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## FEDERAL FARM LOANS MEAN CHEAP MONEY

Low Interest and Long Time Are Features of Rural Credit System.

The Federal farm loan act, popularly called the "Rural credits law," was signed by the President and became a law on July 17, 1916.

The primary purpose of this act is to promote agricultural prosperity by enabling farmers to borrow money on farm mortgage security at a reasonable rate of interest and for relatively long periods of time. To attain this object, two farm-mortgage systems are provided: (1) A system operating through regional banks, and (2) a system operating through joint-stock land banks.

To attract money to the farm-loan field the act provides a method whereby those who have money to lend can find safe investment in the form of debentures or bonds, of small and large denominations, issued by the banks and based on the security of mortgages on farm lands.

These two systems are to be under the general supervision of a Federal Farm Loan Board in the Treasury Department, composed of the Secretary of the Treasury, as chairman ex officio, and four members appointed by the President. This board has authority to appoint appraisers, examiners, and registrars, who will be public officials.

### Federal Land-Bank System.

Under the Federal land-bank system the act provides for Federal land banks which make loans, for the first 12 months exclusively through local national farm-loan associations composed of borrowers. These associations shall be shareholders in the banks, and in that way the members who are the borrowers will share in the profits of the bank. The money for the loans is to come partly from the capital of the banks and partly from the sale by the banks of bonds secured by first mortgages on farm lands. The act defines strictly the purposes for and the conditions under which loans are to be made, and requires that the rate of interest charged on farm loans shall not exceed six per cent per annum.

### Twelve Federal Land Banks.

The United States shall be divided into 12 farm-loan districts, and a Federal land bank with a subscribed capital stock of not less than \$750,000, each share \$5 shall be established in each district. Each Federal land bank may establish branches in its district. Within 90 days after the capital stock is offered for sale it may be purchased at par by anyone. Thereafter, the stock remaining unsold shall be bought by the Secretary of the Treasury for the United States. It is provided, however, that the Government shall not receive any dividends on its stock. Ultimately, it is intended that all the stock in the banks shall be owned by the associations of borrowers, and provision therefore is made in the law for transferring the original stock at par to these associations.

### Farm-Loan Associations.

The act provides for the creation of local national farm-loan associations through which it is contemplated that the Federal land banks shall make their loans. In the event that a local loan association is not formed in any locality within a year the Federal Farm Loan Board may authorize a Federal land bank to make loans on farm land through approved agents. Ten or more persons who own and cultivate farm land qualified as security for a mortgage loan under the act, or who are about to own and cultivate such land, may form such an association, provided the aggregate of the loans desired by the membership is not less than \$20,000. Each member must take stock in his association to an amount equivalent to 5 per cent of the amount he wishes to borrow. This stock the association holds in trust as security for the member's individual loan. The association, in turn, when applying for money from the bank, must subscribe for stock in the bank to an amount equivalent to 5 per cent of

the sum it wants to obtain for its members. This stock is held in trust by the bank as security for the loans it makes through the association. If a prospective borrower has no money with which to pay for his association stock, he may borrow the price of that stock as a part of the loan on his farm land.

Under this plan, then, every borrower must be a stockholder in his local association, and every association a stockholder in its district bank. Each stockholder in an association up to twice the amount of his stock.

### How Loans Are Obtained.

A member of a national farm loan association, before obtaining a loan, must first fill out an application blank supplied to the loan association by the Federal Farm Loan Board. This application blank and other necessary papers will then be referred to a loan committee of the association which must appraise the property offered as security. Such application as is approved by the loan committee is then forwarded to the Federal land bank and must be investigated and reported on by a salaried appraiser of the bank before a loan is granted. This appraiser is required to investigate the solvency and character of the prospective borrower as well as the value of his land. When a loan is granted the amount is forwarded to the borrower through the loan association.

### Conditions Under Which Loans May Be Obtained.

The act specifically defines the purposes for which loans may be obtained. These are:

(a) To provide for the purchase of land for agricultural uses.

(b) To provide for the purchase of equipment, fertilizers, and live stock necessary for the proper and reasonable operation of the mortgaged farm; the term "equipment" to be defined by the Federal Farm Loan Board.

(c) To provide buildings and for the improvement of farm lands; the term "improvement" to be defined by the Federal Farm Loan Board.

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

Loans may be made only on first mortgages on farm land.

Only those who own and cultivate farm land or are about to own and cultivate such land are entitled to borrow.

No one can borrow save for the purpose stated in this act, and those who after borrowing do not use the money for the purposes specified in the mortgage are liable to have their loans reduced or recalled. The secretary treasurer of each association is required to report any diversion of borrowed money from the purposes stated in the mortgages.

No individual can borrow more than \$10,000 or less than \$100.

No loan may be made for more than 50 per cent of the value of the land mortgaged and 20 per cent of the value of the permanent insured improvements upon it.

The loan must run for not less than 5 and not more than 10 years.

Every mortgage must provide for the repayment of the loan under an amortization plan by means of a fixed number of annual or semi-annual installments sufficient to meet all interest and pay off the loan by the end of the term of the loan. The installments required will be those published in amortization tables to be prepared by the Farm Loan Board.

The bank is given power to protect itself in case of default by recalling the loan in whole or in part, or taking other necessary action.

No Federal land bank is permitted to charge more than 6 per cent per annum on its farm mortgage loans, and in no case shall the interest charged on farm mortgages exceed by more than one per cent the rate paid on the last issue of bonds.

For example, if the bank pays only four per cent on an issue of bonds it can not charge more than five per cent for the next farm loans it makes.

Out of this margin of not to exceed 5 per cent of the amount of the loan (Continued on Second Page.)

## "What Would You Have Done? The People Have a Right to Know"



## EUGENE LAWYER RESENTS MISREPRESENTATION FEATURE OF PENDLETON BILL

### An Argument Against the Initiative Bill to Establish a New Normal School at Pendleton.

(By S. D. Allen of Eugene, Ore.)

Misstatements regarding the Pendleton Normal Bill, made to members of my family and my acquaintances by the circulators of petitions for placing the bill upon the ballot, led me to publicly oppose the bill. I am not opposed to another Normal School for Oregon, I am not even opposed to placing it at Pendleton, provided the question of site is fairly and honestly submitted to the voters, but I am opposed to this particular bill and the methods employed to make it a law. I am greatly interested that wrongful political methods in Oregon should cease, and this interest alone leads me to make this argument.

### The Situation at the Time the Pendleton Bill Was Framed.

At the time this bill was framed there were three educational institutions maintained by the State of Oregon, the University at Eugene, opened for instruction in 1867 and in which instruction has been continuous for 49 years, the Agricultural College at Corvallis, maintained in continuous operation by the state since 1856, and the State Normal at Monmouth, opened in 1882, and since, with the exception of a few years when no appropriation was made, in continuous operation. All these are in flourishing condition, have extensive plants, and are liberally supported by permanent, continuing appropriations. These three institutions are named in the Pendleton Bill and purport to be affected by it.

From a time prior to the establishment of these schools there was a clause in the state constitution reading as follows:

"All public institutions of the state hereafter provided for by the legislative assembly shall be located at the seat of government."

This clause was not understood as referring to educational institutions and the University, the Agricultural College, and four normal schools were located away from the capital while it was in full force. The clause was considered by the Supreme Court in the case, State ex rel. vs. Metchen, 32 Or. 372, where that court referring to it says:

"In view of the practical construction of the instrument by the legislative and executive departments for at least if not quite a quarter of a century, as evidenced by the location of educational institutions away from the seat of government, it no doubt

should now be construed so as to include only such institutions as are strictly governmental in their character. An asylum for the insane comes clearly within this construction."

Since the Supreme Court so spoke there have been 21 years of added practical construction, in which the state has maintained these institutions away from the seat of government. If the court in 1896 could say there was "no doubt" regarding the proper construction of this clause, what man or court should question it now, even if there has been no additional legislation affecting the situation? But there has been additional legislation of the most decisive character.

At the 1908 general election, the people of the state changed this very clause so as to read:

"All public institutions of the state, not located elsewhere prior to January, 1907, shall be located in the county where the seat of government is."

For what possible purpose could the words "not located elsewhere prior to January, 1907," have been introduced into this clause but to effectually silence the claim, sometimes made, that the educational institutions were not legally located? What attorney would have the hardihood now to contend before a court of record that this amendment did not accomplish the purpose so evidently intended?

But the constitutional change effected in 1908, is not all that has been done. At the general election of 1910 the people, by an initiative bill, provided for the "permanent support and maintenance" of the Monmouth Normal, by a permanent annual tax upon all the property of the state. The Pendleton bill does not go near so far. It purports only to validate what has been done. This school was in actual successful operation, the state from year to year enlarging the physical plant and having, as we have seen, made effectual provision for its "permanent support." Yet it is reserved for ambitious Pendleton from its position across the mountains to discover that something was still legally wrong with the Monmouth school.

In 1912, by a referendum vote, the people provided for the erection of costly permanent buildings for the University, and they have since been erected. In 1913, the legislature also provided for its support a continuing annual tax. If ratification of its location were needed this supplied it. Yet it was reserved for the Pendleton boomers, from their vantage point across the Cascades, to discover that

something was legally wrong with the University, and generously to proceed to correct the wrong.

In like manner the legislature of 1913, provided for the support of the Agricultural College by a permanent continuing tax. I do not recall any act of popular legislation ratifying the location of the Agricultural College, but there are facts, obvious to any thoughtful mind, that have made the location of the Agricultural College permanent at Corvallis for beyond what could be done through popular or representative legislation. Here is a great state farm, highly developed, and a costly, well planned agricultural school, whose reputation extends far beyond the limits of the state. The location of such an institution must necessarily be rural. Ambitious cities may not bid for its location. No sane man can imagine a popular frenzy that would bring about the removal and consequent destruction, of this magnificent plant. The framers of the Pendleton bill did not anticipate any such result. They did not anticipate that support would be denied the Agricultural College because of any supposed invalidity in its location. O, no! They were too smart for that. They brought the Agricultural College within their bill for a far different purpose.

### II.

### Why Did The Framers of The Bill To Establish a New Normal At Pendleton Bring Within The Scope of Their Measure Three Existing Institutions Long Established and Permanently Provided For?

The answer to this question is not difficult of solution. The inclusion of the three existing institutions was expected to win the unthinking and uninformed friends of these existing institutions and get votes that on the straight proposition to establish a new normal could not be had. On the straight proposition the framers had reason to expect defeat for their measure. In 1912, initiative measures to reestablish normal work at the Ashland and Weston Normals had both been defeated. Times are now harder and tax burdens weigh more heavily. The framers of the measure realized that a straight measure to establish a new normal at Pendleton would fail. They thought to throw a scare into the friends of the three existing institutions and so get their votes. The intimation was to be made general that these three institutions were not legally established, that their maintenance was imperiled, but that this new bill would give them a permanent, legal status. I know personally that this claim was extensively made here in Eugene to get signatures to the initiative petitions, and I know that signatures were obtained on the strength of it.

The quack doctor tells you how seriously ill you are but he has a cure for you. Death is imminent but he holds life in his hand. Of course you want it! You tie up the horse's foot until the pain gets intense, and how grateful he is to you when you come and release the foot! Would any student young or old be so ungrateful as not to save his alma mater when he may do this by so simple an act as voting for this bill? And of course those who have provided such an easy remedy deserve a new normal! Who would deny it? But I must not dwell longer on this delightful phase of the subject. What a pity it was that Ashland and Weston, when they thought to re-establish work in their normals, confined their bills to a single issue, when, possibly, by combining with several other interests they might have won!

### III.

### Can The Friends of The Three Existing Institutions Safely Vote For This Bill?

It was an alleged educational combine that several years ago led to the defeat of all appropriations for the four normals. I do not know that there was really such a combination but I do know that this bill taken in connection with some of the people who are championing it has a very suspicious look. The experience of the four normals in 1909, ought not to be forgotten.

Let us see what this bill really does, if it becomes a law. The state has a normal school plant at Weston, 21 miles from Pendleton. The site has ten acres. There is a three story and basement main school building, a boarding hall for young women, a men's dormitory, a gymnasium, a president's house. Owing to a lack of appropriation no instruction has been given there since 1909. Still, the

## "WESTON FREE DAY" SATURDAY, OCT. 14

Citizens Vote Unanimously to Repeat Last Year's Big Success—Meeting Held and Committees Appointed.

At a meeting of citizens Monday evening at the Opera House another "Weston Free Day" was decided upon for 1916. One was held last year and proved such a successful and popular innovation that it was unanimously thought that so prosperous a harvest as this year has witnessed should be similarly celebrated.

Saturday, October 14, was selected as the date, and the following committees were appointed on motion by the chairman, Dr. F. D. Watts, who was named by the maker of the motion as chairman of the finance committee:

Refreshments—E. O. DeMoss, J. H. Price, W. S. Payne, Dr. C. H. Smith, E. L. Blomgren.

Finance—Dr. F. D. Watts, E. M. Smith, H. Goodwin.

Entertainment—J. H. Williams, A. W. Lundell, J. M. Price.

As was the case last year, everything will be free to every visitor. There will be free refreshments, and free entertainment, and hundreds of gifts will be distributed among the visitors by means of the coupon system. The articles to be given away will be hung up in every business establishment in town, with coupons attached, and coupons bearing similar numbers will be distributed among the people. There will ensue a merry hunt for the prizes, some of which will be quite valuable.

Weston farmers were much interested in last year's affair, and many of them contributed gifts for the occasion. Geese, chickens and produce from the farm were brought in—one farmer even furnishing a pig. Similar contributions to maintain the year's affair.

### Wild Cat Once a "Tabby"

When a fire warden shot a strange animal on Mount Emily's peak near La Grande and didn't know what it was but realized it resembled a large house cat, he slew a pet tabby that strayed from a mountain cabin in that vicinity almost five years ago.

In its response to the call of the wild, it had wintered ten feet of snow, escaped coyotes and predatory animals, hunters and trappers. The isolation doubled its size and made it a wild beast.

J. H. Blumentstein, a mountaineer, identified the carcass as his lost kitty.

state has not in any way intimated that it will not in due time resume normal work there. The state could not be supposed to maintain two normals within twenty miles of each other. This bill means the removal of the Eastern Oregon Normal from Weston to Pendleton. Precisely the same arguments are used in support of this proposition that have been used for the removal of the State University to Portland, that were in fact used in a public meeting in Portland during the summer just passed when resolutions were passed looking to the present removal of portions of the University to Portland. Western Reserve University had a far larger plant than that at Monmouth, one that perhaps might even be compared to that of the Oregon University, when Cleveland through gifts of land and money secured its removal to that city. True, that was not a state institution, but the same golden arguments that win boards of trustees may win the general public. It seems to me that it is imprudent for the friends of existing institutions to line up with ambitious cities in establishing a precedent for school removals.

And finally, a measure for the establishment of a school should be free from all taint of wrongful political methods. "Log-rolling", "pork", "combination of interests", these are hateful words when applied to any subject of legislation, but they are absolutely abhorrent when used in connection with the establishing of public education. The finger of scorn would rightly point to a normal secured by methods that could be so characterized. If it is right to establish a new normal in Pendleton by popular vote let that proposition be submitted on its own merits and freed from all subjects that would tend to secure votes that are really against that proposition.

S. D. ALLEN.