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Farm Credit Association to Governor Langer, 1933

A. S. Gross

Farm Credit Administration

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FARM CREDIT ADMINISTRATION

WASHINGTON, D.C.

October 24, 1933.

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IN REPLY REFER TO

The Honorable William Langer,
Bismarck, North Dakota.

Dear Governor Langer:

Governor Morgenthau has asked me to advise you what policy we are pursuing with reference to the \$10.00 application fee for land bank loans. The difficulties you set forth in your letter of October 16th have given us great concern. Should we make it possible for farmers generally to apply for loans without the fee, we know from experience that our banks would be swamped with thousands upon thousands of applications from those who were not in special need of financing but who wished to find out just how much they could borrow. This would not only seriously delay our ability to serve the farmers who are in need but it would add so much to our cost of operation as to require increased interest charges. The only way we have been able to protect the worthy borrowers from such a position has been to require a fee.

We are fully aware of the serious situation which confronts many of the borrowers and have therefore devised a plan which we hope will meet the need and avoid the imposition. The inclosed bulletin to the land banks on this subject explains what we propose. We hope that we may have the cooperation of our secretary-treasurers and public officials in preventing abuse and an influx of applications which will seriously handicap the service we are able to render.

Yours very truly,

A. S. Goss,
Land Bank Commissioner.

Inclosure.

FARM CREDIT ADMINISTRATION

WASHINGTON, D. C.

October 21, 1933.

FLB 446

To: Presidents of all Federal land banks.

Although the initial fees which are charged to prospective borrowers at the time an application is made have been considerably reduced, it appears that many farmers are still unable to take advantage of the facilities offered by the land banks due to their inability to make any initial payment.

In order to provide for such cases, the following possible procedure is suggested for your consideration: Where it becomes clear that applicants are in such destitute circumstances that any initial charge would be prohibitive, the secretary-treasurer of the national farm loan association or local correspondent might certify to the Federal land bank the borrower's inability to pay the initial charges and the grounds for his belief; and also that to the best of his knowledge the applicant is of good character and would be acceptable as a member of a national farm loan association, and that the security is presumptively satisfactory for a long term loan. This certification should probably include a statement as to whether the \$1.00 fee for assisting in filling out the application has been accepted by the secretary-treasurer or local correspondent.

Where such certification has been made, and where the bank

in its discretion, has deemed the applicant unable to meet the initial charges, such charges would be omitted and the entire cost connected with the application would be deducted from the proceeds of the loan at the time of closing (excepting the \$1.00 fee for assistance in preparing application, if this had been paid.)

In cases where according to the procedure suggested, no initial fees had been charged, and subsequently the application were rejected, the costs to the bank of appraisal and handling in connection with such application would be absorbed by the bank. If the \$1.00 fee had not been received, it would have to be omitted entirely.

Except as above described in the type of case mentioned and where the application is rejected, no alteration in the schedule of fees is proposed. It might, however, be felt by the banks that, in order to insure against undue loss entailed by this procedure, it would be necessary slightly to increase the final fees to all applicants. If this should be considered to be absolutely essential in order to avoid loss, approval of such a readjustment of charges would be given.

In view of a possible further regulation upon this subject, this proposal is submitted for your consideration, and an early reply will be appreciated.



A. S. Goss,
Land Bank Commissioner.