

The Federal Farm Loan Act

Synopsis of Its Salient Features Prepared
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FEDERAL FARM LOAN ACT

Passed by the House of Representatives
and the United States Senate
June 27 and 28, 1916,
Respectively.

Signed by the President July 17, 1916.

8.—Provides for a federal land bank
system in the continental United States
exclusive of Alaska, dividing the
country into twelve land bank districts
composed of whole states.

8.—The system is operated as a bu-
reau of the United States treasury de-
partment and supervised by the fed-
eral farm loan board. The secretary
of the treasury is ex-officio chairman
of the board with four other members
appointed by the president for eight
years at an annual salary of \$10,000.
One member is designated farm loan
commissioner and is the active execu-
tive officer.

3.—Appointees of Board: (a) Farm
loan registrar for each land bank dis-
trict and

(b) One or more land appraisers for
each land bank district. Salaries paid
by federal land bank or joint stock
bank for which they act.

(c) Land bank examiners; salaries
paid by the United States.

(d) Attorneys, experts, assistants
and other employees to be paid by the
United States.

17.—Powers of the Board: (a) To
organize and charter federal land
banks, joint stock land banks and na-
tional farm loan associations.

(b) To review and alter the rate of
interest to be charged by federal land
banks for loans.

(c) To approve or reject any or all
loans for bond issue and to grant or
refuse any specific issue of farm loan
bonds of federal land banks and joint
stock land banks.

(d) To regulate charges for ap-
praisal, examining titles and record-
ing.

(e) To appraise land securing mort-
gages for bond issue.

(f) To exercise general supervisory
authority over the federal land banks,
farm loan associations and joint stock
land banks.

30.—The farm loan commissioner
shall examine the laws of every state
and if on examination the laws of any
state are shown to afford insufficient
protection to holders, its mortgages
shall be declared ineligible under this
act during the continuance of the laws
in question.

32.—The secretary of the treasury is
authorized to deposit United States
bonds in federal land banks at current
government rates of interest, the ag-
gregate of such funds not to exceed
\$3,000,000 at any one time.

FEDERAL FARM LOAN BANKS

ORGANIZATION.

Section 4.—One in each land bank
district. Branches permitted within
its district. Officers: President, vice
president, secretary and treasurer; di-
rectors; six representatives of farm
loan associations and three represent-
ing the public interest. Attorneys, ex-
perts and other employees. All salaries
fixed by farm loan board and paid
by bank. Subject to semiannual
examinations by land bank exam-
iner.

CAPITAL STOCK.

Sec. 5.—\$750,000. May be owned by
individuals, firms, corporations and the
United States and state governments.

Sec. 5.—Shares, \$5 each.

Sec. 5.—All stock remaining unsub-
scribed 30 days after subscription
books are opened shall be subscribed
by the United States and thereafter
only the United States government and
borrowers may acquire shares of stock.

Sec. 5.—United States government
not to participate in dividends. All
other stockholders share dividends
equally.

Sec. 5.—The original capital stock
shall be gradually retired after the
stock held by farm loan associations
shall amount to \$750,000.

Sec. 5.—Not less than 5 per cent
of capital shall be invested in United
States government bonds.

POWERS.

Sec. 13.—To buy first farm mort-
gages within its district and to issue
and sell farm loan bonds.

Sec. 13.—To receive from farm loan
associations interest and amortization
payments on mortgages and farm loan
bonds.

Sec. 13.—To acquire and dispose of
real and personal property necessary
for the convenient transaction of busi-
ness; and land taken in satisfaction of
debts or purchased under judgments,
decrees or mortgages held by it. Shall
not hold title exceeding five years.

Sec. 13.—To accept deposits of se-
curities or current funds from member
associations but pay no interest there-
on.

Sec. 13.—To borrow money on se-
curity and pay interest thereon.

Sec. 13.—To buy and sell United
States bonds.

Sec. 13.—To appraise lands for bond
issue and to charge applicants and bor-
rowers the cost of land appraisal, ex-
amining titles, recording and other fe-
es, said fees to be paid in cash

or be made part of loan and paid in
amortization payments.

Sec. 14.—To accept mortgages only
from farm loan associations and ap-
proved agents.

Sec. 14.—To accept deposits of cur-
rent funds only from its stockholders.

Sec. 6.—To become financial agents
of United States government and de-
pository of public money. Public de-
posits cannot be invested in mort-
gages or farm loan bonds.

Sec. 13.—To deposit its securities
and current funds subject to check
with any member bank of the federal
reserve system and to receive interest
thereon.

BONDS.

Sec. 20.—Issued in series of \$50,000
or more, in denominations of \$25, \$50,
\$100, \$500 and \$1,000.

Sec. 20.—May bear a maximum rate
of 5 per cent interest per annum.

Sec. 19.—Mortgages and United
States government bonds equal in
amount to the farm loan bonds issued
are retained as collateral security by
the land bank registrar.

Sec. 14.—The outstanding farm loan
bonds shall not exceed 20 times the
capital and surplus.

Sec. 21.—Shall be guaranteed by
bank of issue and all other federal land
banks.

Sec. 17.—No issue is authorized
without the approval of the farm loan
board.

Sec. 22.—Substitution of mortgages
and United States government bonds
held as collateral to farm loan bonds is
permitted.

TAXATION.

Sec. 26.—The capital stock, sur-
plus, mortgages and farm loan bonds
and all income derived therefrom are
exempt from federal, state, municipal
and local taxation.

Sec. 26.—Real property taken and
held under the provisions of sections
11 and 13 is not tax exempt.

AGENTS.

Sec. 15.—Incorporated banks, trust
companies, mortgage companies or
chartered savings institutions may act
as agents for federal land banks if no
farm loan association has been formed
in a given locality after one year.

Sec. 15.—Borrowers securing loans
through agents are required to sub-
scribe 5 per cent of the loan to the
capital of the federal land bank.

Sec. 15.—Agents are entitled to a
commission of one-half of 1 per cent
per annum on unpaid principal of each
loan they negotiate and the bank shall
pay agent for actual expenses for ap-
praising land, examining titles, exe-
cuting and recording the mortgage pa-
pers which shall be added to the face
of the loan.

Sec. 15.—Agents shall indorse and
become liable for the payment of the
loans they negotiate and the aggre-
gate unpaid principal of such loans
shall not exceed ten times the agent's
capital and surplus.

Sec. 15.—Agents are required to
make good any default within 30 days
after notice.

Sec. 15.—All collections made shall
be remitted without charge.

SPECIAL PROVISIONS.

Sec. 22.—Amortization and other
payments constitute a trust fund to be
invested as follows:

(a) To pay off maturing farm loan
bond issues.

(b) To purchase farm loan bonds.

(c) To lend on first farm mortgages
within the district.

(d) To buy United States govern-
ment bonds.

Sec. 23.—Reserve and dividends: No
limit is placed on dividend distributions
after a reserve account has been built
up from earnings equal to 20 per cent
of the capital stock and after 5 per
cent of the net earnings annually
thereafter are added to the reserve ac-
count.

Sec. 23.—Reserve funds to be invest-
ed as prescribed by the federal farm
loan board.

Sec. 27.—Farm loan bonds are lawful
investments for fiduciary and trust
funds and security for all public de-
posits.

Sec. 27.—Federal reserve bank may
buy and sell farm loan bonds.

Sec. 29.—Provision is made for dis-
solution and the appointment of a re-
ceiver.

Sec. 14.—No commission or charge
not specifically authorized in this act
shall be demanded or received.

NATIONAL FARM LOAN ASSO- CIATIONS

ORGANIZATION.

Section 7.—Ten farm owners desir-
ing loans aggregating \$20,000 or more
may form such an association.

Sec. 7.—Its affairs are administered
by five directors, including president,
vice president and a loan committee of
three serving without compensation,
and by a secretary treasurer with sal-
ary fixed by the farm loan board and
paid by the association.

CAPITAL STOCK.

Sec. 8.—Shares, \$5 each; (9) carry-
ing double liability; (5) may be owned
only by borrowers who are required to
subscribe 5 per cent of their loan in

the capital stock of the association
which in turn subscribes an equal
amount of stock in the federal land
bank.

Sec. 8.—Shares are paid for in cash
or (9) the amount may be added to the
face of the loan and retired in amorti-
zation payments at par. In such case
the face of the loan shall not exceed
the 50 per cent and 20 per cent limi-
tation.

Sec. 7.—Assessment on shares may
be levied for operating expenses if
funds are not otherwise available.

POWERS.

Sec. 10.—To appraise land for mort-
gage through its loan committee of
three.

Sec. 11.—To indorse and become
liable for the mortgages of its share-
holders.

Sec. 11.—To receive and deliver the
proceeds of loans to borrowers.

Sec. 11.—To acquire and dispose of
property necessary for the convenient
transaction of its business.

Sec. 11.—To issue certificates of de-
posit for not longer than one year and
to pay 4 per cent interest thereon,
convertible into farm loan bonds at the
federal land bank of its district.

Sec. 7.—To receive and transmit to
the federal land bank payments of in-
terest and principal and amortization
payments.

LOANS.

Sec. 12.—Loans shall be secured by
first mortgages on land within its land
bank district.

Section 12.—To run from 5 to 40
years with amortization and with ad-
ditional optional prepayments after
five years.

Sec. 12.—Interest on loans shall not
exceed 6 per cent per annum on the
unpaid principal.

Sec. 12.—Borrowers shall pay 8
per cent simple interest on defaulted
payments.

Sec. 12.—Loans may be made for the
following purposes and for no other
under penalty:

(a) To purchase land for agricul-
tural purposes.

(b) To purchase equipment, fertil-
izer and live stock for the operation of
the mortgaged farm.

(c) To provide buildings and for the
improvement of farm lands.

(d) To pay debts existing at time of
organization of the first national farm
loan association within the county.

Sec. 12.—Maximum loan \$10,000;
minimum loan \$100.

Sec. 12.—No loan shall exceed 50 per
cent of the value of the land mortgaged
and 20 per cent of the permanent in-
sured improvements.

Sec. 12.—No loans shall be made to
any person who is not at the time or
shortly to become engaged in the cul-
tivation of the farm mortgaged.

Note.—All applications for loans
originate with the national farm loan
associations or agents and all loans are
made and closed by the federal land
banks. This does not apply to joint
stock land banks.

TAXATION.

Sec. 26.—Same as applies to federal
land banks.

SPECIAL PROVISIONS.

Sec. 9.—Associations may retain as
commission one-eighth of 1 per cent
semiannually from interest payments
on the unpaid principal of loans.

Sec. 9.—Associations may borrow
from federal land banks at 6 per cent
annual interest up to one-fourth of its
total stockholdings in said bank.

Sec. 24.—Reserves and dividends:
No limit is placed on dividend distri-
butions after the reserve account, built
up from net earnings equals 20 per
cent of the capital stock and after 2
per cent of the net earnings annually
thereafter are added to the reserve ac-
count.

Sec. 25.—Defaults must be made
good within 30 days after notice.

Sec. 29.—Provision is made for dis-
solution and the appointment of a re-
ceiver.

JOINT STOCK LAND BANKS

ORGANIZATION.

Section 16.—A private corporation
subject to the requirements under this
act which may be formed by ten or
more persons with a board of directors
of five or more.

Sec. 16.—May operate within the
state in which its principal office is lo-
cated and within some one contiguous
state.

Sec. 28.—Subject to semiannual ex-
aminations by the federal land bank
examiner.

CAPITAL STOCK.

Sec. 16.—\$250,000 minimum.

Sec. 16.—Double liability of share-
holders.

Sec. 16.—The United States govern-
ment shall own none of the shares of
stock.

Sec. 16.—No farm loan bonds can be
issued until the capital stock is fully
paid, although the bank may begin
business when one-half of the capital
is subscribed and paid in cash.

POWERS.

Sec. 16.—To lend money on farm
mortgage security.

Sec. 16.—To issue and sell farm loan
bonds.

Sec. 16.—To issue farm loan bonds
up to 15 times the amount of its capi-
tal and surplus.

Sec. 16.—Except as otherwise pro-
vided it has the powers of and is sub-
ject to the restrictions imposed on
federal land banks.

PRIVILEGES.

Sec. 16.—May lend more than \$10,000
to any one borrower, but not beyond
50 per cent of the value of the land
and 20 per cent of the permanent in-
sured improvements.

Sec. 16.—Loans are not restricted to

the purposes prescribed for national
farm loan associations.

Sec. 16.—Loans may be made to
farm owners regardless of whether en-
gaged in cultivation of the land mort-
gaged or not.

Sec. 16.—Interest on loans shall not
exceed more than 1 per cent, the in-
terest rate established for its last series
of bonds, nor more than 6 per cent in
any case.

Sec. 16.—Commissions or other
charges not specifically authorized by
this act shall not be demanded or re-
ceived.

BONDS.

Sec. 20.—Issued in series of \$50,000
or more, in denominations of \$25, \$50,
\$100, \$500 and \$1,000.

Sec. 20.—May bear maximum rate of
5 per cent interest per annum.

Sec. 16.—Bonds shall be so engraved
as to be readily distinguishable from
federal land bank bonds.

Sec. 19.—Mortgages and United
States government bonds equal in
amount to the farm loan bonds issued
are retained as collateral security by
the land bank registrar.

Sec. 17.—No issue is authorized with-
out the approval of the farm loan
board.

Sec. 27.—Federal reserve banks are
authorized to buy and sell the bonds of
joint stock land banks.

Sec. 22.—Substitution of mortgages
and United States government bonds
held as collateral to farm loan bonds is
permitted.

Sec. 27.—Its bonds are lawful invest-
ments for fiduciary and trust funds
and security for all public deposits.

TAXATION.

Sec. 26.—The capital stock, surplus
and earnings are subject to the taxing
powers of the state.

Sec. 26.—Its mortgages executed un-
der this act and its farm loan bonds
and all income derived therefrom are
exempt from federal, state and munic-
ipal and local taxation.

Sec. 26.—Real property taken and
held under the provisions of sections
11 and 13 is not tax exempt.

SPECIAL PROVISIONS.

Sec. 6.—Joint stock land banks are
made public depositories and financial
agents of the United States govern-
ment.

Sec. 6.—Public deposits cannot be in-
vested in farm mortgages or in farm
loan bonds.

Sec. 16.—Rates of interest for loans
under 6 per cent are not subject to
review or alteration by the farm loan
board.

Sec. 13.—Shall receive no deposits
except public deposits.

Sec. 22.—Amortization and other
payments constitute a trust fund to be
invested as follows:

(a) To pay off its maturing farm
loan bonds.

(b) To purchase farm loan bonds.

(c) To lend on first mortgages with-
in its prescribed field.

(d) To purchase United States govern-
ment bonds.

Sec. 23.—Reserve and dividends pro-
vided for as in the case of federal land
banks.

Sec. 29.—Provision is made for dis-
solution and the appointment of a re-
ceiver.

THIS DEALER HAD REAL TACT

Stout and Thin Customers Use Special
Mirrors in Wearing Apparel
Establishment.

A dealer in wearing apparel, noticing
that his stout customers and his very
thin customers often were sensitive as
to their figures, installed two full
length mirrors of special design, says
Popular Mechanics magazine. One was
slightly concave and the other slightly
convex. When a stout customer tried
on a suit he was led to the concave
mirror for self-inspection, and was able
to see her figure as it would appear
with its measurements reduced. When
a thin person came in to try on clothes
she was taken to the convex mirror,
where the opposite effect was pro-
duced.

Only Moistened His Lips.

Omer Scudder, a Columbus real es-
tate and insurance agent, told some of
the other business men who have of-
fices in the Bassett building that he
was hot. They agreed that they were
just as hot as he was.

"I can eat all the ice cream you
fellows are willing to buy," Scudder
declared.

The others made up 60 cents and
sent out for a half gallon of cream.
They had a notion that Scudder would
eat about a quart after which they
would divide the remaining quart
among themselves. Scudder surround-
ed the entire half gallon of ice cream,
smacked his lips and asked them
whether they were not going to get
him enough ice cream for a real taste.
The business men looked at each other,
smiled sickly and returned to their
places of business. — Indianapolis
News.

The Three Philosophers.

For the first time in their lives
three genuine, simon-pure philos-
ophers went out riding in a motor car.
After they had ridden about twenty
miles out in the country the car broke
down. Said the first philosopher: "I
have long wanted to study certain as-
pects of nature, and this affords me
the particular prospect I most ad-
mire." Said the second philosopher:
"I observe there is a farmhouse over
there where food can doubtless be ob-
tained in sufficient quantities." Said
the third philosopher: "I have long
wanted to be in a situation where,
without moving, sustenance would be
brought to me by one friend, while
the other discoursed on the beauties
of nature." — Life.

SEC'Y BAKER WIRES PLANS

Movement For Relief of Destitute
Carolinsians.—Advises Co-operation
With Government.

Raleigh.—Governor Craig received
a telegram from Secretary Baker of
the United States War Department
advising him of a movement he has
launched for his inspection and relief
of the flood-swept sections of Western
Carolina and suggesting that the Gov-
ernor and the local relief committees
in the flood sections get in touch at
once for inspection work.

The telegram follows:

"Instructions have been issued to
the United States engineers at Char-
leston, Montgomery and Mobile to
proceed at once with relief work in
aid of destitute persons in the flooded
districts. I suggest that you invite
local officials and committees on re-
lief to get in touch with the Char-
leston office with a view to securing the
most effective results by co-operation
in your state in the Catawba River
district, Nashville, Tenn., engineers
office is investigating the French
Broad district."

Governor Craig said that he is an-
xious for the local committees through-
out the flooded regions to follow the
suggestions of the Secretary of War
and get in touch immediately with
the engineers looking after relief in
their respective sections.

Contributions for the relief of the
flood sufferers continue to come in
and the money accumulated is be-
ing held, now, that urgent immediate
relief needs have been met, awaiting
a meeting of the General Relief
Committee August 11th, when it is
likely that a very substantial sum
will be set aside for restoration of
highways with the understanding that
the money is to be paid out in good
wages to really needy men in the
sections.

Delegates Are Named.

Raleigh.—Governor Craig has an-
nounced appointment of delegates to
the Atlantic Deepwater Waterways As-
sociation, Philadelphia, September 12-
15; Tenth Annual Conference of the
National Tax Association, Indianapo-
lis, August 28-31; and the Association
of Governmental Labor Officials at
Buffalo, N. Y., July 17. Also there
were issued commissions to 30 of the
most prominent negro educators to
attend the Negro National Education-
al Conference at Washington August
23-26.

For the Governmental Labor Offi-
cials Conference Commissioner of La-
bor and Printing M. L. Shipman;
Commissioner of Insurance James R.
Young, Dr. W. S. Rankin and Com-
missioner of Agriculture W. A. Gra-
ham, of Raleigh, and J. Hayden Ram-
sey, of Asheville, are commissioned.

Delegates to the National Tax As-
sociation are Vance Brown and Rob-
ert C. Allen, of Asheville, and Stuart
Daniel of Wanchese.

Farmers Buying Property.

Moor.—An address by Maj. W. A.
Graham, commissioner of agriculture,
was the principal feature of the
Community Service School at Indian
Trail in this county. Major Graham
told the 400 farmers gathered to at-
tend the school that North Carolina
is becoming a home owning state de-
spite arguments to the contrary, ac-
cording to statistics gathered from 61
counties, showing the 2,987 renters
had bought homes during a period
closing recently, in which period only
102 home owners became renters.
Major Graham says he is going to
complete the canvass of the state and
get the exact data of each section and
the state as a whole.

Gaston County Fair.

Gastonia.—Secretary J. M. Holland
of the Gaston Fair Association is
mailing premium lists for Gaston
county's 1916 Fair, which promises to
be one of the largest county fairs to
be held in the state. New buildings
are being erected and new features
added to the fair ground. Several
thousand dollars in premiums are to
be awarded.

Votes \$50,000 For Bridges.

Newton.—Fifty thousand and more,
if necessary was ordered borrowed by
the Catawba county commissioners
in special session for the purpose of
putting back four Catawba river
bridges washed away and one new
bridge at Lookout, together with
minor bridges in the county.

NORTH CAROLINA BRIEFS.

"Not a charity, but work for those
made destitute by the flood," is the
substance of a message sent from
Asheville to the North Carolina mem-
bers of Congress regarding the Fed-
eral appropriations made for the flood
stricken states of the south.

Caldwell county