

APPENDIX No. 1

A distinguished authority on agriculture, the Assistant Secretary of Agriculture in 1915 stated the matter to a body of bankers in the following terms: "I believe I am not overstating the matter when I say that a satisfactory system of Rural Credit is as necessary to the development of agriculture in the country as is a widespread application of scientific methods to agriculture. As a matter of fact, it is impossible for the farmers to make use of the latest scientific discoveries without better credit facilities." It is hardly necessary to state that the two go hand in hand.

In 1913, two commissions were sent to Europe from the United States to study and report on European methods. These were the "United States Commission" and the "American Commission on Rural Credits." The former was appointed by the United States Congress, the latter was assembled by the Southern Commercial Congress, an organization in the southern states interested especially in the industrial, commercial and agricultural development of the southern states. The reports of these commissions were published by the United States Senate and became the basis of future legislation. If I were to select one fact as impressing the American mind more profoundly than any other as the result of the studies in Europe of these commissions, I would say it was the fact of farm mortgage bonds or debentures coupled with amortization.

One observer, a member of Congress, stated this conviction thus "One of the most important discoveries in the world was the invention of the farm mortgage bond or debenture as an instrument to promote land credit. There never has been a successful system of land credit established in any country that does not use the mortgage bond or debenture as an instrument of credit to mobilize and liquefy land values. Through the mortgage bond the farm mortgage has been made easily negotiable and put in such a form that the holder may realize thereon immediately."

The result of all this agitation was the passing of a number of acts for the purpose of promoting Rural Credit. Of these, one was especially designed to promote *Long Term Mortgage Credit*, viz:—

THE FEDERAL FARM LOAN ACT

The Federal Farm Loan Act was approved by the President of the United States on July 17th, 1916. It is described in the Act itself as an act "to provide capital for agricultural development, to create a standard form of investment based on farm mortgages, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create government depositories and financial agents for the United States, and for other purposes."

Under this Act, there is established at the seat of government in the Department of the Treasury, a Federal Farm Loan Bureau, under the supervision of a

FEDERAL FARM LOAN BOARD

This Federal Farm Loan Board consists of seven members including the Secretary of the Treasury, who is Chairman, ex-officio. The remaining six members are appointed by the President of the United States, by and with the consent of the Senate. Of the six, not more than three are to be members of one political party and all must be citizens of the United States. They all devote their entire time to the work of the Board and are paid \$10,000 per annum for their services. The term of office is eight years and members are only removable for cause; they cannot be connected with any mortgage or bonding business and must certify to this under oath before appointment.