

**FEDERAL RESERVE BANK  
OF NEW YORK**

Fiscal Agent of the United States

[ Circular No. 3761 ]  
[ September 25, 1951 ]

**V-LOAN FINANCING FOR INCREASED PRODUCTION OF MACHINE TOOLS**

*To all Banks, and Others Concerned,  
in the Second Federal Reserve District:*

In our Circular No. 3712, dated May 29, 1951, we advised you of the machine tool program undertaken by the General Services Administration and of its request that assistance be given to machine tool manufacturers in the form of V-loan financing. The Administrator of the General Services Administration has recently written a letter to the Board of Governors of the Federal Reserve System, explaining that the need for machine tools has become even more urgent. To meet that need, substantially all machine tool manufacturers will soon be producing for essential purposes, and the General Services Administration is now prepared to expand its program of financing these manufacturers through guaranteed V loans. We quote below from the text of the letter.

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 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.

Additional copies of this circular will be furnished upon request.

ALLAN SPROUL,  
*President.*