

Form F. R. 511(a)

TO \_\_\_\_\_

FROM \_\_\_\_\_

REMARKS:

April 26, 1951.

The attached memorandums were used in connection with testimony today before the Senate Banking & Currency Committee re Legislation to Abolish the Reconstruction Finance Corporation.

GOVERNOR ECCLES' OFFICE

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date April 26, 1951

To Governor Eccles

Subject: \_\_\_\_\_

From G. L. Boothe, II.

The following table shows the fee payable to the guaranteeing agency by a financing institution on the guaranteed portion of a V-loan. This schedule of fees was established by the Board of Governors at the beginning of the present program in September 1950:

<u>Percentage of Loan Guaranteed</u>	<u>Guarantee fee (percentage of Interest Payable by Borrower)</u>
70 or less	10
75	15
80	20
85	25
90	30
95	35
Over 95	40-50

The maximum rate of interest that a financing institution can charge is 5% and the maximum commitment fee,  $\frac{1}{2}$  of 1%. From the beginning of the program to April 15, 1951, the Board has received from the Federal Reserve Banks 442 applications aggregating \$481,200,000. Of these, 288 have been approved in the total amount of \$347,700,000. 51 amounting to \$9,300,000 have been declined.

At the present time, we are receiving from the Federal Reserve Banks about 100 applications a month. The Reserve Banks anticipate a substantial increase in this volume after Congress approves the amendment to the Assignment of Claims Act which will prevent the Government from recovering any claims against a contractor from an assignee bank.

All of the guaranteeing agencies at the present time with the exception of General Services Administration are limiting V-loans for working capital purposes. Any concern now in need of funds for facilities must apply through the Reconstruction Finance Corporation under the provisions of Section 302 of the Defense Production Act of 1950. However, there is nothing in the Defense Production Act or Executive Order 10161 that in any way prevents any of the guaranteeing agencies from guaranteeing loans for facilities if they so desire.

As you stated this afternoon on the telephone, I know of no loans that the Reconstruction Finance Corporation now makes that could not be made under Regulation V. In the few cases where local banks do not want to make a loan even with a guarantee, there is no reason why a Federal Reserve Bank could not make the loan under the provisions of Section 13b either with or without a guarantee.

A handwritten signature in black ink, appearing to be 'G. E. Eccles', written in a cursive style. The signature is positioned centrally on the page.

The guaranteeing agencies at the present time are the Departments of the Army, Navy, Air Force, Commerce, Interior and Agriculture, General Services Administration and the Atomic Energy Commission.