

FEDERAL RESERVE BANK  
OF NEW YORK

Fiscal Agent of the United States

[ Circular No. 6428 ]  
October 29, 1969 ]

LOAN GUARANTEES FOR DEFENSE PRODUCTION

Revised Supplement to Regulation V  
Effective October 27, 1969

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

The Board of Governors of the Federal Reserve System has amended, effective October 27, 1969, its Regulation V, Loan Guarantees for Defense Production, to provide that the agency guaranteeing a particular loan may from time to time prescribe a rate higher than 7½ percent per annum if it determines the loan to be necessary in financing an essential defense production contract.

Enclosed is a copy of a new Supplement to Regulation V, giving effect to this amendment. Additional copies will be furnished upon request.

ALFRED HAYES,  
*President.*

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION V

Section 7—Maximum Rates of Interest, Guarantee Fees,  
and Commitment Fees

Effective October 27, 1969

Pursuant to the provisions of the Defense Production Act of 1950 and Executive Order No. 10480, dated August 14, 1953, as amended, the Board of Governors of the Federal Reserve System hereby prescribes the maximum rate of interest, guarantee fees, and commitment fees which may be charged with respect to guaranteed loans executed through the agency of any Federal Reserve Bank:

(a) **Maximum rate of interest.**—The maximum interest rate charged a borrower by a financing institution with respect to a guaranteed loan shall not exceed  $7\frac{1}{2}$  per cent per annum, except that the agency guaranteeing a particular loan may from time to time prescribe a higher rate if it determines the loan to be necessary in financing an essential defense production contract.

(b) **Guarantee fees.**—The schedule of fees with respect to guaranteed loans is as follows:

<i>Per cent of loan guaranteed</i>	<i>Guarantee Fee</i> (Per cent of interest payable by borrower on guaranteed portion of loan)
70 or less	10
75	15
80	20
85	25
90	30
95	35
Over 95	40-50

In any case in which the rate of interest on the loan is in excess of 6 per cent, the guarantee fee shall be computed as though the interest rate were 6 per cent.

(c) **Commitment fees.**—In any case in which a commitment fee is charged a borrower with respect to a guaranteed loan, such fee shall not exceed  $\frac{1}{2}$  of 1 per cent per annum. In any such case, the financing institution will pay to the guaranteeing agency a percentage of such commitment fee, based on the guaranteed portion of the credit, equal to the same percentage of the interest payable on the loan which is required to be paid by the financing institution to the guarantor as a guarantee fee.