CIRCULAR No. 5
OF THE
RECONSTRUCTION
FINANCE CORPORATION

REGARDING REGIONAL AGRICULTURAL CREDIT CORPORATIONS
CREATED BY THE RECONSTRUCTION FINANCE CORPORATION, UNDER SECTION 201 (E) OF THE EMERGENCY
RELIEF AND CONSTRUCTION ACT OF 1932

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INFORMATION REGARDING THE REGIONAL AGRICULTURAL CREDIT CORPORATIONS

Under the authority conferred by the provisions of subsection (e) of section 201, Title II, of the "Emergency relief and construction act of 1932," the Reconstruction Finance Corporation has created a regional agricultural credit corporation in each Federal land bank district. A list of such districts, showing the locations of the principal and branch offices of the respective regional agricultural credit corporations serving such districts, is set forth at a later point in this circular.

Eligible Applicants

Under the law the regional agricultural credit corporations are authorized "to make loans or advances to farmers and stockmen, the proceeds of which are to be used for an agricultural purpose (including crop production), or for the raising, breeding, fattening, or marketing of livestock." Eligible applicants for loans from such institutions, therefore, are limited to those individuals, partnerships, and corporations which are engaged in the business of farming, or in the business of raising, breeding, fattening, or marketing of livestock. Persons not engaged in such pursuits as vocations and not dependent thereon for their livelihood are not considered as either farmers or stockmen. Canners, packers, processors, commission merchants, commercial hatcheries, and others not ordinarily considered as either farmers or stockmen are not eligible. Although the membership of cooperative associations may be composed of farmers or stockmen, or both, such associations are not considered as either "farmers" or "stockmen."

General Loan Purposes and Classes

It is not intended that the regional agricultural credit corporations will engage in making farm-mortgage loans, either originally or for the purpose of refunding such loans now in existence. They will make agricultural loans and livestock loans.

In this circular the term "agricultural loan" is used to designate a loan made for an agricultural purpose to an individual farmer or a partnership or corporation engaged in the business of farming. Such loans will include loans or advances for the purpose of defraying the cost of seed, cultivation, and harvesting, primarily secured by liens on growing crops and other personal property; marketing loans secured by warehouse receipts (preferably issued by warehouses licensed under the United States warehouse act) covering agricultural com-
modities; and "barnyard loans," or loans secured by first mortgage liens on milch cows, hogs, work horses, mules, small stock, and equipment.

The term "livestock loan" is used in this circular to designate a loan to a livestock grower, feeder, or breeder secured by a first lien on livestock, where the loan is expected to be repaid through funds obtained from: (a) the sale of the livestock and/or the increase, etc., in the case of a range or breeder loan; or (b) the sale of fat cattle and sheep, in the case of a feeder or pasture loan.

Where Applications May be Made

A borrower is expected to make application to, and receive loans and advances from, the regional agricultural credit corporation (through the principal office or a branch office) serving the Federal land bank district in which his farming or livestock business is conducted.

The one major exception to the general rule above stated is the financing of the purchase of "feeder" livestock at central livestock markets. Such loans may be made through the regional agricultural credit corporation offices located at such central livestock markets, without regard to the location of the places where the borrowers conduct their feeding operations. However, it is not contemplated that a country purchase of feeder livestock will be handled by any regional agricultural credit corporation other than the one serving the territory in which the borrower proposes to conduct his feeding operations.

The regional agricultural credit corporations will function through their respective principal offices and branch offices; and applications to a regional agricultural credit corporation for loans will be received and acted upon at any of its offices. However, it is intended that, except as above stated, all transactions of a regional agricultural credit corporation with any one borrower will be handled by one office.

General Security Requirements

The statute requires that all loans made by the regional agricultural credit corporations shall be "fully and adequately secured." Under the regulations prescribed in conformity with the provisions of the act, primary security for all loans made by the regional agricultural credit corporations, to be acceptable, must consist of first and paramount liens on personal property, and it is not contemplated that such loans shall be secured primarily by mortgages or other liens on real estate, whether farm, ranch, or city property; but this class of security may be considered for the purpose of meeting the requirements for additional collateral.

Generally speaking, it will be required that an applicant for a crop production loan give a first lien on all crops growing or to be grown by him (whether on owned or leased land), with such additional security as may be necessary to insure liquidation of the loan at maturity. Where the applicant is a tenant farmer, a waiver or subordination of the landlord's lien ordinarily will be required.
Lending Policies

Undue competition on the part of regional agricultural credit corporations with existing agencies, both governmental and private, engaged in similar financing, would tend to create an undesirable condition. This is particularly true since the regional agricultural credit corporations are of a more or less temporary character. It is therefore expected that the policies and operations of the regional agricultural credit corporations will be, as far as possible, non-competitive with other governmental agencies and with private concerns engaged in financing of a similar character. Accordingly, any applicant who has established a credit relationship with such an existing agency that is able and willing to continue to extend credit to such applicant on a satisfactory basis will be expected to establish, to the satisfaction of the regional agricultural credit corporation to which he applies for a loan, a proper reason for desiring to transfer the credit relationship.

Where a loan is desired for the purpose of financing the production of a specialty crop, or a crop of a highly perishable nature when harvested, the applicant will be required to furnish evidence of some satisfactory marketing arrangement with a competent sales organization. Loans for the production of experimental crops ordinarily will be made only where such crops have been successfully produced on a commercial basis in the territory where the applicant proposes to grow them.

Maximum Maturities

It is contemplated that the following will be the maturities for livestock loans made by the regional agricultural credit corporations:

- Range and breeder loans: Not to exceed one year.
- Pasture loans: One year, or an earlier point of time coincidental with the expected time for marketing the livestock.
- Feeder loans: Eight months, or an earlier point of time coincidental with the expected time for marketing the livestock.

Crop production loans will be made with maturities not exceeding one year; and it is contemplated that such loans will usually be made for the period of time such loans are customarily made in the locality, or to mature at such time as liquidation of the loans will be expected.

Applications

Although appropriate loan application forms may be obtained from the office serving the territory in which the applicant is located, such forms also have been generally distributed to, and may be obtained from, county agents, local banks, and other local organizations. All applications for loans are to be made on these prescribed forms. These forms call for the submission of certain information which should be furnished by an applicant in such detail as to enable the regional agricultural credit corporation to determine the financial condition of the applicant, the reasonable value of the security offered, and such other pertinent matters as will enable it to give prompt and adequate consideration to the application.
Pertinent Statutory Provisions

The following paragraphs of section 201, Title II, of the emergency relief and construction act of 1932, applicable to the regional agricultural credit corporations, are quoted for the information of applicants:

(e) The Reconstruction Finance Corporation is further authorized to create in any of the twelve Federal land-bank districts where it may deem the same to be desirable a regional agricultural credit corporation with a paid-up capital of not less than $3,000,000, to be subscribed for by the Reconstruction Finance Corporation and paid for out of the unexpended balance of the amounts allocated and made available to the Secretary of Agriculture under section 2 of the Reconstruction Finance Corporation act. Such corporations shall be managed by officers and agents to be appointed by the Reconstruction Finance Corporation under such rules and regulations as its board of directors may prescribe. Such corporations are hereby authorized and empowered to make loans or advances to farmers and stockmen, the proceeds of which are to be used for an agricultural purpose (including crop production), or for the raising, breeding, fattening, or marketing of livestock, to charge such rates of interest or discount thereon as in their judgment are fair and equitable, subject to the approval of the Reconstruction Finance Corporation, and to rediscount with the Reconstruction Finance Corporation and the various Federal reserve banks and Federal intermediate credit banks any paper that they acquire which is eligible for such purpose. All expenses incurred in connection with the operation of such corporations shall be supervised and paid by the Reconstruction Finance Corporation under such rules and regulations as its board of directors may prescribe.

(f) All loans made under this section, * * * shall be fully and adequately secured.

(i) No fee or commission shall be paid by any applicant for a loan under the provisions of this section in connection with any such application or any loan made or to be made under this section, and the agreement to pay or payment of any such fee or commission shall be unlawful.

List of Federal Land Bank Districts and Offices of Regional Agricultural Credit Corporations

DISTRICT No. 1 (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey): Regional Agricultural Credit Corporation of Albany, N. Y.
   Principal office: Albany, N. Y.
   Branch office: Bangor, Me.

DISTRICT No. 2 (Pennsylvania, Delaware, Maryland, Virginia, West Virginia): Regional Agricultural Credit Corporation of Baltimore, Md.
   Principal office: Baltimore, Md.

DISTRICT No. 3 (North Carolina, South Carolina, Georgia, Florida): Regional Agricultural Credit Corporation of Raleigh, N. C.
   Principal office: Raleigh, N. C.
   Branch office: Macon, Ga.

DISTRICT No. 4 (Ohio, Indiana, Kentucky, Tennessee): Regional Agricultural Credit Corporation of Columbus, Ohio.
   Principal office: Columbus, Ohio.
   Branch office: Louisville, Ky.
District No. 5 (Mississippi, Alabama, Louisiana): Regional Agricultural Credit Corporation of Jackson, Miss.
Principal office: Jackson, Miss.
Branch office: Montgomery, Ala.

District No. 6 (Missouri, Arkansas, Illinois): Regional Agricultural Credit Corporation of St. Louis, Mo.
Principal office: St. Louis, Mo.
Branch offices: Chicago, Ill.; Kansas City, Mo.; Pine Bluff, Ark.

District No. 7 (Minnesota, North Dakota, Wisconsin, Michigan): Regional Agricultural Credit Corporation of Minneapolis, Minn.
Principal office: Minneapolis, Minn.

District No. 8 (Iowa, Nebraska, South Dakota, Wyoming): Regional Agricultural Credit Corporation of Sioux City, Iowa.
Principal office: Sioux City, Iowa.
Branch offices: Omaha, Nebr.; Cheyenne, Wyo.

District No. 9 (Kansas, Colorado, New Mexico, Oklahoma): Regional Agricultural Credit Corporation of Wichita, Kans.
Principal office: Wichita, Kans.
Branch offices: Denver, Colo.; Oklahoma City, Okla.; Santa Fe, N. Mex.

District No. 10 (Texas): Regional Agricultural Credit Corporation of Fort Worth, Tex.
Principal office: Fort Worth, Tex.
Branch offices: Houston, Tex.; San Angelo, Tex.

District No. 11 (Utah, Nevada, California, Arizona): Regional Agricultural Credit Corporation of Salt Lake City, Utah.
Principal office: Salt Lake City, Utah.

District No. 12 (Washington, Oregon, Idaho, Montana): Regional Agricultural Credit Corporation of Spokane, Wash.
Principal office: Spokane, Wash.