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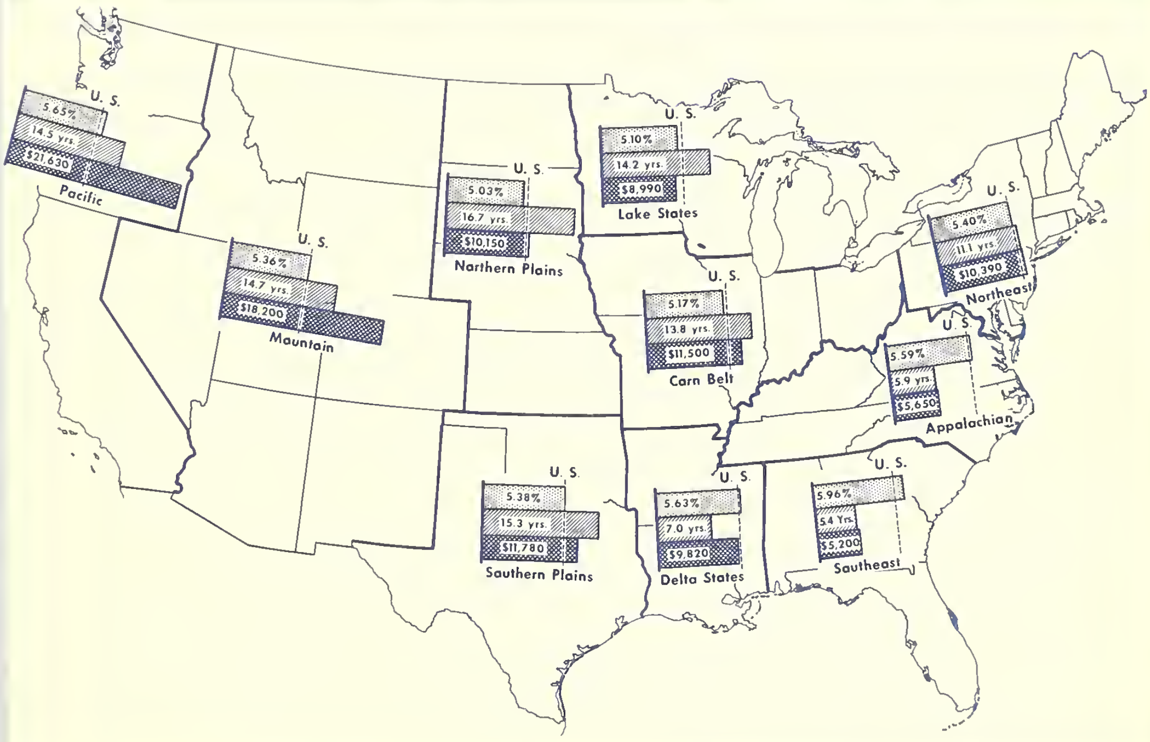
FARM MORTGAGES RECORDED IN 1959 Interest Rates, Terms, and Sizes With Historical Data, 1949-1959



U.S. DEPARTMENT OF AGRICULTURE
Economic Research Service
Farm Economics Division

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SUMMARY

Between 1949 and 1959, the average size of farm mortgages recorded increased from $4,500 to $10,000. The average term lengthened from 8.5 to 10.7 years, and the average interest rate increased from 4.73 to 5.41 percent.

The direction of change was the same for all regions and lenders, but the magnitude of the change varied. For example, life insurance companies increased their average maturity from 17.2 to 19.1 years, whereas bank mortgages increased only from 4.1 to 4.5 years. The size of loans made by individuals increased 160 percent during the decade compared with a 95-percent increase for banks.

Farm-mortgage loans in the Appalachian, Southeast, and Delta Regions were for smaller amounts, carried shorter terms, and had higher interest rates than did loans in the rest of the country. Regional variations were due partly to differences in the size and character of farms but more especially to the varying extent to which the different lender groups participated in lending. Banks customarily made relatively small, short-term, high-interest-rate loans, while mortgage loans of life insurance companies and Federal land banks were comparatively large and on the average had longer terms and lower rates. 1/ Among many loans, there was an inverse relationship between interest rate and size of loan and between interest rate and length of term.

INTRODUCTION

In the last several decades, agriculture has become an increasingly heavy user of capital. Land values have risen greatly, many improvements in land and buildings have been made, and such purchased inputs as fertilizer and machinery have increased. These factors, together with the expansion and consolidation of individual farms, have resulted in the use of more credit, not only for operating expenses but also for the transfer and refinancing of the investment in fixed assets.

Loans secured by mortgages on farm real estate are a main source of credit to agriculture. Usually, these loans have longer maturities than those without real estate security; they provide agriculture with a substantial amount of long-term capital. In 1959, the volume of farm mortgages recorded in the United States totaled $2.8 billion. This was a larger volume than for any year since 1920. In 1940, recordings were $772 million; between then and 1959, recordings showed increases for most years. Outstanding farm-mortgage debt at the end of 1959 totaled $12.3 billion.

1/ Federal land bank loans are made through local Federal land bank associations.

The volume of recordings and the levels of farm mortgage debt and interest rates increased after 1959 - the year of the survey - as shown in the tabulation that follows:

Item	1959	1961
Farm mortgages recorded (first half)----million dollars--:	1,592	1,627
Outstanding farm-mortgage loans (Jan. 1)------------------------------billion dollars--:	11.3	13.1
Average interest rate on loan commitments of life insurance companies (third quarter)------------percent--:	5.71	5.85

This report, which covers farm mortgages recorded during the period January 1 through March 31, 1959, presents more detailed data than are included in the usual releases on recordings. It shows changes from earlier periods in interest rates, length of term, and size of loans. It reveals how these characteristics varied among regions and for different lender groups. Further, it points out important relationships among rates, terms, and sizes of loans, and goes beyond the presentation of averages alone in showing the range of these characteristics for borrowers, lenders, and regions. These relationships are relatively stable over time, as they grow out of factors that change slowly.

The data on the 55,000 farm mortgages analyzed in the study were obtained by managers of Federal land bank associations, county recorders, and others from actual recordings made during the first quarter of 1959. Some 1,600 sample counties representing every State except Alaska and Hawaii were included. For most States, the sample counties represented a third to half of all farms. In a few midwestern States, practically all counties were included. In Delaware, West Virginia, California, Arizona, Nevada, and the New England States, the mortgages recorded were too few to permit separate estimates for some lenders. Supplemental data were obtained directly from life insurance companies on their farm-mortgage lending.

Farm mortgages as reported in this study are broadly defined to include mortgages, deeds of trust, real estate sales contracts, and other instruments evidencing real estate liens. New mortgages and those arising from the renewal or refinancing of existing loans were included, as were first, second, or third mortgages.

FARM MORTGAGE INTEREST RATES

Interest rates charged by lenders are usually influenced by costs and risks. Small, short-term loans, particularly if widely scattered, are relatively costly to make and service. And loans on low-income farms are risky and may involve collection difficulties or losses. Availability and cost of loan funds, lender competition, legislation, and lending customs are some of the other factors that affect interest rates. Basically, these are the main reasons why rates change over time, differ among farms and areas, and vary for different lender groups.

Interest rates on farm mortgages recorded during the first quarter of 1959 averaged 5.41 percent for the United States. 2/ Rates for recordings in the first quarter of 1957 and in March 1949 averaged 5.19 and 4.73 percent, respectively. This increase in interest rates on farm mortgages reflects primarily the generally rising cost of money, as well as salaries and other expenses of lenders. Also, the demand for credit relative to its supply has been large. Higher rates over the decade of the 1950's occurred in all regions and for all lenders.

Regional Differences

In early 1959, average interest rates varied by regions from a low of 5.03 percent in the Northern Plains to a high of 5.96 percent in the Southeast (table 1). In general, the lower average interest rates were in regions in

Table 1.- Average interest rate, contract term, and size of farm mortgages recorded, Jan. 1-Mar. 31, 1959, by regions 1/

Region	Interest rate	Term	Size
	Percent	Years	Dollars
Northeast 2/	5.40	11.1	10,390
Lake States	5.10	14.2	8,990
Corn Belt	5.17	13.8	11,500
Northern Plains	5.03	16.7	10,150
Appalachian	5.59	5.9	5,650
Southeast	5.96	5.4	5,200
Delta States	5.63	7.0	9,820
Southern Plains	5.38	15.3	11,780
Mountain	5.36	14.7	18,200
Pacific	5.65	14.5	21,630
United States	5.41	10.7	10,000

1/ Excludes loans of $250,000 and over.
2/ Excludes the New England States.

which the Federal land banks and insurance companies made relatively large percentages of loans (table 2). These regions included the Northern and Southern Plains, the Lake States, the Corn Belt, and the Mountain States. In the other regions, in which higher interest rates prevailed, banks, individuals,

2/ Interest rates are weighted by the amount of the mortgages.

Table 2.- Percentage distribution of amount of farm mortgages recorded, by lenders, and by regions, Jan. 1-Mar. 31, 1959 1/

Region	Federal land bank system	Insurance companies	Banks and trust companies	Individuals	Miscellaneous lenders 2/	Total
	Percent	Percent	Percent	Percent	Percent	Percent
Northeast 3/	14.9	1.9	50.4	23.6	9.2	100.0
Lake States	29.4	17.0	27.0	22.1	4.5	100.0
Corn Belt	21.9	26.6	20.7	20.4	10.4	100.0
Northern Plains	34.9	22.8	10.9	22.1	9.3	100.0
Appalachian	14.0	9.3	34.4	17.5	24.8	100.0
Southeast	14.3	5.2	23.0	23.0	34.5	100.0
Delta States	16.5	20.1	18.8	13.3	31.3	100.0
Southern Plains	21.6	23.5	13.2	28.4	13.3	100.0
Mountain	26.5	20.9	9.6	26.8	16.2	100.0
Pacific	16.2	7.1	16.2	49.6	10.9	100.0
United States	20.6	16.6	21.3	25.6	15.9	100.0

1/ Excludes loans of $250,000 and over.
2/ Includes the Farmers Home Administration, mortgage and investment companies, savings and loan associations, State and local governmental agencies, production credit associations, merchants and dealers, and unidentified lenders.
3/ Excludes the New England States.

and miscellaneous lenders were the most important sources of farm-mortgage credit. These general relationships prevailed because, in most regions, the Federal land banks and insurance companies charged lower rates for mortgage loans than did other lenders.

But the relative importance of the various sources of mortgage credit was not the only factor that determined the average rate of interest in a region. There were regional variations in the rates charged by each of the five principal lender groups. In the Southeast, Delta, and Pacific States, most lenders charged relatively high rates (fig. 1). In the Corn Belt, Lake States, and Northern Plains, most lenders charged relatively low rates of interest. Differences in rates presumably result chiefly from variations in the aggregate volume of mortgage loan business available, the average size of individual loans, and the risks of lending. These factors affect the unit costs of making and servicing mortgage loans.

Lender Differences

Farm-mortgage interest rates varied nearly as much among lenders as among regions. The highest average interest rate was on mortgages recorded by banks and trust companies (5.89 percent); the lowest (5.03 percent) was on

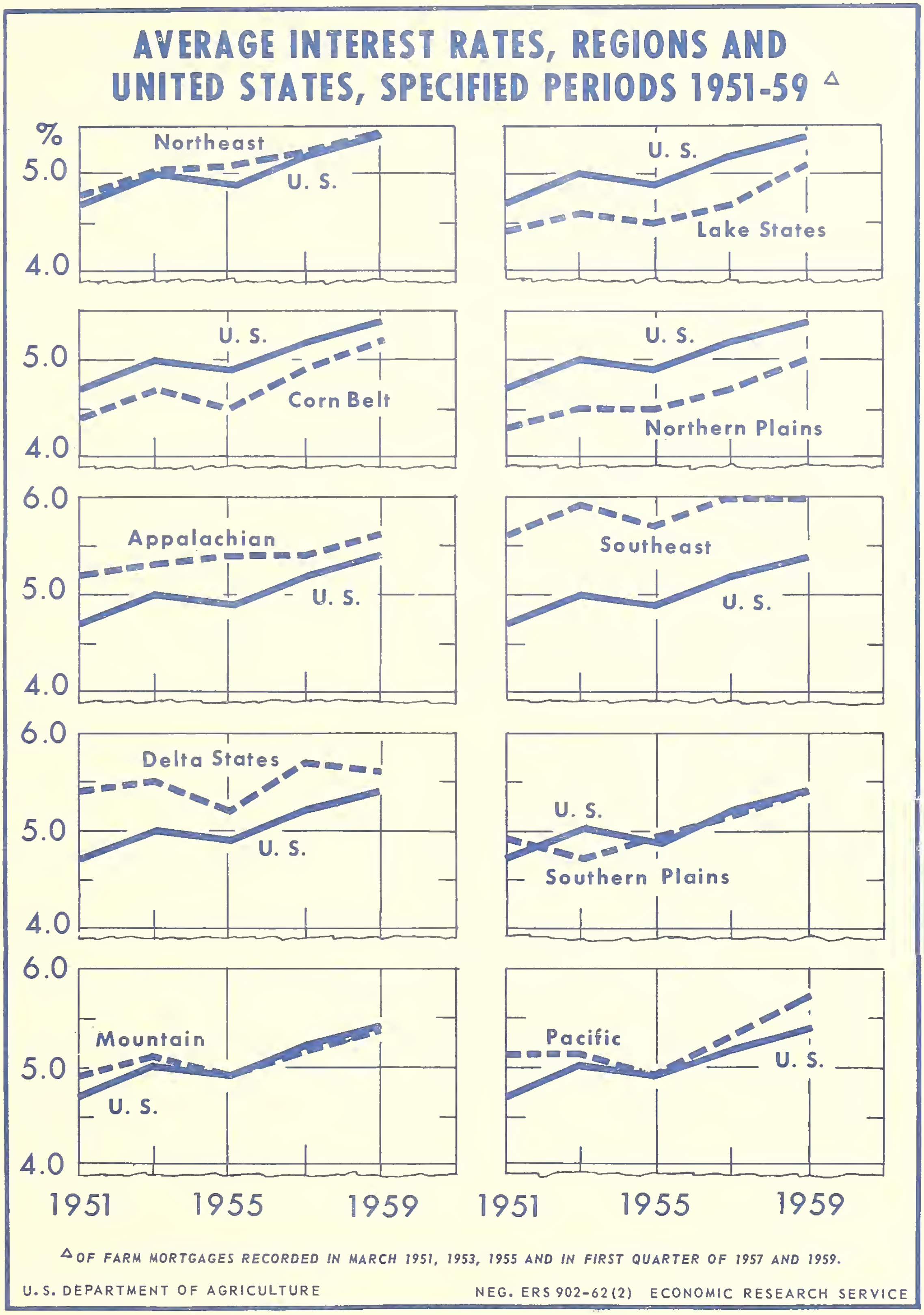
AVERAGE INTEREST RATES, REGIONS AND UNITED STATES, SPECIFIED PERIODS 1951-59 △
%
5.0
4.0
Northeast
U. S.
Lake States
Corn Belt
Northern Plains
6.0
Appalachian
Southeast
Delta States
Southern Plains
Mountain
Pacific
1951
1955
1959
△ OF FARM MORTGAGES RECORDED IN MARCH 1951, 1953, 1955 AND IN FIRST QUARTER OF 1957 AND 1959.
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Figure 1

Federal land bank mortgages. Average interest rates for miscellaneous lenders, insurance companies, and individuals were 5.57, 5.33, and 5.28, respectively (table 3, fig. 2).

Table 3.- Average interest rate, contract term, and size of farm mortgages recorded, Jan. 1-Mar. 31, 1959, by lenders 1/

Lender	Interest rate	Term	Size
	Percent	Years	Dollars
Federal land bank system	5.03	25.7	11,620
Insurance companies	5.33	19.1	21,960
Banks and trust companies	5.89	4.5	6,600
Individuals	5.28	6.6	10,860
Miscellaneous 2/	5.57	8.4	8,390
United States	5.41	10.7	10,000

1/ Excludes loans of $250,000 and over.
2/ Includes the Farmers Home Administration, mortgage and investment companies, savings and loan associations, State and local governmental agencies, production credit associations, merchants and dealers, and unidentified lenders.

Federal Land Bank System

Interest rates of the Federal land banks, which make loans through local Federal land bank associations, were lower and varied less by regions than those of any other lender group.

Federal land banks and Federal land bank associations constitute a cooperative system that provides farmers with mortgage credit at the lowest practical rates. Their loans average larger than those of any other lender group except insurance companies and are made for long terms. This enables the land bank system to operate on a relatively low-cost basis. On land bank mortgages recorded in all except three regions during the first quarter of 1959, average interest rates ranged from 4.91 to 5.01 percent. In the Northeast, the Southeast, and the Appalachian Region, they were 5.47, 5.29 and 5.24 percent, respectively. The land banks serving these regions made many small loans and had a smaller total volume of business than most other land banks.

Insurance Companies

Among the institutional lenders, life insurance companies charged rates that were next lowest to those charged by the Federal land bank system. Their operating costs and risks are relatively low because they make large, long-term loans and usually concentrate them in the better farming areas. Rates on mortgages recorded by these companies during the first quarter of 1959 averaged

5.33 percent for the United States. The range among regions was only about one-half of one percentage point. The regional variation that existed was mainly the result of differing competitive conditions.

Banks and Trust Companies

Banks and trust companies charged the highest interest rates of all farm-mortgage lenders. On the mortgages they recorded during the first quarter of 1959, the average interest rate was 5.89 percent. Regionally, rates ranged from 5.57 percent in the Corn Belt to 6.68 percent in the Southeast.

Banks usually make types of farm-mortgage loans that are relatively more costly to handle than those made by the Federal land banks and life insurance companies. For the United States, their loans averaged only a little more than half as large as those made by the land banks and less than a third as large as those made by life insurance companies (table 3). The average term of bank loans was only 4.5 years, compared with 25.7 and 19.1 years for land bank and insurance company loans. Moreover, most banks operate chiefly in the fields of short and intermediate-term non-real-estate credit, in which rates of interest usually are higher than on farm-mortgage loans. The rates charged by banks on their mortgage loans probably were affected strongly by the rates they could obtain on non-real-estate loans.

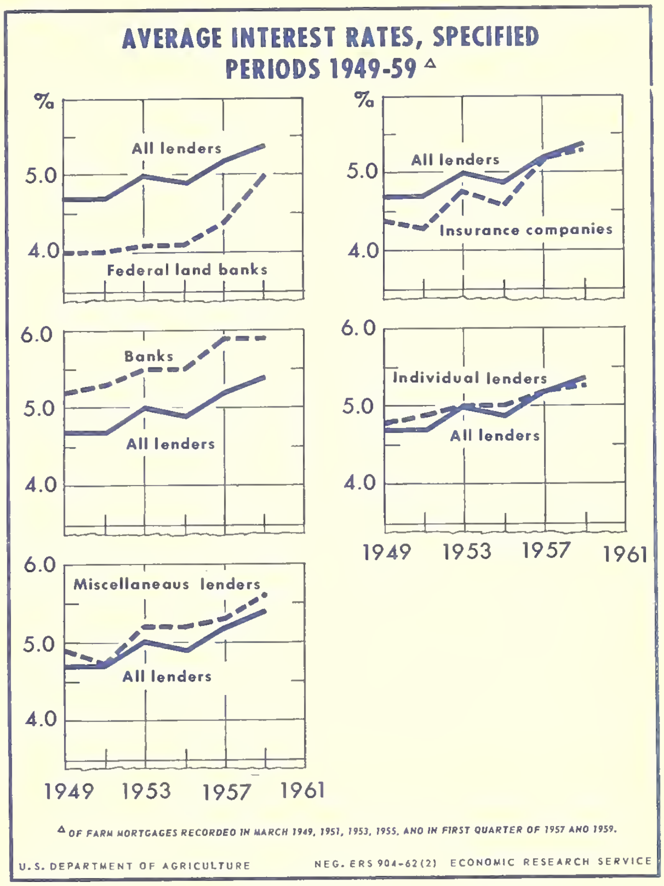

Figure 2

Interest rates charged by banks on farm-mortgage loans generally were higher in the Southern and Western States than in the Northern and Eastern States (table 4). The highest rates were in the Southeast and the Delta States - regions in which the average term of mortgage loan was 2 years or less and the average size was below $5,000. Loans had longer terms and were larger in most of the regions that had relatively low interest rates.

But regional variations in interest rates charged by banks and trust companies are not fully explained by variations in either the average term or average size of the mortgages they recorded. In the Appalachian Region, loans were relatively small and short-term, but they had lower average rates than loans in the Mountain Region, where the average term was more than 5 years and the average size was more than $12,000.

Table 4.- Average interest rates on farm mortgages recorded, by lenders, and by States and regions, Jan. 1-Mar. 31, 1959 1/

State and region	Federal land bank system	Insurance companies	Banks and trust companies	Individuals	Miscellaneous lenders 2/	All lenders
	Percent	Percent	Percent	Percent	Percent	Percent
New England	3/	3/	3/	3/	3/	3/
New York	5.46	5.57	5.79	5.12	5.26	5.50
New Jersey	5.37	5.55	5.63	4.88	5.40	5.32
Pennsylvania	5.50	5.44	5.57	4.87	5.35	5.41
Delaware	3/	4/	3/	3/	3/	3/
Maryland	5.50	5.39	5.52	4.98	5.54	5.35
Northeast	5.47	5.46	5.61	4.97	5.37	5.40
Michigan	5.00	5.38	6.01	4.71	5.05	5.34
Wisconsin	5.00	5.40	5.34	4.48	4.76	4.99
Minnesota	5.00	5.16	5.56	4.39	4.54	5.04
Lake States	5.00	5.23	5.63	4.50	4.78	5.10
Ohio	5.00	5.23	5.76	4.74	5.82	5.42
Indiana	5.00	5.12	5.48	4.83	5.72	5.25
Illinois	5.00	5.09	5.26	4.85	5.13	5.07
Iowa	4.82	5.08	5.20	4.47	4.89	4.86
Missouri	5.00	5.36	6.02	5.35	4.78	5.37
Corn Belt	4.96	5.15	5.57	4.84	5.48	5.17
North Dakota	5.00	5.58	6.04	4.46	4.96	5.03
South Dakota	4.84	5.24	5.70	4.71	4.38	4.94
Nebraska	4.85	5.17	5.46	4.67	4.50	4.94
Kansas	4.99	5.33	5.78	5.04	4.80	5.19
Northern Plains	4.91	5.25	5.71	4.74	4.73	5.03
Virginia	5.50	5.28	5.83	5.51	4.98	5.55
West Virginia	5.50	4/	5.88	5.37	5.12	5.58
North Carolina	5.45	5.39	5.67	5.71	5.76	5.65
Kentucky	5.00	5.24	5.83	5.34	5.68	5.51
Tennessee	5.00	5.34	5.92	5.65	5.74	5.63
Appalachian	5.24	5.31	5.82	5.56	5.64	5.59
South Carolina	5.47	5.50	5.94	5.94	5.69	5.74
Georgia	5.47	5.78	7.19	6.10	5.98	6.25
Florida	5.48	5.63	6.22	5.81	6.37	6.01
Alabama	5.00	5.27	6.20	5.82	4.50	5.43
Southeast	5.29	5.62	6.68	5.93	5.87	5.96
Mississippi	5.00	5.49	6.09	5.44	5.68	5.61
Arkansas	5.00	5.54	6.54	6.14	5.63	5.70
Louisiana	5.00	5.50	6.94	5.37	5.53	5.56
Delta States	5.00	5.52	6.34	5.65	5.65	5.63

See footnotes at end of table.

Table 4.- Average interest rates on farm mortgages recorded, by lenders, and by States and regions, Jan. 1-Mar. 31, 1959 1/ -Continued

State and region	Federal land bank system	Insurance companies	Banks and trust companies	Individuals	Miscellaneous lenders 2/	All lenders
	Percent	Percent	Percent	Percent	Percent	Percent
Oklahoma	5.00	5.42	6.93	5.63	4.15	5.44
Texas	4.99	5.53	5.93	5.27	5.52	5.36
Southern Plains	4.99	5.51	6.20	5.36	5.09	5.38
Montana	4.97	5.52	5.97	5.34	5.44	5.32
Idaho	5.06	5.67	6.60	5.39	5.61	5.45
Wyoming	4.82	5.47	6.16	4.50	4.26	4.81
Colorado	5.00	5.56	5.98	5.33	5.63	5.37
New Mexico	5.00	5.68	6.58	4.98	5.27	5.41
Arizona	5.00	5.72	3/	5.25	3/	3/
Utah	4.94	5.50	6.55	5.45	5.23	5.53
Nevada	4/	3/	4/	3/	4/	3/
Mountain	4.92	5.62	6.20	5.16	5.47	5.36
Washington	5.08	5.66	6.05	5.23	5.13	5.41
Oregon	5.02	5.50	5.60	5.31	5.29	5.29
California	3/	5.51	3/	3/	3/	3/
Pacific	5.01	5.55	5.99	5.74	5.90	5.65
United States	5.03	5.33	5.89	5.28	5.57	5.41

1/ Data for 48 States only. Excludes loans of $250,000 and over.
2/ Includes the Farmers Home Administration, mortgage and investment companies, savings and loan associations, State and local governmental agencies, production credit associations, merchants and dealers, and unidentified lenders.
3/ Adequate data not available.
4/ No loans reported.

Apparently, the rates charged on farm-mortgage loans recorded by banks and trust companies were influenced strongly by local situations and by local practices or lending customs.

Individuals

The average interest rate on farm mortgages recorded by individuals in the United States in the first quarter of 1959 was 5.28 percent. The highest average rate charged was 5.93 percent in the Southeast and the lowest was 4.50 percent in the Lake States. The variation in rates charged by individuals, from zero to the legal maximum in some States, was greater than for any other group. The unusually low interest rates on some of these loans reflect lending by members of the borrower's family.

Average rates on mortgage loans made by individuals were lower than for any other lender group in the Northeast, Lake States, and Corn Belt, and lower than the all-lender average in all regions except the Delta States and the Pacific Region.

Miscellaneous Lenders

The regional distribution of interest rates on mortgages recorded by miscellaneous lenders was more like that of banks and trust companies than that of any other lender group. 3/ The national average rate in the first quarter of 1959 was 5.57 percent. Average rates varied from 4.73 percent in the Northern Plains to 5.90 percent in the Pacific Region, a range almost as great as that for individual lenders. The heterogeneous nature of the miscellaneous lender group accounts for the wide range in rates. In general, the higher interest rates were on mortgages taken by merchants and dealers and production credit associations, particularly in the Southeast and Delta States, whereas the lower rates were on mortgages taken by the Farmers Home Administration and savings and loan associations. The dollar volume of mortgages recorded by miscellaneous lenders accounted for 15.9 percent of all recordings in the first quarter of 1959 (table 2). Miscellaneous lenders loaned more money in the Southeast and Delta Regions than did any other lender group.

Changes in Interest Rates

Between 1949 and 1959, there were relatively large increases in interest rates (table 5). 4/ In this 10-year period, average rates of the Federal land banks and insurance companies increased by 0.98 percentage point and 0.94 percentage point, respectively. Percentage point increases for other lender groups were 0.65 for miscellaneous lenders, 0.64 for banks, and 0.53 for individuals. Although the increase since 1949 was greatest for Federal land banks, their rates continued to be lowest of all lender groups. Interest rates of banks continued to be higher than those of other lender groups.

3/ Includes the Farmers Home Administration, mortgage and investment companies, savings and loan associations, State and local governmental agencies, production credit associations, merchants and dealers, and unidentified lenders.

4/ Data for other years are given in appendix tables 12 and 13.

Table 5.- Percentage distribution of rates on farm mortgages recorded and average interest rates, by lenders, United States, specified periods 1949 and 1959

Lender	Interest rates, Jan. 1-Mar. 31, 1959 1/										Average interest rate
	Less than 4.00	4.00 to 4.74	4.75 to 5.24	5.25 to 5.74	5.75 to 6.24	6.25 to 6.74	6.75 to 7.24	7.25 to 8.74	8.75 and over	Total	
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Federal land bank system---	2/	3.8	81.1	15.1	0	0	0	0	0	100.0	5.03
Insurance companies--------	0	.2	36.1	51.2	12.4	.1	0	0	0	100.0	5.33
Banks and trust companies--	.3	.7	8.3	6.7	61.9	.7	4.8	15.3	1.3	100.0	5.89
Individuals----------------	3.4	9.7	23.4	2.7	47.0	.3	3.2	9.2	1.1	100.0	5.28
Miscellaneous lenders 3/---	2.2	12.2	4.4	2.1	67.6	4.3	4.8	2.1	.3	100.0	5.57
All lenders--------------	1.3	5.4	28.9	10.9	42.0	1.1	3.0	6.7	.7	100.0	5.41

Lender	Interest rates, March 1949 4/								Average interest rate
	Less than 3.51	3.51 to 4.50	4.51 to 5.50	5.51 to 6.50	6.51 to 7.50	7.51 to 8.50	8.51 and over	Total	
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Federal land bank system---	0	99.9	.1	0	0	0	0	100.0	4.05
Insurance companies--------	.7	75.7	17.8	5.0	.6	.2	2/	100.0	4.39
Banks and trust companies--	.5	15.5	22.9	42.2	3.2	14.2	1.5	100.0	5.25
Individuals----------------	6.4	22.8	23.0	34.6	3.1	8.5	1.6	100.0	4.75
Miscellaneous lenders 3/---	4.6	24.5	38.3	23.9	.7	6.9	1.1	100.0	4.92
All lenders--------------	2.9	35.2	20.6	29.4	2.3	8.5	1.1	100.0	4.73

1/ Data for 48 States only. Excludes loans of $250,000 and over.
2/ Less than 0.05 percent.
3/ Includes the Farmers Home Administration, mortgage and investment companies, savings and loan associations, State and local governmental agencies, production credit associations, merchants and dealers, and unidentified lenders.
4/ 1949 data from the Farm Credit Administration.

Because of the larger increases in land bank and insurance company rates, there was less spread by 1959 between their interest rates and those of banks, individuals, and miscellaneous lenders, which traditionally have had higher rates. In 1949, for example, the spread in average interest rates between commercial banks and land banks was 1.20 percentage points and in 1957, it was 1.46 percentage points. But by 1959, the spread had dropped to 0.86 percentage point.

The different effect that rising costs of money in the central money markets had on various lenders mainly explains the narrowed dispersion in their loan rates. Individuals, and many banks and miscellaneous lenders borrow little money in the financial centers and seldom invest in the money market. Some charge the same rate - say 6 percent - year after year regardless of the demand for credit or the rates of other lenders.

But rising money costs in the central markets have a greater effect on land banks and insurance companies. Land banks particularly are affected because they obtain a large amount of their lending funds from this source. Borrowings by the Federal Government will indicate the trend of money costs. In 1949, yields on 3-month Treasury bills and long-term Government bonds were 1.10 and 2.31 percent, respectively, but by 1959, they had risen to 3.40 and 4.07 percent. The average cost of money borrowed in the investment market by the Federal land banks rose from about 1 3/4 percent in 1949 to about 4 1/2 percent in 1959. Life insurance companies do not borrow in the securities markets, but consider them as alternative avenues of investment. As returns to be obtained through investments in securities increase, the insurance companies raise the interest rates at which they will lend on mortgage security.

In the first quarter of 1959, compared with 10 years earlier, interest rates on most of the Federal land bank loans moved up from 4 to 5 percent; the main concentration point of life insurance company loans shifted upward from about 4 to about 5 1/2 percent, and a greater concentration at the 6-percent level developed for the loans of banks, miscellaneous lenders, and individuals. All major types of lenders increased their rates but, as noted earlier, the low-rate lenders made the largest increases in rates.

Interest Rate and Term and Size of Mortgage

A special tabulation of loans made by banks, individuals, and miscellaneous lenders in five States selected from different regions showed that interest rates and length of term were usually inversely related (table 6). 5/ In the five States, loans with rates of less than 5 percent had an average term of more than 17 years, those of 5 to 5.9 percent had an average term of about 8 years; and loans at rates of 6 percent or more matured, on the average, in 2 to 5 years.

5/ The tabulation was limited to these 3 groups because Federal land banks by law and insurance companies by practice make loans of relatively uniform rates and terms. The 5 States selected were New York, Mississippi, Missouri, Wyoming, and Oregon.

Table 6.- Relationship of interest rate, length of term, and size of loan for farm mortgages recorded by banks, individuals, and miscellaneous lenders, in 5 specified States, Jan. 1-Mar. 31, 1959 1/ 2/

Item	New York	Missis-sippi	Mis-souri	Wyoming	Oregon	5 States
Interest rate of-						
1.0 to 4.99 percent:						
Average term-------years--	13.2	15.8	18.0	19.3	17.4	17.3
Average size-----dollars--	8,226	11,864	10,718	20,191	8,252	11,180
Loans------------number--	13	121	267	25	50	476
5.0 to 5.49 percent:						
Average term-------years--	10.0	6.7	7.4	8.1	10.1	7.7
Average size-----dollars--	7,617	14,965	10,735	9,214	15,075	11,200
Loans------------number--	45	63	467	7	40	622
5.5 to 5.99 percent:						
Average term-------years--	11.8	3.8	7.6	0	5.3	8.2
Average size-----dollars--	8,531	13,057	10,439	0	36,900	11,052
Loans------------number--	35	12	106	0	3/	158
6.0 to 6.49 percent:						
Average term-------years--	7.3	1.8	4.2	3.1	5.6	3.5
Average size-----dollars--	7,751	12,053	4,628	8,397	12,996	7,568
Loans------------number--	106	867	1,464	27	69	2,533
6.5 to 6.99 percent:						
Average term-------years--	0	1.0	5.3	0	2.5	4.8
Average size-----dollars--	0	1,749	3,961	0	2,500	3,704
Loans------------number--	0	3/	17	0	3/	20
7.0 to 7.99 percent:						
Average term-------years--	0	2.0	3.3	3.0	5.1	3.2
Average size-----dollars--	0	2,562	3,637	7,117	7,425	3,930
Loans------------number--	0	20	100	9	8	137
8.0 percent and over:						
Average term-------years--	0	1.7	2.0	3.1	4.2	2.0
Average size-----dollars--	0	1,665	2,209	6,843	6,675	2,115
Loans------------number--	0	240	409	7	8	664

1/ Excludes loans payable on demand and those for which no term or rate was reported.
2/ Excludes loans of $250,000 and over.
3/ Less than 5 loans.

Interest rates on farm mortgages recorded by these lenders in the five States also varied inversely by size of mortgage, although the relationship was not as clearly defined as that between rate and term.

LENGTH OF TERM OF FARM MORTGAGES

The length of time for which farm-mortgage loans are made depends partly on the situation of the borrower - the size of the loan, how long he will need it, the condition of his property, and his long-run income prospects. The kind of lender, however, is a more important determinant of the term, or maturity, of the loan. How average length of term varies among borrowers and regions is largely influenced by the relative importance of lending by the different lending groups.

Commercial banks, which must be ready to meet requests for the withdrawal of deposits and are expected to finance the current operating needs of their communities, are unable to commit a large proportion of their funds to long-run investments. Many individuals and miscellaneous lenders also seldom make long-term loans. Meeting the need of farmers for long-term credit was one of the main objectives in establishing the Federal land bank system. Funds for land bank loans are obtained in the bond markets and through either original borrowing or refunding operations are available for long periods of time. Similarly, life insurance companies, which must invest reserves held for policies, also make loans of long maturities.

In early 1959, terms on farm-mortgage loans were longer than for any previous year for which data are available (fig. 3). For lenders as a whole, mortgages recorded in 1959 had an average term of 10.7 years (table 7). This was 1.5 years more than those recorded in March 1953, and 2.2 years more than those recorded in March 1949 (appendix table 14). Increases in maturity of loans occurred in all regions and for each of the five principal lender groups. The generally good experience of lenders with farm-mortgage loans accounts partly for this lengthening of term; but an important reason is that farm borrowers have needed more time in which to repay the increasing amounts of money borrowed to finance their rapidly growing capital requirements.

Regional Differences

Farm mortgages had relatively long terms in the Northern and Southern Plains, the Corn Belt, and the Pacific, Mountain, and Lake States (table 1). In these regions, where average terms varied from 13.8 to 16.7 years, a proportionately large number of Federal land bank and insurance company mortgages were recorded (table 8). 6/ In the Southern States - Appalachian, Southeast, and Delta Regions - farm mortgages were predominantly short-term, varying from 5.4 to 7 years. In these regions, banks, individuals, and miscellaneous lenders were more important.

In the Northeast, the average term was 11.1 years, intermediate between the short terms of the South and the longer terms of other regions. In this region, insurance companies make few loans and land bank loans are relatively less important than in other regions.

6/ The terms are weighted by the number of mortgages recorded.

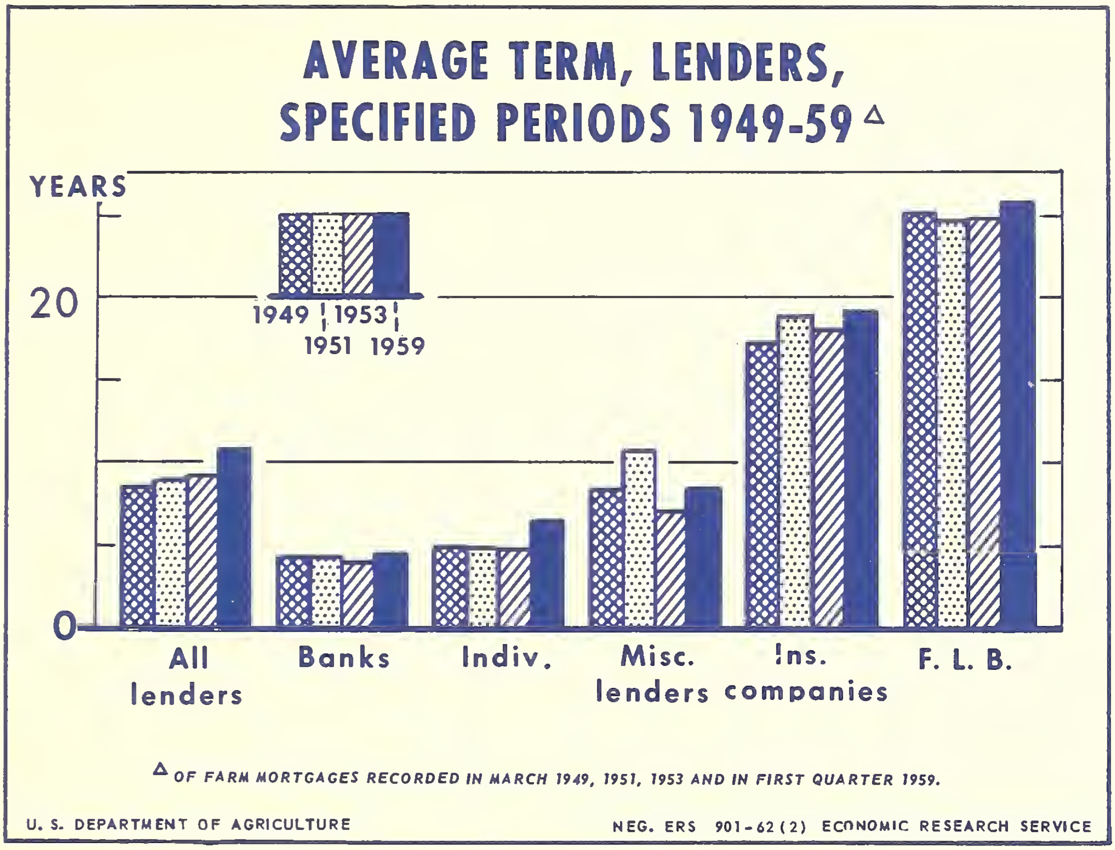

Figure 3

Banks are by far the dominant lenders (tables 3 and 8). Because banks in most regions make very short-term loans, their dominance in the Northeast might be expected to result in a shorter term for the all-lender average. But banks in that region hold exceptionally large amounts of savings deposits and have traditionally made relatively long-term loans. Their terms were more than twice the average for banks in the United States as a whole.

Lender Differences

The average term varied more among the lender groups than among the regions. During the first quarter of 1959, Federal land bank and insurance company mortgages had average terms of 25.7 and 19.1 years, respectively (table 9), while the average term of mortgages recorded by miscellaneous lenders was 8.4 years, by individuals, 6.6 years, and by banks, 4.5 years.

By regions, average terms for Federal land bank loans ranged from 21 years in the Southeast to 29.9 years in the Corn Belt (table 7). Terms for insurance companies varied less - from 16.6 years in the Northeast to 19.6 years in the Corn Belt and Pacific Regions. In all regions except the Northeast, the shortest average term was on mortgages written by banks, which ranged from 1.7 years in the Delta States to 8.8 years in the Northeast. Terms of mortgages recorded by individuals were shortest in the Appalachian Region and the Southeast - 3.7 years each - and longest in the Pacific Region, 11.9 years.

Table 7.- Average term of farm mortgages recorded, by lenders, and by States and regions, Jan. 1-Mar. 31, 1959 1/

State and region	Federal land bank system	Insurance companies	Banks and trust companies	Individuals	Miscellaneous lenders 2/	All lenders
	Years	Years	Years	Years	Years	Years
New England	3/	3/	3/	3/	3/	3/
New York	25.4	15.0	9.2	7.9	13.3	11.9
New Jersey	26.5	15.0	12.8	7.6	15.8	13.3
Pennsylvania	21.8	17.5	8.7	8.3	14.6	10.7
Delaware	3/	4/	3/	3/	3/	3/
Maryland	21.1	19.2	6.1	6.3	12.2	8.9
Northeast	23.8	16.6	8.8	7.7	13.7	11.1
Michigan	23.1	19.7	7.6	9.7	17.6	13.5
Wisconsin	24.8	18.3	6.2	7.9	31.6	12.9
Minnesota	28.5	19.3	6.4	8.0	18.2	15.9
Lake States	25.8	19.1	6.8	8.3	25.2	14.2
Ohio	31.4	19.9	8.0	7.9	10.1	12.7
Indiana	28.0	19.7	7.5	7.7	10.8	14.0
Illinois	31.0	19.5	7.8	8.2	14.2	17.9
Iowa	33.0	19.7	8.2	8.2	22.5	17.3
Missouri	25.5	19.2	3.6	6.2	17.6	9.9
Corn Belt	29.9	19.6	6.6	7.1	13.2	13.8
North Dakota	20.0	15.7	3.9	5.2	20.0	13.0
South Dakota	29.5	18.3	5.4	6.7	24.8	18.8
Nebraska	29.0	19.4	7.1	6.2	25.2	16.8
Kansas	30.0	19.3	5.9	6.6	15.8	17.2
Northern Plains	28.2	19.0	5.7	6.2	20.5	16.7
Virginia	23.1	19.9	4.8	5.5	8.3	7.2
West Virginia	20.4	4/	1.8	4.5	12.1	4.6
North Carolina	22.0	19.1	1.9	3.0	3.9	5.3
Kentucky	24.4	19.5	1.9	3.4	8.4	6.8
Tennessee	20.7	18.1	2.1	4.3	9.5	6.1
Appalachian	22.3	19.3	2.4	3.7	5.4	5.9
South Carolina	22.2	19.1	2.3	3.2	5.8	6.5
Georgia	22.6	19.6	1.9	3.7	2.7	4.1
Florida	24.3	17.9	1.5	5.0	8.3	7.3
Alabama	18.5	18.1	2.1	3.3	5.2	6.7
Southeast	21.0	19.0	2.0	3.7	4.0	5.4
Mississippi	21.6	18.8	1.3	3.9	4.7	5.4
Arkansas	21.0	19.0	2.6	4.7	10.2	8.7
Louisiana	26.5	19.3	2.0	5.9	9.4	9.3
Delta States	22.6	18.9	1.7	4.5	7.0	7.0

See footnotes at end of table.

Table 7.- Average term of farm mortgages recorded, by lenders, and by States and regions, Jan. 1-Mar. 31, 1959 1/ -Continued

State and region	Federal land bank system	Insurance companies	Banks and trust companies	Individuals	Miscellaneous lenders 2/	All lenders
	Years	Years	Years	Years	Years	Years
Oklahoma	28.7	18.8	3.6	6.3	25.9	13.5
Texas	26.3	16.0	5.7	8.7	16.5	16.2
Southern Plains	26.8	16.7	4.7	7.8	20.6	15.3
Montana	21.8	19.0	6.8	6.8	13.2	13.9
Idaho	27.4	19.6	7.3	8.3	17.0	19.7
Wyoming	25.8	18.9	3.7	6.1	20.8	14.1
Colorado	27.2	19.6	4.3	7.2	5.2	13.5
New Mexico	22.4	18.9	3.0	9.5	18.1	13.1
Arizona	23.8	15.2	3/	5.5	3/	3/
Utah	21.5	20.0	4.7	7.2	18.9	12.7
Nevada	4/	3/	4/	3/	4/	3/
Mountain	25.2	19.1	5.5	7.3	13.4	14.7
Washington	24.7	19.8	8.6	10.3	22.6	17.1
Oregon	23.2	19.8	7.8	7.1	12.5	12.8
California	3/	19.4	3/	3/	3/	3/
Pacific	22.9	19.6	8.3	11.9	12.0	14.5
United States	25.7	19.1	4.5	6.6	8.4	10.7

1/ Data for 48 States only. Excludes loans of $250,000 and over.

2/ Includes the Farmers Home Administration, mortgage and investment companies, savings and loan associations, State and local governmental agencies, production credit associations, merchants and dealers, and unidentified lenders.

3/ Adequate data not available.

4/ No loans reported.

Table 8.- Percentage distribution of number of farm mortgages recorded, by lenders, and by regions, Jan. 1-Mar. 31, 1959 1/

Region	Federal land bank system	Insurance companies	Banks and trust companies	Indi-viduals	Miscel-laneous 2/	Total 3/	Average term
	Percent	Percent	Percent	Percent	Percent	Percent	Years
Northeast 4/----------	13.2	0.4	53.8	26.1	6.5	100.0	11.1
Lake States----------	39.3	13.6	28.0	16.3	2.8	100.0	14.2
Corn Belt------------	22.4	17.7	31.9	19.6	8.4	100.0	13.8
Northern Plains------	36.3	17.2	15.8	22.3	8.4	100.0	16.7
Appalachian----------	11.4	2.9	42.9	23.4	19.4	100.0	5.9
Southeast------------	11.8	1.3	32.4	21.8	32.7	100.0	5.4
Delta States---------	13.1	4.5	39.2	20.3	22.9	100.0	7.0
Southern Plains------	33.9	11.9	17.7	24.3	12.2	100.0	15.3
Mountain-------------	36.4	13.0	11.8	23.3	15.5	100.0	14.7
Pacific--------------	46.2	7.0	5.3	21.0	20.5	100.0	14.5
United States--------	21.1	8.3	32.0	21.5	17.1	100.0	10.7

1/ Data for 48 States only. Excludes loans of $250,000 and over.
2/ Includes the Farmers Home Administration, mortgage and investment companies, savings and loan associations, State and local governmental agencies, production credit associations, merchants and dealers, and unidentified lenders.
3/ Data exclude mortgages when terms were not reported.
4/ Excludes the New England States.

Table 9.- Percentage distribution of term of farm mortgages recorded, by lenders, United States, specified periods 1949 and 1959 1/ 2/

Lender and period	Demand	Under 2 years	2 to 5 years	6 to 10 years	11 to 15 years	16 to 20 years	21 to 25 years	26 to 30 years	31 and over years	Total	Average term
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Years
Federal land bank system:											
March 1949	---	---	0.2	2.8	4.7	45.6	(46.7 - over 20 years)			100.0	25.1
Jan. 1-Mar. 31, 1959	---	---	.1	1.7	3.5	46.4	5.0	9.4	33.9	100.0	25.7
Insurance companies:											
March 1949	0	0.2	3.3	19.7	21.4	46.4	(9.0 - over 20 years)			100.0	17.2
Jan. 1-Mar. 31, 1959	0	0	.1	4.0	7.1	86.2	2.5	.1	0	100.0	19.1
Banks and trust companies:											
March 1949	2.9	45.2	33.2	14.3	2.5	1.0	(.9 - over 20 years)			100.0	4.1
Jan. 1-Mar. 31, 1959	3.8	48.3	26.0	16.5	3.5	1.3	.3	.1	.2	100.0	4.5
Individuals:											
March 1949	1.4	30.4	42.5	20.2	3.1	1.6	(.8 - over 20 years)			100.0	4.9
Jan. 1-Mar. 31, 1959	2.1	26.9	36.8	23.3	6.6	3.2	.6	.2	.3	100.0	6.6
Miscellaneous lenders: 3/											
March 1949	.8	50.6	16.6	12.9	4.3	1.0	(13.8 - over 20 years)			100.0	8.3
Jan. 1-Mar. 31, 1959	2.3	47.3	21.3	6.7	3.9	5.9	2.6	1.8	8.2	100.0	8.4
All lenders:											
March 1949	1.6	30.0	28.6	15.6	5.1	11.3	(7.8 - over 20 years)			100.0	8.5
Jan. 1-Mar. 31, 1959	2.1	29.4	19.9	12.2	4.5	19.0	1.9	2.4	8.6	100.0	10.7

1/ 1949 data from the Farm Credit Administration.
2/ Data for 48 States only. For 1959, excludes loans of $250,000 and over.
3/ Includes the Farmers Home Administration, mortgage and investment companies, savings and loan associations, State and local governmental agencies, production credit associations, merchants and dealers, and unidentified lenders.

Miscellaneous lenders made their longest term loans in the Lake States and Northern and Southern Plains and their shortest term loans in the Applachian Region and the Southeast.

In general, the farm-mortgage loans extended by banks, individuals, and miscellaneous lenders were for different purposes than those extended by the Federal land banks and insurance companies. Probably many of the mortgage loans made by banks, individuals, and miscellaneous lenders were intended to serve as a stop-gap until longer term financing could be arranged. Certainly, a large proportion of these mortgages served needs for relatively short-term financing.

From 1949 to 1959, the average term of mortgages was lengthened as the average size increased (figs. 3 and 4). Each type of lender made mortgages for longer terms at the end than at the beginning of the 10-year period. Terms were lenghtened for the United States as a whole and also in each region. However, in some regions and for some lenders the increases were not uninterrupted.

For lenders as a whole, slightly more than half of the mortgages recorded in the first quarter of 1959 had terms of less than 6 years (table 9). Nearly all of these short-term mortgages were recorded by banks, individuals, and miscellaneous lenders. These lenders also recorded most of the mortgages with maturities of 6 to 15 years. Most of the mortgages recorded by life insurance companies were for 16 to 20 years as was a substantial part of the Federal land bank mortgages. Nearly 9 percent of all mortgages carried terms of 31 years and over. Most of these were Federal land bank and Farmers Home Administration mortgages.

Federal Land Bank System

Under the law, land bank loans may be made for any term from 5 to 40 years. The most common terms are 20 and 33 to 35 years. Forty-six percent of the land bank loans recorded in the first quarter of 1959 were in the 16-to 20-year class, and nearly 34 percent were in the 31-year and over class (table 9). Among regions, the range was from 21 years in the Southeast to 29.9 years in the Corn Belt. How land banks appraised the long-run prospects among farms may mainly account for different mortgage maturities among the regions. For the United States, Federal land bank mortgages recorded in 1959 had an average term of 25.7 years, approximately 6 months longer than in 1949. In three regions--Applachian, Northern Plains, and Pacific--terms decreased somewhat during the decade.

Insurance Companies

Between 1949 and 1959, the term of new farm-mortgage loans of insurance companies increased from 17.2 to 19.1 years (appendix table 14). This was the largest increase for any lender group. In 1959, most loans were 20-year loans, with 86.2 percent of all loans in the 16-to 20-year class (table 9). Virtually no loans were for longer than 25 years, and only about 11 percent were for 15 years or less. In the 1949 period, nearly 45 percent of all insurance company loans had terms of 15 years or less. In the Corn Belt where insurance companies constituted the principal lender group, the average term in 1959 was 19.6, years, the longest for any region except the Pacific, which also averaged 19.6 years. The shortest average term of 16.6 years was in the Northeast where insurance company lending is relatively unimportant.

Banks and Trust Companies

The average term of 4.5 years for banks and trust companies is the shortest of any lender group. And the increase between 1949 and 1959 was small, only 0.4 of a year. It is significant that the proportions of bank loans longer than 5 years and shorter than 2 years increased between 1949 and 1959 (table 9). About three-fourths of all farm-mortgage loans of banks continue to be for maturities of 5 years or less.

In the Delta, Southeast, and Appalachian Regions, average terms in 1959 were 1.7, 2.0, and 2.4 years, respectively. Banks in the South frequently secure production loans with real estate mortgages. Banks make longer term loans in the Northeast, Pacific, Lake States, and Corn Belt (appendix table 14).

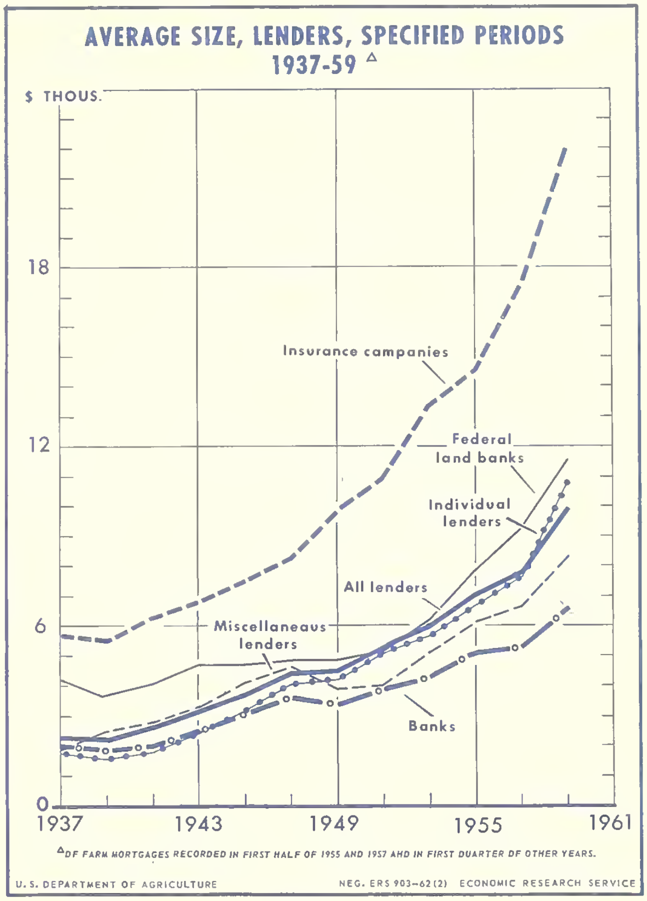

Figure 4

Bank loans more often meet the longer term needs of farmers than the maturities would indicate because of the common practice of renewing loans when they become due. In many instances, bank loans are made on an interim basis, such as for construction of farm buildings, and are subsequently refinanced with longer term loans from other lenders. Some borrowers, of course, require credit for only short periods, even when they borrow relatively large amounts of money.

Individuals

In 1959, the farm mortgages recorded by individuals were for 6.6 years on the average, the shortest term for all lender groups except banks. Nearly 66 percent of all loans were made for terms of 5 years or less (table 9). Only 4.3 percent were for longer than 15 years. In the Pacific Region, where individuals provide half the farm-mortgage credit, the average term was 11.9 years; longer, by far, than for any other region. As was the situation with other lender groups, terms were shortest in the Appalachian, Southeast, and Delta Regions--3.7, 3.7, and 4.5 years, respectively.

Miscellaneous Lenders

Like the mortgages recorded by banks, about half the mortgages recorded by miscellaneous lenders carried terms of less than 2 years. However, 12.6 percent were written for terms of more than 20 years (table 9). The wide range in terms was the result of the different lenders comprising this group. Most of the long-term loans were recorded by the Farmers Home Administration and building and loan associations, while the short-term loans were made by production credit associations and local firms, such as merchants and dealers.

SIZE OF FARM MORTGAGES

The amount of farm-mortgage credit that individual farmers use depends upon a variety of factors. Important purposes for which farmers use mortgage money are: To buy farms and additional land; to construct buildings and make other improvements; and to refinance existing debts of all kinds. Sometimes mortgage loans are used to pay for machinery, livestock, and other production costs. Consequently, the value of the farm plant and the size of business operations are important determinants of the credit needed by individual farmers. The level and stability of farm income also influence the size of farm debt, as both farmers and lenders try to limit debt to repayment capacity.

Farm mortgages recorded in the first quarter of 1959 were larger than in any prior year on record. The 1959 national average of $10,000 compares with $7,810 in the first half of 1957 and $4,500 in the first quarter of 1949 (fig. 4). Between 1949 and 1959, farm-mortgage loans of each lender group except banks more than doubled in average size (table 10). This increase in real estate credit is in keeping with the rise in land values and the expansion of farm businesses.

Regional Differences

Within geographic regions, farms vary widely in size and in average income. But in southern regions, farms generally are smaller and have lower incomes than in other regions. In the Appalachian, Southeast, and Delta Regions, the average value of farms in 1959 was $15,200, $24,100, and $18,000, respectively, compared with a United States average of $36,100. 7/ Farm-mortgage loans recorded in these regions averaged $5,650, $5,200, and $9,820 (table 11). Loans for the United States as a whole averaged $10,000. A factor tending to cause loans to be small, which is perhaps of greatest importance in the Southeast, is that some lenders take real estate mortgages to secure even small production loans.

In the Pacific Region where the average value of farms, $96,600, is largest for the country, the average size of mortgages recorded, $21,630, also was largest. The Mountain Region and the Southern Plains ranked second and third, respectively, both as to average size of loans and average value of farms and ranches. Values amounted to $88,200 and $48,000 and mortgage recordings to $18,200 and $11,780, respectively. Farm incomes in the Pacific and Mountain Regions average highest of all regions in most years.

7/ Computed by USDA from preliminary estimates from 1959 Census of Agriculture on value per acre, land in farms, and number of farms.

Table 10.- Average size and percentage distribution by size of farm mortgages recorded, by lenders, United States, specified periods 1949 and 1959 1/ 2/

Lender and period	Less than $3,000	$3,001 to $5,000	$5,001 to $8,000	$8,001 to $10,000	$10,001 to $15,000	$15,001 to $20,000	$20,001 and over	Total	Average size
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Dollars
Federal land bank system:									
March 1949	41.3	23.8	19.7	(15.2 - over $8,000)				100.0	3/ 4,920
Jan. 1-Mar. 31, 1959	13.1	17.6	20.7	10.4	15.8	9.0	13.4	100.0	11,620
Insurance companies:									
March 1949	10.5	17.9	24.8	(46.8 - over $8,000)				100.0	3/ 9,900
Jan. 1-Mar. 31, 1959	1.8	5.1	12.0	10.7	21.1	15.5	33.8	100.0	21,960
Banks and trust companies:									
March 1949	62.2	17.2	11.1	(9.5 - over $8,000)				100.0	3/ 3,380
Jan. 1-Mar. 31, 1959	41.8	19.4	15.1	6.6	8.2	4.3	4.6	100.0	6,600
Individuals:									
March 1949	55.0	17.3	11.8	(15.9 - over $8,000)				100.0	3/ 4,180
Jan. 1-Mar. 31, 1959	33.2	15.6	13.0	7.3	10.3	6.9	13.7	100.0	10,860
Miscellaneous lenders: 4/									
March 1949	62.9	12.8	9.0	(15.3 - over $8,000)				100.0	3/ 3,900
Jan. 1-Mar. 31, 1959	43.6	15.6	12.8	6.0	8.2	4.1	9.7	100.0	8,390
All lenders:									
March 1949	51.6	17.8	13.7	(16.9 - over $8,000)				100.0	3/ 4,500
Jan. 1-Mar. 31, 1959	32.0	16.4	14.9	7.6	11.0	6.6	11.5	100.0	10,000

1/ 1949 data from the Farm Credit Administration.
2/ Data for 48 States only. For 1959, excludes loans of $250,000 and over.
3/ Jan. 1-Mar. 31, 1949.
4/ Includes the Farmers Home Administration, mortgage and investment companies, savings and loan associations, State and local governmental agencies, production credit associations, merchants and dealers, and unidentified lenders.

Table 11.- Average size of farm mortgages recorded, by lenders, and by States and regions, Jan. 1-Mar. 31, 1959 1/

State and region	Federal land bank system	Insurance companies	Banks and trust companies	Individuals	Miscellaneous lenders 2/	All lenders
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
New England	3/	3/	3/	3/	3/	3/
New York	12,540	7,430	8,740	7,150	6,650	8,770
New Jersey	11,300	9,020	16,580	14,700	11,300	14,490
Pennsylvania	9,830	16,900	10,040	10,150	10,430	10,150
Delaware	3/	4/	3/	3/	3/	3/
Maryland	11,310	18,760	11,190	12,740	16,650	12,640
Northeast	11,440	12,760	10,300	9,670	10,970	10,390
Michigan	9,640	15,630	5,830	8,790	8,350	7,770
Wisconsin	8,330	18,360	7,180	9,840	7,390	8,690
Minnesota	11,360	17,300	5,890	9,530	5,570	10,190
Lake States	10,060	17,400	6,310	9,510	7,220	8,990
Ohio	14,450	24,210	8,600	10,880	12,130	11,600
Indiana	11,190	18,620	6,220	9,500	9,250	9,960
Illinois	15,870	25,880	9,850	13,960	13,160	15,490
Iowa	14,850	18,680	9,100	17,330	19,020	15,390
Missouri	9,450	18,880	4,380	6,960	8,750	7,610
Corn Belt	13,340	20,570	7,180	10,440	11,280	11,500
North Dakota	9,480	14,950	4,420	8,210	11,280	8,770
South Dakota	10,310	15,560	5,590	7,800	14,230	10,050
Nebraska	11,400	15,200	8,750	9,920	11,220	11,420
Kansas	10,410	15,090	6,460	8,430	8,600	9,740
Northern Plains	10,520	15,220	6,370	8,870	11,110	10,150
Virginia	9,360	20,950	6,070	7,450	9,660	7,460
West Virginia	9,230	4/	4,460	3,720	9,830	5,200
North Carolina	6,390	17,800	5,270	3,730	3,070	4,190
Kentucky	12,170	17,290	5,710	6,470	8,760	7,890
Tennessee	8,760	13,790	4,070	4,920	8,000	5,570
Appalachian	8,470	17,300	5,130	4,860	4,760	5,650
South Carolina	8,590	18,710	4,900	3,680	5,710	5,540
Georgia	7,090	15,800	3,270	5,320	4,130	4,360
Florida	9,460	39,760	5,760	14,400	8,190	9,650
Alabama	5,040	19,500	3,920	4,210	6,140	4,830
Southeast	6,740	19,500	3,830	5,870	4,980	5,200
Mississippi	12,890	33,620	5,070	6,780	20,290	10,790
Arkansas	11,310	36,560	4,320	5,680	6,980	9,650
Louisiana	15,130	34,780	4,270	5,430	6,080	7,400
Delta States	12,970	35,180	4,770	6,200	13,910	9,820

See footnotes at end of table.

Table 11.- Average size of farm mortgages recorded, by lenders, and by States and regions, Jan. 1-Mar. 31, 1959 1/ -Continued

State and region	Federal land bank system	Insurance companies	Banks and trust companies	Individuals	Miscellaneous lenders 2/	All lenders
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Oklahoma	8,240	17,680	4,970	6,970	8,450	7,770
Texas	9,140	25,790	10,250	16,410	14,090	13,870
Southern Plains	8,970	23,770	7,710	12,680	11,650	11,780
Montana	20,930	31,080	11,400	11,680	10,740	16,130
Idaho	13,140	21,120	20,780	8,880	17,740	15,250
Wyoming	16,380	30,270	9,310	14,060	13,160	14,890
Colorado	16,060	26,640	9,870	15,520	18,810	16,550
New Mexico	18,680	37,410	17,020	25,790	20,010	24,150
Arizona	36,470	51,910	3/	26,140	3/	3/
Utah	11,870	20,570	6,570	8,100	22,920	11,480
Nevada	4/	3/	4/	3/	4/	3/
Mountain	16,810	30,510	12,210	16,910	18,810	18,200
Washington	15,010	28,580	10,490	10,720	11,070	13,540
Oregon	12,430	27,700	7,710	10,050	14,750	11,730
California	3/	46,580	3/	3/	3/	3/
Pacific	19,150	37,770	15,040	26,710	16,630	21,630
United States	11,620	21,960	6,600	10,860	8,390	10,000

1/ Data for 48 States only. Excludes loans of $250,000 and over.
2/ Includes the Farmers Home Administration, mortgage and investment companies, savings and loan associations, State and local governmental agencies, production credit associations, merchants and dealers, and unidentified lenders.
3/ Adequate data not available.
4/ No loans reported.

Lender Differences

Regional differences in average amounts loaned by various lenders depend somewhat on regional differences in sizes, incomes, and other characteristics of farms. But differences in the nature of lenders themselves are important. Lenders differ with respect to financial capability, the kind of business they seek and the kind that is available to them. Life insurance companies have large financial resources and look for large loans. They tend to concentrate their lending in areas where large farms predominate. During the first quarter of 1959, farm-mortgage loans recorded by insurance companies averaged $21,960. Insurance company loans were larger than those of any other lender group, both for the United States and for each region. Banks are at the other extreme in making small farm-mortgage loans; they average only $6,600 for the United States. Many banks are small rural institutions that are narrowly restricted by both resource and legal limitations on the amounts they can lend to any one borrower. This, and their emphasis on shorter term loans, cause larger farm businesses to seek credit from such lenders as land banks and insurance companies.

Federal land banks make loans through local Federal land bank associations in all areas and to operators of farms of all sizes who can meet the security and repayment requirements. This mixture of large and small loans results in an average loan of $11,620 for the United States. This is intermediate between the average size of loans made by banks and insurance companies. Mortgage loans recorded by individuals averaged $10,860. Many such loans were made by sellers to help finance the sale of farms. These loans vary widely in size among farms and areas. Miscellaneous lenders include all remaining lenders and those not identified. The average size of their mortgage loans was $8,390.

Federal Land Bank System

The widespread distribution of land bank loans among areas and farms results in loans of a broad range of sizes. About 13 percent of all such loans were for $3,000 or less and about the same proportion were for more than $20,000 (table 10). Among regions, land bank loans ranged from $6,740 and $8,470 in the Southeast and the Appalachian Region to $16,810 and $19,150 in the Mountain and Pacific Regions, respectively (table 11).

The land bank average for the United States of $11,620 in the first quarter of 1959 was little more than half that of insurance companies, but it was three-fourths larger than that of banks. The average land bank loan was 7 percent larger than the average loan made by individuals and 38 percent larger than the average made by miscellaneous lenders.

Between 1949 and 1959, the size of land bank loan increased 136 percent compared with an increase of 122 percent for lenders as a whole. Between 1939 and 1949, however, land bank loans showed an average increase of only 32 percent. Percentage increases for other lender groups in this earlier period ranged from 54 to 155 percent. As compared with other lenders, a more liberal lending policy for land banks during the depressed 1930's, and perhaps more conservative lending during the 1940's are probably the reasons for this.

Insurance Companies

Historically, life insurance companies have made larger farm-mortgage loans than have other lenders, and their loans are relatively larger now than they were two decades ago. In the first quarter of 1939, loans made by insurance companies averaged only $1,700 more than loans made by land banks and about $3,300 more than the average of all lenders (fig. 4). But by 1959, the insurance company average loan of $21,960 exceeded the land bank average by $10,000. Between 1949 and 1959, the size of mortgages recorded by insurance companies rose 122 percent on the average (table 10). In 1959, a third of these mortgages were larger than $20,000; only about 7 percent of the loans were for $5,000 or less.

Insurance companies made relatively large loans in all regions. Only in four States did another lender group make larger loans. In the Corn Belt, where money loaned by insurance companies was a fourth of the total, their loans averaged $20,570. The $35,180 average in the Delta States indicates that most of their business was with plantations and large farms. Banks in that region made loans averaging only $4,770. Insurance company loans averaged largest ($37,770) in the Pacific Region and smallest ($12,760) in the Northeast. But insurance companies do comparatively little lending in these regions.

Banks and Trust Companies

The majority of banks that make farm-mortgage loans are small country banks. Most of them emphasize the financing of current production. They do not compete as rigorously for real estate loans as do insurance companies and land banks that specialize in farm-mortgage loans. Loan funds for mortgage loans are limited and most banks operate under laws that limit the size of any one loan to a percentage of their capital and surplus. The loans they do make are of relatively short maturity and have relatively high interest rates. For these reasons, farm borrowers with large, long-term credit requirements usually seek farm-mortgage loans elsewhere.

Farm-mortgage loans recorded by banks in early 1959 averaged only $6,600 for the United States. This average was smaller than that for any other lender group. For the United States, more than two-fifths of the loans made were no larger than $3,000; less than 5 percent of them exceeded $20,000 (table 10).

In the Southeast, banks made loans that averaged only $3,830. This area has many small farms and many banks customarily take mortgages on real estate to secure production loans. The situation is similar in the Delta and Appalachian Regions where bank loans averaged $4,770 and $5,130, respectively (table 11). On the average, the largest loans were made by banks in the Northeast, Mountain, and Pacific Regions. The large amounts of savings deposits held by banks in the Northeast may account for the relatively large mortgage loans made by banks in this region. In the Mountain and Pacific Regions, farm businesses are usually large and branch banking systems with large financial resources operate in many sections.

Between 1949 and 1959, the average size of farm mortgage recorded by banks did not quite double. This was the smallest increase for any lender group. But in the aggregate, banks recorded a greater number of mortgages secured by farm real estate in the first quarter of 1959 than did any other lender group.

Individuals

Individuals who make farm-mortgage loans are often sellers of farms who take mortgages to secure the balance due on the purchase price. In recent years, many such transfers of farms were by land contracts rather than by mortgage instruments. Family loans and investment loans by retired farmers, businessmen, and others also account for many farm mortgages. Thus the amount of this lending--both individually and in the aggregate--depends largely upon the level of farm values, land-transfer activity, and the general prosperity of individual investors.

Between 1949 and 1959, which was a generally prosperous decade with rising farmland values, the size of mortgage loans made by individuals increased 160 percent--the largest increase for any major lender group. In 1959, loans made by individuals averaged $10,860, exceeded only by loans of the land banks and life insurance companies. In contrast, during the late thirties when economic conditions were relatively depressed, loans made by individuals were the smallest made by any lender (fig. 4).

Farm-mortgage loans made by individuals in 1959 were important sources of credit in each region. For the United States, they accounted for a fourth of all money borrowed (table 3). The average size of these loans ranged from a low of $4,860 in the Appalachian Region to a high of $26,710 in the Pacific Region. The situation in the Pacific Region is of particular interest because half of all farm mortgage credit in that region in the first quarter of 1959 was obtained from individual lenders.

Miscellaneous Lenders

This is a diverse group of mortgage lenders which, as might be expected, make loans of a wide range of sizes. Although 43.6 percent of their loans were $3,000 or smaller, nearly 10 percent were larger than $20,000 (table 10). The overall average size was $8,390, the lowest for any lender group except banks.

APPENDIX

Table 12.- Average interest rates on farm mortgages recorded, all lenders, by States and regions, specified periods 1951 to 1959 1/

State and region	March 1951	March 1953	Jan. 1-Mar. 31 1955	Jan. 1-Mar. 31 1957	Jan. 1-Mar. 31 1959	Maximum legal contract interest rate 2/
	Percent	Percent	Percent	Percent	Percent	Percent
New England	4.81	4.93	3/	3/	3/	---
New York	4.88	5.03	5.16	5.19	5.50	6
New Jersey	4.76	5.25	5.06	5.13	5.32	6
Pennsylvania	4.78	5.02	5.14	5.31	5.41	6
Delaware	4.85	4.98	5.18	5.21	3/	6
Maryland	4.92	4.91	5.07	5.20	5.35	6
Northeast	4.82	5.02	5.12	5.23	5.40	---
Michigan	4.83	4.93	4.87	5.01	5.34	7
Wisconsin	4.26	4.67	4.38	4.52	4.99	10
Minnesota	4.22	4.42	4.30	4.65	5.04	8
Lake States	4.37	4.63	4.48	4.70	5.10	---
Ohio	4.69	4.91	4.78	4.97	5.42	8
Indiana	4.56	4.74	4.76	4.96	5.25	8
Illinois	4.20	4.46	4.36	4.93	5.07	7
Iowa	4.09	4.38	4.18	4.61	4.86	7
Missouri	4.89	5.55	4.96	5.24	5.37	8
Corn Belt	4.37	4.70	4.51	4.90	5.17	---
North Dakota	4.90	4.64	4.55	4.62	5.03	7
South Dakota	4.11	4.44	4.36	4.67	4.94	8
Nebraska	4.15	4.46	4.33	4.68	4.94	9
Kansas	4.43	4.67	4.67	4.80	5.19	10
Northern Plains	4.27	4.54	4.46	4.71	5.03	---
Virginia	5.01	5.14	5.13	5.29	5.55	6
West Virginia	5.32	5.25	5.51	5.28	5.58	6
North Carolina	5.43	5.54	5.58	5.59	5.65	6
Kentucky	5.06	5.00	5.20	5.25	5.51	6
Tennessee	5.23	5.36	5.26	5.38	5.63	6
Appalachian	5.20	5.29	5.35	5.40	5.59	---
South Carolina	5.38	5.34	5.68	5.84	5.74	7
Georgia	5.67	6.35	6.07	6.32	6.25	8
Florida	5.82	5.60	5.65	6.04	6.01	10
Alabama	5.40	5.73	5.13	5.56	5.43	8
Southeast	5.60	5.93	5.74	6.03	5.96	---

See footnotes at end of table.

Table 12.- Average interest rates on farm mortgages recorded, all lenders by States and regions, specified periods 1951 to 1959 1/ -Continued

State and region	March		Jan. 1-Mar. 31			Maximum legal contract interest rate 2/
	1951	1953	1955	1957	1959	
	Percent	Percent	Percent	Percent	Percent	Percent
Mississippi	5.45	5.37	5.10	5.53	5.61	8
Arkansas	5.40	5.38	5.32	5.80	5.70	10
Louisiana	5.45	6.02	5.44	5.83	5.56	8
Delta States	5.42	5.49	5.24	5.69	5.63	---
Oklahoma	4.93	5.05	5.05	5.12	5.44	10
Texas	4.89	4.65	4.91	5.15	5.36	10
Southern Plains	4.90	4.74	4.94	5.15	5.38	---
Montana	4.73	4.76	4.90	5.14	5.32	10
Idaho	4.61	4.85	4.68	5.14	5.45	8
Wyoming	5.11	5.08	4.70	5.17	4.81	10
Colorado	4.90	4.86	4.84	5.01	5.37	None
New Mexico	4.94	5.23	5.11	5.28	5.41	12
Arizona	5.12	5.49	4.97	5.07	3/	8
Utah	5.44	5.47	5.24	5.36	5.53	10
Nevada	5.07	5.21	4.94	5.12	3/	12
Mountain	4.92	5.06	4.88	5.15	5.36	---
Washington	4.87	4.90	4.72	5.43	5.41	12
Oregon	4.86	4.98	4.92	5.23	5.29	10
California	5.21	5.15	4.97	5.27	3/	10
Pacific	5.14	5.11	4.94	5.28	5.65	---
United States	4.74	4.97	4.87	5.19	5.41	---

1/ Data for 48 States only. For 1959, excludes loans of $250,000 and over.
2/ Rand-McNally Bankers' Directory, 1959.
3/ Adequate data not available.

Table 13.- Average interest rates on farm mortgages recorded, by lenders and by regions, specified periods 1951 to 1959 1/

Region and period	Federal land bank system	Insurance companies	Banks and trust companies	Individuals	Miscellaneous lenders 2/	All lenders
	Percent	Percent	Percent	Percent	Percent	Percent
Northeast:						
March 1951	4.32	4.97	4.94	4.82	4.78	4.82
March 1953	4.50	4.93	5.13	4.97	5.32	5.02
Jan. 1-Mar. 31, 1955 3/	4.50	5.05	5.28	5.01	5.52	5.12
Jan. 1-Mar. 31, 1957 3/	4.99	5.13	5.57	4.87	5.16	5.23
Jan. 1-Mar. 31, 1959 3/	5.47	5.46	5.61	4.97	5.37	5.40
Lake States:						
March 1951	4.00	4.11	4.94	4.17	4.53	4.37
March 1953	4.00	4.57	5.22	4.57	4.38	4.63
Jan. 1-Mar. 31, 1955	4.00	4.32	5.14	4.27	4.71	4.48
Jan. 1-Mar. 31, 1957	4.48	4.87	5.40	4.11	4.54	4.70
Jan. 1-Mar. 31, 1959	5.00	5.23	5.63	4.50	4.78	5.10
Corn Belt:						
March 1951	4.00	4.12	4.79	4.41	4.49	4.37
March 1953	4.00	4.71	5.01	4.68	5.07	4.70
Jan. 1-Mar. 31, 1955	4.00	4.31	4.99	4.62	4.92	4.51
Jan. 1-Mar. 31, 1957	4.27	5.00	5.43	4.72	4.93	4.90
Jan. 1-Mar. 31, 1959	4.96	5.15	5.57	4.84	5.48	5.17
Northern Plains:						
March 1951	4.00	4.10	4.60	4.48	4.04	4.27
March 1953	4.00	4.76	5.07	4.60	4.36	4.54
Jan. 1-Mar. 31, 1955	4.00	4.60	5.08	4.53	4.57	4.46
Jan. 1-Mar. 31, 1957	4.22	5.25	5.54	4.56	4.47	4.71
Jan. 1-Mar. 31, 1959	4.91	5.25	5.71	4.74	4.73	5.03
Appalachian:						
March 1951	4.09	4.53	5.58	5.31	4.87	5.20
March 1953	4.45	4.68	5.73	5.52	5.28	5.29
Jan. 1-Mar. 31, 1955	4.48	4.85	5.70	5.46	5.47	5.35
Jan. 1-Mar. 31, 1957	4.56	5.05	5.86	5.44	5.46	5.41
Jan. 1-Mar. 31, 1959	5.24	5.31	5.82	5.56	5.64	5.59
Southeast:						
March 1951	4.32	4.44	6.52	6.24	5.07	5.60
March 1953	4.70	5.56	6.68	6.41	5.75	5.93
Jan. 1-Mar. 31, 1955	4.62	5.11	6.31	6.17	5.73	5.74
Jan. 1-Mar. 31, 1957	4.82	5.65	6.84	6.16	5.86	6.03
Jan. 1-Mar. 31, 1959	5.29	5.62	6.68	5.93	5.87	5.96
Delta States:						
March 1951	4.00	4.77	6.57	5.83	4.75	5.42
March 1953	4.00	4.73	6.55	5.65	5.60	5.49
Jan. 1-Mar. 31, 1955	4.00	4.77	6.31	5.95	5.22	5.24
Jan. 1-Mar. 31, 1957	4.52	5.16	6.39	6.12	5.66	5.69
Jan. 1-Mar. 31, 1959	5.00	5.52	6.34	5.65	5.65	5.63

See footnotes at end of table.

Table 13.- Average interest rates on farm mortgages recorded, by lenders and by regions, specified periods 1951 to 1959 1/ -Continued

Region and period	Federal land bank system	Insurance companies	Banks and trust companies	Individuals	Miscellaneous lenders 2/	All lenders
	Percent	Percent	Percent	Percent	Percent	Percent
Southern Plains:						
March 1951------------	4.00	4.64	5.88	5.35	4.44	4.90
March 1953------------	4.00	4.92	5.29	5.17	3.98	4.74
Jan. 1-Mar. 31, 1955--	4.00	4.93	5.73	5.28	4.95	4.94
Jan. 1-Mar. 31, 1957--	4.16	5.56	6.27	5.39	4.61	5.15
Jan. 1-Mar. 31, 1959--	4.99	5.51	6.20	5.36	5.09	5.38
Mountain:						
March 1951------------	4.00	4.56	5.83	5.22	4.44	4.92
March 1953------------	4.00	4.74	6.16	5.20	5.17	5.06
Jan. 1-Mar. 31, 1955--	4.00	4.61	5.86	5.26	4.96	4.88
Jan. 1-Mar. 31, 1957--	4.43	5.47	6.26	5.34	4.78	5.15
Jan. 1-Mar. 31, 1959--	4.92	5.62	6.20	5.16	5.47	5.36
Pacific:						
March 1951------------	4.00	4.56	5.76	5.21	4.69	5.14
March 1953------------	4.00	4.70	5.91	5.03	5.50	5.11
Jan. 1-Mar. 31, 1955--	4.00	4.90	5.68	5.00	4.68	4.94
Jan. 1-Mar. 31, 1957--	4.46	5.52	5.97	5.27	5.49	5.28
Jan. 1-Mar. 31, 1959--	5.01	5.55	5.99	5.74	5.90	5.65
United States:						
March 1951------------	4.05	4.29	5.29	4.90	4.69	4.74
March 1953------------	4.11	4.77	5.52	5.02	5.24	4.97
Jan. 1-Mar. 31, 1955--	4.09	4.55	5.50	5.04	5.18	4.87
Jan. 1-Mar. 31, 1957--	4.40	5.21	5.86	5.17	5.27	5.19
Jan. 1-Mar. 31, 1959--	5.03	5.33	5.89	5.28	5.57	5.41

1/ Data for 48 States only. For 1959, excludes loans of $250,000 and over.
2/ Includes the Farmers Home Administration, mortgage and investment companies, savings and loan associations, State and local governmental agencies, production credit associations, merchants and dealers, and unidentified lenders.
3/ Excludes the New England States.

Table 14.- Average term of farm mortgages recorded, by lenders and by regions, specified periods 1949 to 1959 1/

Lender and period	Northeast 2/	Lake States	Corn Belt	Northern Plains	Appalachian	Southeast	Delta States	Southern Plains	Mountain	Pacific	United States
	Years	Years	Years	Years	Years	Years	Years	Years	Years	Years	Years
Federal land banks:											
March 1949	23.8	25.3	29.1	30.0	22.6	20.7	20.7	24.0	24.8	24.4	25.1
March 1951	22.0	25.5	28.4	29.0	20.3	20.4	21.8	25.0	22.4	24.8	24.7
March 1953	24.4	27.6	28.0	27.4	22.1	20.1	19.0	26.6	23.1	21.4	24.8
Jan. 1-Mar. 31, 1959	23.8	25.8	29.9	28.2	22.3	21.0	22.6	26.8	25.2	22.9	25.7
Insurance companies:											
March 1949	18.2	16.7	18.0	15.1	13.5	14.8	15.2	18.4	16.3	18.9	17.2
March 1951	19.9	23.8	18.3	16.9	16.8	18.7	17.9	16.8	18.1	24.6	18.7
March 1953	16.6	16.3	18.7	17.9	17.1	15.7	16.2	15.9	18.4	25.3	18.1
Jan. 1-Mar. 31, 1959	16.6	19.1	19.6	19.0	19.3	19.0	18.9	16.7	19.1	19.6	19.1
Banks and trust companies:											
March 1949	7.5	5.7	5.3	5.6	1.8	1.5	1.4	3.1	3.4	6.8	4.1
March 1951	7.1	6.4	6.1	5.9	1.6	1.3	1.4	3.2	3.6	6.8	4.1
March 1953	7.8	5.8	6.0	4.6	1.8	1.4	1.4	3.8	3.6	5.3	3.9
Jan. 1-Mar. 31, 1959	8.8	6.8	6.6	5.7	2.4	2.0	1.7	4.7	5.5	8.3	4.5
Individuals:											
March 1949	5.2	6.6	5.7	5.4	3.1	2.3	3.4	5.8	4.9	6.5	4.9
March 1951	6.5	6.6	6.0	5.8	2.7	2.7	3.3	5.4	5.8	5.1	4.9
March 1953	6.1	6.1	6.0	5.7	2.8	2.6	2.5	5.2	5.6	6.8	4.8
Jan. 1-Mar. 31, 1959	7.7	8.3	7.1	6.2	3.7	3.7	4.5	7.8	7.3	11.9	6.6
Miscellaneous lenders: 3/											
March 1949	10.6	7.9	9.9	16.8	6.4	2.9	5.8	20.0	18.0	8.7	8.3
March 1951	18.2	12.1	13.5	18.5	9.3	5.8	5.6	19.1	19.3	12.9	10.7
March 1953	9.2	15.3	10.4	15.2	7.2	3.2	4.5	21.9	11.7	3.8	7.1
Jan. 1-Mar. 31, 1959	13.7	25.2	13.2	20.5	5.4	4.0	7.0	20.6	13.4	12.0	8.4
All lenders:											
March 1949	8.8	9.0	10.6	12.2	4.7	4.7	5.0	12.3	9.4	9.3	8.5
March 1951	9.2	10.7	11.4	13.5	4.9	5.2	5.6	12.3	11.7	9.1	9.0
March 1953	9.5	11.4	11.7	14.5	5.8	4.7	4.3	14.5	10.5	9.7	9.2
Jan. 1-Mar. 31, 1959	11.1	14.2	13.8	16.7	5.9	5.4	7.0	15.3	14.7	14.5	10.7

1/ Data for 48 States only. For 1959, excludes loans of $250,000 and over.
2/ Excludes the New England States, in 1959.
3/ Includes the Farmers Home Administration, mortgage and investment companies, savings and loan associations, State and local governmental agencies, production credit associations, merchants and dealers, and unidentified lenders.