Summary of Bill
(H. R. 5060 - 72nd Congress, 1st Session.)

"To provide emergency financing facilities for banks and other financial institutions, and for other purposes".

The bill (H. R. 5060) would create a corporation, with capital of $500,000,000, all subscribed by the United States of America, and with authority to issue, and to have outstanding at any one time in an amount aggregating not more than $1,500,-000,000, its notes, debentures, bonds, or other such obligations.

The Corporation will be known as the "Reconstruction Finance Corporation." Its Board of Directors will consist of the Secretary of the Treasury, the Governor of the Federal Reserve Board, and the Farm Loan Commissioner, who shall be members ex-officio, and two other persons appointed by the President, each for a term of five years, by and with the advice and consent of the Senate.

The Corporation will be authorized to make loans, upon such terms and conditions as it may determine, to any bank, banker, savings bank, trust company, clearing house or other association of banking institutions, building and loan association, insurance company, or other financial institution in the United States. All such loans must be fully and adequately secured in such manner as the Corporation shall require, and they will be made at such interest or discount rates as the Corporation may approve.

The Corporation may make loans at any time prior to the expiration of one year from the date of enactment of the bill, but it is provided that the President may from time to time postpone such date of expiration for such additional period or periods as he may deem necessary, not to exceed two years from the date of the enactment of the bill. The loans of the Corporation may be made for periods not exceeding three years, with authority to grant extensions from time to time up to five years from the dates on which the loans were originally made.

In addition, the bill provides that, within the limitations referred to, the Corporation may make loans to or aid in the temporary financing of steam railroads engaged in interstate commerce, when in the opinion of the Board of Directors of the Corporation such railroads are unable to obtain funds upon reasonable terms through banking channels or from the general public and the corporation will be adequately secured.

The maturity of notes, debentures, bonds, or other such obligations of the Corporation cannot exceed five years from their respective dates of issue, and short term obligations, payable at maturity without interest, may be sold on a discount basis. The obligations of the Corporation, which will be exempt from all Federal, state, municipal or local taxation, may be secured by assets of the Corporation in such manner as may be prescribed by its Board of

Directors. Except with respect to real property owned by it, the Corporation, including its franchise, capital, reserves, surplus and income, will also be exempt from taxation.

If the Corporation should be unable to pay upon demand, when due, the principal of, or interest on, its obligations, the Secretary of the Treasury is required to pay the amount thereof, which is authorized to be appropriated out of any moneys in the Treasury not otherwise appropriated.

It is provided that the Federal reserve banks shall have the same powers (1) to discount notes, drafts, and bills of exchange secured by the obligations of the Corporation, (2) to make advances to member banks on their notes secured by such obligations, (3) to use all paper so acquired, and (4) to purchase and sell such obligations, as they have with respect to bonds and notes of the United States. The rate at which any such discount or advance may be made by any Federal reserve bank shall be one per cent per annum above its discount rate on 90-day commercial paper.

Loans obtained by national banks from the Corporation are excepted from the limitation contained in Section 5202 of the Revised Statutes on the liabilities of national banks.

The Federal reserve banks also are authorized and directed to act as depositaries, custodians, and fiscal agents for the Corporation, and the Treasury Department, the Comptroller of the Currency, the Federal Reserve Board, the Federal reserve banks, and the Interstate Commerce Commission may make available to the Corporation in confidence reports, records, or other information relating to the financial institutions or railroads with which it has, or contemplates having, transactions under the Act. These agencies also may, through their examiners, make examinations of such institutions or railroads for the confidential use of the Corporation. In addition, the Corporation may avail itself of the services, facilities, offices, and employees of other branches of the Government service, with their consent.

All moneys of the Corporation not otherwise employed may be deposited with the Treasurer of the United States, or in any Federal reserve bank, or may be used in the purchase or redemption of the Corporation's obligations. When designated for the purpose by the Secretary of the Treasury, the Corporation is required to act as a depositary of public money, except receipts from customs; and it may also be employed as a financial agent of the Government. The obligations of the Corporation will be lawful investments, and may be accepted as security, for all fiduciary, trust and public funds the investment or deposit of which is under the authority or control of the United States or any of its officers.

The bill contains various penalty provisions, prohibits any other organization from using the words "Reconstruction Finance Corporation", and authorizes the use of the Secret Service in connection with possible violations of the criminal provisions of the Act. The bill also contains provisions relating to the appointment and compensation of its personnel, the adoption of by-laws, and the payment of its expenses. The Corporation is required annually to make a report of its operations to the Congress as soon as practicable after the first day of January in each year.

Upon the expiration of the period during which it may make loans, the Corporation is required to proceed to liquidate its assets and wind up its affairs, and the bill prescribes the procedure to be followed in connection with the retirement of its capital stock and the payment of its funds into the Treasury. If, at the expiration of ten years, the liquidation of the Corporation's assets has not been completed, the duty of winding up the Corporation's affairs will be transferred to the Secretary of the Treasury.