

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, May 16, 1945

TERMINATION LOANS

To All Banking Institutions in the
Eleventh Federal Reserve District:

The splendid production record which has been made in connection with our national defense may be attributed in large measure to the fact that most businesses engaged in war production have had adequate financing. It is important that all prime contractors and subcontractors should now consider whether they have made adequate arrangements to replace working capital invested in war production contracts, in the event such contracts are terminated or cancelled for the convenience of the Government.

If a contractor does not have sufficient working capital to enable him to convert his operations to civilian business upon termination of war production contracts, he will be handicapped in his reconversion program unless he has made arrangements for adequate interim financing. Under the provisions of the Contract Settlement Act of 1944, a convenient means of interim financing is afforded by T-Loans made pursuant to Regulation V of the Board of Governors of the Federal Reserve System. Under the T-Loan plan, a guarantee may be given by the War Department, the Navy Department, or the United States Maritime Commission in connection with commitments made by banks or other financing institutions prior to termination of contracts or in connection with loans made after the borrower's war production contracts have been cancelled.

Although T-Loans may be negotiated either before or after contracts are terminated, it is desirable for war production contractors to complete their arrangements prior to termination, in order that the necessary funds may be provided without undue delay. It is particularly desirable to make advance arrangements in connection with subcontracts, especially the ones below the first tier, because it is possible that the subcontractor's claim will not be paid until after the prime contractor has received his compensation from the Government contracting agency.

(Over)

It is suggested that you communicate with your customers who are engaged in war production and who have not made arrangements for termination financing, and urge them to make such arrangements now. In the event you feel that guaranteed financing will be desirable in any particular case, your bank should file an application for a T-Loan guarantee immediately, and not wait until the contracts are cancelled.

A detailed explanation of T-Loan procedure was forwarded to all banks in this district on September 12, 1944. If you desire any further information regarding the T-Loan program, it will be gladly and promptly furnished upon request.

Yours very truly,


R. R. Gilbert
President