That such was not the case was due to following causes:—

(1) The high average of interest rates which prevailed, when compared with the European farmers with whom the American farmer must compete especially in the newer settled parts of the country, the parts least able to pay.

(2) The excessive costs connected with the making of loans, namely legal costs, commissions, and incidental expenses.

(3) The impossibility of meeting mortgage payments out of production of the land because of the short terms for which the mortgage was made. This is emphasized when the increased cost of the instruments and methods of production are considered.

(4) The knowledge that in other countries schemes of a national character had been found to work well both in the national interest and the interest of the farmer.

Interest Rates

With regard to the interest rates, the facts are that the average rate of interest on first mortgage loans in thirty states of the Union was 7$\frac{1}{15}$ per cent in 1915.[1] To this must be added legal expenses, commissions and other charges. In the different states the averages were as follows: Alabama, 8·8 per cent; Arkansas, 8·8 per cent; Arizona, 10 per cent; Illinois, 5·5 per cent; Indiana, 5·6 per cent; Iowa, 5·6 per cent; Massachusetts, 5·5 per cent; Minnesota, 6·2 per cent; Montana, 9·3 per cent; Ohio, 5·7 per cent; Oklahoma, 7·2 per cent; Pennsylvania, 5·3 per cent; Texas, 8·5 per cent; Utah, 8·7 per cent; Wisconsin, 5·6 per cent; Wyoming, 9·2 per cent. In comparison the average in Europe does not exceed 5 per cent.

Not only was there a variation between the states but just as great a variation within the individual states. In Minnesota, an extreme case, it varied from 5 per cent in the south to 9 or 10 per cent in the north. Without question these variations represented to a certain extent variations in the quality of the security. Soil and climatic conditions, the type of farming, the distance from markets, also played a part, but it was firmly believed that the public were being exploited by the money-lender especially in the new districts where there was not much competition. It was recognized that this could not be corrected by the small banks whose facilities for getting money were limited and by whom a rediscounting was absolutely necessary if considerable business was to be done.

With regard to (2), excessive costs in obtaining money, it is only necessary to say that for short term mortgage loans, two to five years, a commission of 5 per cent or over was often charged; this added to the interest rate one or two per cent. When it is added that two-fifths of the total mortgage debt is in the west north central states where the average rate is high, it seems reasonable to assume that the average interest charges of the thirty states were not far from 8½ per cent interest, with legal charges still remaining to be accounted for, while in many of the states it greatly exceeded that sum.

With regard to (3), the impossibility of meeting mortgage payments under the short term conditions of payment, especially by those whose original capital was small, was everywhere apparent. It is hardly necessary to repeat that mortgage payments on land at $50 to $75 per acre are an entirely different thing from such payments at $10 per acre. In the latter case payments from production might be possible; in the former it would be impossible unless the mortgage was on a small percentage of the value. New methods had to be devised.

To this was added (4) the knowledge, that schemes less oppressive to the borrower, of greater security to the lender and at lower rates of interest were working well elsewhere, and this created the demand for careful consideration of the whole subject.

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[1] Investigations made by the Rural Organization Service of the United States Government.