

TRANSFER

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**FEDERAL RESERVE BANK OF ST. LOUIS**  
**ST. LOUIS 2, MISSOURI**

September 26, 1951

*To All Banking Institutions in the  
Eighth Federal Reserve District:*

For your information we quote a letter received by the Board of Governors of the Federal Reserve System from General Services Administration:

"My letter of May 1, 1951 advised you of the machine tool program undertaken by this agency upon direction of the Defense Production Administration and emphasized the importance of assistance to machine tool manufacturers in the form of V loan guarantees.

"Subsequently, as a part of the program for the increase of production of metalworking tools, the Director of Defense Mobilization directed that advance payments be made in appropriate cases. Accordingly, the contract provisions were modified to permit an advance of funds up to thirty per cent of the amount of the order in the event private financing was not available on reasonable terms. However, the advance payment is not appropriate in many cases and the necessary increase of production cannot be financed solely by such means.

"In view of the urgency for increased machine tool production, this Administration is prepared to lend essential machine tool manufacturers, their subcontractors and suppliers, all possible assistance in financing production through V Loan borrowings.

"Those manufacturers whose production is determined by the National Production Authority to be essential and substantially earmarked, either directly or indirectly, for the National Defense, will be considered eligible for V Loans to finance their current production. As substantially all machine tool production is now or shortly will be earmarked for defense contractors, defense supporting industries, or foreign governments under mutual assistance programs, we will not require a borrowing formula which limits borrowings on the basis of a segregation of defense production contracts from 'civilian orders'.

"Even in those instances where the manufacturer does not presently hold a machine tool pool contract, this Administration is prepared, in essential and exceptional cases as determined by the National Production Authority, to authorize V Loans.

"It is recognized that the requisite production of machine tools cannot be obtained without facilities expansion. In those cases where the National Production Authority determines such expansion will aid the National Defense, this Administration will, to the extent necessary, guarantee V Loans to finance the construction or acquisition of new facilities. In addition we will assist by installing the necessary equipment and facilities in such plants under the provisions of Section 303(D) of the Defense Production Act of 1950, as amended."

Please address your inquiries and requests for application forms for V Loan financing to the Federal Reserve Bank of St. Louis, or its branches at Little Rock, Arkansas; Louisville, Kentucky; and Memphis, Tennessee.

DELOS C. JOHNS  
*President*