

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date April 9, 1943

To Chairman Eccles

Subject: \_\_\_\_\_

From Woodlief Thomas

*New Executive  
Order*

Governor Evans has asked me to send you information on farm mortgage debt and its distribution by types of lenders. Attached is a memorandum, dated September 1, 1942 and prepared by Miss Baird, dealing with this subject. Table 2 gives the information which I understand you wish. If you wish additional information or something more nearly up-to-date, we can endeavor to obtain it for you.

W.T.

Attachment

September 2, 1942.

Governor Evans

Woodlief Thomas

There is attached a memorandum on recent developments in the farm mortgage debt situation prepared by Miss Beird.

Attachment

September 1, 1942

Mr. Thomas  
Frieda Baird

Recent Developments in  
Farm Mortgage Debt Situation

Some of the more significant developments in the farm mortgage debt situation may be briefly summarized as follows:

1. On January 1, 1942 farmers owed approximately 6.75 billion dollars on long-term mortgage debt. According to estimates of the Bureau of Agricultural Economics, a decline of \$150,000,000 is expected during 1942 which will bring farm mortgage debt to 6.6 billion by the end of the year, a level only slightly above the estimated mortgage debt in 1918 and equal to only 61 per cent of the total on January 1, 1923 when farm mortgage indebtedness was at its maximum. The estimated decline for 1942 represents a 2.3 per cent reduction in outstandings, a more rapid rate of decline than has occurred during the preceding two years. (Table 1)

2. A percentage distribution of mortgage debt outstanding according to principal creditors reveals that the proportion held by Federal land banks and the Federal Farm Mortgage Corporation has declined gradually since 1938 while the holdings of insurance companies, commercial banks and individuals have increased relative to the total during the same period. (Table 2)

3. The segment of mortgage debt subject to regular reductions of principal is almost certain to decline as Federal land bank and Land Bank Commissioner loans make up a smaller part of total outstandings. Information is not available to show what portion of

mortgage debt held by other lenders consists of long-term amortized loans. However, figures on mortgage recordings indicate that the average term of mortgages recorded by individuals and other private lender groups was shorter for the period 1932-35 than in earlier periods for which data are compiled. Loans of shorter maturities may call for regular payments on principal but mortgage loans of the average term indicated in Table 3 are less likely to be written on an amortized basis than longer term contracts.

4. A considerable improvement in cash collections and a sharp drop in mortgage delinquencies have occurred in recent years. At the close of 1941, 84 per cent of Federal land bank loans and 82 per cent of Land Bank Commissioner loans had all matured instalments paid in full, in contrast to 78 and 75 per cent, respectively, at the end of 1940. Principal payments on these loans during the first quarter of 1942 were 45 per cent above the payments for the same quarter in 1941. Detailed information on collections and delinquencies are not available for other mortgage lenders but the status of Federal land bank and Land Bank Commissioner loans and the disposition of matured items as given in Tables 4 and 5 may be accepted as indicative of the general trend with respect to repayment of maturing obligations.

5. Further evidence of the improved financial position of farm mortgage debtors is the extent to which they are making advance payments on principal instalments. On June 30, 1942 the Federal land banks held conditional payments to be applied against future instalments in the amount of \$8,450,000 in contrast to \$2,635,474 of such

To: Mr. Thomas

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payments held on December 31, 1941. Federal land banks were authorized to accept conditional payments from borrowers under the Farm Credit Act of 1937 but the amount of such payments was disappointingly small until the fall of 1941 when the regulations were amended to permit payment of interest on these payments at the same rate charged on the borrower's indebtedness. Although the amount of advance payments accumulated by Federal land bank borrowers on June 30, 1942 is slightly less than 5 per cent of their matured obligations in 1941, the sharp increase in such payments during the first six months of 1942 suggests that many borrowers are earmarking a part of their increased incomes for future debt retirement. The Federal Farm Mortgage Corporation has been accepting advance payments only since January 1, 1942 but on June 30 borrowers had deposited \$523,825 with the Corporation to be applied on future instalments.

The attached release issued by the Department of Agriculture reviews recent developments in the farm real estate and supplements the material on mortgage debt.

Attachment

Table I - Estimated Farm Mortgage Debt Outstanding in the United States and Annual Change in Outstandings for Selected Years Prior to 1935 and by Years, 1935-1943

(Amounts in Millions)

January 1	Total farm mortgage debt	Annual change	
		Amount	Percent
1914	\$ 4,707	+360	+ 8.3
1918	6,537	+711	+12.2
1923	10,786	+ 83	+ 0.8
1929	9,757	- <u>a/</u>	- <u>a/</u>
1935	8,638	-576	- 6.2
1934	7,887	-751	- 8.7
1935	7,786	-101	- 1.3
1936	7,639	-147	- 1.9
1937	7,390	-249	- 3.3
1938	7,214	-176	- 2.4
1939	7,071	-143	- 2.0
1940	6,910	-161	- 2.3
1941	6,824	- 86	- 1.3
1942	6,780 <u>b/</u>	- 74	- 1.1
1943	6,600 <u>c/</u>	-150	- 2.5

- a/ Decline of less than half a million dollars and less than .05 per cent  
b/ Preliminary  
c/ Estimate by the Bureau of Agricultural Economics

Table 2 - Estimated farm mortgage debt and per cent of total amount held by principal lender groups for selected years prior to 1933 and by years, 1933 - 1942

Jan. 1	Total farm mortgage debt	Federal land banks and Land Bank Commissioner <sup>a/</sup>	Joint stock land banks	Life insurance companies	Commercial banks	Others <sup>b/</sup>
a) Dollar amount (in millions)						
1914	\$ 4,707	-	-	597	724	3,386
1918	6,537	39	2	956	1,008	4,532
1923	10,786	656	219	1,556	1,506	6,849
1929	9,757	1,183	657	2,139	1,047	4,732
1933	8,638	1,106	459	1,869	889	4,315
1934	7,887	1,274	392	1,661	711	3,849
1935	7,786	2,502	256	1,259	499	3,270
1936	7,639	2,854	176	1,055	487	3,067
1937	7,390	2,889	134	936	488	2,943
1938	7,214	2,836	104	896	501	2,877
1939	7,071	2,723	87	888	519	2,854
1940	6,910	2,584	66	883	534	2,843
1941	6,824	2,488	49	891	543	2,853
1942	6,750	2,350	33	906	535	2,925
b) Percentage distribution						
1914	100.0	-	-	12.7	15.4	71.9
1918	100.0	0.6	c/	14.6	15.4	69.4
1923	100.0	6.1	2.0	14.4	14.0	63.5
1929	100.0	12.1	6.7	21.9	10.8	48.5
1933	100.0	12.8	5.3	21.6	10.3	50.0
1934	100.0	16.1	5.0	21.1	9.0	48.8
1935	100.0	32.1	3.3	16.2	6.4	42.0
1936	100.0	37.4	2.3	13.8	6.4	40.1
1937	100.0	39.1	1.8	12.7	6.6	39.8
1938	100.0	39.3	1.4	12.4	7.0	39.9
1939	100.0	38.5	1.2	12.6	7.3	40.4
1940	100.0	37.4	1.0	12.8	7.7	41.1
1941	100.0	36.5	0.7	13.0	8.0	41.8
1942	100.0	34.8	0.5	13.4	7.9	43.4

a/ Land Bank Commissioner loans begin with the year Jan. 1, 1934.

b/ Includes loans of individuals, Farm Security Administration, mortgage companies, State credit agencies, and other miscellaneous creditors.

c/ Less than .05 per cent.

**Table 3** Average term of farm mortgages recorded by selected private lender groups, 1917-1921, 1922-1926, 1927-31, 1932-1935

Period	Insurance companies	Individuals (number of years)	Commercial banks	Other <sup>a/</sup>
1917-21	7.5	3.7	2.7	4.7
1922-26	8.7	3.3	2.5	5.7
1927-31	8.1	3.1	2.1	4.7
1932-35	7.2	2.9	1.9	4.3

<sup>a/</sup> Excludes joint stock land banks but includes State and County agencies.

Source: Farm-Mortgage Credit Facilities in the United States, Miscellaneous Publication No. 478, United States Department of Agriculture, 1942



Table 4 Classification of Federal Land Bank and Land  
Land Bank Commissioner loans outstanding on  
December 31, 1939-1941 a/

December 31	Number of loans outstanding	All Matured instalments paid in full (per cent of total number)	Delinquent or extended
a) Federal land bank loans			
1939	614,709	77.5	22.5
1940	609,427	77.8	22.2
1941	593,555	84.2	15.8
b) Land Bank Commissioner			
1939	439,458	70.3	29.7
1940	432,567	74.9	25.1
1941	421,925	82.2	17.8

a/ Loans in Puerto Rico are excluded

Table 5 Disposition of Matured items due from Federal land bank and Land Bank Commissioner borrowers, 1939-1941 a/

Year	Total amount collectible	Disposition of amount collectible			
		Cash collections	Extended deferred or reamortized	Charged off or transferred to foreclosure	Delinquent Dec 31
(per cent of total amount collectible)					
a) Federal land bank loans					
1939	\$196,111,360	65.3	10.3	3.5	20.4
1940	189,079,483	66.1	14.3	2.0	17.6
1941	177,186,308	75.2	9.9	2.3	12.6
b) Land Bank Commissioner loans					
1939	\$139,513,196	51.6	18.3	4.0	26.1
1940	124,623,317	51.2	24.9	5.6	18.3
1941	103,611,419	66.4	15.5	3.1	15.0

a/ During the 5-year period ending July 10, 1938 Federal land bank borrowers were privileged to defer payment of principal instalments if they were not in default on other covenants of their mortgages so data for earlier years are not comparable.