

The tax exemption privilege accorded to debentures issued under the Federal Land Banks is also granted to the debentures issued under the Federal Intermediate Credit Banks. This is set forth in Section 210 of the Act, as follows:—

“That the privileges of tax exemption accorded under Section 26 of this Act shall apply also to each Federal Intermediate Credit Bank, including its capital, reserve or surplus, and the income derived therefrom, and the debentures issued under this title shall be deemed and held to be instrumentalities of the Government and shall enjoy the same tax exemptions as are accorded farm loan bonds in said section.”

The scheme of the Federal Intermediate Credit Banks in regard to the individual borrower is identical with that under the Federal Land Banks, that is to say, no individual can have direct access for borrowing purposes to the Bank. All loans made must be rediscounted loans made to a responsible corporation which in itself assumes responsibility for the payment of the loan, so that a borrower must find his way to the Federal Intermediate Credit Bank through other organized financial machinery. In order to make comprehensive machinery for this purpose, the Act authorizes the creating of

NATIONAL AGRICULTURAL CREDIT CORPORATIONS

These are organizations corresponding to the local associations under the Federal Land Bank. These National Agricultural Credit Corporations, however, are much more highly organized institutions than the local associations under the Federal Land Banks.

The manner of the formation of these organizations is described in the Act as follows: “That corporations for the purpose of providing credit facilities for the agricultural and live stock industries of the United States, to be known as National Agricultural Credit Corporation, may be formed by any number of natural persons, not less in any case than five. Such persons shall enter into articles of association which shall specify the object for which the corporation is formed. Such articles of association shall be signed by the persons intending to participate in the organization of the corporation and be forwarded to the Comptroller of the Currency to be filed and preserved in his office.”

The organization certificate and the articles of association must be acknowledged before some judge of a court of record or notary public before submission to the Comptroller of the Currency for approval. On the approval of the Comptroller of the Currency, such an association becomes a corporate body with well defined powers in relation to financial operations. For example, they are allowed:—

(1) To make advances upon, to discount, rediscount, or purchase and to sell or negotiate, with or without its endorsement of guarantee, notes, drafts, or bills of exchange and to accept drafts or bills of exchange, which (a) are issued or drawn for an agricultural purpose or the proceeds of which have been or are to be used for agricultural purposes, (b) having a maturity at the time of discount, purchase, or acceptance not exceeding nine months, and (c) are secured at the time of discount, purchase or acceptance by warehouse receipts or other like documents, conveying the title to non-perishable and readily marketable agricultural products, or other instruments of like guarantee.

(2) To make advances upon, or to discount, rediscount, or purchase and to sell or negotiate with or without its endorsement or guarantee, notes secured by chattel mortgages, conferring on first lien upon maturing, or breeding live stock or dairy herds and having a maturity at the time of discount, rediscount, or purchase not exceeding three years.