

The Present Status of the Mortgage Loan in the West



GEO. N. SEYMOUR

By Clyde E. Elliott

ONLY recently one of the prominent financial journals of this country made the statement that real estate mortgages now command the preference of investors as they have never done before in the history of the United States. The general unrest prevailing everywhere, coupled with the relentless attacks of the federal government, make for the most active investment in real estate loans ever recorded.

So it is of particular interest just now to detail here a few facts about real estate mortgage investments and to shed a little light on an Omaha institution that has recently been organized that an outlet may be provided in the west for real estate loans and safe investments of surplus funds afforded.

There is no question about the wisdom of land investments. A young man seeking a place to invest his money so that it will bring a safe return is advised by the disinterested to "place his money in lands." For centuries land has been the "safety vault of fortunes," for nothing is so stable, and, in the final analysis, nothing is so safe. The essential requirement of an investment is to place money where it will secure the principal and assure a safe and just return. No other field of investment does this so satisfactorily—so well and so fully—as real estate.

Not Necessary to Buy

Some are under the impression that in order to secure all the safe and just advantages of real estate it is necessary to buy land outright. No, this is no more the case than it is a fact that in order to secure investments in the United States government bonds or in the Union Pacific railroad it is necessary to buy these institutions. A mortgage will furnish the necessary contact between the investor and the real property in question. "The mortgage on real estate is the oldest form of financial obligation known to man, and the very fact that it has survived for four or five thousand years is proof of its soundness."

A quotation from a recent article by Frances H. Sisson, written for Leslie's Weekly, is pertinent at this point:

"Briefly stated, a mortgage is issued as collateral for a note or bond covering the obligation of the real estate owner to the money lender, which merely provides that in event of default of payment of the note or bond the real estate shall become the property of the creditor. While this has long been the accepted form of investment for conservative institutions and individuals, particularly savings banks, life insurance companies, trust companies and estates, it has been popularized and put within reach of the general investing class within the last few years.

"The popularization has been brought about simply by splitting up the whole into small units. The underlying security is the same, but there are issued bonds or certificates for bonds in small and varying amounts, equalling in face value the amount of the mortgage or mortgages against the mortgage held in trust as collateral. Thus a mortgage for \$10,000, which would be available only for persons of considerable means, can be divided into fifty or even a hundred bonds based upon it and so placed within reach of a large number of small investors.

Important Economically.

"These bonds are having a very important economic effect. They enable the small investor to participate in the best of investments otherwise available in large amounts and fixed sums, and aside from the temporal benefits conferred they bring to legitimate enterprises a new market, with an absorptive power which hardly can be estimated. This means the diverting into sound business channels of many millions of dollars from fake mines and oil wells, mythical industrial concerns and all sorts of frauds which hold out their bait to persons of small means."

"Mortgages or mortgage bonds are excellent foundation stones for present peace and future happiness. We are all familiar with instances in which apparently large estates have shrunk to slender proportions when the nature of the investments carried was made known. Many times the testator has invested heavily in stocks and bonds which were bought with the best possible intentions, but which never paid a cent of return and whose face values were purely fictitious.

"Mortgages do not bring these greivous discoveries. The widow and children do not require high-priced legal talent to determine the value of the mortgage, nor are they required to follow the reports in the daily papers to discover how much they are worth. Such a legacy pays its interest and matures its principal. The careful investor cannot do better for his survivors than to leave well-placed mortgages or the equally desirable mortgage bonds.

Mortgage Advantages.

An advantage that the mortgage possesses in contrast to that of other forms of investment is that of being simple, so simple that the man who knows little about financial affairs may readily understand just what he is going into and just what he is getting. Most forms of investment today tend toward the complicated. None there are who will say that present investments are trending toward the simple. Somehow or other vendors try to complicate investments, and therefore the average man who has money to invest is rather doubtful about where he shall place his confidence.

These complexities are not restricted to life or fire insurance contracts, but are to be found in various investments, various forms of corporation

financing and in the management of railroad enterprises.

As against the complex state of affairs found in these various forms, it is a pleasure to point to the simplicity of the farm and real estate mortgage and to know how it stands out in bold relief in its many virtues. Investors who have any doubt about the safety of investment in "good, old mortgages" can readily satisfy any suspicions by making an investigation. They can contrast and compare the mortgage investment with other forms and they will clearly see which is the better line for them.

In the mortgage the investor has a security the value of which does not depend in the least upon what the bucket-shop gambler does or upon what the powers of Wall street do. In real estate mortgages every bit of dangerous or tempting voting trust is done away with, and the man who places his money in this line is certain that he knows just what he is going to get.

"The investor in the real estate mortgage rests peacefully, knowing that the growing up and development of the country is constantly enhancing the value of his security and that there is an ever increasing demand for the products of the soil which is the basis of his trust.

Safe at All Times.

"He knows that fire insurance companies sometimes fail and that possibly buildings on the land mortgaged to him may all be destroyed, yet there never has been a fire hot enough to burn the land. He is, so long as his loan is in force, square and plump against his security at all times. Thieves cannot break through and steal it; neither can it be gambled away from him in any way, shape or manner. His simply and directly drawn paper follows the owner of the security without any lessening of its value. No man can threaten him and dilate what course he shall take in managing his loan."

"If the time of maturity comes around and he wishes to see the color of his money he makes the demand, and if he has exercised wisdom and judgment at the outset, his eyes behold the money. The simplest possible act will reveal to him any and all possible liens on his security that can in the least disturb him, which is taxes. All else follows. There is no fighting for precedence in the foreclosure suits—the first mortgage takes and holds its place determinedly, and without fear of molestation, knowing that the first product of the realization falls to him without effort. Some features of real estate loans are often undeveloped. When a farmer wants to borrow money he has a simple course to follow. He must clear his land from any and all incumbrances, satisfying the lender that he holds a good title to it; execute a single document that deeds the property to the lender, conditional only on his refusal to pay the loan when it matures. Nothing could be more simple or direct.

"Know the Men."

But even in dealing with so simple and time-honored a thing as a mortgage investment, it is necessary to make searching inquiry and give careful attention to the security offered. The amount of the mortgage or the face value of the bonds may be so large that there is not sufficient margin of safety; or the mortgaged property may be valued too highly. It may be of such a character that it will decrease or it may be located so that it is subject to this same depreciation in value. Then, too, it may not be a real mortgage at all, but merely a paper certifying that certain mortgages have been deposited in trust as collateral under a loosely drawn indenture which constitutes little, if any, real security.

So these are some of the pitfalls into which the investor with even the most conservative ideas may fall. Therefore, it is of particular interest to people of Nebraska and the middle west to know that Omaha is now the home of a mortgage loan company which was recently organized by some of the best bankers and other citizens of this state. It is the Bankers Mortgage Loan company, with offices in the Bee building. Its president is Thomas B. McPherson, who also is president of the South Omaha Live Stock Exchange, a director of the Union Stock Exchange National Bank. He organized and successfully operated for more than fifteen years the Union Stock Yards National Bank of South Omaha. F. McGovern, vice president, is president of the Commercial National Bank of Fremont, Neb., and he is also president of the Nebraska Bankers association.

Other members of the company are: H. George N. Seymour of Elgin, Neb.; H. A. Peters of Hay Springs, Neb., and W. E. Farlow of New York City. Mr. Seymour is president of the Elgin State Bank, and of the bank at Neligh,



THOMAS B. MCPHERSON

Neb. He is a former president of the Nebraska Bankers association. Mr. Peters is a banker and live stock man of Hay Springs.

Men in the Company.

It is of unusual interest to note that there are connected with this enterprise three former presidents of the Nebraska Bankers association—Messrs. J. P. A. Black, president German National Bank, Hastings, Neb.; J. W. Welpton, president Exchange Bank, Ogallala, Neb., and George N. Seymour, president of the Elgin state bank. A number of other leading bankers have taken a financial interest in the company, among whom are T. F. Birmingham, O'Neill; Levi Miller, Stanton; S. A. Snider and A. F. Nequist, Osceola; Elmer Williams, Grand Island; John T. Bressler, Wayne; Ed. L. Brooks, Winnetoon; Thomas E. Thompson, Herman Koch, A. F. Walla, West Point; Edward Renard, Bloomfield; C. E. Reynolds, Rising City; H. G. Meyer, Hooper; George E. Brigham, D. C. Cole, Shelby; F. W. Woods, Spencer; E. F. Dworak, David City; W. F. Pilley, Allen; W. A. Wittigman, Norfolk; D. A. Paul, Concord; Leroy Hall, Crawford; Colonel C. F. Coffee, Chadron; A. G. Collins, Hebron; George E. Salladin, Milford; D. C. Learner, Charles S. Beebe, Eph Anderson, Wakefield; E. M. Brass, Grand Island. In all more than fifty Nebraska bankers have given their financial and moral support to make this institution a success.

Character of the Highest.

The character of the men in the offices of this company is the best. Investigation proves that these officers and directors stand at the top among the reliable bankers and business men of Nebraska and the west. They can be gone to by investors with a feeling of confidence in the permanency and stability of the values behind the securities. The possibilities for blunders, mistakes and



WALTER A. GEORGE



F. MCGOVERN

fraud are fewer in number in the mortgage loan business than in almost any other line of investment. For this reason most investors are going to the company that can show the best character among its officers, a company that has a clean financial statement, a clean record and a satisfactory management in all things. The personnel of the Bankers Mortgage Loan company makes this corporation one in which investors are permitted to place all their confidence. They need only to study the character of the men and then they know just what kind of a company they are dealing with.

For many years bankers of this state have recognized the need for such a company as has been formed. President McPherson said in an interview on this point: "I have advocated the organization of this kind of a company for years; one large enough to supply the country banker with capital to develop the natural resources of the state, thus doing away with the uncertain and unsatisfactory conditions existing, or rather our dependence upon eastern companies for this kind of capital."

Bankers of Nebraska and the west realize the immense value of this new loan company, for as President McPherson tersely put it, "Capital is needed to develop the resources of the state." The Nebraska farmer often has need for money—need for it in a hurry—and he wants to go to the place where he can get it without any trouble, assured that the terms will be right and that all he does will be treated in a proper manner. Therefore, the farmer who wants money can go to the Bankers Mortgage Loan company, knowing that the men at the head of this corporation are the kind with which he can deal and get the fairest kind of terms.

At present it is very hard to secure loans on farms throughout the west, owing to the fact that capital is being employed for other purposes. The new Omaha institution, consequently, is said to be supplying just the long-felt need of the farmer, who now can borrow money, all the money that they need for the development of their farms.

So through this new company, it is expected, will come a higher efficiency among our farmers. The lands of the Nebraska and other western farmers will be highly developed and improved, and the result of a high order will be made everywhere. When the farmer can secure money to buy machinery and make other improvements there is a rapid and healthy growth among the rural communities. This has been history all over the country. So, in this new company many of the men who are interested in farms and farmers see the opportunity that has been awaited for years—the chance for farmers and others to get loans at reasonable figures and to, thereby, make the progress that the west needs, and that the west must make within the next few years.

It was as a result of this feeling for a strong mortgage loan company that the Bankers Mortgage Loan company, with an authorized capital of \$2,000,000, was organized, with an object of making it a factor in the development of the west, and a source of profit to its shareholders.

Purpose of Corporation.

Arrangements are being perfected which will enable the company to handle good loans by real estate mortgages in almost any amount, thereby making it a most desirable connection for all bankers who become interested as stockholders. The company is managed by local directors, all of whom have been successfully engaged in the loaning of money, as bankers, in the west for many years.

In a prospectus issued by the Bankers Mortgage Loan company the following interesting facts are detailed: "The most conservative investors, comprising savings banks, trust companies, insurance companies, etc., invest their funds largely in farm mortgages, a class of security hardly second to the government bond, having the very desirable advantage of paying double interest.

Few investors in farm mortgages have opportunity or inclination to loan their money direct to the farmer, but buy their securities from farm mortgage companies which have facilities for taking the choicest loans offered all over the United States. The mortgage company loans its money at rates much in excess of what it sells these mortgages to net the buyer, and turns its capital many times each year.

"One will readily see why these companies earn large dividends for their stockholders, as their money, invested in mortgages, is always earning a large rate of interest, and often as they turn their loans there is an extra profit of 2 per cent, or more. Established companies should turn their

capital at least twelve times a year, earning 60 per cent or more on their capital stock, the stockholders at all times having their money invested in high, clean farm mortgages, but earning much more than the direct investor, who only gets 5 or 6 per cent.

Large Capital Stock.

"The Bankers Mortgage Loan company, authorized capital stock \$2,000,000, par value twenty dollars (\$20.00) per share and non-assessable, was organized by Thomas B. McPherson and his associates for the purpose of buying and selling farm mortgages. Mr. McPherson, president of the new company, has carefully selected for its management men of the highest integrity, with wide experience in the mortgage business."

State Treasurer Walter A. George writes of the company as follows:

"After having investigated to my thorough satisfaction the incorporation of the Bankers Mortgage Loan company I was convinced that it was state being the incorporators, the stock should prove an A1 investment. The capital stock of \$2,000,000, together with a surplus, certainly would start the company out in the best possible condition and would be strong enough to handle the large increasing business of this country.

"I have thought of, and have advocated, this kind of a company for a long time, and to my mind there is no reason why a home company, organized as is this one, with headquarters at Omaha, should not start right in at the beginning with a big business. The main trouble heretofore with the loan companies has been that they were too far away from us and were too limited in capital. I am glad to have the privilege of joining in this work."

Colonel C. F. Coffee of Chadron writes of the company as follows: "I have given the loan business a good deal of thought for several years, wishing that a company of this kind would turn up. I honestly think the Bankers Mortgage Loan company will be a benefit to the country as well as to the stockholder. There is a great demand for such a company. Your plan seems to be all right and will be a winner and dividend payer."

The Best Investment

"The farm mortgage, with its simple security basis and the positive assurance that with the growing of the nation there will be a solid value to reality, probably increasing with the years, has a strong hold on this class of investors. It is necessary that they be informed on the methods of securing these investments, of course, for, strange as it may seem, there are many who are unfamiliar with the buying of mortgages. The probability is that this business quiet will continue for several months and more than likely that it will not be materially changed for more than a year. Then if there is nothing in national legislation to prevent we shall see a gradual starting up of business and greater confidence on the part of the men with money to make investments. He will be willing to place his money in such undertakings as are more speculative—but in the meanwhile it is a good time to interest him in the farm loan."

The Bankers Mortgage Loan company begins business under the most favorable of conditions and with the support of the best bankers and financial men of the state. It is recognized as just the company that is needed for Nebraska and the west, so the bankers are enthusiastic about it. The men at the head of the company are the best; they are recognized by all western financial men as being highly honest and thoroughly capable.

The field which this company has selected is ideal. On this point W. T. Auld, president of the Corn Exchange National Bank, says the following:

No Better Field

"In my opinion there is no better field for the operation of a large farm loan company than Omaha, located as it is in the center of one of the greatest farm-producing countries in the world. There is at this time, and there has been for several years, a very heavy demand for farm loans, and, in my opinion, it will continue. The trouble with the loan agencies in the state in the past is the fact that they have been unable to get the proper outlet for their paper, and get the money promptly, which is one of the most important things in the farm loan business."

"With all conditions favorable and with the western country strongly demanding such a company—through the banks and through the farmers—it is regarded as certain that the Bankers Mortgage Loan company will prosper rapidly and give Omaha and the west one of the largest corporations of its kind in the country. This cannot but help to swell the clearings of our Omaha banks very perceptibly on account of the vast sums of money that will be attracted to our state, and will also give employment to a large number of our people. In this way the company will be a great help to Omaha, the state of Nebraska and the entire north-west. It deserves, and undoubtedly will receive, the financial and moral support of the best citizens. Everywhere the officers and directors of the new company are receiving the most enthusiastic encouragement. They regard the favor and the interest of outsiders as an indication that they will fill a long felt want—and fill it well. The kind of men, it is said, that conduct a business have the making of the future of that business. So, with such a fact established, bankers are certain that the Bankers Mortgage Loan company will do great things for the farmers and other investors of Nebraska and the west. It has everything in its favor, and all are agreed that it should progress rapidly, taking along to success all its stockholders and all the investors."