

A B I L L

To provide for current financial requirements of persons worthy of credit, engaged in production of farm crops, domestic stock and cognate branches of primary production, by providing for loaning same seasonable funds at low interest, ~~not and on safe terms of repayment.~~

BE IT ENACTED by the Senate and House of Representatives of the United States of America in Congress assembled

That the short title hereof shall be "The Rural Short-Loan Act", and that it be supplemental to "the Federal Farm Loan Act", approved July 17th, 1916.

Sec.2. That wherever in this act the noun "association" is employed, whether in singular or plural form, it refers (unless otherwise clearly indicated) to <sup>such body as</sup> ~~the bodies~~ designated by the title "national farm loan association", described and provided for in <sup>section 7, of</sup> said "The Federal Farm Loan Act".

Sec.3. That any such association may, by vote of its qualified members, or by duly authorized committee, select and designate a conveniently located, responsible bank (after securing a tentative agreement therewith) to act as its depository of funds and to perform for it such other services as herein, and by further stipulation by competent authority, provided, in lieu of employment of an individual by such association to act as its secretary-treasurer.

Sec.4. Upon notice to a Federal farm loan bank, by an association in its district, of the tentative selection of a specified bank to serve as such depository, such district Federal farm loan bank shall, without delay, ascertain whether such selected bank be a suitable and satisfactory concern for such purposes; and, if so found, shall approve and recognize it accordingly. Any such depository bank may be eligible to selection by

more than one association. All such depository banks <sup>shall</sup> ~~must~~ be brought and kept <sup>within</sup> ~~under~~ the regulations provided in said "The Federal Farm Loan Act" <sup>Section 28 of</sup> ~~of~~ <sup>of July 17, 1916</sup> respecting systematic and efficient examination; and the Federal Farm Loan authorities, having jurisdiction in such behalf, may at any time require any such depository bank to furnish additional security covering the funds of an association deposited therewith, and to conform to any and all other requirements deemed expedient for safeguarding the funds and properly conducting the business so entrusted to it, and may, by request of such association, or otherwise, terminate such depository privileges, for cause, and require such funds and business to be removed to some other bank.

Sec. 5. <sup>Every</sup> Such depository bank shall collect, receive and disburse, in accordance with the regulations therefor provided, all moneys paid into and out of the funds of the association, in all of its financial transactions, having especial regard to the reception, transmission and proper disbursement of the proceeds of loans made to the members of the association, and the collection and distribution, to those entitled to receive same, of all ~~interest~~ payments accruing thereon, keeping ~~full~~ complete and explicit records of all such transactions in such manner as to be readily exhibited in full detail to all persons entitled to examine same, and open at all proper times to <sup>such</sup> inspection. It shall perform its services without stipend and shall credit quarterly to the account of the association, interest, at the rate of three (3) per cent per annum, upon the average daily balances of the association for such quarter, including in such daily balances all funds in its custody of unexpended proceeds of loans to members of the association as such, <sup>whether on real estate or other security,</sup> and undistributed proceeds of products marketed thereby, and all current balances of personal checking accounts, of members and of other depositors, who shall direct that the association have the benefit of such inclusion, and the proceeds of all bequests and donations,

that may be bestowed upon the association, and any and all other items of cash or credit (other than funds ~~passed~~ to reserve account of the association) coming into the possession of or to the credit of such bank in behalf of such association.

Sec.6. From accumulated funds of the association, other than in its reserve funds, such depository bank shall make loans, at five per cent (5%) annual interest-rate, to members, and their associates, of the association, for such purposes and under such regulations as set forth in the by-laws of the association, approved by the Federal Farm Loan Board. Such loans shall be made for periods not exceeding nine calendar months <sup>total</sup> in extent, ~~and~~ <sup>term of loan and renewal.</sup> If made for shorter periods <sup>original than 9 months,</sup> the borrower shall be entitled to such extensions <sup>or renewals</sup> as shall not aggregate a longer total loan period than nine months, provided that the security upon any such loan, sought to be extended, shall ~~remain~~ <sup>be kept throughout such term</sup> amply sufficient. Out of the interest collected by the bank upon loans made under this section, said bank shall pay into the reserve fund of the association one-tenth of the interest so collected, <sup>(U.S)</sup> and shall ~~to the~~ <sup>credit of the association, pay into approved</sup> depository an additional <sup>1 per cent</sup> and the remaining ~~amount~~ <sup>(.89)</sup> of such interest collections shall be the property of such bank and shall constitute its full and complete compensation for all services <sup>and benefits</sup> of every kind and nature by it rendered to such association, including its guaranty of such paper of the association for <sup>and bestowed upon</sup> the issue of debentures, <sup>3 per cent interest on daily balances, its collections,</sup> ~~as~~ <sup>and all other services arising under the provisions</sup> herein ~~set~~ <sup>set forth.</sup>

Sec.7. In general, the purposes for which such loans shall be made to members of the association shall be for the purchase of seeds, fertilizers, implements and machinery, breeding stock, building materials, payment of taxes, wages and other <sup>pertaining to</sup> approved expenditures ~~or~~ production, caring for and marketing land products, and cognate results of primary production; and such loans shall be made only by authority and express direction of the association, after such manner and under such regulations as set forth in

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its by-laws, as approved by the Federal Farm Loan Board, and such loans shall be made only to members in good standing of the association, and to such associates as they may admit to the loan advantages of the association, under the regulations provided in such by-laws. The admission of associates to such loan privileges shall be confined <sup>to admission of</sup> persons engaged in such occupations as are closely allied or auxiliary to the production of farm-land products by ministering to essential needs of tillers of the soil; as dairying, refrigeration, cold-storage, canning, desiccation and other methods of food preservation, erection of farm structures, manufacture of implements of husbandry, transportation of products; and, as ministering to essential modern needs and aiding in securing borrowers of funds during non-crop-producing portions of the year, communal merchandising, provision of healthful amusements, promotion of lectures, fostering charitable, fraternal and insurance enterprises; the list herein suggested not being in any sense a limitation of the scope of industries <sup>the persons engaged in</sup> which may be approved and admitted to the benefits of the loan privileges of such associations, subject to the prior borrowing rights of members.

Sec. 8. All loans made hereunder <sup>shall</sup> ~~must~~ be applied for in writing by the intending borrower, such application investigated, reported on and approved as provided for in the approved by-laws of the association. Such loan must be evidenced by promissory note of borrower, made to the depository bank, and amply secured by personal endorsement, chattel- or crop-mortgage, or other acceptable pledge and such note must, before acceptance, receive the official endorsement of the association, which endorsement is hereby made as fully binding <sup>upon</sup> ~~to~~ every member of such association as if by each such individual endorsed in person. Provided that invoices for merchandise coming within the proper expenditures hereunder may be signed by the recipient of such goods and endorsed by the association and such

invoice, so signed and endorsed, be ~~dis~~counted, held and collected as if embodied in a promissory note. Provided, further, that any member of the association shall be absolved from all responsibility upon any specific loan by refusing to sanction the making of same, at the time of or prior to granting same by the association, such refusal to be made in writing and filed with the proper authority of the association and notation there-  
of made upon such note or other evidence of loan. Any undue or clearly unjustified exercise of this privilege of refusal shall be sufficient grounds for suspension or expulsion of such protesting member from the privileges of such membership.

Sec.9. The association shall adp<sup>t</sup>, and modify from time to time, as found necessary or expedient, such approved by-laws as shall provide for careful supervision of the expenditure of the proceeds of all loans made through the association, ~~under the Federal Farm Loan Act or this act,~~ Such supervision shall enforce the confining of such expenditures to the purposes for which the loan was granted; the proper handling, housing, care and application of any property so purchased; provide for the <sup>summary</sup> taking into possession of same, and the proper handling or disposal thereof, upon proper occasion; also for the peremptory collection of any and all defaulted debts or payments, and taking into immediate possession of property pledged as security, and conversion of same into cash, applying the proceeds to discharge of the indebtedness and payment of any balance to debtor. Priority of right and duty in such collection of defaulted payments shall be vested in the authorities of the bank.

Sec.10. Tenant farmers, and other eligible persons, residing within the jurisdiction of the association, may be admitted to the short-term loan privileges herein provided. Such admission shall be by affirmative vote of three-fourths of the members present and voting at a meeting of the association, after written appli-

*such associate*

*upon*

admission to membership, signed by the applicant, ~~whereby~~ reported, favorably by the proper committee, and due notice given to the membership, of the pendency of such application and report, with date of proposed vote upon acceptance or rejection thereof. Such applicant shall, in such application, agree in writing to be bound by all of the rules and regulations of the association, and during all such time and times as he shall be indebted to the association he shall ~~thereby~~ <sup>subject</sup> be ~~liable~~ to all of the obligations of unlimited liability devolving upon full members of the association.

U.S.

Sec. 11. The Secretary of the Treasury shall cause to be designed, engraved and printed, in suitable and distinctive designs and colors, "Rural Short-Loan Debentures, the legal form whereof shall be substantially as follows:--

( Shall have blank space for date of issue... Shall name no date of maturity... <sup>The money paid for any such debenture thereof</sup> shall be unrecalable by holder, but subject to repayment at will of issuing association, by payment of par value, accrued interest and a bonus of 1/10th of one per cent of par value... Shall bear three (3) per cent annual interest... Each shall have attached ten interest coupons in exchange and a talon entitling holder to receive a new debenture of like value when the coupons shall have been exhausted... Shall be in series, in denominations of \$5, \$50, \$500 and \$5,000... Shall contain space for inserting the name and location of the association issuing and the bank through which interest <sup>coupons</sup> and principal shall be payable; but such coupons shall be cashed upon presentation by holder at any Federal Reserve Bank ~~(or)~~ without discount or cost to holder... Shall ~~pass by delivery~~ be made payable to bearer and pass by delivery, but contain on the back proper headings and tabulated blanks whereby holder may, by simple endorsement,

delivery by endorsement and thereafter so deliver, or restore it to de-  
livery to bearer. Registration granted <sup>and</sup> or bearer-delivery restored without  
and location  
charge...Names of Association and its depository bank engraved and inserted  
by Treasury Dep't in lots of sufficient size, <sup>with</sup> ~~of~~ ~~payment~~ ~~at~~ ~~cost~~ ~~of~~ ~~such~~ ~~issues~~

Sec. 12. To provide for the issue of such debentures, the depository  
bank of an association shall endorse association securities of face val-  
ue equal to the face value of the <sup>desired</sup> ~~required~~ issue (All of same having been  
executed to the bank, fully secured, <sup>and</sup> endorsed by the association, such  
endorsement carrying unlimited liability of all the membership and asso-  
ciate membership thereof, and bearing 5% annual interest; no paper for  
longer term than nine months.) Such securities deposited in the custody  
of some responsible concern designated by the Secretary of the Treasury ~~and~~  
<sup>by deposit of additional securities as may be required,</sup>  
and kept equal in face ~~value~~ value, throughout, to the total face value  
of the debentures issued upon same. The Secretary of the Treasury to  
purchase for Treasury account, at par, if so requested by the issuing as-  
sociation, installments of such debentures, in round amounts and not less  
than \$1,000 per purchase; and he shall not be required to purchase <sup>more</sup>  
than ~~thereof~~ thereof in any single month ~~not~~ more than a total of x  
from a single association, He shall give reasonable publicity to the merits  
of such securities and may sell same in ~~the~~ open market at not less than  
par and accrued interest.

Should the association lack, at any time, sufficient of its own paper  
to support fully an outstanding issue of debentures, such shortage may be  
temporarily bridged over by the purchase and deposit of approved U.S. bonds  
or other securities. If recall of debentures should become necessary to  
balance any lack of supporting paper, such debentures may be retired by

purchase of the required amount thereof in ~~the~~ open market, if such may be readily obtainable at not exceeding par value <sup>with</sup> accrued interest and a bonus of 1/10th of one per cent of par value. If not so obtainable, a suf-  
 (to reduce total of outstanding debentures sufficiently <sup>highest available</sup>)  
 ficient recall shall be had by recalling bonds of ~~lowest~~ denomination and most recent date, of issue, not held by members of the association; paying therefor par value, accrued interest, and a bonus of 1/10th of one per cent on par value. *Legal publication of notice of any such recall shall ipso facto terminate the accrued interest thereon.*

Whenever the volume of such business done by any association or number of associations served by a single bank, the Secretary of the Treasury <sup>may</sup> shall appoint a U.S. Agent to occupy accommodations provided therefor <sup>upon agreed terms</sup> in such banking house, and such agent shall have charge of all securities supporting such debentures, under such regulations as the Secretary of the Treasury shall provide, such agent being adequately bonded for protection of the interests of ~~the~~ Government and <sup>of bank and</sup> the association.

Sec. 13. The association issuing such debentures shall have first preference to purchase thereof for its reserve fund account, or other purposes. Second in preference right of purchase shall be individual members of the association, and after those associate members. All proceeds of all sales of debentures issued against the securities of an association shall be held strictly as association funds and accounted for, and loanable only only under its authority and direction under this act.

Sec. 14. No association, as such shall at any time nor for any purpose enter into nor become partner nor stockholder in any manufacturing or other business enterprise whatsoever, other than by loaning its funds upon ample security at low interest as herein provided for. Its reserve funds shall be invested only in its own debentures, or in Government bonds approved for such purpose by the Secretary of the Treasury. The total amount of loans that may be made to, and through the medium of, such an association and against the credit resources thereof, shall in no case be permitted to exceed one-half the <sup>total</sup> rated credit of such membership <sup>together with</sup> and associ-



associates who ~~subject~~<sup>of</sup> themselves to the like responsibility with full members.

Sec.15. Every such association shall maintain and foster a reserve fund into which shall be paid, in addition to the 1/10th of the interest ~~earned~~<sup>produced</sup> by the 5 per cent interest charged on bank-loaned funds, (2) ~~The~~ accumulations of any and all of its debentures unclaimed for fifteen years ;(3) and of all coupons not presented for payment within five years after issue; such unclaimed and unpaid paper to become thereby cancelled and void;(4) Any and all bequests and donations to such association not specifically otherwise to be applied by the terms of such bequest or donation:(5) All receipts and profits its governing body may see fit to pass to surplus. Such reserve fund shall be applied ~~xxxix~~<sup>its</sup> to making good any losses incurred in respect of loans or other business transactions and to strengthen the support and maintenance ~~of~~ the integrity of its debentures.

*shall be deemed instrumentalities of the Government of the United States and, as such, they and*

Sec.16. ~~None of all~~ debentures issued hereunder, ~~nor any of all~~ income derived therefrom, ~~nor any notes~~<sup>and all notes and</sup> other securities supporting same, ~~nor~~<sup>and</sup> the interest thereon, shall be ~~subject to any stamp tax~~<sup>exempt from all</sup> ~~and all~~<sup>Federal, State, municipal and local</sup> other tax, ~~municipal, county, state or national~~. Such debentures shall be ~~approved as available~~<sup>lawful</sup> investment of any and all trust funds, ~~funds~~<sup>and may be accepted as security for all public deposits.</sup> of insurance companies, savings banks, or other safety investment.

Sec.17. The ~~depository~~<sup>conduct or</sup> bank of every such association shall be given ample notice of every meeting of the members of such association, and of every committee thereof charged with the management of its business, and shall be entitled to be represented at every such meeting, and to ~~and receive~~<sup>give</sup> advice, counsel and information in regard to the conduct of its business.

Sec.18- The fund created by payment into specified U.S. depositories of per cent (1%) of the interest collections of depository banks, or associations as set forth in sec 6 hereof, shall