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Federal Reserve Bank of Chicago - -

June 6, 1958

FARM MORTGAGE DEBT increased further in the first few months of 1958. But the rate of increase has slowed materially from the rapid rise in 1955 and 1956.

During 1957, total farm mortgage debt rose 6 per cent, substantially less than the 9.3 per cent gain during 1956. In the first quarter of 1958 the rise in such loans held by the major institutional lenders was only about two-thirds as large as in the corresponding period in 1957.

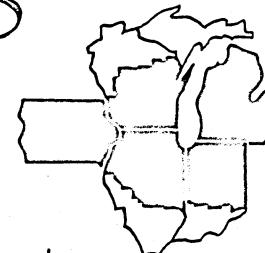
The slowing growth in debt secured by mortgages on farm real estate is due primarily to a reduced volume of new loans. The volume of mortgage loans closed by Federal Land Banks has trended downward since early 1957 and in the first quarter of this year was about one-third below the same quarter of 1957. New lending by life insurance companies has shown a less pronounced decline—9 per cent. The Farmers Home Administration has trimmed new lending somewhat, following a rapid expansion in 1957. For the above three institutions combined, new loans in the first quarter of 1958 were 12 per cent less than year-earlier and 30 per cent less than two years earlier.

The rate of repayments of outstanding loans has declined moderately since early in 1957. For insurance companies, principal repayments in 1956 were equal to 12.1 per cent of total farm mortgage loans outstanding. Repayments dropped to 10.5 per cent of outstandings in 1957. Similar declines were reported by the Federal Land Banks where the rate fell from 9.4 per cent to 8.3 per cent and by the Farmers Home Administration where the rate fell from 8.5 per cent to 6.7 per cent.

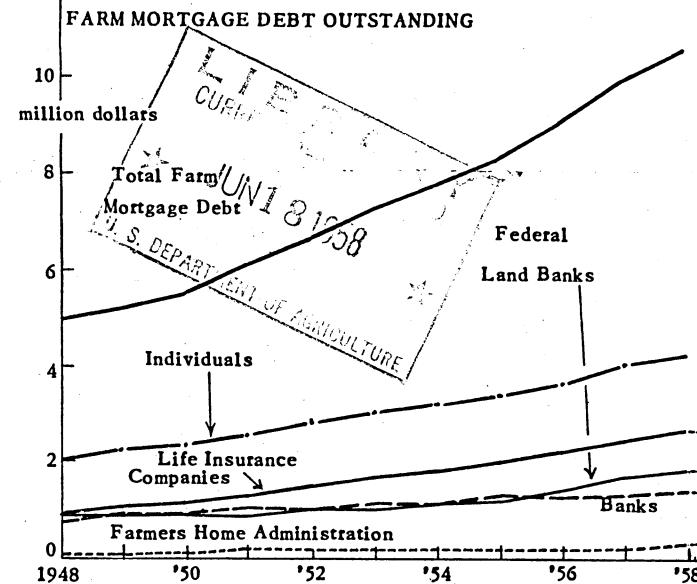
In the first quarter of 1958, insurance companies reported a rate of 3.7 per cent compared with 4.5 per cent a year earlier.

Repayments may increase somewhat in response to the recent advance in farm income in some areas and the decline in interest rates. However, even the current rate of repayments appears to be relatively high as compared with the 20 years, or longer, maturities for which many farm mortgages are written.

Agricultural Letter



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Foreclosures and interest payment delinquencies remain at very low levels. Insurance companies reported on March 31 that loans in process of foreclosure averaged only one out of a thousand, and only two out of each thousand were behind on interest payments. These ratios are about the same as a year earlier.

The proportion of total farm mortgage debt held by insurance companies has increased to 25 per cent in 1957 from 21 per cent in 1950. The share held by banks has declined during this period from 17 per cent to 14 per cent, while the shares held by the other lending agencies have remained almost constant.

Research Department

Farm Mortgage Debt	Per Cent Change during year	
	1956	1957
Life insurance companies	+9.0	+5.3*
Federal Land Banks	+16.4	+10.0
Farmers Home Administration	+4.2	+15.9
Banks:		
Member	+1.9	+0.6
Nonmember	+3.8	+3.9
Individuals and others	+9.3	+5.4*
Total	+9.3	+6.0

Outstanding December 31, 1957	Increase in Outstanding First Quarter	
	1957 (million dollars)	1958
2,607*	+27	+33*
1,894*	+76	+30*
336*	+6	+5*
728	+5	+7
686	NA	NA
4,249*	NA	NA
10,500*	-	-

* Preliminary