

**U. S. TREASURY DEPARTMENT  
FEDERAL FARM LOAN BUREAU**

**Circular No. 20**

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**THE  
FEDERAL FARM LOAN ACT**

**AS AMENDED TO JULY 16, 1932**

**Exclusive of Provisions relating to  
Federal Intermediate Credit Banks**

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**Appendix, containing certain other Acts of the Congress having  
a direct relation to the Federal Farm Loan Act**

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**INDEX**

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**ISSUED BY THE  
FEDERAL FARM LOAN BOARD  
JULY, 1932**



**UNITED STATES  
GOVERNMENT PRINTING OFFICE  
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## EDITORIAL NOTE

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This circular contains all provisions of the Federal Farm Loan Act and amendments thereto relating to Federal land banks, joint stock land banks, and national farm loan associations in effect on July 16, 1932.

The provisions of the act have been classified in accordance with the codification thereof in title 12 of the official Code of Laws of the United States of America in Force December 26, 1926, and supplements thereto.

**In the left margin of this circular opposite each provision is printed the section number of such provision in title 12 of the Code. In the right margin is printed the number of the section of the Federal Farm Loan Act, as amended, of which the provision is a part. At the end of each provision is a parenthetical reference to the act of Congress from which the provision was derived and to any subsequent amendatory acts.**

**The symbol "12 U. S. C." refers to United States Code, title 12. The symbol "F. F. L. Act" refers to the Federal Farm Loan Act, as amended.**

The official Code has been followed in its editing of the text of the act and amendments thereto, by the omission of "that" at the opening of paragraphs, the omission of obsolete provisions, etc. The Code has also been followed in its use of the word "subdivision," to designate a group of paragraphs under a subheading.

The Code has not been followed in its manner of referring to the act as "this (7th) chapter," but the phraseology of the original and amendatory statutes has been retained, and the references have been made to "this act" or "the Federal Farm Loan Act." References in the text to other sections of the Code and to other acts of Congress have been amplified to conform to the plan of this circular and indicate the corresponding sections of the original statutes. In other respects this circular follows the text of the official Code, with minor exceptions, which are indicated by footnotes.



**THE  
FEDERAL FARM LOAN ACT**

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**As Amended to July 16, 1932, Exclusive of Provisions Relating  
to Federal Intermediate Credit Banks**

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AN ACT<sup>1</sup> to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositories and financial agents for the United States, and for other purposes. (July 17, 1916, c. 245, 39 Stat. 360.)

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<sup>1</sup>This long title is not incorporated in 12 U. S. C.



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 INTRODUCTORY

§ 641      **“Federal Farm Loan Act”; administration by Federal Farm Loan Board.**—The Act of July 17, 1916 (c. 245, § 1, 39 Stat. 360), as amended by Act of March 4, 1923 (c. 252, Title I, § 1, 42 Stat. 1454), to include Federal intermediate credit banks may be cited as the “Federal Farm Loan Act.” Its administration shall be under the direction and control of the Federal Farm Loan Board hereinafter created. (July 17, 1916, c. 245, § 1, 39 Stat. 360; Mar. 4, 1923, c. 252, Title 1, § 1, 42 Stat. 1454.)

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§ 642      **“First mortgage” and “farm loan bonds” defined.**—Wherever the term “first mortgage” is used in this Act it shall be held to include such classes of first liens on farm lands as shall be approved by the Federal Farm Loan Board, and the credit instruments secured thereby. The term “farm loan bonds” shall be held to include all bonds secured by collateral deposited with a farm loan registrar under the terms of this Act; they shall be distinguished by the addition of the words “Federal,” or “joint stock,” as the case may be. (July 17, 1916, c. 245, § 2, 39 Stat. 360.)

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 FEDERAL FARM LOAN BOARD

§ 651      **Federal Farm Loan Bureau; creation; supervision by board.**—There shall be established at the seat of government in the Department of the Treasury a bureau charged with the execution of this Act and of all Acts amendatory thereof, to be known as the Federal Farm Loan Bureau, under the general supervision of a Federal Farm Loan Board. (July 17, 1916, c. 245, § 3, 39 Stat. 360.)

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§ 652      **Composition of Board; number of members; appointment; salaries; expenses.**—The Federal Farm Loan Board shall consist of seven members, including the Secretary of the Treasury, who shall be a member and chairman ex officio, and six members to be appointed by the President of the United States, by and with the advice and consent of the Senate. Of the six members to be appointed by

the President, not more than three shall be appointed from one political party, and all six of said members shall be citizens of the United States and shall devote their entire time to the business of the Federal Farm Loan Board; they shall receive an annual salary of \$10,000, payable monthly, together with actual necessary traveling expenses. One of the additional members of the Federal Farm Loan Board, hereby provided for, shall be appointed for a term expiring August 6, 1929, and one for a term expiring August 6, 1931, and thereafter the terms of all members of the Federal Farm Loan Board shall be as in 12 U. S. C. 653 [F. F. L. Act § 3] otherwise provided for. (July 17, 1916, c. 245, § 3, 39 Stat. 360; Mar. 4, 1923, c. 252, T. III, § 301, 42 Stat. 1473.)

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§ 653      **Terms of office; oath; farm loan commissioner.**—One of the members of the Federal Farm Loan Board to be appointed by the President shall be designated by him to serve for two years, one for four years, one for six years, and one for eight years, and thereafter each member so appointed shall serve for a term of eight years, unless sooner removed for cause by the President. One of the members shall be designated by the President as the farm loan commissioner, who shall be the active executive officer of said board. Each member of the Federal Farm Loan Board shall within fifteen days after notice of his appointment take and subscribe to the oath of office. (July 17, 1916, c. 245, § 3, 39 Stat. 360.)

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§ 654      **Eligibility of members; restriction on right to engage in other business.**—No member of the Federal Farm Loan Board shall, during his continuance in office, be an officer or director of any other institution, association, or partnership engaged in banking, or in the business of making land mortgage loans or selling land mortgages. Before entering upon his duties as a member of the Federal Farm Loan Board each member shall certify under oath to the President that he is eligible under this section. (July 17, 1916, c. 245, § 3, 39 Stat. 360.)

§ 655      **Filling vacancies on board.**—The President shall § 3  
 have the power, by and with the advice and consent of the Senate, to fill any vacancy occurring in the membership of the Federal Farm Loan Board; if such vacancy shall be filled during the recess of the Senate a commission shall be granted which shall expire at the end of the next session.—(July 17, 1916, c. 245, § 3, 39 Stat. 360.)

§ 656      **Registrars, appraisers, and examiners; appointment; restriction on right to engage in other business.**—The Federal Farm Loan Board shall appoint a farm loan registrar in each land bank district to receive applications for issues of farm loan bonds and to perform such other services as are prescribed by this Act, and may appoint a deputy registrar who shall during the unavoidable absence or disability of the registrar perform the duties of that office. It shall also appoint one or more land bank appraisers for each land bank district and as many land bank examiners as it shall deem necessary. Farm loan registrars, deputy registrars, land bank appraisers, and land bank examiners appointed under this section shall be public officials and shall, during their continuance in office, have no connection with or interest in any other institution, association, or partnership engaged in banking or in the business of making land mortgage loans or selling land mortgages: *Provided*, That this limitation shall not apply to persons employed by the board temporarily to do special work. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Apr. 20, 1920, c. 154, § 1, 41 Stat. 570.)

§ 657      **Salaries and expenses; provision for payment.**<sup>1</sup>—The salaries and expenses of the Federal § 2  
 Farm Loan Board, its officers and employees, farm loan registrars, deputy registrars, examiners, and reviewing appraisers authorized under this Act, or any subsequent amendments thereof, shall be paid by the Federal land banks, joint stock land banks, and the Federal intermediate credit banks, as follows:

The Federal Farm Loan Board shall, prior to the first days of January and July of each year, estimate the expenses and salaries of the Federal Farm Loan Board, its officers and employees,

<sup>1</sup> See 12 U. S. C. 657 (a), below, for provision affecting assessments under this section.

farm loan registrars and deputy registrars, examiners, and reviewing appraisers, and apportion the same among the Federal land banks, joint stock land banks, and the Federal intermediate credit banks on such equitable basis as the Federal Farm Loan Board shall determine, giving due consideration to time and expense necessarily incident to the supervision of the operation of each type of bank, and make an assessment upon each of such banks pursuant to such apportionment, payable on the 1st days of January and July next ensuing. The funds collected pursuant to such assessments shall be deposited with the Treasurer of the United States under the miscellaneous receipts title "Assessments on Federal and joint stock land banks and Federal intermediate credit banks. salaries and expenses Federal Farm Loan Board," to be disbursed in payment of such salaries and expenses on appropriations duly made by Congress: *Provided*, That the present legal status as to assessments against Federal intermediate credit banks shall continue until June 30, 1926, without appropriations by Congress.

If any deficiency shall occur in such fund during the half-year period for which it was estimated, the Federal Farm Loan Board shall have authority to make immediate assessment covering such deficiency against the Federal land banks, joint-stock land banks, and Federal intermediate credit banks upon the same basis as the original assessment. If at the end of the six months' period there shall remain a surplus in such fund, it shall be deducted from the estimated expenses of the next six months' period when assessment is made for such period. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1923, c. 252, T. III, § 302, 42 Stat. 1473; Mar. 4, 1925, c. 524, § 3, 43 Stat. 1262.)

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§ 657 a **Assessments under 12 U. S. C. 657 [F. F. L. Act § 3]; expenses included.**<sup>1</sup>—Effective as to appropriations for and expenditures of the Federal Farm Loan Board for the fiscal year beginning July 1, 1930, and thereafter, the assessments to be made under 12 U. S. C. 657 [F. F. L. Act § 3] by said board against the Federal land banks, joint stock land banks, and Federal intermediate credit banks shall be the amount of the expenses and

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<sup>1</sup>This paragraph was incorporated in the F. F. L. Act as an amendment with no designation of a F. F. L. Act section to which it should be added.

salaries of the employees engaged in the work of the division of examinations of the Federal Farm Loan Bureau as estimated by the said board, such expenses and salaries, together with all other expenses and salaries of the said board, to be disbursed on appropriations duly made by the Congress. (June 26, 1930, c. 613, 46 Stat. 815.)

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§ 658      **Appraisers and inspectors; compensation; manner of payment.**—Federal land bank appraisers, and appraisers or inspectors of Federal intermediate credit banks, shall receive such compensation as the Federal Farm Loan Board shall fix and shall be paid by the Federal land banks, joint stock land banks, and the Federal intermediate credit banks they serve, in such proportion and in such manner as the Federal Farm Loan Board shall order. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1923, c. 252, Title III, § 302, 42 Stat. 1473; Mar. 4, 1925, c. 524, § 3, 43 Stat. 1262.)

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§ 659      **Attorneys, experts, and other employees; employment; salaries and fees.**—The Federal Farm Loan Board shall be authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as it may deem necessary to conduct the business of said board. All salaries and fees authorized in 12 U. S. C. 652, 653, and 655 to 659 [F. F. L. Act § 3] and not otherwise provided for shall be fixed in advance by said board and shall be paid in the same manner as the salaries of the Federal Farm Loan Board. All such attorneys, experts, assistants, clerks, laborers, and other employees, and all registrars, examiners, and appraisers shall be appointed without regard to the provisions of 5 U. S. C. 632, 635, 637, 638, and 640 to 642, Executive Departments and Government Employees [Jan. 16, 1883, 22 Stat. 403], and amendments thereto, or any rule or regulation made in pursuance thereof and may be classified without regard to 5 U. S. C. c. 13, Executive Departments and Government Employees [Classification Act of 1923]: *Provided*, That nothing herein shall prevent the President from placing said employees in the classified service. (July 17, 1916, c. 245, § 3, 39 Stat. 361; Mar. 4, 1925, c. 524, § 4, 43 Stat. 1263.)

- § 660      **Statements of salaries paid by land banks.**— § 3  
Every Federal land bank shall semiannually submit to the Federal Farm Loan Board a schedule showing the salaries or rates of compensation paid to its officers and employees. (July 17, 1916, c. 245, § 3, 39 Stat. 361.)
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- § 661      **Annual report.**—The Federal Farm Loan Board § 3  
shall annually make a full report of its operations to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress. (July 17, 1916, c. 245, § 3, 39 Stat. 361.)
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- § 662      **Examinations and reports; appraisals of farm § 3  
land; amortization tables.**—The Federal Farm Loan Board shall from time to time require examinations and reports of condition of all land banks established under the provisions of this Act and shall publish consolidated statements of the results thereof. It shall cause to be made appraisals of farm lands as provided by this Act, and shall prepare and publish amortization tables which shall be used by national farm loan associations and land banks organized under this Act. (July 17, 1916, c. 245, § 3, 39 Stat. 361.)
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- § 663      **Statements of condition of loan associations § 3  
and land banks.**—The Federal Farm Loan Board shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filled out quarterly by each such association or bank and transmitted to said board. (July 17, 1916, c. 245, § 3, 39 Stat. 361.)
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- § 664      **Bulletins and circulars.**—It shall be the duty of § 3  
the Federal Farm Loan Board to prepare from time to time bulletins setting forth the principal features of this Act and through the Department of Agriculture or otherwise to distribute the same, particularly to the press, to agricultural journals, and to farmers' organizations; to prepare and distribute in the same manner circulars setting forth the principles and advantages of amortized farm

loans and the protection afforded debtors under this Act, instructing farmers how to organize and conduct farm loan associations, and advising investors of the merits and advantages of farm loan bonds; and to disseminate in its discretion information for the further instruction of farmers regarding the methods and principles of cooperative credit and organization. Said board is hereby authorized to use a reasonable portion of the organization fund provided in 12 U. S. C. 1001 [F. F. L. Act § 33] for the objects specified in this paragraph, and is instructed to lay before the Congress at each session its recommendations for further appropriations to carry out said objects. (July 17, 1916, c. 245, § 3, 39 Stat. 361.)

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§ 665 **Rules and regulations.**<sup>1</sup>—The Federal Farm Loan Board is authorized to make such rules and regulations, not inconsistent with law, as it deems necessary or requisite for the efficient execution of the provisions of the Federal Farm Loan Act, and/or any Act or Acts amendatory thereof or supplementary thereto. (Jan. 23, 1932, c. 9, § 6, 47 Stat. 14.)

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#### ORGANIZATION OF FEDERAL LAND BANKS

§ 671 **Federal land bank districts; boundaries; Hawaii.**—As soon as practicable the Federal Farm Loan Board shall divide the continental United States, excluding Alaska, into twelve districts, which shall be known as Federal land bank districts, and may be designated by number. Said districts shall be apportioned with due regard to the farm loan needs of the country, but no such district shall contain a fractional part of any State. The boundaries thereof may be readjusted from time to time in the discretion of said board. The Federal Farm Loan Board shall include the Territory of Hawaii in a Federal land bank district. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Mar. 10, 1924, c. 46, § 2, 43 Stat. 17.)

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§ 672 **Establishment; titles; branches; Puerto Rico and Alaska; Hawaii; loans by branches.**—The Federal Farm Loan Board shall establish in each Federal land bank district a Federal land bank, with

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<sup>1</sup>This provision was not specifically made a part of any section of the Federal Farm Loan Act.

its principal office located in such city within the district as said board shall designate. Each Federal land bank shall include in its title the name of the city in which it is located. Subject to the approval of the Federal Farm Loan Board, any Federal land bank may establish branches within the land bank district. Subject to the approval of the Federal Farm Loan Board and under such conditions as it may prescribe, the provisions of this Act are extended to the island of Puerto Rico and the Territories of Alaska and Hawaii; and the Federal Farm Loan Board shall designate a Federal land bank which is hereby authorized to establish a branch bank in Puerto Rico and a Federal land bank which is hereby authorized to establish a branch bank in the Territory of Alaska. Such Federal land bank as the board may designate is authorized to establish branch banks in the Territory of Hawaii. Loans made by each such branch bank shall not exceed the sum of \$25,000 to any one borrower and shall be subject to the restrictions and provisions of this Act, except that each such branch bank may loan direct to borrowers, and, subject to such regulations as the Federal Farm Loan Board may prescribe, the rate charged borrowers may be  $1\frac{1}{2}$  per centum in excess of the rate borne by the last preceding issue of farm loan bonds of the Federal land bank with which such branch bank is connected: *Provided*, That no loan shall be made in Puerto Rico or Alaska by such branch bank for a longer term than twenty years.

Each borrower through such branch bank shall subscribe and pay for stock in the Federal land bank with which it is connected in the sum of \$5 for each \$100 or fraction thereof borrowed; such stock shall be held by such Federal land bank as collateral security for the loan of the borrower; shall participate in all dividends; and upon full payment of the loan shall be canceled at par and proceeds paid to borrower, or the borrower may apply the same to the final payments on his loan. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Feb. 27, 1921, c. 78, 41 Stat. 1148; Mar. 4, 1923, c. 252, Title III, § 303, 42 Stat. 1474; Mar. 10, 1924, c. 46, § 2, 43 Stat. 17; Mar. 4, 1929, c. 700, 45 Stat. 1558.)

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§ 672 (a) **Loans by branches regulated; collateral.**—  
Each borrower through such branch bank shall subscribe and pay for stock in the Federal land bank with which it is connected in the sum of \$5

§ 4

for each \$100 or fraction thereof borrowed; such stock shall be held by such Federal land bank as collateral security for the loan of the borrower; shall participate in all dividends; and upon full payment of the loan shall be canceled at par and proceeds paid to borrower, or the borrower may apply the same to the final payments on his loan. (July 17, 1916, c. 245, § 4, 39 Stat. 362; Feb. 27, 1921, c. 78, 41 Stat. 1148.)

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§ 673      **Temporary directors; bonds; officers; attorneys and employees.**—Each Federal land bank shall be temporarily managed by five directors appointed by the Federal Farm Loan Board. Said directors shall be citizens of the United States and residents of the district. They shall each give a surety bond, the premium on which shall be paid from the funds of the bank. They shall receive such compensation as the Federal Farm Loan Board shall fix. They shall choose from their number, by majority vote, a president, a vice president, a secretary, and a treasurer. They are further authorized and empowered to employ such attorneys, experts, assistants, clerks, laborers, and other employees as they may deem necessary, and to fix their compensation, subject to the approval of the Federal Farm Loan Board. (July 17, 1916, c. 245, § 4, 39 Stat. 362.)

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§ 674      **Organization certificates; contents.**—Said temporary directors shall, under their hands, forthwith make an organization certificate, which shall specifically state:

First. The name assumed by such bank.

Second. The district within which its operations are to be carried on, and the particular city in which its principal office is to be located.

Third. The amount of capital stock and the number of shares into which the same is to be divided: *Provided*, That every Federal land bank organized under this Act shall by its articles of association permit an increase of its capital stock from time to time for the purpose of providing for the issue of shares to national farm loan associations and stockholders who may secure loans through agents of Federal land banks in accordance with the provisions of this Act.

Fourth. The fact that the certificate is made to enable such persons to avail themselves of the advantages of this Act. The organization certificate

shall be acknowledged before a judge or clerk of some court of record or notary public, and shall be, together with the acknowledgment thereof, authenticated by the seal of such court or notary, transmitted to the Farm Loan Commissioner, who shall record and carefully preserve the same in his office, where it shall be at all times open to public inspection. (July 17, 1916, c. 245, § 4, 39 Stat. 362.)

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§ 675      **Changes in organization certificate.**—The Federal Farm Loan Board is authorized to direct such changes in or additions to any such organization certificate, not inconsistent with this Act, as it may deem necessary or expedient. (July 17, 1916, c. 245, § 4, 39 Stat. 363.)      § 4

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§ 676      **Time of commencement of corporate existence of land banks; powers enumerated.**—Upon duly making and filing such organization certificate the bank shall become, as from the date of the execution of its organization certificate, a body corporate, and as such, and in the name designated in the organization certificate, it shall have power—      § 4

    First. To adopt and use a corporate seal.

    Second. To have succession until it is dissolved by Act of Congress or under the provisions of this Act.

    Third. To make contracts.

    Fourth. To sue and be sued, complain, interplead, and defend, in any court of law or equity, as fully as natural persons.

    Fifth. To elect or appoint directors, and by its board of directors to elect a president and a vice president, appoint a secretary and a treasurer and other officers and employees, define their duties, require bonds of them, and fix the penalty thereof; by action of its board of directors dismiss such officers and employees, or any of them, at pleasure and appoint others to fill their places.

    Sixth. To prescribe, by its board of directors, subject to the supervision and regulation of the Federal Farm Loan Board, by-laws not inconsistent with law, regulating the manner in which its stock shall be transferred, its directors elected, its officers elected or appointed, its property transferred, its general business conducted and the privileges granted to it by law exercised and enjoyed.

    Seventh. To exercise, by its board of directors or duly authorized officers or agents, subject to law,

all such incidental powers as shall be necessary to carry on the business herein described. (July 17, 1916, c. 245, § 4, 39 Stat. 363.)

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§ 677      **Time of election of directors.**—After the subscriptions to stock in any Federal land bank by national farm loan associations, hereinafter authorized, shall have reached the sum of \$100,000, the officers and directors of said land bank shall be chosen as herein provided and shall, upon becoming duly qualified, take over the management of said land bank from the temporary officers selected under this section. (July 17, 1916, c. 245, § 4, 39 Stat. 363.)

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§ 678      **Directors; number and qualifications; local and district directors; election and appointment.**—The board of directors of every Federal land bank shall be selected as hereinafter specified and shall consist of seven members. Three of said directors shall be known as local directors and shall be chosen by and be representative of national farm loan associations, and borrowers through agencies; three shall be known as district directors and shall be appointed by the Federal Farm Loan Board and represent the public interest. The term of office of local and district directors shall be three years. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, Title III, § 304, 42 Stat. 1474.)

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§ 679      **Divisions of districts; local directors; nomination of candidates.**—At least two months before each election, the Federal Farm Loan Board shall divide each land bank district into three divisions, as nearly equal as possible according to number of borrowers and the voting strength of national farm loan associations and borrowers through agencies, and the Farm Loan Commissioner shall thereupon notify each association and agency in writing that an election is to be held for one local director from each of said divisions and requesting each association and agency to nominate one candidate for each division. Within ten days of receipt of such notice each national farm loan association and borrower through agencies shall forward nominations of residents of their respective divisions for one director for such division to said Farm Loan Commissioner. The Farm Loan Commissioner shall

then prepare a list of candidates for local directors, consisting of the ten persons receiving the highest number of votes from national farm loan associations and borrowers through agencies for each division. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, Title III, § 304, 42 Stat. 1474.)

§ 680

**Local directors; election.**—At least one month before said election the Farm Loan Commissioner shall mail to each national farm loan association and to each borrower through agencies the list of candidates for their respective divisions. The directors of each national farm loan association shall cast the vote of said association for one of the candidates on said list and shall forward said vote to the said Farm Loan Commissioner within ten days after said list of candidates is received. In voting under this section each association shall be entitled to cast a number of votes equal to the total voting strength of the stockholders in association meetings, and each borrower through agencies shall be entitled to cast one vote for each share of stock held by him in the Federal land bank not exceeding twenty shares, and shall forward said vote to the said Farm Loan Commissioner within ten days after said list of candidates is received. The candidate receiving the highest number of votes in his division shall be declared elected as local director of the Federal land bank district from his division. In case of a tie, the Farm Loan Commissioner shall determine the choice. The nominations from which the list of candidates is prepared, and the votes of the respective associations and borrowers through agencies for such candidates, as counted, shall be tabulated and preserved, subject to examination by any candidate, for at least one year after the result of the election is announced. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, Title III, § 304, 42 Stat. 1475.)

§ 4

§ 681

**District directors; director at large; appointment and election; vacancies.**—The Federal Farm Loan Board shall designate one of the district directors to serve until December 31, 1924, one to serve till December 31, 1925, and one to serve till December 31, 1926. After their first appointment each district director shall be appointed for a term of three years. At the first regular meeting of the board of directors of each Federal land bank the

§ 4

local directors shall designate one of their members to serve till December 31, 1924, one to serve till December 31, 1925, and one to serve till December 31, 1926. Thereafter each local director shall be chosen as hereinbefore provided and shall hold office for a term of three years. Any vacancies that may occur in the board of directors shall be filled for the unexpired term in the manner provided herein for the original selection of such directors. At the same time that the associations and borrowers through agencies nominate the candidates for the local directors, each association and each borrower through agencies shall also nominate one candidate for director at large for the entire district, and from the three persons having the greatest number of votes for nominee for director at large, the Federal Farm Loan Board shall select a director at large, whose term of office shall terminate on the 31st day of December, 1925, and every three years thereafter. Such seventh director may be removed by the Federal Farm Loan Board for neglect of duty, incapacity for the work, or malfeasance in office, after charges duly preferred and a hearing had thereon, and in such cases the associations of the district shall in like manner nominate candidates for another director at large, to fill the vacancy, for whom the Federal Farm Loan Board shall in same manner select a successor, but any person who is removed can not be nominated to succeed himself. The board of directors thus selected shall, upon qualification, immediately take over the management of each bank. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, Title III, § 304, 42 Stat. 1475.)

§ 682

**Qualifications of directors.**—Directors of Federal land banks shall have been, for at least two years, residents of the district for which they are appointed or elected, and a local director shall be a resident of his division when elected. No district director of a Federal land bank shall, during his continuance in office, act as an officer, director, or employee of any other institution, association, or partnership engaged in banking or in the business of making or selling land mortgage loans. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, Title III, § 304, 42 Stat. 1476.)

§ 4

- § 683      **Directors, officers, and employees; compensation and allowances.**—Directors of the Federal land bank shall receive, in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending meetings of their boards, to be paid by the respective Federal land banks. Any compensation that may be provided by boards of directors of the Federal land banks for directors, officers, or employees shall be subject to the approval of the Federal Farm Loan Board. (July 17, 1916, c. 245, § 4, 39 Stat. 363; Mar. 4, 1923, c. 252, Title III, § 304, 42 Stat. 1476.)

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**CAPITAL STOCK OF FEDERAL LAND BANKS**

- § 691      **Minimum amount of [original] capital; regulation of subscriptions.**—Every Federal land bank shall have, before beginning business, a subscribed capital of not less than \$750,000. The Federal Farm Loan Board is authorized to prescribe the times and conditions of the payment of subscriptions to [original] capital stock, to reject any subscription in its discretion, and to require subscribers to furnish adequate security for the payment thereof. (July 17, 1916, c. 245, § 5, 39 Stat. 364.)

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- § 692      **Shares; value; who may subscribe [to original stock].<sup>1</sup>**—The capital stock of each Federal land bank shall be divided into shares of \$5 each, and may be subscribed for and held by any individual, firm, or corporation, or by the Government of any State or of the United States. (July 17, 1916, c. 245, § 5, 39 Stat. 364.)

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- § 693      **Transfer of stock held by national farm loan associations.**—Stock held by national farm loan associations shall not be transferred or hypothecated, and the certificates therefor shall so state. (July 17, 1916, c. 245, § 5, 39 Stat. 364.)

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- § 694      **Dividends; voting stock.<sup>2</sup>**—Stock owned by the Government of the United States in Federal land banks shall receive no dividends, but all other stock

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<sup>1</sup> The provision for subscriptions by any individual, firm, or corporation applies only to original stock. See 12 U. S. C. 695, below.

<sup>2</sup> Stock issued to the United States under the provisions of 12 U. S. C., § 698, is nonvoting. See that section. For voting privileges of borrowers through agencies in election of directors of Federal Land Banks, see 12 U. S. C., §§ 678-680.

shall share in dividend distributions without preference. Each national farm loan association and the Government of the United States shall be entitled to one vote for each share of stock held by it in deciding all questions at meetings of shareholders, and no other shareholder shall be permitted to vote. Stock owned by the United States shall be voted by the Farm Loan Commissioner, as directed by the Federal Farm Loan Board. (July 17, 1916, c. 245, § 5, 39 Stat. 364.)

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§ 695      **Subscriptions to [original] stock; subscriptions by United States for unsubscribed balance [of original capital stock].**—It shall be the duty of the Federal Farm Loan Board, as soon as practicable after July 17, 1916, to open books of subscription for the capital stock of a Federal land bank in each Federal land bank district. If within thirty days after the opening of said books any part of the minimum capitalization of \$750,000 herein prescribed for Federal land banks shall remain unsubscribed, it shall be the duty of the Secretary of the Treasury to subscribe the balance thereof on behalf of the United States, said subscription to be subject to call in whole or in part by the board of directors of said land bank upon thirty days' notice with the approval of the Federal Farm Loan Board; and the Secretary of the Treasury is hereby authorized and directed to take out shares corresponding to the unsubscribed balance as called, and to pay for the same out of any moneys in the Treasury not otherwise appropriated. Thereafter no stock shall be issued except as hereinafter provided. (July 17, 1916, c. 245, § 5, 39 Stat. 364.)

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§ 696      **Retirement of original stock.**—After the subscriptions to capital stock by national farm loan associations shall amount to \$750,000 in any Federal land bank, said bank shall apply semiannually to the payment and retirement of the shares of stock which were issued to represent the subscriptions to the original capital twenty-five per centum of all sums thereafter subscribed by national farm loan associations, by borrowers through agencies, and by borrowers through branch banks to capital stock until all such original capital stock is retired at par. (July 17, 1916, c. 245, § 5, 39 Stat. 364; Jan. 23, 1932, c. 9, § 1, 47 Stat. 12.)

§ 697      **Proportion held in quick assets.**—At least      § 5  
twenty-five per centum of that part of the capital  
of any Federal land bank for which stock is out-  
standing in the name of national farm loan associa-  
tions shall be held in quick assets, and may consist  
of cash in the vaults of said land bank, or in de-  
posits in member banks of the Federal reserve sys-  
tem, or in readily marketable securities which are  
approved under rules and regulations of the Fed-  
eral Farm Loan Board: *Provided*, That not less than  
five per centum of such capital shall be invested in  
United States Government bonds. (July 17, 1916,  
c. 245, § 5, 39 Stat. 364.)

§ 698      **Subscriptions to stock; subscriptions by United      § 5  
States upon request of directors of Federal land  
bank; terms; amount; retirement.**—It shall be the  
duty of the Secretary of the Treasury on behalf of  
the United States, upon the request of the board  
of directors of any Federal land bank made with  
the approval of the Federal Farm Loan Board,  
to subscribe from time to time for capital stock of  
such bank in an amount or amounts specified in  
such approval or approvals, such subscriptions to  
be subject to call in whole or in part by the board  
of directors of said bank upon thirty days' notice  
with the approval of the Federal Farm Loan  
Board. The Secretary of the Treasury is hereby  
authorized and directed to take out and pay for  
shares having an aggregate par value equal to  
the amounts so called; and to enable the Secretary  
of the Treasury to pay for stock issued hereunder  
there is hereby authorized to be appropriated <sup>1</sup> the  
sum of \$125,000,000 such stock to be nonvoting.  
Shares of stock issued pursuant to this paragraph  
shall be paid off at par and retired in the same  
manner as the original capital stock of said bank  
after said original stock outstanding, if any, has  
been paid off and retired: *Provided, however*, That  
stock issued pursuant to this paragraph may at any  
time, in the discretion of the directors and with the  
approval of the Federal Farm Loan Board, be paid  
off at par and retired in whole or in part; and that  
said board may at any time require such stock to  
be paid off at par and retired in whole or in part  
if in the opinion of the board the bank has re-  
sources available therefor. The proceeds of all  
repayments on account of stock issued pursuant to  
this paragraph shall be held in the Treasury of the

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<sup>1</sup> See Appendix B for appropriation.

United States and shall be available for the purpose of paying for other stock thereafter issued pursuant to this paragraph. (Jan. 23, 1932, c. 9, § 2, 47 Stat. 12.)

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**LAND BANKS AS GOVERNMENT DEPOSITARIES  
AND AGENTS**

- § 701      **Land banks and joint stock land banks as depositaries and agents; bonds; investment of funds.**—All Federal land banks and joint stock land banks organized under this Act, when designated for that purpose by the Secretary of the Treasury, shall be depositaries of public money, except receipts from customs, under such regulations as may be prescribed by said Secretary; and they may also be employed as financial agents of the Government; and they shall perform all such reasonable duties, as depositaries of public money and financial agents of the Government, as may be required of them. And the Secretary of the Treasury shall require of the Federal land banks and joint stock land banks thus designated satisfactory security, by the deposit of United States bonds or otherwise, for the safekeeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government. No Government funds deposited under the provisions of this section shall be invested in mortgage loans or farm loan bonds. (July 17, 1916, c. 245, § 6, 39 Stat. 365.)
- § 6

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**NATIONAL FARM LOAN ASSOCIATIONS  
GENERALLY**

- § 711      **Organization; articles of association; signature; copies for land banks.**—Corporations to be known as national farm loan associations, may be organized by persons desiring to borrow money on farm mortgage security under the terms of this Act. Such persons 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, and which may contain any other provision, not inconsistent with law, which the association may see fit to adopt for the regulation of its business and the conduct of its affairs. Said articles shall be signed by the persons uniting to form the association, and a copy thereof shall be for-
- § 7

warded to the Federal land bank for the district, to be filed and preserved in its office. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

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§ 712      **Directors; officers; loan committee.**—Every national farm loan association shall elect, in the manner prescribed for the election of directors of national banking associations, a board of not less than five directors, who shall hold office for the same period as directors of national banking associations. It shall be the duty of said board of directors to choose in such manner as they may prefer a secretary-treasurer, who shall receive such compensation as said board of directors shall determine. The board of directors shall elect a president, a vice president, and a loan committee of three members. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

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§ 713      **Compensation and qualifications of directors.**—The directors and all officers except the secretary-treasurer shall serve without compensation, unless the payment of salaries to them shall be approved by the Federal Farm Loan Board. All officers and directors except the secretary-treasurer shall, during their term of office, be bona fide residents of the territory within which the association is authorized to do business, and shall be shareholders of the association. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

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§ 714      **Secretary-treasurer; powers and duties; bond; reports; misconduct in office.**—It shall be the duty of the secretary-treasurer of every national farm loan association to act as custodian of its funds and to deposit the same in such bank as the board of directors may designate, to pay over to borrowers all sums received for their account from the Federal land bank upon first mortgage as in this Act prescribed, and to meet all other obligations of the association, subject to the orders of the board of directors and in accordance with the by-laws of the association. It shall be the duty of the secretary-treasurer, acting under the direction of the national farm loan association, to collect, receipt for, and transmit to the Federal land bank payments of interest, amortization installments, or principal arising out of loans made through the association. He shall be the custodian of the securities, records, papers, cer-

tificates of stock, and all documents relating to or bearing upon the conduct of the affairs of the association. He shall furnish a suitable surety bond to be prescribed and approved by the Federal Farm Loan Board for the proper performance of the duties imposed upon him under this Act, which shall cover prompt collection and transmission of funds. He shall make a quarterly report to the Federal Farm Loan Board upon forms to be provided for that purpose. Upon request from said board said secretary-treasurer shall furnish information regarding the condition of the national farm loan association for which he is acting, and he shall carry out all duly authorized orders of said board. He shall assure himself from time to time that the loans made through the national farm loan association of which he is an officer are applied to the purposes set forth in the application of the borrower as approved, and shall forthwith report to the land bank of the district any failure of any borrower to comply with the terms of his application or mortgage. He shall also ascertain and report to said bank the amount of any delinquent taxes on land mortgaged to said bank and the name of the delinquent. No such secretary-treasurer shall engage in the making of land mortgage loans eligible at a Federal land bank through or for any other land mortgage company or agency, and the making of any such loan by any secretary-treasurer shall forthwith work a forfeiture of his office. (July 17, 1916, c. 245, § 7, 39 Stat. 365; Mar. 4, 1923, c. 252. T. III, § 305, 42 Stat. 1476.)

§ 715

**Expenses of secretary-treasurer; payment.—**

The reasonable expenses of the secretary-treasurer, the loan committee, and other officers and agents of national farm loan associations, and the salary of the secretary-treasurer, shall be paid from the general funds of the association, and the board of directors is authorized to set aside such sums as it shall deem requisite for that purpose and for other expenses of said association. When no such funds are available, the board of directors may levy an assessment on members in proportion to the amount of stock held by each, which may be repaid as soon as funds are available, or it may secure an advance from the Federal land bank of the district, to be repaid with interest at the rate of six per centum per annum, from dividends belonging to the said association. Said Federal land bank is hereby au-

§ 7

thorized to make such advance and to deduct such repayment. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

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§ 716      **Number of incorporators; organization; directors; consolidation of offices of secretary and treasurer.**—Ten or more natural persons who are the owners, or about to become the owners, of farm land qualified as security for a mortgage loan under 12 U. S. C. 771 [F. F. L. Act § 12], may unite to form a national farm loan association. They shall organize subject to the requirements and the conditions specified in this subdivision and in 12 U. S. C. 671–683 [F. F. L. Act § 4], so far as the same may be applicable: *Provided*, That the board of directors may consist of five members only, and instead of a secretary and a treasurer there shall be a secretary-treasurer, who need not be a shareholder of the association. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

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§ 717      **Report and affidavit accompanying articles of association.**—When the articles of association are forwarded to the Federal land bank of the district as provided in this subdivision, they shall be accompanied by the written report of the loan committee as required in section 12 U. S. C. 751 [F. F. L. Act § 10], and by an affidavit stating that each of the subscribers is the owner, or is about to become the owner, of farm land qualified under 12 U. S. C. 771 [F. F. L. Act § 12] as the basis of a mortgage loan; that the loan desired by each person is not more than \$10,000, nor less than \$100, and that the aggregate of the desired loans is not less than \$20,000; that said affidavit is accompanied by a subscription to stock in the Federal land bank equal to 5 per centum of the aggregate sum desired on mortgage loans; and that a temporary organization of said association has been formed by the election of a board of directors, a loan committee, and a secretary-treasurer who subscribes to said affidavit, giving his residence and post-office address. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

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§ 718      **Investigation of solvency of applicants for incorporation.**—Upon receipt of such articles of association, with the accompanying affidavit and stock subscription, the directors of said Federal land bank shall send an appraiser to investigate the solvency and character of the applicants and the value

of their lands, and shall then determine whether in their judgment a charter should be granted to such association. They shall forward such articles of association and the accompanying affidavit to the Federal Farm Loan Board with their recommendation. If said recommendation is unfavorable, the charter shall be refused. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

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§ 719      **Grant or refusal of charter.**—If said recommendation is favorable, the Federal Farm Loan Board shall thereupon grant a charter to the applicants therefor, designating the territory in which such association may make loans, and shall forward said charter to said applicants through said Federal land bank: *Provided*, That said Federal Farm Loan Board may for good cause shown in any case refuse to grant a charter. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)      § 7

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§ 720      **Loans to associations.**—Upon receipt of its charter such national farm loan association shall be authorized and empowered to receive from the Federal land bank of the district sums to be loaned to its members under the terms and conditions of this Act. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)      § 7

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§ 721      **Loans to members; subscriptions to stock of land banks as collateral; retirement of stock.**—Whenever any national farm loan association shall desire to secure for any member a loan on first mortgage from the Federal land bank of its district it shall subscribe for capital stock of said land bank to the amount of 5 per centum of such loan, such subscription to be paid in cash upon the granting of the loan by said land bank. Such capital stock shall be held by said land bank as collateral security for the payment of said loan, but said association shall be paid any dividends accruing and payable on said capital stock while it is outstanding. Such stock may, in the discretion of the directors, and with the approval of the Federal Farm Loan Board, be paid off at par and retired, and it shall be so paid off and retired upon full payment of the mortgage loan. In such case the national farm loan association shall pay off at par and retire the corresponding shares of its stock which were issued when said land bank stock was issued. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)      § 7

§ 722      **Reduction of capital stock of Federal land banks.**—The capital stock of a Federal land bank shall not be reduced to an amount less than five per centum of the principal of the outstanding farm loan bonds issued by it. (July 17, 1916, c. 245, § 7, 39 Stat. 365.)

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**CAPITAL STOCK OF NATIONAL FARM LOAN ASSOCIATIONS**

§ 731      **Par value of shares.**—The shares in national farm loan associations shall be of the par value of \$5 each. (July 17, 1916, c. 245, § 8, 39 Stat. 367.)

§ 732      **Voting stock.**—Every shareholder shall be entitled to one vote on each share of stock held by him at all elections of directors and in deciding all questions at meetings of shareholders: *Provided*, That the maximum number of votes which may be cast by any one shareholder shall be twenty. (July 17, 1916, c. 245, § 8, 39 Stat. 367.)

§ 733      **Borrowers only to be members; amount of stock to be held by borrowers; stock held as collateral; retirement of stock.**—No persons but borrowers on farm land mortgages shall be members or shareholders of national farm loan associations. Any person desiring to borrow on farm land mortgage through a national farm loan association shall make application for membership and shall subscribe for shares of stock in such farm loan association to an amount equal to 5 per centum of the face of the desired loan, said subscription to be paid in cash upon the granting of the loan. If the application for membership is accepted and the loan is granted, the applicant shall, upon full payment therefor, become the owner of one share of capital stock in said loan association for each \$100 of the face of his loan, or any major fractional part thereof. Said capital stock shall be paid off at par and retired upon full payment of said loan. Said capital stock shall be held by said association as collateral security for the payment of said loan, but said borrower shall be paid any dividends accruing and payable on said capital stock while it is outstanding. (July 17, 1916, c. 245, § 8, 39 Stat. 367.)

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- § 734      **Increase of stock.**—Every national farm loan association formed under this Act shall by its articles of association provide for an increase of its capital stock from time to time for the purpose of securing additional loans for its members and providing for the issue of shares to borrowers in accordance with the provisions of this Act. Such increases shall be included in the quarterly reports to the Federal Farm Loan Board. (July 17, 1916, c. 245, § 8, 39 Stat. 367.)      § 8

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**NATIONAL FARM LOAN ASSOCIATIONS; SPECIAL PROVISIONS**

- § 741      **Right of members to loans.**—Any person whose application for membership is accepted by a national farm loan association shall be entitled to borrow money on farm land mortgage upon filing his application in accordance with 12 U. S. C. 733 [F. F. L. Act § 8], and otherwise complying with the terms of this Act whenever the Federal land bank of the district has funds available for that purpose, unless said land bank or the Federal Farm Loan Board shall, in its discretion, otherwise determine. (July 17, 1916, c. 245, § 9, 39 Stat. 368.)      § 9

- § 742      **Loans to members to pay for shares; repayment.**—Any person desiring to secure a loan through a national farm loan association under the provisions of this Act may, at his option, borrow from the Federal land bank through such association the sum necessary to pay for shares of stock subscribed for by him in the national farm loan association, such sum to be made a part of the face of the loan and paid off in amortization payments: *Provided, however,* That such addition to the loan shall not be permitted to increase said loan above the limitation imposed in subsection 5 of 12 U. S. C. 771 [F. F. L. Act § 12 (5th)]. (July 17, 1916, c. 245, § 9, 39 Stat. 368.)      § 9

- § 743      **Commissions on interest payments; deduction from dividends; loans by land banks to associations; rate of interest.**—Subject to rules and regulations prescribed by the Federal Farm Loan Board, any national farm loan association shall be entitled to retain as a commission from each inter-

est payment on any loan indorsed by it an amount to be determined by said board not to exceed one-eighth of 1 per centum semiannually upon the unpaid principal of said loan, any amounts so retained as commissions to be deducted from dividends payable to such farm loan association by the Federal land bank, and to make application to the land bank of the district for loans not exceeding in the aggregate one-fourth of its total stock holdings in said land bank. The Federal land banks shall have power to make such loans to associations applying therefor and to charge interest at a rate not exceeding 6 per centum per annum. (July 17, 1916, c. 245, § 9, 39 Stat. 368.)

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§ 744      **Individual liability of shareholders.**—Shareholders of every national farm loan association shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such association 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. (July 17, 1916, c. 245, § 9, 39 Stat. 368.)      § 9

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§ 745      **New members.**—After a charter has been granted to a national farm loan association, any natural person who is the owner, or about to become the owner, of farm land qualified under 12 U. S. C. 771 [F. F. L. Act § 12] as the basis of a mortgage loan, and who desires to borrow on a mortgage of such farm land, may become a member of the association by a two-thirds vote of the directors upon subscribing for one share of the capital stock of such association for each \$100 of the face of his proposed loan or any major fractional part thereof. He shall at the same time file with the secretary-treasurer his application for a mortgage loan, giving the particulars required by 12 U. S. C. 771 [F. F. L. Act § 12]. (July 17, 1916, c. 245, § 9, 39 Stat. 368.)      § 9

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#### APPRAISAL FOR FARM LOANS

§ 751      **Investigation by loan committee of character and solvency of applicant; sufficiency of security offered; report.**—Whenever an application for a mortgage loan is made through a national farm      § 10

loan association, the loan committee provided for in 12 U. S. C. 712 [F. F. L. Act § 7], shall forthwith make, or cause to be made, such investigation as it may deem necessary as to the character and solvency of the applicant, and the sufficiency of the security offered, and cause written report to be made of the result of such investigation, and shall, if it concurs in such report, approve the same in writing. No loan shall be made unless the report is favorable, and the loan committee is unanimous in its approval thereof. (July 17, 1916, c. 245, § 10, 39 Stat. 369; Apr. 20, 1920, c. 154, § 2, 41 Stat. 570.)

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§ 752      **Submission to land bank of report and loan application; weight given appraisal.**—The written report required in 12 U. S. C. 751 [F. F. L. Act § 10] shall be submitted to the Federal land bank, together with the application for the loan, and the directors of said land bank shall examine said written report when they pass on the loan application which it accompanies, but they shall not be bound by said appraisal. (July 17, 1916, c. 245, § 10, 39 Stat. 369.)

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§ 753      **Submission to land bank appraisers of report and loan application.**—Before any mortgage loan is made by any Federal land bank, or joint stock land bank, it shall refer the application and written report of the loan committee to one or more of the land bank appraisers appointed under the authority of 12 U. S. C. 656 [F. F. L. Act § 3], and such appraiser or appraisers shall investigate and make a written report upon the land offered as security for said loan. No such loan shall be made by said land bank unless said written report is favorable. (July 17, 1916, c. 245, § 10, 39 Stat. 369.)

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§ 754      **Forms for reports.**—Forms for appraisal reports for farm loan associations and land banks shall be prescribed by the Federal Farm Loan Board. (July 17, 1916, c. 245, § 10, 39 Stat. 369.)

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§ 755      **Examinations by land bank appraisers as to farm loan bonds and first mortgages.**—Land bank appraisers shall make such examinations and appraisals and conduct such investigations, concern-

ing farm loan bonds and first mortgage, as the Federal Farm Loan Board shall direct. (July 17, 1916, c. 245, § 10, 39 Stat. 369.)

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§ 756      **Borrowers as appraisers or members of loan committees.**—No borrower under this Act shall be eligible as an appraiser under this subdivision but borrowers may act as members of a loan committee in any case where they are not personally interested in the loan under consideration. When any member of a loan committee or of a board of directors is interested, directly or indirectly, in a loan, a majority of the board of directors of any national farm loan association shall appoint a substitute to act in his place in passing upon such loan. (July 17, 1916, c. 245, § 10, 39 Stat. 369.)

§ 10

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**POWERS OF NATIONAL FARM LOAN ASSOCIATIONS**

§ 761      **Enumerated powers.**—Every national farm loan association shall have power:

First. *Indorsing mortgages.*—To indorse, and thereby become liable for the payment of, mortgages taken from its shareholders by the Federal land of its district. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

Second. *Receiving advances from banks and loaning to shareholders.*—To receive from the Federal land bank of its district funds advanced by said land bank, and to deliver said funds to its shareholders on receipt of first mortgages qualified under 12 U. S. C. 771 [F. F. L. Art. § 12]. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

Third. *Fixing charges for applications for loans.*—To fix reasonable initial charges to be made against applicants for loans and to borrowers in order to meet the necessary expenses of the association: *Provided*, That such charges shall not exceed amounts to be fixed by the Farm Loan Board, and shall in no case exceed 1 per centum of the amount of the loan applied for; to acquire and dispose of property, real and personal, that may be necessary or convenient for the transaction of its business. (July 17, 1916, c. 245, § 11, 39 Stat. 369; Apr. 20, 1920, c. 154, § 3, 41 Stat. 570.)

Fourth. *Issuing interest-bearing certificates against deposits of current funds.*—To issue certifi-

§ 11

cates against deposits of current funds bearing interest for not longer than one year at not to exceed 4 per centum per annum after six days from date, convertible into farm loan bonds when presented at the Federal land bank of the district in the amount of \$25 or any multiple thereof. Such deposits, when received, shall be forthwith transmitted to said land bank, and be invested by it in the purchase of farm loan bonds issued by a Federal land bank or in first mortgages as defined by this Act. (July 17, 1916, c. 245, § 11, 39 Stat. 369.)

**RESTRICTIONS ON LOANS OF FEDERAL LAND  
BANKS BASED ON FIRST MORTGAGES**

(Applicable also to loans of joint stock land banks)

§ 771

**Restrictions enumerated.**—No Federal land bank organized under this Act shall make loans except upon the following terms and conditions:

§ 12

First.<sup>1</sup> *Security by first mortgage.*—Said loans shall be secured by duly recorded first mortgages on farm land within the land bank district in which the bank is situated. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Second. *Agreement for repayment on amortization plan.*—Every such mortgage shall contain an agreement providing for the repayment of the loan on an amortization plan by means of a fixed number of annual or semiannual installments sufficient to cover, first, a charge on the loan at a rate not exceeding the interest rate in the last series of farm loan bonds issued by the land bank making the loan; second, a charge for administration and profits at a rate not exceeding 1 per centum per annum on the unpaid principal, said two rates combined constituting the interest rate on the mortgage; and, third, such amounts to be applied on the principal as will extinguish the debt within an agreed period, not less than five years nor more than forty years: *Provided*, That after five years from the date upon which a loan is made the mortgagor may, upon any regular installment date, make in advance any number of payments or any portion thereof on account of the principal of his loan as provided by his contract or pay the entire principal of such loan, under the rules and regulations of the Federal Farm Loan Board: *And pro-*

<sup>1</sup> This subsection not applicable to joint stock land bank loans. See 12 U. S. C. 818 [F. F. L. Act, § 16], below.

*vided further*, That before the first issues of farm loan bonds by any land bank the interest rate on mortgages may be determined in the discretion of said land bank, subject to the provisions and limitations of this Act. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Apr. 20, 1920, c. 154, § 4, 41 Stat. 570.)

Third. *Maximum interest rate*.—No loan on mortgage shall be made under this Act at a rate of interest exceeding 6 per centum per annum, exclusive of amortization payments. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Fourth.<sup>1</sup> *Purposes of loans enumerated*.—Such loans may be made for the following purposes and for no other:

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

(b) To provide for the purchase of equipment, fertilizers, and livestock 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 land; the term "improvement" to be defined by the Federal Farm Loan Board.

(d) To liquidate indebtedness of the owner of the land mortgaged incurred for agricultural purposes, or incurred prior to January 1, 1922. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Apr. 20, 1920, c. 154, § 4, 41 Stat. 570; Mar. 4, 1923, c. 252, Title III, § 306, 42 Stat. 1476.)

Fifth. *Limitation on amount of loans; appraisal; reappraisal*.—No such loan shall exceed 50 per centum of the value of the land mortgaged and 20 per centum of the value of the permanent, insured improvements thereon, said value to be ascertained by appraisal, as provided in 12 U. S. C. 751. [F. F. L. Act § 10.] In making said appraisal the value of the land for agricultural purposes shall be the basis of appraisal and the earning power of said land shall be a principal factor.

A reappraisal may be permitted at any time in the discretion of the Federal land bank, and such additional loan may be granted as such reappraisal will warrant under the provisions of this paragraph. Whenever the amount of the loan applied for exceeds the amount that may be loaned under the appraisal as herein limited, such loan may be granted to the amount permitted under the terms of this paragraph without requiring a new

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<sup>1</sup> This subsection not applicable to joint stock land bank loans. See 12 U. S. C. 818 [F. F. L. Act § 16], below.

application or appraisal. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Sixth.<sup>1</sup> *Persons entitled to loans; sales; death of mortgagor.*—No such loan shall be made to any person who is not at the time, or shortly to become, engaged in the cultivation of the farm mortgaged. In case of the sale of the mortgaged land, the Federal land bank may permit said mortgage and the stock interests of the vendor to be assumed by the purchaser. In case of the death of the mortgagor, his heir or heirs, or his legal representative or representatives, shall have the option within sixty days of such death, to assume the mortgage and stock interests of the deceased. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Seventh.<sup>1</sup> *Maximum and minimum of loans.*—The amount of loans to any one borrower shall in no case exceed a maximum of \$25,000, nor shall any one loan be for a less sum than \$100, but preference shall be given to applications for loans of \$10,000 and under. (July 17, 1916, c. 245, § 12, 39 Stat. 370; Mar. 4, 1923, c. 252, Title III, § 307, 42 Stat. 1476.)

Eighth. *Form of applications for loans.*—Every applicant for a loan under the terms of this Act shall make application on a form to be prescribed for that purpose by the Federal Farm Loan Board, and such applicant shall state the objects to which the proceeds of said loan are to be applied, and shall afford such other information as may be required. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Ninth. *Interest on defaulted payments; payment of taxes and liens; insurance.*—Every borrower shall pay simple interest on defaulted payments at the rate of 8 per centum per annum, and by express covenant in his mortgage deed shall undertake to pay when due all taxes, liens, judgments, or assessments which may be lawfully assessed against the land mortgaged. Taxes, liens, judgments, or assessments not paid when due, and paid by the mortgagee, shall become a part of the mortgage debt and shall bear simple interest at the rate of 8 per centum per annum. Every borrower shall undertake to keep insured to the satisfaction of the Federal Farm Loan Board all buildings the value of which was a factor in determining the amount of the loan. Insurance shall be made payable to the mortgagee as its interest may appear at time of

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<sup>1</sup> This subsection not applicable to joint stock land bank loans. See 12 U. S. C. 818 [F. F. L. Act § 16], below.

loss, and at the option of the mortgagor and subject to general regulations of the Federal Farm Loan Board, sums so received may be used to pay for reconstruction of the buildings destroyed. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Tenth.<sup>1</sup> *Agreement by borrowers as to use of loans.*—Every borrower who shall be granted a loan under the provisions of this Act shall enter into an agreement, in form and under conditions to be prescribed by the Federal Farm Loan Board, that if the whole or any portion of his loan shall be expended for purposes other than those specified in his original application, or if the borrower shall be in default in respect to any condition or covenant of the mortgage, the whole of said loan shall, at the option of the mortgagee, become due and payable forthwith: *Provided*, That the borrower may use part of said loan to pay for his stock in the farm loan association, and the land bank holding such mortgage may permit said loan to be used for any purpose specified in subsection fourth of this section. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

Eleventh. *Loans not invalidated by unauthorized acts by banks or associations.*—No loan or the mortgage securing the same shall be impaired or invalidated by reason of the exercise of any power by any Federal land bank or national farm loan association in excess of the powers herein granted or any limitations thereon. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

§ 772

**Loans to be current funds or farm loan bonds.**—

Funds transmitted to farm loan associations by Federal land banks to be loaned to its members shall be in current funds, or farm loan bonds, at the option of the borrower. (July 17, 1916, c. 245, § 12, 39 Stat. 370.)

§ 12

§ 773

**Mortgages<sup>2</sup> on farm lands under United States reclamation projects.**—

The term “first mortgage,” as used in 12 U. S. C. 771 [F. F. L. Act § 12] shall be construed to include mortgages on farm lands under United States reclamation projects, notwithstanding there may be against such lands a reserved

<sup>1</sup> This subsection not applicable to joint stock land bank loans. See 12 U. S. C. 818 [F. F. L. Act § 16], below.

<sup>2</sup> This provision was not specifically made a part of any section of the Federal Farm Loan Act.

or created lien in favor of the United States for construction or other charges as provided in 43 U. S. C., 372, 381, 383, 391, 392, 411, 416, 419, 421, 431, 432, 434, 439, 461, 476, 491, 498, Public Lands [June 17, 1902, c. 1093, 32 Stat. 388, as amended], and acts amendatory thereof and supplementary thereto, known as the reclamation law: *Provided*, That such lands are otherwise eligible for loans under the Federal Farm Loan act: *And provided further*, That the amount and date of maturity of such lien shall be given due consideration in fixing the value of such lands for loan purposes. (May 15, 1922, c. 190, § 3, 42 Stat. 542.)

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### POWERS OF FEDERAL LAND BANKS GENERALLY

§ 781      **Enumerated powers.**—Every Federal land bank shall have power, subject to the limitations and requirements of this Act—

§ 13

First. *Issuing and selling farm loan bonds.*—To issue, subject to the approval of the Federal Farm Loan Board, and to sell farm loan bonds of the kinds authorized in this Act, to buy the same for its own account, and to retire the same at or before maturity. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Second. *Investing funds in farm first mortgages.*—To invest such funds as may be in its possession in the purchase of qualified first mortgages on farm lands situated within the Federal land bank district within which it is organized or for which it is acting. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Third. *Receipt and deposit of mortgages as collateral for bonds; collection of moneys payable under mortgages and bonds.*—To receive and to deposit in trust with the farm loan registrar for the district, to be by him held as collateral security for farm loan bonds, first mortgages upon farm land qualified under 12 U. S. C. 771 [F. F. L. Act § 12], and to empower national farm loan associations, or duly authorized agents, to collect and immediately pay over to said land banks the dues, interest, amortization installments and other sums payable under the terms, conditions, and covenants of the mortgages and of the bonds secured thereby. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Fourth. *Acquiring and disposing of property.*—To acquire and dispose of—

(a) Such property, real or personal, as may be necessary or convenient for the transaction of its business, which, however, may be in part leased to others for revenue purposes.

(b) Parcels of land acquired in satisfaction of debts or purchased at sales under judgments, decrees, or mortgages held by it. But no such bank shall hold title and possession of any real estate purchased or acquired to secure any debt due to it, for a longer period than five years, except with the special approval of the Federal Farm Loan Board in writing. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Fifth. *Depositing securities and funds with reserve banks.*—To deposit its securities, and its current funds subject to check, with any member bank of the Federal Reserve System, and to receive interest on the same as may be agreed. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Sixth. *Receiving deposits from associations.*—To accept deposits of securities or of current funds from national farm loan associations holding its shares, but to pay no interest on such deposits. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Seventh. *Borrowing money.*—To borrow money, to give security therefore, and to pay interest thereon. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Eighth. *Buying and selling United States bonds.*—To buy and sell United States bonds. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Ninth. *Charging fees for loans.*—To charge applicants for loans and borrowers, under rules and regulations promulgated by the Federal Farm Loan Board, reasonable fees not exceeding the actual cost of appraisal and determination of title. Legal fees and recording charges imposed by law in the State where the land to be mortgaged is located may also be included in the preliminary costs of negotiating mortgage loans. The borrower may pay such fees and charges or he may arrange with the Federal land bank making the loan to advance the same, in which case said expenses shall be made a part of the face of the loan and paid off in amortization payments. Such addition to the loan shall not be permitted to increase said loan above the limitations provided in 12 U. S. C. 771 [F. F. L. Act. § 12]. (July 17, 1916, c. 245, § 13, 39 Stat. 372.)

Tenth. When in the judgment of the directors conditions justify it, to extend, in whole or in part, any obligation that may be or become unpaid under

the terms of any mortgage, and to accept payment of any such obligation during a period of five years or less from the date of such extension in such amounts as may be agreed upon at the date of making such extension. The sum of \$25,000,000<sup>1</sup> of the amount authorized to be appropriated under 12 U. S. C. 698 [F. F. L. Act § 5, as amended], shall be used exclusively for the purpose of supplying any bank with funds to use in its operations in place of any amounts of which such bank may be deprived by reason of extensions made as provided in this paragraph. (Jan. 23, 1932, c. 9, § 5, 47 Stat. 14.)

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### RESTRICTIONS ON FEDERAL LAND BANKS

§ 791      **Enumeration of restrictions.**—No Federal land bank shall have power—      § 14

First. *Limiting deposits.*—To accept deposits of current funds payable upon demand except from its own stockholders, or to transact any banking or other business not expressly authorized by the provisions of this Act. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Second. *Loaning on first mortgages except through associations.*—To loan on first mortgage except through national farm loan associations as provided in 12 U. S. C. 720, 721, 733, and 734 [F. F. L. Act §§ 7 and 8], or through agents as provided in 12 U. S. C. 801–808 [F. F. L. Act § 15]. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Third. *Accepting other than first mortgages.*—To accept any mortgages on real estate except first mortgages created subject to all limitations imposed by 12 U. S. C. 771–773 [F. F. L. Act § 12], and those taken as additional security for existing loans. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

Fourth. *Issuing excess of bonds; receiving excess of mortgages from associations.*—To issue or obligate itself for outstanding farm loan bonds in excess of twenty times the amount of its capital and surplus, or to receive from any national farm loan association additional mortgages when the principal remaining unpaid upon mortgages already received from such association shall exceed twenty times the amount of its capital stock owned by such

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<sup>1</sup> For appropriation, see Appendix B.

association. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

*Fifth. Demanding unauthorized commissions.*—To demand or receive, under any form or pretense, any commission or charge not specifically authorized in this Act. (July 17, 1916, c. 245, § 14, 39 Stat. 372.)

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**LOANS BY FEDERAL LAND BANKS THROUGH AGENTS**

§ 801      **Loans; when authorized.**—Whenever it shall appear to the Federal Farm Loan Board that national farm loan associations have not been formed, and are not likely to be formed, in any locality, because of peculiar local conditions, said board may, in its discretion, authorize Federal land banks to make loans on farm lands through agents approved by said board. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)      § 15

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§ 802      **Manner of making.**—Loans authorized by 12 U. S. C. 801 [F. F. L. Act § 15] shall be subject to the same conditions and restrictions as if the same were made through national farm loan associations, and each borrower shall contribute 5 per centum of the amount of his loan to the capital of the Federal land bank, and shall become the owner of as much capital stock of the land bank as such contribution shall warrant. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)      § 15

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§ 803      **Who may be employed as agent.**—No agent other than 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 under the provisions of this subdivision. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)      § 15

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§ 804      **Expenses of and commissions to agents.**—Federal land banks may pay to such agents the actual expense of appraising the land offered as security for a loan, examining and certifying the title thereof, and making, executing, and recording the mortgage papers; and in addition may allow said

agents not to exceed one-half of 1 per centum per annum upon the unpaid principal of said loan, such commission to be deducted from dividends payable to the borrower on his stock in the Federal land bank. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

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§ 805      **Expenses of agents added to loans.**—Actual expenses paid to agents under the provisions of this subdivision shall be added to the face of the loan and paid off in amortization payments subject to the limitations provided in subsection ninth of 12 U. S. C. 781 [F. F. L. Act § 13]. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

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§ 806      **Collecting interest and payments.**—Said agents when required by the Federal land banks, shall collect and forward to such banks without charge all interest and amortization payments on loans indorsed by them. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

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§ 807      **Indorsement of loans; liability thereon.**—Any agent negotiating any such loan shall indorse the same and become liable for the payment thereof, and for any default by the mortgagor, on the same terms and under the same penalties as if the loan had been originally made by said agent as principal and sold by said agent to said land bank, but the aggregate of the unpaid principal of mortgage loans received from any such agent shall not exceed ten times its capital and surplus, (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

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§ 808      **When loans to cease.**—If at any time the district represented by any agent under the provisions of this subdivision shall, in the judgment of the Federal Farm Loan Board, be adequately served by national farm loan associations, no further loans shall be negotiated therein by agents under this subdivision. (July 17, 1916, c. 245, § 15, 39 Stat. 373.)

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## JOINT STOCK LAND BANKS

- § 811      **Power to organize; organization; directors.**— § 16  
Corporations, to be known as joint stock land banks, for carrying on the business of lending on farm mortgage security and issuing farm loan bonds, may be formed by any number of natural persons not less than ten. They shall be organized subject to the requirements and under the conditions set forth in 12 U. S. C. 671–683 [F. F. L. Act § 4], so far as the same may be applicable: *Provided*, That the board of directors of every joint stock land bank shall consist of not less than five members. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)
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- § 812      **Individual liability of shareholders.**—Share- § 16  
holders of every joint stock land bank organized under this Act shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such 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. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)
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- § 813      **Powers, duties, and liabilities; stock.**—Except § 16  
as otherwise provided, joint stock land banks shall have the powers of, and be subject to all the restrictions and conditions imposed on, Federal land banks by this Act, so far as such restrictions and conditions are applicable: *Provided, however*, That the Government of the United States shall not purchase or subscribe for any of the capital stock of any such bank; and each shareholder of any such bank shall have the same voting privileges as holders of shares in national banking associations. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)
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- § 814      **Limitation on amount of issue of bonds; trans- § 16  
acting banking business.**—No joint stock land bank shall have power to issue or obligate itself for outstanding farm loan bonds in excess of fifteen times the amount of its capital and surplus, or to receive deposits or to transact any banking or other business not expressly authorized by the provisions of this Act. (July 17, 1916, c. 245, § 16, 39 Stat. 374.)
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- § 815      **Minimum capital stock required.**—No joint stock land bank shall be authorized to do business until capital stock to the amount of at least \$250,000 has been subscribed, one-half thereof paid in cash and the balance subject to call by the board of directors, and a charter has been issued to it by the Federal Farm Loan Board. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16
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- § 816      **Issuing bonds before payment of stock.**—No joint stock land bank shall issue any bonds until after the capital stock is entirely paid up. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16
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- § 817      **Form of bonds.**—Farm loan bonds issued by joint stock land banks shall be so engraved as to be readily distinguished in form and color from farm loan bonds issued by Federal land banks, and shall otherwise bear such distinguishing marks as the Federal Farm Loan Board shall direct. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16
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- § 818      **Interest rates; restrictions on mortgage loans.**—Joint stock land banks shall not be subject to the provisions of subsection (b) of 12 U. S. C. 831 [F. F. L. Act § 17] as to interest rates on mortgage loans or farm loan bonds, nor to the provisions of subsections first, fourth, sixth, seventh, and tenth of 12 U. S. C. 771 [F. F. L. Act § 12] as to restrictions on mortgage loans: *Provided, however,* That no loans shall be made which are not secured by first mortgages on farm lands within the State in which such joint stock land bank has its principal office, or within some one State contiguous to such State, except as hereinafter provided. Such joint stock land banks shall be subject to all other restrictions on mortgage loans imposed on Federal land banks in 12 U. S. C. 771 [F. F. L. Act § 12]. (July 17, 1916, c. 245, § 16, 39 Stat. 374; Mar. 4, 1931, c. 518, § 1, 46 Stat. 1548.) § 16
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- § 819      **Limitation on interest rates.**—Joint stock land banks shall in no case charge a rate of interest on farm loans exceeding by more than 1 per centum the rate of interest established for the last series of farm loan bonds issued by them. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16
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§ 820      **Unauthorized commissions or charges.**—Joint stock land banks shall in no case demand or receive, under any form or pretense, any commission or charge not specifically authorized in this Act. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

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§ 821      **Bonds; power to issue; form and contents.**— Each joint stock land bank organized under this Act shall have authority to issue bonds based upon mortgages taken by it in accordance with the terms of this Act. Such bonds shall be in form prescribed by the Federal Farm Loan Board, and it shall be stated in such bonds that such bank is organized under section sixteen of this Act [12 U. S. C. 811–824], is under Federal supervision, and operates under the provisions of this Act. (July 17, 1916, c. 245, § 16, 39 Stat. 374.) § 16

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§ 822      **Voluntary liquidation.**—Any joint stock land bank organized and doing business under the provisions of this Act may go into voluntary liquidation by making provision, to be approved by the Federal Farm Loan Board, for the payment of its liabilities: *Provided*, That such method of liquidation shall have been duly authorized by a vote of at least two-thirds of the shareholders of such joint stock land bank at a regular meeting, or at a special meeting called for that purpose, of which at least ten days' notice in writing shall have been given to stockholders. (July 17, 1916, c. 245, § 16, 39 Stat. 374; May 29, 1920, c. 215, 41 Stat. 691.) § 16

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§ 823      **Assets of liquidating bank; purchase by Federal or joint stock land bank; assumption of liabilities.**—For the purpose of assisting in any such liquidation authorized as in 12 U. S. C. 822 [F. F. L. Act § 16] provided, any Federal land bank or joint stock land bank may, with the approval of the Federal Farm Loan Board, acquire the assets and assume the liabilities of any joint stock land bank, and in such transaction any Federal land bank may waive the provisions of this Act requiring such bank to acquire its loans only through national farm loan associations or agents, and those relating to status of borrower, purposes of loan, and also the limitation as to the amount of individual loans. No Federal land bank shall assume the obligations § 16

of any joint stock land bank in such manner as to make its outstanding obligations more than twenty times its capital stock except by creation of a special reserve equal to one-twentieth of the amount of such additional obligations assumed. No joint stock land bank shall assume the obligations of any other joint stock land bank in such manner as to make its outstanding obligations more than fifteen times the amount of its capital and surplus except by creation of a special reserve equal to one-fifteenth of the amount of such additional obligations assumed. (July 17, 1916, c. 245, § 16, 39 Stat. 374; May 29, 1920, c. 215, 41 Stat. 691; Mar. 4, 1925, c. 524, § 5, 43 Stat. 1263.)

§ 824

**Insolvency of joint stock land bank; acquisition of assets by other banks; first mortgage loans by acquiring bank.**—In any case where a joint stock land bank has been, or may be, declared insolvent and placed in the hands of a receiver by the Federal Farm Loan Board, any Federal land bank or joint stock land bank may, in the manner as may be prescribed by the Federal Farm Loan Board and with the approval of the Federal Farm Loan Board, acquire the assets and assume the liabilities of said joint stock land bank in the hands of a receiver. Any joint stock land bank which has acquired or may hereafter acquire the assets and which has assumed or may hereafter assume the liabilities of another joint stock land bank may, if authorized by the Federal Farm Loan Board, make loans secured by first mortgages on farm lands within the States in which the other joint stock land bank was authorized to make loans at the time of such acquisition, and the acquiring bank may, with the approval of the Federal Farm Loan Board, continue to make loans in the States where it was authorized to make loans at the time of such acquisition: *Provided, however,* That the acquiring bank shall not be authorized to make loans at any one time in more than five States, of which one shall be the State in which the bank has its principal office, one shall be contiguous to such State, the other shall be the States in which the acquired joint stock land banks were authorized to make loans at the time of such acquisition, and all of said five States shall be situated in contiguous territory. (Mar. 4, 1931, c. 518, § 2, 46 Stat. 1548.)

§ 16

**POWERS OF FEDERAL FARM LOAN BOARD  
GENERALLY**

§ 831      **Enumeration.**—The Federal Farm Loan Board      § 17  
shall have power—

(a) *Organizing and chartering banks and loan associations; authorizing increase of stock.*—To organize and charter Federal land banks, and to charter national farm loan associations and joint stock land banks subject to the provisions of this Act, and in its discretion to authorize them to increase their capital stock. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(b) *Reviewing and altering interest rates.*<sup>1</sup>—To review and alter at its discretion the rate of interest to be charged by Federal land banks for loans made by them under the provisions of this Act, said rates to be uniform so far as practicable. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(c) *Granting or refusing authority to issue bonds.*—To grant or refuse to Federal land banks, or joint stock land banks, authority to make any specific issue of farm loan bonds. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(d) *Making rules and regulations as to charges on loans.*—To make rules and regulations respecting the charges made to borrowers on loans under this Act for expenses in appraisal, determination of title, and recording. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(e) *Requiring reports, etc.; examining banks and associations.*—To require reports and statements of condition and to make examinations of all banks or associations doing business under the provisions of this Act. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(f) *Prescribing form and terms of bonds and surety bonds.*—To prescribe the form and terms of farm loan bonds, and the form, terms, and penal sums of all surety bonds required under this Act and of such other surety bonds as they shall deem necessary, such surety bonds to cover financial loss as well as faithful performance of duty. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(g) *Regulating payments between banks.*—To require Federal land banks to pay forthwith to any Federal land bank their equitable proportion of any sums advanced by said land bank to pay

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<sup>1</sup>This subsection not applicable to interest rates on mortgage loans of joint stock land banks. See 12 U. S. C. 818 [F. F. L. Act § 16], above.

the coupons of any other land bank, basing said required payments on the amount of farm loan bonds issued by each land bank and actually outstanding at the time of such requirement. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(h) *Suspending or removal of directors, registrars, appraisers, and examiners.*—To suspend or to remove for cause any district director or any registrar, appraiser, examiner, or other official appointed by said board under authority of 12 U. S. C. 651-664 [F. F. L. Act § 3], the cause of such suspension or removal to be communicated forthwith in writing by the Federal Farm Loan Board to the person suspended or removed, and in case of a district director to the proper Federal land bank. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(i) *Exercising supervisory authority over banks.*—To exercise general supervisory authority over the Federal land banks, the national farm loan associations, and the joint stock land banks herein provided for. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

(j) *Incidental powers.*<sup>1</sup>—To exercise such incidental powers as shall be necessary or requisite to fulfill its duties and carry out the purposes of this Act. (July 17, 1916, c. 245, § 17, 39 Stat. 375.)

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#### APPLICATIONS FOR FARM LOAN BONDS

§ 841

**Application; to whom made; collateral security; schedule.**—Any Federal land bank, or joint stock land bank, which shall have voted to issue farm loan bonds under this Act, shall make written application to the Federal Farm Loan Board, through the farm loan registrar of the district, for approval of such issue. With said application said land bank shall tender to said farm loan registrar as collateral security first mortgages on farm lands qualified under the provisions of 12 U. S. C. 771, 801-807, or 811-821 [F. F. L. Act §§ 12, 15 and 16], or United States Government bonds, not less in aggregate amount than the sum of the bonds proposed to be issued. Said bank shall furnish with such mortgages a schedule containing a description thereof and such further information as may be prescribed by the Federal Farm Loan Board. (July 17, 1916, c. 245, § 18, 39 Stat. 375.)

§ 18

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<sup>1</sup> See also 12 U. S. C. 665, above, with respect to rules and regulations.

§ 842      **Verifying schedule; transmission to Loan Board; investigation and appraisal of securities tendered.**—Upon receipt of the application provided for in 12 U. S. C. 841 [F. F. L. Act § 18] said farm loan registrar shall verify the schedule also provided for in said section and shall transmit said application and said schedule to the Federal Farm Loan Board, giving such further information pertaining thereto as he may possess. The Federal Farm Loan Board shall forthwith cause to be made such investigation and appraisal of the securities tendered as it shall deem wise, and it shall grant in whole or in part, or reject entirely, such application. (July 17, 1916, c. 245, § 18, 39 Stat. 375.)

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§ 843      **Transmission of decisions of Loan Board to land bank and farm loan registrar; information by registrar to board of issue of loan bonds.**—The Federal Farm Loan Board shall promptly transmit its decision as to any issue of farm loan bonds to the land bank applying for the same and to the farm loan registrar of the district. Said registrar shall furnish, in writing, such information regarding any issue of farm loan bonds as the Federal Farm Loan Board may at any time require. (July 17, 1916, c. 245, § 18, 39 Stat. 375.)

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§ 844      **Approval by Loan Board of issue of bonds.**—No issue of farm loan bonds shall be authorized unless the Federal Farm Loan Board shall approve such issue in writing. (July 17, 1916, c. 245, § 18, 39 Stat. 375.)

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#### ISSUE OF FARM LOAN BONDS

§ 851      **Duties of registrars on approval of bond issue.**—Whenever any farm loan registrar shall receive from the Federal Farm Loan Board notice that it has approved any issue of farm loan bonds under the provisions of 12 U. S. C. 841-844 [F. F. L. Act § 18] he shall forthwith take such steps as may be necessary, in accordance with the provisions of this Act, to insure the prompt execution of said bonds and the delivery of the same to the land bank applying therefor. (July 17, 1916, c. 245, § 19, 39 Stat. 376.)

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§ 852      **Rejection of application; return of collateral security.**—Whenever the Federal Farm Loan Board shall reject entirely any application for an issue of farm loan bonds, the first mortgages and bonds tendered to the farm loan registrar as collateral security therefor shall be forthwith returned to said land bank by him. (July 17, 1916, c. 245, § 19, 39 Stat. 376.)      § 19

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§ 853      **Disposition of collateral security on approval of application.**—Whenever the Federal Farm Loan Board shall approve an issue of farm loan bonds, the farm loan registrar having the custody of the first mortgages and bonds tendered as collateral security for such issue of bonds shall retain in his custody those first mortgages and bonds which are to be held as collateral security, and shall return to the bank owning the same any of said mortgages and bonds which are not to be held by him as collateral security. The land bank which is to issue said farm loan bonds shall transfer to said registrar, by assignment, in trust, all first mortgages and bonds which are to be held by said registrar as collateral security, said assignment providing for the right of redemption at any time by payment as provided in this Act and reserving the right of substitution of other mortgages qualified under 12 U. S. C. 771 and 811-821 [F. F. L. Act, §§ 12, 15, and 16]. Said mortgages and bonds shall be deposited in such deposit vault or bank as the Federal Farm Loan Board shall approve, subject to the control of said registrar and in his name as trustee for the bank issuing the farm loan bonds and for the prospective holders of said farm loan bonds. (July 17, 1916, c. 245, § 19, 39 Stat. 376.)      § 19

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§ 854      **Mortgages acceptable as collateral security.**—No mortgage shall be accepted by a farm loan registrar from a land bank as part of an offering to secure an issue of farm loan bonds, either originally or by substitution, except first mortgages made subject to the conditions prescribed in 12 U. S. C. 771, 801-808, and 811-821 [F. F. L. Act, §§ 12, 15, and 16.] July 17, 1916, c. 245, § 19, 39 Stat. 376.)      § 19

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§ 855      **Amount of issue as affected by amount of collateral security; United States bonds or cash in lieu of security withdrawn.**—It shall be the duty of each farm loan registrar to see that the farm loan bonds delivered by him and outstanding do not exceed the amount of collateral security pledged therefor. Such registrar may, in his discretion, temporarily accept, in place of mortgages withdrawn, United States Government bonds or cash. (July 17, 1916, c. 245, § 19, 39 Stat. 376.)

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§ 856      **Additional security.**—The Federal Farm Loan Board may, at any time, call upon any land bank for additional security to protect the bonds issued by it. (July 17, 1916, c. 245, § 19, 39 Stat. 376.)

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#### FORM OF FARM LOAN BONDS

§ 861      **Denominations; minimum and maximum periods; interest coupons; rates of interest.**—Bonds provided for in this Act shall be issued in denominations of \$40, \$100, \$500, \$1,000, and such larger denominations as the Federal Farm Loan Board may authorize; they shall run for specified minimum and maximum periods, subject to payment and retirement, at the option of the land bank, at any time after the minimum period specified in the bonds, which shall not be longer than ten years from the date of their issue. They shall have interest coupons attached, payable semiannually, and shall be issued in series of not less than \$50,000, the amount and terms to be fixed by the Federal Farm Loan Board. They shall bear a rate of interest not to exceed 5½ per centum per annum, but no bonds issued or sold after June 30, 1923, shall bear a rate of interest to exceed 5 per centum per annum. (July 17, 1916, c. 245, § 20, 39 Stat. 377.)

§ 862      **Rules and regulations as to payment.**—The Federal Farm Loan Board shall prescribe rules and regulations concerning the circumstances and manner in which farm loan bonds shall be paid and retired under the provisions of this Act. (July 17, 1916, c. 245, § 20, 39 Stat. 377.)

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§ 863      **Delivery to bank.**—Farm loan bonds shall be delivered through the registrar of the district to the bank applying for the same. (July 17, 1916, c. 245, § 20, 39 Stat. 377.) § 20

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§ 864      **Preparation; custody of plates and dies; exchange for registered bonds; reexchange for coupons.**—In order to furnish farm loan bonds for delivery at the Federal land banks and joint stock land banks, the Secretary of the Treasury is hereby authorized to prepare suitable bonds in such form, subject to the provisions of this Act, as the Federal Farm Loan Board may approve, such bonds when prepared to be held in the Treasury subject to delivery upon order of the Federal Farm Loan Board. The engraved plates, dies, bed-pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. Any expenses incurred in the preparation, custody, and delivery of such farm loan bonds shall be paid by the Secretary of the Treasury from any funds in the Treasury not otherwise appropriated: *Provided, however,* That the Secretary shall be reimbursed for such expenditures by the Federal Farm Loan Board through assessment upon the farm land banks in proportion to the work executed. They may be exchanged into registered bonds of any amount, and reexchanged into coupon bonds, at the option of the holder, under rules and regulations to be prescribed by the Federal Farm Loan Board. (July 17, 1916, c. 245, § 20, 39 Stat. 377.) § 20

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#### SPECIAL PROVISIONS OF FARM LOAN BONDS

§ 871      **Land banks as bound by acts of officers and Loan Board in issue of bonds.**—That each land bank shall be bound in all respects by the acts of its officers in signing and issuing farm loan bonds and by the acts of the Federal Farm Loan Board in authorizing their issue. (July 17, 1916, c. 245, § 21, 39 Stat. 377.) § 21

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§ 872      **Liability of land banks for interest and principal of loan bonds.**—Every Federal land bank issuing farm loan bonds shall be primarily liable therefor, and shall also be liable, upon presentation of farm loan bond coupons, for interest payments § 21

due upon any farm loan bonds issued by other Federal land banks and remaining unpaid in consequence of the default of such other land banks; and every such bank shall likewise be liable for such portion of the principal of farm loan bonds so issued as shall not be paid after the assets of any such other land banks shall have been liquidated and distributed: *Provided*, That such losses, if any, either of interest or of principal, shall be assessed by the Federal Farm Loan Board against solvent land banks liable therefor in proportion to the amount of farm loan bonds which each may have outstanding at the time of such assessment. (July 17, 1916, c. 245, § 21, 39 Stat. 377.)

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§ 873      **Record on minutes of land banks respecting liability.**—Every Federal land bank shall by appropriate action of its board of directors, duly recorded in its minutes, obligate itself to become liable on farm loan bonds as provided in this subdivision. (July 17, 1916, c. 245, § 21, 39 Stat. 377.)      § 21

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§ 874      **Signing and attesting bonds; certificate of farm loan commissioner.**—Every farm loan bond issued by a Federal land bank shall be signed by its president or vice president and attested by its secretary or assistant secretary. For the purpose of signing such bonds the board of directors of any Federal land bank is authorized to select a vice president who need not be a member of the board of directors; such bonds shall also contain in the face thereof a certificate signed by the Farm Loan Commissioner to the effect that it is issued under the authority of the Federal Farm Loan Act, has the approval in form and issue of the Federal Farm Loan Board, and is legal and regular in all respects; that it is not taxable by National, State, municipal, or local authority; that it is issued against collateral security of United States Government bonds, or indorsed first mortgages on farm lands, at least equal in amount to the bonds issued; and that all Federal land banks are liable for the payment of each bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Apr. 20, 1920, c. 154, § 6, 41 Stat. 571.)      § 21

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§ 875      **Consolidated bonds; authority of land banks to issue and sell.**—Whenever it shall appear desirable to issue consolidated bonds of the twelve Federal land banks and to sell them through a common selling agency, and the Federal land banks shall, by resolution, consent to the same, the banks may issue and sell said bonds as hereinafter provided. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, Title III, § 308, 42 Stat. 1476.) § 21

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§ 876      **Signing and attesting consolidated bonds; recitals.**—Every bond so issued shall be signed by the Farm Loan Commissioner and attested by the secretary of the Federal Farm Loan Board, and their signatures may be either written or engraved thereon and shall recite in the face of the bond the fact that it is the joint and several obligation of the twelve Federal land banks, and shall in all respects be governed by the provisions of the Federal Farm Loan Act not inconsistent herewith. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, Title III, § 308, 42 Stat. 1476.) § 21

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§ 877      **Consolidated bonds; when payable.**—The consolidated bonds issued under this provision shall be made payable at any Federal land bank, and may be made payable at any Federal reserve bank or banks designated in the face of the bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, Title III, § 308, 42 Stat. 1476.) § 21

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§ 878      **Land banks as bound by acts of officers in issue of consolidated bonds.**—Each Federal land bank on whose behalf consolidated bonds shall be issued under this provision shall in all respects be bound by the Act of the Farm Loan Commissioner and the Secretary of the Federal Farm Loan Board. (July 17, 1916, c. 245 § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, Title III, § 308, 42 Stat. 1476; Mar. 4, 1925, c. 524, § 6, 43 Stat. 1264.) § 21

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§ 879      **Participation of land bank in consolidated issue as dependent on assumption of liability respecting loan bonds.**—Every Federal land bank, before participation in a consolidated issue, as herein pro- § 21

vided, shall by appropriate action of its board of directors, duly recorded in its minutes, obligate itself to become liable on Federal farm loan bonds as provided in 12 U. S. C. 873 [F. F. L. Act § 21], and be bound by the action of the Farm Loan Commissioner and the secretary of the Federal Farm Loan Board in executing the same. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, Title III, § 308, 42 Stat. 1476.)

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§ 880      **Certificate of farm loan commissioner.**—Every farm loan bond issued hereunder shall contain on the face thereof a certificate signed by the Farm Loan Commissioner to the effect that it is issued under the authority of Title I of the Federal Farm Loan Act, has the approval in form and issue of the Federal Farm Loan Board, and is legal and regular in all respects; that it is not taxable by National, State, municipal, or local authority; that it is issued against collateral security consisting of obligations of the United States Government, or indorsed first mortgages on farm lands, at least equal in amount to the bonds issued; and that all Federal land banks are liable for the payment of each bond. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, Title III, § 308, 42 Stat. 1476.)

§ 21

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§ 881      **Prerequisites to participation of land bank in consolidated issue; payment of bonds and coupons.**—When any Federal land bank shall desire to participate in a consolidated issue of farm loan bonds it shall make application to the Federal Farm Loan Board for the approval on its behalf of such issue and tender to the registrar approved farm mortgages, or obligations of the United States Government, as security therefor, and no banks shall participate in such consolidated issue until such application has been approved by the Federal Farm Loan Board. Each bank shall pay when due, without notice, all bonds and coupons issued on its behalf hereunder. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, Title III, § 308, 42 Stat. 1476.)

§ 21

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§ 882      **Failure to pay proportion of interest or principal of consolidated issue; liability of participating banks.**—If any Federal land bank shall fail to pay its proportion of interest or principal as

§ 21

prescribed 12 U. S. C. 881 [F. F. L. Act § 21], the Federal Farm Loan Board shall immediately call upon the other Federal land banks for the amount necessary to make said payment, the assessments to be made in proportion to the capital stock of each, which assessments shall be forthwith paid by said banks. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, Title III, § 308, 42 Stat. 1477.)

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§ 883      **Bond committee.**—The presidents of the twelve Federal land banks shall constitute the bond committee of the Federal land banks and shall select a chairman from among their number. The vice president may act in place of the president on the president's request or in case he fails to act. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, Title III, § 308, 42 Stat. 1476.)

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§ 884      **Duties of bond committee as to issue of consolidated bonds.**—When an issue of consolidated bonds is contemplated, the bond committee shall determine the amount of such issue, the rate of interest which it is to bear, and the participation of the several banks therein, and submit their recommendations to the Federal Farm Loan Board for approval. When approved by the Federal Farm Loan Board the bonds shall be executed by the Farm Loan Commissioner and the secretary of the Federal Farm Loan Board, as herein provided. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, Title III, § 308, 42 Stat. 1476.)

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§ 885      **Expenses of bond committee and bond sale.**—The expenses of the bond committee and of the sale of bonds shall be charged against the several land banks in proportion to their participation in the proceeds. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, Title III, § 308, 42 Stat. 1476.)

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§ 886      **Compensation of members of bond committee.**—The presidents of the Federal land banks shall receive no additional compensation for their services as members of the bond committee, but shall be paid necessary traveling expenses. (July 17, 1916, c. 245, § 21, 39 Stat. 377; Mar. 4, 1923, c. 252, Title III, § 308, 42 Stat. 1476.)

APPLICATION OF AMORTIZATION AND  
INTEREST PAYMENTS

- § 891      **Payments upon mortgages pledged as collateral for loan bond issue; application of payments; cancellation of mortgages.**—Whenever any Federal land bank, or joint stock land bank, shall receive any interest, amortization or other payments upon any first mortgage or bond pledged as collateral security for the issue of farm loan bonds, it shall forthwith notify the farm loan registrar of the items so received. Said registrar shall forthwith cause such payment to be duly credited upon the mortgage entitled to such credit. Whenever any such mortgage is paid in full, said registrar shall cause the same to be canceled and delivered to the proper land bank, which shall promptly satisfy and discharge the lien of record and transmit such canceled mortgage to the original maker thereof, or his heirs, administrators, executors, or assigns. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)
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- § 892      **Withdrawal of collateral and substitution of other security.**—Upon written application by any Federal land bank, or joint stock land bank, to the farm loan registrar, it may be permitted, in the discretion of said registrar, to withdraw any mortgages or bonds pledged as collateral security under this Act, and to substitute therefor other similar mortgages or United States Government bonds not less in amount than the mortgages or bonds desired to be withdrawn. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)
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- § 893      **Place and mode of payment of loan bonds or interest; cancellation on payment.**—Whenever any farm loan bonds, or coupons or interest payments of such bonds, are due under their terms, they shall be payable at the land bank by which they were issued, in gold or lawful money, and upon payment shall be duly canceled by said bank. At the discretion of the Federal Farm Loan Board, payment of any farm loan bond or coupon or interest payment may, however, be authorized to be made at any Federal land bank, any joint stock land bank, or any other bank, under rules and regulations to be prescribed by the Federal Farm Board. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)
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- § 894      **Withdrawal of collateral security on surrender of loan bonds.**—When any land bank shall surrender to the proper farm loan registrar any farm loan bonds of any series, canceled or uncanceled, said land bank shall be entitled to withdraw first mortgages and bonds pledged as collateral security for any of said series of farm loan bonds to an amount equal to the farm loan bonds so surrendered, and it shall be the duty of said registrar to permit and direct the delivery of such mortgages and bonds to such land bank. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)
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- § 895      **Interest payments on hypothecated first mortgages.**—Interest payments on hypothecated first mortgages shall be at the disposal of the land bank pledging the same, and shall be available for the payment of coupons and the interest of farm loan bonds as they become due. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)
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- § 896      **Face value of bonds or interest coupons to holders.**—Whenever any bond matures, or the interest on any registered bond is due, or the coupon on any coupon bond matures, and the same shall be presented for payment as provided in this Act, the full face value thereof shall be paid to the holder. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)
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- § 897      **Payments on principal of first mortgages held as collateral as constituting trust fund.**—Amortization and other payments on the principal of first mortgages held by a farm loan registrar as collateral security for the issue of farm loan bonds shall constitute a trust fund in the hands of the Federal land bank or joint stock land bank receiving the same, and shall be applied or employed as follows:
- In the case of a Federal land bank—
    - (a) To pay off farm loan bonds issued by or in behalf of said bank as they mature.
    - (b) To purchase at or below par Federal farm loan bonds.
    - (c) To loan on first mortgages on farm lands within the land bank district, qualified under this Act as collateral security for an issue of farm loan bonds.
    - (d) To purchase United States Government bonds.

In the case of a joint stock land bank—

(a) To pay off farm loan bonds issued by said bank as they mature.

(b) To purchase at or below par farm loan bonds.

(c) To loan on first mortgages qualified under 12 U. S. C. 811–821 [F. F. L. Act § 16].

(d) To purchase United States Government bonds. (July 17, 1916, c. 245, § 22, 39 Stat. 378; Mar. 4, 1923, c. 252, Title III, § 309, 42 Stat. 1477.)

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§ 898      **Deposit of trust fund with registrars as substituted collateral security.**—The farm loan bonds, first mortgages, United States Government bonds, or cash constituting the trust funds aforesaid (12 U. S. C. 897), shall be forthwith deposited with the farm loan registrar as substituted collateral security in place of the sums paid on the principal of indorsed mortgages held by him in trust. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

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§ 899      **Notice to registrars of disposition of payments on principal of mortgages.**—Every Federal land bank, or joint stock land bank, shall notify the farm loan registrar of the disposition of all payments made on the principal of mortgages held as collateral security for an issue of farm loan bonds, and said registrar is authorized, at his discretion, to order any of such payments, or the proceeds thereof, wherever deposited or however invested, to be immediately transferred to his account as trustee aforesaid. (July 17, 1916, c. 245, § 22, 39 Stat. 378.)

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#### RESERVES AND DIVIDENDS OF LAND BANKS

§ 901      **Amount carried to reserve account; making good impairment; debit to reserve account.**—*(a) Federal land bank; amount carried to reserve; making good impairment.*<sup>1</sup>—Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net

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<sup>1</sup> Effective July 1, 1932.

earnings shall be added thereto semiannually. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (a), 47 Stat. 13.)

(b) *Joint stock land banks; amount carried to reserve; making good impairment.*—Every joint stock land bank shall semiannually carry to reserve account 25 per centum of its net earnings until said reserve account shall show a credit balance equal to 20 per centum of the outstanding capital stock of said land bank. After said reserve has reached the sum of 20 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be annually added thereto. Whenever said reserve shall have been impaired, said balance of 20 per centum shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 23, 39 Stat. 379.)

(c) *Debit to reserve account.*—For the period of two years from the date when any default occurs in the payment to any land bank of the interest, amortization installments, or principal on any first mortgage, by both mortgagor and indorser, the amount so defaulted shall be carried to a suspense account, and at the end of the two-year period specified, unless collected, shall be debited to reserve account. (July 17, 1916, c. 245, § 23, 39 Stat. 379.)

§ 902

**Dividends on balance of net earnings; investment of reserves.**—(a) *Federal land bank dividends.*<sup>1</sup>—After deducting the 50 per centum or the 10 per centum directed to be deducted for credit to reserve account by 12 U. S. C. 901 (a) [F. F. L. Act § 23], any Federal land bank may declare a dividend or dividends to shareholders of the whole or any part of the balance of its net earnings, but only with the approval of the Federal Farm Loan Board. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (a), 47 Stat. 13.)

§ 23

(b) *Joint stock land bank dividends.*—After deducting the 25 per centum or the 5 per centum directed to be deducted for credit to reserve account by 12 U. S. C. 901 (b) [F. F. L. Act § 23], any joint stock land bank may declare a dividend to shareholders of the whole or any part of the balance of its net earnings: *Provided,*<sup>1</sup> That any dividend or dividends declared by any joint stock land bank shall be subject to the approval of the Federal Farm Loan Board. (July 17, 1916, c. 245, § 23, 39 Stat. 379; Jan. 23, 1932, c. 9, § 3 (b), 47 Stat. 13.)

<sup>1</sup>As amended, effective July 1, 1932.

(c) *Investment of reserves.*—The reserves of land banks shall be invested in accordance with rules and regulations to be prescribed by the Federal Farm Loan Board. (July 17, 1916, c. 245, § 23, 39 Stat. 379.)

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**RESERVE AND DIVIDENDS OF NATIONAL  
FARM LOAN ASSOCIATIONS**

- § 911     **Reserves<sup>1</sup>; amount.**—Every national farm loan association shall, out of its net earnings, semiannually carry to reserve account a sum not less than 10 per centum of such net earnings until said reserve account shall show a credit balance equal to 25 per centum of the outstanding capital stock of said association. After said reserve has reached the sum of 25 per centum of the outstanding capital stock, 5 per centum of the net earnings shall be semiannually added thereto. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13.) § 24
- § 912     **Making good impairment of reserve.<sup>1</sup>**—Whenever the reserve shall have been impaired it shall be fully restored before any dividends are paid. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13.) § 24
- § 913     **Dividends on balance of net earnings.<sup>1</sup>**—After deducting the 10 per centum or the 5 per centum hereinbefore directed to be credited to reserve account, said association may at its discretion declare a dividend to shareholders of the whole or any part of the balance of said net earnings. (July 17, 1916, c. 245, § 24, 39 Stat. 379; Jan. 23, 1932, c. 9, § 4, 47 Stat. 13.) § 24
- § 914     **Investment of reserves.**—The reserves of farm loan associations shall be invested in accordance with rules and regulations to be prescribed by the Federal Farm Loan Board. (July 17, 1916, c. 245, § 24, 39 Stat. 379.) § 24
- § 915     **Disposition of reserve on liquidation.**—Whenever any farm loan association shall be voluntarily liquidated a sum equal to its reserve account as herein required shall be paid to and become the § 24

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<sup>1</sup>As amended, effective July 1, 1932.

property of the Federal land bank in which such loan association may be a shareholder. (July 17, 1916, c. 245, § 24, 39 Stat. 379.)

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#### DEFAULTED FARM LOANS

- § 921      **Notice to associations or agents of default under mortgage; making good.**—If there shall be default under the terms of any indorsed first mortgage held by a Federal land bank under the provisions of this Act the national farm loan association through which said mortgage was received by said Federal land bank shall be notified of said default. Said association may thereupon be required, within 30 days after such notice, to make good such default, either by payment of the amount unpaid thereon in cash or by the substitution of an equal amount of Federal farm loan bonds, with all unmatured coupons attached. (July 17, 1916, c. 245, § 25, 39 Stat. 380; Mar. 4, 1923, c. 252, Title III, § 310, 42 Stat. 1477.)
- § 25

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#### EXEMPTION FROM TAXATION

- § 931      **Land banks and loan associations; exemption from taxation; exceptions; first mortgages and bonds as instrumentalities of Government.**—Every Federal land bank and every national farm loan association, including the capital and reserve or surplus therein and the income derived therefrom, shall be exempt from Federal, State, municipal, and local taxation, except taxes upon real estate held, purchased, or taken by said bank or association under the provisions of 12 U. S. C. 761 and 781 [F. F. L. Act §§ 11 and 13]. First mortgages executed to Federal land banks, or to joint stock land banks, and farm loan bonds issued under the provisions of this Act, shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation. (July 17, 1916, c. 245, § 26, 39 Stat. 380.)
- § 26

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- § 932      **Shares in joint stock banks included in valuation of personalty for State taxation.**—Nothing herein shall prevent the shares in any joint stock land bank from being included in the valuation of
- § 26

the personal property of the owner or holder of such shares, in assessing taxes imposed by authority of the State within which the bank is located; but such assessment and taxation shall be in manner and subject to the conditions and limitations contained in 12 U. S. C. 548 [R. S. 5219] with reference to the shares of national banking associations. (July 17, 1916, c. 245, § 26, 39 Stat. 380.)

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- § 933      **Real property subject to taxation.**—Nothing herein shall be construed to exempt the real property of Federal and joint stock land banks and national farm loan associations from either State, county, or municipal taxes, to the same extent, according to its value, as other real property is taxed. (July 17, 1916, c. 245, § 26, 39 Stat. 380.)      § 26

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#### INVESTMENT IN FARM LOAN BONDS

- § 941      **Fiduciary and trust funds; security for public deposits.**—Farm loan bonds issued under the provisions of this Act by Federal land banks or joint stock land banks shall be a lawful investment for all fiduciary and trust funds, and may be accepted as security for all public deposits. (July 17, 1916, c. 245, § 27, 39 Stat. 380.)      § 27

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- § 942      **Buying and selling by member banks of Federal reserve system.**—Any member bank of the Federal Reserve System may buy and sell farm loan bonds issued under the authority of this Act. (July 17, 1916, c. 245, § 27, 39 Stat. 380.)      § 27

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- § 943      **Buying and selling by reserve banks.**—Any Federal reserve bank may buy and sell farm loan bonds issued under this Act to the same extent and subject to the same limitations placed upon the purchase and sale by said banks of State, county, district, and municipal bonds under 12 U. S. C. 355 [Dec. 23, 1913, Federal Reserve Act, § 14 (b)]. (July 17, 1916, c. 245, § 27, 39 Stat. 380.)      § 27

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#### EXAMINATIONS

- § 951      **Land bank examiners; appointment; number.**—The Federal Farm Loan Board shall appoint as many land bank examiners as in its judgment may      § 28

be required to make careful examinations of the banks and associations permitted to do business under this Act. (July 17, 1916, c. 245, § 28, 39 Stat. 381.)

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- § 952      **Powers, duties, liabilities, and penalties;<sup>1</sup> examinations; reports.**—Land bank examiners shall be subject to the same requirements, responsibilities and penalties as are applicable to national bank examiners under the national bank Act, the Federal Reserve Act and other provisions of law. Whenever directed by the Federal Farm Loan Board, said examiners shall examine the condition of any national farm loan association and report the same to the Farm Loan Commissioner. They shall examine and report the condition of every Federal land bank and joint stock land bank at least twice each year. (July 17, 1916, c. 245 § 28, 39 Stat. 381.)      § 28
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- § 953      **Salaries of examiners.**—Land bank examiners shall receive salaries to be fixed by the Federal Farm Loan Board. (July 17, 1916, c. 245 § 28, 39 Stat. 381.)      § 28
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- § 954      **Expenses and salaries of employees in division of examinations; assessment against banks; proceeds as miscellaneous receipts.**—The amount of the expenses and salaries of the employees engaged in the work of the division of examinations of the Federal Farm Loan Bureau shall be assessed in accordance with the provisions of existing law by the Federal Farm Loan Board against Federal land banks, joint stock land banks and Federal intermediate credit banks, and the proceeds covered into the Treasury as miscellaneous receipts. (Feb. 23, 1931, c. 277, Title I, § 1, 46 Stat. 1221; July 5, 1932, c. 430, Title I, § 1, 47 Stat. 584.)

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#### DISSOLUTION AND APPOINTMENT OF RECEIVERS

- § 961      **Insolvency of farm loan associations; receivers; powers and duties.**—Upon receiving satisfactory evidence that any national farm loan association has failed to meet its outstanding obligations of any description the Federal Farm Loan Board

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<sup>1</sup> Latter part of first sentence is omitted from 12 U. S. C.

may forthwith declare such association insolvent and appoint a receiver and require of him such bond and security as it deems proper: *Provided*, That no national farm loan association shall be declared insolvent by said board until the total amount of defaults of current interest and amortization installments on loans indorsed by national farm loan associations shall amount to at least \$150,000 in the Federal land bank district, unless such association shall have been in default for a period of two years. Such receiver, under the direction of the Federal Farm Loan Board, shall take possession of the books, records, and assets of every description of such association, collect all debts, dues, and claims belonging to it, and, with the approval of the Federal Farm Loan Board, or upon the order of a court of record of competent jurisdiction, may sell or compound all bad or doubtful debts, and, on a like approval or order, may sell all the real and personal property of such association, on such terms as the Federal Farm Loan Board or said court shall direct. (July 17, 1916, c. 245, § 29, 39 Stat. 381.)

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§ 962      **Disposition of moneys collected by receiver; reports.**—Such receiver shall pay over all money so collected to the Treasurer of the United States, subject to the order of the Federal Farm Loan Board, and also make report to said board of all his acts and proceedings. The Secretary of the Treasury shall have authority to deposit at interest any money so received. (July 17, 1916, c. 245, § 29, 39 Stat. 381.)      § 29

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§ 963      **Insolvency of land banks; receivers; powers and duties.**—Upon default of any obligation, Federal land banks and joint stock land banks may be declared insolvent and placed in the hands of a receiver by the Federal Farm Loan Board, and proceedings shall thereupon be had in accordance with the provisions of this subdivision regarding national farm loan associations. (July 17, 1916, c. 245, § 29, 39 Stat. 381.)      § 29

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§ 964      **Insolvency of farm loan associations; cancellation of stock held in land banks; application of payments on stock; reduction of stock of land banks.**—If any national farm loan association shall be declared insolvent and a receiver shall be ap-

pointed therefor by the Federal Farm Loan Board, the stock held by it in the Federal land bank of its district shall be canceled without impairment of its liability and all payments on such stock, with accrued dividends, if any, since the date of the last dividend shall be first applied to all debts of the insolvent farm loan association to the Federal land bank and the balance, if any, shall be paid to the receiver of said farm loan association: *Provided*, That in estimating said debts contingent liabilities incurred by national farm loan associations under the provisions of this Act on account of default of principal or interest of indorsed mortgages shall be estimated and included as a debt, and said contingent liabilities shall be determined by agreement between the receiver and the Federal land bank of the district, subject to the approval of the Federal Farm Loan Board, and if said receiver and said land bank can not agree, then by the decision of the Farm Loan Commissioner, and the amount thus ascertained shall be deducted in accordance with the provisions of this section from the amount otherwise due said national farm loan association for said canceled stock. Whenever the capital stock of a Federal land bank shall be reduced, the board of directors shall cause to be executed a certificate to the Federal Farm Loan Board, showing such reduction of capital stock, and, if said reduction shall be due to the insolvency of a national farm loan association, the amount repaid to such association. (July 17, 1916, c. 245, § 29, 39 Stat. 381.)

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§ 965      **Voluntary liquidation; consent of Farm Loan Board; consolidation of farm loan associations.**— No national farm loan association, Federal land bank or joint stock land bank shall go into voluntary liquidation without the written consent of the Federal Farm Loan Board, but national farm loan associations may consolidate under rules and regulations promulgated by the Federal Farm Loan Board. (July 17, 1916, c. 245, § 29, 39 Stat. 381.)

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§ 966      **Liquidation of farm loan associations; cancellation of stock and issue of new stock to borrowers; personal liability of stockholders.**— Upon liquidation of any national farm loan association, the stock in the Federal land bank held by such association shall be canceled and the Federal land bank shall thereupon issue to the borrowers through such

association an amount of stock in the Federal land bank equal to the amount of stock held by such borrowers in the liquidated association, such stock to be held by the bank as collateral to the loans of such borrowers and to be paid off and retired at par in the same manner as stock held by borrowers in farm loan associations, and the Federal land bank shall pay to the borrowers holding such stock the same dividends as are paid to national farm loan associations by such bank. The personal liability of the stockholders in such liquidated association to the association shall survive such liquidation and shall be vested in the bank in that district, which may enforce the same as fully as the association could if in existence. (July 17, 1916, c. 245, § 29, 39 Stat. 381; Mar. 4, 1923, c. 252, Title III, § 311, 42 Stat. 1478.)

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**STATE LEGISLATION IMPAIRING SECURITY  
OF FARM LOANS**

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| § 971 | <p><b>Examination of State laws as to conveying and recordation.</b>—It shall be the duty of the Farm Loan Commissioner to make examination of the laws of every State of the United States and to inform the Federal Farm Loan Board as rapidly as may be whether in his judgment the laws of each State relating to the conveying and recording of land titles, and the foreclosure of mortgages or other instruments securing loans, as well as providing homestead and other exemptions and granting the power to waive such exemptions as respects first mortgages, are such as to assure the holder thereof adequate safeguards against loss in the event of default on loans secured by any such mortgages. (July 17, 1916, c. 245, § 30, 39 Stat. 382.)</p> | § 30 |
| § 972 | <p><b>First mortgages as basis of issue of bonds; assistance in examinations.</b>—Pending the making of such examination in the case of any State, the Federal Farm Loan Board may declare first mortgages on farm lands situated within such State ineligible as the basis for an issue of farm loan bonds; and if said examination shall show that the laws of any such State afford insufficient protection to the holder of first mortgages of the kinds provided in this Act, said Federal Farm Loan Board may declare said first mortgages on land situated in such State ineligible during the continuance of the laws</p>   | § 30 |

in question. In making his examination of the laws of the several States and forming his conclusions thereon said Farm Loan Commissioner may call upon the office of the Attorney General of the United States for any needed legal advice or assistance, or may employ special counsel in any State where he considers such action necessary. (July 17, 1916, c. 245, § 30, 39 Stat. 382.)

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- § 973      **Statement by Loan Board; noncompliance of State laws with requirements of board.**—At the request of the Executive of any State the Federal Farm Loan Board shall prepare a statement setting forth in what respects the requirements of said board can not be complied with under the existing laws of such State. (July 17, 1916, c. 245, § 30, 39 Stat. 382.)
- § 30

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PENALTIES <sup>1</sup>

- § 981      **False statements in applications for loans; willful overvaluation of land; acceptance of loan or gratuity by examiners.**—Any applicant for a loan under this Act who shall knowingly make any false statement in his application for such loan, and any member of a loan committee or any appraiser provided for in this Act who shall willfully overvalue any land offered as security for loans under this Act, shall be punished by a fine of not exceeding \$5,000, or by imprisonment not exceeding one year, or both. Any examiner appointed under this Act who shall accept a loan or gratuity from any land bank or national farm loan association examined by him, or from any person connected with any such bank or association in any capacity, shall be punished by a fine of not exceeding \$5,000, or by imprisonment not exceeding one year, or both, and may be fined a further sum equal to the money so loaned or gratuity given, and shall forever thereafter be disqualified from holding office as an examiner under the provisions of this Act. No examiner, while holding such office, shall perform any other service for compensation for any bank or banking or loan association, or for any person connected therewith in any capacity. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)
- § 31

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<sup>1</sup> See also Appendix B.

§ 982      **Falsely making, forging, or counterfeiting bonds or coupons; passing false bonds or coupons; falsely altering.**—Any person who shall falsely make, forge, or counterfeit, or cause or procure to be falsely made, forged, or counterfeited, or willingly aid or assist in falsely making, forging, or counterfeiting any bond, coupon, or paper in imitation of, or purporting to be in imitation of, the bonds or coupons issued by any land bank or national farm loan association, now or hereafter authorized and acting under the laws of the United States; or any person who shall pass, utter, or publish, or attempt to pass, utter, or publish any false, forged, or counterfeited bond, coupon, or paper purporting to be issued by any such bank or association, knowing the same to be falsely made, forged, or counterfeited; or whoever shall falsely alter, or cause or procure to be falsely altered, or shall willingly aid or assist in falsely altering any such bond, coupon, or paper, or shall pass, utter, or publish as true any falsely altered or spurious bond, coupon, or paper issued, or purporting to have been issued, by any such bank or association, knowing the same to be falsely altered or spurious, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding five years, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

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§ 983      **Charging or receiving unauthorized fee or commission; disclosing names of borrowers.**—Other than the usual salary or director's fee paid to any officer, director, or employee of a national farm loan association, a Federal land bank, or a joint stock land bank, and other than a reasonable fee paid by such association or bank to any officer, director, attorney, or employee for services rendered, no officer, director, attorney, or employee of an association or bank organized under this Act shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of such association or bank. No land bank or national farm loan association organized under this Act shall charge or receive any fee, commission, bonus, gift, or other consideration not herein specifically authorized. No examiner, public or private, shall disclose the names of borrowers to other than the proper officers of a national farm loan association or land bank without first having obtained express permission in writing from the Farm Loan Com-

missioner or from the board of directors of such association or bank, except when ordered to do so by a court of competent jurisdiction or by direction of the Congress of the United States, or of either House thereof, or any committee of Congress or of either House duly authorized. Any person violating any provision of this paragraph shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

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§ 984      **Fraud and embezzlement.**—Any person connected in any capacity with any national farm loan association, Federal land bank, or joint stock land bank, who embezzles, abstracts, or willfully misapplies any moneys, funds, or credits thereof, or who without authority from the directors draws any order, assigns any note, bond, draft, mortgage, judgment, or decree thereof, or who makes any false entry in any book, report, or statement of such association or land bank with intent in either case to defraud such institution or any other company, body politic or corporate, or any individual person, or to deceive any officer of a national farm loan association or land bank or any agent appointed to examine into the affairs of any such association or bank, and every person who with like intent aids or abets any officer, clerk, or agent in any violation of this section, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding five years, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

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§ 985      **False pretenses as to character of bonds or coupons.**—Any person who shall deceive, defraud, or impose upon, or who shall attempt to deceive, defraud, or impose upon, any person, firm, or corporation by making any false pretense or representation regarding the character, issue, security, or terms of any farm loan bond, or coupon, issued under the terms of this Act; or by falsely pretending or representing that any farm loan bond, or coupon, issued under the terms of this Act by one class of land banks is a farm loan bond, or coupon, issued by another class of banks; or by falsely pretending or representing that any farm loan bond, or coupon, issued under the terms of this Act, or anything contained in said farm loan bond, or coupon, is anything other than, or different from,

what it purports to be on the face of said bond or coupon, shall be fined not exceeding \$500 or imprisoned not exceeding one year, or both. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)

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§ 986      **Arrest of violators of act.**—The Secretary of the Treasury is hereby authorized to direct and use the Secret Service Division of the Treasury Department to detect, arrest, and deliver into custody of the United States marshal having jurisdiction, any person or persons violating any of the provisions of this subdivision. (July 17, 1916, c. 245, § 31, 39 Stat. 382.)      § 31

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**GOVERNMENT DEPOSITS IN LAND BANKS**

§ 991      **Government deposits in land banks authorized; purchase of farm loan bonds by Secretary of Treasury; continuance of temporary organization of land banks.**—The Secretary of the Treasury is authorized, in his discretion, upon the request of the Federal Farm Loan Board, to make deposits for the temporary use of any Federal land bank, out of any money in the Treasury not otherwise appropriated. Such Federal land bank shall issue to the Secretary of the Treasury a certificate of indebtedness for any such deposit, bearing a rate of interest not to exceed the current rate charged for other Government deposits, to be secured by farm loan bonds or other collateral, to the satisfaction of the Secretary of the Treasury. Any such certificate shall be redeemed and paid by such land bank at the discretion of the Secretary of the Treasury. The aggregate of all sums so deposited by the Secretary of the Treasury shall not exceed the sum of \$6,000,000 at any one time.      § 32

The Secretary of the Treasury is further authorized, in his discretion, upon the request of the Federal Farm Loan Board, from time to time during the fiscal years ending June 30, 1918, and June 30, 1919, respectively, to purchase at par and accrued interest with any funds in the Treasury not otherwise appropriated, from any Federal land bank, farm loan bonds issued by such bank.

Such purchases shall not exceed the sum of \$100,000,000 in either of such fiscal years. Any Federal land bank may at any time repurchase at par and accrued interest for the purpose of redemption or resale any bonds so purchased from it and held in the Treasury.

The bonds of any Federal land bank so purchased by the Secretary of the Treasury, and held in the Treasury under the provisions of this amendment one year after the termination of the pending war, shall upon thirty days' notice from the Secretary of the Treasury be redeemed or repurchased by such bank at par and accrued interest.

The temporary organization of any Federal land bank as provided in 12 U. S. C. 671-683 [F. F. L. Act § 4] shall be continued so long as any farm loan bonds purchased from it under the provisions of this amendment shall be held by the Treasury, and until the subscriptions to stock in such bank by national farm loan associations shall equal the amount of stock held in such bank by the Government of the United States.

Until such time as the aggregate paid-in capital stock of the twelve Federal land banks shall be \$50,000,000 or more, the Secretary of the Treasury may in his discretion make deposits in addition to those authorized by the preceding paragraph, to be secured, redeemed, and paid in the same manner as provided in such paragraph, except that any additional deposit made hereunder shall be called by the Secretary of the Treasury and redeemed by the bank or banks holding the same, within fifteen days after the conclusion of each general offering of farm loan bonds by such bank or banks. The aggregate of such additional deposits outstanding at any time shall not exceed the difference between the aggregate paid-in capital stock of the twelve Federal land banks on the last day of the preceding month, and the sum of \$50,000,000. The certificates of indebtedness issued to the Secretary of the Treasury by the Federal land bank for such additional deposits shall bear a rate of interest not exceeding by more than one-half of 1 per centum per annum the rate borne by the last bond issue of the land bank receiving such deposits. (July 17, 1916, c. 245, § 32, 39 Stat. 384; Jan. 18, 1918, c. 9, § 1, 40 Stat. 431; July 1, 1921, c. 39, 42 Stat. 105.)

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#### ORGANIZATION EXPENSES

§ 1001     **Appropriation for expenses.**—The sum of \$100,000, or so much thereof as may be necessary, is hereby appropriated, out of any money in the Treasury not otherwise appropriated, to be expended under the direction of the Federal Farm Loan Board, for the purpose of carrying into effect

§ 33

the provisions of this Act, including the rent and equipment of necessary offices. (July 17, 1916, c. 245, § 33, 39 Stat. 384.)

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#### LIMITATION OF COURT DECISIONS

§ 1011 **Effect of partial invalidity of Act.**—If any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered. (July 17, 1916, c. 245, § 34, 39 Stat. 384.)

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#### AMENDMENTS TO CHAPTER

§ 1012 **Reservation <sup>1</sup> of right to amend.**—All Acts or parts of Acts inconsistent with this Act are hereby repealed, and this Act shall take effect upon its passage. The right to amend, alter, or repeal this Act is hereby expressly reserved. (July 17, 1916, c. 245, § 35, 39 Stat. 384.) § 35

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<sup>1</sup> First sentence of this section is omitted from 12 U. S. C.

## APPENDIXES

### APPENDIX A <sup>1</sup>

**PENALTIES; OFFERING FOR SALE AS FEDERAL FARM LOAN BONDS ANY SECURITIES NOT ISSUED UNDER PROVISIONS OF FEDERAL FARM LOAN ACT; USE OF WORD "FEDERAL," ETC.**—No bank, banking association, trust company, corporation, association, firm, partnership, or person not organized under the provisions of the Act of July 17, 1916, known as the Federal Farm Loan Act, as amended, shall advertise or represent that it makes Federal farm loans or advertise or offer for sale as Federal farm loan bonds any bond not issued under the provisions of the Federal Farm Loan Act, or make use of the word "Federal" or the words "United States" or any other word or words implying Government ownership, obligation, or supervision in advertising or offering for sale any bond, note, mortgage, or other security not issued by the Government of the United States or under the provisions of the said Federal Farm Loan Act or some other Act of Congress.

SEC. 2. That no bank, banking association, trust company, corporation, association, firm, partnership, or person engaged in the banking, loan, building and loan, brokerage, factorage, insurance, indemnity, or trust business shall use the word "Federal," the words "United States," or the word "reserve," or any combination of such words, as a portion of its corporate, firm, or trade name or title or of the name under which it does business: *Provided, however,* That the provisions of this section shall not apply to the Federal Reserve Board, the Federal Farm Loan Board, the Federal Trade Commission, or any other department, bureau, or independent establishment of the Government of the United States, nor to any Federal reserve bank, Federal land bank, or Federal reserve agent, nor to the Federal Advisory Council, nor to any corporation organized under the laws of the United States, nor to any bank, banking association, trust company, corporation, association, firm, partnership, or person actually engaged in business under such name or title prior to the passage of this Act.

SEC. 3. That no bank, banking association, or trust company which is not a member of the Federal Reserve system shall advertise or represent in any way that it is a member of such system or publish or display any sign, symbol, or advertisement reasonably calculated to convey the impression that it is a member of such system.

SEC. 4. That any bank, banking association, trust company, corporation, association, firm, or partnership violating any of the pro-

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<sup>1</sup> The provisions of the act set forth in Appendix A hereof have been incorporated in 12 U. S. C., §§ 584-588.

visions of this Act shall be guilty of a misdemeanor and shall be subject to a fine of not exceeding \$1,000. Any person violating any of the provisions of this Act, or any officer of any bank, banking association, trust company, corporation, or association, or member of any firm or partnership violating any of the provisions of this Act who participates in, or knowingly acquiesces in, such violations shall be guilty of a misdemeanor and shall be subject to a fine of not exceeding \$1,000 or imprisonment not exceeding one year, or both. Any such illegal use of such word or words, or any combination of such words, or any other violation of any of the provisions of this Act, may be enjoined by the United States district court having jurisdiction, at the instance of any United States district attorney, any Federal land bank, joint stock land bank, Federal reserve bank, or the Federal Farm Loan Board or the Federal Reserve Board.

SEC. 5. That if any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act, but shall be confined in its operation to the clause, sentence, paragraph or part thereof directly involved in the controversy in which such judgment shall have been rendered. (May 24, 1926, c. 377, 44 Stat. 628.)

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## APPENDIX B

### AN APPROPRIATION TO ENABLE THE SECRETARY OF THE TREASURY TO PAY FOR SUBSCRIPTIONS TO THE CAPITAL STOCK OF FEDERAL LAND BANKS

There is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$125,000,000, to remain available until expended, to enable the Secretary of the Treasury to pay for subscriptions to the capital stock of Federal land banks in accordance with the provisions of section 2 of the Act entitled "An Act to amend the Federal Farm Loan Act, as amended, to provide for additional capital for Federal land banks, and for other purposes," approved January 23, 1932 [12 U. S. C. 698]: *Provided*, That any proceeds of repayments on account of stock so issued shall be credited to this appropriation and be available for the purpose of paying for other stock thereafter issued pursuant to such Act. (Feb. 2, 1932, c. 14, 47 Stat. 36.)

# INDEX

	Farm Loan Act Sec. No.	12 U. S. C. Sec. No.
Alaska, provisions of law extended to.....	4	672
Amendment or repeal of law, reservation of right.....	35	1012
Amortization tables, preparation and publication.....	3	662
Appraisals for farm loans.....	10	751 et seq.
Bonds. <i>See</i> Farm loan bonds, <i>infra</i> .		
Bulletins and circulars for information of farmers, duty of board to distribute..	3	664
Definitions of statutory terms.....	2	642
Extension of unpaid obligations.....	13 (10th)	781 (10th)
Farm loan associations. <i>See</i> National farm loan associations, <i>infra</i> .		
Farm Loan Board. <i>See</i> Federal Farm Loan Board, <i>infra</i> .		
Farm loan bonds:		
Advertising or offering for sale as Federal farm loan bonds securities not issued under Act. ( <i>See</i> Appendix A.).....	31	982
Alteration, counterfeiting, etc., penalty.....	22	891 et seq.
Amortization and interest payments.....	16	814
Amount of issue by joint stock land banks, limitations.....	18	841 et seq.
Applications for leave to issue bonds.....	18	844
Approval of issue.....	21	883 et seq.
Bond committee.....	21	875 et seq.
Consolidated bonds.....	31	982
Counterfeiting, etc.....	20	864
Coupon bonds exchanged for registered bonds and vice versa.....	2	642
Definition.....	20	863
Delivery to banks.....	20	861
Denominations.....	20	864
Expenses of preparing bonds, how paid.....	21	872
Federal land bank, liability for bonds issued by other Federal land banks.....	16, 20	817, 861 et seq.
Form of bonds.....	16	818, 819
Interest on bonds issued by joint stock land banks.....	20	861
Interest on bonds, rate.....	27	941
Investment in loan bonds.....	13, 16, 19	781, 816, 821, 851 et seq.
Issue of bonds.....	21	871 et seq.
Land banks' liability in respect of bonds issued.....	27	942
Member banks authorized to buy and sell.....	13	781
Mortgages, deposit as collateral for bonds.....	31	982
Passing false bonds or coupons, penalty.....	20	864
Plates and dies, custody.....	20	864
Preparation of bonds.....	32	991
Purchase by Secretary of Treasury authorized.....	16	818
Rate of interest on bonds.....	16	816
Restriction on authority to issue bonds.....	21	874
Signature and attestation of bonds.....	26	931
Taxation, exemption from.....	20	861
Time to run.....		
Farm Loan Bureau. <i>See</i> Federal Farm Loan Bureau, <i>infra</i> .		
Farm loan registrars:		
Appointment and duties.....	3	656
Deputy registrars—		
Appointment.....	3	656
Salaries and expenses.....	3	657
Restriction on right to engage in other business.....	3	656
Salary and expenses, provision for payment.....	3	657
Federal Farm Loan Board:		
Administration of Federal Farm Loan Act, Farm Loan Act.....	1	641
Amortization tables, duty to prepare and publish.....	3	662
Annual reports to Congress.....	3	661
Appraisal of farm lands.....	3	662
Bulletins and circulars.....	3	664
Composition of board.....	3	652
Directors and officers of land banks, power to suspend or remove.....	17 (h)	831 (h)
Employees.....	3	659
Examination of land banks and loan associations.....	3, 17 (e)	662, 831 (e)
Farm loan bonds:		
Approval of issue.....	18	844
Authorizing issuance.....	17 (c)	831 (c)
Prescribing form.....	17 (f)	831 (f)
Incidental powers.....	17 (j)	831 (j)
Interest on loans, power to regulate.....	17 (b)	831 (b)
Land banks:		
Periodical statements as to condition.....	3	662
Power to incorporate and organize.....	17 (a)	831 (a)
Supervisory power over.....	17 (i)	831 (i)
Loans, regulating charges.....	17 (d)	831 (d)

## Index—Continued

	Farm Loan Act Sec. No.	12 U. S. C. Sec. No.
<b>Federal Farm Loan Board—Continued.</b>		
Members:		
Eligibility .....	3	654
Number, appointment, and compensation .....	3	652
Oath of office .....	3	653
Right to engage in other business .....	3	654
Term of office .....	3	653
National farm loan associations, power to incorporate and organize .....	17 (a)	831 (a)
Payments between banks, regulation .....	17 (g)	831 (g)
Powers generally .....	17	831
Registrars .....	3	656
Rules and regulations .....	-	665
Salaries and expenses of officers and employees, provision for payment .....	3	657, 657 (a), 954
Statements of loan associations and land banks, power to prescribe, form of .....	3	663
Surety bonds, prescribing form, terms, etc. ....	17 (f)	831 (f)
Vacancies, how filled .....	3	655
Federal, unlawful use of word. ( <i>See</i> Appendix A.)		
Federal Farm Loan Bureau:		
Creation .....	3	651
Supervision by loan board .....	3	651
Federal land banks:		
Actions, capacity to sue and be sued .....	4	676
Amortization tables for use of banks .....	3	662
Borrowing money .....	13 (7th)	781 (7th)
Branch banks:		
Loans by .....	4	672, 672 (a)
Power to establish .....	4	672
By-laws .....	4 (6th)	676 (6th)
Capital, proportion to be held in quick assets .....	5	697
Capital stock. <i>See</i> Stock, <i>infra</i> .		
Commissions, right to demand .....	14 (5th)	791 (5th)
Continuance of temporary organization .....	32	991
Contracts, power to make .....	4 (3d)	676 (3d)
Corporate existence, commencement and duration .....	4	676
Depositories for public moneys, designation .....	6	701
Deposit of securities and funds with reserve banks .....	13 (5th)	781 (5th)
Deposits:		
By loan associations, power to accept .....	13 (6th)	781 (6th)
Directors:		
Compensation and allowances .....	4	683
Connection with other banking concerns .....	4	682
District directors .....	4 17 (i)	678 et seq., 631 (i)
Election and appointment .....	4	677 et seq.
Interlocking directorates prohibited .....	4	682
Local directors .....	4	678 et seq.
Number and qualifications .....	4	678
One director at large .....	4	681
Power to elect or appoint .....	4	676
Qualifications .....	4	682
Removal of district directors by loan board .....	17 (h)	831 (h)
Removal of director at large by loan board .....	4	681
Temporary appointment on organization .....	4	673
Term of office .....	4	681
Unauthorized fees and commissions, penalty for receiving .....	31	983
Districts, establishment by loan board .....	4	671
Dividends—		
Limitations on declaration of .....	23	902
No dividends on Government-owned shares .....	5	694
Preferences in distribution prohibited .....	5	694
Duration of corporate existence .....	4	676
Embezzlement or misappropriation of funds by officer or employee .....	31	984
Employment of attorneys, clerks, etc., by temporary directors .....	4	673
Establishment of banks .....	4	672
Examination of banks .....	17 (e), 28	831 (e), 951
Examiners' salaries .....	28	953
Exemption from taxation .....	26	931, 933
Extension of unpaid obligations .....	13 (10th)	781 (10th)
Farm loan bonds. ( <i>See</i> Farm loan bonds, <i>supra</i> .)		
Power to issue and sell .....	13	781
Fees and charges, restriction of .....	14 (5th)	791 (5th)
Fees for loans, power to charge .....	13 (9th)	781 (9th)
Financial agents of Government, employment .....	6	701
Government bonds, amount of holding required .....	5	697
Government deposits in land banks authorized .....	32	991
Incidental powers .....	4	676
Insolvency .....	29	963
Interest, maximum rate .....	12 (3d)	771 (3d)
Interest on defaulted payments .....	12 (9th)	771 (9th)
Investments—		
In farm first mortgages .....	13	781
In Government bonds .....	5	697
Liquidation .....	29	965

## Index—Continued

	Farm Loan Act Sec. No.	12 U. S. C. Sec. No.
Federal land banks—Continued.		
Loans. ( <i>See also</i> Loans, <i>infra</i> .)		
Defaulted loans, liability of farm loan association.....	25	921
Restrictions on mortgage loans.....	12, 14	771 et seq., 791
Through agents.....	15	801 et seq.
Through farm loan associations.....	7, 8, 9	720, 721, 733, 741, 742, 745
To farm loan associations.....	9	743
Location in city designated by loan board.....	4	672
Mortgages, terms and conditions of.....	12	771 et seq.
Name of bank to include city of location.....	4	672
Officers and employees—		
Compensation subject to approval of loan board.....	4	683
Election or appointment of.....	4	676
Unauthorized fees and commissions, penalty for receiving.....	31	983
Organization, authority and control of loan board.....	17 (a)	831 (a)
Organization certificate—		
Alteration.....	4	675
Contents.....	4	674
Period of corporate existence.....	4	676
Powers of land banks generally.....	13	781
President, election by directors.....	4	676 (5th)
Property, power to acquire and dispose of.....	13	781
Quick assets, amount required.....	5	697
Real property, power to acquire and hold.....	13	781
Receivership.....	29	963
Reports of condition, to be made quarterly to loan board.....	3	663
Reserves.....	23	901, 902
Restrictions on banks enumerated.....	14	791
Restrictions on loans.....	12	771
Salaries paid, semiannual reports to loan board.....	3	660
Stock—		
Corporations permitted to subscribe (to original stock).....	5	692
Dividends on shares.....	5	694, 902, 903
Minimum amount.....	5, 7	691, 722
Partnerships permitted to subscribe (to original stock).....	5	692
Par value of shares.....	5	692
Regulation of subscriptions.....	5	691
Restriction as to reduction.....	7	722
Retirement of original stock.....	5	696
Right to subscribe (to original stock).....	5	696
States permitted to subscribe (to original stock).....	5	692
Transfer of shares held by farm loan association, prohibited.....	5	693
United States (subscriptions to original stock).....	5	692, 695
United States, subscriptions upon request of directors of Federal land banks.....	5	698
Voting shares.....	5	694, 698
Tax exemptions.....		
Temporary organization, provisions for, duration of.....	4, 32	673, 674, 677, 991
United States bonds, power to buy and sell.....	13	781
Voluntary liquidation.....	29	965
Voting shares, right restricted to shares held by farm loan associations and to original stock held by United States.....	5	694
First mortgage, definition.....	2	642, 773
Hawaii, provisions of law extended to.....	2	671
Interest on loans. ( <i>See</i> Loans, <i>infra</i> .)		
Joint stock land banks:		
Bonds, authority to issue.....	13, 16, 18, 19	781, 816, 821, 841 844, 851
Business authorized.....	16	811, 814
Commissions and charges, restriction of.....	16	820
Depositories for public moneys, designation.....	6	701
Directors—		
Number.....	16	811
Unauthorized fees and commissions, penalty for receiving.....	31	983
Dividends, subject to approval by loan board.....	23	902
Embezzlement or misappropriation of funds by officer or employee.....	31	984
Farm loan bonds, limitation of amount of issue.....	16	814
Financial agents of Government, employment.....	6	701
Liquidation.....	16	822, 823
Loans, restrictions on.....	12, 16	771, 818
Minimum capital stock required.....	16	815
Officers and employees, unauthorized fees and commissions, penalty for receiving.....	31	983
Reserves.....	23	901, 902
Restrictions upon, same as upon Federal Land Banks.....	16	813
Organization.....	16	811
Powers, duties, and liabilities generally.....	16	813
Stockholders, liability for corporate debts.....	16	812
Voluntary liquidation.....	16	822, 823
Land bank appraisers:		
Appointment.....	3	656
Borrowers not eligible to office of appraiser.....	10	756
Compensation.....	3	658

## Index—Continued

	Farm Loan Act Sec. No.	12 U. S. C. Sec. No.
<b>Land bank appraisers—Continued.</b>		
Forms for appraisal reports.....	10	754
Investigations and reports by appraisers.....	10	753
Removal from office.....	17(h)	831(h)
Restriction on right to engage in other business.....	3	656
Salaries and expenses.....	3	657
<b>Land bank examiners:</b>		
Appointment and number.....	28	951
Disclosing names of borrowers.....	31	983
Gratuities and loans, penalty for accepting.....	31	981
Loan or gratuity, penalty for accepting.....	31	981
Powers, duties, and liabilities.....	28	952
Salaries.....	28	953
<b>Loans:</b>		
Additional loan, how obtained, limitations upon.....	12 (5th)	771 (5th)
Amendment or repeal of law, reservation of right.....	35	1012
Amortization plan for repayment.....	12 (2d)	771 (2d)
Amount of loans, relation to value of security.....	12 (5th)	771 (5th)
Application for loan, form.....	12 (8th)	771 (8th)
Appraisals for farm loans.....	10	751 et seq.
Branch banks, loans regulated.....	4	672, 672 (a)
Death of borrower from Federal land bank, assumption of mortgage and of stock interest by heirs.....	12 (6th)	771 (6th)
Defaulted loans, liability of loan association.....	25	921
Extension of unpaid obligation by Federal land bank.....	13(10)	781(10)
False statements in applications for loans, penalty.....	31	981
Federal land banks lending through agents.....	15	801 et seq.
Fees for loans, power of land bank to charge.....	13 (9th)	781 (9th)
Funds for loans, transmission by land banks to loan associations.....	7, 12	720, 772
Insurance of mortgaged property.....	12 (9th)	771 (9th)
<b>Interest—</b>		
Power of Loan Board to regulate rates.....	17 (d)	831 (d)
Rate on defaulted payments.....	12 (9th)	771 (9th)
Rate on loans by branch banks.....	4	672
Rate on loans by Federal land banks.....	12 (2d, 3d)	771 (2d, 3d)
Rate on loans by joint stock land banks.....	12 (2d; 3d)	771 (2d, 3d), 818
Investigation of applicants by loan association.....	10	751
Length of credit from branch bank.....	4	672
Length of credit from Federal or joint stock land bank.....	12 (2d)	771 (2d)
Loan committee, unanimous approval required for making of loans.....	10	751
Maximum and minimum loans by Federal land banks.....	12 (7th)	771 (7th)
Mortgage security required for loans by land banks.....	12 (1st), 16	771, 818
<b>National farm loan associations—</b>		
Loans from Federal land banks.....	9	743
Persons eligible for loans through.....	7, 9, 12 (6th)	716, 745, 771 (6th)
Right of members to loans.....	9	741
Partial invalidity of law, effect.....	34	1011
Period of credit from branch bank.....	4	672
Period of credit from Federal or joint stock land bank.....	12 (2d)	771 (2d)
Persons eligible for loans from Federal land banks.....	12 (6th), 14 (2d)	771 (6th), 791 (2d)
Proceedings to obtain loans.....	10	751 et seq.
Purposes of loans by Federal land banks.....	12 (4th)	771 (4th)
Reappraisal of land for additional loan.....	12	771
Reclamation projects, farm lands as security for loans.....	773	773
Restrictions on loans of land banks.....	12, 14, 16	771, 791, 818
Sale of mortgaged land, right of purchaser to assume mortgage, and stock interest of vendor.....	12 (6th)	771 (6th)
Security required for loans by land banks.....	12	771
State legislation impairing security of farm loans.....	30	971 et seq.
Taxes, assessments, etc., on mortgaged land, payment by mortgagee.....	12	771
Use of money borrowed from Federal land bank.....	12 (10th)	771 (10th)
Validity of loans, effect of unauthorized acts by land banks or loan associa- tions.....	12 (11th)	771 (11th)
Willful overvaluation of land.....	31	981
<b>Mortgages to secure loans. See Loans, supra.</b>		
<b>National farm loan associations:</b>		
Articles of association.....	7	711
Cancellation of stock on liquidation.....	29	966
Charges to applicants and borrowers.....	11	761
Commissions on interest paid by borrowers.....	9	743
<b>Directors—</b>		
Compensation and qualifications.....	7	713
Election of officers.....	7	712
Minimum number.....	7	712
Term of office.....	7	712
Unauthorized fees and commissions, penalty for receiving.....	31	983
Dividends on shares.....	24	913
Embezzlement or misappropriation of funds by officer or employee.....	31	984
Examination, authority of loan board.....	17 (e)	831 (e)
Exemption from taxation.....	26	931

## Index—Continued

	Farm Loan Act Sec. No.	12 U. S. C. Sec. No.
National farm loan associations—Continued.		
Grant or refusal of charter.....	7	719
Incorporators, number required.....	7	716
Insolvency.....	29	961, 964
Interest-bearing certificates, power to issue against deposits.....	11	761
Liquidation.....	29	965, 966
Loan committee—		
Appointment.....	7	712
Committee member, interest in loan passed on prohibited.....	10	756
Investigation of applicants for loans.....	10	751
Loans to loan associations—		
Authority to make.....	9	743
Rate of interest.....	9	743
Loans to members—		
Funds obtained from land bank.....	7	720
Right to obtain loans.....	9	741
Subscription to land bank stock as security.....	7	721
Members—		
Admission after organization.....	9	745
Limited to borrowers.....	8	733
Limited to natural persons.....	9	745
Limited to owners of farm land qualified for Federal land bank loan.....	9	745
Loans to pay for stock purchased.....	9	742
Personal liability for debts of association.....	9	744
Right to loans.....	9	741
Mortgages, indorsement.....	11	761
Officers and employees—		
Bond required of secretary-treasurer.....	7	714
Election of officers by directors.....	7	712
Expenses of secretary-treasurer.....	7	715
Powers and duties of secretary-treasurer.....	7	714
Secretary-treasurer elected instead of secretary and treasurer.....	7	712, 716
Secretary-treasurer not required to be stockholder.....	7	716
Unauthorized fees and commissions, penalty for receiving.....	31	983
Organization.....	7, 17 (a)	711, 716, 831 (a)
Powers of associations generally.....	11	761
Receivership.....	29	961, 962
Report and affidavit with articles of association.....	29	717
Reserves.....	24	911 et seq.
Solvency of applicants for incorporation, investigation.....	7	718
Statements of condition, form prescribed by loan board.....	3	663
Stock—		
Borrowing from land bank to pay subscription.....	9	742
Holdings restricted to borrowers.....	8	733
Increase.....	8	734
Par value of shares.....	8	731
Voting shares.....	8	732
Stockholders, personal liability for debts of association.....	9	744
Tax exemptions.....	26	931 et seq.
Transfer of shares held in land banks.....	5	693
Voluntary liquidation.....	29	965
Offenses:		
Acceptance of loan or gratuity by land bank examiners.....	31	981
Arrest of violators of act.....	31	986
Charging or receiving unauthorized fee or commission.....	31	983
Disclosing names of borrowers.....	31	983
Embezzlement.....	31	984
False pretenses as to character of bonds or coupons ( <i>see also</i> Appendix A).....	31	985
False statements in applications for loans.....	31	981
"Federal," unlawful use of word. ( <i>See</i> Appendix A.)		
Fraud.....	31	984
Penalties ( <i>see also</i> Appendix A).....	31	981 et seq.
"United States," unlawful use of words. ( <i>See</i> Appendix A.)		
Willful overvaluation of land.....	31	981
Offering for sale as farm loan bonds any other securities. ( <i>See</i> Appendix A.)		
Penalties for violation of law ( <i>see also</i> Appendix A).....	31	981 et seq.
Puerto Rico, provisions of law extended to.....	4	672
Registrars. ( <i>See</i> Farm loan registrars, <i>supra</i> .)		
Rules and regulations, power of Federal Farm Loan Board to make.....		665
State legislation impairing security of farm loans.....	30	971 et seq.
Surety bonds, form and terms.....	17 (f)	831 (f)
"United States," unlawful use of words. ( <i>See</i> Appendix A.)		
Violation of law. ( <i>See</i> Offenses, <i>supra</i> .)		