

Iowa in the Area

Money at Interest: The Farm Mortgage on the Middle Border.

By Allan G. Bogue. (Ithaca: Cornell University Press, 1955.)

A review by Homer E. Socolofsky, Kansas State College.

Populist farm orators of the Nineties were prone to blame their own misfortunes on the greed and machinations of the moneylender. Farm mortgages, so they said, were forced on poor, helpless farmers who were required to pay usurious interest rates to unscrupulous bankers who wanted not only the interest but the land which secured the mortgage note.

Professor Allan Bogue of the State University of Iowa has brought together the results of extensive research in his first book to analyze these charges as applied to a limited area along the middle border country. The eastern investor in western farm lands and mortgages is represented by John and Ira Davenport of Bath, New York. The papers of the J. B. Watkins Land Mortgage Company of Lawrence, Kansas, provide illumination for actions of the middleman who invested eastern funds in western land. The land credit history of two townships, Pebble Township in Dodge County, Nebraska, where the Davenports had extensive dealings and in Kinsley Township in Edwards County, Kansas, where the Watkins Company had major investments, completes the study.

The mortgage business of the Davenport brothers was middle-sized when compared to that of other eastern investors. The Watkins enterprise, on the other hand, was one of the largest western mortgage companies. While operating from different parts of the country the Davenports and the Watkins Company limited themselves to loans which were almost identical. Neither had much interest in town loans, and farm loans were more often sought in recently settled areas where the price of land could be expected to appreciate.

Neither had as its major interest the acquisition of property offered for security. Foreclosures in the Davenports' case produced a lower return than would a regular mortgage note. Watkins tied up such large quantities of precious liquid capital in land which he purchased or foreclosed that he was finally forced into bankruptcy.

The usury laws somewhat restricted the interest rate of these loan agencies. To avoid prosecution for such a crime a loan would often be made in the name of one of the Davenport brothers, and their share of the commission would be credited to the older brother. These commission fees would be, in many cases, a sizable portion of the charges for the use of money. In 1874 Watkins offered three-year loans drawing 12 per cent interest. An 8½ per cent commission fee plus clerk and inspection fees raised the total cost of such loans as high as 15 to 17 per cent a year. But under competitive influences interest rates and other charges declined steadily during the remaining years of the nineteenth century. Bogue explains that of the four states studied, Illinois, Iowa, Kansas and Nebraska, only in the last named state "did the usury law perhaps have some effect in holding interest rates down."

This volume reopens the question, "What was the position of the money-lender along the newly-opened middle border country?" The author carefully avoids generalizations for the whole area based upon admittedly limited sources. But he makes the point that the Davenports and Watkins were honest in dealing with their borrowers. No attempt is made to indicate whether these moneylenders were atypical of their brethren. When they made business mistakes the author finds no basis for considering them other than honest errors of judgment. *Money At Interest* is well documented and has more than a score of tables to illustrate specific business activities. It makes a highly important contribution to the complete study of the agrarian movement in Illinois, Iowa, Nebraska, and Kansas.

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