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FARM MORTGAGE DEBT

ECONOMIC RESEARCH SERVICE • UNITED STATES DEPARTMENT OF AGRICULTURE

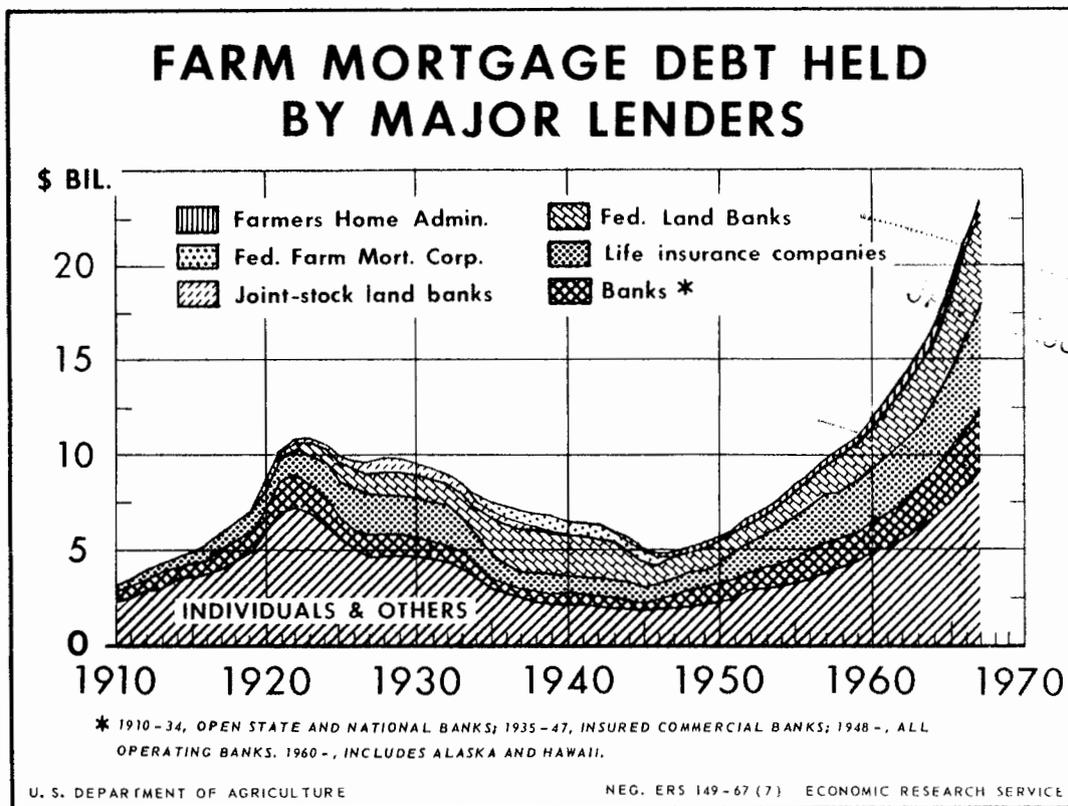


Figure 1

Farm mortgage debt on January 1, 1967, was \$23.3 billion compared with \$21.2 billion as of January 1, 1966--an increase of \$2,114 million or 10 percent (fig. 1 and table 1). The January 1, 1967, farm mortgage debt was up a total of \$9.4 billion or 67.6 percent from 5 years earlier. However, 1966 was the second year in which the rate of increase declined. The 1965 increase was 12.1 percent; the 1964 increase, 12.4 percent.

The ratio of farm mortgage debt to the value of farmland and buildings increased from 12.3 percent on January 1, 1966, to 12.8 percent on January 1, 1967--an increase of 0.5 percentage point compared with an increase of 0.6 percentage point in the previous year and an increase of 2.7 percentage points during the last 5 years.

The estimated interest paid during 1966 on farm mortgage debt was \$1,204 million compared with \$1,075 million for 1965 and \$951 million for 1964--yearly

increases of 12.0 percent for 1966, 13.0 percent for 1965, and 12.5 percent for 1964.

Although the farm mortgage debt increased during 1966 in each of the farming regions, the rate of increase, which ranged from 7.8 percent for the Southern Plains to 14.5 percent for the Delta region, was lower during 1966 than during 1965 for each region except the Northeast and the Southeast.

Mortgage Debt by Type of Lender

Each of the major lender groups except the Farmers Home Administration increased holdings of farm mortgages during 1966 (table 1). However, the rate of increase by lender was lower in 1966 than in 1965 except for the Federal land banks, which had an increase of 15.9 percent compared with 15.0 percent. Holdings by the life insurance companies increased 8.6 percent in 1966 compared with 12.0 percent in 1965; holdings of the commercial and savings banks increased 7.8 percent compared with 10.1 percent. For the Farmers Home Administration the farm mortgage debt outstanding of \$585 million was \$46 million or 7.2 percent lower than a year earlier. The volume of FHA's insured loans--not included in this report--increased 23.2 percent during 1966 from \$816 million as of January 1, 1966, to \$1,005 million on January 1, 1967.

Based on data submitted by the Federal land banks, 19 life insurance companies, and the FHA, repayments of their combined farm mortgage loans in 1966 represented 8.7 percent of the amount outstanding at the beginning of the year, compared with 1965 repayments of 9.7 percent and 1964 repayments of 10.0 percent.

Interest Rates

Due to the long repayment terms of farm mortgage loans, the average rate of interest on loans outstanding changes little from year to year although there has been a gradual yearly increase. The average rate on farm mortgage loans outstanding by all lenders as of January 1, 1967, was 5.44 percent, an increase of 0.05 percentage point since January 1, 1966. The average rate as of January 1, 1966, was 5.39 percent compared with 4.66 percent as of January 1, 1956.

The average interest rate on outstanding farm mortgage loans varies by lender. As of January 1, 1967, the average rate on farm mortgage loans held by banks was 6.0 percent, compared with 5.6 percent for life insurance companies, 5.4 percent for Federal land banks, and 5.1 percent for loans held by individuals.

Interest rates charged on new farm mortgage loans during 1966 increased significantly. As of January 1, 1967, all Federal land banks were charging the 6.00 percent legal maximum rate, whereas on January 1, 1966, one bank was charging 5.00 percent, one 5.20 percent, and the remaining ten were charging 5.50 percent. Rates also increased on new farm mortgage loans charged by life insurance companies. The average rate charged during 1966 was 6.20 percent compared with 5.78 percent for 1965. Loans made by the FHA continued at the statutory rate of 5 percent for direct farm-ownership loans and 4 percent for direct farm and nonfarm rural-housing loans.

More detailed statistics on the farm mortgage debt in the United States are available in two publications of the Economic Research Service--"Farm Mortgage Lending," published semiannually, and the statistical supplement to the "Agricultural Finance Review," published annually.

Table 1.--Farm mortgage debt: Amount of outstanding loans reported by principal lenders, other debt, and total debt, United States, specified dates, 1910-67 ^{1/}

Year	Outstanding loans reported by--						Other farm mortgage debt ^{8/}	Total farm mortgage debt
	Federal land banks ^{2/}	Federal Farm Mortgage Corporation ^{2/ 3/}	Joint-stock land banks ^{2/ 4/}	Farmers Home Administration ^{5/}	Life insurance companies ^{6/}	Commercial and savings banks ^{7/}		
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
1910----	---	---	---	---	386,961	406,248	2,414,654	3,207,863
1920----	293,595	---	60,038	---	974,826	1,204,383	5,915,930	8,448,772
1930----	1,201,732	---	637,789	---	2,118,439	997,468	4,675,340	9,630,768
1935----	1,947,442	616,737	277,020	---	1,301,562	498,842	2,942,856	7,584,459
1940----	2,009,820	713,290	91,726	32,178	984,290	534,170	2,220,925	6,586,399
1945----	1,209,676	347,307	5,455	195,519	938,275	449,582	1,795,101	4,940,915
1950----	906,077	58,650	270	193,301	1,172,326	937,144	2,311,510	5,579,278
1951----	947,431	44,008	---	220,104	1,352,635	1,008,359	2,539,749	6,112,286
1952----	994,128	32,778	---	240,809	1,541,874	1,046,923	2,805,815	6,662,327
1953----	1,071,358	23,899	---	268,257	1,716,022	1,105,096	3,056,305	7,240,937
1954----	1,169,418	17,628	---	282,098	1,892,773	1,131,214	3,246,800	7,739,931
1955----	1,266,953	12,834	---	287,171	2,051,784	1,210,676	3,415,860	8,245,278
1956----	1,480,204	---	---	277,869	2,271,784	1,346,287	3,635,872	9,012,016
1957----	1,722,381	---	---	289,546	2,476,543	1,386,270	3,946,785	9,821,525
1958----	1,897,187	---	---	339,865	2,578,958	1,414,207	4,152,258	10,382,475
1959----	2,065,372	---	---	388,010	2,661,229	1,511,859	4,464,920	11,091,390
1960 ^{9/} ----	2,335,124	---	---	439,269	2,819,542	1,631,271	4,857,203	12,082,409
1961----	2,539,044	---	---	483,985	2,974,609	1,691,239	5,131,427	12,820,304
1962----	2,803,103	---	---	569,093	3,161,757	1,789,103	5,576,049	13,899,105
1963----	3,024,013	---	---	588,802	3,391,183	2,056,944	6,106,879	15,167,821
1964----	3,281,797	---	---	605,307	3,780,537	2,360,320	6,775,544	16,803,505
1965----	3,686,755	---	---	619,492	4,287,671	2,668,535	7,631,787	18,894,240
1966----	4,240,227	---	---	631,147	4,801,677	2,939,046	8,574,789	21,186,886
1967----	4,914,522	---	---	585,426	5,213,587	3,169,469	9,418,231	23,301,235

^{1/} Data for 48 States only, except as indicated in footnote 9. ^{2/} Starting with 1930 the data include regular mortgages, purchase-money mortgages, and sales contracts; before 1930 they include regular mortgages only. Federal land bank and Federal Farm Mortgage Corporation mortgages in process of foreclosure were estimated for 1951 and 1952. ^{3/} Loans held by Corporation were made on its behalf by the Land Bank Commissioner. Authority to make new loans, except incidental to liquidation, expired July 1, 1947. On June 30, 1955, loans of the Federal Farm Mortgage Corporation were sold to the 12 Federal land banks. ^{4/} Liquidation of the joint-stock land banks began May 12, 1933, and was completed Apr. 26, 1951. Data include banks in receivership. ^{5/} Direct farm loans only. Data for 1940-41 include only farm-purchase loans and soil and water loans to individuals. Thereafter, data also include farm-development (special real estate) loans beginning 1942, farm-enlargement loans beginning 1944, project-liquidation loans beginning 1945, rural-housing loans beginning July 1950, and building-improvement loans beginning 1955. Data also include loans for these purposes from State Corporation trust funds. Beginning in October 1961, rural-housing loans were made on nonfarm tracts; these loans are included in the amount outstanding reported for 1962, but excluded for 1963 to date. ^{6/} Estimates based on direct reports from life insurance companies, official reports submitted to State insurance commissioners, "Best's Life Insurance Reports," "Spectator Life Insurance Yearbook," and data from Life Insurance Association of America and Institute of Life Insurance. Beginning 1965 data from Institute of Life Insurance only. Includes legal reserve companies only. Before 1930, includes only regular mortgages; beginning 1930, includes regular mortgages, purchase-money mortgages, and prior to Jan. 1, 1965, sales contracts. ^{7/} Before 1935, open State and national banks; 1935-47, insured commercial banks; and 1948 to date, all operating banks. Includes bank holdings of soil and water loans and farm-ownership loans insured by the Farmers Home Administration. ^{8/} The amounts shown in this column are residuals or differences between the amounts reported by institutional lenders and the estimates of total farm mortgage debt. The amounts shown may be taken as a rough measure of the farm mortgage debt held by individuals and other nonreporting lenders. ^{9/} Beginning in 1960, data for reporting lending institutions in Alaska and Hawaii are included. No estimates of total farm mortgage debt for these States are available.

Table 2.--Farm mortgage debt: Amount of outstanding loans reported by principal lenders, other debt, and total debt, by States, Jan. 1, 1967

State and region	Outstanding loans reported by--				Other farm mortgage debt <u>5/</u>	Total farm mortgage debt
	Federal land banks <u>1/</u>	Farmers Home Administration <u>2/</u>	Life insurance companies <u>3/</u>	All operating banks <u>4/</u>		
	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>
Maine-----	4,335	7,584	188	8,443	23,698	44,248
New Hampshire-----	2,849	668	10	7,174	11,429	22,130
Vermont-----	13,021	1,510	1,071	22,384	18,116	56,102
Massachusetts-----	9,977	634	224	9,155	24,144	44,134
Rhode Island-----	1,820	67	0	867	1,293	4,047
Connecticut-----	15,490	277	1,105	8,073	19,641	44,586
New York-----	87,692	6,678	10,993	115,070	218,066	438,499
New Jersey-----	21,708	2,198	8,269	20,196	32,575	84,946
Pennsylvania-----	50,068	7,185	14,676	139,525	184,636	396,090
Delaware-----	6,953	358	1,230	15,948	7,388	31,877
Maryland <u>6/</u> -----	35,332	1,933	7,603	64,043	83,599	192,510
Northeast-----	249,245	29,092	45,369	410,878	624,585	1,359,169
Michigan-----	162,289	8,942	42,566	112,541	315,261	641,599
Wisconsin-----	109,731	18,004	57,136	152,701	393,164	730,736
Minnesota-----	225,461	16,537	215,955	97,395	447,305	1,002,653
Lake States-----	497,481	43,483	315,657	362,637	1,155,730	2,374,988
Ohio-----	170,193	7,763	122,499	168,511	273,506	742,472
Indiana-----	194,459	8,354	199,260	138,122	301,847	842,042
Illinois-----	257,077	9,938	329,290	172,162	291,746	1,060,213
Iowa-----	281,348	19,004	469,836	110,067	354,584	1,234,839
Missouri-----	140,680	26,751	212,948	148,613	293,621	822,613
Corn Belt-----	1,043,757	71,810	1,333,833	737,475	1,515,304	4,702,179
North Dakota-----	113,777	19,394	25,520	50,383	209,531	418,605
South Dakota-----	140,153	16,671	84,124	17,779	128,921	387,648
Nebraska-----	179,721	12,662	214,500	28,180	160,966	596,029
Kansas-----	172,222	11,859	202,823	66,474	161,853	615,231
Northern Plains-----	605,873	60,586	526,967	162,816	661,271	2,017,513
Virginia-----	63,256	8,154	48,195	77,871	109,483	306,959
West Virginia-----	10,919	5,272	1,536	24,660	26,222	68,609
North Carolina-----	113,774	26,443	49,046	68,962	175,280	433,505
Kentucky-----	95,828	15,380	72,599	131,158	82,784	397,749
Tennessee-----	98,263	25,890	33,822	120,120	137,834	415,929
Appalachian-----	382,040	81,139	205,198	422,771	531,603	1,622,751
South Carolina-----	59,063	16,842	27,600	23,075	62,420	189,000
Georgia-----	136,906	24,721	51,395	114,126	83,566	410,714
Florida-----	78,658	13,460	182,177	62,804	325,124	662,223
Alabama-----	91,932	32,131	34,705	69,851	64,042	292,661
Southeast-----	366,559	87,154	295,877	269,856	535,152	1,554,598

Mississippi-----:	85,164	33,406	166,873	89,910	56,050	431,403
Arkansas-----:	74,522	17,565	221,959	90,186	74,629	478,861
Louisiana-----:	77,468	12,396	101,083	53,685	115,116	359,748
Delta States-----:	237,154	63,367	489,915	233,781	245,795	1,270,012
Oklahoma-----:	86,575	18,384	158,596	67,833	185,171	516,559
Texas-----:	412,100	31,903	556,653	126,247	588,568	1,715,471
Southern Plains-----:	498,675	50,287	715,249	194,080	773,739	2,232,030
Montana-----:	130,120	8,852	94,521	11,913	182,923	428,329
Idaho-----:	126,930	17,826	109,165	5,341	156,581	415,843
Wyoming-----:	45,754	5,013	54,966	7,852	77,393	190,978
Colorado-----:	117,037	9,375	136,652	17,967	229,093	510,124
New Mexico-----:	46,180	3,513	78,503	7,190	112,244	247,630
Arizona-----:	32,390	1,742	103,114	9,623	114,047	260,916
Utah-----:	32,434	10,034	15,051	9,468	81,149	148,136
Nevada-----:	12,652	1,146	34,028	1,590	31,125	80,541
Mountain-----:	543,497	57,501	626,000	70,944	984,555	2,282,497
Washington-----:	85,220	21,737	107,237	29,654	329,796	573,644
Oregon-----:	80,567	7,676	87,854	27,361	302,115	505,573
California-----:	318,026	7,757	461,759	241,970	1,758,586	2,788,098
Pacific-----:	483,813	37,170	656,850	298,985	2,390,497	3,867,315
48 States-----:	4,908,094	581,589	5,210,915	3,164,223	9,418,231	23,283,052
Alaska-----:	1,023	1,198	0	503	---	7/ 2,724
Hawaii-----:	5,405	2,639	2,672	4,743	---	7/ 15,459
United States-----:	4,914,522	585,426	5,213,587	3,169,469	9,418,231	23,301,235

1/ Includes regular mortgages, purchase-money mortgages, and sales contracts. State distribution of loans in process of foreclosure are estimated. 2/ Direct farm loans only. Includes farm-purchase, farm-enlargement, farm-development and loans primarily for refinancing purposes, project-liquidation, rural-housing (excludes nonfarm), and soil and water loans to individuals, and loans for these purposes from State Corporation trust funds. 3/ Includes regular mortgages and purchase-money mortgages. Data from Institute of Life Insurance. 4/ Includes national and State commercial, mutual and stock savings, and private banks. Mortgage loans held by banks are classified according to location of bank and, therefore, are not strictly comparable by States with mortgage loans for other reporting lenders, which are classified according to location of security or borrower. Includes bank holdings of farm-ownership and soil and water loans insured by the Farmers Home Administration. 5/ The amounts shown in this column are residuals or differences between the amounts reported by institutional lenders and the estimates of total farm mortgage debt. The amounts shown may be taken as a rough measure of the farm mortgage debt held by individuals and other nonreporting lenders. 6/ Includes District of Columbia. 7/ Total for reporting lending institutions. Estimate of total farm mortgage debt not available.

Table 3.--Farm mortgage debt: Amount of outstanding loans reported by principal lenders, other debt, and total debt, by States, Jan. 1, 1966

State and region	Outstanding loans reported by--				Other farm mortgage debt <u>5/</u>	Total farm mortgage debt
	Federal land banks <u>1/</u>	Farmers Home Administration <u>2/</u>	Life insurance companies <u>3/</u>	All operating banks <u>4/</u>		
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Maine-----	3,894	8,219	286	7,831	23,329	43,559
New Hampshire-----	2,593	706	11	6,988	10,999	21,297
Vermont-----	11,582	1,646	1,365	22,810	17,838	55,241
Massachusetts-----	8,979	691	277	9,095	22,999	42,041
Rhode Island-----	1,982	67	3	947	1,408	4,407
Connecticut-----	13,499	321	1,113	8,392	18,365	41,690
New York-----	77,925	7,110	11,670	99,028	193,631	389,364
New Jersey-----	17,752	2,456	8,307	20,134	30,260	78,909
Pennsylvania-----	43,350	7,769	13,014	133,023	172,151	369,307
Delaware-----	5,587	392	865	15,363	6,700	28,907
Maryland <u>6/</u> -----	25,777	2,275	7,978	57,947	72,136	166,113
Northeast-----	212,920	31,652	44,889	381,558	569,816	1,240,835
Michigan-----	143,765	9,748	39,891	98,085	281,595	573,084
Wisconsin-----	98,981	19,282	52,101	142,425	364,300	677,089
Minnesota-----	198,731	17,631	205,115	90,949	412,734	925,160
Lake States-----	441,477	46,661	297,107	331,459	1,058,629	2,175,333
Ohio-----	144,639	8,446	118,094	154,124	248,041	673,344
Indiana-----	159,095	9,027	192,051	120,499	268,587	749,259
Illinois-----	222,771	10,683	306,385	163,886	267,167	970,892
Iowa-----	245,782	20,333	443,126	100,832	326,313	1,136,386
Missouri-----	114,786	28,777	201,609	134,558	266,278	746,008
Corn Belt-----	887,073	77,266	1,261,265	673,899	1,376,386	4,275,889
North Dakota-----	99,504	21,056	22,160	47,008	190,143	379,871
South Dakota-----	126,147	17,661	78,981	15,085	118,530	356,404
Nebraska-----	157,680	13,210	196,583	27,790	146,241	541,504
Kansas-----	147,202	12,516	183,283	62,094	144,616	549,711
Northern Plains-----	530,533	64,443	481,007	151,977	599,530	1,827,490
Virginia-----	50,720	8,385	42,361	80,880	101,095	283,441
West Virginia-----	10,223	5,794	1,626	23,098	25,204	65,945
North Carolina-----	98,890	28,440	48,146	67,096	164,655	407,227
Kentucky-----	77,673	16,490	68,339	121,672	74,691	358,865
Tennessee-----	81,384	28,309	31,419	108,335	123,635	373,082
Appalachian-----	318,890	87,418	191,891	401,081	489,280	1,488,560
South Carolina-----	50,746	17,983	23,893	21,063	56,061	169,746
Georgia-----	111,767	27,352	48,769	97,837	72,985	358,710
Florida-----	63,470	14,642	164,854	61,448	293,600	598,014
Alabama-----	83,154	34,309	32,894	57,495	58,225	266,077
Southeast-----	309,137	94,286	270,410	237,843	480,871	1,392,547

Mississippi-----	72,100	36,730	149,245	79,536	50,414	388,025
Arkansas-----	60,157	19,498	202,303	76,860	66,245	425,063
Louisiana-----	68,407	13,642	71,838	47,733	94,876	296,496
Delta States-----	200,664	69,870	423,386	204,129	211,535	1,109,584
Oklahoma-----	73,375	20,129	148,274	60,924	169,142	471,844
Texas-----	375,476	34,097	523,261	117,473	548,563	1,598,870
Southern Plains-----	448,851	54,226	671,535	178,397	717,705	2,070,714
Montana-----	114,088	9,479	81,799	10,991	161,270	377,627
Idaho-----	113,876	18,938	103,743	5,410	146,136	388,103
Wyoming-----	40,291	5,406	50,219	7,032	70,145	173,093
Colorado-----	95,087	9,681	124,385	19,095	202,369	450,617
New Mexico-----	35,791	3,883	75,013	6,650	100,596	221,933
Arizona-----	26,555	1,973	91,441	8,108	99,455	227,532
Utah-----	27,964	10,906	13,473	9,222	74,581	136,146
Nevada-----	10,089	1,069	32,267	1,102	28,046	72,573
Mountain-----	463,741	61,335	572,340	67,610	882,598	2,047,624
Washington-----	76,090	23,308	94,966	28,001	300,741	523,106
Oregon-----	70,740	8,209	80,274	26,118	275,213	460,554
California-----	273,905	8,435	409,900	251,742	1,612,485	2,556,467
Pacific-----	420,735	39,952	585,140	305,861	2,188,439	3,540,127
48 States-----	4,234,021	627,109	4,798,970	2,933,814	8,574,789	21,168,703
Alaska-----	926	1,236	0	529	---	7/ 2,691
Hawaii-----	5,280	2,802	2,707	4,703	---	7/ 15,492
United States-----	4,240,227	631,147	4,801,677	2,939,046	8,574,789	21,186,886

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