



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-198066

MARCH 28, 1980

The Honorable Bob Bergland
The Secretary of Agriculture

AGC00042



111923

Dear Mr. Secretary:

Subject: [The Farmers Home Administration's Economic
Emergency Loan Program Could Be More Effective]
(CED-80-84)

HSEDD101

On January 31, 1980, we testified before the Subcommittee
on Conservation and Credit, House Committee on Agriculture,
on the effectiveness of the Farmers Home Administration's
(FmHA's) economic emergency loan program. (See enc. I.)
Since then we have completed our review and are now able to
recommend ways to improve the program.

AGC00358

The economic emergency loan program was authorized by
the Emergency Credit Adjustment Act of 1978. Our review of
the program was conducted in 10 States--California, Idaho,
Illinois, Iowa, Missouri, Nebraska, New York, North Carolina,
Oklahoma, and Wisconsin. (See enc. II.) Our analysis of 101
loan files in those States indicated that the main purpose of
the loans was to increase the borrowers' current cash flow
and assist with current operations. Loan proceeds did accom-
plish these purposes; however, it was too soon to tell if the
temporary loan program should be continued. The short-term
help in meeting current operating needs was evident, but in-
creasing the farmers' indebtedness could have an adverse long-
term effect which is compounded by such things as weather
conditions, cost-price squeezes, and the grain embargo.

PROBLEMS WITH DELINQUENCY RATES AND
LOAN GUARANTEES

We did find indications that the delinquency rate on
this program may be a problem and that only a small percentage
of the loans were guaranteed. Information obtained from the

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county offices on January 8 to 10, 1980, on 82 insured loans we had reviewed indicated that 38 percent of those borrowers and 53 percent of the dollars due on those loans by January 1, 1980, were delinquent. About half of the delinquencies were on loans made for 8 to 40 years.

Discussions with FmHA officials and bankers in a wide range of communities indicated that banks are referring borrowers to the program for insured loans, since the banks generally prefer to handle only short-term (1 year) farm operating loans or consumer-type loans at higher rates and shorter terms than those used in the guaranteed loan program. The guaranteed loans had not been aggressively publicized.

Recommendation

We recommend that you direct the Administrator, FmHA, to:

X --Keep apprised of delinquency rates and "graduations" to private credit since our review indicated a potential delinquency problem and graduations back to regular credit would therefore become even harder to attain.

--Emphasize more bank participation in guaranteed loans, especially short-term ones.

USES AND PURPOSES OF ECONOMIC EMERGENCY
LOAN FUNDS SHOULD BE CLARIFIED

Information obtained in each county office visited indicated that economic emergency loans were made because regular farm ownership or operating loans were limited or not available or the loan amount exceeded the maximum limits for individual loans under regular loan programs. In some cases economic emergency loans refinanced very recent land purchases because of limited farm ownership monies. The latter action circumvents the prohibition that additional land cannot be purchased with economic emergency loan funds. We also noted that the law did not specifically require a determination, and local officials did not usually determine, whether borrowers could have obtained credit from other than their usual lender on insured loans.

Recommendation

We recommend that you direct the Administrator, FmHA,
to:

- X --Explore whether the economic emergency loan program should continue to be, in effect, a supplement of the existing farm ownership and operating loan programs or whether raising the limits on those programs or having one combined program to cover the purposes of the present farmer loan programs would better meet the farmers' needs and be more administratively efficient.
- Seek guidance from the congressional legislative committees on how long land should be held before it can be refinanced under this program.
- Tighten agency regulations on "credit elsewhere" to bring them in line with the requirements of the farm ownership and operating loan programs.

USE OF EMERGENCY LOANS TO REFINANCE EXISTING
INDEBTEDNESS SHOULD BE REEXAMINED

Much of the economic emergency loan proceeds were used to refinance existing indebtedness on other loans, such as bank loans and Federal Government loans--Small Business Administration, Agricultural Stabilization and Conservation Service, and other FmHA loans. We question the long-range impact of the program funds on the farmers' financial condition. This impact of refinancing and continued borrowing is illustrated by the example in enclosure III.

X Recommendation

We recommend that the program be reexamined by FmHA within a year, with particular attention given to the effects on farmers' payback ability and overall financial situation, so that controls and guides may be established for future use to ensure that those who have the basic financial foundation can succeed.

We discussed our recommendations with FmHA officials who generally agreed with them. They stated that FmHA has

recently attempted to limit refinancing of debt by only financing the amount currently due plus one payment.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the House Committee on Agriculture; the Senate Committee on Agriculture, Nutrition and Forestry; the Director, Office of Management and Budget; the Assistant Secretary for Rural Development; the Administrator, FmHA; and the Inspector General.

We would be pleased to discuss these matters with you or members of your staff and would appreciate receiving your comments on any action taken or planned.

Sincerely yours,



Henry Eschwege
Director

Enclosures - 3

UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 2:00 P.M. EST
THURSDAY, JANUARY 31, 1980STATEMENT OF
HENRY ESCHWEGE, DIRECTOR
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION
BEFORE THE SUBCOMMITTEE ON CONSERVATION AND CREDIT
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
ON
FARMERS HOME ADMINISTRATION'S ECONOMIC EMERGENCY
LOAN PROGRAM

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE ARE HERE AT YOUR REQUEST TO DISCUSS OUR CURRENT REVIEW OF THE FARMERS HOME ADMINISTRATION'S (FmHA'S) ECONOMIC EMERGENCY LOAN PROGRAM. THE REVIEW IS NOT YET COMPLETED, BUT IN VIEW OF YOUR PENDING DECISION ON THE FUTURE OF THE PROGRAM, WE ARE GLAD TO PROVIDE YOU SOME OF OUR TENTATIVE FINDINGS AND OBSERVATIONS.

BACKGROUND

THE ECONOMIC EMERGENCY LOAN PROGRAM STARTED ON AUGUST 4, 1978, AND IS SCHEDULED TO TERMINATE MAY 15, 1980. LOANS ARE TO BE MADE TO FARMERS AND RANCHERS WHO HAVE A REASONABLE PROSPECT FOR SUCCESS WITH THE ASSISTANCE OF A LOAN AND WHO NEED THE CREDIT TO MAINTAIN A VIABLE OPERATION. BORROWERS MAY BE ELIGIBLE IF THEY CANNOT GET CREDIT AT REASONABLE RATES AND TERMS FROM NORMAL CREDIT SOURCES DUE TO NATIONAL OR AREAWIDE ECONOMIC STRESSES OR, UNFAVORABLE RELATIONSHIPS BETWEEN COSTS

AND PRICES. THE TOTAL PRINCIPAL BALANCE OUTSTANDING AT ANY ONE TIME ON INSURED AND GUARANTEED LOANS CANNOT EXCEED \$4 BILLION.

THE FmHA INSURED AND GUARANTEED LOANS ARE MADE FROM OR GUARANTEED BY THE ECONOMIC EMERGENCY LOAN FUND (A REVOLVING FUND) AND BOTH ARE INSURED THROUGH THE AGRICULTURAL CREDIT INSURANCE FUND. INTEREST RATES FOR THE INSURED LOANS, WHICH IN EFFECT ARE DIRECT LOANS, ARE BASED ON THE COST OF GOVERNMENT BORROWING. CURRENTLY, THE INTEREST RATE ON REAL ESTATE-SECURED LOANS IS 10 PERCENT; AND ON CHATTEL-SECURED LOANS, 10.5 PERCENT. THE INTEREST RATE FOR GUARANTEED LOANS IS NEGOTIATED BY THE BORROWER AND THE LENDER.

ECONOMIC EMERGENCY LOANS CANNOT BE USED TO PURCHASE OR LEASE ADDITIONAL LAND. THE TOTAL AMOUNT OF LOANS AT ANY TIME FOR A BORROWER CANNOT EXCEED \$400,000 AND CAN BE USED TO REFINANCE EXISTING DEBTS; REORGANIZE OPERATIONS; PURCHASE OPERATING SUPPLIES, STOCK, AND EQUIPMENT; AND PAY OTHER ESSENTIAL OPERATING EXPENSES. AT JANUARY 19, 1980, FmHA HAD APPROVED AND OBLIGATED ABOUT \$3.9 BILLION AND HAD RECEIVED REPAYMENTS OF ABOUT \$243 MILLION; THEREFORE, ALMOST \$366 MILLION WAS STILL AVAILABLE FOR LOANS BEFORE THE PROGRAM EXPIRES IN MAY 1980.

RESULTS OF REVIEW

OUR REVIEW OBJECTIVE WAS TO EVALUATE THE EFFECTIVENESS OF THE PROGRAM AND WAS PRIMARILY DIRECTED TOWARDS ANALYZING A CROSS-SECTION OF ECONOMIC EMERGENCY LOAN FILES IN 10 STATES

WITH HIGH DOLLAR VOLUME, HIGH LOAN VOLUME, HIGH AVERAGE SIZE LOAN AMOUNT, AND A COVERAGE OF DIFFERENT TYPES OF FARM OPERATIONS. IN EACH STATE, WE SYSTEMATICALLY SAMPLED LOAN FILES TO DETERMINE (1) THE FINANCIAL STATUS OF THE BORROWERS, (2) THE AVERAGE LOAN SIZE AND TERM, (3) HOW THE LOAN PROCEEDS WERE USED, AND (4) THE EXTENT TO WHICH THE BORROWERS COULD HAVE OBTAINED CREDIT FROM NORMAL SOURCES. IN TOTAL, WE EXAMINED 101 LOAN FILES OUT OF A UNIVERSE OF ABOUT 19,400 IN THE 10 STATES. THE 101 LOAN FILES INCLUDED INDIVIDUAL FARMERS, PARTNERSHIPS, AND FAMILY CORPORATIONS. WHILE THE SAMPLE CANNOT BE PROJECTED TO THE UNIVERSE, WE FOUND NO EVIDENCE OF THESE LOAN FILES BEING ATYPICAL.

OUR ANALYSIS SHOWED THAT THE AVERAGE BORROWER OF AN ECONOMIC EMERGENCY LOAN HAD A NET WORTH OF \$202,000 AND A FARM OF ABOUT 570 ACRES. THE AVERAGE LOAN WAS ABOUT \$137,000 AND WAS REPAYABLE FOR PERIODS UP TO 40 YEARS. SOME LOANS WERE MADE TO COVER CURRENT OPERATING COSTS AND WERE PAYABLE WITHIN A YEAR, BUT MOST WERE FOR 7- TO 40-YEAR PERIODS AND WERE SECURED BY EQUIPMENT AND CROP CHATTELS OR REAL ESTATE MORTGAGES. THE MAIN PURPOSE OF THE LOANS WAS TO INCREASE CURRENT CASH FLOW AND ASSIST WITH CURRENT OPERATIONS.

LET ME BRIEFLY DISCUSS SOME OF THE INFORMATION WE HAVE DEVELOPED.

GUARANTEED LOANS NOT
POPULAR WITH LENDERS

ONLY ABOUT 4 PERCENT OF THE LOANS MADE AS OF SEPTEMBER 30, 1979, WERE GUARANTEED, WHILE 96 PERCENT WERE INSURED LOANS.

FmHA HAD GUARANTEED \$135 MILLION IN LOANS BUT HAD MADE \$2.95 BILLION IN INSURED LOANS. BEFORE THE PROGRAM GOT UNDERWAY, IT WAS ESTIMATED THAT 50 PERCENT OF THE LOANS WOULD BE GUARANTEED.

DISCUSSIONS WITH FmHA OFFICIALS AND BANKERS IN A WIDE RANGE OF COMMUNITIES INDICATED THAT

--BANKERS HAVE MADE NO COMMITMENTS TO PARTICIPATE IN THE GUARANTEED PROGRAM.

--BANKS ARE REFERRING BORROWERS TO FmHA SINCE THE BANKS GENERALLY PREFER TO HANDLE ONLY SHORT-TERM (1 YEAR) FARM OPERATING LOANS OR CONSUMER-TYPE LOANS AT HIGHER RATES AND SHORTER TERMS THAN THOSE USED BY FmHA.

IN ONE STATE WHERE GUARANTEED LOANS WERE BEING USED MORE EXTENSIVELY, WE FOUND THAT THIS OCCURRED BECAUSE THE FARMERS HAD MONTHLY INCOME FROM MILK CHECKS AND THEREFORE WERE PRESUMED TO BE ABLE TO MEET THE ESTABLISHED MONTHLY PAYMENTS. AS A PART OF THE GUARANTEED LOAN CONTRACT, THE LENDERS REQUIRED AN ASSIGNMENT OF A PORTION OF THE MONTHLY MILK RECEIPTS AS THE MONTHLY LOAN PAYMENT.

FmHA OFFICIALS AT BOTH THE STATE AND COUNTY LEVELS HAVE STATED THAT THE ECONOMIC EMERGENCY LOAN PROGRAM "BAILED OUT" THE BANKS AND DID VERY LITTLE TO ENCOURAGE LENDERS TO PARTICIPATE IN FARMING LOANS. FmHA HAS NOT BEEN AGGRESSIVE IN PUBLICIZING AND PROMOTING THE GUARANTEED PORTION OF THE PROGRAM.

ECONOMIC EMERGENCY LOAN FUNDS
USED IN LIEU OF OTHER PROGRAM FUNDS

ECONOMIC EMERGENCY LOAN FUNDS WERE USED IN LIEU OF FARM OWNERSHIP AND FARM OPERATING LOANS. FmHA OFFICIALS CONSIDER THE ECONOMIC EMERGENCY LOAN PROGRAM A GOOD SUPPLEMENT TO THE OTHER FmHA PROGRAMS AND BELIEVE IT SHOULD BE CONTINUED BECAUSE OF ITS BENEFIT TO THE FARMERS. THESE OFFICIALS CONTEND THIS IS SO BECAUSE THE FUNDING ON FARM OWNERSHIP AND OPERATING PROGRAMS IS OFTEN EXHAUSTED. ALSO, UNLIKE THE ECONOMIC EMERGENCY LOAN PROGRAM WHICH ALLOWS LOANS TO BE MADE UP TO \$400,000 PER BORROWER, AN INSURED LOAN UNDER THE FARM OWNERSHIP PROGRAM IS LIMITED TO \$200,000, AND AN INSURED LOAN UNDER THE OPERATING LOAN PROGRAM IS LIMITED TO \$100,000.

INFORMATION OBTAINED IN EACH COUNTY VISITED INDICATED THAT ECONOMIC EMERGENCY LOANS WERE MADE BECAUSE REGULAR OWNERSHIP OR OPERATING LOAN FUNDS WERE LIMITED OR NOT AVAILABLE. THE FOLLOWING EXAMPLE SHOWS HOW THIS OCCURS. A RANCHER BORROWED \$386,000 OF WHICH \$167,500 WAS TO REFINANCE OLD DEBTS AND \$218,500 WAS FOR CURRENT EXPENSES AND TO PURCHASE LIVESTOCK. SINCE THE \$218,500 EXCEEDED THE MAXIMUM OF \$100,000 AVAILABLE UNDER THE OPERATING LOAN PROGRAM, FmHA MADE THE ENTIRE LOAN FROM THE ECONOMIC EMERGENCY PROGRAM.

A FURTHER EXAMPLE INVOLVES A FARMER WHO NEEDED \$15,000 FOR PRODUCTION EXPENSES AND \$4,000 FOR RENT ON LAND. HE QUALIFIED FOR AN OPERATING LOAN, BUT OPERATING LOAN FUNDS HAD BEEN EXHAUSTED SO HE WAS GIVEN AN ECONOMIC EMERGENCY LOAN.

REQUIREMENT THAT NO ADDITIONAL
LAND BE PURCHASED OR LEASED IS
CIRCUMVENTED

THE ACT PROVIDES THAT NO LOAN MAY BE MADE IF ITS PURPOSE IS TO PURCHASE OR LEASE ADDITIONAL LAND. ALTHOUGH WE FOUND NO DIRECT PURCHASE OR LEASING OF ADDITIONAL LAND WITH ECONOMIC EMERGENCY LOAN PROCEEDS, WE DID NOTE INSTANCES WHERE FARMERS HAD CONTRACTED TO BUY ADDITIONAL LAND ON SHORT-TERM DEMAND NOTES FROM THEIR BANKS IMMEDIATELY PRIOR TO APPLYING TO FmHA FOR AN ECONOMIC EMERGENCY LOAN TO COVER THE MORTGAGE. COUNTY SUPERVISORS TOLD US THAT SOME APPLICANTS QUALIFIED FOR A FARM OWNERSHIP LOAN, BUT SINCE NO MONEY WAS AVAILABLE IN THAT PROGRAM, ECONOMIC EMERGENCY LOANS WERE USED TO PAY BACK THE BANKS.

TESTS FOR CREDIT ELSEWHERE
NOT UNIFORMLY APPLIED

THE ECONOMIC EMERGENCY LOAN PROGRAM WAS ESTABLISHED TO ALLOW FARMERS AND RANCHERS TO STAY IN BUSINESS WHEN THEY COULD NOT GET CREDIT AT REASONABLE RATES AND TERMS FROM NORMAL SOURCES DUE TO NATIONAL ECONOMIC STRESSES OR UNFAVORABLE RELATIONSHIPS BETWEEN COSTS AND PRICES. WE FOUND THAT ONLY IN ISOLATED CASES WERE TESTS MADE TO DETERMINE WHETHER CREDIT WAS AVAILABLE ELSEWHERE. FOR EXAMPLE, A FAMILY CORPORATION HAD ASSETS OF \$1,805,000 AND LIABILITIES OF \$377,000 RESULTING IN A NET WORTH OF \$1,428,000. THE FAMILY ONLY OWED \$104,000 AGAINST REAL ESTATE VALUED AT \$1,235,000. THE LOAN FILE INDICATED THIS TO BE A VERY WELL-RUN, VIABLE OPERATION. THE AMOUNT THE CORPORATION WANTED TO BORROW WAS GREATER THAN THE LOCAL BANK

WOULD LEND, BUT THE FmHA COUNTY SUPERVISOR SAID HE WAS REASONABLY SURE THE FEDERAL LAND BANK WOULD HAVE MADE THE LOAN. HOWEVER, THE CORPORATION PREFERRED NOT TO BORROW FROM THE FEDERAL LAND BANK; FmHA MADE THE LOAN FOR \$400,000.

REPAYMENTS OF EARLY
INSTALLMENTS ARE DELINQUENT

THE PAY BACK ABILITY OF EARLY BORROWERS UNDER THE PROGRAM HAS NOT BEEN ESTABLISHED. WE FOUND INDICATIONS THAT DELINQUENCIES MAY BE A PROBLEM. ON JANUARY 8-10, 1980, WE RECONTACTED THE COUNTY OFFICES TO ASCERTAIN WHETHER THE PAYMENTS DUE ON JANUARY 1, 1980, HAD BEEN MADE. OUR TESTS ON THESE EARLY LOANS INDICATED THAT FOR 82 LOANS ON WHICH FIRST PAYMENTS WERE DUE, 38 PERCENT WERE DELINQUENT. FmHA HAD ANTICIPATED A DELINQUENCY RATE OF 15 PERCENT. IN TERMS OF DOLLAR DELINQUENCY, WE FOUND THAT 53 PERCENT OF THE DOLLAR PAYMENTS SCHEDULED WERE DELINQUENT.

ABILITY TO GRADUATE BORROWERS
TO OTHER CREDIT SOURCES IS
HIGHLY QUESTIONABLE

THE ACT PROVIDES THAT FOR INSURED LOANS THE APPLICANT SHOULD GRADUATE TO OTHER SOURCES SUCH AS BANKS AS SOON AS HE IS ABLE TO OBTAIN SUCH A LOAN. THE ECONOMIC EMERGENCY LOAN PROGRAM WAS TO KEEP THE BORROWER IN BUSINESS AND PROVIDE THE FARMERS THE OPPORTUNITY TO GET CREDIT FROM OTHER SOURCES.

OUR DISCUSSION WITH LENDERS, BORROWERS, AND FmHA OFFICIALS DISCLOSED THAT, GENERALLY, THE LENDERS WERE REFERRING BORROWERS TO FmHA FOR LONG-TERM LOANS. THE LENDERS PREFERRED

TO MAKE SHORT-TERM OPERATING LOANS AND HIGH RATE CONSUMER-TYPE LOANS FOR 1 TO 3 YEARS IN LIEU OF THE LONG-TERM, LOW RATE REAL ESTATE, AND OTHER CHATTEL LOANS FOR FARMERS. SINCE MOST OF THE LOANS ARE FOR LONGER TERMS AND BANKERS ARE NOT VERY INTERESTED IN THESE LOANS, THE ABILITY TO GRADUATE BORROWERS TO OTHER CREDIT SOURCES IS HIGHLY QUESTIONABLE.

OBSERVATIONS

THE RESULTS OF OUR REVIEW TO DATE SUGGEST THAT THE CONGRESS, IN CONSIDERING AN EXTENSION OF THE ECONOMIC EMERGENCY LOAN PROGRAM, MAY WANT TO

1. ENCOURAGE FmHA TO SEEK BANKS' PARTICIPATION IN GUARANTEED LOANS, ESPECIALLY WHEN SHORT-TERM LOANS ARE INVOLVED.
2. DECIDE WHETHER IT WISHES TO CONTINUE HAVING THE ECONOMIC EMERGENCY LOAN PROGRAM BE, IN EFFECT, A SUPPLEMENT OF THE EXISTING FARM OWNERSHIP AND OPERATING LOAN PROGRAMS. ALTERNATIVES MIGHT BE TO (1) RAISE THE LIMITS ON THE FARM OWNERSHIP AND OPERATING LOAN PROGRAMS AND TERMINATE THE ECONOMIC EMERGENCY LOAN PROGRAM AND (2) HAVE ONE COMBINED PROGRAM TO COVER THE PURPOSES OF THE PRESENT FmHA FARMER LOAN PROGRAMS.
3. EXPRESS ITSELF ON WHETHER IT WANTS TO PRECLUDE THE REFINANCING, WITH ECONOMIC EMERGENCY LOAN FUNDS, OF ADDITIONAL LAND ACQUISITIONS AND LEASES INITIALLY FINANCED BY BANKS ON A SHORT-TERM BASIS TO CIRCUMVENT

THE ACT'S PROHIBITION AGAINST SUCH FINANCING. FOR EXAMPLE, THE CONGRESS MAY WANT TO SET A TIME LIMIT ON HOW LONG PROPERTY MUST BE OWNED BEFORE IT CAN BE REFINANCED WITH ECONOMIC EMERGENCY LOAN FUNDS.

4. REEXAMINE THE POSSIBILITY OF TIGHTENING THE CREDIT ELSEWHERE PROVISIONS OF THE ACT TO BRING THEM IN LINE WITH PROVISIONS OF THE FARM OWNERSHIP AND OPERATING LOAN PROGRAM REQUIREMENTS.
5. KEEP APPRISED OF DELINQUENCY RATES AND GRADUATIONS EXPERIENCED AND PROVIDE FOR A REEXAMINATION OF PROGRAM EXPERIENCE WITHIN A YEAR.

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THIS CONCLUDES MY PREPARED STATEMENT, MR. CHAIRMAN.
WE WILL BE PLEASED TO RESPOND TO YOUR QUESTIONS.

STATE AND COUNTIES INCLUDED IN REVIEW

- | | |
|-------------------|---|
| 1. California | Shasta
Siskiyou |
| 2. Idaho | Madison
Owyhee |
| 3. Illinois | Coles
Macoupin |
| 4. Iowa | Buchanan
Shelby |
| 5. Missouri | Miller/Morgan
(served by one FmHA office)
Randolph |
| 6. Nebraska | Butler
Hall
Jefferson |
| 7. New York | Jefferson
Onondaga/Oswego
(served by one FmHA office) |
| 8. North Carolina | Nash
Sampson |
| 9. Oklahoma | Caddo
Kingfisher
Noble |
| 10. Wisconsin | Columbia
Langlade |

FARMING WITH LOANS: ONE BORROWER'S PLIGHT

The following is an example of one farmer's financial situation at three points in time before he received his economic emergency loan and at one point in time since. We cannot project what his future financial position will be but his current prospects are not good.

In 1979 this crop farmer received an initial economic emergency loan for \$51,500 and two subsequent loans totaling \$2,500. One of the purposes of the initial loan was to re-finance a \$10,450 operating loan a bank was about to fore-close on. No payments had been received on the economic emergency loans as of February 20, 1980.

Farm and home plan financial statement
and income/expense projections as of:

	<u>4/1/77</u>	<u>1/9/78</u>	<u>11/9/78</u>	<u>1/17/80</u>
Total assets	\$80,700	\$ 80,700	\$ 99,750	\$107,000
Total liabilities	<u>79,100</u>	<u>74,300</u>	<u>102,100</u>	<u>164,000</u>
Net worth	<u>\$ 1,600</u>	<u>\$ 6,400</u>	<u>\$ (2,350)</u>	<u>\$ (57,000)</u>
Total cash farm income	87,700	133,300	138,000	139,000
Cash farm operating expenses	<u>69,100</u>	<u>84,600</u>	<u>120,050</u>	<u>94,700</u>
Net cash farm income and nonfarm income	21,600	48,700	17,950	a/49,300
Less cash family living expenses	<u>6,000</u>	<u>7,000</u>	<u>8,000</u>	<u>10,200</u>
Net cash income	<u>\$15,600</u>	<u>\$ 41,700</u>	<u>\$ 9,950</u>	<u>\$ 39,100</u>
Balance available (note b)	\$58,700	\$ 95,600	\$ 97,970	\$120,300
Debt repayment per plan	56,300	62,590	c/101,940	d/161,790

- a/Includes \$5,000 of nonfarm income.
- b/Includes projected net cash income, cash carryover, loans, and interest deducted as cash farm operating expense, less capital expenditures.
- c/Based on cash availability Farm & Home plan shown although \$101,940 would be due, only \$91,650 would be planned for repayment. Balance to be deferred.

Principal and part of the interest payments due in 1979 included the following:

FmHA: Economic emergency loan	\$51,500	
Plus interest thereon	<u>2,800</u>	
	54,300	
Economic emergency loan	1,500	
Economic emergency loan	1,000	
Operating loan	<u>6,340</u>	\$ 63,140
Federal land bank		3,000
Bank and private loans		<u>35,800</u>
		<u>\$101,940</u>

- d/Based on cash availability, \$161,790 would be due but only \$120,300 would be planned for repayment. Principal and part of the interest due in 1980 included the following:

FmHA: Disaster emergency loan	\$56,800	
Operating and economic emergency loans	<u>67,390</u>	\$124,190
Private loans and open accounts		<u>37,600</u>
		<u>\$161,790</u>