CIRCULAR No. 4
(REVISIRED)

RECONSTRUCTION FINANCE CORPORATION

ITS POWERS AND FUNCTIONS

OCTOBER 1935

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RECONSTRUCTION FINANCE CORPORATION
1825 H Street Northwest
Washington, D. C.

DIRECTORS AND OFFICERS

Jesse H. Jones, Chairman, Board of Directors.
Henry Morgenthau, Jr. (Secretary of the Treasury), Director Ex Officio.
Charles T. Fisher, Jr., Director.
Charles B. Henderson, Director.
Carroll B. Merriam, Director.
Hubert D. Stephens, Director.
Frederic H. Taber, Director.
George R. Cooksey, Secretary.
James B. Alley, General Counsel.
Henry A. Mulligan, Treasurer.
RECONSTRUCTION FINANCE CORPORATION

The Reconstruction Finance Corporation was created by "An Act to provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes", approved January 22, 1932, which may be cited as the "Reconstruction Finance Corporation Act." The powers of the Corporation were increased and the scope of its operations extended by subsequent legislation, the text of which is contained in a pamphlet entitled "Reconstruction Finance Corporation Act, as amended, and other Laws and Documents pertaining to Reconstruction Finance Corporation", revised and issued in February, 1935.

The Corporation may perform all functions it is authorized to perform under law until February 1, 1937, or such earlier date as the President may fix by proclamation.

This circular outlines the organization, functions, and authority of the Corporation under existing law.

I. MANAGEMENT AND ORGANIZATION

The Reconstruction Finance Corporation was organized on February 2, 1932, pursuant to the provisions of the Reconstruction Finance Corporation Act which provides that it shall have succession for a period of 10 years from January 22, 1932, unless sooner dissolved by an act of Congress. Under the Act, as amended, its management is vested in a board of directors consisting of the Secretary of the Treasury (or, in his absence, the Under Secretary of the Treasury), who is a member ex officio, and six other directors appointed by the President of the United States, by and with the advice and consent of the Senate.

The Corporation functions through a principal office at Washington and loan agencies established in cities throughout the United States, as follows:

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

1 A map showing the territory served by each loan agency will be found on p. 21.
In addition to the foregoing, the Corporation has a special representative and Custodian at San Juan, Puerto Rico.

The Federal Reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for the Corporation. The proceeds of loans generally are disbursed by the Corporation through the Federal Reserve banks and their branches which also, acting as custodians, hold the primary obligations of borrowers evidencing indebtedness to the Corporation, as well as the collateral pledged with the Corporation as security therefor. Since there is no Federal Reserve bank in Puerto Rico, the Insular Treasurer at San Juan acts as Custodian for the Corporation.

The funds of the Corporation are kept on deposit with the Treasurer of the United States.

II. LOANS TO FINANCIAL INSTITUTIONS AND RAILROADS UNDER SECTION 5 OF THE RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED

The Corporation, under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended, is authorized to make loans on full and adequate security and upon the terms and conditions stated in the law, 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, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the United States, including loans secured by the assets of any bank, savings bank, or building and loan association that is closed, or in process of liquidation, to aid in the reorganization or liquidation thereof, upon application of the receiver or liquidating agent of such institution.

Under the same section of the law, as amended, the Corporation, with the approval of the Interstate Commerce Commission, including approval of the price to be paid, may, to aid in the financing, reorganization, consolidation, maintenance, or construction thereof, purchase for itself, or for account of a railroad obligated thereon, the obligations of railroads engaged in interstate commerce, including equipment trust certificates, or guarantee the payment of the principal of, and/or interest on, such obligations, including equipment trust certificates, or, when, in the opinion of the Corporation, funds are not available on reasonable terms through private channels, make loans, upon full and adequate security, to such railroads or to receivers or trustees thereof for the aforesaid purposes. In the case of loans to or the purchase or guarantee of obligations, including equipment trust certificates, of railroads not in receivership or trusteeship, the Interstate Commerce Commission shall, in connection with its approval thereof, also certify that such railroad, on the basis of present and prospective earnings, may reasonably be expected to meet its fixed charges, without a reduc-

1 Regarding loans to closed banks, see also p. 7-8.
tion thereof through judicial reorganization, except that such certificate shall not be required in case of such loans made for maintenance of, or purchase of equipment for, such railroads. The Reconstruction Finance Corporation Act, as amended, provides that in respect of loans or renewals or extensions of loans or purchases of obligations under section 5 of the Reconstruction Finance Corporation Act, as amended, to or of railroads, the Corporation may require as a condition of making any such loan or renewal or extension for a period longer than 5 years, or purchasing any such obligation maturing later than 5 years from the date of purchase by the Corporation, that such arrangements be made for the reduction or amortization of the indebtedness of the railroad, either in whole or in part, as may be approved by the Corporation after the prior approval of the Interstate Commerce Commission.

Section 4 of an Act of Congress, approved June 10, 1933 (Public, No. 35, 73d Cong.), provides that the 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 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 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.

Section 5 of the Reconstruction Finance Corporation Act, as amended, provides that in no case shall the aggregate amount of advances made thereunder to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2½ per centum of

1. The authorized capital stock of the Reconstruction Finance Corporation, plus

2. The aggregate amount of bonds authorized to be outstanding when the capital stock is fully subscribed.

Such limitation, however, does not apply to advances to receivers or other liquidating agents of closed banks when made for the purpose of liquidation or reorganization.

No loans or advances may be made under section 5 of the Reconstruction Finance Corporation Act 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.

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3 See "2. Issue of Notes, Debentures, Bonds, or Other Such Obligations", under "XXI. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION," pp. 16-18.
III. SUBSCRIPTIONS FOR PREFERRED STOCK OF NATIONAL OR STATE BANKS OR TRUST COMPANIES, LOANS SECURED BY SUCH STOCK AS COLLATERAL, OR PURCHASES OF CAPITAL NOTES OR DEBENTURES OF STATE BANKS OR TRUST COMPANIES

Under section 304 of the Act of Congress approved March 9, 1933, as amended (Public, No. 1, 73d Cong.), the Reconstruction Finance Corporation is authorized to subscribe for preferred stock, exempt from double liability, in any National or State bank or trust company, upon the request of the Secretary of the Treasury with the approval of the President. The Corporation also is authorized to make loans secured by the preferred stock of National or State banks or trust companies as collateral, upon the request of the Secretary of the Treasury with the approval of the President. In any case in which a State bank or trust company is not permitted, under the laws of the State in which it is located, to issue preferred stock exempt from double liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, the Corporation is authorized, for the purposes of this section, to purchase the legally issued capital notes or debentures of such State bank or trust company.

The Corporation is further authorized, under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), to sell, at public or private sale, the whole or any part of the preferred stock, capital notes, or debentures of any National or State bank or trust company acquired by the Corporation pursuant to the foregoing authority.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 6 and No. 18.

IV. SUBSCRIPTIONS FOR PREFERRED STOCK AND PURCHASES OF CAPITAL NOTES, ETC., OF INSURANCE COMPANIES, AND LOANS SECURED BY SUCH STOCK OR NOTES, ETC., AS COLLATERAL

Pursuant to the provisions of an Act of Congress approved June 10, 1933, as amended (Public, No. 35, 73d Cong.), the Corporation is authorized, upon the request of the Secretary of the Treasury with the approval of the President, to subscribe for preferred stock of any class, exempt from assessment or additional liability, in any insurance company of any State of the United States which is in need of funds for capital purposes either in connection with the organization of such company or otherwise, or to make loans secured by such stock as collateral. The Corporation further is authorized, under such rules

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4 The term "State bank or trust company", as construed by the Act approved March 9, 1933, includes a bank or trust company organized under the laws of any State, Territory, or possession of the United States, or the Canal Zone; and other banking corporations engaged in the business of industrial banking and under the supervision of State banking departments or of the Comptroller of the Currency.

5 The term "insurance company" includes any corporation engaged in the business of insurance or in the writing of annuity contracts, irrespective of the nature thereof, and operating under the supervision of a State superintendent or department of insurance in any of the States of the United States.

6 The term "State", as construed by the Act approved June 10, 1933, means any State, Territory, or possession of the United States, the Canal Zone, and the District of Columbia.
and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), to sell, at public or private sale, the whole or any part of the preferred stock of any such insurance company acquired by it pursuant to the aforesaid provisions of law.

In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than 20 days, or if the insurance company is a mutual organization without capital stock, the Corporation is authorized, for the purposes indicated above, to purchase the legally issued capital notes of such insurance company, or, if the company is a mutual organization without capital stock, such other form or forms of indebtedness as the laws of the State under which such company is organized permit, or to make loans secured by such notes or such other form or forms of indebtedness as collateral, which may be subordinated in whole or in part or to any degree to claims of other creditors.

The Corporation may not subscribe for any such preferred stock or purchase any such capital notes or make loans upon such stock or notes of any applicant insurance company:

1. If at the time of such subscription, purchase, or loan, any officer, director, or employee of the applicant is receiving total compensation, including any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services, in a sum in excess of $17,500 per annum from the applicant and/or any of its affiliates; 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, except with the consent of the Corporation and in no event to an amount exceeding $17,500 per annum, so long as preferred stock or capital notes, etc., are held by the Corporation.

The total amount of loans outstanding, preferred stock subscribed for, and capital notes or such other form or forms of indebtedness purchased and held by the Corporation pursuant to the aforesaid provisions of law relating to insurance companies may not exceed, at any one time, $75,000,000.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 8.

V. SUBSCRIPTIONS FOR OR LOANS UPON NONASSESSABLE STOCK AND PURCHASE OF CAPITAL NOTES OR DEBENTURES OF NATIONAL MORTGAGE ASSOCIATIONS, MORTGAGE LOAN COMPANIES, TRUST COMPANIES, ETC.

To assist in the reestablishment of a normal mortgage market, the Corporation may, under section 5e of the Reconstruction Finance Corporation Act, as amended, with the approval of the President, subscribe for or make
loans upon the nonassessable stock of any class of any national mortgage association organized under Title III of the National Housing Act, and of any mortgage loan company, trust company, savings and loan association, or other similar financial institution, now or hereafter incorporated under the laws of the United States, or of any State, or of the District of Columbia, the principal business of which institution is that of making loans upon mortgages, deeds of trust, or other instruments conveying, or constituting a lien upon, real estate or any interest therein. In any case in which, under the laws of its incorporation, such financial institution is not permitted to issue nonassessable stock, the Corporation is authorized, for the purposes of section 5c above mentioned, to purchase the legally issued capital notes or debentures of such financial institutions. Under such rules and regulations as it may prescribe (which regulations shall include at least 60 days' notice of any proposed sale to the issuer or maker), the Corporation may sell, at public or private sale, the whole or any part of the stock, capital notes, or debentures acquired by it pursuant to the provisions of said section 5c.

The total face amount of such loans outstanding, nonassessable stock subscribed for, and capital notes or debentures purchased and held by the Corporation, shall not exceed $100,000,000 at any one time.

VI. LOANS TO INDUSTRIAL OR COMMERCIAL BUSINESS DIRECT, OR IN CONJUNCTION WITH BANKS AND OTHER LENDING INSTITUTIONS

For the purpose of maintaining and increasing the employment of labor, when credit at prevailing bank rates for the character of loans applied for is not otherwise available at banks, the Corporation is authorized, pursuant to the provisions of section 5d of the Reconstruction Finance Corporation Act, as amended, to make loans to any industrial or commercial business, which shall include the fishing industry, and to any institution, now or hereafter established, financing principally the sale of electrical, plumbing, or air-conditioning appliances or equipment or other household appliances, both urban and rural. Such loans shall, in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, may be made directly, or in cooperation with banks or other lending institutions, or by purchase of participations, shall mature not later than January 31, 1945, shall be made only when deemed to offer reasonable assurance of continued or increased employment of labor, shall be made only when, in the opinion of the board of directors of the Corporation, the borrower is solvent, shall not exceed $300,000,000 in aggregate amount at any one time outstanding, and shall be subject to such terms, conditions, and restrictions as the board of directors of the Corporation may determine.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 13 and No. 15.

7 The Corporation also is authorized to make loans to the fishing industry under section 15 of the Act approved June 19, 1934. (See "XII. LOANS TO THE FISHING INDUSTRY", p. 9.)
VII. LOANS TO OR FOR THE BENEFIT OF CERTAIN AGRICULTURAL IMPROVEMENT DISTRICTS, ETC., TO REDUCE AND REFINANCE OUTSTANDING INDEBTEDNESS, ETC.

Section 36 of the Emergency Farm Mortgage Act of 1933, as amended, authorizes the Corporation to make loans, not to exceed $125,000,000 in the aggregate, to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, mutual nonprofit companies and incorporated water users' associations duly organized under the laws of any State and to or for the benefit of political subdivisions of States, which prior to May 12, 1933 (the date on which the Emergency Farm Mortgage Act of 1933 became law), have completed economically sound projects devoted chiefly to the improvement of land for agricultural purposes. Such loans shall be made for the following purposes:

1. To enable an applicant to reduce and refinance its outstanding indebtedness incurred in connection with its project;

2. To enable an applicant (irrespective of whether or not it has any outstanding indebtedness) to purchase or otherwise acquire in connection with its project, storage reservoirs, or dams or sites therefor or additional water rights or canals, ditches, or rights-of-way for the conduct of water or other works or appurtenances necessary for the delivery of water. Such loans shall only be made, however, if such purchase or acquisition is not intended to bring additional lands into production;

3. To enable an applicant, to whom a loan has been authorized for any of the purposes mentioned above, to make such repairs and necessary extensions or improvements to its project, as are necessary or desirable for the proper functioning of its project or for the further assurance of its ability to repay such loan. Such loans shall only be made, however, if such repairs and necessary extensions or improvements are not designed to bring new lands into production;

and shall be subject, with certain exceptions, to the same terms and conditions as loans under section 5 of the Reconstruction Finance Corporation Act, as amended.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 7.

VIII. LOANS UPON OR PURCHASE OF THE ASSETS OF CLOSED BANKS

Section 5e (a) of the Reconstruction Finance Corporation Act, as amended, authorizes the Corporation to make loans upon or purchase the assets, or any portion thereof, of any bank, savings bank, or trust company, which has been closed on or after December 31, 1929, and prior to January 1, 1934, and the affairs of which have not been fully liquidated or wound up, upon such terms...
and conditions as the Corporation may by regulations prescribe. This section also makes provision for loans upon or purchase by the Corporation of the assets, or any portion thereof, of closed banks which have been trusteeed or are otherwise held for the benefit of depositors or depositors and others.\(^8\)

**IX. MINING LOANS**

Section 14 of the Act of Congress approved June 19, 1934, as amended (Public, No. 417, 73d Cong.), authorizes the Corporation to make loans upon sufficient security to recognized and established corporations, individuals, and partnerships, engaged in the business of mining, milling, or smelting ores.

The Corporation is authorized also to make loans to corporations, individuals, and partnerships engaged in the development of a quartz ledge, or vein, or other ore body, or placer deposit, containing gold, silver, or tin, or gold and silver, when, in the opinion of the Corporation, there is sufficient reason to believe that, through the use of such loan in the development of a lode, ledge, or vein, or mineral deposit, or placer or gravel deposit, there will be developed a sufficient quantity of ore or placer deposits of a sufficient value to pay a profit upon mining operations. The law provides that not to exceed $20,000 shall be loaned to any corporation, individual, or partnership, for such development purposes; and further provides that a sum not to exceed $10,000,000 shall be allocated and made available for such development loans.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 14.

**X. LOANS TO MANAGING AGENCIES OF FARMERS’ COOPERATIVE MINERAL RIGHTS POOLS**

Pursuant to the provisions of section 13 of the Act of Congress approved June 19, 1934 (Public, No. 417, 73d Cong.), the Corporation is authorized to make loans upon full and adequate security, based on mineral acreage, to recognized and established incorporated managing agencies of farmers’ cooperative mineral rights pools for the purpose of defraying the cost of organizing such pools.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 16.

**XI. LOANS TO OR FOR THE BENEFIT OF PUBLIC-SCHOOL DISTRICTS OR OTHER PUBLIC-SCHOOL AUTHORITIES**

Pursuant to the provisions of section 1 of the Act of Congress approved August 24, 1935 (Public, No. 325, 74th Cong.), the Corporation is authorized to make loans to or for the benefit of tax-supported public-school districts or other similar public-school authorities in charge of public schools organized pursuant to the laws of the several States, Territories, and the District of

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\(^8\) The Corporation also may make loans to closed banks under the provisions of section 5 of the Reconstruction Finance Corporation Act, as amended. (See p. 2.)
Columbia for the purpose of enabling any such district or authority which, or any State, municipality, or other public body which is authorized to incur indebtedness for the benefit of public schools, to reduce and refinance outstanding indebtedness or obligations which have been incurred prior to August 24, 1935, for the purpose of financing the construction, operation, and/or maintenance of public-school facilities.

Loans may also be made to enable applicants, to whom refinancing loans have been authorized, to make such repairs and necessary extensions or improvements to the public-school facilities on account of which the indebtedness refinanced was incurred as are necessary or desirable for the further assurance of the ability of the applicants to repay such refinancing loans.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 20.

XII. LOANS TO THE FISHING INDUSTRY

By section 15 of the Act of Congress approved June 19, 1934 (Public, No. 417, 73d Cong.), the Corporation is authorized to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to any person, association, or corporation organized under the laws of any State, the District of Columbia, Alaska, Hawaii, or Puerto Rico, for the purpose of financing the production, storage, handling, packing, processing, carrying and/or orderly marketing of fish of American fisheries and/or products thereof. More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 17.

XIII. LOANS TO NONPROFIT CORPORATIONS FOR THE REPAIR OF DAMAGES CAUSED BY FLOODS OR OTHER CATASTROPHES

Pursuant to the provisions of the Act of Congress approved April 13, 1934 (Public, No. 160, 73d Cong.), as amended by the Act approved July 26, 1935 (Public, No. 224, 74th Cong.), the Corporation is authorized to make loans, upon terms and conditions specified therein and not to exceed $5,000,000 in the aggregate, to nonprofit corporations, with or without capital stock, organized for the purpose of financing the acquisition of home or building sites in replacement of sites formerly occupied by buildings where such sites are declared by public authority to be unsafe by reason of flood, danger of flood, or earthquake, and for the purpose of financing the repair or construction of buildings, or structures, or water, irrigation, gas, electric, sewer, drainage, flood-control, communication or transportation systems, damaged or destroyed by earthquake, conflagration, tornado, cyclone, or flood in the years 1933, 1934, 1935, and 1936, and deemed by the Corporation to be economically useful or necessary.

More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 19.

*The Corporation may also make loans to the fishing industry under the provisions of section 5d of the Reconstruction Finance Corporation Act, as amended. (See "VI. LOANS TO INDUSTRIAL OR COMMERCIAL BUSINESS DIRECT," etc., p. 6.)
XIV. LOANS FOR THE CARRYING AND ORDERLY MARKETING OF AGRICULTURAL COMMODITIES AND LIVESTOCK

Under section 201 (d) of the Emergency Relief and Construction Act of 1932, the Corporation is authorized to make loans to bona fide institutions, organized under the laws of any State or of the United States and having resources adequate for their undertakings, for the purpose of enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States. All such loans are required to be fully and adequately secured.

XV. SELF-LIQUIDATING LOANS UNDER SECTION 201 (A) OF THE EMERGENCY RELIEF AND CONSTRUCTION ACT OF 1932, AS AMENDED

The power of the Corporation to make new self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, pursuant to the provisions of section 301 of the National Industrial Recovery Act, which created the Federal Emergency Administration of Public Works. The functions of the Corporation in this field were superseded by the functions of that Administration. Section 301 of the National Industrial Recovery Act provides, however, that the Corporation may issue funds to a borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, prior to January 23, 1939, under the terms of any agreement or any commitment to bid upon or purchase bonds entered into with such borrower pursuant to an application approved prior to the date of termination of the power of the Corporation to approve applications under such section.

Section 301 of the National Industrial Recovery Act, as amended by the Act of Congress approved June 19, 1934, provides that in connection with any loan or contract or any commitment to make a loan entered into by the Corporation prior to June 26, 1933, to aid in financing part or all of the construction cost of projects pursuant to the provisions of section 201 (a) (1) of the Emergency Relief and Construction Act of 1932, as amended, the Corporation may make such further loans and contracts, subject to all the terms and conditions set forth in the Emergency Relief and Construction Act of 1932, as amended, for the completion of any such project, or for improvements, additions, extensions, or equipment which are necessary or desirable for the proper functioning of any such project, or which will materially increase the assurance that the borrower will be able to repay the entire investment of the Corporation in such project, including such improvements, additions, extensions, or equipment.

In all cases where the Corporation shall hold bonds or other evidences of indebtedness of any borrower under section 201 (a) of the Emergency Relief and Construction Act of 1932, whether heretofore or hereafter acquired, and such borrower shall be able and willing to substitute or cause to be substituted

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10 The Emergency Relief and Construction Act of 1932, as amended, construes the term “State” as used in Title II thereof (of which sec. 201 (d) is a part) as including the District of Columbia, Alaska, Hawaii, and Puerto Rico.
therefor any other bonds or other evidences of indebtedness, whether of the
same or longer maturities or otherwise differing, which, in the judgment of the
Corporation, are more desirable than those so held, the Corporation is author­
ized to accept such bonds or other evidences of indebtedness, in exchange and
substitution for such bonds or other evidences of indebtedness so held by it,
upon such terms and conditions agreed upon with such borrower at the time
of, or in contemplation of, such exchange and substitution.

XVI. LOANS FOR THE EXPORTATION OF AGRICULTURAL OR OTHER
PRODUCTS

Under section 5a of the Reconstruction Finance Corporation Act, as
amended, the Corporation is authorized, subject to specified limitations, to
accept drafts and bills of exchange drawn upon it, which grow out of transac­
tions involving the exportation of agricultural or other products actually sold
or transported for sale subsequent to the enactment of the law, and in process
of shipment to buyers in foreign countries. All such drafts and bills of exchange
must be in terms payable in the United States, in currency of the United States,
and, in addition to the draft or bill of exchange, must at all times be fully secured
by American securities as collateral, or must be guaranteed by a bank or trust
company of undoubted solvency, organized under the laws of the United States
or any State, Territory, or insular possession thereof.

Under section 201 (c) of the Emergency Relief and Construction Act of
1932, the Corporation is authorized to make loans for the purpose of financing
sales of surpluses of agricultural products in the markets of foreign countries
in which such sales cannot be financed in the normal course of commerce, in
order that such surpluses may not have a depressing effect upon current prices
of such products; but it is stipulated that no such sales shall be financed by the
Corporation if, in its judgment, such sales will affect adversely the world markets
for such products, and that no such loan may be made to finance the sale in
the markets of foreign countries of cotton owned by the Federal Farm Board 11
or the Cotton Stabilization Corporation. All loans made under such section
201 (c) must be fully and adequately secured.

Joint resolution approved March 26, 1934 (Public Resolution, No. 17,
73d Cong.), states:

That it is the sense of Congress that in any loans made by the
Reconstruction Finance Corporation * * * to foster the export­
ing of agricultural or other products, provision shall be made that
such products shall be carried exclusively in vessels of the United
States, unless, as to any or all of such products, the Shipping Board
Bureau, after investigation, shall certify to the Reconstruction Finance
Corporation * * * that vessels of the United States are not
available in sufficient numbers, or in sufficient tonnage capacity, or on
necessary sailing schedule, or at reasonable rates.

11 Name changed to Farm Credit Administration by Executive order of Mar. 27, 1933.
XVII. OTHER LOANS AND ADVANCES

1. Under Section 5 of the Reconstruction Finance Corporation Act, as Amended

The Corporation is authorized to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, upon full and adequate security to:

(a) Any State insurance fund established or created by the laws of any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of paying or insuring payment of compensation to injured workmen and those disabled as a result of disease contracted in the course of their employment, or to their dependents.

(b) Any fund created by any State (including Alaska, Hawaii, and Puerto Rico), for the purpose of insuring the repayment of deposits of public moneys of such State, or any of its political subdivisions, in banks or depositories qualified under the law of such State to receive such deposits.

(c) Parties to any marketing agreement entered into by the Secretary of Agriculture with processors, producers, associations of producers, and others engaged in the handling of any agricultural commodity or product thereof, only with respect to such handling, however, as is in the current of interstate or foreign commerce or which directly burdens, obstructs, or affects, interstate or foreign commerce in such commodity or product thereof, for the purpose of carrying out any such agreement; as authorized by section 8b of the Agricultural Adjustment Act, as amended.

(d) Processors or distributors of agricultural commodities for the payment of processing and compensating taxes and taxes on floor stocks levied pursuant to the provisions of Title I of the Agricultural Adjustment Act, as amended, as authorized by section 19 (c) thereof. More detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 9.

2. Loans and Advances to the Secretary of Agriculture

Under the provisions of section 5 of the Agricultural Adjustment Act, as amended, the Corporation is authorized and directed to advance money and to make loans to the Secretary of Agriculture to acquire (a) all cotton owned by the Federal Farm Board and all departments or other agencies of the Government, not including the Federal intermediate credit banks, and (b) all cotton on which money has been loaned or advanced by any department or agency of the United States, including futures contracts for cotton, or which is held as collateral for loans or advances.

\(^{12}\) Name changed to Farm Credit Administration by Executive order of Mar. 27, 1933.
3. Loans to Receivers Appointed under Section 29 of the Federal Farm Loan Act, as Amended, or by a United States District Court

Section 27 of the Emergency Farm Mortgage Act of 1933, as amended, authorizes the Reconstruction Finance Corporation, with the approval of the Land Bank Commissioner, to make loans to any receiver appointed pursuant to section 29 of the Federal Farm Loan Act, as amended, or to any receiver appointed by a district court of the United States for the purpose of paying taxes on farm real estate owned by the bank or securing the mortgages held by it.

4. Loans to the Corporation of Foreign Security Holders

The Corporation of Foreign Bondholders Act, 1933, which is not to take effect until the President finds that such action is in the public interest and by proclamation so declares, creates a body corporate with the name “Corporation of Foreign Security Holders” for the purpose of protecting, conserving, and advancing the interests of the holders of foreign securities in default. Under section 209 of such Act, the Reconstruction Finance Corporation is authorized to loan out of its funds not to exceed $75,000 for the use of the Corporation of Foreign Security Holders.

5. Advances to the Reclamation Fund

Section 37 of the Emergency Farm Mortgage Act of 1933 authorizes the Corporation, upon request of the Secretary of the Interior, to advance funds to the reclamation fund created by the Act of June 17, 1902, not exceeding $5,000,000 for the completion of projects or divisions of projects now under construction, or projects approved and authorized. Funds so advanced shall be repaid out of any receipts and accretions accruing to the reclamation fund within such time as may be fixed by the Reconstruction Finance Corporation, not exceeding 5 years from the date of advance, with interest at the rate of 4 per centum per annum. Sums so advanced may be expended in the same way as other moneys in the reclamation fund.

XVIII. PURCHASE OF MARKETABLE SECURITIES FROM THE FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS

The Corporation is authorized, pursuant to the provisions of Title II of the Emergency Appropriation Act, fiscal year 1935, to purchase marketable securities, satisfactory to the Corporation, acquired or to be acquired by the Federal Emergency Administration of Public Works. The amount that the Corporation may have invested at any one time in such securities shall not exceed $250,000,000.

XIX. PURCHASE OF DEBENTURES OR OBLIGATIONS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Section 5e (b) of the Reconstruction Finance Corporation Act, as amended, authorizes the Corporation to purchase at par value such debentures or other obligations of the Federal Deposit Insurance Corporation as are authorized to be issued under subsection (o) of section 12B of the Federal Reserve Act, as
amended, upon the request of the board of directors of the Federal Deposit Insurance Corporation, whenever in the judgment of said board additional funds are required for insurance purposes. The Corporation may not purchase or hold at any time said debentures or other obligations in excess of $250,000,000 par value.

XX. FUNDS OF RECONSTRUCTION FINANCE CORPORATION ALLOCATED AND MADE AVAILABLE TO OTHER GOVERNMENTAL AGENCIES

1. Allocation of Funds to the Secretary of Agriculture and Farm Credit Administration

Under section 2 of the Reconstruction Finance Corporation Act, the Corporation was authorized to allocate and make available to the Secretary of Agriculture a certain part of its funds in order to enable the Secretary to make loans to farmers for crop production purposes during 1932. Pursuant to the provisions of section 201 (e) of the Emergency Relief and Construction Act of 1932, the Corporation paid for the capital stock of the regional agricultural credit corporations, created by it under such section 201 (e), out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under section 2 of the Reconstruction Finance Corporation Act. By an Act of Congress approved February 4, 1933 (Public, No. 327, 72d Cong.), the authority of the Secretary of Agriculture was extended with respect to the use of funds allocated and made available to him by the Reconstruction Finance Corporation so as to enable him to make loans, within certain limitations, to farmers during 1933.

The funds made available and allocated under the foregoing provisions of law were transferred to and vested in the Farm Credit Administration by the Executive order of March 27, 1933, and to the Governor of the Farm Credit Administration by section 5 of the Farm Credit Act of 1933, as amended.

2. Allocation of Funds to Land Bank Commissioner

The Corporation is authorized and directed, under section 30 (a) of the Emergency Farm Mortgage Act of 1933, as amended by section 16 (a), Farm Credit Act of 1935, to make available to the Land Bank Commissioner the sum of $100,000,000, to be used for a period not exceeding 4 years from the date of the enactment of such Act, i. e., May 12, 1933, for the purpose of making loans to joint-stock land banks.

Under section 32 of the same Act, the Corporation is authorized and directed also to allocate and make available to the Land Bank Commissioner the sum of $200,000,000, or so much thereof as may be necessary, to be used for the purpose of making loans to farmers. By section 3, Federal Farm Mortgage Corporation Act, the funds and proceeds thereof made available to the Land Bank Commissioner under section 32 of the Emergency Farm Mortgage Act of 1933, and the mortgages taken by the Commissioner and the credit instruments secured thereby were transferred to the Federal Farm Mortgage Corporation as capital of that Corporation.
3. Funds Made Available to the Federal Emergency Relief Administrator

Section 2 (a) of the Federal Emergency Relief Act of 1933 authorizes and directs the Corporation to make available out of the funds of the Corporation not to exceed $500,000,000, for expenditure in accordance with the terms stated in the Act, upon certification by the Federal Emergency Relief Administrator, for the purpose of furnishing relief to needy and distressed people. Section 3 (b) of such Act provides that the Corporation shall pay the expenses, not exceeding $350,000, of the Federal Emergency Relief Administration, out of the funds made available by the Act, upon presentation of vouchers approved by the Administrator or by an officer of that Administration designated by him for that purpose.

Pursuant to the provisions of Title II, Emergency Appropriation Act, fiscal year 1935, not exceeding $500,000,000 in the aggregate of any savings or unobligated balances in funds of the Corporation may, in the discretion of the President, be transferred and applied to the purposes of the Federal Emergency Relief Act of 1933 and/or Title II of the National Industrial Recovery Act.

4. Funds Made Available for the Purposes of the Emergency Relief Appropriation Act of 1935

Under section 1 of the Emergency Relief Appropriation Act of 1935, not exceeding $500,000,000 in the aggregate of any savings or unobligated balances in funds of the Reconstruction Finance Corporation, are immediately available and remain available until June 30, 1937, to be used in the discretion and under the direction of the President for the purposes of the Emergency Relief Appropriation Act of 1935.

5. Funds Made Available to the Federal Housing Administrator

Section 4 of the National Housing Act provides that the Corporation shall make available to the Federal Housing Administrator such funds as he may deem necessary for the purposes of carrying out the provisions of Titles I, II, and III of such Act.

6. Capital of Federal Home Loan Banks Subscribed by the United States

Section 6 (f) of the Federal Home Loan Bank Act amended the Reconstruction Finance Corporation Act to provide that $125,000,000, or as much thereof as may be necessary for the purpose, be allocated and made available by the Corporation to the Secretary of the Treasury in order to enable him to pay for the capital stock of Federal Home Loan Banks subscribed for by the United States.

7. Capital of Home Owners’ Loan Corporation Subscribed by the United States

Section 4 (b) of the Home Owners’ Loan Act of 1933 authorizes and directs the Reconstruction Finance Corporation to allocate and make available to the Secretary of the Treasury the sum of $200,000,000, or so much thereof as may be necessary, in order to enable him to make payments for subscriptions for the capital stock of the Home Owners’ Loan Corporation, created by such Act.
XXI. FUNDS OF THE RECONSTRUCTION FINANCE CORPORATION

1. Capital Stock

The capital stock of the Corporation was fixed by section 2 of the Reconstruction Finance Corporation Act at $500,000,000, all of which was subscribed by the Secretary of the Treasury on behalf of the Government of the United States on February 2, 1932. The entire capital stock has been paid in by the Secretary of the Treasury and is held by the United States.

2. Issue of Notes, Debentures, Bonds, or Other Such Obligations

The Reconstruction Finance Corporation Act, as amended by the Emergency Relief and Construction Act of 1932, authorizes the Corporation, with the approval of the Secretary of the Treasury, to issue, and to have outstanding at any one time, its notes, debentures, bonds, or other such obligations in an amount aggregating not more than six and three-fifths times its subscribed capital stock.

However, the National Industrial Recovery Act, which terminated the power of the Reconstruction Finance Corporation to make loans or contracts to finance self-liquidating projects, etc., under the provisions of section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, provides that the amount of notes, debentures, bonds, or other such obligations which the Reconstruction Finance Corporation is authorized to have outstanding at any one time is decreased $400,000,000. On the other hand, the amount of notes, debentures, bonds, or other such obligations which the Corporation is authorized to issue and have outstanding at any one time is increased by the provisions of other laws, as follows:

(a) By an amount not to exceed $125,000,000, in order to enable the Secretary of the Treasury to make payments for subscriptions for capital stock of the Federal Home Loan Banks, as provided in section 6 (f) of the Federal Home Loan Bank Act.

(b) By such amount as may be necessary—

(1) To enable the Corporation to subscribe for preferred stock of National or State banks or trust companies, to make loans secured by such stock as collateral, and to purchase capital notes or debentures of State banks or trust companies, as provided by section 304 of an Act of Congress approved March 9, 1933, as amended (Public, No. 1, 73d Cong.).

(2) To enable the Corporation to make loans to the Secretary of Agriculture upon cotton in his possession or control, as provided by section 5 of the Agricultural Adjustment Act, as amended.

(3) To provide funds for the Federal Housing Administrator to enable him to carry out the provisions of Titles I, II, and III of the National Housing Act, as provided by section 4 of said Act.
(c) By an amount not to exceed $75,000,000 to enable the Corporation to subscribe for preferred stock, to purchase capital notes of insurance companies, and to make loans secured by such stock or notes as collateral, as provided by the Act of Congress approved June 10, 1933, as amended (Public, No. 35, 73d Cong.).

(d) By $500,000,000 to enable the Federal Emergency Relief Administrator to make grants to States and Territories (including Alaska, Hawaii, the Virgin Islands, and Puerto Rico) and the District of Columbia to aid in meeting the costs of furnishing relief and work relief and in relieving the hardship and suffering caused by unemployment, as provided by the Federal Emergency Relief Act of 1933; and to make such expenditures, not to exceed $350,000, as are necessary to carry out the provisions thereof.

(e) By $300,000,000 in order to provide funds for allocation to the Land Bank Commissioner for the purpose of making loans to joint-stock land banks and to farmers, as provided by the Emergency Farm Mortgage Act of 1933, as amended, and for the purpose of providing capital for the Federal Farm Mortgage Corporation, pursuant to section 3, Federal Farm Mortgage Corporation Act.

(f) By an amount not to exceed $200,000,000 in order to provide funds for allocation to the Secretary of the Treasury for the purpose of making payments for subscriptions for the capital stock of the Home Owners’ Loan Corporation, as provided by section 4 (b) of the Home Owners’ Loan Act of 1933.

(g) By $850,000,000, as provided by section 3 of the Act of Congress approved January 20, 1934 (Public, No. 84, 73d Cong.).

(h) By an amount not to exceed $250,000,000 at any one time for the purchase at par value of debentures and other obligations of the Federal Deposit Insurance Corporation, as provided by section 5e (b) of the Reconstruction Finance Corporation Act, as amended.

(i) By an amount not to exceed $250,000,000 at any one time for the purchase of marketable securities acquired or to be acquired by the Federal Emergency Administration of Public Works, as provided by Title II of the Emergency Appropriation Act, fiscal year 1935.

(j) By an amount not to exceed $100,000,000 at any one time outstanding to enable the Corporation to subscribe for or make loans upon nonassessable stock of any class and to purchase capital notes or debentures of national mortgage associations, mortgage loan companies, trust companies, etc., as provided by section 5c of the Reconstruction Finance Corporation Act, as amended.
Pursuant to the provisions of section 13 of the Act of Congress approved January 31, 1935 (Public, No. 1, 74th Cong.), the Corporation is authorized to use as general funds all receipts arising from the sale or retirement of any of the stock, notes, bonds, or other securities acquired by it pursuant to any provision of law.

Notes, debentures, bonds, or other such obligations issued by the Corporation, with the approval of the Secretary of the Treasury, are to mature not more than 5 years from their respective dates of issue, to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rates of interest as may be determined by the Corporation. The Corporation, with the approval of the Secretary of the Treasury, also may sell on a discount basis short-term obligations payable at maturity without interest. The law provides that the notes, debentures, bonds, or other such obligations of the Corporation shall be fully and unconditionally guaranteed both as to interest and principal by the United States and such guaranty shall be expressed on the face thereof. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Corporation which may be issued pursuant to the provisions of the law, and may, at any time, sell any of the obligations of the Corporation acquired by him. He is further authorized, at the request of the Reconstruction Finance Corporation, to market for the Corporation its notes, debentures, bonds, and other such obligations, using therefor all the facilities of the Treasury Department authorized by law for the marketing of obligations of the United States. The Reconstruction Finance Corporation Act, as amended, also provides that any and all notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) at any time imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

XXII. REGIONAL AGRICULTURAL CREDIT CORPORATIONS

An Executive order issued on March 27, 1933, effective on May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration. The Reconstruction Finance Corporation will continue to pay all expenses incurred in connection with the operations of these corporations, and to rediscount paper for them, as provided in section 201 (e) of the Emergency Relief and Construction Act of 1932.

XXIII. FUNDS FOR RELIEF OF DESTITUTION

The power of the Corporation to make funds available to States and Territories under section 1 of the Emergency Relief and Construction Act of 1932 for the relief of destitution was terminated at the close of June 1, 1933, pursuant to section 2 (c) of the Federal Emergency Relief Act of 1933, which created the Federal Emergency Relief Administration.
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XXIV. REPORTS

1. Quarterly Reports

Section 15 of the Reconstruction Finance Corporation Act provides that the Corporation shall make and publish a report quarterly of its operations to the Congress stating the aggregate loans made to each of the classes of borrowers provided for and the number of borrowers by States (including the District of Columbia, Alaska, Hawaii, and Puerto Rico) in each class. The law further provides that the statement shall show the assets and liabilities of the Corporation and the names and compensation of all persons employed by the Corporation whose compensation exceeds $400 per month.

2. Monthly Reports

Under section 201 (b) of the Emergency Relief and Construction Act of 1932, the Corporation is required to submit monthly to the President and to the Senate and the House of Representatives (or the Secretary of the Senate and the Clerk of the House of Representatives, if those bodies are not in session) a report of its activities and expenditures under the Reconstruction Finance Corporation Act and under section 201 of the Emergency Relief and Construction Act of 1932, together with a statement showing the names of the borrowers to whom loans and advances were made, and the amount and rate of interest involved in each case.

XXV. CIRCULARS

Detailed information regarding certain types of loans which the Reconstruction Finance Corporation is authorized to make under existing law is contained in the following circulars, which are available, except those marked obsolete or superseded, at the Corporation's office in Washington or at any of its loan agencies.

Circular No. 1.—Information for banks and other financial institutions desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 2.—Information for railroads and receivers thereof desiring to apply for loans under the Reconstruction Finance Corporation Act.

Circular No. 3 (Obsolete).—Information for prospective applicants for loans for "self-liquidating" projects under the Emergency Relief and Construction Act of 1932. (The power of the Corporation to make new self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended, was terminated at the close of June 26, 1933, and the functions of the Corporation in this field were superseded by the functions of the Federal Emergency Administration of Public Works.)

Circular No. 4.—Reconstruction Finance Corporation, its powers and functions.

Circular No. 5 (Obsolete).—Regarding Regional Agricultural Credit Corporations created by the Reconstruction Finance Corporation under section
201 (e) of the Emergency Relief and Construction Act of 1932. (An Executive order issued on March 27, 1933, effective May 27, 1933, transferred the management and functions, records, equipment, and personnel of the Regional Agricultural Credit Corporations from the Reconstruction Finance Corporation to the jurisdiction and control of the Farm Credit Administration.)

**Circular No. 6.**—Information regarding subscriptions for and loans secured by preferred stock of banks and trust companies and the purchase of capital notes and debentures of such institutions.

**Circular No. 7.**—Information for prospective applicants for loans under the provisions of section 36, part 4, of the Emergency Farm Mortgage Act of 1933, as amended, relating to agricultural projects.

**Circular No. 8.**—Information regarding applications to the Reconstruction Finance Corporation for subscription for preferred stock and purchases of capital notes of insurance companies, and loans on such preferred stock or capital notes as collateral security, as authorized by Act of Congress approved June 10, 1934 (Public, No. 55, 73d Cong.).

**Circular No. 9.**—Information regarding applications for loans from the Reconstruction Finance Corporation for the purpose of paying processing taxes, compensating taxes and taxes on floor stocks under section 19 (c) of the Agricultural Adjustment Act of 1933.

**Circular No. 10.**—Information for prospective applicants for loans to finance the carrying and orderly marketing of agricultural commodities under section 201 (d) of the Emergency Relief and Construction Act of 1932.

**Circular No. 11 (Superseded).**—Information regarding loans to assist in the National Recovery Administration program. (Superseded by Circular No. 13.)

**Circular No. 12 (Obsolete).**—Public advertisement regarding notes of the Reconstruction Finance Corporation—Series of February 1, 1934.

**Circular No. 13.**—Information regarding loans to industry.

**Circular No. 14.**—Information regarding mining loans.

**Circular No. 15.**—Information regarding loans to industry in conjunction with banks and other lending institutions.

**Circular No. 16.**—Information regarding loans to incorporated managing agencies of farmers' cooperative mineral rights pools under the provisions of section 13 of the Act relating to direct loans for industrial purposes, approved June 19, 1934 (Public, No. 417, 73d Cong.).

**Circular No. 17.**—Information regarding loans to the fishing industry.

**Circular No. 18.**—Information regarding subscriptions for preferred stock and purchases of capital notes or debentures of trust companies and loans to trust companies and mortgage loan companies engaged in the business of lending upon real estate.

**Circular No. 19.**—Information regarding loans for flood relief.

**Circular No. 20.**—Information for prospective applicants for loans under the provisions of Public, No. 325, Seventy-fourth Congress, approved August 24, 1935, relating to the refinancing of indebtedness incurred in connection with public schools.