

The special advantage of these banks is that they provide farmers with a public mortgage institution in their immediate vicinity and facilitate personal relations between borrower and lender. Its local character and the knowledge its officers possess of the conditions of the borrowers makes it possible to dispense with costs in obtaining a loan, especially that caused by a special valuation. The disadvantages are higher rates of interest, liability of rates of interest to rise or of recall of loan and the limited facilities for reducing mortgages.

The German Mortgage Credit Banks and the Savings Banks correspond somewhat to what is now being done in Ontario and Manitoba through the public credit institutions.

(4) The *Crédit Foncier* of France

Mortgage credit in France is provided through the agency of the *Crédit Foncier*, a Land Credit Bank established in 1852 for that purpose. It is a joint stock institution subject to legislative control by the French Government.

When organized the *Crédit Foncier* was given a monopoly for a period of twenty-five years on all land credit business over a large portion of France. The monopoly was later extended to the whole country. The period expired in 1877 but no new competing organization has yet been established, so that land credit still remains a monopoly in France.

The following article of the constitution shows the scheme of capitalization and the relation of normal capital to loans:—

“The Society’s capital is fixed at 200,000,000 francs. It is designed as a guarantee of the society’s obligations and especially of the land (mortgages) and commercial obligation.

“It shall be divided into 400,000 shares of 500 francs each, entirely paid up.

“The amount of the normal capital of the shares shall be maintained in the proportion of one-twentieth at least of the capital realized by the issue of bonds in circulation.”

The capital has since been permitted to be raised to 250,000,000 francs on condition that loans are made in like proportion. Originally the government subsidized the society to the extent of 10,000,000 francs.

It will be seen that this system in its organization differs from the *Landschaft*, in that it is a joint stock organization doing business for profit; the rate of interest, however, is controlled by the Government and must not exceed the rate of interest on the bonds by more than six-tenths of one per cent. As we shall see the Joint Stock Land Bank which forms a part of the system existing in the United States under the Federal Farm Loan Board, corresponds somewhat to the *Crédit Foncier* in that the capital may be subscribed by private investors; the interest is regulated by law; and the twenty to one ratio of capital to loans is also fixed:—

The *Crédit Foncier* grants loans:—

- (a) On mortgage security,
- (b) To municipalities.

Mortgage loans are made on the security of houses and town property and on agricultural land.

These loans are made in one of the following forms:—

(a) Short term loan on mortgage, not to exceed nine years, not repayable by amortization and not repayable till the end of the term. The present rate of interest on these loans is approximately 5%.