

# The Federal Farm Loan Act

Synopsis of Its Salient Features Prepared by H. M. Hanson, Secretary-Treasurer Farm Mortgage Bankers' Association of America

## 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.

3.—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.

3.—The system is operated as a bureau of the United States treasury department and supervised by the federal 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 executive officer.

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

(b) One or more land appraisers for each land bank district. Salaries paid by federal land bank or joint stock land 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 national 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 appraisal, examining titles and recording.

(e) To appraise land securing mortgages 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 funds in federal land banks at current government rates of interest, the aggregate of such funds not to exceed \$6,000,000 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; directors; six representatives of farm loan associations and three representing the public interest. Attorneys, assistants, experts and other employees. All salaries fixed by farm loan board and paid by bank. Subject to semi-annual examinations by land bank examiner.

### 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 unsubscribed 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 mortgages 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 business; 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 securities or current funds from member associations but pay no interest thereon.

Sec. 13.—To borrow money on security 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 borrowers the cost of land appraisal, examining titles, recording and other legal fees, 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 approved agents.

Sec. 14.—To accept deposits of current funds only from its stockholders.

Sec. 6.—To become financial agents of United States government and depository of public money. Public deposits cannot be invested in mortgages 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, surplus, mortgages and farm loan bonds and all income derived therefrom are exempt from federal, state, municipal and local taxation.

Sec. 25.—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 subscribe 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 appraising land, examining titles, executing and recording the mortgage papers 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 aggregate 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 government 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 account.

Sec. 23.—Reserve funds to be invested 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 deposits.

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

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

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

## NATIONAL FARM LOAN ASSOCIATIONS

### ORGANIZATION.

Section 7.—Ten farm owners desiring 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 salary fixed by the farm loan board and paid by the association.

### CAPITAL STOCK.

Sec. 8.—Shares, \$5 each; (9) carrying double liability; (8) 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 amortization payments at par. In such case the face of the loan shall not exceed the 50 per cent and 20 per cent limitation.

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

### POWERS.

Sec. 10.—To appraise land for mortgage through its loan committee of three.

Sec. 11.—To indorse and become liable for the mortgages of its shareholders.

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 deposit 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 interest 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 additional 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 3 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 agricultural purposes.

(b) To purchase equipment, fertilizer 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 insured improvements.

Sec. 12.—No loans shall be made to any person who is not at the time or shortly to become engaged in the cultivation 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 distributions 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 account.

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

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the purposes prescribed for national farm loan associations.

Sec. 16.—Loans may be made to farm owners regardless of whether engaged in cultivation of the land mortgaged or not.

Sec. 16.—Interest on loans shall not exceed more than 1 per cent, the interest 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 received.

### 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 without 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 investments 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 under this act and its farm loan bonds and all income derived therefrom are exempt from federal, state and municipal 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 government.

Sec. 6.—Public deposits cannot be invested 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 within its prescribed field.

(d) To purchase United States government bonds.

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

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

## 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 she 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 produced.

### Only Moistened His Lips.

Omer Scudder, a Columbus real estate and insurance agent, told some of the other business men who have offices 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. He had a notion that Scudder would eat about a quart after which they would divide the remaining quart among themselves. Scudder surrounded 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 philosophers 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 aspects of nature, and this affords me the particular prospect I most admire." Said the second philosopher: "I observe there is a farmhouse over there where food can doubtless be obtained 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.

## NEBRASKA STATE NEWS

### DATES FOR COMING EVENTS.

Aug. 17-27—Seventh Day Adventists' Conference at Hastings.

Aug. 17 to 20.—Biennial Nebraska Saengerbund festival at Grand Island.

Aug. 21-25.—Mo. Valley Photographers' Association Convention at Lincoln.

Sept. 4 to 7.—Nebraska State Fair at Lincoln.

Sept. 12-16.—Central Nebraska Fair at Grand Island.

Sept. 13.—Annual Convention State Federation of Labor at Fremont.

Sept. 13 to 15.—Old Settlers' reunion at Mitchell.

Sept. 17-22.—Women's Christian Temperance Union annual convention at Omaha.

October 2 to 7.—National Swine Show at Omaha.

October 11-12.—State Meeting Grand Lodge Degree of Honor at Lincoln.

October 17-20.—I. O. O. F. State Convention at Lincoln.

Interstate and transcontinental automobile traffic through Nebraska via the Omaha-Lincoln-Denver highway has increased more than 200 per cent recently according to Hastings garage men who say tourists claim the dusty condition of the Lincoln highway following grading work makes it rutty and almost impassible.

A large posse of farmers and people of Sidney, Sunol and Lodgepole captured two men, following the robbery of the Farmers' State bank at Sunol and the killing of two farmers taking part in the pursuit of the robber. The robber secured \$1,200, which was later recovered. One of the men captured, identified as the bandit by the cashier of the bank, gave his name as R. G. Lukens of Insmont, Colo.

The largest salary paid any minister in Polk county, and, in fact, one of the most substantial salaries paid a pastor in the state outside the larger cities, has been offered by the Eden Baptist church of Stromsburg, and accepted by the former Baptist minister of North Platte, the Rev. John L. Barton.

Clifford Tuttle, about 30 years of age, was shot and almost instantly killed by his divorced wife at Scottsbluff. When taken into custody, Mrs. Tuttle showed no remorse and when interviewed at the jail refused to talk, except to say that she had good reasons for shooting him and would prove it in court.

A number of dairies in Omaha have announced an increase in the price of milk. The Alamito dairy, one of the largest, has raised the price from 8 to 9 cents a quart for milk, and from 8 to 10 cents for one-half pint of cream. Practically every dairy in town is expected to follow suit.

Mayor Rawlings of Wymore has announced that he would make the race for state senator from Gage and Pawnee counties on the republican ticket by petition. He expects to circulate his petitions for signatures in both counties soon.

Nebraska hunters, who were eagerly watching for a month's additional shooting of game birds in March, may be doomed to disappointment. Federal Game Warden R. P. Holland of Kansas intimated during a visit at Lincoln recently.

Permission has been granted L. J. Price of Casper, Wyo., to install and operate an electric plant at Harrison by the board of trustees. Work will begin on the plant at once and Harrison will be out of darkness before long.

Preliminary plans for what is hoped to be the most successful labor day program ever given in Hastings are under way by union men of the city. Organized traveling men have been invited to participate.

Ogallala will hold its first annual round-up at the end of the Old Texas trail, August 24 and 25. Two thousand dollars in prizes will be awarded to riders and others who enter in the bucking and numerous other contests.

Riley Long, a highly respected and prosperous farmer, living sixteen miles southeast of Hay Springs, was instantly killed by lightning.

The driest July ever recorded in the weather annals of Omaha was the month just passed. Less than half an inch of rain fell during the month.

Gage county breeders of pure bred live stock met at Beatrice last Friday and organized a county breeders' association. The organization of a county association is expected to add to the breeding of pure live stock in that section of the state.