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CIRCULAR NO. 23  
OF THE  
RECONSTRUCTION  
FINANCE CORPORATION

INFORMATION CONCERNING LOANS AND PURCHASES  
TO AID IN THE NATIONAL DEFENSE PROGRAM



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## INFORMATION CONCERNING LOANS AND PURCHASES TO AID IN THE NATIONAL-DEFENSE PROGRAM

1. *Statutory authority.*—The Act (Public, No. 664, 76th Cong.) approved June 25, 1940, among other things, amends section 5d of the R. F. C. Act and authorizes the Reconstruction Finance Corporation to make loans to, or to purchase the capital stock of, corporations for certain specified purposes in order to aid the Government of the United States in its national-defense program. (See sec. 5-(1) of the Act.)

2. *Purposes.*—Such loans or purchases are authorized to be made (a) for the purpose of producing, acquiring, and carrying strategic and critical materials (as defined by the President) and (b) for plant construction, expansion and equipment, and working capital to be used in the manufacture of equipment and supplies necessary to the national defense.

3. *Eligibility.*—Applications for such loans or purchases will be received from any corporate enterprise authorized to engage in the business of producing, acquiring or carrying strategic and critical materials (as defined by the President) or in the business of manufacturing equipment and supplies necessary to the national defense.

4. *Form of application.*—Application forms may be obtained from the Loan Agency or the Special Representative of the Reconstruction Finance Corporation serving the district in which the applicant is located. (See list of Loan Agencies and Special Representatives below.) With the exception of applications pertaining to the production of strategic and critical minerals, all applications and requests for information must be filed with the Loan Agency or Special Representative serving the applicant's district. All applications and requests for information pertaining to the production of strategic and critical minerals, must be transmitted directly to the Washington office and such applications must be made on the regular mining loan forms.

Each Loan Agency and Special Representative of this Corporation will, when requested, assist and advise applicants in the preparation of applications; provided, however, that any such assistance, advice, or suggestions by such Agencies or Special Representatives shall in no sense be considered as a commitment of Reconstruction Finance Corporation to make a loan.

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 the furnishing of any information required by this Corporation.

5. *Terms and conditions.*—Such loans or purchases to aid in the national-defense program are authorized to be made on such terms and conditions

and with such maturities as this Corporation may determine (except that such purchases of capital stock may be made only when requested by the Federal Loan Administrator with the approval of the President). Since such loans and purchases may be made only for the purpose of aiding in the national-defense program, however, it is impracticable to specify in advance the particular terms and conditions upon which such loans or purchases will be authorized. The Directors of the Reconstruction Finance Corporation will make the final determination in each case of the extent to which the loan or purchase applied for will aid in the national-defense program and the terms and conditions which shall be applicable thereto.

6. *Charges, commissions, bonuses, fees, etc.*—Payment of bonuses, fees, or commissions for the purpose of, or in connection with obtaining loans or purchases is strictly prohibited. However, the applicant, subject to the prior approval of this Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan or purchase. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to this Corporation. All charges must be fully disclosed. Fees or charges contingent upon the obtaining of a loan or purchase will not be allowed, nor will an applicant be permitted to pay a fee or charge based upon a percentage of a loan or purchase. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan or purchase, fully disclosed and itemized, has been or will be paid.

7. *Salaries.*—As required by law, the applicant must agree that, so long as any portion of the loan remains outstanding, it will not pay compensation to any officer, director, or employee at a rate in excess of that which appears reasonable to this Corporation.

8. *Locations of Loan Agencies of Reconstruction Finance Corporation.*—

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

In addition, this Corporation maintains a Special Representative at Salt Lake City, Utah, and at San Juan, Puerto Rico.

9. *Acts of Congress applicable to loans and purchases of the character herein described.*—The following is the portion of section 5d of the Reconstruction Finance Corporation Act, as amended, pursuant to the provisions of which loans or purchases of the character herein described are made:

In order to aid the Government of the United States in its national-defense program, the Corporation is authorized—

(1) To make loans to, or, when requested by the Federal Loan Administrator with the approval of the President, purchase the capital stock of, any corporation (a) for the purpose of producing, acquiring, and carrying strategic and critical materials as defined by the President, and (b) for plant construction, expansion and equipment, and working capital, to be used by the corporation in the manufacture of equipment and supplies necessary to the national defense, on such terms and conditions and with such maturities as the Corporation may determine; \* \* \*. (Sec. 5-(1) of the Act approved June 25, 1940, Public, No. 664, 76th Cong.)

The following provisions of the Reconstruction Finance Corporation Act, as amended, are applicable to all loans and purchases referred to in this Circular:

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) 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.

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.

