CIRCULAR NO. 22
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS TO PUBLIC AGENCIES
UNDER SECTION 5d OF THE RECONSTRUCTION
FINANCE CORPORATION ACT,
AS AMENDED

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INFORMATION REGARDING LOANS TO PUBLIC AGENCIES UNDER SECTION 5d OF THE RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED

1. For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor, Reconstruction Finance Corporation is authorized and empowered 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 (hereinafter called "public agencies"), 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 this Corporation is authorized to bid for such securities.

2. Types of Projects To Be Financed.—This Corporation is authorized to aid in financing projects authorized under Federal, State, or municipal law.

3. Types of Obligations.—This Corporation is authorized to make loans to, or contracts with, public agencies through the purchase of bonds, notes, or other obligations of such agencies, or otherwise. The obligations shall be secured in such manner as may be acceptable to this Corporation. A satisfactory showing as to the ability of the applicant, or of the project, if the revenue of the same is to be the source of repayment, to repay the loan requested of this Corporation will be required. Any obligations offered to evidence a loan must be legal, binding, and enforceable obligations of the applicant.

4. Terms of Loans.—Loans may be made for such periods of time, in such amounts, at such rates of interest or discount, and under such terms, conditions, and restrictions as this Corporation may determine in each instance in the light of all the circumstances.

5. Fees, Commissions, Etc.—No fee, bonus, or commission shall be paid by an 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 this Corporation. Such charges may include reasonable compensation for services rendered by attorneys, engineers, appraisers, accountants, etc. Fees or charges contingent upon the obtaining of a loan will not be allowed, nor will an applicant be permitted to pay a fee or charge based upon a percentage of a loan.

6. Expenses of Applicant.—This Corporation will be under no obligation to pay any costs, charges, or expenses incurred by the applicant in connection with the preparation and filing of an application or furnishing any information required by this Corporation.
7. **Wages, Hours, Etc.—** Applicants will be required to comply with applicable provisions of any and all Federal legislation, now in effect or hereafter enacted, and with applicable rules and regulations promulgated by constituted authority pursuant thereto, respecting maximum hours, minimum wages, and child labor; and will be required to obtain this covenant from all contractors with whom applicants contract concerning the project or the operation thereof.

8. **Compliance With Other Federal Regulations.—** Each applicant must agree to comply with the regulations relating to pay for labor promulgated by the Secretary of the Treasury and the Secretary of the Interior, under date of January 8, 1935, as well as with any similar regulations which may be promulgated by the President of the United States or other duly constituted authority.

9. **Applications for Loans.—** Applications should be sent direct to Reconstruction Finance Corporation at its office at 1825 H Street, N. W., Washington, D. C., on forms supplied by this Corporation, accompanied by appropriate maps, plans, specifications, and all other data and memoranda necessary for a full examination of the project.

Three signed copies of each application and supporting data should be filed, except that only one set of plans and specifications and similar engineering exhibits and only one copy of applicant’s charter and similar legal exhibits, when required, need be furnished. **Forms for applications may be obtained by writing to the Washington office of Reconstruction Finance 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 this Corporation or its representatives, but advice and information will be given upon request.

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**Statutory Provisions**

The following is section 5d of the Reconstruction Finance Corporation Act, as amended, pursuant to the provisions of which loans of the character referred to in this circular 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.

The following provisions of section 16 of the Reconstruction Finance Corporation Act, as amended, are quoted for the information of applicants:

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 * * * willfully violates any * * * 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.

(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.