

APPENDIX No. 1

(3) To subscribe for, acquire, own, buy, sell and otherwise deal in treasury certificates of indebtedness, bonds or other obligations of the United States to such extent as its board of directors may determine.

(4) To act when requested by the Secretary of the Treasury as a fiscal agent of the United States and to perform such services as the Secretary of the Treasury may require in connection with the issue, sale, redemption or re-purchase of bonds, notes, treasury certificates or other obligations of the United States.

There is much additional authority given for conducting ordinary business, but the most outstanding one is their right, subject to regulation of the Comptroller of the Currency, to issue collateral trust notes or debentures with maturity not exceeding three years and to pledge as security for such notes or debentures financial paper held by the corporation. It is specially stated, however, that "the United States Government shall assume no liability direct or indirect for any debentures or other obligation issued under this title and all such debentures and other obligations shall contain in conspicuous and appropriate language to be prescribed in form and substance by the Comptroller of the Currency and approved by the Secretary of the Treasury, a clear indication that no such liability is assumed."

Capital Stock

The National Agricultural Credit Corporation is not permitted to do business until it has paid up capital of \$250,000; which must represent at least 50 per cent of the authorized capital stock of the corporation. The remaining 50 per cent must be paid within six months after the beginning of business. Such a corporation is allowed to make loans to the extent of ten times its paid up capital.

Rate of Interest

With regard to interest rates it must submit to the laws of the state in which the corporation is located. A special penalty is imposed, should at any time, or by any means, direct or indirect, a rate of interest be charged greater than that allowed by the State law. If this is knowingly done, the corporation forfeits the entire interest of the debt and has no power of collection and, further, the person who was charged the interest, if paid, has the right to recover in action twice the amount of the interest thus paid to the corporation, provided legal action is commenced within two years—a very definite and rigid provision.

I think sufficient has been said to show that the National Agricultural Credit Corporations are intended to occupy a very large place in the financing of agriculture. While they function through the Federal Intermediate Credit Banks and constitute an intermediary between the bank and the individual, they differ entirely from the local associations under the Federal Land Bank in that they are private corporations for profit-making purposes, doing business for agriculture under certain definite restrictions with regard to interest charges and security placed upon them by the Treasury of the United States.

Credit Corporations Formed by Banks

There is one special provision to which, perhaps, attention should be called, viz., that any particular bank of the Federal Reserve System may file application with the Comptroller of the Currency for permission to invest an amount not exceeding in the aggregate ten per cent of its capital stock and surplus in the stock of one or more of the National Agricultural Credit Corporations. As a matter of fact, while it may have been intended originally that these corporations should be corporations formed from among the larger producers on the land