

In a country so closely settled as Germany, where natural conditions and temperament are so well adapted to such combinations, the co-operative system is eminently successful.

Short- and long-term credits against real and personal estate in Germany are in the main provided for under two systems—short-term private institutions, and long-term public institutions. Ordinary banks do not care to handle short-term agricultural credits, and mortgage banks chiefly provide the money for private-home building.

The interest rate on bonds is at present 8 per cent., but it has been falling for some time, and shortly it is believed will be down to 6 per cent. 10-per-cent. bonds which were sold at 80 were quoted at 102 to 103; 8-per-cent. bonds sold at 66 in November, 1925, were selling in April, 1926, at 101. The 8-per-cent. bonds of the private banks were in good demand, and were quoted on the Bourse at 101 to 102.

Co-operative associations generally carry unlimited liability throughout, but the tendency is to limit liability. The mortgage banks are in reality private institutions, although the State exercises a certain amount of supervision.

Generally farmers are meeting their payments well. Payment may be delayed, but it is always made, and there is rarely occasion to distrain. Interest is payable quarterly. The months of January and October have been selected to suit the seasons. There is always a market for farm-produce, although the price may be very low, for Germany imports a great quantity of foodstuffs, but has potatoes and sometimes rye to spare.

The following explanation of the organization and activities of the German co-operative and rural credit machinery was obtained through official sources, and generally confirmed by our own investigations:—

THE GERMAN MORTGAGE BANKS.

The German mortgage banks are joint-stock companies, which operate for their own benefit and chiefly grant loans against mortgages and issue bonds secured by the mortgages (mortgage-bonds). The German mortgage banks are engaged, although not exclusively, with the municipal real-credit business, contrary to the *Landschaften*.

Exact limits have been drawn to the business activity of the German mortgage banks by the mortgage-bank law of 1899. The legislation in respect of mortgage banks does not only contain numerous standard provisions which must be complied with in order to obtain a concession for conducting a mortgage-bank institution, but also detailed protective measures for the legal security of mortgage-bond creditors. The mortgage banks are only allowed to accept cash deposits—one of the principal lines of business with credit banks—up to 50 per cent. of their original capital, in accordance with the mortgage-bank law, which also provides that of the other transactions carried out by credit banks the pure mortgage banks may only do Stock Exchange business, with the exception of forward transactions and the general cash business. The active business of pure mortgage banks is strictly limited to the following transactions:—

- (1.) Granting loans against mortgages, acquiring mortgages, and granting loans on mortgages.
- (2.) Granting loans, not against mortgages, to German public corporations, or against a pledge given by such a corporation.
- (3.) Granting loans to light-railway companies against the pledging of the railway.
- (4.) Utilizing available funds by depositing same with suitable banking-houses, by repurchases of their own mortgage-bonds and bonds, by discounting paper which is "good delivery" with the Reichsbank, and granting loans on same.

On the other side there are the following passive transactions:—

- (1.) The issue of mortgage-bonds, secured by mortgages.
- (2.) The issue of municipal bonds.
- (3.) The issue of light-railway bonds.

The whole business activity of the mortgage banks is under the supervision of the State. The total amount of outstanding mortgage-bonds must at any time be covered by mortgages of at least the equivalent thereof or of at least the same yield. Furthermore, for the legal security of creditors of mortgage-bonds mortgage registers must be drawn up, in which the mortgages are entered, which serve as a security for the mortgage-bonds in circulation. In the case of bankruptcy of the bank, the creditors of mortgage-bonds have preferential rights in respect of the securities entered in the register and rank prior to all other creditors. For the supervision of the register as to its correctness a trustee is officially appointed, who constantly has to examine at which ratio the mortgage-bonds are covered, and holds in safe keeping the documents deposited as security. All mortgage-bonds issued must bear the signature of the trustee, as well as the numbers, under which they are entered in the mortgage register. Mortgage-bond creditors have the right to elect a special State Commissioner in addition to the trustee appointed by the supervisory authorities of the State.

Regarding the valuation of the property on which loans are to be granted, the law itself does not contain any positive provisions, but certain principles are laid down by law, in accordance with which