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CIRCULAR NO. 15  
(REVISED)  
OF THE  
RECONSTRUCTION  
FINANCE CORPORATION

INFORMATION REGARDING LOANS TO BUSINESS  
ENTERPRISES IN COOPERATION WITH  
BANKS AND OTHER LENDING  
INSTITUTIONS



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## INFORMATION REGARDING LOANS TO BUSINESS ENTERPRISES IN COOPERATION WITH BANKS AND OTHER LENDING INSTITUTIONS

In addition to its power to make loans directly and independently to business enterprises (as described in Reconstruction Finance Corporation Circular No. 13, Revised), this Corporation is authorized and empowered to make loans to any business enterprise in cooperation with banks or other lending institutions (herein collectively referred to as "banks") through agreements to participate or by the purchase of participations, or otherwise.

In accordance with this authority, this Corporation will give consideration to applications from banks for cooperation in loans to business enterprises through the following arrangements:

### I. LOANS BY BANKS IN WHICH R. F. C. PARTICIPATES

#### A. COMMITMENT FOR DEFERRED PARTICIPATION BY R. F. C. IN LOANS TO BE MADE BY BANKS

1. *Terms of agreement.*—Upon application of a bank, this Corporation, if it approves such application, will execute an agreement that it will purchase at any time during a stated period, within 10 days after demand of the bank, a specified participation in the amount of the loan made by the bank outstanding at the time of such purchase.

2. *Charges by R. F. C.*—This Corporation's charge for such a commitment, based on the daily outstanding balances of that portion of the disbursed loan which this Corporation is under commitment to purchase but has not yet purchased, will be at the following rates: (1) For an agreed participation of not in excess of 50 percent of the loan, 1 percent; (2) For an agreed participation of more than 50 percent but not in excess of 75 percent of the loan, 1½ percent; (3) For an agreed participation of more than 75 percent but not in excess of 90 percent of the loan, 2 percent. Such charge shall be payable quarterly. The participating bank shall have the right to cancel the agreement by 30 days' written notice to this Corporation, the charge to terminate upon the effective date of such cancellation.

3. *Purchase of participation.*—In purchasing its participation this Corporation will pay to the bank the amount of its agreed participation in the loan then outstanding, with interest to the date of such purchase at the rate specified in the note.

4. *Voluntary purchase privilege.*—At any time such action is deemed desirable this Corporation may purchase voluntarily its agreed participation from the bank during the term of the agreement, and either the bank or this Corporation may purchase voluntarily the other's interest in the loan.

5. *Possession of note and collateral and administration of loan.*—The bank shall hold the note and collateral and administer the loan in its customary manner, except that it shall not, without the prior authorization of this Corporation, change any terms of the loan or change or release any of the collateral. Subsequent to the purchase by this Corporation of a participation in said loan, the bank shall continue to hold the note and collateral, except that upon five days' written request, the bank shall transfer the note and collateral without recourse to this Corporation to be deposited with the appropriate Federal Reserve Bank as custodian for this Corporation. In the event of such a transfer, this Corporation shall issue to the bank a certificate evidencing the interest retained by the bank in the loan, and following such transfer the loan shall be administered by this Corporation in its customary manner, except that it shall not, without the prior consent of the bank, change any terms of the loan, or change or release any of the collateral.

**B. AGREEMENT FOR IMMEDIATE PARTICIPATION BY R. F. C. IN LOANS TO BE MADE AND ADMINISTERED BY BANKS**

1. *Terms of agreement.*—Upon application of a bank, this Corporation, if it approves such application, will execute an agreement to purchase a specified participation in a loan made by the bank, immediately upon the disbursement thereof. At the time of such purchase the bank shall issue to this Corporation a certificate evidencing the interest in the loan purchased by this Corporation. No charge shall be made for such participation agreement.

2. *Possession of note and collateral and administration of loan.*—The bank shall hold the note and collateral and administer the loan in its customary manner, except that it shall not, without the prior authorization of this Corporation, change any terms of the loan, or change or release any of the collateral. At any time deemed desirable by this Corporation, upon five days' written request, the bank shall transfer without recourse the note and collateral to this Corporation to be deposited with the appropriate Federal Reserve Bank as custodian for this Corporation.

3. *Voluntary purchase privilege.*—Either the bank or this Corporation may purchase voluntarily the other's interest in the loan at any time such action is deemed desirable.

## II. LOANS BY R. F. C. IN WHICH BANKS PARTICIPATE

### A. AGREEMENT FOR IMMEDIATE PARTICIPATION BY BANKS IN LOANS TO BE MADE AND ADMINISTERED BY R. F. C.

1. *Terms of agreement.*—Upon application of a bank, this Corporation, if it approves such application, will enter into an agreement with the bank, whereby the bank will agree to purchase and this Corporation will agree to sell a specified participation in a loan to be made by this Corporation, immediately upon the disbursement thereof. At the time of such purchase and sale this Corporation shall issue to the bank a certificate evidencing the interest in the loan purchased by the bank.

2. *Possession of note and collateral and administration of loan.*—This Corporation shall hold the note and collateral and administer the loan in its customary manner, except that it shall not, without the prior consent of the bank, change any terms of the loan, or change or release any of the collateral.

### III. GENERAL TERMS AND CONDITIONS

Participation agreements (as described above) will be entered into only with respect to loans, the terms, conditions, and purposes of which are in accordance with the provisions of Section 5d (hereinafter quoted) of the Reconstruction Finance Corporation Act, as amended, and in accordance with provisions set forth in this Corporation's Circular No. 13 (Revised) regarding loans to business enterprises.

This corporation will enter into a participation agreement with one or more banks. The amount of this Corporation's participation in a loan shall be such percentage as is acceptable to this Corporation and the applicant bank.

The sale of a participation in a loan, either by this Corporation or by a bank, shall be without liability on the part of such seller as endorser or guarantor.

This Corporation will purchase a participation only in a loan made subsequent to the date of the participation agreement and only in a loan made in accordance with the resolution adopted by this Corporation.

A bank shall not charge any bonus, fee, or commission in connection with a participation loan.

#### A. RATES OF INTEREST

Participation loans shall bear such rate of interest as shall be approved by this Corporation.

#### B. ADMINISTRATION AND SERVICING OF LOANS

All loans shall be disbursed subject to the terms and conditions of the resolution adopted by this Corporation. The holder of the note and collateral shall administer and service the loan and in connection therewith shall receive all payments, remitting to the other party its prorata share, but the holder of the note and collateral shall not, without the prior consent of the other party, change any terms of the loan or change or release any of the collateral.

In special cases this Corporation may authorize a participating bank to act as its special agent or to exercise an extended measure of control with respect to the administration and servicing of a loan.

#### IV. APPLICATION FORMS AND PROCEDURE FOR FILING APPLICATIONS

Application forms, which must be used by a business enterprise in making application to a bank for a participation loan, may be obtained from the Loan Agency of this Corporation serving the district in which the applicant is located. (See list of such Loan Agencies below, and map showing Loan Agency districts on page 7.)

Application forms to be used by a bank in requesting this Corporation to enter into a participation agreement, and forms of the respective participation agreements herein described, may also be obtained from the Loan Agencies.

All applications of business enterprises for a participation loan must be filed with the interested bank and not with this Corporation. The interested bank shall then file its application for a participation agreement, accompanied by two executed copies of the application of the business enterprise, with the Loan Agency of this Corporation serving the district in which such bank is located. No applications will be received directly at the Washington office of this Corporation.

*All requests for information should be directed to the Loan Agency serving applicant's district and not to the Washington office.*

#### V. LOCATIONS OF LOAN AGENCIES OF RECONSTRUCTION FINANCE CORPORATION

(The territory served by each Loan Agency is indicated on the map on page 7 of this Circular.)

Atlanta, Ga.	Houston, Tex.	Omaha, Nebr.
Birmingham, Ala.	Jacksonville, Fla.	Philadelphia, Pa.
Boston, Mass.	Kansas City, Mo.	Portland, Oreg.
Charlotte, N. C.	Little Rock, Ark.	Richmond, Va.
Chicago, Ill.	Los Angeles, Calif.	St. Louis, Mo.
Cleveland, Ohio	Louisville, Ky.	Salt Lake City, Utah
Dallas, Tex.	Minneapolis, Minn.	San Antonio, Tex.
Denver, Colo.	Nashville, Tenn.	San Francisco, Calif.
Detroit, Mich.	New Orleans, La.	Seattle, Wash.
El Paso, Tex.	New York, N. Y.	Spokane, Wash.
Helena, Mont.	Oklahoma City, Okla.	

In addition, this Corporation maintains a Special Representative at San Juan, Puerto Rico, through whom all applications from Puerto Rico should be forwarded.

## VI. ACTS OF CONGRESS APPLICABLE TO LOANS OF THE CHARACTER HEREIN DESCRIBED

The following is Section 5d of the Reconstruction Finance Corporation Act, as amended, pursuant to the provisions of which loans of the character herein described are made:

SEC. 5d. For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the Corporation is authorized and empowered, under such terms, conditions, and restrictions as the Corporation may determine, to make loans to, or contracts with, States, municipalities, and political subdivisions of States, with public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States, and with public corporations, boards, and commissions, to aid in financing projects authorized under Federal, State, or municipal law, such loans or contracts to be made through the purchase of their securities, or otherwise, and for such purpose the Corporation is authorized to bid for such securities. The Corporation is further authorized and empowered to purchase the securities and obligations of, and to make loans to, any business enterprise when capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available: *Provided*, That all such purchases of securities and obligations and all such loans shall be, in the opinion of the board of directors, of such sound value, or so secured, as reasonably to assure retirement or repayment; may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise; shall be made only when, in the opinion of the board of directors, the business enterprise is solvent; and shall be made under such terms, conditions, and restrictions as the Corporation may determine: *Provided further*, That in carrying out the provisions of this section, the Corporation may purchase securities and obligations, and may make loans, with such maturities as the Corporation may determine, notwithstanding any other provision of law.

The powers granted to the Corporation by this section shall terminate on June 30, 1939, or on such earlier date as the President shall determine; but no provision of law terminating any of the functions of the Corporation shall be construed (1) to prohibit disbursement of funds on purchases of securities and obligations, on loans, or on commitments or agreements to make such purchases or loans, made under this section prior to the close of business on June 30, 1939, or such earlier date, or (2) to affect the validity or performance of any agreement to participate in any purchase or loan authorized by this section.

Nothing in this section shall be construed to authorize the Corporation (1) to purchase, or to make any commitment or agreement to purchase, any securities or obligations of any railroad engaged in interstate commerce the obligations of which may be purchased or guaranteed by the Corporation under section 5 of this Act only with the approval of the Interstate Commerce Commission, or (2) to make any loan, or any commitment or agreement to make a loan, to any such railroad or to any receiver or trustee thereof.

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The following provisions of the Reconstruction Finance Corporation Act, as amended, are applicable to loans under Section 5d of the Reconstruction Finance Corporation Act, as amended:

SEC. 16. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of

value, under this Act, shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, issued by the corporation, or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited note, debenture, bond, or other obligation, or coupon, purporting to have been issued by the corporation, knowing the same to be false, forged, or counterfeited, or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon, issued or purporting to have been issued by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this Act, shall be punished by a fine of not more than \$10,000 or by imprisonment for not more than five years, or both.

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(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive) in so far as applicable, are extended to apply to contracts or agreements with the corporation under this Act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The following section of the Act approved June 10, 1933 (48 Stat., chap. 55), as amended, is applicable to loans referred to in this Circular:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of what appears reasonable to the Reconstruction Finance Corporation, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of what appears reasonable to the Reconstruction Finance Corporation while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.



# RECONSTRUCTION FINANCE CORPORATION LOAN AGENCY DISTRICTS

