

ABSTRACT OF PROPOSED BILL TO PROVIDE FOR SHORT-TERM, LOW-INTEREST
LOANS TO FARMERS AND ASSOCIATED PRODUCERS OF NECESSITIES.

SUCH LOANS TO BE MADE THROUGH "NATIONAL FARM LOAN ASSOCIATIONS", AS PROVIDED FOR IN "FEDERAL FARM LOAN ACT", SUPPLEMENTED BY THIS PROPOSED "RURAL SHORT LOAN ACT".

Each such association shall be permitted to select a conveniently-located, responsible BANK, which shall serve as its DEPOSITORY, Transact all of its business, in Collecting, disbursing, loaning money, Keeping its accounts, Enforcing collections, etc.

--foregoing to be instead of having an individual Secretary-Treasurer.

Such depository bank to be chosen by careful negotiation and agreement, and after approval of same by the Federal Farm Loan Bank of its district. To be subject to the examinations and regulations provided for all other farm loan banks of the system, and subject to withdrawal of such depository privileges for cause.

Such Depository Bank to be compensated for all its services to the Association, by its lending the accumulated funds of the Association at five per cent (5%) per annum, allowing the Association three per cent (3%) on daily balances, paying into the reserve fund thereof 1/10th of its income from its loans of Association funds, and paying into a specified U.S. depository for association-administration expenses, one per cent (1%) of its said association loans; leaving such depository bank practically 1.45% per annum profit on such loans as its remuneration for its services and its endorsement of association paper use in support of its debentures.

The loanable funds of the Association to be derived from three per cent interest (3%) on the average daily balances of Association funds, made up of---

- (1) Unexpended amounts of loans made to members as such, whether made on real estate or other security;

- (2) Proceeds of produce sales of members, as such; ~~XXXXXXXXXXXX~~
- (3) Personal checking accounts of members and friends who so direct;
- (4) Accommodation loans made by members and friends;
- (5) Donations and bequests to such specific purpose.

Such loan to be made for purchase of seeds, fertilizers, farming machinery, breeding stock, payment of taxes, wages, caring for and marketing products, and cognate requirements; made only to members and associates, after full investigation and official approval; on notes executed by borrowers direct to bank, fully secured by personal, chattel or other approved security, and endorsed officially by the Association--which endorsement shall pledge every member of the Association to unlimited liability as if he had signed in person. Signed, approved and endorsed invoices permitted to be used as notes.

Any member privileged to refuse responsibility upon any specified loan, by written notice of such refusal in due time; such refusal to be noted on such paper. Undue exercise of such privilege to render such refusing member liable to suspension or expulsion from the privileges of the association.

Association (and Bank) to provide for careful supervision of expenditure of proceeds of loans, care of property involved, summary taking possession of property misused or imperiled, and summary collection of defaulted payments. The bank made first in right and in duty in the enforcement of collections.

Membership made up of farmers, under provisions of Federal Farm Loan Act. Associates, or associate members, persons engaged in allied industries, as dairying, refrigeration, cold storage, building; responsible dealers admitted as communal purveyors of fertilizers, implements, seeds, handlers of farm products; especial attention to securing responsible borrowers for Association funds in that portion of the year when all may not be needed in farming operations; also to making a broad and strong business organization of large financial responsibility and business capacity. Associate members who become borrowers thereby subject themselves to the same unlimited liability as full members while carrying loan.

DEBENTURES issued against Association notes equal in par value.

Denomination--\$5, \$50, \$500, \$5,000....Interest, 3%...

Non-taxable...Trust, savings and insurance fund investment,

Non-recallable by holder (no maturity date) but payable

at will of issuing association, by payment of par, accrued interest and a premium of 1/10th of one per cent on par value.

Ten interest coupons and a talon on each entitling holder to a new set of coupons, when exhausted.

Payable to bearer and passing by delivery, with provision for free registry and return to bearer-delivery.

Interest coupons payable at any Federal Reserve Bank, without discount or cost to holder.

All supporting notes (loan period--execution and renewals --limited to nine months on a single transaction) to be endorsed by the depository bank--having been previously officially approved as amply secured and having the further endorsement of the unlimited liability of the Association members and associates.

Sec'y of Treasury to provide the debenture forms and appoint some conveniently located Gov't depository to hold the supporting paper

Sec'y of Treasury to buy for Gov't a/c, if so requested by issuing Association, in round am'ts of not less than \$1,000, and not exceeding \$

from a single association; such purchase at par, given reasonable publicity, and may be resold in open market at not less than par and accrued ~~xxxxxxx~~ interest.

Any temporary shortage in supporting paper permissibly bridged by deposit of approved Gov't bonds. If recall become necessary by lack of supporting paper, Association may buy sufficient in open market, if same obtainable at not exceeding par and interest and 0.1% premium on par value. If not so obtainable, recall debenture highest practicable denomination and most recent date, ~~preferably not owned by members, associates, associates.~~

Association has 1st preference right to buy its own debentures--for reserve fund a/c; next in order of preference--(1) members, (2) associate members. All debenture proceeds strictly Association funds.

No Association permitted to enter, as such, into any other business than loaning its funds. Its reserve funds invested in its own debentures, or approved U.S. Gov't bonds. Total amount of loans it may make not to exceed one-half the rated financial responsibility of its members and associates.