

**FEDERAL RESERVE BANK  
OF NEW YORK**

[Circular No. 1633]  
[January 28, 1936]

**INDUSTRIAL LOANS TO PROVIDE WORKING CAPITAL UNDER  
SECTION 13b OF THE FEDERAL RESERVE ACT**

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

Section 13b of the Federal Reserve Act approved June 19, 1934, authorized the Federal Reserve Banks to make loans under certain conditions for the purpose of providing working capital to established industrial and commercial enterprises unable to obtain the funds they require on a reasonable basis from the usual sources.

It has been the aim of the Board of Governors of the Federal Reserve System, the Federal Reserve Banks and the Industrial Advisory Committees to make such credit available to all borrowers who are in need of working capital and to whom advances could be made on a reasonable and sound basis. To that end special efforts have been made to bring the provisions of the section to the attention of member and nonmember banks and industry in general, and applications for such credit have been approved whenever possible.

The law provides for the appointment of an Industrial Advisory Committee for each Federal Reserve District, to consider applications for industrial loans or commitments and to make recommendations to the Federal Reserve Bank regarding such applications. The present members of the Industrial Advisory Committee for this district are the following:

- MR. WILLIAM H. POUCH, (*Chairman*),  
President, Concrete Steel Company, New York, N. Y.
- MR. ARTHUR G. NELSON, (*Vice Chairman*),  
President, A. G. Nelson Paper Company, New York, N. Y.
- MR. HERMAN K. BEACH,  
President, Bridgeport Metal Goods Mfg. Co., Bridgeport, Conn.
- MR. EDWARD J. NOBLE,  
President, Life Savers, Inc., Port Chester, N. Y.

The Federal Reserve Bank of New York is authorized to make advances and commitments up to an aggregate amount not exceeding approximately \$87,746,000. From the date of the enactment of the law to and including December 31, 1935, 373 advances and commitments aggregating \$31,457,000 were approved by this bank. Of this number 107 were withdrawn by the applicants, a large number of whom reported that they had succeeded in obtain-

ing their requirements through the usual credit sources. Actually 252 advances and commitments aggregating \$20,600,000 were made by this bank. Of these advances approximately 56 percent have been made in participation with banks and other financing institutions. These loans are repayable over various periods not exceeding five years. Of the total amount \$2,883,000 has already been repaid. These loans have, we believe, not only made possible the continued successful operation of a number of business concerns, but have also been of substantial benefit to a number of communities in maintaining employment.

It was the purpose of the law to provide a means for the granting of credit for working capital purposes to those who are entitled to borrow but who must borrow for somewhat longer periods than that for which commercial banks may be willing to grant credit. The fact that the volume of these loans is not greater may indicate that the need for credit of this type is being met in other ways, or it may, in some instances at least, indicate that those who might be interested are not fully informed concerning the possibility of obtaining loans under the provisions of Section 13b of the Federal Reserve Act. As you know, these loans may be made either directly by the Federal Reserve Bank or by a bank or other financing institution with a commitment from the Federal Reserve Bank to purchase the entire loan at any time, thus guaranteeing liquidity, and to assume a proportion of the risk not exceeding 80 percent.

This bank desires to do what it can for industry in this district and it is the purpose of this circular to remind you again of the availability of these facilities and to ask your cooperation in bringing this subject to the attention of those who might be interested.

Our Circular No. 1397 dated July 6, 1934, describes the character of loans which can be made under the terms of Section 13b of the Federal Reserve Act and outlines the procedure to be followed in making applications. We shall be glad to discuss by correspondence or in person, either with your bank or with any other interested persons, the possibility of such loans in particular cases.

GEORGE L. HARRISON,  
*Governor.*