

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-585

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

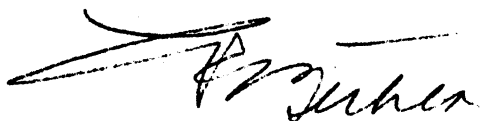
November 13, 1942.

Dear Sir:

For your information and guidance there are enclosed copies of a memorandum dated November 7, 1942, received by the Board of Governors from Lieutenant Colonel Paul Cleveland, of the War Department, with reference to the use of optional condition (L). In accordance with Colonel Cleveland's request, it will be appreciated if you will furnish a copy of this to the liaison officer of the War Department in your district.

We are also informally advised by a representative of the Maritime Commission that optional condition (L) should not be used in connection with guarantees executed on behalf of the Commission without first submitting the matter to Washington for approval.

Very truly yours,



L. P. Bethea,
Assistant Secretary.

Enclosures 5



TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

S-585-a

WAR DEPARTMENT
Headquarters, Services of Supply
Washington, D. C.

November 7, 1942

MEMORANDUM: From the War Department to the Board of Governors of
the Federal Reserve System

SUBJECT: Use of Optional Condition "L".

1. Reference is made to telegram dated November 6, 1942 to the Board of Governors from the Federal Reserve Bank of Chicago which reads in part as follows:

"Is it necessary to submit recommendations to the War Department with respect to optional condition (L) in instances where loan is less than \$100,000?"

2. Optional Condition "L" may not be used without the prior approval of a financial contracting officer whether the loan is above or below \$100,000.

3. In general, it is the policy of the War Department not to approve the use of Optional Condition "L" except in the case of very large loans to very sound credits where there is little likelihood of a disagreement subsequently arising between the War Department and the borrower.

4. In view of the fact that this condition has appeared in several loans guaranteed under delegated authority, it is requested that a copy of this memorandum be forwarded to all Federal Reserve Banks and liaison officers.

War Department of the United States

By: (Signed) Paul Cleveland

Paul Cleveland
Lt. Colonel, A. U. S.
Chief, Loan Section
Advance Payment & Loan Branch