

The needs of the American producer have been further met by the powers given to the Federal reserve system to discount notes, drafts, and bills of exchange issued or drawn for an agricultural purpose, and by the broadening by Congress of the powers of the War Finance Corporation to enable it to switch its operations over to temporary advances for agricultural purposes.

The improvement in agricultural credit in the United States has probably been due to a combination of these methods of assistance to farmers. The Federal farm-loan system, however, has so rapidly enlarged its operations that it is the most prominent. The direction of the system is in the hands of a Government-appointed Board, which supervises the activities of the three forms of rural credit banks referred to above. It directs the policy of the provincial banks, controls the marketing of the bonds through which the funds for making the loans are advanced, and maintains a steady oversight over the whole organization.

FEDERAL LAND BANKS.

The United States is divided into twelve districts, each of which is served by one provincial land bank under the supervision of the Federal Farm Loan Board. These land banks are in turn controlled by seven directors, three of whom are appointed by the Farm Loan Board and three by the National Farm Loan Associations, which are organized to enable their members to borrow from the bank. The seventh director is appointed by the Board from one of three nominees of the Farm Loan Associations. These associations are formed by ten or more farmers desiring loans of at least \$20,000, and are chartered by the Federal Farm Loan Board.

Each Federal land bank was organized with a capital stock of \$750,000, supplied by the Government of the United States free of interest for a period of years, amounting in all to \$9,000,000. Government assistance was also given where necessary by the purchase of bonds. The major portion of the capital outlay has already been returned to the Government, and with one or two exceptions the provincial banks are now free. They are also financing the whole administration out of their own funds and without any charge upon the United States Treasury.

Any worthy farmer who occupies and operates the farm offered as security, or one who is just acquiring the farm and will occupy and operate it, either personally or by hired labour, on or before completion of the loan, may become a member of an association and borrow from the bank. No loan can be made to a corporation, to guardians or administrators; nor can a loan be made on a farm operated by a tenant.

The security required is a first-mortgage lien on the farm with the necessary buildings. Security for each loan must be a complete farming unit, sufficiently well developed so that there can be no question of the average farmer being able to make his living, gradually improve the farm, meet taxes and insurance, and pay instalments on his loan from its proceeds.

Loans cannot be made on wild, virgin land, city property, market gardens, or chattel security, personal property such as live-stock, tools, equipment, &c., nor can loans be made on second mortgages. Additional loan value is allowed on well-cared-for orchards, also on growing wood and timber.

Not more than one-half (50 per cent.) of the appraised value of the land, plus one-fifth (20 per cent.) of the appraised value of the insured buildings, can be loaned on the security offered. On the well-balanced farm this is usually about one-half of a fair sale value.

Not more than \$25,000 can be loaned to any one borrower. Loans are made only in multiples of \$100.

The purposes for which loans may be made are—

- (a.) To purchase of farm.
- (b.) To buy live-stock, equipment, fertilizer, &c.
- (c.) To erect or improve buildings, clear land, provide drainage, or otherwise improve the farm.
- (d.) To pay off existing mortgages and liens against the farm.
- (e.) To pay other debts; if contracted since the 1st January, 1922, they must have been for agricultural purposes.

The rate of interest varies from 5 to 5½ per cent.