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Information Regarding the Financing of Projects of Municipalities and Other Public Agencies



RECONSTRUCTION FINANCE CORPORATION

Circular No. 22

Revised July 1948

RECONSTRUCTION FINANCE CORPORATION

INFORMATION REGARDING RFC AID TO PUBLIC AGENCIES IN FINANCING PROJECTS AUTHORIZED UNDER FEDERAL, STATE OR MUNICIPAL LAW

The Reconstruction Finance Corporation is authorized under section 4 (a) (3) of the RFC Act, as amended, to purchase the securities and obligations of, or make loans to:

- (a) States, municipalities, and political subdivisions of States,
 - (b) Public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States, and
 - (c) Public corporations, boards and commissions,
- for the purpose of aiding in financing projects authorized under Federal, State, or municipal law.

Financing Applied for Must Be Unavailable From Other Sources on Reasonable Terms

The Reconstruction Finance Corporation will not extend financial assistance unless the financial assistance applied for is not otherwise available on reasonable terms. Applicants should make every effort to obtain the required financing from other sources before applying to RFC, and when applying to RFC should submit full details regarding their negotiations to obtain the required financial aid elsewhere.

Assurance of Repayment Is Required

All securities and obligations purchased and all loans made by RFC shall be of such sound value or so secured as reasonably to assure retirement or repayment.

Purpose

Financial assistance will be extended by RFC only for projects authorized under Federal, State, or municipal law. No security or obligation will be purchased by RFC nor will any loan be made for the payment of ordinary governmental or nonproject operating expenses as distinguished from specific public projects. Typical projects which may be considered eligible include the construction, repair, or improvement of water or sewer systems, bridges, tunnels, highways, hospitals, airport facilities, drainage and irrigation systems, transit systems, port facilities, public college dormitories, public authority housing facilities, and other types of public facilities.

Type of Obligation

The borrowers' obligations may be in the form of revenue bonds, general obligation bonds, notes, or other valid obligations, provided the kind of obligation is satisfactory to RFC. The issuance and sale of the obligations must be authorized under applicable State and local law, for the purpose of financing the proposed project. The terms of the obligations must be satisfactory to RFC with maturities of not in excess of 40 years, and a satisfactory showing will be required as to the sufficiency of the estimated revenues to retire the obligations.

When to File Application

Applications will be considered by RFC at any stage of preparation or progress of the project, but it is preferable for the applicant to submit the application before beginning work on the project and before fixing the terms of its bond issue. Thus, on projects where RFC financing is contemplated or desired, it is advisable, from the standpoint of the applicant, to submit the application to RFC and to await its outcome before conducting election or other legal proceedings to fix the amount and other terms of the proposed bond issue. Likewise, it is inadvisable for the applicant to start construction work or to let contracts for the project before the application has been actually approved by RFC.

Application Forms and Where to File Applications

Application forms for use by public agencies in applying for financial assistance from RFC may be obtained from the Washington office of RFC or from any RFC Loan Agency. The application, when filed, should be accompanied by appropriate maps, plans, specifications, and other data and memoranda necessary for full examination of the proposed securities and of the project to be financed. 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 the applicant's charter and similar legal exhibits, when required, need be furnished. Applications should be sent directly to the Public Agency Branch, Office of Loans, Reconstruction Finance Corporation, Washington 25, D. C. Applications may also be submitted through the RFC Loan Agency serving the territory in which the applicant is located.

Fees and Commissions Prohibited

No fee or commission may be paid by any applicant for financial assistance under the provisions of the RFC Act as amended in connection with any such application, and any agreement to pay or payment of any such fee or commission is unlawful. However, the applicant, subject to prior approval of RFC, may pay actual reasonable costs incurred, including such items as compensation for services rendered by attorneys, engineers, and architects.

Expenses of Applicant

RFC will be under no obligation to pay costs, charges, or expenses incurred by the applicant in connection with the preparation and filing of an application or furnishing any information required by RFC.

Compliance With Applicable Labor Regulations Is Required

Applicants receiving financial assistance from RFC for construction projects must agree to comply with the regulations relating to pay for labor, promulgated by the Secretary of Labor under the "Kickback" statute (40 U. S. C. A. sec. 276c).

Funds Made Available in Installments as Work Progresses

The applicant's securities issued to finance the project may be purchased by RFC all at one time or in instalments as the funds are needed to pay the costs of the project.

PROVISIONS OF LAW, WITH REGARD TO FALSE STATEMENTS, FRAUD, ETC.

The following provisions of the Reconstruction Finance Corporation Act, as amended, are applicable to all loans and participations in loans by RFC:

"SEC. 11. (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 removal, 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.

"SEC. 11. (b) Whoever * * * willfully violates any * * * provision of this Act, shall be punished by a fine of not more than \$10,000, by imprisonment for not more than five years, or both.

"SEC. 11. (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), insofar 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."