In general, interest rates on mortgages held by individuals were lower than those of either banks or miscellaneous lenders. This may be explained, in part, by the practice of many farm operators to sell their farms to members of their own families or for individuals to make loans to relatives at a low rate of interest. Many individuals who sell farm real estate, and receive a mortgage as part of the consideration, are willing to accept a lower rate of interest than lending institutions which rely solely on investment income.

The most common interest rates charged on farm mortgages outstanding January 1, 1956, were 4 percent, 5 percent, and 6 percent. In the case of full owners with mortgaged farms, 37 percent reported an interest rate between 4.00 and 4.99 percent, 23 percent a rate between 5.00 and 5.99 percent, and 29 percent a rate between 6.00 and 6.99 percent. Only 5 percent of all full-owners reported an interest rate of 7.0 percent or more and only 6 percent reported less than 4.0 percent. The distribution of mortgaged farms of part owners by interest rates was similar to that of full owners. The proportions of farms reporting higher interest rates tended to be larger in the Southern and Western States and smaller in the North Central States than in other areas.

A comparison of the proportions of full owners with mortgaged farms reporting specified rates of interest on farm mortgages from 1920 to 1956 shows a decline in the proportions in the higher-rate groups and an increase in the proportions in the middle- and lower-rate groups. These data appear in Table C. The most noticeable decrease is in mortgages with rates of 7.00 percent or more; 29 percent of mortgaged full-owner farms were in this group in 1920 but by 1956 only 5 percent had this rate. Similarly, only 3 percent paid less than 5.00 percent interest in 1920, but the proportion was 46 percent in 1951 and 43 percent in 1956.

Table C.—Percentage Distribution of Mortgaged Full-owner Farms, by Rate of Interest, for the United States: 1956, 1951, 1940, and 1920

Interest rate	1956	1951 [1]	1940	1920
	Percent	*Percent*	*Percent*	*Percent*
All mortgaged full-owner farms	100	100	100	100
Under 4.00 percent	6	7	8	(z)
4.00 to 4.99 percent	37	39	21	3
5.00 to 5.99 percent	23	24	30	23
6.00 to 6.99 percent	29	25	31	45
7.00 percent and over	5	5	10	29

[1] Estimates of the United States Department of Agriculture.
z Less than 0.5 percent.

Debt held by principal lenders.—While total farm-mortgage debt increased 62 percent from 1950 to 1956, the rate of increase varied considerably by type of lender. The highest rate of increase was the 94 percent shown by insurance companies. Other increases by type of lender were: All operating banks, 44 percent; Farmers' Home Administration, 47 percent; Federal land banks, 53 percent; and the residual group of individual and miscellaneous lenders, 59 percent. Of the increase of $3,487 million in total farm-mortgage debt from 1950 to 1956, 39 percent or $1,374 million is accounted for by increased holdings of individual and miscellaneous lenders. Holdings of life insurance companies increased $1,099 million and made up 32 percent of the total increase, and the increase of $515 million for Federal land banks was 15 percent of the total increase.

Farm-mortgage holdings of the Federal land banks (including loans of the Federal Farm Mortgage Corporation transferred to the land banks in 1955) increased in nearly every State during the 1950–56 period. The largest relative increase was 71 percent in the Mountain Division and the smallest was 19 percent in New England. In 1956, Federal land bank loans were most important in the West North Central and West South Central divisions; there they made up 20 percent of the total.

Life insurance company farm mortgage holdings were most important in the West South Central, West North Central, and Mountain Divisions accounting for 40, 33, and 31 percent, respectively, of all farm mortgage debt in these divisions. The greatest increase in insurance company mortgages, 217 percent, occurred in the South Atlantic Division. In 5 of the 9 geographic divisions, the increase in farm mortgages held by insurance companies was more than 100 percent from 1950 to 1956.

Farm mortgage loans of all operating banks, as a percentage of total mortgage debt, was highest in New England with 27 percent. The West South Central Division showed the largest percentage increase in bank loans, 68 percent over 1950.

The all other lender group (including individuals and miscellaneous lenders) was the largest holder of farm-mortgage debt in all divisions except the West South Central. These lenders held 81 percent of all farm-mortgage debt in New England, 78 percent in the Middle Atlantic Division, and 72 percent in the Pacific Division. Since 1950, the greatest increase in debt held by this group of lenders, 81 percent, occurred in the South Atlantic Division.

Ratio of debt to value.—The largest number of mortgaged farms (full owners and part owners combined) in every geographic division fell into the ratio of debt-to-value groups of 10–19 percent and 20–29 percent. This was also true for full-owner and part-owner farms individually with the exception of the South Atlantic Division where the number of full-owner farms was highest in the under-10 percent and the 10–19 percent ratio of debt-to-value groups. The number of mortgaged farms with ratio of debt to value of 30 percent or higher generally declined as the ratios increased so that only 5 percent of all mortgaged farms had ratios of 80 percent or above.

Land in mortgaged farms was distributed among the ratio of debt-to-value groups in nearly the same proportions as number of farms. The 10–19 percent group and the 20–29 percent group contained the largest number of acres in most divisions. There appeared to be a negative relationship between average number of acres per mortgaged farm and ratio of debt to value. Farms with low ratios of debt to value tended to be larger than farms with high debt-to-value ratios.

Value of land and buildings on mortgaged farms was highest in the under-10 percent and the 10–19 percent ratio of debt-to-value groups. Average values per farm and per acre tended to decline as the ratio of debt to value increased.

The debt-to-value comparisons would indicate that high debt ratios occur most frequently among farms having relatively small acreages and low total values.

Mortgage debt by age of operator.—The available data indicate that farm operators, whose farms are mortgaged, are somewhat younger than those whose farms are free from mortgage indebtedness. The median age of all full-owners in 1954 was 54.0 years as compared with 47.8 years for those reporting mortgage indebtedness in 1956. The age group under 35 shows a higher proportion of mortgaged farms than any other group. As the age of the operator increases, the percentage of the mortgaged farms decreases. For full-owners, 56.8 percent of those under 35 years of age were operating mortgaged farms as compared with 15.6 percent of those 65 years or older.