

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



R-974

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 10, 1942

Dear Sir:

For your information in connection with operations under Executive Order No. 9112 dated March 26, 1942, there is enclosed herewith a copy of a letter addressed by the Board of Governors to the Comptroller of the Currency under date of April 8, 1942, together with a copy of the Comptroller's reply of April 9, 1942, with regard to limitations on loans made by national banks in participating in the program under the Executive Order mentioned.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY



BUY
UNITED
STATES
DEFENSE
BONDS
AND
STAMPS

R-974-a

April 8, 1942

Honorable Preston Delano,
Comptroller of the Currency,
Washington, D. C.

Attention: Mr. J. L. Robertson

S I R:

As you know, under Executive Order No. 9112, dated March 26, 1942, the War Department, Navy Department and the U. S. Maritime Commission are authorized to make and guarantee loans for the purpose of financing any contractor or subcontractor engaged in a business which is deemed to be necessary, appropriate or convenient for the prosecution of the war. The Federal Reserve Banks are authorized by the Executive Order to act as agents for the War Department, Navy Department and Maritime Commission in carrying out the provisions of this Order.

We have been advised of a situation in which a subcontractor engaged in war production is in need of credit for the financing of such production; and a question has arisen whether such credit may be supplied through a loan by a national bank which would be guaranteed under the provisions of the Executive Order. However, it appears that the legal lending limit of the national bank under the provisions of section 5200 of the Revised Statutes is not sufficient to enable the bank to supply the credit required.

In the circumstances, the Board will appreciate the consideration by your office of the question whether that part of a loan made by a national bank in these circumstances which is guaranteed by the War Department, Navy Department or Maritime Commission under this Executive Order is subject to the restrictions of section 5200 of the Revised Statutes. In connection with any such consideration of this question, representatives of the Board would be glad to confer with representatives of your office if such a conference is deemed necessary.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

TREASURY DEPARTMENT

Comptroller of the Currency

Washington

April 9, 1942

Board of Governors
Federal Reserve System
Washington, D. C.

Dear Sirs:

This will acknowledge receipt of your letter dated April 8, 1942, relative to participation by national banks in the lending program contemplated by Executive Order No. 9112, dated March 26, 1942.

It is the position of this office that national banks may participate in this program by extending credit to contractors, subcontractors, or other persons, without limitation upon amount, provided that a commitment is secured obligating the War Department, the Navy Department or the Maritime Commission to take over within ten days after demand, that portion of each such extension of credit which otherwise would exceed the limitations specified in section 5200 of Rev. Stat. of 1873, as amended (U.S.C. title 12, sec. 84), and section 24 of the Federal Reserve Act, as amended (U.S.C. title 12, sec. 371). That portion of each extension of credit which is not covered by a commitment must comply with the statutory requirements which would be applicable to a similar loan unrelated to this program.

We have not attempted, in this letter, to deal with the numerous particular problems which will arise in applying the general rule stated herein. For instance, with respect to loans secured by real estate, it might be necessary, in order to comply with the provisions of section 24 of the Federal Reserve Act, that the entire loan be covered by a commitment, or that the interest of the War Department, Navy Department or Maritime Commission in the real estate security be subordinate to that of the bank. Such problems can be dealt with more effectively after the exact procedure for handling loans under this program has been established.

Yours very truly,

(Signed) C. B. Upham

Deputy Comptroller