

**FEDERAL RESERVE BANK  
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. 3599]  
October 9, 1950]

**REGULATION V**  
**LOAN GUARANTEES FOR DEFENSE PRODUCTION**

*To All Banks, Other Financing Institutions and  
Others Concerned in the Second Federal Reserve District:*

Enclosed is a copy of Regulation V, entitled "Loan Guarantees for Defense Production," revised effective September 27, 1950.

In our Circular No. 3594, dated September 26, 1950, we quoted the text of a statement issued by the Board of Governors of the Federal Reserve System outlining the purposes of the revised regulation and setting forth a schedule of the guarantee fees to be paid by financing institutions to the Federal Reserve Banks, as fiscal agents of the United States on behalf of the guarantors, out of the interest received from the borrowers with respect to the portions of loans guaranteed under the regulation. The maximum rate of interest which may be charged to any borrower with respect to a guaranteed loan has been set at 5 per cent. Where the financing institution charges a commitment fee to the borrower on the unused portion of the loan, such fee cannot exceed  $\frac{1}{2}$  of 1 per cent, and the guarantor shares in the commitment fee on the same basis as it shares in the interest on the guaranteed portion of the loan.

We are prepared to receive applications from all banks, both members and non-members of the Federal Reserve System, and from all other financing institutions, in the Second Federal Reserve District. Your cooperation in this program is requested in the interest of expediting defense production.

Additional copies of the revised Regulation V, together with copies of the V-Loan Guarantee Agreement and application forms, and of this circular, will be furnished upon request.

ALLAN SPROUL,  
*President.*

**BOARD OF GOVERNORS  
of the  
FEDERAL RESERVE SYSTEM**

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**LOAN GUARANTEES FOR DEFENSE  
PRODUCTION**



**REGULATION V**

**As Revised Effective September 27, 1950**



**INQUIRIES REGARDING THIS REGULATION**

**Any inquiry relating to this regulation should be addressed  
to the Federal Reserve Bank or Federal  
Reserve branch bank of the district  
in which the inquiry arises.**

## REGULATION V

Revised Effective September 27, 1950

### LOAN GUARANTEES FOR DEFENSE PRODUCTION

#### SECTION 1. AUTHORITY

This regulation is based upon and issued pursuant to the Defense Production Act of 1950 (herein referred to as the "Act"), and Executive Order No. 10161, dated September 9, 1950 (herein referred to as the "Order"), and after consultation with the heads of the guaranteeing agencies designated in the Act and the Order, namely, the Department of the Army, the Department of the Navy, the Department of the Air Force, the Department of Commerce, the Department of the Interior, the Department of Agriculture, and the General Services Administration. Pertinent portions of the Act and the Order are set forth in the appendix to this regulation.

#### SECTION 2. OBJECTIVES OF FEDERAL RESERVE SYSTEM

In carrying out its functions under the Act and the Order, it will be the objective of the Federal Reserve System to facilitate and expedite to the greatest extent possible the financing of contractors, subcontractors, and other persons having contracts or engaged in operations deemed by the guaranteeing agencies to be necessary to expedite production and deliveries or services under Government contracts for the procurement of materials or the performance of services for the national defense. The Board of Governors of the Federal Reserve System (herein referred to as the "Board") and the Federal Reserve Banks will cooperate fully with the guaranteeing agencies in order to achieve this objective and will follow in general and to the extent applicable procedures developed from experience obtained in the administration of the V-loan and T-loan programs during World War II.

#### SECTION 3. PROCEDURES

(a) **Applications.** Any private financing institution may submit to the Federal Reserve Bank of its district an application for a guarantee of a loan to an eligible borrower. Such application shall be in such form and contain such information as the Board may prescribe after consultation with the guaranteeing agencies.

(b) **Eligibility of Borrower.** No loan shall be guaranteed unless it shall first be determined that the contract or other operation of the

prospective borrower to be financed by such loan is one which is deemed by the guaranteeing agency involved to be necessary to expedite production and deliveries or services under a Government contract for the procurement of materials or the performance of services for the national defense. Such determination will be made in each case by a duly authorized certifying officer of the appropriate guaranteeing agency or in such other manner as the guaranteeing agency may prescribe. The determination will be made upon the basis of information contained in the application and accompanying papers filed by the applicant financing institution, unless in the circumstances of a particular case it appears that further information is necessary.

(c) **Approval of Guarantees.** Each application by a financing institution for a loan guarantee will be subject to approval by the appropriate guaranteeing agency in Washington or, to such extent as the guaranteeing agency may prescribe, by the Federal Reserve Bank to which the application is submitted. In any case in which an application is required to be submitted to Washington for approval, the Federal Reserve Bank will transmit the application, together with all necessary supporting information and the recommendation of the Federal Reserve Bank, through the Board of Governors to the guaranteeing agency involved. Subject to determination of the borrower's eligibility, if the application is approved by a duly authorized contracting officer of the guaranteeing agency, such contracting officer will authorize the Federal Reserve Bank to execute and deliver the guarantee on behalf of the guaranteeing agency. Such authorization will be transmitted to the Federal Reserve Bank through the Board of Governors; and, thereupon, the Federal Reserve Bank, acting as fiscal agent of the United States, will execute and deliver the guarantee on behalf of the guaranteeing agency in accordance with the terms of the authorization. In any case in which the Federal Reserve Bank is authorized by a guaranteeing agency to approve applications for guarantees, the Reserve Bank, if it approves the application and subject to determination of the borrower's eligibility, will execute and deliver the guarantee without submission of the application for prior approval by any officer of the guaranteeing agency; but the Reserve Bank will promptly notify the guaranteeing agency of the execution of such guarantee.

(d) **Other Forms and Procedures.** The Board will prescribe from time to time, after consultation with the guaranteeing agencies, forms to be followed in the execution of guarantees pursuant to this regulation and such other forms as may be necessary. The Board will

also prescribe, after consultation with the guaranteeing agencies, procedures with respect to such matters as the purchase of guaranteed loans by the Federal Reserve Banks as fiscal agents, the handling and disposition by the Federal Reserve Banks of guarantee fees and other fees collected, and such other procedures as may be found necessary.

#### SECTION 4. RESPONSIBILITY OF FEDERAL RESERVE BANKS

A Federal Reserve Bank in arranging for or making any guarantee on behalf of any guaranteeing agency will be expected to make reasonable efforts to afford such guaranteeing agency the best available protection against possible financial loss consistent with the obtaining of national defense production expeditiously. No Federal Reserve Bank, however, shall have any responsibility or accountability except as agent in taking any action pursuant to or under authority of the Act, the Order, or this regulation. Each Federal Reserve Bank will be reimbursed by each guaranteeing agency in the usual manner for all expenses and losses incurred by the Reserve Bank in acting as agent on behalf of such guaranteeing agency, including among such expenses, notwithstanding any other provision of law, attorneys' fees and expenses of litigation.

#### SECTION 5. RATES AND FEES

Rates of interest, guarantee fees, commitment fees, and other charges which may be made with respect to guaranteed loans and guarantees executed through the agency of any Federal Reserve Bank hereunder will from time to time be prescribed, either specifically or by maximum limits or otherwise, by the Board of Governors after consultation with the guaranteeing agencies.

#### SECTION 6. REPORTS

Each Federal Reserve Bank shall make such reports as the Board of Governors shall require with respect to its operations pursuant to the terms of the Act, the Order, and this regulation.

## APPENDIX

### DEFENSE PRODUCTION ACT OF 1950

(Pub. No. 774—81st Cong., Approved September 8, 1950)

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#### TITLE III—EXPANSION OF PRODUCTIVE CAPACITY AND SUPPLY

SEC. 301. (a) In order to expedite production and deliveries or services under Government contracts, the President may authorize, subject to such regulations as he may prescribe, the Department of the Army, the Department of the Navy, the Department of the Air Force, the Department of Commerce, and such other agencies of the United States engaged in procurement for the national defense as he may designate (hereinafter referred to as "guaranteeing agencies"), without regard to provisions of law relating to the making, performance, amendment, or modification of contracts, to guarantee in whole or in part any public or private financing institution (including any Federal Reserve bank), by commitment to purchase, agreement to share losses, or otherwise, against loss of principal or interest on any loan, discount, or advance, or on any commitment in connection therewith, which may be made by such financing institution for the purpose of financing any contractor, subcontractor, or other person in connection with the performance, or in connection with or in contemplation of the termination, of any contract or other operation deemed by the guaranteeing agency to be necessary to expedite production and deliveries or services under Government contracts for the procurement of materials or the performance of services for the national defense.

(b) Any Federal agency or any Federal Reserve bank, when designated by the President, is hereby authorized to act, on behalf of any guaranteeing agency, as fiscal agent of the United States in the making of such contracts of guarantee and in otherwise carrying out the purposes of this section. All such funds as may be necessary to enable any such fiscal agent to carry out any guarantee made by it on behalf of any guaranteeing agency shall be supplied and disbursed by or under authority from such guaranteeing agency. No such fiscal agent shall have any responsibility or accountability except as agent in taking any action pursuant to or under authority of the provisions of this section. Each such fiscal agent shall be reimbursed by each guaranteeing agency for all expenses and losses incurred by such fiscal agent in acting as agent on behalf of such guaranteeing agency, including among such expenses, notwithstanding any other provision of law, attorneys' fees and expenses of litigation.

(c) All actions and operations of such fiscal agents under authority of or pursuant to this section shall be subject to the supervision of the President, and to such regulations as he may prescribe; and the President is authorized to prescribe, either specifically or by maximum



limits or otherwise, rates of interest, guarantee and commitment fees, and other charges which may be made in connection with loans, discounts, advances, or commitments guaranteed by the guaranteeing agencies through such fiscal agents, and to prescribe regulations governing the forms and procedures (which shall be uniform to the extent practicable) to be utilized in connection with such guarantees.

(d) Each guaranteeing agency is hereby authorized to use for the purposes of this section any funds which have heretofore been appropriated or allocated or which hereafter may be appropriated or allocated to it, or which are or may become available to it, for such purposes or for the purpose of meeting the necessities of the national defense.

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#### TITLE VII—GENERAL PROVISIONS

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SEC. 702. As used in this Act—

(a) The word "person" includes an individual, corporation, partnership, association, or any other organized group of persons, or legal successor or representative of the foregoing, and includes the United States or any agency thereof, or any other government, or any of its political subdivisions, or any agency of any of the foregoing: *Provided*, That no punishment provided by this Act shall apply to the United States, or to any such government, political subdivision, or government agency.

(b) The word "materials" shall include raw materials, articles, commodities, products, supplies, components, technical information, and processes.

(c) The word "facilities" shall not include farms, churches or other places of worship, or private dwelling houses.

(d) The term "national defense" means the operations and activities of the armed forces, the Atomic Energy Commission, or any other Government department or agency directly or indirectly and substantially concerned with the national defense, or operations or activities in connection with the Mutual Defense Assistance Act of 1949, as amended.

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SEC. 703. (a) Except as otherwise specifically provided, the President may delegate any power or authority conferred upon him by this Act to any officer or agency of the Government, including any new agency or agencies (and the President is hereby authorized to create such new agencies, other than corporate agencies, as he deems necessary), and he may authorize such redelegations by that officer or agency as the President may deem appropriate. \* \* \*

\* \* \* \* \*

SEC. 704. The President may make such rules, regulations, and orders as he deems necessary or appropriate to carry out the provisions



of this Act. Any regulation or order under this Act may be established in such form and manner, may contain such classifications and differentiations, and may provide for such adjustments and reasonable exceptions as in the judgment of the President are necessary or proper to effectuate the purposes of this Act, or to prevent circumvention or evasion, or to facilitate enforcement of this Act, or any rule, regulation, or order issued under this Act.

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SEC. 709. The functions exercised under this Act shall be excluded from the operation of the Administrative Procedure Act (60 Stat. 237) except as to the requirements of section 3 thereof. Any rule, regulation, or order, or amendment thereto, issued under authority of this Act shall be accompanied by a statement that in the formulation thereof there has been consultation with industry representatives, including trade association representatives, and that consideration has been given to their recommendations, or that special circumstances have rendered such consultation impracticable or contrary to the interest of the national defense, but no such rule, regulation, or order shall be invalid by reason of any subsequent finding by judicial or other authority that such a statement is inaccurate.

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SEC. 711. There are hereby authorized to be appropriated such sums as may be necessary and appropriate for the carrying out of the provisions and purposes of this Act by the President and such agencies as he may designate or create. Funds made available for the purposes of this Act may be allocated or transferred for any of the purposes of this Act, with the approval of the Bureau of the Budget, to any agency designated to assist in carrying out this Act. Funds so allocated or transferred shall remain available for such period as may be specified in the Acts making such funds available.

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SEC. 716. (a) Titles I, II, III, and VII of this Act and all authority conferred thereunder shall terminate at the close of June 30, 1952, but such titles shall be effective after June 30, 1951 only to the extent necessary to aid in carrying out contracts relating to the national defense entered into by the Government prior to July 1, 1951.

(b) Titles IV, V, and VI of this Act and all authority conferred thereunder shall terminate at the close of June 30, 1951.

(c) Notwithstanding the foregoing—

(1) The Congress by concurrent resolution or the President by proclamation may terminate this Act prior to the termination otherwise provided therefor.

(2) The Congress may also provide by concurrent resolution

that any section of this Act and all authority conferred thereunder shall terminate prior to the termination otherwise provided therefor.

(3) Any agency created under this Act may be continued in existence for purposes of liquidation for not to exceed six months after the termination of the provision authorizing the creation of such agency.

(d) The termination of any section of this Act, or of any agency or corporation utilized under this Act, shall not affect the disbursement of funds under, or the carrying out of, any contract, guarantee, commitment or other obligation entered into pursuant to this Act prior to the date of such termination, or the taking of any action necessary to preserve or protect the interests of the United States in any amounts advanced or paid out in carrying on operations under this Act.

### EXECUTIVE ORDER NO. 10161

Approved September 9, 1950

## DELEGATING CERTAIN FUNCTIONS OF THE PRESIDENT UNDER THE DEFENSE PRODUCTION ACT OF 1950

By virtue of the authority vested in me by the Constitution and statutes, including the Defense Production Act of 1950, and as President of the United States and Commander in Chief of the armed forces, it is hereby ordered as follows:

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### PART III. EXPANSION OF PRODUCTIVE CAPACITY AND SUPPLY

SEC. 301. The Department of the Army, the Department of the Navy, the Department of the Air Force, the Department of Commerce, the Department of the Interior, the Department of Agriculture, and the General Services Administration, in this Part referred to as guaranteeing agencies, and each delegate under section 101 of this Executive order shall develop and promote measures for the expansion of productive capacity and of production and supply of materials and facilities necessary for the national defense.

SEC. 302. (a) Each guaranteeing agency is hereby authorized, in accordance with section 301 of the Defense Production Act of 1950, subject to the provisions of this section, in order to expedite production and deliveries or services under Government contracts, and without regard to provisions of law relating to the making, performance, amendment, or modification of contracts, to guarantee in whole or in part any public or private financing institution (including any Federal Reserve Bank), by commitment to purchase, agreement to share losses, or otherwise, against loss of principal or interest on any loan, discount, or advance, or on any commitment in connection therewith, which may be made by such financing institution for the purpose of financ-

ing any contractor, subcontractor, or other person in connection with the performance, or in connection with or in contemplation of the termination, of any contract or other operation deemed by the guaranteeing agency to be necessary to expedite production and deliveries or services under Government contracts for the procurement of materials or the performance of services for the national defense.

(b) Each Federal Reserve Bank is hereby designated and authorized to act, on behalf of any guaranteeing agency, as fiscal agent of the United States in the making of such contracts of guarantee and in otherwise carrying out the purposes of the said section 301, in respect of private financing institutions.

(c) All actions and operations of Federal Reserve Banks, under authority of or pursuant to the said section 301 of the Defense Production Act of 1950, shall be subject to the supervision of the Board of Governors of the Federal Reserve System. Said Board is hereby authorized, after consultation with the heads of the guaranteeing agencies, (1) to prescribe such regulations governing the actions and operations of fiscal agents hereunder as it may deem necessary, (2) to prescribe, either specifically or by maximum limits or otherwise, rates of interest, guarantee and commitment fees, and other charges which may be made in connection with loans, discounts, advances, or commitments guaranteed by the guaranteeing agencies through such fiscal agents, and (3) to prescribe regulations governing the forms and procedures (which shall be uniform to the extent practicable) to be utilized in connection with such guarantees.

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#### PART IX. GENERAL PROVISIONS

SEC. 902. (a) Except as otherwise provided in section 902(c) of this Executive order, each officer or agency having functions under the Defense Production Act of 1950 delegated or assigned thereto by this Executive order may exercise and perform, with respect to such functions, the functions vested in the President by Title VII of the said Act.

(b) The functions which may be exercised and performed pursuant to the authority of section 902(a) of this Executive order shall include, but not by way of limitation, (1) except as otherwise provided in section 701(c) of this Executive order, and except as otherwise required by section 403 of the Defense Production Act of 1950, the power to redelegate functions, and to authorize the successive redelegation of functions, to agencies, officers, and employees of the Government, (2) the power to create an agency or agencies, under the jurisdiction of the officer concerned, to administer functions delegated by this Executive order, and (3) in respect of Parts I, II, IV, and V of this Executive order, the power of subpoena: *Provided*, That the subpoena power shall be utilized only after the scope and purpose of the investigation, inspection, or inquiry to which the subpoena relates have been defined either by the appropriate officer referred to in section 902(a)

of this Executive order or by such other person or persons as he shall designate.

(c) There are excluded from the functions delegated by section 902(a) of this Executive order (1) the functions delegated by Part VII of this Executive order, (2) the functions of the President under sections 703(b) and 710 (a) of the Defense Production Act of 1950, (3) the functions of the President with respect to regulations under sections 710(b), 710(c), and 710(d) of the said Act, and (4) the functions of the President with respect to fixing compensation under section 703(a) of the said Act.

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SEC. 903. All agencies of the Government (including departments, establishments, and corporations) shall furnish to each officer to whom functions are delegated or assigned by this Executive order such information relating to defense production or procurement, or otherwise relating to the functions delegated or assigned to such officer by this Executive order, as he may deem necessary.

SEC. 904. Each delegate referred to in section 101 of this Executive order shall, when and if he shall deem it necessary and appropriate, appoint a committee composed of representatives of such agencies of the Government as he may determine. Any committee so appointed shall advise and consult with the delegate concerned, as he may request, in connection with the carrying out of the functions delegated to him by sections 101, 201, and 302 of this Executive order, and shall advise the delegate concerned regarding requirements of materials and facilities.

HARRY S. TRUMAN

The White House,  
September 9, 1950.

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**FEDERAL RESERVE BANK  
OF NEW YORK**

October 10, 1950.

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

We are pleased to announce that Bank of Allwood, a newly organized bank in Clifton, New Jersey, which formally opened for business today, is a member of the Federal Reserve System.

ALLAN SPROUL,  
*President.*