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FEDERAL RESERVE BANK
OF ST. LOUIS

April 11, 1942.

To All Banks and Financing Institutions in the Eighth Federal Reserve District:

The Federal Reserve Bank of St. Louis, as fiscal agent of the United States, has been authorized by the War Department to execute and deliver guarantees and to make loans, discounts, advances, and commitments on behalf of the War Department for the purpose of financing contractors and sub-contractors whose production is needed for the prosecution of the war.

This arrangement has been made pursuant to Executive Order No. 9112 issued by the President of the United States on March 26, to Regulation V of the Board of Governors of the Federal Reserve System (copy of which will be mailed to you shortly), and to instructions to the Federal Reserve Banks issued by the Under Secretary of War. The Executive Order authorizes the Navy Department and the Maritime Commission to make similar arrangements with the Federal Reserve Banks.

We invite all banks, member and nonmember, and other financing institutions to bring to our attention all cases, large or small, where extraordinary financing seems to be required to enable any enterprises of which they have knowledge to produce for the Country's war effort. Banks and other financing institutions will be given the opportunity to employ their lendable funds in such financing, secured by such guarantees and safeguards as may be necessary and appropriate to any particular case.

It is recognized that many manufacturers whose aid is necessary for maximum war production cannot be financed in the normal and usual ways. Many concerns which are now borrowing, or have access to a sufficient supply of credit to meet their working capital needs for limited output, will be called on to produce many times the volume their resources would ordinarily justify them in undertaking. It is the purpose of this arrangement to provide means whereby such concerns can secure prompt and adequate financing on a basis that is equitable to the borrower, the bank or financing institution, and the War Department.

Where a guarantee by the War Department is considered necessary by the financing institution and is authorized, the fee charged for such guarantee will be a percentage of the rate of interest or discount charged the borrower, and will vary according to the portion of the loan that is covered by the guarantee.

To secure favorable action a proposition must possess certain characteristics. The War Department must be in a position to certify that the production for which financing is sought is necessary, appropriate or convenient for the prosecution of the war; the borrowing concern must have or be in a position to acquire facilities adequate for such production; and the management and technical direction must be such as to afford reasonable certainty that it will be able to carry out its undertakings.

Since maximum production is the chief end sought by the War Department, it should be emphasized that this type of financing will not necessarily conform to normal credit standards. If you are interested or if you know of any concerns in your territory that may be interested in securing financing for war production through these channels, please communicate with the War Finance Agency, Federal Reserve Bank of St. Louis.

Yours very truly,

CHESTER C. DAVIS,
President.