

April 20, 1948

Chairman McCabe

Mr. Knapp

The following is a copy of the proposed action by the National Advisory Council concerning terms of payment on ECA loans showing the changes which we agreed upon at this morning's meeting (deletions are in brackets, additions are underlined):

"The Council recommends that in principle the terms of payment on ECA loans be in general conformity with the terms of loans by the Export-Import Bank under its 1945 Act, with due regard to the character and purpose of the loans approved by the ECA.

"The Council recommends that the Administrator in arriving at the terms of payment of such loans consider the following:

- (a) that, other things being equal, the terms of payment should be uniform among participating countries;
- (b) that the typical period of amortisation should be long, i.e., in the neighborhood of 30 years, with amortization of principal beginning not less than 5 years after the date of the loan;
- (c) that the rate of interest should normally not exceed 3 per cent per annum/ approximate the current coupon rate on long-term U.S. Government marketable securities;
- (d) that variations might be made in the terms of different loans to any given country, but the annual debt burden to be assumed by that country should generally not be greater than would result from the terms described in (b) and (c) be equivalent to that on a long-term loan except in the case of particular countries which appear able to pay for all assistance in a shorter period;
- (e) that although it would be desirable for loans of particular maturities to be assigned where possible to suitable commodities or projects, the serious nature of the balance of payments deficits giving rise to this program commends the use of great caution in varying the terms of loans by reason of the nature of the commodity or project;
- (f) that consideration be given to the question of including in the loan contracts should contain a provision for postponement of payment or modification of service charges in periods of unanticipated balance of payments stringency.

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- (c) that the rate of interest should normally not exceed 3 per cent per annum;
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(f) that consideration be given to the question of including in the loan contracts a provision for postponement of payment or modification of service charges in periods of unanticipated balance of payments stringency.