CIRCULAR No. 7
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION FOR PROSPECTIVE APPLICANTS FOR LOANS
FOR THE PURPOSE OF REFINANCING THE OUTSTANDING
INDEBTEDNESS OF AGRICULTURAL IMPROVEMENT
DISTRICTS UNDER THE PROVISIONS OF SECTION 36, PART 4, OF THE EMERGENCY
FARM MORTGAGE ACT OF 1933
AS AMENDED

JUNE 1933

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933
INFORMATION FOR PROSPECTIVE APPLICANTS FOR LOANS UNDER THE PROVISIONS OF THE EMERGENCY FARM MORTGAGE ACT OF 1933 RELATIVE TO REFINANCING OUTSTANDING INDEBTEDNESS OF AGRICULTURAL IMPROVEMENT DISTRICTS

The Reconstruction Finance Corporation has been authorized under section 36, part 4, of the Emergency Farm Mortgage Act of 1933, as amended, to make loans to enable certain agricultural improvement districts and political subdivisions of States to reduce and refinance their outstanding indebtedness incurred in connection with completed projects of such districts. This section is reprinted on the closing pages of this circular.

I. Eligible borrowers

(a) The Corporation is authorized to make loans to drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, duly organized under the laws of any State, and to political subdivisions of States which have projects devoted chiefly to the improvement of agricultural lands.

(b) Loans may be made only for the purpose of refinancing indebtedness incurred in connection with projects in operation prior to May 12, 1933.

II. Conditions of loans

(a) The term of any such loan shall not exceed 40 years.

(b) The loan shall be secured by bonds, notes, or other obligations which are a lien on the real property within the project or on the assessments, taxes, or other charges imposed by the borrower pursuant to State law, or by such other collateral as may be acceptable to the corporation.

(c) The borrower shall agree not to issue, during the term of the loan, any other bonds so secured except with the consent of the Corporation.

(d) The borrower shall agree, insofar as it lawfully may, to pay to the Corporation, until all bonds or other obligations of the borrower acquired by the Corporation are retired, an amount equal to the amount by which the assessments, taxes, and other charges collected by the borrower exceed the costs of operation and maintenance of the project and maturities of interest and principal on its outstanding obligations.

(e) The borrower shall agree, to the satisfaction of the Corporation, to reduce, insofar as it lawfully may, the annual taxes, assessments, and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal.
and interest of its outstanding indebtedness by reason of the operation of the act.

(f) All loans must be fully and adequately secured.

(g) Loans may be made at any time prior to January 23, 1934.

III. Prerequisites to disbursement of loans by Corporation

Loans will be authorized by the Corporation subject to performance of the conditions stipulated in subdivision (C) following but will not be disbursed until such requirements have been met. The cost of appraisals will be reimbursable to the Corporation by the applicant.

(A) The Corporation shall cause an appraisal to be made of the property securing and/or underlying the outstanding bonds of the applicant.

(B) The Corporation shall determine that the project of the applicant is economically sound.

(C) The Corporation shall be satisfied that an agreement has been entered into between the applicant and holders of its outstanding bonds or other obligations under which the applicant will be able to purchase or refund such bonds or other obligations at a price determined by the Corporation to be reasonable after taking into consideration the average market price of such bonds over the six months' period ending March 1, 1933 and under which a substantial reduction will be brought about in the amount of the outstanding indebtedness of the applicant.

IV. Applications for loans

Applications should be made in writing to the Reconstruction Finance Corporation at its office at 1825 H Street N.W., Washington, D.C.

It has not been found practicable to provide printed forms of application. All applications should present the information indicated below in the order there given. All exhibits should bear the signature and address of the engineer or other person who prepared them.

Each copy of the application and its accompanying exhibits should be firmly bound together, preferably in a single binder.

Five complete signed copies of each application, being one master copy and a copy for each of the sections of the Corporation concerned with its examination, should be filed. For convenience in examination, it is requested that all applications follow the system of numbering and lettering indicated.

INFORMATION REQUIRED

1. General information:
   (a) Full legal title of applicant.
   (b) Citations to laws under which organized.
   (c) Date of organization.
   (d) Names, with respective offices, of officers and directors.
(e) Name and address of the person with whom correspondence should be conducted.

(f) Names and addresses of legal counsel and engineers.

2. Applicant’s estimate of amount of loan required for refunding purposes.

3. Full statement as to purpose of loan.

4. A brief description and history of the project including, in addition to such other information as the applicant thinks necessary or desirable, the following:

   (a) Map or sketch showing the project and location thereof.

   (b) Nature of soil, climate, and topography, principal crops and markets, and transportation facilities.

   (c) Number of farms in the district, size of each of the 10 largest farms, size of average farm, and number of inhabitants of the district.

   (d) Brief statement as to the general financial condition of landowners with approximate number of foreclosures of farm mortgages in each of the years 1931, 1932, and 1933 to the time of the application.

   (e) Average assessed valuation per acre of land for ad valorem tax purposes, percentage of such valuation to fair and reasonable market value and rate of taxation (including State, county, and school district taxes but excluding any taxes imposed by the applicant) for each of the past 5 years immediately preceding.

   (f) If applicant is an irrigation district the following additional information should be supplied:

      (1) A description of the water rights, including the amount of water, source, capacity of storage reservoirs, water required per acre per year, and full information as to permits, decrees, etc., including a statement as to any adverse suits now pending or threatened affecting the water rights.

      (2) If irrigation water is provided by pumping give average lift and cost per acre-foot for pumping. If pumping is from wells give capacity of wells and average drawn-down at end of season.

      (3) State what drainage work has been done to overcome seepage from irrigation ditches and drainage work now needed for such purpose. Also state whether or not alkali is present in water or soil.

   (g) If applicant is a drainage district, give statement as to condition of ditches and drains with reference to silting and the need for cleaning. State if silt basins are provided.

   (h) Give full statement as to physical condition of project with special reference to dams, dikes, levees, and pumping plants.
5. Description and history of present outstanding indebtedness including the following:

(a) State amount of bonds or other securities outstanding at date of application, date of issue, interest rate, maturity dates, amount per $100 of face value received by applicant from sale, defaults, if any, in payment of principal or interest, and name and address of bank or brokerage house by which such bonds or securities were underwritten or through which the sale to the public was effected.

(b) Furnish, if available, counterpart of opinion as to validity of such bonds or other securities given by counsel in connection with issue and sale thereof.

(c) State whether or not a bondholders' committee or other agency has been formed for the protection of such bondholders or security holders and, if so, give name and address of such committee or other agency and state the amount of bonds which have been deposited with the same.

(d) If no such bondholder's committee or other agency has been formed, state if the applicant has or has available a list of bondholders or other security holders.

(e) Citation to laws under which the present indebtedness was incurred including a citation to statutory and constitutional provisions and all court decisions with reference to constitutionality and interpretation and the validity of the particular indebtedness.

(f) Statement of all bonds issued by the applicant since date of organization including (1) date and amount of each such issue, (2) interest rate, (3) net amount per $100 of face value received by the district, (4) maturity dates, (5) dates and amounts of any and all bonds paid or retired, and (6) statement as to any defaults in payment of principal or interest, with explanation of reason therefor. This information should be given, so far as practicable, in accordance with the form of Schedule A, hereafter set out.

(g) Statement of acreage assessed, amounts of annual assessments and other charges, collections thereof and percentage of defaults in ad valorem taxes for each of the years during which the present bonded indebtedness has been outstanding, in accordance with the form of Schedule B hereinafter set out.

(h) State number of acres within the district now owned by the State or county, giving separately acreage acquired by tax sale and acreage otherwise acquired.

(i) State whether or not a sale for delinquent State, county, or school district taxes cancels delinquent assessments or charges imposed by the district.
(j) A brief summary of all litigation, pending or threatened, with respect to the validity of the indebtedness of the applicant or the enforcement of the rights of the holders thereof and applicant's plan for disposing of such litigation in the event the loan is granted. If no such litigation is pending or threatened it should be so stated.

6. Statement as to the refunding bonds, existing bonds, or other collateral offered as security including:
   (a) Maturities of obligations offered.
   (b) Citations to all statutes and constitutional provisions (including court decisions having a bearing upon constitutionality or interpretation) with reference to the validity of the obligations offered and the refunding or refinancing of the indebtedness. In the case of any recent statutes or court decisions not yet included in authorized publications complete copies thereof should be supplied and attached as exhibits to the application.
   (c) Statement as to whether the maturities and interest rates on any obligations offered are fixed by law or may be varied, minimum price at which they can be sold and maximum interest rate.
   (d) Statement of liens securing or underlying such obligations and sources of revenue for payment; if payable out of ad valorem taxes, statement of property taxable and limitations, if any, as to tax rate; if payable out of assessments or taxes other than ad valorem taxes, a complete statement of the benefits or values, the limitations on the assessments or taxes that can be levied annually and state whether or not such assessments or taxes are prepayable. State whether assessment or rate is fixed or variable (with citation to law).
   (e) The nature of recourse against lands for nonpayment of taxes or assessments or other charges, time within which proceedings for sale for nonpayment can be commenced and completed and period of redemption.
   (f) Statement of any other properties or revenues which the applicant can offer as security.
   (g) Outline of proposed method of handling refinancing and repayment of loan and brief by counsel for applicant as to legality thereof.

7. The following financial statements:
   (a) Balance sheet, or statement of assets and liabilities, as of the latest date available, together with similar statements, as of December 31 (or close of applicant's fiscal year) for each of the 4 years, 1929 to 1932. In those instances where public accountants have audited the accounts, such statements for the 4 years shall be certified by such public accountant. In the other instances and for the latest balance sheet, such statements shall be certified to by the applicant's chief fiscal officer.
(b) Income accounts showing, in reasonable detail, items of income and expense for each of the 4 years, 1929 to 1932, certified by the chief fiscal officer or, in those instances of public audits, by the public accountant; also, a similar statement for as many months of 1933 as are available, compared with the similar period of 1932, signed by the chief fiscal officer.

(c) A description of any assets or liabilities or items of income and expense not properly described in the statements requested under "a" and "b", above, or which are unusual, or which, for any reason, require special attention.

8. Miscellaneous:

(a) Quotations, or sale prices, applying to obligations of the applicant included in plan of refinancing for each of the 5 years, 1928 to 1932, and for each of the 6 months ending March 1, 1933. (State source of quotations and sale prices.)

(b) Acreage and assessed value of land to which the applicant has taken title under tax or assessment sale in each of the last 5 years, 1928 to 1932, and the amount of such acreage to which title is still held by the applicant.

(c) In the case of irrigation districts, the amount of acreage on which water has been shut off because of nonpayment of water or other charges at the end of each of the 5 years, 1928 to 1932, and the amount of such acreage at the time of application.

(d) Statement that the applicant consents to and authorizes such examinations as the Reconstruction Finance Corporation may require and/or that reports of examinations by constituted authorities may be furnished by such authorities to the Corporation upon request therefor.

(e) Statement that no fee or commission has been or will be paid by the applicant in connection with the application or any loan made or to be made by the Reconstruction Finance Corporation, and that no agreement to pay such fee or commission has been or will be made.

V. Procedure

A resolution shall be adopted by the Board of Directors or other governing body of the applicant authorizing one or more of said named officers to execute and deliver the application and exhibits thereto in the exact form in which they are submitted, and further authorizing such officers to supply the Reconstruction Finance Corporation with any other instruments or data in connection with such application. A certified copy of such resolutions should be attached to the application as an exhibit.

All applications should be verified in substantially the following form:
STATE OF ________________________________

County of ________________________________, 88:

makes oath and says that he is the ________________________________

(Name of affiant) (Office held by affiant) of ________________________________ ; that he has carefully examined each and all

(Full legal title of applicant)

of the statements contained in the foregoing application and in the exhibits and other data attached thereto or submitted therewith; that such statements are true and correct to the best of his knowledge and belief; that such application is made with the approval and at the direction of the ________________________________ of said applicant, as appears by

(Governing body)

a resolution duly adopted at a meeting thereof, a certified copy of which is attached to such application, said meeting having been held at ________________________________ on the ________________________________ day of ________________________________, 193..; and that he is the person who has been authorized by such resolution to execute such application.

(Signature of affiant)

Subscribed and sworn to before me, a ____________________ in and for the State and county above named, this ________________________________ day of ________________________________, 193...

[SEAL]

My commission expires ________________________________

The applicant will be notified of any additional information required, and of the action taken by the Reconstruction Finance Corporation.

Schedule A

<table>
<thead>
<tr>
<th>Number of acres</th>
<th>Original assessment</th>
<th>Second assessment</th>
<th>Third assessment</th>
<th>Fourth assessment</th>
<th>Fifth assessment</th>
<th>Total of all assessments</th>
<th>Average per acre</th>
<th>Highest per acre</th>
<th>Lowest per acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year levied</td>
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<tr>
<td>Amount of bonds issued against each assessment</td>
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<td>Rate of interest</td>
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<td>Date of maturities giving series, etc</td>
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<td>Sale price net to applicant</td>
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<tr>
<td>Amount matured and paid off to date</td>
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<td>Amount unpaid to date</td>
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<td>Amount delinquent as of date of application</td>
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</tr>
</tbody>
</table>

Note.—State reasons for default, if any.

Schedule B

Schedule of annual assessments, taxes and other charges against lands within district

<table>
<thead>
<tr>
<th>Year</th>
<th>Total charges for bond service</th>
<th>Total charges for maintenance-operation</th>
<th>Total of all other charges</th>
<th>Percentage of State, county, and school ad valorem taxes delinquent</th>
<th>Number of acres sold for delinquent State, county, and school district ad valorem taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Charged Collected</td>
<td>Charged Collected</td>
<td>Charged Collected</td>
<td>Number of acres assessed</td>
<td>Number of acres assessed</td>
</tr>
<tr>
<td></td>
<td>Principal Interest</td>
<td>Principal Interest</td>
<td>Collected</td>
<td></td>
<td>Number of acres assessed</td>
</tr>
<tr>
<td></td>
<td>Interest</td>
<td>Interest</td>
<td></td>
<td></td>
<td>Number of acres assessed</td>
</tr>
</tbody>
</table>

1 Nature of charges should be explained.

2 If figures for district not available applicant may give figures for county in which district is located; if in more than one county, may give average for all counties.
VI. Statutory provisions

The following section of the Emergency Farm Mortgage Act of 1933 as amended by section 19 of an act approved June 16, 1933, designated as "Public No. 78, 73rd Congress", is quoted for the information of applicants:

Sec. 36. The Reconstruction Finance Corporation is authorized and empowered to make loans as hereinafter provided, in an aggregate amount not exceeding $50,000,000 to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts duly organized under the laws of any State, and to or for the benefit of political subdivisions of States, which prior to the date of enactment of this Act have completed projects devoted chiefly to the improvement of lands for agricultural purposes. Such loans shall be made for the purpose of enabling any such district or political subdivision (hereafter referred to as the "borrower") to reduce and refinance its outstanding indebtedness incurred in connection with any such projects, and shall be subject to the same terms and conditions as loans made under Section 5 of the Reconstruction Finance Corporation Act, as amended; except that (1) the term of any such loan shall not exceed 40 years; (2) each such loan shall be secured by bonds, notes or other obligations which are a lien on the real property within the project or on the assessments, taxes or other charges imposed by the borrower pursuant to State law, or by such other collateral as may be acceptable to the Corporation; (3) the borrower shall agree not to issue during the term of the loan any other bonds so secured except with the consent of the Corporation; (4) the borrower shall agree, in so far as it lawfully may, to pay to the Corporation, until all bonds or other obligations of the borrower acquired by the Corporation are retired, an amount equal to the amount by which the assessments, taxes, and other charges collected by the borrower exceed the costs of operation and maintenance of the project and maturities of interest and principal on its outstanding obligations, and (5) the borrower shall agree, to the satisfaction of the Corporation, to reduce, in so far as it lawfully may, the annual taxes, assessments and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of this section. No loan shall be made under this section until the Reconstruction Finance Corporation (A) has caused an appraisal to be made of the property securing and/or underlying the outstanding bonds of the applicant, (B) has determined that the project of the applicant is economically sound, and (C) has been satisfied that an agreement has been entered into between the applicant and holders of its outstanding bonds or other obligations under which the applicant will be able to purchase or refund all or a major portion of such bonds or other obligations at a price determined by the Corporation to be reasonable after taking into consideration the average market price of such bonds over the six months' period ending March 1, 1933, and under which a substantial reduction will be brought about in the amount of the outstanding indebtedness of the applicant.

The following section of the Reconstruction Finance Corporation Act, being the section referred to in section 36 of the Emergency Farm Mortgage Act, as amended, is also quoted for the information of applicants:

Sec. 5. To aid in financing agriculture, commerce, and industry, including facilitating the exportation of agricultural and other products the corporation is authorized and empowered to make loans, upon such terms and conditions not inconsistent with this act as it may determine, to any bank, savings bank, trust company, building and loan association, insurance company, mortgage loan company, credit union, Federal land bank, joint-stock land bank, Federal intermediate credit bank, agricultural credit corporation, livestock credit corporation, organized under the laws of any State or of the United States, including loans secured by the assets of any bank or savings bank that is closed, or in process of liquidation to aid in the reorganization of liquidation of such banks, upon application of the receiver or liquidating agent of such bank and any receiver of any national bank is hereby authorized.
to contract for such loans and to pledge any assets of the bank for securing the same: **Provided,** That not more than $200,000,000 shall be used for the relief of banks (including savings banks) that are closed or in the process of liquidation.

All loans made under the foregoing provisions shall be fully and adequately secured. The Corporation, under such conditions as it shall prescribe, may take over or provide for the administration and liquidation of any collateral accepted by it as security for such loans. Such loans may be made directly upon promissory notes or by way of discount or rediscount of obligations tendered for the purpose, or otherwise in such form and in such amount and at such interest or discount rates as the Corporation may approve: **Provided,** That no loans or advances shall be made upon foreign securities or foreign acceptances as collateral or for the purpose of assisting in the carrying or liquidation of such foreign securities and foreign acceptances. In no case shall the aggregate amount of advances made under this section to any one corporation and its subsidiary or affiliated organizations exceed at any one time 2% per centum of (1) the authorized capital stock of the Reconstruction Finance Corporation plus (2) the aggregate amount of bonds of the corporation authorized to be outstanding when the capital stock is fully subscribed.

Each such loan may be made for a period not exceeding 3 years, and the Corporation may from time to time extend the time of payment of any such loan, through renewal, substitution of new obligations, or otherwise, but the time for such payment shall not be extended beyond 5 years from the date upon which such loan was made originally. The Corporation may make loans under this section at any time prior to the expiration of 1 year from the date of the enactment hereof; and the President may from time to time postpone such date of expiration for such additional period or periods as he may deem necessary, not to exceed 2 years from the date of the enactment hereof. Within the foregoing limitations of this section, the Corporation may also, upon the approval of the Interstate Commerce Commission, make loans to aid in the temporary financing of railroads and railways engaged in interstate commerce, to railroads and railways in process of construction, and to receivers of such railroads and railways, when in the opinion of the board of directors of the Corporation such railroads or railways are unable to obtain funds upon reasonable terms through banking channels or from the general public and the Corporation will be adequately secured: **Provided,** That no fee or commission shall be paid by any applicant for a loan under the provisions hereof in connection with any such application or any loan made or to be made hereunder, and the agreement to pay or payment of any such fee or commission shall be unlawful. Any such railroad may obligate itself in such form as shall be prescribed and otherwise comply with the requirements of the Interstate Commerce Commission and the Corporation with respect to the deposit or assignment of security hereunder, without the authorization or approval of any authority, State or Federal, and without compliance with any requirement, State or Federal, as to notification, other than such as may be imposed by the Interstate Commerce Commission and the Corporation under the provisions of this section.