26, 1933, to aid in financing part or all of the construction cost of projects pursuant to the provisions of section 201 (a) (1) of the Emergency Relief and Construction Act of 1932, as amended, the Corporation may make such further loans and contracts, subject to all the terms and conditions set forth in the Emergency Relief and Construction Act of 1932, as amended, for the completion of any such project, or for improve-

²⁷ Section 201 (a), Emergency Relief and Construction Act of 1932 (47 Stat., chap. 520, pp. 711-712); as amended by Joint Resolution of Congress approved March 23, 1933 (48 Stat., chap. 5, p. 20); Third Deficiency Act, fiscal year 1933, approved May 29, 1933 (48 Stat., chap. 42, pp. 99-100); sections 5, 6, 7, 8, and 9, Act of Congress approved June 10, 1933 (48 Stat., chap. 55, pp. 120-121); and section 5, Fourth Deficiency Act, fiscal year 1933, approved June 16, 1933 (48 Stat., chap. 100, p. 283).

²⁸ 48 Stat., chap. 90, p. 210.

²⁹ 48 Stat., chap. 653, p. 1110.

ments, additions, extensions, or equipment which are necessary or desirable for the proper functioning of any such project, or which will materially increase the assurance that the borrower will be able to repay the entire investment of the Corporation in such project, including such improvements, additions, extensions, or equipment.

In all cases where the Corporation shall hold bonds or other evidences of indebtedness of any borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, whether heretofore or hereafter acquired, and such borrower shall be able and willing to substitute or cause to be substituted therefor any other bonds or other evidences of indebtedness, whether of the same or longer maturities or otherwise differing, which, in the judgment of the Corporation, are more desirable than those so held, the Corporation is authorized to accept such bonds or other evidences of indebtedness, in exchange and substitution for such bonds or other evidences of indebtedness so held by it, upon such terms and conditions agreed upon with such borrower at the time of, or in contemplation of, such exchange and substitution.

XVII. LOANS FOR THE EXPORTATION OF AGRICULTURAL OR OTHER PRODUCTS

Under section 5a of the Reconstruction Finance Corporation Act,³⁰ the Corporation is authorized, subject to specified limitations, to accept drafts and bills of exchange drawn upon it, which grow out of transactions involving the exportation of agricultural or other products actually sold or transported for sale subsequent to the enactment of the law, and in process of shipment to buyers in foreign countries. All such drafts and bills of exchange must be in terms payable in the United States, in currency of the United States, and, in addition to the draft or bill of exchange, must at all times be fully secured by American securities as collateral, or must be guaranteed by a bank or trust company of undoubted solvency, organized under the laws of the United States or any State, Territory, or insular possession thereof.

Under section 201 (c) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,³¹ the Corporation is authorized to make loans for the purpose of financing sales of surpluses of agricultural products in the markets of foreign countries in which such sales cannot be financed in the normal course of commerce, in order that such surpluses may not have a depressing effect upon current prices of such products; but it is stipulated that no such sales shall be financed by the Corporation, if, in its judgment, such sales will affect adversely the world markets for such products, and that no such loan may be made to finance the sale in the markets of foreign countries of cotton owned by the Federal Farm Board³² or the Cotton Stabilization Corporation. All loans made under such section 201 (c) must be fully and adequately secured.

³⁰ 47 Stat., chap. 8, p. 8.

³¹ 47 Stat., chap. 520, p. 712.

³² Name changed to Farm Credit Administration by Executive order of March 27, 1933.

Joint resolution of Congress approved March 26, 1934, ³³ states:

That it is the sense of Congress that in any loans made by the Reconstruction Finance Corporation * * * to foster the exporting of agricultural or other products, provision shall be made that such products shall be carried exclusively in vessels of the United States, unless, as to any or all of such products, the Shipping Board Bureau, after investigation, shall certify to the Reconstruction Finance Corporation * * * that vessels of the United States are not available in sufficient numbers, or in sufficient tonnage capacity, or on necessary sailing schedule, or at reasonable rates.

XVIII. OTHER LOANS AND ADVANCES

1. Loans and Advances to the Secretary of Agriculture

Under the provisions of section 5 of the Agricultural Adjustment Act, approved May 12, 1933, as amended,³⁴ the Corporation is authorized and directed to advance money and to make loans to the Secretary of Agriculture to acquire (a) all cotton owned by the Federal Farm Board³⁵ and all departments or other agencies of the Government, not including the Federal intermediate credit banks, and (b) all cotton on which money has been lent or advanced by any department or agency of the United States, including futures contracts for cotton, or which is held as collateral for loans or advances.

2. Loans to Receivers Appointed under Section 29 of the Federal Farm Loan Act, as Amended, or by a United States District Court

Section 27 of the Emergency Farm Mortgage Act of 1933, approved May 12, 1933,³⁶ as amended, authorizes the Reconstruction Finance Corporation to make loans to any receiver appointed pursuant to section 29 of the Federal Farm Loan Act, as amended, and to make loans to any receiver appointed by a district court of the United States for the purpose of paying taxes on farm real estate owned by the bank or securing the mortgages held by it; and such receivers are authorized to borrow from the Corporation with the approval of the Land Bank Commissioner.

3. Loans to the Corporation of Foreign Security Holders

The Corporation of Foreign Bondholders Act, 1933, approved May 27, 1933, which is not to take effect until the President finds that such action is in the public interest and by proclamation so declares, creates a body corporate with the name "Corporation of Foreign Security Holders" for the purpose of protecting, conserving, and advancing the interests of the holders of foreign

³³ 48 Stat., chap. 90, p. 500.

³⁴ Section 5, Agricultural Adjustment Act, approved May 12, 1933 (48 Stat., chap. 25, p. 33); as amended by Title II, Emergency Appropriation Act, fiscal year 1935, approved June 19, 1934 (48 Stat., chap. 648, p. 1059).

³⁵ Name changed to Farm Credit Administration by Executive order of March 27, 1933.

³⁶ 48 Stat., chap. 25, p. 45.

securities in default. Under section 209 of such Act,³⁷ the Reconstruction Finance Corporation is authorized to lend out of its funds not to exceed \$75,000 for the use of the Corporation of Foreign Security Holders.

4. Advances to the Reclamation Fund

Section 37 of the Emergency Farm Mortgage Act of 1933, approved May 12, 1933,³⁸ authorized the Corporation, upon request of the Secretary of the Interior, to advance funds to the reclamation fund created by the Act of June 17, 1902, not exceeding \$5,000,000 for the completion of projects or divisions of projects under construction, or projects approved and authorized. Funds so advanced shall be repaid out of any receipts and accretions accruing to the reclamation fund within such time as may be fixed by the Reconstruction Finance Corporation, not exceeding 5 years from the date of advance, with interest at the rate of 4 per centum per annum. Sums so advanced may be expended in the same way as other moneys in the reclamation fund.

XIX. PURCHASE OF MARKETABLE SECURITIES FROM THE FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS

The Corporation is authorized, pursuant to the provisions of Title II of the Emergency Appropriation Act, fiscal year 1935, approved June 19, 1934,³⁹ to purchase marketable securities, satisfactory to the Corporation, acquired or to be acquired by the Federal Emergency Administration of Public Works. The amount that the Corporation may have invested at any one time in such securities shall not exceed \$250,000,000.

XX. PURCHASE OF DEBENTURES OR OBLIGATIONS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Section 5e (b) of the Reconstruction Finance Corporation Act, as amended,⁴⁰ authorizes the Corporation to purchase at par value such debentures or other obligations of the Federal Deposit Insurance Corporation as are authorized to be issued under subsection (o) of section 12B of the Federal Reserve Act, as amended, upon the request of the board of directors of the Federal Deposit Insurance Corporation, whenever in the judgment of said board additional funds are required for insurance purposes. The Reconstruction Finance Corporation may not purchase or hold at any time said debentures or other obligations in excess of \$250,000,000 par value.

³⁷ 48 Stat., chap. 38, p. 95.

³⁸ 48 Stat., chap. 25, p. 50.

³⁹ 48 Stat., chap. 648, p. 1056.

⁴⁰ See footnote 18, p. 9.

XXI. FUNDS OF RECONSTRUCTION FINANCE CORPORATION ALLOCATED AND MADE AVAILABLE TO OTHER GOVERNMENTAL AGENCIES

1. Allocation of Funds to the Secretary of Agriculture and Farm Credit Administration

Under section 2 of the Reconstruction Finance Corporation Act,⁴¹ the Corporation was authorized to allocate and make available to the Secretary of Agriculture a certain part of its funds in order to enable the Secretary to make loans to farmers for crop production purposes during 1932. Pursuant to the provisions of section 201 (e) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,⁴² the Corporation paid for the capital stock of the regional agricultural credit corporations, created by it under such section 201 (e), out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under section 2 of the Reconstruction Finance Corporation Act. By the Act of Congress approved February 4, 1933,⁴³ the authority of the Secretary of Agriculture was extended with respect to the use of funds allocated and made available to him by the Reconstruction Finance Corporation so as to enable him to make loans, within certain limitations, to farmers during 1933.

The funds made available and allocated under the foregoing provisions of law were transferred to and vested in the Farm Credit Administration by the Executive order of March 27, 1933, and to the Governor of the Farm Credit Administration by section 5 of the Farm Credit Act of 1933, approved June 16, 1933,⁴⁴ as amended.

2. Allocation of Funds to Land Bank Commissioner

The Corporation is authorized and directed, under section 30 (a) of the Emergency Farm Mortgage Act of 1933, approved May 12, 1933, as amended,⁴⁵ to make available to the Land Bank Commissioner the sum of \$100,000,000, to be used for a period not exceeding 4 years from the date of the enactment of such Act, i. e., May 12, 1933, for the purpose of making loans to joint-stock land banks.

Under section 32 of the same Act,⁴⁶ the Corporation is authorized and directed also to allocate and make available to the Land Bank Commissioner the sum of \$200,000,000, or so much thereof as may be necessary, to be used for the purpose of making loans to farmers. By section 3 of the Federal Farm Mortgage Corporation Act, approved January 31, 1934,⁴⁷ the funds and proceeds

⁴¹ 47 Stat., chap. 8, p. 5.

⁴² 47 Stat., chap. 520, p. 713.

⁴³ 47 Stat., chap. 35, p. 795.

⁴⁴ Section 5, Farm Credit Act of 1933, approved June 16, 1933 (48 Stat., chap. 98, p. 258); as amended by section 15, Federal Farm Mortgage Corporation Act, approved January 31, 1934 (48 Stat., chap. 7, p. 348).

⁴⁵ Section 30 (a), Emergency Farm Mortgage Act of 1933, approved May 12, 1933 (48 Stat., chap. 25, p. 46); as amended by section 16 (a), Farm Credit Act of 1935, approved June 3, 1935 (49 Stat., chap. 164, p. 318).

⁴⁶ 48 Stat., chap. 25, p. 48.

⁴⁷ 48 Stat., chap. 7, p. 345.

thereof made available to the Land Bank Commissioner under section 32 of the Emergency Farm Mortgage Act of 1933, approved May 12, 1933,⁴⁸ and the mortgages taken by the Commissioner and the credit instruments secured thereby were transferred to the Federal Farm Mortgage Corporation as capital of that Corporation.

3. Funds Made Available to the Federal Emergency Relief Administrator

Section 2 (a) of the Federal Emergency Relief Act of 1933, approved May 12, 1933,⁴⁹ authorizes and directs the Corporation to make available out of the funds of the Corporation not to exceed \$500,000,000, for expenditure in accordance with the terms stated in the Act, upon certification by the Federal Emergency Relief Administrator, for the purpose of furnishing relief to needy and distressed people. Section 3 (b) of such Act⁵⁰ provides that the Corporation shall pay the expenses, not exceeding \$350,000, of the Federal Emergency Relief Administration, out of the funds made available by the Act, upon presentation of vouchers approved by the Administrator or by an officer of that Administration designated by him for that purpose.

Pursuant to the provisions of Title II, Emergency Appropriation Act, fiscal year 1935, approved June 19, 1934,⁵¹ not exceeding \$500,000,000 in the aggregate of any savings or unobligated balances in funds of the Corporation may, in the discretion of the President, be transferred and applied to the purposes of the Federal Emergency Relief Act of 1933 and/or Title II of the National Industrial Recovery Act.

4. Funds Made Available for the Purposes of the Emergency Relief Appropriation Act of 1935

Under section 1 of the Emergency Relief Appropriation Act of 1935 approved April 8, 1935,⁵² not exceeding \$500,000,000 in the aggregate of any savings or unobligated balances in funds of the Reconstruction Finance Corporation, are immediately available and remain available until June 30, 1937, to be used in the discretion and under the direction of the President for the purposes of the Emergency Relief Appropriation Act of 1935.

5. Funds Made Available to the Federal Housing Administrator

Section 4 of the National Housing Act, approved June 27, 1934,⁵³ provides that the Corporation shall make available to the Federal Housing Administrator such funds as he may deem necessary for the purposes of carrying out the provisions of Titles I, II, and III of such Act.

⁴⁸ See footnote 46, p. 16.

⁴⁹ 48 Stat., chap. 30, p. 55.

⁵⁰ 48 Stat., chap. 30, p. 56.

⁵¹ 48 Stat., chap. 648, p. 1055.

⁵² 49 Stat., chap. 48, p. 115.

⁵³ 48 Stat., chap. 847, p. 1247.

6. Capital of Federal Home Loan Banks Subscribed by the United States

Section 6 (f) of the Federal Home Loan Bank Act, approved July 22, 1932,⁵⁴ amended the Reconstruction Finance Corporation Act to provide that \$125,000,000, or as much thereof as may be necessary for the purpose, be allocated and made available by the Corporation to the Secretary of the Treasury in order to enable him to pay for the capital stock of Federal Home Loan Banks subscribed for by the United States.

7. Capital of Home Owners' Loan Corporation Subscribed by the United States

Section 4 (b) of the Home Owners' Loan Act of 1933, approved June 13, 1933,⁵⁵ authorizes and directs the Reconstruction Finance Corporation to allocate and make available to the Secretary of the Treasury the sum of \$200,000,000, or so much thereof as may be necessary, in order to enable him to make payments for subscriptions for the capital stock of the Home Owners' Loan Corporation, created by such Act.

XXII. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION

1. Capital Stock

The capital stock of the Corporation was fixed by section 2 of the Reconstruction Finance Corporation Act⁵⁶ at \$500,000,000, all of which was subscribed by the Secretary of the Treasury on behalf of the Government of the United States on February 2, 1932. The entire capital stock has been paid in by the Secretary of the Treasury and is held by the United States.

2. Issue of Notes, Debentures, Bonds, or Other Such Obligations

Pursuant to section 205 (a) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,⁵⁷ the amount of notes, debentures, bonds, or other such obligations which the Corporation is authorized and empowered to issue and have outstanding at any one time is an aggregate of six and three-fifths times its subscribed capital.

However, section 302 of the National Industrial Recovery Act, approved June 16, 1933,⁵⁸ provides that the amount of notes, debentures, bonds, or other such obligations which the Reconstruction Finance Corporation is authorized to have outstanding at any one time is decreased \$400,000,000. On the other hand, the amount of notes, debentures, bonds, or other such obligations which the Corporation is authorized to issue and have outstanding at any one time is increased by the provisions of other laws, as follows:

- (a) By an amount not to exceed \$125,000,000, in order to enable the Secretary of the Treasury to make payments for subscriptions for capital stock of the Federal Home Loan Banks, as provided

⁵⁴ 47 Stat., chap. 522, pp. 728-729.

⁵⁵ 48 Stat., chap. 64, p. 129.

⁵⁶ 47 Stat., chap. 8, p. 5.

⁵⁷ 47 Stat., chap. 520, p. 714.

⁵⁸ 48 Stat., chap. 90, p. 210.

in section 2 of the Reconstruction Finance Corporation Act, as amended by section 6 (f), Federal Home Loan Bank Act, approved July 22, 1932.⁵⁹

- (b) By such amount as may be necessary—
- (1) To enable the Corporation to subscribe for preferred stock of National or State banks or trust companies, to make loans secured by such stock as collateral, and to purchase capital notes or debentures of State banks or trust companies, as provided by section 304 of an Act of Congress approved March 9, 1933, as amended.⁶⁰
 - (2) To enable the Corporation to make loans to the Secretary of Agriculture upon cotton in his possession or control, as provided by section 5 of the Agricultural Adjustment Act, as amended.⁶¹
 - (3) To provide funds for the Federal Housing Administrator to enable him to carry out the provisions of Titles I, II, and III of the National Housing Act, as provided by section 4 of said Act.⁶²
- (c) By an amount not to exceed \$75,000,000 to enable the Corporation to subscribe for preferred stock, to purchase capital notes of insurance companies, and to make loans secured by such stock or notes as collateral, as provided by the Act of Congress approved June 10, 1933, as amended.⁶³
- (d) By \$500,000,000 to enable the Federal Emergency Relief Administrator to make grants to States and Territories (including Alaska, Hawaii, the Virgin Islands, and Puerto Rico) and the District of Columbia to aid in meeting the costs of furnishing relief and work relief and in relieving the hardship and suffering caused by unemployment, as provided by the Federal Emergency Relief Act of 1933, approved May 12, 1933;⁶⁴ and to make such expenditures, not to exceed \$350,000, as are necessary to carry out the provisions thereof.
- (e) By \$300,000,000 in order to provide funds for allocation to the Land Bank Commissioner for the purpose of making loans to joint-stock land banks and to farmers, as provided by the Emergency Farm Mortgage Act of 1933, approved May 12, 1933,⁶⁵ and for the purpose of providing capital for the Federal Farm Mortgage Corporation, pursuant to section 3, Federal Farm Mortgage Corporation Act, approved January 31, 1934.⁶⁶

⁵⁹ See footnote 54, p. 18.

⁶⁰ See footnote 8, p. 5.

⁶¹ See footnote 34, p. 14.

⁶² See footnote 53, p. 17.

⁶³ Section 1 (48 Stat., chap. 55, pp. 119-120); as amended by section 8, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 4).

⁶⁴ Section 2 (b) (48 Stat., chap. 30, p. 56).

⁶⁵ Section 38 (48 Stat., chap. 25, p. 50).

⁶⁶ See footnote 47, p. 16.

- (f) By an amount not to exceed \$200,000,000 in order to provide funds for allocation to the Secretary of the Treasury for the purpose of making payments for subscriptions for the capital stock of the Home Owners' Loan Corporation, as provided by section 4 (b) of the Home Owners' Loan Act of 1933, approved June 13, 1933.⁶⁷
- (g) By \$850,000,000, as provided by section 3 of the Act of Congress approved January 20, 1934.⁶⁸
- (h) By an amount not to exceed \$250,000,000 at any one time for the purchase at par value of debentures and other obligations of the Federal Deposit Insurance Corporation, as provided by section 5e (b) of the Reconstruction Finance Corporation Act, as amended.⁶⁹
- (i) By an amount not to exceed \$250,000,000 at any one time for the purchase of marketable securities acquired or to be acquired by the Federal Emergency Administration of Public Works, as provided by Title II of the Emergency Appropriation Act, fiscal year 1935, approved June 19, 1934.⁷⁰
- (j) By an amount not to exceed \$100,000,000 at any one time outstanding to enable the Corporation to subscribe for or make loans upon nonassessable stock of any class and to purchase capital notes or debentures of national mortgage associations, mortgage loan companies, trust companies, etc., as provided by section 5c of the Reconstruction Finance Corporation Act, as amended.⁷¹

Pursuant to the provisions of section 13 of the Act of Congress approved January 31, 1935,⁷² the Corporation is authorized to use as general funds all receipts arising from the sale or retirement of any of the stock, notes, bonds, or other securities acquired by it pursuant to any provision of law.

Notes, debentures, bonds, or other such obligations issued by the Corporation, with the approval of the Secretary of the Treasury, are to mature not more than 5 years from their respective dates of issue, to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rates of interest as may be determined by the Corporation. The Corporation, with the approval of the Secretary of the Treasury, also may sell on a discount basis short-term obligations payable at maturity without interest. The law provides that the notes, debentures, bonds, or other such obligations of the Corporation shall be fully and unconditionally guaranteed both as to interest and principal by the United

⁶⁷ See footnote 55, p. 18.

⁶⁸ 48 Stat., chap. 3, p. 319.

⁶⁹ See footnote 18, p. 9.

⁷⁰ See footnote 39, p. 15.

⁷¹ See footnote 13, p. 7.

⁷² 49 Stat., chap. 2, p. 5.

States and such guaranty shall be expressed on the face thereof. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Corporation which may be issued pursuant to the provisions of the law, and may, at any time, sell any of the obligations of the Corporation acquired by him. He is further authorized, at the request of the Reconstruction Finance Corporation, to market for the Corporation its notes, debentures, bonds, and other such obligations, using therefor all the facilities of the Treasury Department authorized by law for the marketing of obligations of the United States. The Reconstruction Finance Corporation Act ⁷³ also provides that any and all notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) at any time imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

XXIII. REGIONAL AGRICULTURAL CREDIT CORPORATIONS

The Executive order issued on March 27, 1933, effective on May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration. The Reconstruction Finance Corporation pays the expenses incurred in connection with the operations of these corporations, and may rediscount paper for them, as provided in section 201 (e) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932.⁷⁴

XXIV. FUNDS FOR RELIEF OF DESTITUTION

The power of the Corporation to make funds available to States and Territories under section 1 of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,⁷⁵ for the relief of destitution was terminated at the close of June 1, 1933, pursuant to section 2 (c) of the Federal Emergency Relief Act of 1933, approved May 12, 1933,⁷⁶ which created the Federal Emergency Relief Administration.

XXV. REPORTS

1. Quarterly Reports

Section 15 of the Reconstruction Finance Corporation Act ⁷⁷ provides that the Corporation shall make and publish a report quarterly of its operations to the Congress stating the aggregate loans made to each of the classes of borrowers provided for and the number of borrowers by States (including the District of

⁷³ Section 9 (47 Stat., chap. 8, p. 9).

⁷⁴ See footnote 42, p. 16.

⁷⁵ 47 Stat., chap. 520, pp. 709-711.

⁷⁶ 48 Stat., chap. 30, p. 56.

⁷⁷ 47 Stat., chap. 8, p. 11.

Columbia, Alaska, Hawaii, and Puerto Rico) in each class. The law further provides that the statement shall show the assets and liabilities of the Corporation and the names and compensation of all persons employed by the Corporation whose compensation exceeds \$400 per month.

2. Monthly Reports

Under section 201 (b) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,⁷⁸ the Corporation is required to submit monthly to the President and to the Senate and the House of Representatives (or the Secretary of the Senate and the Clerk of the House of Representatives, if those bodies are not in session) a report of its activities and expenditures under the Reconstruction Finance Corporation Act and under section 201 of the Emergency Relief and Construction Act of 1932, together with a statement showing the names of the borrowers to whom loans and advances were made, and the amount and rate of interest involved in each case.

XXVI. CIRCULARS

Detailed information regarding certain types of loans which the Reconstruction Finance Corporation is authorized to make under existing law is contained in the following circulars, which are available, except those marked obsolete or superseded, at the Corporation's office in Washington or at any of its loan agencies.

Circular No. 1.—Information for banks and other financial institutions desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 2.—Information for railroads and receivers thereof desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 3 (Obsolete).—Information for prospective applicants for loans for "self-liquidating" projects under the Emergency Relief and Construction Act of 1932. (The power of the Corporation to make new self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, and the functions of the Corporation in this field were superseded by the functions of the Federal Emergency Administration of Public Works.)

Circular No. 4.—Reconstruction Finance Corporation, its powers and functions.

Circular No. 5 (Obsolete).—Regarding Regional Agricultural Credit Corporations created by the Reconstruction Finance Corporation under section 201 (e) of the Emergency Relief and Construction Act of 1932. (An Executive order issued on March 27, 1933, effective May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration.)

⁷⁸ 47 Stat., chap. 520, p. 712.

Circular No. 6.—Information regarding subscriptions for and loans secured by preferred stock of banks and trust companies and the purchase of capital notes and debentures of such institutions.

Circular No. 7.—Information for prospective applicants for loans under the provisions of section 36, part 4, of the Emergency Farm Mortgage Act of 1933, as amended, relating to agricultural projects.

Circular No. 8.—Information regarding applications to the Reconstruction Finance Corporation for subscription for preferred stock and purchase of capital notes of insurance companies, and loans on such preferred stock or capital notes as collateral security, as authorized by Act of Congress approved June 10, 1933 (Public, No. 35, 73d Cong.).

Circular No. 9 (Obsolete).—Information regarding applications for loans from the Reconstruction Finance Corporation for the purpose of paying processing taxes, compensating taxes and taxes on floor stocks under section 19 (c) of the Agricultural Adjustment Act of 1933.

Circular No. 10.—Information for prospective applicants for loans to finance the carrying and orderly marketing of agricultural commodities under section 201 (d) of the Emergency Relief and Construction Act of 1932.

Circular No. 11 (Superseded).—Information regarding loans to assist in the National Recovery Administration program. (Superseded by Circular No. 13.)

Circular No. 12 (Obsolete).—Public advertisement regarding notes of the Reconstruction Finance Corporation—Series of February 1, 1934.

Circular No. 13.—Information regarding loans to industry.

Circular No. 14.—Information regarding mining loans.

Circular No. 15.—Information regarding loans to industry in conjunction with banks and other lending institutions.

Circular No. 16.—Information regarding loans to incorporated managing agencies of farmers' cooperative mineral rights pools under the provisions of section 13 of the Act relating to direct loans for industrial purposes, approved June 19, 1934 (Public, No. 417, 73d Cong.).

Circular No. 17.—Information regarding loans to the fishing industry.

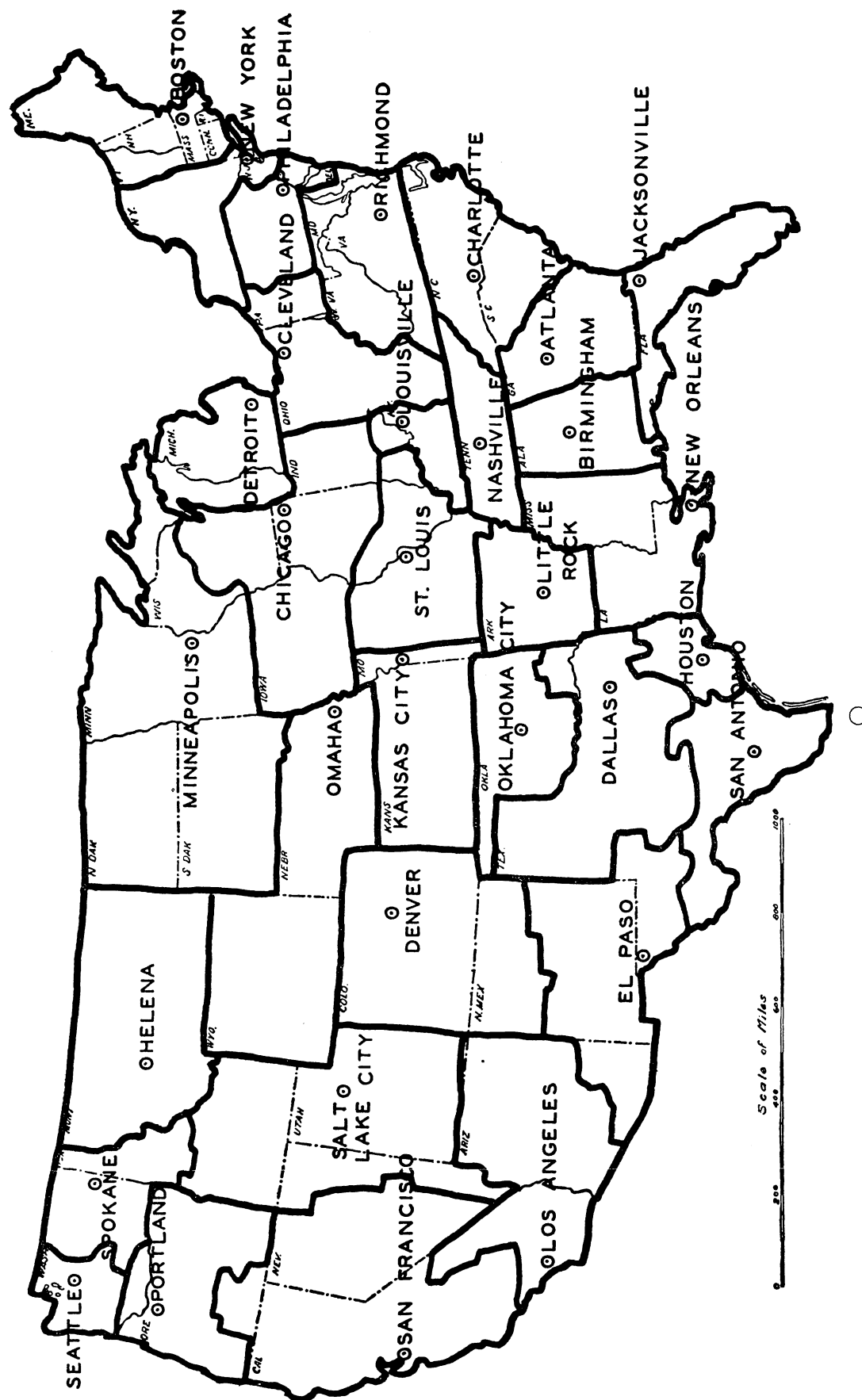
Circular No. 18.—Information regarding subscriptions for preferred stock and purchases of capital notes or debentures of trust companies and loans to trust companies and mortgage loan companies engaged in the business of lending upon real estate.

Circular No. 19.—Information regarding loans for flood relief.

Circular No. 20.—Information for prospective applicants for loans under the provisions of Public, No. 325, Seventy-fourth Congress, approved August 24, 1935, relating to the refinancing of indebtedness incurred in connection with public schools.

Circular No. 21.—Information regarding catastrophe relief loans, including floods, earthquakes, tornadoes, etc.

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



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CIRCULAR No. 7
(SECOND REVISION)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION FOR PROSPECTIVE APPLICANTS FOR
LOANS UNDER THE PROVISIONS OF SECTION 36,
PART 4, OF THE EMERGENCY FARM MORTGAGE
ACT OF 1933, AS AMENDED, RELATING TO
AGRICULTURAL PROJECTS



JULY 1936

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INFORMATION FOR PROSPECTIVE APPLICANTS FOR LOANS UNDER THE PROVISIONS OF SECTION 36, PART 4, OF THE EMERGENCY FARM MORTGAGE ACT OF 1933, AS AMENDED, RELATING TO AGRICULTURAL PROJECTS

The Reconstruction Finance Corporation (hereinafter referred to as the Corporation) is authorized under section 36, part 4, of the Emergency Farm Mortgage Act of 1933, as amended, to make loans, not exceeding \$125,000,000 in the aggregate, to or for the benefit of certain districts, political subdivisions, companies and associations (hereinafter referred to as applicants). For the information of applicants said section 36 (hereinafter referred to as the act), and section 5 of the Reconstruction Finance Corporation Act, referred to in said section 36, are reprinted on the last pages of this circular.

A. Eligible borrowers

1. Applicants must be in one of the following classifications:
 - (a) Drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts;
 - (b) Political subdivisions of States;
 - (c) Mutual nonprofit companies; or
 - (d) Incorporated water users' associations.
2. The project of the applicant must be devoted chiefly to the improvement of lands for agricultural purposes.
3. The project of the applicant must be economically sound.

B. Purposes of loans

All loans must be for one of the following purposes:

1. To enable an applicant to reduce and refinance its outstanding indebtedness incurred in connection with its project.
2. To enable an applicant which has or proposes to purchase or otherwise acquire projects or portions thereof devoted chiefly to the improvement of lands for agricultural purposes, to purchase, acquire, construct or complete such a project or any part thereof or to purchase or acquire additional drainage, levee, or irrigation works, or property, rights, or appurtenances in connection therewith, and to repair, extend, or improve any such project or make such additions thereto as are consonant with or necessary or desirable for the proper functioning thereof or for the further assurance of the ability of the borrower to repay

(1)

its loan. Such loans shall not permit additional or new land to be brought into production outside of the present boundaries of any established or reorganized irrigation district.

C. Security for loans

1. All loans shall be fully and adequately secured.
2. Each loan shall be secured by bonds, notes, or other obligations, which are a lien on the real property within the project or on the assessments, taxes, or other income or charges imposed by the borrower pursuant to State law, or by such other collateral as may be acceptable to the Corporation.

D. Disbursement, interest rates and maturities

1. *Disbursement.*—All loans must be disbursed by the Corporation within such time as it may fix.
2. *Interest rates.*—The interest rate on loans made to enable applicants to reduce and refinance their outstanding indebtedness will be 4 percent. The interest rate on loans for other purposes will be such as may be fixed by the Corporation, from time to time, for loans of such character, or as may be fixed and determined by the Corporation in individual cases.
3. *Maturities.*—Loans shall be for such term as may be fixed in each case by the Corporation, and in no event shall exceed 40 years.

E. Terms and conditions of loans

1. *Issuance of other securities.*—The borrower shall agree not to issue during the term of the loan any other bonds so secured except with the consent of the Corporation.
2. *Repayment.*—The borrower shall agree, insofar as it may lawfully do so, that so long as any part of such loan shall remain unpaid the borrower will in each year apply to the repayment of such loan or to the purchase or redemption of the obligations issued to evidence such loan, an amount equal to the amount by which the assessments, taxes, and other charges collected by it exceed (a) the cost of operation and maintenance of the project, (b) the debt charges on its outstanding obligations, and (c) provision for such reasonable reserves as may be approved by the Corporation.
3. *Reduction in taxes and charges.*—In the case of a loan to reduce or refinance its outstanding indebtedness the borrower shall agree, to the satisfaction of the Corporation, to reduce, insofar as it lawfully may, the annual taxes, assessments, and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of the act.
4. *Charges, commissions, bonuses, fees, etc.*—Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. The borrower, however, subject to the approval of the Corporation,

may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loans will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

5. *Compliance with wage and working conditions.*—When loans are for the purpose of making repairs, extensions, or improvements, or for the purpose of purchasing or acquiring works, etc., and the employment of labor or purchase of materials will be entailed, the applicant must agree to comply with all statutory requirements and executive orders affecting wages or working conditions. Each applicant must give the Corporation such proof of fulfillment of its agreement as the Corporation may require.

6. *Costs of examination.*—Applicants shall agree to pay the expenses incurred in making such appraisals and field examinations and investigations as the Corporation may require, and resolution authorizing preparation and submission of application must provide for reimbursement of the Corporation for same. If the Corporation so requires, applicants must make a deposit, in an amount to be determined in each case by the Corporation, to cover such costs.

7. *Additional terms and conditions.*—Such other terms and conditions as the Corporation may determine.

F. Conditions precedent

1. Loans shall not be made until the Corporation has caused an appraisal to be made of the property securing and/or underlying the outstanding bonds of the applicant.

2. The Corporation must have determined that the project of the applicant is economically sound.

3. Loans to reduce and refinance an applicant's outstanding indebtedness will not be disbursed until the Corporation is satisfied that an agreement has been entered into between the applicant and holders of its outstanding bonds or other obligations under which the applicant will be able to purchase or refund such a large proportion of such bonds or other obligations as may be acceptable to the Corporation at a price determined by the Corporation to be reasonable after taking into consideration the average market price of such bonds over the 6 months' period ending March 1, 1933, and under which a substantial reduction will be brought about in the amount of the outstanding indebtedness of the applicant.

G. Applications for loans

Applications should be made in writing to the Reconstruction Finance Corporation at its office, 1825 H Street NW., Washington, D. C.

No printed forms of applications will be provided but all applications shall present the information indicated below and shall follow in the order given and by apt reference thereto the system of numbering and lettering indicated.

Each copy of the application shall be written upon 8½ by 13 inch legal paper with exhibits folded to that size and with accompanying exhibits firmly bound together, preferably in a single binder.

Five complete signed copies of each application shall be filed.

Applications shall be signed by the president and secretary of the applicant and, if prepared under the direction of any attorney or engineer, such fact shall be stated and such application must be approved by each such person.

Exhibits shall bear the signature of the person who prepared them.

A resolution shall be adopted by the board of directors or other governing body of the applicant expressly agreeing to meet and comply with each separate condition listed in E, above, and authorizing and directing the proper officers of the applicant to supply the Corporation with all instruments or data requested by it in connection with the application and to execute and deliver the application and exhibits thereto in the exact form in which they are submitted. A certified copy of such resolution should be attached to the application as an exhibit.

All applications shall be verified in substantially the following form:

STATE OF _____

County of _____, ss.

_____ makes oath and says that he is the _____
(Name of affiant) (Office held by affiant)

of _____; that he has carefully examined each and all of
(Full legal title of applicant)
the statements contained in the foregoing application and in the exhibits and other data
attached thereto or submitted therewith; that such statements are true and correct to the
best of his knowledge and belief; that such application is made with the approval and at the
direction of the _____ of said applicant, as appears by a
(Governing body)
resolution duly adopted at a meeting thereof, a certified copy of which is attached to such
application, said meeting having been held at _____ on the _____ day
of _____, 193__; and that he is the person who has been authorized by such
resolution to execute such application.

(Signature of affiant)

Subscribed and sworn to before me, a _____ in and for the State and
county above named, this _____ day of _____, 193__.

[SEAL]

My commission expires _____.

INFORMATION REQUIRED

SECTION I. INFORMATION REQUIRED FROM ALL APPLICANTS IRRESPECTIVE OF PURPOSE OF LOAN

1. General information:

- (a) Full legal title of applicant. Care should be exercised to give the full and exact legal title.
- (b) Citation to laws under which organized.
- (c) Date of organization.
- (d) Names and addresses of each officer and director.
- (e) Name and address of the person with whom correspondence should be conducted.
- (f) Names and addresses of attorneys and engineers.

2. Amount of loan requested.

3. Full statement as to purpose of loan.

4. Brief description and history of the project, including with such other information as the applicant thinks necessary or desirable, the following:

- (a) Map showing the project and location thereof.
- (b) Topography, climate, transportation facilities, nature of soil, and extent of alkali.
- (c) Total acres in applicant's project, number of acres assessed or charged, number of cultivated acres, and number of irrigated acres.
- (d) Number of farms in applicant's project, size of each of the 10 largest farms with names and addresses of owners, size of average farm, and number of inhabitants in the project.
- (e) Brief statement as to the general condition of landowners with approximate number of foreclosures of farm mortgages in each year beginning with 1931 to date of application.
- (f) Average assessed valuation per acre of irrigated land, of cultivated or improved land, and uncultivated or unimproved land for ad valorem or general tax purposes, percentage of such valuation to fair and reasonable market value and the millage rate of taxation (including State, county, and school district taxes, but excluding any taxes or charges imposed by the applicant or by other improvement districts or projects of companies or associations) for each year beginning with 1928 in the form set forth in schedule A.

5. The following data is required respecting overlapping districts or overlapping projects of companies or associations (if none, so state):

- (a) Indicate on map the overlapped area.
- (b) State total number of acres in overlapped area, separately listing irrigated, cultivated, and uncultivated or unimproved areas.
- (c) Average tax per acre for district purposes of each overlapping district in overlapped area, for each year beginning with 1928.
- (d) Total area of each overlapping district or project, separately listing irrigated, cultivated, and uncultivated or unimproved areas.
- (e) Amount and interest rate of bonds outstanding of each overlapping district or project.
- (f) First and last maturity date of bonds outstanding of each overlapping district or project.
- (g) If the bonds or coupons of overlapping districts or projects are in default, give dates and amounts thereof in each overlapping district or project.

6. Full statement as to any litigation pending or threatened involving the applicant.

7. Full statement as to the physical condition of the project of the applicant with special reference to dams, canals, dikes, levees, pumping plants, etc. State in each instance the size of dams and number of miles of levees, dikes, canals, and ditches. If applicant is a drainage district give statement with

reference to growth in and silting of ditches as well as when the same were last cleaned and present need for cleaning. State whether silting basins are needed or provided.

8. Statement as to gross crop values per acre each year, beginning with the year 1928, itemized as to each cash crop.

9. Statement as to the source and basis of applicant's revenues however derived.

10. Statement as to the apportionment of revenues to particular funds and as to the purposes for which same may be used.

11. Statement as to the present outstanding indebtedness of the applicant including the following:

- (a) Total amount.
- (b) Description and history of each issue.
- (c) Furnish, if available, the opinion or counterpart of opinion as to the validity of such obligations given by bond or other counsel in connection with the issue and sale thereof.
- (d) Give citations to laws under which the present indebtedness was incurred, including court decisions with reference to the same.
- (e) Statement as to each issue of bonds or secured obligations issued by the applicant since date of organization in the specimen form set forth in schedule B.
- (f) Statement of acreage assessed or charged for service, amounts of annual assessments and other charges and collections thereof for each of the years during which the present indebtedness has been outstanding, in accordance with the form set forth in schedule C.
- (g) Statement of the number of acres within or served by the applicant now owned by the State or county giving separately dates and acreage acquired by tax sale and acreage otherwise acquired.

12. General statement as to the nature of and security for the obligations which the applicant will offer to evidence the loan.

13. The following financial statements:

- (a) Balance sheet or statement of assets and liabilities, as of the latest date available, together with similar statements as of December 31 (or close of applicant's fiscal year), for each year beginning with 1928. In those instances where public accountants have audited the accounts, such statements shall be certified by such public accountants. In the other instances and for the latest balance sheet such statement shall be certified to by the applicant's chief fiscal officer.
- (b) Income and disbursement accounts showing, in reasonable detail, items of income and expense for each year beginning with 1928, certified by the chief fiscal officer or, in those instances of public audits, by the public accountant. Expenditures for betterments and for maintenance and operation shall be separated so

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that the total amount expended for each class of expenditures will be clearly shown.

- (c) Description of any assets or liabilities or items of income and expense not properly described in the statements requested under (a) and (b) above, or which are unusual, or which, for any reason, require special attention.

14. If applicant is an irrigation district, mutual nonprofit company, or incorporated water users' association, or drainage district within or served by same the following additional information is required:

- (a) Description of the water rights including amount of water actually delivered (maximum, minimum, and average), source, priorities, capacity of storage reservoirs, water required per acre per year, and full information as to permits, decrees, etc.
- (b) If water for irrigation is provided by pumping give average lift and cost per acre-foot of pumping, including rate for electric current used and, if furnished under contract, supply copy thereof. If pumping is from wells give capacity of wells and average draw-down at end of season. Also state what the effect has been on the depth of the water table in the basin as a result of pumping operations since inception thereof.
- (c) Give average annual cost per irrigated acre for each year, beginning with 1929, for maintenance and operation and for water tolls, and the total thereof.
- (d) State what drainage work has been done and what is now needed.
- (e) If applicant is a drainage district served by an irrigation project, state whether the water rights are appurtenant to the land and, if so, how accomplished.
- (f) State if payment of water tolls may be required in advance and whether delivery of water can be withheld if water tolls, assessments, or taxes are past due and unpaid or delinquent. Cite applicable laws.

15. If applicant is a district or political subdivision of a State the following information is also required.¹

- (a) Citations to all statutes and constitutional provisions (including court decisions having a bearing upon the constitutionality or interpretation of statutes) with reference to the obligations offered to evidence the loan. In case of any recent statutes or court decisions not yet included in authorized publications, complete copies thereof should be supplied and attached as exhibits to the application.

¹ When a loan is authorized to a district or political subdivision of a State having benefits assessed against the lands therein (commonly called "benefit districts"), disbursements will not be made until the applicant has furnished the Corporation with certain information in tabular form as called for in schedules D and E hereof, taken from the assessment roll of the applicant or from some other tax roll or source where such information may be found. As such information doubtless will generally come from the same source or sources as will much of the other information called for in this circular, the attention of applicant districts is here directed to this requirement so they may furnish this information as a part of their applications if they so desire.

- (b) State limitations, if any, imposed by law as to the term and interest rate of obligations to be issued.
- (c) Statement as to nature of revenues from which such obligations are payable. If payable out of ad valorem or general taxes, give a statement of the property taxable and the limitations, if any, as to tax rate. If payable from assessments or taxes other than ad valorem or general taxes, give a complete statement of the benefits or values and the limitations on the assessments or taxes that can be levied. State whether or not such taxes are prepayable and whether the rate is fixed or variable.
- (d) State whether payment of taxes and assessments may be made by bonds, coupons, warrants or the like, citing authority therefor.
- (e) Statement as to the acreage of irrigated, cultivated and uncultivated or unimproved lands and assessed value thereof to which the applicant has taken title under tax or assessment sale in each year beginning with 1928 and the acreage of each class still held by the applicant.
- (f) State whether a sale for delinquent State, county, or school district taxes cancels delinquent assessments imposed by the district or political subdivision with citation to statutes or court decisions governing the matter.
- (g) Statement as to the nature of the obligations offered to evidence the loan, whether general or special with the nature of the recourse against lands for nonpayment of taxes or assessments, time within which proceedings for sale of lands for nonpayment of taxes and assessments can be commenced and completed, together with the period of redemption.
- (h) Give a reference to any statutes affecting the delinquency of taxes or assessments or providing for a moratorium thereon. Supply copies of recent legislation, if any.
- (i) Statement of any other revenues and properties which the applicant can offer as security.

16. If applicant is a mutual nonprofit company or incorporated water users' association, the following additional information is required:

- (a) Exhibits required:
 - (1) Articles of incorporation.
 - (2) Bylaws.
 - (3) Water regulations (rules and regulations respecting delivery and distribution of water).
 - (4) Copy of stock certificate.
 - (5) Copy of bond or other evidence of outstanding indebtedness.
 - (6) Copy of bond indenture or other instrument securing outstanding indebtedness, if any.

- (b) Give a general summary of the plan of operation, including the method of apportioning and delivering water and fixing and collecting charges.
- (c) Statement as to the classification and incidents of stock of the company or association, including:
 - (1) Schedule of stock of each class authorized, issued and outstanding (common, preferred, par value, no par value, treasury).
 - (2) Statement whether the stock is appurtenant to lands and, if so, how accomplished.
 - (3) Statement as to how the stock is held (by individuals or collectively by company).
 - (4) Statement as to the relationship of water rights and deliveries to stock of each class and method of apportioning water to the stock and to various parcels of land.
 - (5) State whether apportionments of water to stock are for fixed amounts or for a proportion of the whole.
 - (6) State whether the ratio of stock to acreage is uniform or varies. If uniform state what the ratio is of shares to each acre. If the ratio varies state what the extent and basis of variations are.
 - (7) State whether the stock is classified so as to segregate rights to different priorities or sources, or as to direct flow or reservoir water, or in relation to service from different canals. If so classified explain the classification.
 - (8) Statement as to what rights, if any, exist to transfer rights to receive water to other lands.
 - (9) If stock is floating stock state what its market value is and what limitations, if any, are imposed upon its transfer.
 - (10) State whether the right exists to rent stock or rights incident thereto. If so, state what rentals are secured.
 - (11) State whether the company holds any treasury stock. If so, state the source of ownership and what the liability is therefor for assessments and what conditions and limitations exist on its resale.
 - (12) State whether water is supplied to others than stockholders. If so, state upon what basis delivery is made and what obligation exists to continue such delivery.
- (d) Statement as to stock assessments of the applicant, including the following:
 - (1) State what the relationship of levies is to different classes of stock.
 - (2) Statement as to time and method of making levies.

- (3) State relation of levies to each acre of land and each acre-foot of water supplied.
- (4) Full statement as to the right to sell stock in the event of delinquency with a statement as to any stock or other properties to which the applicant has taken title for assessments or charges in each year beginning with 1928 and the amount thereof still held by the applicant.
- (5) Full statement as to the applicant's right to refuse delivery of water in the event of delinquency, and a statement as to the acreage on which water has been shut off because of the nonpayment of water charges for each year beginning with 1928 and the amount of such acreage on which water is shut off at the time of the application.
- (e) Statement as to applicant's revenues, including the following:
 - (1) Stock assessments.
 - (2) Water tolls or sales to stockholders in excess of amounts to which they are entitled by reason of stock ownership.
 - (3) Sales to others than stockholders.
 - (4) Other sources, detailing each such source.
- (f) Statement as to the property and works of the applicant, including a general description thereof, title by which the same is held, appraisals and valuations:
 - (1) Water rights.
 - (2) Canals and distribution ditches.
 - (3) Reservoirs and dams.
 - (4) Pumping facilities.
 - (5) Easements and rights-of-way.
 - (6) Franchises.
 - (7) Other works and structures.
 - (8) Other real and personal property.
- (g) Statement as to water supply and distribution thereof, including the following:
 - (1) Place of delivery of water, whether delivered to each landowner or only to various units or to laterals.
 - (2) Statement as to water presently or prospectively available to stockholders and landowners from other sources and comparative costs.
- (h) Statement as to requirements for approval of stock or bond transactions under Blue Sky laws, including the following:
 - (1) Necessity therefor, with citation to appropriate statutes and decisions.
 - (2) Applications previously made and action thereunder.
 - (3) Applications made or contemplated in connection with the proposed loan.

**SECTION II. ADDITIONAL INFORMATION REQUIRED WHEN LOAN IS FOR THE
PURPOSE OF REDUCING AND REFINANCING OUTSTANDING INDEBTEDNESS**

1. Statement as to the present outstanding indebtedness, including the following:

- (a) Statement as to total amount of various classes of obligations to be refunded and purposes for which such indebtedness was incurred. If the refunding program includes the refunding of warrants, judgments, unsecured notes, or open indebtedness, a list of the items thereof in the form of an exhibit shall be furnished, including, in the case of warrants, the date of issue, date of registration, name of holder, nature of claim, and fund on which same is drawn. Similarly, full particulars as to judgments, unsecured notes, and open indebtedness shall be given, including the basis of the judgment, note, or account. If there is indebtedness which the applicant does not propose to refund, the amount and character thereof should be stated and the reasons for not including such indebtedness should be given.
- (b) State whether or not a bondholders' committee or other agency or concern has been formed for the protection of or contacting holders of outstanding obligations and, if so, give name and address of such committee or other agency or concern and state the amount of obligations which have been deposited with same.
- (c) If no such bondholders' committee or other agency has been formed state whether the applicant has available a list of bondholders or other security holders, as well as efforts, if any, which have been made to secure such a list.
- (d) State what assurances, if any, the applicant has that its refinancing program will be acceptable to the holders of its outstanding indebtedness.
- (e) Quotations or sale prices applying to obligations of the applicant, local or otherwise, during each year, beginning with 1928, and for each month, beginning September 1, 1932. State source of quotations and sale prices.

**SECTION III. ADDITIONAL INFORMATION REQUIRED WHEN LOAN IS FOR THE
PURPOSE OF MAKING REPAIRS, NECESSARY EXTENSIONS OR IMPROVEMENTS**

When the information required under prior sections of this circular has been previously furnished it will not be necessary to repeat the same. Reference should, however, be made to the same and any changes therein set forth. Applications for loans for the purpose both of reducing and refinancing outstanding indebtedness and of making repairs, necessary extensions, or improve-

ments should include the information required in sections I, II, and III of this circular.

1. Engineering information:

- (a) Purpose of and necessity for proposed work.
- (b) General description of work and manner in which it is to be performed.
- (c) Map indicating where work is to be done.
- (d) Engineer's estimate of cost of proposed repairs and necessary extensions or improvements. This information should be itemized giving quantities and estimated prices for each item. Cover unusual conditions to be encountered. State whether the expenses incurred will be recurring and, if so, how frequently.

2. Financial information: When application is made for a loan for repairs and necessary extensions or improvements, subsequent to the authorization of a loan for the purpose of refunding or refinancing outstanding indebtedness, the following information as to the financial condition of the applicant shall be given:

- (a) A general description of any changes in the financial condition of the applicant subsequent to the granting of the loan for the purpose of refunding or refinancing its outstanding indebtedness.
- (b) Balance sheet, or statement of assets and liabilities as of the latest date available, certified to by the applicant's chief fiscal officer.
- (c) Income and disbursement accounts showing, with reasonable detail, items of income and expense for the period elapsing between the application for a loan to refund and refinance applicant's outstanding indebtedness and the application for a loan for repairs and necessary extensions and improvements to be certified to by the applicant's chief fiscal officer. Expenditures for betterments and maintenance and operation shall be segregated.

3. General information:

- (a) Statement as to the additional land which the proposed work will bring into cultivation.
- (b) Statement as to the additional land which the proposed work will make available for cultivation.
- (c) Estimate, with supporting data, as to the additional cost per acre (on both cultivated and unimproved acreage) resulting from the performance of the repairs, extensions, or improvements.
- (d) Effect of the proposed work upon maintenance and operation charges and the relationship of increase of charges to the increased ability of lands to repay.

SECTION IV. ADDITIONAL INFORMATION REQUIRED WHEN LOAN IS FOR THE
PURPOSE OF PURCHASING OR ACQUIRING ADDITIONAL PROPERTY AND
WORKS

1. If it is proposed to purchase or acquire existing property or works, there shall be included, in addition to other information considered desirable, the following:

- (a) Purpose of and necessity for the proposed purchase or acquisition.
- (b) Itemized and detailed description of property or works to be acquired; with plans, maps, and plats in appropriate cases.
- (c) Statement of expenditures that will be required, with itemized and detailed appraisals and full supporting data respecting valuations.
- (d) Full information respecting present owners of property, and condition of titles.

2. If acquisition of additional property or works will entail new construction, a complete engineer's report shall be furnished which shall include, in addition to other information considered desirable, the following:

- (a) Purpose of and necessity for proposed work.
- (b) Maps and plats showing location of structures.
- (c) Detailed plans of structure.
- (d) Detailed estimate of cost.
- (e) Statement of any unusual conditions to be encountered such as foundation for dams, side-hill work, rock work, and necessity for lining canals.

SCHEDULE A

Ad valorem tax record

(State, county, and school district taxes)

	Year 1929				Year 1930			
	Culti- vated or im- proved land	Irrigated land	Unculti- vated or unim- proved land	All land	Culti- vated or im- proved land	Irrigated land	Unculti- vated or unim- proved land	All land
Year.....								
Assessed valuation per acre.....								
Tax per \$100 assessed valuation.....								
Tax per acre.....								
Percent defaults.....								
Acres sold for taxes.....								

(Continue schedule to include present year.)

SCHEDULE B

Designation of issue (first bond issue, etc.)
 Use of proceeds construction of, refunding, etc.
 Bonds dated October 1, 1918.
 Amount of issue, \$80,000.
 Interest rate, 6 percent.
 Net price received per \$100 face value, 98 $\frac{1}{4}$.
 Assessed benefits, total, \$200,000.
 Assessed benefits, per acre, highest \$30, lowest \$10, average \$20.
 Acres assessed for benefits, 10,000.
 Acres on which benefits have been paid in full, 2,000.
 Acres now subject to assessment for bond service, 8,000.
 Amount of unused benefits, total \$173,000; on cultivated land, \$102,000.
 Underwriters, bankers, and brokers handling issue (insert name)

Date of maturity	Payments due		Paid		Unpaid	
	Bonds	Coupons	Bonds	Coupons	Bonds	Coupons
Oct. 1, 1921.....		\$2,400		\$2,400		
Apr. 1, 1922.....		2,400		2,400		
Oct. 1, 1922.....		2,400		2,400		
Apr. 1, 1923.....	\$3,000	2,400	\$3,000	2,400		
Oct. 1, 1923.....		2,310		2,310		
Apr. 1, 1924.....	4,000	2,310	4,000	2,310		
Oct. 1, 1924.....		2,190		2,190		
Apr. 1, 1925.....	5,000	2,190	5,000	2,190		
Oct. 1, 1925.....		2,040		2,040		
Apr. 1, 1926.....	5,000	2,040	5,000	2,040		
Oct. 1, 1926.....		1,890		1,890		
Apr. 1, 1927.....	5,000	1,890	5,000	1,890		
Oct. 1, 1927.....		1,740		1,740		
Apr. 1, 1928.....	6,000	1,740	5,000	1,740	\$1,000	
Oct. 1, 1928.....		1,560		1,560		
Apr. 1, 1929.....	6,000	1,560	4,000	1,560	2,000	
Oct. 1, 1929.....		1,380		1,380		
Apr. 1, 1930.....	6,000	1,380	6,000	1,380		
Oct. 1, 1930.....		1,200		1,110		\$90
Apr. 1, 1931.....	8,000	1,200		1,110	8,000	90
Oct. 1, 1931.....		960		600		360
Apr. 4, 1932.....	8,000	960	1,000	600	7,000	360
Oct. 1, 1932.....		720		360		360
Apr. 1, 1933.....	8,000	720		330	8,000	390
Oct. 1, 1933.....		480				480
Apr. 1, 1934.....	8,000	480			8,000	480
Oct. 1, 1934.....		240				240
Apr. 1, 1935.....	8,000	240			8,000	240
Total.....	80,000	43,020	38,000	39,930	42,000	8,090
Defaulted bonds.....					\$34,000	
Unmatured bonds.....					8,000	
Outstanding bonds.....					42,000	
Defaulted coupons.....						\$2,810

Date of this statement

NOTE.—Above is a specimen to illustrate the information desired and manner of stating same.

Schedule of annual assessments, taxes, and other charges against lands within district

Year	Total charges for bond service ¹		Total charges for main-tenance-operation		Total of all other charges ²		Number of acres assessed for bond service
	Charged	Collected	Charged	Collected	Charged	Collected	
1928							
1929							
1930							
1931							
1932							
1933							
1934							

² Nature of charges should be explained.

R.F.C. docket no. ref. -----

Date _____

(Name of district)

(Post office address)

Assessment roll

Page 1.

[illegible]

Schedule D Instructions.—On the first page insert the name and address of the district and other information called for in the blanks provided for that purpose. All privately owned lands should be listed first, showing totals of each column thereof, then follow with a list of all district-owned lands showing the totals of each column thereof. Leave column 1 blank. In column 2 insert in numerical order a serial number for each separate tract or parcel of land as shown on the assessment roll although several tracts or parcels may be assessed in the name of one owner. (These same serial numbers will be used in making up schedule E.) In column 3 insert the names of landowners. If the territory in the district is sectionized then give the section, township, and range of each tract in columns 4, 5, and 6, if not sectionized leave these columns blank. In column 7 give an accurate description of each separate tract or parcel of land. In column 8 show the acreage in each separate tract. If more than one sheet is required use the same spacings and numbers for the columns on the second and subsequent sheets, but the other headings need not be used. Totals should be carried forward from each sheet to the next sheet.

See note on p. 8 of circular.

SCHEDULE E

(Name of district)

(Post-office address)

Information taken from assessment roll of above district

Page 1

[illegible]

Schedule E instructions.—If more than 1 sheet is required to give the information called for, use the same spacings and numbering for the columns on the second and subsequent sheets, but the other headings need not be used. The totals should be carried forward from each sheet to the next sheet. All privately owned lands should be listed first, showing the totals of each column thereof. It will not be necessary to have the several tracts of lands surveyed in order to determine the exact acreage of cultivated lands and uncultivated lands as called for in columns 3, 4, 8, 9, 10, 11, 14, and 15 of this schedule. The acreage given must be substantially correct and when estimated that fact and the source of information from which such estimates are made should be fully stated or explained.

When schedules D and E have been completed, the correctness of the information set out therein must be not only verified by the affidavit of officer or officers of the district who sign and verify the application, but the correctness of the information must also be certified to by the State or county official having custody of the assessment roll of the district or other tax rolls from which such information was taken.

See note on p. 8 of circular.

STATUTORY PROVISIONS

The following section of the Emergency Farm Mortgage Act of 1933, approved May 12, 1933, as amended by section 19, Independent Offices Appropriation Act, 1934, approved June 16, 1933 (Public, No. 78, 73d Cong.); section 11, Act approved June 19, 1934 (Public, No. 417, 73d Cong.); joint resolution approved June 27, 1934 (Public, No. 53, 73d Cong.); amendment approved June 22, 1936 (Public, No. 752, 74th Cong.), is reprinted for the information of applicants:

SEC. 36. The Reconstruction Finance Corporation is authorized and empowered to make loans as hereinafter provided, in an aggregate amount not exceeding \$125,000,000, including commitments and disbursements heretofore made to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, mutual nonprofit companies and incorporated water-users' associations duly organized under the laws of any State or Territory, and to or for the benefit of political subdivisions of States and Territories, which have or propose to purchase or otherwise acquire projects or portions thereof devoted chiefly to the improvement of lands for agricultural purposes. Such loans shall be made for the purpose of enabling any such district, political subdivision, company, or association (hereafter referred to as the "borrower") to reduce and refinance its outstanding indebtedness incurred in connection with any such project; or, whether or not it has any such indebtedness, to purchase, acquire, construct or complete such a project or any part thereof, or to purchase or acquire additional drainage, levee, or irrigation works, or property, rights, or appurtenances in connection therewith, and to repair, extend or improve any such project or make such additions thereto as are consonant with or necessary or desirable for the proper functioning thereof or for the further assurance of the ability of the borrower to repay its loan: *Provided*, That the terms of this Act shall not permit additional or new land to be brought into production outside of the present boundaries of any established or reorganized irrigation district. Such loans shall be subject to the same terms and conditions as loans made under section 5 of the Reconstruction Finance Corporation Act, as amended; except that (1) the term of any such loan shall not exceed forty years; (2) each such loan shall be secured by bonds, notes, or other obligations which are a lien on the real property within the project or on the assessments, taxes, or other charges imposed by the borrower pursuant to State law, or by such other collateral as may be acceptable to the Corporation; (3) the borrower shall agree not to issue during the term of the loan any other bonds so secured except with the consent of the Corporation; (4) the borrower shall agree, insofar as it may lawfully do so, that so long as any part of such loan shall remain unpaid the borrower will in each year apply to the repayment of such loan or to the purchase or redemption of the obligations issued to evidence such loan, an amount equal to the amount by which the assessments, taxes, and other charges collected by it exceed (a) the cost of operation and maintenance of the project, (b) the debt charges on its outstanding obligations and (c) provisions for such reasonable reserves as may be approved by the Corporation; and (5) in the case of a loan to reduce or refinance its outstanding indebtedness, the borrower shall agree, to the satisfaction of the Corporation, to reduce, insofar as it lawfully may, the annual taxes, assessments, and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of this section. No loan shall be made under this section until the Reconstruction Finance Corporation (A) has caused an appraisal to be made of the property securing and/or underlying the outstanding bonds of the applicant, (B) has determined that the project of the applicant is economically sound, and (C) in the case of a loan to reduce or refinance the outstanding indebtedness of an applicant, has been satisfied that an agreement has been entered into between the applicant and holders of its outstanding bonds or other obligations under which the applicant

will be able to purchase or refund all or a major portion of such bonds or other obligations at a price determined by the Corporation to be reasonable after taking into consideration the average market price of such bonds over the six months' period ending March 1, 1933, and under which a substantial reduction will be brought about in the amount of the outstanding indebtedness of the applicant.

When application therefor shall have been made by any such district, political subdivision, company, or association any loan authorized by this section may be made either to such district, political subdivision, company, or association or to the holders or representatives of the holders of their existing indebtedness, and such loans may be made upon promissory notes collateralized by the obligations of such district, political subdivision, company, or association or through the purchase of securities issued or to be issued by such district, political subdivision, company, or association.

The following section of the Reconstruction Finance Corporation Act being the section referred to in section 36 of the Emergency Farm Mortgage Act, as amended, is also reprinted for the information of applicants:

SEC. 5. To aid in financing agriculture, commerce, and industry, including facilitating the exportation of agricultural and other products, the corporation is authorized and empowered to make loans, upon such terms and conditions not inconsistent with this Act as it may determine, to any bank, savings bank, trust company, building and loan association, insurance company, mortgage-loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporations, organized under the laws of any State or of the United States, including loans secured by the assets of any bank, savings bank, or building and loan association that is closed, or in process of liquidation to aid in the reorganization or liquidation of such banks or building and loan associations, upon application of the receiver or liquidating agent of such bank or building and loan association, and any receiver of any national bank is hereby authorized to contract for such loans and to pledge any assets of the bank for securing the same.

All loans made under the foregoing provisions shall be fully and adequately secured. The corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. Such loans may be made directly upon promissory notes or by way of discount or rediscount of obligations tendered for the purpose, or otherwise in such form and in such amount and at such interest or discount rates as the corporation may approve: *Provided*, That no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances. In no case shall the aggregate amount of advances made under this section to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2% per centum of (1) the authorized capital stock of the Reconstruction Finance Corporation plus (2) the aggregate amount of bonds of the corporation authorized to be outstanding when the capital stock is fully subscribed: *Provided*, That such limitation shall not apply to advances to receivers or other liquidating agents of closed banks when made for the purpose of liquidation or reorganization.

Each such loan may be made for a period not exceeding three years, and the corporation may from time to time extend the time of payment of any such loan, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond five years from the date upon which such loan was made originally. The corporation may make loans under this section at any time prior to the expiration of one year from the date of the enactment hereof; and the President may from time to time postpone such date of expiration for such additional period or periods as he may deem necessary, not to exceed two years from the date of the enactment hereof. Within the foregoing limitations of this section, the Corporation, notwithstanding any limitation of law as to maturity, with the approval of the Interstate Commerce Commission, including approval of the price to be paid,

may, to aid in the financing, reorganization, consolidation, maintenance, or construction thereof, purchase for itself, or for account of a railroad obligated thereon, the obligations of railroads engaged in interstate commerce, including equipment trust certificates, or guarantee the payment of the principal of, and/or interest on, such obligations, including, equipment trust certificates, or, when, in the opinion of the Corporation, funds are not available on reasonable terms through private channels, make loans, upon full and adequate security, to such railroads or to receivers or trustees thereof for the purposes aforesaid: *Provided, That* in the case of loans to or the purchase or guarantee of obligations, including equipment trust certificates, of railroads not in receivership or trusteeship, the Interstate Commerce Commission shall, in connection with its approval thereof, also certify that such railroad, on the basis of present and prospective earnings, may reasonably be expected to meet its fixed charges, without a reduction thereof through judicial reorganization, except that such certificate shall not be required in case of such loans made for the maintenance of, or purchase of equipment for, such railroads: *And provided further, That* for the purpose of determining the general funds of the Corporation available for further loans or commitments, such guaranties shall, to the extent of the principal amount of the obligations guaranteed, be interpreted as loans or commitments for loans: *Provided further, That* the total amount of loans and commitments to railroads, receivers, and trustees, and purchases and guaranties of obligations of railroads, under this paragraph, as amended, shall not exceed at any one time \$350,000,000, in addition to loans and commitments made prior to the date of enactment of this Act and renewals of loans and commitments so made: *Provided, That* no fee or commission shall be paid by any applicant for a loan under the provisions hereof in connection with any such application or any loan made or to be made hereunder, and the agreement to pay or payment of any such fee or commission shall be unlawful. Any such railroad may obligate itself in such form as shall be prescribed and otherwise comply with the requirements of the Interstate Commerce Commission and the corporation with respect to the deposit or assignment of security hereunder, without the authorization or approval of any authority, State or Federal, and without compliance with any requirement, State or Federal, as to notification, other than such as may be imposed by the Interstate Commerce Commission and the corporation under the provisions of this section.

The Reconstruction Finance Corporation is further authorized and empowered to make loans if adequately secured to any State insurance fund established or created by the laws of any State for the purpose of paying or insuring payment of compensation to injured workmen and those disabled as a result of disease contracted in the course of their employment, or to their dependents. As used in this paragraph, the term "State" includes the several States and Alaska, Hawaii, and Puerto Rico.

The Reconstruction Finance Corporation is further authorized and empowered to make loans if adequately secured to any fund created by any State for the purpose of insuring the repayment of deposits of public moneys of such State or any of its political subdivisions in banks or depositories qualified under the law of such State to receive such deposits. Such loans may be made at any time prior to January 23, 1934, and upon such terms and conditions as the corporation may prescribe; except that any fund which receives a loan under this paragraph shall be required to assign to the corporation, to the extent of such loan, all amounts which may be received by such fund as dividends or otherwise from the liquidation of any such bank or depository in which deposits of such public moneys were made. As used in this paragraph, the term "State" includes the several States and Alaska, Hawaii, and Puerto Rico.

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CIRCULAR NO. 13
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS
TO INDUSTRY



JULY 1936

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1936

SEP 25 '36

INFORMATION REGARDING LOANS TO INDUSTRY

For the purpose of **maintaining and increasing the employment of labor**, the Reconstruction Finance Corporation is authorized to make loans, when so secured as reasonably to assure repayment, to solvent industrial businesses, directly or in cooperation with Federal Reserve Banks or other banks or lending institutions, or by the purchase of participations in loans, when credit at prevailing bank rates for loans of the character applied for is not otherwise available at banks

I. Requirements Imposed by Law

(a) Credit at prevailing bank rates for loans of the character applied for must not otherwise be available at banks.

(b) The loan must be so secured as reasonably to assure repayment.

(c) The loan must mature not later than January 31, 1945.

(d) Such loans may be made only when deemed to offer reasonable assurance of maintaining or increasing the employment of labor.

(e) The borrower must be solvent at the time of disbursement of the loan.

(f) Such other terms, conditions and restrictions as Reconstruction Finance Corporation may determine, must be complied with.

II. Terms and Conditions

Loans to industry will be made by the Reconstruction Finance Corporation, either directly or in cooperation with Federal Reserve Banks or other banks or lending institutions, or by the purchase of participations in loans, upon the following terms and conditions, and for the following purposes:

A. Maturities

Such loans shall mature at such time, prior to January 31, 1945, as the Reconstruction Finance Corporation may in each case determine. A program of payments will be arranged with a view to the borrower's orderly liquidation of its debt.

It is contemplated that loans will not be made for a longer term than is justified by the facts of the particular case. However, the period of time so determined will be sufficient, in so far as can be estimated at the time the loan is granted, to enable the borrower to make plans for the development of future business without being unnecessarily restricted by a repayment schedule which would impair the borrower's working capital during the life of the loan. When loans are primarily to finance capital expenditures, a repayment program up to January 31, 1945, may be considered. For established

industries whose need is principally for shorter term credit, such loans usually should be repaid within five years or less.

B. Interest Rates

Interest shall be at such rate as may be fixed from time to time by this Corporation.

C. Purposes

As Section 5d of the Reconstruction Finance Corporation Act, as amended, provides that loans thereunder shall be made for **maintaining and increasing the employment of labor**, the Corporation will make industrial loans for the following purposes:

(a) *Loans for Labor and Materials.*—The Corporation will give consideration to applications for loans, the proceeds of which will be used for the payment of labor and the purchase of material incident to the operation of a business.

(b) *Loans to Pay Existing Indebtedness and Taxes.*—The Corporation will give consideration to applications for loans where a portion of the proceeds is to be applied to the payment of taxes and existing indebtedness. Loans may be considered where a substantial portion of the proceeds is to be used to satisfy existing indebtedness on a compromise basis satisfactory to this Corporation, provided that it is shown that the loan is necessary to maintain the employment of labor, and that the applicant, after the debt adjustment (which may be made either by compromise settlement in full satisfaction of the debt, or by partial payment in cash and the issuance of junior obligations or equity securities), will have sufficient operating assets, and that there is reasonable assurance of continuous operation.

(c) *Loans for the Purchase of Additional Machinery.*—The Corporation will give consideration to applications for loans when the proceeds will be used for the purchase of additional machinery, provided it is shown that such capital expenditures will assist in rounding out the production of the plant or balancing its operations and that such expenditures are economically sound.

(d) *Loans for New Enterprises and for the Expansion of Existing Businesses.*—The Corporation will consider applications for loans to new industries or to enable established business concerns to expand into new fields of endeavor, provided it can be shown that such loans will be economically sound and socially desirable. Applicants must have substantial equity investment, without giving consideration to services rendered, patents, good-will, or similar intangibles, or to the potential value which will be established if the operations are successful, so that the funds advanced by this Corporation will be secured as required by law and will not be subject to the risks incident to and properly borne by equity investors. The new enterprise must be sufficiently beyond the developmental or promotional stage that profitable future operations, and therefore continuous employment of labor, can reasonably be assured. Also, it will be required that after giving effect to the loan from this Corporation the applicant will have working capital adequate to assure continuous operation.

The collateral value of the security, the net worth and financial condition of the applicant, and future earning prospects will be considered carefully.

(e) *Loans to Finance Industrial Construction*.—When a loan from this Corporation is to be used in whole or in part to finance industrial construction, the Corporation may advance funds for this purpose as the construction progresses, provided the initial advances shall be satisfactorily secured by existing assets of the applicant. Final disbursement will be made on the completion of the new industrial property free from all liens other than the Reconstruction Finance Corporation's mortgage. In all such cases, it will be necessary to show that either out of the current assets of the company or out of the proceeds of the Reconstruction Finance Corporation's loan, sufficient funds have been provided to complete the construction and to provide working capital adequate to insure continuous operation.

(f) *Loans to Contractors*.—In exceptional circumstances, loans may be made to contractors, provided (1) that satisfactory arrangements have been made otherwise to finance the entire cost of the project which the contractor has been engaged to construct, and (2) that the proceeds are to be used for the payment of labor or the purchase of material while the project is under construction. An assignment of a contract will not be considered sufficient security for such loans. Such contracts may be considered as evidence of ability to repay loans otherwise satisfactorily secured.

It is not the intention of the Corporation to make loans:

(1) Where the collateral offered consists solely or principally of the assignment of unsecured obligations of non-industrial retail customers or consists of obligations of non-industrial retail customers secured by liens on chattels in the possession of the customers. However, when an industrial or commercial concern has acceptable collateral, other than such receivables, of a character and amount deemed satisfactory to secure a loan, consideration will be given to the application. The foregoing does not apply to loans to institutions, now or hereafter established, financing principally the sale of electrical, plumbing or air-conditioning appliances or equipment or other household appliances, both urban and rural.

(2) To provide for the operation of any business in receivership. However, applications will be considered for loans contingent upon the termination of the receivership, by settlement with creditors, or otherwise, upon a basis which will restore the business to a solvent condition.

(3) To finance imports or exports, except where such imports or exports are only minor and incidental to the general business conducted.

(4) To finance the development or purchase of new inventions, the cost of obtaining patents, the expense of infringement suits or any other litigation.

III. Eligibility

Applications for industrial loans will be received from industrial and commercial businesses (including the fishing industry), whether corporations, partnerships or individuals. It is the view of the Corporation that the purpose of

such loans, as expressed by Congress, i. e. "maintaining and increasing the employment of labor", necessitates a construction which emphasizes the employment of labor, as in manufacturing concerns, as distinguished from the purchase of inventories, as in commercial business.

Loans to the ore industries and to managing agencies of farmers' cooperative mineral rights pools will be made under the provisions of this Corporation's Circulars Nos. 14 and 16, respectively, and not, generally, under the provisions of this revised Circular No. 13.

Loans to institutions for the exclusive purpose of financing the carrying and orderly marketing of agricultural commodities will be made only under the provisions of this Corporation's Circular No. 10.

Information regarding loans to institutions financing principally the sale of electrical, plumbing or air-conditioning appliances or equipment or other household appliances, may be obtained from the Corporation upon request.

Loans on real estate which is not owned by and used in connection with the operation of an industrial or commercial business will be made under the provisions of the R. F. C. Mortgage Company's Circular No. 1 (revised).

IV. Security Requirements

Section 5d of the Reconstruction Finance Corporation Act, as amended, requires that all loans made thereunder shall be "so secured as reasonably to assure repayment of the loans." It is the opinion of the Corporation that the amendment was intended to allow greater latitude, as to what shall constitute security, than the words "adequate security" as used in Section 5d prior to January 31, 1935, and contemplates that loans made thereunder shall be secured by collateral of character and amount which, considered in connection with other factors such as the character and ability of the management, and prospective earnings, will afford reasonable assurance of repayment.

The security may consist of one or more of the following: a first mortgage on real estate, plant and equipment, an assignment of warehouse receipts for marketable merchandise stored in satisfactory warehouses, a first mortgage on chattels or an assignment of current receivables (accounts, notes or trade acceptances); but such loans generally will not be made on the sole security of unsecured receivables, or of receivables representing non-industrial installment purchases, or of equipment or other chattels not represented by warehouse receipts. The applicant may offer, as additional collateral, a first lien on any other assets of sound value.

The Corporation usually will not consider as satisfactory primary security the following: second mortgages, franchises, patents, good-will, foreign securities, a mortgage on property owned and occupied as his home by an individual borrower, shares of stock of corporate applicants, or shares of stock without readily ascertainable market value. An assignment of orders will not constitute satisfactory primary security, though such orders may be important to establish the ability of the applicant to repay the loan. A pledge or mortgage

of inventories generally will not be regarded as satisfactory collateral, unless stored in a bonded or otherwise acceptable warehouse, or unless the applicable State law provides for creating and maintaining a satisfactory lien upon inventory not so warehoused.

V. Solvency

Section 5d of the Reconstruction Finance Corporation Act, as amended, provides that such loans shall be made only when, in the opinion of the Board of Directors of the Corporation, the applicant is solvent. If the applicant is not solvent at the time of making application, the application should indicate the manner in which the applicant will become solvent prior to the time of disbursement of the proposed loan.

VI. Charges, Commissions, Bonuses, Fees, Etc.

Payment of bonuses, fees or commissions for the purpose of, or in connection with, obtaining loans is prohibited. However, the borrower, subject to the prior approval of the Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loan will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

VII. Salaries and Dividends

The applicant must agree that, so long as any portion of the loan remains unpaid, it will not pay any salaries which are not deemed by this Corporation to be reasonable.

So long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant nor any distribution (except reasonable compensation for services) made by partnership or individual applicants, without the consent of this Corporation.

VIII. Audits and Appraisals

In connection with preliminary applications, the Loan Agencies of this Corporation do not require audits or appraisals. With each formal application, an appraisal of plant and equipment, by an appraiser for this Corporation, or otherwise, satisfactory to the Manager of the Loan Agency, should be arranged for (if not already available of a date not more than 6 months preceding the date of filing of the application), but only upon and in accordance

with request of the Manager of the Loan Agency. Independent audits usually are not required in the case of loans of \$25,000 or less, when the applicant furnishes satisfactory sworn financial statements. An audit of the applicant, by an auditor for this Corporation or a satisfactory independent auditor, as of a date not more than 6 months prior to date of application, will ordinarily be required prior to disbursement in connection with an approved loan of more than \$25,000, but should be arranged for only upon request of the Manager of the Loan Agency.

IX. Loans in Cooperation with Banks or Other Lending Institutions, and Purchases of Participations in Loans

The Corporation will receive applications from Federal Reserve Banks or other banks for the purchase by the Corporation of participations in loans of the character described in this Circular, made by such banks, and will make such loans in cooperation with Federal Reserve Banks, or other banks or lending institutions, when such loans are for the purpose and in accordance with the terms and conditions set forth in this Circular.

The provision for the purchase of participations is interpreted by the Corporation as permitting Federal Reserve Banks, or other banks, to complete loans in their own names to qualified industrial borrowers, thus maintaining the normal relationship of banker and customer. The lending bank may feel that the loan required is, for one reason or another, too large for the bank to carry, and may desire that this Corporation participate in the risk. Provided any such loan is made after consideration and approval by this Corporation of the purchase of a participation therein, and is in accordance with the terms and conditions set forth in this Circular, this Corporation has authority to purchase a participation in such loan from the lending bank or to make an agreement to purchase if requested to do so within a specified time.

The Comptroller of the Currency has ruled that the Act of Congress of June 19, 1934, relating to industrial loans (which Act was amended by the Act of January 31, 1935), was intended to expand the scope of the lending power of national banks so as to permit a national bank to make a loan under said Act which exceeds or departs from the restrictive provisions of the United States Revised Statutes, Section 5200, as amended, and the Federal Reserve Act, Section 24, provided that the national bank has obtained a commitment from the Reconstruction Finance Corporation or a Federal Reserve Bank to take, within a specified period, a portion of said loan so that the net amount of the national bank's participation, after giving effect to the commitment, would be within the limitations imposed by the aforesaid restrictive provisions.

The Corporation will also cooperate with Federal Reserve Banks, or other banks or lending institutions in making such loans; for instance, by making a loan directly to the borrower at the same time that another loan is made by the bank or other lending institution, or by other mutually satisfactory arrangements which will bring about cooperation between existing financial institutions and the Corporation in lending money.

The Corporation invites the cooperation of banks in making such loans, and it is expected that banks and other lending institutions will participate in the program outlined herein, in the hope that such bank or other lending institution will later take the entire loan, when conditions and the credit risk justify.

Further information concerning such agreements between this Corporation and lending banks may be obtained from this Corporation's Circular No. 15.

X. Information to be Filed, and Method of Filing

The proper preliminary application forms and formal application forms may be obtained from the Loan Agency of the Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of such Loan Agencies below, and map showing Loan Agency districts on page 9.) Preliminary application forms, requiring a minimum amount of information, and without audit or appraisals, will be considered by the Loan Agencies, in order that applicants may be spared the trouble and expense of filing a formal application where clearly not warranted by the circumstances.

Applications should be filed with the Loan Agency serving applicant's district. No application will be received directly at the Washington office of the Corporation.

All requests for information should be directed to the local Loan Agency of the Corporation serving applicant's district and not to the Washington office.

Each Loan Agency of the Corporation will, when requested, assist and advise with applicants in determining their eligibility, and in the preparation of applications; provided, however, that any such assistance, advice, or suggestions by such Agencies shall in no sense be considered as a commitment of the Reconstruction Finance Corporation to make the loan.

XI. Locations of Local Loan Agencies of Reconstruction Finance Corporation

(The territory served by each Loan Agency is indicated on the map on page 9 of this Circular.)

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	St. Louis, Mo.
Cleveland, Ohio.	Louisville, Ky.	Salt Lake City, Utah.
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Seattle, Wash.
El Paso, Tex.	New York, N. Y.	Spokane, Wash.
Helena, Mont.	Oklahoma City, Okla.	

In addition, the Corporation maintains a Special Representative at San Juan, Puerto Rico, through whom all applications from Puerto Rico should be forwarded.

XII. Acts of Congress Applicable to Loans of the Character Herein Described

The following sections of the Reconstruction Finance Corporation Act, as amended, applicable to such loans, are quoted for the information of prospective borrowers:

SEC. 5d. For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized and empowered to make loans to any industrial or commercial business, which shall include the fishing industry, and to any institution, now or hereafter established, financing principally the sale of electrical, plumbing or air conditioning appliances or equipment or other household appliances, both urban and rural. Such loans shall, in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall mature not later than January 31, 1945, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine.

The power to make loans given herein shall terminate on January 31, 1937, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1937, or such earlier date.

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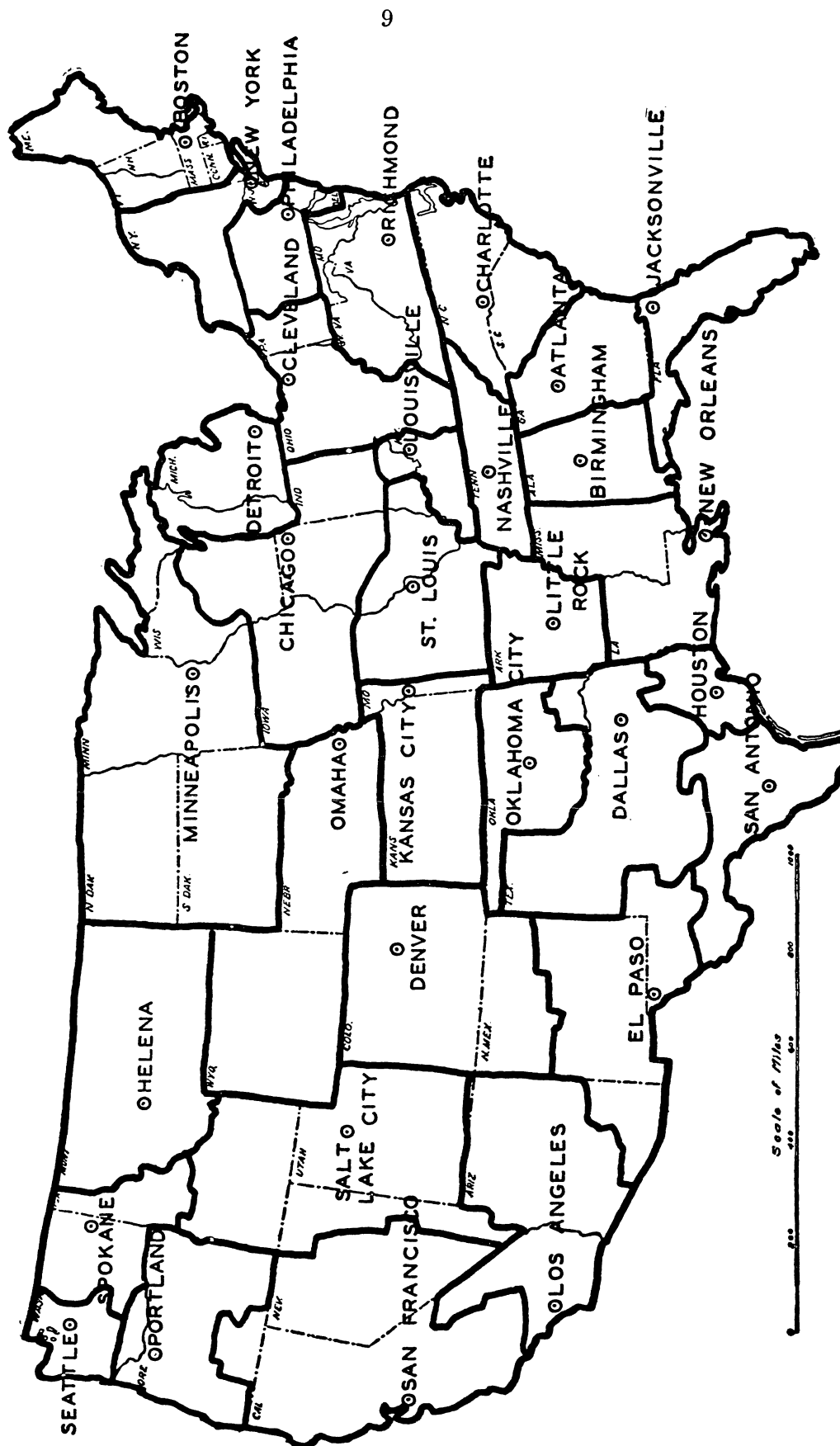
The following sections of the Reconstruction Finance Corporation Act, as amended, are applicable to loans under Section 5d of the Reconstruction Finance Corporation Act, as amended:

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) in so far as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of Public Act No. 35, Seventy-third Congress, is applicable to loans referred to in this circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

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CIRCULAR No. 15
(REVISED)

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION
REGARDING LOANS TO INDUSTRY
IN CONJUNCTION WITH BANKS AND OTHER
LENDING INSTITUTIONS



DECEMBER 1936

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1936

JAN 10 1937

INFORMATION REGARDING LOANS TO INDUSTRY IN CONJUNCTION WITH BANKS AND OTHER LENDING INSTITUTIONS

In addition to its power to make loans directly and independently to industrial borrowers (as provided in Reconstruction Finance Corporation Circular No. 13, Revised), this Corporation is authorized to purchase participations in such loans to be made by banks or other lending institutions (herein collectively referred to as "banks"), and to make commitments for the future purchase (at the option of the participating banks) of participations in such loans. This Corporation is also authorized to make such loans directly to industrial borrowers in cooperation with banks.

We believe that this Corporation can be helpful to industrial borrowers and to banks, both through the direct and immediate purchase of participations in industrial loans, and through the execution of agreements evidencing commitments to purchase such participations in the future at the option and upon the demand of the participating bank.

The sale of any participation to this Corporation is *without liability on the part of the bank as endorser or guarantor*.

Through such commitments, which may extend to 80 percent, or in the case of immediate participations, even to 90 percent of the loan, banks may secure both complete protection against loss, and complete liquidity, as to the major portion of each such loan, while at the same time continuing their normal relations with their customers and extending to their customers adequate credit.

It is believed that through use of this Corporation's deferred commitments, banks may find it possible to make idle or unprofitable surplus funds available to local industries at a satisfactory net return, without undue risk to the participating bank, and without the impairment of liquidity usually incident to the making of loans intended to be amortized over a period of one or more years, and secured in large part by mortgage on industrial properties.

I. PURCHASE OF, AND AGREEMENTS TO PURCHASE, PARTICIPATIONS IN LOANS TO INDUSTRY

A. IN GENERAL

1. *Bank holds collateral until actual purchase of participation.*—In all cases in which this Corporation enters into an agreement to purchase a participation, the bank will be permitted to hold the note and collateral until this Corporation has actually purchased and paid for the participation, and to deal with them in the customary manner, except that it may not, without the prior written consent of this Corporation, change any terms of the loan, or change or release any of the collateral, except upon full payment of the loan.

2. *Upon payment by R. F. C. for participation, collateral is sent to Federal Reserve Bank.*—Upon the closing of the sale of a participation to this Corporation, and payment therefor by this Corporation, either at the time of the making of the loan or at any time thereafter, the note of borrower and the collateral therefor will be deposited, against such payment, with the Federal Reserve Bank for the bank's district, to be held by the Federal Reserve Bank as Custodian for this Corporation.

3. *The loan will be disbursed to the borrower by the participating bank only when and as authorized by this Corporation.*

B. IMMEDIATE PURCHASE OF PARTICIPATIONS

If the applicant bank so requests, this Corporation, if it approves the application, will pay for its participation simultaneously with the closing of the loan to the industrial borrower, or immediately upon receipt of the papers evidencing such closing. The amount of this Corporation's participation in a loan will be such percentage of the loan as shall be requested by the bank and found acceptable to this Corporation. Such participations commonly cover from 50 percent to 90 percent of the loan. No charge is made for such participation agreements.

C. COMMITMENTS FOR DEFERRED PARTICIPATION AT OPTION OF PARTICIPATING BANK

1. *Terms of agreement.*—In case the applicant bank shall so request, this Corporation, if it approves the application, will execute an agreement that for a stated period (generally covering either 1 year or 2 years after date of borrower's note), it will hold itself in readiness to purchase a specified participation in the loan, and will within 10 days after demand of the bank, made within such stated period, purchase and pay for its agreed participation in the loan, or in the portion thereof then outstanding. Where a need is shown, this Corporation will consider applications for agreements to purchase participations within periods extending up to 5 years from the date of the borrower's note, but not beyond the date of the final maturity of the note. Under each such participation agreement the bank has the right to call upon this Corporation to take up its participation in the loan at any time within the period fixed by the agreement, upon the specified 10 days' notice to this Corporation. Such agreements provide for an option to this Corporation to purchase the participation, or the entire loan, as specified in section I-C-4 of this circular.

2. *Charges of this Corporation for deferred participation agreements.*—This Corporation's charges for such commitments are at the rate of 2 percent per annum on the daily balances of this Corporation's outstanding conditional commitment to purchase a participation in the disbursed loan (that is to say, on the daily balances of that portion of the disbursed loan to borrower which this Corporation is under commitment to purchase but has not yet purchased), and are payable quarterly. There is reserved to the participating bank the right to

cancel the agreement by 30 days' written notice to this Corporation, charges terminating upon the effective date of such cancelation.

3. *Payment for participation.*—Upon purchase of its participation, this Corporation will pay to the bank the amount of its agreed participation in the loan theretofore disbursed (and not theretofore repaid) with interest at the rate fixed in the note, computed from the date of the loan (or any later date to which interest has been paid) to the date of such purchase.

4. *Reserved rights of this Corporation.*—This Corporation reserves the right to purchase its participation or the entire note from the bank without the request of the bank, whenever, during the term of the agreement, it deems such action desirable in its own interest, and the right to purchase the bank's remaining interest in the note, if it deems such action desirable in its own interest. If this Corporation exercises its option to purchase the bank's remaining interest in the note, it is required to pay the bank a sum equal to the bank's remaining interest in the unpaid principal amount of the loan, plus accrued interest thereon to date of purchase.

D. CONDITIONS AND REQUIREMENTS

1. *In general.*—Commitments for the purchase of participations will be made by this Corporation by agreement with one or more banks. The character, conditions, purposes, and terms of the loan are required to be in conformity with Section 5d of the Reconstruction Finance Corporation Act, as amended (copy of which is appended to this circular), and with this Corporation's policies regarding such loans. This Corporation's Circular No. 13 (revised) should be consulted for more detailed information as to this Corporation's practice and requirements as to loans of this character. This Corporation will not purchase or agree to purchase participations in loans already made by banks.

2. *Rates of interest.*—Interest to be paid by the borrower on loans in which this Corporation will purchase, or agree to purchase, participation, must be at such rates as shall from time to time be fixed by this Corporation.

3. *Applications.*—Application forms and notes, to be used by industrial borrowers in applying for and evidencing such loans from banks, will be supplied by this Corporation through its Loan Agencies, and must be used in order to qualify a loan for purchase of a participation therein by this Corporation. The Corporation will also supply through such Agencies application forms to be used by banks, requesting this Corporation to purchase, or to make agreements to purchase, participations in such loans. The same forms will be used whether the applicant bank requests this Corporation immediately to purchase, or to make an agreement to purchase, such a participation.

4. *Administration and servicing of loans.*—After purchase of a participation, this Corporation will be authorized to receive payments upon the note and collateral, and to discharge the borrower to the extent of such payments, but ordinarily will transact through the participating bank all business and negotiations relating to the loan. Promptly upon receipt of any payments, this Corporation will remit to the bank its pro rata share, after making any necessary adjustments

for amounts due between this Corporation and the bank. While the note is held by the Federal Reserve Bank as custodian, this Corporation reserves the right, in its own name, to bring suit upon the note or to bring foreclosure proceedings with respect to all or any part of the collateral, but shall not, without the prior written consent of the bank, change any terms of the note, or change or release any collateral, except upon full payment of the loan. However, at the option of this Corporation, the bank may, subsequently to the purchase by this Corporation of its participation in the note, hold such note and the collateral therefor as trustee for this Corporation and itself, under terms to be agreed upon.

5. *Expenses.*—The bank may not charge any bonus, fee, or commission in connection with making the loan, or make any charge for servicing the borrower's note or the collateral.

6. *Further information.*—Banks are referred to the several Loan Agencies of this Corporation for further information, and for copies of this Corporation's forms of agreements for immediate and deferred participations.

II. DIRECT LOANS TO INDUSTRY IN COOPERATION WITH BANKS

This Corporation is prepared to enter into agreements with one or more banks whereby this Corporation will make a loan, of the character described in Circular No. 13 (Revised), directly to an eligible industrial borrower in consideration of the making of a loan or loans to the same borrower at the same time by a bank or banks. Both this Corporation and the bank will use their own application forms and notes, respectively, the borrower executing a note payable to each lender for the amount advanced by such lender. The application forms to be used in applying for such loans from this Corporation will be its forms for applying for direct loans, which are available at the local Loan Agencies of this Corporation.

III. ACTS OF CONGRESS APPLICABLE TO LOANS OF THE CHARACTER HEREIN DESCRIBED

The following sections of the Reconstruction Finance Corporation Act, as amended, applicable to such loans, are quoted for the information of prospective applicant banks and borrowers from such banks:

SEC. 5d. For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized and empowered to make loans to any industrial or commercial business, which shall include the fishing industry, and to any institution, now or hereafter established, financing principally the sale of electrical, plumbing, or air-conditioning appliances or equipment or other household appliances, both urban and rural. Such loans shall, in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall mature not later than January 31, 1945, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of

directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine.

The power to make loans given herein shall terminate on January 31, 1937, or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1937, or such earlier date.

* * * * *

Sec. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) insofar as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

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CIRCULAR No. 21

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING CATASTROPHE
RELIEF LOANS
INCLUDING FLOODS, EARTHQUAKES,
TORNADOES, ETC.



APRIL 1936

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1936

INFORMATION REGARDING CATASTROPHE RELIEF LOANS

The Reconstruction Finance Corporation, pursuant to the provisions of Public, No. 160, 73d Congress, approved April 13, 1934, as amended, is authorized, through such existing agency or agencies as it may designate, to make loans to corporations, partnerships, or individuals, municipalities, or political subdivisions of States or of their public agencies, including public-school boards and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts for the purpose of financing the repair, construction, reconstruction, or rehabilitation of structures or buildings, including such equipment, appliances, fixtures, machinery, and appurtenances as shall be deemed necessary or appropriate by the Reconstruction Finance Corporation, and for the purpose of financing the repair, construction, reconstruction, or rehabilitation of water, irrigation, gas, electric, sewer, drainage, flood-control, communication, or transportation systems, highways, and bridges damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935 or 1936, and for the purpose of financing the acquisition of structures, buildings, or property, real and personal, in replacement of structures, buildings, groins, jetties, bulkheads, or property, real and personal, destroyed or rendered unfit for use by reason of the catastrophe, when such repair, construction, reconstruction, rehabilitation, or acquisition is deemed by the Reconstruction Finance Corporation to be useful or necessary, said loans to be so secured as reasonably to assure repayment thereof.

ELIGIBILITY

The Reconstruction Finance Corporation will consider applications for loans presented by individuals, partnerships, or corporations, or by municipalities, or political subdivisions of states or their public agencies, including public-school boards, and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts, for the purpose of financing the repair, construction, reconstruction, rehabilitation, or acquisition of structures, buildings, or property, as referred to in the preceding paragraph, damaged or destroyed by catastrophe in the years 1935 and 1936. The Reconstruction Finance Corporation will determine from the facts and circumstances in each particular case when rehabilitation is "useful and necessary", and under what circumstances the loan is "so secured as reasonably to assure repayment thereof."

AMOUNT

Loans will be limited to an amount reasonably required to accomplish the purposes for which they may be authorized.

SECURITY

The Act authorizing Reconstruction Finance Corporation to make these loans requires that they shall be collateralized:

(a) In the case of loans for the acquisition, repair, construction, reconstruction, or rehabilitation of private real property, by the obligations of the owner of such property, secured by a lien thereon;

(b) In case of loans for the repair, construction, reconstruction, or rehabilitation of privately owned water, gas, electric, communication, or transportation systems, by the obligations of the owners of such water, gas, electric, communication, or transportation systems, secured by a lien thereon; and

(c) In case of loans for the repair, construction, reconstruction, or rehabilitation of property of municipalities or political subdivisions of States or of their public agencies, including public-school boards, and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts, by an obligation of such municipality, political subdivision, public agency, board, or district, payable from any source, including taxation or tax-anticipation warrants.

In the case of loans in connection with personal property, the specific requirement in regard to collateral will be determined in each case as presented. The Act requires that all such loans shall be so secured as reasonably to assure repayment thereof.

TERM OF LOAN

The collateral obligations shall have maturities not exceeding ten years in case of loans made under subparagraph (a) above and not exceeding twenty years in case of loans under subparagraphs (b) and (c) above.

In the case of loans made in connection with personal property, the collateral obligations shall mature at such time or times as the Reconstruction Finance Corporation may determine, and where not otherwise prescribed in the Act, not later than January 31, 1945.

INTEREST

The interest rate will be 5% per annum.

GENERAL

In order to expedite the repair, construction, reconstruction, and rehabilitation provided for in the Act and effectively carry out its emergency-relief purposes, the Reconstruction Finance Corporation has designated its Loan Agency in the district in which the damaged or destroyed property is located as the agency which will handle the loans in that district. All applicants for loans should immediately apply to the Agency of the Reconstruction Finance Corporation in their district, where application forms and information will be available.

Loan Agencies of the Reconstruction Finance Corporation are located in the following cities:

Atlanta, Ga.	Louisville, Ky.
Birmingham, Ala.	Minneapolis, Minn.
Boston, Mass.	Nashville, Tenn.
Charlotte, N. C.	New Orleans, La.
Chicago, Ill.	New York, N. Y.
Cleveland, Ohio	Oklahoma City, Okla.
Dallas, Tex.	Omaha, Nebr.
Denver, Colo.	Philadelphia, Pa.
Detroit, Mich.	Portland, Oreg.
El Paso, Tex.	Richmond, Va.
Helena, Mont.	Salt Lake City, Utah
Houston, Tex.	San Antonio, Tex.
Jacksonville, Fla.	San Francisco, Calif.
Kansas City, Mo.	Seattle, Wash.
Little Rock, Ark.	Spokane, Wash.
Los Angeles, Calif.	St. Louis, Mo.

(The territory served by each Loan Agency is indicated on the map on page 5 of this Circular.)

The following sections of Public, No. 160, Seventy-third Congress, as amended, are applicable to loans referred to in this circular:

AN ACT Relating to the authority of the Reconstruction Finance Corporation to make rehabilitation loans for the repair of damages caused by floods or other catastrophes, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act authorizing the Reconstruction Finance Corporation to make loans to nonprofit corporations for the repair of damages caused by floods or other catastrophes, and for other purposes", approved April 13, 1934, as amended, is amended to read as follows:

"That the Reconstruction Finance Corporation is authorized and empowered, through such existing agency or agencies as it may designate, to make loans to corporations, partnerships, or individuals, municipalities or political subdivisions of States or of their public agencies, including public-school boards and public school districts, and water, irrigation, sewer, drainage, and flood control districts for the purpose of financing the repair, construction, reconstruction, or rehabilitation of structures or buildings, including such equipment, appliances, fixtures, machinery, and appurtenances as shall be deemed necessary or appropriate by the Reconstruction Finance Corporation, and for the purpose of financing the repair, construction, reconstruction, or rehabilitation of water, irrigation, gas, electric, sewer, drainage, flood-control, communication, or transportation systems, highways, and bridges damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935 or 1936, and for the purpose of financing the acquisition of structures, buildings, or property, real and personal, in replacement of structures, buildings, groins, jetties, bulkheads, or property, real and personal, destroyed or rendered unfit for use by reason of the catastrophe, when such repair, construction, reconstruction, rehabilitation, or acquisition is deemed by the Reconstruction Finance Corporation to be useful or necessary, said loans to be so secured as reasonably to assure repayment thereof.

"Obligations accepted hereunder shall be collateraled—

"(a) In the case of loans for the acquisition, repair, construction, reconstruction, or rehabilitation of private real property, by the obligations of the owner of such property, secured by a lien thereon;

"(b) In case of loans for the repair, construction, reconstruction, or rehabilitation of privately owned water, gas, electric, communication, or transportation systems, by the obligations of the owners of such water, gas, electric, communication, or transportation systems, secured by a lien thereon; and

"(c) In case of loans for the repair, construction, reconstruction, or rehabilitation of property of municipalities or political subdivisions of States or of their public agencies, including public-school boards and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts, by an obligation of such municipality, political subdivision, public agency, board, or district, payable from any source, including taxation or tax-anticipation warrants.

"The collateral obligations shall have maturities not exceeding ten years in case of loans made under paragraph (a) of this Act and not exceeding twenty years in case of loans under paragraphs (b) and (c) of this Act.

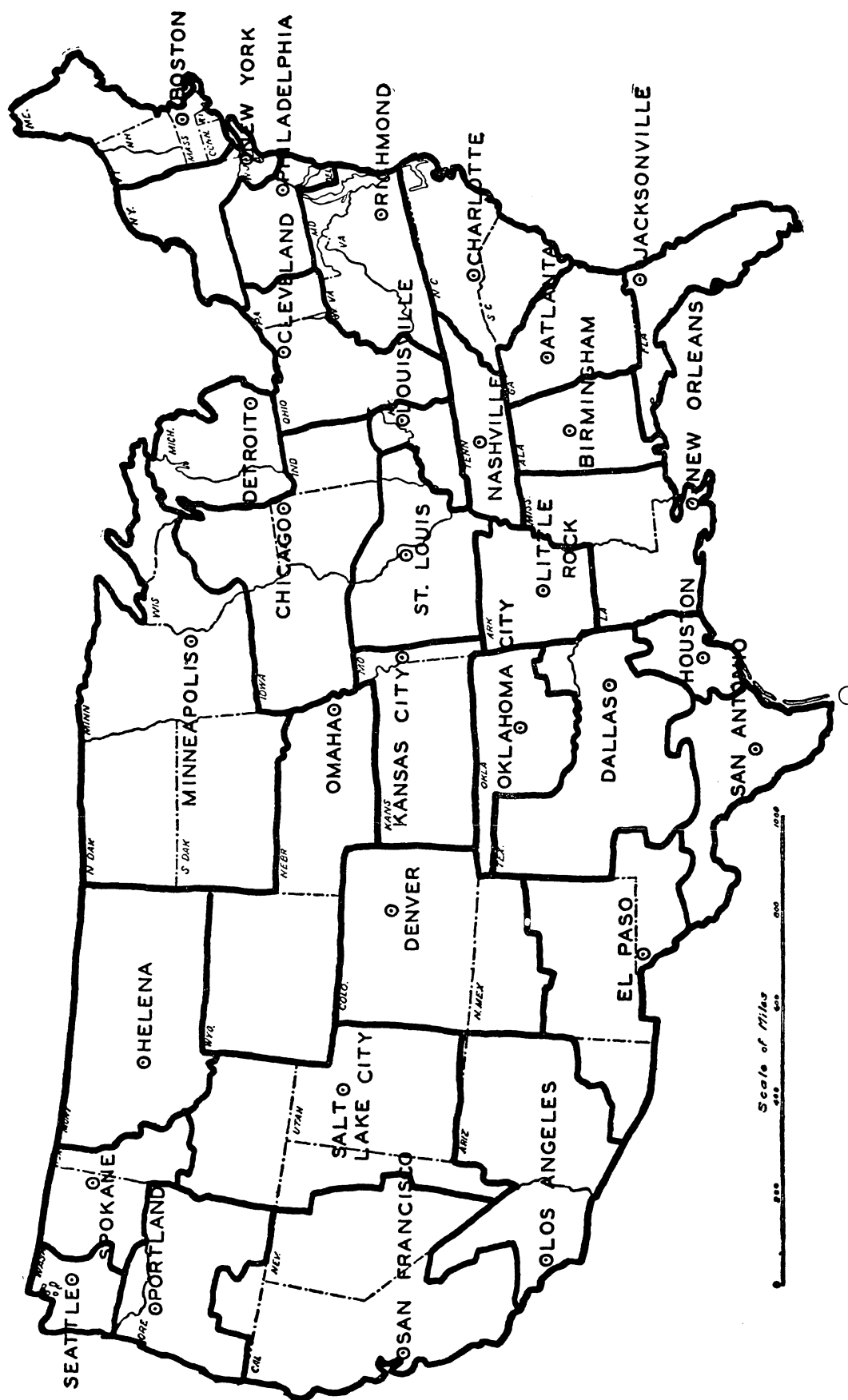
"The Corporation shall prescribe such regulations as will most effectively expedite the repair, construction, reconstruction, and rehabilitation provided for by this Act and effectively carry out the emergency-relief purposes of this Act.

* * * * *

"The aggregate of loans made under this Act shall not exceed \$50,000,000."

SEC. 2. The title of the said Act is amended to read as follows: "An Act authorizing the Reconstruction Finance Corporation to make loans for the repair of damages caused by floods or other catastrophes, and for other purposes."

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



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APR 26 1936

CIRCULAR No. 21

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING CATASTROPHE
RELIEF LOANS
INCLUDING FLOODS, EARTHQUAKES,
TORNADOES, ETC.



APRIL 1936

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1936

INFORMATION REGARDING CATASTROPHE RELIEF LOANS

The Reconstruction Finance Corporation, pursuant to the provisions of Public, No. 160, 73d Congress, approved April 13, 1934, as amended, is authorized, through such existing agency or agencies as it may designate, to make loans to corporations, partnerships, or individuals, municipalities, or political subdivisions of States or their public agencies, including public-school boards and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts for the purpose of financing the repair, construction, reconstruction, or rehabilitation of structures or buildings, including such equipment, appliances, fixtures, machinery, and appurtenances as shall be deemed necessary or appropriate by the Reconstruction Finance Corporation, and for the purpose of financing the repair, construction, reconstruction, or rehabilitation of water, irrigation, gas, electric, sewer, drainage, flood-control, communication, or transportation systems, highways, and bridges damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935 or 1936, and for the purpose of financing the acquisition of structures, buildings, or property, real and personal, in replacement of structures, buildings, groins, jetties, bulkheads, or property, real and personal, destroyed or rendered unfit for use by reason of the catastrophe, when such repair, construction, reconstruction, rehabilitation, or acquisition is deemed by the Reconstruction Finance Corporation to be useful or necessary, said loans to be so secured as reasonably to assure repayment thereof.

ELIGIBILITY

The Reconstruction Finance Corporation will consider applications for loans presented by individuals, partnerships, or corporations, or by municipalities, or political subdivisions of states or their public agencies, including public-school boards, and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts, for the purpose of financing the repair, construction, reconstruction, rehabilitation, or acquisition of structures, buildings, or property, as referred to in the preceding paragraph, damaged or destroyed by catastrophe in the years 1935 and 1936. The Reconstruction Finance Corporation will determine from the facts and circumstances in each particular case when rehabilitation is "useful or necessary", and under what circumstances the loan is "so secured as reasonably to assure repayment thereof."

AMOUNT

Loans will be limited to an amount reasonably required to accomplish the purposes for which they may be authorized.

SECURITY

The Act authorizing Reconstruction Finance Corporation to make these loans requires that they shall be collateralized:

(a) In the case of loans for the acquisition, repair, construction, reconstruction, or rehabilitation of private real property, by the obligations of the owner of such property, secured by a lien thereon;

(b) In case of loans for the repair, construction, reconstruction, or rehabilitation of privately owned water, gas, electric, communication, or transportation systems, by the obligations of the owners of such water, gas, electric, communication, or transportation systems, secured by a lien thereon; and

(c) In case of loans for the repair, construction, reconstruction, or rehabilitation of property of municipalities or political subdivisions of States or of their public agencies, including public-school boards, and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts, by an obligation of such municipality, political subdivision, public agency, board, or district, payable from any source, including taxation or tax-anticipation warrants.

In the case of loans in connection with personal property, the specific requirement in regard to collateral will be determined in each case as presented. The Act requires that all such loans shall be so secured as reasonably to assure repayment thereof.

TERM OF LOAN

The collateral obligations shall have maturities not exceeding ten years in case of loans made under subparagraph (a) above and not exceeding twenty years in case of loans under subparagraphs (b) and (c) above.

In the case of loans made in connection with personal property, the collateral obligations shall mature at such time or times as the Reconstruction Finance Corporation may determine, and where not otherwise prescribed in the Act, not later than January 31, 1945.

INTEREST

~~The interest rate will be 5% per annum.~~

The interest rate will be 4 per cent per annum.

GENERAL

In order to expedite the repair, construction, reconstruction, and rehabilitation provided for in the Act and effectively carry out its emergency-relief purposes, the Reconstruction Finance Corporation has designated its Loan Agency in the district in which the damaged or destroyed property is located as the agency which will handle the loans in that district. All applicants for loans should immediately apply to the Agency of the Reconstruction Finance Corporation in their district, where application forms and information will be available.

Loan Agencies of the Reconstruction Finance Corporation are located in the following cities:

Atlanta, Ga.	Louisville, Ky.
Birmingham, Ala.	Minneapolis, Minn.
Boston, Mass.	Nashville, Tenn.
Charlotte, N. C.	New Orleans, La.
Chicago, Ill.	New York, N. Y.
Cleveland, Ohio	Oklahoma City, Okla.
Dallas, Tex.	Omaha, Nebr.
Denver, Colo.	Philadelphia, Pa.
Detroit, Mich.	Portland, Oreg.
El Paso, Tex.	Richmond, Va.
Helena, Mont.	Salt Lake City, Utah
Houston, Tex.	San Antonio, Tex.
Jacksonville, Fla.	San Francisco, Calif.
Kansas City, Mo.	Seattle, Wash.
Little Rock, Ark.	Spokane, Wash.
Los Angeles, Calif.	St. Louis, Mo.

(The territory served by each Loan Agency is indicated on the map on page 5 of this Circular.)

The following sections of Public, No. 160, Seventy-third Congress, as amended, are applicable to loans referred to in this circular:

AN ACT Relating to the authority of the Reconstruction Finance Corporation to make rehabilitation loans for the repair of damages caused by floods or other catastrophes, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act authorizing the Reconstruction Finance Corporation to make loans to nonprofit corporations for the repair of damages caused by floods or other catastrophes, and for other purposes", approved April 13, 1934, as amended, is amended to read as follows:

"That the Reconstruction Finance Corporation is authorized and empowered, through such existing agency or agencies as it may designate, to make loans to corporations, partnerships, or individuals, municipalities or political subdivisions of States or of their public agencies, including public-school boards and public school districts, and water, irrigation, sewer, drainage, and flood control districts for the purpose of financing the repair, construction, reconstruction, or rehabilitation of structures or buildings, including such equipment, appliances, fixtures, machinery, and appurtenances as shall be deemed necessary or appropriate by the Reconstruction Finance Corporation, and for the purpose of financing the repair, construction, reconstruction, or rehabilitation of water, irrigation, gas, electric, sewer, drainage, flood-control, communication, or transportation systems, highways, and bridges damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935 or 1936, and for the purpose of financing the acquisition of structures, buildings, or property, real and personal, in replacement of structures, buildings, groins, jetties, bulkheads, or property, real and personal, destroyed or rendered unfit for use by reason of the catastrophe, when such repair, construction, reconstruction, rehabilitation, or acquisition is deemed by the Reconstruction Finance Corporation to be useful or necessary, said loans to be so secured as reasonably to assure repayment thereof.

"Obligations accepted hereunder shall be collateralized—

"(a) In the case of loans for the acquisition, repair, construction, reconstruction, or rehabilitation of private real property, by the obligations of the owner of such property, secured by a lien thereon;

"(b) In case of loans for the repair, construction, reconstruction, or rehabilitation of privately owned water, gas, electric, communication, or transportation systems, by the obligations of the owners of such water, gas, electric, communication, or transportation systems, secured by a lien thereon; and

"(c) In case of loans for the repair, construction, reconstruction, or rehabilitation of property of municipalities or political subdivisions of States or of their public agencies, including public-school boards and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts, by an obligation of such municipality, political subdivision, public agency, board, or district, payable from any source, including taxation or tax-anticipation warrants.

"The collateral obligations shall have maturities not exceeding ten years in case of loans made under paragraph (a) of this Act and not exceeding twenty years in case of loans under paragraphs (b) and (c) of this Act.

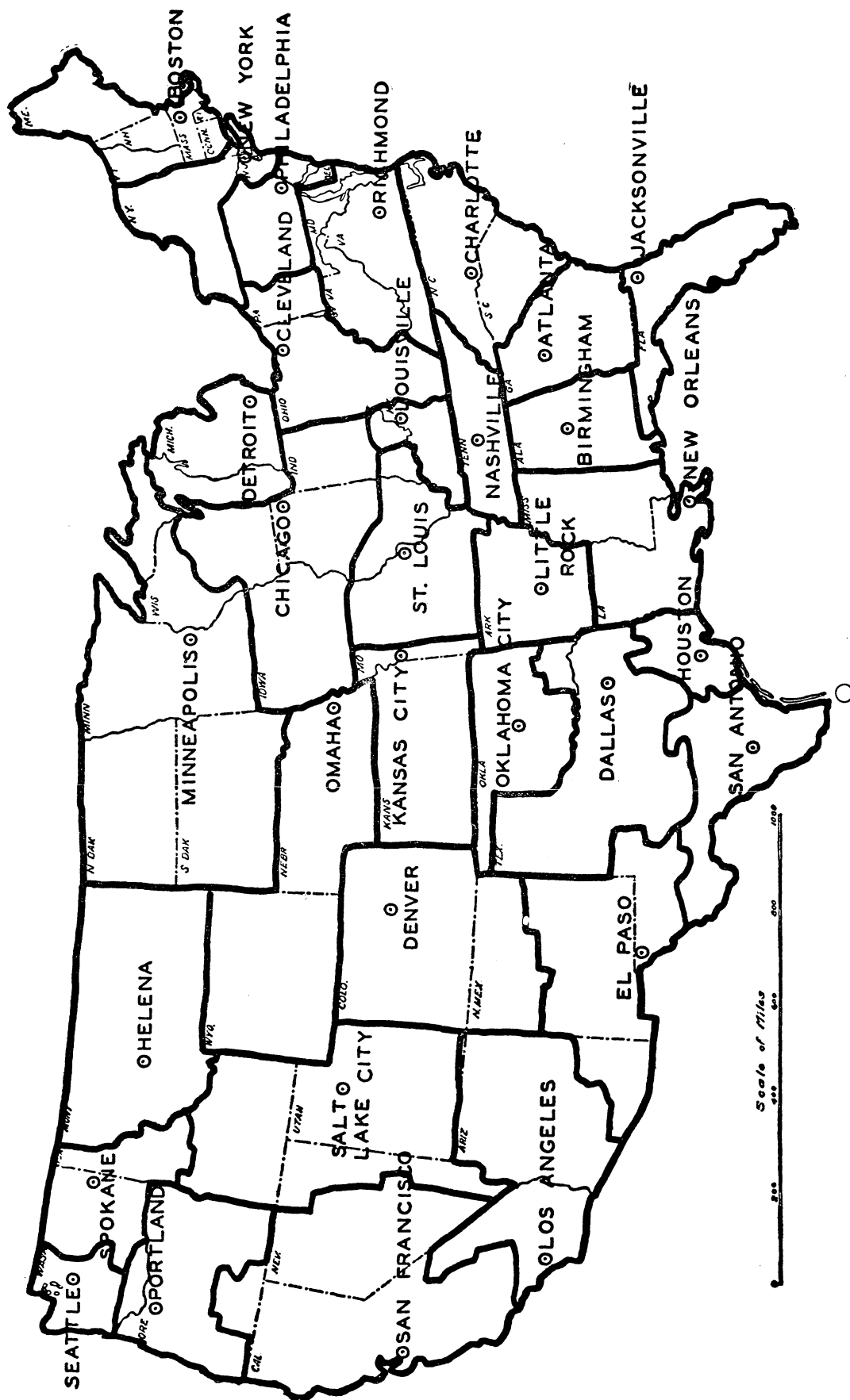
"The Corporation shall prescribe such regulations as will most effectively expedite the repair, construction, reconstruction, and rehabilitation provided for by this Act and effectively carry out the emergency-relief purposes of this Act.

* * * * *

"The aggregate of loans made under this Act shall not exceed \$50,000,000."

SEC. 2. The title of the said Act is amended to read as follows: "An Act authorizing the Reconstruction Finance Corporation to make loans for the repair of damages caused by floods or other catastrophes, and for other purposes."

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



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CIRCULAR NO. 13
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS
TO INDUSTRY



AUGUST 1937

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1937

OCT 11 1937

INFORMATION REGARDING LOANS TO INDUSTRY

For the purpose of **maintaining and increasing the employment of labor**, Reconstruction Finance Corporation is authorized to make loans, when so secured as reasonably to assure repayment, to solvent industrial or commercial businesses, directly or in cooperation with banks or other lending institutions, or by the purchase of participations.

I. Requirements Imposed by Law

- (a) The loan can only be made if credit at prevailing bank rates for loans of the character applied for is not otherwise available at banks.
- (b) The loan must be so secured as reasonably to assure repayment.
- (c) The loan must mature not later than January 31, 1945.
- (d) The loan may be made only when deemed to offer reasonable assurance of maintaining or increasing the employment of labor.
- (e) The borrower must be solvent at the time of disbursement of the loan.
- (f) The loan is subject to such other terms, conditions and restrictions as may be determined by Reconstruction Finance Corporation.

II. Terms, Conditions, and Purposes

Loans to industry will be made by this Corporation upon the following terms and conditions, and for the following purposes:

A. Maturities

Such loans shall mature at such time, prior to January 31, 1945, as Reconstruction Finance Corporation may in each case determine. A program of payments will be arranged with a view to the borrower's orderly liquidation of its debt.

It is contemplated that loans will not be made for a longer term than is justified by the facts of the particular case. However, the period of time so determined will be sufficient, in so far as can be estimated at the time the loan is granted, to enable the borrower to make plans for the development of future business without being unnecessarily restricted by a repayment schedule which would impair the borrower's working capital during the life of the loan. When loans are primarily to finance capital expenditures, a repayment program up to January 31, 1945, may be considered. For established industries whose need is principally for shorter term credit, such loans usually should be repaid within five years or less.

B. Interest Rates

Interest shall be at such rate as may be fixed from time to time by this Corporation.

C. Purposes

As Section 5d of the Reconstruction Finance Corporation Act, as amended, provides that loans thereunder shall be made for **maintaining and increasing the employment of labor**, this Corporation will make industrial loans for the following purposes:

(a) *Loans for Labor and Materials.*—This Corporation will give consideration to applications for loans, the proceeds of which will be used for the payment of labor and the purchase of material required in the operation of a business.

(b) *Loans to Pay Existing Indebtedness and Taxes.*—This Corporation will give consideration to applications for loans where a portion of the proceeds is to be applied to the payment of taxes and existing indebtedness. Applications for loans will be considered where a substantial portion of the proceeds is to be used to satisfy existing indebtedness on a compromise basis satisfactory to this Corporation, provided it is shown that the loan is necessary to maintain the employment of labor, that the applicant, after the debt adjustment (which may be made either by compromise settlement in full satisfaction of the debt, or by partial payment in cash and the issuance of junior obligations or equity securities), will have sufficient operating assets, and that there is reasonable assurance of continuous operation.

(c) *Loans for the Purchase of Machinery.*—This Corporation will give consideration to applications for loans when the proceeds will be used for the replacement of obsolete or worn out machinery or for the purchase of additional machinery, provided it is shown that such capital expenditures are necessary for efficient operation and are economically sound.

(d) *Loans for New Enterprises and for the Expansion of Existing Businesses.*—This Corporation will consider applications for loans to new industries or to enable established business concerns to expand into new fields of endeavor, provided it can be shown that such loans will be economically sound and socially desirable. Applicants must have substantial equity investment, without giving consideration to services rendered, patents, good-will, or similar intangibles, or to the potential value which will be established if the operations are successful, so that the funds advanced by this Corporation will be secured as required by law and will not be subject to the risks incident to and properly borne by equity investors. The new enterprise must be sufficiently beyond the developmental or promotional stage that profitable future operations, and therefore continuous employment of labor, can reasonably be assured. Also, it will be required that after giving effect to the loan from this Corporation the applicant will have working capital adequate to assure continuous operation. The collateral value of the security, the net worth and financial condition of the applicant, and future earning prospects will be considered carefully.

(e) *Loans to Finance Industrial Construction.*—When a loan from this Corporation is to be used in whole or in part to finance industrial construction,

this Corporation may advance funds for this purpose as the construction progresses, provided the initial advances shall be satisfactorily secured by existing assets of the applicant. Final disbursement will be made on the completion of the new industrial property free from all liens other than this Corporation's mortgage. In all such cases, it will be necessary to show that either out of the current assets of the company or out of the proceeds of this Corporation's loan, sufficient funds have been provided to complete the construction and to provide working capital adequate to insure continuous operation.

It is not the intention of this Corporation to make loans:

(a) To provide for the operation of any business in receivership, though applications will be considered for loans contingent upon the termination of the receivership, by settlement with creditors or otherwise, upon a basis which will restore the business to a solvent condition.

(b) To finance imports or exports, except where such imports or exports are only minor and incidental to the general business conducted.

(c) To finance the development or purchase of new inventions, the cost of obtaining patents, the expense of infringement suits or any other litigation.

III. Eligibility

Applications for loans will be received from industrial and commercial businesses (including the fishing industry), whether corporations, partnerships or individuals. It is the view of this Corporation that the purpose of such loans, as expressed by Congress, i. e. "maintaining and increasing the employment of labor", necessitates a construction which emphasizes the employment of labor, as in manufacturing concerns, as distinguished from the purchase of inventories, as in commercial business.

Loans to the ore industries will be made under the provisions of this Corporation's Circular No. 14 and not under the provisions of this Circular.

Loans to institutions for the exclusive purpose of financing the carrying and orderly marketing of agricultural commodities will be made only under the provisions of this Corporation's Circular No. 10.

Information regarding loans to institutions financing principally the sale of electrical, plumbing or air conditioning appliances or equipment or other household appliances, may be obtained from this Corporation upon request.

Loans on real estate which is not owned by and used in connection with the operation of an industrial or commercial business will not be considered under the provisions of this Circular. Information concerning such loans may be obtained from The RFC Mortgage Company, Washington, D. C.

IV. Security Requirements

Section 5d of the Reconstruction Finance Corporation Act, as amended, requires that all loans made thereunder shall be "so secured as reasonably to assure repayment of the loans." Loans should be secured by collateral of character and amount which, considered in connection with other factors such

as the character and ability of the management and prospective earnings, will afford reasonable assurance of repayment.

The security may consist of one or more of the following: a first mortgage on real estate, plant and equipment, an assignment of warehouse receipts for marketable merchandise stored in satisfactory warehouses, a first mortgage on chattels or an assignment of current receivables (accounts, notes or trade acceptances). Such loans will not be made on the sole security of unsecured receivables, or of receivables representing non-industrial instalment purchases, or of equipment or other chattels not represented by warehouse receipts. The applicant may offer, as additional collateral, a first lien on any other assets of sound value.

This Corporation usually will not consider as satisfactory primary security the following: second mortgages, franchises, patents, good-will, foreign securities, a mortgage on property owned and occupied as his home by an individual borrower, shares of stock of corporate applicants, or shares of stock without readily ascertainable market value. An assignment of orders will not constitute satisfactory primary security, though such orders may be important to establish the ability of the applicant to repay the loan. A pledge or mortgage of inventories generally will not be regarded as satisfactory collateral, unless stored in a bonded or otherwise acceptable warehouse, or unless the applicable State law provides for creating and maintaining a satisfactory lien upon inventory not so warehoused.

V. Solvency

Section 5d of the Reconstruction Finance Corporation Act, as amended, provides that such loans shall be made only when, in the opinion of the Board of Directors of this Corporation, the applicant is solvent. If the applicant is not solvent at the time of making application, the application should indicate the manner in which the applicant will become solvent prior to the time of disbursement of the proposed loan.

VI. Charges, Commissions, Bonuses, Fees, Etc.

Payment of bonuses, fees or commissions for the purpose of, or in connection with, obtaining loans is strictly prohibited. However, the borrower, subject to the prior approval of this Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to this Corporation. All charges must be fully disclosed. A fee based upon a percentage of the loan will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

VII. Salaries and Dividends

As required by law, the applicant must agree that, so long as any portion of the loan remains outstanding, it will not pay compensation to any officer, director or employee at a rate in excess of that which appears reasonable to this Corporation.

So long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant nor any distribution (except reasonable compensation for services) made by partnership or individual applicants, without the consent of this Corporation.

VIII. Audits and Appraisals

In connection with preliminary applications, the Loan Agencies of this Corporation do not require audits or appraisals. With each formal application, an appraisal of plant and equipment, by an appraiser for this Corporation, or otherwise, satisfactory to the Manager of the Loan Agency, should be arranged for (if not already available as of a date not more than 6 months preceding the date of filing of the application), but only upon and in accordance with request of the Manager of the Loan Agency.

Independent audits usually are not required in the case of loans of \$25,000 or less, when the applicant furnishes satisfactory sworn financial statements. An audit of the applicant, by an auditor for this Corporation or a satisfactory independent auditor, as of a date not more than 6 months prior to date of application, will ordinarily be required prior to disbursement in connection with an approved loan of more than \$25,000, but should be arranged for only upon request of the Manager of the Loan Agency.

IX. Loans in Cooperation with Banks or Other Lending Institutions, and Purchases of Participations in Loans

This Corporation will receive applications from Federal Reserve Banks or other banks for the purchase by this Corporation of participations in loans of the character described in this Circular, made by such banks, and will make such loans in cooperation with Federal Reserve Banks, or other banks or lending institutions, when such loans are for the purposes and in accordance with the terms and conditions set forth in this Circular.

The provision for the purchase of participations is interpreted by this Corporation as permitting Federal Reserve Banks, or other banks, to complete loans in their own names to qualified industrial borrowers, thus maintaining the normal relationship of banker and customer. The lending bank may feel that the loan required is, for one reason or another, too large for the bank to carry, and may desire that this Corporation participate in the risk. Provided any such loan is made after consideration and approval by this Corporation of the purchase of a participation therein, and is in accordance with the terms and conditions set forth in this Circular, this Corporation has authority to purchase a participation in such loan from the lending bank or to make an agreement to purchase if requested to do so within a specified time.

The Comptroller of the Currency has ruled that the Act of Congress of June 19, 1934, relating to industrial loans (which Act was amended by the Act of January 31, 1935), was intended to expand the scope of the lending power of national banks so as to permit a national bank to make a loan under said Act which exceeds or departs from the restrictive provisions of the United States Revised Statutes, Section 5200, as amended, and the Federal Reserve Act, Section 24, provided that the national bank has obtained a commitment from Reconstruction Finance Corporation or a Federal Reserve Bank to take, within a specified period, a portion of said loan so that the net amount of the national bank's participation, after giving effect to the commitment, would be within the limitations imposed by the aforesaid restrictive provisions.

This Corporation will also cooperate with Federal Reserve Banks or other banks or lending institutions in making such loans; for instance, by making a loan directly to the borrower at the same time that another loan is made by the bank or other lending institution, or by other mutually satisfactory arrangements which will bring about cooperation between existing financial institutions and this Corporation in lending money.

This Corporation invites the cooperation of banks or other lending institutions in making loans under the program outlined herein, in the hope that such banks ultimately will take the entire loan, when conditions and the credit risk justify.

Further information concerning such participation agreements between this Corporation and lending banks may be obtained from this Corporation's Circular No. 15.

X. Information to be Filed and Method of Filing

Preliminary application forms and formal application forms may be obtained from the Loan Agency of Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of such Loan Agencies below, and map showing Loan Agency districts on page 9.) Preliminary application forms, requiring a minimum amount of information, and without audit or appraisals, will be considered by the Loan Agencies, in order that applicants may be spared the trouble and expense of filing a formal application where clearly not warranted by the circumstances.

Applications should be filed with the Loan Agency serving applicant's district. No application will be received directly at the Washington office of this Corporation.

All requests for information should be directed to the local Loan Agency of this Corporation serving applicant's district and not to the Washington office.

Each Loan Agency of this Corporation will, when requested, assist and advise with applicants in determining their eligibility, and in the preparation of applications; provided, however, that any such assistance, advice, or suggestions by such Agencies shall in no sense be considered as a commitment of Reconstruction Finance Corporation to make the loan.

XI. Locations of Loan Agencies of Reconstruction Finance Corporation

(The territory served by each Loan Agency is indicated on the map on page 9 of this Circular.)

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	St. Louis, Mo.
Cleveland, Ohio	Louisville, Ky.	Salt Lake City, Utah
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Seattle, Wash.
El Paso, Tex.	New York, N. Y.	Spokane, Wash.
Helena, Mont.	Oklahoma City, Okla.	

In addition, this Corporation maintains a Special Representative at San Juan, Puerto Rico, through whom all applications from Puerto Rico should be forwarded.

XII. Acts of Congress Applicable to Loans of the Character Herein Described

The following sections of the Reconstruction Finance Corporation Act, as amended, applicable to such loans, are quoted for the information of prospective borrowers:

SEC. 5d. For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized and empowered to make loans to any industrial or commercial business, which shall include the fishing industry, and to any institution, now or hereafter established, financing principally the sale of electrical, plumbing or air conditioning appliances or equipment or other household appliances, both urban and rural. Such loans shall, in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall mature not later than January 31, 1945, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine.

The power to make loans given herein shall terminate on January 31, 1937,* or on such

* Public, No. 2, 75th Cong., approved Jan. 26, 1937 (ch. 6, 1st sess.), provides as follows:

"That notwithstanding any other provision of law, until the close of business on June 30, 1939, the Reconstruction Finance Corporation is hereby authorized to continue to perform all functions which it is authorized to perform under law, and the liquidation and winding up of the Corporation's affairs as provided for by section 13 of the Reconstruction Finance Corporation Act, as amended, are hereby postponed during the period that functions of the Corporation are continued pursuant to this Act: *Provided*, That in order to facilitate the withdrawal of the credit activities of the Corporation when from time to time during such period the President finds, upon a report of the Board of Directors of the Corporation or otherwise, that credit for any class of borrowers to which the Corporation is authorized to lend is sufficiently available from private sources to meet legitimate demands upon fair terms and rates, the President may authorize the directors to suspend the exercise by the Corporation of any such lending authority for such time or times as he may deem advisable. * * *

earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1937, or such earlier date.

* * * * *

The following sections of the Reconstruction Finance Corporation Act, as amended, are applicable to loans under Section 5d of the Reconstruction Finance Corporation Act, as amended:

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

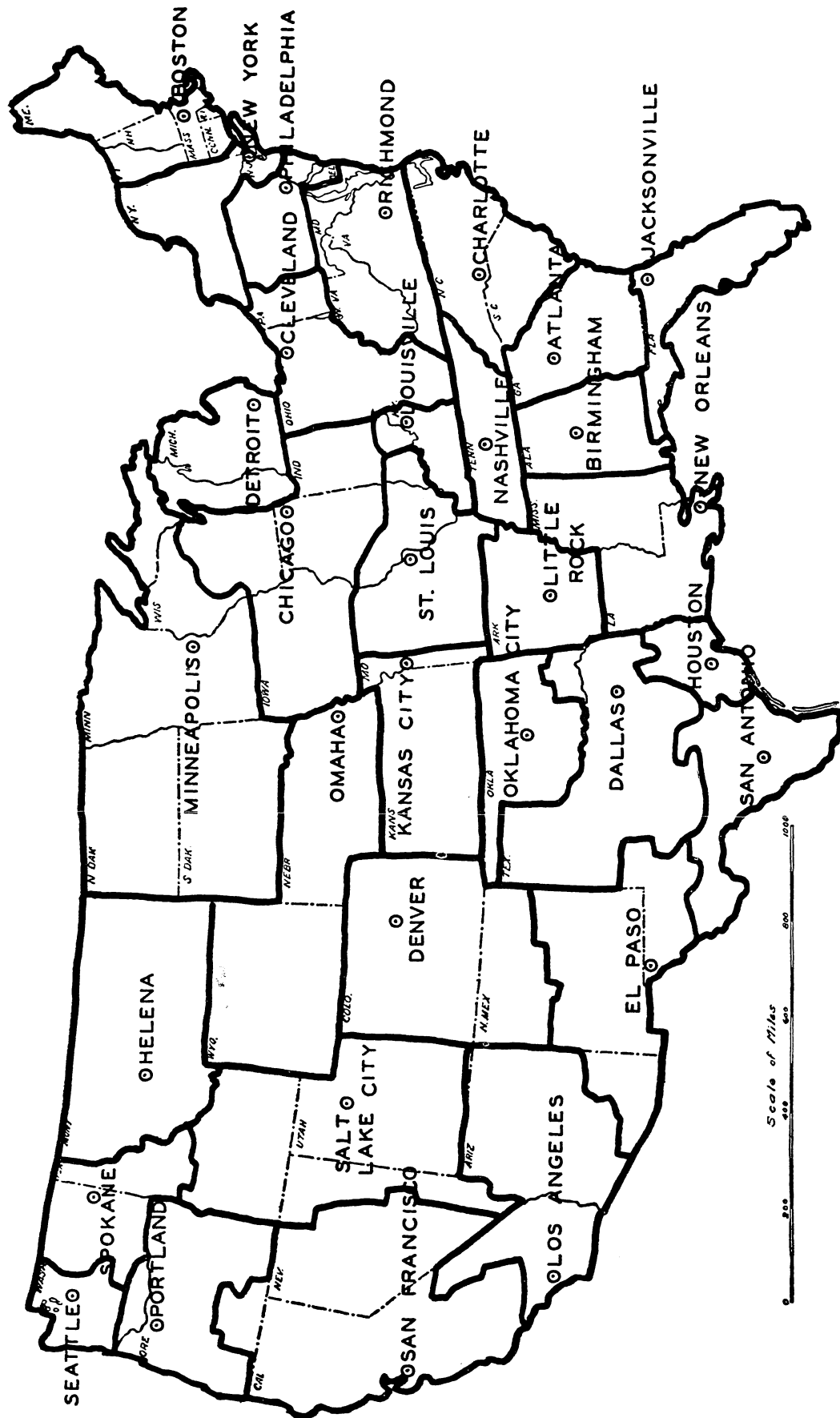
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(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) in so far as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of Public Act No. 35, Seventy-third Congress, is applicable to loans referred to in this circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



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CIRCULAR No. 15
(REVISED)

OF THE

RECONSTRUCTION
FINANCE CORPORATION

INFORMATION
REGARDING LOANS TO INDUSTRY
IN CONJUNCTION WITH BANKS AND OTHER
LENDING INSTITUTIONS



APRIL 1937

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1937

INFORMATION REGARDING LOANS TO INDUSTRY IN CONJUNCTION WITH BANKS AND OTHER LENDING INSTITUTIONS

In addition to its power to make loans directly and independently to industrial borrowers (as provided in Reconstruction Finance Corporation Circular No. 13, Revised), this Corporation is authorized to purchase participations in such loans to be made by banks or other lending institutions (herein collectively referred to as "banks"), and to make commitments for the future purchase (at the option of the participating banks) of participations in such loans. This Corporation is also authorized to make such loans directly to industrial borrowers in cooperation with banks.

We believe that this Corporation can be helpful to industrial borrowers and to banks, both through the direct and immediate purchase of participations in industrial loans, and through the execution of agreements evidencing commitments to purchase such participations in the future at the option and upon the demand of the participating bank.

The sale of any participation to this Corporation is *without liability on the part of the bank as endorser or guarantor*.

Through such commitments, which may extend to 80 percent, or in the case of immediate participations, even to 90 percent of the loan, banks may secure both complete protection against loss, and complete liquidity, as to the major portion of each such loan, while at the same time continuing their normal relations with their customers and extending to their customers adequate credit.

It is believed that through use of this Corporation's deferred commitments, banks may find it possible to make idle or unprofitable surplus funds available to local industries at a satisfactory net return, without undue risk to the participating bank, and without the impairment of liquidity usually incident to the making of loans intended to be amortized over a period of one or more years, and secured in large part by mortgage on industrial properties.

I. PURCHASE OF, AND AGREEMENTS TO PURCHASE, PARTICIPATIONS IN LOANS TO INDUSTRY

A. IN GENERAL

1. *Bank holds collateral until actual purchase of participation.*—In all cases in which this Corporation enters into an agreement to purchase a participation, the bank will be permitted to hold the note and collateral until this Corporation has actually purchased and paid for the participation, and to deal with them in the customary manner, except that it may not, without the prior written

consent of this Corporation, change any terms of the loan, or change or release any of the collateral, except upon full payment of the loan.

2. *Upon payment by R. F. C. for participation, collateral is sent to Federal Reserve Bank.*—Upon the closing of the sale of a participation to this Corporation, and payment therefor by this Corporation (whether such payment is made at the time of the making of the loan, or at any time thereafter), the note of the borrower and the collateral therefor will be deposited, against such payment, with the Federal Reserve Bank for the participating bank's district, to be held by the Federal Reserve Bank as custodian for this Corporation.

3. *The loan will be disbursed to the borrower by the participating bank only when and as authorized by this Corporation.*

B. IMMEDIATE PURCHASE OF PARTICIPATIONS

If the applicant bank so requests, this Corporation, if it approves the application, will pay for its participation simultaneously with the closing of the loan to the industrial borrower, or immediately upon receipt of the papers evidencing such closing. The amount of this Corporation's participation in a loan will be such percentage of the loan as shall be requested by the bank and found acceptable to this Corporation. Such participations commonly cover from 50 percent to 90 percent of the loan. No charge is made for such participation agreements.

C. COMMITMENTS FOR DEFERRED PARTICIPATION AT OPTION OF PARTICIPATING BANK

1. *Terms of agreement.*—In case the applicant bank shall so request, this Corporation, if it approves the application, will execute an agreement that for a stated period (generally covering either 1 year or 2 years after date of borrower's note) it will hold itself in readiness to purchase a specified participation in the loan, and will within 10 days after demand of the bank, made within such stated period, purchase and pay for its agreed participation in the loan, or in the portion thereof then outstanding. Where a need is shown, this Corporation will consider applications for agreements to purchase participations within periods extending up to 5 years from the date of the borrower's note, but not beyond the date of the final maturity of the note. Under each such participation agreement the bank has the right to call upon this Corporation to take up its participation in the loan at any time within the period fixed by the agreement, upon the specified 10 days' notice to this Corporation. Such agreements provide for an option to this Corporation to purchase the participation, or the entire loan, as specified in section I-C-4 of this circular.

2. *Charges of this Corporation for deferred participation agreements.*—This Corporation's charges for such commitments are at the rate of two percent (2%) per annum on the daily balances of this Corporation's outstanding conditional commitment to purchase a participation in the disbursed loan (that is to say, on the daily balances of that portion of the disbursed loan to borrower which this

Corporation is under commitment to purchase but has not yet purchased), and are payable quarterly. There is reserved to the participating bank the right to cancel the agreement by 30 days' written notice to this Corporation, charges terminating upon the effective date of such cancelation.

3. *Payment for participation.*—Upon purchase of its participation, this Corporation will pay to the bank the amount of its agreed participation in the loan theretofore disbursed (and not theretofore repaid), with interest at the rate fixed in the note, computed from the date of the loan (or any later date to which interest has been paid) to the date of such purchase.

4. *Reserved rights of this Corporation.*—This Corporation reserves the right to purchase its participation or the entire note from the bank without the request of the bank, whenever, during the term of the agreement, it deems such action desirable in its own interest, and reserves the right, during such term, to purchase the bank's remaining interest in the note, if, after purchase of participation, it deems such action desirable in its own interest. If this Corporation exercises its option to purchase the bank's remaining interest in the note, it is required to pay the bank a sum equal to the bank's remaining interest in the unpaid principal amount of the loan, plus accrued interest thereon to date of purchase.

D. CONDITIONS AND REQUIREMENTS

1. *In general.*—Each commitment for the purchase of a participation will be made by this Corporation by agreement with one or more banks. The character, conditions, purposes, and terms of the loan are required to be in conformity with Section 5d of the Reconstruction Finance Corporation Act, as amended (copy of which is appended to this circular), and with this Corporation's policies regarding such loans. This Corporation's Circular No. 13 (Revised) should be consulted for more detailed information as to this Corporation's practice and requirements as to loans of this character. This Corporation will not purchase or agree to purchase participations in loans made by banks prior to this Corporation's entering into an agreement for the purchase of such participation.

2. *Rates of interest.*—Loans in which this Corporation purchases or agrees to purchase participation must bear such rate of interest as shall be approved by this Corporation at the time the participation agreement is entered into.

3. *Applications.*—Application forms and notes, to be used by industrial borrowers in applying for and evidencing such loans from banks, will be supplied by this Corporation through its Loan Agencies, and must be used in order to qualify a loan for purchase of a participation therein by this Corporation. The Corporation will also supply through such Agencies application forms to be used by banks, requesting this Corporation to purchase, or to make agreements to purchase, participations in such loans. The same application forms will be used whether immediate or deferred participation is desired.

4. *Administration and servicing of loans.*—After purchase of a participation, this Corporation will be authorized to receive payments upon the note and

collateral, and to discharge the borrower to the extent of such payments, but ordinarily will transact through the participating bank all business and negotiations relating to the loan. Promptly upon receipt of any payment, this Corporation will remit to the bank its pro rata share, after making any necessary adjustments for amounts due between this Corporation and the bank. While the note is held by the Federal Reserve Bank as custodian, this Corporation reserves the right, in its own name, to bring suit upon the note or to bring foreclosure proceedings with respect to all or any part of the collateral, but shall not, without the prior written consent of the bank, change any terms of the note, or change or release any collateral, except upon full payment of the loan. However, at the option of this Corporation, the bank may, subsequently to the purchase by this Corporation of its participation in the note, hold such note and the collateral therefor as trustee for this Corporation and itself, under terms to be agreed upon.

5. *Expenses.*—The bank may not charge any bonus, fee, or commission in connection with making the loan, or make any charge for servicing the borrower's note or the collateral.

6. *Further information.*—Banks are referred to the several Loan Agencies of this Corporation for further information, and for copies of this Corporation's forms of agreements for immediate and deferred participations.

II. DIRECT LOANS TO INDUSTRY IN COOPERATION WITH BANKS

This Corporation is prepared to enter into agreements with one or more banks whereby this Corporation will make a loan, of the character described in Circular No. 13 (Revised), directly to an eligible industrial borrower in consideration of the making of a loan or loans to the same borrower at the same time by a bank or banks. This Corporation and the bank will each use its own application forms and notes, the borrower executing a note payable to each lender for the amount advanced by such lender. The application forms to be used in applying for such loans from this Corporation will be its forms for applying for direct loans, which are available at the local Loan Agencies of this Corporation.

III. ACTS OF CONGRESS APPLICABLE TO LOANS OF THE CHARACTER HEREIN DESCRIBED

The following sections of the Reconstruction Finance Corporation Act, as amended, applicable to such loans, are quoted for the information of prospective applicant banks and borrowers from such banks:

SEC. 5d. For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized and empowered to make loans to any industrial or commercial business, which shall include the fishing industry, and to any institution, now or hereafter established, financing principally the sale of electrical, plumbing, or air-conditioning appliances or equipment or other household appliances, both urban and rural. Such loans

shall, in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, may be made directly, or in cooperation with banks or other lending institutions, or by the purchase of participations, shall mature not later than January 31, 1945, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed \$300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine.

The power to make loans given herein shall terminate on January 31, 1937,* or on such earlier date as the President shall by proclamation fix; but no provision of law terminating any of the functions of the Corporation shall be construed to prohibit disbursement of funds on loans and commitments, or agreements to make loans, made under this section prior to January 31, 1937, or such earlier date.

* * * * *

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(c) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive), insofar as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

* Public, No. 2, 75th Cong., approved Jan. 26, 1937 (ch. 6, 1st sess.), provides as follows:

"That notwithstanding any other provision of law, until the close of business on June 30, 1939, the Reconstruction Finance Corporation is hereby authorized to continue to perform all functions which it is authorized to perform under law, and the liquidation and winding up of the Corporation's affairs as provided for by section 13 of the Reconstruction Finance Corporation Act, as amended, are hereby postponed during the period that functions of the Corporation are continued pursuant to this Act: *Provided*, That in order to facilitate the withdrawal of the credit activities of the Corporation when from time to time during such period the President finds, upon a report of the Board of Directors of the Corporation or otherwise, that credit for any class of borrowers to which the Corporation is authorized to lend is sufficiently available from private sources to meet legitimate demands upon fair terms and rates, the President may authorize the directors to suspend the exercise by the Corporation of any such lending authority for such time or times as he may deem advisable. * * *"

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CIRCULAR No. 4

(REVISED)

RECONSTRUCTION FINANCE CORPORATION

ITS POWERS AND FUNCTIONS



AUGUST 1938

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1938

RECONSTRUCTION FINANCE CORPORATION

1825 H STREET NORTHWEST

WASHINGTON, D. C.

BOARD OF DIRECTORS AND OFFICERS

JESSE H. JONES, *Chairman, Board of Directors.*

CHARLES B. HENDERSON, *Director.*

HOWARD J. KLOSSNER, *Director.*

CARROLL B. MERRIAM, *Director.*

EMIL SCHRAM, *Director.*

GEORGE R. COOKSEY, *Secretary.*

CLAUDE E. HAMILTON, JR., *General Counsel.*

HENRY A. MULLIGAN, *Treasurer.*

(II)

OCT 4 1938

RECONSTRUCTION FINANCE CORPORATION

The Reconstruction Finance Corporation was created by "An Act to provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes", approved January 22, 1932, which may be cited as the "Reconstruction Finance Corporation Act." The powers of the Corporation were increased and the scope of its operations extended or otherwise affected by subsequent legislation. The text of the Reconstruction Finance Corporation Act, as amended, is contained in a pamphlet entitled "Reconstruction Finance Corporation Act, as amended, and other Laws and Documents pertaining to Reconstruction Finance Corporation."

The Corporation may perform all functions it is authorized to perform under law to close of June 30, 1939, or such earlier date as the President may authorize.

This circular outlines the organization, functions, and authority of the Corporation.

I. MANAGEMENT AND ORGANIZATION

The Reconstruction Finance Corporation was organized on February 2, 1932, pursuant to the provisions of the Reconstruction Finance Corporation Act, which provides that it shall have succession for a period of 10 years from January 22, 1932, unless sooner dissolved by an act of Congress. Under the Act, as amended, its management is vested in a board of directors consisting of five persons appointed by the President of the United States, by and with the advice and consent of the Senate.

The Corporation functions through a principal office at Washington and loan agencies established in cities throughout the United States,¹ as follows:

Atlanta, Ga.	Houston, Tex.	Oklahoma City, Okla.
Birmingham, Ala.	Jacksonville, Fla.	Omaha, Nebr.
Boston, Mass.	Kansas City, Mo.	Philadelphia, Pa.
Charlotte, N. C.	Little Rock, Ark.	Portland, Oreg.
Chicago, Ill.	Los Angeles, Calif.	Richmond, Va.
Cleveland, Ohio	Louisville, Ky.	St. Louis, Mo.
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Spokane, Wash.
Helena, Mont.	New York, N. Y.	

¹ A map showing the loan agencies and other offices of the Reconstruction Finance Corporation will be found on p. 19.

In addition to the foregoing, the Corporation has special representatives at Salt Lake City, Utah, Seattle, Washington, and San Juan, Puerto Rico.

The Federal Reserve banks are authorized and directed by law to act as depositories, custodians, and fiscal agents for the Corporation. The proceeds of loans generally are disbursed by the Corporation through the Federal Reserve banks and their branches which also, acting as custodians, hold the primary obligations of borrowers evidencing indebtedness to the Corporation, as well as the collateral pledged with the Corporation as security therefor. Since there is no Federal Reserve bank in Puerto Rico, the Insular Treasurer at San Juan acts as Custodian for the Corporation.

The funds of the Corporation are kept on deposit with the Treasurer of the United States.

II. LOANS UNDER SECTION 5 OF THE RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED ²

1. To Financial Institutions, State Insurance Funds, and Railroads.

The Corporation, under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended, is authorized to make loans on full and adequate security and upon the terms and conditions stated in the law, to:

Any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the United States, including loans secured by the assets of any bank, savings bank, or building and loan association that is closed,³ or in process of liquidation, to aid in the reorganization or liquidation thereof, upon application of the receiver or liquidating agent of such institution; any State insurance fund established or created by the laws of any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of paying or insuring payment of compensation to injured workmen and those disabled as a result of disease contracted in the course of their employment, or to their dependents; and any fund created by any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of insuring the repayment of deposits of public moneys of such State, or any of its political subdivisions, in banks or depositories qualified under the law of such State to receive such deposits.

Under the same section of the law, as amended, the Corporation, with the approval of the Interstate Commerce Commission, including approval of the

² Section 5, Reconstruction Finance Corporation Act (47 Stat., chap. 8, pp. 6-8); as amended by sections 202, 203, and 211, Emergency Relief and Construction Act of 1932, approved July 21, 1932 (47 Stat., chap. 520, pp. 714, 715-716); sections 10, 12, and 13, Act of Congress approved June 10, 1933 (48 Stat., chap. 55, pp. 121-122); Act of Congress approved June 14, 1933 (48 Stat., chap. 72, p. 141); Act of Congress approved June 21, 1934 (48 Stat., chap. 692, p. 1198); and section 4, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, pp. 2-3).

³ Regarding loans to closed banks, see also pp. 8-9.

price to be paid, may, to aid in the financing, reorganization, consolidation, maintenance, or construction thereof, purchase for itself, or for account of a railroad obligated thereon, the obligations of railroads engaged in interstate commerce, including equipment trust certificates, or guarantee the payment of the principal of, and/or interest on, such obligations, including equipment trust certificates, or, when, in the opinion of the Corporation, funds are not available on reasonable terms through private channels, make loans, upon full and adequate security, to such railroads or to receivers or trustees thereof for the aforesaid purposes. In the case of loans to or the purchase or guarantee of obligations, including equipment trust certificates, of railroads not in receivership or trusteeship, the Interstate Commerce Commission shall, in connection with its approval thereof, also certify that such railroad, on the basis of present and prospective earnings, may reasonably be expected to meet its fixed charges, without a reduction thereof through judicial reorganization, except that such certificate shall not be required in case of such loans made for maintenance of, or purchase of equipment for, such railroads. The Reconstruction Finance Corporation Act, as amended, provides that in respect of loans or renewals or extensions of loans or purchases of obligations under section 5 of the Reconstruction Finance Corporation Act, as amended, to or of railroads, the Corporation may require as a condition of making any such loan or renewal or extension for a period longer than 5 years, or purchasing any such obligation maturing later than 5 years from the date of purchase by the Corporation, that such arrangements be made for the reduction or amortization of the indebtedness of the railroad, either in whole or in part, as may be approved by the Corporation after the prior approval of the Interstate Commerce Commission.

2. To Parties to Marketing Agreements.

Section 8b of the Agricultural Adjustment Act, approved May 12, 1933, as amended,⁴ authorizes the Corporation to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to parties to any marketing agreement entered into by the Secretary of Agriculture with processors, producers, associations of producers, and others engaged in the handling of any agricultural commodity or product thereof, only with respect to such handling, however, as is in the current of interstate or foreign commerce or which directly burdens, obstructs, or affects, interstate or foreign commerce in such commodity or product thereof, for the purpose of carrying out any such agreement.

3. To the Fishing Industry.

Section 15 of the Act of Congress approved June 19, 1934,⁵ authorizes the Corporation to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to any person, association, or corporation organized under the laws of any State, the District of Columbia, Alaska, Hawaii, or Puerto Rico, for the purpose of financing the production, storage,

⁴ Section 8, Agricultural Adjustment Act (48 Stat., chap. 25, p. 34), as amended by section 7, Act of Congress approved April 7, 1934 (48 Stat., chap. 103, p. 528); and section 4, Act of Congress approved August 24, 1935 (49 Stat., chap. 641, p. 753).

⁵ 48 Stat., chap. 653, pp. 1112-1113.

handling, packing, processing, carrying and/or orderly marketing of fish of American fisheries and/or products thereof.

Detailed information regarding loans to the fishing industry is contained in Reconstruction Finance Corporation Circular No. 17.

* * * * *

No loans or advances may be made under section 5 of the Reconstruction Finance Corporation Act upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances.

Section 4 of the Act of Congress approved June 10, 1933,⁶ provides that the Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932:

- (1) If at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Corporation, and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Corporation while such loan is outstanding and unpaid.

For the purposes of this section, the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

III. SUBSCRIPTIONS FOR PREFERRED STOCK OF NATIONAL OR STATE BANKS OR TRUST COMPANIES, LOANS SECURED BY SUCH STOCK AS COLLATERAL, OR PURCHASES OF CAPITAL NOTES OR DEBENTURES OF STATE BANKS OR TRUST COMPANIES

Under section 304 of the Act of Congress approved March 9, 1933, as amended,⁷ the Reconstruction Finance Corporation is authorized to subscribe for preferred stock, exempt from double liability, in any National or State bank or trust company,⁸ upon the request of the Secretary of the Treasury with the approval of the President. The Corporation also is authorized to make loans secured by the preferred stock of National or State banks or trust companies as collateral, upon the request of the Secretary of the Treasury with the ap-

⁶ 48 Stat., chap. 55, p. 120.

⁷ Section 304, Act of Congress approved March 9, 1933 (48 Stat., chap. 1, p. 6); as amended by section 2, Act of Congress approved March 24, 1933 (48 Stat., chap. 8, p. 21); and section 1, Act of Congress approved March 20, 1936 (49 Stat., chap. 160, p. 1185).

⁸ The term "State bank or trust company", as construed by the Act of Congress approved March 9, 1933, as amended, includes a bank or trust company organized under the laws of any State, Territory, or possession of the United States, or the Canal Zone; and other banking corporations engaged in the business of industrial banking and under the supervision of State banking departments or of the Comptroller of the Currency.

proval of the President. In any case in which a State bank or trust company is not permitted, under the laws of the State in which it is located, to issue preferred stock exempt from double liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, the Corporation is authorized, for the purposes of this section, to purchase the legally issued capital notes or debentures of such State bank or trust company.

The Corporation is further authorized, under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), to sell, at public or private sale, the whole or any part of the preferred stock, capital notes, or debentures of any National or State bank or trust company acquired by the Corporation pursuant to the foregoing authority.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 6 and No. 18.

IV. SUBSCRIPTIONS FOR PREFERRED STOCK AND PURCHASES OF CAPITAL NOTES, ETC., OF INSURANCE COMPANIES, AND LOANS SECURED BY SUCH STOCK OR NOTES, ETC., AS COLLATERAL

Pursuant to the provisions of the Act of Congress approved June 10, 1933, as amended,⁹ the Corporation is authorized, upon the request of the Secretary of the Treasury with the approval of the President, to subscribe for preferred stock of any class, exempt from assessment or additional liability, in any insurance company¹⁰ of any State¹¹ of the United States which is in need of funds for capital purposes either in connection with the organization of such company or otherwise, or to make loans secured by such stock as collateral. The Corporation further is authorized, under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), to sell, at public or private sale, the whole or any part of the preferred stock of any such insurance company acquired by it pursuant to the aforesaid provisions of law.

In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than 20 days, or if the insurance company is a mutual organization without capital stock, the Corporation is authorized, for the purposes indicated

⁹ Act of Congress approved June 10, 1933 (48 Stat., chap. 55, pp. 119-120, 121); as amended by section 12, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, pp. 1111-1112); and section 8, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 4).

¹⁰ As construed by the Act of Congress approved June 10, 1933, as amended, the term "insurance company", includes any corporation engaged in the business of insurance or in the writing of annuity contracts, irrespective of the nature thereof, and operating under the supervision of a State superintendent or department of insurance in any of the States of the United States.

¹¹ The term "State", as construed by the Act of Congress approved June 10, 1933, as amended, means any State, Territory, or possession of the United States, the Canal Zone, and the District of Columbia.

above, to purchase the legally issued capital notes of such insurance company, or, if the company is a mutual organization without capital stock, such other form or forms of indebtedness as the laws of the State under which such company is organized permit, or to make loans secured by such notes or such other form or forms of indebtedness as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

The Corporation may not subscribe for any such preferred stock or purchase any such capital notes or make loans upon such stock or notes of any applicant insurance company:

- (1) If at the time of such subscription, purchase, or loan, any officer, director, or employee of the applicant is receiving total compensation, including any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services, in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates; and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees, except with the consent of the Corporation and in no event to an amount exceeding \$17,500 per annum, so long as preferred stock or capital notes, etc., are held by the Corporation.

The total amount of loans outstanding, preferred stock subscribed for, and capital notes or such other form or forms of indebtedness purchased and held by the Corporation pursuant to the aforesaid provisions of law relating to insurance companies may not exceed, at any one time, \$75,000,000.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 8.

V. SUBSCRIPTIONS FOR OR LOANS UPON NONASSESSABLE STOCK AND PURCHASE OF CAPITAL NOTES OR DEBENTURES OF NATIONAL MORTGAGE ASSOCIATIONS, MORTGAGE LOAN COMPANIES, TRUST COMPANIES, ETC.

To assist in the reestablishment of a normal mortgage market the Corporation may, under section 5c of the Reconstruction Finance Corporation Act, as amended,¹² with the approval of the President, subscribe for or make loans upon the nonassessable stock of any class of any national mortgage association organized under Title III of the National Housing Act, and of any mortgage loan company, trust company, savings and loan association, or other similar financial institution, now or hereafter incorporated under the laws of the United States, or of any State, or of the District of Columbia, the principal business of which institution is that of making loans upon mortgages, deeds of

¹² Section 5c was added to the Reconstruction Finance Corporation Act, as amended, by section 5, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 3).

trust, or other instruments conveying, or constituting a lien upon, real estate or any interest therein. In any case in which, under the laws of its incorporation, such financial institution is not permitted to issue nonassessable stock, the Corporation is authorized, for the purposes of section 5c above mentioned, to purchase the legally issued capital notes or debentures of such financial institutions. Under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), the Corporation may sell, at public or private sale, the whole or any part of the stock, capital notes, or debentures acquired by it pursuant to the provisions of said section 5c.

The total face amount of such loans outstanding, nonassessable stock subscribed for, and capital notes or debentures purchased and held by the Corporation, shall not exceed \$100,000,000 at any one time.

VI. LOANS TO PUBLIC AGENCIES AND TO BUSINESS ENTERPRISES

For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the Corporation is authorized and empowered, pursuant to section 5d of the Reconstruction Finance Corporation Act, as amended by Act approved April 13, 1938,¹³ under such terms, conditions, and restrictions as the Corporation may determine, to make loans to, or contracts with, States, municipalities, and political subdivisions of States, with public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States, and with public corporations, boards, and commissions, to aid in financing projects authorized under Federal, State, or municipal law, such loans or contracts to be made through the purchase of their securities, or otherwise, and for such purpose the Corporation is authorized to bid for such securities. The Corporation is further authorized and empowered to purchase the securities and obligations of, and to make loans to, any business enterprise when capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available. All such purchases of securities and obligations and all such loans shall be, in the opinion of the board of directors, of such sound value, or so secured, as reasonably to assure retirement or repayment; may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise; shall be made only when, in the opinion of the board of directors, the business enterprise is solvent; and shall be made under such terms, conditions, and restrictions as the Corporation may determine. In carrying out the provisions of this section, the Corporation may purchase securities and obligations, and may make loans, with such maturities as the Corporation may determine, notwithstanding any other provision of law.

Detailed information regarding loans to business enterprises is contained in Reconstruction Finance Corporation Circulars No. 13 and No. 15. Detailed information regarding loans to public agencies is contained in Reconstruction Finance Corporation Circular No. 22.

¹³ Public—No. 479—75th Cong.
89298—38—2

VII. LOANS TO OR FOR THE BENEFIT OF CERTAIN AGRICULTURAL IMPROVEMENT DISTRICTS, ETC., TO REDUCE AND REFINANCE OUTSTANDING INDEBTEDNESS, ETC.

Section 36 of the Emergency Farm Mortgage Act of 1933, as amended,¹⁴ authorizes the Corporation to make loans, not to exceed \$125,000,000 in the aggregate, to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, mutual nonprofit companies and incorporated water users' associations duly organized under the laws of any State or Territory and to or for the benefit of political subdivisions of States and Territories which have or propose to purchase or otherwise acquire projects or portions thereof devoted chiefly to the improvement of lands for agricultural purposes. Such loans shall be made for the following purposes:

1. To enable an applicant to reduce and refinance its outstanding indebtedness incurred in connection with its project;
2. To enable an applicant which has or proposes to purchase or otherwise acquire projects or portions thereof devoted chiefly to the improvement of lands for agricultural purposes, to purchase, acquire, construct or complete such a project or any part thereof or to purchase or acquire additional drainage, levee, or irrigation works, or property, rights, or appurtenances in connection therewith, and to repair, extend, or improve any such project or make such additions thereto as are consonant with or necessary or desirable for the proper functioning thereof or for the further assurance of the ability of the borrower to repay its loan. Such loans shall not permit additional or new land to be brought into production outside of the present boundaries of any established or reorganized irrigation district;

and shall be subject, with certain exceptions, to the same terms and conditions as loans under section 5 of the Reconstruction Finance Corporation Act, as amended.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 7.

VIII. LOANS UPON OR PURCHASE OF THE ASSETS OF CLOSED BANKS

Section 5e (a) of the Reconstruction Finance Corporation Act, as amended,¹⁵ authorizes the Corporation to make loans upon or purchase the assets, or any portion thereof, of any bank, savings bank, or trust company, which has been

¹⁴ Section 36, Emergency Farm Mortgage Act of 1933, approved May 12, 1933 (48 Stat., chap. 25, pp. 49-50), as amended by section 19, Independent Offices Appropriation Act, 1934, approved June 16, 1933 (48 Stat., chap. 101, pp. 308-309); section 11, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, pp. 1110-1111); Joint Resolution of Congress, approved June 27, 1934 (48 Stat., chap. 851, p. 1269); and Act of Congress approved June 22, 1936 (49 Stat., chap. 702, pp. 1818-1819.).

¹⁵ Section 5e was added to the Reconstruction Finance Corporation Act, as amended, by section 3 (a), Act of Congress approved June 16, 1934 (48 Stat., chap. 546, p. 971). It was subsequently amended by section 6, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, pp. 3-4).

closed on or after December 31, 1929, and prior to January 1, 1934, and the affairs of which have not been fully liquidated or wound up, upon such terms and conditions as the Corporation may by regulations prescribe. This section also makes provision for loans upon or purchase by the Corporation of the assets, or any portion thereof, of closed banks which have been trusted or are otherwise held for the benefit of depositors or depositors and others.¹⁶

IX. MINING LOANS

Section 14 of the Act of Congress approved June 19, 1934, as amended,¹⁷ authorizes the Corporation to make loans upon sufficient security to recognized and established corporations, individuals, and partnerships, engaged in the business of mining, milling, or smelting ores.

The Corporation is authorized also to make loans to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver, when, in the opinion of the Corporation, there is sufficient reason to believe that, through the use of such loan in the development of a lode, ledge, or vein, or mineral deposit, or placer or gravel deposit, there will be developed a sufficient quantity of ore or placer deposits of a sufficient value to pay a profit upon mining operations. The law provides that not to exceed \$20,000 shall be lent to any corporation, individual, or partnership, for such development purposes; and further provides that a sum not to exceed \$10,000,000 shall be allocated and made available for such development loans.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 14.

X. LOANS TO MANAGING AGENCIES OF FARMERS' COOPERATIVE MINERAL RIGHTS POOLS

Pursuant to the provisions of section 13 of the Act of Congress approved June 19, 1934,¹⁸ the Corporation is authorized to make loans upon full and adequate security, based on mineral acreage, to recognized and established incorporated managing agencies of farmers' cooperative mineral rights pools for the purpose of defraying the cost of organizing such pools.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 16.

XI. LOANS TO OR FOR THE BENEFIT OF PUBLIC-SCHOOL DISTRICTS OR OTHER PUBLIC-SCHOOL AUTHORITIES

Pursuant to the provisions of section 1 of the Act of Congress approved August 24, 1935,¹⁹ the Corporation is authorized to make loans to or for the

¹⁶ The Corporation also may make loans to closed banks under the provisions of section 5, Reconstruction Finance Corporation Act, as amended. (See p. 2.)

¹⁷ Section 14, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, p. 1112); as amended by section 12, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 5).

¹⁸ 48 Stat., chap. 653, p. 1112.

¹⁹ 49 Stat., chap. 646, pp. 796-797.

benefit of tax-supported public-school districts or other similar public-school authorities in charge of public schools organized pursuant to the laws of the several States, Territories, and the District of Columbia for the purpose of enabling any such district or authority which, or any State, municipality, or other public body which is authorized to incur indebtedness for the benefit of public schools, to reduce and refinance outstanding indebtedness or obligations which have been incurred prior to August 24, 1935, for the purpose of financing the construction, operation, and/or maintenance of public-school facilities.

Loans may also be made to enable applicants, to whom refinancing loans have been authorized, to make such repairs and necessary extensions or improvements to the public-school facilities on account of which the indebtedness refinanced was incurred as are necessary or desirable for the further assurance of the ability of the applicants to repay such refinancing loans.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 20.

XII. LOANS FOR THE REPAIR OF DAMAGES CAUSED BY FLOODS OR OTHER CATASTROPHES

Pursuant to the provisions of the Act of Congress approved April 13, 1934, as amended,²⁰ the Corporation is authorized, through such existing agency or agencies as it may designate, to make loans, upon terms and conditions specified in the law, and not to exceed \$50,000,000 in the aggregate, to corporations, partnerships, or individuals, municipalities or political subdivisions of States or of their public agencies, including public school boards and public school districts, and water, irrigation, sewer, drainage, and flood control districts for the purpose of financing the repair, construction, reconstruction, or rehabilitation of structures or buildings, including such equipment, appliances, fixtures, machinery, and appurtenances as shall be deemed necessary or appropriate by the Corporation, and for the purpose of financing the repair, construction, reconstruction, or rehabilitation of water, irrigation, gas, electric, sewer, drainage, flood-control, communication, or transportation systems, highways, and bridges damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935 or 1936, and for the purpose of financing the acquisition of structures, buildings, or property, real and personal, in replacement of structures, buildings, groins, jetties, bulkheads, or property, real and personal, destroyed or rendered unfit for use by reason of the catastrophe, when such repair, construction, reconstruction, rehabilitation, or acquisition is deemed by the Corporation to be useful or necessary, said loans to be so secured as reasonably to assure repayment thereof.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 19 and No. 21.

²⁰ Act of Congress approved April 13, 1934 (48 Stat., chap. 121, pp. 589-590); as amended by Act of Congress approved July 26, 1935 (49 Stat., chap. 421, p. 505); and sections 1 and 2, Act of Congress approved April 17, 1936 (49 Stat., chap. 234, pp. 1232-1233).

XIII. LOANS FOR THE CARRYING AND ORDERLY MARKETING OF AGRICULTURAL COMMODITIES AND LIVESTOCK

Under section 201 (d) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,²¹ the Corporation is authorized to make loans upon full and adequate security to bona fide institutions, organized under the laws of any State²² or of the United States and having resources adequate for their undertakings, for the purpose of enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 10.

XIV. LOANS TO THE ADMINISTRATOR OF THE RURAL ELECTRIFICATION ADMINISTRATION

Section 3 (a) of the Rural Electrification Act of 1936, approved May 20, 1936,²³ as amended by section 401, Rural Electrification Act of 1938, approved June 21, 1938,²⁴ authorizes and directs the Corporation to make loans to the Administrator of the Rural Electrification Administration, upon his request approved by the President, not exceeding in aggregate amount \$50,000,000 for the fiscal year ending June 30, 1937, and \$100,000,000 for the fiscal year ending June 30, 1939, with interest at 3 per centum per annum upon the security of the obligations of borrowers from the Administrator. No such loan shall be in an amount exceeding 85 per centum of the principal amount outstanding of the obligations constituting the security therefor. Such obligations incurred for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines, or systems shall be fully amortized over a period not to exceed 25 years, and the maturity of such obligations incurred for the purpose of financing the wiring of premises and the acquisition and installation of electrical and plumbing appliances and equipment shall not exceed two-thirds of the assured life thereof and not more than five years.

The Administrator is authorized by such section 3 (a) to make all such endorsements, to execute all such instruments, and to do all such acts and things as shall be necessary to effect the valid transfer and assignment to the Corporation of all such obligations.

No loans shall be made by the Corporation to the Administrator after June 30, 1939.

Moneys representing payments of principal and interest on obligations constituting the security for loans made by the Corporation to the Administrator shall be paid to the Corporation in payment of such loans.

²¹ 47 Stat., chap. 520, p. 712.

²² Pursuant to section 206, Emergency Relief and Construction Act of 1932 (47 Stat., chap. 520, p. 714), the term "State" as used in Title II of such Act (of which section 201 (d) is a part) includes the District of Columbia, Alaska, Hawaii, and Puerto Rico.

²³ 49 Stat., chap. 432, p. 1364.

²⁴ Public Res.—No. 122—75th Cong.

XV. SELF-LIQUIDATING LOANS UNDER SECTION 201 (A) OF THE EMERGENCY RELIEF AND CONSTRUCTION ACT OF 1932, AS AMENDED

The power of the Corporation to make self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,²⁵ as amended, was terminated at the close of June 26, 1933, pursuant to the provisions of section 301 of the National Industrial Recovery Act, approved June 16, 1933,²⁶ which created the Federal Emergency Administration of Public Works. The functions of the Corporation in this field were superseded by the functions of that Administration. Section 301 of the National Industrial Recovery Act provides, however, that the Corporation may issue funds to a borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, prior to January 23, 1939, under the terms of any agreement or any commitment to bid upon or purchase bonds entered into with such borrower pursuant to an application approved prior to the date of termination of the power of the Corporation to approve applications under such section.

Section 301 of the National Industrial Recovery Act, as amended by section 9 of the Act of Congress approved June 19, 1934,²⁷ provides that in connection with any loan or contract or any commitment to make a loan entered into by the Corporation prior to June 26, 1933, to aid in financing part or all of the construction cost of projects pursuant to the provisions of section 201 (a) (1) of the Emergency Relief and Construction Act of 1932, as amended, the Corporation may make such further loans and contracts, subject to all the terms and conditions set forth in the Emergency Relief and Construction Act of 1932, as amended, for the completion of any such project, or for improvements, additions, extensions, or equipment which are necessary or desirable for the proper functioning of any such project, or which will materially increase the assurance that the borrower will be able to repay the entire investment of the Corporation in such project, including such improvements, additions, extensions, or equipment.

In all cases where the Corporation shall hold bonds or other evidences of indebtedness of any borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, whether heretofore or hereafter acquired, and such borrower shall be able and willing to substitute or cause to be substituted therefor any other bonds or other evidences of indebtedness, whether of the same or longer maturities or otherwise differing, which, in the judgment of the Corporation, are more desirable than those so held, the Corporation is author-

²⁵ Section 201 (a), Emergency Relief and Construction Act of 1932 (47 Stat., chap. 520, pp. 711-712); as amended by Joint Resolution of Congress approved March 23, 1933 (48 Stat., chap. 5, p. 20); Third Deficiency Act, fiscal year 1933, approved May 29, 1933 (48 Stat., chap. 42, pp. 99-100); sections 5, 6, 7, 8, and 9, Act of Congress approved June 10, 1933 (48 Stat., chap. 55, pp. 120-121); and section 5, Fourth Deficiency Act, fiscal year 1933, approved June 16, 1933 (48 Stat., chap. 100, p. 283).

²⁶ 48 Stat., chap. 90, p. 210.

²⁷ 48 Stat., chap. 653, p. 1110.

ized to accept such bonds or other evidences of indebtedness, in exchange and substitution for such bonds or other evidences of indebtedness so held by it, upon such terms and conditions agreed upon with such borrower at the time of, or in contemplation of, such exchange and substitution.

XVI. LOANS FOR THE EXPORTATION OF AGRICULTURAL OR OTHER PRODUCTS

Under section 5a of the Reconstruction Finance Corporation Act,²⁸ the Corporation is authorized, subject to specified limitations, to accept drafts and bills of exchange drawn upon it, which grow out of transactions involving the exportation of agricultural or other products actually sold or transported for sale subsequent to the enactment of the law, and in process of shipment to buyers in foreign countries. All such drafts and bills of exchange must be in terms payable in the United States, in currency of the United States, and, in addition to the draft or bill of exchange, must at all times be fully secured by American securities as collateral, or must be guaranteed by a bank or trust company of undoubted solvency, organized under the laws of the United States or any State, Territory, or insular possession thereof.

Under section 201 (c) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,²⁹ the Corporation is authorized to make loans for the purpose of financing sales of surpluses of agricultural products in the markets of foreign countries in which such sales cannot be financed in the normal course of commerce, in order that such surpluses may not have a depressing effect upon current prices of such products; but it is stipulated that no such sales shall be financed by the Corporation, if, in its judgment, such sales will affect adversely the world markets for such products, and that no such loan may be made to finance the sale in the markets of foreign countries of cotton owned by the Federal Farm Board³⁰ or the Cotton Stabilization Corporation. All loans made under such section 201 (c) must be fully and adequately secured.

Joint resolution of Congress approved March 26, 1934,³¹ states:

That it is the sense of Congress that in any loans made by the Reconstruction Finance Corporation * * * to foster the exporting of agricultural or other products, provision shall be made that such products shall be carried exclusively in vessels of the United States, unless, as to any or all of such products, the Shipping Board Bureau, after investigation, shall certify to the Reconstruction Finance Corporation * * * that vessels of the United States are not available in sufficient numbers, or in sufficient tonnage capacity, or on necessary sailing schedule, or at reasonable rates.

²⁸ 47 Stat., chap. 8, p. 8.

²⁹ 47 Stat., chap. 520, p. 712.

³⁰ Name changed to Farm Credit Administration by Executive Order No. 6084, March 27, 1933.

³¹ 48 Stat., chap. 90, p. 500.

XVII. OTHER LOANS AND ADVANCES

1. Loans to Receivers Appointed under Section 29 of the Federal Farm Loan Act, as Amended, or by a United States District Court

Section 27 of the Emergency Farm Mortgage Act of 1933, approved May 12, 1933,³² as amended, authorizes the Reconstruction Finance Corporation to make loans to any receiver appointed pursuant to section 29 of the Federal Farm Loan Act, as amended, and to make loans to any receiver appointed by a district court of the United States for the purpose of paying taxes on farm real estate owned by the bank or securing the mortgages held by it; and such receivers are authorized to borrow from the Corporation with the approval of the Land Bank Commissioner.

2. Loans to the Corporation of Foreign Security Holders

The Corporation of Foreign Bondholders Act, 1933, approved May 27, 1933, which is not to take effect until the President finds that such action is in the public interest and by proclamation so declares, creates a body corporate with the name "Corporation of Foreign Security Holders" for the purpose of protecting, conserving, and advancing the interests of the holders of foreign securities in default. Under section 209 of such Act,³³ the Reconstruction Finance Corporation is authorized to lend out of its funds not to exceed \$75,000 for the use of the Corporation of Foreign Security Holders.

XVIII. PURCHASE OF MARKETABLE SECURITIES FROM THE FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS

The Corporation is authorized, pursuant to the provisions of the Emergency Appropriation Act, fiscal year 1935, approved June 19, 1934,³⁴ to purchase marketable securities, satisfactory to the Corporation, acquired or to be acquired by the Federal Emergency Administration of Public Works. The amount that the Corporation may have invested at any one time in such securities shall not exceed \$400,000,000.³⁵

XIX. PURCHASE OF DEBENTURES OR OBLIGATIONS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Section 5e (b) of the Reconstruction Finance Corporation Act, as amended,³⁶ authorizes the Corporation to purchase at par value such debentures or other obligations of the Federal Deposit Insurance Corporation as are authorized to be issued under subsection (o) of section 12B of the Federal Reserve Act, as amended, upon the request of the board of directors of the Federal Deposit Insurance Corporation, whenever in the judgment of said board additional

³² 48 Stat., chap. 25, p. 45.

³³ 48 Stat., chap. 38, p. 95.

³⁴ 48 Stat., chap. 648, p. 1056.

³⁵ Refer to sec. 202, Public Works Administration Extension Act of 1937, approved June 29, 1937 (50 Stat., chap. 401, p. 357).

³⁶ See footnote 15, p. 8.

funds are required for insurance purposes. The Reconstruction Finance Corporation may not purchase or hold at any time said debentures or other obligations in excess of \$250,000,000 par value.

XX. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION

1. Capital Stock

The capital stock of the Corporation was fixed by section 2 of the Reconstruction Finance Corporation Act ³⁷ at \$500,000,000, all of which was subscribed by the Secretary of the Treasury on behalf of the Government of the United States on February 2, 1932. The entire capital stock has been paid in by the Secretary of the Treasury and is held by the United States.

2. Issue of Notes, Debentures, Bonds, or Other Such Obligations

The Corporation is authorized to issue notes, bonds, debentures, or other such obligations, with the approval of the Secretary of the Treasury, to mature not more than 5 years from their respective dates of issue, to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rates of interest as may be determined by the Corporation. The Corporation, with the approval of the Secretary of the Treasury, also may sell on a discount basis short-term obligations payable at maturity without interest. The law provides that the notes, debentures, bonds, or other such obligations of the Corporation shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Corporation which may be issued pursuant to the provisions of the law, and may, at any time, sell any of the obligations of the Corporation acquired by him. He is further authorized, at the request of the Reconstruction Finance Corporation, to market for the Corporation its notes, debentures, bonds, and other such obligations, using therefor all the facilities of the Treasury Department authorized by law for the marketing of obligations of the United States. The Reconstruction Finance Corporation Act ³⁸ also provides that any and all notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) at any time imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

Pursuant to the provisions of section 13 of the Act of Congress approved January 31, 1935,³⁹ the Corporation is authorized to use as general funds all receipts arising from the sale or retirement of any of the stock, notes, bonds, or other securities acquired by it pursuant to any provision of law.

³⁷ 47 Stat., chap. 8, p. 5.

³⁸ Section 9 (47 Stat., chap. 8, p. 9).

³⁹ 49 Stat., chap. 2, p. 5.

XXI. REPORTS

1. Quarterly Reports

Section 15 of the Reconstruction Finance Corporation Act ⁴⁰ provides that the Corporation shall make and publish a report quarterly of its operations to the Congress stating the aggregate loans made to each of the classes of borrowers provided for and the number of borrowers by States (including the District of Columbia, Alaska, Hawaii, and Puerto Rico) in each class. The law further provides that the statement shall show the assets and liabilities of the Corporation and the names and compensation of all persons employed by the Corporation whose compensation exceeds \$400 per month.

2. Monthly Reports

Under section 201 (b) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,⁴¹ the Corporation is required to submit monthly to the President and to the Senate and the House of Representatives (or the Secretary of the Senate and the Clerk of the House of Representatives, if those bodies are not in session) a report of its activities and expenditures under the Reconstruction Finance Corporation Act and under section 201 of the Emergency Relief and Construction Act of 1932, together with a statement showing the names of the borrowers to whom loans and advances were made, and the amount and rate of interest involved in each case.

XXII. CIRCULARS

Detailed information regarding certain types of loans which the Reconstruction Finance Corporation is authorized to make under existing law is contained in the following circulars, which are available, except those marked obsolete or superseded, at the Corporation's office in Washington or at any of its loan agencies.

Circular No. 1.—Information for banks and other financial institutions desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 2.—Information for railroads and receivers thereof desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 3 (Obsolete).—Information for prospective applicants for loans for "self-liquidating" projects under the Emergency Relief and Construction Act of 1932. (The power of the Corporation to make new self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, and the functions of the Corporation in this field were superseded by the functions of the Federal Emergency Administration of Public Works.)

⁴⁰ 47 Stat., chap. 8, p. 11.

⁴¹ 47 Stat., chap. 520, p. 712.

Circular No. 4.—Reconstruction Finance Corporation, its powers and functions.

Circular No. 5 (Obsolete).—Regarding Regional Agricultural Credit Corporations created by the Reconstruction Finance Corporation under section 201 (e) of the Emergency Relief and Construction Act of 1932. (An Executive order issued on March 27, 1933, effective May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration.)

Circular No. 6.—Information regarding subscriptions for and loans secured by preferred stock of banks and trust companies and the purchase of capital notes and debentures of such institutions.

Circular No. 7.—Information for prospective applicants for loans under the provisions of section 36, part 4, of the Emergency Farm Mortgage Act of 1933, as amended, relating to agricultural projects.

Circular No. 8.—Information regarding applications to the Reconstruction Finance Corporation for subscription for preferred stock and purchase of capital notes of insurance companies, and loans on such preferred stock or capital notes as collateral security, as authorized by Act of Congress approved June 10, 1933 (Public, No. 35, 73d Cong.).

Circular No. 9 (Obsolete).—Information regarding applications for loans from the Reconstruction Finance Corporation for the purpose of paying processing taxes, compensating taxes and taxes on floor stocks under section 19 (c) of the Agricultural Adjustment Act of 1933.

Circular No. 10.—Information for prospective applicants for loans to finance the carrying and orderly marketing of agricultural commodities under section 201 (d) of the Emergency Relief and Construction Act of 1932.

Circular No. 11 (Superseded).—Information regarding loans to assist in the National Recovery Administration program. (Superseded by Circular No. 13.)

Circular No. 12 (Obsolete).—Public advertisement regarding notes of the Reconstruction Finance Corporation—Series of February 1, 1934.

Circular No. 13.—Information regarding loans to business enterprises.

Circular No. 14.—Information regarding mining loans.

Circular No. 15.—Information regarding loans to business enterprises in cooperation with banks and other lending institutions.

Circular No. 16.—Information regarding loans to incorporated managing agencies of farmers' cooperative mineral rights pools under the provisions of section 13 of the Act relating to direct loans for industrial purposes, approved June 19, 1934 (Public, No. 417, 73d Cong.).

Circular No. 17.—Information regarding loans to the fishing industry.

Circular No. 18.—Information regarding subscriptions for preferred stock and purchases of capital notes or debentures of trust companies and loans to trust companies and mortgage loan companies engaged in the business of lending upon real estate.

Circular No. 19.—Information regarding loans for flood relief.

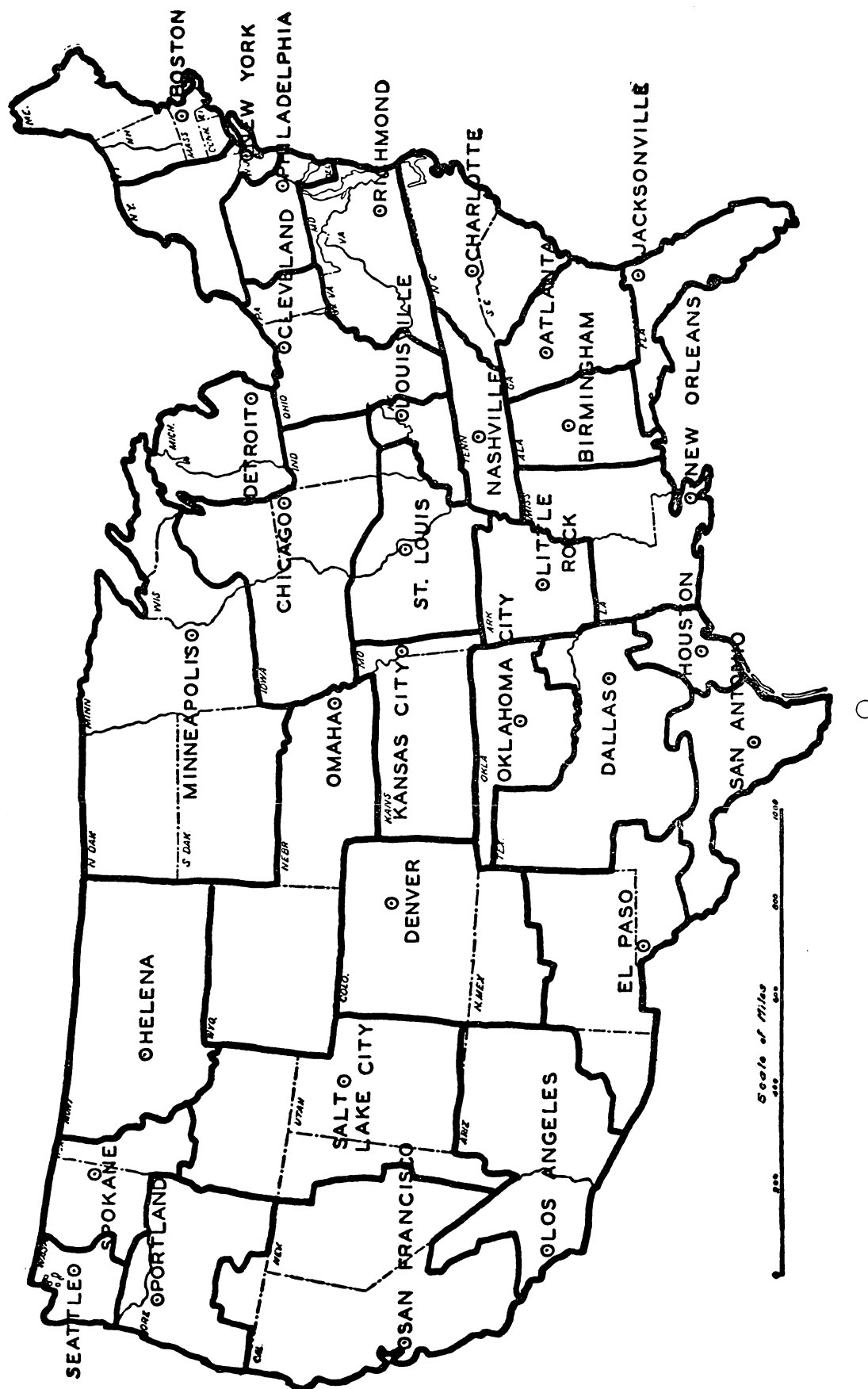
Circular No. 20.—Information for prospective applicants for loans under the provisions of Public, No. 325, Seventy-fourth Congress, approved August 24, 1935, relating to the refinancing of indebtedness incurred in connection with public schools.

Circular No. 21.—Information regarding catastrophe relief loans, including floods, earthquakes, tornadoes, etc.

Circular No. 22.—Information regarding loans to public agencies under section 5d of the Reconstruction Finance Corporation Act, as amended.

LOAN AGENCIES AND OTHER OFFICES OF RECONSTRUCTION FINANCE CORPORATION

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CIRCULAR NO. 13
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS
TO BUSINESS ENTERPRISES



APRIL 1938

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1938

INFORMATION REGARDING LOANS TO BUSINESS ENTERPRISES

For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor, Reconstruction Finance Corporation is authorized and empowered to purchase the securities and obligations of, and to make loans to, any business enterprise, directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise.

I. Requirements Imposed by Law

(a) Capital or credit, at prevailing rates for the character of loan applied for, must not be otherwise available.

(b) All purchases of securities and obligations and all loans made shall be, in the opinion of the board of directors of this Corporation, of such sound value, or so secured, as reasonably to assure retirement or repayment.

(c) All purchases of securities and obligations and all loans shall be made only when, in the opinion of the board of directors of this Corporation, the business enterprise is solvent.

(d) Securities and obligations may be purchased, and loans may be made, with such maturities as this Corporation may determine.

(e) All purchases of securities and obligations and all loans shall be made under such terms, conditions, and restrictions as this Corporation may determine.

II. Terms, Conditions, and Purposes

Loans to business enterprises will be made by this Corporation upon the following terms and conditions and for the following purposes:

A. Maturities

Loans shall mature at such time as Reconstruction Finance Corporation may determine in each case. A program of payments will be arranged with a view to the orderly liquidation of the debt by the borrower.

Loans will not be made for a longer term than is justified by the facts of the particular case. However, the period of time so determined will be sufficient, in so far as can be estimated at the time the loan is granted, to enable the borrower to make plans for the development of future business without being unnecessarily restricted by a repayment schedule which would impair the borrower's working capital during the life of the loan. For established industries whose need is principally for shorter term credit, loans usually should be repaid within five years or less. When loans are primarily to finance capital expenditures, a longer repayment program may be considered.

B. Interest Rates

Interest shall be at such rate as may be fixed from time to time by this Corporation.

C. Purposes

As Section 5d of the Reconstruction Finance Corporation Act, as amended, provides that loans thereunder shall be made for the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor, this Corporation will make loans to business enterprises for the following purposes:

(1) *Loans for Labor and Materials.*—This Corporation will give consideration to applications for loans when the proceeds will be used for the payment of labor and the purchase of material required in the business.

(2) *Loans for the Purchase of Machinery.*—This Corporation will give consideration to applications for loans when the proceeds will be used for the replacement of obsolete or worn out machinery or for the purchase of additional machinery, provided it is shown that such capital expenditures are necessary for efficient operation and are economically sound.

(3) *Loans for New Business Enterprises and for the Expansion of Existing Business Enterprises.*—This Corporation will consider applications for loans to new business enterprises or to enable established business enterprises to expand into new fields of endeavor, provided it can be shown that such loans will be sound from an economic as well as a credit standpoint. Such applicants must have a net worth proportionate to the loan requested and the new enterprise must be sufficiently beyond the developmental or promotional stage that profitable future operations can reasonably be assured. It will also be required that after giving effect to the loan from this Corporation the applicant will have sufficient working capital to assure continuous operation. The collateral value of the security, the financial condition of the applicant, and future earning prospects will be considered carefully.

(4) *Loans to Finance Industrial Construction.*—Loans will be considered to finance industrial construction in whole or in part. In all such cases it will be necessary to show that either out of the current assets of the business enterprise or out of the proceeds of this Corporation's loan, sufficient funds have been provided to complete the construction and to provide sufficient working capital to insure continuous operation.

(5) *Loans to Pay Existing Indebtedness and Taxes.*—It is not the intention of this Corporation to make loans for the primary purpose of paying existing indebtedness. Consideration will be given to applications for loans where a portion of the proceeds is to be applied to the payment of existing indebtedness, provided that the applicant, after receiving the loan and after adjustment of debt (if necessary), will have sufficient operating assets, and that there is reasonable assurance of continuous operation.

Adjustment of debts may be accomplished by one or more of the following methods:

(a) By issuance of shares of stock of the applicant in full payment;

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- (b) By issuance of bonds or notes secured by mortgage subordinate to the mortgage that will secure this Corporation;
- (c) By agreement of creditors to make no demand for payment until the loan is repaid (commonly referred to as "stand-by agreement");
- (d) By payment of cash on a compromise basis in full satisfaction of the debt;
- (e) By cancellation.

It is not the intention of this Corporation to make loans:

- (1) To provide for the operation of any business enterprise in receivership or bankruptcy, though applications will be considered for loans contingent upon the termination of the receivership or bankruptcy by settlement with creditors or otherwise, upon a basis which will restore the business enterprise to a solvent condition.
- (2) To finance the development or purchase of new inventions, the cost of obtaining patents, the expense of infringement suits or any other litigation.
- (3) For personal needs.

III. Eligibility

Applications will be received from any business enterprise whether a corporation, a partnership, or an individual.

Loans to the ore industries will be made under the provisions of Section 14 of the Act approved June 19, 1934, as amended, and not under the provisions of Section 5d of the Reconstruction Finance Corporation Act, as amended. Information pertaining to such loans is contained in this Corporation's Circular No. 14.

Information pertaining to loans to States, municipalities, political subdivisions, and other public agencies under the provisions of Section 5d of the Reconstruction Finance Corporation Act, as amended, is contained in this Corporation's Circular No. 22.

Loans to railroads or to any receiver or trustee thereof will be made under the provisions of Section 5 of the Reconstruction Finance Corporation Act, as amended, and not under the provisions of Section 5d of the Reconstruction Finance Corporation Act, as amended. This Corporation's Circular No. 2 contains information pertaining to such loans.

IV. Security Requirements

Section 5d of the Reconstruction Finance Corporation Act, as amended, requires that all loans "shall be, in the opinion of the board of directors, of such sound value, or so secured, as reasonably to assure retirement or repayment." Loans should be secured by collateral of character and amount which, considered in connection with other factors, such as the character and ability of the management and prospective earnings, will afford reasonable assurance of repayment.

The security may consist of one or more of the following: a first mortgage on real estate, plant, and equipment; an assignment of warehouse receipts for marketable merchandise stored in satisfactory warehouses; a first mortgage on chattels; or an assignment of current receivables (accounts, notes, or trade acceptances). The applicant may offer, as additional collateral, any other assets of sound value. The tangible net worth of the business enterprise should be in an amount proportionate to the loan requested.

This Corporation usually will not consider as satisfactory primary security the following: second mortgages, franchises, patents, good-will, or foreign securities. An assignment of orders will not constitute satisfactory primary security, though such orders may be important to establish the ability of the applicant to repay the loan. A pledge or mortgage of inventories generally will not be regarded as satisfactory collateral, unless stored in a bonded or otherwise acceptable warehouse, or unless the applicable State law provides for creating and maintaining a satisfactory lien upon inventory not so warehoused.

V. Solvency

Section 5d of the Reconstruction Finance Corporation Act, as amended, provides that loans shall be made only when, in the opinion of the board of directors of this Corporation, the business enterprise is solvent. If the business enterprise is not solvent at the time of making application, the manner in which it will become solvent prior to the time of, or simultaneously with, disbursement of the proposed loan, should be indicated in the application.

VI. Charges, Commissions, Bonuses, Fees, Etc.

Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is strictly prohibited. However, the business enterprise, subject to the prior approval of this Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to this Corporation. All charges must be fully disclosed. Fees or charges contingent upon the obtaining of a loan will not be allowed, nor will an applicant be permitted to pay a fee or charge based upon a percentage of a loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

VII. Salaries and Dividends

As required by law, the applicant must agree that, so long as any portion of the loan remains outstanding, it will not pay compensation to any officer, director, or employee at a rate in excess of that which appears reasonable to this Corporation.

As long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant, nor any distribution (except reasonable compensation for services) made by a partnership or individual applicant, without the consent of this Corporation.

VIII. Audits and Appraisals

In connection with preliminary applications, the applicant should submit an agreement to have an appraisal made, at its own expense, by appraisers satisfactory to this Corporation, if deemed advisable by this Corporation.

Independent audits usually are not required in the case of loans of \$25,000 or less, when the applicant furnishes satisfactory sworn financial statements. An audit of the applicant, by the Auditing Division of this Corporation or a satisfactory independent auditor, as of a date not more than 6 months prior to date of application, ordinarily will be required for an approved loan of more than \$25,000, but should be arranged for only upon request of the Loan Agency.

IX. Loans in Cooperation with Banks or Other Lending Institutions, and Participations in Loans

Loans will be made in cooperation with banks or other lending institutions through agreements to participate or by the purchase or sale of participations therein, or otherwise. Information concerning such participation agreements or loans may be obtained from this Corporation's Circular No. 15.

X. Purchase of Securities and Obligations of Business Enterprises

In addition to making loans to business enterprises, this Corporation is authorized to purchase securities and obligations of business enterprises. The term "securities" refers to obligations with definite promises to pay and definite maturity dates, and does not include the purchase of stock in a business enterprise. Provisions set forth in this Circular with respect to loans will be considered to apply, where appropriate, to such purchases.

XI. Information to be Filed and Method of Filing

Preliminary and formal application forms may be obtained from the Loan Agency of Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of such Loan Agencies below, and map showing

Loan Agency districts on page 9.) Preliminary application forms, requiring a minimum amount of information, will be considered by the Loan Agencies, in order that applicants may be spared the trouble and expense of filing a formal application where clearly not warranted by the circumstances.

Applications must be filed with the Loan Agency serving applicant's district. No application will be received directly at the Washington office of this Corporation.

All requests for information should be directed to the Loan Agency of this Corporation serving applicant's district and not to the Washington office.

Each Loan Agency of this Corporation will, when requested, assist and advise applicants in the preparation of applications; provided, however, that any such assistance, advice, or suggestions by such Agencies shall in no sense be considered as a commitment of Reconstruction Finance Corporation to make a loan.

This Corporation will be under no obligation to pay any costs, charges, or expenses incurred by the applicant in connection with the preparation and filing of an application or the furnishing of any information required by this Corporation.

XII. Locations of Loan Agencies of Reconstruction Finance Corporation

(The territory served by each Loan Agency is indicated on the map on page 9 of this Circular.)

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	St. Louis, Mo.
Cleveland, Ohio	Louisville, Ky.	Salt Lake City, Utah
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Seattle, Wash.
El Paso, Tex.	New York, N. Y.	Spokane, Wash.
Helena, Mont.	Oklahoma City, Okla.	

In addition, this Corporation maintains a Special Representative at San Juan, Puerto Rico, through whom all applications from Puerto Rico should be forwarded.

XIII. Acts of Congress Applicable to Loans of the Character Herein Described

The following is Section 5d of the Reconstruction Finance Corporation Act, as amended, pursuant to the provisions of which loans of the character herein described are made:

SEC. 5d. For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the Corporation is authorized and em-

powered, under such terms, conditions, and restrictions as the Corporation may determine, to make loans to, or contracts with, States, municipalities, and political subdivisions of States, with public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States, and with public corporations, boards, and commissions, to aid in financing projects authorized under Federal, State, or municipal law, such loans or contracts to be made through the purchase of their securities, or otherwise, and for such purpose the Corporation is authorized to bid for such securities. The Corporation is further authorized and empowered to purchase the securities and obligations of, and to make loans to, any business enterprise when capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available: *Provided*, That all such purchases of securities and obligations and all such loans shall be, in the opinion of the board of directors, of such sound value, or so secured, as reasonably to assure retirement or repayment; may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise; shall be made only when, in the opinion of the board of directors, the business enterprise is solvent; and shall be made under such terms, conditions, and restrictions as the corporation may determine: *Provided further*, That in carrying out the provisions of this section, the Corporation may purchase securities and obligations, and may make loans, with such maturities as the Corporation may determine, notwithstanding any other provision of law.

The powers granted to the Corporation by this section shall terminate on June 30, 1939, or on such earlier date as the President shall determine; but no provision of law terminating any of the functions of the Corporation shall be construed (1) to prohibit disbursement of funds on purchases of securities and obligations, on loans, or on commitments or agreements to make such purchases or loans, made under this section prior to the close of business on June 30, 1939, or such earlier date, or (2) to affect the validity or performance of any agreement to participate in any purchase or loan authorized by this section.

Nothing in this section shall be construed to authorize the Corporation (1) to purchase, or to make any commitment or agreement to purchase, any securities or obligations of any railroad engaged in interstate commerce the obligations of which may be purchased or guaranteed by the Corporation under section 5 of this Act only with the approval of the Interstate Commerce Commission, or (2) to make any loan, or any commitment or agreement to make a loan, to any such railroad or to any receiver or trustee thereof.

* * * * *

The following provisions of the Reconstruction Finance Corporation Act, as amended, are applicable to loans under Section 5d of the Reconstruction Finance Corporation Act, as amended:

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious,

or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) in so far as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of the Act approved June 10, 1933 (48 Stat., chap. 55), as amended, is applicable to loans referred to in this Circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

SEATTLE
SPokane
PORTLAND
HELENA
MINNEAPOLIS
CHICAGO
DETROIT
NEW YORK
PHILADELPHIA
BOSTON
CINCINNATI
CLEVELAND
RICHMOND
LOUISVILLE
CHARLOTTE
NASHVILLE
ATLANTA
BIRMINGHAM
JACKSONVILLE
NEW ORLEANS
HOUSTON
SAN ANTONIO
DALLAS
OKLAHOMA CITY
OKLAHOMA
KANSAS CITY
KANSAS
OMAHA
ST. LOUIS
DENVER
SALT LAKE CITY
UTAH
SAN FRANCISCO
LOS ANGELES
EL PASO
TEXAS
NEW MEXICO
ARIZONA
CALIFORNIA
NEVADA
IDAHO
MONTANA
WYOMING
NEBRASKA
KANSAS
OKLAHOMA
TEXAS
LOUISIANA
MISSISSIPPI
ALABAMA
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FLORIDA

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JUN 2 1938

CIRCULAR NO. 15
(REVISED)
OF THE
**RECONSTRUCTION
FINANCE CORPORATION**

INFORMATION REGARDING LOANS TO BUSINESS
ENTERPRISES IN COOPERATION WITH
BANKS AND OTHER LENDING
INSTITUTIONS



APRIL 1938

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1938

MAY 31 1938

INFORMATION REGARDING LOANS TO BUSINESS ENTERPRISES IN COOPERATION WITH BANKS AND OTHER LENDING INSTITUTIONS

In addition to its power to make loans directly and independently to business enterprises (as described in Reconstruction Finance Corporation Circular No. 13, Revised), this Corporation is authorized and empowered to make loans to any business enterprise in cooperation with banks or other lending institutions (herein collectively referred to as "banks") through agreements to participate or by the purchase of participations, or otherwise.

In accordance with this authority, this Corporation will give consideration to applications from banks for cooperation in loans to business enterprises through the following arrangements:

I. LOANS BY BANKS IN WHICH R. F. C. PARTICIPATES

A. COMMITMENT FOR DEFERRED PARTICIPATION BY R. F. C. IN LOANS TO BE MADE BY BANKS

1. *Terms of agreement.*—Upon application of a bank, this Corporation, if it approves such application, will execute an agreement that it will purchase at any time during a stated period, within 10 days after demand of the bank, a specified participation in the amount of the loan made by the bank outstanding at the time of such purchase.

2. *Charges by R. F. C.*—This Corporation's charge for such a commitment, based on the daily outstanding balances of that portion of the disbursed loan which this Corporation is under commitment to purchase but has not yet purchased, will be at the following rates: (1) For an agreed participation of not in excess of 50 percent of the loan, 1 percent; (2) For an agreed participation of more than 50 percent but not in excess of 75 percent of the loan, 1½ percent; (3) For an agreed participation of more than 75 percent but not in excess of 90 percent of the loan, 2 percent. Such charge shall be payable quarterly. The participating bank shall have the right to cancel the agreement by 30 days' written notice to this Corporation, the charge to terminate upon the effective date of such cancellation.

3. *Purchase of participation.*—In purchasing its participation this Corporation will pay to the bank the amount of its agreed participation in the loan then outstanding, with interest to the date of such purchase at the rate specified in the note.

4. *Voluntary purchase privilege.*—At any time such action is deemed desirable this Corporation may purchase voluntarily its agreed participation from the bank during the term of the agreement, and either the bank or this Corporation may purchase voluntarily the other's interest in the loan.

5. *Possession of note and collateral and administration of loan.*—The bank shall hold the note and collateral and administer the loan in its customary manner, except that it shall not, without the prior authorization of this Corporation, change any terms of the loan or change or release any of the collateral. Subsequent to the purchase by this Corporation of a participation in said loan, the bank shall continue to hold the note and collateral, except that upon five days' written request, the bank shall transfer the note and collateral without recourse to this Corporation to be deposited with the appropriate Federal Reserve Bank as custodian for this Corporation. In the event of such a transfer, this Corporation shall issue to the bank a certificate evidencing the interest retained by the bank in the loan, and following such transfer the loan shall be administered by this Corporation in its customary manner, except that it shall not, without the prior consent of the bank, change any terms of the loan, or change or release any of the collateral.

B. AGREEMENT FOR IMMEDIATE PARTICIPATION BY R. F. C. IN LOANS TO BE MADE AND ADMINISTERED BY BANKS

1. *Terms of agreement.*—Upon application of a bank, this Corporation, if it approves such application, will execute an agreement to purchase a specified participation in a loan made by the bank, immediately upon the disbursement thereof. At the time of such purchase the bank shall issue to this Corporation a certificate evidencing the interest in the loan purchased by this Corporation. No charge shall be made for such participation agreement.

2. *Possession of note and collateral and administration of loan.*—The bank shall hold the note and collateral and administer the loan in its customary manner, except that it shall not, without the prior authorization of this Corporation, change any terms of the loan, or change or release any of the collateral. At any time deemed desirable by this Corporation, upon five days' written request, the bank shall transfer without recourse the note and collateral to this Corporation to be deposited with the appropriate Federal Reserve Bank as custodian for this Corporation.

3. *Voluntary purchase privilege.*—Either the bank or this Corporation may purchase voluntarily the other's interest in the loan at any time such action is deemed desirable.

II. LOANS BY R. F. C. IN WHICH BANKS PARTICIPATE

A. AGREEMENT FOR IMMEDIATE PARTICIPATION BY BANKS IN LOANS TO BE MADE AND ADMINISTERED BY R. F. C.

1. *Terms of agreement.*—Upon application of a bank, this Corporation, if it approves such application, will enter into an agreement with the bank, whereby the bank will agree to purchase and this Corporation will agree to sell a specified participation in a loan to be made by this Corporation, immediately upon the disbursement thereof. At the time of such purchase and sale this Corporation shall issue to the bank a certificate evidencing the interest in the loan purchased by the bank.

2. *Possession of note and collateral and administration of loan.*—This Corporation shall hold the note and collateral and administer the loan in its customary manner, except that it shall not, without the prior consent of the bank, change any terms of the loan, or change or release any of the collateral.

III. GENERAL TERMS AND CONDITIONS

Participation agreements (as described above) will be entered into only with respect to loans, the terms, conditions, and purposes of which are in accordance with the provisions of Section 5d (hereinafter quoted) of the Reconstruction Finance Corporation Act, as amended, and in accordance with provisions set forth in this Corporation's Circular No. 13 (Revised) regarding loans to business enterprises.

This corporation will enter into a participation agreement with one or more banks. The amount of this Corporation's participation in a loan shall be such percentage as is acceptable to this Corporation and the applicant bank.

The sale of a participation in a loan, either by this Corporation or by a bank, shall be without liability on the part of such seller as endorser or guarantor.

This Corporation will purchase a participation only in a loan made subsequent to the date of the participation agreement and only in a loan made in accordance with the resolution adopted by this Corporation.

A bank shall not charge any bonus, fee, or commission in connection with a participation loan.

A. RATES OF INTEREST

Participation loans shall bear such rate of interest as shall be approved by this Corporation.

B. ADMINISTRATION AND SERVICING OF LOANS

All loans shall be disbursed subject to the terms and conditions of the resolution adopted by this Corporation. The holder of the note and collateral shall administer and service the loan and in connection therewith shall receive all payments, remitting to the other party its prorata share, but the holder of the note and collateral shall not, without the prior consent of the other party, change any terms of the loan or change or release any of the collateral.

In special cases this Corporation may authorize a participating bank to act as its special agent or to exercise an extended measure of control with respect to the administration and servicing of a loan.

IV. APPLICATION FORMS AND PROCEDURE FOR FILING APPLICATIONS

Application forms, which must be used by a business enterprise in making application to a bank for a participation loan, may be obtained from the Loan Agency of this Corporation serving the district in which the applicant is located. (See list of such Loan Agencies below, and map showing Loan Agency districts on page 7.)

Application forms to be used by a bank in requesting this Corporation to enter into a participation agreement, and forms of the respective participation agreements herein described, may also be obtained from the Loan Agencies.

All applications of business enterprises for a participation loan must be filed with the interested bank and not with this Corporation. The interested bank shall then file its application for a participation agreement, accompanied by two executed copies of the application of the business enterprise, with the Loan Agency of this Corporation serving the district in which such bank is located. No applications will be received directly at the Washington office of this Corporation.

All requests for information should be directed to the Loan Agency serving applicant's district and not to the Washington office.

V. LOCATIONS OF LOAN AGENCIES OF RECONSTRUCTION FINANCE CORPORATION

(The territory served by each Loan Agency is indicated on the map on page 7 of this Circular.)

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	St. Louis, Mo.
Cleveland, Ohio	Louisville, Ky.	Salt Lake City, Utah
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Seattle, Wash.
El Paso, Tex.	New York, N. Y.	Spokane, Wash.
Helena, Mont.	Oklahoma City, Okla.	

In addition, this Corporation maintains a Special Representative at San Juan, Puerto Rico, through whom all applications from Puerto Rico should be forwarded.

VI. ACTS OF CONGRESS APPLICABLE TO LOANS OF THE CHARACTER HEREIN DESCRIBED

The following is Section 5d of the Reconstruction Finance Corporation Act, as amended, pursuant to the provisions of which loans of the character herein described are made:

Sec. 5d. For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the Corporation is authorized and empowered, under such terms, conditions, and restrictions as the Corporation may determine, to make loans to, or contracts with, States, municipalities, and political subdivisions of States, with public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States, and with public corporations, boards, and commissions, to aid in financing projects authorized under Federal, State, or municipal law, such loans or contracts to be made through the purchase of their securities, or otherwise, and for such purpose the Corporation is authorized to bid for such securities. The Corporation is further authorized and empowered to purchase the securities and obligations of, and to make loans to, any business enterprise when capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available: *Provided*, That all such purchases of securities and obligations and all such loans shall be, in the opinion of the board of directors, of such sound value, or so secured, as reasonably to assure retirement or repayment; may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise; shall be made only when, in the opinion of the board of directors, the business enterprise is solvent; and shall be made under such terms, conditions, and restrictions as the Corporation may determine: *Provided further*, That in carrying out the provisions of this section, the Corporation may purchase securities and obligations, and may make loans, with such maturities as the Corporation may determine, notwithstanding any other provision of law.

The powers granted to the Corporation by this section shall terminate on June 30, 1939, or on such earlier date as the President shall determine; but no provision of law terminating any of the functions of the Corporation shall be construed (1) to prohibit disbursement of funds on purchases of securities and obligations, on loans, or on commitments or agreements to make such purchases or loans, made under this section prior to the close of business on June 30, 1939, or such earlier date, or (2) to affect the validity or performance of any agreement to participate in any purchase or loan authorized by this section.

Nothing in this section shall be construed to authorize the Corporation (1) to purchase, or to make any commitment or agreement to purchase, any securities or obligations of any railroad engaged in interstate commerce the obligations of which may be purchased or guaranteed by the Corporation under section 5 of this Act only with the approval of the Interstate Commerce Commission, or (2) to make any loan, or any commitment or agreement to make a loan, to any such railroad or to any receiver or trustee thereof.

* * * * *

The following provisions of the Reconstruction Finance Corporation Act, as amended, are applicable to loans under Section 5d of the Reconstruction Finance Corporation Act, as amended:

Sec. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of

value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, issued by the corporation, or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged, or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

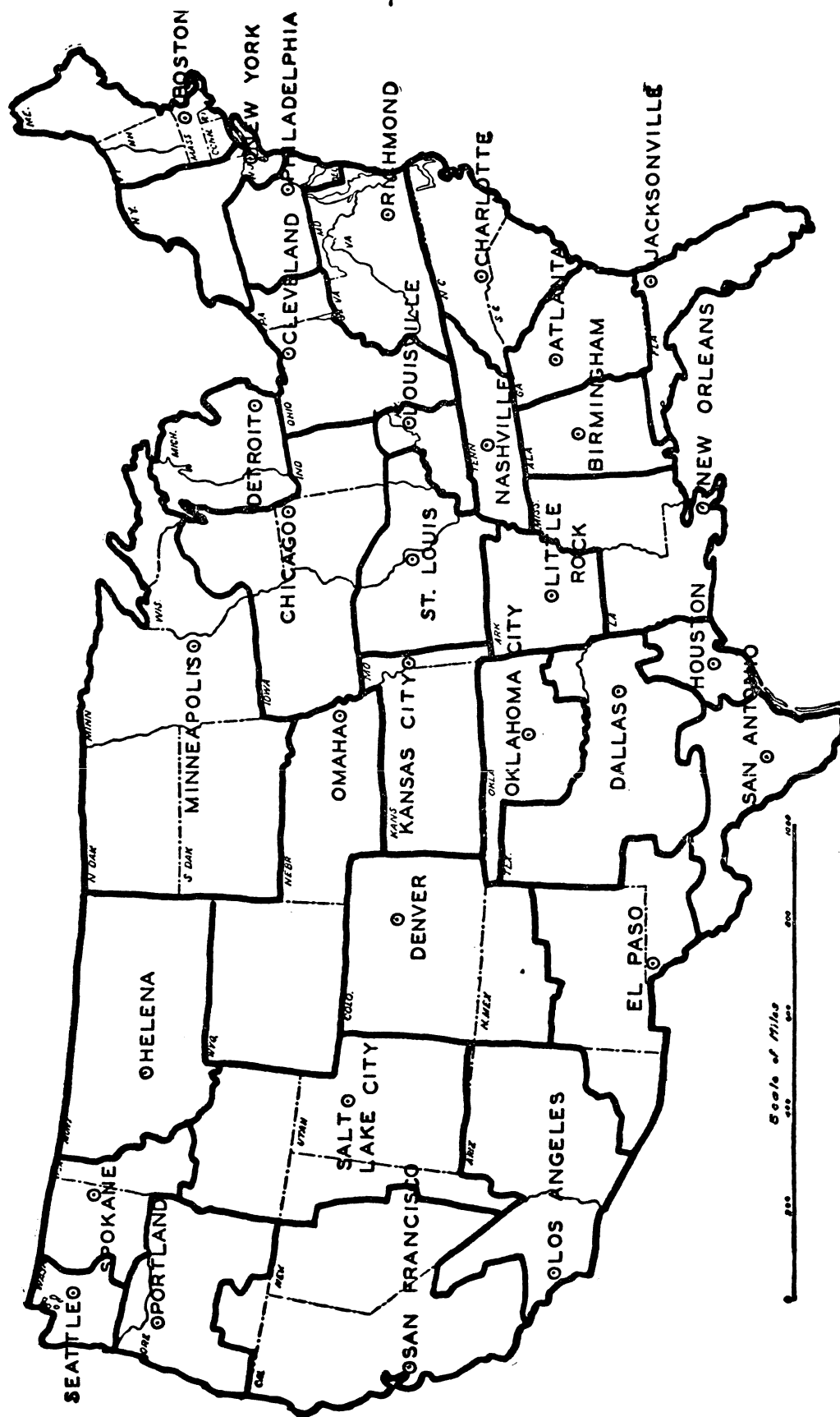
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(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) in so far as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of the Act approved June 10, 1933 (48 Stat., chap. 55), as amended, is applicable to loans referred to in this Circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS



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CIRCULAR NO. 22
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS TO PUBLIC AGENCIES
UNDER SECTION 5d OF THE RECONSTRUCTION
FINANCE CORPORATION ACT,
AS AMENDED



APRIL 1938

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1938

**INFORMATION REGARDING LOANS TO PUBLIC AGENCIES UNDER
SECTION 5d OF THE RECONSTRUCTION FINANCE CORPORA-
TION ACT, AS AMENDED**

1. For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor, Reconstruction Finance Corporation is authorized and empowered to make loans to, or contracts with, States, municipalities, and political subdivisions of States, with public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States, and with public corporations, boards, and commissions (hereinafter called "public agencies"), to aid in financing projects authorized under Federal, State, or municipal law, such loans or contracts to be made through the purchase of their securities, or otherwise, and for such purpose this Corporation is authorized to bid for such securities.

2. *Types of Projects To Be Financed.*—This Corporation is authorized to aid in financing projects authorized under Federal, State, or municipal law.

3. *Types of Obligations.*—This Corporation is authorized to make loans to, or contracts with, public agencies through the purchase of bonds, notes, or other obligations of such agencies, or otherwise. The obligations shall be secured in such manner as may be acceptable to this Corporation. A satisfactory showing as to the ability of the applicant, or of the project, if the revenue of the same is to be the source of repayment, to repay the loan requested of this Corporation will be required. Any obligations offered to evidence a loan must be legal, binding, and enforceable obligations of the applicant.

4. *Terms of Loans.*—Loans may be made for such periods of time, in such amounts, at such rates of interest or discount, and under such terms, conditions, and restrictions as this Corporation may determine in each instance in the light of all the circumstances.

5. *Fees, Commissions, Etc.*—No fee, bonus, or commission shall be paid by an applicant for the purpose of procuring a loan, but reasonable compensation may be paid for proper services actually and necessarily rendered to applicant; all such compensation must be satisfactory to this Corporation. Such charges may include reasonable compensation for services rendered by attorneys, engineers, appraisers, accountants, etc. Fees or charges contingent upon the obtaining of a loan will not be allowed, nor will an applicant be permitted to pay a fee or charge based upon a percentage of a loan.

6. *Expenses of Applicant.*—This Corporation will be under no obligation to pay any costs, charges, or expenses incurred by the applicant in connection with the preparation and filing of an application or furnishing any information required by this Corporation.

7. *Wages, Hours, Etc.*—Applicants will be required to comply with applicable provisions of any and all Federal legislation, now in effect or hereafter enacted, and with applicable rules and regulations promulgated by constituted authority pursuant thereto, respecting maximum hours, minimum wages, and child labor; and will be required to obtain this covenant from all contractors with whom applicants contract concerning the project or the operation thereof.

8. *Compliance With Other Federal Regulations.*—Each applicant must agree to comply with the regulations relating to pay for labor promulgated by the Secretary of the Treasury and the Secretary of the Interior, under date of January 8, 1935, as well as with any similar regulations which may be promulgated by the President of the United States or other duly constituted authority.

9. *Applications for Loans.*—**Applications should be sent direct to Reconstruction Finance Corporation at its office at 1825 H Street, N. W., Washington, D. C., on forms supplied by this Corporation,** accompanied by appropriate maps, plans, specifications, and all other data and memoranda necessary for a full examination of the project.

Three signed copies of each application and supporting data should be filed, except that only one set of plans and specifications and similar engineering exhibits and only one copy of applicant's charter and similar legal exhibits, when required, need be furnished. **Forms for applications may be obtained by writing to the Washington office of Reconstruction Finance Corporation.** No application will be considered unless submitted on the proper forms. Care should be taken to submit a complete statement setting forth all information which is requested. Applications are not prepared by this Corporation or its representatives, but advice and information will be given upon request.

Statutory Provisions

The following is section 5d of the Reconstruction Finance Corporation Act, as amended, pursuant to the provisions of which loans of the character referred to in this circular are made:

SEC. 5d. For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the Corporation is authorized and empowered, under such terms, conditions, and restrictions as the Corporation may determine, to make loans to, or contracts with, States, municipalities, and political subdivisions of States, with public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States, and with public corporations, boards, and commissions, to aid in financing projects authorized under Federal, State, or municipal law, such loans or contracts to be made through the purchase of their securities, or otherwise, and for such purpose the Corporation is authorized to bid for such securities. The Corporation is further authorized and empowered to purchase the securities and obligations of, and to make loans to, any business enterprise when capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available: *Provided*, That all such purchases of securities and obligations and all such loans shall be, in the opinion of the board of directors, of such sound value, or so secured, as reasonably to assure retirement or repayment; may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise; shall be made only when, in the opinion of the board of directors, the business enterprise is solvent; and shall be made under such terms, conditions, and restrictions as the corporation may determine: *Provided further*,

That in carrying out the provisions of this section, the Corporation may purchase securities and obligations, and may make loans, with such maturities as the Corporation may determine, notwithstanding any other provision of law.

The powers granted to the Corporation by this section shall terminate on June 30, 1939, or on such earlier date as the President shall determine; but no provision of law terminating any of the functions of the Corporation shall be construed (1) to prohibit disbursement of funds on purchases of securities and obligations, on loans, or on commitments or agreements to make such purchases or loans, made under this section prior to the close of business on June 30, 1939, or such earlier date, or (2) to affect the validity or performance of any agreement to participate in any purchase or loan authorized by this section.

Nothing in this section shall be construed to authorize the Corporation (1) to purchase, or to make any commitment or agreement to purchase, any securities or obligations of any railroad engaged in interstate commerce the obligations of which may be purchased or guaranteed by the Corporation under section 5 of this Act only with the approval of the Interstate Commerce Commission, or (2) to make any loan, or any commitment or agreement to make a loan, to any such railroad or to any receiver or trustee thereof.

The following provisions of section 16 of the Reconstruction Finance Corporation Act, as amended, are quoted for the information of applicants:

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever * * * willfully violates any * * * provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) in so far as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.



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CIRCULAR No. 4
(REVISED)

RECONSTRUCTION FINANCE CORPORATION

ITS POWERS AND FUNCTIONS



OCTOBER 1939

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1939

RECONSTRUCTION FINANCE CORPORATION

1825 H STREET NORTHWEST

WASHINGTON, D. C.

BOARD OF DIRECTORS AND OFFICERS

EMIL SCHRAM, *Chairman, Board of Directors.*

CHARLES B. HENDERSON, *Director.*

SAM H. HUSBANDS, *Director.*

HOWARD J. KLOSSNER, *Director.*

CARROLL B. MERRIAM, *Director.*

GEORGE R. COOKSEY, *Secretary.*

CLAUDE E. HAMILTON, Jr., *General Counsel.*

HENRY A. MULLIGAN, *Treasurer.*

(11)

DEC 19 '39

RECONSTRUCTION FINANCE CORPORATION

The Reconstruction Finance Corporation was created by "An Act to provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes", approved January 22, 1932, which may be cited as the "Reconstruction Finance Corporation Act." The powers of the Corporation were increased and the scope of its operations extended or otherwise affected by subsequent legislation. The text of the Reconstruction Finance Corporation Act, as amended, is contained in a pamphlet entitled "Reconstruction Finance Corporation Act, as amended, and other Laws and Documents pertaining to Reconstruction Finance Corporation." The Corporation is one of ten lending agencies, comprising the Federal Loan Agency, under the supervision of the Federal Loan Administrator.

The Corporation may perform all functions it is authorized to perform under law to close of June 30, 1941, or such earlier date as the President may authorize.

This circular outlines the organization, functions, and authority of the Corporation.

I. MANAGEMENT AND ORGANIZATION

The Reconstruction Finance Corporation was organized on February 2, 1932, pursuant to the provisions of the Reconstruction Finance Corporation Act, which provides that it shall have succession for a period of 10 years from January 22, 1932, unless sooner dissolved by an act of Congress. Under the Act, as amended, its management is vested in a board of directors consisting of five persons appointed by the President of the United States, by and with the advice and consent of the Senate.

The Corporation functions through a principal office at Washington and loan agencies established in cities throughout the United States,¹ as follows:

Atlanta, Ga.	Houston, Tex.	Oklahoma City, Okla.
Birmingham, Ala.	Jacksonville, Fla.	Omaha, Nebr.
Boston, Mass.	Kansas City, Mo.	Philadelphia, Pa.
Charlotte, N. C.	Little Rock, Ark.	Portland, Oreg.
Chicago, Ill.	Los Angeles, Calif.	Richmond, Va.
Cleveland, Ohio	Louisville, Ky.	St. Louis, Mo.
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Spokane, Wash.
Helena, Mont.	New York, N. Y.	

¹ A map showing the loan agencies and other offices of the Reconstruction Finance Corporation will be found on p. 19.

In addition to the foregoing, the Corporation has special representatives at Salt Lake City, Utah, Seattle, Washington, and San Juan, Puerto Rico.

The Federal Reserve banks are authorized and directed by law to act as depositories, custodians, and fiscal agents for the Corporation. The proceeds of loans generally are disbursed by the Corporation through the Federal Reserve banks and their branches which also, acting as custodians, hold the primary obligations of borrowers evidencing indebtedness to the Corporation, as well as the collateral pledged with the Corporation as security therefor. Since there is no Federal Reserve bank in Puerto Rico, the Insular Treasurer at San Juan acts as Custodian for the Corporation.

The funds of the Corporation are kept on deposit with the Treasurer of the United States.

II. LOANS UNDER SECTION 5 OF THE RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED ²

1. To Financial Institutions, State Insurance Funds, and Railroads.

The Corporation, under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended, is authorized to make loans on full and adequate security and upon the terms and conditions stated in the law, to:

Any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the United States, including loans secured by the assets of any bank, savings bank, or building and loan association that is closed,³ or in process of liquidation, to aid in the reorganization or liquidation thereof, upon application of the receiver or liquidating agent of such institution; any State insurance fund established or created by the laws of any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of paying or insuring payment of compensation to injured workmen and those disabled as a result of disease contracted in the course of their employment, or to their dependents; and any fund created by any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of insuring the repayment of deposits of public moneys of such State, or any of its political subdivisions, in banks or depositories qualified under the law of such State to receive such deposits.

Under the same section of the law, as amended, the Corporation, with the approval of the Interstate Commerce Commission, including approval of the

² Section 5, Reconstruction Finance Corporation Act (47 Stat., chap. 8, pp. 6-8); as amended by sections 202, 203, and 211, Emergency Relief and Construction Act of 1932, approved July 21, 1932 (47 Stat., chap. 520, pp. 714, 715-716); sections 10, 12, and 13, Act of Congress approved June 10, 1933 (48 Stat., chap. 55, pp. 121-122); Act of Congress approved June 14, 1933 (48 Stat., chap. 72, p. 141); Act of Congress approved June 21, 1934 (48 Stat., chap. 692, p. 1198); and section 4, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, pp. 2-3).

³ Regarding loans to closed banks, see also pp. 8-9.

price to be paid, may, to aid in the financing, reorganization, consolidation, maintenance, or construction thereof, purchase for itself, or for account of a railroad obligated thereon, the obligations of railroads engaged in interstate commerce, including equipment trust certificates, or guarantee the payment of the principal of, and/or interest on, such obligations, including equipment trust certificates, or, when, in the opinion of the Corporation, funds are not available on reasonable terms through private channels, make loans, upon full and adequate security, to such railroads or to receivers or trustees thereof for the aforesaid purposes. In the case of loans to or the purchase or guarantee of obligations, including equipment trust certificates, of railroads not in receivership or trusteeship, the Interstate Commerce Commission shall, in connection with its approval thereof, also certify that such railroad, on the basis of present and prospective earnings, may reasonably be expected to meet its fixed charges, without a reduction thereof through judicial reorganization, except that such certificate shall not be required in case of such loans made for maintenance of, or purchase of equipment for, such railroads. The Reconstruction Finance Corporation Act, as amended, provides that in respect of loans or renewals or extensions of loans or purchases of obligations under section 5 of the Reconstruction Finance Corporation Act, as amended, to or of railroads, the Corporation may require as a condition of making any such loan or renewal or extension for a period longer than 5 years, or purchasing any such obligation maturing later than 5 years from the date of purchase by the Corporation, that such arrangements be made for the reduction or amortization of the indebtedness of the railroad, either in whole or in part, as may be approved by the Corporation after the prior approval of the Interstate Commerce Commission.

2. To Parties to Marketing Agreements.

Section 8b of the Agricultural Adjustment Act, approved May 12, 1933, as amended,⁴ authorized the Corporation to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to parties to any marketing agreement entered into by the Secretary of Agriculture with processors, producers, associations of producers, and others engaged in the handling of any agricultural commodity or product thereof, only with respect to such handling, however, as is in the current of interstate or foreign commerce or which directly burdens, obstructs, or affects, interstate or foreign commerce in such commodity or product thereof, for the purpose of carrying out any such agreement.

3. To the Fishing Industry.

Section 15 of the Act of Congress approved June 19, 1934,⁵ authorizes the Corporation to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to any person, association, or corporation organized under the laws of any State, the District of Columbia, Alaska, Hawaii, or Puerto Rico, for the purpose of financing the production, storage,

⁴ Section 8, Agricultural Adjustment Act (48 Stat., chap. 25, p. 34), as amended by section 7, Act of Congress approved April 7, 1934 (48 Stat., chap. 103, p. 528); and section 4, Act of Congress approved August 24, 1935 (49 Stat., chap. 641, p. 753).

⁵ 48 Stat., chap. 653, pp. 1112-1113.

handling, packing, processing, carrying and/or orderly marketing of fish of American fisheries and/or products thereof.

Detailed information regarding loans to the fishing industry is contained in Reconstruction Finance Corporation Circular No. 17.

* * * * *

No loans or advances may be made under section 5 of the Reconstruction Finance Corporation Act upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances.

Section 4 of the Act of Congress approved June 10, 1933,⁶ provides that the Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932:

- (1) If at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Corporation, and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Corporation while such loan is outstanding and unpaid.

For the purposes of this section, the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

III. SUBSCRIPTIONS FOR PREFERRED STOCK OF NATIONAL OR STATE BANKS OR TRUST COMPANIES, LOANS SECURED BY SUCH STOCK AS COLLATERAL, OR PURCHASES OF CAPITAL NOTES OR DEBENTURES OF STATE BANKS OR TRUST COMPANIES

Under section 304 of the Act of Congress approved March 9, 1933, as amended,⁷ the Reconstruction Finance Corporation is authorized to subscribe for preferred stock, exempt from double liability, in any National or State bank or trust company,⁸ upon the request of the Secretary of the Treasury with the approval of the President. The Corporation also is authorized to make loans secured by the preferred stock of National or State banks or trust companies as collateral, upon the request of the Secretary of the Treasury with the ap-

⁶ 48 Stat., chap. 55, p. 120.

⁷ Section 304, Act of Congress approved March 9, 1933 (48 Stat., chap. 1, p. 6); as amended by section 2, Act of Congress approved March 24, 1933 (48 Stat., chap. 8, p. 21); and section 1, Act of Congress approved March 20, 1936 (49 Stat., chap. 160, p. 1185).

⁸ The term "State bank or trust company", as construed by the Act of Congress approved March 9, 1933, as amended, includes a bank or trust company organized under the laws of any State, Territory, or possession of the United States, or the Canal Zone; and other banking corporations engaged in the business of industrial banking and under the supervision of State banking departments or of the Comptroller of the Currency.

proval of the President. In any case in which a State bank or trust company is not permitted, under the laws of the State in which it is located, to issue preferred stock exempt from double liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, the Corporation is authorized, for the purposes of this section, to purchase the legally issued capital notes or debentures of such State bank or trust company.

The Corporation is further authorized, under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), to sell, at public or private sale, the whole or any part of the preferred stock, capital notes, or debentures of any National or State bank or trust company acquired by the Corporation pursuant to the foregoing authority.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 6 and No. 18.

IV. SUBSCRIPTIONS FOR PREFERRED STOCK AND PURCHASES OF CAPITAL NOTES, ETC., OF INSURANCE COMPANIES, AND LOANS SECURED BY SUCH STOCK OR NOTES, ETC., AS COLLATERAL

Pursuant to the provisions of the Act of Congress approved June 10, 1933, as amended,⁹ the Corporation is authorized, upon the request of the Secretary of the Treasury with the approval of the President, to subscribe for preferred stock of any class, exempt from assessment or additional liability, in any insurance company¹⁰ of any State¹¹ of the United States which is in need of funds for capital purposes either in connection with the organization of such company or otherwise, or to make loans secured by such stock as collateral. The Corporation further is authorized, under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), to sell, at public or private sale, the whole or any part of the preferred stock of any such insurance company acquired by it pursuant to the aforesaid provisions of law.

In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than 20 days, or if the insurance company is a mutual organization without capital stock, the Corporation is authorized, for the purposes indicated

⁹ Act of Congress approved June 10, 1933 (48 Stat., chap. 55, pp. 119-120, 121); as amended by section 12, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, pp. 1111-1112); and section 8, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 4).

¹⁰ As construed by the Act of Congress approved June 10, 1933, as amended, the term "insurance company" includes any corporation engaged in the business of insurance or in the writing of annuity contracts, irrespective of the nature thereof, and operating under the supervision of a State superintendent or department of insurance in any of the States of the United States.

¹¹ The term "State", as construed by the Act of Congress approved June 10, 1933, as amended, means any State, Territory, or possession of the United States the Canal Zone, and the District of Columbia.

above, to purchase the legally issued capital notes of such insurance company, or, if the company is a mutual organization without capital stock, such other form or forms of indebtedness as the laws of the State under which such company is organized permit, or to make loans secured by such notes or such other form or forms of indebtedness as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

The Corporation may not subscribe for any such preferred stock or purchase any such capital notes or make loans upon such stock or notes of any applicant insurance company:

- (1) If at the time of such subscription, purchase, or loan, any officer, director, or employee of the applicant is receiving total compensation, including any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services, in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates; and
- (2) Unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees, except with the consent of the Corporation and in no event to an amount exceeding \$17,500 per annum, so long as preferred stock or capital notes, etc., are held by the Corporation.

The total amount of loans outstanding, preferred stock subscribed for, and capital notes or such other form or forms of indebtedness purchased and held by the Corporation pursuant to the aforesaid provisions of law relating to insurance companies may not exceed, at any one time, \$75,000,000.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 8.

V. SUBSCRIPTIONS FOR OR LOANS UPON NONASSESSABLE STOCK AND PURCHASE OF CAPITAL NOTES OR DEBENTURES OF NATIONAL MORTGAGE ASSOCIATIONS, MORTGAGE LOAN COMPANIES, TRUST COMPANIES, ETC.

To assist in the reestablishment of a normal mortgage market the Corporation may, under section 5c of the Reconstruction Finance Corporation Act, as amended,¹² with the approval of the President, subscribe for or make loans upon the nonassessable stock of any class of any national mortgage association organized under Title III of the National Housing Act, and of any mortgage loan company, trust company, savings and loan association, or other similar financial institution, now or hereafter incorporated under the laws of the United States, or of any State, or of the District of Columbia, the principal business of which institution is that of making loans upon mortgages, deeds of trust, or other instruments conveying, or constituting a lien upon, real estate

¹² Section 5c was added to the Reconstruction Finance Corporation Act, as amended, by section 5, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 3).

or any interest therein. In any case in which, under the laws of its incorporation, such financial institution is not permitted to issue nonassessable stock, the Corporation is authorized, for the purposes of section 5c above mentioned, to purchase the legally issued capital notes or debentures of such financial institutions. Under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), the Corporation may sell, at public or private sale, the whole or any part of the stock, capital notes, or debentures acquired by it pursuant to the provisions of said section 5c.

The total face amount of such loans outstanding, nonassessable stock subscribed for, and capital notes or debentures purchased and held by the Corporation, shall not exceed \$100,000,000 at any one time.

VI. LOANS TO PUBLIC AGENCIES AND TO BUSINESS ENTERPRISES

For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the Corporation is authorized and empowered, pursuant to section 5d of the Reconstruction Finance Corporation Act, as amended by Act approved April 13, 1938,¹³ under such terms, conditions, and restrictions as the Corporation may determine, to make loans to, or contracts with, States, municipalities, and political subdivisions of States, with public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States, and with public corporations, boards, and commissions, to aid in financing projects authorized under Federal, State, or municipal law, such loans or contracts to be made through the purchase of their securities, or otherwise, and for such purpose the Corporation is authorized to bid for such securities. The Corporation is further authorized and empowered to purchase the securities and obligations of, and to make loans to, any business enterprise when capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available. All such purchases of securities and obligations and all such loans shall be, in the opinion of the board of directors, of such sound value, or so secured, as reasonably to assure retirement or repayment; may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise; shall be made only when, in the opinion of the board of directors, the business enterprise is solvent; and shall be made under such terms, conditions, and restrictions as the Corporation may determine. In carrying out the provisions of this section, the Corporation may purchase securities and obligations, and may make loans, with such maturities as the Corporation may determine, notwithstanding any other provision of law.

Detailed information regarding loans to business enterprises is contained in Reconstruction Finance Corporation Circulars No. 13 and No. 15. Detailed information regarding loans to public agencies is contained in Reconstruction Finance Corporation Circular No. 22.

¹³ 52 Stat., chap. 140, pp. 212-213.
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VII. LOANS TO OR FOR THE BENEFIT OF CERTAIN AGRICULTURAL IMPROVEMENT DISTRICTS, ETC., TO REDUCE AND REFINANCE OUTSTANDING INDEBTEDNESS, ETC.

Section 36 of the Emergency Farm Mortgage Act of 1933, as amended,¹⁴ authorizes the Corporation to make loans, not to exceed \$125,000,000 in the aggregate, to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, mutual nonprofit companies and incorporated water users' associations duly organized under the laws of any State or Territory and to or for the benefit of political subdivisions of States and Territories which have or propose to purchase or otherwise acquire projects or portions thereof devoted chiefly to the improvement of lands for agricultural purposes. Such loans shall be made for the following purposes:

1. To enable an applicant to reduce and refinance its outstanding indebtedness incurred in connection with its project;
2. To enable an applicant which has or proposes to purchase or otherwise acquire projects or portions thereof devoted chiefly to the improvement of lands for agricultural purposes, to purchase, acquire, construct or complete such a project or any part thereof or to purchase or acquire additional drainage, levee, or irrigation works, or property, rights, or appurtenances in connection therewith, and to repair, extend, or improve any such project or make such additions thereto as are consonant with or necessary or desirable for the proper functioning thereof or for the further assurance of the ability of the borrower to repay its loan. Such loans shall not permit additional or new land to be brought into production outside of the present boundaries of any established or reorganized irrigation district;

and shall be subject, with certain exceptions, to the same terms and conditions as loans under section 5 of the Reconstruction Finance Corporation Act, as amended.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 7.

VIII. LOANS UPON OR PURCHASE OF THE ASSETS OF CLOSED BANKS

Section 5e (a) of the Reconstruction Finance Corporation Act, as amended,¹⁵ authorizes the Corporation to make loans upon or purchase the assets, or any portion thereof, of any bank, savings bank, or trust company, which has been closed on or after December 31, 1929, and prior to January 1, 1934, and the

¹⁴ Section 36, Emergency Farm Mortgage Act of 1933, approved May 12, 1933 (48 Stat., chap. 25, pp. 49-50), as amended by section 19, Independent Offices Appropriation Act, 1934, approved June 16, 1933 (48 Stat., chap. 101, pp. 308-309); section 11, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, pp. 1110-1111); Joint Resolution of Congress, approved June 27, 1934 (48 Stat., chap. 851, p. 1269); and Act of Congress approved June 22, 1936 (49 Stat., chap. 702, pp. 1818-1819.).

¹⁵ Section 5e was added to the Reconstruction Finance Corporation Act, as amended, by section 3 (a), Act of Congress approved June 16, 1934 (48 Stat., chap. 546, p. 971). It was subsequently amended by section 6, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, pp. 3-4).

affairs of which have not been fully liquidated or wound up, upon such terms and conditions as the Corporation may by regulations prescribe. This section also makes provision for loans upon or purchase by the Corporation of the assets, or any portion thereof, of closed banks which have been trustee or are otherwise held for the benefit of depositors or depositors and others.¹⁶

IX. MINING LOANS

Section 14 of the Act of Congress approved June 19, 1934, as amended,¹⁷ authorizes the Corporation to make loans upon sufficient security to recognized and established corporations, individuals, and partnerships, engaged in the business of mining, milling, or smelting ores.

The Corporation is authorized also to make loans to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver, when, in the opinion of the Corporation, there is sufficient reason to believe that, through the use of such loan in the development of a lode, ledge, or vein, or mineral deposit, or placer or gravel deposit, there will be developed a sufficient quantity of ore or placer deposits of a sufficient value to pay a profit upon mining operations. The law provides that not to exceed \$20,000 shall be lent to any corporation, individual, or partnership, for such development purposes; and further provides that a sum not to exceed \$10,000,000 shall be allocated and made available for such development loans.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 14.

X. LOANS TO MANAGING AGENCIES OF FARMERS' COOPERATIVE MINERAL RIGHTS POOLS

Pursuant to the provisions of section 13 of the Act of Congress approved June 19, 1934,¹⁸ the Corporation is authorized to make loans upon full and adequate security, based on mineral acreage, to recognized and established incorporated managing agencies of farmers' cooperative mineral rights pools for the purpose of defraying the cost of organizing such pools.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 16.

XI. LOANS TO OR FOR THE BENEFIT OF PUBLIC-SCHOOL DISTRICTS OR OTHER PUBLIC-SCHOOL AUTHORITIES

Pursuant to the provisions of section 1 of the Act of Congress approved August 24, 1935,¹⁹ the Corporation is authorized to make loans, in an aggregate amount not exceeding \$10,000,000, to or for the benefit of tax-supported public-school districts or other similar public-school authorities in charge of

¹⁶ The Corporation also may make loans to closed banks under the provisions of section 5, Reconstruction Finance Corporation Act, as amended. (See p. 2.)

¹⁷ Section 14, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, p. 1112); as amended by section 12, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 5).

¹⁸ 48 Stat., chap. 653, p. 1112.

¹⁹ 49 Stat., chap. 646, pp. 796-797.

public schools organized pursuant to the laws of the several States, Territories, and the District of Columbia for the purpose of enabling any such district or authority which, or any State, municipality, or other public body which is authorized to incur indebtedness for the benefit of public schools, to reduce and refinance outstanding indebtedness or obligations which have been incurred prior to August 24, 1935, for the purpose of financing the construction, operation, and/or maintenance of public-school facilities.

Loans may also be made to enable applicants, to whom refinancing loans have been authorized, to make such repairs and necessary extensions or improvements to the public-school facilities on account of which the indebtedness refinanced was incurred as are necessary or desirable for the further assurance of the ability of the applicants to repay such refinancing loans.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 20.

XII. LOANS FOR THE REPAIR OF DAMAGES CAUSED BY FLOODS OR OTHER CATASTROPHES

Pursuant to the provisions of the Act of Congress approved April 13, 1934, as amended,²⁰ the Corporation is authorized, through such existing agency or agencies as it may designate, to make loans, upon terms and conditions specified in the law, and not to exceed \$50,000,000 in the aggregate, to corporations, partnerships, or individuals, municipalities or political subdivisions of States or of their public agencies, including public school boards and public school districts, and water, irrigation, sewer, drainage, and flood control districts for the purpose of financing the repair, construction, reconstruction, or rehabilitation of structures or buildings, including such equipment, appliances, fixtures, machinery, and appurtenances as shall be deemed necessary or appropriate by the Corporation, and for the purpose of financing the repair, construction, reconstruction, or rehabilitation of water, irrigation, gas, electric, sewer, drainage, flood-control, communication, or transportation systems, highways, and bridges damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935 or 1936,^{20a} and for the purpose of financing the acquisition of structures, buildings, or property, real and personal, in replacement of structures, buildings, groins, jetties, bulkheads, or property, real and personal, destroyed or rendered unfit for use by reason of the catastrophe, when such repair, construction, reconstruction, rehabilitation, or acquisition is deemed by the Corporation to be useful or necessary, said loans to be so secured as reasonably to assure repayment thereof.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 19 and No. 21.

²⁰ Act of Congress approved April 13, 1934 (48 Stat., chap. 121, pp. 589-590); as amended by Act of Congress approved July 26, 1935 (49 Stat., chap. 421, p. 505); and sections 1 and 2, Act of Congress approved April 17, 1936 (49 Stat., chap. 234, pp. 1232-1233).

^{20a} The Disaster Loan Corporation, created by the Act of Congress approved February 11, 1937 (50 Stat., chap. 10, p. 19), as amended, and managed by officers and agents appointed by the Reconstruction Finance Corporation under rules and regulations prescribed by its Board of Directors, is authorized to make loans necessary or appropriate because of floods or other catastrophes in the years 1936, 1937, 1938, 1939, or 1940.

XIII. LOANS FOR THE CARRYING AND ORDERLY MARKETING OF AGRICULTURAL COMMODITIES AND LIVESTOCK

Under section 201 (d) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,²¹ the Corporation is authorized to make loans upon full and adequate security to bona fide institutions, organized under the laws of any State²² or of the United States and having resources adequate for their undertakings, for the purpose of enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 10.

XIV. LOANS TO THE ADMINISTRATOR OF THE RURAL ELECTRIFICATION ADMINISTRATION

Section 3 (a) of the Rural Electrification Act of 1936, approved May 20, 1936,²³ as amended by section 401, Rural Electrification Act of 1938, approved June 21, 1938,²⁴ authorizes and directs the Corporation to make loans to the Administrator of the Rural Electrification Administration, upon his request approved by the President, not exceeding in aggregate amount \$50,000,000 for the fiscal year ending June 30, 1937, and \$100,000,000 for the fiscal year ending June 30, 1939, with interest at 3 per centum per annum upon the security of the obligations of borrowers from the Administrator. No such loan shall be in an amount exceeding 85 per centum of the principal amount outstanding of the obligations constituting the security therefor. Such obligations incurred for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines, or systems shall be fully amortized over a period not to exceed 25 years, and the maturity of such obligations incurred for the purpose of financing the wiring of premises and the acquisition and installation of electrical and plumbing appliances and equipment shall not exceed two-thirds of the assured life thereof and not more than five years.

The Administrator is authorized by such section 3 (a) to make all such endorsements, to execute all such instruments, and to do all such acts and things as shall be necessary to effect the valid transfer and assignment to the Corporation of all such obligations.

No loans shall be made by the Corporation to the Administrator after June 30, 1939.

Moneys representing payments of principal and interest on obligations constituting the security for loans made by the Corporation to the Administrator shall be paid to the Corporation in payment of such loans.

²¹ 47 Stat., chap. 520, p. 712.

²² Pursuant to section 206, Emergency Relief and Construction Act of 1932 (47 Stat., chap. 520, p. 714), the term "State" as used in Title II of such Act (of which section 201 (d) is a part) includes the District of Columbia, Alaska, Hawaii, and Puerto Rico.

²³ 49 Stat., chap. 432, p. 1364.

²⁴ 52 Stat., chap. 554, p. 818.

XV. SELF-LIQUIDATING LOANS UNDER SECTION 201 (A) OF THE EMERGENCY RELIEF AND CONSTRUCTION ACT OF 1932, AS AMENDED

The power of the Corporation to make self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,²⁵ as amended, was terminated at the close of June 26, 1933, pursuant to the provisions of section 301 of the National Industrial Recovery Act, approved June 16, 1933,²⁶ which created the Federal Emergency Administration of Public Works. The functions of the Corporation in this field were superseded by the functions of that Administration. Section 301 of the National Industrial Recovery Act provides, however, that the Corporation may issue funds to a borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, prior to January 23, 1939, under the terms of any agreement or any commitment to bid upon or purchase bonds entered into with such borrower pursuant to an application approved prior to the date of termination of the power of the Corporation to approve applications under such section.

Section 301 of the National Industrial Recovery Act, as amended by section 9 of the Act of Congress approved June 19, 1934,²⁷ provides that in connection with any loan or contract or any commitment to make a loan entered into by the Corporation prior to June 26, 1933, to aid in financing part or all of the construction cost of projects pursuant to the provisions of section 201 (a) (1) of the Emergency Relief and Construction Act of 1932, as amended, the Corporation may make such further loans and contracts, subject to all the terms and conditions set forth in the Emergency Relief and Construction Act of 1932, as amended, for the completion of any such project, or for improvements, additions, extensions, or equipment which are necessary or desirable for the proper functioning of any such project, or which will materially increase the assurance that the borrower will be able to repay the entire investment of the Corporation in such project, including such improvements, additions, extensions, or equipment.

In all cases where the Corporation shall hold bonds or other evidences of indebtedness of any borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, whether heretofore or hereafter acquired, and such borrower shall be able and willing to substitute or cause to be substituted therefor any other bonds or other evidences of indebtedness, whether of the same or longer maturities or otherwise differing, which, in the judgment of the Corporation, are more desirable than those so held, the Corporation is author-

²⁵ Section 201 (a), Emergency Relief and Construction Act of 1932 (47 Stat., chap. 520, pp. 711-712); as amended by Joint Resolution of Congress approved March 23, 1933 (48 Stat., chap. 5, p. 20); Third Deficiency Act, fiscal year 1933, approved May 29, 1933 (48 Stat., chap. 42, pp. 99-100); sections 5, 6, 7, 8, and 9, Act of Congress approved June 10, 1933 (48 Stat., chap. 55, pp. 120-121); and section 5, Fourth Deficiency Act, fiscal year 1933, approved June 16, 1933 (48 Stat., chap. 100, p. 283).

²⁶ 48 Stat., chap. 90, p. 210.

²⁷ 48 Stat., chap. 653, p. 1110.

ized to accept such bonds or other evidences of indebtedness, in exchange and substitution for such bonds or other evidences of indebtedness so held by it, upon such terms and conditions agreed upon with such borrower at the time of, or in contemplation of, such exchange and substitution.

XVI. LOANS FOR THE EXPORTATION OF AGRICULTURAL OR OTHER PRODUCTS

Under section 5a of the Reconstruction Finance Corporation Act,²⁸ the Corporation is authorized, subject to specified limitations, to accept drafts and bills of exchange drawn upon it, which grow out of transactions involving the exportation of agricultural or other products actually sold or transported for sale subsequent to the enactment of the law, and in process of shipment to buyers in foreign countries. All such drafts and bills of exchange must be in terms payable in the United States, in currency of the United States, and, in addition to the draft or bill of exchange, must at all times be fully secured by American securities as collateral, or must be guaranteed by a bank or trust company of undoubted solvency, organized under the laws of the United States or any State, Territory, or insular possession thereof.

Under section 201 (c) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,²⁹ the Corporation is authorized to make loans for the purpose of financing sales of surpluses of agricultural products in the markets of foreign countries in which such sales cannot be financed in the normal course of commerce, in order that such surpluses may not have a depressing effect upon current prices of such products; but it is stipulated that no such sales shall be financed by the Corporation, if, in its judgment, such sales will affect adversely the world markets for such products, and that no such loan may be made to finance the sale in the markets of foreign countries of cotton owned by the Federal Farm Board³⁰ or the Cotton Stabilization Corporation. All loans made under such section 201 (c) must be fully and adequately secured.

Joint resolution of Congress approved March 26, 1934,³¹ states:

That it is the sense of Congress that in any loans made by the Reconstruction Finance Corporation * * * to foster the exporting of agricultural or other products, provision shall be made that such products shall be carried exclusively in vessels of the United States, unless, as to any or all of such products, the Shipping Board Bureau, after investigation, shall certify to the Reconstruction Finance Corporation * * * that vessels of the United States are not available in sufficient numbers, or in sufficient tonnage capacity, or on necessary sailing schedule, or at reasonable rates.

²⁸ 47 Stat., chap. 8, p. 8.

²⁹ 47 Stat., chap. 520, p. 712.

³⁰ Name changed to Farm Credit Administration by Executive Order No. 6084, March 27, 1933.

³¹ 48 Stat., chap. 90, p. 500.

XVII. OTHER LOANS AND ADVANCES

1. Loans to Receivers Appointed under Section 29 of the Federal Farm Loan Act, as Amended, or by a United States District Court

Section 27 of the Emergency Farm Mortgage Act of 1933, approved May 12, 1933,³² as amended, authorized the Reconstruction Finance Corporation to make loans to any receiver appointed pursuant to section 29 of the Federal Farm Loan Act, as amended, and to make loans to any receiver appointed by a district court of the United States for the purpose of paying taxes on farm real estate owned by the bank or securing the mortgages held by it; and such receivers are authorized to borrow from the Corporation with the approval of the Land Bank Commissioner.

2. Loans to the Corporation of Foreign Security Holders

The Corporation of Foreign Bondholders Act, 1933, approved May 27, 1933, which is not to take effect until the President finds that such action is in the public interest and by proclamation so declares, creates a body corporate with the name "Corporation of Foreign Security Holders" for the purpose of protecting, conserving, and advancing the interests of the holders of foreign securities in default. Under section 209 of such Act,³³ the Reconstruction Finance Corporation was authorized to lend out of its funds not to exceed \$75,000 for the use of the Corporation of Foreign Security Holders.

XVIII. PURCHASE OF MARKETABLE SECURITIES FROM THE FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS

The Corporation is authorized, pursuant to the provisions of the Emergency Appropriation Act, fiscal year 1935, approved June 19, 1934,³⁴ to purchase marketable securities, satisfactory to the Corporation, acquired or to be acquired by the Federal Emergency Administration of Public Works. The amount that the Corporation may have invested at any one time in such securities shall not exceed \$400,000,000.³⁵

XIX. PURCHASE OF DEBENTURES OR OBLIGATIONS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Section 5e (b) of the Reconstruction Finance Corporation Act, as amended,³⁶ authorizes the Corporation to purchase at par value such debentures or other obligations of the Federal Deposit Insurance Corporation as are authorized to be issued under subsection (o) of section 12B of the Federal Reserve Act, as amended, upon the request of the board of directors of the Federal Deposit Insurance Corporation, whenever in the judgment of said board additional

³² 48 Stat., chap. 25, p. 45.

³³ 48 Stat., chap. 38, p. 95.

³⁴ 48 Stat., chap. 648, p. 1056.

³⁵ Refer to sec. 202, Public Works Administration Extension Act of 1937, approved June 29, 1937 (50 Stat., chap. 401, p. 357).

³⁶ See footnote 15, p. 8.

funds are required for insurance purposes. The Reconstruction Finance Corporation may not purchase or hold at any time said debentures or other obligations in excess of \$250,000,000 par value.

XX. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION

1. Capital Stock

The capital stock of the Corporation was fixed by section 2 of the Reconstruction Finance Corporation Act ³⁷ at \$500,000,000, all of which was subscribed by the Secretary of the Treasury on behalf of the Government of the United States on February 2, 1932. The entire capital stock has been paid in by the Secretary of the Treasury and is held by the United States.

2. Issue of Notes, Debentures, Bonds, or Other Such Obligations

The Corporation is authorized to issue notes, bonds, debentures, or other such obligations, with the approval of the Secretary of the Treasury, to mature not more than 5 years from their respective dates of issue, to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rates of interest as may be determined by the Corporation. Such obligations may mature subsequent to the period of succession of the Corporation. The Corporation, with the approval of the Secretary of the Treasury, also may sell on a discount basis short-term obligations payable at maturity without interest. The law provides that the notes, debentures, bonds, or other such obligations of the Corporation shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Corporation which may be issued pursuant to the provisions of the law, and may, at any time, sell any of the obligations of the Corporation acquired by him. He is further authorized, at the request of the Reconstruction Finance Corporation, to market for the Corporation its notes, debentures, bonds, and other such obligations, using therefor all the facilities of the Treasury Department authorized by law for the marketing of obligations of the United States. The Reconstruction Finance Corporation Act ³⁸ also provides that any and all notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) at any time imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

Pursuant to the provisions of section 13 of the Act of Congress approved January 31, 1935,³⁹ the Corporation is authorized to use as general funds all receipts arising from the sale or retirement of any of the stock, notes, bonds, or other securities acquired by it pursuant to any provision of law.

³⁷ 47 Stat., chap. 8, p. 5.

³⁸ Section 9 (47 Stat., chap. 8, p. 9).

³⁹ 49 Stat., chap. 2, p. 5.

XXI. REPORTS

1. Quarterly Reports

Section 15 of the Reconstruction Finance Corporation Act ⁴⁰ provides that the Corporation shall make and publish a report quarterly of its operations to the Congress stating the aggregate loans made to each of the classes of borrowers provided for and the number of borrowers by States (including the District of Columbia, Alaska, Hawaii, and Puerto Rico) in each class. The law further provides that the statement shall show the assets and liabilities of the Corporation and the names and compensation of all persons employed by the Corporation whose compensation exceeds \$400 per month.

2. Monthly Reports

Under section 201 (b) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932, ⁴¹ the Corporation is required to submit monthly to the President and to the Senate and the House of Representatives (or the Secretary of the Senate and the Clerk of the House of Representatives, if those bodies are not in session) a report of its activities and expenditures under the Reconstruction Finance Corporation Act and under section 201 of the Emergency Relief and Construction Act of 1932, together with a statement showing the names of the borrowers to whom loans and advances were made, and the amount and rate of interest involved in each case.

XXII. CIRCULARS

Detailed information regarding certain types of loans which the Reconstruction Finance Corporation is authorized to make under existing law is contained in the following circulars, which are available, except those marked obsolete or superseded, at the Corporation's office in Washington or at any of its loan agencies.

Circular No. 1.—Information for banks and other financial institutions desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 2.—Information for railroads and receivers thereof desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 3 (Obsolete).—Information for prospective applicants for loans for "self-liquidating" projects under the Emergency Relief and Construction Act of 1932. (The power of the Corporation to make new self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, and the functions of the Corporation in this field were superseded by the functions of the Federal Emergency Administration of Public Works.)

⁴⁰ 47 Stat., chap. 8, p. 11.

⁴¹ 47 Stat., chap. 520, p. 712.

Circular No. 4.—Reconstruction Finance Corporation, its powers and functions.

Circular No. 5 (Obsolete).—Regarding Regional Agricultural Credit Corporations created by the Reconstruction Finance Corporation under section 201 (e) of the Emergency Relief and Construction Act of 1932. (An Executive order issued on March 27, 1933, effective May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration.)

Circular No. 6.—Information regarding subscriptions for and loans secured by preferred stock of banks and trust companies and the purchase of capital notes and debentures of such institutions.

Circular No. 7.—Information for prospective applicants for loans under the provisions of section 36, part 4, of the Emergency Farm Mortgage Act of 1933, as amended, relating to agricultural projects.

Circular No. 8.—Information regarding applications to the Reconstruction Finance Corporation for subscription for preferred stock and purchase of capital notes of insurance companies, and loans on such preferred stock or capital notes as collateral security, as authorized by Act of Congress approved June 10, 1933 (Public, No. 35, 73d Cong.).

Circular No. 9 (Obsolete).—Information regarding applications for loans from the Reconstruction Finance Corporation for the purpose of paying processing taxes, compensating taxes and taxes on floor stocks under section 19 (c) of the Agricultural Adjustment Act of 1933.

Circular No. 10.—Information for prospective applicants for loans to finance the carrying and orderly marketing of agricultural commodities under section 201 (d) of the Emergency Relief and Construction Act of 1932.

Circular No. 11 (Superseded).—Information regarding loans to assist in the National Recovery Administration program. (Superseded by Circular No. 13.)

Circular No. 12 (Obsolete).—Public advertisement regarding notes of the Reconstruction Finance Corporation—Series of February 1, 1934.

Circular No. 13.—Information regarding loans to business enterprises.

Circular No. 14.—Information regarding mining loans.

Circular No. 15.—Information regarding loans to business enterprises in cooperation with banks and other lending institutions.

Circular No. 16.—Information regarding loans to incorporated managing agencies of farmers' cooperative mineral rights pools under the provisions of section 13 of the Act relating to direct loans for industrial purposes, approved June 19, 1934 (Public, No. 417, 73d Cong.).

Circular No. 17.—Information regarding loans to the fishing industry.

Circular No. 18.—Information regarding subscriptions for preferred stock and purchases of capital notes or debentures of trust companies and loans to trust companies and mortgage loan companies engaged in the business of lending upon real estate.

Circular No. 19.—Information regarding loans for flood relief.

Circular No. 20.—Information for prospective applicants for loans under the provisions of Public, No. 325, Seventy-fourth Congress, approved August 24, 1935, relating to the refinancing of indebtedness incurred in connection with public schools.

Circular No. 21.—Information regarding catastrophe relief loans, including floods, earthquakes, tornadoes, etc.

Circular No. 22.—Information regarding loans to public agencies under section 5d of the Reconstruction Finance Corporation Act, as amended.



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CIRCULAR NO. 23
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION CONCERNING LOANS AND PURCHASES
TO AID IN THE NATIONAL DEFENSE PROGRAM



JULY 1940

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1940

AUG 6 1940

INFORMATION CONCERNING LOANS AND PURCHASES TO AID IN THE NATIONAL-DEFENSE PROGRAM

1. *Statutory authority.*—The Act (Public, No. 664, 76th Cong.) approved June 25, 1940, among other things, amends section 5d of the R. F. C. Act and authorizes the Reconstruction Finance Corporation to make loans to, or to purchase the capital stock of, corporations for certain specified purposes in order to aid the Government of the United States in its national-defense program. (See sec. 5-(1) of the Act.)

2. *Purposes.*—Such loans or purchases are authorized to be made (a) for the purpose of producing, acquiring, and carrying strategic and critical materials (as defined by the President) and (b) for plant construction, expansion and equipment, and working capital to be used in the manufacture of equipment and supplies necessary to the national defense.

3. *Eligibility.*—Applications for such loans or purchases will be received from any corporate enterprise authorized to engage in the business of producing, acquiring or carrying strategic and critical materials (as defined by the President) or in the business of manufacturing equipment and supplies necessary to the national defense.

4. *Form of application.*—Application forms may be obtained from the Loan Agency or the Special Representative of the Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of Loan Agencies and Special Representatives below.) With the exception of applications pertaining to the production of strategic and critical minerals, all applications and requests for information must be filed with the Loan Agency or Special Representative serving the applicant's district. All applications and requests for information pertaining to the production of strategic and critical minerals, must be transmitted directly to the Washington office and such applications must be made on the regular mining loan forms.

Each Loan Agency and Special Representative of this Corporation will, when requested, assist and advise applicants in the preparation of applications; provided, however, that any such assistance, advice, or suggestions by such Agencies or Special Representatives shall in no sense be considered as a commitment of Reconstruction Finance Corporation to make a loan.

This Corporation will be under no obligation to pay any costs, charges, or expenses incurred by the applicant in connection with the preparation and filing of an application or the furnishing of any information required by this Corporation.

5. *Terms and conditions.*—Such loans or purchases to aid in the national-defense program are authorized to be made on such terms and conditions

and with such maturities as this Corporation may determine (except that such purchases of capital stock may be made only when requested by the Federal Loan Administrator with the approval of the President). Since such loans and purchases may be made only for the purpose of aiding in the national-defense program, however, it is impracticable to specify in advance the particular terms and conditions upon which such loans or purchases will be authorized. The Directors of the Reconstruction Finance Corporation will make the final determination in each case of the extent to which the loan or purchase applied for will aid in the national-defense program and the terms and conditions which shall be applicable thereto.

6. *Charges, commissions, bonuses, fees, etc.*—Payment of bonuses, fees, or commissions for the purpose of, or in connection with obtaining loans or purchases is strictly prohibited. However, the applicant, subject to the prior approval of this Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan or purchase. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to this Corporation. All charges must be fully disclosed. Fees or charges contingent upon the obtaining of a loan or purchase will not be allowed, nor will an applicant be permitted to pay a fee or charge based upon a percentage of a loan or purchase. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan or purchase, fully disclosed and itemized, has been or will be paid.

7. *Salaries.*—As required by law, the applicant must agree that, so long as any portion of the loan remains outstanding, it will not pay compensation to any officer, director, or employee at a rate in excess of that which appears reasonable to this Corporation.

8. *Locations of Loan Agencies of Reconstruction Finance Corporation.*—

Atlanta, Ga.	Houston, Tex.	Oklahoma City, Okla.
Birmingham, Ala.	Jacksonville, Fla.	Omaha, Nebr.
Boston, Mass.	Kansas City, Mo.	Philadelphia, Pa.
Charlotte, N. C.	Little Rock, Ark.	Portland, Oreg.
Chicago, Ill.	Los Angeles, Calif.	Richmond, Va.
Cleveland, Ohio	Louisville, Ky.	St. Louis, Mo.
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Seattle, Wash.
Helena, Mont.	New York, N. Y.	Spokane, Wash.

In addition, this Corporation maintains a Special Representative at Salt Lake City, Utah, and at San Juan, Puerto Rico.

9. *Acts of Congress applicable to loans and purchases of the character herein described.*—The following is the portion of section 5d of the Reconstruction Finance Corporation Act, as amended, pursuant to the provisions of which loans or purchases of the character herein described are made:

In order to aid the Government of the United States in its national-defense program, the Corporation is authorized—

(1) To make loans to, or, when requested by the Federal Loan Administrator with the approval of the President, purchase the capital stock of, any corporation (a) for the purpose of producing, acquiring, and carrying strategic and critical materials as defined by the President, and (b) for plant construction, expansion and equipment, and working capital, to be used by the corporation in the manufacture of equipment and supplies necessary to the national defense, on such terms and conditions and with such maturities as the Corporation may determine; * * *. (Sec. 5-(1) of the Act approved June 25, 1940, Public, No. 664, 76th Cong.)

The following provisions of the Reconstruction Finance Corporation Act, as amended, are applicable to all loans and purchases referred to in this Circular:

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) insofar as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of the Act approved June 10, 1933 (48 Stat., chap. 55), as amended, is applicable to loans referred to in this Circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the

Emergency Relief and Construction Act of 1932 (1), if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.



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CIRCULAR No. 14
(REVISED)
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING
MINING LOANS



SEPTEMBER 1940

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1940

INFORMATION REGARDING MINING LOANS

The Reconstruction Finance Corporation is authorized to make mining loans under the provisions of section 14, Public No. 417, Seventy-third Congress, approved June 19, 1934, as amended, which section is as follows:

"SEC. 14. The Reconstruction Finance Corporation is authorized and empowered to make loans upon sufficient security to recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting ores. The Reconstruction Finance Corporation is authorized and empowered also to make loans to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver, or any strategic or critical mineral which in the opinion of the Reconstruction Finance Corporation would be of value to the United States in time of war, when, in the opinion of the Reconstruction Finance Corporation, there is sufficient reason to believe that, through the use of such loan in the development of a lode, ledge, or vein, or mineral deposit, or placer gravel deposit, there will be developed a sufficient quantity of ore, or placer deposits of a sufficient value to pay a profit upon mining operations: *Provided*, That not to exceed \$20,000 shall be loaned to any corporation, individual, or partnership for such development purposes; except that not in excess of \$40,000 in the aggregate may be loaned to any corporation, individual, or partnership for such purposes, if such corporation, individual, or partnership has expended funds previously obtained from the Reconstruction Finance Corporation for such purposes in such manner as to justify an additional loan for such purposes: *Provided further*, That there shall not be allocated or made available for such development loans a sum in excess of \$10,000,000."

APPLICANTS

This act provides for two types of loans as follows:

A. "Loans upon sufficient security to recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting ores." These loans are hereinafter designated as "general mining loans."

B. Limited loans "to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer

deposit, containing gold, silver, or tin, or gold and silver, or any strategic or critical mineral which in the opinion of the Reconstruction Finance Corporation would be of value to the United States in time of war." These loans are hereinafter designated as "development loans."

A. GENERAL MINING LOANS

1. Eligibility

Applications for loans will be considered when presented by "recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting ores." The Corporation will determine from the facts and circumstances in each particular case what constitutes "recognized and established" and "engaged in the business of mining, milling, or smelting ores." Applications for general mining loans will be considered only in connection with the business of mining, milling, or smelting any native compound from which a metal or metals will be commercially extracted at a profit.

2. Purposes

(a) *Fixed Capital*.—Loans may be made for the construction, improvement, or repair of mills, smelters, refineries, dredges, etc., purchase of equipment, and other fixed-capital purposes.

(b) *Working Capital*.—Loans may be made to provide working capital needed in connection with mining, milling, or smelting ores.

(c) *Loans for Tax Payment*.—An incidental portion of the loan authorized may, under certain circumstances, be permitted to be applied to the payment of taxes on properties which are necessary to the operation of applicant's mining, milling, or smelting business.

3. Amount

Loans will be limited to an amount reasonably required to accomplish the purposes for which they may be authorized.

4. Security

The act requires "sufficient security" for these loans. If mining property is offered, there should be blocked-out ore sufficient in quality and quantity to establish the value claimed. The blocked-out ore must be accessible for examination by an engineer in the employ of the Corporation; loans will not be made to make such ore bodies accessible. Assignments of favorable milling, smelting, sales, or transportation contracts may also be required.

5. Deposit To Cover Cost of Examination

The applicant may be requested to make a deposit, in an amount to be determined in each case by the Corporation, to cover the cost of any field work which may be necessary in connection with the examination of the property of the applicant, and when such request is made an examination will not be undertaken until the required deposit is made.

B. DEVELOPMENT LOANS

1. Eligibility

Loans may be made "to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver, or any strategic or critical mineral which in the opinion of the Reconstruction Finance Corporation would be of value to the United States in time of war, when, in the opinion of the Reconstruction Finance Corporation, there is sufficient reason to believe that, through the use of such loan" in the contemplated development, "there will be developed a sufficient quantity of ore or placer deposits of a sufficient value to pay a profit upon mining operations."

2. Purposes

The proceeds of such loans shall be used for development purposes, are to be expended subject to the approval of the Corporation and may not be used to develop treatment processes, or for the construction of mills, smelters, or refineries. Loans will not be made where ore or mineral exposures are not accessible for examination by an engineer employed by the Corporation; loans will not be made to make such ore or mineral exposures accessible.

3. Amount

"Not to exceed \$20,000 shall be loaned to any corporation, individual, or partnership, for such development purposes; except that not in excess of \$40,000 in the aggregate may be loaned to any corporation, individual, or partnership for such purposes, if such corporation, individual, or partnership has expended funds previously obtained from the Reconstruction Finance Corporation for such purposes in such manner as to justify an additional loan for such purposes." Loans will be limited originally to amounts (not in excess of \$20,000) reasonably required to pay for the cost of the contemplated development, including purchase of materials and supplies. Additional development loans will be made solely in the discretion of the Corporation.

Development loans to any one applicant cannot exceed in the aggregate \$40,000.

Notwithstanding the fact that part of a loan may have been disbursed, Reconstruction Finance Corporation reserves the right to refuse to make any further advances on such loan, whenever, in the opinion of the Chief, Self-Liquidating Division of Reconstruction Finance Corporation, the development work theretofore performed is not accomplishing, and further development work is not likely to accomplish the purposes for which the loan was made.

4. Security

The security offered must be satisfactory to the Corporation.

5. Cost of Examination

The Corporation may deduct a reasonable amount from the loan to cover the cost of any field work which may be necessary in connection with the examination of the property of the applicant.

C. GENERAL PROVISIONS APPLICABLE TO BOTH CLASSES OF LOANS

1. Rate of Interest

The rate of interest charged for these loans is 6%.

2. Maturities

Loans may be made for such period of time as the Corporation shall in each instance determine.

3. Unacceptable Purposes

Loans will not be granted for the purpose of purchasing mineral acreage, or where the loan is promotional, or for prospecting purposes.

4. Existing Indebtedness

In cases where the applicant has substantial outstanding indebtedness and the properties which will constitute security for the loan are encumbered, it will be necessary for such applicant to work out an arrangement with existing creditors whereby, in consideration of new capital coming into the business, payment of existing indebtedness and encumbrances may be deferred or subordinated on terms satisfactory to the Corporation.

5. Security

Security may consist of a mortgage on mining property, or it may consist of a lien on property, real or personal, entirely independent of the mining project. If the applicant does not own the mining property, a mortgage by the owner may be required; assignments of leases or options will be required. Modification of such leases or options may be required if by their terms they (a) might expire before the loan is repaid; (b) do not expressly permit removal of machinery, equipment, and personal property; (c) may not be assigned; or (d) contain any other provision which the Corporation considers unsatisfactory. The Corporation may also require that royalties, if any, be subordinated to the loan. Applicant will be required to covenant that it will not attempt to, will not make any agreement to, and will not mortgage, grant, convey, sell, assign, transfer, pledge, alien, lease, or otherwise dispose of the security, or any interest therein or part thereof, except with the written consent of the Corporation.

6. Titles

Before any loan will be disbursed, applicant, at applicant's expense, may be required to furnish the Corporation with a policy of title insurance satisfactory to counsel for and issued by a title insurance company approved by the Corporation, or a legal opinion satisfactory to counsel for the Corporation based upon an abstract and rendered by an attorney approved by the Corporation. In the event a loan is granted, the Corporation will advise applicant of its requirements in the particular case.

7. Disbursements

No money will be disbursed on a loan until a mortgage or deed of trust has been duly executed and recorded, or other security has been assigned or pledged, and other requirements have been complied with, to the satisfaction of the Corporation. Loans will be disbursed in installments as required to defray the cost of the work as it progresses or to purchase supplies and equipment.

8. Fees, Commissions, etc.

No fee, bonus, or commission shall be paid by applicant for the purpose of procuring a loan, but reasonable compensation may be paid for proper services actually and necessarily rendered to applicant; all such compensation must be satisfactory to the Corporation. Such charges may include reasonable compensation for services rendered by attorneys, engineers, appraisers, accountants, etc. A fee based upon a percentage of the loan will be objected to, as also will fees or charges made contingent upon the obtaining of the loan.

9. Salaries

The applicant must agree that, so long as any portion of the loan remains unpaid, the applicant will not pay any salaries or give any compensation in excess of \$2,400 per year unless approved by the Corporation.

10. Dividends, etc.

Corporate applicants must agree that, so long as any portion of the loan remains unpaid, they will not pay any dividends, make any distributions to stockholders, or undertake any corporate financing, reorganization, or capital revision, without the consent of the Corporation. Partnership applicants must agree that, so long as any portion of the loan remains unpaid, no distributions will be made to the partners without the consent of the Corporation. Individual applicants must agree that, so long as any portion of the loan remains unpaid, no withdrawals will be made without the consent of the Corporation.

11. Method of Filing Application

Applications should be filed direct with the Reconstruction Finance Corporation at its office at 811 Vermont Avenue NW., Washington, D. C. Forms for applications may be secured by writing to the Washington office of the Corporation. No application will be considered unless submitted on the proper forms. Care should be taken to submit a complete statement setting forth all information which is requested. Applications are not prepared by the Corporation or its representatives, but advice and information will be given upon request. In the event a loan is authorized, mortgages and other loan instruments will be furnished by the Corporation.



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CIRCULAR NO. 22
OF THE
**RECONSTRUCTION
FINANCE CORPORATION**

**INFORMATION REGARDING LOANS TO PUBLIC AGENCIES
UNDER SECTION 5d OF THE RECONSTRUCTION
FINANCE CORPORATION ACT
AS AMENDED**



REVISED, AUGUST 1945

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1945

Statutory Provisions

The following is the portion of section 5d of the Reconstruction Finance Corporation Act, as amended, pursuant to the provisions of which loans of the character referred to in this circular are made:

SEC. 5d. For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the Corporation is authorized and empowered, under such terms, conditions, and restrictions as the Corporation may determine, to make loans to, or contracts with, States, municipalities, and political subdivisions of States, with public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States, and with public corporations, boards, and commissions, to aid in financing projects authorized under Federal, State, or municipal law, such loans or contracts to be made through the purchase of their securities, or otherwise, and for such purpose the Corporation is authorized to bid for such securities. * * *

The following provisions of section 16 of the Reconstruction Finance Corporation Act, as amended, are quoted for the information of applicants:

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever * * * willfully violates any * * * provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

* * * * *

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) in so far as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

INFORMATION REGARDING RFC LOANS TO PUBLIC AGENCIES

Reconstruction Finance Corporation (hereinafter called "RFC") is authorized, under section 5d of the RFC Act, as amended, to make loans to States, municipalities and other types of public bodies to aid in financing projects authorized under Federal, State, or municipal law.

1. *Eligible Borrowers.*—The above law names the following types of public bodies to whom RFC may make loans: (a) States, municipalities, and political subdivisions of States; (b) public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States; and (c) public corporations, boards, and commissions.

2. *Projects to be Financed.*—RFC is authorized to make loans to aid in financing projects authorized under Federal, State, or municipal law. The borrower must be authorized under its applicable local law to carry out the project for which RFC financing is requested.

3. *RFC Loans to Supplement Grants.*—RFC is not authorized to make grants to public agencies to finance projects, but RFC makes loans to supplement grants for such projects, when such grants are made by other Federal or State agencies. Thus, projects may be jointly financed by grants from other agencies and by RFC loans. RFC will also cooperate in making loans jointly with other lenders.

4. *Method of Making Loans.*—RFC makes these loans by purchasing the bonds or other securities issued by the borrower. The borrower must be authorized under its applicable local law to issue the securities offered RFC.

5. *Kind of Securities Eligible.*—RFC may purchase general obligation bonds, revenue bonds, notes or other valid obligations that prospective borrowers may be authorized to issue under applicable local law to obtain funds for the proposed projects. The obligations shall be payable from such sources and shall be secured in such manner as may be acceptable to RFC. A satisfactory showing as to the ability of the borrower, or of the project, if the revenue

of the same is to be the source of repayment, to repay the loan requested of RFC, will be required. Any such securities offered to evidence a loan from RFC must be legal, binding and enforceable obligations of the borrower.

6. *Terms of Loans.*—Loans may be made for such periods of time, in such amounts, at such rates of interest or discount, and under such terms, conditions, and restrictions as RFC may determine in each instance in the light of all the circumstances, and as authorized under State or municipal law applicable to the borrower.

7. *Fees, Commissions, Etc.*—No fee, bonus, or commission shall be paid by an applicant for the purpose of procuring a loan.

8. *Expenses of Applicant.*—RFC will be under no obligation to pay any costs, charges, or expenses incurred by the applicant in connection with the preparation and filing of an application or furnishing any information required by RFC.

9. *Compliance with Applicable Labor Regulations.*—Each applicant must agree to comply with the regulations relating to pay for labor promulgated by the Secretary of Labor under the "Kickback" statute (40 U. S. C. A. sec. 276c), as well as with any other applicable regulations and statutory provisions which may be promulgated by duly constituted authority respecting maximum hours, minimum wages, child labor or other matters affecting the project.

10. *Applications for Loans.*—Applications should be sent direct to the Chief, Self-Liquidating Division, Reconstruction Finance Corporation, Washington 25, D. C., on forms supplied by RFC, accompanied by appropriate maps, plans, specifications, and all other data and memoranda necessary for a full examination of the project.

Three signed copies of each application and supporting data should be filed, except that only one set of plans and specifications and similar engineering exhibits, and only one copy of applicant's charter and similar legal exhibits,

(1)

when required, need be furnished. **Forms for applications or additional information may be obtained by writing to the Chief, Self-Liquidating Division, Reconstruction Finance Corporation, Washington 25, D. C.** No application will be considered unless submitted on the proper forms. Care should be taken to submit a complete statement setting forth all information which is requested. Applications are not prepared by RFC or its representatives, but advice and information will be given upon request.

11. *When Loan Application should be Submitted; Bond Proceedings; Construction Contracts.*—Loan applications will be considered by RFC whenever submitted, at any appropriate stage of the borrower's project whenever financing is needed, but it is **preferable for the proposed borrower to submit the loan application before beginning the project and before fixing the terms of its bond or other security issue.** Thus, on projects where RFC financing is contemplated or desired, it is generally advisable, from the standpoint of the proposed borrower, first to submit the loan application to RFC and to await its outcome, before conducting election proceedings or other important legal proceedings to fix or freeze the amount and other terms of the proposed bond or note issue which the proposed borrower wishes RFC to purchase. Likewise, on such projects where RFC financing is desired, it is advisable for the proposed borrower not to start construction work or to let construction contracts or to make other contracts for the project, before the desired RFC loan is applied for and made available or before the plans and proposed contracts

for the project have been submitted to RFC and found satisfactory as to RFC's interest therein.

After a loan application and the supporting data are received, the application will be studied and the applicant will be informed whether the application is approved. If it is, the applicant will also be informed of the amount, maturities, interest rate and other terms of the RFC loan authorization. Having such knowledge and assurance of the loan terms, the applicant is thereupon generally in more favorable position than before it had such knowledge, to conduct appropriate legal proceedings and construction work and otherwise carry out the project, in conformity with the known terms of the RFC loan authorization and in a manner satisfactory to all parties concerned.

12. *Loan Disbursement Procedure.*—The borrower will be informed in advance of the arrangements for the disbursement and as to the documents to be submitted to RFC before and at the time of disbursement. Such documents will need to show the borrower's satisfactory performance of its legal proceedings in compliance with the terms of the RFC loan authorization and with applicable law governing the authorization and issuance of borrower's bonds, notes, or other obligations.

Loans may be disbursed in full by RFC at one time or may be disbursed in installments from time to time as funds are needed for the project. The loan funds disbursed to the borrower are deposited by it in a special bank account satisfactory to RFC, and withdrawals from such account are thereupon made as needed to pay costs of the project.

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Information Regarding Loans to Business Enterprises



RECONSTRUCTION FINANCE CORPORATION

Circular No. 13 (Revised)

May 1946

THE RECONSTRUCTION FINANCE CORPORATION is authorized and empowered to make loans to business enterprises. It may make such loans **directly** or **in cooperation** with banks or other lending institutions.

This Circular has been prepared for the benefit of applicants for RFC **direct** loans to business enterprises.

Information concerning business loans made by RFC **in cooperation with banks** or other lending institutions is available in RFC Circular No. 15.

Information regarding loans to business enterprises made under the RFC Blanket Participation Agreement Plan is available in RFC Circular No. 25.

These circulars may be obtained upon request at the RFC offices listed herein.

RFC LOANS TO BUSINESS ENTERPRISES

Upon the terms and conditions described in this Circular, RFC makes direct loans to business enterprises when credit is not otherwise available at prevailing rates of interest for the character of the loan requested.

No Loan Too Small for RFC to Consider

RFC GIVES special consideration to the development of small business enterprises.

An average of nearly nine of ten loans made by RFC to business enterprises are small business loans of \$100,000 or less; and approximately one-half of the total has been in amounts of \$10,000 or less. Such business loans have ranged from \$200 to authorizations which have financed some of the biggest war contracts.

How to Negotiate an RFC Loan

A BUSINESS ENTERPRISE seeking a loan should **always contact a commercial bank first**, ordinarily the bank in which it keeps its account. If the bank cannot or does not want to make the loan, the applicant should get in touch with the nearest RFC office. There are 31 RFC Loan Agencies located strategically throughout the country. (See list, p. 5.)

If the applicant does not have a bank of his own choice, RFC Agencies will make available a list of banks interested in advancing such loans from which the applicant may make his own selection. If the applicant desires, the RFC Agency will also arrange for an appointment with the bank and, upon request, will assist the applicant in preparing and presenting his loan application to the bank.

Types of Business Loans RFC Makes

RFC WILL CONSIDER applications from business enterprises for loans to be used for the following purposes:

The payment of labor.

The purchase of material required in the business.

The replacement of obsolete or worn-out machinery or the purchase of additional machinery necessary for efficient operation.

The establishment of new business enterprises.

The expansion of established business enterprises into new fields of endeavor.

Industrial construction.

The payment of indebtedness and taxes with a **portion of the proceeds** of the loan applied for.

While the questions of security and collateral are important in determining whether a loan will be made, they do not, in themselves, necessarily determine the approval or rejection of a business loan application. RFC also attaches great importance to such matters as the inherent soundness of a business enterprise; its long-range possibilities of successful operation; and whether the granting of a loan will **increase employment** or have a favorable effect upon the economic life of the community.

RFC's Advisory Service

EACH OF THE RFC Loan Agencies is staffed with men experienced in business and financial matters. Their advice has helped many business establishments, **particularly small enterprises**, in a variety of ways. One applicant, by amplifying and revising his financial statement to reveal a true picture of his operations, was able to obtain a bank loan from an institution which had initially declined his request. Another suggestion led to the elimination of an unprofitable operation and the more intensive development of a promising phase of the business in such a way as to improve the earnings of the company. And, in another instance, a discussion revealed that a high-salaried salesman was devoting too much time to collection at the expense of sales activities, with the result that he was relieved of his collecting duties and, by giving more time to selling, substantially improved the income of the concern.

31 RFC Loan Agencies

EACH OF THE RFC Loan Agencies has authority, without checking with Washington, to make loans to business enterprises of not to exceed \$100,000 to any one borrower—\$350,000 in cases where a bank participates to a minimum extent of 25 percent in the loan. (See Circular No. 25.) The major purpose served by this decentralization of loan approval authority is to **expedite the handling of loans** to small business establishments.

REQUIREMENTS IMPOSED BY LAW*

Capital or credit, at prevailing rates for the character of loan applied for, must not be otherwise available.

All purchases of securities and obligations and all loans made shall be, in the opinion of the RFC Board of Directors, of such sound value, or so secured, as reasonably to assure retirement or repayment.

All purchases of securities and obligations and all loans shall be made only when, in the opinion of the RFC Board of Directors, the business enterprise is solvent.

Securities and obligations may be purchased, and loans may be made, with such maturities as RFC may determine.

All purchases of securities and obligations and all loans shall be made under such terms, conditions, and restrictions as RFC may determine.

Eligibility

To qualify as a borrower of funds from RFC, a business enterprise, whether a corporation, a partnership or an individual, must be privately owned and operated for profit. Charitable, religious, and social agencies or societies and other similar organizations do not qualify as business enterprises as defined in Section 5d of the Reconstruction Finance Corporation Act, as amended.

Terms, Conditions, Purposes

Loans to business enterprises will be made by the Reconstruction Finance Corporation upon the following terms and conditions and for the following purposes:

MATURITIES. Loans shall mature at such time as RFC may determine in each case. A program of payments will be arranged with a view to the orderly liquidation of the debt by the borrower; and, insofar as can be estimated, on a basis that will enable the borrower to make plans for the development of future business without being unnecessarily restricted by a repayment schedule that would impair the borrower's working capital during the life of the loan. For established industries whose need is principally for shorter term credit, loans usually should be repaid within five years or less. When loans are primarily to finance capital expenditures, a longer repayment program may be considered.

INTEREST RATES. Interest shall be at such rate as may be fixed from time to time by RFC. As of the date of this Circular the prevailing rate is four percent.

PURPOSES. Loans of the character covered by this Circular shall be made for the purpose of "*maintaining and promoting the economic stability of the country or en-*

couraging the employment of labor," and RFC will therefore consider applications from business enterprises for loans:

When the proceeds will be used for the payment of labor and the purchase of material required in the business.

When the proceeds will be used for the replacement of obsolete or worn-out machinery, or for the purchase of additional machinery, provided it is shown that such capital expenditures are necessary for efficient operation and are economically sound.

To new business enterprises or to enable established business enterprises to expand into new fields of endeavor, provided it can be shown that such loans will be sound from an economic as well as a credit standpoint. It is required, in addition to other credit factors, that the new enterprise must be sufficiently beyond the developmental or promotional stage as reasonably to assure profitable future operations; and that, after giving effect to the loan, the applicant will have sufficient working capital to assure continuous operation.

To finance industrial construction. The applicant should be prepared to show that the business enterprise, either out of current assets or out of the proceeds of the RFC loan, will provide sufficient funds to complete the construction and to insure continuous operation.

To permit the application of a portion of the loan proceeds for the payment of existing debt, provided that the applicant, after receiving the loan and after payment or adjustment of debt, will have sufficient working capital and other assets that provide reasonable assurance of continuous operation.

Adjustment of existing debts may be accomplished by one or more of the following methods:

(a) By issuance of shares of stock of the applicant in full payment;

(b) By issuance of bonds or notes secured by mortgage subordinate to the mortgage that will secure this Corporation;

(c) By agreement of creditors to make no demand for payment until the loan is repaid (commonly referred to as "stand-by agreement");

(d) By payment of cash on a compromise basis in full satisfaction of the debt;

(e) By cancellations.

*See also "Lending Functions Transferred to RFC From SWPC" on p. 4.

THE "DON'T" LIST. RFC does not encourage applications for loans:

To provide for the operation of any business enterprise in receivership or bankruptcy. However, applications will be considered for loans contingent upon the termination of receivership or bankruptcy by settlement with creditors or otherwise, upon a basis which will restore the business enterprise to a solvent condition.

To finance the development or purchase of new inventions, the cost of obtaining patents, the expense of infringement suits or any other litigation. Such matters should be advanced beyond the developmental or promotional stage before application is made for an RFC loan to a business enterprise.

For personal needs.

Security Requirements

Section 5d of the Reconstruction Finance Corporation Act, as amended, requires that all loans "shall be, in the opinion of the Board of Directors, of such sound value, or so secured, *as reasonably to assure retirement or repayment.*" Loans should be secured by collateral of character and amount which, considered in connection with other factors, such as the integrity and ability of the management and prospective earnings, will afford reasonable assurance of repayment.

Security may consist of, but not be restricted to, one or more of the following: a mortgage on real estate, plant, and equipment; an assignment of warehouse receipts for marketable merchandise stored in satisfactory warehouses; a first mortgage on chattels; or an assignment of current receivables (accounts, notes, or trade acceptances). The applicant may offer as additional collateral, any other assets of sound value.

RFC, although it will not consider as satisfactory primary security, will give consideration to second mortgages, franchises, patents, and good will. A pledge or mortgage of inventories generally will not be regarded as satisfactory collateral, unless stored in

a bonded or otherwise acceptable warehouse, or unless the applicable State law provides for creating and maintaining a satisfactory lien upon inventory not so warehoused.

Solvency

Section 5d of the Reconstruction Finance Corporation Act, as amended, also provides that loans shall be made only when, in the opinion of the RFC Board of Directors, the business enterprise is solvent. If the business enterprise is not solvent at the time of making application, the manner in which it will become solvent, before or at the time of disbursement of the proposed loan, should be indicated in the application.

Charges, Commissions, Bonuses, Fees

Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is strictly prohibited. However, the business enterprise, subject to RFC's prior approval, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Allowable charges may include such items as reasonable compensation for services rendered by attorneys, appraisers, and accountants, but not in any event charges made for alleged services in connection with the presentation of the application to RFC. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

Salaries and Dividends

As required by law, the applicant must agree that, so long as any portion of the loan remains outstanding, it will not pay compensation to any officer, director, or employee at a rate in excess of that which appears reasonable to RFC.

As long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant, nor any distribution (except reasonable

Lending Functions Transferred to RFC

The transfer of the loan functions of the Smaller War Plants Corporation to RFC, as of January 28, 1946, by Executive order of the President, has increased RFC's opportunities for public service in helping small business. These transferred functions include the authority and power:

1. To make loans or advances to enable small business concerns to finance plant construction, conversion, or expansion, or to finance the acquisition of equipment or supplies, or to supply such concerns with capital to be used in the manufacture of essential civilian products.

2. To purchase any Government-owned surplus property for resale to small business; to make or guarantee loans to small business enterprises in connection with the acquisition, conversion, and operation of surplus plants and facilities; and to arrange for sales of surplus property to small business concerns on credit or time bases.

Under the SWPC Act RFC may make loans to eligible borrowers on such terms and conditions and with such maturities as the Board considers proper.

compensation for services) made by a partnership or individual applicant, without the consent of RFC.

Audits and Appraisals

Independent audits usually are not required when an applicant for a business enterprise loan from RFC furnishes satisfactory sworn financial state-

ments. However, an audit of the applicant by the RFC Auditing Division or by a satisfactory independent auditor may be required in some cases. Therefore, the applicant should submit an agreement to have an appraisal made, at its own expense, by appraisers satisfactory to RFC, should the latter consider such action advisable.

APPLICABLE ACTS OF CONGRESS

The following is the portion of Section 5d of the Reconstruction Finance Corporation Act, as amended, pursuant to the provisions of which loans of the character herein described are made:

Sec. 5 (d). For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the Corporation * * * is further authorized and empowered to purchase the securities and obligations of, and to make loans to, any business enterprise when capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available: *Provided* That all such purchases of securities and obligations and all such loans shall be, in the opinion of the board of directors, of such sound value, or so secured, as reasonably to assure retirement or repayment; may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise; shall be made only when, in the opinion of the board of directors, the business enterprise is solvent; and shall be made under such terms, conditions, and restrictions as the Corporation may determine: *Provided further*, That in carrying out the provisions of this section, the Corporation may purchase securities and obligations, and may make loans, with such maturities as the Corporation may determine, notwithstanding any other provision of law.

The powers granted to the Corporation by this section shall terminate on January 22, 1947, or on such earlier date as the President shall determine; but no provision of law terminating any of the functions of the Corporation shall be construed (1) to prohibit disbursement of funds on purchases of securities and obligations, on loans, or on commitments or agreements to make such purchases or loans, made under this section prior to the close of business on January 22, 1947, or such earlier date, or (2) to affect the validity or performance of any agreement to participate in any purchase or loan authorized by this section.

Nothing in this section shall be construed to authorize the Corporation (1) to purchase, or to make any commitment or agreement to purchase, any securities or obligations of any railroad engaged in interstate commerce, the obligations of which may be purchased or guaranteed by the Corporation under Section 5 of this Act only with the approval of the Interstate Com-

merce Commission, or (2) to make any loan, or any commitment or agreement to make a loan, to any such railroad or to any receiver or trustee thereof.

The following provisions of the Reconstruction Finance Corporation Act (47 Stat., chap. 8) are applicable to loans under Section 5d of the Reconstruction Finance Corporation Act, as amended:

Sec. 16 (a). Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, issued by the corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

(c) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) insofar as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and re-

newals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of the act approved June 10, 1933 (48 Stat., chap. 55), as amended, is applicable to loans referred to in this Circular:

Sec. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

The following provisions of the Smaller War Plants Corporation Act of June 11, 1942 (Public Law 603—77th Cong.) are applicable to loans made to small business enterprises by the Reconstruction Finance Corporation pursuant to Executive Order 9665, dated December 27, 1945:

Sec. 4 (f). The Corporation is empowered (1) to make loans or advances, on such terms and conditions and with such maturity as it may determine, to enable small business concerns to finance plant construction, conversion, or expansion,

or to finance the acquisition of equipment, facilities, machinery, supplies, or materials, or to supply such concerns with capital, to be used in the manufacture of articles, equipment, supplies, or materials for war or essential civilian purposes; and such loans or advances may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise; . . .

The following provisions of Section 18 of Public Law 457—78th Congress ("*Surplus Property Act of 1944*"), approved October 3, 1944, are applicable to loans to small business enterprises referred to in this Circular:

Sec. 18 (e). The Smaller War Plants Corporation shall have the power to purchase any surplus property for resale, subject to regulations of the Board, to small business (and is empowered to receive other property in exchange as partial or full payment therefor), when in its judgment, such disposition is required to preserve and strengthen the competitive position of small business, or will assist the Corporation in the discharge of the duties and responsibilities imposed upon it. . . .

Sec. 18 (f). The Smaller War Plants Corporation is hereby authorized, for the purpose of carrying out the objectives of this section, to make or guarantee loans to small business enterprises in connection with the acquisition, conversion, and operation of plants and facilities which have been determined to be surplus property, and, in cooperation with the disposal agencies, to arrange for sales of surplus property to small business concerns on credit or time bases.

RFC LOAN AGENCIES

RFC LOAN AGENCIES are located strategically throughout the country. For information concerning RFC loans to business enterprises, write, phone or call at the nearest RFC office.

RFC Loan Agencies are located in the following cities:

Loan Agency	Agency Address	Loan Agency	Agency Address
Atlanta, Ga.	Healey Bldg., Atlanta 3, Ga.	Minneapolis, Minn.	McKnight Bldg., Minneapolis 1, Minn.
Birmingham, Ala.	Comer Bldg., Birmingham 3, Ala.	Nashville, Tenn.	Nashville Trust Bldg., 323 Union St., Nashville 3, Tenn.
Boston, Mass.	10 Post Office Square, Boston 9, Mass.	New Orleans, La.	Richards Bldg., 837 Gravier St., New Orleans 12, La.
Charlotte, N. C.	317 South Tryon St., Charlotte 1, N. C.	New York, N. Y.	44 Pine St., New York 5, N. Y.
Chicago, Ill.	208 S. LaSalle St., Chicago 4, Ill.	Oklahoma City, Okla.	Cotton Exchange Bldg., Oklahoma City 2, Okla.
Cleveland, Ohio.	Federal Reserve Bank Bldg., Cleveland 1, Ohio.	Omaha, Nebr.	Woodmen of World Bldg., Omaha 2, Nebr.
Dallas, Tex.	Cotton Exchange Bldg., Dallas 1, Tex.	Philadelphia, Pa.	Lincoln-Liberty Bldg., Philadelphia 7, Pa.
Denver, Colo.	Railway Exchange Bldg., Denver 2, Colo.	Portland, Oreg.	Pittock Block, Portland 5, Oreg.
Detroit, Mich.	800 Griswold Bldg., 1214 Griswold St., Detroit 26, Mich.	Richmond, Va.	Mutual Assurance Society Bldg., 909 East Main St., Richmond 19, Va.
Helena, Mont.	Power Block, P. O. Box 177, Helena, Mont.	St. Louis, Mo.	Victoria Bldg., 407 N. 8th St., St. Louis 1, Mo.
Houston, Tex.	Rusk Bldg., 723 Main St., Houston 2, Tex.	Salt Lake City, Utah.	Dooly Bldg., Salt Lake City 1, Utah.
Jacksonville, Fla.	Western Union Bldg., Jacksonville 2, Fla.	San Antonio, Tex.	Transit Tower, San Antonio 5, Tex.
Kansas City, Mo.	Fed. Reserve Bank Bldg., Kansas City 6, Mo.	San Francisco, Calif.	200 Bush St., San Francisco 4, Calif.
Little Rock, Ark.	Pyramid Bldg., Little Rock, Ark.	Seattle, Wash.	Dexter Horton Bldg., Seattle 4, Wash.
Los Angeles, Calif.	Pacific Mutual Bldg., Los Angeles 14, Calif.	Spokane, Wash.	Columbia Bldg., Spokane 8, Wash.
Louisville, Ky.	Lincoln Bank Bldg., 421 W. Market St., Louisville 2, Ky.		

The territory of Alaska is served by the Seattle Loan Agency.

The territory of Puerto Rico is served by a Special Representative of RFC stationed at San Juan.

RFC maintains a Special Representative at Honolulu, in the Hawaiian Islands.

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Loans to Business Enterprises in Cooperation with Banks and Other Lending Institutions



RECONSTRUCTION FINANCE CORPORATION

Circular No. 15 (Revised)

March 1947

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LOANS TO BUSINESS ENTERPRISES IN COOPERATION WITH BANKS AND OTHER LENDING INSTITUTIONS

In addition to its power to make loans directly and independently to business enterprises (as described in Reconstruction Finance Corporation Circular No.13, Revised), this Corporation is authorized and empowered to make loans to any business enterprise in cooperation with banks or other lending institutions (hereafter referred to as banks), through agreements to participate or by the purchase of participations, or otherwise.

Participations are of two general classifications, *deferred* and *immediate*. The several plans under which RFC will participate with banks in making business loans are described in the following pages.

I. DEFERRED PARTICIPATIONS.

A Deferred Participation in a business loan is an Agreement, executed by RFC and bank, under the terms of which RFC will purchase, upon ten days' demand by the bank, at any time prior to sixty days after maturity, an agreed percentage of the unpaid balance of the loan, provided compliance has been made with the terms of the agreement.

A Deferred Participation in a loan may be arranged by negotiations directly with a bank or through RFC in co-operation with a bank which will make the loan.

A. DEFERRED PARTICIPATION OF NOT MORE THAN 75 PER CENT IN SMALL BUSINESS LOANS OF \$100,000 OR LESS.

In order that long term credit may be readily available to small business enterprises through the usual banking

channels, RFC has *revised* and *simplified* the procedure in connection with applications for deferred participations of not more than 75 per cent in loans of not over \$100,000, by the inauguration of a plan of cooperation with banks, which has been designated as the Small Loan Participation (SLP) program.

Under this plan the borrower deals only with the bank and is not required to file an application with RFC. If the bank desires to make the loan, it will file a one-page SLP application (RFC Form L-377) with the RFC Loan Agency serving the territory in which the bank is located. The application should be accompanied by financial and operating statements, appraisal of collateral offered and pertinent information concerning the borrower. RFC Loan Agencies are prepared to give prompt service on applications of this type which do not have to be considered by the Washington office.

Approximately 90 per cent of the number of loans made by RFC directly and in participation with banks to business enterprises have been for \$100,000 or less, and it is felt that this program will greatly expedite the processing of applications for loans to small business.

**B. DEFERRED PARTICIPATION OF NOT MORE THAN 75 PER CENT
IN BUSINESS LOANS OF MORE THAN \$100,000.**

In event a bank applies to RFC for participation in a business loan of more than \$100,000, the bank's request must be accompanied by the application of the borrower.

Each of the RFC Loan Agencies is authorized to approve requests for participations of not over 75 per cent in loans of not in excess of \$350,000, provided the bank's portion represents new money to be advanced, as distinguished from money to be used for refunding existing indebtedness.

II. IMMEDIATE PARTICIPATIONS.

If a bank applies to RFC, and the application is approved, this Corporation will purchase a specified participation in a loan to be made by the bank, immediately upon disbursement of the loan. RFC will also consider application of a bank to purchase participation in a loan to be made by RFC and, if the application is approved, the Corporation will sell to the bank a specified participation in the loan immediately upon disbursement.

III. PARTICIPATIONS IN LOANS OF MORE THAN \$350,000 AND PARTICIPATIONS IN EXCESS OF 75 PER CENT.

Generally the Corporation will not agree to participate in a loan to the extent of more than 75 per cent; however, if circumstances warrant, RFC's participation may be increased. In all such cases involving loans in excess of \$100,000, the request, accompanied by the borrower's application, must be considered by the RFC Board of Directors.

RFC participation of more than 75 per cent in loans of \$100,000 or less may be approved by the Loan Agencies.

IV. PURPOSES.

Purposes for which participation loans to business enterprises may be made include:

Payment of labor.

Purchase of material to be used in the business.

Replacement of obsolete or worn-out machinery, or the purchase of additional machinery.

Financing industrial construction. The borrower should have sufficient funds to complete the construction and to insure continuous operation, either out of current assets or out of the proceeds of the loan.

A portion of the loan proceeds for payment of existing debt. After adjustment (if any) of the indebtedness and disbursement of the loan, the applicant should have sufficient working capital to provide reasonable assurance of continuous operation. Among the methods by which indebtedness may be adjusted are:

Issuance of shares of stock of the applicant in full payment.

Execution of bonds or notes secured by mortgage subordinate to the mortgage that will secure the loan.

Agreement of creditors to make no demand for payment until the loan is repaid, generally referred to as a stand-by.

Payment of cash on a compromise basis in full satisfaction of the debt.

Cancellation of the debt.

V. TERMS AND CONDITIONS.

The terms and conditions of all participation loans must conform with the provisions of Section 5d of the Reconstruction Finance Corporation Act, as amended (see page 8).

Maturities. A program of payments will be arranged with a view to orderly liquidation of the loan, and, insofar as practicable, without impairment of the borrower's working capital during the life of the loan. For established industries, whose need is principally for shorter term credit, loans usually should be repaid within five years, or less. When loans are primarily to finance capital expenditures, a longer repayment program may be considered.

Security, Collateral. Security may consist of a mortgage on real estate, plant, and equipment; an assignment of warehouse receipts for marketable merchandise stored in satisfactory warehouses; a first mortgage on chattels; an assignment of current receivables (accounts, notes, or trade acceptances), or other assets of sound value.

Solvency. In event the business enterprise is not solvent, the manner in which it will become solvent, before or at the time of disbursement of the proposed loan, should be indicated on the application.

Administration of Loan. When either RFC or a bank makes a loan in which the other participates, the lender shall hold the note and collateral and administer and service the loan, receiving all payments and remitting to the other participant its pro rata share. The holder of the note shall not, without first obtaining consent of the other participant, change any terms of the loan, or change or release any of the collateral.

In event the bank is the holder and RFC deems it advisable to take over the servicing of the loan, it shall transfer the note and collateral without recourse to RFC, upon five days' written request. Upon such transfer, this Corporation shall issue to the bank a certificate evidencing the interest retained by the bank in the loan. Following such transfer, the loan shall be administered and serviced by RFC.

In some instances, RFC may authorize a participating bank to act as its special agent, or to exercise an extended measure of control with respect to administration and servicing of a loan.

Charges by RFC for Deferred Participation. In case RFC's deferred participation in a loan is 50 per cent or less, the annual participation charge will be one-half of

one per cent of the amount of RFC's participation. If RFC's deferred participation is more than 50 per cent but not in excess of 75 per cent of the loan, the charge will be three-fourths of one per cent of the amount of RFC's participation. The charge in connection with a deferred participation agreement for more than 75 per cent, will be one per cent of the amount of RFC's participation. In each case calculations will be based upon the unpaid outstanding balances of the loan and not upon the original amount.

Upon purchase by the RFC of its agreed participation in the loan then outstanding, an appropriate adjustment will be made for interest and charges computed to the date of such purchase and the bank shall issue to RFC a certificate evidencing the interest in the loan so purchased.

Rates of Interest. Participation loans shall bear such rate of interest as shall be approved by this Corporation. The present rate of interest on RFC's share of such loans shall not exceed four per cent per annum. The participating bank may charge up to, but not more than six per cent per annum on its portion of participation in the loan.

Upon Deferred Participations, bank may charge a rate less than four per cent on the entire loan but with provision that upon the purchase by RFC of such loan in its entirety, or its agreed participation therein, interest on the portion so purchased by RFC shall accrue at the rate of four per cent.

Voluntary Purchase Privilege. Either the bank or RFC may purchase voluntarily the other's interest in a loan at any time. The sale of a participation in a loan, whether by RFC or by a bank, shall be without liability on the part of the seller as endorser or guarantor, and shall be accompanied by a certificate evidencing the purchaser's interest in the loan.

Commissions, Bonuses, Fees. Subject to prior approval by RFC, the applicant may be allowed to pay actual costs incurred in the making of a loan, which may include reasonable compensation for services rendered by attorneys, appraisers and accountants. The payment of any other fees, or the payment of bonuses or commissions for the purpose of, or in connection with, obtaining loans is strictly prohibited. The application should contain proof that no such payment, other than reasonable compensation for services required, fully disclosed and itemized, has been or will be paid.

Salaries and Dividends. Applicants for loans must agree that, as long as any portion of the loan remains outstanding, compensation will not be paid to any officer, director, or employee at a rate in excess of that which appears reasonable to RFC. As long as any portion of the loan remains outstanding, no dividends may be paid by any corporate applicant, nor any distribution (except reasonable compensation for services) made, without the consent of RFC.

Audits and Appraisals. The applicant should submit an agreement to have an appraisal made at its own expense, by appraisers satisfactory to RFC, should this be deemed advisable. Independent audits usually are not required when satisfactory sworn financial statements are provided. An audit of the applicant by the RFC Auditors or by a satisfactory independent auditor may be required in some cases.

Applications. Forms used in applying for participation loans may be obtained from any RFC Loan Agency and the application, fully executed, should be filed with the Loan Agency serving the region in which the interested bank or business enterprise is located.

Full information should be submitted as a basis for consideration of the application.

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ACTS OF CONGRESS APPLICABLE TO LOANS
OF THE CHARACTER DESCRIBED HEREIN

The following is the portion of section 5d of the Reconstruction Finance Corporation Act, as amended, pursuant to the provisions of which loans of the character herein described are made:

SEC. 5d. For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the Corporation *** is further authorized and empowered to purchase the securities and obligations of, and to make loans to, any business enterprise when capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available: *Provided*, That all such purchases of securities and obligations and all such loans shall be, in the opinion of the board of directors of such sound value, or so secured, as reasonably to assure retirement or repayment; may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise; shall be made only, when, in the opinion of the board of directors, the business enterprise is solvent; and shall be made under such terms, conditions, and restrictions as the Corporation may determine: *Provided further*, That in carrying out the provisions of this section, the Corporation may purchase securities and obligations, and may make loans, with such maturities as the Corporation may determine, notwithstanding any other provision of law.

The powers granted to the Corporation by this section shall terminate on June 30, 1947, or on such earlier date as the President shall determine; but no provision of law terminating any of the functions of the Corporation shall be construed (1) to prohibit disbursement of funds on purchases of securities and obligations, on loans, or on commitments or agreements to make such purchases or loans, made under this section prior to the close of business on June 30, 1947, or such earlier date, or (2) to affect the validity or performance of any agreement to participate in any purchase or loan authorized by this section.

Nothing in this section shall be construed to authorize the Corporation (1) to purchase, or to make any commitment or agreement to purchase, any securities or obligations of any railroad engaged in interstate commerce, the obligations of which may be purchased or guaranteed by the Corporation under section 5 of this Act only with the approval of the Interstate Commerce Commission, or (2) to make any loan, or any commitment or agreement to make a loan, to any such railroad or to any receiver or trustee thereof.

* * * * *

The following provisions of the Reconstruction Finance Corporation Act (47 Stat., chap. 8) are applicable to loans under section 5d of the Reconstruction Finance Corporation Act, as amended:

SEC. 16(a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, issued by the Corporation, or (2) passes, utters or publishes, or attempts to pass, utter or publish, any false, forged or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the Corporation, knowing the same to be false, forged or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the Corporation, or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the Corporation, knowing the same to be falsely altered or spurious, or any person who wilfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) insofar as applicable, are extended to apply to contracts or agreements with the Corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of the Act approved June 10, 1933 (48 Stat., chap. 55), as amended, is applicable to loans referred to in this circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan

any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

RFC LOAN AGENCIES

<u>Loan Agency</u>	<u>Address</u>
Atlanta, Ga.	Healey Bldg. Atlanta, 3, Ga.
Birmingham, Ala.	Comer Bldg. Birmingham 3, Ala.
Boston, Mass.	10 Post Office Square Boston 9, Mass.
Charlotte, N. C.	317 South Tryon Street Charlotte 2, N. C.
Chicago, Ill.	208 S. LaSalle St. Chicago 4, Ill.
Cleveland, Ohio	Federal Reserve Bank Bldg. Cleveland 1, Ohio
Dallas, Texas	Cotton Exchange Bldg. Dallas 1, Texas
Denver, Colo.	618 Railway Exchange Bldg. 17th & Champa Streets Denver 2, Colorado
Detroit, Mich.	800 Griswold Bldg. 1214 Griswold St. Detroit 26, Mich.
Helena, Montana	Power Block P. O. Box 177 Helena, Montana
Houston, Texas	Rusk Bldg. 723 Main Street Houston 2, Texas
Jacksonville, Fla.	Western Union Bldg. Jacksonville 2, Fla.
Kansas City, Mo.	Federal Reserve Bank Bldg. Kansas City 6, Mo.
Little Rock, Ark.	Pyramid Bldg. Little Rock, Ark.

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RFC LOAN AGENCIES

<u>Loan Agency</u>	<u>Address</u>
Los Angeles, Calif.	Pacific Mutual Bldg. Los Angeles 14, Calif.
Louisville, Ky.	Hoffman Bldg. Louisville 2, Ky.
Minneapolis, Minn.	Metropolitan Life Bldg. 125 South Third St. Minneapolis 1, Minn.
Nashville, Tenn.	Nashville Trust Bldg. 323 Union Street Nashville 3, Tenn.
New Orleans, La.	Richards Bldg. 837 Gravier St. New Orleans 12, La.
New York, N. Y.	44 Pine Street New York 5, N. Y.
Oklahoma City, Okla.	Leonhardt Bldg. Second and Harvey Sts. Oklahoma City 2, Okla.
Omaha, Nebraska	Woodmen of the World Building Omaha 2, Nebraska
Philadelphia, Pa.	Lincoln-Liberty Bldg. Philadelphia 7, Pa.
Portland, Oregon	Pittcock Block Portland 5, Oregon
Richmond, Va.	Mutual Assurance Society Building 909 East Main St. Richmond 19, Va.
St. Louis, Mo.	Victoria Bldg. 407 N. 8th St. St. Louis, Mo.
Salt Lake City, Utah	Dooly Bldg. Salt Lake City 1, Utah
San Antonio, Texas	Transit Tower San Antonio 5, Texas
San Francisco, Calif.	130 Sutter Street San Francisco 4, Calif.
Seattle, Wash.	Central Building Seattle 4, Wash.
Spokane, Wash.	Columbia Bldg. Spokane 8, Wash.

BRANCH OFFICES

Branch offices are maintained in the following cities:

Anchorage, Territory of Alaska,
Branch of Seattle Loan Agency

Baltimore, Maryland,
Branch of Richmond Loan Agency

El Paso, Texas,
Branch of Dallas Loan Agency

OFFICES OF SPECIAL REPRESENTATIVES

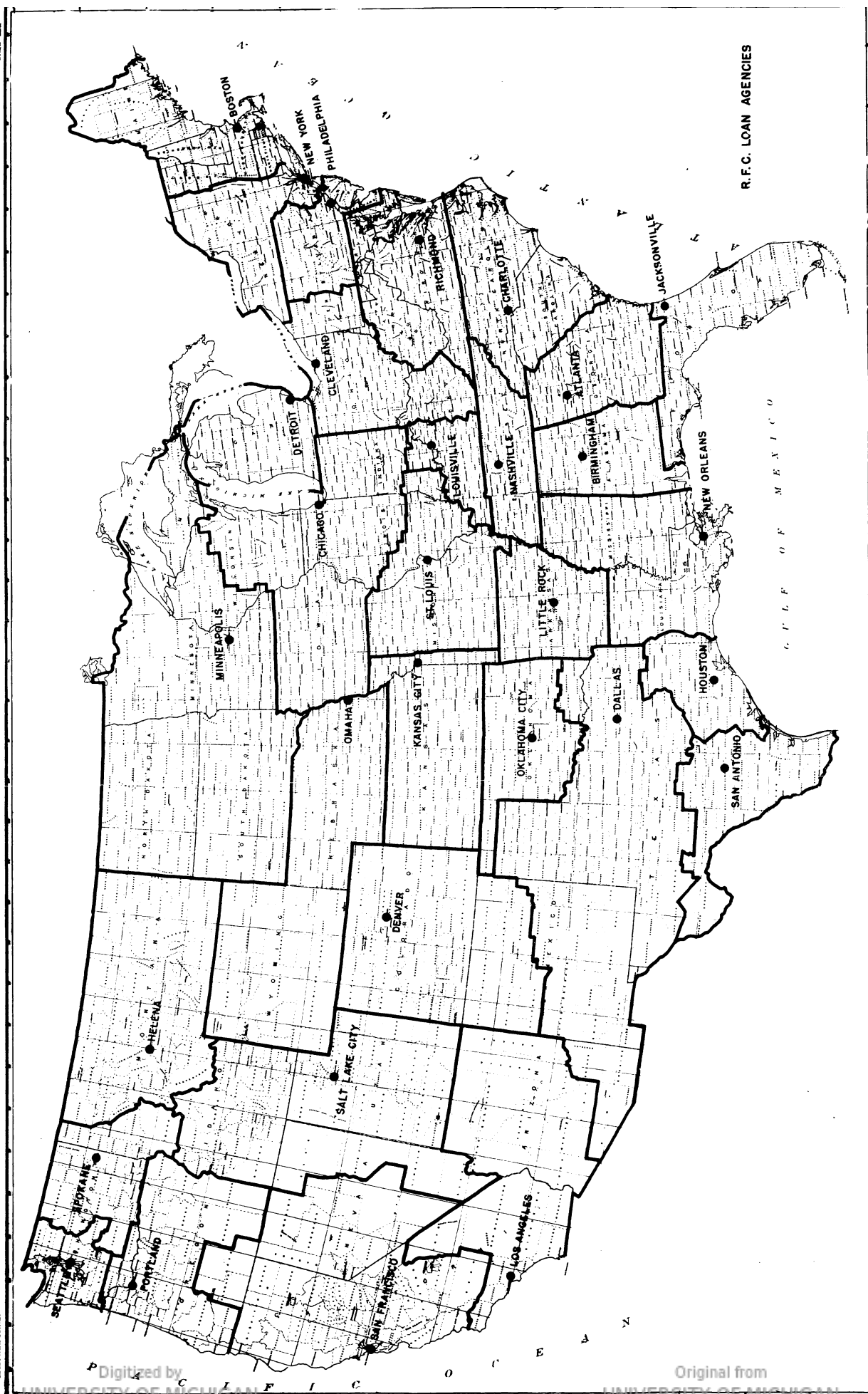
Dillingham Building
P. O. Box 3049
Honolulu, T. H.

Banco Popular Bldg.
Send mail to:
P.O. Box 4512
San Juan 22, Puerto Rico

DISTRICTS SERVED BY RFC LOAN AGENCIES

UNITED STATES
PAGE 1 OF 2

UNITED STATES
PAGE 2 OF 2



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44 **Information Regarding Loans**
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to

Business Enterprises

and

Participations in Such Loans



RECONSTRUCTION FINANCE CORPORATION

Circular No. 26

June, 1948

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The Reconstruction Finance Corporation has no authority to make a business loan if the financial assistance applied for is otherwise available on reasonable terms. Therefore see your banker first.

RECONSTRUCTION FINANCE CORPORATION

INTRODUCTION

The Reconstruction Finance Corporation was created by Act of Congress in 1932 to aid in overcoming the nation-wide depression then threatening the country's business structure and system of free enterprise. By providing financial assistance to banks, insurance companies, railroads, agriculture, commerce and industry, RFC played an important part in stabilizing and supporting all branches of business.

During the war, RFC's activities extended to almost every phase of war industry, through loans to private enterprises for the manufacture of war equipment, and through the building of war production plants and the stock-piling and distribution of strategic materials and supplies.

The RFC is authorized to make loans to business enterprises and to participate with banks in such loans, to encourage small business, to help in maintaining the economic stability of the country and to assist in promoting maximum employment and production.

No loan or participation in a loan may be approved by RFC if the financial assistance applied for is otherwise available on reasonable terms.

Participations by RFC with banks are designed for the purpose of enabling applicants to obtain financial assistance in instances where banks are unable to carry the entire loan on their own account because of regulator restrictions or other reasons. Such participations may be immediate, in which case the RFC purchases a participation at the time the loan is made, or may be deferred. In the case of deferred participations the interest derived from the entire loan accrues to the bank until such time as RFC purchases its agreed participation. The bank pays a reasonable participation charge during this period to cover the obligation assumed and expense incurred by RFC in connection with the loan.

The Reconstruction Finance Corporation makes a special effort to help small borrowers. By making loans or participating in loans to small business enterprises, where the borrowers require financing of longer duration than is ordinarily obtainable from commercial banks and where the financing cannot be obtained from other sources on reasonable terms, the Corporation has aided materially in strengthening and preserving the competitive position of small business enterprises, which are recognized as being vitally important to full employment, economic stability and free enterprise.

INFORMATION REGARDING RECONSTRUCTION FINANCE CORPORATION LOANS TO BUSINESS ENTERPRISES

Before applying to RFC, an applicant should make every effort to obtain the loan elsewhere. If unable to obtain the entire loan from a bank or other

source, the borrower should ascertain whether a bank will make the loan if RFC agrees to purchase a participation. Where a bank is willing to make the loan with RFC participating, the bank may advise the applicant to apply to RFC on such basis, or may itself communicate with RFC regarding a participation agreement. This participation plan is outlined herein, beginning on page 8.

If the applicant is unable to obtain the loan from any other source, with or without RFC participation, RFC will consider an application for a direct loan.

Where to Apply to RFC.

An applicant desiring to obtain a loan from RFC should apply to the RFC Loan Agency serving the territory in which the applicant is located. RFC has Loan Agencies in thirty-one cities, the addresses of which are listed on page 11. A map showing the territory served by each of the Loan Agencies is on page 6. Applicants for mining loans may apply to the Agency in whose territory the operation is located or, if more convenient, to the nearest of RFC offices located at Reno, Nevada; Joplin, Missouri; Phoenix, Arizona; and Fairbanks, Alaska.

Preliminary Information to be Furnished by Applicants.

At the time an applicant first communicates with an RFC Loan Agency in regard to obtaining a loan, he should advise the Loan Agency as to the amount of loan applied for, how it will be secured, the purpose of the loan and the nature of his business. Full information should also be furnished as to the names of banks to which he has applied for the loan, the reason he was unable to obtain the financing applied for, and whether a bank, if unable to make the loan without RFC participation, would make the loan on condition that RFC agree to purchase a participation.

The Loan Agency will furnish the applicant an application form and any necessary information. For loans of not over \$100,000 a short form of application generally may be used. A more comprehensive form is required in the case of larger loans.

Eligible Borrowers.

Any business enterprise organized or operating under the laws of any State (including the District of Columbia, Alaska, Hawaii, Puerto Rico, and the Virgin Islands) or the United States, which is privately owned and conducted for profit is eligible to apply, for a loan from RFC. Non-profit organizations, such as charitable, religious and social agencies or societies, or similar organizations are not eligible.

Eligible Purposes.

RFC will consider loans to business enterprises for such purposes as the following:

- (a) To pay labor and purchase material required in the business, including merchandise for resale;

- (b) To replace obsolete or worn-out machinery, or to purchase additional machinery, provided it is shown that such capital expenditures are necessary for efficient operation and are economically sound;
- (c) To finance new business enterprises or to enable established business enterprises to expand into new fields of endeavor, provided it can be shown that such loans will be sound from an economic as well as a credit standpoint; that the enterprise is sufficiently beyond the developmental or promotional stage reasonably to assure profitable future operations; and that, after giving effect to the loan, the applicant will have sufficient working capital to assure continuous operation;
- (d) To finance construction, provided the applicant is prepared to show that in the event actual cost exceeds estimates, it is in position to provide sufficient funds to complete the construction and to assure continuous operation;
- (e) To pay existing indebtedness, for which purpose a reasonable portion of the loan proceeds may be used, provided the applicant, after receiving the loan and after payment or adjustment of debt, will have sufficient working capital and other assets to provide reasonable assurance of continuous operation.

Security Requirements

The RFC Act, as amended, requires that all business loans shall be so secured as reasonably to assure repayment. Collateral, in order to be acceptable, shall be of a character and amount which, considered in connection with other factors, such as the integrity and ability of the management and prospective earnings, will afford reasonable assurance of repayment.

Security may consist of one or more of the following: a mortgage on real estate, or on plant and equipment, an assignment of warehouse receipts for marketable merchandise stored in satisfactory warehouses; a mortgage on chattels; or an assignment of current receivables (accounts, notes or trade acceptances). The applicant may offer as additional collateral any other assets of sound value. A pledge or mortgage of inventories generally will not be regarded as satisfactory collateral unless stored in a bonded or otherwise acceptable warehouse, or unless the applicable State law provides for creating and maintaining a satisfactory lien upon inventory not so warehoused.

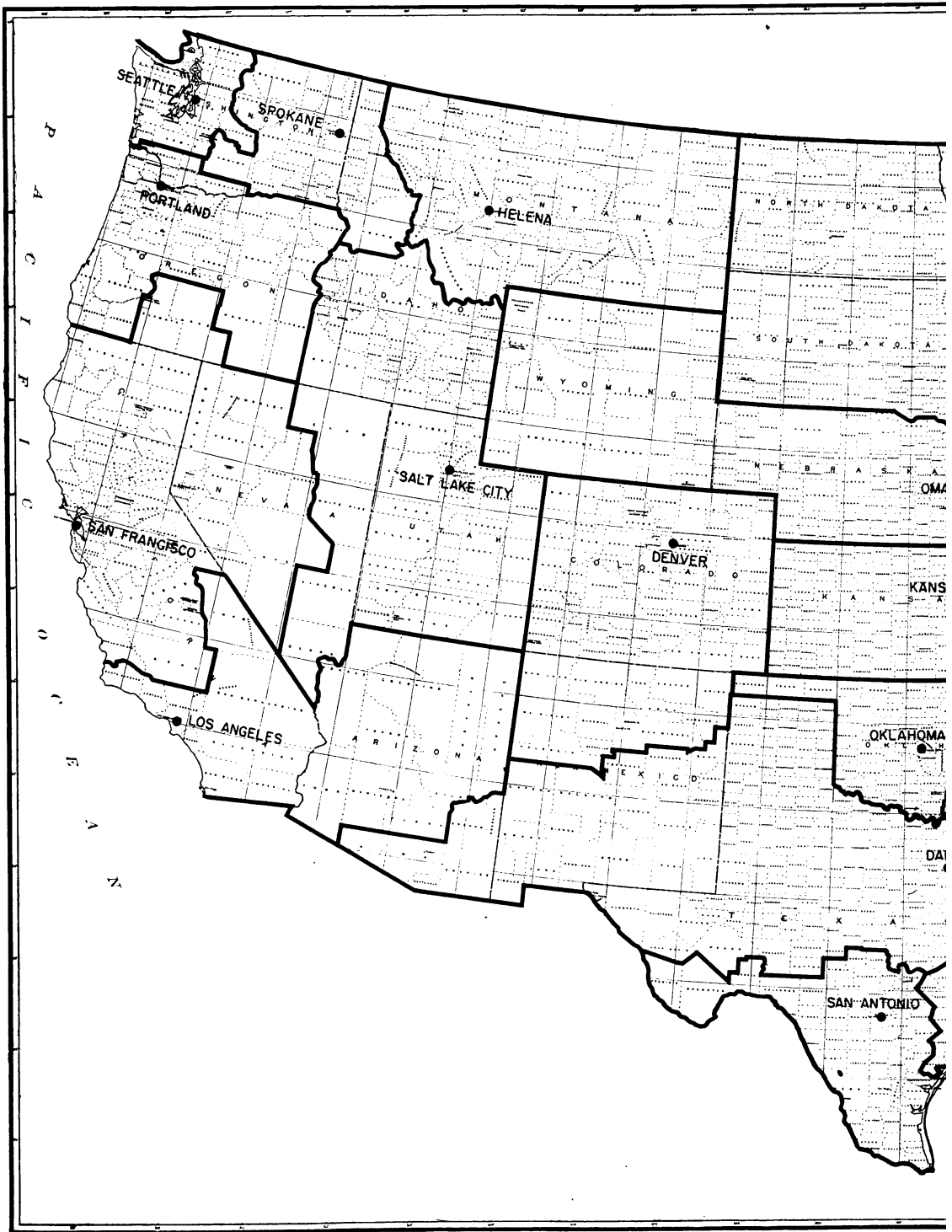
While the questions of security and collateral are important in determining whether a loan will be made, they do not alone constitute the factors upon which the approval or rejection of an application is determined. RFC also attaches great importance to such matters as management; the inherent soundness of the business enterprise; its earnings record and prospects; its long range possibilities of successful operation; and whether the granting of a loan will increase employment or have other favorable effects upon the economic life of the community.

Maturity and Repayment Requirements.

Loans shall mature at such time as RFC may determine in each case and generally shall be repayable in monthly installments. A program of payments

DISTRICTS SERVED

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY



C LOAN AGENCIES

UNITED STATES
BASE MAP



will be arranged with a view to the orderly liquidation of the debt by the borrower, and, in so far as can be estimated, on a basis that will enable the borrower to make plans for the development of future business without being unnecessarily restricted by a repayment schedule that would impair the borrower's working capital during the life of the loan.

Interest Rates.

Interest shall be at such rate as may be fixed from time to time by the Directors of RFC.

Charges, Commissions, Fees.

Payment of fees or commissions for the purpose of, or in connection with, obtaining loans from RFC or loans in which RFC participates is prohibited by law. The applicant, subject to RFC's prior approval, may pay actual reasonable costs incurred in connection with the application, including such items as compensation for services rendered by attorneys, appraisers and accountants, but in no event including any payment in the nature of a fee or commission.

Salaries and Dividends.

As long as any portion of a loan remains outstanding, no dividends may be paid by any corporate borrower nor may any distribution or withdrawals (except reasonable compensation for services) be made by a partnership or individual borrower without the consent of RFC, nor may compensation for services of officers, directors or employees be paid at a rate in excess of that which appears reasonable to RFC.

Audits and Reports

Special audits usually are not required when an applicant furnishes satisfactory sworn financial statements. However, an audit of the applicant by RFC's auditors or by independent auditors satisfactory to RFC may be required.

Borrowers are expected to submit signed operating and financial statements quarterly or semi-annually and at such other times as may be required by RFC so long as any portion of the loan remains unpaid.

Appraisals

The properties offered to secure a proposed loan should be appraised by a person competent to perform this service. A signed copy of the appraisal is required. Before incurring the expense of an appraisal, the applicant should submit a description of the collateral to be offered and should make preliminary inquiry as to the possibility of obtaining a loan.

**RFC PARTICIPATION WITH BANKS
IN BUSINESS LOANS**

RFC will participate with banks in acceptable business loans if the applicant is unable otherwise to obtain the required financing upon reasonable

terms. The Corporation desires the bank to carry as much of the loan as possible, with the Corporation agreeing to purchase only such part as the bank and its correspondent banks for any reason will not take.

Such participations are of two general classifications, Deferred Participations and Immediate Participations.

Deferred Participations—Definition.

A Deferred Participation is a participation in which the RFC and the bank execute an agreement under which RFC will purchase, upon ten days' demand by the bank, an agreed percentage of the unpaid balance of the loan, provided the bank has complied in all respects with the terms of the agreement. Such participations by RFC may not exceed 70% in loans of not over \$100,000 and 60% in loans of more than \$100,000.

Immediate Participations—Definitions.

Immediate Participations, which may cover any portion of the loan agreeable to both participants, are of two general types:

- (1) Participations in which RFC and the bank execute an agreement under which RFC purchases from the bank immediately upon disbursement by the bank, an agreed percentage of each disbursement made by the bank on account of a loan approved by both; and
- (2) Participations in which RFC and the bank execute an agreement under which the bank purchases from RFC, immediately upon disbursement by RFC, an agreed percentage of each disbursement made by RFC on account of a loan approved by both.

Small Loan Participations.

In connection with loans of not over \$100,000, in which the bank desires RFC to take a *Deferred Participation*, the applicant may deal entirely with the bank and is not required to file an application with RFC. The bank is required, in such cases, to file a short one-page application with the RFC Loan Agency serving the territory in which the bank is located. The bank's application should be accompanied by the financial and operating statements of the applicant, a report on the appraisal of the collateral offered, and pertinent information concerning the applicant and the purpose of the loan. The form of such applications and the procedures in processing them have been simplified as much as possible in order that they may be acted upon with the utmost promptness.

Other Participations.

In the case of all other loans in which the bank desires RFC to participate (i.e., loans other than those referred to in the immediately preceding paragraph), the applicant is required to fill out and file with the RFC Loan Agency an application on an RFC application form, which may be obtained from the Loan Agency. When completed by the applicant the application may be

delivered by the applicant direct to the Loan Agency or may be forwarded by the bank to the Loan Agency.

Interest Rates

The interest rate borne by RFC's portion shall not exceed the prevailing RFC interest rate in effect at the time the loan is made. The bank may charge interest up to but not in excess of six per cent per annum on its portion. In every case, however, the borrower's promissory note, if it provides for interest at a rate less than the RFC prevailing interest rate in effect at the time the loan is made, must contain a provision that, upon the purchase by RFC of all or any portion of such loan, interest on the amount so purchased shall accrue at such prevailing RFC interest rate.

Participation Charges.

In the case of all Deferred Participations, the bank from which RFC has agreed to purchase a portion of a loan is required to pay a participation charge to cover the obligation assumed and expense incurred by RFC in connection with the loan. This charge which is computed on the unpaid balance of such portion outstanding is payable in quarterly installments over the period from the disbursement of the loan to the time at which RFC purchases the participation or is released from liability by the bank.

Administration of Participations.

The Participation Agreement provides that the bank, so long as it is the holder of the note, shall administer and service the loan subject to the provisions of the agreement. Under this arrangement the borrower deals with the bank in all matters and makes payments to the bank. RFC has the right, however, after the purchase of its participation, to take over the administration of the loan at any time.

Provisions for Purchase of Entire Loan by Either Participant (RFC or BANK).

The Participation Agreement provides that either the bank or RFC may purchase voluntarily the other's interest in a loan at any time upon five days' written notice.

PROVISIONS OF LAW, WITH REGARD TO FALSE STATEMENTS, FRAUD, ETC.

The following provisions of the Reconstruction Finance Corporation Act, as amended, are applicable to all loans and participations in loans by RFC:

"Sec. 11. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by removal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Corporation, or for the purpose of obtaining money, property,

or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

"Sec. 11. (b) Whoever * * * willfully violates any * * * provision of this Act, shall be punished by a fine of not more than \$10,000, by imprisonment for not more than five years, or both.

"Sec. 11. (e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive), in so far as applicable, are extended to apply to contracts or agreements with the Corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor."

RFC Loan Agencies are located at the following addresses:

ATLANTA 3, Georgia Healey Building	MINNEAPOLIS 1, Minnesota Metropolitan Life Building 125 South Third Street
BIRMINGHAM 3, Alabama Comer Building	NASHVILLE 3, Tennessee Nashville Trust Building 315 Union Street
BOSTON 9, Massachusetts 10 Post Office Square	NEW ORLEANS 12, Louisiana 348 Baronne Street
CHARLOTTE 2, North Carolina 317 South Tryon Street	NEW YORK 5, New York 44 Pine Street
CHICAGO 4, Illinois 208 S. LaSalle Street	OKLAHOMA CITY 2, Oklahoma 1000 Commerce Exchange Building 130 West Grand Avenue
CLEVELAND 1, Ohio Federal Reserve Bank Building	OMAHA 2, Nebraska Woodmen of the World Building
DALLAS 1, Texas Cotton Exchange Building	PHILADELPHIA 7, Pennsylvania Lincoln-Liberty Building
DENVER 2, Colorado 618 Railway Exchange Building 17th and Champa Streets	PORTLAND 5, Oregon Pittock Block
DETROIT 26, Michigan 800 Griswold Building 1214 Griswold Street	RICHMOND 19, Virginia Southern States Building 7th and Main Streets
HELENA, Montana Power Block P. O. Box 177	ST. LOUIS 1, Missouri Victoria Building 407 North Eighth Street
HOUSTON 2, Texas 601 City National Bank Building	SALT LAKE CITY 1, Utah Dooly Building
JACKSONVILLE 2, Florida Western Union Building	SAN ANTONIO 5, Texas Transit Tower
KANSAS CITY 6, Missouri Federal Reserve Bank Building	SAN FRANCISCO 4, California 130 Sutter Street
LITTLE ROCK, Arkansas Pyramid Building	SEATTLE 4, Washington 210 Central Building 810 Third Avenue
LOS ANGELES 14, California Pacific Mutual Building	SPOKANE 8, Washington Columbia Building
LOUISVILLE 2, Kentucky Hoffman Building 139 South 4th Street	

Offices of Special Representatives are located at the following addresses:

HONOLULU, T. H. Dillingham Building P. O. Box 3049	SAN JUAN 22, Puerto Rico Banco Popular Building Send mail to: P. O. Box 4512
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**Information regarding loans to railroads
and to municipalities and other public agen-
cies is available in RFC Circulars Nos. 2
and 22, respectively, which may be obtained
from any RFC Loan Agency.**

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Information Regarding Loans to Railroads and Receivers or Trustees Thereof



RECONSTRUCTION FINANCE CORPORATION

Circular No. 2

Revised June, 1948

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Original from
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RECONSTRUCTION FINANCE CORPORATION

INFORMATION FOR RAILROADS AND RECEIVERS OR TRUSTEES THEREOF DESIRING TO APPLY FOR FINANCIAL AID UNDER THE RECONSTRUCTION FINANCE CORPORATION ACT

Under the provisions of the Reconstruction Finance Corporation Act, as amended, the Corporation is authorized to purchase the obligations of and to make loans to railroads or receivers or trustees thereof, subject to the following conditions:

1. That the financial assistance applied for is not otherwise available on reasonable terms;
2. That all obligations purchased and all loans made be of such sound value or so secured as reasonably to assure retirement or repayment;
3. That, in the case of railroads engaged in interstate commerce or receivers or trustees thereof, the purchase of such obligations or the making of such loans be with the approval of the Interstate Commerce Commission;
4. That, in the case of railroads that are not in receivership or trusteeship, the Interstate Commerce Commission certify, in connection with its approval, that the railroad, on the basis of present and prospective earnings, may be expected to meet its fixed charges without a reduction thereof through judicial reorganization, with the exception, however, that such certificate is not required if the purchase of obligations or loan is for the acquisition of equipment or for maintenance.

The term "obligations," as used herein, includes Equipment Trust Certificates.

Form of Obligation.

The form of the obligation, the terms thereof and the security therefor must be satisfactory to RFC and the Interstate Commerce Commission.

Compliance with Interstate Commerce Act Is Required.

Since the issuance by railroads of evidences of indebtedness must be in compliance with the provisions of Section 20a of the Interstate Commerce Act, the applicant should ascertain whether an application under such Section 20a should be filed with the Interstate Commerce Commission.

Fees and Commissions Prohibited.

No fee or commission may be paid by any applicant in connection with an application for financial assistance under the provisions of the Act, and any agreement to pay or the payment of any such fee is unlawful.

Examinations and Reports.

The applicant must consent to such examinations as the Corporation may require and must agree that reports of examinations by the Interstate Commerce Commission, or other constituted authorities, may be furnished to the Corporation upon its request.

APPLICATION

Applications should include or be supported by the following information, representations, etc., arranged in the following order to facilitate consideration:

1. The full corporate name of the applicant, the state in which the applicant was incorporated, and the date of incorporation;
(If the application is filed by a receiver or receivers, or by a trustee or trustees, the name and full title of each, the date of appointment and qualification of each, and the name of the court having jurisdiction should be given.)
2. The name, title, and address of the person with whom conferences or correspondence should be had with respect to the application;
3. Information as to the applicant's efforts to obtain the needed financing from other sources, and as to the results of such efforts;
(The applicant should furnish copies of correspondence from all, and not less than three, lending institutions or security underwriters to which application for the financing has been made, evidencing that they have declined the financing or specifying the terms upon which they will undertake the financing.)
4. The purpose of the loan or purchase, the maturity thereof, the use to which it will be applied and the date or dates on which the applicant desires the funds to be made available;
5. The present status of the applicant's existing financial relations with the United States as to—
 - (a) Loans made to the applicant and the security therefor; (1) under Federal control; (2) under section 210, Transportation Act, 1920; (3) under section 203 (a) Federal Emergency Act of Public Works; and (4) under the Reconstruction Finance Corporation Act;
 - (b) Claims under section 209, Transportation Act, 1920, and the security pledged therefor;
 - (c) Claims on account of deficits under Section 204, Transportation Act, 1920;
 - (d) Any other debits or credits existing between the applicant and the United States.
6. Statement in detail regarding prospective earnings or other sources upon which applicant relies for funds to repay the financial assistance applied for, and proposed repayment schedule;
(Full particulars concerning the proposed repayment schedule should be given, especially as to any reasons an earlier maturity than that requested, or a more rapid amortization, is not deemed advisable by the applicant.)

7. The latest valuation placed by the Interstate Commerce Commission upon applicant's property, separately stated for owned carrier and noncarrier property, and the date as of which such valuation was determined, together with the aggregate net property changes to the latest date to which such changes have been reported to the Bureau of Valuation;
8. Statement as to whether any subsidiary, or affiliated organization of which the applicant is a subsidiary, has applied for or received financial assistance from the Reconstruction Finance Corporation;
(If any such organization has applied for or received financial assistance from RFC, full particulars should be given.)
9. Statement of principal commodities carried, and information regarding the ten most important industries served;
10. Detailed description of the obligation to be purchased or of the security to be offered for the loan, together with copies of documents, and other data appropriate to the security offered, including applicant's opinion of the value of any collateral offered and the basis for such opinion;
11. Consent of applicant to such examinations as the Corporation may require for the purposes of the Act and agreement that reports of examinations by constituted authorities may be furnished by such authorities to the Corporation upon request therefor;
12. Statement that no agreement has been or will be made by the applicant to pay any person, association, firm, or corporation, either directly or indirectly, any commission or fee in connection with the financial assistance applied for and that no such payments have been or will be made by the applicant;
13. Schedules A to R, as hereinafter described, and in the order in which hereinafter listed.

SCHEDULE A

Miles of line owned; miles operated, subdivided as to first track, other main tracks, yard track, and sidings, and total all tracks operated; also, the principal termini of the road operated. State number of units of locomotives, freight cars, and passenger cars, owned and leased.

SCHEDULE B

(a) Comparative income account for each of the last ten calendar years and for each month of the current year, so far as available, in the form prescribed by the Interstate Commerce Commission in Schedule 300-I of annual report Form A for large roads and Schedule 1801 of annual report Form C for small roads, together with an estimated income account, showing the basis therefor, for each remaining month of the current year and for each month of the year subsequent thereto.

State whether the amounts reported include revenues from actual or anticipated increases in freight rates permitted by the Interstate Commerce Commission in *Ex Parte No. 166* or from any actual or anticipated increases

under decisions issued subsequently by the Interstate Commerce Commission and, if so, show such amounts separately. If such amounts are not included, give estimates, by months, on separate schedule for current year and year subsequent thereto. Also, in this connection, if the Interstate Commerce Commission should cancel or modify downward its decision in *Ex Parte 166*, or other later decisions, show how this would affect revenues after the modifications became effective.

If applicant prepares a report to stockholders containing a consolidated system income account, covering two or more steam railway companies, which differs from returns in Schedule 300-I, copies of such report should also be furnished.

(b) Actual and estimated effect, by month, for current year and for one year subsequent thereto, of wage increases first made applicable during the current year.

(c) The total dividends declared and the total dividends paid for each of the years indicated under (a) preceding, and to date in the current year.

(d) Comparative statement of expenditures for maintenance of (1) way and structures and (2) equipment for each of the last ten calendar years and for each month of the current year, together with estimates for the remaining months of the current year, and the basis of such estimates.

(e) For the years indicated in (a) above, details of dividend income (account 513), income from funded securities (account 514), income from unfunded securities and accounts (account 515), income from sinking and other reserve funds (account 516), and miscellaneous income (account 519).

NOTE.—The data required by paragraphs (a), (c), (d), and (e) above must give effect to any restatement of the accounts which has been made by the Interstate Commerce Commission.

SCHEDULE C

(a) State whether any corporation or corporations, transportation or other, hold control over the applicant. If control is so held, (1) the form of control, whether sole or joint; (2) the name of the controlling corporation or corporations; (3) the manner in which control was established; (4) the extent of control; (5) whether control is direct or indirect; and (6) the name of the intermediary through which control, if indirect, was established.

(b) State whether any individual, association, or corporation holds control, as trustee or otherwise, over the applicant. If control is so held, (1) the name of the individual or trustee; (2) the name of the beneficiary or beneficiaries for whom the trust is maintained; and (3) the purpose of the trust.

SCHEDULE D

Statement of comparative general balance sheets as of December 31, of each of the last ten years, and as of the close of the latest month for which figures are available. Use the Interstate Commerce Commission's annual report Form A, Schedules 200-A and 200-L for large roads and annual report Form C, Schedules 400-A and 400-L for small roads. If applicant prepares a report to stockholders containing a consolidated system balance sheet, covering

two or more operating steam railway companies, which differs from returns in Schedules 200-A and 200-L, a copy of the information thus reported to the Interstate Commerce Commission should also be furnished.

SCHEDULE E

Details of capital stock. Large roads should use the Interstate Commerce Commission's annual report Form A, Schedule 251. Small roads should use Form C, Schedule 690.

SCHEDULE F

Details of long-term debt and contingent assets and liabilities. Large roads should use the Interstate Commerce Commission's annual report Form A, Schedules 261-M, 261-E, 110-A, 261-P, and 263. Small roads should use Form C, Schedules 670, 695, 901, and 1702. A list of the mortgages, pledges, or other liens should be given, together with a brief statement concerning each, indicating the property or securities encumbered; the mortgage limit per mile, if any; and particulars as to priority and as to whether "open," "closed," or "open-end." If practicable, copies of all mortgages, deeds of trust, or other similar instruments pertinent to the loan requested should be furnished; it will be necessary to furnish only one copy to the Interstate Commerce Commission and two copies to the Corporation.

SCHEDULE G

Details of loans and bills payable. Large roads should use the Interstate Commerce Commission's annual report Form A, Schedule 271. Small roads should use Form C, Schedule 1701. Class II and III roads should report in detail items in excess of \$10,000 and \$5,000, respectively. Information on bank loans must include name of lending banks, amounts, date of notes, date loans initially made, maturities, interest rate of obligations, and security therefor.

SCHEDULE H

Details of special deposits and of loans and bills receivable. The Interstate Commerce Commission's annual report Form A, Schedules 224 and 225, should be used. Class II and III roads should report in detail items in excess of \$10,000 and \$5,000, respectively.

SCHEDULE I

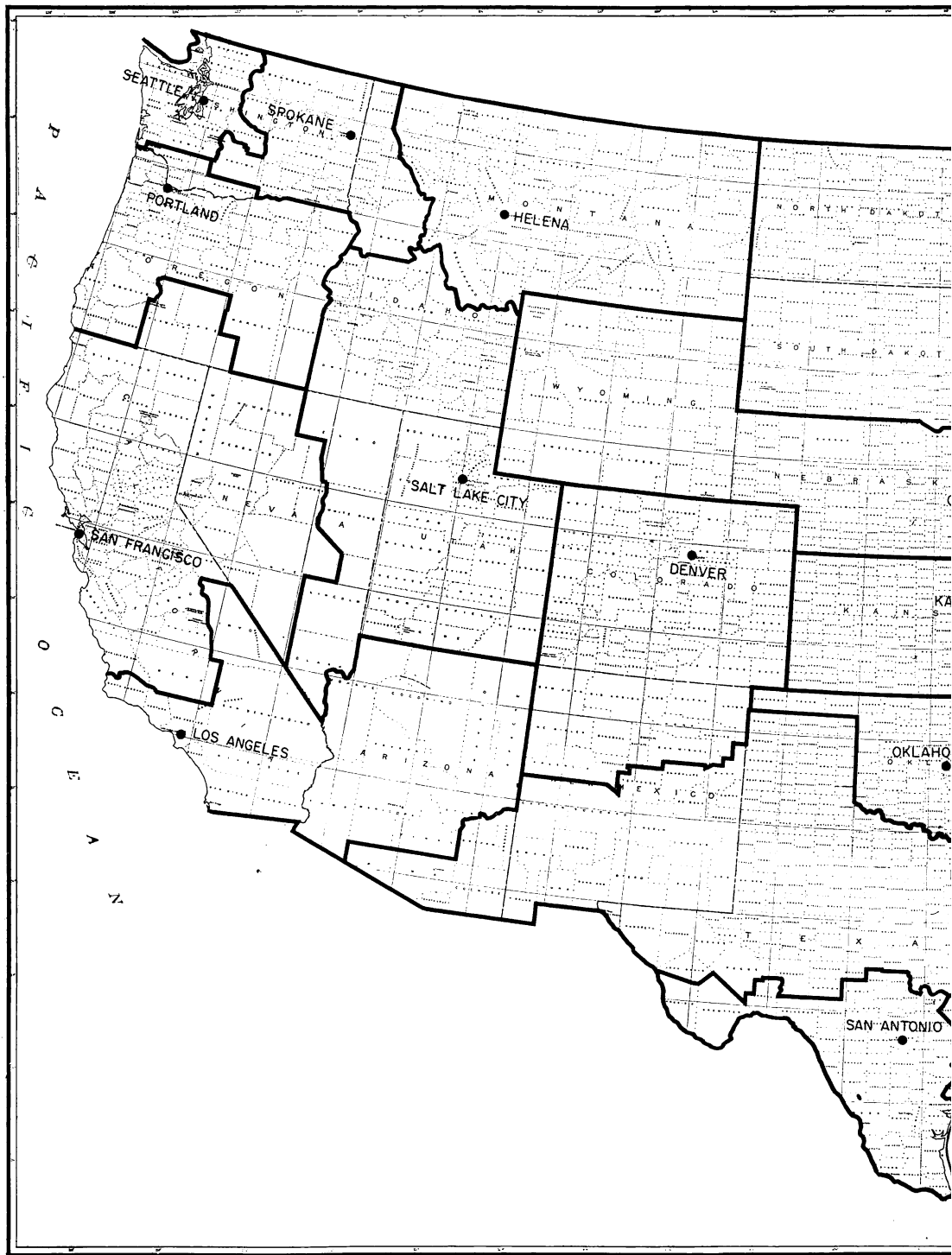
State whether or not the applicant is under obligation as guarantor or surety for the performance by any other corporation, association, firm, or individual of any agreement or obligation. If so, particulars should be given.

SCHEDULE J

Details of other unadjusted debits. The Interstate Commerce Commission's annual report Form A for large roads, Schedule 227, should be used.

SCHEDULE K

Details of other unadjusted credits. The Interstate Commerce Commission's annual report Form A for large roads, Schedule 281, should be used.



C LOAN AGENCIES

UNITED STATES
BASE MAP



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SCHEDULE L

The par value of securities of other companies, owned, pledged, and unpledged, listing each class of securities separately, showing purposes for which such securities are pledged. Large roads should use Schedules 217 and 218 of the Interstate Commerce Commission's annual report Form A and small roads should use Schedules 1001 and 1002 of annual report Form C.

SCHEDULE M

Comparative statement for the past 5 years ended December 31 of the amount charged to operating expenses under depreciation accounts, separately for way and structures and equipment, and the estimated amount of such charges for the current year, and subsequently by years during the period for which the loan is desired. State whether applicant has received or applied for authority to charge amortization depreciation and, if so, the basis and reason for such accounting, also the annual rates used in each account.

SCHEDULE N

An estimate of (a) other income, and (b) miscellaneous deductions from income, as defined and classified under Schedule 300-I of the Interstate Commerce Commission's annual report Form A for large roads (Schedule 1801 of annual report Form C for small roads), for the term of the loan applied for, stating under each account the basis of the estimate.

SCHEDULE O

Statement in detail of applicant's probable fixed charges and appropriations of income and surplus for the current year ended December 31, and subsequently by years during the period for which the loan is desired.

SCHEDULE P

If a loan is requested for any construction purpose other than ordinary additions and betterments, copy of complete engineering estimates of costs and time required for completion, contracts, maps, etc., should be furnished. Show such costs separately as between amounts chargeable to operating expenses and to the capital account.

SCHEDULE Q

If an advance is requested for financing an ordinary program of additions and betterments, give description and estimated cost for all items involving gross expenditures in excess of \$10,000, with supporting detail regarding any very large special items, the sum total involved, discussion of benefits of the program as a whole, and the extent to which the program is under way. Separate costs between amounts chargeable to operating expenses and to the capital account.

SCHEDULE R

A statement for the current year of the actual cash balance at the beginning of each month and the actual cash receipts and disbursements during each month to date, together with a carefully prepared monthly forecast for the

balance of the current year and the year subsequent thereto, stating controlling factors used in making estimates.

NOTE.—In connection with all comparative statements supporting the application, substantial fluctuations should be explained. Omit cents from all financial and statistical statements. One complete set of applicant's last ten annual reports to stockholders should be furnished to the Interstate Commerce Commission and one set to the Reconstruction Finance Corporation with application.

LEGAL REQUIREMENTS

14. Applicants other than receivers or trustees are required to furnish with the application the following papers:
 - (a) Documents evidencing the legal power and authority of the applicant to enter into the obligations and give the security contemplated by the application and showing what corporate action by stockholders, directors, or otherwise will be required to validly exercise such powers. These data will generally include special statutes, charters, by-laws, or certified extracts of the same, showing the corporate powers, etc., of the applicant.
 - (b) Preliminary opinion of counsel that he is familiar with the corporate powers of the applicant, that the applicant is authorized to make the application, and that when proper corporate action has been taken and the obligations executed, and security delivered as contemplated by the application, such obligations will constitute the valid and subsisting obligations of the applicant duly secured by a first and paramount lien on the same, or by a lien of the rank and priority stated in the application. Such opinion should also cover the validity and lien of each item of the collateral offered.
 - (c) Certified copy of resolutions of applicant's board of directors or executive committee will be required showing the authority of the officers to execute and deliver the application.
15. When and if the application is approved, the following papers will be required for deposit with the security:
 - (a) Resolutions of the board of directors or executive committee of the applicant, and where necessary, of meetings of the stockholders, authorizing the execution and delivery of the obligations of the applicant delivered to the Corporation, and pledge of the security described therein, pursuant to and under the terms of the application, and authorizing the designated officers to receive and receipt for the proceeds of the loan or purchase.
 - (b) Certificate of election and present incumbency in office of officers designated in the foregoing resolutions, such certificate to contain specimen signatures of such officers and to be duly acknowledged before a notary public.
 - (c) Final opinion by counsel for the applicant to the effect that he is familiar with the corporate powers of the applicant; that the

applicant is authorized to execute and deliver the notes or other obligations evidencing the same, and to pledge and hypothecate the securities described in the application; that the notes or other obligations so executed and so delivered constitute the valid and binding obligations of the applicant, secured by the collateral described in the application and indicating that the Corporation will obtain a lien on such security of the rank and priority stated in the application. Such opinion should also cover the priority and lien of each item of the collateral offered.

16. In the case of applications by receivers, or trustees, the application should be accompanied by the following:
 - (a) Certified copy of the order of court authorizing the receiver to make the application.
 - (b) Opinion of counsel for the receiver, or trustee, that such receiver, or trustee, is properly qualified and acting, and that he is authorized to make the application; that the court appointing such receiver, or trustee, has jurisdiction and may legally authorize execution of the obligations and pledge of the security as contemplated by the application; that if and when proper decree or order of the court is entered, the receiver, or trustee, will be authorized to execute such obligations or give the security contemplated in the application. Such opinion should also cover the priority and lien of each item of the collateral offered.
 - (c) If and when the application of the receiver, or trustee, is approved by the Corporation, the receiver, or trustee, will be required to deposit with the Corporation certified copies of the court orders and decrees authorizing him to execute and deliver the obligations, and to give the security under and according to the terms of the application, together with final opinion of counsel as to the validity of the obligation and the lien of the corporation upon the security so pledged. Such opinion should also cover the priority and lien of each item of the collateral offered.
17. Under special circumstances, additional legal documents and information may be required.

ACKNOWLEDGMENT AND VERIFICATION OF APPLICATION

18. (a) Where the applicant is a corporation, the application should be executed in the name of the corporation by a duly authorized officer, or officers, and the corporate seal of the applicant should be affixed and attested. There should be appended to the application, a certificate, in the usual form, signed by each officer by whom the application is signed, setting forth his official title and stating: (1) That he has examined all of the statements contained in the application and that they are true and correct to the best of his knowledge and belief; (2) That the application submitted is made with the approval and at the direction of the Board of Directors of the applicant

pursuant to a resolution adopted at a meeting of the said Board; and (3) That he has been authorized by a resolution of the said Board of Directors to execute the application and the papers required in connection therewith. A certified copy of such resolution, or resolutions, should be attached to the application.

(b) Where the application is by a receiver or receivers, or a trustee or trustees, it should be executed under seal by the applicant or applicants. There should be appended to the application, a certificate, in the usual form, signed by each trustee or receiver, setting forth representations similar to those indicated in sub-paragraph (a), immediately above, except that the certificate should state that the application is made with the approval and at the direction of the Court having jurisdiction, and that the applicant or applicants have been authorized by the Court to execute the application and the papers required in connection therewith. A certified copy of the Court Order(s) containing such authorizations and directions should be attached to the application.

PROVISIONS OF LAW, WITH REGARD TO FALSE STATEMENTS, FRAUD, ETC.

The following provisions of the Reconstruction Finance Corporation Act, as amended, are applicable to all loans and participations in loans by RFC:

“Sec. 11. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by removal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

“Sec. 11. (b) Whoever * * * * willfully violates any * * * * provision of this Act, shall be punished by a fine of not more than \$10,000, by imprisonment for not more than five years, or both.

“Sec. 11. (e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive), in so far as applicable, are extended to apply to contracts or agreements with the Corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.”

RFC Loan Agencies are located at the following addresses:

ATLANTA 3, Georgia Healey Building	MINNEAPOLIS 1, Minnesota Metropolitan Life Building 125 South Third Street
BIRMINGHAM 3, Alabama Comer Building	NASHVILLE 3, Tennessee Nashville Trust Building 315 Union Street
BOSTON 9, Massachusetts 10 Post Office Square	NEW ORLEANS 12, Louisiana 348 Baronne Street
CHARLOTTE 2, North Carolina 317 South Tryon Street	NEW YORK 5, New York 44 Pine Street
CHICAGO 4, Illinois 208 S. LaSalle Street	OKLAHOMA CITY 2, Oklahoma 1000 Commerce Exchange Building 130 West Grand Avenue
CLEVELAND 1, Ohio Federal Reserve Bank Building	OMAHA 2, Nebraska Woodmen of the World Building
DALLAS 1, Texas Cotton Exchange Building	PHILADELPHIA 7, Pennsylvania Lincoln-Liberty Building
DENVER 2, Colorado 618 Railway Exchange Building 17th and Champa Streets	PORTLAND 5, Oregon Pittock Block
DETROIT 26, Michigan 800 Griswold Building 1214 Griswold Street	RICHMOND 19, Virginia Southern States Building 7th and Main Streets
HELENA, Montana Power Block P. O. Box 177	ST. LOUIS 1, Missouri Victoria Building 407 North Eighth Street
HOUSTON 2, Texas 601 City National Bank Building	SALT LAKE CITY 1, Utah Dooly Building
JACKSONVILLE 2, Florida Western Union Building	SAN ANTONIO 5, Texas Transit Tower
KANSAS CITY 6, Missouri Federal Reserve Bank Building	SAN FRANCISCO 4, California 130 Sutter Street
LITTLE ROCK, Arkansas Pyramid Building	SEATTLE 4, Washington 210 Central Building 810 Third Avenue
LOS ANGELES 14, California Pacific Mutual Building	SPOKANE 8, Washington Columbia Building
LOUISVILLE 2, Kentucky Hoffman Building 139 South 4th Street	

Offices of Special Representatives are located at the following addresses:

HONOLULU, T. H. Dillingham Building P. O. Box 3049	SAN JUAN 22, Puerto Rico Banco Popular Building Send mail to: P. O. Box 4512
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Information Regarding the Financing of Projects of Municipalities and Other Public Agencies



RECONSTRUCTION FINANCE CORPORATION

Circular No. 22

Revised July 1948

RECONSTRUCTION FINANCE CORPORATION

INFORMATION REGARDING RFC AID TO PUBLIC AGEN- CIES IN FINANCING PROJECTS AUTHORIZED UNDER FEDERAL, STATE OR MUNICIPAL LAW

The Reconstruction Finance Corporation is authorized under section 4 (a) (3) of the RFC Act, as amended, to purchase the securities and obligations of, or make loans to:

- (a) States, municipalities, and political subdivisions of States,
 - (b) Public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States, and
 - (c) Public corporations, boards and commissions,
- for the purpose of aiding in financing projects authorized under Federal, State, or municipal law.

Financing Applied for Must Be Unavailable From Other Sources on Reasonable Terms

The Reconstruction Finance Corporation will not extend financial assistance unless the financial assistance applied for is not otherwise available on reasonable terms. Applicants should make every effort to obtain the required financing from other sources before applying to RFC, and when applying to RFC should submit full details regarding their negotiations to obtain the required financial aid elsewhere.

Assurance of Repayment Is Required

All securities and obligations purchased and all loans made by RFC shall be of such sound value or so secured as reasonably to assure retirement or repayment.

Purpose

Financial assistance will be extended by RFC only for projects authorized under Federal, State, or municipal law. No security or obligation will be purchased by RFC nor will any loan be made for the payment of ordinary governmental or nonproject operating expenses as distinguished from specific public projects. Typical projects which may be considered eligible include the construction, repair, or improvement of water or sewer systems, bridges, tunnels, highways, hospitals, airport facilities, drainage and irrigation systems, transit systems, port facilities, public college dormitories, public authority housing facilities, and other types of public facilities.

Type of Obligation

The borrowers' obligations may be in the form of revenue bonds, general obligation bonds, notes, or other valid obligations, provided the kind of obligation is satisfactory to RFC. The issuance and sale of the obligations must be authorized under applicable State and local law, for the purpose of financing the proposed project. The terms of the obligations must be satisfactory to RFC with maturities of not in excess of 40 years, and a satisfactory showing will be required as to the sufficiency of the estimated revenues to retire the obligations.

When to File Application

Applications will be considered by RFC at any stage of preparation or progress of the project, but it is preferable for the applicant to submit the application before beginning work on the project and before fixing the terms of its bond issue. Thus, on projects where RFC financing is contemplated or desired, it is advisable, from the standpoint of the applicant, to submit the application to RFC and to await its outcome before conducting election or other legal proceedings to fix the amount and other terms of the proposed bond issue. Likewise, it is inadvisable for the applicant to start construction work or to let contracts for the project before the application has been actually approved by RFC.

Application Forms and Where to File Applications

Application forms for use by public agencies in applying for financial assistance from RFC may be obtained from the Washington office of RFC or from any RFC Loan Agency. The application, when filed, should be accompanied by appropriate maps, plans, specifications, and other data and memoranda necessary for full examination of the proposed securities and of the project to be financed. Three signed copies of each application and supporting data should be filed, except that only one set of plans and specifications and similar engineering exhibits, and only one copy of the applicant's charter and similar legal exhibits, when required, need be furnished. Applications should be sent directly to the Public Agency Branch, Office of Loans, Reconstruction Finance Corporation, Washington 25, D. C. Applications may also be submitted through the RFC Loan Agency serving the territory in which the applicant is located.

Fees and Commissions Prohibited

No fee or commission may be paid by any applicant for financial assistance under the provisions of the RFC Act as amended in connection with any such application, and any agreement to pay or payment of any such fee or commission is unlawful. However, the applicant, subject to prior approval of RFC, may pay actual reasonable costs incurred, including such items as compensation for services rendered by attorneys, engineers, and architects.

Expenses of Applicant

RFC will be under no obligation to pay costs, charges, or expenses incurred by the applicant in connection with the preparation and filing of an application or furnishing any information required by RFC.

Compliance With Applicable Labor Regulations Is Required

Applicants receiving financial assistance from RFC for construction projects must agree to comply with the regulations relating to pay for labor, promulgated by the Secretary of Labor under the "Kickback" statute (40 U. S. C. A. sec. 276c).

Funds Made Available in Installments as Work Progresses

The applicant's securities issued to finance the project may be purchased by RFC all at one time or in instalments as the funds are needed to pay the costs of the project.

PROVISIONS OF LAW, WITH REGARD TO FALSE STATEMENTS, FRAUD, ETC.

The following provisions of the Reconstruction Finance Corporation Act, as amended, are applicable to all loans and participations in loans by RFC:

"SEC. 11. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by removal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the Corporation, or for the purpose of obtaining money, property, or anything of value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

"SEC. 11. (b) Whoever * * * willfully violates any * * * provision of this Act, shall be punished by a fine of not more than \$10,000, by imprisonment for not more than five years, or both.

"SEC. 11. (e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive), insofar as applicable, are extended to apply to contracts or agreements with the Corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor."

