

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, November 1, 1940

**To the Member Banks of the
Eleventh Federal Reserve District:**

There is enclosed a copy of Sections 3477 and 3737 of the United States Revised Statutes, as recently amended by the Assignment of Claims Act of 1940, permitting the assignment of certain claims against the Government.

There is also enclosed a copy of a form of contract, approved by the National Defense Advisory Commission, under the terms of which those contracting to furnish the Government with supplies essential to defense may agree to acquire or construct such emergency plant facilities as may be necessary for the production of such supplies, and may, in order to finance the acquisition or construction of such plant facilities, be permitted to assign to any bank, trust company, or other financing institution, claims for moneys due or to become due from the Government under such emergency plant facilities contract.

Although this bank has no information other than that contained in the form of contract enclosed, it will be pleased, upon request, to attempt to obtain any additional information that may be desired by any bank which may be interested in extending credit to any of its customers under such a contract.

Yours very truly,

R. R. GILBERT

President

ASSIGNMENT OF CLAIMS UNDER PUBLIC CONTRACTS

(Sections 3477 and 3737 of the Revised Statutes as amended.)

[Assignment of Claims Void — Exceptions]

Sec. 3477. All transfers and assignments made of any claim upon the United States, or of any part or share thereof, or interest therein, whether absolute or conditional, and whatever may be the consideration therefor, and all powers of attorney, orders, or other authorities for receiving payment of any such claim, or of any part or share thereof, shall be absolutely null and void, unless they are freely made and executed in the presence of at least two attesting witnesses, after the allowance of such a claim, the ascertainment of the amount due, and the issuing of a warrant for the payment thereof. Such transfers, assignments, and powers of attorney, must recite the warrant for payment, and must be acknowledged by the person making them, before an officer having authority to take acknowledgments of deeds, and shall be certified by the officer; and it must appear by the certificate that the officer, at the time of the acknowledgment, read and fully explained the transfer, assignment, or warrant of attorney to the person acknowledging the same.

The provisions of the preceding paragraph shall not apply in any case in which the moneys due or to become due from the United States or from any agency or department thereof, under a contract providing for payments aggregating \$1,000 or more, are assigned to a bank, trust company, or other financing institution, including any Federal lending agency: Provided,

1. That in the case of any contract entered into prior to the date of approval of the Assignment of Claims Act of 1940, no claim shall be assigned without the consent of the head of the department or agency concerned;

2. That in the case of any contract entered into after the date of approval of the Assignment of Claims Act of 1940, no claim shall be assigned if it arises under a contract which forbids such assignment;

3. That unless otherwise expressly permitted by such contract any such assignment shall cover all amounts payable under such contract and not already paid, shall not be made to more than one party, and shall not be subject to further assignment, except that any such assignment may be made to one party as agent or trustee for two or more parties participating in such financing;

4. That in the event of any such assignment, the assignee thereof shall file written notice of the assignment together with a true copy of the instrument of assignment with —

(a) the General Accounting Office,

(b) the contracting officer or the head of his department or agency,

(c) the surety or sureties upon the bond or bonds, if any, in connection with such contract, and

(d) the disbursing officer, if any, designated in such contract to make payment.

Notwithstanding any law to the contrary governing the validity of assignments, any assignment pursuant to the Assignment of Claims Act of 1940 shall constitute a valid assignment for all purposes.

Any contract entered into by the War Department or the Navy Department may provide that payments to an assignee of any claim arising under such contract shall not be subject to reduction or set-off, and if it so provided in such contract, such payments shall not be subject to reduction or set-off for any indebtedness of the assignor to the United States arising independently of such contract.

[No Transfer of Contract — Exception]

Sec. 3737. No contract or order, or any interest therein, shall be transferred by the party to whom such contract or order is given to any other party, and any such transfer shall cause the annulment of the contract or order transferred, so far as the United States are concerned. All rights of action, however, for any breach of such contract by the contracting parties, are reserved to the United States.

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