

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

S-593

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1942.



Dear Sir:

This refers to the Board's letter of October 1, 1942, (S-562), with respect to the computation of guarantee fees payable to the Guarantor in cases where the first advance is made by the Financing Institution prior to the actual execution of the guarantee agreement. A question has arisen as to the interpretation of the Board's letter in view of the provisions of section 11 of the standard form of guarantee agreement dated May 14, 1942.

Under the provisions of the standard form of guarantee agreement, the Financing Institution's obligation for the payment of guarantee fees would not ordinarily begin before the date of execution of the guarantee agreement. In cases where for any reason it is necessary to make an advance a day or two prior to the execution of the guarantee agreement and this advance is to be covered by the terms of the guarantee, it may be possible to provide by appropriate language in the guarantee agreement either that the effective date of the agreement shall be the date of the advance or that the advance in question shall be covered by the guarantee agreement, in which event the computation of the guarantee fee would begin with the date of the advance. Unless this is done, however, the guarantee fee should not cover any period prior to the date on which the Guarantor becomes obligated to purchase the specified percentage of the loan, which ordinarily will be the date of execution of the guarantee agreement.

We have conferred with the War Department, Navy Department, and Maritime Commission with respect to this matter, and they are in agreement with the views expressed above.

Very truly yours,

L. P. Bethea,  
Assistant Secretary.

FOR VICTORY



BUY  
UNITED  
STATES  
WAR  
BONDS  
AND  
STAMPS

TO THE PRESIDENTS OF ALL FEDERAL  
RESERVE BANKS.