

NEW PERSONAL CREDIT
SYSTEM FOR FARMERS.

Washington, January 17th.- Congressman Dick T. Morgan of Oklahoma, has introduced a bill to establish a new system of short-term, personal credit for farmers. ~~The existing law relates only to farm mortgage credit, on loans for not less than five years.~~ ^{ex} Mr. Morgan's bill is designed to complete the Government's farm credit system by creating special institutions to make short-time loans to farmers on personal security. His ^{plan} ~~plan~~ authorizes the formation of ~~at least one~~ local credit society ^{ies} in each county, and ~~at~~ ^{twelve} ~~central or~~ regional banks, ~~one of which will be located in each of the twelve Federal Land Bank Districts.~~ Each regional bank will have a capital stock of at least \$1,000,000, and each local society will have a capital stock of at least \$5,000, which will be furnished by the Federal Government unless taken by the public. Local societies are not authorized to receive deposits from the public but will utilize the local commercial banks as depositories. They will make loans direct to farmers entirely independent of the regional banks, ~~differing in this respect from the local National Farm Loan Associations which make loans only through the District Federal Land Banks.~~ The local societies may borrow money of, or re-discount their notes with, the regional banks, which are authorized to re-discount ^{them} ~~the notes of the local societies~~ with the twelve Federal Reserve Banks, ^{This latter provision which} ~~requiring the Federal Reserve Banks of the nation to re-discount the notes of the farmers when indorsed by a local society and by a regional bank, and thus~~ bringing ^s the average farmer in touch with the credit power of the Federal Reserve Banks, which issue the currency of the nation, is one of the chief features of the plan proposed by Mr. Morgan.

While ~~as in the Federal Land Credit System,~~ the Government will furnish the original working capital ~~for both local societies and regional banks,~~ in due time, the farmers themselves will furnish ^{all} the capital, own the banks, and derive all profits therefrom.

is accomplished by requiring every borrower to subscribe to the capital of the local society, and every local society to subscribe to the capital stock of the regional bank of its district. The amount of subscription in each case will be a uniform percentage on the amount of the loan. Thus there would be an automatic increase of the capital of both the local societies and the regional banks, never less than ten per cent. of the outstanding loans. the borrower pays for his stock out of the proceeds of his loan, and on payment of his note his stock is cancelled, and the amount is credited on his note.

Mr. Morgan said: "The short-term, farm credit system which I propose recognizes the following units, viz: (1) the borrowing farmer with his indorsers or other adequate security, (2) the local society with its original capital, accumulated surplus and reserve, and with additional capital subscribed by borrowers never less than one-tenth of the outstanding loan, (3) the regional bank with its original capital, accumulated surplus and reserve, and with additional capital subscribed by local societies, never less than one-tenth of its outstanding loans, (4) the Federal Reserve Bank, authorized and required, under certain restrictions, to re-discount the notes of farmers, when indorsed by a local society and a regional bank, making said notes, like commercial paper, a basis for currency issue, and (5) member banks of the Federal Reserve System and state banks authorized to discount the paper of local societies and regional banks."

"Local societies are made responsible for the debts of all other local societies, and each regional bank is made ultimately liable for the financial obligations of all other regional banks. Every principle or practice proposed has been utilized by well established institutions of Europe, including the re-discounting of notes by the Federal Reserve Bank, which the Bank of France, ~~the~~ a bank of issue, is required to do."