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CIRCULAR No. 4
(REVISED)

RECONSTRUCTION
FINANCE CORPORATION

ITS POWERS AND FUNCTIONS



AUGUST 1938

UNITED STATES
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WASHINGTON : 1938

RECONSTRUCTION FINANCE CORPORATION

1825 H STREET NORTHWEST

WASHINGTON, D. C.

BOARD OF DIRECTORS AND OFFICERS

JESSE H. JONES, *Chairman, Board of Directors.*

CHARLES B. HENDERSON, *Director.*

HOWARD J. KLOSSNER, *Director.*

CARROLL B. MERRIAM, *Director.*

EMIL SCHRAM, *Director.*

GEORGE R. COOKSEY, *Secretary.*

CLAUDE E. HAMILTON, JR., *General Counsel.*

HENRY A. MULLIGAN, *Treasurer.*

OCT 4 1938

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 or otherwise affected by subsequent legislation. The text of the Reconstruction Finance Corporation Act, as amended, is contained in a pamphlet entitled "Reconstruction Finance Corporation Act, as amended, and other Laws and Documents pertaining to Reconstruction Finance Corporation."

The Corporation may perform all functions it is authorized to perform under law to close of June 30, 1939, or such earlier date as the President may authorize.

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

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 five persons 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,¹ as follows:

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.	Spokane, Wash.
Helena, Mont.	New York, N. Y.	

¹ A map showing the loan agencies and other offices of the Reconstruction Finance Corporation will be found on p. 19.

In addition to the foregoing, the Corporation has special representatives at Salt Lake City, Utah, Seattle, Washington, and San Juan, Puerto Rico.

The Federal Reserve banks are authorized and directed by law to act as depositories, 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 UNDER SECTION 5 OF THE RECONSTRUCTION FINANCE CORPORATION ACT, AS AMENDED ²

1. To Financial Institutions, State Insurance Funds, and Railroads.

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,³ or in process of liquidation, to aid in the reorganization or liquidation thereof, upon application of the receiver or liquidating agent of such institution; 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; and 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.

Under the same section of the law, as amended, the Corporation, with the approval of the Interstate Commerce Commission, including approval of the

² Section 5, Reconstruction Finance Corporation Act (47 Stat., chap. 8, pp. 6-8); as amended by sections 202, 203, and 211, Emergency Relief and Construction Act of 1932, approved July 21, 1932 (47 Stat., chap. 520, pp. 714, 715-716); sections 10, 12, and 13, Act of Congress approved June 10, 1933 (48 Stat., chap. 55, pp. 121-122); Act of Congress approved June 14, 1933 (48 Stat., chap. 72, p. 141); Act of Congress approved June 21, 1934 (48 Stat., chap. 692, p. 1198); and section 4, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, pp. 2-3).

³ Regarding loans to closed banks, see also pp. 8-9.

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 reduction 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.

2. To Parties to Marketing Agreements.

Section 8b of the Agricultural Adjustment Act, approved May 12, 1933, as amended,⁴ authorizes the Corporation to make loans under section 5 of the Reconstruction Finance Corporation Act, as amended, to 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.

3. To the Fishing Industry.

Section 15 of the Act of Congress approved June 19, 1934,⁵ authorizes the Corporation 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,

⁴ Section 8, Agricultural Adjustment Act (48 Stat., chap. 25, p. 34), as amended by section 7, Act of Congress approved April 7, 1934 (48 Stat., chap. 103, p. 528); and section 4, Act of Congress approved August 24, 1935 (49 Stat., chap. 641, p. 753).

⁵ 48 Stat., chap. 653, pp. 1112-1113.

handling, packing, processing, carrying and/or orderly marketing of fish of American fisheries and/or products thereof.

Detailed information regarding loans to the fishing industry is contained in Reconstruction Finance Corporation Circular No. 17.

* * * * *

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.

Section 4 of the Act of Congress approved June 10, 1933,⁶ 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.

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,⁷ the Reconstruction Finance Corporation is authorized to subscribe for preferred stock, exempt from double liability, in any National or State bank or trust company,⁸ 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 ap-

⁶ 48 Stat., chap. 55, p. 120.

⁷ Section 304, Act of Congress approved March 9, 1933 (48 Stat., chap. 1, p. 6); as amended by section 2, Act of Congress approved March 24, 1933 (48 Stat., chap. 8, p. 21); and section 1, Act of Congress approved March 20, 1936 (49 Stat., chap. 160, p. 1185).

⁸ The term "State bank or trust company", as construed by the Act of Congress approved March 9, 1933, as amended, 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.

proval 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.

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 the Act of Congress approved June 10, 1933, as amended,⁹ 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 company¹⁰ of any State¹¹ 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 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

⁹ Act of Congress approved June 10, 1933 (48 Stat., chap. 55, pp. 119-120, 121); as amended by section 12, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, pp. 1111-1112); and section 8, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 4).

¹⁰ As construed by the Act of Congress approved June 10, 1933, as amended, 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.

¹¹ The term "State", as construed by the Act of Congress approved June 10, 1933, as amended, means any State, Territory, or possession of the United States, the Canal Zone, and the District of Columbia.

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.

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 5c of the Reconstruction Finance Corporation Act, as amended,¹² 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

¹² Section 5c was added to the Reconstruction Finance Corporation Act, as amended, by section 5, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 3).

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 PUBLIC AGENCIES AND TO BUSINESS ENTERPRISES

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, pursuant to section 5d of the Reconstruction Finance Corporation Act, as amended by Act approved April 13, 1938,¹³ 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. 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. 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.

Detailed information regarding loans to business enterprises is contained in Reconstruction Finance Corporation Circulars No. 13 and No. 15. Detailed information regarding loans to public agencies is contained in Reconstruction Finance Corporation Circular No. 22.

¹³ Public—No. 479—75th Cong.

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,¹⁴ 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 or Territory and to or for the benefit of political subdivisions of States and Territories which have or propose to purchase or otherwise acquire projects or portions thereof devoted chiefly to the improvement of lands 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 which has or proposes to purchase or otherwise acquire projects or portions thereof devoted chiefly to the improvement of lands for agricultural purposes, to purchase, acquire, construct or complete such a project or any part thereof or to purchase or acquire additional drainage, levee, or irrigation works, or property, rights, or appurtenances in connection therewith, and to repair, extend, or improve any such project or make such additions thereto as are consonant with or necessary or desirable for the proper functioning thereof or for the further assurance of the ability of the borrower to repay its loan. Such loans shall not permit additional or new land to be brought into production outside of the present boundaries of any established or reorganized irrigation district;

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.

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,¹⁵ 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

¹⁴ Section 36, Emergency Farm Mortgage Act of 1933, approved May 12, 1933 (48 Stat., chap. 25, pp. 49-50), as amended by section 19, Independent Offices Appropriation Act, 1934, approved June 16, 1933 (48 Stat., chap. 101, pp. 308-309); section 11, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, pp. 1110-1111); Joint Resolution of Congress, approved June 27, 1934 (48 Stat., chap. 851, p. 1269); and Act of Congress approved June 22, 1936 (49 Stat., chap. 702, pp. 1818-1819.).

¹⁵ Section 5e was added to the Reconstruction Finance Corporation Act, as amended, by section 3 (a), Act of Congress approved June 16, 1934 (48 Stat., chap. 546, p. 971). It was subsequently amended by section 6, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, pp. 3-4).

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 trustee or are otherwise held for the benefit of depositors or depositors and others.¹⁶

IX. MINING LOANS

Section 14 of the Act of Congress approved June 19, 1934, as amended,¹⁷ 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 lent 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.

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, 1934,¹⁸ 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.

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, 1935,¹⁹ the Corporation is authorized to make loans to or for the

¹⁶ The Corporation also may make loans to closed banks under the provisions of section 5, Reconstruction Finance Corporation Act, as amended. (See p. 2.)

¹⁷ Section 14, Act of Congress approved June 19, 1934 (48 Stat., chap. 653, p. 1112); as amended by section 12, Act of Congress approved January 31, 1935 (49 Stat., chap. 2, p. 5).

¹⁸ 48 Stat., chap. 653, p. 1112.

¹⁹ 49 Stat., chap. 646, pp. 796-797.

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 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 FOR THE REPAIR OF DAMAGES CAUSED BY FLOODS OR OTHER CATASTROPHES

Pursuant to the provisions of the Act of Congress approved April 13, 1934, as amended,²⁰ the Corporation is authorized, through such existing agency or agencies as it may designate, to make loans, upon terms and conditions specified in the law, and not to exceed \$50,000,000 in the aggregate, to corporations, partnerships, or individuals, municipalities or political subdivisions of States or of their public agencies, including public school boards and public school districts, and water, irrigation, sewer, drainage, and flood control districts for the purpose of financing the repair, construction, reconstruction, or rehabilitation of structures or buildings, including such equipment, appliances, fixtures, machinery, and appurtenances as shall be deemed necessary or appropriate by the Corporation, and for the purpose of financing the repair, construction, reconstruction, or rehabilitation of water, irrigation, gas, electric, sewer, drainage, flood-control, communication, or transportation systems, highways, and bridges damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935 or 1936, and for the purpose of financing the acquisition of structures, buildings, or property, real and personal, in replacement of structures, buildings, groins, jetties, bulkheads, or property, real and personal, destroyed or rendered unfit for use by reason of the catastrophe, when such repair, construction, reconstruction, rehabilitation, or acquisition is deemed by the Corporation to be useful or necessary, said loans to be so secured as reasonably to assure repayment thereof.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circulars No. 19 and No. 21.

²⁰ Act of Congress approved April 13, 1934 (48 Stat., chap. 121, pp. 589-590); as amended by Act of Congress approved July 26, 1935 (49 Stat., chap. 421, p. 505); and sections 1 and 2, Act of Congress approved April 17, 1936 (49 Stat., chap. 234, pp. 1232-1233).

XIII. 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, approved July 21, 1932,²¹ the Corporation is authorized to make loans upon full and adequate security to bona fide institutions, organized under the laws of any State²² 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.

Detailed information regarding this subject is contained in Reconstruction Finance Corporation Circular No. 10.

XIV. LOANS TO THE ADMINISTRATOR OF THE RURAL ELECTRIFICATION ADMINISTRATION

Section 3 (a) of the Rural Electrification Act of 1936, approved May 20, 1936,²³ as amended by section 401, Rural Electrification Act of 1938, approved June 21, 1938,²⁴ authorizes and directs the Corporation to make loans to the Administrator of the Rural Electrification Administration, upon his request approved by the President, not exceeding in aggregate amount \$50,000,000 for the fiscal year ending June 30, 1937, and \$100,000,000 for the fiscal year ending June 30, 1939, with interest at 3 per centum per annum upon the security of the obligations of borrowers from the Administrator. No such loan shall be in an amount exceeding 85 per centum of the principal amount outstanding of the obligations constituting the security therefor. Such obligations incurred for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines, or systems shall be fully amortized over a period not to exceed 25 years, and the maturity of such obligations incurred for the purpose of financing the wiring of premises and the acquisition and installation of electrical and plumbing appliances and equipment shall not exceed two-thirds of the assured life thereof and not more than five years.

The Administrator is authorized by such section 3 (a) to make all such endorsements, to execute all such instruments, and to do all such acts and things as shall be necessary to effect the valid transfer and assignment to the Corporation of all such obligations.

No loans shall be made by the Corporation to the Administrator after June 30, 1939.

Moneys representing payments of principal and interest on obligations constituting the security for loans made by the Corporation to the Administrator shall be paid to the Corporation in payment of such loans.

²¹ 47 Stat., chap. 520, p. 712.

²² Pursuant to section 206, Emergency Relief and Construction Act of 1932 (47 Stat., chap. 520, p. 714), the term "State" as used in Title II of such Act (of which section 201 (d) is a part) includes the District of Columbia, Alaska, Hawaii, and Puerto Rico.

²³ 49 Stat., chap. 432, p. 1364.

²⁴ Public Res.—No. 122—75th Cong.

**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 self-liquidating loans or contracts, etc., under section 201 (a) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932,²⁵ as amended, was terminated at the close of June 26, 1933, pursuant to the provisions of section 301 of the National Industrial Recovery Act, approved June 16, 1933,²⁶ 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 section 9 of the Act of Congress approved June 19, 1934,²⁷ 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 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-

²⁵ Section 201 (a), Emergency Relief and Construction Act of 1932 (47 Stat., chap. 520, pp. 711-712); as amended by Joint Resolution of Congress approved March 23, 1933 (48 Stat., chap. 5, p. 20); Third Deficiency Act, fiscal year 1933, approved May 29, 1933 (48 Stat., chap. 42, pp. 99-100); sections 5, 6, 7, 8, and 9, Act of Congress approved June 10, 1933 (48 Stat., chap. 55, pp. 120-121); and section 5, Fourth Deficiency Act, fiscal year 1933, approved June 16, 1933 (48 Stat., chap. 100, p. 283).

²⁶ 48 Stat., chap. 90, p. 210.

²⁷ 48 Stat., chap. 653, p. 1110.

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,²⁸ the Corporation is authorized, subject to specified limitations, to accept drafts and bills of exchange drawn upon it, which grow out of transactions 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, approved July 21, 1932,²⁹ 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 Board³⁰ or the Cotton Stabilization Corporation. All loans made under such section 201 (c) must be fully and adequately secured.

Joint resolution of Congress approved March 26, 1934,³¹ states:

That it is the sense of Congress that in any loans made by the Reconstruction Finance Corporation * * * to foster the exporting 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.

²⁸ 47 Stat., chap. 8, p. 8.

²⁹ 47 Stat., chap. 520, p. 712.

³⁰ Name changed to Farm Credit Administration by Executive Order No. 6084, March 27, 1933.

³¹ 48 Stat., chap. 90, p. 500.

XVII. OTHER LOANS AND ADVANCES

1. 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, approved May 12, 1933,³² as amended, authorizes the Reconstruction Finance Corporation to make loans to any receiver appointed pursuant to section 29 of the Federal Farm Loan Act, as amended, and to make loans 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; and such receivers are authorized to borrow from the Corporation with the approval of the Land Bank Commissioner.

2. Loans to the Corporation of Foreign Security Holders

The Corporation of Foreign Bondholders Act, 1933, approved May 27, 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,³³ the Reconstruction Finance Corporation is authorized to lend out of its funds not to exceed \$75,000 for the use of the Corporation of Foreign Security Holders.

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

The Corporation is authorized, pursuant to the provisions of the Emergency Appropriation Act, fiscal year 1935, approved June 19, 1934,³⁴ 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 \$400,000,000.³⁵

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

Section 5e (b) of the Reconstruction Finance Corporation Act, as amended,³⁶ 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

³² 48 Stat., chap. 25, p. 45.

³³ 48 Stat., chap. 38, p. 95.

³⁴ 48 Stat., chap. 648, p. 1056.

³⁵ Refer to sec. 202, Public Works Administration Extension Act of 1937, approved June 29, 1937 (50 Stat., chap. 401, p. 357).

³⁶ See footnote 15, p. 8.

funds are required for insurance purposes. The Reconstruction Finance 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 THE RECONSTRUCTION FINANCE CORPORATION

1. Capital Stock

The capital stock of the Corporation was fixed by section 2 of the Reconstruction Finance Corporation Act ³⁷ 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 Corporation is authorized to issue notes, bonds, debentures, or other such obligations, with the approval of the Secretary of the Treasury, 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 ³⁸ 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.

Pursuant to the provisions of section 13 of the Act of Congress approved January 31, 1935,³⁹ 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.

³⁷ 47 Stat., chap. 8, p. 5.

³⁸ Section 9 (47 Stat., chap. 8, p. 9).

³⁹ 49 Stat., chap. 2, p. 5.

XXI. REPORTS

1. Quarterly Reports

Section 15 of the Reconstruction Finance Corporation Act ⁴⁰ 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, approved July 21, 1932, ⁴¹ 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.

XXII. 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.)

⁴⁰ 47 Stat., chap. 8, p. 11.

⁴¹ 47 Stat., chap. 520, p. 712.

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 purchase 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, 1933 (Public, No. 35, 73d Cong.).

Circular No. 9 (Obsolete).—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 business enterprises.

Circular No. 14.—Information regarding mining loans.

Circular No. 15.—Information regarding loans to business enterprises in cooperation 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.

Circular No. 21.—Information regarding catastrophe relief loans, including floods, earthquakes, tornadoes, etc.

Circular No. 22.—Information regarding loans to public agencies under section 5d of the Reconstruction Finance Corporation Act, as amended.

LOAN AGENCIES AND OTHER OFFICES OF RECONSTRUCTION FINANCE CORPORATION

