
Franklin D. Roosevelt — “The Great Communicator”
The Master Speech Files, 1898, 1910-1945

**Series 2: “ You have nothing to fear but fear itself:” FDR
and the New Deal**

File No. 675

1934 January 10

**Message to Congress re Farm Credit
Administration**

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File "Farm Credit Admin."

2/19/35

When the Congress passed the Emergency Farm Mortgage Act of 1933 last May it authorized the Federal land banks to issue \$2,000,000,000 of bonds, the interest on which would be guaranteed by the United States. It also provided an initial fund of \$200,000,000 for emergency loans to supplement loans made by the Federal land banks.



The fund for the emergency loans will shortly be exhausted. The question of the ultimate responsibility of the government for payment of the principal of the \$2,000,000,000 of bonds was left open. From the common sense point of view everyone knows that the guarantee of interest would, in all probability, be followed by the government making good any deficiency of the principal. This being so, we might as well be frank and provide a bond on which both the principal and interest are guaranteed. The result would be to put such bonds on a par with government securities.

By setting up a corporation to issue bonds fully and unconditionally guaranteed by the United States, as provided in the attached bill, the important task of refinancing agricultural indebtedness can be continued on virtually a self-sustaining basis. The emergency loans can be carried on ^{within the limits of existing authorizations} ~~without further appropriations~~ and the loans of the Federal land banks can proceed without interruption. The Farm Credit Administration acted upon my request and expedited the disbursement of funds. ^{and} In order that progress in making loans may be uninterrupted, I ^{hope} ~~request~~ Congress ^{will} ~~to give immediate~~ attention to this bill.

Subject as soon as possible.

In the Emergency Farm Mortgage Act of 1933 the Congress provided an initial fund of \$200,000,000 to be used by the Land Bank Commissioner in refinancing farm mortgage indebtedness. Loans from this fund are made up to 75 per cent of the value of the property mortgaged, supplementing loans made by the Federal land banks. Disbursements are now being made at a rapidly increasing rate and the original fund will shortly be exhausted.

Rather than request an appropriation from the Congress for this purpose, it would appear more practicable to finance such loans by means of a government corporation as provided for in a proposed bill which is attached. This corporation would be chartered by the Governor of the Farm Credit Administration and would make loans to farmers similar to those now made by the Land Bank Commissioner. The capital of the corporation would consist of the \$200,000,000 appropriated under the Emergency Farm Mortgage Act of 1933 for the purpose of making Land Bank Commissioner loans.



In addition to its capital, funds would be obtained through the issue of bonds in an aggregate amount not to exceed \$2,000,000,000, the interest and principal of which would be fully and unconditionally guaranteed by the United States.

The corporation would also finance the operations of the Federal land banks through the emergency period by purchasing their bonds. To date it has been impossible to market the banks' consolidated 4 per cent interest-guaranteed bonds at or near par. No public offering of these bonds has been made.

Since conditions are such as to make it undesirable or impracticable to offer the bonds of the corporation for sale on the market, farmer borrowers from both the corporation and the Federal land banks will be given, in lieu of cash, bonds of the corporation which would be equivalent to direct obligations of the United States Government.



This corporation will provide a means of carrying on the program of refinancing agricultural indebtedness with a minimum of appropriated funds. The supplementary long-term loans to farmers can be continued and the financing service to the Federal land banks will enable farmers to build a permanent cooperative system furnishing long-term mortgage credit at low rates of interest.

January 10, 1934

STATEMENTS FILE

FOR THE PRESS

~~Shorthand By Kannee~~
CAUTION -- HOLD FOR RELEASE.

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CONFIDENTIAL: To be held in confidence and no portion, synopsis, or intimation to be published or given out until its READING has begun in the Senate or in the House of Representatives. Extreme care must be exercised to avoid premature publication.

STEPHEN EARLY
Assistant Secretary to the President.

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TO THE CONGRESS:

I have already suggested to the Congress that one of our tasks, in the light of experience, is to improve and perfect previous legislation.

I now recommend that the Emergency Farm Credit Act of 1933 be amended to provide responsibility by the Government for the payment of the principal of, as well as interest on, bonds issued.

Two billion dollars of bonds were authorized. While the interest was guaranteed, the ultimate obligation of the Government for payment of the principal was not legally assumed. We should supplement what most of us frankly believe to be the moral responsibility of the Government by adding the necessary legal responsibility. The result of providing a bond on which both the principal and interest are guaranteed would be to put such bonds on a par with Treasury securities.

By setting up a corporation to issue these bonds, the important task of refinancing agricultural indebtedness can be continued on virtually a self-sustaining basis.

The Farm Credit Administration is expediting the disbursement of funds. In order that progress in making loans may be uninterrupted, I hope that the Congress will give attention to this subject as soon as possible.

It is true that technically the responsibilities of the Government will be increased by the amount of \$2,000,000,000.00, but it seems in every way right that we thus publicly acknowledge what amounts already to a moral obligation. In any event, the securities to be offered are backed, not only by the credit of the Government, but also by physical property of very definite value.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE
January 10, 1934.

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task of refinancing agricultural indebtedness can be continued on virtually a self-sustaining basis. ~~The emergency law~~^{can} can be carried ~~on within the limits of existing authorizations, and can proceed without interruption.~~⁹ The Farm Credit Administration is expediting the disbursement of funds. In order that progress in making loans may be uninterrupted, I hope that the Congress will give attention to this subject as soon as possible.

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