

FINANCIAL DEPARTMENT

The Financial Department is prepared to furnish information regarding standard investment securities, but cannot undertake to *advise* the purchase of any specific security. It will give to inquirers facts of record or information resulting from expert investigation, and a nominal charge of one dollar per inquiry will be made for this special service. All letters of inquiry should be addressed to THE OUTLOOK FINANCIAL DEPARTMENT, 381 Fourth Avenue, New York.

KEEPING THE FARM MORTGAGE STRAIGHT

BY CHARLES MOREAU HARGER

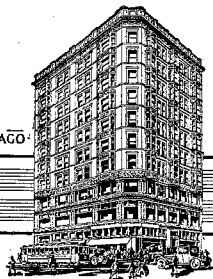
RECENTLY a Kansas farmer who had struggled long to pay off a \$5,000 mortgage on his farm gathered the money and took the amount to the loan agent through whom he had borrowed it.

"Fine!" exclaimed the agent, taking the check. "Makes you feel good, doesn't it?" Then, briskly reaching for his hat, "Let's go right over to the court-house and have the mortgage released." As an established agent his word would go with the registrar when the borrower's check was in evidence.

Together they saw the entry placed on the books. "I'll get your abstract brought down to date and send it to you, and you'll be all right," were the agent's parting words.

The borrower went home happy—it had been a hard task to save \$5,000. In a few days he received an abstract that showed the mortgage released and his farm clear of debt. He put the paper in the bureau drawer and considered the matter closed. To be sure, he had not received his original note and mortgage, nor did he have his original abstract that had accompanied

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the mortgage. What he possessed was a duplicate. But, having all confidence in the loan agent, he took it for granted that all was right.

Out in California was a retired farmer who had invested his money in farm loans. Among his holdings was that of the Kansas borrower. He depended on the loan agent to collect the interest and forward it to him, and expected him also to report on payment of the principal at maturity. The interest came all right for a time, then failed to arrive. He could get no replies to his letters. So he went back to the home town to see what had happened. Plenty had happened. The loan agent had disappeared, the agency was closed and bankrupt. But he still had his note and mortgage, and he notified the borrower to meet the obligation.

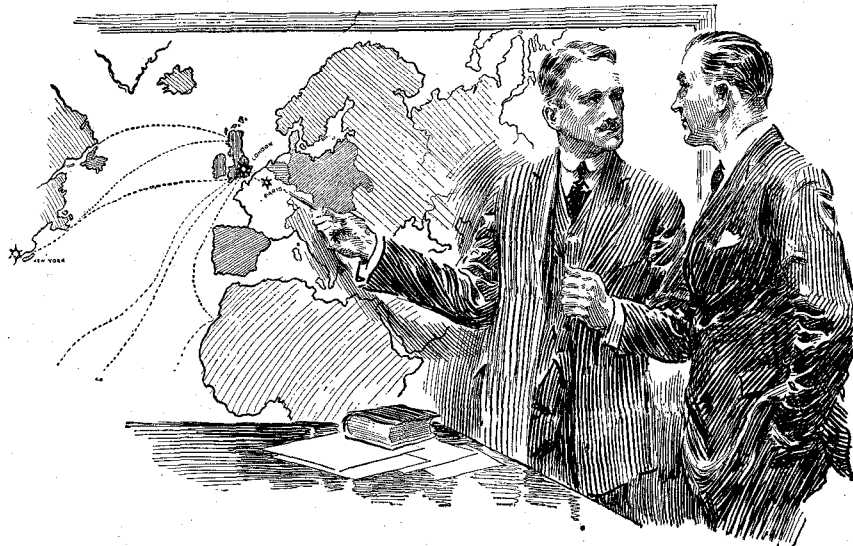
The farmer, who had been so happy, found the mortgage was not valid and that he still owed the \$5,000. It meant either paying it a second time or foreclosure. He renewed the note, and started again on the long task of gathering the money to free his farm from debt.

The process was nothing new; scores of rascally agents have followed it. Hundreds of landowners have lost their farms or have put in long years paying mortgages a second time because of neglect in completing the records properly when they discharged the debt. Sometimes deliberate rascality has not been the original cause of the complication; bad management, changing values, speculation, have led to efforts to play even through using the funds belonging to others, with the usual result.

In the winter of 1922 two men who for a quarter century had conducted a mortgage company in the Middle West, enjoyed the respect of their community, and were prominent in civic affairs went to the penitentiary. They had juggled with funds of borrowers and investors until they lacked \$100,000 of being solvent, and the tangle of their books took weeks of expert accountants' time. So trusted were they that borrowers and investors alike failed to secure the evidences either of payment or of deposit, and while confidence lasted they were able to satisfy the investor by forwarding his interest and the borrower rested at ease, believing that his debt was satisfied.

Perhaps all the investors were not deserving of sympathy. It was found that in instances the avoidance of taxes on the mortgage note had been the cause of the trustfulness. The mortgages were left in the name of the company, and it was most difficult to determine who were the actual owners of some of the securities. This method of escaping taxation calls for chances on the integrity of the loaning agency, and sometimes it is abused.

The investor may be a widow with her insurance money in farm loans or a prosperous farmer thus placing his savings. For a while all goes well; but if there is not square dealing at the office one day the investor wakes up to find either that his mortgage is missing or perhaps that it has been exchanged for



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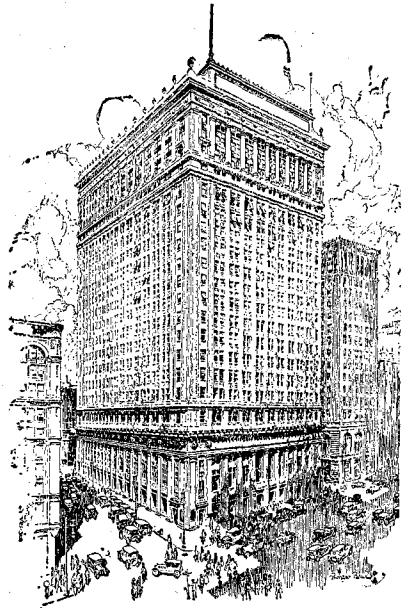
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FINANCIAL DEPARTMENT

(Continued)

another upon land that is valueless. The men responsible may go to jail; but that does not get back the money.

No borrower should pay interest without receiving at the same time the coupon therefor; he should not pay the principal note without receiving his note and the mortgage. By following this system all chance of having to make a second payment would be avoided. The experience of those who failed to observe this rule has at times been expensive.

This advice should not be understood as reflecting on the mortgage companies as a whole. Considering the vast amount of investment in farm loans, estimated at \$6,000,000,000 in this country, the losses have been negligible. When it is remembered that the loan agent gathers funds from widely scattered investors—widows, professional workers, laborers, estates, savings banks—and distributes these among farmers separated over a State or several States, it shows a remarkable standard of integrity that so few instances of misconduct occur. Many a firm has loaned millions of dollars through a period extending over a quarter century without the loss of a dollar to its customers. It has followed a system of accurate accounting and maintained a record for efficient management. The fact of the wide distribution of operation, however, has made it possible for agents with speculative or dishonest tendencies to mislead their customers.

"The loan agent is always willing to make a fair loan if money is available," explained the head of a prominent mortgage company. "Soil, the substance out of which man's bread must come, is the best security for investment. It makes no difference where that soil is located so long as it is productive and is in the ownership of one who will make it produce to its limit. And in this second factor enters one pitfall that must always be watched. A few months ago an agent at Marion, Kansas, was visited by a well-dressed man who introduced himself.

"I am Mr. Barron," said the caller, "and own the quarter-section near the schoolhouse east of town, the northeast of Section Twelve."

"The agent knew the land and that it was owned by J. B. Barron, of Illinois, though the owner had never visited the county.

"Here is the abstract," went on the visitor, "and I want to borrow \$1,000 on the land."

"The property was worth at least \$12,000, and the loan was granted promptly, the money, furnished by an insurance company, paid, and 'Mr. Barron' went his way. Six months later, when the interest was demanded of the owner, he replied that he had never borrowed any money on that land. An abstract of the records had been made by a stranger, now departed to places unknown. The agent was held for the amount of the loan."

The farm depression of the past

A New Epoch in the Growth of the South

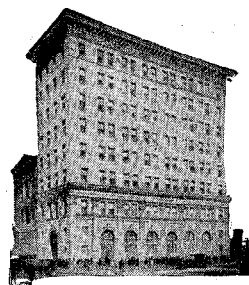
—and the Unusual Opportunities It Offers Conservative Investors

eighteen months has made it difficult for many borrowers to meet interest payments. Loan companies through whom the loans were made often have forwarded the amounts to investors and waited for the borrower to pay. This has been for some a heavy burden and in instances has proved disastrous. In the early days of the farm-mortgage business most companies "guaranteed" their loans; that is, they bound themselves to the investor to pay the interest when due and the principal at maturity. Then came depression, and scores of companies went to the wall, for it is impossible without a large capital to meet such obligation. Investors in farm mortgages in the East lost millions, and for years it was difficult to induce them to accept such securities. But to-day the guaranty is practically unknown; the loan agency obligates itself to three things: To give a complete statement of title and appraisement, to remit interest and principal as paid, and, if desired, act as trustee for the investor.

According to the new Census, the total number of farms operated by their owners is 3,925,000, of which 41 per cent (1,611,378) are mortgaged. The farm valuation is given as \$13,772,729,600, on which the total mortgage debt is \$4,012,711,213. In the reports no account is taken of farms operated by tenants or managers. However, the farms operated by owners are 66.6 per cent, by tenants 27.7 per cent, and by managers 5.7 per cent. On this basis, the estimate of the total farm mortgage debt is approximately \$6,000,000,000, but this represents only 29.1 per cent of the farms' value. Of the total farm loans the life insurance companies carry approximately \$1,500,000,000, and they are steadily increasing their holdings. Two leading companies have practically their total assets in farm loans, with over a quarter billion dollars thus invested. Their record is one of almost complete freedom from loss, such few foreclosures as have been made having returned their investment, owing to the caution with which they appraise the lands. The companies have their own machinery for making loans or they buy from established agencies with the privilege of refusing the loan within a given period if inspection by their agents shows it to be too great a risk. During the period of high money rates in 1920-1 the insurance companies were the greatest source of funds for agricultural development, and for several months were overstocked with applications.

Any idea that we shall eventually pay off all the farm mortgages is visionary. With greater prosperity comes greater use of additional capital, and every generation extends its borrowings. Since 1910 the farm debt has increased over one hundred per cent; the average farm mortgage ten years ago was \$1,715; now it is \$3,361, being highest in Iowa (\$9,358), and lowest in Alabama (\$1,176). But the ratio of debt to actual value of the land remains about the same, ranging from twenty-one to thirty per cent.

The modern farm mortgage is made



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Realizing that the South faces a great new epoch of development, Caldwell & Company welcomes this opportunity to broaden its service to investors and to take an even larger part in the upbuilding of the New South.

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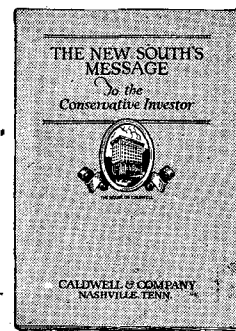
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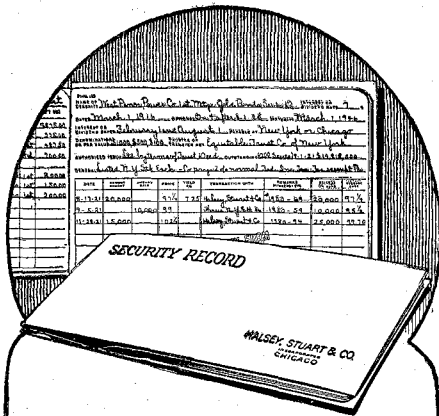
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FINANCIAL DEPARTMENT

(Continued)

and handled under a system that places this security in the highest class of investments. Yet it is without supervision by either State or Federal Government. A mortgage company with \$25,000 capital may handle \$500,000 in a year, and it is without examination or inspection. A bank with the same capital and with deposits of \$100,000 is under the strictest supervision. A growing sentiment that mortgage agencies should be under State or Federal supervision is based on the possibilities existing for juggling of accounts and fraud on both borrowers and investors. Of course no supervision can prevent rascality, as the banking departments well know; but every step toward oversight adds to the security of the public. The Federal land bank and the rural bank systems of several States have this supervision, and it has added to their standing with investors.

Meanwhile no borrower should take things for granted. He should know that the records against him are clean when he pays interest or principal.

Clark's 3d Cruise, January 23, 1923

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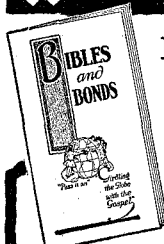
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Write for Booklet 14

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MARY MCGINDRY

BY HARRY LEE

MARY MCGINDRY topples and tips
In a way so droll on her stiff old
hips

That the fine folks turn as she noses by
Down the dim train shed,
With her one good eye.

They turn and stare at her spattered
duds,
Her mops and brushes, her clouts and
suds,
Cleaning the coaches, cushion and plate,
Cleaning the coaches,
Early and late.

Sometimes she wishes before she is dead
To climb to a coach with an engine
ahead,
And to ride away like the fine folks do,
Out of the train sheds,
Into the blue.

"But what would the sister be doin' at
all,
If she didn't have me in the nights to
call,
Who is it would bring her the sight of
a rose
Or a bit of the gossipin'—
Goodness knows!"

Little would Mary McGindry care
If she knew the way that the fine folks
stare.
She'd laugh to herself at the mopping
and say:
"Tis the king that looks
At the cat to-day!"

FROM THE MAIL BAG

BARBLESS HOOKS

I AM delighted to see a revival in your issue of July 5 of your protest against the use of barbed hooks in fly fishing. Certainly the use of barbless hooks is the most skillful, if not the most humane, way of fishing for trout and bass.

The greatest sport I ever had, over thirty years ago, was on a narrow but deep stream emptying into Lake Henderson, in the Adirondacks, when fishing from the bow of a canoe, with a guide in the stern. He silently and slowly paddled me up the stream while I cast ahead. When we backed out (as we could not turn around), we had twenty fine "black-backed" trout in the canoe, all caught with a barbless hook, and all weighing from one to two pounds. Many smaller fish weighing under a pound I easily shook off by giving them the slack, without hurting them a bit.

Later I fished for bass on a lake with larger barbless hooks, and it was great sport to see them jump out of the water and try to shake the flies out of their mouths. Many a big one I lost, but it was a fair fight, as the fish had a chance to win, which a barbed hook never gives them. I wish the State would pass a

law prohibiting the use of barbed hooks altogether. Keep up your good work.
W. A. PUTNAM.

ON THE RENTING OF PICTURES

IN The Outlook of May 31 you bring up the idea of renting pictures in an editorial entitled "Paintings and People." Several of your Canadian readers were delighted to see an editorial on this subject.

For the last three years a small group in Toronto have been renting sketches from local artists under a circulating system. The system is uncomplicated and a bringer of joy, and the joy costs very, very little. Our circulating system might be tried by any group of friends anywhere as long as the artists elsewhere are as friendly to the idea as they are here.

We have in Toronto the "Group of Seven" (artists painting freely and unconventionally the spirit of Canada—her vastnesses, her wild, glorious color, her city streets). It was suggested to four of these artists that they rent their sketches rather than let them pile up in dusty piles, unseen and unloved, in their studios. The artists put their heads together and helped us evolve our circulating system. The rental is small—ten per cent of the asking price of a sketch

for a year. Thus a \$30 sketch may hang on your wall for one year for \$3 or for six months for \$1.50.

The sketches are small—8½ by 10½ inches, making a framed picture of 13½ by 15½ inches—just the right size for the average apartment room, or small house. I know a stenographer, who lives in one room on a drab city street, who has had evenings of joy from her beautiful gay, patterny sketch which she rented for \$1.50.

But to return to the circulating system itself. At the beginning of the year one group of four rents sixteen pictures, four from each artist. Then the pictures rotate. I have four sketches for three months—Group A. At the end of the three months Group A goes to Mrs. H. I get group B from Mrs. T., etc. At the end of the year four families and their friends have had the opportunity to study, discuss, like, love, or hate sixteen Canadian sketches. Throw a pebble in a pond. See the circle widening. See the Canadian public becoming art lovers. See the artists being not so everlastingly hard pressed. It's a wonderful idea.

Your editorial may bring to light many such groups all over the United States and Canada. Or it may start such groups. It will do good, anyway.

DORIS HUESTIS MILLS.

Toronto, Canada.

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