LONG TIME MORTGAGE CREDIT IN THE ALABAMA COASTAL PLAINS AREA

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In determining some of the factors associated with the foreclosure of farm mortgages and the resulting losses in the Coastal Plain area, a large group of farms were located on soil maps and classified according to the major soil type. The completed statistical study was limited to nine large lending agencies and to 4,750 first mortgage loans on farms located in Coffee, Dale, Geneva, Henry and Houston Counties in Southeast Alabama. The farms which secured these first mortgages represented 56% of all land in farms in the five counties, as reported by the United States Census, and were made between January 1, 1917 and December 31, 1931.

Slightly more than $12,000,000 was loaned on these first mortgages. Fifteen percent of the loans had been foreclosed by December 31, 1931. In most instances, the farmer lost his entire investment when the mortgage was foreclosed. The total losses which had been incurred by the lending agencies on the farms foreclosed to December 31, 1931 which were sold, together with the expected losses at this date, amounted to about $653,000, or $54 per $1,000 loaned.

The field work of the soil surveys used in the study were completed in Coffee, Dale and Henry Counties between 1908 and 1910, and in Geneva and Houston Counties in 1920. The minor differences between the five soil surveys for the purpose of the study were considered immaterial; the earlier soil maps being very carefully made.

The soil type of the mortgaged farms was determined by outlining on soil maps the farm boundaries by the legal description contained in the mortgage papers. The soils of all counties, other than Henry, were broken, most farms having two or more soil types. Farms with 60 percent or more of one soil type were classified as being of that type; the minor soil areas being ignored in the classification. Where several types appeared on the same farm, the farm was classed by two or three of the more important types appearing on the farm. More than 80 percent of the total farms were classified as of one type on a preliminary classification. A re-classification of some mixed related groups increased the single soil type farms to 85.7 percent, with a further 13.3 percent classified in major type groups (such as mixed sandy loam 3.4 percent), and the remaining 1.0 percent of the total farms were located in areas not classified by the soil survey as to type. For the purposes of this study, a more complete re-classification based on the preliminary results of the study would have classified 95-97 percent of the total farms in one soil type group. The location of the cropland was available for only approximately 40 percent of the total farms. If the classification of the soil type had been based upon the part of the farm devoted to crops, it is probable that a much higher relationship between soil and foreclosures and losses would have resulted. The study, however, showed on the average an excellent relation between soil type and success of farm mortgage credit.

The soil types which occur in the Coastal Plain area vary widely as to agricultural value. The more important soil types surveyed in the five counties were arranged according to the percent of loans foreclosed. (Table 1). Foreclosures ranged from 6 percent on the Norfolk Sandy Loam and to 47 percent on the Kalmia fine sand. In general, a farmer's chances of repaying a mortgage loan were best on sandy loam soils, next on loamy sands and poorest on sands and fine sands.

Although more than one fourth of the total loans of the study were on farms located on Norfolk sandy loam, only one tenth of the total loans foreclosed were on this type and only 9 percent of total losses. In contrast, only 6 percent of the total loans were made on farms classified as Susquehanna fine sandy loam, and foreclosures of these loans had resulted in 16 percent of total losses.

For all loans on farms on the better sandy loam soils, representing 56 percent of the total amount loaned, the losses were only 22 percent of total losses. A further 17 percent of total loans were made on farms located on the better loamy sands and fine sands and losses were 19 percent of total losses. Thus, on the basis of soil classification alone, 75 percent of the total loans could have been made and only 41 percent of the total losses would have been incurred in loaning operations.

In general, foreclosures and losses increased as appraised value per acre decreased. The relation of loan per acre to value per acre was practically the same on all soil types, the loan being slightly more than one-third of the value. These results indicate that the poorest soil types were over-valued in relation to the better types. The rather high foreclosures and losses on even the best