THESIS

AN ANALYSIS OF LONG TERM OR INVESTMENT CREDIT IN COLORADO

Submitted by

Ralph M. Davidson

In partial fulfillment of the requirements
for the Degree of Master of Science
Colorado Agricultural College
Fort Collins, Colorado

May 17,1932

COLORADO AGRICULTURAL COLLEGE

GRADUATE WORK

May 29 1933

I HEREBY RECOMMEND THAT THE THESIS PREPARED UNDER MY SUPERVISION BY Ralph M. Davidson

ENTITLED An Analysis of Long Term or Investment Credit in Colorado

BE ACCEPTED AS FULFILLING THIS PART OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF Science

MAJORING IN Economics and Sociology

CREDITS 7

L. A. Moorhouse
In Charge of Thesis

APPROVED L. A. Moorhouse
Head of Department

Recommendation concurred in

Committee on Final Examination	Committee on Advanced Degrees
L. A. Moorhouse	Chas. A. Lory
Geo. T. Avery	E. P. Sandsten
D. N. Donaldson	[illegible]
H. B. Pingrey	
Alvin Kezer	
E. P. Sandsten	
[illegible]	

This thesis, or any part of it, may not be published without the consent of the Committee on Advanced Degrees of the Colorado Agricultural College

ACKNOWLEDGMENT

The writer wishes hereby to express his appreciation of the guidance and inspiration of Professor Llewellyn A. Moorhouse, throughout this work.

TABLE OF CONTENTS

PART I

PART III

PART IV

PART I

INTRODUCTION

INTRODUCTION

During the last two years there has been a widespread demand for agricultural relief among farmers in order that they might not lose their farms from foreclosures.As a result of this,many surveys have been made to determine the actual situation of the farmers.Such a survey had not been undertaken for Colorado .

According to census figures the number of owner-operated farms which were mortgaged in the United states increased from 35.4 percent in 1920 to 39.1 percent in 1930.[1]

Colorado has had a similar increase .During the last 20 years Colorado farmers have greatly increased their credit secured by first mortgages on real estate and other property.In the United States Census report for 1900 there were stated to be for Colorado 4,610 owner-operated farms with mortgage debt;this was approximately 26 percent of the total number of such.Later census figures show that this mortgage indebtedness has steadily increased ,reaching a peak in the period of 1920 to 1925 .

For full-owned farms the 1910 census report gives the total value of land and buildings in Colorado as $77,332,-668 and the amount of the mortgage debt as $18,986,026;or 24.6 percent of the total value .

The mortgage report in this 1910 census does not

1.United States Census Report for 1930.

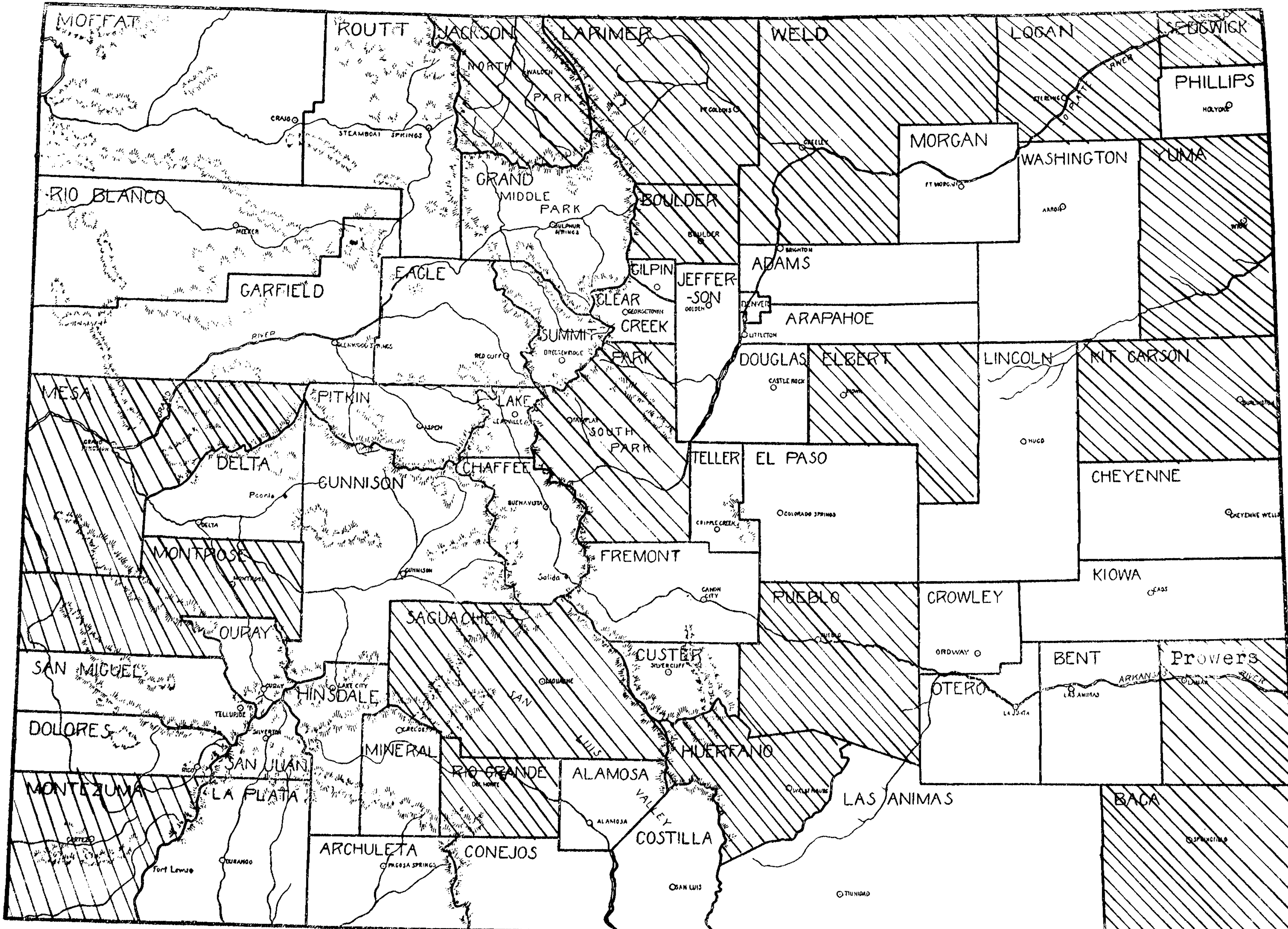

Fig.4. Shaded Counties Used for a Sample.

state the mortgage debt to be long term indebtedness, but it may be safely assumed that these mortgages were for long periods of time, as short time loans are seldom secured by mortgages on farms.

By 1920 the value of full-owned land and buildings had increased to a peak of $211,700,699 .The mortgage indebtedness had increased to $62,623,338 which represented 29.58 percent of the capital invested in such farms.

In the reports of the 1925 census the value of full-owned land and buildings had dropped to $144,065,345 , but the mortgage indebtedness had decreased only to $61,408,229. The mortgage indebtedness had thus increased to 42.6 percent of the capital invested in such farms .By 1930 the value of land and buildings was further decreased to $97,701,953 and the amount of the mortgage indebtedness sharply decreased to $37,735,927.This was 38.62 percent of the value of the land and buildings.[1]

Figure 1 shows the relation between the amount of indebtedness and the value of full-owned land and buildings on the percentage basis for Colorado for the period of 20 years, from 1910 to 1930 .

Figure 2 shows the curve for prices of agricultural products from 1910 to 1933 .It shows, especially, the high prices received for agricultural products from 1917 to 1920.It was in this period of high prices that the

---

1.United States Census Report for 1910,1920,1925,1930.

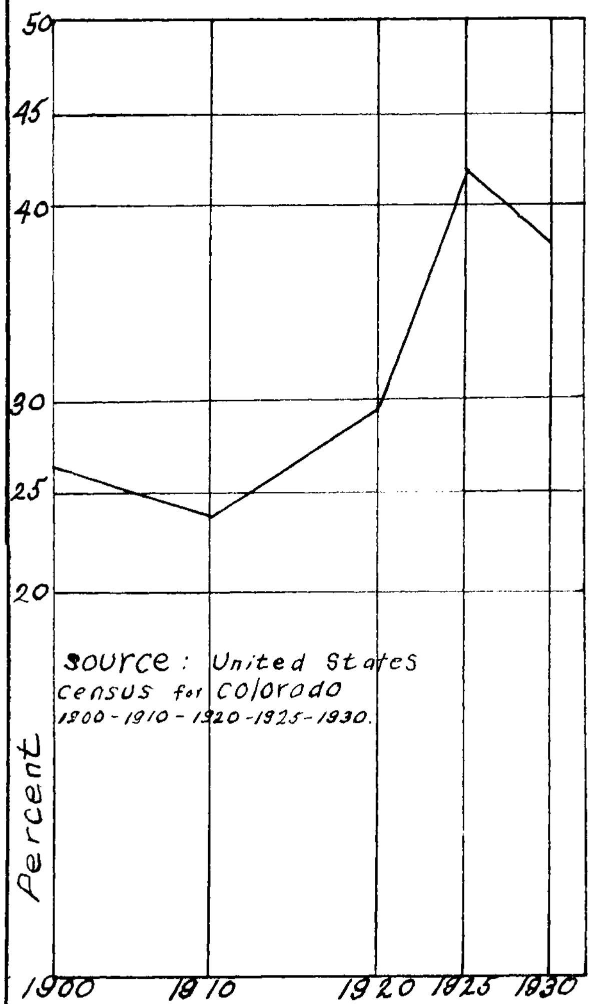

Fig. 1
Ratio of value of land to mortgage debt.

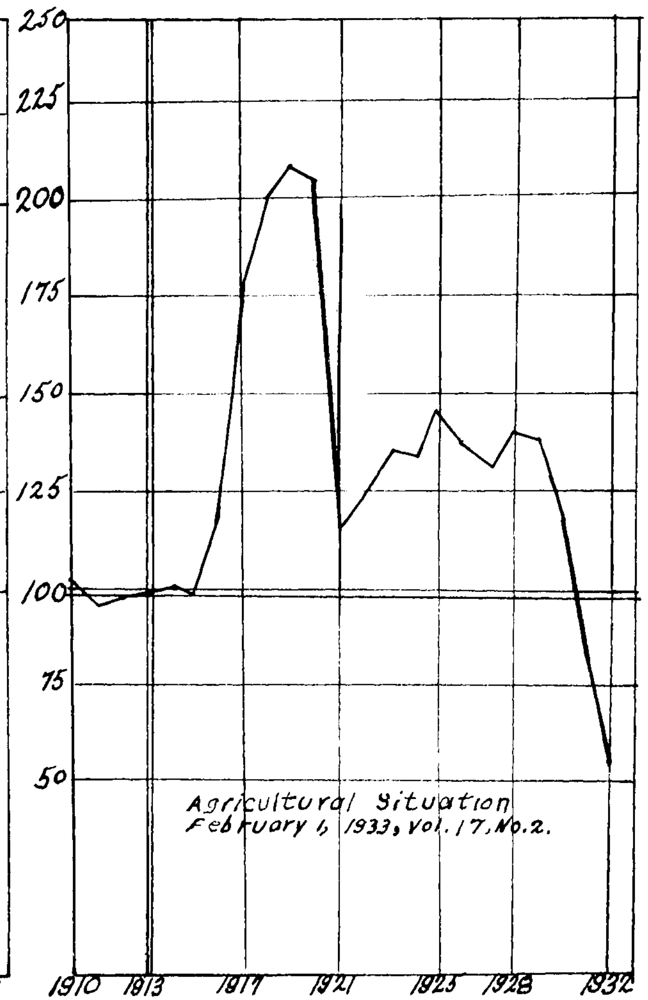

Fig. 2
Price levels for agricultural products.

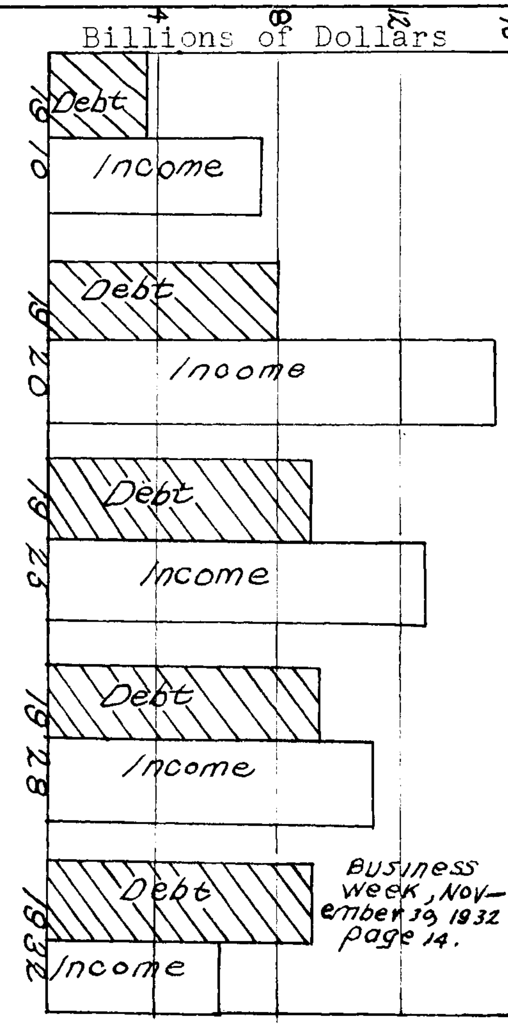

Fig. 3
Farm mortgage debt to income.

bulk of the farm-mortgage indebtedness was contracted . After this very high rise,prices suddenly dropped as shown by the graph,and finally reached the lowest level in 1932 of the 22 year period.

Figure 3 shows the relationship of the income and debt of the farmers in the country as a whole.When prices for agricultural products were high , the income was also high and the debt was not so noticeable, but as the income began to decrease with the lowering of prices for agricultural products, the farm-mortgage debt failed to lower until after 1928. The relationship of debt to income in 1932 is significant in the farm-mortgage situation for it is applicable to Colorado farmers because their income is derived from agricultural products as other farmers in the United States.

Accompanying the period of rising prices was the increased transfer of land.In general,the transfer of land and the tendency during this period to expand the investment in livestock and equipment demanded greater loans.[1] This,too, added another element in the farm-mortgage situation.

In addition to the irregular downward trend of prices for agricultural products, especially, the lowness of the price level in 1932,the relationship of debt-to-value of farm land and buildings, and the relationship of farm-

1.Wickens,David L.,"Farm-Mortgage Credit",United States Department of Agriculture,Technical Bulletin 288 p.20.

mortgage indebtedness to the income of the farmers, is the rather heavy tax burden of the farmers.

Taxes constitute an element in the farm-mortgage situation, for taxes must be paid or the farm will be sold for taxes. If a farmer must pay high taxes and his income is small due to a downward trend of prices for agricultural products and unfavorable weather conditions which are not conducive to good crop yields, he will have very little left with which to live or to pay on a mortgage debt.

Table 1 shows the mill levy and assessed valuation for the years 1913 and 1932 in Colorado .

Table 1.

Year	Mill levy	Assessed valuation
1913	14.5	$1,306,391,296
1932	30.0	1,280,098,980

Source: Colorado Yearbook , 1932, p.24
Colorado Tax Commission Report, 1915,p. 61-63.
Stackelback, D.F.,"Denver Post", October 1,'32.

Again considering the present price level and then considering the assessed valuation of property and the mill levy for the years 1913 and 1932, we find that the mill levy is twice as great as it was in 1913 and the assessed valuation is approximately the same. This means that the farmer is paying greater taxes than his income would permit according to the curve of price levels of 1913 and 1932.

In view of these facts relative to the farmers situation, the writer has taken for a title of this paper "AN ANALYSIS OF LONG TERM or INVESTMENT CREDIT in COLORADO."

As a guide in making this survey the writer has set up the following objectives:

1. To survey broadly the farm-mortgage situation in Colorado in order to find what has been done in farm-mortgage credit by the institutions which supply this type of credit to farmers.
2. From the findings of the survey, to analyze the farm-mortgage situation as it is at the present.
3. From the results of the survey, to offer suggestions for the improvement of farm-mortgage credit in Colorado .

HISTORY of AGRICULTURAL INVESTMENT CREDIT in COLORADO

E.S. Sparks says , "a study made in 1894 revealed that 55 percent of the mortgages of the country were held by local investors; non-resident investors held about 18 percent of the mortgages, the savings banks about 10 percent, building and loan associations 5 percent, and mortgage companies less than 2 percent of the mortgages.[1]

"Mortgage companies were especially adapted to deal in real estate in the West," says Sparks. In 1891 there were seven such companies operating in Colorado; Nebraska had twenty-three such companies at that time[2].

It is safe to assume that commercial banks and private individuals furnished the bulk of the mortgage credit for Colorado farmers, since none of the larger investment credit institutions were lending in Colorado from 1900 to 1910, or even a few years later. No mention is made in the census reports as to the source of the mortgage credit.

Life insurance companies began their lending operations in Colorado sometime after 1900. No data are compiled until 1914 at which time the " Annual report of

---

1. Sparks, E.S., " Agricultural Credit in the United States, pp. 178-179.
2. Ibid., p.179.

the association of Life Insurance Company Presidents" began listing the amounts of loans made in the Mountain division, in which Colorado is located.[1]

A survey made in 1916 by the United States Department of Agriculture finds life insurance companies holding 8.5 percent of the total farm mortgages in Colorado[2].

In 1916 the Federal Farm Loan Act passed. It embodied three principles: (1) To provide for a longer term of loans and the payment by amortization. (2)Reduce the cost of borrowing by reducing the adminstrative charges and giving mobility to funds seeking investment. (3) Mobilize the credit so effectively that interest rates on mortgage loans will be equalized.[3]

State funds and state credit agencies have furnished some of the agricultural investment credit, but these are fast fading from the picture.

In the period with which we are concerned farmers have resorted to some form of credit. In the 18th report of the Association of Life Insurance Company Presidents, it is said that "farmers require operating capital , in normal times, so far as they represent borrowed money, are normally supplied by local banks in the form of short term obligations"[4]. In abnormal time"liquidation is difficult and

1. Annual report of the Association of Life Insurance Company Presidents, 1914.
2. United States Department of Agriculture, Bulletin 384 p.10 , 1916.
3. Putnam, G.E., "American Economic Review", December, 1916 pp.770-789.
4. Op.Cit. 1 , p.160.

refinancing in the form of farm-mortgage loans has been the practice."[1]

This is evident by reviewing some of the purposes of the long term credit in the tables which will appear later in the paper. When the farmer attempts to raise his standard of life,acquire better equipment,and other things, he finances these in the form of short time loans and as these accumulate to such an extent that liquidation is difficult, he resorts to some other form of credit with which he may liquidate the short term obligations and later liquidate the longer term obligations by amortization with lower interest charges distributed over a number of years.

Such credit as this was set into operation by the Federal Land Bank in 1917, and is now being adopted by some insurance companies.

When these new systems of investment credit for agriculture spread into Colorado ,they were influential in reducing the interest charges made by local banks and the mortgage companies.[2] This was one of the reasons why the Federal Farm Loan Act was so welcomed by the farmers.

Wickens reviews the farm-mortgage situation as follows: taken as a whole , the mortgage on many farms has been a definite burden during the last decade since prices have fallen and indebtedness has remained.In addition to rising land values before 1920 and the funding of other debts

1.Annual report of the Association of Life Insurance Company Presidents,1924,p.160.
2.United States Department of Agriculture Bulletin 384,p13. 1916.

since that time , an important factor has been the increase due to the cost of the existing debt."[1] *

Whenever the interest from the farm-mortgage debt approaches the net income of the farmer , it will tend to add to the distress of the farmer, and eventually put him out of business. If the income is such that the charges on the debt may be paid and the farmer still maintain a standard of life , the mortgage situation is not so vivid. That is , if the prices for agricultural products are so low , or that the yield is so poor that the returns will not meet the interest charges on a debt,the creditor or creditors become frantic and want their interest, if interest is paid regularily things run along smoothly and little is said.

Wickens,David L.,"Farm-Mortgage Credit",United States Department of Agriculture Technical Bulletin 288 ,p.18.
*Cost of the existing debt is the interest paid on the debt.

PART II

AGENCIES THAT DEAL WITH INVESTMENT CREDIT

METHODS AND PROCEDURE USED IN THE RESEARCH

That the objectives set up in the introduction may be satisfied ,the writer will make the survey from material which has been published with respect to the agencies which deal with farm-mortgage credit .

The principle agencies that deal in farm-mortgage credit with respect to their importance are:Federal Land Bank, Life Insurance companies, private investors, and other agencies.[1]

The source of material will be from the United States census reports ,Annual Report of the Federal Farm Loan Board, reports from the Federal Land Bank of Wichita, and other reports that the Department of Economics and Sociology may furnish .

SAMPLING

Nineteen counties were used for a sample in this study of investment credit . The counties are:Baca, Boulder, Elbert,Huerfano, Jackson, Kit Carson, Larimer, Logan, Mesa, Montezuma, Montrose, Park, Prowers,Pueblo, Rio Grande, Saguache, Sedgewick, Weld, and Yuma. The counties were selected from such regions as the dry land regions,from the typically irrigated regions, those regions devoted to livestock raising, those in which fruits are raised, and other such regions which are set apart by geographical make-up.

The counties which are located in the typically

1.Wickens,David L."Farm-Mortgage Credit" p. 21.

dry-land regions are Logan,Sedgewick, Yuma, and Kit Carson. In this region wheat and corn are the chief crops. Jackson county is located in the mountaineous region which is particularily well adapted to the raising of livestock .Park county is another such mountainous region. Baca county, in the Southeastern part of the state is a dry-land region and wheat and corn are the main crops in this county .In the San Luis Valley of which Saguache county is a part,potato growing is one of the main crops. On the Western Slope where Montrose and Mesa Counties are located ,are grown many fruits,and truck gardening flourishes.Montezuma county is imperfectly developed for agriculture, however,some dairying is done in this county . The Arkansas Valley is well known for mellon raising and vegetable crops.Prowers and Pueblo counties fall in this section also . Larimer, Weld, and Boulder are the typically irrigated regions. Mining is the chief industry in Huerfano county, although some agriculture is carried on.

Figure 4 is a map of Colorado showing the counties used in the sample.

PART II

AGENCIES THAT DEAL IN INVESTMENT CREDIT IN COLORADO

The Federal Land Bank is not an old agency conducting loaning operations in Colorado . It was established since 1916.

Created by the Federal Farm Loan Act in 1916 , section 12,"provides that all loans made by a Federal Land Bank 'shall be a duly recorded first mortgage on farm land within the land bank district in which the bank is located! It provides further that 'no such loan shall exceed 50 percent of the value of the land mortgaged and 20 percent of the value of the permanent, insured improvements thereon,said value to be ascertained by appraisal, as provided for under section 10 of this act'.

The Farm Loan Act provides that in making appraisals 'the value of the land for agricultural purposes shall be the basis of appraisal and the earning power of said land shall be a principal factor'. Small farms operated on a part time basis which , in the opinion of the land-bank appraiser, are incapable of providing sufficient income from the farm business to pay operating expenses, support a family, and retire a land-bank loan are considered ineligible as security for a loan even though their residential value may be such as to make them a safe risk .Federal Land Banks are so prohibited from making loans on highly specialized farms of limited acreage even though such farms are capable of providing sufficient income from the farm business to pay operating expenses, support a family, and retire a land-bank loan .

Every person who obtains a Federal Land Bank loan must become a member of a local association of borrowers known as a "National Farm Loan Association".

National farm loan associations are independent corporations chartered under the Federal Farm Loan Act . All applications must be made through a national farm loan association, The association makes its own appraisal .

The application, together with the association's appraisal report and recomendation, is forwarded to the Federal Land Bank. If, in the opinion of the Bank, the security is satisfactory and if it is eligible as a basis for a land-bank loan, the application is referred to the land-bank appraiser who makes a second appraisal .A loan cannot be made unless the reports of the national farm-loan association and the land-bank's appraisal are favorable. If the amounts recommended by the association and the land-bank appraiser differ, the bank may not loan in excess of the smaller amount recommended by either the national farm-loan association or the land-bank appraiser, or it may refuse to make the loan even though it is recommended by both the association and the appraiser.

Land-bank appraisers are appointed by the Federal Farm Loan Board and, while they are paid by the land-banks, they are in no way responsible to them. They are directly responsible to the Farm Loan Board. It is their duty to investigate and report upon all applications for loans submitted to them by the Federal Land Banks.

If a loan is made the money is paid by the bank to the borrower. The local loan association does not have any funds of its own to loan. However, the association is required to endorse the borrower's note. In case the borrower defaults, the association, as endorser, is held liable for the payment of the loan.[1]

The Federal Farm Loan Act provides that loans be made for periods of 19½-years, 33-years, and 34½-years. The rate of interest is 5½ percent.

"The shortest term for which the Bank makes amortized loans is 19½-years. On a loan of $1000, thirty-eight payments of 4¼ percent of the original principal made each six months pay all the interest and principal except $16.65, which is the 39th payment. Total payments amounting to 8½ percent of the original loan for 19 years, and a smaller final payment, discharge the obligations and pay the debt in full.

This 19½-years loan is preferred by borrowers who are determined to decrease their outlay for interest and to get out of debt as rapidly as possible".[2]

---

1. An Analysis of the Loaning Operations of the Federal Land Bank of Springfield, Bulletin 549, pp. 6-7-8.
2. Circular from the Federal Land Bank of Wichita, November, 1932.

"The 33-year loan which the bank is making has many advantages.The chief feature is that the semi-annual instalments to be paid decrease as the principal is reduced. Payments on principal equal to 1½ percent of the original amount of the loan are to be made each 6 months, and the interest rate of 5½ percent on the unpaid balance becomes due at the same time.

This form of loan meets the needs of farmers who wish to conserve the returns of unusually good years by reducing the mortgage debt on their farms.Any number of instalments to be applied on principal may be paid at any interest paying time after the loan has been in force 5 years.

While this 33-year, decreasing semi-annual payments, a loan does not pay off as rapidly as the 19½-year loan, it is easier to make additional principal payments on it. This makes it fit in better with variable annual returns from crop production . Additional payments on principal decreases the semi-annual instalments to be paid, which is not the case with the 19½-year loan[1]."

In the 34½-year loan, the payment on the principal gradually increases from time to time, while the interest starts rather high and decreases from time to time. Usually the total payments made each year are little more than interest on a short time farm loan.[2]

1.Circular from the Federal Land Bank of Wichita,November, 1932.
2. Ibid.

The Ninth Federal Land Bank District is composed of four states;Colorado, Kansas, Oklahoma, and New Mexico .

The bank of the Ninth Federal Land Bank District is located at Wichita, Kansas and is known as the "Federal Land Bank of Wichita". It is through this bank that all Federal Land Bank loans made in Colofado, New Mexico, Oklahoma,and Kansas must pass.

Since the organization of the Federal Land Bank of Wichita in 1917 to December 31,1932, there has been 41,631 loans closed , 11,326 of which loans were closed in Colorado. An average of 27.2 percent of the total loans closed for the district were in Colorado. Colorado has received 26.6 percent of the amount loaned to farmers by the Wichita Bank from the time of its organization until December 31, 1932.

Table 2 shows the number and amount of loans closed by the Federal Land Bank during each year of its operation and also the ratios of the number and amount of loans closed in Colorado to the number and amount closed in the district.

According to the annual report of the Federal Land Bank of Wichita for 1919, 763 loans were closed in Colorado amounting to $1,807,300. This amount was 30.3 percent of the loans closed in the district .

Especially striking are the figures for the amount and number of loans closed in 1922 and 1933 in Colorado. In 1922 ,1,771 loans were closed amounting to $5,555,300

Table 2.
Number and amount of loans closed by the Federal Land Bank and the ratio of the Colorado loans to those in the district by years from 1917 to 1932.

Year	Colorado No.	Colorado Amt.	Wichita dist. No.	Wichita dist. Amt.	percent of loans in Colo. to Wich.dist. No.	percent of loans in Colo. to Wich.dist. Amt.
1917			Not available			
1918			"	"		
1919	763	$1,807,300	2,627	$ 8,868,700	29.04	20.37
1920	509	1,259,800	1,954	10,045,600	26.04	12.54
1921	553	1,601,600	1,829	3,245,800	30.23	49.30
1922	1771	5,555,300	6,518	21,240,300	27.17	26.15
1923	1641	6,167,400	4,794	8,045,200	34.23	76.65
1924	1281	4,935,500	4,325	25,472,550	29.79	19.37
1925	674	2,720,600	1,983	7,697,200	33.98	35.34
1926	462	1,793,600	1,933	7,478,900	23.90	23.98
1927	557	2,164,300	2,428	8,306,200	22.95	25.44
1928	413	1,382,700	1,681	5,522,100	24.56	25.03
1929	313	1,205,800	1,088	3,779,400	28.76	31.90
1930	331	1,395,500	1,253	4,737,600	26.41	29.45
1931	258	0,965,100	0,992	3,296,300	26.00	29.27
1932	100	0,304,700	0,560	1,834,400	17.85	16.61
Tot.	11326	35,983,300	41,631	135,094,550	380.90	431.40
Av.	809	3,570,300	2,974	9,649,610	27.21	30.10

Source : Annual Report of the Federal Farm Loan Board; years of 1919 to 1932.

This was 27.17 percent of the number of loans closed by the Wichita Bank during that year. In 1923 ,1,641 loans were closed and these loans amounted to $6,167,400.

The number of loans closed during the year was 34.2 percent of the total number of loans closed by the Bank that year and the amount of these loans was 76.6 percent of the amount of the loans closed by the Bank this year .This indicates that Colorado received a large amount of credit from the Federal Land Bank during 1923.

In 1932, only 100 loans were closed which was the smallest number ever closed by the Federal Land Bank of Wichita since its organization .

In a campaign for relief, farmers are more concerned with what they owe now than with what they owed some time ago .The present encumberance of the farmers who have loans with the Federal Land Bank is shown in the net amount of outstanding loans.

Table 3 shows the net and gross amount of loans outstanding by the Federal Land Bank of Wichita from 1928-1932

Year	Number of loans Net	Number of loans Gross	Amount of loans Net	Amount of loans Gross
1928	8,771	10,364	$25,205,910	$32,112,700
1929	8,863	10,677	25,208,693	33,318,500
1930	8,972	11,008	25,336,045	34,713,500
1931	8,972	11,226	25,150,713	35,678,600
1932	9,049	11,326	....	35,983,300

Source :Annual Report of the Federal Farm Loan Board for 1928,1929,1930,1931,1932.

The number of loans outstanding in Colorado in 1928 was 8,771; the net* amount of the loans was $25,205,910

* A net loan is one on which instalments have been paid.

compared with 10,364 gross loans .The gross amount of these loans was $32,112,700 .

This shows that 1,593 loans have been cleared by retiring the debt ,or perhaps by foreclosure in some cases. It also shows that $6,906,790 was involved in the transition from gross loans to net loans.

In 1931 there were 9,049 net loans outstanding in Colorado by the Federal Land Bank from its organization until December 31,1931.

As time goes on more and more loans are retired each year, but the amount required to retire each loan remains about the same .This is shown by comparing the data for gross loans and net loans outstanding, also by comparing the gross amount with the net amount of each year's loans

The gross amount of loans in 1931 was $35,678,600; the net amount of loans for the same year was $25,150,713, the difference between these sets of figures is $10,527,899. This shows that loans are being retired ,even in, years like 1931. These data show that the amount of outstanding loans remains about the same. From 1928 to 1931 the amount of net outstanding loans remained around the $25,250,000 mark, and naturally as more loans are closed more are retired each year.

The net outstanding loans in Colorado by the Federal Land Bank are compared with the mortgage indebtedness reported in the United States census for Colorado for 1930. This comparison shows the volume of Federal Land Bank loans in Colorado .

Table 4 shows the net outstanding loans of the Federal Land Bank of Wichita for Colorado and the amount of mortgage indebtedness on full-owner farms for 1925 and 1930.

Table 4.

Year	Amt.of mortgage debt in Colorado	Net outstanding loans of Fed.Land Bank for Colorado.
1925	$61,408,229	..Not.available..
1930	37,735,929	$25,336,045

Source: United States Census report for Colorado, 1925 and 1930.
Annual Report of the Federal Farm Loan Board for 1930.

The mortgage indebtedness of these farms was $37,735,929 in 1930.The same year the amount of the outstanding loans of the Federal Land Bank was $25,336,045, disregarding that this figure is an accumulative amount from the organization of the Federal Land Bank , it shows that the Federal Land Bank is lending money to farmers in Colorado .

One of the advantages of a long term loan is that the borrower may borrow a greater sum of money at one time with which he may liquidate short term obligations and other debts on which he must pay high rates of interest , and in the case it is necessary to refinance them must pay large refinancing charges.

The bulk of Federal Farm loans are to pay mortgages

Table 5

Purpose of loans submitted for approval to the Federal Land Bank of Wichita from 1922 to 1932.

Year	For purchase of land mortgaged Amount	P'c't	For purchase of other land Amount	P'c't	For buildings and improvements Amount	P'c't	For implements and equipment Amount	P'c't	For irrigation Amount	P'c't	For bank stock Am't	P'c't	To pay mortgages Am't	P'c't	To pay other debts Am't	P'c't
1922	$ 28,855	0.7	$ 3,550 0	.07	$176,750	3.81	$ 42,194	.91	$.......	......	$231,215	5.0	$2,915,124	63.04	$1,042,797	22.5
1923	100,325	1.77	18,070	.03	169,611	2.9	43,507	.76	200	....	284,170	5.0	3,732,428	65.67	1,180,005	20.7
1924	132,065	2.49	32,150	.06	96,288	1.81	45,379	.83	1,919	......	264,389	5.0	3,514,883	66.35	1,047,419	19.7
1925	132,910	4.60	14,240	.11	55,270	1.94	18,249	.64	750	.....	142,601	5.0	1,900,480	66.6	504,680	17.6
1926	146,175	9.5	5,205	.03	23,258	1.5	15,075	.98	3,150	0.02	76,230	5.0	969,603	63.59	247,215	16.2
1927	370,493	9.85			28,244	.75	1,402,937	37.30			113,075	3.0	1,574,831	41.89	260,510	7.16
1928	551,299	34.3			30,760	1.75	91,913	5.72			61,730	3.8	697,032	43.43	172,339	10.75
1929	210,226	16.1			43,640	3.34	53,341	4.47			65,142	4.9	753,079	57.71	174,322	13.3
1930	224,080	18.78			45,476	3.81	36,647	3.07			59,650	5.0	602,701	50.52	224,446	18.8
1931	63,514	7.28			37,323	4.28	46,970	5.38			43,616	50	606,071	69.40	74,819	8.57
1932	Not available.				....	.....	....	....			....		....	.....	......	......
													17,226,362			
Total	1,960,442				760,660		1,799,292				1,926,818		1,722,636	58.8	4,932,550	
Average	196,044	10.50			70,666	2.6	179,929	6.0			192,681	5.0			483,255	15.5

and to pay other debts.

Table 5 shows the amount* and percent of the total amount of loans submitted for approval for each purpose** in the Ninth Federal Land Bank District.

The average amount used to pay mortgages was 58.8 percent of the loan, and the average amount per year used to pay mortgages was $1,726,636.

Ranking next to the money borrowed to pay mortgages was 15.5 percent to pay other debts.The average amount for this purpose was $493,285.

The average amount used to purchase land was 10.5 percent of the total amount.Implements and equipment take an average of 6.0 percent ,while 5 percent must be subscribed for bank stock .

In 1931 the percentage used to pay mortgages was 69.4.This is important because, as short crop returns makes the short term obligations pile up,the farmer must resort to long term credit at low costs.

---

* The Federal Land Bank in its reports does not list the amount of the loans for each purpose, but it gives an accumulative amount from the organization of the bank to the end of each yeat, making it necessary to subtract from the amount of the loans of the year in question the amount of the loans of the year previous to it.

** After 1926 the amount loaned for the purpose of purchasing livestock,fertilizer,irrigation,etc.,are included in the column for implements and equipment.No mention is made of the amount for the purchase of other land after 1926.

Some discrepancy is found in the figures for loans closed and the amounts for the different purposes of the loans.This is probably due to the loans submitted for approval and those actually closed.

Table 6 shows the amount of loans closed and the amount of loans from which the figures for purposes were taken .The amounts are for the entire district.

Table 6

Year	Amount of loans closed	Amount of loans for all purposes
1922	$5,555,300	$4,624,300
1923	6,167,400	5,683,400
1924	4,935,500	5,296,800
1925	2,720,600	2,851,940
1926	1,793,600	1,524,580
1927	2,164,300	3,759,140
1928	1,382,700	1,605,093
1929	1,205,800	1,304,750
1930	1,395,500	1,193,000
1931	965,100	1,872,313
1932	304,700	Not.available

Source:Annual Report of the Federal Farm Loan Board, 1922 to 1932.

Table 7 shows the average amount of the loans closed by the Federal Land Bank of Wichita for each farm. The table is striking because it shows that at first the Federal Land Bank made small loans and as it became established it increased its loaning operations. Its greatest average loan per farm was in 1930. In 1932 the average amount per farm was $3,047, a drop of over a thousand dollars.

Table 7.

Average amount of loans closed per year ,per farm by the Federal Land Bank of Wichita for Colorado, 1919-1932.

Year	Amount	Year	Amount
1919	$2,368	1926	$3,882
1920	2,475	1927	3,885
1921	2,896	1928	3,347
1922	3,138	1929	3,852
1923	3,758	1930	4,214
1924	3,831	1931	3,740
1925	4,036	1932	3,047

Source: Annual Report of the Federal Farm Loan Board, 1919 to 1932.

For the sake of comparison , the writer wishes to compare the average farm-mortgage debt per full-owned farm with the debt of farmers with loans from the Federal Land Bank of Wichita for 1910,1920,1925,and 1930. Table 8 shows this comparison.

Table 8

Average mortgage debt on farms from census report and from the Federal Land Bank for 1910,1920,1925,and 1930

	1910	1920	1925	1930
F.L.B.	Not avail.	$2,475	$4,036	$4,214
Cen,	$2,508	3,980	4,251	3,857

Source; United States Census for 1910,1920,1925,and 1930.

Table 9

Loans closed by the Federal Land Bank of Wichita from 1922 to 1931 by months .Ths district includes Colorado, Kansas, Oklahoma, and New Mexico.

Year	January No	January Amount	February No.	February Amount	March No	March Amount	April No.	April Amount	May No.	May Amount	June No	June Amount	July No.	July Amount	August No	August Amount	September No.	September Amount	October No.	October Amount	November No.	November Amount	December No.
1922	483	$1,508,400	455	$1,565,100	584	$2,202,400	497	$1,606,600	617	$2,014,400	520	$1,735,500	383	$1,201,900	477	$1,563,200	495	$1,625,000	480	$1,600,300	493	$1,543,500	533"
11923	545	1,783,000	456	1,532,800	555	1,773,000	453	1,371,000	451	1,459,200	358	1,348,000	346	1,332,700	299	1,067,000	303	1,120,500	385	1,514,500	380	1,492,500	381
1924	344	1,187,000	1035	5,039,000	422	1,724,000	459	1,926,500	348	1,261,400	295	1,107,900	272	1,034,100	223	778,500	201	640,300	203	706,250	226	819,00	231
1925	312	1,275,400	221	918,500	242	885,900	205	678,400	175	709,200	205	678,400	119	532,00	125	428,700	119	482,900	128	433,500	105	365,900	177
1926	158	496,600	159	528,500	176	671,600	154	509,000	135	488,900	126	446,100	109	376,900	111	340,900	111	426,700	192	707,707	191	693,600	211
1927	215	754,700	243	1,011,900	293	1,183,600	226	793,700	185	506,100	198	697,900	128	428,100	166	580,600	158	512,400	196	631,000	194	633,800	226
1928	178	519,400	164	619,600	176	593,300	165	610,800	132	399,500	105	317,900	99	354,800	84	300,400	76	560,800	138	446,600	157	443,100	187
1929	114	393,[illegible]00	126	433.200	102	355,000	125	433,400	113	446,700	74	249,600	61	194,600	61	202,800	63	194,600	72	269,100	75	243,600	102
1930	77	273,900	74	327,900	120	476,200	117	494,000	103	371,00 0	96	354,800	74	250,500	74	286,500	107	407,600	132	402,100	111	454,900	168
1931	158	524,000	136	422,300	122	420,100	100	377,000	72	218,000	70	274,900	57	176,700	52	207,600	54	173,100	88	277,900	33	36,600	50
Total	2,584		3,057		2,792		2,501		2,331		2,047		1,648		1,672		1,576		2,014		1,965		2,246
Average	258		305		279		250		233		204		164		167				201				224

"

" Due to the lack of space the amount of loans for December are listed in this note :In order they are 1,647,000;1,250,000; 847,800;592,700; 791,600;771,600;650,900;362,900; 628,200;and 137,800

The average loan of the Federal Land Bank was about $400 larger than the average of the debt on the full-owned farms listed in the census for 1930.

Refering to table 7, the loans have all been close to $3,800 and the outstanding amounts of loans, according to table 3, have remained steady. In order to have these two elements remain approximately the same amounts, it requires a conservative valuation. This is a point in favor of the Federal Land Bank, for they make their loans very conservatively. The loan mentioned above is about one-third of the valuation of full-owned land and buildings listed in the 1930 census.

Table 9 shows the loaning operations of the Wichita Bank by months and for each year from 1922 to 1931. The Bank closed most loans for the ninth district during February. From 1922 until 1931 it averaged 305 loans during February. January was next highest with 258 loans, followed by March with 279. The fewest loans were closed in August, the number being 157. In all cases fewer loaning operations took place during the summer months. And along the same line, greater amounts were borrowed during the spring months.

The ratio of debt to value of full-owned land has had some significance to Colorado farmer previous to 1930 when Wickens began assigning weight to the debt to value idea. According to the census the mortgage debt was about one-fourth of the valuation of full-owned farms in 1910.

The highest ratio of debt to value was in 1925 . It was 42.6 percent this year.

Table 10 shows the ratio of debt to value of land and buildings in Colorado for 1910,1920,1925,and 1930.

Year	Ratio of debt to value of land and buildings
1910	24.6 %
1920	29.6
1925	42.6
1930	38.6

Source: United States Census report for Colorado, 1910,1920,1925,and 1930

Wickens states that "just as the ratio of debt to value of a given farm measures the encumberance and equity of a particular property; so the relation of total debt and total value of all farms may be taken to indicate the burden of debt upon the agriculture of the state or the area as a whole"[1].

Table 11 shows the ratio of debt to value of all farms in Colorado;1910,1920,1925, and 1928.

Table 11

The ratio of debt to value of all farms in Colorado in 1910,1920,1925,and 1928.

	1910	1920	1925	1928
Colorado	10.2 %	16.0 %	25.9 %	27.4 %

Source:United States Department of Agriculture Bulletin ,288 , p.49.

1. Wickens,David L.,United States Department of Agriculture Technical Bulletin 288,p.49.

The ratio of debt to value of all farms in Colorado does not carry the significanee that it does when the full-owner farms are considered, because , in the case of the Federal Land Bank, only owner-operators are eligible for loans.

Wickens goes further to say"the rise of the average of debt ratios to a point approximately 50 percent of the value of the land has a grave significance for many farmers who have loans to renew. A general policy of limiting farm mortgages to amounts representing about one-half the value of the farm had long been in affect among important lenders on farm real estate."[1]

Again quoting from Wickens," it would appear that the falling land values and the rising debt of recent years did not affect the ratio of debt to value of all tenures in an equal degree, although the upward trend was common to all. Full-owner farms, which had a higher debt ratio in 1925 than had tenant-operated, maintained a higher ratio in 1928. When farms under mortgage in both 1925 and 1928 are considered separately , it is found that both the tenant operated and the manager operated farms increased their debt burden more rapidly than did farms operated by their owners."[2]

In the case of Colorado the ratio of debt to value of

---

1. Wickens, David L., "Farm-Mortgage Credit ", United States Department of Agriculture Bulletin,288,p.49.
2. Ibid., p. 51.

Table 12.

Size of full-owner farms in acres, the number of full-owner farm operators, average size of the farm, valuation of land and buildings, and number reporting debt, and the average valuation of the farm as given in the United States census report for 1930.

Counties used for a sample in Colorado

Items	Baca	Boulder	Elbert	Huerfano	Jackson	Kit Carson	Larimer	Logan	Mesa
Size of farms, in acres.	338,183	66,790	242,776	221,258	97,178	160,082	188,203	155469	207,566
The number of farms	693	693	419	495	101	382	905	433	1,766
Average size of farms, in acres.	487.99	100.22	579.42	446.92	962.15	419.06	207.72	359.05	117.53
Amount of debt in dollars	514,553	1,204,925	773,910	401,867	332,599	528,715	2,107,447	871,475	1,544,697
Average amount of debt, in dollars	1,971	4,184	3,633	2,976	7,076	2,797	5,281	4,660	2,319
Value of land and buildings, in dollars	2,372,123	3,036,175	2,280,637	939,354	860,790	1,475,180	11,073	2,176,115	4,549,364
Average value of land and buildings, in dollars	9,088	10,542	10,707	6,958	18,314	7,805	12,882	11,636	6,630
Interest charges on the debt	7.23	6.52	6.61	7.43	7.47	6.73	6.55	6.66	7.06
The number reporting debt.	261	288	213	135	47	189	399	187	666

Table 12 continued.

Counties used for a sample in Colorado

Items	Montezuma	Montrose	Park	Prowers	Pueblo	Rio Grande	Saguache	Sedgewick	Weld	Yuma
Size of farms, in acres	111,456	124,731	138,861	146,359	123,231	94,420	119,519	41,936	339,774	298,373
The number of farms	1,766	579	639	462	720	354	278	131	1,668	626
Average size of farms, in acres	111.53	192,46	195.19	316.79	171.15	266.72	429.92	320.12	203.70	466.63
Amount of debt, in dollars	391,792	670,332	261,213	744,133	919,221	1,101,113	496,357	292,710	4,714,577	973,029
Number reporting debt.	186	2352	45	198	317	151	81	54	809	285
Average amount of debt, in dollars	2,106	2,106	2,852	3,758	2,899	7,292	6,127	5,420	5,827	3,414
Value of land and buildings, in dollars.	1,005,215	1,555,760	699,414	1,772,725	2,400,302	3,136,350	1,364,370	1,048,770	10,005,364	2,524,925
Average value of land and buildings	5,393	6,619	15,542	8,953	7,572	20,969	16,044	15,717	12,367	8,659
Interest charges on the debt.	6.99	7.55	6.28	6.82	6.85	6.41	6.61	6.26	6.61	6.51

Source: United States census for 1930.

tenant-operated farms was only 36.9 percent in 1925.[1] "Thus tenant farms, having a lower debt in 1925 were able to get more credit later on",[2] Full-owned farms with a ratio of debt to value around 42 percent, as those in Colorado, will find it increasingly hard to get loans, since most lenders adopt the 50 percent ratio of debt to value as the limit in lending operation. The federal Land Bank has adopted this limit for loaning to farmers.[3]

Table 12 gives data from the United States census for 1930 regarding the counties taken for a sample . The table includes such information as the size of farms in acres,number of farms, average size of farms,amount of mortgage debt on these farms , number of farms reporting debt and amount,value of land and buildings, average valuation, interest paid on debt, and the average amount of debt. This information is for full-owned farms .

Most noticeable in the table is that farms vary greatly in the different counties, even in counties located in a similar region. The average amount of debt varied, the value of the land varied , the size of the farms varied,and many other things mentioned in table 12.

In table 13,the counties are arranged according to the average amount of debt per farm as listed in the census

---

1.Wickens, David L."Farm-mortgage Credit",United States Department of Agriculture Technical Bulletin 288,p.53.
2.Ibid.,53
3.Ibid.,51 and 52.

Table 13

Counties arranged according to the average amount of debt per farm in Colorado, 1930

$1,000-2,000	$2,000-3,000	$3000-4,000	$4,000-5,000	$5,000-6,000	$6,000-7,000	$8,000
Baca	Huerfano	Elbert	Boulder	Larimer	Saguache	Jackson
	Kit Carson	Prowers	Logan	Sedgewick		Rio Grande
	Mesa	Yuma		Weld		
	Montezuma					
	Montrose					
	Park					
	Pueblo					

report for 1930.

According to this census, Jackson and Rio Grande county had a mortgage debt of $8,000 or more and the value of land and buildings in both cases was between $18,000 and $20,000. These two counties are devoted mainly to stock raising. Baca county had the least average amount of mortgage debt. The avdrage amount for this county was $1,971. Seven counties fell in the $2,000 to $3,000 mortgage debt group. Larimer , Sedgewick, and Weld counties were in the group whose mortgage indebtedness was between $5,000 and $6,000.

In table 14 the counties are arranged according to the amount of their valuation of land and buildings. In this table the counties are about equally divided into the different groups. The valuation,according to the census, ranges from $4,000 up to above $18,000. The county with the highest valuation is Jackson and the one with the lowest valuation is Montezuma county .

There were a great many different sizes of farms listed for the counties in the census. They range from 160 acre farms up to ranches of nearly a 1,000 acres.

The interest paid on the mortgage debt was in all cases above 6 percent

The number of farms which are mortgaged tend to cling close to the 40 percent mark

One may conclude from these tables that farms with low valuation did not have any particular high interest

Table 14

Counties arranged according to the average valuation per farm in 1930. Valuation in $1,000

4-6	6-8	8-10	10-12	12-14	14-16	16-18	18-up
Montezuma	Huerfano	Prowers	Boulder	Larimer	Park	Saguache	Jackson
	Kit Carson	Baca	Elbert	Weld	Sedgewick		Rio Grande
	Mesa	Yuma	Logan				
	Montezuma						
	Pueblo						

rates, nor does the tables show that those farms whose average amount of mortgage debt was high came from farms whose average size was large. There was no particular trend indicating that when the valuation was high or low that the mortgage debt would be high or low as the case may be.

In 1922 the Federal Land Bank of Wichita found that it would be necessary to make some foreclosures upon farms that had instalments due.

From 1922 to 1925, the Federal Farm Loan Board reports these foreclosures as ,the number of sales,appraisment, amount loaned,sale price,and the percentage of appraised valuation to the loan .

Table 15 shows the foreclosure procedings from 1922 to 1926 as given in the annual report of the Federal Farm Loan Board.

Table 15.

Farms sold ,their sale price,appraised values, and the percent of appraised valuation to loan from 1922 to 1926.

Year	No.	Appraise-ment.	Amount loaned.	Sale price.	P'c't'ge of app.val. to loan.
1922	53	408,418	144,000	420,670	34.0
1923	43	381,697	135,100	418,235	35.0
1924	53	405,520	138,000	388,593	34.0
1925	94	672,038	227,200	511,980	33.0
1926	181	1,781,424	618,400	1,446,745	35.0

Source: Annual report of Federal Farm Loan Board.

Table 16.

A comparison of the foreclosure reports of the Federal Land Banks located at Omaha, Wichita, Houston ,Berkeley, and Spokane for 1929,1930,and 1931

Banks	1 Lands owned outright disposed of "whole units" No.	Investment"	Consideration""	2 Parts of land disposed No	Consideration	3 Sheriff's certificates,etc. No.	Investment	Consideration	4 Total of lands disposed No.	Consideration	5 Sales canceled No.	Consideration	6 Lands acquired outright held on Dec. of each year No	Investment	No.	7 Land acquired sub. to red. Investment	No.	8 Foreclos. Pend. Unpaid Prin.
1929																		
Omaha	136	$ 788,049	$ 743,966	6	$27,200	6	$ 47,769	$ 50,375	137	$ 750,323	11	$ 71,217	114	$ 688,173	72	$ 457,424	33	$ 232,535
Wichita	175	654,697	590,570	8	21,010	26	108,442	118,744	193	652,531	16	77,800	267	1,206,609	118	603,864	51	183,373
Houston	23	125,334	96,984	2	5,000				25	101,984			17	131,255			25	113,533
Berkeley	126	625,017	519,767	3	5,200	6	44,631	44,631	129	526,998	6	42,600	137	599,022	38	215,835	45	174,786
Spokane	381	1,324,855	1,167,609	20	31,416	5	16,569	17,443	371	1,073,623	35	1[illegible]2,846	1,588	6, 464,463	397	1,313,027	286	758,932
1930																		
Omaha	82	560,139	501,125	5	10,000	5	18,694	20,380	92	531,505	24	146,369	141	807,698	87	593,614	61	372,427
Wichita	160	548,896	439,765	12	17,915	11	53,705	59,838	185	517,518	8	[illegible]5,065	224	1,120,645	153	698,097	73	394,583
Houston	32	168,081	148,426						32	148,426		[illegible]	94	436,522			67	277,[illegible]04
Berkeley	81	401,150	335,329	8	26,925	3	15,229	15,229	92	377,484	24	102,795	146	712,978	27	131,400	119	498,732
Spokane	546	2,047,497	1,586,894	36	60,069	6	36,112	36,167	590	1,683,131	96	[illegible]43,690	1,646	6,799,234	323	1,22,325	160	510,668
1931																		
Omaha	104	816,457	751,541	1	3,00	1	2,796	3,105	106	757,647	38	260,667	232	1,043,611	286	1,796,104	180	1,614,995
Wichita	113	469,856	360,676	14	34,950	9	45,400	46,137	136	441,763	24	120,853	304	1,380,511	251	1,280,152	119	537,681
Houston	68	270,244	259,332	5	5,294				73	264,626	2	1,818	213	802,965	[illegible]		148	595,884
Berkeley	68	345,244	289,754	13	23,161	1	1 ,648	1,649	82	314,563	45	250,761	250	1,165,592	169	814,076	212	1,079,679
Spokane	416	1,380,654	873,716	27	36,932		8,508	2,440	449	1,013,095	152	506,485	1,782	7,256,176	409	1,555,144	326	1,154,010

"Investment includes the unpaid principal of the loans involved , and any othe cash outlays.

""Consideration: Total amounts received in disposing of properties . In connection with sales, total sale prices are included. In connection with redemptions of sheriff's certificates, judgements, etc., the total amounts recovered by the banks are included.

Information for foreclosures during 1927 and 1928 are tabulated in the Federal Farm Loan Board reports as "foreclosures from organization to 1927", therefore no comparisons can be made for those years.

Table 16 is an itemized statement of the foreclosures of the Federal Land Bank at Omaha, Wichita, Houston, Berkeley, and Spokane .

Fifty-two farms were foreclosed in Colorado during 1922, in 1926 the number had increased to 181. During the five years from 1922 to 1926 , a total of 422 farms had been foreclosed in Colorado.

After 1926 , the foreclosure reports do not list any information regarding foreclosures in Colorado, but associates them with the states that make up the Ninth Federal Land Bank District.

The lands held outright on December 31 of 1929, 1930, 1931, and 1932 by the Wichita Bank were 267, 224, 304, and 301 farms in order by years.

Comparing these data with land acquired outright with four other districts whose banks are located at Omaha, Houston, Berkeley, and Spokane , in every instance the Bank at Houston had the fewest foreclosures. The Omaha Bank had the second smallest number of foreclosures. The Wichita Bank was superceded only by the Bank at Spokane .

This paper is primarily interested in Colorado. In 1930, there were 92 farms foreclosed on in Colorado . These farms cost the bank $382,204. In 1931 the farms foreclosed on numbered 123 . The number in 1932 was 117. Colorado's foreclosures are heavier than any other state in the Ninth Federal Land Bank District.

The Federal Land Bank of Wichita has closed 41,631 loans from its organization until December 31, 1932. The same bank has foreclosed on 3,047 farms from its organization until December 31, 1932.

Table 17 shows the number of foreclosures made by years from 1922 to 1932 in the Ninth Federal Land Bank District.

Table 17.

Number of farms foreclosed on per year by the Federal Land Bank of Wichita from 1922 to 1932.

year	Number of farms foreclosed	Year	Number of farms foreclosed
1922	151	1928	162
1923	220	1929	267
1924	220	1930	224
1925	386	1931	304
1926	672	1932	301
1927	140*		

Total number of farms foreclosed 3,047 .

Source: Annual report of the Federal Farm Loan Board for 1922 to 1932.

* The number of foreclosures for 1927 was estimated

The 3,047 farms which have been foreclosed on are 7.31 percent of all the loans closed by the Wichita Bank. Another picture of this would be that 7.31 farms in every 100 farms which obtained loans from this bank had been foreclosed.

The investment* of the lands acquired outright held at the end of each year follows the same order as the foreclosure of farms; being greatest in the case of the bank at Spokane and the Wichita Bank had the next greatest investment in farms. Since 1929 the investment of the Wichita Bank has been over a million dollars, and of course highest in 1932.

According to J.W.Fields, an attempt was made to assemble information regarding the mortgage operations of the Federal Land Bank in connection with sales of farms, but it was impossible to obtain dependable information [1].

At first sight of the foreclosure report one would say that the Federal Land Bank had taken up the business of foreclosing farms. Mr. Fields comments again that "preliminary to foreclosure, we do everything that can possibly be done to avoid taking legal action. The Federal Land Banks are not foreclosing mortgages except for the most impelling reasons. If a borrower is able to pay, he is expected to do so. If unable to pay, the Bank wishes to know that he is making a bona fide effort to

* The investment includes the unpaid principal of the loans involved and any other cash outlays.
1.Fields,F.W. Appendix.

meet his farm mortgage obligations and is giving his land good care.[1]

The writer has previously cited some information regarding the source of funds of the Federal Land Banks.

The Federal Land Bank is unique in that the farmer provides some of the funds that he borrows . Sparks , explains exceptionally well the source of funds of the Federal Land Bank

"The initial capitalization of each of the Federal Land Banks was to be $750,000 in shares of $5 each, to which any person, firm, corporation, State , or the United States might subscribe . This was to furnish the initial capital, and thereafter loanable funds were to be derived from the issue and sale of debenture*bonds based on first mortgage security of the borrowing member of the system , or on United States bonds"[2]

Sparks again described in a unique manner the purpose of the National Farm Loan Associations. He says ,"for the efficient adminstration of loans developing the spirit of cooperation among farmers, Congress decided to organize borrowing farmers into groups, known as the 'National Farm Loan Associations'.

In organizing local farm associations as an essential part of the adminstration of the loans in the Federal Land Banks, Congress sought to cultivate a spirit of cooperation among farmers. Cooperative farm-mortgage banking had been

1. Fields ,J.W. Appendix.
2. Sparks,E.S.,"Agricultural Credit in the United States" pp.125-126

developed rather extensively in Europe, and it was be-lieved that our individualistic farmers would learn the benefits of cooperative effort, once they were brought together in so important an understanding as this." [1]

After the borrowers have subscribed for stock in the local loan association equal to 5 percent of the amount of the loan. The association then must subscribe for an equal amount of stock in the Federal Land Bank. [2]

From the foregoing discussion the source of funds of the Federal Land Banks are from the sale of debenture* bonds to the investing public. The borrowers obtain a part ownership in the bank when they subscribe 5 percent of the loan in Federal Land Bank stock. [3]

In this method of securing funds, the sale of bonds to the investing public, and the initial capitalization make up the source of funds of the Federal Land Banks.

---

1. Sparks, E. S., "Agricultural Credit in the United States", p. 127.
2. Taylor, H. C., "Outlines of Agricultural Economics", p. 201.
3. Ibid., P. 201.

* Debenture is an instrument in the nature of a bond given as an acknowledgement of a debt, and providing for repayment out of some specified funds or source of income; as a mortgage debenture, one secured by a mortgage.
Source: Webster's Dictionary.

LIFE INSURANCE COMPANIES

Life Insurance Companies were a source of farm mortgage credit before the Federal Land Bank was put into operation. Data have been compiled by the Association of Life Insurance Company Presidents regarding their farm mortgages since 1914.

Sam McKelvie, editor of the "Nebraska Farmer", says that "life insurance companies lead all other institutions in providing funds for farmers. In 1932 they held 23 percent of all outstanding mortgages of the institutions which deal in this type of agricultural credit[1]. According to McKelvie, the Federal Land Banks provides for the second greatest amount. In Colorado the amount of loans held by each company are about equal.

Table 18 shows how Life Insurance Companies have invested a part of their assets since 1906

Table 18.

Percentage of total assets of 52 Life Insurance Companies invested in farm mortgages, other mortgages, and real estate in 1906, 1916, 1921, 1929, 1930, 1931, and 1932.

	1906	1916	1921	1929	1930	1931	1932
Farm Mort.	9.3	14.9	17.7	13.0	10.9	9.9	8.8
Real Est.	5.4	13.7	3.0	2.2	3.4	2.8	4.0
Other Mort.	19.2	18.5	16.7	30.0	28.5	28.5	27.5

Source: "Business Week," January 25, 1933, p. 16.

1. Mc.Kelvie, Sam, "Nebraska Farmer", April 15, 1933, p. 1.

Wickens in a preliminary report of "Farm Loans of Life Insurance Companies" says that "the period 1927 to 1931 included the turning point in the trend of total long-term farm credit in the United States, as well as for the Life Insurance Companies, and within these years farm loans from life insurance companies reached a peak in three-fourths of the States and since that time they have receded[1]."

Life insurance companies had their greatest lending operations during 1921 and 1922 as did the Federal Land Bank. It is suggested in the "Business Week" that the increase in real estate owned by life insurance companies during 1932 was due to the foreclosing of farms which were mortgaged, and may not be accounted for through withdrawals from this field of investment. When a farm was foreclosed on it became the real estate of the company .

The Association of Life Insurance Company Presidents gives some information regarding the loaning operations of insurance companies in Colorado from 1921 to 1923. Wickens gives a brief account of the operation from 1927 to 1931 .

Table 19 shows the amount of loans made, the amount of loans outstanding, and the rates of interest paid on outstanding loans during 1921, 1922, and 1923.

According to Wickens "mortgage loan of Life Insurance Companies are one of the most sensitive indicators

---

1. Wickens, David L., " Farm Loans of Life Insurance Companies" , p. 27.

Table 19.

Amount of loans made, amount of loans outstanding and the interest rates of Life Insurance Company loans in Colorado 1921 to 1931 .

Year	Am't of loans made	Int. rate	Am't of loans outstanding	Int. rate o't'g ln.
1921	$ 927,624	7.2	$2,231,728	6. 8
1922	818,347	7.0	2,781,488	6.88
1923	659,352	7.07	3,129,328	7.25
1924 to 1926 not available.				
1927	892,000	...	5,697,000	...
1928	1,014,000	.....	5,947,000	...
1929	691,000	...	6,077,000	...
1930	725,000	...	6,106,000	...
1931			6,075,000	...

Source: Association of Life Insurance company Presidents, report for 1921,1922, and 1923, and the "Farm loans of Life Insurance Companies" Preliminary report, United States Department of Agriculture.

of the flow of capital to or from agricultural areas. A wide system of local representatives has extended loan operations into all sections in a volume much above that from any other source. Supplied by a continuous flow of funds from the receipt of premiums, the insurance companies have at all times a large amount of available capital for investment in anyone of several outlets. A flexible system of rates permits ready money market changes or to new calculations of risk. Moreover, the average term of the loan is short, the great majority being made for five years, so that approximately 10 to 15 percent of the total falls due each year, to be reinvested."[1]

Table 20 shows the average size of loans of the Federal Land Bank and Life Insurance Companies. The average loan on full-owner farms held by life insurance companies is $7,141, this is much larger than the $2,454 loan held by the Federal Land Bank on the full-owner farms. The difference may ~~be~~ accounted for in the legal restrictions of the two companies, by a preference of larger loans by the insurance companies, the availability of funds for investing in farms by the life insurance companies, and other reasons which differentiate the two lending institutions .

Table 20

Average size of outstanding mortgage loans held by Federal Land Bank and Life Insurance Companies in the West South Central division of the United States by tenure in 1928.

W.S.C.Div.	Fed.Land Bank	Life Ins. Companies
Full-owner op.	$2,454	$7,141
Tenant operated	4,495	7,383

Source: Wickens, David L. , "Farm-mortgage Credit" United States Department of Agriculture Technical Bulletin 388 page 37.

In table 21 , Wickens gives the percentage distribution

---

1. Wickens, David L."Farm-mortgage Credit ",United States Department of Agriculture,Technical bulletin 388, p.34

of farm-mortgage holdings of the Federal Land Banks and Life Insurance Companies by tenure of land in the West South Central division of the United States in 1928.

Table 21.

W.S.C.Div.	Federal Land Bank	Life Ins. Co's.
Full-owner op.	63.6	54.7
Tenant operated	36.3	45.3

Source: Wickens, David L."Farm-mortgage Credit",United States Department of Agriculture,Technical Bulletin 288, p.37.

Wickens explains these data;"this varying distribution of mortgage holdings by tenure has its principle significance in its relation to loaning policies of the different agencies and the differences as a loan market which the respective tenures offer. In general , the insurance companies, mortgage companies, and others have made loans of larger amounts, whereby in a single transaction a considerable sum can be invested with practically no extra cost or inconvenience".[1]

"The case of the Federal Land Banks calls for particular consideration in view of the requirements of the Federal Farm Loan Act that 'no such loans shall be made to any person who is not at the time, or shortly to become emgaged in the cultivation of the farm mortgaged(24,Sec.12)".[2]

Life Insurance Companies as reported in the annual

1.Wickens, David L. "Farm-mortgage Credit", United States Department of Agriculture, Technical Bulletin 288,p.40.
2.Ibid., p.40.

meeting of the "Association of Life Insurance Company Presidents" have decreased the amount of assets invested in farm mortgages in the Mountain division . This division includes Colorado , Montana, New Mexico , Arizona, Utah, and Nevada. The percent of the total assets invested in mortgages for this division in 1929 was 6.7 percent, in 1928 it was 6.4 percent; 1929 it was 6.1, for 1930, 5.3 percent, and in 1931 , 5.2 percent .

The amount invested by the companies which are included in this division as having investments was $25,294,000 in 1927. By 1930 , the amount invested had decreased to $ 23,000,000 .[1] This last amount was not in line with Wickens study previously quoted.

Little information can be obtained in the way of the purpose of loans, specific reports on foreclosures, or other materials.

Sparks , in his book"Agricultural Credit in the United States" says that "Life Insurance Companies are peculiarily suited to the needs of the farmer. In times of financial depression they are not subject to the exigencies common to commercial banking institutions during such a period. They do not need to call in their loans at the very time when to do so would inflict the greatest hardship on the farmer. Their prime objective is to keep their funds invested and they are always able and willing to renew and extend their loans".[2]

1.Reports of the Association of Life Insurance Company President for 1929, 1930, and 1931,pp.42, 108, 91,and 110.
2.Sparks, E.S."Agricultural Credit in the United States"P188

Sparks explains the method of life insurance companies in making loans as follows: 1.by appointing local agents to place loans for them ; 2. through special field representatives who work on a salary basis or for a commission , and 3.by the purchase of large blocks of farm mortgages from mortgage companies after special examination of security".[1]

The detailed process of the lending operation as discussed by Mr. Sparks is the following: "Usually an application for a loan is made by a prospective borrower through a local bank. This application covers very thoroughly the property that is to be used for security. Such information as the nearest town,railroad station, etc., is included as well as the location and condition of the land and the condition of the fences on the property. The local bank verifies the statements contained in the application and forwards the application to the real estate mortgage correspondent of the insurance company from which it wishes to get the loan. The correpsondent then makes a personal inspection of the proposed security. If the amount asked is deemed conservative, which is seldom in excess of 50 percent of the reasonable value of the property, the application is forwarded to the home office of the insurance company for consideration, with the recommendations of the correspondent that the application be approved. The property is also appraised by several local appraisers.

1.Sparks, E.S., "Agricultural Credit in the United States", p. 193.

If, from the information the company has in its office in regard to the territory where the proposed security is located, it feels that it would be a good loan to make, the application is recommended to the finance committee. Should the finance committee deem it wise to approve the application, the correspondent is notified accordingly. If, on the other hand, the finance committee deems the amount too large, it tables the application, and the correspondent is notified to that effect. The correspondent then takes the matter up with the local bank, and it in turn notifies the client and inquires if a reduction in the amount of the loan will meet his requirements.

If the correspondent has been notified of the approval he asks the local banker for an abstract, certified to date and has his attorneys pass on the title, if the title is satisfactory, he has the papers drawn up in his office and sent to the local bank for execution by the borrower. When the papers are executed, the first mortgage recorded, and the abstract brought down to date, all papers are returned to the correspondent, who then remits the proceeds of the loan to the local banker for his borrower. After the papers are returned to the correspondent he forwards them to the insurance company. The insurance company does not, as a rule advance any money until the papers are in their possession and have been checked by their attorneys.

The loans vary as to duration, some being five, seven, ten, twenty, and thirty-four years. The interest may be paid either in annual or semi-annual instalments at the option of the borrower. A commission charge of from fifteen to twenty dollars per thousand is usually charged upon the completion of the loan. This commission goes to the correspondent.

Some companies make thirty-four and one half year amortization loans. These loans are repaid by adding about one percent of the principal to the regular interest rate each year. All or part of the shorter time loans usually may be paid off at any interest paying date after one year. The amortized loans in some cases may be paid off three years after the date of the loan .

The correspondent during the life of the loan attends to collection of the interest and principal for the company and any other details which may arise in connection with the loan."[1]

From the foregoing it is clear that much thought is given to each application for a loan from the insurance companies. The system, is in fact, very detailed and differes greatly from the system used by the Federal Land Banks.

The interest rate charged by the Federal Land Banks is most generally accepted to be $5\frac{1}{2}$ percent. In the case of life insurance companies it varies with the company, and the locality where the loan is made.

1. Sparks, E.S., "Agricultural Credit in the United States" pp.193-194.

Table 22 shows the rates of interest of the principle lending agencies

Table 22.

Rates of interest charged by the principle lending agencies , and the average rate for all owner-operated farms in the West South Central , East North Central, and the Pacific geographical divisions, 1928.

Geo.Div.	Principle lending agency: Fed. Land Bank	Commer. Banks	Mort. Com.	Priv. Indiv.	Other Agen.	Ins. Companies	Average rate for owner-operated farms*
W.S.Cent.	5.4	7.7	6.6	7.9	5.7	6.7	7.2
E.N.Cent.	5.5	6.1	5.6	5.6	6.2	5.3	5.6
Pacific	5.6	6.9	6.1	6.6	6.5	6.4	6.6

Source: Wickens, David L. "Farm-mortgage Credit" United States Department of Agriculture, Technical Bulletin 288, p.63.
*United States Census 1920 .

Farmers of the West South Central division , which includes Colorado, are paying a higher rate of interest than farmers who live in the East North Central division . This division includes Iowa, Kansas, Nebraska, and others. The average for those states in the Pacific group are a little less than those in the West South Central group, but still higher than the rate paid by farmers in the East North Central group.

The table shows that the least amount of interest is paid on loans obtained from the Federal Land Banks. Mortgage Companies and Insurance Companies tend to cling around 6 percent or slightly above. Commercial banks and private individuals get the most interest on the money they lend.

The United States Census report for 1930 lists the average rate of interest paid on farms consisting of full-owned land as 6.3[1]. This percentage is well over the $5\frac{1}{2}$ percent charged by the Federal Land Bank . Interest rates on loans made by life insurance companies were probably low in the Eastern part of the United States due to the concentration of life insurance companies there and the competitive bidding for fields of investment for their assets.

Table 23 gives Wickens distribution of the loans in three geographical divisions according to the rates of interest paid .

At a glance , the table tells that most of the loans are made in Colorado, Wyoming, and New Mexico and other states in the West South Central division at a rate of 7 to 8 percent, while in the Eastern portions of the United States, and the Pacific division the bulk of the loans are made at 6 percent .

Wickens' conclusions of the study are "a comparison of distributions of rates on loans reported in 1928 with those given in the 1920 census provides further evidence

Table 23.

Number, amount, and percentage distribution by rates of interest for the East North Central, West South Central, and Pacific geographic divisions in 1920

Div.	Number	Amount	5%	5½%	6%	6½%	7%	8%
E.N.Cent.	1,242	$7,009,000	32.87	19.77	33.3	2.15	6.41	.35
W.S.Cent.	658	2,642,000	15.87	9.26	22.54	2.03	24.30	20.62
Pacific	1,170	7,393,000	2.11	11.27	35.11	8.44	34.86	5.00
U. S.			19.07	12.29	39.13	2.75	9.24	8.51

Source: Wickens, David L. "Farm-Mortgage Credit", United States Department of Agriculture, Technical Bulletin 288, p.65.

of a shift to lower levels. Loans of 6 percent were domi-nant at both dates, but the percentage of the total at that rate declined from 39 to 30 percent. Loans reported above 7 percent were less in amount than in 1920, and loans at 7 percent were practically unchanged. Fractional percent rates are rather infrequent. It appears then , that rates on farm mortgages are more favorable now compared with 1920"[1]

Life insurance companies are unlike the Federal Land Banks in that they do not have to sell debenture bonds or charter local loan associations in order to obtain funds for supplying the farmers credit needs.

In place of this, they have a steady income from the payments of premiums by the policy holders. These depend-able funds are invested somewhere. So about one-fourth of them find their way to the farmers as a source of credit

1.Wickens, David L. , "Farm-Mortgage CRedit ", United States Department of Agriculture, Technical Bulletin 288, p p.65-66

Table 24.

Percentage distribution of holdings of principle lending agencies in the East North Central, West South Central, and Pacific geographical divisions in 1928.

		F.L.B.	Ins.Co.	Com.B.	M.Co.	Otn.Indiv.	Ret.Farmers
E.N.Cent.	$1,950,126,000	8.2	19.4	14.1	5.8	17.2	14.1
W.S.Cent.	901,252,000	23.7	25.0	4.1	14.9	7.6	4.1
Pacific .	691,909,000	11.4	7.7	8.1	5.3	15.2	9.1

Source: Wickens, David L., "Farm-Mortgage Credit", United States Department of Agriculture Technical Bulletin 288, p.26

OTHER AGENCIES

Sam R. McKelvie, editor of the "Nebraska Farmer", reports that commercial banks hold 11 percent of the farm mortgages, 10 percent are held by mortgage companies, and 7 percent by other agencies.[1]

It is interesting to note that the farm-mortgage holdings of commercial banks are relatively low in the West South Central division according to Wickens findings.

Table 24 shows the percentage distribution of the holdings of the different lending agencies by geographical divisions in 1928.

These data show that the West South Central division, in which Colorado is located, receives the greatest proportion of loans from large lending institutions which are able to lend greater sums of money, with amortization features and lower rates of interest.

It is only reasonable that commercial banks should have a small proportion of farm-mortgage loans. Commercial banks are primarily for a depository of funds which may be checked against, and to provide the farmer with short time loans as far as he is concerned, and for this purpose the commercial bank is an invaluable aid to the farmer.

Some authorities feel that if commercial banks open their doors to farm-mortgage loans their assets would soon

1. Nebraska Farmer, April 15, 1933, P. 1.

become frozen.[1]

This accounts for the care exercised in farm-mortgage operation by the commercial banks. If they had 20 to 30 percent of their assets in farm-mortgage loans, and two or three successive years in which payment was difficult for the farmers, the bank's position would be critical.

Farm-mortgage companies share a part of their assets by investing in Colorado farms. Farm-mortgage companies are rather old in Colorado. In 1891 there were seven such companies organized to deal in real estate and in farm mortgages.

Comparing the percentages of the farm-mortgage companies' holdings with the percentage of the country as a whole, which is 10 percent; Colorado is slightly above the average with 14.9 percent as its apportionment of the farm-mortgage loans to farm-mortgage companies.[2]

The advent of organized investment credit facilities, such as the Federal Land Bank and Life Insurance Companies, both of which include amortization features, and low rates of interest, and have available funds which are capable of supplying the farmer with credit, will tend to push Farm Mortgage Companies into the background.

Farm Mortgage Companies are as a rule, located in the larger cities of agricultural sections and placing loans in adjoining sections. Their business is essentially a brokerage business in which they serve as middlemen

1. Sparks, E. S., "Agricultural Credit in the United States" pp. 178-179
2. See table 24.

between the farmer and those who have funds to invest.[1]

In many cases farm mortgage companies serve as feeders to life insurance companies, financial institutions, and private investors.[2]

Sparks, in his study of "Agricultural Credit in the United States" found that in 1894 local investors held 55 percent of the total mortgages of the country, individual non-residents held 18 percent of the total mortgages, while no mention is made of the remaining percentages.[2] Comparing this with Wickens' figure of 15.4 percent of the farm mortgages held by other individuals in 1928 would indicate that capital for agricultural credit was becoming more mobile[3]. Quoting Sparks again, "the fact that local investors have formed the largest class of mortgage investors show the constant lack of mobility of capital."[4]

Consulting table 24[5] only 7.6 percent of the farm-mortgages were held by individuals in Colorado in 1928. This suggests that this form of agricultural investment credit is not an attractive place for private individuals to invest their money, and especially, previous to 1928, when speculation attracted those sums which were ready to be invested. Also, it shows that funds are more easily

---

1. Taylor, H.C., "Outlines of Agricultural Economics", p.198.
2. Sparks, E.S., "Agricultural Credit in the United States" p. 174.
3. Wickens, David L., "Farm-mortgage Credit", United States Department of Agriculture, Technical Bulletin 288 p.21.
4. Sparks, op.cit. p. 174.
5. Table 24 page 48.

mobilized for investment credit purposes of farmers.

Retired farmers share some of the farm-mortgage loans also. This group held 4.1 percent of the loans in Colorado in 1928[1]. Retired farmers' holdings are so few that little information can be obtained regarding them . Most of their loans are brought about by the passing of the farm from the owner to his tenant who wants to become an owner, and in some cases, the farm, debt,and payment of the debt is a family deal.

A detailed account was given of the purpose of the loans by the Federal Land Bank . It follows that the purpose of the loans from the institutions mentioned on the preceding pages were for similar purposes, mainly to pay mortgages and other debts.[2]

The source of funds which the commercial banks offer for investment in farm-mortgages arise mainly from the deposits and assets of the bank.

In the case of mortgage companies, they obtain funds for investment in a different manner than any discussed so far in this work . Sparks found that "securities were sold in two forms: 1.the mortgage itself, and 2.bonds representing the mortgage or collection of mortgages. The practice of selling the mortgage outright to the investor is the most common and constitutes the simplest method. However, since the amount of the mortgage is not always adapted to the requirements of the investor, some companies

1.See table 34.
2.United States Department of Agriculture Yearbook,915,p. 215.

issue serial bonds or participation certificates in denominations of $100, $500, or $1,000. These are based on the mortgage itself, and each owner of a bond or certificate becomes a part owner of a mortgage."[1]

Those private individuals who invest in farm-mortgages usually offer their savings for investment, or if they should be land owners, they may sell their farms for a substantial down payment and the balance to be paid by instalments over a period of time.

In the case of retired farmers, their source of funds are usually fixed in the form of land and buildings, and other equipment . Probably in most cases, they do not have accessible funds of cash,stocks or bonds , or other purchasing power, but in place of this they may close a deal with the tenant, or perhaps some deserving man who wants to own a farm , or again to a member of the family, with a small down payment and a first mortgage on the farm will be given as security for the balance.

In some cases retired farmers have savings, other than their farms which they offer for investment in farm-mortgages. If such is the case, it is usually to one who is well known by the lender and a first mortgage is given for security .

---

1. Sparks, E.S. "Agricultural Credit in the United States," p.185.

PART III

THE FARM-MORTGAGE SITUATION AS IT IS TODAY

The farm-mortgage indebtedness is slowly declining according to figures and tables cited in the introduction of this paper. The number of full-owned farms with mortgage debt has decreased since 1925. The United States census report for Colorado gives the number of full-owned farms with mortgage debt as 12,660. The total number of full-owned farms in Colorado in 1930 was 26,929. The number mortgaged was 47 percent of the total full-owned farms in 1930.

Table 25 shows the number and percent of full-owned farms mortgaged in 1910, 1920, 1925, and 1930.

Table 25.

Number and percent of full-owner farms which were mortgaged in Colorado in 1910, 1920, 1925, and 1930.

1910	1920	1925	1930
7,571	15,735	14,444	12,665
23.3%	44.2%	49.3%	47.0%

The total number of full-owned farms for the above years were as follows: 1910, 32,474; 1920, 35,553; 1925, 29,292; 1930, 26,929.

Source: United States census report for 1930.

From table 25, the greatest percent of mortgaged full-owned farms occured in 1925. Although the number of

PART III

THE MORTGAGE SITUATION AS IT IS TODAY

full-owned farms which were mortgaged decreased in 1925, the percent of full-owned farms which were mortgaged increased. This can be accounted for since the number of full-owned farms decreased greatly from 1925 to 1930 .

Table 26 shows the total number of full-owned farms, the number of such farms mortgaged, and the percent of full-owned farms which were mortgaged in 1930 .

Table 26.

Total number of full-owned farms, the number mortgaged, and the percent of full-owned farms which were mortgaged in Colorado in 1930 in the counties in this study which were used for a sample.

County	Total number of full-owned farms	Number mortgaged	Percent mortgaged
Baca	693	375	54.11
Boulder	802	354	44.13
Elbert	419	238	56.80
Huerfano	495	163	32.93
Jackson	101	50	49.50
Larimer	906	321	24.39
Kit Carson	382	228	59.68
Logan	433	257	59.35
Mesa	1,766	812	45.98
Montezuma	579	237	40.93
Montrose	639	292	45.70
Park	229	56	24.45
Prowers	462	277	59.96

Continued on page 55.

Table 26 continued.

County	Total number of full-owned farms	Number mortgaged	Percent mortgaged
Pueblo	720	360	50.00
Rio Grande	354	207	58.47
Saguache	278	104	37.41
Sedgwick	131	78	59.54
Weld	1,668	1,027	61.57
Yuma	626	357	25.70

Source: United Stated census report for Colorado, 1930.

In table 27 the counties are distributed according to the percent of full-owner farms which are mortgaged.

Park, Yuma, and Larimer counties had between 25-30 percent of the full-owned farms mortgaged. This group had the fewest full-owned farms mortgaged. Elbert, Kit Carson, Logan, Prowers, Rio Grande, Weld, and Sedgwick counties were in the counties which had the greatest number of full-owned farms mortgaged. The percentage in this group was 55-60. Eleven of the nineteen counties used for a sample came in the group from 45-60 percent.

These and other data which will follow are important in that they picture the present mortgage situation, and when taken collectively, may suggest means for improvement.

The value of implements and machinery in 1930 was \$50,241,337, in 1925 this value was \$33,472, 740, and in 1920 it was \$49,804,509.[1] The 1930 figure is significant

1.United States Census report for 1930.

Table 27.

Distribution of counties according to the percent of full-owned land which is mortgaged.

25-30	30-35	35-40	40-45	45-50	50-55	55-60
Larimer	Huerfano	Saguache	Montezuma	Boulder	Baca	Elbert
Park				Mesa		Kit Carson
Yuma				Jackson		Logan
				Montrose		Prowers
						Rio Grande
						Weld
						Sedgewick

because it shows that somewhere between 1925 and 1930 there was a great expansion in buying implements and machinery. At this time prices for farm machinery were relatively high and the farmers were not skeptical about buying implements and other equipment. They were induced to buy on time and use their short time credit facilities. These short term credit loans increased and there came a time when it was necessary to unload.

This unloading came about by obtaining a loan for a considerable sum for a longer length of time. With the proceeds from this loan , the farmer was able to liquidate the numerous short term obligations . The reports of the Federal Loan board show that the greatest part of their loans to farmers go to liquidate mortgages and other debts.

If this expansion continued to take place up to 1928, the situation would become more intensified, for farmers had less time to get away from their debt burden before the agricultural crisis came upon them .

When prices for agricultural products began falling and continued to do so it intensified the agricultural situation. Farmers had to secure a living, and taxes had to be paid, when this was done they had little left to pay on a mortgage debt, and in some cases they were not even able to pay small amortization instalments. The ratio of debt to value of land and buildings for the state was 38.62 percent in 1930 compared with the 42.6 percent in 1925.

Wickens assigns much importance to the ratio of debt to value of farms. He says, "the percentage that fixed debt bears to the value of farms is both the most significant feature of the mortgage debt and the most variable . It has a tendency to rise when land values fall and to fall when land values rise. This ratio of debt to value of farms has followed an irregular, but generally rising course, both for individual farms and for agriculture as a whole. During the period from 1920 to 1928 both factors of land values and farm-mortgage debt were tending to increase the debt to value ratio and consequently tending to reduce the owner's equity . Of these two factors the change in land values was the more significant. The index land values, which in 1920 had risen to 170 from a 1912 to 1914 base of 100, by 1925 had declined to 127, and in 1928 stood at 117, During the same period the total mortgage debt had increased 20 percent over that of 1920 ."[1]

For all farms consisting of owned land only, that were mortgaged in Colorado in 1930, the ratio of debt to value for the state was 38.6 percent.

Table 28 shows the ratio of debt to value of the farms in the counties chosen as a sample, and also the number reporting the debt and amount of debt for 1925 and 1930.

Most noticeable in the table is the number reporting debt and amount of debt in 1925 and 1930 for Weld and Mesa counties. The number reporting debt and amount in 1925 for

1.Wickens, David L.,"Farm-Mortgage Credit",Tech.Bul.288,p.49

Table 28.

The number of farms reporting debt and amount of debt, and the ratio of debt to value on farms consisting of full-owned land only in 1925 and 1930.

County	Number of farms reporting debt and amount of debt.		Ratio of debt to value.	
(State) of	1925	1930	1925	1930
Colorado	14,444	10,227	42.6	38.60
Baca	543	361	38.6	21.69
Boulder	384	288	41.7	39.69
Elbert	328	213	39.0	33.93
Huerfano	255	155	46.2	42.78
Jackson	62	47	60.7	38.64
Kit Carson	278	189	39.7	35.84
Larimer	512	399	43.7	41.19
Logan	323	187	46.3	40.05
Mesa	633	666	42.9	33.95
Montezuma	159	186	44.7	39.05
Montrose	403	235	53.7	43.09
Park	51	45	45.5	37.35
Prowers	295	198	36.7	41.08
Pueblo	369	317	43.0	38.29
Rio Grande	285	151	43.3	34.78
Saguache	346	81	44.7	38.84
Sedgewick	323	54	33.9	34.49
Weld	2,153	809	46.6	47.12
yuma	783	285	42.0	38.54

Source: United States Census for 1930.

Weld county was 2,153, in 1930 the number was 809, or a reduction of 61.9 percent in the number of farms with mortgage debt. The ratio of debt to value in 1925 for the same county was 46.6 percent. The ratio of debt to value was listed in the 1930 census as 47.12 percent. This was peculiar since many of the counties reduced their debt to value ratio. This indicates that farms in Weld county are mortgaged closer to the 50 percent mark of their valuation than any other of the counties taken for a sample. Again according to the significance which Wickens gives to the debt to value ratio, it would indicate that values of land had gone down appreciably in this county and that the debt had not been changed.[1] However, the writer does not feel that this is the situation , for the amount of mortgage debt dropped approximately as the debt in other counties, and the value of land and buildings dropped likewise, but the difference lies in the fact that in 1925 there were 2,153 farms reporting the debt and amount , and the number reporting in 1930 was 809. All of the other counties except Mesa reported fewer farms mortgaged in 1930 .

In Mesa county the number of farms reporting debt and amount increased, but the ratio of debt to value decreased.

In the counties used for a sample those that had a high debt ratio did not necessarily tend to be the ones in which the percentage of farm-mortgage debt on full-owned

1.Wickens, David L.,"Farm-Mortgage Credit",United States Department of Agriculture, Technical Bulletin 288, p.49.

farms was greatest.

In table 29 the counties are arranged according to the debt to value ratio. Twelve of the counties taken for a sample fall in the group whose ratio of debt to value is 35-45. Of this group eight are found in the 35-40 group. Four are found in the 40-45 group. owever, those that did fall in the 35-40 group hovered close to the 40 percent mark .

Table 29 .

Distribution of counties according to ratio of debt to value for 1930.

20-25	30-35	35-40	40-45	45-50
Baca	Elbert	Boulder	Huerfano	Weld
	Mesa	Jackson	Larimer	
	Rio Grande	Logan	Montrose	
	Sedgewick	Park	Prowers	
		Pueblo		
		Kit Carson		
		Yuma		
		Montezuma		

From the distribution table, the different regions in which the counties are located do not tend to be in any one particular ratio of debt to value group. For example Baca county has a ratio of debt to value of 20-25 , and Yuma county has a ratio of debt to value of 40-45, these counties are located in typical dry land regions. Those counties which are devoted to livestock raising as a type of agriculture have about the same ratio of debt to value. Such counties are Jackson and Park counties . The typical irrigated sections did not have counties in the same debt to value ratio . An example of this type would be Boulder county and Weld and Larimer counties. Weld county is in the group whose debt to value ratio is between 45-50. Boulder falls in the 40-45 group .

Forty-seven percent of the full-owned farms in Colorado are mortgaged, the ratio of debt to value on those farms in the counties taken for a sample falls in the group where the ratio is between 35-45 percent of the value of the land and buildings. That is , twelve of the nineteen counties fall in this group. The majority of counties were close to the 40 percent mark .

From the foregoing it is certain that during the last few years the percentage of indebtedness is decreasing as well as the ratio of debt to value of the farms. The trend from 1925 to 1930 gives a clue as what to expect in the situation today .

Considering the 42 percent of owner-operated farms mortgaged in the United States, and the 47.0 percent of the full-owned farms which were mortgaged in 1930 would indicate that Colorado farmers had quite a heavy debt burden And in the case of owner-operated farms it would be,even, larger .

Another point in the present situation of the farm-mortgage indebtedness would be the care exercised by lending agencies in their loaning operations. The Federal Land Bank of Wichita closed only 100 loans for an average of $3,047 during 1932. The previous year thay had closed 258 loans in Colorado. The Wichita Bank exercised similar care in lending to other states in the Ninth Federal Land Bank District.[1]

The withdrawal of so much credit from this source alone increases the financial depression of many Colorado farmers.

The most recent figure for the number of life insurance companies reporting loans in Colorado was in 1931 . The number of companies reporting as having loans in Colorado was 42. Their outstanding loans had dropped down to $6,075,000. The amount of outstanding loans of 40 life insurance companies declined steadily during the first six months of 1932 to reach an approximate amount the same as the amount held in May , 1925.[2]

Wickens accounts for the present status of Life Insurance Companies in regard to their lending operations by saying that "among the variety of factors that have produced this important reversal in trend of outstanding credit have been the smaller amounts granted on new and renewed loans, because of the declining value of farm

1. Annual Report of the Federal Farm Loan Board, 1932
2. Wickens, David L., "Farm Loans by Life Insurance Companies"(preliminary report), p.4.

land, and reduction by payment on principal necessary to bring indebtedness within manageable limits. In addition, considerable amounts of credit have been extinguished through foreclosure or voluntary assignment of title."[1]

"Adding to the misfortune of Colorado farmers are the short crop returns for 1932. Estimates from the United States Department of Agriculture showing acre-yield of all crops for 1932 , expressed as a percentage of the ten-year average yields from 1919-1928 is 76.4 percent for Colorado. The percentage in Kansas is 88.1; New Mexico,89.5 ; Oklahoma,99; the average for the district is 88.25, and for the United States, 98.6."[2] Says J.W. Fields , President of the Federal Land Bank of Wichita. Colorado stands at the bottom of this list.

Fields continues to say that"Colorado farm land values are very low. Expressed as a percentage of the value in 1920 it is 46 percent; Kansas 59;New Mexico,62; Oklahoma, 52; Ninth Federal Land Bank District,56; United States, 52".[3] So again Colorado is at the bottom of the list.

Mr. Fields brings out another interesting feature of Colorado's credit condition . It is as follows: " a 40 percent loan on the basis of 1920 values would , by states, represent the following percentages of 1932 values, Colorado,

1.Wickens, David L., "Farm Loans of Life Insurance Companies" page 4.
2.Field, J.W. Personal letter in appendix.
3. Ibid.,

87; Kansas, 67; New Mexico, 64; Oklahoma, 61; Ninth Federal Land Bank District,71; United States, 77".[1]

The number of delinquent loans on January 1, 1931 was 2,678. On the same date 1932 the number was 5,901, and up to February 9,1933 the number had reached 13,091 . The percentage of loans delinquent are respectively 8.7, 19.1, and 42.5 percent. These figures are for the Ninth Land Bank District.[2]

At the end of December , 1932, the number of loans delinquent in Colorado was 4,827. On January 31, 1933 the number delinquent for Colorado was 4,573. The amount of delinquency was $1,003,614 on December 31,1932, and by January 31, 1933 the amount had increased to $1,068,749.[3]

According to Fields' report, Colorado is low in percentage increase of delinquency, contrary to this , Kansas has a greater amount of loans upon which delinquent instalments are due, but the amount of delinquency is much lower.[4] Colorado exceeds all the other states in the district in the number of delinquent loans.

Table 30 gives the delinquent instalments for 1932 and 1933 for Colorado and Kansas.

Mr. Fields comments on the decrease in the number of delinquent loans as compared with December 31, 1932 by saying that "the decrease is apparent and not real.

1. Fields, J.W. Personal letter.
2. Ibid.
3. Ibid.
4. Ibid.

Duplication of the loans with part of the delinquencies carried as extended, and subsequent delinquencies carried as delinquent, accounts for the descrepancy".[1]

Table 30.

Delinquent instalments for 1932 and 1933 for Colorado and Kansas.

Kansas	12-31-32	1-31-33	Percent incr'e
Number of loans	3,629	3,622	
Am't. of loans	$16,413,793	$15,524,639	
" " Delin.	886,647	957,710	
Percent of Delin .	2.78	3.00	7.9
Colorado :			
Number of loans	4,827	4,573	
Am't of loans	$15,751,598	$14,129,440	
Amount of Delin.	1,003,614	957,710	
Percent of Delin.	4.14	4.42	6.8

It is not the aim of the Federal Land Bank to foreclose on any farm if the farmer is making some attempt to pay his instalments. However, if no attempt is made to pay farms must be sold. The Federal Land Bank of Wichita does own some farms. On January 31,1933 , the Federal Land Bank of Wichita owned 618 farms. Foreclosures were pending on 195 farms. These farms are distributed in the four states of the Ninth Federal Land Bank District.

1. Fields,J.W., Personal Letter.

The present status of the Federal Land Bank will undoubtedly be affected by the new legislation which puts The Federal Land Bank under the direction of one head.

The above report is the present situation of the Federal Land Bank . A report on the present situation of Life Insurance Companies and other agencies will follow.

Although there are 42 life insurance companies with loans in Colorado, no information is available regarding there present situation .

One President of an Eastern Life Insurance Company is meeting the present situation, in most cases, by making foreclosures with the consent of the borrowers and to their benefit, because they have given the farmers opportunity to continue in charge of their property as tenants and get a fresh start, and through certain procedings, after the crisis has terminated , regain their farms.[1]

Cases where retired farmers, commercial banks, and mortgage companies have foreclosed are not at all unheard of, but their lending operations are much smaller and therefore do not represent such a cross-section of farm owners as does the Federal Land Banks and Life Insurance Companies.

In addition to the institutions reflecting upon Agricultural credit today is the Reconstruction Finance Corporation, authorized by Ex-President Hoover to make loans to the Federal Land Banks, and that they should in turn, make loans to the farmers.

1. Nollen, H.S., Personal Letter. See appendix.

"The Reconstruction Finance Corporation " makes loans to farmers when the proceeds are to be used for an agricultural purpose and when acceptable security is offered. The cost of the loan is $6\frac{1}{2}$ percent, which includes appraisals and inspection costs. Loans are usually made for the crop production period".[1] Thus , such loans are not truly investment credit types.

Another element which adds to the farmers present situation is taxes. Even though, their operating expenses have been reduced, there are some items of outlay which are virtually fixed in amount and not readily susceptible to material reduction. "One of the most important of these outlays is taxes",[2] according to an article in the 15 th. annual report of the Federal Farm Loan Board.

This same situation requires some attention in Colorado . In 1931 it required 8.22 percent of the gross cash income from farm products for taxes; the percentage in 1932 was 14.50 , nearly twice as much as in 1931.[3]

This is significant, because if a farmer must pay a high percentage of his gross income for taxes and also maintain a standard of life, little will be left for the liquidation of a farm-mortgage loan , or other shorter term obligations. Hence due to the pressure of the creditor who provides the short time loan, and in some

1. Agricultural Outlook for 1933 .
3. Klemmedson,G.S., "State and Local Tax Revision in Colorado",Bulletin 398, C.A.C., 1932.
2. Annual Report of Federal Farm Loan Board for 1932, p.5.

cases, heavy tax burdens, the holders of long term loans, as Federal Land Banks and Life Insurance Companies, are forced to foreclose.

It is difficult to get entirely away from the index numbers of farm prices in a study of the mortgage situation. Speaking of the country as a whole, F F.Hill says that "the greater part of the present farm-mortgage debt was contracted at a time when farm prices were 30 percent or more above pre-war prices. Farmers are finding it difficult, and in a large number of cases impossible, to pay debts contracted at a price level of 130 or higher with prodcuts which must be sold at a price level of less than 6.".[1]

In general, the situation at the present may be summed up by saying that the lending agencies have not made as many loans as usual in Colorado during 1932 and part of 1933, and in many cases many foreclosures have been made. In the case of the Federal Land Bank there are a great many delinquent instalments which represent a large amount of money. It takes almost twice as much of the gross farm income to pay taxes as it did in 1931, and farmers are trying to pay for a debt contracted in good times at high prices with an income from low price levels.

1. Hill, F.F., "Journal of Farm Economics", January,1933, p. 34.

PART IV

SUGGESTIONS FOR IMPROVEMENT

PART IV

SUGGESTIONS FOR IMPROVEMENT

After reviewing what has been done in the way of investment-credit for farmers in Colorado and the present debt situation of Colorado farmers, some ideas can be gained for the improvement of the present situation.

Foremost in the way of improvement will be in connection with the Federal Land Bank. Secondly, the organization of " conciliatory board" in each county to serve as an advisor for both farmers and those wishing to invest in farm-mortgages. Third, would be legislation regarding moratoriums on farm debts, Fourth , better cooperation of farmers. Fifth , legislation protecting funds deposited in local banks.

This survey pertaining to the mortgage-debt situation and the agencies which deal with farm-mortgage credit , reveals that there is room for such improvement as stated above.

In reviewing this paper , it is found in a study of the 1930 census for Colorado that the mortgage indebtedness is a local problem, peculiar to the county in which the farm is located.

The ratio of debt to value differs with the counties , the percentage of farms mortgaged differs also, the amount of the debt burden, the danger to creditors , the value of the land, and many other factors, tend to make the mortgage situation an individual problem in a particular locality .

The fact that the farm-mortgage indebtedness is distributed among so many agencies and that each agency has different holdings in various sections of the country, makes any reform difficult. A moratorium might alleviate the burden for one farmer and again it would not help another.

Louis J.Taber, Master of the Grange, which is a farm organization, opposes a " general moratorium on farm debts, as well as any agrarian invasions of the Capital".[1] Other authorities feel that a general survey of the farm-mortgage situation in each state would be helpful.

The study in Colorado revealed that the value of land rose in good times and fell in the periods of depression. During the better times, the amount of farm indebtedness multiplied, and in poorer times it did not decline in proportion to the rate at which it had accumulated .

Considering the Federal Land Bank first, since the most data were obtained from this lending institution. In 1932 only 100 loans were closed in Colorado by the Federal Land Bank of Wichita. Granting that funds were low in the Bank for making such loans, provisions should be made so that surplus funds may flow into the Federal Land Bank at times when credit is most needed, or when amortiz-

1.Business Week, November 30, 1932, p. 14.

ation instalments have to be postponed.

In order that this may be done there must be legislation by the Federal Government providing that such funds be created to flow to the Federal Land Banks in times of stress. The Reconstruction Finance Corporation has answered this in part. In general, the Federal Land Banks have operated on too small a margin. In its beginning, the major part of its stock was subscribed for by the United States Government, instead of being a source of investment for other peoples' money.

Hill, of Cornell University, suggested a plan for the present sitaution of Federal Land Banks. He says, "strengthen the capital structure of the Federal Land Banks by a permanent increase in government-owned capital stock. Provisions be made for a more flexible margin for these banks. Place the responsibility for their actual adminstration more directly on the officers and directors of the individual banks".[1]

The study shows that there was a great number of foreclosures on Colorado farms in 1932. If the above provisions for additional capital were made, good farmers on good farms, would be able to have their instalments postponed , in the case of an emergency, until the agricultural situation improved sufficiently that they could meet such payments.

---

1. Hill,F.F., "Farm Mortgages", Journal of Farm Economics, January, 1933, p.40.

Adding to the argument for a bigger and better Federal Farm LOan organization is this message from J.D.Black. "One of the principal opportunities for service to agriculture which the Federal Farm Loan System affords is making loans in less-favored agricultural areas in which the insurance companies are now refusing to do business. No one wants the Federal Farm Loan System or any other public agency to support'sub-marginal'farming. If no system of agriculture of any kind can be caried on advantageously in an area, then the Federal Farm Loan System should make no loans there. But the term'sub-marginal' is frequently misunderstood. Oftentimes, the reason an area is not propering is not that no agriculture can prosper there, but that the system of agriculture being attempted there is of the wrong kind, and usually is altogether too intensive. What is needed is a system of farming which will divide the area into considerably larger tracts than now prevail and substitute grazing, woodlots, etc.,or some combinations of these for the agriculture which is now practiced there. If such operations prove to be founded economically by the Bureau of Agricultural Economics, then it is highly important that such farmers be granted loans, or that any farmer attempting such a method of farming be assisted with loans. Such areas are commonly restrained from making the necessary transition because of the lack of capital."[1]

1. Black, J.D., "Agricultural Reform in the United States," p. 458.

Colorado has much of this type of land and such a reorganization as this would be of great value to Colorado farmers who are operating in grazing districts or upon other low grade land.

The writer does not favor a moratorium, but if such legislation does take place the back instalments should be added to the amortization plan.

In case legislation did provide for the postponement of debt payment, the conciliatory board would have much to say about farmers who should continue as owner of the farm and who should start over as a tenant.

During the last two years the Federal Land Bank closed loans which averaged $3,047 per farm. Using the 1930 census figure of $9,553 for the average valuation of full-owned farms, the farm would be mortgaged for only 31.8 per cent of its valuation. Thus, in the case of the Federal Land Bank which limits their loans to actual owners or those wishing to become owners, the average amount of $3,047 would not go far toward buying a farm.

Provisions might be made for a greater amount to be loaned to each farmer in the case of deserving farmers located in regions where chances for the liquidating of a larger loan were good. "Young men wishing to become owners ought to be able to borrow considerably more than 50 per cent of the value of the farm if it is properly appraised, if the farm improvements are properly insured, and if the Federal Farm Loan System has properly studied the trends in the agricultural area." [1]

Mention has been made of the conciliatory board for adjusting farm debts between the farmer and creditor. Such a board has been devised for this type of service in the San Luis Valley, Colorado. It is composed of, "Two farmers, a business man, and a banker. These men are selected with the idea of getting men who have the confidence of the people in each county and they are furnished with a credit statement to be filled out." [2]

According to Mr. Mahl, "anyone asking the board to help solve their problems will make out a credit statement and ask the board to consider it. The statement contains everything that pertains to their financial situation. The board then gets in touch with the creditor and verifies the statement and then sees whether or not the thing can be worked out. If the board feels the man should be given another chance, it will try and get the creditor to give it to him.

"The board feels that it has a great deal of leverage upon the man in debt. The board has the support of the people and the individual has confidence in it, or he would not have given the members of it his credit statement. If he is so absolutely involved that the board thinks he

1. Black, J. D., "Agricultural Reform in the United States" p. 458.
2. "View Point of the Farm Bureau," address by Chas. Mahl, Annual Meeting of Extension Service, C. A. C., January, 1933.

he could not possibly come out, they will advise him to make the best deal possible. If such is the case, people are told to support the sale. The services of this board are gratis. In many cases, individual creditors will not bring pressure to bear as they would in dealing with the individual."[1]

Such a board should be devised for each county, not only in times of agricultural crisis, as at the present, but for all times.

In critical times, the board would function as it is doing in the San Luis Valley at the present. In normal times the board would serve in the capacity of advising those wishing to invest in a farm about the farm, the owner of the farm, the value of the land and buildings, the farm's capacity for producing an income, and many other things which go to standardize loaning and buying operations in farm property.

The larger investing agencies, such as the Federal Land Bank and the Insurance Companies, would be concerned with the board to the extent that it would and should honestly advise them about the condition of the farmer's credit in critical times, and tell them accurately of value of land and essentials necessary for accurate appraisals, should the owners apply for credit, or should companies wish to invest in farm-mortgages.

---

1. Mahl, Chas., " Viewpoint of the Farm Bureau", Annual Meeting of the Extension Service, C.A.C., January, 1933.

In addition to the above services of this conciliatory board, it would be in a position to advise farmers of credit activities taking place in other counties and also the credit activities of the different states which go to make-up trends. It would also be able to advise farmers regarding the valuation of their land to prevent over-borrowing, and again it would follow price trends over a period of years and attempt some forecast which would be valuable in advising farmers to adjust their expenditures in order to meet instalments on farm loans should a crisis arise. It would also be valuable in mobilizing relief to assist in times like the last few years.

The Federal Land Bank has attempted this plan by organizing the local farm loan associations, but the farm loan association can be criticized because it is entirely made up of farmers who have as their objective to borrow money upon their farms, and again a prerequisite for becoming a member of the loan association is to wish to borrow from the Federal Land Bank. In this case no impartial business men or bankers and expert land appraisers are on the board.

In the event of the Federal Land Bank's loaning operations if some provision be made for an interview of the local farm loan association with this "conciliatory board" or "county loan commission" as you may wish to call it, would prevent over-borrowing of some of the farmers, and on the other hand, may open up the way for many good loans to be closed that would otherwise be overlooked.

Hill says of such a commission,"it would appear desirable to set up a debt conciliatory commission in each county in the United States. Such a commission should be composed of citizens of standing in the community whose ability , integrity and honesty are above question. There should probably be a central commission in each state composed of persons with considerable actual experience in dealing with farmers and farm mortgage credit."[1]

Black , who writes on Agricultural Reform , feels that a board of the above type is"necessary for the success of any institution which has for its sole purpose the loaning of money on farm lands."[2] He says of the board, "it will have exact information as to the rates at which land is selling and renting at all times and will have worked out very carefully the ratios of cash rents to land values in them. It will also have developed a system for determining a safe loan in any of the areas where the board is located. It will recognize that the future agricultural developments in any area should figure very largely in such a loan value, and will have worked out in close cooperation with the Bureau of Agricultural Economics the types of farming that are likely to develop in each of these areas."[3]

Dr.Black visualizes that this program of research and analysis will be active in making loans on a basis that

1.Hill,F.F.,"Farm Mortgages", Journal of Farm Economics January , 1933 ,p.44.
2.Black, J.D.,"Agricultural Reform in the United States",p. 457.
3. Ibid .,457-458 .

will greatly reduce the number of foreclosures; in the second place, it will be safe to amend the Federal Land Bank Act to permit considerably more than a 50 percent loan; and , in the third place, loans will be made safely on farms in areas where the banks are refusing to make loans now".[1]

As a third suggestion for improvement , much should be done to bring about more organization of the farmers . The farm problem has been , and is still such today, too much individualism . The United States census states that 46.6 percent of the owner-operated farms in Colorado are mortgaged. In view of this fact , there are as many individual problems as there are farms with a mortgage debt. To get away from this individualistic spirit would mean a continuation of the efforts for better cooperation among farmers in all of their business activities.

Any legislation which would protect the farmer's funds as well as all others, which are deposited in the local banks would be welcomed by both groups of people. Farmers can pay little on a mortgage loan if the banks defaulted where their money was deposited. If the banks fail to open , then the farmers property is in danger of foreclosure.

From this survey , interest rates,in most cases,tend to be above 6 percent. The Federal Land Banks rates of interest charged on their loans are lower than any other

1.Black,J.D.,"Agricultural Reform in the United States"p. 458.

loaning institution in Colorado. Their rates of interest are $5\frac{1}{2}$ percent which is not exorbitant, but by eliminating the element of risk, providing more funds, and building a smoothly operating institution for making loans to farmers would bring the interest rate of farm investment credit down.

In reviewing current literature regarding farm-mortgage relief brings out other features for the improvement of the farm-mortgage situation.

It is suggested that any government refinancing, which is so much talked about, would only increase the governments deficit and raise taxes.[1] The government cannot borrow money and pay a higher rate of interest than it receives from the money it loans.

A moratorium on farm-mortgages would decrease the prestige of the farm as a place for investing funds. Any such moratorium or rebellious action lessens the faith of the people in the farmers' "promise to pay", and eventually he will have to pay a high rate of interest and offer excellent security in order to get little, if any, credit at all.

---

1. Hill, F. F., "Farm Mortgages", Journal of Farm Economics, January, 1933, p. 38.

PART V

CONCLUSIONS

PART V

CONCLUSIONS

The writer's conclusions of the study, following the objectives set up in the introduction, are: (1) That the value of land rose and fell in Colorado the same as it did in other states where studies of the mortgage situation were made. (2) That during the period of rising land values the bulk of the mortgage indebtedness was contracted. (3) That during the period from 1925 to 1930 there was a great expansion in the buying of implements and equipment by farmers in Colorado. This expansion added to the crisis, in many cases, because they were purchased by giving a note due in a short time, to be paid from the receipts of agricultural products which had reached a low level of prices. (4) That the increase in the operations of the Federal Land Bank and Life Insurance Companies shows that there is a demand for investment credit institutions in Colorado. (5) That the Federal Land Bank has done much to reduce the rates of interest on loans to farmers in Colorado. (6) That the Federal Land Bank established a system whereby loans which were made for a period of time could be amortized at an interest rate of $5\frac{1}{2}$ percent. (7) That the amortization plan of making loans is being adopted by some life insurance companies. (8) That the average amount of the loans closed by the Federal Land Bank has been about one-third of the valuation of the land and buildings. (9) That the number and amount of outstanding loans have been steady for some years, indicating that the loans of the Federal Land Bank are made on a conservative basis. (10) That the rate of interest charged by the Federal Land Bank is the lowest of all the principal lending agencies. (11) That Life Insurance Companies are older lending agencies in Colorado than the Federal Land Banks. (12) That Federal Land Banks and Life Insurance Companies hold about 50 percent of the farm-mortgages in Colorado , the other 50 percent being held by commercial banks, mortgage companies, private individuals, retired farmers, and other agencies. (13) That the particular agricultural regions of Colorado had few counties in them with specific relations of value of the land, the amount of the mortgage, the size of the farm, and the ratio of debt to value. (14) That the farm-mortgage situation is shown to be individualistic as shown by the different values of land, the amount of debt, the size of the farm, the ratio of debt to value , and the number of farms mortgaged. (15) Any conclusions regarding the operations of the commercial banks, mortgage companies, private individuals, retired farmers and other agencies would be invalid due to the limited supply of information about these companies. (16) That 38.8 percent of the full-owned farms in Colorado in 1930 were mortgaged.

The writer's conclusions regarding the situations as it is today are the following: (1) That Colorado has more farms foreclosed on than any other state in the Ninth Federal Land Bank District. (2) That the Wichita Bank had second to the most foreclosures when the Omaha, Houston, Berkeley, and Spokane Banks were compared. (3) That the percent of delinquent loans is greater in Colorado than in any other state in the Ninth Federal Land Bank District. (4) That a review of current literature shows there had been no rebellion of Colorado farmers, nor were there invasions of the State Capitol as in other states. (5) That the farm-mortgage situation is a highly individualistic problem which will make any reform difficult. (6) That for 1932, Colorado's land values and acre-yield of crops was the lowest of the states in the Ninth Federal Land Bank District. (7) That the index number of prices for agricultural products have been between 50-60 for 1932, using 100 as a base in 1913 for comparison. (8) That Life Insurance Companies during the last year reduced the amount of their assets invested in farms appreciably. (9) That the ratio of debt to value of farm-mortgages in Colorado is between 35-45 percent. (10) That the interest rate paid by farmers to commercial banks, mortgage companies, private individuals, retired farmers, and other agencies is relatively high compared with the $5\frac{1}{2}$ percent charged by the Federal Land Bank. (11) That the Federal Land Banks and Life Insurance Companies are giving the farmer whose position is critical every possible chance to make good, and in case foreclosure is necessary, the farmer is allowed to continue farming as a tenant. (12) That the falling land values have made the lending agencies very conservative in amount loaned to each farmer, and in the number of loans closed. (13) That in 1932,69 percent of the loan went to pay mortgages, indicating that short term obligations had piled up and that a larger loan was necessary to liquidate these short term obligations in order to save refinancing charges. (14) That the Reconstruction Finance Corporation has been a source of funds for the Federal Land Bank during 1932, previous to this time, money for the loans was obtained by selling bonds to the investing public and through the cooperation of the local farm loan association . The source of funds of Life Insurance Companies was from the payment of premiums, while mortgage companies sold bonds to obtain funds to invest in farm-mortgages. The retired farmers held mortgages on farms because they had sold the farm and were receiving payments on the principal .

The writer's conclusions regarding the suggestions for improvement are: (1) Enlarge the Federal Land Bank, so that it will have a larger amount of capital, so that it can make larger loans, and so that it can charge a lower rate of interest and in times of stress defer instalments. (2) Organize a "counciliatory board " in each county to advise creditors about the farmer, to inform the farmer about credit conditions, and to inform creditors about the value of land, its rent value, and its capacity for producing an income.

(3) Legislation regarding moratoriums on farm-mortgages. That is, it would be better for the adjustment of the mortgage situation of the farmer to take place through the conciliatory board rather than outright foreclosure.(4) Better cooperation among farmers. This would eliminate some of the individuality of the farmers and make reform less difficult. (5) Legislation protecting funds in local banks. That is, raising the legal ratio of cash on hand to depositscr providing for additional capital to go to the local banks in times of stress.

PART VI

BIBLIOGRAPHY

PART VI

BIBLIOGRAPHY

1. Agricultural Outlook for 1933, Miscellaneous Publication, No.156, Washington D.C.
2. Analysis of the Loaning Operations of the Federal Land Bank of Springfield, Bulletin 549, 1932.
3. Annual Report of the Association of Life Insurance Company Presidents, 1914 to 1932.
4. Annual Meeting of the Extension Service, C.A.C., January , 1933.
5. Annual Report of the Federal Farm Loan Board, 1917 to 1932.
6. Black,J.D. " Agricultural Reform in the United States", Mc.Graw-Hill Book Company, New York, 1929.
7. Hill,F.F. " Farm Mortgages ", Journal of Farm Economics, January , 1933.
8. Klemmedson,G.S., State and Local Tax Revision in Colorado, Bulletin 389, C.A.C.
9. Mc.Kelvie, Sam, Nebraska Farmer , April 15,1933.
10. Stackelback,D.F., Denver Post, October 1, 1932.
11. Taylor, H.C., " Outlines of Agricultural Economics", New York, The MacMillan Company, 1931 .
12. Sparks, E.S., " Agricultural Credit in the United States, New York, Crowell and Company, 1932.
13. Putnam, G.E.,"American Economic Review", December ,1916.

14.Wickens, David L., " Farm-Mortgage Credit ", United States Department of Agriculture, Technical Bulletin 288.

15.Wickens, David L., " Farm Loans of Life Insurance Companies",Bureau of Agricultural Economics, Washington D.C. , 1932.

16.Business Week, January 25, 1933.

17.Business Week, November 30,1932.

18.Colorado Yearbook, 1932.

19.Colorado Tax Commission Report, 1915.

20.United States Department of Agriculture Bulletins 915, 1924.

21.United States Census Report for 1900, 1910, 1920, 1925, and 1930.

22.Financing of Farming, Vol.5, no.7; Vol.6, no.7; Vol.7, no.7.

PART VII

APPENDIX

APPENDIX

Comments from a letter written by Mr.J.W.Fields, President of the Federal Land Bank of Wichita.

"We formerly endeavored to keep track of the sales of farms on which this bank held mortgages, but found it impossible to obtain dependable figures and for that reason discontinued assembling the data."

"Preliminary to foredlosure we do everything that can possibly be done to avoid taking legal action. The Federal Land Banks are not foreclosing mortgages except for the most impelling reasons. If a borrower is able to pay he is expected to do so. If unable to pay, the bank wishes to know that he is making bona fide effort to meet his farm mortgage obligations and is giving his land good care.

"The banks are asking assurance that, after providing for necessary living and operating expenses , the production of the land will be applied to the payment of primary charges, such as taxes and mortgage installments. Each case is carefully studied and considered individually on its merits. Where these conditions exist and this assurance is had, the banks are not foreclosing mortgages. Under existing price conditions they are not asking assurance that there be sufficient margin in the annual operation to cover currently accruing taxes and interest, or to restore the loan to good standing within a specified time". J.W.Fields.

Condition of the Federal Land Bank February, 1933.

In another letter from Mr.J.W.Fields is this information regarding the condition of the Federal Land Bank .

"The decrease in the number of delinquent loans, as compared with a month ago , is apparent and not real . Duplication of loans with part of the delinquencies carried as extended, and subsequent delinquencies carried as delinquent, accounts for the descrepancy "

"Unfortunately in the Ninth Federal Land Bank District short crop returns have been added to the difficulties which our borrowers have been having. Estimates of the United States Department of Agriculture showing the acre-yield of all crops in 1932, expressed as a percentage of the ten-year period average-yields from 1919 to 1932, for the states of the Ninth Federal Land Bank District, are : Colorado, 76.4; Kansas, 88.1; New Mexico, 89.5 ; Oklahoma, 99. The average of the district is 88.25, and for the United States, 98.6.

"The value of farm land expressed as a percentage of the value in 1920 , is as follows ; Colorado , 46; Kansas, 59; New Mexico , 62; Oklahoma , 57; Ninth Federal Land Bank District, 56; United States, 52.

A 40 percent loan on the basis of 1920 values would , by states, represent the following percentages of 1932 values: Colorado, 87; Kansas, 67; New Mexico, 64; Oklahoma, 61; Ninth Federal Land Bank District, 71; United States, 77."

	1931	1932	1933
Loans delinquent	2,678	5,901	13,091
Per. of del. loans	8.7	19.1	42.5
Amount of del. loans	$8,847,865	$20,544,086	$43,008,944

Delinquent installments

	12-31-32	1-31-33	Per. increase
Kansas			
Number of loans	3,628	3,622	
Amount of loans	$16,413,793	$15,524,639	
Amount of del.	886,647	957,710	
Percent of del.	2.78	3.00	7.9
Colorado			
Number of loans	4,827	4,573	
Amount of loans	$15,751,598	$14,129,440	
Amount of del.	1,003,614	1,068,749	
Percent of del.	4.14	4.42	6.8

Real estate	1931	1932	1933
Kansas			
Foreclosures	$121,187	$ 104,904	$250,063
Judgements	364,564	629,540	912,561
Farms owned	300,579	250,176	394,019
Percent of net lns.	2.39	3.05	4.88

	1931	1932	1933
Colorado			
Foreclosures	$ 34,086	$166,030	$270,773
Judgements	176,284	167,520	395,945
Farms owned	398,322	492,431	513,422
Percent net loans	2.40	3.29	4.88

J. W. Fields .

Henry S. Nollen, President of the Equitable Insurance Company of Iowa , gives this information regarding the foreclosure policy of their company .

" The general cause of disturbance in these localities is not due to dissatisfaction over first mortgage leins held by life insurance companies, but to other debts which in some cases have been ruthlessly enforced, and as a protest against prices of farm products. "

" Practically all of the foreclosures which have been made by the life insurance companies have been with consent of the borrowers and to their benefit, because they have given the farmers an opportunity to continue in charge of their property as tenants and get a fresh start."

Henry S.Nollen.