



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

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ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 14, 1942.

Dear Sir:

There is attached a memorandum from the War Department, dated December 7, 1942, setting forth the procedure to be followed in the future in making amendments to executed guarantee agreements.

We have been advised that the procedure outlined in the War Department memorandum will be satisfactory to the Navy Department and to the Maritime Commission.

The Federal Reserve Bank of New York has furnished us with a copy of a form it proposes to use in effecting changes, other than changes in the amount of the loan, in guarantee agreements. This form, a copy of which will be sent to you under separate cover, has been reviewed by representatives of the War Department, Navy Department, and Maritime Commission, and they are all in agreement that this constitutes a very satisfactory form of supplemental agreement for use in the class of cases referred to in paragraphs 5 and 6 of the enclosed War Department memorandum.

Very truly yours,

L. P. Bethea,  
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



C O P YWAR DEPARTMENT  
HEADQUARTERS, SERVICES OF SUPPLY  
WASHINGTON, D.C.

December 7th, 1942

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

SUBJECT: Amendments of Executed Guarantee Agreements

1. In a considerable number of cases, the War Department has authorized amendments of executed guarantee agreements, and in some cases such amendments have been made by the Federal Reserve Banks under their delegated authority in loans of \$100,000 or less. There appears to be some confusion as to the manner in which such amendments are to be effected and also as to the correct numbering of the amended agreements. It is recognized that the War Department's instructions in this respect have not always been consistent and in many cases have not been as complete as they might have been. It is hoped that the following instructions will establish for the future a simple procedure for the amendment of existing guarantee agreements.

2. Extensions of the maturity of the loan, and consents to the release, sale, transfer, further pledge, subordination, or substitution of any of the collateral, do not need to be treated as amendments of the guarantee agreement, and are not included in the following instructions.

3. It is requested that hereafter all amendments of executed guarantee agreements, whether authorized by this office or approved by the Federal Reserve Banks under their delegated authority in loans of \$100,000 and less, be effected in the manner outlined below, so that this office will be able to furnish to the General Accounting Office a complete set of all guarantee agreements with all amendments.

4. If the amendment changes the amount of the loan, it is suggested that the Federal Reserve Banks treat the amendment in the same way as a new loan, which is to be used in part to repay the outstanding loan under the original guarantee agreement. There should therefore be a new guarantee agreement, currently dated, bearing a new current number, and showing the new amount of the loan, as changed. The old guarantee agreement should be cancelled, in the manner specified in the War Department's memorandum of September 10, 1942, and the in-

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debtedness under the old guarantee agreement should be reported to this office as having been paid.

5. If the amendment does not change the amount of the loan, the amendment should be effected by executing a supplemental agreement in the form of a letter agreement. The supplemental agreement should be dated currently and should carry the same number as the original guarantee agreement, modified so as to read "Supplement No. \_\_\_ to Contract W \_\_\_ F.C. \_\_\_" or "Contract W \_\_\_ F.C. \_\_\_, Supplement No. \_\_\_". The supplemental agreement should be executed in the same way as a guarantee agreement, that is, there should be four executed copies signed by the Federal Reserve Bank and the financing institution, with the seal of the financing institution appearing opposite its signature, and two executed copies should be sent to this office.

6. In those cases where a loan agreement has been referred to in a guarantee agreement, and it is proposed to amend the loan agreement, the general procedure outlined in paragraph 5 will be appropriate. The supplemental agreement will describe the amendments that have been made in the loan agreement and will state that the guarantee agreement is amended so as to cover the amended loan agreement. It should be noted that in cases of this kind, the mere amendment of the loan agreement between the financing institution and the borrower (to which the War Department is not a party) is not enough.

7. If the original guarantee agreement was executed before the distribution of the mandatory and optional standard conditions which were transmitted with the War Department's memorandum of October 9, 1942, these conditions do not need to be included in the amendment, nor do they need to be included in any new guarantee agreement executed in accordance with paragraph 4, above. But, as specified in the last paragraph of the War Department's memorandum of October 9, 1942, if any of the new optional conditions are used, all of the mandatory conditions must be taken, too.

8. Kindly transmit the foregoing 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  
Fiscal Division.