

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Costs and Returns on Farm Mortgage Lending by Life Insurance Companies, 1945-1947

Volume Author/Editor: Raymond J. Saulnier

Volume Publisher: NBER

Volume ISBN: 0-87014-345-X

Volume URL: <http://www.nber.org/books/saul49-1>

Publication Date: 1949

Chapter Title: Front matter to "Costs and Returns on Farm Mortgage Lending by Life Insurance Companies, 1945-1947"

Chapter Author: Raymond J. Saulnier

Chapter URL: <http://www.nber.org/chapters/c2127>

Chapter pages in book: (p. -5 - -1)

Costs and Returns on Farm Mortgage Lending
by
Life Insurance Companies, 1945-1947

R. J. SAULNIER

Occasional Paper 30: August 1949

FINANCIAL RESEARCH PROGRAM
NATIONAL BUREAU OF ECONOMIC RESEARCH
1819 Broadway, New York 23, N. Y.

Price: One Dollar

COPYRIGHT, 1949, BY NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

1819 BROADWAY, NEW YORK 23, N. Y. ALL RIGHTS RESERVED

MANUFACTURED IN THE UNITED STATES OF AMERICA BY

THE JOHN B. WATKINS COMPANY, NEW YORK

Table of Contents

	PAGE
I. INTRODUCTION	1
II. CONCEPTS AND METHODS IN MEASURING LENDING COSTS	5
ALTERNATIVE ACCOUNTING APPROACHES IN MEASURING LENDING COSTS	5
CONCEPTS AND ANALYTICAL METHODS	9
THE UNIT OF OUTPUT	9
THE UNIT OF COST	10
TIME-PERIOD VERSUS CROSS-SECTION STUDIES OF COST-INVESTMENT RELATIONSHIPS	10
NATURE AND CLASSIFICATION OF LENDING COSTS	12
III. FINDINGS	15
COVERAGE OF THE COST SURVEYS	15
SURVEY FINDINGS	17
GROSS INCOME	17
TOTAL COSTS	20
<i>Components of total cost</i>	24
NET INCOME ON LOAN INVESTMENT	28
NET INCOME ON LOAN PLUS REAL ESTATE INVESTMENT	31
NET INCOME AFTER OPERATING AND NONOPERATING INCOME AND COSTS	33
NET INCOME ON MORTGAGE LOANS AFTER ALLOWANCE FOR POTENTIAL LOSS	33
LOAN ACCOUNT TURNOVER AND NET RETURN ON INVESTMENT	34
EXPECTED YIELD	35
APPENDIX A—DESCRIPTION OF FARM MORTGAGE LENDING COST SCHEDULES FOR 1945-47	36
APPENDIX B—TABLES OF INCOME AND COST RATIOS, 1945-47	49

List of Tables

1. RELATIVE IMPORTANCE OF REPORTING COMPANIES AMONG ALL LIFE INSURANCE COMPANIES HAVING FARM MORTGAGE PORTFOLIOS, 1945-47	16
2. REPORTING COMPANIES CLASSIFIED ACCORDING TO GROSS INCOME RATIOS, 1945-47	18
3. INCOME AND COSTS IN PERCENT OF FARM MORTGAGE INVESTMENT FOR 18 INSURANCE COMPANIES, CLASSIFIED ACCORDING TO AMOUNT OF LOAN INVESTMENT, 1945-47	21
4. REPORTING COMPANIES CLASSIFIED ACCORDING TO NET INCOME RATIOS, 1945-47	31
5. REPORTING COMPANIES CLASSIFIED ACCORDING TO TURNOVER PERIODS OF FARM MORTGAGE LOAN PORTFOLIOS, 1945-47	35

List of Charts

1. GROSS INCOME IN PERCENT OF FARM MORTGAGE INVESTMENT RELATED TO AMOUNT OF LOAN INVESTMENT, 1945-47	19
2. TOTAL COST IN PERCENT OF FARM MORTGAGE INVESTMENT RELATED TO AMOUNT OF LOAN INVESTMENT, 1945-47	23
3. ORIGINATING FEES PAID TO CORRESPONDENTS IN PERCENT OF FARM MORTGAGE INVESTMENT RELATED TO AMOUNT OF LOAN INVESTMENT, 1945-47	26
4. SERVICING FEES PAID IN PERCENT OF FARM MORTGAGE INVESTMENT RELATED TO AMOUNT OF LOAN INVESTMENT, 1945-47	27
5. SERVICING FEES PAID IN PERCENT OF LOANS SERVICED RELATED TO AMOUNT OF LOANS SO SERVICED, 1945-47	29
6. HOME OFFICE EXPENSES IN PERCENT OF FARM MORTGAGE INVESTMENT RELATED TO AMOUNT OF LOAN INVESTMENT, 1946 and 1947	30
7. NET INCOME IN PERCENT OF FARM MORTGAGE INVESTMENT RELATED TO AMOUNT OF LOAN INVESTMENT, 1945-47	32

Acknowledgments

The investigator's debt to those who supply primary data for his researches is more than usually heavy in the case of this work. As will be evident from the following sections, the study is based entirely on primary materials of a specialized and technical nature made available on a voluntary basis by a number of life insurance companies. Each company reported on a standard form, prepared with the advice of mortgage lending officers, and while this solved some of the problems of assembling data it could not avoid a good deal of necessary rearrangement and processing of the ordinary management records. We are particularly grateful, therefore, to the officers and staffs of those companies that responded to our requests for information.

This study is part of the Agricultural Finance Project of the Financial Research Program and will be followed by others dealing with related problems in the financing of agriculture. All of these are being prepared under generous grants of funds from the Association of Reserve City Bankers, the Life Insurance Investment Research Committee, acting for the American Life Convention and the Life Insurance Association of America, and the Rockefeller Foundation.

A good deal of the analytical work for the section in which findings are summarized, as well as a first draft of that section, were done by Mrs. Doris Warner of the Financial Research Program staff. It is a pleasure to acknowledge her contribution and that of Miss Katherine Krenning, who edited the manuscript.

R. J. SAULNIER
Director, Financial Research Program

August 1949