

GOVERNMENT LOANS ON REAL ESTATE.



SPEECH

OF

Hon. LELAND STANFORD,

OF CALIFORNIA,

IN THE U. S. SENATE,

MAY 23, 1890.

In the United States Senate, on Friday, May 23, 1890, Senator Stanford, of California, asked for consideration of the following bill, S. 3889: "A Bill to provide for making loans by the Government and securing the same by liens upon land."

The bill was read:

A BILL to provide for making loans by the Government and securing the same by liens upon land.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That there is hereby established in the Department of the Treasury of the United States a Bureau to be known as the Land Loan Bureau.

SEC. 2. That a chief and deputy chief of such Bureau shall be appointed by the President of the United States, by and with the advice and consent of the Senate; the salary of the chief of such Bureau shall be six thousand dollars per annum, and of the deputy chief five thousand dollars per annum.

SEC. 3. That it shall be the duty of the chief of such Bureau, under the direction and with the approval of the Secretary of the Treasury—

First. To superintend the affairs of the Bureau; to receive and approve or reject applications for loans.

Second. To keep a record of all such applications and of the action had thereon.

Third. To keep an account with every person to whom a loan is made.

Fourth. To keep an account with the Treasurer of the United States, showing all moneys received and disbursed by him and the purpose for which such receipts and disbursements were made; to collect and pay into the Treasury of the United States all loans when due or payable.

Fifth. To make all proper rules necessary to carry this act into effect.

Sixth. To appoint such subordinate officers of the Bureau as may be necessary to carry out the provisions of this act, and to define their duties.

Seventh. To prescribe the form and manner of keeping accounts with the Treasury of the United States, and with the various persons to whom loans shall have been made, and of the expenses and disbursements in connection therewith.

Eighth. To perform such other duties as are prescribed by law.

SEC. 4. That the Treasurer of the United States is hereby authorized and directed to be caused to be printed, signed, and ready for issue, for the purposes hereinafter mentioned, circulating notes of the United States of the denomina-

tions of five dollars, ten dollars, twenty dollars, fifty dollars, one hundred dollars, five hundred dollars, and one thousand dollars, to the amount of one hundred million of dollars, and such additional amounts from time to time as shall be necessary to meet the requirements of this act.

SEC. 5. That said notes, when issued as hereinafter directed, shall be a legal tender in payment of private debts, equally with gold and silver coin of like amounts, and shall be received at par in all parts of the United States in payment of taxes, excises, public lands, and all other dues to the United States, and also for all salaries and other debts and demands owing by the United States, within the United States, except interest on the public debt, and in redemption of the national currency.

SEC. 6. That said notes, when ready for issue, shall be held in the Treasury to the credit of the Land Loan Bureau until issued as hereinafter prescribed.

SEC. 7. That every person who is a citizen of the United States, or who has declared his intention to become such, and who is the owner, in fee, of unincumbered agricultural land, may file with the Bureau an application for a loan to be secured by a lien upon such land valued for agricultural purposes. Such application must be in the form prescribed by the chief of Bureau, and must describe the land, and state its actual cash value for agriculture, independent of improvements, and also its assessed value for taxation purposes, for the year previous to application, the amount for which the loan is sought, which must not exceed one-half the assessed value of the land, and the time for which the loan is to run not exceeding twenty years, together with such other facts as the chief of Bureau may by regulation prescribe. No loans shall be made upon land of less than five hundred dollars in value nor in sums less than two hundred and fifty dollars.

SEC. 8. That a copy of the application for such loan must, at or before the time of its receipt by the chief of Bureau, be filed in the office of the recorder of deeds or the officer exercising the functions of recorder in the county of the State or Territory in which the land described is situated, or if the land lies in two or more counties, in such office in each of the counties; and from the time of the filing of such application in such office such filing shall constitute a lien upon the land described for the amount of any loan granted by the United States under such application, and shall be notice to all subsequent purchasers and incumbrancers, and shall be a paramount lien over all others with which said land may be further encumbered, and shall, if the application is granted, continue until the money thereby secured, with the interest, costs, and legal charges of collection has been fully repaid and satisfied.

SEC. 9. That upon filing of such application with the Bureau of Land Loans the applicant must deposit a sum, the amount of which shall be prescribed by the chief of Bureau, sufficient to pay the costs of examination of the title to the land, and inspection and appraisal thereof, which examination, inspection, and appraisal shall be made by persons within the respective counties, to be appointed for that purpose by the chief of Bureau, and their compensation must be paid out of the amount so deposited; the balance, if any, to be returned to the applicant.

SEC. 10. That if the chief of Bureau, upon such application and upon the report of the commissioners of title and appraisers, is satisfied that the title is perfect and that the amount sought does not exceed one-half of the actual cash value of the property and is not greater than one-half of the assessed value thereof for the year previous to application, then it shall be his duty to notify applicant that the loan is granted, and to direct an entry to be made upon the books of his office, crediting the full amount of the loan to the applicant, and to transmit to the proper officer of the Treasury of the United States an order directing him to pay the amount thereof, in the notes hereinbefore provided for, to the disbursing officer of the Land Loan Bureau, where the same shall remain, subject to the order of the applicant, who may at once, or from time to time as he may desire, draw the same upon his check or draft.

SEC. 11. That the chief of Bureau, after having received the report of the commissioners of title and appraisers, and being satisfied that the title to said land is in the applicant, but that the loan sought is too large, may so notify the

applicant, and advise him that a smaller sum (naming it) would be lent. In case the applicant accepts such smaller loan proceedings shall be then had, as provided in section ten thereof, and the chief of Bureau shall issue to such applicant a certificate to be filed in recorder's office where the original application is filed, certifying that the said loan has been made for an amount less than is set forth in the application (stating it), which certificate shall, as to the amount, have the effect of reducing the lien of the United States to the sum therein stated.

Sec. 12. That if upon the land described in the application there is an existing lien or incumbrance to secure the payment of money presently due and payable, and in an amount less than the loan sought and granted, then the land shall be deemed unencumbered, but instead of paying the amount loaned to the applicant it shall be the duty of the disbursing officer, out of the sum loaned, to pay off the amount due, and to cause to be discharged the lien or incumbrance, charging the amount of such payment to the applicant in like manner as if it had been paid on his check or draft.

Sec. 13. That it shall be the duty of the chief of Bureau to cause an account to be opened, on the books of the Department, with each person to whom a loan is made, crediting him with the amount of the loan, and charging him with the amount drawn thereon, with interest on the amount so drawn at the rate of two per centum per annum, and also to credit to such account all payments made, so that such account shall at all times show the true state of account between such person and the United States.

Sec. 14. That any person who is indebted to the United States on any of the accounts aforesaid, may at any time pay into the Bureau the whole or any part thereof, not less than twenty-five per centum, and may at the time of making such payment, with the consent of the chief of Bureau, elect in writing to make the security already given a continuing one until the expiration of the twenty years, and may at any time during the life of the original loan, by check or draft, draw from the Bureau a sum or sums up to the full amount of the loan originally granted. It shall be the duty of the Secretary of the Treasury to cancel and retire from time to time amounts equal to the payments made on loans under the provisions of this act, and in case payment of such loans is made in other currency of the United States, to cancel an equal amount of the notes issued under the provisions of this act.

Sec. 15. That whenever an application for a loan is refused, or when a loan once made has been fully paid without an election to continue the same, the chief of Bureau shall make a certificate stating the fact, which certificate, filed in the office of the recorder of the county in which the original application was filed, shall release the lien of the United States upon the land described in the application.

Sec. 16. That all loans made under the provisions of this act shall bear interest at the rate of two per centum per annum, payable annually, and in default of the payment of any such interest, or on any default in the payment of principal, the chief of Bureau may order a foreclosure of the lien by a suit in the name of the United States as plaintiff, in any court of the State in which such mortgaged lands, or any part thereof may be, or in any circuit or district court of the United States for the district in which such mortgaged lands may lie, or if such mortgaged lands lie in a Territory, or in the District of Columbia, then in such territorial or district courts; all proceedings in foreclosure cases shall, as nearly as may be, conform to proceedings provided for by law in the State in which the land may be situated for foreclosure of mortgages, and in addition to the amount of the principal and interest recovered, there shall in such proceedings be added to the principal and interest due, the cost thereof, and attorney and counsel fees at the rate of five per centum on the amount of the principal sum: *Provided*, That in no case shall such attorney and counsel fees exceed five hundred dollars.

Sec. 17. That words used in this act in the present tense shall include the future as well as the present. Words used in the masculine gender shall include the feminine. Words used in the singular number shall include the plural and the plural the singular; and the word person shall include corporations as well as natural persons.

Sec. 18. That the rule of the common law, that statutes in derogation thereof

are to be strictly construed, shall have no application to this act. This act establishes the law respecting the subject to which it relates, and its provisions and all proceedings under it are to be liberally construed with a view to effect its object.

Sec. 19. That this act shall be in force from and after its date.

Senator STANFORD then addressed the Senate as follows:

"Mr. PRESIDENT: On the 10th of March I introduced a resolution intended to provide for additional money for the use of the people, and to effect this end suggested that the Government should issue its money direct to the owners of unencumbered agricultural property independent of improvements.

I find that although the resolution has been widely commented on it is not always clearly understood. As an aid to its proper understanding I have presented a bill providing for loans by the Government upon real estate. It will be observed that the plan is very simple. There is little complexity about it, and the department created to accomplish its purposes will be much less complicated than our Post-Office Department is to-day. The bill authorizes loans not exceeding one-half the value of the property mortgaged, but probably the loans will never reach to more than one-third of the value of the security.

The principle of the Government loaning money upon property is completely established in its present advance of 90 per cent. upon Government bonds. The tremendous results of energizing this 90 per cent. and putting it into activity are apparent to all. Equally valuable will be the energizing of the latent forces of real estate.

The bill confines its provisions for loans to agricultural lands, but in time they will probably be extended to some other kinds of property, and even to municipalities with proper restrictions. But for the present I desire to be conservative and take no chances. Therefore, I want the loans limited to agricultural land.

Money is the great tool by which exchanges of commodities and values are balanced and made easy. I think it legitimate to call money a tool. It is valuable only for the purpose of exchange, aiding the exchange of commodities valuable in their use. For other purposes money would only have the value of the material upon which it is made. It is the stamp of the Government that makes money and not the material upon which the stamp is placed. Money is valuable according to its purchasing power, or perhaps more strictly according to its power to pay debts and discharge obligations and liabilities.

To appreciate the importance of money in the various affairs of life we have but to imagine the condition that would ensue if money were suddenly obliterated from all business affairs. There would be a general suspension of business all over the country

that would be ruinous, and unless speedily relieved would absolutely destroy our prosperity, and would go far towards reducing us to the poverty and wretchedness of barbarity.

Appreciating the calamity that would befall us if money were suddenly stricken out of the affairs of men, we can readily understand the advantages that would accrue from a liberal supply equal to the wants of all who, by reason of their position, integrity of character, and business capacity, are entitled to credit, and who can use it in giving employment to the unemployed, and developing the resources of the country that now are undeveloped for want of this tool—the master of all tools—an abundant supply of money.

Constant and intelligent employment for all is the great step forward towards availing ourselves of the inexhaustible supplies of nature to satisfy all the reasonable wants of mankind. Give to the enterprise and capacity of the country ample financial means, according to merit, and there will be no need of idleness. Employment will be readily furnished by those anxious to make a profit, and content with a small profit where larger cannot be had. Until co-operation of labor shall become the rule, it is the comparatively few who must furnish steady and profitable employment for the many.

But it is not necessary to dilate upon the advantages of constant employment, nor the certainty with which this would be secured by an amount of money equal to the best enterprise, energy, and capacity of the whole people. The greatest prosperity to the country will be evolved by the steady and constant employment of its laboring element. When the many are prosperous the individual cannot be otherwise.

I will proceed now to consider the practical question of how to furnish a sufficiency of money.

The bill provides that the Government shall loan on agricultural property, independent of improvements, 50 per cent. of the assessed value, at a rate of interest of 2 per cent. per annum. The best security that can be offered is agricultural land. The power of the Government to create money is conceded and its value is the same, whether made of iron, copper, silver, gold, or paper. The important point therefore is that it should be stamped by a Government whose credit is unimpeachable, and which has the power of making money.

The next important consideration is, How can the Government, without injury to itself, place in circulation that which is so much needed and is so absolutely essential to the commercial and business transactions of civilized life? The Government can accomplish this by taking the agricultural lands of the country as security upon the terms and conditions indicated in the bill.

No pressure for redemption can be brought to bear upon the Government, as only those who are entitled or in a condition to have the mortgages redeemed can make a claim on the Government. The paper will always be redeemed by the Government surrendering the mortgage upon the presentation of the amount of money necessary for that purpose.

The Government loans its credit to the individual in order that the whole people may have a sufficiency of money with which to prosecute their business.

The bill provides that the money thus issued by the Government shall be legal tender, payable for all debts and claims, public and private, except the interest on national bonds and the redemption of national notes. There is no analogy between this scheme for a Government of sixty-five millions of people, with its boundless resources, issuing its money, secured directly by at least two dollars for one, on the best possible security that could be desired, and any other financial proposition that has ever been suggested. It is true there have been other loans, secured by mortgages, as, for instance, that of the Safety-Fund system of New York; but in that case the money issued was that of the bank. In a small way money has been loaned on real estate before, as provided in Pennsylvania, in the time of Wm. Penn, but never has a great nation, such as the United States, made its own money and put it in circulation with a special security of real estate of double the value of the money coined.

I therefore do not recognize any analogy between the plan embraced in the bill under consideration and any other that has ever been proposed. We can all well understand the great advantages to the people at this time of a loan made by the Government of 90 per cent. upon its own securities. One hundred thousand dollars of Government bonds at 4 per cent. only produces four thousand dollars, yet when its value becomes energized to the extent of 90 per cent. (which the Government advances) its power is so increased that the ninety thousand, in its activity, may in the course of a year double its value and pass from hand to hand many times, stimulating the various industries of the country. So, too, this bill will have a corresponding energizing effect. The money issued is not intended to accommodate the farmer alone, but as it comes into circulation it will put the means of prosperity within the reach of those who are engaged in the smaller and larger industries of the country. This money issued by the Government becomes automatic. It will contract when there is less use for it, and expand when there is a greater demand; thus disastrous financial contraction will cease to be possible.

I think there is good reason for fixing the rate of interest at 2

per cent. With a 2 per cent. interest no farmer will borrow money unless he has use for it, and when he ceases to have use for it he will return the money. That, however, will seldom occur, because the very activities that will be created by a liberal supply of money will make a demand for it, so that the man who has borrowed money of the Government at 2 per cent. will be able to loan it to various active interests at a higher rate of interest. The extent to which the rate of interest he pays is a burden to the borrower, is largely determined by the nature of the business in which he may be engaged. The farmer having but one yearly product finds the interest which he pays a burden upon that product, which he cannot recoup as does the merchant. For instance, a farmer owning a farm worth \$10,000 borrows upon it \$5,000 at 6 per cent., and immediately places a heavy burden upon the product of his property, for his interest is \$300 per annum, and the product of his farm, very likely, will not be above \$2,000.

A merchant borrows from a commercial bank \$5,000, perhaps with a single endorser, for sixty days, and pays 6 per cent. for the use of the money. He has, say, \$10,000 worth of merchandise on hand, which he turns over every two months, thus making \$60,000 to bear the interest of 6 per cent. upon \$5,000. Besides this, the interest that he pays can be added to the cost of his merchandise or product, and thus he recoups the amount he pays out and does not feel it.

So that interest on money is liable to advance for commercial and business purposes according to the activity of business. The very value of money itself lies in its activities. This plan of loaning money upon land at two per cent., with the privilege to the borrower of returning it when he has no use for it, creates a monied system that will meet financial expansion and contraction as they may occur without inconvenience to any. Under its provisions, the real estate of the country being so vast, there will always be the possibility of obtaining the money necessary to carry on the enterprises of the country, and when there is no further use for the money the borrower stops paying interest and takes up the mortgage upon his farm.

The bill which I have presented is not expected to be perfect in its details, although I think it provides fairly well to place the machinery in good working condition to carry out the designs. I have given this subject a great deal of thought for years past, and that thought has at last matured in this bill.

I have limited the time to 20 years, but of course, if at the end of that time it is found that the value of the land has increased, the loan can be renewed for an amount in proportion to the increased value of the property.



I believe that if the bill is adopted with such amendments as shall seem wise to Congress it will largely increase the prosperity of the humblest classes in labor, and assist the wealthier to success in their enterprises. It will place the means necessary for enterprise and the employment of industry in the hands of all that are fitted for its management.

I believe that its provisions will make us independent of the foreign money-lender, and that the many millions now going abroad in the way of interest will be kept at home.

The masses are beginning to realize that the condition of life for humanity is not what is possible. To reach the possibility is the great question now to be considered. In the unrest of the masses I augur great good. It is by their realizing that their condition of life is not what it ought to be that vast improvements may be accomplished.

It is the duty of statesmen to furnish the means, if possible, to find out the way by which the Creator's design for the highest advance of civilization is to be obtained. Want, discomfort, and misery are not necessarily the heritage of the industrious and provident man.

Put the tools of industry in capable hands that know how to use them and great results will follow.

The bill provides for what may, perhaps, not improperly be termed a revolution in finance, and I do not expect that it will be adopted until it has been fully considered by the people and has met with their approval.

I move that the bill be referred to the Committee on Finance."

The motion was agreed to.