Circular No. 48 - Rural Credits in Utah

E. B. Brossard
RURAL CREDITS
IN UTAH

E. B. BROSSARD

UTAH AGRICULTURAL EXPERIMENT STATION

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L. M. "On
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A. F.
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I.
Ezla{A
M.
D.
B. L.
GEORGE
C.
W. L.
GEORGE STEWART, M.
R. L.
HILL,
R. J.
GEORGE R.
HILL, Jr.,
D.
*E.
F.
H.
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BATEMAN, B. S....................................................... Superintendent Panguitch Farm
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IN CHARGE OF COOPERATIVE INVESTIGATIONS WITH THE U. S. DEPARTMENT OF AGRICULTURE
L. M.
WINSOR, B. S........................................................ Irrigation Engineer

*On leave.
INTRODUCTION

Purpose of Circular.—The subject of rural credits is of interest to farmers, bankers, investors, and all others concerned about public welfare. This circular is written for the purpose of giving general information about agricultural credit conditions existing at the present time, with special reference to mortgage credit in Utah and the Federal Farm Loan System as now amended. The passage of the Federal Intermediate Credits Act, approved March 4, 1923 makes this an opportune time to check up on the situation.

Agriculture Not Bankrupt.—When the Sixty-seventh Congress was considering the Federal Intermediate Credits Act, some men argued that agriculture in the United States was overextended and that to make credits more easily obtained was the best method of aggravating the present agricultural depression. Others argued that additional credit facilities were necessary in order to save agriculture from bankruptcy and allow for sufficient production and an increase in marketing efficiency in order that farmers might liquidate their debts, pay their taxes, and make a living.

The writer believes that agriculture as an industry was not
bankrupt before the passage of our recent agricultural credit laws, and he believes that these laws have not made money so available to farmers as to cause appreciable increase in the agricultural depression which has been felt so keenly the past three years.

Some Farms Need Refinancing.—During and immediately following the World War farmers over-borrowed and spent the proceeds of the loans unwisely and when the crash came in 1920 were caught with more debts than they could pay. The farmers themselves are to blame for this condition and not the credit system. The fact that money is available should not be proof that it will be misused. Credit should be used properly and not abused. If properly used by farmers the credit now available will undoubtedly be a benefit to them; but borrowing must be done wisely to prevent its becoming a "boomerang". Generally speaking, this seems to be a good time to refinance farming and liquidate indebtedness rather than to further extend the farming business in the United States.

Errors in the Use of Credit.—There are certain errors in the use of credit that are practised to some extent among farmers and are therefore enumerated here: (1) Farmers sometimes borrow heavily for non-productive purposes. (2) They often think of borrowed money as just so much additional capital and forget entirely to provide for the day of repayment. (3) When credit is easy, ample, and cheap farmers speculate and extend their business out of proportion to the real demands of the times. (4) Money is occasionally borrowed on terms which are so disadvantageous to the farmer as to make it impossible for him to make a profit out of its use. (5) Credit is obtained at higher interest rates and for a shorter time than those required for proper liquidation.

Principles to Observe in Borrowing.—It is pertinent therefore that borrowing farmers adhere to the following principles: (1) Credit except in cases of great emergency should be used for productive purposes and farmers should be sure not to borrow heavily for non-productive ones. (2) Farmers must not think of borrowed money solely as additional capital but must remember that there is a day of repayment. (3) When money is cheap farmers should not speculate because of its abundance but should settle their obligations with cheap money. (4) Farmers should be able to repay their loans with all costs and have something remaining as profit for their working with this additional responsibility. (5) The use of credit with higher interest and for a shorter time than it can be repaid should be avoided no matter from whom the money is borrowed.

Farmers' Sources of Credit.—The farmers of Utah may bor-
row money from the following sources: (1) national banks, (2) state banks, (3) trust companies, (4) private individuals, (5) savings banks, (6) insurance companies, (7) War Finance Corporation, (8) cattle loan companies, (9) building and loan associations, (10) trustees and estates, (11) mortgage loan companies, (12) State of Utah Land-Grant Funds, (13) foreign investors, (14) Federal land banks thru the national farm loan associations or agents of the Federal land bank, (15) joint stock land banks, (16) Federal intermediate credit banks, and (17) national agricultural credit corporations thru their agents.

**Short-term Agricultural Loans.**—The national banks, state banks, and trust companies do primarily a commercial banking business and therefore their loans are for short-time commercial transactions. The Federal Reserve System represents all national banks and a large number of state banks and trust companies. The banks which are members of this system may rediscount short-term agricultural paper at their respective Federal reserve bank. The Federal Reserve Law provides that the Federal reserve banks may rediscount notes, drafts, and bills of exchange issued or drawn for agricultural purposes or the proceeds of which have been, or are to be, used for such purposes, or secured by staple agricultural products, or based on livestock, or issued or drawn by cooperative marketing associations composed of producers of agricultural products: *Provided* these instruments have a maturity at time of discount, exclusive of days of grace, not exceeding nine months. Agricultural bankers' acceptances are made eligible with a maturity of six months.

Some state banks in Utah are advantageously situated in the smaller towns near the farmers and consequently are effective sources of short-time farm credit.

There is a Utah law which provides for the organization of cooperative banks or credit unions for the purpose of furnishing personal credit to members of such organizations. This law provides an opportunity for farmers as well as city persons. Where and when the necessity or utility of such an organization arises and becomes apparent, organizations, of the type provided for in the law, will perhaps be formed. As yet, there are no such organizations in Utah. Ten other states have similar laws on their statutes. In North Carolina there are thirty-three agricultural credit unions, most of which are prospering and serving the farmers to advantage. A copy of the Utah law is in Appendix No. 1 of this circular.

Private individual investors are perhaps the most effective source of short-term as well as intermediate and long-term farm credit. It is estimated that they lend as much as any other single class of institutions.
The other institutions, mentioned as sources of farm credit, lend money to farmers principally on farm and chattel mortgages and for a longer period and may be classed as mortgage institutions, altho in all cases their principal business is not lending money on farm mortgages.

**Long-Term or Mortgage Credit.**—It is undoubtedly true that in the country as a whole individuals hold more farm mortgages than any other single class of investors. Many mortgages are held by farmers who have sold out to their sons, other relatives, neighbors, friends, or other purchasers. Some farmers have retired and sold their own farms, and having their pay for the same lend this money on farm mortgages. Other people of small means put their savings into mortgages thru banks, real estate companies, and other mortgage loan agencies.

Foreign investors hold considerable amounts of the total farm mortgages of the country. Not many Utah farmers, however, will have any direct contact with such investors, but will be benefitted only as these investors buy the bonds of the Federal or Joint Stock Land Banks.

The following statement from the Federal Reserve Act of December 23, 1913, as amended in 1916, shows to what extent national banks may lend on farm mortgages: "Any national banking association not situated in a central reserve city (New York, Chicago, St. Louis) may make loans secured by improved and unencumbered farm land, situated within its Federal reserve district, or within a radius of 100 miles of the place in which the bank is located, irrespective of district line, but no such loan shall be made for a longer time than five years, nor for an amount exceeding fifty per centum of the actual value of the property offered as security. Any such associations may make such loans in an aggregate sum equal to twenty-five per centum of its capital and surplus, or to one-third of its time deposits, and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same."

On March 10, 1922 the twenty-six national banks in Utah had lent out on farm land $1,065,000, or 3.6 per cent of their total loans and discounts. The capital stock of these banks was $4,185,000 and the surplus and undivided profits was $3,024,000. The total time deposits amounted to $10,159,000.

State banks and trust companies in Utah may also lend on farm mortgages. On June 30, 1922 the eighty-nine state (commercial) banks in Utah had lent out on farm mortgages $6,429,000. The capital stock was but $5,405,000, the surplus, $2,646,000, and undivided profits, $802,000. The mortgages amount to 15 per cent of the total loans and discounts. The extent to which the current deposits of a commercial bank may be lent on long-
time farm mortgage securities, tho not limited by law, is strictly limited by good banking practice and consequently few loans of this kind should be made by state commercial banks. These loans are likely made for not longer than one year, and, then if necessary and the interest is paid up, the time is extended. State banks may purchase land mortgage bonds, however, and in this way they may facilitate the long-term farm mortgage financing.

Savings banks, insurance companies, building and loan associations, trustees and estates, and mortgage loan companies invest heavily in farm mortgages. The Comptroller of the Currency reports on June 30, 1922 that there are in Utah three stock savings banks, sixteen building and loan associations, and five loan and trust companies.

The War Finance Corporation is but a temporary emergency institution whose business life expires on April 1, 1924. It rendered valuable service in the period of depression and difficult credit.

Cattle loan associations are largely, if not exclusively, concerned with the financing of the livestock interests, furnishing three- to nine-month loans on livestock mortgages. It is expected that some of these may reorganize under the Federal Intermediate Credits Act of March 4, 1923 as national agricultural credit corporations. It is also anticipated that these latter institutions will take over the business now carried by the War Finance Corporation.

Thru Article X, Sec. 5 of the State Constitution "The Land-Grant Funds" of Utah are lent to the farmers of the State. Mr. O. P. Ellison, chief clerk of the State Land Office, on May 29, and August 14, 1923 stated as follows:

"In reply to your letter of May 24th I have to advise that of the $7,000,000 invested of the Land-Grant Funds, approximately $5,450,000 is lent to farmers on improved farms. In every case the state holds a first mortgage, the abstract being brought down to date to show the state's mortgage recorded.

"In examining the applications for loans, we find that in almost every case the money lent is to be used for the purpose of purchasing stock and for making other improvements on the farm.

"The amount that has been lost to the state by reason of failure of farmers to pay is practically negligible. In all the years of statehood there have been only 14 mortgages foreclosed, and in these cases the property was again sold without loss to the state, with but one exception.

"The Land-Grant Principal Fund can only be used for this purpose and the object of the Department is to keep the funds
invested at all times for the benefit of the various institutions, and so long as a farmer is prompt in paying the interest the loan can be renewed at the expiration of each term."

The law provides that loans may be made on first mortgages only and to an amount not exceeding one-third of the assessed value of the land, exclusive of all improvements. The rate of interest charged on all state loans is 6 per cent per annum payable semi-annually.

"The cost to the farmers in securing a loan is practically as follows:

1. Appraisal fee, $7.50 to $12.50, and
2. Examination and preparation of abstract, $5.00 to $25.00

"It is the intention of the Department to deal directly with every individual borrower, in that he may be saved any expense as commission charged by persons employed to secure loans.

"In some instances we have discovered that attorneys charge a commission of 2 per cent for securing a loan from the state for an intending borrower, and whenever this has been called to our attention the loan has not been consumated, as every borrower can receive as prompt attention himself by dealing directly with the office as if the best counsel were employed in his behalf."

**Mortgages on Utah Farms.**—The Fourteenth United States Census shows that of the 22,579 Utah farms, owned in whole or in part by the operators, 10,756 were free from mortgage and 9916 were mortgaged, while 1907 made no report respecting mortgage indebtedness. Of the 9916 mortgaged farms 8086 reported the amount of their debt to be $24,334,636. This, of course, is not the total mortgage debt of Utah farmers.

On March 13, 1923 the United States Departments of Agriculture and Commerce issued a joint release for the press in which it was estimated that the total farm mortgage debt on Utah farms was $35,550,000. This is slightly less than the estimate given by Mr. V. N. Valgren in Bulletin 1047 of the United States Department of Agriculture, published December 28, 1921.

The ratio of debt to value of land and buildings increased from 21.4 per cent in 1910 to 28.8 per cent in 1920. In 1920 the average rate of interest paid on these mortgages was 7.1 per cent which is undoubtedly less than the average in 1910, which is estimated at 8.6 per cent¹. The accompanying table shows the data by counties for 1920.

**Defects of Former Farm Mortgage System.**—Students of rural credits agree that the system of farm mortgage credit in

¹Thomson, C. W., U. S. D. A., Office of Markets and Rural Organization, Bul. 384 (July, 1916), pp. 2, 8, and 10, respectively, estimates 9 per cent for 1914 including 4 per cent commissions.
## Utah Farms With Mortgage Debt, Amount of Debt, Ratio of Debt to Value of Land and Buildings, and Average Rate of Interest Paid (1920 Census)

<table>
<thead>
<tr>
<th>District</th>
<th>Number of Owner-Operator Farms with Mortgage Debt</th>
<th>Number Farms Reporting Amount of Debt</th>
<th>Amount of Mortgage Debt</th>
<th>Ratio of Debt to Value (Per Cent)</th>
<th>Average Rate of Interest Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>The State</td>
<td>9916</td>
<td>8086</td>
<td>$24,334,636</td>
<td>28.8</td>
<td>7.1</td>
</tr>
<tr>
<td>Beaver</td>
<td>83</td>
<td>66</td>
<td>207,308</td>
<td>32.1</td>
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<td>Boxelder</td>
<td>1008</td>
<td>819</td>
<td>3,589,925</td>
<td>31.1</td>
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<td>Cache</td>
<td>1061</td>
<td>835</td>
<td>2,776,054</td>
<td>24.8</td>
<td>7.2</td>
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<tr>
<td>Carbon</td>
<td>75</td>
<td>66</td>
<td>158,930</td>
<td>26.5</td>
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<tr>
<td>Daggett</td>
<td>18</td>
<td>17</td>
<td>33,482</td>
<td>24.1</td>
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<tr>
<td>Davis</td>
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<td>316</td>
<td>1,053,565</td>
<td>27.7</td>
<td>7.1</td>
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<tr>
<td>Duchesne</td>
<td>559</td>
<td>457</td>
<td>685,470</td>
<td>28.5</td>
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<tr>
<td>Emery</td>
<td>298</td>
<td>256</td>
<td>451,626</td>
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<tr>
<td>Garfield</td>
<td>102</td>
<td>91</td>
<td>204,846</td>
<td>30.8</td>
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<tr>
<td>Grand</td>
<td>36</td>
<td>31</td>
<td>175,068</td>
<td>40.4</td>
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<td>Iron</td>
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<td>185</td>
<td>494,714</td>
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<td>Juab</td>
<td>181</td>
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<td>Millard</td>
<td>394</td>
<td>314</td>
<td>892,676</td>
<td>28.7</td>
<td>6.8</td>
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<tr>
<td>Morgan</td>
<td>89</td>
<td>61</td>
<td>201,885</td>
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<td>Piute</td>
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<td>72</td>
<td>170,788</td>
<td>29.5</td>
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<tr>
<td>Rich</td>
<td>97</td>
<td>83</td>
<td>562,043</td>
<td>38.4</td>
<td>7.2</td>
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<tr>
<td>Salt Lake</td>
<td>793</td>
<td>631</td>
<td>1,767,122</td>
<td>29.1</td>
<td>7.0</td>
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<tr>
<td>San Juan</td>
<td>107</td>
<td>102</td>
<td>493,695</td>
<td>28.5</td>
<td>6.9</td>
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<td>Summit</td>
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<td>109</td>
<td>301,205</td>
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<td>Uintah</td>
<td>300</td>
<td>277</td>
<td>503,303</td>
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<td>Utah</td>
<td>1200</td>
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<td>2,837,172</td>
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<td>203</td>
<td>181</td>
<td>222,181</td>
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<td>113</td>
<td>188,515</td>
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<td>589</td>
<td>499</td>
<td>1,633,599</td>
<td>24.8</td>
<td>6.9</td>
</tr>
</tbody>
</table>

This country was defective before the passage of the Federal Farm Loan Act of July 17, 1916 and the amendment of March 4, 1923, in that (1) the customary term of loans was far too short for the repayment of the loan out of the products of the land, (2) the methods of repayment were not satisfactory, and (3) the interest charges, commissions, and other charges were much higher than necessary for farm mortgages in competition with other securities.

**Federal Laws Improve System.**—The Federal Farm Loan Act of July 17, 1916 and the amendment of March 4, 1923, known as
the Federal Intermediate Credits Act, have greatly ameliorated the conditions, tho our system is far from perfect at the present time. Farmers should understand the general workings of this system.

THE FEDERAL FARM LOAN SYSTEM

THE FEDERAL FARM LOAN BOARD

Functions and Membership.—The Federal Farm Loan Board has charge of the Federal Farm Loan Bureau of the Treasury Department of the United States Government. This Farm Loan Bureau is charged with the execution and administration of the Federal Farm Loan Act and all acts amendatory thereto.

The Board, as now provided by law, consists of seven members, including the Secretary of the Treasury, who is a member and chairman ex-officio, and six members appointed by the President of the United States, by and with the advice and consent of the Senate. Of the six members appointed by the President, not more than three may be appointed from one political party, and all six of said members shall devote their entire time to the business of the Federal Farm Loan Board. The following constitute the Federal Farm Loan Board at the present time: Andrew W. Mellon, Secretary of the Treasury, Chairman; Robert A. Cooper, Farm Loan Commissioner; Merton L. Corey, Lewis J. Pettijohn, John H. Guill, Jr., Edward E. Jones, and Elmer S. Landes.

THE FEDERAL LAND BANKS

The Twelve Banks.—The United States is divided into twelve districts according to farm mortgage credit needs. Each district has its Federal land bank. The banks are located at (1) Springfield, Massachusetts; (2) Baltimore, Maryland; (3) Columbia, South Carolina; (4) Louisville, Kentucky; (5) New Orleans, Louisiana; (6) St. Louis, Missouri; (7) St. Paul, Minnesota; (8) Omaha, Nebraska; (9) Wichita, Kansas; (10) Houston, Texas; (11) Berkeley, California; and (12) Spokane, Washington. These banks were established primarily for the purpose of lending money to farmers on first mortgages on agricultural lands.

Federal Land Bank of Berkeley.—The Berkeley bank serves District No. 11 of the Federal Farm Loan System which includes Arizona, California, Nevada, and Utah. The directors of the bank at present are: Willard D. Ellis, John T. Wilson, A. M. Moreton, Sims Ely, George Sawyer, S. S. Smith, and R. T. Evans. The officers are: Willard D. Ellis, President; R. T. Evans, Vice-president; A. M. Moreton, Secretary; Sims Ely, Treasurer; L. Springmeyer, Assistant Secretary; Fred G. Shaw, Assistant Treasurer; and E. Q. Norman, Registrar.
Three of the directors, known as local directors, are elected by the national farm loan associations, three are appointed by the Federal Farm Loan Board, and the seventh is appointed director at large by the Federal Farm Loan Board from the three receiving the greatest number of votes for such position in the elections of the associations.

At the time the bank was organized the United States Government furnished $744,010 of the minimum capital stock of $750,000, provided by the law, and private investors furnished $5990. On June 30, 1923 the report of the bank shows that of the capital of $2,300,905, the Government held but $545,075, while the 5 per cent of the loans made thru the national farm loan associations and therefore held by the borrowing farmers was $1,755,830. Thus the farmers now own 76 per cent of the capital stock of the bank. The net mortgage loans in force were $33,832,063.

The law requires the bank to make these loans only thru local national farm loan associations or duly authorized agents of the bank. All the loans of this district have been made thru the local associations.

At the close of business June 30, 1923 the bank had lent $13,213,900 to 16 per cent of the farmers of Utah. This is an average of $3226 to each of 4096 farmers. This total amount had been lent thru the local national Federal farm loan associations in Utah. The law prohibits the bank from making direct loans to farmers. These associations therefore are quite essential to the success of the system.

Farmers organize these associations as intermediaries between themselves and the land bank. On May 1, 1923 there were seventy-one of these associations in Utah. The names of these associations, together with the names and addresses of their respective secretary-treasurer, may be found in Appendix No. 2 of this circular.

Agents of the Federal Land Bank.—According to the 1922 Annual Report of the Federal Land Bank of Berkeley there are no agents in this district. "The national farm loan associations have generally performed a useful service. Practically all of the $684,407,298 loaned to farmers has been loaned thru national farm loan associations. Probably not more than a dozen agents have been appointed in the entire country. However, Section 15 of the farm loan act provides for the appointment of agents thru whom loans might be made wherever and whenever national farm loan associations have not been organized or are not likely to be organized. No agent, however, other than

1Furnished by W. D. Ellis, President, Federal Land Bank of Berkeley.
a duly incorporated bank, trust company, mortgage company, or savings institution chartered by the state in which it has its principal office, shall be employed. Such agents are required to endorse all loans made thru them." The agent is allowed a commission of one-half of one per cent per annum upon the unpaid principal of the loan as pay for the service. This commission is deducted from the dividends payable to the farmer on his stock in the Federal land bank. A farmer who borrows thru an association does not have to pay this commission, but must, of course, pay all other charges involved in making the loan.

LOCAL NATIONAL FEDERAL FARM LOAN ASSOCIATIONS

Organization.—In organizing a local association one of the first things to do is to find out who in the local community wants to borrow money from the Federal Land Bank at Berkeley. The county agricultural agent or the officers of the farm bureau may help in this query. Membership application blanks may be secured from the Federal Land Bank at Berkeley, California.

Ten or more natural persons who are the owners or about to become owners of farm land qualified as security for a mortgage loan under the Federal Farm Loan Act may unite to form a national farm loan association. All together they must desire to borrow at least $20,000. The individual loans may not be less than $100 nor more than $25,000. Their articles of association and affidavit forwarded to the Federal land bank must be accompanied by a subscription of stock in the Federal land bank equal to five per cent of the aggregate sum desired on mortgage loans or one share of stock costing $5 for each $100 borrowed. Each share of stock up to twenty that a farmer holds entitles him to one vote in the association. In order to organize according to law it is necessary to know the number of shares each member will subscribe. Membership is not limited to ten, but ought to include all the farmers of the community desiring to borrow thru the association. Usually the larger the membership and the greater the sum borrowed the more efficient will be the local association and the less it will cost each farmer for its expenses.

Limitations of Membership.—Membership in the local association is limited to actual farmers who borrow on first mortgages on improved agricultural land. The Federal Farm Loan Board has defined an "actual farmer," "joint mortgage," and "partners," as follows: 1

"Actual Farmer."—An actual farmer is one who conducts the farm and directs its entire operation, cultivating the same with his own hands or by means of hired labor. An owner, to borrow under the farm loan

1Minutes of Federal Farm Loan Board, Jan. 1, 1917, p. 20 A.
act, must be responsible in every way, financially and otherwise, for the cultivation of his land.

"Joint Mortgage."—When a husband and wife execute a joint mortgage, one should give the other power of attorney to be his or her representative in the farm loan association. Where husband and wife sign the mortgage in this way, the one in whose name the title stands should be the one designated to join the association.

"Partners."—The Board has ruled that partners in operating a farm may borrow if one or more are farmers and are engaged in the cultivation of the land mortgaged. But partners must join severally in executing the mortgage on the land, and all shall give to one the authority to represent the others in the farm loan association. Only one member of the partnership can become a member of the association.

New members may be added at any time if their applications are accepted by a two-thirds vote of the board of directors and they fulfill all other requirements of charter members.

**Directors and Officers.**—The law requires that there shall be five directors. They are elected from among their members by nomination and the ballot vote of the members. No one member, as stated above, may have more than twenty votes.

The president, vice-president, secretary-treasurer, and a loan committee of three are then elected by the directors. No director may act on the loan committee. All directors and officers, except the secretary-treasurer, must be members of the association. The secretary-treasurer may be paid for his services if the association feels so disposed. Before any other officers receive pay the Federal Farm Loan Board must approve the policy and amount of such payment.

**Articles of Association.**—The persons organizing these locals shall enter into articles of association which shall specify in general terms the object for which the association is formed and the territory within which its operations are to be carried on. Copies of model articles may be obtained from the Federal Land Bank of Berkeley. These articles shall be signed by the persons uniting to form the association, and a copy thereof shall be forwarded to the Federal Land Bank of Berkeley to be filed and preserved in its office.

**The Charter.**—Upon receipt of the articles of association, accompanied by the affidavit and stock subscription, the directors of the bank shall send an appraiser to investigate the solvency and character of the applicants and the value of the applicants' lands, and shall then determine whether in their judgment a charter should be granted to such association. The directors shall forward the articles of association and the affidavit to the Federal Farm Loan Board with their recommendation. If such recommendation is unfavorable the charter shall be refused. If said recommendation is favorable the Federal Farm Loan Board shall thereupon grant a charter to the applicants therefor, designating the territory in which the association may make
loans, and shall forward the charter to the applicants thru the Federal land bank. The Federal Farm Loan Board, however, may for good cause shown in any case refuse to grant a charter.

**Business of Association.**—Upon receipt of its charter the national farm loan association is authorized and empowered to receive from the Federal Land Bank of Berkeley the money loans of its members and to distribute the same according to the mortgages approved. The association is the intermediary between the farmer and the Federal land bank. When the farmer wants a loan on a first mortgage he goes to his local association which takes the responsibility of all business correspondence with the Federal land bank and of getting the proceeds of the loan from the bank to the farmer.

**Capital Stock.**—In borrowing thru a local national farm loan association a farmer subscribes for one share of capital stock in the association for each $100 which he borrows. A share of capital stock is $5. He may pay cash for his capital stock or have it deducted from the loan. The association then subscribes for an equal amount of capital stock in the Federal land bank. Thus each $100 that farmers borrow adds $5 to the capital stock of the national farm loan associations and $5 to the capital stock of the Federal land bank. Upon this five-dollar share the bank can lend an additional $100, for it can lend up to twenty times its capital and surplus. This process makes virtually an unlimited amount of money available for loans to farmers. The only limitations are the effective demands of farmers for loans and the market for the bonds.

Since the voting power of the farmer is based upon his stock, and the same is true of the associations, the stock arrangement places the control of the association, and ultimately the bank, in the hands of the farmers whom they serve.

The Federal land bank pays dividends on this stock to the association and the association pays dividends on it to the farmers. The amount of the dividends depends, of course, upon the earning power of the bank. When the farmer has paid off his loan the par value of his stock is paid back to him by the association, and the bank pays back the association an equal amount, thus closing the account and settling the whole business transaction.

**What Farmers May Borrow For.**—Farmers may borrow thru the Federal land bank for the following purposes:

1. "To provide for the purchase of land for agricultural uses.

2. "To provide for the purchase of equipment, fertilizers, and livestock necessary for the proper and reasonable opera-

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1Federal Farm Loan Act, Sec. 12.
tion of the mortgaged farm. The term 'equipment' to be defined by the Federal Farm Loan Board.

3. "To provide buildings and for the improvement of farm lands. The term 'improvement' to be defined by the Federal Farm Loan Board.

4. "To liquidate indebtedness of the owner of land mortgaged, existing at the time of the organization of the first local farm loan association established in or for the county in which the land mortgaged is situated, or indebtedness subsequently incurred for purposes mentioned in this section."

The Federal Farm Loan Board defined "equipment" and "improvement" as follows:

"Equipment.—Under the term equipment may be included the implements needed in the conduct of a farm to facilitate its operation. It might consist of teams, as well as machinery, tools, and the like articles.

"Improvements.—Under this term is included anything in the form of beneficial structure, or any useful, permanent physical change tending to increase productive value, such as clearing, tiling, draining, fencing, building."

Farmers, whose places are mortgaged at the time they apply for a Federal farm loan, may get the loan to repay the original mortgage. In case the original mortgage is more than will be allowed of a Federal loan the Federal loan may still be made, provided the original mortgage will take a second mortgage for the balance of his loan. Federal farm loans are made only on first mortgages.

Amount and Uses of Money Borrowed by Utah Farmers thru the Federal Land Bank at Berkeley, up to October 31, 1922 as Reported by the Federal Farm Loan Board in Its Sixth Annual Report

<table>
<thead>
<tr>
<th>Use of Loan</th>
<th>Amount</th>
<th>Per Cent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>All uses</td>
<td>$10,503,950</td>
<td>100</td>
</tr>
<tr>
<td>1. To pay off mortgages</td>
<td>5,340,212</td>
<td>50</td>
</tr>
<tr>
<td>2. To pay other debts</td>
<td>1,673,910</td>
<td>16</td>
</tr>
<tr>
<td>3. For purchase of land mortgaged</td>
<td>1,123,700</td>
<td>11</td>
</tr>
<tr>
<td>4. For buildings and improvements</td>
<td>1,017,821</td>
<td>10</td>
</tr>
<tr>
<td>5. For Federal land bank stock</td>
<td>525,198</td>
<td>5</td>
</tr>
<tr>
<td>6. To purchase livestock</td>
<td>445,492</td>
<td>4</td>
</tr>
<tr>
<td>7. For implements and equipment</td>
<td>170,805</td>
<td>2</td>
</tr>
<tr>
<td>8. For purchase of land not mortgaged</td>
<td>145,466</td>
<td>1</td>
</tr>
<tr>
<td>9. For irrigation</td>
<td>60,076</td>
<td>1</td>
</tr>
<tr>
<td>10. For fertilizer</td>
<td>1,270</td>
<td>0</td>
</tr>
</tbody>
</table>

1Minutes of the Federal Farm Loan Board, June 1, 1917, p. 20 A.
Loan Limits.—Individual loans may not be less than $100 nor more than $25,000. The loan must be based on a first mortgage. In no case may the amount of the loan exceed 50 per cent of the appraised value of the land and 20 per cent of the permanent insured improvements. Under these conditions a farmer must have capital equal to 80 per cent of the value of improvements and 50 per cent of the value of the land, be able to get a second mortgage for this amount, or otherwise command this much capital.

Interest Rates.—Farmers cannot be charged with more than 6 per cent interest on loans from the Federal land bank. At present the rate is 5½ per cent. This rate is made up of two charges—the interest rate paid on the last series of farm loan bonds issued by the land bank and a charge not to exceed one per cent for administration and profits. The lower limit of the rate is thus determined by the market for land bank bonds and the efficiency of the bank administration.

Farmer's Costs of Securing a Loan.

1. Application fee (Nothing if individual makes own application)
2. Association fee (One per cent of the loan)
3. Title research (Depends on the work necessary)
4. Preparation of abstract (Depends on the work necessary)
5. Recording of papers
6. Land bank appraisal fee ($10 for first $1000 of loan and 25 cents for each additional $100)

It is a good investment for a farmer to have his title cleared up and secured. There are no other charges for renewals, commissions, bonuses, recording, or mortgage taxes.

Farmer's Liability.—In order to prevent loss of the farmer's money, insure thrift, avoid negligence, exclude questionable

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"Note by the Farm Loan Board.—The charges permitted to be collected by an association from applicants and borrowers are as follows:

"First. The fee exacted at the time application is made. This fee should be sufficient to cover all expense including the service of the loan committee up to the time the application is sent to the bank.

"Second. The fee collected when the loan is finally closed. This should be withheld by the association when the remittance for the proceeds of the loan is received or should be deducted by the Bank for the benefit and in behalf of the association.

"The aggregate of the above charges shall not exceed the amount fixed by the Federal Farm Loan Board and in no case shall exceed 1 per cent of the amount of the loan. It must also be understood that the above relates only to charges made by an association and has no connection with or relation to the charges which may be made by the bank for appraisal and legal determination of title."
members from the local associations, prevent speculation, and make the system operative and safe, each borrowing farmer is made "equally and ratably" liable for twice the value of his shares of stock in the association. This is an excellent provision.

Appraisal of the Farm.—The loan committee of the local association inspects the farm first. "The appraisement of a farm should represent the best judgment of the members of the loan committee as to the value of the land in question, the principal factor being the productivity of the land when used for agricultural purposes, but taking also into consideration the salability of the land and prevailing land prices in that community." When the loan committee has passed favorably upon an application its report is submitted to the land bank. The land bank appraiser then examines the property. His duty, as suggested by the Federal Farm Loan Board, is as follows:

"We think it is highly desirable that the appraiser determining values should give you all the information he can procure concerning the applicant, and if he sees enough of him to form a judgment that he should express that judgment. If in the judgment of the appraiser the loan should be rejected because of the personality of the applicant, the bank should give great consideration to such report. It is not, however, binding upon them and need not be considered an adverse report. In other words, when the appraiser's valuation of the land and buildings justifies the loan, the bank may make it, notwithstanding the appraiser's recommendation that it be not made because of the personality of the borrower. Let me repeat, such loans should be scrutinized with the greatest care, as it cannot of course be regarded as sound business policy to make loans which involve foreclosure, even if they involve no question of ultimate loss, but the determination of this question is finally with the Bank, to be made in the light of all the facts, and not with the appraiser."

The Federal Farm Loan Board has passed the following special rulings to guide in appraising farms:

"On Orchard Lands.—On orchards, where the lands have no substantial value except for orchard purposes, no loans shall be made; that where the lands have a basic agricultural value, such value shall be made the basis for the loans; and that orchards shall not be regarded as permanent improvements, but shall be taken into consideration as enhancing the general value of the land and in determining its productive value.

"On Farm Lands With Underlying Minerals.—Loans will be made on lands which are primarily agricultural lands on which there are leases carrying the right to remove oils, gases, or other minerals, provided that the extent to which such right may interfere with the use of the land for agricultural purposes may be taken into consideration, and that the land bank indemnify itself by requiring the borrower to include in his mort-

1Minutes of Federal Farm Loan Board (June 1, 1917), p. 20 B.
gage all rights under such leases and agree therein that the proceeds from such leases shall be applied to the payment of the mortgage.

"On Lands Under Drainage Projects.—Where lands are offered, as security for a loan, which are subject to a fixed annual charge for the cost of a drainage project covering a given number of years, the existence of such a charge may be considered similar to a municipal or school district tax, which does not prevent the making of a loan on such land, but the existence of the charge must be taken into account in appraising the value of the land.

"On Unimproved Lands.—It is not necessary that all the land included in a mortgage to the Federal land bank be under cultivation. One of the purposes for which money may be borrowed is to prepare land for cultivation; a reasonable amount of pasture land in connection with a farm is desirable, and such pasture land, or land to be put under cultivation, may be appraised in connection with the land under cultivation at its actual value and serve as security to an amount equal to 50 per cent of such appraisement."

Each land-bank district has its special problems in appraising farms. Some of the difficulties encountered in this district are given in the following quotation taken from the Annual Report (1922) of the Federal Land Bank of Berkeley:

"Bearing in mind the fact that land bank loans are made for as long as from twenty to thirty-six-year terms, the first consideration should be the permanency of the security. Is there any hazard or likely to be any hazard that might destroy or reduce the value of the security during the life of the loan? If an irrigated farm, the bonded debt, if any, against the land must be considered, also the annual operation and maintenance charges. Are they excessive? Are they likely to increase? What of drainage? Is it adequate? If drainage is not now provided, the chances are it may have to be during the life of the loan. How are taxes? What are the total fixed charges that must be paid annually before the farmer can take out returns for his labor and keep? Many irrigated farms already have fixed charges that leave insufficient earning power to justify a loan.

"What will the land produce year after year? What is a fair price for such produce year after year? The fact that a loan calls for fixed semi-annual payments that must be met good years and bad years, and that such payments must eventually be met out of earnings from the farm should never be lost sight of.

"Location, as it affects marketing of products and the desirability for home purposes, is also a factor to be considered.

"Sale value is in this district not generally a safe criterion on which to base long-term loans. One only has to review the prices of the same piece of land from 1914 to 1922 to learn how unreliable sale prices can be in determining value.

"Orchards and vineyards cannot be termed permanent insured improvements. An added value is given, however, above the basic value of land for general agriculture where an orchard or vineyard is found in a proven fruit district. For long-term loans, however, the same value cannot be allowed that might with safety be used for short-term loans."

Prudent farmers may add to the valuation of their farms and the opinion formed of themselves by the appraisers if they keep farm records and accounts and follow improved farm business methods. The most astute business farmers will be able to furnish the following information about their farms: A detailed inventory of all real and personal property; farm receipts, ex-
penses, and net income for a few years past; amounts of various products sold and the prices received; all bills payable and receivable; condition, dimensions, capacity and ages of all buildings; and acreage and yields of crops for a number of years back. A farmer with his business well in hand will be able to furnish the appraisers a copy of the original deed for his farm; the book and page of the record in the county clerk's office; if there has been a survey, a copy of the blue print, or a sketch map; and other information about the farm's insured and uninsured improvements. Business farmers who show character and capacity undoubtedly will make the best impressions on appraisers' minds and get reported favorably to the land bank.

Length of Loan.—The law provides that a loan may run not less than five nor more than forty years. Each borrowing farmer may choose the number of years, within these limits, that he desires his loan to run. After he so chooses and the loan has run at least five years, if he then desires, he can pay off any part of or all of the remaining principal, so long as he makes his payments in installments of $25 or multiples thereof, and on any regular interest-payment date. In other words, each farmer after five years has the privilege of paying "on or before" the date the mortgage falls due. In years of prosperity this allows a farmer an opportunity to repay what he owes.

Repayment of Loan.—The loans must be repaid in installments. This is known as amortization. Payments may be made annually or semi-annually and must be paid when due. Interest on unpaid principal must be paid at these same installment dates. At each installment period a certain lump sum is to be paid. This lump sum is calculated to cover interest on the unpaid principal to date and a part of the principal. The amount of the installment payment will depend upon the amount of the loan, the rate of interest, and the length of time the loan is to run. The amount of the installment payment varies inversely as the length of time and directly as the amount of the loan and the interest rate. At each succeeding installment date a smaller amount of the payment is required for interest, and thus a larger amount goes towards repayment of the principal. The tables in Appendix No. 3 of this circular illustrate the method.

JOINT STOCK LAND BANKS

The same law that provided for the organization of the Federal land banks and the national federal farm loan associations also provided for the organization of joint stock land banks thru private initiative. These banks were provided for primarily in order to allow individuals to participate in the advantages made possible to Federal land banks. This avoids an unwarranted
government monopoly in this field of enterprise. These corpora-
tions may be formed by any “number of natural persons not less
than ten.” The minimum capital stock is $250,000.

At the close of business June 30, 1923 the Federal Farm
Loan Bureau reports seventy-two Joint Stock Land Banks in the
country with assets totaling $409,941,271.32; capital stock paid
in, $31,407,660; surplus paid in, $1,224,398.83; and net mortgage
loans of $352,653,130.12.

On the same date the Pacific Coast Joint Stock Land Bank of
Salt Lake City, which operates in the states of Idaho and Utah,
shows $2,225,777.90 of total assets and $1,569,838.12 of net mort-
gage loans.

These banks, like the Federal farm loan banks, cannot lend
more than 50 per cent of the value of the land and 20 per cent
of the permanent insured improvements. The rate of interest
charged cannot be more than one per cent higher than that paid
on the last issue of farm loan bonds, and in no case can it exceed
6 per cent. These loans are also repaid by amortization. The
bond issue cannot exceed fifteen times the capital and surplus of
the bank. A recent ruling of the Federal Farm Loan Board
limits the amount that can be lent to one individual to $50,000.
Joint stock land banks may in no case demand or receive, under
any form or pretense, any commission or charge not specifically
authorized in the Federal Farm Loan Act. They are authorized
to lend directly to farmers, and this gives them an advantage
over the Federal land banks in areas where there are no local
national farm loan associations. They also have an advantage
with borrowers who want between $25,000 and $50,000.

Most of these banks are officered by experienced farm-mort-
gage bankers. They are conservative and sound in their business
practice and are keen competitors of the Federal land banks as
shown by the following statement of the Federal Farm Loan
Board in its Sixth Annual Report:

“The operations of the year forcibly suggest the probability
that in the immediate future, perhaps during the current year,
the privately owned joint-stock land banks operated for private
profit will, in the volume of business transacted, take precedence
over the mutual Federal land banks. This development may well
raise serious question as to the wisdom of providing for a great
system of mutual or cooperative farm credits and at the same
time providing under the same administration for profit-making
organizations to become its chief competitor, and may well raise
the further question whether legislation should not be enacted
to make the system ultimately entirely mutual.”

These banks are providing a much-needed service as
evidenced by their growth in numbers and prosperity, and farm-
ers are safe in dealing with them as they are usually managed conservatively and efficiently.

**FEDERAL INTERMEDIATE CREDIT BANKS**

**Purpose.**—In commercial banking, short-term credits are usually thought of as maturing in sixty to ninety days or less; but in agricultural finance, paper with a maturity of nine months or less is called short-term paper. Mortgage or long-term credit was provided by the Federal and joint-stock land banks for periods of five to forty years. But until the passage of the Agricultural Credits Act of March 4, 1923 no adequate provision had been made for intermediate agricultural credit for such purposes as the purchase or raising of breeding herds of livestock, fattening of livestock, marketing of livestock, loans to finance the erection of silos, and the acquisition of farm machinery, planting orchards, construction of irrigation ditches, and the storing and marketing of agricultural staples. Such loans as these have no proper place in a bank of deposit, neither are they adequately provided for in the Federal Farm Loan Act, as they have a maturity between six months and three years.

Under the present Federal scheme of rural credits, the commercial banks under the Federal Reserve System provide for agricultural credits having a maturity of not more than nine months, the Federal intermediate credits system with a maturity of six months to three years, and the Federal farm loan system with a maturity of not less than five nor more than forty years. With these provisions in active operation it seems likely that agriculture will be adequately financed.

The Federal Intermediate Credits Act was passed as an amendment to the Federal Farm Loan Act and was added to it as Title II.

**Organization.**—The Act of March 4, 1923 gave the Federal Farm Loan Board power to grant charters to twelve Federal intermediate credit banks. These banks are to be located in the same cities as the twelve Federal land banks and the officers and directors of the several land banks shall be ex-officio officers and directors of the several Federal intermediate credit banks and shall have power to employ all clerks, bookkeepers, accountants, and other help necessary to carry on the business authorized by the new law. The applications for charters for these intermediate credit banks must come from the directors of the Federal land banks. It is likely that in most, if not all, cases the business authorized by the new law will actually be carried on under the same roof with the Federal land banks. This is the way it is being handled in our district at the Federal Land Bank of Berkeley. Under this Act the United States Government fur-
nishes the capital stock of $5,000,000 to each intermediate credit bank and the Federal Farm Loan Board has general charge and supervision of its operations.

Discounts and Loans.—These banks do not lend to the farmers directly but only discount loans made to farmers by existing institutions, for terms of not less than six months nor more than three years. The institution for which discounts may be made and the purposes for which the money may be lent, as given in the Act, are as follows:

"1. To discount for, or purchase from, any national bank, and/or any State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, cooperative bank, cooperative credit or marketing association of agricultural producers, organized under the laws of any state, and/or any other Federal intermediate credit bank, with its endorsement, any note, draft, bill of exchange, debenture, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose or for the raising, breeding, fattening, or marketing of livestock;

"2. To buy or sell, with or without recourse, debentures issued by any other Federal intermediate credit bank; and

"3. To make loans or advances direct to any cooperative association organized under the laws of any State and composed of persons engaged in producing, or producing and marketing, staple agricultural products, or livestock, if the notes or other such obligations representing such loans are secured by warehouse receipts, and/or shipping documents covering such products, and/or mortgages on livestock: Provided, that no such loan or advance shall exceed 75 per centum of the market value of the products covered by said warehouse receipt and/or shipping documents, or of the livestock covered by said mortgages."

Where Farmers Go For Loans.—Farmers may go to any one of eight institutions for loans under this system: (1) national bank, (2) state bank, (3) trust company, (4) agricultural credit corporation, (5) incorporated livestock loan company, (6) savings bank, (7) cooperative bank, or (8) cooperative credit or marketing association of agricultural producers, organized under the laws of any state. The instruments of credit representing the farmer's obligation to any one of these institutions may be discounted or purchased by the Federal intermediate credit bank.

Instruments Discounted.—The Federal intermediate credit banks may discount for or purchase from any of the above mentioned institutions or any other Federal intermediate credit bank any of the following instruments: (1) notes, (2) drafts, (3) bills of exchange, (4) debentures, or (5) other such obligations.
Purposes For Which Loans May Be Made.—The purpose for which loans may be made and discounted at the Federal intermediate credit banks are: (1) any agricultural purpose, (2) for the raising of livestock, (3) breeding of livestock, (4) fattening of livestock, (5) for the marketing of livestock, and (6) in case of cooperative associations engaged in producing, or producing and marketing staple agricultural products or livestock, for orderly marketing of their products.

"The term ‘staple agricultural products’ has not yet been defined by the Federal Farm Loan Board.

"The Board has ruled that in making advances on warehouse receipts, the bank can accept only receipts from bonded government warehouses or satisfactorily bonded warehouses operating under satisfactory state supervision and regulation."1

The two advantages to farmers from these provisions are: (1) that now when they go to their bank for credit of the kind mentioned in this Act, the bank, unless it is already overloaned, will have a ready market for rediscounting the loan of the farmer, and will, it is presumed, make the loan to him more readily and (2) where the farmers belong to cooperative associations, as mentioned in the act, the association may borrow direct from the intermediate credit bank. It was thought that this arrangement would facilitate the financing of cooperative ventures.

Costs to Farmers.—The law provides that: "Rates of interest upon debentures and other such obligations issued under this section shall, subject to the approval of the Federal Farm Loan Board, be fixed by the Federal intermediate credit bank making the issue, not exceeding 6 per centum per annum. The law reads as follows:

"Section 204. (a) That before making any discounts under the provisions of this title, each Federal intermediate credit bank shall establish and promulgate a rate of discount to be approved by the Federal Farm Loan Board." In accordance with this provision the Federal Intermediate Credit Bank of Berkeley established the discount rate of 5½ per cent. When an issue of debentures has been made, the bank may establish, "with the approval of the Federal Farm Loan Board, a rate of discount not exceeding by more than 1 per centum per annum the rate borne by its last preceding issue of debentures.

"(b) No organization entitled to the privileges of this title, shall, without the approval of the Federal Farm Loan Board, be allowed to discount with any Federal intermediate credit bank any note or other obligation, upon which the original borrower has been charged a rate of interest exceeding by more than 1½

1Letter (March 28, 1923) of the Federal Land Bank of Berkeley.
per centum per annum the discount rate of the Federal intermediate credit bank at the time such loan was made."

This fixes the upper limit that a borrower can be charged at 8½ per cent a year, 1½ per cent of which may go to the local bank, 1 per cent to the Federal intermediate credit bank, and 6 per cent to the holders of the debenture bonds. However, with the discount rate at 5½ per cent, as in this district at present, not more than 7 per cent may be charged the farmer borrower by the local bank in his home town.

**Examination of Collateral.**—“(c) Appraisers of the land bank are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Federal Farm Loan Board, to investigate and make a written report upon the products covered by warehouse receipts or shipping documents, and the livestock covered by mortgages, which are security for notes or other such obligations representing any loan to any organization under this title.” The cost is borne by the intermediate credit bank.

“The Examiners of the land bank are authorized, upon the request of any Federal intermediate credit bank and with the approval of the Federal Farm Loan Board, to examine and make written report upon the condition of any organization, except national banks, to which the Federal intermediate credit bank contemplates making any such loan.

“(d) The Federal Farm Loan Board shall assess the cost of all examinations made by the examiners of the board under the provisions of this act, upon the bank, trust company, savings institution, or organization investigated, in accordance with the regulations to be prescribed by the board.”

**Length of Loans.**—“Section 202. (c) Loans, advances, or discounts made under this section shall have a maturity at the time they are made or discounted by the Federal intermediate credit bank of not less than six months or more than three years.” However, “the Federal Farm Loan Board has ruled that no loans, until the system be thoroughly tried out, will be made for a longer period than nine months, but that upon livestock paper, satisfactory assurance of renewal can be given in proper cases only to an aggregate amount not exceeding the capital of the Federal intermediate credit bank and always subject to rein­
spection and satisfactory condition of security.

“The Board has ruled that while ample funds will be available to facilitate orderly marketing thru qualified organizations, no loans can be made to support speculative holdings of farm products.”

**Method of Repayment.**—These loans will be made, as far as

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1Letter (March 28, 1923) of the Federal Land Bank of Berkeley.
possible, to be self-liquidating. Undoubtedly there will be but one payment and that at the date of maturity. Interest, however, will be made payable annually or semiannually where the instruments have a maturity of more than a year. It may be possible in some cases for farmers to obtain the privilege of paying back the principal and interest before the maturity date given in the instrument, but in any case the whole of the loan and the interest must be paid on the date the instrument matures, which, under the present ruling, is not longer than nine months after date of making, except in cases of the special livestock paper.

Criticism.—In a letter, dated May 1, 1923 to the writer, President Ellis of the Federal Land Bank of Berkeley makes these observations: "In the writer's opinion the banks will be very slow to discount with the Federal intermediate credit bank. Our rate of 5 1/2 is 1 per cent above the Federal reserve bank's rate, and a bank is limited to discounting twice its capital and surplus with an intermediate credit bank, whereas it is not limited with the Federal reserve bank. Many of the banks in the rural sections, particularly in southern Idaho, have now rediscounts with the Federal Reserve Bank of San Francisco ranging from 100 to 700 and 800 per cent of their capital and surplus. The Federal intermediate credit bank can, of course, be of no assistance to such institutions at the present time. So far, we have received two applications for loans, but neither of these is in such form or covering such commodities as we are permitted to handle at this time.

"The restrictions placed around the operations of the Federal intermediate credit bank are going to make them rather difficult for the farmer to reach for some time to come. The farmers are going to be very much disappointed because the Federal intermediate credit banks do not make direct loans. Of course, you understand that it would be difficult and impracticable for an intermediate credit bank to make direct loans to individual farmers.

"Unless some of the cattle loan companies and state banks in Utah rediscount with the intermediate credit bank, the only way the farmers in that state will benefit will be thru cooperative marketing associations or agricultural credit corporations. So far, the history of cooperative marketing in Utah has not been such as to justify any bank in extending a very large credit line.

"There is room for one or more agricultural credit corporations in Utah. We are giving that matter some study and believe that later on there will be some development worth while.

"I rather expect to see a number of national agricultural
credit corporations organized for the purpose of getting the benefits of the intermediate credit bank's services."

NATIONAL AGRICULTURAL CREDIT CORPORATIONS

Formation.—National agricultural credit corporations may be formed by any number of natural persons not less in any case than five. Such persons shall enter into articles of association which shall specify the object for which the corporation is formed. Such articles of association shall be signed by the persons intending to participate in the organization of the corporation and, together with the organization certificate, be forwarded to the Comptroller of the Currency to be filed and preserved in his office. The Comptroller of the Currency is given authority to issue charters to these corporations. The corporations shall be managed by not less than five directors elected by the stockholders. These are privately owned and operated institutions but are supervised, regulated, examined, and controlled by the Comptroller of the Currency.

Object.—The purpose of these corporations is to provide credit facilities for the agricultural and livestock industries of the United States. Under such rules and regulations as the Comptroller of the Currency may prescribe the corporations shall have, with other powers, the power—

"(1) To make advances upon, to discount, rediscount, or purchase, and to sell or negotiate, with or without its indorsement or guaranty, notes, drafts, or bills of exchange, and to accept drafts or bills of exchange, which—

(A) Are issued or drawn for an agricultural purpose, or the proceeds of which have been or are to be used for an agricultural purpose;

(B) Have a maturity, at the time of discount, purchase, or acceptance, not exceeding nine months; and

(C) Are secured at the time of discount, purchase or acceptance by warehouse receipts or other like documents conveying or securing title to nonperishable and readily marketable agricultural products, or by chattel mortgages or other like instruments conferring a first and paramount lien upon livestock which is being fattened for market.

"(2) To make advances upon or to discount, rediscount, or purchase, and to sell or negotiate with or without its indorsement or guaranty, notes secured by chattel mortgages conferring a first and paramount lien upon maturing or breeding livestock or dairy herds, and having a maturity at time of discount, rediscount, or purchase not exceeding three years."

Any obligation referred to in paragraphs (1) or (2), as quot-
ed above, "which is secured by chattel mortgage upon livestock of an estimated value at least equal to the face amount of such obligation, may be additionally secured by mortgage or deed of trust upon real estate or other securities, under such regulations as may be made by the Comptroller of the Currency."

It will be seen from the foregoing quotations from the law that these corporations are designed especially to aid the livestock industry and in the marketing of agricultural products, tho other agricultural paper with a maturity not exceeding nine months may be handled. These organizations, when organized, may deal directly with the farmers, and their paper may be discounted or rediscounted by the Federal Intermediate Credit Bank of Berkeley and will likely be a great help in farm financing. The farmers should be pleased to see a number of such institutions chartered and in operation in Utah.

Capital.—A corporation must have a capital of not less than $250,000, one-half of which must be paid in cash before charter is issued and the total within six months thereafter. The capital may be increased at any time if done according to the provisions of the act.

Debentures.—Subject to such regulations as the Comptroller may prescribe, these corporations may issue collateral trust notes or debentures, with a maturity not exceeding three years. They may pledge as security for such notes or debentures any notes, drafts, bills of exchange, or other securities held by the corporation under the terms of this law. This privilege is commendable and in connection with the other features of this law will likely prove of decided advantage in attracting funds of the investing public to the use of agriculture. But at no time shall a corporation incur liabilities, whether direct or contingent, in excess of ten times its paid-in and unimpaired capital and surplus.

Size of Loans.—These corporations may lend up to the full face value of the livestock or agricultural products covered by warehouse receipts, whereas the Federal intermediate credit banks may lend only as much as 75 per cent of the face value of these securities.

No one person or corporation may borrow from a national agricultural credit corporation more than 20 per cent of the paid-in and unimpaired capital and surplus of such national agricultural credit corporation, except such loans are adequately secured by warehouse receipts representing readily marketable and non-perishable agricultural commodities, in which event the loan may not exceed 50 per cent of the paid-in and unimpaired capital and surplus.

Interest Rates.—"Any national agricultural credit corpora-
tion may charge on any loan or discount made, or upon any note, bill of exchange, or other evidence of debt, interest at the rate allowed by the laws of the state in which such corporation is located."

Livestock Inspection.—Ample provision is made for the inspection, examination, and appraisal of securities offered for loans. The Secretary of Agriculture is given authority to license the livestock inspectors. This, of course, is done only upon presentation to him of satisfactory evidence that the applicant is competent to inspect livestock as a basis for loans. The Secretary also, for cause shown, may suspend or revoke the license of any such inspector. These inspectors will be paid by the Secretary of Agriculture from funds provided by the Comptroller of the Currency and collected by him from the national agricultural credit corporations. Only such licensed inspectors may inspect livestock as a basis of loans.

Taxation.—The shares of stock, dividends, income, and real estate of the national agricultural credit corporations are taxable by a state the same as national banking associations; and the debentures or other obligations of the corporations are taxable at the same rate as other money capital in the hands of individual citizens of the state. In contrast with this situation the (1) capital, (2) reserve, (3) surplus, (4) income, and (5) debentures of the Federal land banks, joint stock land banks, and the Federal intermediate credit banks are exempt from taxation.

Conversion of Corporations.—Provision is made in the law for the conversion of agricultural or livestock financing corporations into national agricultural credit corporations by a vote of 51 per cent of the stock of such corporation desiring to become such, provided the change is approved by the Comptroller of the Currency and that the converting corporation otherwise fulfills the requirements of a national agricultural credit corporation. Provision is also made for consolidation of corporations within the system.

NATIONAL AGRICULTURAL REDISCOUNT CORPORATIONS

Any national agricultural credit corporation having an authorized capital stock of $1,000,000 or over may be organized as a rediscount corporation. These rediscount corporations may exercise all the powers of any other national agricultural credit corporation except those enumerated in the paragraph headed "object." In lieu of these excluded powers such corporations shall have powers—

"(1) Upon the endorsement of any national agricultural credit corporation, or of any bank or trust company which is a member of the Federal Reserve System, to rediscount for such
corporation, bank, or trust company, notes, drafts, bills of exchange, and acceptances, which conform to the requirements of paragraphs (1) and (2) of subdivision (a) of Section 203.” (See above in paragraph beginning “Object”.) “Such endorsement shall be deemed to be a waiver of demand notice and protest by such corporation as to its own indorsement exclusively.

“(2) To discount or purchase notes, drafts, or bills of exchange issued or drawn by cooperative associations of producers of agricultural products, provided such notes, drafts, or bills of exchange are secured at the time of discount or purchase by warehouse receipts or other readily marketable agricultural products and have a maturity at the time of discount or purchase not exceeding nine months.

“(3) To sell or negotiate with or without recourse any note, draft, or bill of exchange discounted or purchased hereunder.”

The amount of rediscounts of these corporations is not limited to ten times their paid-in and unimpaired capital and surplus, but is regulated by the Comptroller of the Currency. This is true also of the amount they may rediscount for any one corporation.

The rediscount corporations, because of their limited powers, are not subject to the same requirements as the national agricultural credit corporations respecting the deposit of bonds and other obligations of the United States.

A rediscount corporation is nothing more than a regular national agricultural credit corporation, with larger capital requirement, a more limited field in some directions and a more

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**Chart Showing All Sources of Credit Open to Farmers**

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Courtesy of THE FARM JOURNAL
extensive field in others; but it is still owned and controlled by private individuals who furnish the capital and the management for its operations.

It may be expected that some time will elapse before institutions of this kind are established, but as the other institutions provided for in this law grow up and flourish undoubtedly such rediscount corporations will be organized to complete the system.

**BONDS AND DEBENTURES AS INVESTMENTS**

Farmers, who at any time find themselves with a surplus of funds not needed immediately in their business, will rarely find a better investment than bonds of the Federal and joint-stock land banks. Think what might have been if the millions of dollars that have been sunk in worthless securities each year had been invested in these safe and conservative bonds. Fake cooperative enterprises and highly speculative oil stocks have kept many farmers with their noses on the grindstone long after their retirement age. Over investment in land has kept many farmers “land poor”. Too many farmers speculate in land. With the facilities now available for these safe investments, conditions in the country should change. Secretaries of local farm loan associations, bankers, and other agencies can either get these bonds for prospective purchasers or refer them to reliable bond houses which will furnish information regarding the price and yield of these bonds and other investments and will act as agents for the farmers.

The Federal farm loan bonds are safe and conservative investments. These bonds are instrumentalities of the United States Government and are exempt from federal, state, municipal and local taxation. Back of these bonds are the farm mortgages or United States Government bonds or cash, together with the joint and several liability of the twelve Federal land banks. The mortgages are first mortgages on farms and cannot exceed 50 per cent of the value of the land and 20 per cent of the value of the permanent insured improvements, and in practice amount to but 37 per cent of the sale price of farms. These mortgages are also guaranteed by the local national farm loan association of which the borrower is a member and stockholder. Each stockholder is liable for twice the amount of his stock. The principal of the mortgage is reduced each year by the payment of an installment so that each year the security increases.

The farm loan bonds issued by joint stock land banks are also under the supervision of the Federal Farm Loan Board and are backed by first mortgages on farms, which are equally conserva-
Rural Credits in Utah

The bonds and other obligations of a bank cannot exceed fifteen times the capital and surplus of such bank, and the stockholders are liable equally and ratably, but not one for another, for all contracts, debts, and engagements of the bank to the extent of the amount of stock owned by them at the par value thereof, in addition to the amount paid in and represented by their shares. These mortgages are also repaid on the amortization plan so that each succeeding year the security back of the bonds increases, tho it is ample and sufficient at all times. They are also tax-exempt.

All Federal farm loan bonds are in convenient denominations of $25, $50, $100, $500, and $1000. There has always been a ready market for them, and a holder may sell his bonds at any time. The interest is paid promptly. They yield around 5 per cent, which is equal to a much higher rate on a taxable bond. The tax-exemption feature makes them especially attractive investments for persons with large incomes. Whether or not this tax-exemption feature is justifiable is an open question, but there is no doubt that it has facilitated the marketing of these bonds and thus attracted capital to agriculture.

Farmers who are in a position to do so should make use of such opportunities for investment as are afforded by these bonds.

CRITIQUE OF THE FEDERAL SYSTEM OF RURAL CREDITS

Now that the Federal Farm Loan System has had a trial and has done so well, it seems safe to say that it is here to stay. The federal land banks in connection with the local national farm loan associations have been very stimulating to farmers and have been institutions of great relief in times of depression.

The rapid growth and development of the joint stock land banks, especially the past year, shows the possibility of service for private enterprise in this field under government supervision.

The success or failure of the federal intermediate credit banks will depend largely on two factors: first, the amount of paper of the type contemplated that will be offered to the intermediate credit banks; and second, the extent to which the demand can be met thru the issuance and sale of the debenture bonds. Business in District No. II certainly has not been rushing up to the present time. The fact that the rate of discount fixed by the Federal Land Bank of Berkeley and approved by the Federal Farm Loan Board is higher than that of the Federal Reserve Bank of San Francisco seems to indicate slight development of business until there is an adjustment. The further fact
that the discounts of member banks of the Federal Reserve System are not so limited with the Federal reserve banks as are the discounts of these institutions with the Federal intermediate credit banks is another stumbling block to the development of the intermediate credit banks.

There are also difficulties in marketing the securities that must be overcome. Secretary Mellon points out that the securities are not adequately safeguarded, and in this respect the bill is unsound and dangerous. Whether this is true or not depends largely upon the rules and regulations of the Federal Farm Loan Board regarding these matters. They are proceeding cautiously in order to make the securities safe and marketable. However, there is a possible inherent difficulty. "Ditches, fences and silos, as such, do not afford a satisfactory basis of security for a loan. At best, the farmer can give a second mortgage upon his land. Nor has any method yet been devised by which livestock loans can be safely made at more than a year's maturity. It is generally found prudent to limit them to six months."1 The former of these objections may be overcome by limiting the maturity and the amount of a loan on silos, etc. to such time and sum as the note of the farmer will be good for, without any additional security. The latter may be overcome by livestock insurance making the chattel mortgages safe even up to the full three years. Even if the former objection were admitted as inherent, there are still sufficient sources of business to justify operations and the farm loan board may define "agricultural purposes" as to exclude such loans. The former course rather than the latter, however, will likely be the one taken. It is not easy to tell what the market will be for these debentures even tho they are tax-exempt. We shall have to wait and watch.

Some national agricultural credit corporations will likely be organized in the various states and carry on some of the activities of the War Finance Corporation and the livestock loan companies now and to be organized. They will likely find a market for their securities, tho they are not exempted from taxation.

The rediscount corporations, as anticipated in the law, will be an outgrowth of the development of the other institutions and will likely be located in the larger financial centers.

When the system, as now contemplated and outlined in laws upon the statutes, becomes actually operative and the minor legal and practical difficulties are overcome, so that the real purposes of the laws are accomplished, the farmers credit needs will be well taken care of. It is to be hoped that farmers will show wisdom in the way they employ this credit.

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CO-OPERATIVE BANKS FOR PERSONAL CREDITS

An Act to create Co-Operative Banks for Personal Credits, to permit such banks to receive the savings on deposit of its members, and other persons, to loan the same, to invest its funds and undertake such other activities as its by-laws may permit.

Be it enacted by the Legislature of the State of Utah:

Section 1. "Co-Operative Bank" Defined.—In this Act the words "co-operative bank" shall mean a co-operative association formed for the purpose of promoting thrift among its members, by affording means for saving money in small or large amounts, by securing deposits or loans of funds upon the associated liability of its members, by furnishing advances or loans for productive purposes, by making loans of a remedial character, by promoting in a co-operative spirit the ideals of help for self-help, and by transacting a general banking business in the interest of its members primarily.

Section 2. General Powers of Bank.—A co-operative bank may receive the savings of its members in payment for shares or on deposit, may receive deposits from non-members, may lend to its members at reasonable rates, or otherwise employ its funds for carrying out its purposes, or invest its funds as hereinafter provided, and may undertake such other activities relating to its purposes as its by-laws may provide.

Section 3. Who May Organize. Incorporation. Bank Commissioner to Approve.—Ten or more persons of this State may associate themselves together by an agreement in writing and form a corporation to conduct a savings bank under the provisions of Chapters 1 and 4, Title 14, Compiled Laws of Utah, 1907, respecting corporation for pecuniary profits, and all the rights, privileges and powers and all the duties and obligations of such corporation, and the officers and stockholders shall be, as provided in said chapter, except as in this chapter otherwise provided. The Bank Commissioner is hereby authorized to grant such consent when it is satisfied that the proposed field of operation is favorable to the success of such co-operative bank, and that the standing of the proposed members is such as to give assurance that its affairs will be administered in accordance with the spirit of this Act, provided that such consent shall not be granted until 400 shares of the capital stock of the company shall be subscribed for and 50 per cent of each such subscription be paid in cash. The Secretary of State shall furnish, free of cost, all the forms and blanks, to enable the people interested to organize the banks herein provided for.

Section 4. Exclusive Use of Certain Words.—No person, partnership, association or corporation, except corporations formed under the provisions (of) this Act, shall hereafter transact business under any name or title which contains the two words "co-operative" and "bank." If located in a rural community, the word "farmers" shall be used in, or immediately after or under the name of the co-operative bank; if in a city or town of 3,000 or more population, the work "urban" shall be so used.

Section 5. Banking Laws Applicable. Bank Commissioner to Supervise. Fee for Examination.—The provisions of Chapter 45, Session Laws of Utah, 1913, shall be applicable to such corporation, and they shall be subject to the supervision of the Bank Commissioner in the manner and to the extent set forth in said chapter. Provided, that the fee shall be $10.00 for each examination.
Section 6. By-Laws. What to Contain.—The by-laws shall prescribe:

(a) The name of the corporation.
(b) The purpose for which it is formed.
(c) The system for encouraging members to increase their holdings of shares.
(d) The conditions of domicile or vocation which qualify persons or co-operative societies for membership.
(e) The conditions on which shares may be paid in, transferred and withdrawn.
(f) Conditions on which deposits may be received and withdrawn.
(g) The method for receiving for money paid on account of shares or deposits.
(h) The number of directors and number of members of the credit committee.
(i) The duties of the several officers.
(j) Date of the annual meeting of members.
(k) The manner in which members shall be notified of meetings.
(l) The number of members which shall constitute a quorum at meetings.
(m) Such other regulations as may seem necessary.

Section 7. Id. Bank Commissioner to Approve.—No such corporation shall receive deposits or payments on account of shares, or make any loans, until its by-laws have been approved in writing by the Bank Commissioner, nor shall any amendments to its by-laws become operative until they have been so approved.

Section 8. Fiscal Year. Annual and Special Meetings. Powers of Members. Dividends.—The fiscal year of every such corporation shall end at the close of business on the thirty-first day of December. The annual meeting of the corporation shall be held at such time and place as the by-laws prescribe. Special meetings may be held by order of the directors or the supervisory committee, and the clerk shall give notice of special meetings upon request in writing of ten members. Notice of all meetings of the corporation shall be given in the manner prescribed by the by-laws. At the annual meeting the members may, upon recommendation of the Board of Directors, declare dividends and fix the maximum amount of the entrance fee; provided, that the maximum divided upon shares in any year shall not exceed two per centum over and above the average rate of interest received from borrowers during that year. At any meeting the members may decide upon any question of interest to the corporation; and upon appeal of two members may reverse decisions of the Board of Directors and committees in joint session; and by a three-fourths vote of those present, provided the notice of the meeting shall have specified the question to be considered, may amend the by-laws.

Section 9. Board of Directors. Credit Committee. Special Committee. Membership. Qualifications. Term.—At the annual meeting the members shall elect from their number a Board of Directors of not less than five members, a credit committee of not less than three members, and a special committee of two members. No person shall be a member of more than one committee, and no director shall be eligible for either of the three committees named, unless the total membership is so few as to require it. All directors and committee members, as well as all officers whom they may elect, shall be sworn and shall hold their several offices until others are elected and qualified in their stead; and a record of every such qualification shall be filed and preserved with the records of the corporation.

Section 10. Officers. Election. General Powers of Directors.—At their first meeting the Board of Directors shall elect from their number a president, vice-president, a clerk and treasurer, who shall be the executive officers of the corporation. The Board of Directors shall have the general management of the affairs, funds and records of the corporation,
Rural Credits in Utah

and shall meet as often as may be necessary. It shall be their special duty:

(a) To act upon applications for membership.
(b) To act upon the expulsion of members.
(c) To fix the amount of surety bond which shall be required of each officer having custody of the funds.
(d) To determine the rate of interest which shall be allowed on deposits.
(e) To determine the rate of interest which shall be charged on loans.
(f) To fill vacancies in the Board of Directors or in the credit committee of the corporation until the election and qualification of officers to fill said vacancies.
(g) To make recommendations to meetings of the members relative to the maximum amount of entrance fee; the maximum amount which may be loaned to any one member, provided that the maximum so fixed shall not exceed 15 per cent of the capital and surplus of the company; the dividend to be declared; amendments to the by-laws, and any other matters which, in their opinion, the members should decide.
(h) To transact any other business of the bank.

Section 11. Credit Committee to Approve Loans. Form of Application for Loans.—The credit committee shall approve every loan or advance made by the corporation, except as set forth in Section 13. Every application for a loan shall be made in writing and shall state the purpose for which the loan is desired and the security offered. No loan shall be made unless the credit committee is satisfied that it promises to benefit the borrower, nor unless it has received the unanimous approval of those members of said committee who were present when it was considered, nor if any member of said committee shall disapprove thereof.

Section 12. Special Committee to Approve Loans Made to Officers and Directors.—The special committee shall act upon every loan or advance made by the corporation to any member of the Board of Directors, or of the credit committee, or of the supervisory committee. Every application for a loan to such individuals shall be made in writing, and shall state the purpose for which the loan is desired and the security offered. No such loan shall be made unless the special committee is satisfied that it promises to benefit the borrower, nor unless it has received the approval in writing of both members of the special committee.

Section 13. No Limit to Capitalization. Par Value of Stock. Manner of Subscribing and Paying for Stock. Liability of Stockholder.—The capital of the corporation shall be unlimited in amount. Shares of capital stock may be subscribed for and paid for in cash in such manner as the by-laws shall prescribe, but no certificate for shares shall be issued until the same have been fully paid.

The par value of each share in the capital stock of a co-operative bank shall be Five Dollars, to be paid for in cash. Each shareholder shall be liable for the debts of the corporation to the amount of shares subscribed for by him, whether wholly or partly paid. As an initial payment for the privilege of membership, each member shall pay an entrance fee of at least one dollar besides subscribing for not less than one share of the capital stock, which may be evidenced by pass-book entry or by certificate as the by-laws may determine. A natural person, or a co-operative association organized under the laws of this State, may be a shareholder, but no member may hold more than two hundred shares.

Section 14. Stock and Deposits Belonging to Minors or Held in Trust. Withdrawal.—Shares may be issued and deposits received in the name of a minor, and such shares and deposits may, in the discretion of the directors, be withdrawn by such minor or by his parent or guardian; and in either case payments made on such withdrawals shall be valid. If shares are held or deposits made in trust the name and residence of the beneficiary shall be disclosed and the account shall be kept in the
name of such holder as trustee for such person. If no other notice of
the existence and terms of such trust has been given in writing to the
corporation, such shares or deposits may, upon the death of the trustee,
be withdrawn by the person for whom the amount of such shares was
paid in or for whom such deposit was made, or by his legal representa-
tive.

Section 15. Loan and Investment of Capital, Deposits or Surplus.
Security. Terms. Interest on Petty Loans.—The capital, deposits and
surplus funds of the corporation shall be either lent to the members for
such purposes and upon such security and terms as the credit or special
committee shall approve, or may be partly invested in the land reserve
certificates or land bonds of the land-mortgage-banking corporation, or
deposited to the credit of this corporation in savings banks, or trust
companies, or commercial banks, incorporated under the laws of this
commonwealth, or in national banks located therein. In making petty
loans of a remedial character, a rate of interest not to exceed 12 per cent
per annum may be charged upon the unanimous approval in writing by
the directors; and loans to non-members on demand, or other liquid
investments, may be made in like manner out of any funds in excess of
fifteen per cent reserve, but the members shall always have first call upon
the funds of the corporation for loans.

Section 16. Repayment of Loan. Fine for Failure to Meet Pay-
ments.—A borrower may repay the whole or any part of his loan at any
time at which the office of the corporation is open for the transaction of
business. For failure to pay the interest or any installment required by
the terms of the loan, the borrower may be fined if the by-laws so pre-
scribe.

Section 17. No Compensation Allowed Directors and Committeemen.
Directors May Fix Compensation of Officers.—No member of the Board
of Directors or of the credit or special committee shall receive any com-
pensation for his services as a member of said board or committees, nor
shall any member of the credit committee, either directly or indirectly,
become surety for any loan or advance made by the corporation after its
third annual meeting. But the officers elected by the Board of Directors
may receive such compensation as said board shall authorize.

Section 18. Member May be Expelled for Cause Procedure.—The
Board of Directors may expel from the corporation any member who has
not carried out his engagements with the corporation, or has been con-
victed of a criminal offense, or neglects or refuses to comply with the
provisions of this Act or of the by-laws, or whose private life is a source
of scandal, or who habitually neglects to pay his debts, or shall become
insolvent or bankrupt, or shall have deceived the corporation with re-
gard to his property, resources, credit or use of borrowed money; but
no member shall so be expelled until he has been informed in writing
of the charges against him and an opportunity has been given to him,
after reasonable notice, to be heard thereon.

Section 19. Settlement With Member Who Has Withdrawn, or Who
Has Been Expelled.—The amounts paid in on shares or deposited by
members who have withdrawn or have been expelled, shall be paid to
them with all accrued interest, but exclusive of other gains or profits, but
in the order of withdrawal or expulsion and only as funds therefor be-
come available and after deducting any amounts due by said members to
the corporation; but such expulsion shall not operate to relieve a mem-
ber from any remaining liability to the corporation.

Section 20. Dividends. How Computed and Distributed.—At the
annual meeting a dividend may be declared from income which has
been actually collected during the fiscal year next preceding, or during
the months which have elapsed since the corporation began business, and
which remains after the deduction of all expenses, losses, interests on
deposits, and the amount required to be set apart as a guaranty fund.
Such dividend shall be paid on all fully paid shares outstanding at the
close of the fiscal year, but shares which become fully paid during the
year shall be entitled to only a proportional part of said dividend cal-
culated from the first day of the month following such payment in full. Dividends due to a member shall be credited to the account of partly paid shares for which he has subscribed until same are paid up and then may be paid in cash.

Section 21. **Guaranty Fund. How Created. Purpose.**—Immediately before the payment of each dividend there shall be set apart as a guaranty fund ten per cent of the net income which has accumulated during the fiscal year. Said fund and the investments thereof shall belong to the corporation and shall be held to meet contingencies or losses in its business. All entrance fees shall be added at once to the guaranty fund. But upon recommendation of the Board of Directors the members at an annual meeting may increase, and whenever said fund equals or exceeds the amount of capital stock actually paid in, may decrease, the proportion of profits which is required by this section to be set apart as a guaranty fund.

Section 22. **Corporation May be Dissolved. When. Manner of Liquidation.**—At any meeting specially called to consider the subject the members, upon the unanimous recommendation of the Board of Directors, may vote to dissolve the corporation, provided at least two-thirds of the members are present at such meeting, and provided that not more than ten members, either in person or by written notice, object thereto. A committee of three shall thereupon be elected to liquidate the assets of the corporation, and each share of the capital stock, according to the amount paid in thereon, shall be entitled to its proportion of the proceeds after all deposits and debts of the corporation have been paid.

Section 23. **Annual Report to Bank Commissioner. Penalty for Delay.**—Within twenty days after the last business day of December in each year, every such corporation shall make to the Bank Commissioner a report in such form as he may prescribe, signed by the president and treasurer, who shall certify and make oath that the report is correct according to their best knowledge and belief. Any such corporation which neglects to make the said report within the time herein prescribed shall forfeit to the commonwealth Five Dollars for each day during which such neglect continues.

Approved March 23rd, 1915.
## APPENDIX NO. 2

### NATIONAL FARM LOAN ASSOCIATIONS AND SECRETARY-TREASURERS IN UTAH

(May 1, 1923)

<table>
<thead>
<tr>
<th>Association</th>
<th>Secy-Treas.</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bear River Precinct</td>
<td>Frede F. Peterson</td>
<td>Bear River City</td>
</tr>
<tr>
<td>Beaver County</td>
<td>Geo. P. Low</td>
<td>Beaver</td>
</tr>
<tr>
<td>Belknap</td>
<td>Christian Anderson</td>
<td>Monroe</td>
</tr>
<tr>
<td>Blue Creek</td>
<td>R. H. Stewart</td>
<td>Brigham</td>
</tr>
<tr>
<td>Brigham City</td>
<td>Hyrum W. Valentine</td>
<td>Brigham</td>
</tr>
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The names of the Secretary-Treasurer may change from time to time especially with the annual election held the second Tuesday in each January.

Joint-Stock Land Bank in Utah  
Pacific Coast Joint-Stock Land Bank of Salt Lake City, Secretary—Chas. H. West.
### APPENDIX NO. 3

#### TABLE I.—A Loan of $100 at 5½% Per cent Interest Repayable in 34½ Years by Means of Semiannual Installments of $3.25 (6⅛ Percent of Original Principal)

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To make computation on any multiple of $100 or fraction thereof, such as $300 or $350, merely multiply the above figures in each column by 3 or 3 ½ or 10, as the case may be, dropping minor and adding major fractions.
TABLE 2.—Amortization Table for a Loan of $1000, Payable in 20 Annual Installments, with Interest at 5⅞ and 6 Per cent

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(College Series No. 186)