Why Settlers Leave

Continued from Page 8

on the subject. As a result of the information so gained there has been passed unanimously by the United States Congress, within the last month, a bill creating as complete a system of rural credit as exists in any part of the world. Its object is not only to provide the cheapest possible money for the farming community, but in addition to this to create a security which will be only second to a United States bond and will be a means whereby the small investor will have an absolutely safe and convenient means of investing his savings. The name of the bill is "The Federal Farm Loan Act." It creates a "Federal Loan Board" which consists of five members, including the secretary of the treasury. Four members are appointed by the president—two from each political party. They shall devote their entire time to the Federal Loan Board and shall receive an annual salary of $10,000 together with actual necessary travelling expenses. One of them shall be known as the Farm Loan Commissioner, who shall be president of the board. They cannot be directors or interested in any other financial institution. The salaries of the Federal Loan Board, together with all expense of organization, are paid out of the United States Treasury.

Immediately upon their appointment, they divide the United States into twelve federal districts, and proceed to organize a "Federal Land Bank" in each district. The Federal Land Banks shall temporarily be managed by five directors appointed by the Farm Loan Board. They shall receive such compensation as the Federal Farm Loan Board shall fix, and their salaries, together with that of the necessary experts, clerks, etc., shall be paid out of the profits of the Federal Land Bank, subject to the approval of the Federal Farm Loan Board. Every Federal Land Bank shall have, before doing business, a subscribed capital of $750,000. The stock shall be divided into shares of five dollars each and may be subscribed for and held by any individual, firm or corporation, or by the government of any state, or of the United States. Congress authorizes the Federal Farm Loan Board to subscribe in the aggregate $6,000,000 toward the stock in these Federal Farm Land Banks.

As soon as the Federal Land Banks are organized, they proceed with propaganda and to organize what shall be known as "National Farm Loan Associations," which must consist of at least ten men, who are either farmers, owners and occupiers of land, or expect to become owners and occupiers of land and avail themselves of the right to borrow from the Federal Land Bank. They cannot borrow less than $100 nor more than $10,000 and must subscribe five per cent. of the amount they borrow to the stock of the association in the district to which they belong. Very stringent rules are laid down for inspection. No amount shall be loaned greater than fifty per cent. of the appraised value of the land and twenty per cent. of the appraised value of the improvements. The money so borrowed to be used for the purpose of paying off existing debts, to acquire more land, to make permanent improvements on the property, and to buy stock or equipment for the increase of the production of the land mortgaged. From these ten original men a Board is formed which has authority to increase the membership of the association under the terms of the law. Each additional member of the Farm Land Association must subscribe five per cent. of his borrowings, the same as the original charter members. Whenever the Farm Land Association subscribes enough stock to the Federal Land Bank to make up the $750,000, the original stock may be retired. All advances made by the United States government to the Federal Land Banks bear no interest.

The mortgages are passed by the Loan Associations to the Federal Land Banks, and the money is forwarded from the Federal Land Banks to the borrower member of the Association, who is entitled to the money. The Federal Land Bank appoints a registrar, who is trustee and shall hold all mortgages in trust, ear-marked as security against the bonds which are to be issued against them. These bonds are issued by the Federal Loan Board. They cannot bear interest at more than five per cent. They are exempt from all taxes, both Federal, State and municipal, and in this respect will be the premier security in the United States, along with the bonds of the government itself. They will issue in denominations of $25, $50, $100, $500 and $1,000.

Cost to the Farmer

No Farm Loan Association shall charge more to the borrower than one per cent. in addition to the amount for which the previous issue of bonds shall be sold. If bonds sell at four per cent. he is charged five per cent. and one per cent. additional amortization, which is a form of sinking fund which will retire the loan in about thirty-three years. Five per cent. of the profits of the Farm Land Association are to be set aside as reserve until this amount equals twenty-five per cent. of the stock subscribed and outstanding.

The capital stock owned by the members of the National Farm Loan Association shall be paid off at par and retired upon the full payment of their loans. The owner of the stock shall be paid in dividends accruing and payable on the said stock while it is outstanding. Provision is made for re-valuation from time to time, and the Federal Farm Loan Bank is authorized to advance additional money on the basis of such revaluation at any time to the extent of $10,000 which is the limit which any one individual can borrow. Shareholders of the Federal Farm Land Association shall be held individually responsible, not one for another, to the extent of the stock owned by them, in addition to the amount paid in and represented by their shares. Five per cent. of the profits of the Federal Land Banks shall be set aside annually for the formation of a reserve. Such reserve to be responsible for any loss that may be sustained by the Loan Association in the Federal district, and by any loss which may be sustained by any loan association in any of the twelve districts. This inter-locking system provides that the farmer in the newer districts shall be able to borrow as cheaply as those in the older districts.

Joint Stock Land Banks

All bonds are issued by the Federal Farm Loan Board. In addition to this provision is made under the Act for the organization of Joint Stock Land Banks. Anyone can subscribe to stock in these banks. They must have a capital of $250,000. They carry on business pretty much the same as the Federal Farm Loan Associations. Shareholders are responsible for double the amount of stock subscribed. Bonds issued are negotiated thru the Federal Land Banks in the district, but are a distinct issue and color from the Federal Loan bonds. They are not authorized to charge more than one per cent. to the borrower above the rate at which the previous issue of their bonds was sold, but there is no restriction as to the maximum rate as in the bonds issued by the Federal Farm Land Association.

The machinery of the Joint Stock Banks shall be under the control of the Federal Land Banks in the district and of the Farm Loan Board. The mortgages are deposited with the registrar, who is trustee for the bond issue. After five years, any borrower member of the association can pay off his loan in whole or in part and the registrar shall retire bonds periodically to make up for the mortgages so paid off. And at no time shall the loan registrar allow any bonds outstanding to exceed the amount of the collateral security pledged therefor. The bonds are issued in series of not less than $50,000, the amount and terms to be fixed by the Federal Loan Board.

The bonds are printed by the secretary of the Treasury and the cost of printing and engraving is borne by the government, to be paid later on by assessment upon the Land Banks. The bonds have the security first of all of the property mortgaged, which must not exceed fifty per cent. of the assessed value of the land, the security of the group of borrowers to the extent of the stock subscribed and the double liability thereon. They are endorsed by the Federal Land Bank issuing them and have as additional security the group of all the Federal Land Banks.

The Act provides adequate machin-