



"Busy Again"

A Soliloquy in Two Paragraphs

"That's the third time this morning. I can't wait a moment longer on that fellow. Let me see—what is Smith's number?"

"If Jones won't provide sufficient telephone facilities for his customers, he can't blame me for dealing elsewhere. Operator, give me 437."

How do you know this very occurrence doesn't happen with your single telephone. Have an auxiliary line; the cost is trifling. Call the business Office today.

SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY OF KENTUCKY, INCORPORATED.



Notice of Commissioner's Sale.

By virtue of a judgment of the Lawrence Circuit Court in the case of Lindsey Faunt, against Jeff Collinsworth, Laura Collinsworth and John Towler, rendered at its April term, 1916, undersigned commissioner will on Monday, the 21st day of August, 1916, at the front door of the court house in Louisa, Ky., it being county court day, offer for sale to the highest bidder the following property to pay Plaintiff's debt of \$1,500.00 with interest from November 12, 1914, and the cost herein. Said property described as follows: A tract of land situated in Lawrence county, Ky., and or Little Catt Creek. Beginning at the Catt Creek at a set-in stone a corner of Ben Rice, thence up the hill a west course with Ben Rice's line to Garrel Short's line, (now Noah Elz's line) to C. W. Jones' line; thence with C. W.

Jones line to Little Catt creek just below C. W. Jones house; thence up said creek to Sycamore, a corner of Jay Shortridge, thence up the point a straight course and with a line fence between Jay Shortridge and J. W. Towler (now Jeff Collinsworth) to Adam Harmon's line, thence with Adam Harmon's line to Jack Scott's line, thence with his line an east course down the point to Catt creek, at or near the forks of said creek; thence down the creek with its meanders to the beginning, at Ben Rice's line, containing 175 acres more or less. Terms:—Sale will be made on a credit of six and twelve months, purchaser to execute bond payable to Commissioner with approved Security. W. M. SAVAGE, M. C. L. C. C. Old newspapers for sale at this office

THE FARM LOAN ACT

THE federal farm loan act, popularly called the "rural credits law," was signed by the president and became a law on July 17. The primary purpose of this act is to promote agricultural prosperity by enabling farmers to borrow money on farm mortgage security at a reasonable rate of interest and for relatively long periods of time. To attain this object two farm mortgage systems are provided—first, a system operating through regional land banks and, second, a system operating through joint stock land banks.

To attract money to the farm loan field the act provides a method whereby those who have money to lend can find safe investments in the form of debentures or bonds of small and large denominations issued by the banks and based on the security of mortgages on farm lands.

These two systems are to be under the general supervision of a federal farm loan board in the treasury department, composed of the secretary and the treasurer as chairman ex officio and four members appointed by the president. This board has authority to appoint appraisers, examiners and registrars, who will be public officials.

The Federal Land Bank System. Under the federal land bank system the act provides for federal land banks, which make loans for the first twelve months exclusively through local national farm loan associations composed of borrowers. These associations shall be shareholders in the banks, and in that way members who are borrowers will share in the profits of the bank. The money for the loans is to come partly from the capital of the banks and partly from the sale by the banks of bonds

Provides System For Lending Money on Farm Lands at Reasonable Interest For Relatively Long Periods — Amortization Plan For Easy Repayment Prescribed

trust by the bank as security for the loans it makes through the association. If a prospective borrower has no money with which to pay for his association stock he may borrow the price of that stock as a part of the loan on his farm land.

Under this plan, then, every borrower must be a stockholder in his local association and every association a stockholder in its district bank. Each stockholder in an association is liable for the acts of that association up to twice the amount of his stock.

How Loans Are Obtained.

A member of a national farm loan association before obtaining a loan must first fill out an application blank supplied to the loan association by the federal farm loan board. This application blank and other necessary papers will then be referred to a loan committee of the association, which must appraise the property offered as security. Such application as is approved by the loan committee is then forwarded to the federal land bank and must be investigated and reported on by a salaried appraiser of the bank before the loan is granted. This appraiser is required to investigate the solvency and character of the prospective borrower as well as the value of his land. When a loan is granted the amount is forwarded to the borrower through the loan association.

The act specifically defines the purposes for which loans may be obtained. These are:

- (a) To provide for the purchase of land for agricultural use.
- (b) To provide for the purchase of equipment, fertilizers and live stock necessary for the proper and reasonable operation of the mortgaged farm, the term "equipment" to be defined by the federal farm loan board.
- (c) To provide buildings and for the improvement of farm lands, the term "improvement" to be defined by the federal farm loan board.
- (d) To liquidate indebtedness of the owner of the land mortgaged existing at the time of the organization of the first national farm loan association established in or for the county in which the land mortgaged is situated or indebtedness subsequently incurred for one of the purposes mentioned in this section.

Loans may be made only on first mortgages on farm land. Only those who own and cultivate farm land or are about to own and cultivate such land are entitled to borrow. No one can borrow save for the purposes stated in the act, and those who after borrowing do not use the money for the purposes specified in the mortgage are liable to have their loans reduced or recalled. The secretary-treasurer of each association is required to report any diversion of borrowed money from the purposes stated in the mortgage.

No individual can borrow more than \$10,000 or less than \$100. No loan may be made for more than 50 per cent of the value of the land mortgaged and 20 per cent of the value of the permanent insured improvements upon it. The loan must run for not less than five and not more than forty years. Every mortgage must provide for the repayment of the loan under an amortization plan by means of a fixed number of annual or semiannual installments sufficient to meet all interest and pay off the debt by the end of the term of the loan. The installments required will be those published in amortization tables to be prepared by the farm loan board.

The Interest Rate Paid by the Borrower. No federal land bank is permitted to charge more than 6 per cent per annum on its farm mortgage loans, and in no case shall the interest charged on farm mortgages exceed by more than 1 per cent the rate paid on the last issue of bonds. For example, if the bank pays only 4 per cent on an issue of bonds, it cannot charge more than 5 per cent for the next farm loans it makes.

Out of this margin of not to exceed 1 per cent, together with such amounts as it can earn on its paid in cash capital, the bank must set aside certain reserves and meet all its expenses. Any balance or net profits can be distributed as dividends to the loan associations or other stockholders. The loan associations from their bank dividends, after setting aside the required reserves and meeting expenses, can declare association dividends to their members. In this way the profits, if any, will be distributed among the borrowers and will to that extent reduce the amount of interest actually paid by them.

The federal land banks are specifically prohibited from charging in connection with making a loan any fees or commissions which are not authorized by the farm loan board. The authorized fees need not be paid in advance, but may be made part of the loan.

Amortization Plan of Repaying Loans. It has been said that all loans are to be repaid on the amortization plan. This plan calls for a number of fixed annual or semiannual payments, which would not only pay the interest and principal of the loan, but also pay the cost of the land.



PRESIDENT WILSON SIGNING THE FARM LOAN ACT.

secured by first mortgages on farm lands. The act defines strictly the purposes for and the conditions under which loans are to be made and requires that the rate of interest charged on farm loans shall not exceed 6 per cent per annum.

The United States shall be divided into twelve farm loan districts, and a federal land bank with a subscribed capital stock of not less than \$500,000, each share \$5, shall be established in each district. Each federal land bank may establish branches in its district. Within thirty days after the capital stock is offered for sale it may be purchased at par by any one. Thereafter the stock remaining unsold shall be bought by the secretary of the treasury for the United States. It is provided, however, that the government shall not receive any dividends on its stock. Ultimately it is intended that all the stock in the banks shall be owned by the associations of borrowers, and provision therefor is made in the law for transferring the original stock at par to these associations.

National Farm Loan Associations. The act provides for the creation of local national farm loan associations, through which it is contemplated that the federal land banks shall make their loans. In the event that a local loan association is not found in any locality within a year, the federal farm loan board may authorize a federal land bank to make loans on farm land through approved agents. Ten or more persons who own and cultivate farm land qualified as security for a mortgage loan under the act or who are about to own and cultivate such land may form such an association, provided the aggregate of the loans desired by the membership is not less than \$20,000. Each member must take stock in his association to an amount equivalent to 5 per cent of the amount he wishes to borrow. This stock the association holds in trust as security for the member's indebtedness. The association in turn, when applying for money from the land bank, must submit to the land bank a statement of its assets and liabilities, and a statement of its income and expenses for the year ending on the day of its application.

a given number of years. After five years the borrower has the right on any interest date to make additional payments on the principal in sums of \$25 or any multiple thereof, thus discharging the debt more quickly.

Funds Available For Loans. After a federal land bank has loaned to first mortgage \$50,000 it can obtain permission from the farm loan board to issue \$50,000 in farm loan bonds based on these mortgages, sell such bonds in the open market and use the money thus obtained to lend on other mortgages.

This process of lending on mortgages and selling bonds in issues of \$50,000 may be repeated until bonds to the amount of twenty times the bank's paid up capital are outstanding. If each bank should have only its required minimum paid up capital of \$750,000 this plan will provide eventually, if all the authorized bonds of the twelve banks are sold, over \$150,000,000 to lend on first mortgages on farm land. The banks, however, can increase their capital stock above the required minimum and so increase the amount of bonds they can sell and thus increase the total amount of money available for loans on farm mortgages.

To make these bonds attractive to investors the bonds, together with the mortgages upon which they are based, are exempted from federal, state, municipal and local taxation and are made legal investments for fiduciary and trust funds. The capital stock of the federal land banks is also exempt from taxation. Federal reserve banks and member banks of that system are empowered to buy and sell these bonds. They are to be issued in denominations of \$20, \$50, \$100, \$500 and \$1,000.

Organization of Banks.

The temporary management of the federal land banks is to be in the hands of five directors appointed by the federal farm loan board. As soon, however, as the subscriptions from the loan associations total \$100,000 regular directors are to be appointed as follows: Three district directors, resident in the district, shall be appointed by the federal farm loan board to represent the public interest, and six local directors, resident in the district, shall be elected by the farm loan associations, who must be stockholders in the bank. The federal farm loan board shall designate one of its appointees to act as chairman. The act requires that at least one of the three district directors shall be experienced in farming and actually engaged at the time of his appointment in farming operations within the district. Any compensation paid to the directors must be approved by the federal farm loan board.

Each loan association must have a board of directors and a secretary-treasurer. The directors shall serve without pay. The secretary-treasurer shall receive such compensation as may be determined by the board of directors. The association must appoint an appraisal committee for the purpose of valuing lands offered as security for loans. No member of such committee shall have any interest in the property upon which he passes.

To provide funds for current expenses the loan association may retain as a commission from each interest payment not to exceed one-eighth of 1 per cent semiannually upon the unpaid principal of the loan. This commission is to be deducted from the dividends payable to such farm loan association by the federal land bank. If the commissions are not adequate and an association does not wish to assess members for current expenses it may borrow at 6 per cent from the federal land bank to an amount not to exceed in the aggregate one-fourth of its bank stock.

The law requires both the land banks and the farm loan associations to make provision for certain reserves before they can pay any dividends. In sections where local conditions do not make the formation of associations practicable the federal land bank to make loans through agents approved by the board. These agents are to be banks, trust companies, mortgage companies or savings institutions chartered by the state. They may receive as compensation the actual expense involved in transacting the loan and in addition thereto a sum not to exceed one-half of 1 per cent per annum on the unpaid principal of the loans made through them. When the farm loan board decides that a locality is adequately served by farm loan associations no further loans are to be made through agents.

In addition to the system of twelve federal land banks and the national farm loan associations of borrowers, the act permits the establishment of joint stock land banks and authorizes them to carry on the business of lending directly to borrowers on farm mortgage security and issuing farm loan bonds. These banks must have a capital of not less than \$200,000. They are under the supervision of the federal farm loan board, but the government does not lend them any financial assistance.

General Provisions. The law, through the farm loan board, provides the necessary machinery for frequent examinations of the banks and the associations, for the proper cancellation of mortgages and for the safe custody of mortgages offered as security for bonds. When any mortgage offered as security for bonds is withdrawn the bank is required to replace the security with other mortgages or with other satisfactory collateral.

Heavy taxation of law or insurance fees or both are imposed for violation of the act. Penalties are also imposed for failure to comply with the act.

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