



GOVERNOR OF THE FARM CREDIT ADMINISTRATION
WASHINGTON

August 6, 1935.

Dear Marriner:

In accordance with my telephone conversation, I am enclosing several copies of a memorandum digest of the so-called Frazier Lemke Refinancing Bill.

In view of the pressure upon Congress for a vote upon this measure, it is not unlikely that the Federal Reserve Board will be called upon for an opinion on the monetary and banking aspects of this legislation.

Cordially yours,

A handwritten signature in dark ink, appearing to read "H. H. Meyer", is written over the typed name "Governor".

Governor.

Hon. Marriner S. Eccles, Governor,
The Federal Reserve Board,
Washington, D. C.

Enclosures

April 1, 1935

MEMORANDUM

Brief digest of "The Farmers' Farm Relief Act"
(S. 212, introduced by Senator Frazier).

The bill calls upon the Government to furnish real estate mortgage credit to farmers on the amortization plan, at $1\frac{1}{2}$ per cent interest and $1\frac{1}{2}$ per cent principal per year, and livestock mortgage credit at 3 per cent interest per annum, "through the use of the machinery of the Farm Credit Administration and the Federal Reserve banking system".

The Farm Credit Administration is directed to refund existing farm mortgages and other farm indebtedness by making (through the machinery of the Federal land banks and national farm loan associations) first mortgage real estate loans in amounts equal "to the fair value of such farms and 75 per centum of the value of insurable buildings and improvements thereon". Farm indebtedness in excess of the amounts which can be loaned under these limitations "shall be scaled down in accordance with the provisions of" the bankruptcy laws. The loans are to be made "at a rate of $1\frac{1}{2}$ per centum interest and $1\frac{1}{2}$ per centum principal per annum".

The Farm Credit Administration is directed to refinance existing chattel mortgages and other farm indebtedness by making loans at an interest rate of 3 per cent per annum, secured by first mortgages on livestock, "to an amount equal to 65 per centum of the fair market value thereof", such loans to run for a period of one year, with right of renewal from year to year for a term of ten years, provided that any depreciation in the value of livestock is replaced by additional livestock, and provided the amount of the loan is reduced 10 per centum each year.

\$100,000 is authorized to be appropriated for the use of the Farm Credit Administration in carrying out the provisions of the Act. "The necessary and actual expenses incurred in carrying out the provisions in this Act shall be apportioned and prorated and added to each individual mortgage" and the sums so added are to be paid to the Farm Credit Administration for administrative purposes.

Funds to carry out the directed refinancing of farm mortgages and other farm indebtedness are to be provided by the issue of bonds "through the Land Bank Commissioner and the Federal land banks, as now provided by law", which shall bear interest at $1\frac{1}{2}$ per cent, if

secured by farm mortgages, and 3 per cent if secured by chattel mortgages on livestock. After delivery to the Farm Credit Administration, these bonds may be sold by it "at not less than par". The bill provides that "it shall be the duty of the Federal Reserve and national banks to invest their available surplus and net profits after the dividends are paid to their stockholders, in such farm-loan bonds".

In case all of said farm-loan bonds are not readily purchased, the Land Bank Commissioner "shall present the remainder to the Federal Reserve Board, and the Board shall forthwith cause to be issued and delivered to the Land Bank Commissioner Federal Reserve notes to an amount equal to the par value" of such bonds, such bonds "to be held by the Federal Reserve Board as security in lieu of any other security or reserve". Outstanding Federal Reserve notes issued under the Act shall not exceed \$3,000,000,000.

All payments of interest and principal on farm-loan bonds for which the Federal Reserve Board issues Federal Reserve notes are to be turned over to the Treasurer of the United States and used for redeeming such notes and "shall be reinvested by him as a sinking fund" in farm-loan bonds issued under the provisions of the Act.

Whenever the amount of money issued under the Act exceeds \$25 per capita, the Treasurer of the United States (with the approval of the Federal Reserve Board and the President of the United States) may retire Federal Reserve notes in an amount equal to the principal paid on farm-loan bonds, for which they were issued, but not to exceed in any year 2 per cent of the amount of notes so issued.

There is created a "Board of Agriculture" consisting of one member from each State, elected by the farmers thereof through delegates "selected by a mass convention of farmers in each county or parish within the United States, who are indebted and declare it to be their intention to take advantage of this Act", each such county or parish convention to be its own judge as to who are bona fide farmers and otherwise eligible to participate in its proceedings.

The Farm Credit Administration is directed to give, through the Federal land banks, public notice to the farmers of each county or parish concerning the time and place of holding the first county or parish convention, to be held at the seat of government of each county or parish; and to give notice of the first conventions of State delegates, to be held at the State capitols. Notice of such

convention is to be given within 60 days after the passage of the bill.

The bill contains a provision for the organization of county and State conventions by the farmers, and directs them to cooperate and assist the Board of Agriculture, the Farm Credit Administration, the Federal land banks, and national farm loan associations to liquidate and refinance farm mortgages and farm indebtedness.

The State delegates are to meet in their respective State capitols and elect members of the Board of Agriculture to hold office from the date of election to the end of a period ending two years from the following January 20, to receive \$15 per diem and necessary traveling expenses while on official business--this to be paid by the Farm Credit Administration, out of the funds set apart under the earlier section of the bill.

Immediately after election, the members of the Board of Agriculture shall meet at Washington upon call of the Farm Credit Administration, elect from other than their number an executive committee of three, to hold office at the will of the Board and to receive salaries of \$7,500 per year plus traveling expenses, also to be paid by the Farm Credit Administration out of the funds mentioned.

The bill directs the members of the Board of Agriculture to keep in touch with the executive committee, to cooperate with county, parish, and State governments, and "all farms and cooperative organizations" in their respective States, etc.

The executive committee of the Board of Agriculture is directed to "advise with and supervise the work of liquidating and refinancing farm mortgages and farm indebtedness by the Farm Credit Administration and the Federal Reserve Board", to cooperate with the agricultural colleges of the Nation, etc., in carrying out the program; to report to the President of the United States for removal by him, upon cause shown, any member of the Farm Credit Administration or the Federal Reserve Board who "neglects, hinders, or delays the carrying out of the provisions of this Act". The successor of any officer so removed shall be appointed by the President, with the advice and consent of the Senate.

The benefits of the Act are extended "to any farmer, or member of his family, who lost his or her farm through indebtedness or mortgage foreclosure since 1921, and who desires to purchase part or all of the farm lost or another like farm"; also, "to any tenant,

or member of his or her family, who desires to purchase an encumbered farm, provided he has lived on and operated a farm as a tenant for at least two years" prior to the enactment of the bill.

The executive committee of the Board of Agriculture is given the power, in case of crop failures and in other meritorious cases, to extend from time to time the payments due on loans made under the Act, for a period of not exceeding three years, provided the mortgagor keeps up the payment of taxes on the mortgaged property.

The bill directs that it be liberally construed and that "no technicalities or limitations" be imposed or permitted to interfere with the speedy carrying out of its purposes; that "the provisions of the Federal farm-loan system and the Federal Reserve banking system shall apply as far as applicable" in the carrying out of the provisions of the bill, all conflicting laws or parts of laws being repealed. The persons charged with carrying out the provisions of the bill are authorized and directed "to do all things necessary or convenient to accomplish its purposes with expedition".