

The Federal Rural Credits Act

The federal rural credits act is one of the outstanding achievements of the present congress.

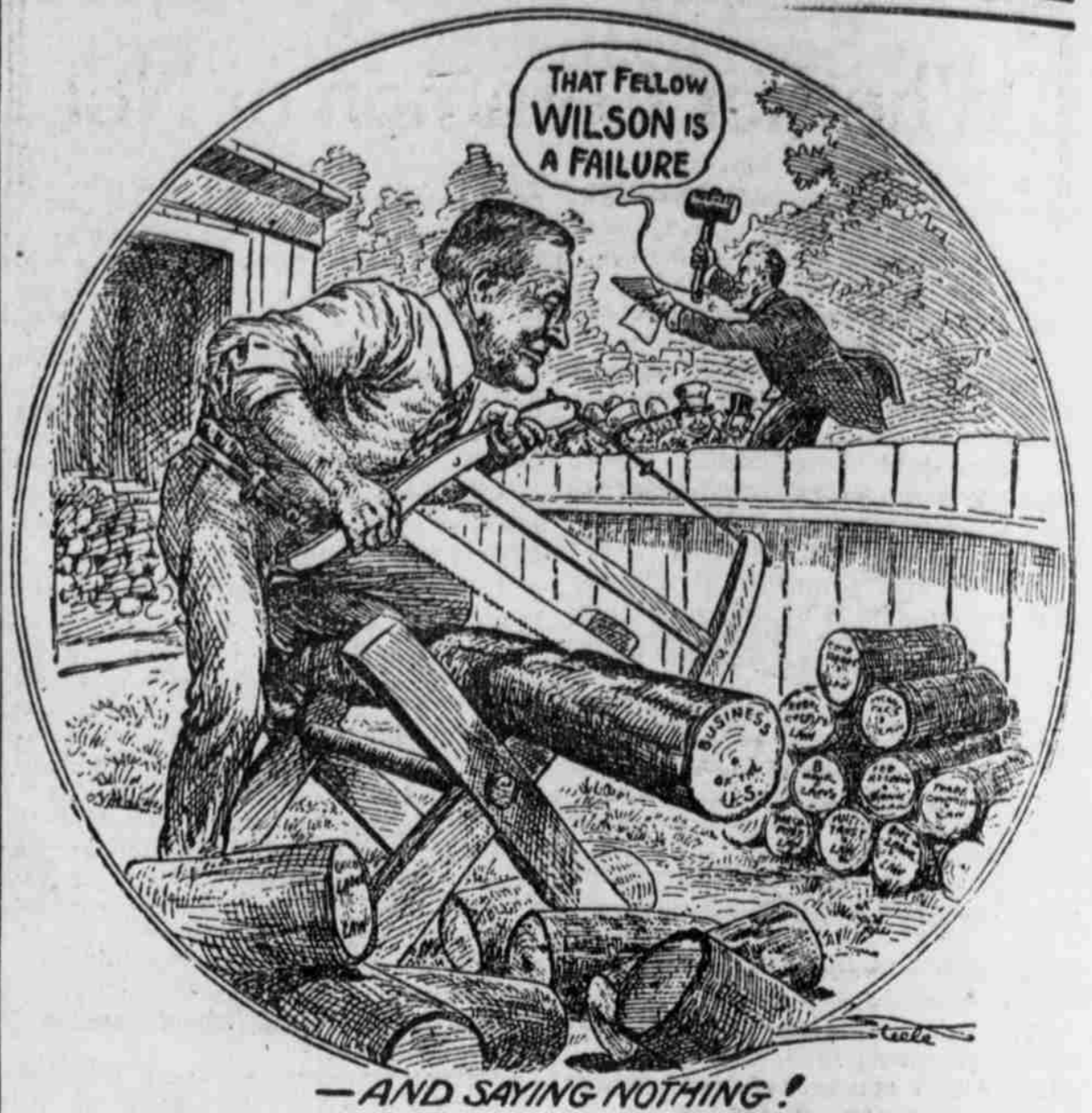
Why are average interest rates paid by American farmers on mortgage loans one-third higher in the state where they are lowest than the average rates paid by the German farmer, and in some states more than twice as high? Because farm loans in this country are made direct from the individual lender to the individual farmer, run for only five years and are subject to heavy fees for appraisals, inspections, etc., on account of the short time, odd amounts and lack of system.

The new act provides for the formation of twelve land banks. The capital will be subscribed by the national government, if not taken otherwise. (This merely insures the starting of the banks; a like provision was inserted into the federal reserve act.) Farmers desiring farm loans will form farm-loan associations, which will borrow for their members from the farm loan bank, the amount of their loans. The farm loan association must consist of at least ten members, who must be borrowers. The association will elect officers, pass on the security of the land offered, make appraisals and inspections. Each borrower will subscribe for stock in the farm loan bank to the amount of 5 per cent of his loan. This will not be paid in cash, but will be added to the amount of his loan, and when the loan is

paid off, the stock will be repurchased from him.

The money the farmer borrows will at first be supplied from the capital stock of the farm loan banks. The least amount to one borrower will be \$100, the greatest, \$10,000. As soon as the farm loan bank makes loans enough, it will issue farm loan bonds, secured by its own resources, by the mortgages it holds, and by a further liability on the part of the borrowers. These bonds will bring in the capital necessary to make further loans. The loans will run from five to forty years, and will be met by payments at stated intervals, which will include the interest, the expense of administration and a percentage of the principal. It is probable that the total payment will not exceed the interest payment now required in most parts of the country.

The farmer who borrows today borrows for five years, and his whole loan comes due at once. The farmer under the new law will borrow for forty years—if he so desires—and his loan will come due in many small installments. The farm loan bonds will be free of all taxes, just as United States bonds are now. The farmer-borrower will be, himself, an owner of bank stock and a member of a farm loan association, which he will help conduct; he will thus be receiving a practical financial training of great value, and will be carrying his share of responsibility—expressed in a direct liability—for farm loans made by his association



—AND SAYING NOTHING!

—Kansas City Post.

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in his neighborhood. And the investor desiring to invest in farm loans will no longer buy individual mortgages in odd sums, taking, himself, the chance of the security proving sufficient. He will buy bonds secured by the capital stock of the land banks, the farms mortgaged and a definite stockholders' liability beside. These bonds will be free of all taxes, which will make them desirable investments, and they can be bought in round sums—say \$100 each.

How many farmers in the United States have worked too hard, seen their wives breaking under the strain of long hours and few conveniences, kept the boys out of college and impoverished their land, in order to meet a five-year mortgage drawing high interest? How would those farmers have regarded a proposition to reduce the interest from one-third to one-half, lengthen the period from five years to 40, with the privilege of paying out in less time, and pay the principal by small installments instead of at the end of the term?

The rural credits act makes this change.

There is nothing exclusive in the new system. The states will still be free to develop state rural credit systems, as Missouri is now doing, and the two will no more conflict than our national banks and state banks conflict in Missouri today.—St. Louis Republic.

"BACK TO THE FARM"

The man who has made millions and the man who is down and out have a common vision of joy. It is to go "back to the farm." But as a rule, only the millionaire takes the trip, says the Shreveport Times.

Just why the penniless man can seldom succeed as an agriculturist even by taking up government land has been worked out by the New York congestion committee. The information appears in relation to the Crosser colonization bill now before congress. This bill is designed to assist farmers and to protect them from exploitation by land and money sharks.

Speaking on this bill before the house committee on labor, May 18, Benjamin G. Marsh, executive secre-

tary of the New York congestion committee, quoted statistics provided by the Jewish immigration and industrial aid society of New York:

"On the whole, we would not feel warranted in advising any man to buy a farm unless he had a minimum capital of \$1,000. Even then he will need our assistance. Without it \$1,500 to \$2,000 is little enough. The same holds good even in homesteading on government land where the land costs nothing."

In other words, it is a risk for a man to undertake farming with a mortgaged outfit.

But there is a more obscure cause for the difficulties of the poor farmer. Though little understood, it reaches very far. It is inflated land values, and the concentration of ownership of the farm lands of the country.

A table compiled by the secretary of agriculture on the basis of figures from the census of 1910 covers 878,798.325 acres of farm land.

This area is allotted and held as follows:

1.0 per cent	in farms under 20 acres.
5.2 per cent	in farms of 20 to 49 acres.
11.7 per cent	in farms of 50 to 99 acres.
53.6 per cent	in farms of 100 to 499 acres.
9.5 per cent	in farms of 500 to 999 acres.
19.0 per cent	in farms of 1,000 acres and over.

Landlordism, the curse of the old world, is now in the making in this country. The Crosser colonization bill is one of our first attempts to defeat it.

"Until we tax land values more heavily and transfer taxes from buildings and all other improvements to land values, farming will be increasingly unprofitable," said March to the house committee on labor, recently.

"The proposed rural credits plan, insofar as they would lower interest rates to farmers, would tend to inflate land values, but this danger is also prevented in the lands under the supervision of the colonization board, by the provisions of the Crosser bill."