

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-9159

March 22, 1935.

Dear Sir:

An examination of the summary report on the amount of industrial loans and commitments made by the Federal Reserve banks to March 6, 1935 shows that the banks have approved \$73,660,000 of applications, that \$22,258,000 of this amount represents conditional approvals, and that \$8,287,000 represents applications finally approved which are in process of completion. It is presumed that the delays in connection with conditional approvals and the completion of the necessary details in connection with advances and commitments finally approved are due largely to the borrowers or financing institutions through which the advances have been requested. The Board feels that the completion of advances should be expedited as much as possible and, therefore, requests that you have a careful analysis made of each of these applications to determine whether there is anything that may be done by your bank to expedite the completion of all details in connection with these loans so that funds may be advanced and commitments executed more promptly.

In the Board's letter, B-1062, of January 17, 1935, sending out the pamphlet on industrial loans, it was stated that in the future

it was thought desirable to lay somewhat more stress on advances through member banks and other financing institutions, and that the enclosed pamphlet had been drafted with that idea in mind. Since then, or in a period of two months, applications approved for advances to or in association with member banks and other financing institutions have increased by less than \$5,400,000, of which about \$4,800,000 represented commitments. This might suggest the conclusion that there are now very few enterprises in need of additional funds, but having sufficient collateral and earnings capacity to permit of advances on a reasonable and sound basis, that are not able to get accommodation from the usual sources. Information constantly coming to the Board's attention, however, indicates the existence of a strong feeling that this is not the case and in order that every effort may be made by the System to be as helpful as possible it is requested that a special effort be made by your bank to bring to the attention of the banks in your district the advantages to them and to their communities of making loans for working capital purposes wherever possible. Their attention should, of course, be called to the fact that commitments may be obtained from the Federal Reserve banks, in advance of the making of the loans, in cases where the banks themselves do not feel warranted in carrying the full risk.

While the Board is desirous of seeing loans made direct to borrowers where no financing institution is willing to participate, it believes that it is in the best interests of the borrower and the banking

community for advances to be made through financing institutions wherever possible. The reasons for this are obvious.

It will be appreciated if you will read this letter to your board of directors and if you will keep the Board advised from time to time of such progress as you are able to make in expediting the advancing of funds to industry on approved applications and of your efforts to bring about a more active cooperation by banks in your district in the making of industrial advances to industries in need of additional working capital.

Very truly yours,



Chester Morrill,
Secretary.

TO CHAIRMAN OF ALL F. R. BANKS