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# A FARM LOAN DEVELOPMENT PROGRAM FOR COUNTRY BANKS



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## FOREWORD

In its *Monthly Review* of December 31, 1943, the Federal Reserve Bank of Atlanta published an article entitled "Succeeding with Farm Loans." In this article were outlined certain broad principles and practices that have been followed in whole or in part by Sixth District country banks that have been notably successful in this field of lending.

This article was greeted by a widespread and enthusiastic response from banks and farm organizations. The nature of this response gave evidence of a lively interest in this subject both on the part of progressive banks who seek to serve the farmers of their communities and on the part of farmers who look to their local banks for financial accommodations in time of need.

The pamphlet which I am here submitting to you goes far toward amplifying and making concrete the practices that were merely suggested in the *Review* article. This pamphlet which has just been published by the Federal Reserve Bank of St. Louis and which was prepared by Darryl R. Francis, agricultural economist of the St. Louis Bank's research staff, has seemed to me to be so excellent that I am greatly pleased to be able to make reprints of it available to member banks in the Sixth District.

Success in farm lending, as in any other enterprise, depends to a great extent on careful planning. The program here outlined will be of great assistance to you in making such plans. It is not the product of armchair thinking. On the contrary, this program was worked out only after Mr. Francis had first consulted with a

group of progressive country bankers drawn from all parts of the Eighth District and had received their criticisms and suggestions. The detailed program that emerged, therefore, embodies activities that have been proved worth while and practical in actual experience.

I am certain that you will find in this program a great many practical suggestions that will prove helpful to you in building up your farm loan business, and I am, therefore, commending it to your attention in the earnest hope that you will adopt for your own use as much of it as seems feasible.

W. S. McLarin, Jr., *President*  
Federal Reserve Bank of Atlanta

## A FARM LOAN DEVELOPMENT PROGRAM FOR COUNTRY BANKS

Successful businesses plan their operations. They do not operate on a day-to-day basis without thought as to what comes next. The operating plans in business vary considerably between individual enterprises. Some businesses make comprehensive plans a year or more in advance, plans that are recorded and followed out almost to the letter. Other businesses make less comprehensive plans and even may follow programs that are largely carried in the minds of the managing officers. A mental plan is better than no plan, but in most cases it is less effective than a well-considered plan that is recorded in writing and adhered to as closely as subsequent developments permit.

Plans that are made in advance, of course, are subject to change. Conditions six months hence may necessitate some adjustment in a program. Alert management is always ready to recognize and adopt improvements in operation. Adjustments in a well-thought-out plan, however, are usually relatively minor, and do not materially change the over-all program of a business.

In recent years competition for the credit business of the farm customers of country banks has increased tremendously. The insurance companies have made more aggressive efforts to obtain mortgage loans. Finance companies of various types have sought outlets in smaller towns, and manufacturers and jobbers have offered credit on more favorable terms. Finally, the agencies of the F. C. A. and other Government lending agencies have provided broader lending facilities to borrowers in the small towns and rural sections of the country.

In this competitive situation the country bank which operates today without a definite program for soliciting and servicing the credit needs of local borrowers runs the risk of becoming little more than a clearing house for local checking accounts and an investor in low-yield Government securities. On the other

hand, country banks that have worked out progressive loan development programs have been able, despite active competition and decreased over-all demand for farm credit, to maintain reasonable farm loan volume and a favorable earning position. At the same time, they are providing a high type of rural community service.

Much has been written in recent years about activities which country banks might adopt to improve their standing in the community and at the same time open up profitable new lines of business. Much that has been written, however, has lost considerable of its effectiveness because relatively little attention has been devoted to the ways in which the various recommended activities might be dovetailed into a practical operating program that could be adopted and followed through by a country bank.

The farm loan development program described here contains little that is new in the way of country bank activities. This program, however, attempts to show how a number of activities of proved effectiveness may be fitted into a year's operation with a follow-up calendar to provide for easy and timely activation of the various projects included in the program.

This proposed program may be too comprehensive for many banks and may include more activities than a bank's management would desire to undertake. *The program is outlined, however, in such a way that it is feasible and practical for a country bank to select one, two, or more of the individual activities and fit them together for its own use.* For example, a bank might feel that its facilities would not justify more than one or two activities. Such a bank might want to build a program around direct mail and 'customer relations, which are activities Nos. VI and VIII. Another bank, for example, might feel that activities Nos. II, III, and IX would make up a program that would be most effective in its particular situation. Therefore, it will be understood that while this program is presented in the belief that it is practical and would prove profitable for most country banks as outlined, nevertheless, any one, two or more of the activities would be extremely worth while for an individual bank to undertake

without using the remainder of the program. Banks that have not followed definite development programs in the past may wish to begin with a less comprehensive plan. Banks that have already developed a few special activities, however, may decide that the adoption of a more comprehensive program will increase the effectiveness of their efforts.

An outline of the sample loan development program begins on page 23. It contains twelve major activities that are felt to have wide application and which have been tested in practice. Other activities, of course, might have been included. Individual banks in undertaking a loan development program would undoubtedly incorporate other activities that have special local appeal.

The sections which follow give some discussion of the factors involved in developing the twelve major activities included in the program.

**1. Survey of farm loan potential**—A survey of the bank's farm loan potential is a desirable preliminary to the development of a complete program. A survey of farm credit in the area served should consider two factors: First, the number of loans and the dollar amount of credit outstanding, and second, the total number of loans and dollar amount of farm credit extended during the preceding twelve-month period. Most farm loan agencies make reports from which it is possible to piece together a fairly accurate over-all picture. The American Bankers' Association has published data which make possible valuable local tabulations. The Federal Reserve Bank is in a position to provide help to a member bank which desires a survey for the area it serves. The bank itself, through obtaining reports from the other lenders in the community and through a tabulation from the county chattel mortgage and real estate mortgage records, can develop an accurate picture of the farm credit needs in the area. Deputies in the county offices can sometimes be employed for a nominal fee to make tabulations from county records, and valuable follow-up information can often be obtained by furnishing the county recorder with specially prepared cards for tabulating current filings and recordings.

After totals for the area have been obtained the bank can estimate with reasonable accuracy its possibilities for the expansion of farm credit services. In estimating potentials, consideration should be given to probable developments in the immediate future. For example, an estimate being made at the **present time would need to consider the future credit requirements** for soil conservation practices and articles of farm equipment, household appliances, etc. which should soon become available in increasing quantities.

**II. Provision for adequate field service**—Experience in recent years of many country banks and other agricultural credit agencies indicates that more adequate field service must be maintained by banks if they are to continue to obtain a fair share of the farm loan requirements in their trade area. Adequate field service means carrying out a systematically organized plan for visiting the farm homes of customers and potential customers. In some cases field work can be done by officers of the bank. Where other duties make it impossible for officers to spend sufficient time in the country, however, the addition of a specialized farm representative is advisable if the volume of prospective business warrants.

Field service may be divided into two major activities, promotional and extension. Promotional field work includes an orderly solicitation of loans from individual farmers. This means contacting farmers on the farm, discussing their problems sympathetically with them, and presenting the advantages of bank services clearly to them. Many banks have found this type of field work to be very profitable. It is becoming increasingly apparent, however, that a good extension service worked together with an active solicitation program is most effective. In order to provide a practical extension service it is essential that the farm representative be a man well trained in the technical aspects of farming—in other words, a county agent type of man. Many banks have employed men of this background and are providing a high type of extension service that is greatly appreciated by local farm people.

The extension type of service is an excellent indirect approach to obtaining new business and it has proved to be a very effective means of channeling new deposits and new loan accounts to the banks that provided such service. The question as to whether or not a bank should employ a well-trained agricultural specialist depends on its individual circumstances. There are banks, of course, in which it is more practical for the field contacts to be made by present officers. Other banks find the employment of a specialized farm man to be highly advantageous. In any event, if a country bank is to maintain and enhance its position in the community a well-organized field service is becoming more and more essential.

**III. Establishment of a permanent credit card file**—Many country banks have developed comprehensive credit card files, and their experience has been highly satisfactory. A well-developed credit card file can become the basis for many of the activities worked into an over-all development program. It is a simple matter to develop a useful card file. In every county there are from one to three agencies that maintain current mailing lists of all farmers in the county. Agency regulations sometimes prevent public access to the lists. In most counties, however, it is possible to obtain from one source or another a reasonably complete farmer mailing list. This is the starting point to a complete credit card file. Once a list is obtained the officers of the bank can review the names and check each individual with whom they are acquainted, as desirable or undesirable credit risks. Then through confidential discussions with reliable farm customers through the county, and local farm leaders, it is possible to obtain a fairly accurate rating of the farmers who are not known by officers of the bank. It is, therefore, relatively simple to break down the original list into desirable and undesirable risks.

As soon as this breakdown is completed the names can be transcribed to specially prepared individual credit cards. These cards should provide space for tabulation of the size of the farm, the approximate net worth, debts, etc., of the individual farmer, as well as a notation regarding the farmer's character and his



managerial ability. The bank officers can provide this information on present customers, and much data can be obtained from responsible farmers in a local community as to the approximate financial position of many of the non-customers. The county assessor's records, as well as the chattel mortgage and farm real estate mortgage records, yield excellent information as to the approximate assets and liabilities of many farmers in the county. These records are available to bank officers or employees.

As soon as the list of farmers is transcribed to individual cards the credit file becomes a very useful tool. It can be referred to for immediate information regarding the financial position of a farmer who may apply to the bank for credit but who has not previously had business dealings with the bank. Information as to character alone is helpful to a bank officer in discussing an applicant's problems on the first contact. The card file also forms an excellent basis for working out systematic field contacts and serves as a mailing list for direct mail activities.

The files may be divided into two major groups—present borrowers and non-borrowers. The present borrower section may be subdivided into active and inactive sections. In that way orderly field contacts to inactive borrowers can be made. The non-borrower section may be subdivided into desirable risks and doubtful risks. The desirable risk section may be further divided into special attention prospects and less likely prospects. This division is especially helpful in planning contacts with non-borrowers by directing special effort toward desirable risks who regularly borrow but are not customers of the bank. This group could be known as "special attention prospects." The other group of desirable risks would be the type of farmer who does not borrow but is a desirable depositor. An occasional token call could be made to this group, but certainly not with the regularity that should be the case with the special attention prospect group.

The doubtful risk section of the file should be divided into poor moral risks and poor managers. The bank probably could not justify the expense of field contacts or direct mail to the poor moral risk group. At many banks, however, the group listed as poor

managers should receive some attention. This is especially true if the bank has a qualified farm representative who could give some managerial assistance to the borrower who is regarded as a poor manager. Some banks have found that by providing managerial help to this type of borrower he becomes a reasonably good credit risk.

The special attention prospect group would provide a mailing list for direct mail promotional effort. An occasional mailing might be made to the other desirable risks, and in some instances to the poor manager group of the doubtful risk category. Thus, a well-organized credit card file can be developed into a fundamental element of the over-all farm loan development program.

**IV. The farm loan file**—Any bank that embarks on a comprehensive development program should at the outset decide on a complete set of farm loan forms, and an individual file should be provided for the loan papers of each farmer borrower. There are many forms available that might be used, or new forms may be developed by the individual bank to meet its particular needs.

A complete set of loan forms and records is essential to the constructive extension of farm credit. A history of the credit transactions of the individual farmer as developed from complete annual loan records is an excellent guide to bank officers in future credit decisions. Without complete records such a history is difficult to compile.

**V. Advisory council of farm customers**—The advisory council idea has not been used extensively by commercial banks. Government agencies, however, have used it with considerable success. An advisory council can be of help to a bank in two major ways. First, if properly organized and directed it will furnish down-to-earth suggestions as to what service farm customers expect from their bank. Second, the recognition afforded an individual farmer through such a connection makes him anxious to help the institution. He automatically becomes an outpost of information, and indirectly may become one of the best salesmen that could be developed for bank services.

Many banks whose boards of directors are primarily composed of farmers may not feel the need of an advisory farm group. On the other hand, there are some banks serving rural communities which would benefit from the advice and support given by such a group.

The advisory council as outlined in the sample program calls for two meetings with bank officials each year. At these meetings current problems in the field of local agriculture can be frankly discussed. New ideas of bank officers may be presented for discussion prior to their incorporation into the active program of the bank, and a properly selected group of men on a council of this kind is likely to submit to the bank new thoughts that can be readily used to the advantage of the bank. Between meetings it is well for bank officials to keep rather closely in touch with men who are serving on the committee. Calls to their farms to discuss current farm problems and to obtain information of a credit nature are helpful to the bank and serve to maintain the interest of the council members.

The council should be composed of progressive farmers who are respected citizens of the community. It should be a strictly informal body with its membership rotating from year to year among as many qualified farmers as possible. The county extension agent, however, might well be a permanent member of the council. In selecting a council it is also well to bear in mind the advisability of including men who are active in the various farm organizations that may be strong in the community.

**VI. Customer relations**—A country bank is ill-advised to embark on a comprehensive new business campaign without at the same time working out and carrying on a definite customer relations program. There is little merit in obtaining a new customer if he is not at the same time provided with facilities and services that will almost automatically make him want to continue to do business with the bank. Most of the activities of the sample program are designed to promote good customer relations, but Section VI as outlined attempts to call attention to some of the things not otherwise covered.

One of the striking disappointments a stranger experiences when he enters many country banks is the lack of attention he receives. Too often he will stand in the lobby several minutes before he gets an opportunity to ask a teller for the person he wishes to see. This type of first contact does not create a feeling of good will. On the other hand, many banks have arranged to have a pleasant receptionist so located that she can immediately meet and direct visitors of the bank to the officer or other individual whom they wish to see. First contacts leave lasting impressions, and one of the best ways to get off to a pleasant business relationship with a new customer is to make his first meeting a pleasant one. With a little thought and planning it is a simple thing to accomplish.

The physical arrangements of the bank quarters are of great importance in establishing good impressions and in maintaining pleasant relationships. Many banks have sadly overlooked the customer's comfort when he is waiting for service. Attention should be given to arranging the quarters so that comfortable facilities are available for the people who come in. Comfortable chairs, settees, etc. should be provided, and reading material of the type that interests farmers should be readily available in the waiting room. It may be that some banks have felt that the complete absence of chairs and settees in the bank lobby would effectively discourage town loafers, without realizing that it might be more effective in discouraging potential or present customers of the bank. Adequate restroom facilities are highly appreciated by farm customers.

The officers' desks should be arranged for easy accessibility, and a confidential conference room should be available for private discussions. Board rooms capable of accommodating twelve or more people that can be made available to farm organizations for small meetings are an asset to any country bank.

The proper handling of farmers' requests for credit is most important to a good customer relationship. Bank officers charged with the responsibility of discussing credit problems with farmers and making credit decisions should understand the farmers'

position and discuss their problems from that viewpoint. A realistic approach to credit must be taken with terms, disbursements, and repayments worked out and adapted to the peculiar needs of the individual farmer. One of the most delicate problems in handling requests for credit is the approach to an applicant whose request must be rejected or recast to make it acceptable. Too frequently a loan officer, upon determining that an applicant's proposal is not in line with the bank's credit policy, terminates the discussion rather abruptly with a flat refusal to make the loan. This way of handling loan refusals is not good public relations. There is always a possibility that the applicant can adjust his operations and ultimately be eligible for bank credit. There have been many cases where loans have been rejected in such a manner that the unsuccessful applicant actively recommended the bank to his neighbors and friends as a good place to do business. On the other hand, there have been many instances where loan rejections were handled carelessly and the applicant left the bank with nothing but ill will toward the institution.

Many loan rejections can be handled to the satisfaction of the applicant. The bank officer should try to explain to the applicant why his proposal does not appear to be sound. In many instances the officer can obtain the applicant's concurrence with the decision by carefully pointing out how the operation could be adjusted to become eligible for credit. In the event that the applicant's desires might be satisfied by other lending organizations in the area much good will can be created by directing him to the proper people.

Interest rates are important to good customer relations. Most farmers are fair-minded and expect the bank to earn a reasonable return on the money it lends. On the other hand, farmers do not have a kindly feeling for banks which maintain rates of interest in excess of what the risk justifies in view of the prevailing cost of money. A reasonable rate should be established and applied uniformly to all farm borrowers.

Letters of appreciation are an excellent way of building and maintaining good will. Letters of welcome to new depositors or

new borrowers are greatly appreciated and will help bind a new customer to the bank, and create in him a desire to continue the relationship. When the borrower has repaid a loan in accordance with the terms and plans originally laid down, a letter of appreciation is very stimulating and helpful in drawing him back to the bank in the event credit is required in the future.

These are just a few of the little things in a bank's everyday relations with customers that pay high returns.

**VII. Special interests**—The officers of most banks have certain things in which they are particularly interested. Many such special interests and hobbies can be very effectively woven into a loan development program. Soil conservation, for instance, is needed in most farming areas of the country and for many country banks it can very practically become the underlying theme of their farm loan development programs. The sample program as outlined is built around soil conservation as a special interest. It is anticipated that this interest will be played up in direct mail and in discussions of better practices with farmers individually or in groups. Newspaper advertising may be framed to display the bank's interest in soil conservation. The credit policies of the bank should be designed to encourage wider use of soil improvement practices. The bank's special interest could also be shown by offering awards to local farmers and junior farmers, and by its support of the soil conservation activities of farm agencies, such as the extension service, the soil conservation service, and the Agricultural Adjustment Agency.

**VIII. Direct mail**—The use of the mails is probably the most inexpensive means of telling a bank's story to the public. It is one of the easiest and most economical ways of obtaining new business. An increasing number of banks are using this practical way of interesting new people in their services. There are many forms of direct mail that have proved effective, such as boxholder distribution of specialized circulars, a series of related letters with enclosed circulars for large mailing lists, and personal letters to select smaller groups. There are many other types of direct

mailings; for example, one that is gaining in popularity is the house organ type of publication.

The direct mail program outlined in the sample development program puts together four very effective types of mailings. To begin with, the boxholder type of distribution is a very easy and inexpensive means of reaching every farmer in the area. This boxholder type of distribution reaches all types of farmers, both desirable and undesirable from a credit standpoint. While it may appear questionable to mail information to undesirable risks, there is beyond doubt considerable value in having even that type of farmer know what services are available at banks. Boxholder mailing has been very effective where banks used attractive circulars that really tell a story. The boxholder type of mailing should be followed within a relatively short time by a series of two, three, or more letters mailed at regular intervals to a select list of farmers in the area. With the three-letter series as outlined in the sample program, mailings would be made at two-week intervals to all the farmers in the area who were known to be good risks but who were not borrowers of the bank. Circulars explaining the services of the bank should be enclosed with each letter. Circulars increase the effectiveness of the letter. Some banks may prefer a longer interval between mailings of a series of letters, and these intervals could be increased up to as much as sixty days if desired.

Specially prepared letterheads in color often add to the effectiveness of direct mail. Letterheads can be printed in colors to suit the banker's taste—blue, yellow, green, orange—with very little, if any, additional cost. If colored letterheads are used, envelopes should be prepared in the same color.

Immediately following the completion of a three-letter series, a personal contact with each of the farmers on the list by the farm representative or officers of the bank is very helpful. The letters and enclosed circulars will fairly well acquaint the farmer with the services of the bank, and the institution's interest in serving the needs of farm people. It gives an excellent introduction to the farm representative when his call is made, and

materially increases the effectiveness of his approach. Certainly, to get the most from a direct mail series of this type, personal follow-up visits should be made beginning within about two weeks after the series is completed. If possible, all farmers on the list should be contacted within a period of ninety days. This will depend, of course, upon the number of farmers on the list and the number of men in the bank available for the purpose.

The boxholder type of mailing should be carried out early in the year before cropping programs are completed. Likewise, a series mailing should be started early in the spring so that at least one letter will reach farmers prior to the time they have completed arrangements for crop and livestock production loans. It has been found desirable to mail this type of letter on Thursday so that it will be received by the farmer on Friday or Saturday. If received on these days the enclosed circular is likely to be placed among the things that the farmer will study further over the week end.

Later in the year it may be beneficial to select a small group of specialized farmers and send them typewritten letters personally signed. In the sample program this type of letter would be sent to a select group of cattle feeders who buy cattle in the fall, winter them over, and feed out the next year. This special personal type of letter can be used for any type of specialized farmer, such as hog producers, sheep producers, or growers of fruit or other specialty crops. As in the case of the three-letter series, these personal letters should be followed up by personal contact within a short time after the mailing.

The house organ type of mailing has become a most important medium of keeping the bank before the rural public. Most banks have found a very simple letter type news sheet which carries information as to current problems of agriculture, production tips, sanitation tips, etc., to be effective. This type of house organ requires very little time and may be composed of only a mimeographed sheet or two. It can be published monthly, or quarterly, depending on the facilities of the bank.



In considering a direct mail program a bank may wish to use all of the series as outlined in the sample program. On the other hand, it may wish to use only one or two of the mailings described. In any event, whether one or more types of mailings are used it will be found to be most effective in keeping bank services before the public and acquiring new business.

**IX. Working with farm leaders and farm organizations**—Most country banks keep in close touch with local farm organizations. It is easy for a bank, however, to become lax in its contacts with these groups, and a special effort should be made to maintain a close working relationship with all organizations that deal directly with farmers. Local farm organizations such as Farm Bureau, Grange, Farmers' Union, and other state farm organizations should be actively contacted and supported. The county extension agent is usually closely associated with the farm organization most prominent in the county. A close working relationship with the extension agent will help keep in touch with the activities of the organization.

There are a good many other leaders of various farm organizations and agencies in the counties, such as the Farm Security Supervisor, the Triple A committee, representatives of the Farm Credit Administration, Rural Electrification, and various others, with whom it is advisable for a bank to keep closely in touch. Likewise, local merchants who deal in farm machinery and other farm products are important contacts that should be maintained. Experience indicates that the best means of keeping in touch with these groups is to work out an orderly plan of personal visits to the leaders at regular intervals, taking an active interest in their programs, giving full support to their activities where possible, and participating in meeting programs wherever invitations are received. In this way these farm leaders can be kept informed at all times of the bank's forward-looking attitude toward agriculture, and of the facilities it has available for the community's service.

In the sample program there is outlined an annual dinner and discussion meeting for farm leaders in the area served. Several

farm leaders are mentioned, and there are other organizations which may be included in the group. This type of meeting has proved to be one of the best public relations activities that a bank can sponsor. It is inexpensive in that the only cost involved is a dinner for fifteen or twenty individuals. The program can be most informal, requiring little preparation. The most successful type of meeting, perhaps, would be a dinner, followed with a round-table discussion of current agricultural problems. A bank officer can preside and lead the discussion, with those present given ample opportunity to raise issues they wish to hear discussed. Meetings of this type are very popular with farm leaders. They will look forward to them as yearly events, and the good will created for the bank by sponsoring such a dinner is of inestimable value. This is one public relations activity that country banks should not pass up.

Junior farmer organizations such as 4H clubs and Future Farmers associations, as well as many groups of young farmers who fall between the junior farmer and senior farmer classification, should receive well-organized attention. In the bank's working relationship with county agents and vocational agriculture teachers the discussion of junior farmer programs naturally arises. Active interest may be displayed through furnishing credit for projects, and making awards for outstanding junior farmer achievements. Frequently, good business development opportunities are passed up in connection with financing junior farmer projects. A bank in working out credit schedules for junior farmer project work should hold meetings with the groups prior to the extension of project credit, and discuss the sound use of credit. Much added value will accrue from this type of meeting if the fathers are invited and encouraged to attend. These youngsters are the future farmers of the community and much good will come from sound credit training during their junior farm activities. A bank is in an excellent position to help provide this training. Vocational agriculture teachers and 4H leaders are happy to have a bank's cooperation in meeting with their groups and discussing the practical aspects of farm finance.

A constructive program with junior farmers not only builds good will and future business for the bank, but in many instances has a definite effect on the current farm operations of the junior farmers' parents. Country bankers should also welcome and accept every opportunity for classroom discussion of farm credit with junior farmer groups.

X. **Personal contacts**—In recent years many new developments have arisen in country banking. Outstanding among these has been the necessity for bankers to spend an increasing amount of time in the country, meeting and working with farm customers and potential customers. At one time, bankers could operate largely from inside the bank and get along fairly well. With the development of more farm loan companies and government credit agencies bankers have become obliged to go into the field and work more closely with farm people in order to protect and improve their business relations with farm customers. Farmers take great pride in having bank representatives or representatives of other credit agencies visit their farms and discuss their operating problems with them. The farmers' credit business, therefore, is likely to go to the lender who shows the most sincere and constructive interest in their operations.

Competing credit agencies have found personal contact to be one of the most effective means of enticing farm business away from country banks. Unless banks are willing to send representatives or officers into the field for regular contacts with farm customers and prospective customers there is strong likelihood that the flow of farm credit volume away from banks will continue. Banks, however, that have organized and carried out an active farm program have found that farmers still prefer to do business with local banks if the banks are willing to offer a constructive service and take a sincere interest in their problems. The sample program outlines a rather definite plan for organizing such contacts. The farm credit card file provides an excellent means of organizing and following up an effective program. The contact program must include farm organization leaders and local merchants, as well as local farmers.

**XI. Personnel training**—The very nature of the banking business requires that many employees be assigned to jobs that are routine and which can become very monotonous. Such a situation is likely to create a lack of interest on the part of the employee in the public relations of a bank, with the result that many bank employees may be quite efficient in the duties assigned to them, but become somewhat mechanical and handle transactions with the public in a cold, disinterested sort of way. It is imperative, therefore, that a bank give consideration to a program that provides other interest and responsibilities for many of its employees. Even an employee who does the most routine work in the bank, if provided extra jobs and responsibilities in connection with the over-all public relations program of the bank, may become a valuable asset in building and maintaining good will for the bank. Actually, the composite attitude of all employees and officers of a bank makes up the over-all personality of the institution. Knowledge and the feeling of responsibility create interest in one's work and maintain the interest and enthusiasm of the employees.

The personnel training section of the sample program outlines some of the ways in which bank employees can be trained to take a greater personal interest in the affairs of the bank. If a bank outlines and follows a complete development program, its officers and employees can be divided into committees to handle definite parts of the program. This is valuable in two ways. First, it creates interest on the part of the employees, and second, it distributes responsibility and lightens the burden of the executive officers charged with carrying out the program. Definite duties can be assigned each committee. These extra duties can be made very interesting and will play an important part in relieving the monotony of routine work.

Regular staff meetings are very valuable, and bank management is wise if it holds regularly scheduled monthly meetings of its employees, serves them a nice dinner, and discusses some current problem with which the bank is confronted. The meetings as outlined in the sample program are primarily built around aspects

of a farm loan development program. Other subjects, of course, relative to the operating problems of the bank could be worked into the schedule of meetings. The subjects to be discussed could be presented by employees of the bank, with an occasional outside speaker. This, along with the committee work, is of great value in developing leadership within the bank, and every bank should be interested in developing from its own organization the bank leaders of the future. A well-organized personnel training program will develop leaders who might otherwise spend a lifetime in routine jobs without having an opportunity to express their true capabilities. A program of this kind is of value to bank employees and of even more value to the bank itself.

**XII. Annual roundup and achievement day**—Some sort of annual affair is an excellent means of culminating the bank's efforts in its public relations and business development program. Many of the bank's individual activities during the year can be brought to focus in an annual achievement day. This section in the sample program outlines a constructive type of annual affair that could be sponsored by country banks. It is built around a barbecued beef luncheon, an outstanding farm speaker and the presentation of awards in recognition of outstanding accomplishments by local farmers and junior farmers. Farmers appreciate recognition and the awards as outlined in the sample program will become treasured possessions of the winners. Farmers enjoy talks by outstanding farm leaders and will greatly appreciate the bank's efforts in bringing in prominent speakers.

The type of program for the annual roundup may vary greatly, but it should be timed to "button up" the major activities of the bank's development program. This annual affair can become one of the highlights of the community's activities. It is a worth-while undertaking for country banks.

### **The Follow-up Calendar**

The success of any development program depends upon the completion of the individual activities of which it is composed. In order to insure timely execution of the program, a calendar of



nature would be less expensive in the second year in that the boxholder mailings would be substantially reduced. Likewise, any business obtained as a result of the program would probably be of a continuing nature in that most farmers require some credit each year. It is evident, therefore, that the cost of a complete development program is not excessive, and in actual practice the time devoted to such a program is much less than one would assume from reviewing the various activities that go into the over-all program.

These estimates do not include the cost of employing a specialized farm representative. The salary and travel expenses for a farm man vary widely between banks, and each bank may add the estimated cost of this service to the above figures to arrive at a total. By proper allocation of duties most banks will not require additional help in connection with the program.

## SUGGESTED OUTLINE

# FARM LOAN DEVELOPMENT PROGRAM

### I. Survey of farm loan potential.

A. A tabulation of the total number of loans and total dollar volume of credit outstanding to farmers in the trade area will be made.

#### 1. Farm mortgage credit.

- (a) Bank loans
- (b) Federal Land Bank loans
- (c) Insurance company loans
- (d) Building and Loan Association loans
- (e) Farm Security tenant purchase loans
- (f) Individuals and others

#### 2. Operating credit.

- (a) Bank loans
- (b) P. C. A. loans
- (c) Emergency crop and feed loans
- (d) F.S.A. rehabilitation loans
- (e) Loans by individuals, open accounts, etc.

B. A tabulation of the number and dollar amount of all farm mortgages filed in the last year will be made.

C. A tabulation of the number and dollar amount of all chattel mortgages filed in the last year will be made.

D. An estimate of the volume of new loan requirements of farmers will be made.

### II. Provision for adequate field service.

A. An outside man will be added to staff.

1. Must be a graduate of the state college of agriculture or have experience of equal value.
2. If possible, he should have had some experience in working with farmers and farm groups.
3. Will be employed to join bank's staff May 1.

B. Officer contacts.

1. Officers of the bank will supplement the efforts of the farm representative with well-organized field contacts.

### III. Establish a permanent credit card file for farmers.

A. Content.

1. A card giving name and credit information for every farmer in area served by bank.

B. Obtaining the list, refinement, and rating.

1. List of all farmers will be secured from the county agent, farm bureau, AAA, or other sources.
2. Adjustments to the original list will be made at any time movements into or out of the area are noted.



3. Through confidential discussion with key farmers in the area, individuals on the list will be rated as desirable or undesirable risks.
4. Names on the list will be transcribed to individual cards.
5. Additional credit information will be added to the cards as more information is obtained.

**C. Arrangement of file.**

1. Specially prepared 4x6 cards will be used in a regular filing case of same dimensions.
2. Cards will be filed alphabetically under two major divisions with subdivisions as below.
  - (a) Present borrowers
    - (1) Active
    - (2) Inactive
  - (b) Non-borrowers
    - (1) Desirable risks
      - (a) Special attention prospects
      - (b) Other
    - (2) Doubtful risks
      - (a) Poor moral risks
      - (b) Poor managers

**D. Use of file.**

1. Immediate reference for new loan inquiries and applications.
2. Promotional activities.
  - (a) Direct mail campaigns
  - (b) Planning systematic field contacts

**IV. A loan file will be established for each farm borrower.**

- A. A complete set of farm loan forms will be adopted.
- B. An individual folder will be maintained for the loan papers of each farm borrower.

**V. An advisory council of leading farm customers will be organized.**

- A. Fifteen to twenty farmers who are customers of the bank and who are recognized as good farmers and leaders in their communities will be selected for the council.
- B. Selection of council members will be the responsibility of the board of directors.
  1. The county extension agent will be a permanent member of the council.
  2. Membership will be rotated insofar as necessary to maintain interest.

**C. Activities of council.**

1. Will serve as contact men for confidential credit information when needed.
2. Two meetings will be held during the year.
  - (a) First meeting April 22

- (1) Program, bank official presiding
- 7:30 PM—Dinner
- 8:30 PM—Opening remarks by chairman
  - Purpose of council
  - Bank's farm service program
- 9:00 PM—Open discussion, led by chairman
- 10:00 PM—Closing remarks, chairman
- 10:10 PM—Adjournment

**(b) Second meeting September 10**

- (1) Program
- 7:30 PM—Dinner
- 8:30 PM—Remarks by chairman
  - Appreciation to council
  - Annual Roundup and Achievement Day
- 9:00 PM—Open discussion on program for Annual Roundup
- 10:00 PM—Closing remarks, chairman
- 10:10 PM—Adjournment

**VI. Customer Relations.**

A. A qualified receptionist or "front man" will be conveniently located for prompt and pleasant direction of customers and other callers to proper individuals.

B. Rearrangement of waiting room facilities.

1. Comfortable waiting quarters will be provided.

(a) Comfortable chairs and settees

(b) Ample reading matter will be made available

(1) Farm periodicals

(2) Market reports

(3) Bulletin rack

(a) Bank's circular

(b) U.S.D.A. and State College Circulars

(4) Other reading matter of interest to farmers

(c) Plainly marked restroom facilities will be provided

C. Confidential conference room will be maintained.

D. Officers' quarters will be arranged for easy accessibility.

E. Loan policy will be geared to meet the peculiar needs of the individual farmer.

1. Loan officers will make every effort to understand the farmer's viewpoint.

(a) Terms, disbursements, and repayments will be adapted to the individual need

(b) Loan rejections will be handled tactfully

2. Reasonable and uniform rates will be provided.

F. Letters of appreciation will be written.

1. New depositors and borrowers.

2. A week following repayment of a loan.

## VII. Special Interests.

- A. This bank's special interest is soil conservation and balanced management on the individual farm.
- B. Special interest will be worked into program as follows:
  - 1. Direct mail will be worded so as to plainly reveal our interest in improved farm practices and more efficient farm operating units.
  - 2. Better practices and greater efficiency will be discussed with individual farmers and with group meetings of farmers, in which this bank may take part.
  - 3. Newspaper advertising directed to farmers will reflect our belief in greater efficiency of farm units.
  - 4. Special recognition awards will be given both senior and junior farmers for outstanding accomplishments in this field.
  - 5. The farm credit policy will be geared to encourage better farm practices.
  - 6. Active support will be given the Soil Conservation Service, Extension Service and the Agricultural Adjustment Agency in promoting better operating programs on the individual farm.

## VIII. Direct mail.

- A. Boxholder mailing to all farm residents of area served.
  - 1. An illustrated circular outlining the type of farm credit services available at our bank will be prepared.
  - 2. Distribution will be made April 30.
- B. Three-letter series to select prospects.
  - 1. To be sent all farmers listed under the desirable non-borrower section of the card file.
  - 2. Letters will be mimeographed or printed on regular letterheads of the bank.
  - 3. Letters will be signed by executive officer of the bank or the president of the board.
  - 4. First letter to be mailed May 23.  
Second letter to be mailed June 6.  
Third letter to be mailed June 20.
    - (a) Specially prepared circulars will be enclosed with each letter.
  - 5. Personal contact with each of the farmers on this mailing list will be made by the farm representative or an officer of the bank during the year following completion of the series.
- C. Personal letter to cattlemen.
  - 1. To be sent to a select list of approximately 100 farmers who customarily buy stockers and feeders in the fall.
  - 2. Letters will be individually typed.
  - 3. Letters will bear the personal signature of the bank officer most intimately acquainted with the prospect.
  - 4. Letters will be mailed from August 20 to September 10.
    - (a) A specially prepared circular will be enclosed.
  - 5. Personal follow-up will be made during August and September.

**D. House organ.**

1. The bank will publish and distribute to all farmers in the area a monthly news sheet.
2. Current developments in agriculture and timely suggestions on crops and livestock production, purchase of feed and supplies, marketing tips, etc., will be carried in the publication.

**IX. Working with farm leaders and farm organizations.**

**A. Farm Bureau, Grange, Farmers' Union and state farmers' organizations.**

1. Will maintain a membership in the county organization.
2. Will attend meetings sponsored by the organization and take active part when possible.
3. Will contact the county agent regularly and actively support his program.

**B. Farm Security Supervisor and loan committee.**

1. Will keep in close touch with this group, and solicit close cooperation on loan inquiries.

**C. Will keep in close contact with farm machinery dealers and other merchants who sell to farmers.**

**D. Public relations dinner for farm leaders.**

1. A dinner meeting will be given for the farm leaders in the county.
2. Dinner to be served by the local hotel.
3. The meeting will be held on June 15.
4. The following will be invited:
  - (a) The county farm organization presidents
  - (b) The county extension agent
  - (c) Members of the AAA county committee
  - (d) Local farm cooperative managers
  - (e) Vocational agriculture teachers in county
  - (f) REA manager or director
  - (g) FSA supervisor
  - (h) Other farm leaders
    - (1) Machinery dealer
    - (2) Feed dealers
  - (i) Local newspaper editor

**5. Program.**

- (a) 7:30 PM—Dinner
- 8:30 PM—Opening remarks by bank officer  
Welcome and appreciation  
Indicate nature of discussion
- 8:45 PM—Open discussion of current farm problems
- 10:00 PM—Closing remarks by bank officer
- 10:00 PM—Adjournment

E. Junior farm organizations.

1. Will cooperate closely with 4H and vocational agriculture activities.
  - (a) Furnish credit for projects
  - (b) Awards for outstanding achievements
    - (1) To be presented at annual roundup
  - (c) Will discuss farm credit with junior groups at every opportunity

X. Personal contacts by farm representative and officers.

A. Farm customers on the farm.

1. Token calls when in neighborhood.
2. Special calls within ten days following payment of notes.

B. Prospective farm customers on the farm.

1. Direct mail follow-up as outlined.
2. Token calls when in neighborhood.
3. Special calls to select groups.

- (a) Taken from credit card file

C. New farmer residents of community.

1. Special visit will be made to the home of each farmer moving into community within two weeks after residence is established.
  - (a) Credit card will be made and added to file

D. Farm organization leaders.

1. Regular visits at least once each month will be made local farm leaders.
  - (a) Seek advice on current farm problems
  - (b) Show sincere interest in their work
  - (c) Keep them currently advised of bank's services available to farmers

E. Machinery dealers and other merchants selling to farmers.

1. Regular visits will be made local dealers in farm merchandise.
  - (a) Show interest in their problems
  - (b) Keep them advised of bank's services available to them and to their farm customers

XI. Personnel Training.

A. Bank's personnel will be organized into special committees as follows:

1. Credit survey and card file committee.
2. **Farm loan forms committee.**
3. Bank arrangement committee.
4. Direct mail committee.
5. **Advertising committee.**

B. Eleven staff meetings will be held.

C. Meetings will be dinner meetings beginning at 6 PM and adjourning at 9:30 PM.

D. Discussion will be led by officers, employees, and selected outside speakers.

**E. Schedule of meeting and leaders.**

1. March 15—"Presentation of Business Development Program," by executive officer. Appointment of committees.
2. April 10—"The Farm Credit File," by a junior officer.
3. May 13—"The Individual Farm Loan File and Forms," by farm representative.
4. June 15—"Successful Human Relations," by selected outside speaker.
5. July 11—"Principles of Salesmanship," by selected outside speaker.
6. August 12—"Principles of Public Speaking," by bank employees.
7. September 10—"The 'Why' of Our Operating Procedures," by the bank's accountant.
8. November 11—"The Principles of Sound Farm Credit," by the farm loan officer.
9. December 12—"Farm Loan Supervision," by the farm representative.
10. January 10—"Soil Conservation and Balanced Farm Management," by the farm representative.
11. February 12—"Presentation of the next year Development Program," by executive officer.

**XII. Annual Roundup and Achievement Day.**

**A. To be held December 21.**

**B. All farmers in trade area to be invited.**

1. Invitation by mimeographed letter 10 days prior to event.
2. Follow-up card to be mailed 4th day prior to event.

**C. Newspaper publicity to be given beginning six weeks in advance of event.**

**D. Highlights of the day.**

1. Barbecued beef sandwich, pie, coffee, and soda will be served.
2. An outstanding farm leader will be secured as the principal speaker.
3. Awards.
  - (a) Senior farmer award to the farmer who has done the most outstanding job of improving the efficiency of his farm unit during the year
    - (1) A plaque and a lapel button will be presented
  - (b) Junior farmer awards to the 4H Club and FFA member who have carried out the most outstanding project work
    - (1) A plaque and a lapel button will be presented each
  - (c) Selection of winners to be made by a committee of local farm leaders
  - (d) A plaque will be displayed in bank lobby on which the names of the annual winners of the awards will be engraved

E. Program.

(a) 12:30 PM—Barbecue lunch.

1:30 PM—Call to order; executive officer of bank, chairman.

Welcome.

Outline bank's interest in local agriculture.

Outline program for remainder of day.

1:45 PM—Introduction of special guests.

All local and other farm leaders present.

Members of advisory council.

Bank personnel.

2:00 PM—Introduce the speaker of the day, chairman.

2:45 PM—Presentation of awards.

Outline background of awards, chairman.

Why the awards are made.

Display plaques and lapel buttons.

Call on county agent to present awards.

3:30 PM—Closing remarks, chairman.

Invite those present to go directly to the bank where some of the bank's operations will be explained.

3:40 PM—Adjournment.

## FOLLOW-UP CALENDAR

**March 8**.....Notify personnel of meeting evening of March 15.

**March 11**.....Determine whether or not bank has paid membership in local farm organization and if not, arrange immediate subscription.

**March 15**.....Instruct credit survey and card file committee to begin a tabulation of outstanding farm credit in area served; also a tabulation of farm chattels and farm real estate mortgages filed during last 12 months.

Instruct the advertising committee to prepare the illustrated circular for boxholder distribution as outlined in the development program.

Prepare list of individuals whom the bank may wish to contact as prospective farm representatives. Make plans for interviews with those who appear to be qualified.

Instruct credit survey and card file committee to obtain list of all farmers in the county or townships served from some local agency which maintains such a list.

Instruct the direct mail committee to draw up suggested forms of appreciation letters to be mailed new depositors and new borrowers, and to borrowers who have satisfactorily repaid their loans. Designate an employee whose responsibility it will be to see that proper appreciation letters are mailed on the seventh day following the acceptance of a new deposit, the closing of a loan to a new borrower, or the repayment of a line of credit.

Instruct the advertising committee to develop advertising copy which will display the bank's interest in soil conservation and balanced farm management, and its willingness to help farmers adopt better practices.

**April 1**.....Ask credit survey and card file committee for a summary report of farm loan filings and amounts outstanding in the area. Make estimate of new farm loan requirements of area during coming year.



April 1 ..... Meet with other bank officers and carefully review list of farmers in area and rate those with whom the officers are acquainted as desirable or undesirable risks. Prepare a list of the farmers with whom the bank officials are not sufficiently well acquainted to establish a sound credit rating. Review the list of unrated farmers with substantial key farmer customers in the area for rating as desirable or undesirable risks.

Instruct farm loan forms committee to obtain and study farm loan forms which are in use by various lenders, and report with samples that most nearly meet bank's needs.

Instruct credit survey and card file committee to have list of farmers transcribed to individual credit cards.

Instruct the direct mail committee to prepare a series of three letters to be mailed at two-week intervals to a select group of prospects as outlined in the development program.

Instruct the advertising committee to select or develop an appropriate circular to enclose with each of the three-letter series mailings.

April 4 ..... Notify employees of staff meeting evening of April 10, and remind discussion leader to prepare his presentation.

April 5 ..... In cooperation with the Board of Directors select twelve to fifteen substantial farm customers to serve on the farm advisory council.

April 11 ..... Notify county agent that bank plans to present an award to the outstanding 4H club member in the county at a meeting in December.

Notify vocational agriculture instructors in county that bank will present to outstanding vocational agriculture student, who has carried out unusual project work, a special award at a meeting in December.

Notify county agent that bank will present a special award to the farmer in county who has developed and carried out the most outstanding soil conservation and balanced management program during the year.

April 15 ..... Notify by letter members of advisory council of their selection, and invite to the first meeting, April 22.

- April 19..... Mail follow-up notice on postal cards to advisory council members of meeting April 22.
- April 20..... Instruct bank arrangements committee to draw a diagram of present arrangement of bank's quarters, and report their recommendations for adjustments.
- ..... Instruct credit survey and card file committee to set up card file as outlined in development program.
- April 22..... Prepare boxholder circulars for mailing.
- April 30..... Place boxholder circulars in mail.
- May 1..... Select a young lady on the bank's staff who is best qualified to assume the duties of receptionist.
- May 3..... With other officers and employees consider the bank arrangements, committee reports, consider adjustments to be made, and work out adjustments as soon as conveniently possible.
- May 6..... Notify personnel of staff meeting evening of May 13, and remind discussion leader to prepare his presentation.
- May 14..... Prepare first letter of three-letter series for mailing May 23.
- May 23..... Mail first letter of series.
- May 24..... Prepare a list of local farm leaders as outlined in the development program, to be invited to a public relations dinner on June 15.
- ..... Arrange for speaker at personnel meeting June 14.
- May 27..... Prepare second letter of three-letter series for mailing June 6.
- June 5..... Prepare and mail invitations to local farm leaders to meeting June 15.
- June 6..... Mail second letter of series.
- June 7..... Notify personnel of staff meeting evening of June 14.
- June 11..... Prepare third letter of series for mailing.
- June 13..... Contact personally or by telephone those invited to public relations dinner, as a reminder of the original invitation.

- June 14..... Arrange for speaker at personnel meeting July 11.
- June 20..... Mail third letter.
- Place list of farmers receiving the series of three letters in hands of farm representative, and instruct him to begin a personal follow-up of the farms within seven days after the third mailing.
- July 3..... Notify personnel of staff meeting July 11.
- August 1..... Instruct direct mail committee to prepare a special personal letter to 100 select cattlemen who buy feeders and stockers in the fall, and who use credit but are not borrowing from the bank.
- August 5..... Notify personnel of staff meeting August 12, and remind discussion leader to prepare his presentation.
- August 20..... Designate a stenographer who will begin using her spare time to prepare individually-typed letters to the selected cattlemen, letters to be mailed daily until the list is completed.
- September 2..... Notify by letter all members of advisory council of meeting September 10.
- September 3..... Notify personnel of staff meeting September 11, and remind discussion leader to prepare his presentation.
- September 6..... Follow-up card notices to advisory council members of meeting September 10.
- September 11..... Write letter to the man selected as principal speaker at the annual roundup to determine whether he will be available.
- October 1..... Write a letter to all vocational agriculture instructors asking them to plan a meeting for October 10 to set up a means of selecting the individual student to receive the bank award on December 21.
- Notify county agent to form a committee and arrange for a meeting on October 15 to work out a plan for selecting the outstanding 4H club member to receive the award December 21.
- Notify county agent to set up a committee and arrange a meeting on October 15 to make plans for selecting the farmer in the county who has made the most outstanding progress in planning and carrying out a soil conservation and balanced management program.

- October 1 ..... Order plaques and lapel buttons to be awarded at the annual roundup.
- November 1 ..... Instruct advertising committee to prepare various releases to newspapers regarding the annual roundup to be held December 21, and to submit weekly items until date of event.
- Make arrangements for satisfactory meeting place for the annual roundup and make tentative arrangements for the preparation and serving of lunch.
- November 2 ..... Notify personnel of staff meeting November 11, and remind discussion leader to prepare his presentation.
- December 2 ..... Contact vocational agriculture instructors, county 4H club committee, and senior farmers' award committee to determine if selections have been made for roundup day awards.
- December 6 ..... Notify personnel of staff meeting December 12, and remind discussion leader to prepare his presentation.
- December 10 ..... Prepare invitations to annual roundup achievement day.
- December 12 ..... Mail invitations to annual roundup.
- December 16 ..... Review all developments to date with reference to roundup program to assure that everything that has been scheduled is properly planned.
- December 17 ..... Mail follow-up cards to invitation to the annual roundup.
- December 23 ..... Write letters of appreciation to the members of committees that helped plan and carry out the annual roundup.
- January 2 ..... Begin preparation of development program for next year.
- January 4 ..... Notify personnel of staff meeting January 10, and remind discussion leader to prepare his presentation.
- February 5 ..... Notify personnel of staff meeting February 12, and recheck the tentative development program for presentation to the staff for its discussion and suggestions.