

Mr. Pead-

To the end of June 1939 the R.F.C. had authorized or had agreed to the purchase of participations in loans made by banks, aggregating only \$113,157,000 in 1510 businesses. On the other hand, the Stokes banks had made commitments to banks aggregating \$57,672,000 & had advanced in cooperation with banks \$13,616,000.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date September 25, 1939

To Mr. Clayton

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

From Mr. Boothe

Section 13b of the Federal Reserve Act and Section 5d of the Reconstruction Finance Corporation Act both became law by an Act of Congress approved June 19, 1934. Since that date no further amendments have been made to Section 13b of the Federal Reserve Act. However, Section 5d of the Reconstruction Finance Corporation Act has been liberalized by amendments on two occasions, first, by an Act of Congress approved January 30, 1935, and again by an Act of Congress approved April 13, 1938.

The amendment of January 30, 1935 changed the security provision from "adequate security must be provided" to "the loan must be so secured as to reasonably assure repayment". Other changes eliminated the maximum of \$500,000 that could be advanced to one borrower; extended the maximum maturity from 5 years to 10 years; and eliminated the requirement that a business must have been established prior to January 1, 1934.

The amendment of April 13, 1938 lifted practically all restrictions from Section 5d. The Corporation was authorized to make loans and purchase the securities or obligations of any solvent business enterprise when capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available. All loans or purchases to be so secured as to reasonably assure retirement or repayment. No limit was placed on the maximum amount that could be advanced to one borrower or to maximum maturities.

The Reconstruction Finance Corporation has never been restricted as to the purpose for which funds could be used by borrowers. Also any solvent business has been an eligible applicant under the provisions of the Act.

The following table shows the activities of the Reconstruction Finance Corporation and of the Federal Reserve banks to the dates nearest the dates of the amendments to the Reconstruction Finance Corporation Act, above referred to. The most recent Reconstruction Finance Corporation figures available are those to June 30, 1939.

INDUSTRIAL ADVANCES AND COMMITMENTS OF THE RECONSTRUCTION FINANCE CORPORATION  
AND THE FEDERAL RESERVE BANKS, SINCE JUNE 19, 1934.

	Number of applications received	Amount of applications received	Number of loans authorized	Amount of loans authorized	Amount cancelled	Advances made & commitments executed	Amount outstanding (advances & commitments)
Fed. Res. Banks (Jan. 30, 1935)	4,898	\$176,836,000	1,168	\$64,518,000	\$2,510,000	\$32,514,000	\$30,997,000
R. F. C. (Feb. 2, 1935)	1,598	104,358,000	732	36,252,000	4,305,000	8,838,000	(not available)
Fed. Res. Banks (April 20, 1938)	8,797	362,925,000	2,491	156,735,000	12,704,000	111,235,000	40,013,000
R. F. C. (April 16, 1938)	5,421	488,819,000	2,673	200,276,000	59,887,000	100,855,000	73,558,000
Fed. Res. Banks (June 28, 1939)	9,308	395,499,000	2,721	179,779,000	14,215,000	132,368,000	38,432,000
R. F. C. (June 30, 1939)	14,000	1,200,000,000	7,854	434,603,000	85,777,000	173,706,000	119,276,000

Note: The number and amount of applications received by the R. F. C. represent only those applications received in Washington. The number and amount received to June 30, 1939 was obtained by telephone and has not been made available in any statements or press releases of the Corporation. Many thousands of preliminary applications have been received in the agencies, declined and never transmitted to Washington for formal Board action. Approximately 1,400 applications, amounting to \$60,000,000, have been declined by the Federal Reserve banks due to ineligibility.