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Mortgage Loans on Farm Real Estate in Haakon County, South Dakota, 1910 - 1930

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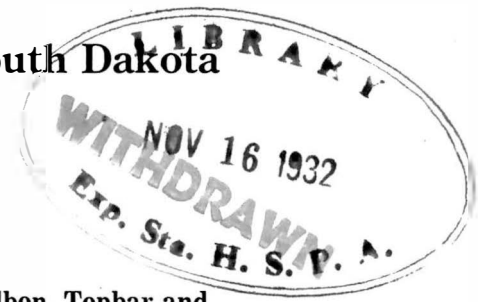
Mortgage Loans on Farm Real Estate

in

Haakon County, South Dakota



1910–1930

With Special Reference to Elbon, Topbar and Milesville Townships

Agricultural Economics Department
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With special reference to Elbon, Topbar and Milesville Townships

By Gabriel Lundy

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Purpose and Method of Study

Purpose of Study.—The unfavorable relationship between farm income and farm expense since the post-war deflation began in 1920 makes it desirable to study the farm real estate mortgage debt, as one of the important divisions of agricultural credit. The bulk of the farmer's investment is in land; consequently, the method of financing that investment is an important part of the farm problem. A number of considerations are involved in the question of how to finance the ownership of farm land. Attention must be given to the value of the farm, both present and prospective, and how these values are determined. How large a loan should be placed on the farm, for what length of time should the mortgage run, what rate of interest can be paid, and how should the loan be repaid? These and a number of other important questions relating to the farm mortgage problem can be answered best only after some information has been acquired about actual conditions in a given vicinity. It is the purpose of this study to assemble and present such information with reference to Haakon county. The conditions in that county should be quite typical of the surrounding region. It is hoped that the picture of the farm mortgage situation in the area studied, as presented in the following pages, will be of help in suggesting possible improvements.

Method of Study and Location of Area.—The method followed in this study involved the selection of a typical or representative county, and the assembling of the mortgage information from the records in the office of the register of deeds. Haakon county (Fig. 1) was selected as typical of some of the territory west of the Missouri river, especially the west central part of the state. The townships 4, 5 and 6 North, of Range 20, Elbon, Topbar and Milesville townships, in the northern west central part of the

The author wishes to acknowledge the receipt of valuable suggestions and criticism from Professor Sherman E. Johnson, under whose supervision this study was made. Acknowledgment is also made of valuable assistance received from abstracters and county officials who made the information available.

county were chosen for study as being representative of farming conditions in Haakon county. Milesville township is representative of the better farming land and the other two townships are typical of the mixed grain and livestock regions of the county. The required information was transcribed from the records in the office of the county register of deeds in Philip, the county seat. Brief abstracts were made of all documents relating to every piece of land in these three townships which have been

Figure 1.—Map of South Dakota showing location of area studied in Haakon county

recorded since 1905 and even earlier. This gives information in regard to all transfers of title and all mortgages of record. This means of obtaining the required information is undoubtedly more convenient and economical than it would be to procure similar information from borrowers and lenders. It will perhaps also be conceded that, in most instances, the county records give more accurate information than would be obtained from people who might have to rely on their memory for the information. The county records are lacking, however, in information on the reasons for the transactions recorded. They frequently do not mention the prices paid in case of sales of land, and it is obvious that they do not tell how the borrower expended the proceeds of the loan, nor do they indicate what is the source of his income out of which he expects to repay the borrowed money. But within these limitations much valuable information is readily available in the county records. The information obtained has been tabulated and analyzed in most cases, as of every fifth year from 1910 to 1930.

Total Indebtedness and Changes in Amount

Indebtedness, First and Junior Loans, by Years.—In 1910 the total indebtedness in the area studied[1] was $100,979. As indicated in Table 1 and in Figure 2 the total had increased to $136,582 in 1915: The largest increase in any five-year period came between 1915 and 1920. This one would expect on account of the war and post-war inflation of that period. The total indebtedness of $279,848 in 1920 is the largest amount of farm mortgage debt outstanding for any of the years studied. The decline in the amount of indebtedness following 1920 was not as rapid as the increase preceding that year. The net reduction was even much less than the amount of foreclosures. The debt in 1925 was $250,570. In 1930, at the end of ten years of deflation the total farm mortgage debt was $173,276.

TABLE 1. Total mortgage indebtedness on farm land and amount of each rank[1] every fifth year, 1910 to 1930 inclusive.

Year	Total Mortgage Indebtedness	Sum of First Mortgages	Sum of Second Mortgages	Sum of Third Mortgages
1910	$100,979	$ 89,674	$11,305	
1915	136,582	122,642	13,404	$ 536
1920	279,848	227,716	47,280	4,852
1925	250,570	197,227	42,545	10,798[2]
1930	173,276	165,518	5,418	2,340

[1] This table and succeeding tables in this bulletin, unless otherwise noted, refer to data from townships 4, 5, and 6 North, of Range 20, Haakon county, South Dakota.

[2] Includes fourth mortgages in amount of $3,222.

The amounts in loans of each rank are also given in Table 1 and are shown graphically in Figure 2. A better comparison of the relative proportions or percentages in loans of each rank is given in Table 2 and in Figure 3. Except for the post-war years of 1920 and 1925, first mortgages have constituted between 88 and 95 per cent of all debts. A much larger than usual proportion of junior mortgage indebtedness was on record in 1920 and 1925 with the result that first-mortgage loans constituted respectively only 81 per cent and 79 per cent of all debts in 1920 and 1925. Comparing the changes in the amount of loans of each rank, computations based on Table 1 show that first mortgage loans rose more rapidly in amount than did second-mortgage loans between 1910 and 1915. The big increase in second-mortgage loans came between 1915 and 1920. Between these years first mortgages increased 85 per cent in amount, while second-mortgage loans were increased 253 per cent. Mortgage loans ranking below second were also on record; the largest amount of these was in 1925. Very little change in the relative proportion of first and second mortgage indebtedness occurred between 1920 and 1925. During the next five years, however, second mortgages were nearly eliminated, leaving over 95 per cent of the

[1] As previously indicated all the tables and discussion in this bulletin, unless otherwise noted, refer to data from townships 4, 5 and 6 North, of Range 20, Haakon county, every fifth year.

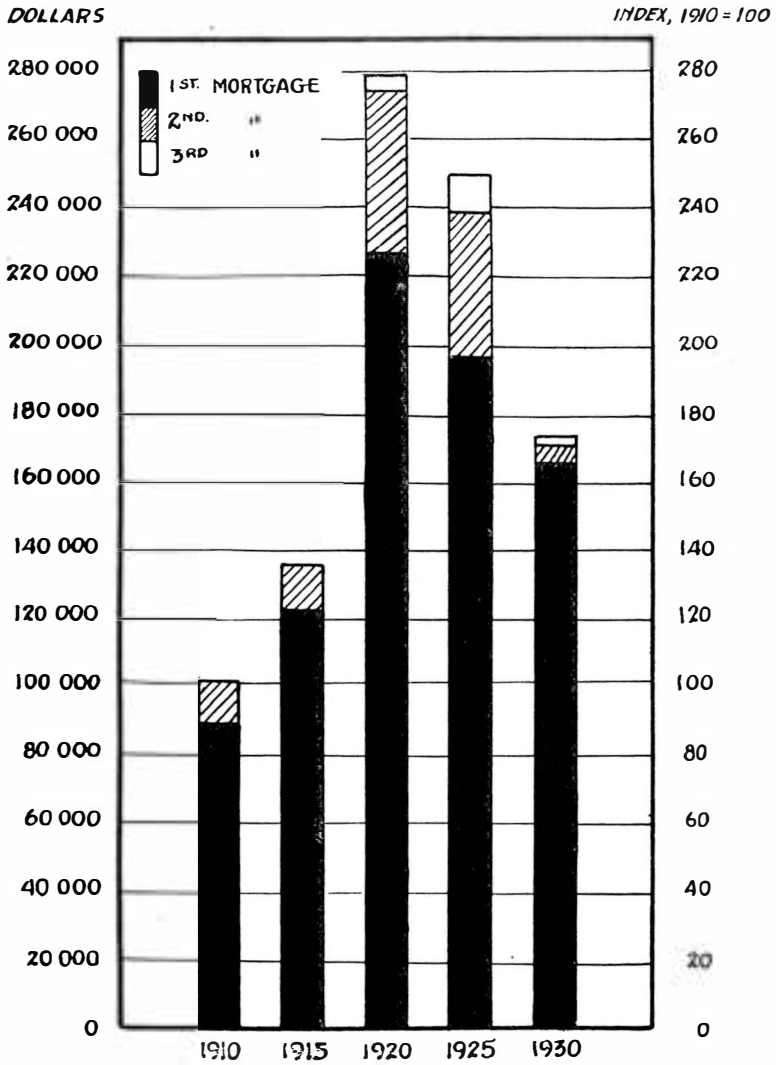

Figure 2.—Total amount of mortgage indebtedness, index of change in indebtedness, and amount of loans of each rank every fifth year, 1910-1930[1]. (Based on Tables 1 and 3.)

[1] Unless otherwise noted all later figures in this circular will refer to the same three townships in Haakon county.

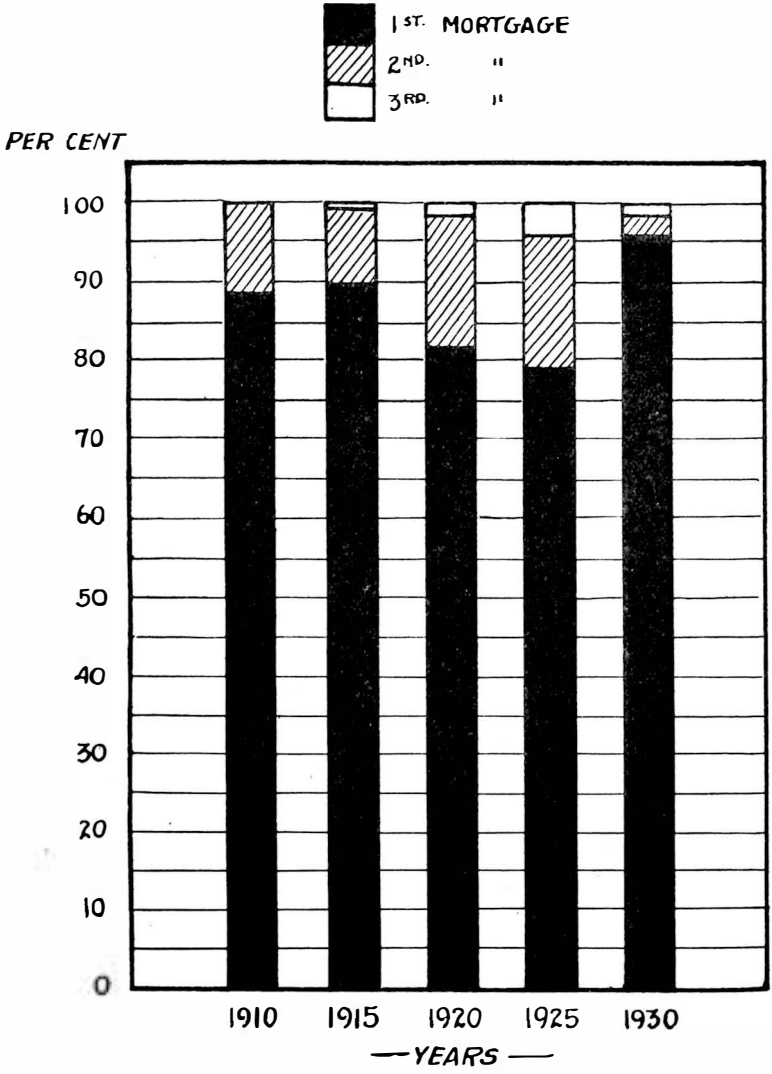

Figure 3.—Percentage of total indebtedness represented by loans of various ranks, every fifth year, 1910-1930. (Based on Table 2.)

debt in the form of first mortgage loans in 1930. From 1925 to 1930 there was a 16 per cent reduction in the volume of first-mortgage loans while second mortgages were reduced by 87 per cent of the amount on record in 1925. In so far as foreclosures were instrumental in bringing about this change is possible that second-mortgage loans were wiped out by foreclosure of the first mortgage to a larger extent than they were eliminated

TABLE 2. Percentage of the total farm real estate mortgage indebtedness represented by loans of each rank, every fifth year from 1910 to 1930.
(Based on Table 1.)

Year	Total Mortgage Indebtedness	Percentage in First Mortgages	Percentage in Second Mortgages	Percentage in Third Mortgages
1910	$100,979	88.8	11.2	-
1915	136,582	89.8	9.8	.4
1920	279,848	81.4	16.9	1.7
1925	250,570	78.7	17.0	4.3[1]
1930	173,276	95.5	3.1	1.4

[1] Includes 1.29 per cent of fourth mortgages.

by foreclosures on second mortgage security. It is clear that the volume of second-mortgage loans, and also of other junior loans, has fluctuated more than the amount of first-mortgage loans. During periods of rising land values it may have been easier to obtain a second-mortgage loan than to increase the first-mortgage loan or to replace the first mortgage with a larger one. When a market is available for junior-mortgage loans it supplies an element of flexibility to the field of farm mortgage credit which may be either beneficial or harmful, depending on the amount of indebtedness that is assumed, the use made of the credit, and the subsequent trend of prices and farm incomes.

Index of Change in Total Debt.—An index of the change that occurred in the total amount of indebtedness is given in Table 3 and also in Figure

TABLE 3. Index of change in total indebtedness, every fifth year from 1910 to 1930

Year	Index of Change in Total Indebtedness	Total Mortgage Indebtedness
	1910 equals 100%	
1910	100	$100,979
1915	136	136,582
1920	279	279,848
1925	250	250,570
1930	173	173,276

2. Beginning with the indebtedness in 1910 as 100 per cent, the index for every fifth year is as follows: 1915 is 136; the 1920 index of 279 is more than double the one of 1915. The 1925 index is 250, and for 1930 it is down to 173, or 73 per cent higher than the total indebtedness in 1910.

Changes in total indebtedness.—Table 4 shows the percentage changes in total indebtedness during successive five-year and ten-year periods. Between 1910 and 1915 the increase was 35 per cent. This rate of increase was trebled during the next five-year period, the 1920 total debt being just about 105 per cent larger than the total in 1915. The peak of mortgage indebtedness came in 1920. A 10 per cent reduction is shown for the next five years. Between 1925 and 1930 a still greater percentage reduction is observed. In this table the total indebtedness at the beginning of a period is taken to be 100 per cent. By ten-year periods an increase of 177 per cent is shown between 1910 and 1920. This is followed by a 38 per cent decrease during the ten years ending in 1930.

TABLE 4. Percentage increase or decrease in the total amount of farm real estate mortgage indebtedness by periods[1].
(Based on Table 1.)

Period	Percentage Change in Total Indebtedness	
	Increase	Decrease
1910 to 1915	35.3	
1915 to 1920	104.9	
1920 to 1925		10.5
1925 to 1930		30.8
1910 to 1920	177.1	
1920 to 1930		38.1

[1] In each case the indebtedness figure for the end of the previous period is considered as 100 per cent.

Acreage Mortgaged

Amount and Changes in Area Mortgaged.—In 1910 there were 17,129 acres incumbered with mortgage liens in the three townships included in this study. This information is given in Table 5 and in Figure 4. During the next five years there was a larger percentage increase in acreage mortgaged than in total indebtedness. The increases being rspectively 65 per cent and 36 per cent. The 1915 acreage under mortgage was 28,292. In

TABLE 5. Area mortgaged, and the percentage which such incumbered acreage was of all land[1], at five-year intervals, 1910 to 1930.

Year	Acres Mortgaged	Index of Change in Mortgaged Acres	Pct. of "all land" Mortgaged	Pct. of 65,698 Acres Mortgaged
		1910 equals 100%		
1910	17,129	100	42.6	26.1
1915	28,292	165	44.6	43.1
1920	29,491	172	45.2	44.9
1925	24,691	144	37.5	37.6
1930	21,111	123	32.1	32.1

[1] Sections 16 and 36 being school land, are not included in the category "All land." In addition patents issued on homestead land since 1910 result in the following figures for "all land," or land privately owned. In 1910 40,219 acres, in 1915 63,418 acres, in 1920 65,218 acres, and for 1925 and 1930 65,698 acres. The last figure is the total acreage minus sections 16 and 36.

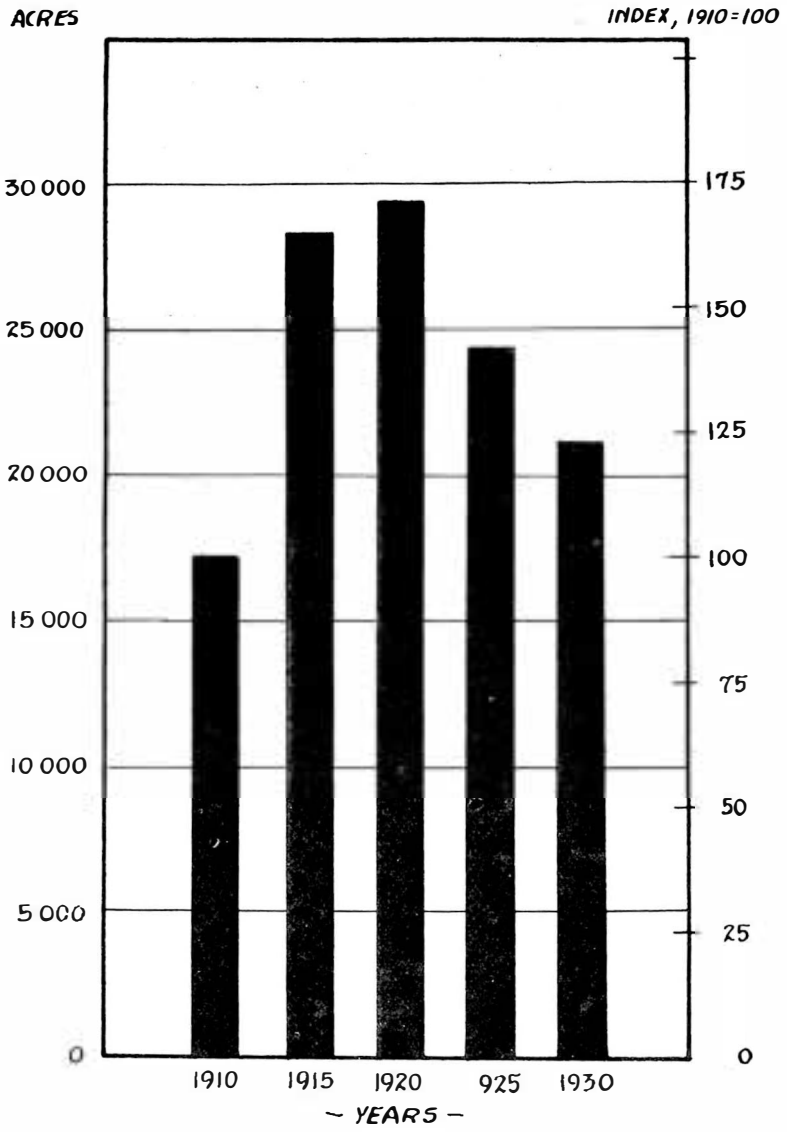

Figure 4.—Total acreage mortgaged and index of change, every fifth year, 1910-1930. (Based on Table 5.)

the next five years the mortgaged acreage increased only 4 per cent or up to 29,491 acres in 192J, Table 6. The indext of mortgaged acreage was only 172 in 1920 as compared with an index of 279 for total indebtedness. From 1920 to 1925 the incumbered acreage declined 16 per cent to a total of 24,691 acres. A further drop of 14 per cent left 21,111 acres under mortgage in 1930, as indicated in Table 5. The indexes for 1925 and 1930 are respectively 144 and 123. Comparing the changes by ten-year periods, Table 6 shows an increase of 72 per cent in the incumbered acreage from 1910 to 1920, and then a 28 per cent decline from the latter year to 1930.

TABLE 6. Percentage increase or decrease in incumbered acreage by periods.[1]
(Based on Table 5.)

Period	Percentage Change in Area Mortgaged	
	Increase	Decrease
1910 to 1915	65.2	
1915 to 1920	4.2	
1920 to 1925		16.3
1925 to 1930		14.5
1910 to 1920	72.2	
1920 to 1930		28.4

[1] In each case the incumbered acreage figure for the end of the previous period is taken as 100 per cent.

Proportion of all Land Under Mortgage.—The acreage under mortgage can also be considered as a percentage of all the land potentially available at given times as security for loans to private owners, or all privately owned land in the area. These percentages are given in Table 5, in the column headed "Percentage of all land mortgaged." One difficulty in comparing the percentage mortgaged each year studied is that the acreage included in the term "all land" is not constant for all the years. The reason being that there was considerable unpatented homestead land in this area in 1910, and patents were issued even as late as 1923. For the year 1910 42.6 per cent of "all land," as above defined, was incumbered. For the year 1915 44.6 per cent was under mortgage. The highest percentage of "all land" under mortgage for any of the years studied was reached in 1920 with 45.2 per cent. By 1925 the proportion of the acreage under mortgage was reduced to 37.5 per cent. A still further reduction to 32.1 per cent is shown for 1930. If it is desired to make a comparison on the basis of a constant acreage the right hand column in Table 5 shown 26 per cent of all the land mortgaged in 1910; 43 per cent in 1915; 45 per cent in 1920, and 38 and 32 per cent respectively for the years 1925 and 1930.

Average Debt per Acre of Mortgaged Land

Total Debt per Acre.—The average debt per acre of incumbered land in 1910 was $5.90, Table 7. This is the average of the total debt spread over all the mortgaged land. In spite of the increase of 36 per cent in total indebtedness from 1910 to 1915 as previously noted, a reduction in the debt per mortgaged acre was recorder for 1915. The debt per acre in the latter year was only $4.83. The reason for this decrease in the per

acre debt is found in a comparison of total indebtedness and acreage mortgaged. While the total indebtedness did increase 36 per cent from 1910 to 1915, this larger total debt was spread over an area 65 per cent greater than the 1910 acreage under mortgage. In other words, during this period there was an increase in the total debt but a change to smaller loans per acre. During the next five years the price inflation, brought on by the war, resulted in larger loans per acre. The average debt per acre for 1920, of $9.49, is practically double the debt per acre in 1915. In spite of the reduction in total indebtedness from 1920 to 1925 the acreage was reduced proportionally more, which left a 7 per cent larger average debt per acre in 1925. From $10.15 per acre in the latter year the per acre debt declined 19 per cent to $8.21 per acre in 1930.

TABLE 7. Average indebtedness per acre of mortgaged land and index of debt per acre at five-year intervals from 1910 to 1930.
(Based on Tables 1 and 5)

Year	Average Total Debt Per Acre	Index of Change in Total Debt Per Acre	Average First Mortgage Debt Per Acre	Index of Change in First Mortgage Debt per Acre
		1910 equals 100%		1910 equals 100%
1910	$ 5.90	100	$ 5.24	100
1915	4.83	82	4.33	83
1920	9.49	161	7.72	147
1925	10.15	175	7.99	152
1930	8.21	139	7.84	150

First-mortgage debt per Acre More Constant.—Table 7 also shows separately the amount of first-mortgage debt per acre. It appears that the amount of first-mortgage debt per acre has been much more constant than the total debt per acre. The conclusion would seem to be that a considerable part of the expansion and contraction of the total debt per acre between 1915 and 1930 was brought about by changes in the volume of junior-mortgage loans. The index of change in total debt per acre every fifth year from 1910 to 1930 is: 100, 82, 161, 172, and 139.

Changes in the Debt per Acre, by Periods.—The percentage change in the debt per acre by five-year and ten-year periods is presented in Table 8. From 1910 to 1915 there was a 19 per cent decline in the average debt per acre. During the next period, as a result of only a 4 per cent increase in area mortgaged coupled with a 105 per cent increase in total indebtedness, the average debt per acre of mortgaged land rose more than 96 per cent. Even during the next succeeding five years the average debt per acre rose, because the incumbered acreage was reduced more rapidly than the total debt declined. The 7 per cent increase from 1920 to 1925 was followed by a 19 per cent decrease from the latter year to 1930. In these comparisons shown in Table 8 the basis of comparison is always the figure for the debt per acre at the beginning of each period indicated. A comparison by ten-year periods shows almost a 61 per cent increase from 1910 to 1920, and then a 13.5 per cent reduction in the debt per acre from 1920 to 1930. Since both the area under mortgage and the total indebtedness in the area were reduced during this ten-year period it is evident that the incumbered acreage was reduced more slowly than the total debt. Table 6 shows a 28 per

cent reduction in area mortgaged during these ten deflation years, whereas the total indebtedness was reduced 38 per cent. Debts are traditionally said to be paid during periods of deflation (or "hard times"), but this deflation reduced the inflated land values to the point where more land apparently was required per dollar of mortgage debt after 1925. Since the volume of foreclosures amounted to more than twice the amount of the reduction in the total debt between 1920 and 1925, it is evident that new loans were placed. Naturally the new mortgages, placed after land had declined in price, covered a larger acreage per $100 of loan. Such new loans would prevent the incumbered acreage from being reduced as fast as the total debt. Aside from foreclosures, the ability of borrowers to repay would set a limit to the reduction of the total indebtedness, and with any given indebtedness the value of the land would tend to limit the reduction of the incumbered acreage.

TABLE 8. Percentage increase or decrease in the farm mortgage debt per acre of incumbered land by periods.[1]
(Based on Table 7.)

Period	Percentage Change in Total Debt per Acre	
	Increase	Decrease
1910 to 1915		19.1
1915 to 1920	96.5	
1920 to 1925	7.0	
1925 to 1930		19.1
1910 to 1920	60.8	
1920 to 1930		13.5

[1] In each case the debt per acre figure for the end of the previous period is taken as 100%.

Foreclosures

General Causes.—Foreclosures register the failures in farm mortgage financing. In exceptional cases such failures may result from the placing of loans so large as to discourage repayment. In effect the loan becomes a sale. These cases are perhaps not numerous because ordinarily the borrower is not in position to dictate what amount shall be loaned per acre. Foreclosure may also be brought on because of lack of managerial ability on the part of the borrower. But the bulk of foreclosures in the area studied during the 20-year period under consideration seems to have come about as a result of economic forces beyond the control of either borrowers or lenders. One cause of foreclosure in this area is undoubtedly to be found in the newness of the region and the consequent lack of experience as a guide in farm borrowing. After the expanding force of the war inflation had spent itself in 1920 there was a recoil, the impact of which caused many a business enterprise to collapse. The seriousness of this impact on the agricultural industry is registered in the farm foreclosure records.

Foreclosures by Five-year Periods.—Table 9 and Figures 5 and 6 present the foreclosure information for the three townships studied in Haakon county. During the five-year period from 1911 to 1915 inclusive, mortgage loans to the amount of $10,149 were terminated by foreclosure.[1] This

[1] Loans amounting to $3709, included above, were redeemed, but in all cases except one $25 loan the land was lost to the mortgagor or owner.

is fully ten per cent of the total indebtedness in 1910. Whether this is high or low or average for this area is impossible to say on the basis of the information available. In other words, no information is available to show what was normal in that region of the state during the period under consideration. The county was perhaps too new to have established a "normal" with respect to foreclosures. As indicated in the table, the percentages for any period are based on the total indebtedness at the end of the previous period, or at the beginning of the period under consideration. As would be expected, there were fewer mortgage foreclosures during the period of rising prices and of higher farm and ranch incomes, from 1916 to 1920 inclusive. Foreclosures totaled $4610 during this period and constituted only 3.4 per cent of the total debt in 1915. Two loans, of $700 and $1000, that are included were redeemed, but apparently only the land with the $700 loan was saved by the owner. The debt burden becomes lighter during such periods of inflation, because the old loans and the interest can be paid off with "cheaper" or more easily acquired dollars. That the possibilities of debt reduction during this period were not utilized is indicated by the country-wide increase in farm mortgage indebtedness. The large amount of mortgage loans which had been put on record by the end of 1920 was more than the ranchers or farmers could make the required payments on during the following years of low money incomes. Cattle prices were especially low during the four years from 1921 to 1924. The foreclosures from 1921 to 1925 inclusive amounted to $71,916, or almost 26 per cent of the record debt in 1920. The foreclosures of these five years amounted to over 70 per cent of the amount of the total debt in the area in 1910.

TABLE 9. Amount of farm real estate mortgage loans foreclosed upon during four successive five-year periods and for two successive ten-year periods, with ratio of volume of foreclosures to total indebtedness[1] at beginning of each period, from 1911 to 1930 inclusive.

Periods	Total Amount of Foreclosures	Total Debt at Beginning of Period	Per Cent of Total Debt Foreclosed
	Dollars	Dollars	Per Cent
1911 to 1915 inclusive	10,149[2]	100,979	10.1
1916 to 1920 inclusive	4,610[3]	136,582	3.4
1921 to 1925 inclusive	71,916	279,848	25.7
1926 to 1930 inclusive	11,625	250,570	4.6
1911 to 1920 inclusive	14,759	100,979	14.6
1921 to 1930 inclusive	84,925	279,848	30.3

[1] The "total indebtedness at beginning of each period" is the amount of indebtedness the previous year: 1910 debt for the 1911–1915 period, etc.

[2] Includes loans to the amount of $3709 on 960 acres which were redeemed, but all the land expect 160 acres covered by a $25 loan seems to have been lost to the owners or mortgagors

[3] Includes two loans, one of $700 on 160 acres and one of $1000 on 160 acres which ware redeemed, but only the land with the $700 loan seems to have been saved by the owner.

Foreclosures and Prices of Wheat and Cattle.—During the five years following 1925 only $11,625 worth of farm mortgage loans were foreclosed upon. This is only 4.6 per cent of the large debt in 1925, and not much above the small percentage of foreclosures during the war years. The foreclosure percentages for the two periods are very much alike but the con-

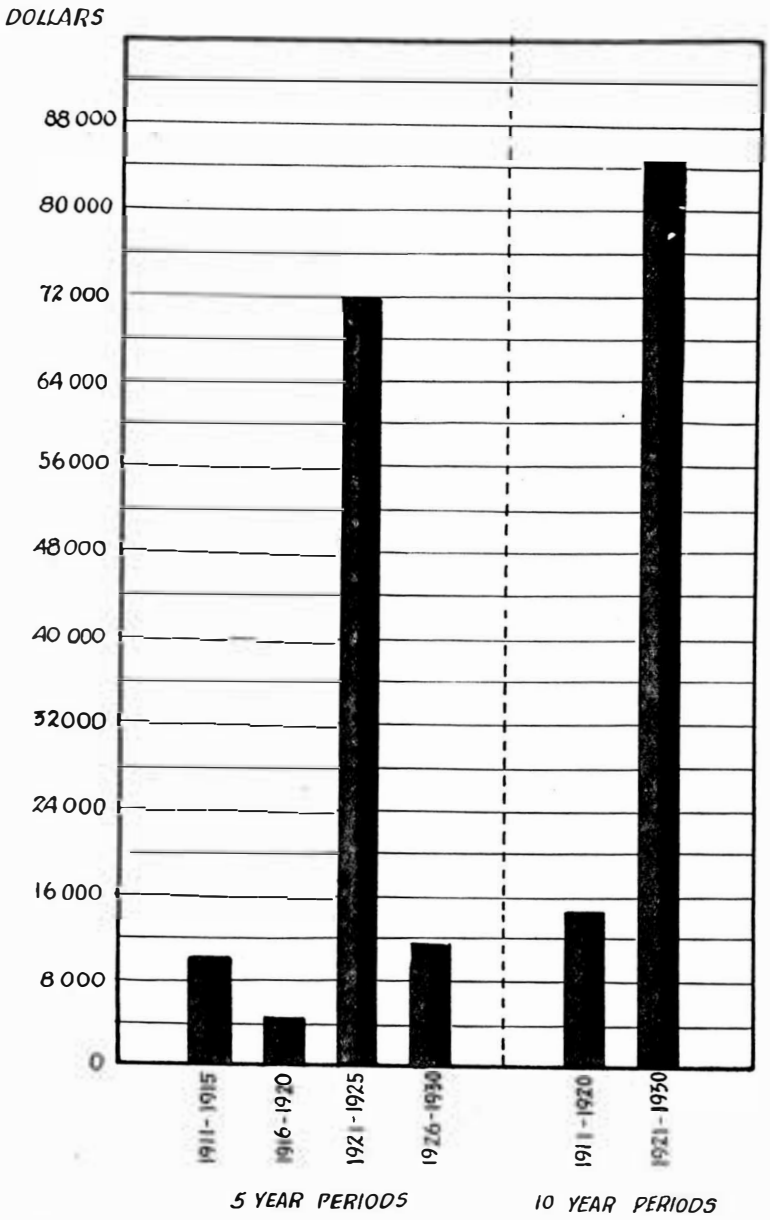

Figure 5.—Amount of farm mortgages foreclosed upon during four successive five-year periods, and during two successive ten-year periods, 1910-1930.
(Based on Table 9.)

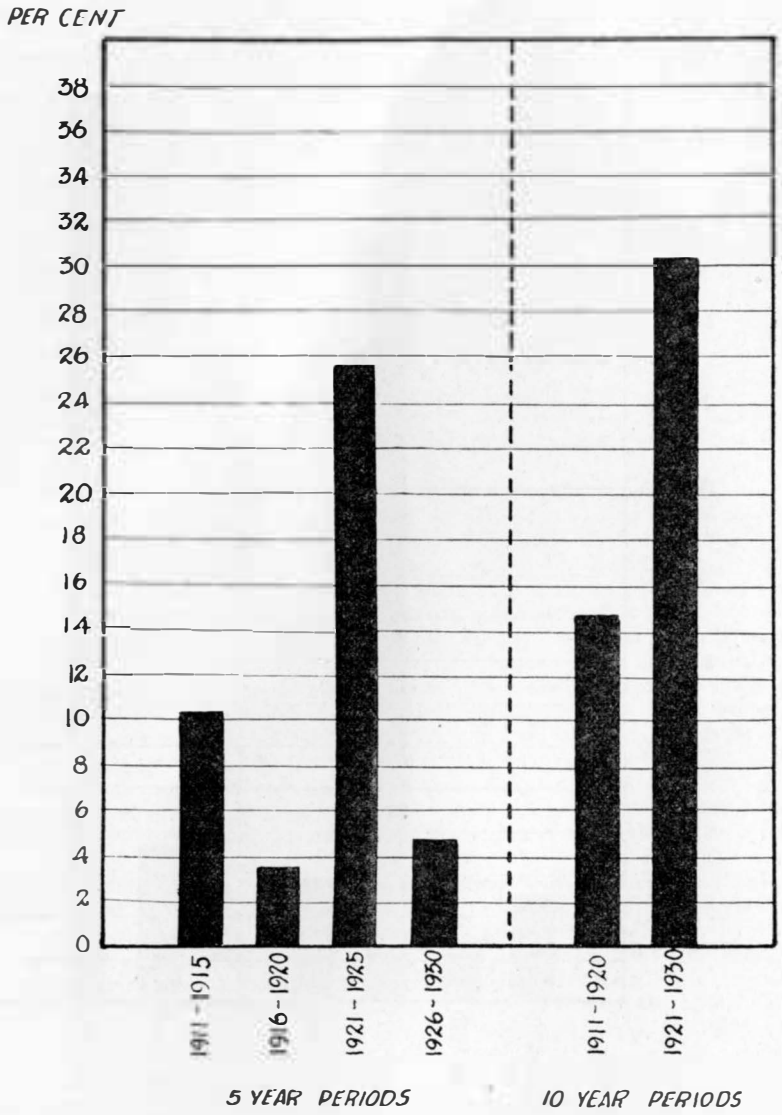

Figure 6.—Foreclosures during indicated five-year and ten-year periods as percentages of the total debt at the beginning of each period, 1910-1930.
(Based on Table 9.)

ditions were somewhat dissimilar. Grain and cattle prices, as reported in the Yearbook of Agriculture 1931[1], were rising during the years of 1916 to 1919 inclusive. Cattle prices were also relatively good during the years from 1926 to 1930. Grain prices were lower than cattle prices, especially during the later years. To the extent that these prices were favorable the two periods are somewhat comparable. On the other hand, the total debt was almost twice as large in 1925 as in 1915. Furthermore, during the 1916-1920 period, debts not only were not reduced but were increased to more than twice the 1915 amount. The land mortgage debt was reduced 31 per cent during the five years ending with 1930. In the 1926-1930 period the ranchers received somewhat lower prices for cattle than in the period 1916–1920. Grain prices were much lower, especially in 1930. The intervening low priced years of 1921 to 1924 had undoubtedly left many farmers in a crippled condition financially. In view of all these conditions it seems reasonable to assume that the relatively low foreclosure percentage during the 1926-1930 period is only partly accounted for by high farm incomes. Another reason for few foreclosures may be that the large number of foreclosures during the five years following 1920 had eliminated most of the loans which seemed to be of doubtful standing. In addition perhaps a readjustment to the price level of 1925–1929 had largely been made.

By Ten-year periods.—Comparison on the basis of two ten-year periods shows $14,759[2] in foreclosures between 1911 and 1920 inclusive. This is 14.6 per cent of the total debt in 1910. The amount of loans involved in foreclosures during the ten-year interval from 1921 to 1930 inclusive was almost six times as great as during the first ten-year period. The amount was $84,925. In other words, more than 30 per cent of the sum of the mortgage loans in 1920 was terminated by foreclosure action during the next ten years.

Foreclosures of First and Second Mortgages.—Table 10 shows the amount of first- and second-mortgage loans terminated by foreclosure, and the percentages that these amounts are of the total first- and second-mortgage indebtedness (Table 1) at the beginning of each period. Since the amounts of second mortgage loans have been very small, except for 1920, the foreclosures may have varied considerably due to accidental causes. For this reason the percentages of second mortgage foreclosures may not be very significant.

Acreage Involved in Foreclosures.—The land as well as the loan is involved in case of foreclosure. Table 11 gives the figures for the acreage of land on which loans were foreclosed during four successive five-year periods, and for two successive ten-year periods, also shown in Figure 7. Between 1911 and 1915 inclusive loans on 2476 acres were foreclosed on. This is 14.5 per cent of the total incumbered acreage in 1910. Redemptions involved 960 acres, but only 160 acres seem to have been saved by the owner. During the 1916–1920 period only 1240 acres were lost to the owners through foreclosure. This acreage constituted only 4.4 per cent of the total acreage under mortgage in 1915. Included in the 1240 acres

[1] Nineteen thirty-one Yearbook of the United States Department of Agriculture, page 601—Wheat: Weighted average price per bushel of reported cash sales at Minneapolis. Page 833—Beef steers: Monthly average price per 100 pounds, Chicago.

[2] Included in this sum are loans amounting to $5409 on 1280 acres which were redeemed. But with the exception of 320 acres covered by two loans amounting to $725, all the land seems to have been lost by the owners.

are 320 acres which were redeemed, but only 160 acres was regained and held by the owner. The largest acreage involved in foreclosure during any five-year interval was in the five-year period following 1920. During this time a total of 7900 acres, or 26.8 per cent of the acreage under mortgage in 1920, changed owners by reason of mortgage foreclosures. Only 2160 acres were subject to foreclosure during the five years ending with 1930.

TABLE 10. Distribution of the volume of foreclosures according to the rank of the mortgages foreclosed in successive five-year periods from 1911 to 1930 inclusive, and the percentage of the loans of each rank involved in foreclosure.

Period	First Mortgages Foreclosed		Second Mortgages Foreclosed	
	Amount	Percentage	Amount	Percentage
1911 to 1915[1]	$ 4,975	5.6	$5,174	45.8
1916 to 1920[2]	4,310	3.5	300	2.2
1921 to 1925	69,016	30.3	2,900	6.1
1926 to 1930	10,225	5.2	1,400	3.3

[1] First mortgages amounting to $2525 on 480 acres and $1184 in second mortgages on 480 acres were redeemed. Only 160 acres covered by $25 first mortgage was saved by the owner.

[2] $1700 in first mortgages on 320 acres was redeemed, but only 160 acres mortgaged for $700 were saved by the owner.

TABLE 11. Acreage of land involved in mortgage foreclosures during four successive five-year periods and for two successive ten-year periods, with ratio of foreclosed acreage to incumbered acreage[1] at beginning of each period, 1911 to 1930.

Periods	Total Acres in Foreclosures[2]	Total Incumbered Acreage at Beginning of Period	Per Cent of Mortgaged Acreage Foreclosed
1911 to 1915 inclusive	2,476[3]	17,129	14.5
1916 to 1920 inclusive	1,240[4]	28,292	4.4
1921 to 1925 inclusive	7,900	29,491	26.8
1926 to 1930 inclusive	2,160	24,691	8.7
1911 to 1920 inclusive	3,720[5]	17,129	21.7
1921 to 1930 inclusive	10,040	29,491	34.0

[1] The "total incumbered acreage at beginning of period" refers to the previous year: The incumbered acreage in 1910 is used with the 1911–1915 period, etc.

[2] The figure for "total acres in foreclosures" may represent double counting of some land in case a piece of land has been foreclosed on twice.

[3] Redemptions involved 960 acres, but only 160 acres seem to have been saved by the owner.

[4] 320 acres were redeemed but only 160 acres seem to have been regained by the owner.

[5] Of the 1280 acres redeemed only 320 seem to have been saved by the owners.

This represents 8.7 per cent of all the incumbered acreage at the beginning of that period. On the basis of ten-year periods Table 11 shows 3720 acres of land, or 21.7 per cent of the land under mortgage in 1910, having been foreclosed upon during the ten years ending with 1920. As previously mentioned 1280 acres were redeemed, but of this amount all but 320 acres seem to have been lost to the owners. During the next ten years the fore-

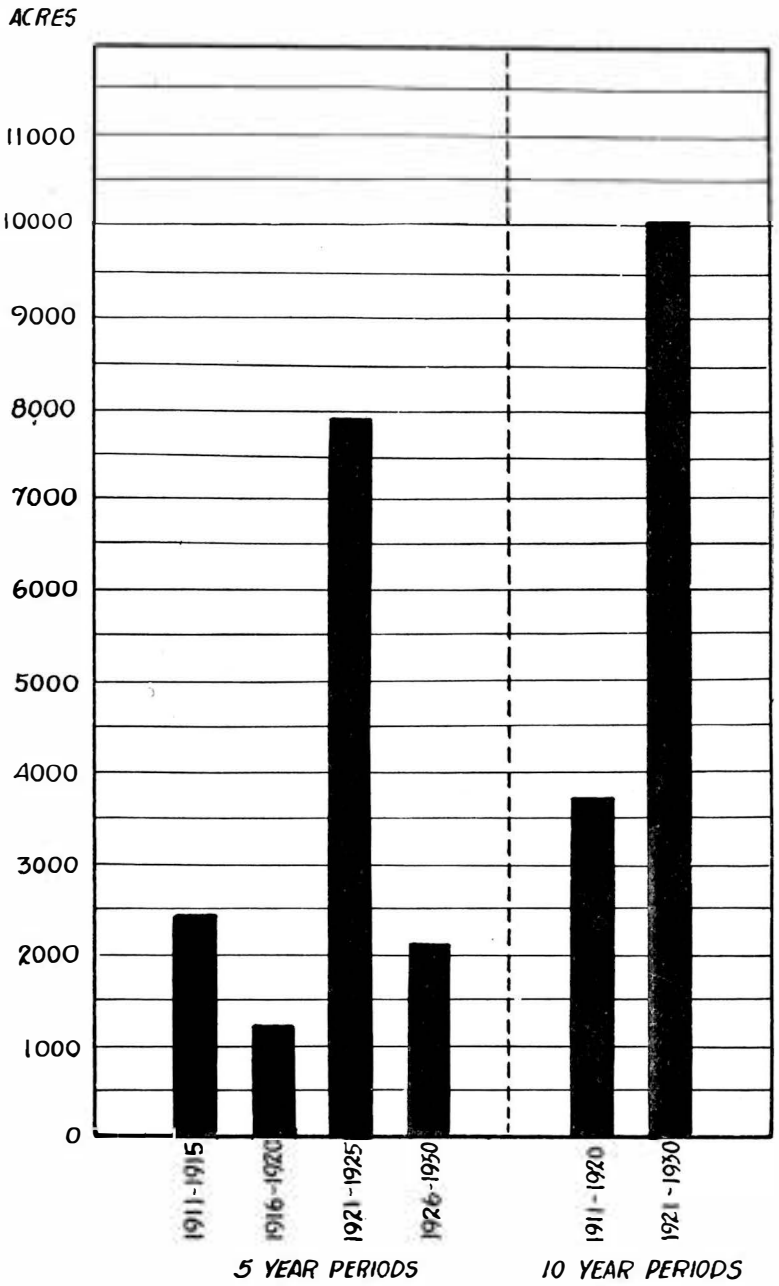

Figure 7.—Acreage of land on which mortgage was foreclosed during four successive five-year periods, or for two successive ten-year periods, 1910-1930.
(Based on Table 11.)

closures increased to 10,040 acres. This is equivalent to 34 per cent, or more than one-third, of the large acreage under mortgage in 1920. By comparison with the percentage figures in Table 9 it will be noted that in all cases a higher percentage of the land than of the amount of loans terminated in foreclosure action. This can not mean, however, that the land subject to foreclosure was mortgaged for a smaller amount per acre than the average of all the other incumbered land. The reason is rather that the lands affected by foreclosure carried junior mortgage loans as well as first-mortgage loans, and that only one loan of either first or second priority or rank would be foreclosed.

Higher Debt per Acre on Foreclosed Land.—An attempt was made to compare the total debt per acre on land involved in foreclosure with the total debt per acre of all mortgaged land. Since the foreclosures were scattered throughout all the years of each period considered, and since land prices were changing, comparison could not be made with the average debt per acre of all mortgaged land at either the beginning or the end of the period. The figures for debt per acre as of the beginning and end of each period were therefore added and the sum divided by two to get an average indebtedness figure somewhat more comparable with the indebtedness on foreclosed land. The results for the first period, 1910-1915, showed 52 per cent higher indebtedness on the lands involved in foreclosure. For the 1920–1925 period the mortgaged land showed 42 per cent higher debt per acre than the other land. The greatest difference was found in the 1925–1930 period, with a 79 per cent larger debt per acre of land involved in foreclosure. The debt on the foreclosed land was in all cases computed from the total debt as of the time of foreclosure. The only exception to the apparent tendency toward higher debt per acre on lands that were foreclosed was found during the 1915–1920 period, when the debt on such land was only 94 per cent of the amount per acre on all mortgaged land. The reason for the contrary tendency in this period seems to be that land prices as well as other prices were rising, and that all the foreclosures, with one exception, took place during 1916, 1917 and 1918. There was only one foreclosure as late as 1920 and none in 1919. The indebtedness on the lands involved in these foreclosures had, therefore, not been increased to the full extent permitted by the higher land values in the later years of the period. The debt per acre on the other incumbered land had increased to an amount almost twice as high in 1920 as in 1915. Hence the conclusion seems to be warranted that the lands foreclosed on in this area during the period studied were mostly those that were mortgaged to an amount per acre considerably above the average of all other surrounding land. And evidently the debt burden became larger than could be carried by the income from the land.

Delinquency

Delinquencies in 1910 and in 1915.—Usually delinquency must precede foreclosure, but not all delinquent loans will be foreclosed on. Table 12 and Figure 8 show that the total amount of delinquent loans for specified years exceeded the amount of such loans that were terminated by foreclosure during the preceding five years (Table 9). At the end of 1910 $12,180 worth of loans, or 12 per cent of all loans, was delinquent. The

percentages are shown graphically in Figure 9. Almost one-half of this amount was delinquent between 31 days and 6 months. Most of the rest was delinquent for a still longer period. By 1915 the total debt had increased only about 36 per cent, but the sum of delinquent loans had increased more than fourfold. The amount was $52,578, or 38.5 per cent of the total debt.

Delinquencies in 1920 and after.—The 1920 delinquency total of $54,644 was only slightly larger than in 1915, but because the total debt was much larger in the latter year the proportion that was delinquent had declined to 19.5 per cent. Table 12 shows the amount delinquent for various lengths of time, and it is quite evident that the bulk of the delinquencies are of more than one month's duration. Those listed as of unknown length of delinquency are mainly South Dakota Rural Credit loans. In the case of such loans, if one amortization installment was delinquent the loan was classed as delinquent. Information was not obtained on the exact duration of the delinquency of each installment or loan. Other things being equal, it should be easier to pay up one or two delinquent amortization installments than to pay the delinquent principal on loans payable in one sum at maturity. The peak of the delinquency totals for the years studied was reached in 1925, with a sum of $145,443. Fifty-eight per cent of the sum of all loans was delinquent that year. While a number of loans may be delinquent for short periods every year because the maturity date does not coincide with the time the farm income is received, it is evident in this case that the great bulk of delinquencies have been due to mass movements of economic forces beyond the control of the farmers. In 1930 $85,014 in loans were delinquent. This is almost one-half of the total indebtedness.

Neglect in Recording Documents as Cause of Error.—It will be noted that a large share of the delinquencies in 1925 and in 1930 had been outstanding more than one year. There are possibilities of error in these figures in spite of considerable effort put forth to obtain accurate results. Errors might result from neglect on the part of borrowers and lenders to record the pertinent documents. The records in the office of the county register of deeds at Philip showed several mortgages long past due, but unpaid and unsatisfied. This led to suspicion that some of these loans might have been paid without having the satisfaction or mortgage release recorded. The amounts of these loans were listed, with the proper dates, description of the land affected, book and page where recorded, together with the names of borrower and lender or assignee. Letters were sent to both borrowers and mortgagees as well as assignees with requests for information. Attempts had been made to secure addresses from the postmasters, county officials and other citizens. In cases where neither borrower nor lender could be found otherwise, information was solicited from the present tax payers, if any. Considerable information, in addition to what is found in the register of deeds' office, was obtained. Some loans had been paid in full or in part without recording the mortgage release of the loans paid. Other loans had been terminated by transfer of title from mortgagor to mortgagee either voluntarily or under economic pressure, without recording the deed. Many of the old mortgages were found to be in force against the land, but long past due, and unpaid, or delinquent. In other cases no information could be obtained in regard to the exact status of the loan or mortgage, aside from the original entries in the

TABLE 12. Total amount of farm real estate mortgage loans of all ranks delinquent[1] as to principal, and the percentage of the total mortgage indebtedness which was delinquent at the end of every fifth year, 1910 to 1930.

Year	Delinquent Mortgages of all Ranks		Sum of Mortgages Delinquent up to 30 Days	Sum of Mortgages Delinquent 31 Days to 6 Months	Sum of Mortgages Delinquent Over 6 Months to One Year	Sum of Mortgages Delinquent Over One Year	Sum of Mortgages of Unknown Length of Delinquency
	Amount Delinquent	Per Cent of Total Debt Delinquent					
1910	$12,180	12.1	$ 800	$ 5,990	$ 3,940	$ 1,450	$ -
1915	52,578	38.5	6,515	11,540	11,849	22,674	-
1920	54,644	19.5	3,070	20,390	5,825	16,986	8,373
1925	145,443	58.0	550	15,218	20,220	77,989	31,166
1930	85,014	49.1	-	1,700	1,300	56,287	25,727

[1] A mortgage past due and not satisfied of record is counted delinquent in cases where inquiry has not shown extension by agreement between borrower and lender. In the left hand column headed "Amount Delinquent" are also included some delinquent amortization loans, chiefly Rural Credit loans, which have been listed in the right hand column for delinquents of unknown length or duration.

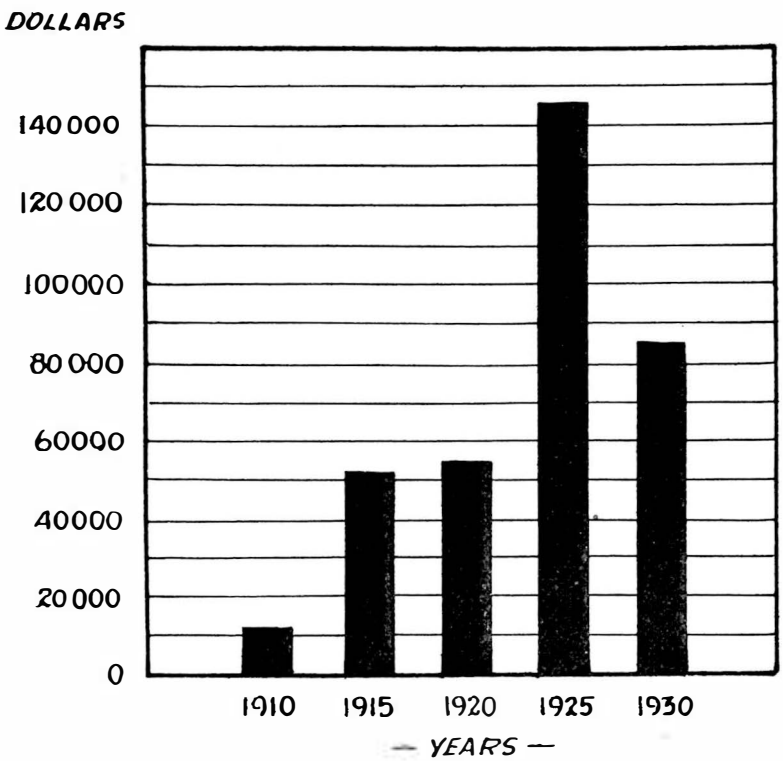

Figure 8.—Total amount of farm-mortgage loans delinquent at the end of every fifth year, 1910-1930. (Based on Table 12.)

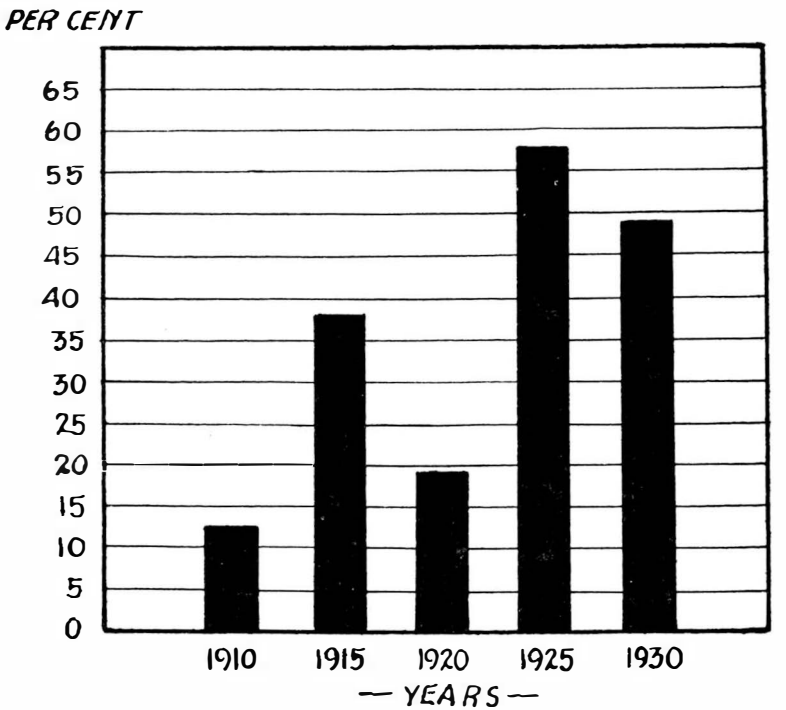

Figure 9.—Percentage of total farm-mortgage indebtedness delinquent at the end of every firth year, 1910-1930. (Based on Table 12.)

office of the register of deeds. The inclusion of mortgages which had been delinquent for a long time but on which no check could be made may have resulted in figures on delinquency somewhat larger than actually is the case.

Record the Documents.—In view of the possibility of such flaws in the county records affecting the title to land, it would seem highly desirable to require that all documents affecting title to land such as deeds and mortgages, and mortgage releases be drawn up accurately and that they be recorded promptly. The "satisfaction of mortgage" could conceivably be recorded by the mortgagee, but at the expense of the mortgagor, who alone benefits from having the mortgage satisfied on the records. Something along this line might be done to improve the accuracy of the information available in the county registry records.

First and Second Mortgage Delinquencies Compared.—Table 13 shows the amount and percentage of first-mortgage loans delinquent at the end of each period. The same information with respect to junior mortgage loans is presented in Table 14. A comparison of the percentages delinquent of each class shows a much higher percentage of the junior mortgages delinquent than of first mortgages. In 1910 only 8.5 per cent of first-mort-

gage loans was delinquent while 40.6 per cent of junior-mortgage loans was past due and unpaid. The difference was smaller in 1915 with 37.8 per cent and 44.6 per cent respectively. In 1920 twice as high a percentage of first mortgages were delinquent as in 1910, whereas a smaller percentage of junior mortgages was delinquent that year than any other year studied. The 1920 delinquencies having been 16.7 per cent for first mortgages and 32.1 per cent for junior loans. Among first-mortgage loans

TABLE 13. Amount of first-mortgage farm real estate loans delinquents[1] as to principal, and percentage of the total first mortgage indebtedness which was delinquent at the end of the years indicated, 1910 to 1930.

Year	Total First Mortgage Loans Delinquent[1]		First Mortgages Delinquent up to 30 Days	First Mortgages Delinquent 31 Days to 6 Month	First Mortgages Delinquent Over 6 months to One Year	First Mortgages Delinquent Over One Year	Sum of Mortgages of Unknown Length of Delinquency
	Amt. Delinquent	Per Cent of Outstanding First Mortgage Debt Delinquent					
1910	$ 7,590	8.5	$ 800	$ 1,400	$ 3,940	$ 1,450	$
1915	46,356	37.8	6,400	10,500	8,785	20,671	-
1920	37,963	16.7	500	10,450	5,225	13,415	8,373
1925	102,444	51.9	550	9,703	16,115	44,910	31,166
1930	77,849	47.0	-	1,700	1,300	49,122	25,727

[1] Included among "total first-mortgage loans delinquent" are all loans past due and unpaid of record in cases where inquiry has not shown extension by agreement between borrower and lender. Delinquent amortization payments, chiefly Rural Credit loans, are also included in the left hand column, and then listed in a column at the right for delinquencies of unknown length or duration.

TABLE 14. Amount of junior-mortgage loans delinquent[1] as to principal and the percentage of the total junior-mortgage indebtedness which was delinquent at the end of the years indicated, 1910 to 1930.

Year	Junior Mortgages Delinquent		Junior Mortgages Delinquent up to 30 Days	Junior Mortgages Delinquent 31 Days to 6 Months	Junior Mortgages Delinquent 6 Months to One Year	Junior Mortgages Delinquent Over One Year
	Amount Delinquent	Per Cent of Outstanding Junior Mortgage Debt Delinquent				
1910	$ 4,590	40.6	$ -	$ 4,590	$ -	$ -
1915	6,222	44.6	115	1,040	3,064	2,003
1920	16,681	32.1	2,570	9,940	600	3,571
1925	42,999	80.6	-	5,515	4,105	33,079
1930	7,165	92.4	-	-	6,925	240

[1] A mortgage past due and not satisfied of record is counted delinquent in cases where inquiry has not shown extension by agreement between borrower and lender.

the highest percentage of delinquency was reached in 1925, with 51.9 per cent. This was the second highest year for the junior-mortgage loans; their delinquency percentage was 80.6. The year showing the highest percentage of delinquent junior mortgages was 1930, when 92.4 per cent was past due. Forty-seven per cent of first mortgages was delinquent that year. It will be noted that no loans were delinquent less than 31 days at the end of 1930. With respect to junior mortgages in 1925 also none were

delinquent only one month, and in 1930 all junior loans were delinquent more than six months. This seems to indicate the eventual elimination of second mortgage loans unless conditions change.

Acreage with Delinquent Loans.—The acreage on which loans were delinquent is shown in Table 15. The percentage of the mortgaged acreage which was delinquent each year is shown in the same table and also in Figure 10. In 1910 there were 1477 acres covered by delinquent loans. This is 8.6 per cent of all the mortgaged land that year. In 1915 the loans on 10,395 acres were past due and unpaid. This acreage constituted 36.7 per cent of all the land under mortgage. With the high prices of 1920 the end of that year registered only 7,836 acres delinquent, or 26.6 per cent of the incumbered land. The low prices of the succeeding years left 12,297 acres delinquent or 50.2 per cent of all the mortgaged land. There was some reduction by the end of the next five-year period. As a result 9,278 acres were listed as having delinquent mortgages. This is equivalent to 43.9 per cent of all acreage under mortgage.

TABLE 15. Percentage of mortgaged acreage on which principal was delinquent[1] as of the years indicated, 1910 to 1930.

Year	Acreage on Which Loan Was Past Due and Unpaid	Total Mortgaged Acreage	Per Cent of Mortgage Acreage Delinquent
1910	1,477	17,129	8.6
1915	10,395	28,292	36.7
1920	7,836	29,491	26.6
1925	12,297	24,691	50.2
1930	9,278	21,111	43.9

[1] A mortgage past due and not satisfied of record is counted delinquent in cases where inquiry has not shown extension by agreement between borrower and lender.

Degree of Punctuality and Delinquency.—The question might arise as to whether economic factors alone account for the high percentage of delinquency in this area. A loan might be delinquent for at least two or three reasons. First, the borrower might be financially unable to pay promptly on or before the date the loan becomes due. Secondly, the borrower might not feel any urgent need for promptness; he might feel that the security held by the lender would be just as good whether the loan be repaid on the date due or at some later date. Such a state of mind on the part of borrowers in an area might result in a high percentage of the loans becoming delinquent. A third reason for high delinquency percentages in an area might be found in the attitude or leniency of the lenders. If the nature of their financial affairs and relationships were such as to make it a matter of small concern whether payment is received punctually on the date due or some time later, the debtors could hardly be expected to make much effort to be prompt in their payments. To the extent that the second and third reason may account for some of the delinquency in this area, the same conclusions can not be drawn as to paying ability of these borrowers as might be drawn in another area of equally high delinquency but where promptness is and has been insisted on as an essential feature of lending operations.

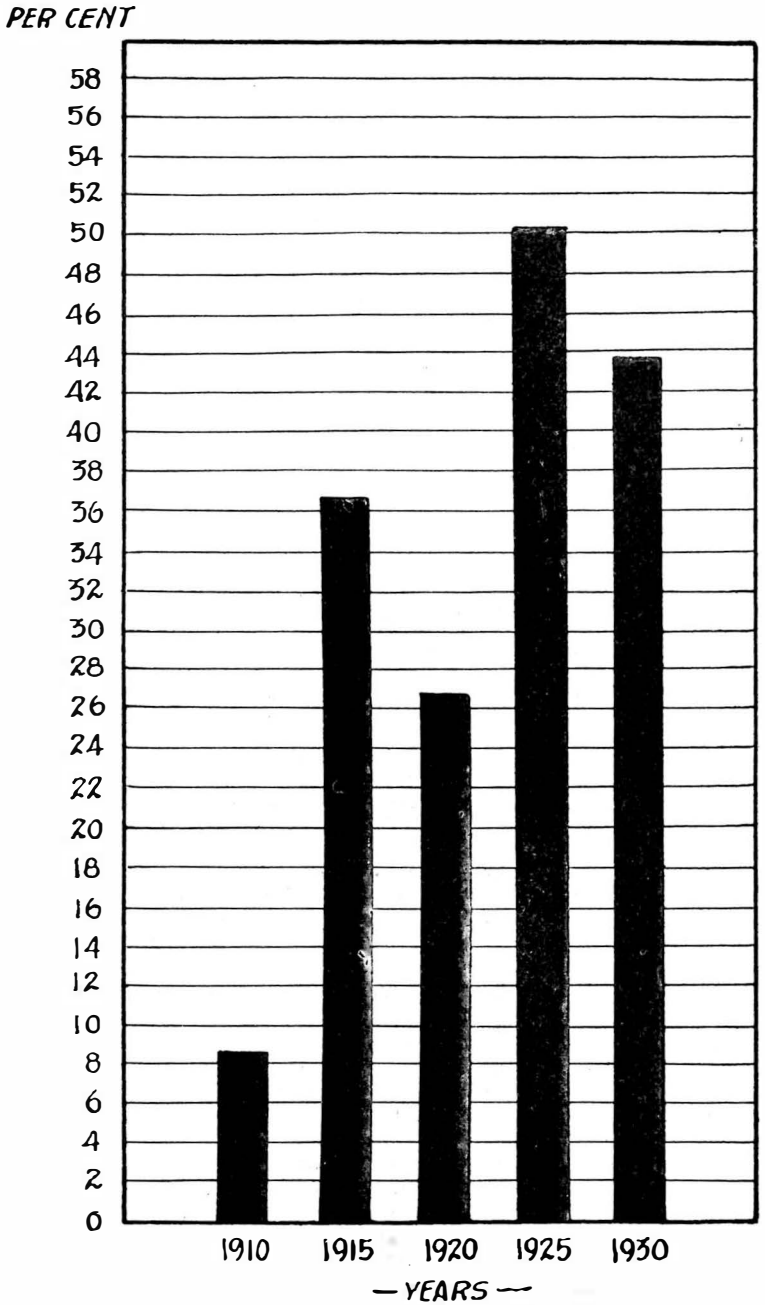

Figure 10.—Percentage of the incumbered acreage on which the principal was delinquent at the end of each five-year period, 1910-1930. (Based on Table 15.)

Classification of Mortgaged Land and Loans as to Debt per Acre

How classified.—In order better to see how much debt per acre is carried by different proportions of the mortgaged area, the incumbered land and the total indebtedness were classified as in Table 16. This table and Figure 11 will give a better picture of the situation than can be obtained from the figures of the average debt per acre in Table 7. The indebtedness classes in Table 16 vary by $10. The first class includes all mortgaged land and all loans in cases where the debt per acre does not exceed $10. The next class takes all cases of debt running from $10.01 to $20.00 per acre. The third class runs from $20.01 to $30.00 debt per acre, and so on for succeeding classes.

Distribution of debt per acre in 1910 and 1915.—Table 16 and especially Figure 11 make is evident that in 1910 the most common amount of debt per acre was less than $10. Almost 64 per cent of the total debt and almost 89 per cent of the mortgaged land in 1910 fell in the class of from $0.01 to $10.00 debt per acre. This was the modal class for that year. Only 16.3 per cent of the total debt and 6.5 per cent of the incumbered land was in the next class of $10.01 to $20.00 debt per acre. Of the remaining 20 per cent of the debt and the remainder of the mortgaged land found in the next two classes for the year 1910, about two-thirds was found in the class from $20.01 to $30 per acre. An even greater concentration in the lowest class was found for the year 1915. In that year 75.3 per cent of the total debt and 93.1 per cent of the mortgaged land was represented by loans which did not exceed $10 per acre. The next class accounted for 21.2 per cent of the loans and 6.4 per cent of the land under mortgage. No loans were at the rate of $20.01 to $30 per acre in 1915, and the class of from $30.01 to $40 per acre accounted for the little that was left. This shows that for the years 1910 and 1915 the farm mortgage loans in this area were predominantly at the rate of $10 or less per acre. The average in this class was close to four dollars per acre both years.

Distribution of the Debt per Acre in 1920 and After.—By 1920 a considerable change had taken place in the amounts loaned per acre. Only 40.3 per cent of the total volume of loans but 70.4 per cent of the incumbered land was in the $0.01 to $10.00 class in 1920. Almost 32 per cent of the total debt and 21.6 per cent of the pledged land were in the second class. The two classes of from $20.01 to $40 per acre together accounted for 18 per cent of the debt and 6.1 per cent of the mortgaged land. One and one-half per cent of the incumbered land was mortgaged at the rate of between $40.01 and $50 per acre. These loans accounted for 6.7 per cent of the total debt. There was also an extreme case of between $70.01 and $80 debt per acre. The widest dispersion of these loan classes was found in 1925. In that year all loans of $10 or less per acre accounted for 36.5 per cent of the total debt, but 70.4 per cent of the mortgaged land was in that class. Loans of between $10.01 and $20 per acre absorbed 26.2 per cent of the debt, and 18.8 per cent of the incumbered land was mortgaged to that extent. More than one-fourth of all the indebtedness and almost 9 per cent of the incumbered land were found in the two classes of indebtedness running from $20.01 to $40 debt per acre. Loans to the amount of 8.6 per cent of all the debts were at the rate of between $40.01 and $60

TABLE 16. Distribution of the total farm real estate mortgage indebtedness according to the amount of debt per acre of incumbered land, every fifth year, 1910 to 1930.

Classes of Indebtedness Per Acre	Average Debt Per Mortgaged Acre, Per Cent of Total Indebtedness and Per Cent of Mortgaged Land Falling in Each Indebtedness Class														
	1910			1915			1920			1925			1930		
	Average Debt Per Acre	Per Cent of Total Debt	Per Cent of Mortgaged Land	Average Debt Per Acre	Per Cent of Total Debt	Per Cent of Mortgaged Land	Average Debt Per Acre	Per Cent of Total Debt	Per Cent of Mortgaged Land	Average Debt Per Acre	Per Cent of Total Debt	Per Cent of Mortgaged Land	Average Debt Per Acre	Per Cent of Total Debt	Per Cent of Mortgaged Land
$ 0.01 to $10.	$ 4.23	63.7	88.8	$ 3.91	75.3	93.1	$ 5.43	40.3	70.4	$ 5.27	36.5	70.4	$ 5.58	52.5	77.3
$10.01 to $ 20.	14.72	16.3	6.5	16.11	21.2	6.4	14.06	31.9	21.6	14.13	26.2	18.8	11.55	26.0	17.2
$20.01 to $ 30.	22.65	13.4	3.5	-	-	-	23.34	7.7	3.1	25.84	11.9	4.7	23.73	8.8	3.0
$30.01 to $ 40.	33.43	6.6	1.2	30.42	3.5	.5	32.79	10.3	3.0	34.79	13.3	3.9	34.11	6.3	1.5
$40.01 to $ 50.	-	-	-	-	-	-	42.42	6.7	1.5	43.74	4.9	1.1	50.00	1.2	.2
$50.01 to $ 60.	-	-	-	-	-	-	-	-	-	57.31	3.7	.6	57.31	5.2	.8
$60.01 to $ 70.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
$70.01 to $ 80.	-	-	-	-	-	-	72.67	3.1	.4	72.67	3.5	.5	-	-	-
$80.01 to $ 90.															
$90.01 to $100.															

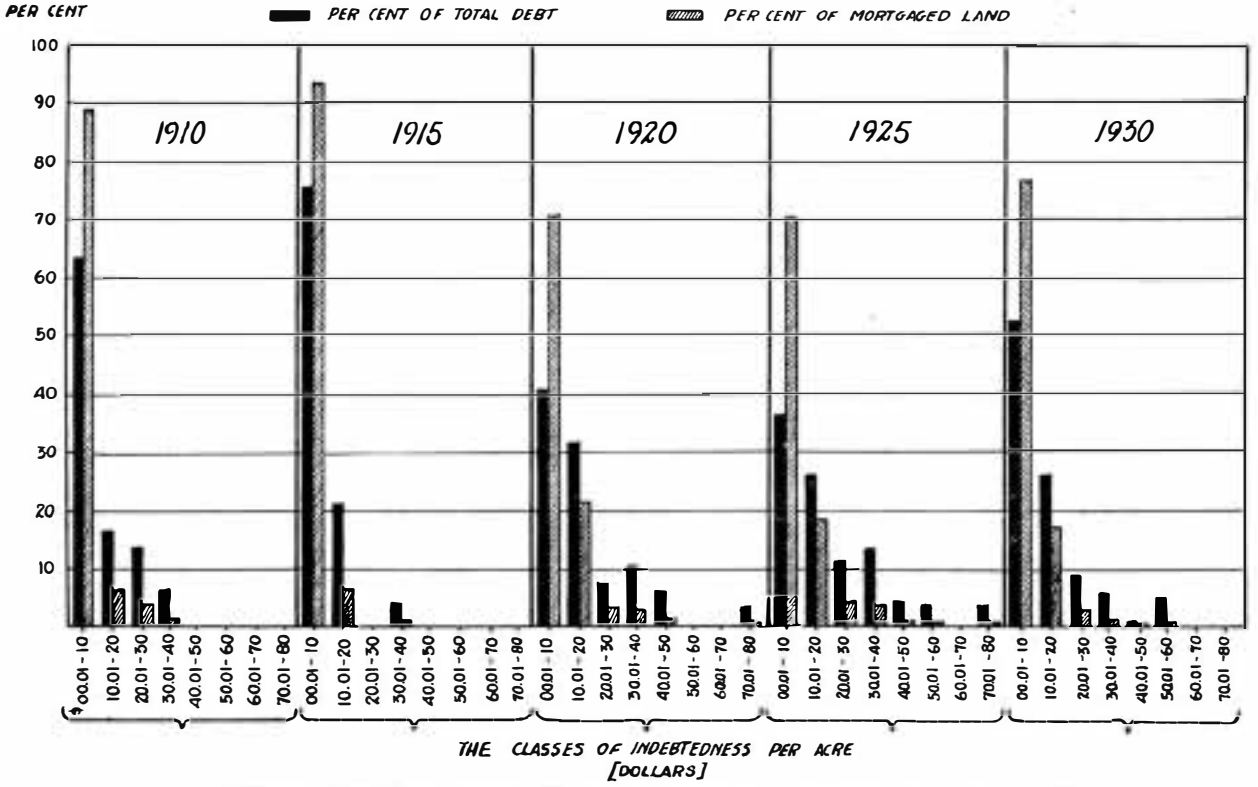

Figure 11.—Percentage of total indebtedness and percentage of mortgaged land falling in different groups or classes of indicated indebtedness per acre 1910-1930. (Based on Table 16)

per acre. Only 1.7 per cent of the mortgaged land was in these two classes. Finally 3.5 per cent of the borrowed funds was outstanding on loans of between $70.01 and $80.00 per acre in 1925. Only one-half of one per cent of the land under mortgage was incumbered to this extent. This extreme case of $72.67 debt per acre had been eliminated by 1930. There was also a greater concentration of the debt in loans of smaller amounts per acre in the latter year. More than one-half of the amount of all loans in that year averaged less than ten dollars per acre, and more than a quarter of all the money loaned was at the rate of between $10.01 and $20 per acre. Of the mortgaged land 77.3 per cent was in the lowest class and 17.2 per cent was incumbered to the extent of between $10.01 and $20 per acre. More than 15 per cent of the amount of the loans was on land mortgaged for between $20.01 and $40 per acre. This land, however, amounted to only 4.5 per cent of all the land under mortgage. The largest debts per acre in 1930 were at the rate of between $40.01 and $60 per acre. Only 6.4 per cent of the indebtedness and 1 per cent of the incumbered land fell in these two classes.

Table 16 and Figure 11 make it clear that loans for higher amounts per acre increased greatly after 1915 and thus absorbed a much larger proportion of all the outstanding mortgage funds in the area. In 1920 and especially in 1925 considerably more than one-half of the debt was on land mortgaged for over $10 per acre. In 1910 and in 1915 much more than one-half of the outstanding mortgage funds was in loans of less than $10 per acre. By 1930 many of the large loans had been reduced or eliminated with the result that slightly more than one-half of all the money loaned on farm mortgages was in loans of $10 or less per acre. Some of the large loans remaining in 1930 may have exceeded the reduced value of the land.

Source of Funds

Explanation of classification.—The different sources have been classified as insurance companies, savings banks, commercial banks, individuals, the Federal Land bank, South Dakota school fund, South Dakota Rural Credit, mortgage bankers, and miscellaneous. In this classification trust companies are included with and listed as savings banks. The commercial banks are largely local banks either at the present or apparently at the former home town of the borrower. The mortgage bankers may include local bankers or others who act as loan agents or mortgage bankers in larger cities. Aside from second mortgages taken as commissions on first mortgage loans, the mortgages held personally by the mortgage bankers were such as, at the time, had not been assigned to other individual or corporate investors, such as insurance companies, and savings banks. A few other sources that could not properly be classified abong the above were listed as miscellaneous. If a loan was assigned the assignee who received the mortgage and ultimately furnished the funds was listed as the source.

Individuals the Chief Source of Funds.—Table 17 gives the amount of funds for first mortgage loans coming from each one of the above mentioned sources. The percentage furnished by each source is also given for each year studied. This percentage distribution by source is shown graphically in Figure 12. Both the table and the figure show that the amount coming from insurance companies was small for all the years. The most important single source, for all the years considered, was individuals.

Beginning with 1920 the South Dakota Rural Credit loans ranked second in volume and loans from the South Dakota school fund ranked third in importance. Commercial banks were a close fourth.

Percentage of First-Mortgage Funds from Each Source.—Enumerating only those sources that furnished 10 per cent or more of the sum of all loans, it is found that individuals accounted for 69.7 per cent of all first mortgage funds in 1910. Commercial banks furnished 11.5 per cent and mortgage bankers 10 per cent. In 1915 the first mortgage loans in force were even more predominantly held by individuals, with 73.5 per cent. No other source or agency accounted for as much as 10 per cent. By 1920 individuals had increased their holdings of first farm mortgages by about $25,000 but the total loans had been increased so greatly by funds from other sources that the percentage of the total held by individuals was down to 46.2 per cent for that year. The Rural Credit loans came second with 22.5 per cent of the total. The South Dakota school fund accounted for 13.3 per cent, and commercial banks held a volume of loans equivalent to 11.4 per cent of the total debt that year. In the year 1925 individuals held mortgages representing 30.6 per cent of the funds outstanding. Individuals were still the most important single source of first-mortgage funds, but they were almost equaled in volume by the South Dakota Rural Credit loans which accounted for 29.7 per cent of the funds. South Dakota school fund loans amounted to 17.1 per cent of the total, and commercial banks furnished 14 per cent of the funds that year. By 1930 there had

TABLE 17. Source of first-mortgage funds: Amount and percentage of total coming from each source, every fifth year, 1910 to 1930.

Source of Funds	1910		1915		1920		1925		1930	
	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.
Insurance Companies	$ 1,500	1.7	$ 2,400	2.0	$ 500	.2	$ 3,000	1.5	$ 3,750	2.3
Savings Banks	4,100	4.6	7,700	6.3	2,800	1.2	1,400	.7	4,800	2.9
Commercial Banks	10,275	11.5	6,490	5.3	25,995	11.4	27,529	14.0	21,579	13.0
Individuals	62,493	69.7	90,146	73.5	105,090	46.2	60,439	30.6	55,569	33.6
Federal Land Banks	-	-	-	-	-	-	-	-	500	.3
South Dakota School Fund	-	-	2,700	2.2	30,300	13.3	33,750	17.1	31,000	18.7
South Dakota Rural Credit	-	-	-	-	51,331	22.5	58,609	29.7	41,170	24.9
Mortgage Bankers	9,000	10.0	10,100	8.2	6,600	2.9	2,500	1.3	1,500	.9
Miscellaneous	2,306	2.5	3,160	2.5	5,100	2.3	10,000	5.1	5,650	3.4

been some reduction of the outstanding Rural Credit loans. They represented 24.9 per cent of the total at that time. Individuals had increased their percentage of the total to 33.6 per cent even though the dollar amount of their holdings had been reduced, because the total debt had been reduced proportionally more. Again, as in 1925, the South Dakota school fund ranked third and commercial banks ranked fourth in importance as sources of first mortgage funds. The percentage of such funds furnished by these two was 18.7 and 13 per cent respectively in 1930.

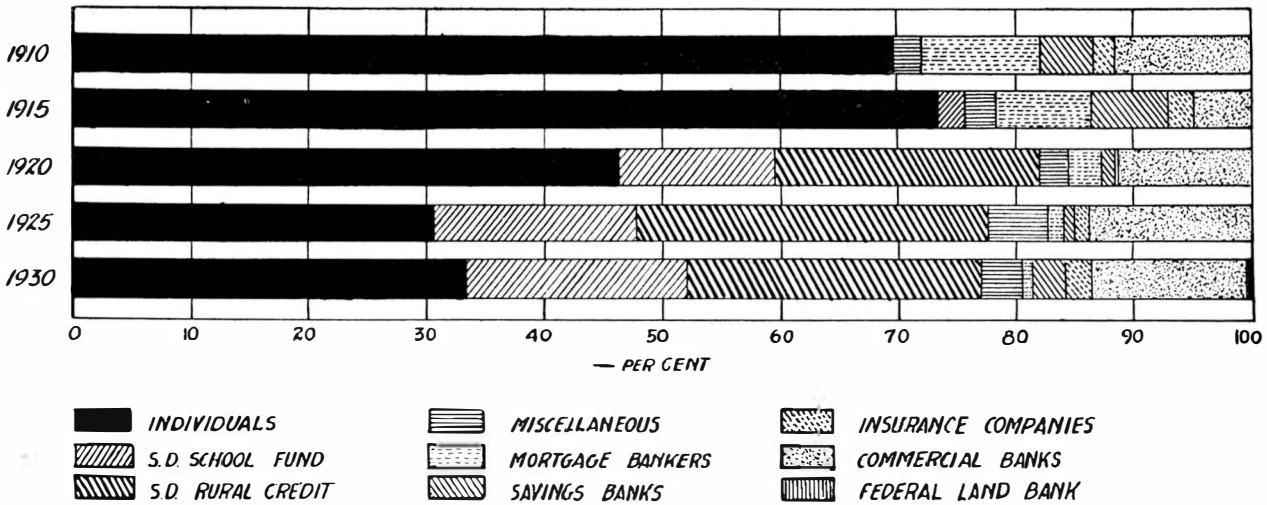

Figure 12.—Source of first-mortgage funds: percentage coming from each source, every fifth year, 1910-1930. (Based on Table 17.)

Individuals and Banks Were Chief Sources of Second-Mortgage Funds.—Second-mortgage funds came from fewer sources, as indicated by Table 18 and by Figure 13. The small second mortgage held by an insurance company in 1925 might be considered as an addition to its first mortgage on the same land. Likewise the second mortgages held in 1920 and 1925 by the South Dakota Rural Credit Board are only technically second mortgages, it seems, since they also held the first mortgages on the land in question. The loans held by savings banks can perhaps similarly be regarded as only technically second mortgage loans. These various institutions just mentioned can not be considered as sources of funds for junior-mortgage loans. The total volume of second-mortgage financing was rather small and consequently the percentages coming from each source may not be reliable. It is evident, however, from an inspection of Figure 13 that individuals and commercial banks have furnished the bulk of funds for second mortgage loans. Individuals furnished most of the funds every year except in 1920, when commercial banks furnished about 63 per cent and individuals about 28 per cent. Considering the decline in the income of farmers and the consequent reduction in local bank deposits, it is no wonder that the commercial banks have had to reduce their holdings of second-mortgage real estate loans. Some of the reduction has undoubtedly been caused by foreclosures on the first mortgage. Some of the second mortgages held by the banks most probably were taken as additional security on pre-existing short term loans.

Table 18 and Fig 13

TABLE 18 Source of second-mortgage funds: Amount and percentage coming from each source, every fifth year, 1910 to 1930.

Source of Funds	1910		1915		1920		1925		1930	
	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.
Insurance Companies	$ -	-	$ -	-	$ -	-	$ 150	.4	$ -	-
Savings Banks	320	2.8	1,025	7.7	315	.7	80	.2	-	-
Commercial Banks	140	1.2	4,544	33.9	29,603	62.6	19,459	45.7	859	15.8
Individuals	6,878	60.8	6,395	47.7	13,148	27.8	21,115	49.6	3,559	65.7
South Dakota Rural Credit	-	-	-	-	1,600	3.4	1,486	3.5	-	-
Mortgage Bankers	1,622	14.4	1,385	10.3	758	1.6	255	.6	100	1.9
Miscellaneous	2,345	20.8	55	.4	1,856	3.9	-	-	900	16.6

The Cost of Funds

General Remarks.—The chief cost in connection with borrowed funds is the interest that must be paid. In connection with some loans commissions have to be paid, and if the loan has to be renewed frequently the expense of bringing the abstract of title up to date, and the time spent in procuring the loan renewals may add materially to the cost of borrowing. The rate charged on farm mortgage loans will vary with local conditions as well as with interest rate changes in the larger investment market.

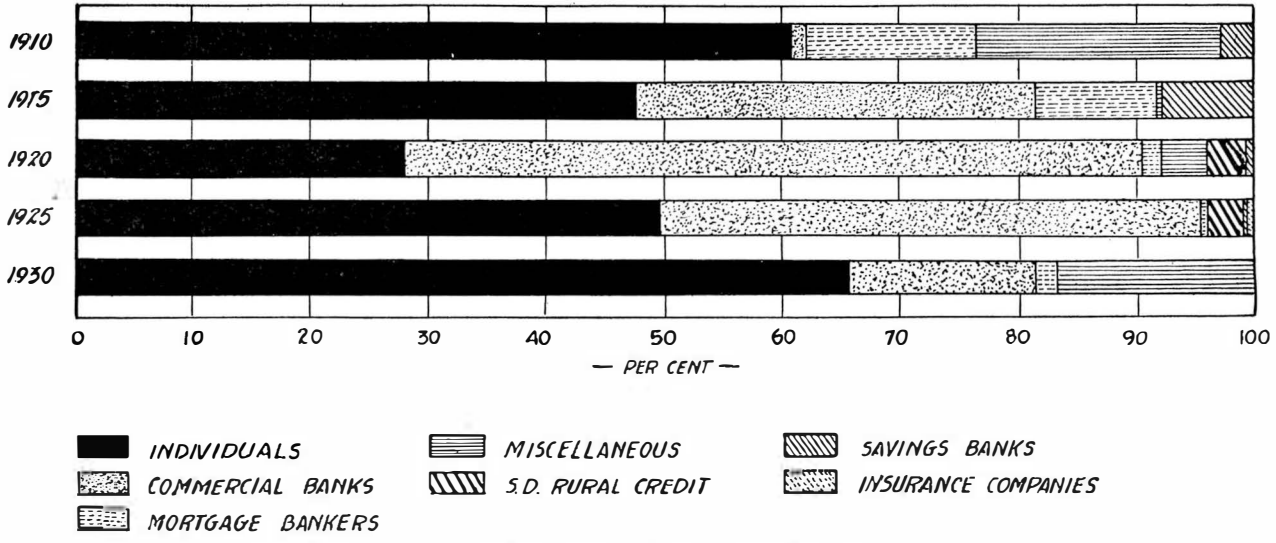

Figure 13.—Source of second-mortgage funds: percentage coming from each source, every fifth year, 1910-1930. (Based on Table 18.)

The local supply of loanable funds, the element of risk in local credit extension and the contacts which the local mortgage bankers have with outside investors may influence the rate of interest that farmers pay on farm loans.

Interest Cost of First-Mortgage Loans.—Table 19 shows what rate of interest was paid on borrowed funds in the area studied. The average rate of interest on all first-mortgage loans was 8 per cent in 1910, and 7.7 per cent in 1915. Since 1920 there has been very little change in the rate. The average was 6.4 per cent in 1920 and the same in 1930, while the rate in 1925 was 6.5 per cent. It is possible that this reduction in the rate of interest on first-mortgage loans since 1915 can in part be attributed to the establishment of the Federal Land Banks. The rates just quoted are not, however, the only interest cost. Table 19 also shows that a commission has been paid on many loans. The commissions included here are only those that were on record in the form of a second mortgage. The extent to which cash commission has been charged is not definitely known, but it seems obvious that such commissions have been charged. Compared with conditions in the eastern and south eastern part of the state these commissions seem high, and appear to have been higher during the earlier years. Possibly it was also more generally customary to take commission mortgages in the earlier years covered by this study. The commissions on record averaged more than two per cent. Whether commissions of this amount were paid on all the loans can not be determined.

TABLE 19. Cost of first- and second-mortgage funds: The rate of interest and commissions, as averages of all first-mortgage loans and all second-mortgage loans in force, every fifth year 1910 to 1930.

Year	First Mortgages				Second Mortgages	
	Rate of Interest		Rate of Commission		Rate of Interest	
	Per Cent	No. of Observations	Per Cent	No. of Observations	Per Cent	No. of Observations
1910	8.0	115	3.0	31	8.6	40
1915	7.7	190	2.1	56	8.5	71
1920	6.4	186	2.4	32	8.1	55
1925	6.5	158	2.4	12	8.1	35
1930	6.4	131	2.3	6	7.9	11

Interest Rates on Second-Mortgage Loans.—The average rates of interest on second mortgages shown in Table 19 are perhaps not as reliable as those with regard to first mortgages. One reason for this is that there were fewer second mortgages. Another and more important reason is that the second mortgages include commission mortgages the interest rate on which would not indicate the rate charged on an outright loan on second-mortgage security. Some of these mortgages may also be nothing but additional security taken on short term loans by banks or others. The average interest rate on second mortgage loans, as shown in the above table, has declined from 8.6 per cent in 1910 to 7.9 per cent in 1930. Even though the percentages may not be reliable there may actually have been a downward trend in the rates charged from the earlier to the more recent period. The average rates of interest discussed in connection with Table

19 were the averages of the rates on all first-mortgage or second-mortgage loans on record and in force each year specified. This naturally includes both old and new loans each year.

Interest Rates Commonly Used on First Mortgages Each Year.—In order to determine what rates were commonly charged on new loans and on renewals at different periods, and in order to get a better picture of the situation than is given by the average, Table 20 was prepared. In contrast with Table 19, Table 20 gives the rates on current loans for each period. Because relatively few loans were made and recorded each year it seemed necessary to include a longer period than twelve months. The five different years covered in Table 20 all refer to periods of 24 months each, including six months before and six months after the indicated year. However, there is one exception to this in the case of the year 1930. The period for that year covers only the 18 months ending with the last of December, 1930. If Table 20 be studied in conjunction with Figure 14 it will be seen very readily what rates were most commonly used on loans during the different periods. For the 1910 period the rate which most frequently appeared on mortgages was 10 per cent. About one-third of all first-mortgage loans were made at that rate. A fourth of the loans drew 6 per cent and another fourth were made at 8 per cent interest. About 13 per cent of all the loans specified 7 per cent interest in the 1910 period. There were only four first-mortgage loans at other rates of interest that year. In 1915 the most common rate was 7 per cent. This was the rate used on one-third of all the loans for that period. The next most frequently used rate was 10 per cent; 22:5 per cent of the loans drew this rate. Twenty per cent

TABLE 20. Frequency distribution of the interest rate of first mortgages *recorded* during various periods[1], 1910 to 1930.

Percentage Rate of Interest	1910		1915		1920		1925		1930	
	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages
4	–	–	–	–	2	2.7	–	–	–	–
5	–	–	2	2.5	8	10.8	7	33.3	16	53.4
5½	–	–	7	8.8	9	12.2	–	–	1	3.3
6	33	24.6	10	12.5	24	32.4	6	28.6	3	10.0
6½	1	.8	–	–	–	–	–	–	–	–
7	18	13.4	26	32.5	17	23.0	–	–	5	16.7
8	33	24.6	16	20.0	4	5.4	3	14.3	4	13.3
9	1	.8	–	–	–	–	–	–	–	–
10	46	34.3	18	22.5	10	13.5	5	23.8	1	3.3
12	2	1.5	1	1.2	–	–	–	–	–	–

[1] The periods mentioned in the title of this table refer to periods of 24 months each including 6 months before and 6 months after the year specified at the top of the columns, except that for 1930 the period covers only the 18 months prior to December 31.

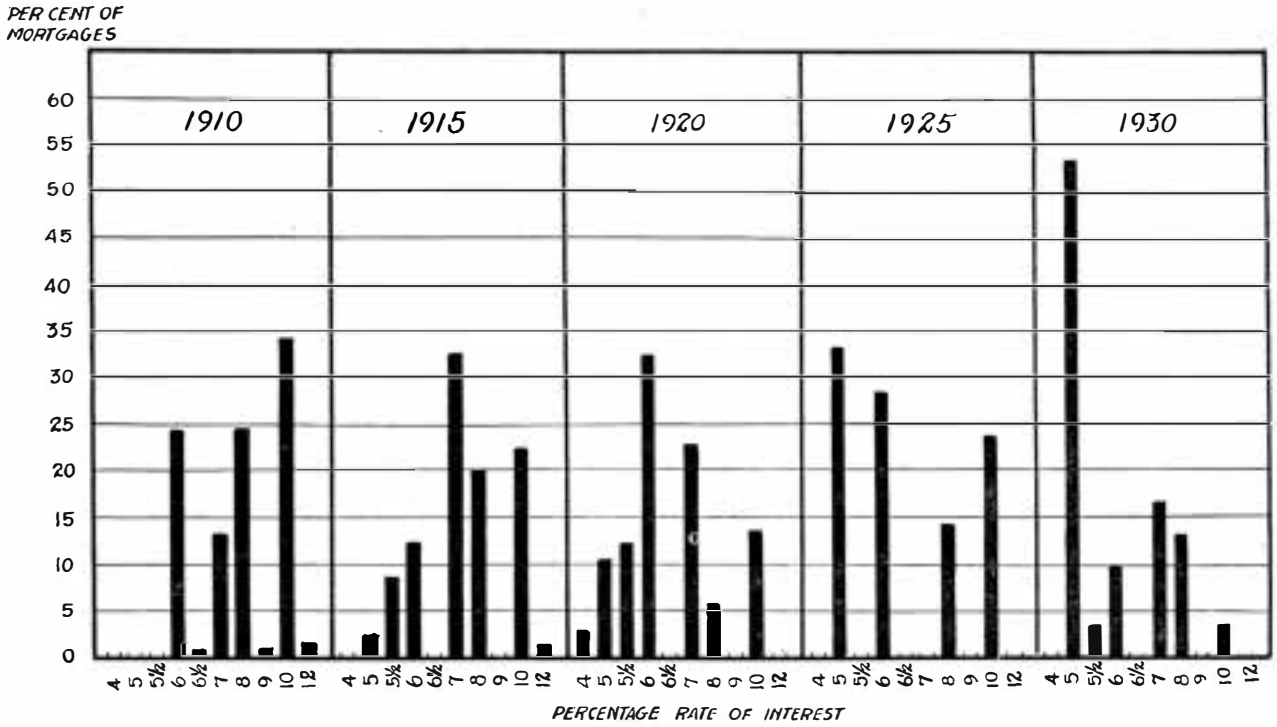

Figure 14.—Proportion of first mortgages drawing various rates of interest at different periods[1], 1910-1930. (Based on Table 20.)

[1] The mortgages are such as were recorded during each year indicated plus six months before and six months after. But for 1930 the period covers only the 18 months ending December 31, 1930.

of the loans were made at 8 per cent. Seven loans were for 5.5 per cent interest. There were only three additional loans in 1915. By 1920 a further reduction in the prevailing rate of interest had been attained. The most common rate of interest during the 1920 period was 6 per cent. Almost one-third of all first mortgages specified this rate. Almost one- quarter of all the mortgages were for 7 per cent. The third most frequently used rate was 10 per cent. Somewhat fewer loans were made at 5.5 per

TABLE 21. Frequency distribution of the interest rate on second mortgages *recorded* during various periods[1], 1910 to 1930.

Percentage Rate of Interest	1910		1915		1920		1925		1930	
	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages
6	15	28.9	5	17.9	9	29.0	–	–	–	–
7	4	7.7	5	17.9	4	12.9	2	–	–	–
8	6	11.5	6	21.4	6	19.4	–	–	–	–
10	24	46.1	12	42.8	12	38.7	2	–	3	–
12	3	5.8	–	–	–	–	–	–	–	–

[1] The periods mentioned in the title of this table refer to periods of 24 months each, including 6 months before and 6 months after the years specified at the top of the columns, but only 18 months prior to December 31, 1930.

cent and at 5 per cent interest. Four loans were made at 8 per cent and only two at 4 per cent in 1920. The downward shift in the interest rate seems also to have continued after 1920. The most common rate in 1925 was 5 per cent. One-third of all the first mortgages were drawn up with this rate. However, the total number of first mortgage loans drawn in that period was only 21. Six mortgages specified 6 per cent 5 were for 10 per cent, and three loans cost the borrowers 8 per cent interest in 1925. During the 1930 period the preponderance of the 5 per cent rate was even more pronounced. Sixteen of the 30 loans made in that period were 5 per cent loans. The other rates in order of frequency of use were 7 per cent, 6, 10 and 5.5 per cent. A large proportion of all the five per cent loans were from the South Dakota school fund.

Higher Interest Rates on Second Mortgages.—There were fewer second-mortgage loans and the rates averaged higher than on first mortgages. Table 21 gives the number and percentage of second-mortgage loans falling in the various classes. Ten per cent and 6 per cent were the most common rates in the 1910 period. Eight, 7 and 12 per cent were the other rates used that year. The 10 per cent rate was also most commonly used on second mortgages in 1915 and in 1920. Considering the rate on first mortgages it seems strange that so many second mortgage loans were made at 6 per cent. A partial explanation of this is found in the fact that a number of the commission mortgages drew only six per cent. These were not the only six per cent second mortgages, however, and some commission loans drew 10 or 12 per cent interest. In spite of the small number

of second-mortgage loans, especially in the later years, it seems evident that such loans drew a higher rate of interest than did first mortgages. As previously suggested some of these second mortgages may represent only additional security on other loans.

Length of Term

Short Term Loan Preferred by Lenders.—The average length of term of first and second mortgages shown in Table 22 covers all such mortgages in force during the years indicated. Consequently both current and old loans are combined. Judging by the previous information on the total debt in this area for the years under consideration it is obvious that the length of term of the average loan has not been determined by reference to the time required for paying off the loan. The average term more properly indicates the frequency of renewal rather than the time required actually to liquidate the loan. These terms have undoubtedly been dictated by the lending agencies either on the basis of custom or with a view to the desirability of checking up on the financial progress of the borrower at frequent intervals. When such a short term loan expires the mortgagor can renew or demand payments as he sees such a short term loan expires can renew or demand payment as he sees fit. In most cases where payment is demanded the borrower must try to procure a loan from some other source, and the proceeds of the new loan liquidates the old one.

Average Length of Term of all First-Mortgage Loans on Record.—According to Table 22 the average length of term of all first-mortgage loans in force in 1910 was 3 years. For the other years mentioned in the table not all loans were included. All the Rural Credit loans of 30 years, the one Federal Land Bank 35-year loan and the loans from the South Dakota school fund were omitted because their length of term varied so much from the rest. Some of the loans from the last mentioned source were for

TABLE 22. Length of term of first- and second-mortgage loans as averages of farm loans in force, every fifth year 1910 to 1930.

Year	First Mortgages		Second Mortgages	
	Length of Term		Length of Term	
	Years	Number of Observations	Years	Number of Observations
1910	3.0	114	3.8	40
1915	4.3	181	4.1	72
1920	4.5	125	3.7	55
1925	4.5	79	3.9	34
1930	4.4	61	3.0	9

Rural Credit loans, South Dakota School fund and Federal Land Bank loans are not included in first mortgages in 1920, 1925 and 1930.

terms of about 10 or 15 years. The average term of the remaining loans was 4.3 years in 1915. The average length of term of all first-mortgage loans in force in 1920 was 4.5 years, and this was also the average length in 1925. The evarage for 1930 was 4.4 years. This would indicate that a considerable number of first-mortgage loans in the area had been written for much less than the traditional five-year term.

Shorter Term on Second-Mortgage Loans.—Second-mortgage loans were fewer in number and consequently a few loans with unusual terms would influence the average more than in the case of the more numerous first-mortgage loans. Thus in 1930 a 20-year second mortgage between relatives was omitted from the table because its inclusion would have made the average 5 years instead of 3. Some other less extreme cases are included, however. The average length of term, as indicated in Table 22, has been close to four years. More detailed information on this matter will be found in Table 24.

Lenths of Term Most Frequently Specified in Current First Mortgages.—In Table 23 consideration is given to the proportion of the current first-mortgage loans that were made for the various lengths of term. This table includes only mortgages recorded during each of the 24-month periods assigned to each year. The 1930 period, however, covers only the time from July, 1929 to December, 1930 inclusive. Referring then to Table 23 it is seen that the five-year term was the one most commonly used in 1910. This is also shown in Figure 15. Fifty-eight per cent of all the first-mortgage loans were made to mature in five years . Twenty per cent had a

TABLE 23. Frequency distribution of the term of first mortgages *recorded* during various periods[1], 1910 to 1930.

Length of Term in Years	1910		1915		1920		1925		1930	
	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Number of Mortgages
*	27	20.1	13	16.3	10	13.5	5		1	
†	4	3.0	3	3.7	2		-		3	
3	17	12.7	11	13.8	9	12.1	4		4	
4	2		1		1		-		2	
5	78	58.2	51	63.8	22	29.7	9		16	55.1
6	4	3.0	-		-		-		-	
9	-		-		1		-		-	
10	2		-		4	5.4	-		2	
15	-		1		2		-		-	
20	-		-		2		-		-	
21	-		-		1		-		-	
30	-		-		20	27.0	2		-	
35	-		-		-		-		1	

[1] The periods mentioned in the title of this table refer to periods of 24 months each including 6 months before and 6 months after the years specified at the top of the columns, except that for the year 1930 the period covers only the 18 months prior to December 31.

* One year or less.

† Between one and two years.

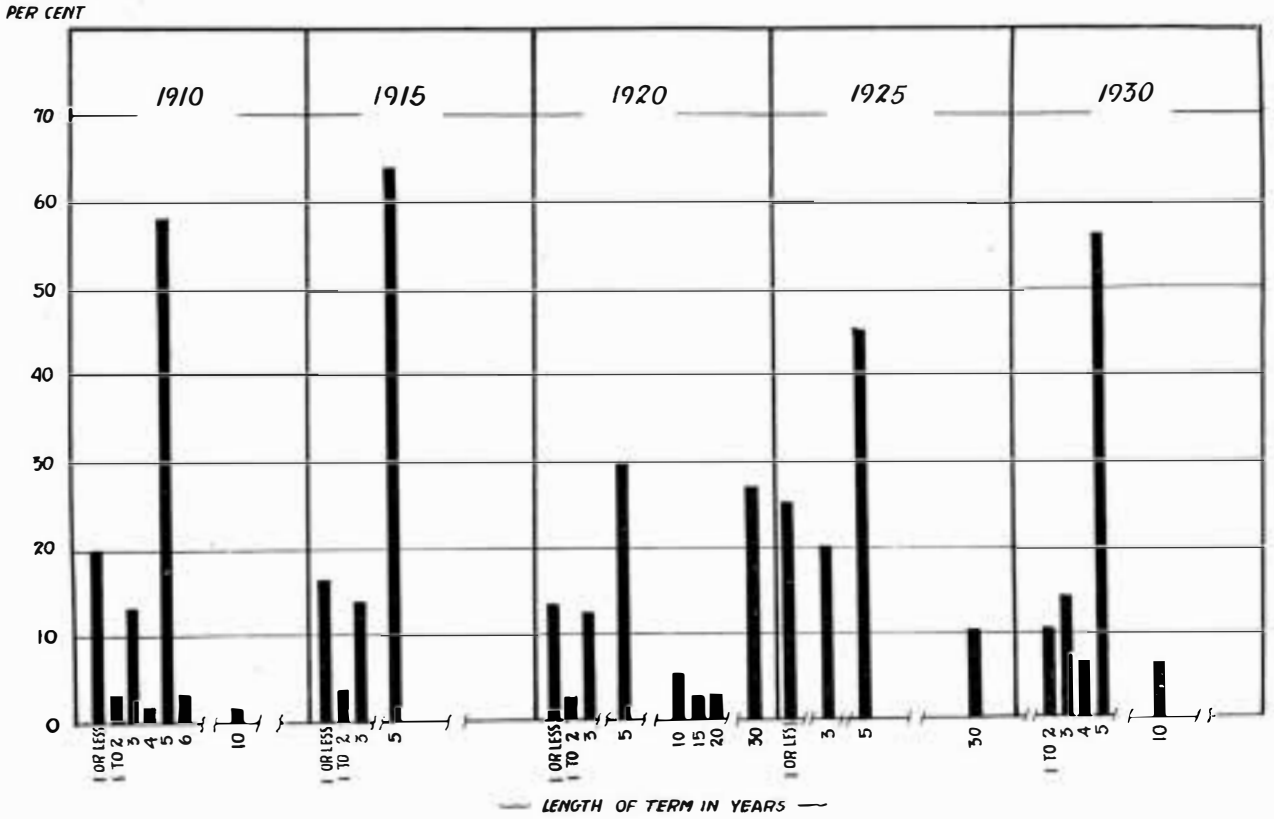

Figure 15.—Percentage of first-mortgage loans falling in different term groups during various periods[1]. (Based on Table 23.)
[1]The periods cover from 6 months before to 6 months after the specified year, except that for 1930 the period covers only the 18 months ending December 31, 1930.

term of one year or less, and 13 per cent had three-year terms. A few were for other lengths of term up to 10 years.

Very much the same distribution is found for the 1915 period. Sixty-four per cent of the loans had five-year terms. The one-year or less, and the three-year terms, ranked second and third respectively in frequency of use. There was one loan on a 15-year basis; one for 4 years and three for 2 years. The 1920 period shows the widest scatter in length of term. Thirty per cent of the loans had five-year terms, but the 30-year Rural Credit loans came a close second with 27 per cent of the total number of loans. Thirteen per cent of all loans matured in one year or less, and 12 per cent had three-year terms. Ten loans varied in length of term from 9 to 21 years. During the 1925 period only 20 first-mortgage loans were recorded in this area. Five of these were to become due in one year or less; four had three-year maturities and nine loans were of the customary five-year term. Besides these there were two Rural Credit 30-year loans recorded that year. Sixteen out of the 29 first mortgages recorded in 1930 specified the five-year term. The next most commonly used terms were the

TABLE 24. Frequency distribution of the term of second mortgages *rceorded* during various periods[1], 1910 to 1930.

Length of Term in Years	1910		1915		1920		1925		1930	
	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages	Number of Mortgages	Per Cent of Mortgages	Per Cent of Mortgages	Per Cent of Mortgages
*	6	11.8	4	14.3	10	32.3	1		–	
†	4	7.8	3	10.7	3	9.7	1		1	
3	7	13.7	2		4	12.9	1		–	
4	12	23.5	1		–		–		–	
5	18	35.3	18	64.3	13	41.9	1		–	
6	3	5.9	–		–		–		–	
8	1		–		–		–		–	
30	–		–		1		–		–	

[1] The periods mentioned in the title of this table refer to periods of 24 months each, including 6 months before and 6 months after the years specified at the top of the columns, except that for the year 1930 the period covers only the 18 months prior to December 31.

* One year or less.

† Between one and two years.

three-year and the two-year terms. Two loans had ten-year terms, and one 35-year Federal Land bank loan was recorded in the 1930 period. It is evident both from Table 23 and Figure 15 that, aside from the Rural Credit loans put on record in the 1920 period, five years had been the prevailing and customary length of term on first mortgage loans. It is perhaps equally clear that longer periods are required to pay off the farm mort-

gage loans which are large in relation to the value of the farm if the source of repayment is the income from the farm alone.

Most Second Mortgages Specify Short Term.—Current second mortgages are similarly classified as to length of term in Table 24. In the 1910 period 5-, 4-, 3- and 1-year terms were the most prevalent. During the 1915 period the bulk of second mortgages were for five years. The rest had shorter maturities. The five-year and the one-year terms were most commonly used in the 1920 period. The one 30-year loan was only technically a second mortgage. Only five second mortgages were recorded during the two periods of 1925 and 1930. All but one were for terms of less than five years. The small number of such loans during these years may indicate a condition of credit stringency. It may also be the result of a small volume of land sales, since many second mortgages have been taken in connection with the sale of farm land.

Term and Rate on Loans from Different Sources

First-Mortgage Loans. — A comparison of the different sources or agencies furnishing first-mortgage funds was attempted in Table 25. The purpose was to see what interest rate and what length of term was customary on loans from the different sources. In many instances, however, the loans were so few that valid comparison is impossible. Of insurance company loans there was only one each in 1910, 1920 and in 1925. Only three were on record in 1915 and again in 1930. Only one Federal Land bank loan was found, and that was in 1930. No South Dakota school fund loans were found on record in 1910, and the first Rural Credit loans were not placed until after 1915. Aside from the sources mentioned all the others had loans on record every year investigated, but in cases where only four or fewer loans were found the figures have been omitted because averages on such small numbers are not reliable or significant. With small numbers the inclusion of an unusual loan can easily result in an average that is not typical. In 1910 the average interest rate on first-mortgage farm loans was 9.9 per cent on loans from commercial banks, 8.4 per cent from mortgage bankers, 8 per cent from individuals, and 6.3 on loans from savings banks. As to length of term, the loans from mortgage bankers averaged 4.8 years, loans from savings banks 4.4 years, while loans from individuals had an average term of 2.6 years, and the commercial bank loans averaged 2 years in length of term. In 1915 the interest rate on first mortgage loans from most sources was close to 8 per cent, with the exception of South Dakota school fund loans. The latter had an average rate of interest of 6.1 per cent. The length of term was close to five years in most cases. Commercial bank loans with a term of 2.3 years were the shortest. The average of 7.9 years for savings banks may be due to some loans with an unusually long term. In 1920 as for all the other years the loans with the shortest term were those from the commercial banks. This is to be expected on account of the nature of their funds. Some Rural Credit loans on record had the usual 30-year amortization term, and the school fund loans had an average term of 10.8 years in 1920. The loans from all the other sources had an average term of 5 years. The school fund loans averaged the lowest interest rate in 1920 with 5.1 per cent, and the Rural Credit loans came second lowest with 5.7 per cent. The savings bank rate

averaged 6 per cent. The rate from commercial banks was almost one per cent above the 6.7 per cent average on loans from individuals. About the same relationship existed in 1925 with the exception that the rate from commercial banks was up to 8.5 per cent and the term from this source was down to 2.6 years. By 1930 the commercial bank rate on first mortgage loans was up to 9.4 per cent and the average length of term from this source was only 1.6 years. The rate on loans from individuals was 6.9 and the term was 4.8 years. Both for 1925 and 1910 the rate on school funds averaged 5 per cent, but the length of term from this source had been shortened to an average of 7.8 years in 1930. The outstanding 30-year Rural Credit loans averaged about 6 per cent interest for that year. The lowest cost loans came from the school fund, but the largest number of loans were held by individuals.

TABLE 25. The average interest[1] rate and the average length of term in years, of outstanding[2] first-mortgage loans from various sources, every fifth year, 1910 to 1930.

Sources of Funds	1910		1915		1920		1925		1930	
	Int.	Term	Int.	Term	Int.	Term	Int.	Term	Int.	Term
Insurance Companies	*	*	*	*	*	*	*	*	*	*
Savings Banks	6.3	4.4	8.0	7.9	6.0	5.0	*	*	*	*
Commercial Banks	9.9	2.0	8.6	2.3	7.6	3.7	8.5	2.6	9.4	1.6
Individuals	8.0	2.6	7.7	4.3	6.7	4.6	7.0	4.9	6.9	4.8
Federal Land Bank	–	–	–	–	–	–	–	–	*	*
South Dakota School Fund	–	–	6.1	5.7	5.1	10.8	5.0	9.8	5.0	7.8
South Dakota Rural Credit	–	–	–	–	5.7	30.0	6.0	30.0	6.0	30.0
Mortgage Bankers	8.4	4.8	8.1	5.2	7.4	5.0	*	*	*	*
Miscellaneous	*	*	*	*	6.8	4.8	*	*	*	*

[1] In addition to the interest cost the borrower usually is required to pay a commission averaging about 1 per cent, except in case of loans from the Federal Land Bank, South Dakota and some local loans.

[2] The mortgages considered here include all such as were outstanding, that is, in force during the years specified. Naturally most of these mortgages had been made and recorded prior to the years mentioned.

* Averages omitted because based on too few observations to be reliable.

Second-Mortgage Term and Rate.—Second-mortgage funds came largely from commercial banks, individuals, mortgage bankers and savings banks. The number of loans furnished by each source is perhaps too small to make comparison of the averages very trustworthy. The interest rate seems to have ranged close to 8 per cent and up to 10 per cent. The term has been just under 5 years and down to 2.3 years. The second mortgages held by mortgage bankers include commission mortgages in connection with first mortgage loans.

TABLE 26. The average interest rate and the average length of term in years, of outstanding[1] second-mortgage loans from various sources, every fifth year, 1910 to 1930.

Sources of Funds	1910		1915		1920		1925		1930	
	Int.	Term	Int.	Term	Int.	Term	Int.	Term	Int.	Term
Savings Banks	10.0	4.4	9.9	4.3	9.6	4.2	*	*	–	–
Commercial Banks	*	*	8.0	4.5	8.4	3.4	9.1	2.6	*	*
Individuals	8.0	3.2	8.5	2.3	7.5	3.0	8.0	4.7	6.2	*
Mortgage Bankers	8.1	4.0	7.5	4.6	7.5	4.7	*	*	*	*
Miscellaneous	*	*	*	*	–	–	6.3	5.8	*	*

[1] The mortgages considered here include all such as were outstanding, that is, in force during the years specified.

* The number of observations are too few to give reliable averages.

Amounts Loaned per Acre by Different Agencies

Comparing the data in Table 27 with those in Table 25 there may appear to be some relationship or correspondence between the amount loaned per cent by the different agencies and the rate of interest and the length of term of such loans. The loans per acre from commercial banks have averaged larger than the loans from most of the other lending agencies or sources, and they have usually charged as high or a higher rate of interest. The length of term on first-mortgage loans from the commercial banks have also averaged shorter than most of the others. It would seem natural that the larger loans per acre should draw a higher rate of interest to compensate for the added risk of loans. For the same reason the term would be expected to be shorter. The cost of supervision might also be greater in the case of such loans, but the bank, especially the local commercial bank, might be in better position to look after collections than the outside agencies would be. The amount loaned per acre could, of course, with safety be larger on valuable land than on poor land. However, no information about the quality of the land is found in the county mortgage records. The averages based on less than five observations have been omitted from Table 27. While it seems reasonable that some correlation may exist between the amount loaned per acre on the one hand, and the rate of interest and the length of term, the number of loans in this area from the various sources are too few to get reliable results by means of correlation methods. Savings banks and mortgage bankers seem to have made the smallest loans per acre. All the loans seem to have been smaller per acre in 1915 than in 1910. The South Dakota school fund loans in 1915 amounted to less per acre than the average from any of the other sources. The averages from the various sources ranged from $3.21 to $5.41 per acre. For the year 1920 the range was from $3.68 per acre from savings banks up to $9.11 per acre from miscellaneous sources. The Rural Credit loans stood at a smaller amount per acre than the loans from individuals. In 1925 Rural Credit loans amounted to an average of $8.01 per acre while

loans from individuals averaged $7.89. But by 1930 Rural Credit loans had been reduced to an average of $7.41 per acre whereas individual loans averaged $7.94 per acre. For the years 1920, 1925 and 1930 the loans from the South Dakota school fund were at the rate of about $2.00 per acre less

TABLE 27. Average amount loaned per acre on first mortgages by various agencies, as indicated by outstanding[1] mortgages for the years specified, 1910 to 1930.

Source of Funds	1910 Loans Per Acre	1915 Loans Per Acre	1920 Loans Per Acre	1925 Loans Per Acre	1930 Loans Per Acre
Insurance Companies	$ *	$ *	$ *	$ *	$ *
Savings Banks	3.94	3.63	3.68	*	*
Commercial Banks	7.11	5.41	7.14	11.66	16.86
Individuals	5.15	4.31	8.57	7.89	7.94
Federal Land Bank	-	-	-	-	*
South Dakota School Fund	-	3.21	6.65	6.03	5.31
South Dakota Rural Credit	-	-	8.34	8.01	7.41
Mortgage Bankers	4.41	4.35	4.71	*	*
Miscellaneous	*	*	9.11	12.50	*

[1] The mortgages included here are all such as were outstanding, that is, in force during the years specified. Naturally many of these had been recorded earlier than the year listed.

* The number or the amount of loans in each of these cases is too small to give a reliable average.

than the Rural Credit loans. Of the agencies that supplied funds for a large number of loans the school fund loans seem to have been the most conservative. In a number of cases reliable comparison is invalidated by the small number of loans on which the average is based.

Land Values and the Ratio of Debt to Value

Land **Valuation Problem.**—Some knowledge of the value of the land is necessary in order to judge whether the debt per acre is high or low. This is based on the assumption that both the value of the land and the ability to pay the debt are dependent on the income producing power of the land. This would be true if those who purchase land and those who borrow or lend money on land had more adequate basis for predicting the future income from the land. Undoubtedly debts are contracted and land is valued on the basis of some judgment as to what the income from the land will be in the future. It is perhaps this need for judging what the future holds in store for the farmer which eventually results in the unbalanced relationships between land value and debt per acre. If this be true it is obvious that some improved method of determining the value of farm land is urgently needed. For the benefit of both borrowers and lenders, as well as land purchasers, the evaluation of the land would have to be based on the average return or income from the land over a period of years. This period of years would possibly have to be sufficiently long to include both the inflation and deflation phase of the business cycle. The average income based on periods of either rising or falling prices might not be a reliable indication of future income. Care would always have to be exercised to

make due allowance for the inclusion of some abnormal price period similar to that resulting from the World War. On account of uncertainty respecting the long time trend of prices a policy of conservatism would be desirable both in purchasing and in borrowing.

How the Land Values Were Determined.—An attempt was made to determine the sale price per acre for the years 1910, 1920 and 1930 in the three townships included in this study. In order to arrive at a more reliable average it was necessary to include more sales than were recorded for a single year. In many cases the sale price was hidden behind the stock phrase, "one dollar and other valuable considerations." For this reason a three-year period was covered for each of the years indicated. Only sales records giving the price paid were used. The 1910 sales value per acre is an average of all such sales recorded during the years 1908, 1909 and 1910. For 1920 the period from 1918 to 1920 inclusive was taken. Similarly sales recorded during 1928 to 1930 inclusive were used in an attempt to determine the 1930 average price per acre. As nearly as could be determined only outright sales were considered. Transfers between relatives, inheritance, and foreclosures or sheriffs' sales were excluded, because the price paid in connection with such transfers of title would not be likely to reflect the true market price. The values per acre determined from the sales included are given in Table 28. With th exception that the 1930 values are excluded because of smallness of the sample.

Limitations of the Price Information.—On account of the differences in the value of the land in the three townships, Milesville township to the north being better farming land, and on account of the distribution of the sales between the different townships, the average values per acre shown in Table 28 may not accurately show the true average value of the land in this area. Furthermore, the number of sales in the 1928–1929 period was too small to give reliable results, and consequently these have been omitted from the table. During the 1910 period one-half of the 56 sales were made in the northern township at prices that averaged more than $3.50 per acre above the average sale price in the other two townships. As a consequence the average price arrived at for the three townships in 1910 may be too high. On the other hand the land prices in this area may have been high in 1910. Optimism during the period of active homesteading may have given rise to relatively high land prices. It is also possible that the homestead land patented up to that time was the better land. During the 1920 period less than one-third of the 58 sales were made in Milesville township, and most of the remaining sales were made in Elbon township farthest south. The average price per acre in Elbon township was more than $5.50 lower than the average price per acre in Milesville township, and as a consequence the average price for the whole area for 1920 as given in the table seems too low. It is possible, of course, that this area did not experience the usual land "boom" about 1920. If land values went too high about 1910 the high percentage of delinquency and of foreclosure on loans about 1915 and the reduced debt per acre of that year may indicate a deflation in land values. This may have tended to prevent a marked inflation of land prices about 1920. As the remaining, and probably poorer, homestead land was proved up on, the inclusion of this land would tend to reduce the average value of all privately owned land in 1920 as compared with the average in 1910. During the 1930 period the three sales in Milesville averaged $11.06 per acre; of the two in Topbar 160

acres was at $20.00 and 80 acres at $8.75 per acre, and the three in Elbon averaged $13.53 per acre. These eight sales in 1930 can hardly be considered representative and consequently no valid conclusions can be drawn from them as to the 1930 land values in the area.

Sale Prices in the Area.—Table 28 shows that the average price for the 1910 period was $14.67, and the average for the 1920 period was $14.12 per acre. The previous discussion of how these averages were arrived at would indicate the need for the exercise of judgment in drawing conclusions from the above averages.

TABLE 28. Land values per acre as indicated by sales[1], 1910 and 1920.

Year	Sale Price Per Acre in Three Townships
1910	$14.67
1920	14.12

[1] Sale values for 1910 are based on sales during 1908–1910 inclusive; 1920 sale values are based on sales during 1918–1920 inclusive.

It is contrary to expectation to suppose that there was a reduction in the value of farm land in this area from 1910 to 1920. In other words, the 1910 average of $14.67 per acre may be too high. Similarly the 1920 price of $14.12 per acre may be too low. These assumptions are based on the commonly observed upward trend of land prices as well as other prices between 1910 and the peak of the war inflation in 1920. A comparison with census values has not been attempted, because Haakon county was included in Stanley county in 1910, and census reports on each township are available only for the year 1930. An index number of the estimated value per acre of farm real estate in South Dakota has been published by the Bureau of Agricultural Economics[1]. This index is on the basis of the aver-

TABLE 29. The ratio of debt to value per acre, 1910 and 1920.
(Based on Tables 7 and 28.)

Year	Percentage of Sale Price Represented by Debt[1]
1910	40.2
1920	67.2

[1] Sale prices are for 1908–1910 inclusive and 1918–1920 inclusive, but indebtedness is for 1910 and 1920 respectively.

age land values for the years 1912–1914, being 100 per cent, and it does not go back earlier than 1912. For the year 1912 the index was 96. Then it rose to 181 in 1920, and by 1930 this index had declined to 93. The movement of land values in the area studied would not necessarily correspond with those for the state as a whole, but it seems reasonable to expect an increase from 1910 to 1920, and then a considerable decline to 1930. However, the previously suggested "boom" in this area about 1910 may have resulted in relatively high prices in 1910 and no marked rise in land values

[1] Page 8 of Circular No. 209, December, 1931—"The Farm Real Estate Situation, 1930–1931," United States Department of Agriculture, Washington, D. C.

between that year and 1920 partly due to the inclusion of poorer land in the latter year.

Percentage of the Land Value Absorbed by the Loan.—Whatever explanations are needed in connection with sale prices quoted in Table 28 must also be borne in mind in connection with the ratios of debt to value given in Table 29. This table shows that the debt per acre for 1910 as given in Table 7 was 40.2 per cent of the land value for 1910 as given in Table 28. In 1920 the debt per acre amounted to 65.9 per cent of the land value. It would be reasonable to suppose that with the decline in land values following 1920 the debt per acre in 1930 would represent a higher percentage of the land value than was the case in 1920. Debts can not always be reduced as fast as prices and values decline.

Land Purchases and Indebtedness

Definition of sales for this study.—An attempt was made to determine the influence of land purchases on indebtedness, and the results are presented in Tables 30 and 31. The time between 1910 and 1930 was first divided into four successive five-year periods, then into two successive ten-year periods, and finally a fifteen- and a 20-year period. For each separate period all the land was classified as either sold or not sold. The classification was based only on sales made during each separate period studied. Whether any given piece of land was sold during the previous period or not was not considered. Furthermore, not all transfers of title were considered a sale. Sales within the family, transfers from parents to offspring through the probable court, foreclosures or sheriff's sales, and deeds from the borrower to the lender to avoid foreclosure were, as far as possible, omitted from the category of sales as used in this classification. Land included in such transfers were classed as "not sold." The purpose was to include as sales only such as would be represented by the usual purchase of a farm or of farm land by a farmer.

Sales by Five-year Periods.—As indicated in Table 30 only 20 per cent of the land was sold between 1911 and 1915 inclusive, and 80 per cent of the land remained unsold, as classified above. There was some increase in land sale activities during the next five-year period. In all 41 per cent of the land was sold during the 1916–1920 period, and 59 per cent of the land did not change owners in the way here classified as a sale. Following the deflation of 1921 there was a radical decline in the number of outright sales. Only 8 per cent of the land was sald in the 1921–1925 period, and only 9 per cent in the period from 1926 to 1930 inclusive. The percentages not sold were consequently 92 and 91 respectively. It must be remembered that by sales are meant the kind of sale defined in the previous paragraph.

Percentage of Land Sold During Longer Periods.—By ten-year periods 52.5 per cent of the land was sold in the 1911–1920 period, and 47.5 per cent of the land was not sold. Only 15 per cent of the land was sold and 85 per cent remained unsold during the next ten-year period from 1926 to 1930 inclusive. During the 15 years from 1911 to 1925 inclusive the sales accounted for 54 per cent of the land, and 46 per cent was not sold. As would be expected the 20-year period from 1911 to 1930 inclusive showed the highest percentage of land sold. During this period 58 per cent of the land was sold, as previously defined, and 42 per cent was not trans-

ferred by such sale. The percentages given for the longer periods will not be the same as the sum of the percentages for the shorter periods included in the longer, for the reason that a piece of land may have been sold during every one of the five years and would thus enlarge the percentages of all the five-year periods, but could influence the percentage in the 20-year period only once. Thus a quarter sold during each of the four five-year periods would total 640 acres sold, but within the 20-year period it could be counted only as 160 acres sold.

Effect of Purchase on Indebtedness.—The percentages of all the land in each of the two classes which were incumbered will indicate whether the purchase of land tends to increase the indebtedness or not. This is shown in Table 30 and also in Figure 16. In 1915, at the end of the first five-year period, 41 per cent of the unsold land was mortgaged while 58 per cent of the sold land was incumbered. At the end of the 1916–1920 period 37 per cent of the land not sold was mortgaged, and 57 per cent of the sold land was covered by mortgage. The sold land was mortgaged to the same extent at the end of the 1921–1925 period, but on the land not sold the percentage mortgaged was reduced one per cent to 36. The most marked difference between the two classes of land was found at the end of the last five-year period ending with 1930. The land not sold was incumbered to the extent of only 29 per cent of its total area, whereas 60 per cent of the land that had been sold during this period was mortgaged in 1930.

Sales and Indebtedness by Longer Periods.—At the end of the 1911-1920 period 35 per cent of the unsold land was mortgaged and 54 per cent of the sold land was similarly incumbered. At the end of the ten-year period ending in 1930 only 29 per cent of the land that had not been sold during that period was under mortgage, whereas 51 per cent of the sold

TABLE 30. Comparison between lands which have not been sold and lands which have been sold during given periods as to the extent of indebtedness, 1911 to 1930.

Periods Covered	Length of Period in Years	Lands Not Sold		Lands Sold	
		Per Cent of All Land	Percentage Mortgaged	Per Cent of All Land	Percentage Mortgaged
1911–1915	5	80.4	41.4	19.6	58.0
1916–1920	5	59.0	36.7	41.0	57.2
1921–1925	5	91.6	35.8	8.4	57.2
1926–1930	5	90.6	29.2	9.4	59.7
1911–1920	10	47.5	35.5	52.5	54.0
1921–1930	10	85.0	28.7	15.0	51.0
1911–1925	15	45.7	35.2	54.3	39.6
1911–1930	20	42.2	29.7	57.8	33.7

acreage had mortgages recorded against it. It must be remembered that the classification is based on whether or not the land had been sold during the specific period considered, and whether or not the records showed mortgages on the land at the end of the period. For the longer periods the preponderance of indebtedness on the sold land is not as great. Thus at the end of the 1911–1925 period Table 30 and Figure 16 show that 35 per

cent of the unsold land was pledged, and 40 per cent of the sold land was incumbered. Similarly at the end of the 20-year period, 1911–1930, the unsold land had mortgages on 30 per cent of its area, and of the sold land 34 per cent was mortgaged. The excess of indebtedness on the sold land was slight at the end of these long periods. One reason for this may be found in the distribution of sales during the previous 20 years. Fifty-three per cent of the land was sold the first ten years, and only 15 per cent was sold during the last 10 years ending with 1930. For this reason the bulk of the land classified as sold had been sold at least ten years prior

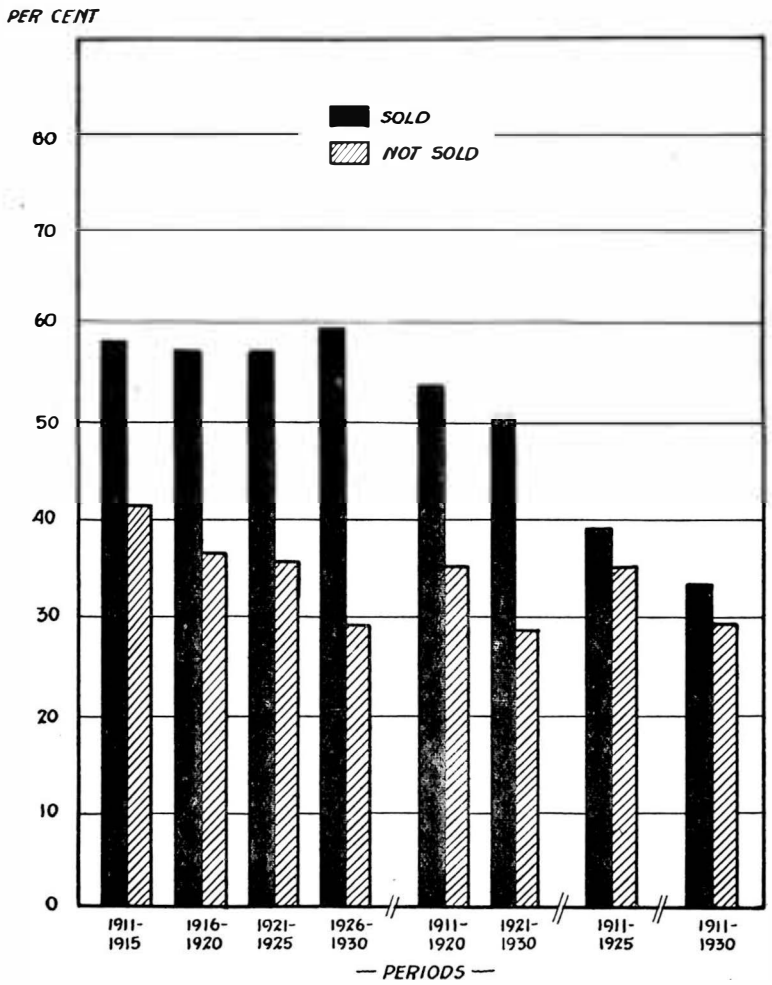

Figure 16.—Comparison of lands which have been sold and lands which have not been sold during given periods as to percentage of acreage mortgaged.
(Based on Table 30.)

to the end of the 1911-1930 period. Hence, some of the land mortgaged as a result of purchase may have been released from the incumbrance by the end of the period. Since the figures for all the periods show consistently higher percentages of incumbered acreage in the class of land listed as sold during the given period it seems reasonable to conclude that the purchase of land and the recency of the purchase will tend to increase the probability that such land will have a mortgage on it. Most farmers are not in position to buy land for cash. A part of the purchase price is usually accounted for by a mortgage on the land.

Land Purchase and Debt per Acre.—Whether the incumbered land that has been sold is mortgaged for a larger amount per acre than the unsold land under mortgage seems more difficult to show. Table 31 gives the results for the different periods indicated in the previous discussion. At the end of the 1911-1915 period the unsold but mortgaged land was incumbered to the amount of $4.41 per acre. The land that had been sold and also was incumbered had mortgages recorded against it to the amount of $6.04 per acre in 1915. On the land not sold during the 1916-1920 period but which was under mortgage in 1920 the debt per acre was $8.00. The class of sold and mortgaged land was incumbered to the amount of $10.91 per acre. The land not sold during the 1921–1925 period but on which mortgages existed in 1925 carried loans of $9.75 per acre. On the similar class of sold and mortgaged land the debt was $12.86 per acre. In all these cases the debt per acre was higher on the sold and mortgaged land than on the not sold but mortgaged land.

TABLE 31. Comparison between lands which have not been sold and lands which have been sold during given periods as to indebtedness per acre, 1911 to 1930.

Periods Covered	Length of Period in Years	Lands Not Sold		Lands Sold	
		Per Cent of All Land	Debt Per Acre of Mortgaged Land	Per Cent of All Land	Debt Per Acre of Mortgaged Land
1911–1915	5	80.4	$4.41	19.6	$ 6.04
1916–1920	5	59.0	8.00	41.0	10.91
1921–1925	5	91.6	9.75	8.4	12.86
1926–1930	5	90.6	8.32	9.4	7.83
1911–1920	10	47.5	8.69	52.5	9.96
1921–1930	10	85.0	7.89	15.0	9.35
1911–1925	15	45.7	9.83	54.3	10.38
1911–1930	20	42.2	8.26	57.8	8.22

A shift the other way is found at the end of the 1926–1930 period. The unsold but mortgaged land was then incumbered for $8.32 per acre, whereas the sold and mortgaged land carried a debt of only $7.83 per acre. One reason for this is that there was a relatively small proportion of the land in the class of sold and mortgaged in the 1921–1925 period and also in the 1926–1930 period. Besides having only slightly over 3000 acres in this class during the 1921-1926 period it happened that some loans that were rather large per acre were in this class in 1925. This resulted in a high

debt per acre. At the end of the 1926–1930 period, on the other hand, with some over 3500 acres in the sold and mortgaged class, the loans happened to be for smaller amounts per acre. The acreage in the sold and mortgaged class was only about one-seventh as large as the acreage in the not sold but mortgaged class at the end of the 1921–1925 period, and in the 1926–1930 period the acreages compared about as one to four. For this reason a few unusual loans in the smaller class would influence the average of that class more either way than would be possible in the larger not sold but mortgaged class. It is also reasonable to expect that lands that were sold after the deflation set in would be sold at a lower price. Also smaller loans per acre would be acceptetd by the lenders after land prices had dropped and while they were still declining. This would contribute toward a lower debt per acre at the end of the 1926–1930 period on the mortgaged land that had been sold during the period. Land that had not been sold during this period but that was mortgaged may have been mortgaged during the previous period as a result of a sale at that time.

Sales and Debt per Acre by Longer Periods.—At the end of the ten-year period 1911–1920 the unsold but mortgaged land was incumbered to the amount of $8.69 per acre. The land both sold and mortgaged carried $9.96 debt per acre. At the end of the next 10-year period, 1926–1930, the figures were $7.89 debt per acre on the not sold but mortgaged land, and $9.35 per acre on that which had been sold and was incumbered. The debt per acre on the unsold and mortgaged land at the end of the 1911–1925 period was $9.83. At that time the sold and mortgaged land was incumbered to the amount of $10.38 per acre. At the end of the 20-year period from 1911 to 1930 inclusive there was little difference between the debt per acre on the two classes. The not sold but mortgaged land carried $8.26 and on the sold and incumbered land the records showed an average debt of $8.22 per acre. At the end of the longer period some land classed as sold and mortgaged had not been sold for several years. On such land the old purchase incurred mortgage might have been greatly reduced. Mortgages placed after the deflation had reduced land values could be placed for only smaller amounts per acre. Mortgage foreclosures would also have tended to eliminate some of the loans for large amounts per acre in this class, but it seems that the existence of some heavy loans in the not sold but mortgaged class contributes toward giving that class a higher debt per acre than found in the sold and mortgaged class at the end of the 20 years terminating with 1930.

The Purchase of Land Tends to Increase Mortgage Indebtedness.—With due allowance for the accidental distribution of large loans at various periods, and when consideration is given to the radical decline in prices of farm products and land values after 1920 it seems that Table 31 as well as Table 30 indicate that the purchase of a farm or of farm land tends to increase the likelihood that such land will be mortgaged. The tendency also seems to be toward a higher debt per acre on such of this land as becomes mortgaged than the average amount of debt per acre on unsold land that is incumbered. Other things being equal, the land that has remained in the possession of the same farmer for a long period of years is most likely to be either free from debt or to have a small mortgage debt per acre. Even though this be true it does not account for all the farm land indebtedness by any means. In the case of farmers with limited capital of their own, it is not only the purchase of a farm but also the acquisi-

tion of livestock and machinery, and the erection of buildings, etc., that may result in borrowing money on the land. The important consideration is not simply the existence or non-existence of farm indebtedness but the results derived from the use of the borrowed funds.

Conclusions

Since this study has been directed at the general farm mortgage conditions for the entire area rather than the special problems of individual farmers, the main conclusions must necessarily refer to conditions and problems that are common to the area rather than the individual farm. However, the immediate aim of the debtor should be to make the best possible arrangements with his creditors. In some cases that may mean an attempt at a revaluation of farm land purchased at inflated prices, a reconsideration of the terms of payment, etc. The borrower would naturally attempt to determine where he can get the funds at the lowest rate of interest and with the most favorable terms and conditions for repayment. As soon as he is in position to do so he may wish to embody in his mortgage or loan contract some of the recommendations given for the area in general with respect to possible improvements for the future.

The most outstanding changes in the indebtedness situation in the area, and most of the losses sustained by both borrowers and lenders, seem to have resulted from the price upheaval brought on by our participation in the World War. Even ordinarily well laid plans may miscarry and result in loss during such abnormal times. This is an economic argument both against war and in favor of stability in our entire economic life. When the major disturbances from the war have subsided the problems of long time borrowing and credit extension will be simplified, but a world free from price changes does not seem to be in sight for the near future. For this reason the farmer must take such precautions as experience has indicated will reduct the risk of loss in connection with long time contracts to pay money, whether that be the purchase of a farm on credit or borrowing on a farm mortgage for other purposes.

The high percentage of foreclosures in this area at certain periods indicates that one important problem is that of better methods of evaluating land both as security for a loan and as an object of investment for farming purposes. The value of the land is supposed to represent the capitalized value of its income. Since the income will vary with prices of the product the value of the land should be based on the income during a series of years sufficiently long to eliminate the temporary effect of periodic fluctuations in the price level. Since the annual net return from farming land usually is small it will normally take a number of years to either pay for the land or to repay a large mortgage on it. This is especially true if the indebtedness is assumed during a period of high prices, and if the debt is large in relation to the higher land prices at that time. If land values were based on the average net return over a longer period of time, excessive land prices and mortgages would be eliminated. This would make it possible for farmers to make plans for the future with some degree of assurance as to the results. On this basis of valuation and with more conservative loans there should be a marked reduction in delinquencies and foreclosures.

The newness of the country and the lack of experience in farm mort-

gage matters may have been a contributing cause of the high delinquency in 1915 and again in 1925, although most of the delinquencies and foreclosures following 1920 perhaps must be ascribed to a combination of large loans induced by war inflation and the subsequent collapse of prices. If the newness of the area kept the more conservative lending agencies from placing loans there in the earlier years, the high percentage of delinquency and foreclosure may have kept them away during later years. The source of mortgage funds placed in the area indicates that the farm mortgage loans of this area have not attracted many investors from outside of the state. Judging by delinquencies and foreclosures the lack of outside funds, however, does not seem to have restricted the amount loaned per acre. With the establishment of more stable land values and the making of moderate loans more in harmony with the carrying power of the land one would expect conservative investment concerns to seek more loans in this area. If these conditions are established the prevailing rate of interest in the area would be expected to be reduced considerably. As it is, the prevailing rate of about seven per cent, including commission, may be too much of a burden to the borrower and yet not be sufficient to cover the cost, including the risk, involved in lending.

The method of repaying the loan should also be considered. The history of farm mortgage indebtedness shows that a land loan is not something that can be paid off in a lump sum at the maturity of the usual five-year loan. The large fixed investment in farming and the slow return or turnover point to the same conclusion. As soon as the change can be made it would seem desirable to make use of the amortization plan of repayment. Such loans should be written for a period of years sufficiently long, in all normal cases, to assure repayment out of the annual farm income. This method of repayment should enable the farmer eventually to get out of debt by inducing him to reduce the debt systematically and regularly every year. In addition to the present regular amortization plan provision should be made for making larger payments in the more favorable years. This would seem necessary because the payment of interest plus a partial repayment of the principal during years of reduced farm income might be more burdensome, than the annual interest payment on an ordinary five-year mortgage. In order to overcome the occasional temptation to use the larger income of the more prosperous years for other purposes that debt reduction it might be necessary for the creditor to enforce this provision. Monetary inducements might be effective in many cases. By making larger payments on the debt during the prosperous years delinquencies and foreclosures would not occur so often during poor years. As a result farm mortgages would become more attractive to investors and the rate of interest would be lowered. If a more scientific and accurate method of evaluating land can be established, and if a systematic long time plan of gradual repayment, adjusted to the farmers varying annual income, is adopted the results should be highly advantageous to both borrowers and lenders.