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CIRCULAR No. 14  
(REVISED)  
OF THE  
RECONSTRUCTION  
FINANCE CORPORATION

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INFORMATION REGARDING  
MINING LOANS



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## INFORMATION REGARDING MINING LOANS

The Reconstruction Finance Corporation is authorized to make mining loans under the provisions of section 14, Public No. 417, Seventy-third Congress, approved June 19, 1934, as amended, which section is as follows:

"SEC. 14. The Reconstruction Finance Corporation is authorized and empowered to make loans upon sufficient security to recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting ores. The Reconstruction Finance Corporation is authorized and empowered also to make loans to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver, or any strategic or critical mineral which in the opinion of the Reconstruction Finance Corporation would be of value to the United States in time of war, when, in the opinion of the Reconstruction Finance Corporation, there is sufficient reason to believe that, through the use of such loan in the development of a lode, ledge, or vein, or mineral deposit, or placer gravel deposit, there will be developed a sufficient quantity of ore, or placer deposits of a sufficient value to pay a profit upon mining operations: *Provided*, That not to exceed \$20,000 shall be loaned to any corporation, individual, or partnership for such development purposes; except that not in excess of \$40,000 in the aggregate may be loaned to any corporation, individual, or partnership for such purposes, if such corporation, individual, or partnership has expended funds previously obtained from the Reconstruction Finance Corporation for such purposes in such manner as to justify an additional loan for such purposes: *Provided further*, That there shall not be allocated or made available for such development loans a sum in excess of \$10,000,000."

### APPLICANTS

This act provides for two types of loans as follows:

A. "Loans upon sufficient security to recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting ores." These loans are hereinafter designated as "general mining loans."

B. Limited loans "to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer

deposit, containing gold, silver, or tin, or gold and silver, or any strategic or critical mineral which in the opinion of the Reconstruction Finance Corporation would be of value to the United States in time of war." These loans are hereinafter designated as "development loans."

## A. GENERAL MINING LOANS

### 1. Eligibility

Applications for loans will be considered when presented by "recognized and established corporations, individuals, and partnerships engaged in the business of mining, milling, or smelting ores." The Corporation will determine from the facts and circumstances in each particular case what constitutes "recognized and established" and "engaged in the business of mining, milling, or smelting ores." Applications for general mining loans will be considered only in connection with the business of mining, milling, or smelting any native compound from which a metal or metals will be commercially extracted at a profit.

### 2. Purposes

(a) *Fixed Capital.*—Loans may be made for the construction, improvement, or repair of mills, smelters, refineries, dredges, etc., purchase of equipment, and other fixed-capital purposes.

(b) *Working Capital.*—Loans may be made to provide working capital needed in connection with mining, milling, or smelting ores.

(c) *Loans for Tax Payment.*—An incidental portion of the loan authorized may, under certain circumstances, be permitted to be applied to the payment of taxes on properties which are necessary to the operation of applicant's mining, milling, or smelting business.

### 3. Amount

Loans will be limited to an amount reasonably required to accomplish the purposes for which they may be authorized.

### 4. Security

The act requires "sufficient security" for these loans. If mining property is offered, there should be blocked-out ore sufficient in quality and quantity to establish the value claimed. The blocked-out ore must be accessible for examination by an engineer in the employ of the Corporation; loans will not be made to make such ore bodies accessible. Assignments of favorable milling, smelting, sales, or transportation contracts may also be required.

## **5. Deposit To Cover Cost of Examination**

The applicant may be requested to make a deposit, in an amount to be determined in each case by the Corporation, to cover the cost of any field work which may be necessary in connection with the examination of the property of the applicant, and when such request is made an examination will not be undertaken until the required deposit is made.

## **B. DEVELOPMENT LOANS**

### **1. Eligibility**

Loans may be made "to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver, or any strategic or critical mineral which in the opinion of the Reconstruction Finance Corporation would be of value to the United States in time of war, when, in the opinion of the Reconstruction Finance Corporation, there is sufficient reason to believe that, through the use of such loan" in the contemplated development, "there will be developed a sufficient quantity of ore or placer deposits of a sufficient value to pay a profit upon mining operations."

### **2. Purposes**

The proceeds of such loans shall be used for development purposes, are to be expended subject to the approval of the Corporation and may not be used to develop treatment processes, or for the construction of mills, smelters, or refineries. Loans will not be made where ore or mineral exposures are not accessible for examination by an engineer employed by the Corporation; loans will not be made to make such ore or mineral exposures accessible.

### **3. Amount**

"Not to exceed \$20,000 shall be loaned to any corporation, individual, or partnership, for such development purposes; except that not in excess of \$40,000 in the aggregate may be loaned to any corporation, individual, or partnership for such purposes, if such corporation, individual, or partnership has expended funds previously obtained from the Reconstruction Finance Corporation for such purposes in such manner as to justify an additional loan for such purposes." Loans will be limited originally to amounts (not in excess of \$20,000) reasonably required to pay for the cost of the contemplated development, including purchase of materials and supplies. Additional development loans will be made solely in the discretion of the Corporation.

Development loans to any one applicant cannot exceed in the aggregate \$40,000.

Notwithstanding the fact that part of a loan may have been disbursed, Reconstruction Finance Corporation reserves the right to refuse to make any further advances on such loan, whenever, in the opinion of the Chief, Self-Liquidating Division of Reconstruction Finance Corporation, the development work theretofore performed is not accomplishing, and further development work is not likely to accomplish the purposes for which the loan was made.

#### **4. Security**

The security offered must be satisfactory to the Corporation.

#### **5. Cost of Examination**

The Corporation may deduct a reasonable amount from the loan to cover the cost of any field work which may be necessary in connection with the examination of the property of the applicant.

### **C. GENERAL PROVISIONS APPLICABLE TO BOTH CLASSES OF LOANS**

#### **1. Rate of Interest**

The rate of interest charged for these loans is 6%.

#### **2. Maturities**

Loans may be made for such period of time as the Corporation shall in each instance determine.

#### **3. Unacceptable Purposes**

Loans will not be granted for the purpose of purchasing mineral acreage, or where the loan is promotional, or for prospecting purposes.

#### **4. Existing Indebtedness**

In cases where the applicant has substantial outstanding indebtedness and the properties which will constitute security for the loan are encumbered, it will be necessary for such applicant to work out an arrangement with existing creditors whereby, in consideration of new capital coming into the business, payment of existing indebtedness and encumbrances may be deferred or subordinated on terms satisfactory to the Corporation.

## 5. Security

Security may consist of a mortgage on mining property, or it may consist of a lien on property, real or personal, entirely independent of the mining project. If the applicant does not own the mining property, a mortgage by the owner may be required; assignments of leases or options will be required. Modification of such leases or options may be required if by their terms they (a) might expire before the loan is repaid; (b) do not expressly permit removal of machinery, equipment, and personal property; (c) may not be assigned; or (d) contain any other provision which the Corporation considers unsatisfactory. The Corporation may also require that royalties, if any, be subordinated to the loan. Applicant will be required to covenant that it will not attempt to, will not make any agreement to, and will not mortgage, grant, convey, sell, assign, transfer, pledge, alien, lease, or otherwise dispose of the security, or any interest therein or part thereof, except with the written consent of the Corporation.

## 6. Titles

Before any loan will be disbursed, applicant, at applicant's expense, may be required to furnish the Corporation with a policy of title insurance satisfactory to counsel for and issued by a title insurance company approved by the Corporation, or a legal opinion satisfactory to counsel for the Corporation based upon an abstract and rendered by an attorney approved by the Corporation. In the event a loan is granted, the Corporation will advise applicant of its requirements in the particular case.

## 7. Disbursements

No money will be disbursed on a loan until a mortgage or deed of trust has been duly executed and recorded, or other security has been assigned or pledged, and other requirements have been complied with, to the satisfaction of the Corporation. Loans will be disbursed in installments as required to defray the cost of the work as it progresses or to purchase supplies and equipment.

## 8. Fees, Commissions, etc.

No fee, bonus, or commission shall be paid by applicant for the purpose of procuring a loan, but reasonable compensation may be paid for proper services actually and necessarily rendered to applicant; all such compensation must be satisfactory to the Corporation. Such charges may include reasonable compensation for services rendered by attorneys, engineers, appraisers, accountants, etc. A fee based upon a percentage of the loan will be objected to, as also will fees or charges made contingent upon the obtaining of the loan.

**9. Salaries**

The applicant must agree that, so long as any portion of the loan remains unpaid, the applicant will not pay any salaries or give any compensation in excess of \$2,400 per year unless approved by the Corporation.

**10. Dividends, etc.**

Corporate applicants must agree that, so long as any portion of the loan remains unpaid, they will not pay any dividends, make any distributions to stockholders, or undertake any corporate financing, reorganization, or capital revision, without the consent of the Corporation. Partnership applicants must agree that, so long as any portion of the loan remains unpaid, no distributions will be made to the partners without the consent of the Corporation. Individual applicants must agree that, so long as any portion of the loan remains unpaid, no withdrawals will be made without the consent of the Corporation.

**11. Method of Filing Application**

Applications should be filed direct with the Reconstruction Finance Corporation at its office at 811 Vermont Avenue NW., Washington, D. C. Forms for applications may be secured by writing to the Washington office of the Corporation. No application will be considered unless submitted on the proper forms. Care should be taken to submit a complete statement setting forth all information which is requested. Applications are not prepared by the Corporation or its representatives, but advice and information will be given upon request. In the event a loan is authorized, mortgages and other loan instruments will be furnished by the Corporation.

