APPENDIX No. 1

**Farm Mortgage Banks**

The Farm Mortgage Banks were really the pioneer institutions. They came into being after the Civil War following the development of the western states, because of the necessity for an intermediary between the eastern capitalists seeking investments and the western farmer. Men living in the new centres of populations, familiar with the country and confident of its future loaned their small capital to farmers on first mortgages and then sold the mortgages to the men of means in the East who possessed larger means and who desired good investments. From such a small beginning larger farm mortgage banks came into being, the bank taking the place of the intermediary instead of the individuals. In 1921, Farm Mortgage Banks and Farm Loan Companies organized on the same principles had over $3,000,000,000 of mortgages. These institutions put their own money into the loan, sell it either directly or by means of bonds to the capitalist, collect the interest and principal and in general act as agents for the secondary investor, while carrying the responsibility for the transaction in case of failure on the part of the borrower.

**Insurance Companies**

Next in importance came the Insurance Companies. These had invested in farm mortgages in 1921, $1,250,000,000. Many of these mortgages were purchased from the Farm Mortgage Banks. As their aim is security as well as profit, they will doubtless be heavy buyers of the bonds of the Farm Loan Board. A number of these companies are now making loans on the amortization plan.

**National Banks**

Prior to 1913 the National Banks were not permitted to lend on the security of land. They were primarily commercial institutions and required liquid assets. Many of these, however, acted as agents doing the work of a Farm Mortgage Company for private persons and insurance companies. Since 1913 National Banks, when not situated in a Federal Reserve City, may make loans on farm lands under certain definite restrictions. For example, such a loan can only be a first mortgage on improved property and the total loans at any time must not exceed one-fourth of the capital and surplus of the banks.

**State Banks**

Since 1890 a very large part in mortgage credit business has been played by the State Banks. Of these there are now nearly 20,000 in the United States. As previously stated they grew rapidly after the free lands had been settled and the demand for rural credits became somewhat insistent. They depend mainly on the farming community for their business and are planned to meet its needs. Many of them prefer the State charter to the National charter for the reason that the former carries with it more privileges in the direction of the mortgage business. It is estimated that the mortgages held by the State Banks amounted in 1915 to at least $1,000,000,000. They are, however, definitely restricted by the fact that most of them have small capital and are provincial in their character and outlook.

**Trust Companies and Other Organizations**

In addition to the foregoing a considerable amount of farm mortgage business is done by Trust Companies, Building and Loan Associations and a great variety of saving banks operating under state laws. Probably one-third of the total mortgage business is done through these agencies.

With all these agencies at work it would seem that all legitimate claims for money on farm mortgage security would be met.