

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date February 16, 1944

To Chairman Eccles

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

From Mr. Clayton

In a letter dated February 14 from Mr. R. E. Anderson, of the Maritime Commission, to Mr. Smead, discussing the policy of the Maritime Commission respecting VT loans, he stated:

"The few applications for so-called stop gap VT loans which the Maritime Commission has received to date have not qualified for approval by the Commission. Consequently, it appears that pending termination legislation which should clarify the whole question of termination financing (prompt payment of amounts due contractors, prompt partial payments, and direct settlements as well as VT or T loans), it may be unnecessary for the Maritime Commission to make many VT commitments. This does not mean that the Maritime Commission will not give consideration to VT loan applications and make such commitments when expedient. Each VT loan application will continue to be treated individually with adequate financing made available in each case when it is determined that such financing is necessary, convenient, or appropriate to war production."

The foregoing reflects a cool attitude toward VT loans as compared with the Statement of Policy on Termination Financing approved by Mr. Anderson and subsequently adopted by the Joint Contract Termination Board. On page 2 of that report, it is stated as a part of the discussion on "Existing Policies and Procedures":

" \*\*\* Pursuant to existing legislation and Executive Order 9112, the procuring agencies are authorized to make direct loans or to guarantee 'V' or 'VT' loans which permit a contractor to obtain financing not only for present war production but also to finance his war production inventory and receivables attributable to terminated contracts pending final settlement.

"It is the policy of the Board that, in addition to the use of private financing or financing furnished by other governmental agencies, the procuring agencies shall use these methods to the maximum extent. \*\*\* [Underscoring supplied]

WCP