

32.303 General.

(a) Section 301 of the Defense Production Act authorizes loan guarantees for contract performance or other operations related to *national defense*, subject to amounts annually authorized by Congress on the maximum obligation of any *guaranteeing agency* under any loan, discount, advance, or commitment in connection therewith, entered into under section 301. (See 50 U.S.C. App.2091 for statutory limitations and exceptions concerning the authorization of loan guarantee amounts and the use of loan guarantees for the prevention of insolvency or bankruptcy.)

(b) The guarantee *shall* be for less than 100 percent of the loan unless the agency determines that-

- (1) The circumstances are exceptional;
- (2) The operations of the contractor are vital to the *national defense*; and
- (3) No other suitable means of financing are available.

(c) Loan guarantees are not issued to other agencies of the Government.

(d) *Guaranteed loans* are essentially the same as conventional loans made by private financial institutions, except that the *guaranteeing agency* is obligated, on demand of the lender, to purchase a stated percentage of the loan and to share any losses in the amount of guaranteed percentage. It is the responsibility of the private financial institution to disburse and collect funds and to administer the loan. Under Regulation V of the *Federal Reserve Board* (12 CFR245), any private financing institution *may* submit an application to the Federal Reserve Bank of its district for guarantee of a loan or credit.

(e) Federal Reserve Banks will make the loan guarantee agreements on behalf of the *guaranteeing agencies*.

(f) Under Section 302(c) of Executive Order 10480, August 14, 1953 (3 CFR 1949-53), as amended, all actions and operations of Federal Reserve Banks, as fiscal agents, are subject to the supervision of the *Federal Reserve Board*. The *Federal Reserve Board* is authorized to prescribe the following, after consultation with the heads of *guaranteeing agencies*:

- (1) Regulations governing the actions and operations of fiscal agents.
- (2) Rates of interest, guarantee and commitment fees, and other charges that *may* be made for loans, discounts, advances, or commitments guaranteed by the *guaranteeing agencies* through the Federal Reserve Banks. These prescriptions *may* be in the form of specific rates or limits, or in other forms.
- (3) Uniform forms and procedures to be used in connection with the guarantees.

(g) The *guaranteeing agency* is responsible for certifying eligibility for the guarantee and fixing the maximum dollar amount and maturity date of the *guaranteed loan* to meet the contractor's requirement for financing performance of the defense production contract on hand at the time the guarantee application is submitted.

Parent topic: [Subpart 32.3 - Loan Guarantees for Defense Production](#)