

to give a correct statement of his assets and liabilities and show the net result of each year's operations. This point I cannot emphasize too strongly.

One of the greatest difficulties with which bankers have to cope is in getting correct statements of farmers' affairs. A commercial customer enjoying a bank credit of \$100,000 brings to his banker each year a completed balance sheet audited by chartered accountants, so that the whole position can be measured up in a few moments. In the case, however, of a farmer seeking a credit of only a few hundred dollars the banker has to spend half an hour or more making out a statement of the farmer's assets and liabilities from information dragged from the farmer piecemeal. Oftener than not, too, the farmer has only a vague idea of what he owes to merchants and others, in which case the banker must spend a good deal of time in getting the actual figures, and even then there must remain a doubt as to the completeness of the statement however evident the farmer's honesty may be. Multiply this difficulty 300 or 400 times for the country branch having that many farmer borrowers! And then consider what it would mean, in the matter of the banker's confidence, to have a farmer bring in his own statement prepared from a record book.

The temptation to conceal liabilities is one to which quite a few farmers as well as business men are apt to yield, and it frequently results in serious damage to a farmer's credit. Nothing will destroy a man's credit with a bank so completely as intentionally giving a false statement, and the fact is certain to be discovered—usually very soon. The position occupied by the banker towards his commercial customers is that of financial adviser, and it should be the same with farmers. An intelligent and industrious farmer who keeps nothing back from his banker can always rely on a sympathetic consideration of his needs in the way of banking credit.

Security for Bank Loans

Farmers often feel aggrieved at being asked by a bank for security—especially chattel mortgage security—even when they have fallen behind in their payments and are obliged to ask the bank to carry them over another year.

It is a mistake, however, to suppose that it is the function of a bank to lend money without security. As a matter of fact most commercial lending is done on a basis of security. Manufacturers usually give their bankers security on raw materials and manufactured goods; wholesale dealers in general products also give pledges of merchandise; other wholesale distributors obtain most of their banking credit by discounting the notes of their retail store customers; and country storekeepers borrow on the security of notes of their farmer customers.

It is the exception—not the rule—for bankers to lend money without security, and the most important exception is in connection with loans to farmers. The reason for this is simply that farmers seldom have security of a kind which banks are permitted by law to take for a new loan. Credit to farmers must therefore be based largely on confidence in their ability to repay from crops. Where