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Representative Dick T. Morgan has introduced a bill to create a new system of short-term agricultural credit to supplement the Act of 1916, which provides only for farm-mortgage loans to run for not less than 5 nor for more than 36 years. Mr. Morgan made the following statement, describing the main features of his bill:

Twelve new banks are created, one in each of the 12 federal land bank districts. The new banks will be under the management of the same director, controlling the 12 Federal Land Banks. They will be under the supervision of the Federal Farm Loan Board. They will deal only in short-time, personal loans.

Under these 12 regional banks will be local banks, corresponding with, but entirely independent of the loan associations under the new Federal Land Banks. Ordinarily there will be but one of these in a county, and they are to be provided with a working capital, through which they make loans direct to borrower. The working capital of each local bank will be \$5,000. In addition thereto, each borrower will be required to subscribe to the capital of the local bank, in an amount equal to 10 per cent. of his loan. He may pay for this out of the proceeds of his loan and on the payment of his note his stock is cancelled and the full value thereof

returned to him in cash, or credited on his note. To secure additional funds to loan, local banks discount their notes with the regional bank, which in turn may re-discount the notes taken from the local banks, with the Federal Reserve bank of the district. As a further means of obtaining funds to loan to local banks, regional banks are authorized to issue and sell debentures, based upon the notes of the local banks, as collateral security. Debentures may not be issued in excess of the amount of collateral, held in trust, for their redemption, or in an amount greater than ten times the capital of the bank. Regional and local banks are required to maintain adequate reserves. To insure that the notes of any local bank are gilt-edged security, all local banks are made responsible for the debts and obligations of all other such banks, and the regional banks are made responsible ultimately for the debentures, as well as the other obligations of all other regional banks. To meet unexpected defaults or losses, a guaranty fund is to be provided. The regional banks are each to have \$1,000,000 to be supplied by the federal government, unless otherwise subscribed as was in the creation of the 12 Federal Reserve Banks, and the 12 Federal Land Banks. The same provision applies to the \$5,000 of working capital for each local bank. The local banks or credit societies will not receive deposits, but will use the ordinary

✓ commercial banks for depositions. Provisions is made for the
✓ repayment of the capital furnished, so in due course the farmers themselves will furnish all the capital. The regional banks may be made government depositories, and by approval
✓ of the Secretary of the Treasury, a percentage thereof may be used by the bank in loans to local societies, and special deposits may be made by the Secretary of the Treasury to
✓ be loaned to local societies. The capital of both the local and regional banks will increase automatically with the amount of loans made.

Some of the main features of the system of credit created by the bill are as follows:

1. Economical administration is secured by utilizing the Federal Farm Loan Board, all its force of employees, and also the officers and employees of the Federal Land banks, in the supervision and management of the 12 regional banks and the local organizations.

2. Providing the local banks with a working capital in order that they may do business directly and promptly with prospective borrowers.

3. Requiring every borrower to contribute something to the capital of what will become, if placed in operation, a great system of personal credit for the farmers in every state of the Union.

4. Providing for the automatic increase of the capital of local societies, through the subscriptions of borrowers, and corresponding increase of the capital of regional banks, through subscriptions made by the local banks, equal to one-tenth of the amount of loans applied for or of the aggregate amount of notes discounted.

5. Requiring local banks to loan only to responsible parties upon adequate security.

6. The making of the notes of every local bank gilt-edge security, by the ultimate liability of one society for another. A creditor of one of these small institutions can not lose unless the whole system fails.

7. The placing of agriculture upon an equal footing with trade, commerce, and manufacturing, by requiring the Federal Reserve Banks to re-discount the paper of farmers, when indorsed by a local bank and a regional bank.