Joint-stock Land Banks.

An additional means of providing long-term credit for farmers through the Farm Loan Board is through joint-stock land banks.

When the Federal Farm Loan Act was passed provision was made (for reasons which have been variously set out by our informants) for the establishment of joint-stock land banks also under the control of the Farm Loan Board. These banks, while organized for the purpose of providing long-term credit for farmers, differ in principle from the Federal land banks, inasmuch as they are privately owned and the borrowers have no liability or concern in any losses made by these institutions. The law provides that there must be ten or more shareholders, that the capital must be at least $250,000, and that no joint-stock land bank may lend more than 15 per cent. of its capital to one borrower. The Federal Farm Loan Board has also ruled that the limit of an individual loan must be $50,000, and that no bank may operate in more than two States, which must be contiguous. Joint-stock land banks, however, are permitted to make loans to other landowners besides farmers. The result has been that these institutions have grown very much more rapidly than was expected by the Federal authorities. At the beginning of 1924, according to the Year-book of the American Department of Agriculture, there were sixty-four of these banks operating in the United States.

> "The major portion of their loans, however, are being made in the better farming regions. This is somewhat in contrast to the policy of the Federal land banks, the loans of which are more uniformly distributed over the entire country. It is also significant that the loans made by the joint-stock land banks are materially larger than those of the Federal land banks."

The American authorities suggest that this has been an advantage in their competition with the Federal land banks. These banks are not permitted to charge more than 1 per cent. above the interest rate at which their bonds are sold, and their profits depend on the amount of business they invite. In most cases the profits are high, and the shares of these banks are quoted on the Stock Exchange at 180 to 190. They are therefore keen competitors of the Federal farm-loan system.

The security issues of both institutions have the same protection. The bonds in neither case can exceed 50 per cent. of the appraisal of the mortgaged farm, plus 20 per cent. of the value of the fixed improvements. As with the Federal farm loan bonds, the principal and interest are tax-exempt. The bank must set aside 25 per cent. of its earnings annually until it has an accumulated surplus equal to 20 per cent. of the capital. Thereafter 5 per cent. must be set aside for surplus. The bonds are issued generally for thirty-three years, but the bank, after a given period, may call in its bonds at par.

Intermediate Credit.

Intermediate credit, the term commonly used, means credit granted to farmers for terms longer than those covered by ordinary bank loans, but shorter than those for which farm-mortgage loans are usually made. It is based on personal and collateral security—that is to say, on the character and standing of the borrower, and on commodities or other personal property pledged to guarantee repayment of the money loaned. Farm credit other than mortgage credit, and running for terms of from six months to two or three years, is properly spoken of as intermediate credit.

One intermediate-credit bank serves each Federal land-bank district. They are located in the same cities as the Federal land banks, and have the same offices and directors. They operate under the supervision of the Federal Farm Loan Board, just as do the Federal land banks.

Each intermediate-credit bank is entitled to capital from the National Treasury up to $5,000,000. The Secretary of the Treasury is authorized and directed by the Agricultural Credits Act to subscribe the capital as it is called for by the directors of the intermediate-credit banks, with the approval of the Farm Loan Board. Only $1,000,000 each was asked for by the banks when they were organized. Several of them have since called for additional amounts.