

CIRCULAR No. 1
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION FOR BANKS AND OTHER FINANCIAL
INSTITUTIONS DESIRING TO APPLY FOR LOANS
UNDER THE RECONSTRUCTION FINANCE
CORPORATION ACT



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INFORMATION FOR BANKS AND OTHER FINANCIAL INSTITUTIONS DESIRING TO APPLY FOR LOANS UNDER THE RECONSTRUCTION FINANCE CORPORATION ACT

1. TO WHOM LOANS MAY BE MADE.

The Reconstruction Finance Corporation is authorized to make loans to aid in financing agriculture, commerce, or industry, including facilitating the exportation of agricultural and other products, to the following:

Banks.	Federal land banks.
Savings banks.	Joint-stock land banks.
Trust companies.	Federal intermediate credit banks.
Building and loan associations.	Credit unions.
Insurance companies.	Agricultural credit corporations.
Mortgage loan companies.	Livestock credit corporations.

2. MATURITIES AND INTEREST RATES.

Loans may be made for such periods as the corporation may approve, having regard to the circumstances of each case, not exceeding three years. The rates of interest or discount will be determined by the corporation from time to time.

3. SECURITY.

The Act provides that all such loans made by the corporation must be fully and adequately secured. It also provides that no loan or advance may be made upon foreign securities or foreign acceptances as collateral.

4. FORM OF OBLIGATION.

Loans may be made directly upon promissory notes of the borrower or by way of discount or rediscount of obligations tendered for the purpose, in such manner as to impose upon the borrower an unconditional obligation to repay such loans in accordance with their terms.

5. LIMITATIONS AND CONDITIONS.

The Reconstruction Finance Corporation Act prescribes certain limitations and conditions upon loans, and accordingly the corporation will require proper showing that all loans are within such limitations.

(a) No loans or advances may be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities or foreign acceptances.

(b) No loan may be made for the purpose of initiating, setting on foot, or financing any enterprise not initiated, set

on foot, or undertaken prior to January 22, 1932, except that this limitation does not apply to loans made to agricultural or livestock credit corporations or Federal land banks, joint-stock land banks, or Federal intermediate credit banks, nor to loans made to banks for the purpose of financing agricultural operations.

(c) All borrowers must consent to such examinations as the corporation may require and that reports of examinations by constituted authorities may be furnished by such authorities to the corporation upon request therefor.

6. APPLICATIONS.

A form of application has been prepared and may be obtained from the corporation at Washington, D. C., or from any Federal Reserve Bank or branch thereof. Applications for loans should be made on the prescribed form.

Credit information.

Sufficient information should be submitted to enable the corporation to determine promptly the financial condition of the applicant, and the reasonable value of the security offered. Such information should include financial statements of the makers of collateral notes or true copies thereof, and appropriate data on mortgages and unlisted securities, including copies of recent appraisals covering real estate securing mortgage loans. Collateral listed in the application must be considered and valued by the officers authorized to execute the application.

False statements and overvaluations of such security are subject to the penal provisions of the Act.

Examination reports.

Applicants which are not subject to supervision and examination by Federal authority are required to submit copies of the latest report of examination by State authorities if subject to State supervision, and, if not, are required to submit the latest available audit.

7. PROCEDURE.

Resolution authorizing the application and loan must be adopted by the board of directors of the applicant, and the application, exhibits, and collateral submitted to counsel for the applicant and his opinion obtained in the form prepared by the corporation.

Three copies of the application and exhibits should be filed with the nearest loan agency of the corporation, and such agency may

require such additional information as it deems advisable prior to transmitting the application to the corporation with its recommendation.

The applicant will be duly notified of the action taken by the Reconstruction Finance Corporation. If the application is approved, the corporation will make the proceeds of the loan available through the Federal Reserve Bank or branch of the district in which the applicant is located, upon the deposit of the applicant's obligation and the collateral therefor in accordance with the requirements of the corporation. Collateral should be properly indorsed or assigned, and mortgages should be accompanied by title papers and executed assignments to the corporation in form for recordation.

8. OTHER APPLICANTS.

Information as to applications by railroads and the receivers thereof is the subject of Circular No. 2 issued by the corporation.

Reconstruction Finance Corporation Act

The following sections of the Reconstruction Finance Corporation Act applicable to loans are quoted for the information of applicants:

SEC. 5. To aid in financing agriculture, commerce, and industry, including facilitating the exportation of agricultural and other products, the corporation is authorized and empowered to make loans, upon such terms and conditions not inconsistent with this act as it may determine, to any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State or of the United States, including loans secured by the assets of any bank that is closed, or in process of liquidation, to aid in the reorganization or liquidation of such banks, upon application of the receiver or liquidating agent of such bank, and any receiver of any national bank is hereby authorized to contract for such loans and to pledge any assets of the bank for securing the same: *Provided*, That not more than \$200,000,000 shall be used for the relief of banks that are closed or in the process of liquidation.

All loans made under the foregoing provisions shall be fully and adequately secured. The corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. Such loans may be made directly upon promissory notes or by way of discount or rediscount of obligations tendered for the purpose, or otherwise in such form and in such amount and at such interest or discount rates as the corporation may approve: *Provided*, That no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances. In no case shall the aggregate amount of advances made under this section to any one corporation and its subsidiary or affiliated organizations exceed at any one time 5 per centum of (1) the authorized capital stock of the Reconstruction Finance Corporation plus (2) the aggregate amount of bonds of the corporation authorized to be outstanding when the capital stock is fully subscribed.

Each such loan may be made for a period not exceeding three years, and the corporation may from time to time extend the time of payment of any such loan, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond five years from the date upon which such loan was made originally. Except as provided in section 5a hereof, no loan or advancement shall be made by the corporation for

the purpose of initiating, setting on foot, or financing any enterprise not initiated, set on foot, or undertaken prior to the adoption of this act: *Provided*, That the foregoing limitation shall not apply to loans made to agricultural or livestock credit corporations, or Federal land banks, joint-stock land banks, or Federal intermediate credit banks, nor to loans made to banks for the purpose of financing agricultural operations. The corporation may make loans under this section at any time prior to the expiration of one year from the date of the enactment hereof; and the President may from time to time postpone such date of expiration for such additional period or periods as he may deem necessary, not to exceed two years from the date of the enactment hereof.

Within the foregoing limitations of this section, the corporation may also, upon the approval of the Interstate Commerce Commission, make loans to aid in the temporary financing of railroads and railways engaged in interstate commerce, to railroads and railways in process of construction, and to receivers of such railroads and railways, when in the opinion of the board of directors of the corporation such railroads or railways are unable to obtain funds upon reasonable terms through banking channels or from the general public and the corporation will be adequately secured: *Provided*, That no fee or commission shall be paid by any applicant for a loan under the provisions hereof in connection with any such application or any loan made or to be made hereunder, and the agreement to pay or payment of any such fee or commission shall be unlawful. Any such railroad may obligate itself in such form as shall be prescribed and otherwise comply with the requirements of the Interstate Commerce Commission and the corporation with respect to the deposit or assignment of security hereunder, without the authorization or approval of any authority, State or Federal, and without compliance with any requirement, State or Federal, as to notification, other than such as may be imposed by the Interstate Commerce Commission and the corporation under the provisions of this section.

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SEC. 6. Section 5202 of the Revised Statutes of the United States, as amended, is hereby amended by striking out the words "War Finance Corporation Act" and inserting in lieu thereof the words "Reconstruction Finance Corporation Act."

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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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(c) 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.