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*REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES*

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Personnel Management
Improvements Initiated
Or Needed To Help
Farmers Home Administration
Meet Its Expanded Missions

Department of Agriculture

The Farmers Home Administration's rural development mission has been greatly increased over the last several years. A system is being developed to determine how many people are needed to effectively implement its programs.

The agency needs to hire and train people in some of the more technical areas. Some opportunities exist for the agency to improve its service and to reduce the cost of this service to both the agency and rural borrowers.

RED-76-16

SEPT. 10, 1975

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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

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The Honorable Dick Clark, Chairman
Subcommittee on Rural Development
Committee on Agriculture and Forestry
United States Senate

S. 106

Dear Mr. Chairman:

This report discusses the expansion of the missions of the Farmers Home Administration, Department of Agriculture, over the last several years and some personnel management improvements that have been initiated or are needed to help meet these expanded missions.

02122 We made our review pursuant to your request and that of Senator George S. McGovern, Chairman, Subcommittee on Agricultural Credit and Rural Electrification, Senate Committee on Agriculture and Forestry. The Administrator of the Farmers Home Administration and his staff gave us their full cooperation.

S. 106

The Department's comments have been incorporated in the report and its letter is included as appendix VI.

03
We are also sending this report to Senator McGovern. We are sending copies to the Secretary of Agriculture; the Director, Office of Management and Budget; the Chairmen of the Senate and House Committees on Appropriations, the Budget, and Government Operations; and other interested congressional committees and Members of Congress.

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Sincerely yours

Comptroller General
of the United States

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ABBREVIATIONS

| | |
|-------|--|
| FmHA | Farmers Home Administration |
| GAO | General Accounting Office |
| JFMIP | Joint Financial Management Improvement Program |
| USDA | U.S. Department of Agriculture |

COMPTROLLER GENERAL'S
REPORT TO THE SUBCOMMITTEES
ON RURAL DEVELOPMENT AND
ON AGRICULTURAL CREDIT AND
RURAL ELECTRIFICATION, SENATE
COMMITTEE ON AGRICULTURE
AND FORESTRY

PERSONNEL MANAGEMENT IMPROVEMENTS
INITIATED OR NEEDED TO HELP
FARMERS HOME ADMINISTRATION
MEET ITS EXPANDED MISSIONS
Department of Agriculture

D I G E S T

Established in 1946 as successor to the Farm Security Administration and the earlier Resettlement Administration, the Farmers Home Administration has grown from a credit agency for low-income farmers to a major financial agency providing assistance for agricultural and rural development. (See pp. 1 to 7.)

Because of this growth and concern that Farmers Home Administration programs be carried out in a businesslike and efficient manner, the Chairmen of the two subcommittees identified above asked GAO to determine whether

--the agency has enough employees with adequately diverse backgrounds and abilities to carry out its missions and

--its services are being delivered to the public in a cost-effective way.

GAO's conclusions and recommendations on these matters follow.

DEVELOPING A BETTER SYSTEM FOR
DETERMINING STAFF REQUIREMENTS

Before Farmers Home Administration staff needs can be determined adequately, a reasonable estimate of how long it takes to do specific jobs is required. This estimate must take into account factors affecting the productivity of the agency's individual offices.

Although the agency was using a work measurement system to calculate the average times taken to make and service loans, the system did not make

sure that the data was representative of all its offices, nor did it obtain information on local factors which would cause variances from national averages.

GAO's study in Georgia, Missouri, and Montana indicated that several factors affected the productivity of the agency's county offices and that loanmaking and servicing times could therefore be expected to vary substantially. These factors included the availability of clerical assistance, the income and education levels of applicants, and the skills available or needed at the local offices.

The agency has enlisted the aid of the Joint Financial Management Improvement Program in developing a new system for determining staff needs and has given the project high priority. This joint task force plans to use data GAO developed and will test the new system in the same States GAO studied. GAO agrees with this approach.

Developing and implementing an improved system should allow the agency to better determine its staff needs and should help insure that its services are being more efficiently and uniformly delivered to the public. (See pp. 8 to 18.)

NEED TO IMPROVE EMPLOYEE CAPABILITY AND TRAINING

Although the Farmers Home Administration continues to need employees with agricultural education and experience, its hiring efforts have not succeeded in acquiring enough employees with other backgrounds.

Some State offices have not hired the technical specialists needed to fully implement some of the newer programs, such as multifamily housing, business and industrial loans, and community facilities. These specialists are needed to assist and train the county supervisors. The agency's efforts to enlarge these programs will be hindered until such specialists are available.

The amount of training provided county office employees is left to the State offices and varies considerably among the States. Most agency employees in the three States studied thought they needed additional training.

Until the agency hires and trains enough technically skilled employees, it will not be able to effectively implement the newer rural development programs on more than a limited basis. (See pp. 19 to 27.)

GAO's recommendations on hiring and training are on page 27.

OPPORTUNITIES TO IMPROVE
SERVICE AND REDUCE COSTS

To increase operational efficiency and to help reduce both borrower and Government costs, the Farmers Home Administration plans to change its method of providing loan funds from a one-time deposit in a supervised bank account where funds may sit idle for long periods to a multiple advance system with advances timed to meet borrower needs.

GAO estimates that 93,000 fiscal year 1974 borrowers paid unnecessary interest of \$14.8 million on idle funds during that year and that the agency, which charges some borrowers interest at rates less than the Government's borrowing rate, incurred an additional \$4.9 million in interest costs. (See pp. 29 and 30.)

County supervisors need to be made more aware of opportunities for involving commercial lenders in the agency's programs to obtain maximum benefits from the programs. Moreover, the programs need to be better publicized within the commercial lending community.

Increased use of commercial lenders in the agency's joint financing and loan guarantee programs would permit better use of its employees and would allow for a broader

distribution of its funds, increasing the pace of rural development. (See pp. 30 and 35.)

Recognizing the need for more positive control and monitoring of loan packaging--having land developers and homebuilders assist in preparing prospective borrowers' housing loan applications--the agency revised its loan-packaging instructions in January 1975.

Until the implementation of these instructions is evaluated, however, their effectiveness in helping to overcome the problems that appear to be associated with loan packaging--inadequate counseling of applicants and increased delinquencies and servicing time--will not be known. (See pp. 32 and 35.)

GAO's recommendations on use of commercial lenders and on loan packaging are on page 35.

The Department of Agriculture's comments on GAO's recommendations are on pages 27 and 35.

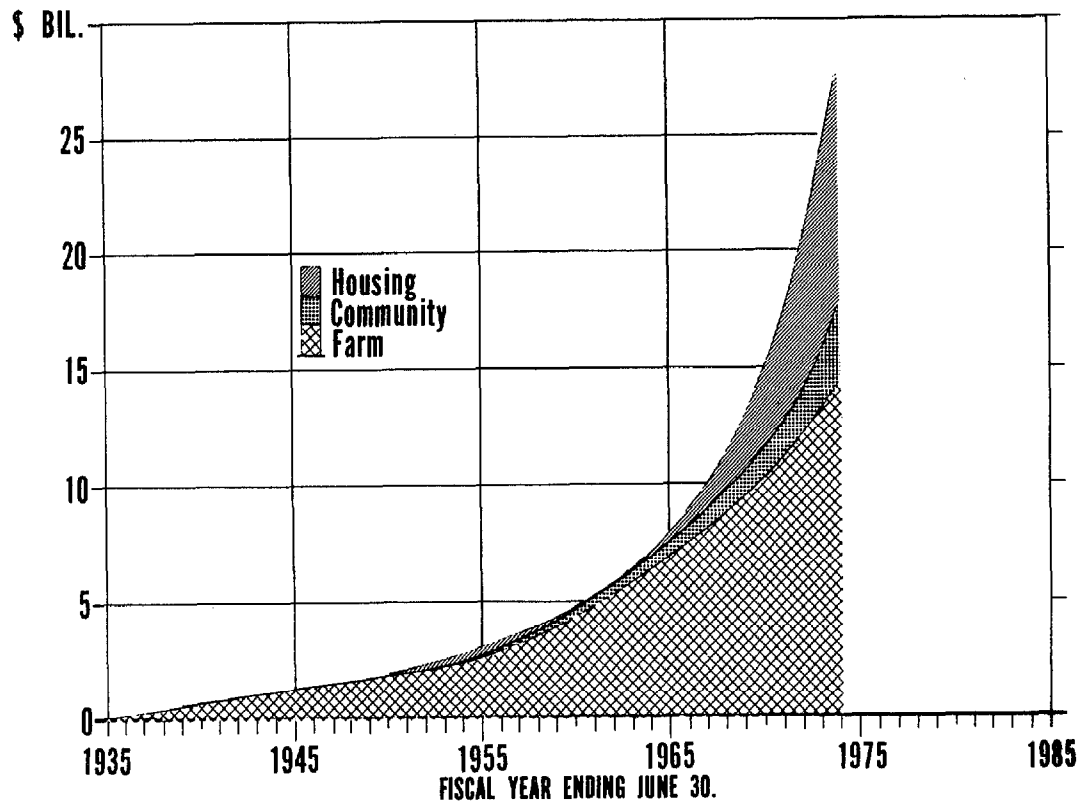
CHAPTER 1

INTRODUCTION

Since its establishment in 1946 as the successor agency to the Farm Security Administration and the earlier Resettlement Administration, the Farmers Home Administration (FmHA), U.S. Department of Agriculture (USDA), has grown from a credit agency for low-income farmers to a major Federal agency providing financial assistance for agricultural and rural development.

From fiscal years 1935 through 1974, FmHA and its predecessor agencies, through an increasing number and variety of programs, had advanced or obligated about \$27.6 billion in more than 7 million loans and grants as shown in the following FmHA graph.

CUMULATIVE DOLLARS LOANED BY MAJOR PROGRAM



Of the \$27.6 billion, about \$18.3 billion, or two-thirds, moved through FmHA's programs from 1966 through 1974, including \$12 billion from 1971 through 1974. Loan balances outstanding on June 30, 1974, totaled \$12.7 billion. FmHA's budgeted program level for fiscal year 1975 was about \$4.5 billion.

Because of the growth of FmHA's programs and concern that they be carried out in a businesslike and efficient manner, the Chairmen of the Subcommittees on Rural Development and on Agricultural Credit and Rural Electrification of the Senate Committee on Agriculture and Forestry asked us to determine

- what missions the Congress has specified for FmHA other than making farm loans,
- whether FmHA has enough employees to carry out those missions,
- whether FmHA employees have adequately diverse backgrounds and abilities to carry out those missions, and
- whether FmHA's services are being delivered to the public in a cost-effective way.

Because the questions on staff size and employee backgrounds and abilities are extremely difficult and time consuming to answer, it was decided in a subsequent discussion with the Committee staff that we would develop and test in three States a system for evaluating FmHA's staffing levels and employee capabilities. (We selected Georgia, Missouri, and Montana, which FmHA officials said, as a group, were fairly representative of FmHA's nationwide operations.) We would then provide FmHA the system to make an agencywide study which we would monitor.

This report describes the expansion of FmHA's missions (see ch. 2), the steps that have been initiated to develop better methods for determining staff numbers (see ch. 3), the results of our test in three States of employee capabilities and training (see ch. 4), and some opportunities for FmHA to improve its service and reduce costs (see ch. 5).

CHAPTER 2

EXPANSION OF FmHA MISSIONS

At the time FmHA was established, its major missions were to (1) provide credit to farmers who lacked other sources of credit to enable them to buy land, improve their farms and homes, purchase livestock and equipment, and finance essential operating expenses and (2) make loans for individual and association farm water systems in 17 western States where drought and water shortage were familiar hardships.

In 1949 FmHA was authorized to make housing loans to farmers as part of the national housing program and to provide special emergency farm loans to help farmers recover from losses from natural disaster. In 1954 the water systems program was extended nationwide and the systems were allowed to accept nonfarm customers in rural communities. In 1959 FmHA began making loans to local organizations covering the local share of small watershed project costs.

The water system and housing programs were expanded in 1961 to the general rural population, including incorporated towns up to 2,500 population. In 1962 FmHA loans were authorized for

- low-rent housing projects for senior citizens aged 62 and over,
- outdoor recreational facilities primarily for rural residents,
- farm-based recreation and other nonagricultural enterprises that would add to farmers' family incomes,
- farmer and rancher associations to acquire grazing land for livestock production, and
- local project costs for resource conservation and development projects supervised by USDA's Soil Conservation Service.

Also during the early 1960s, FmHA was delegated authority to carry out (1) a pilot rural renewal program combining resources to develop better community facilities, improved homesites, and better housing and to attract industry to

underdeveloped rural areas and (2) an economic opportunity cooperative loan program to help establish new cooperatives and finance existing cooperatives whose members were predominantly low-income rural residents. The pilot rural renewal program was discontinued in 1969 as was the cooperative loan program in 1971.

The expansion of old programs and the initiation of new ones during the early 1960s raised FmHA's total loan and grant volume from about \$309 million in fiscal year 1960 to about \$800 million in fiscal year 1965. However, during the next 10 years, rural housing and development received considerably more emphasis, both in the types of programs administered and in the amount of money spent.

In 1965 FmHA's water systems program was changed from a loan program to a loan and grant program and was expanded to include waste disposal systems. In the same year its rural housing program was changed from direct Federal loans to insured loans. Additionally, the population limit on towns served by these programs was raised from 2,500 to 5,500.

FmHA's housing programs were expanded in 1968 to include interest-supplement loans, rural homesite development loans, and grants to support self-help homebuilding group projects. Effective May 1971 rural communities were redefined for housing purposes to be those with populations up to 10,000.

The Rural Development Act of 1972 had a major impact on FmHA's mission. Among the new or expanded missions which the act provided were:

- Guaranteed, insured, or direct loans for rural business and industry, including enterprises in cities up to 50,000 population.
- Loans and grants for control and abatement of pollution related to rural industrialization.
- Loans for essential community facilities, such as fire stations, community halls, and hospitals.
- Joint financing with other Federal and State agencies and with private and quasi-public financial institutions to facilitate developing private business enterprises in rural areas.

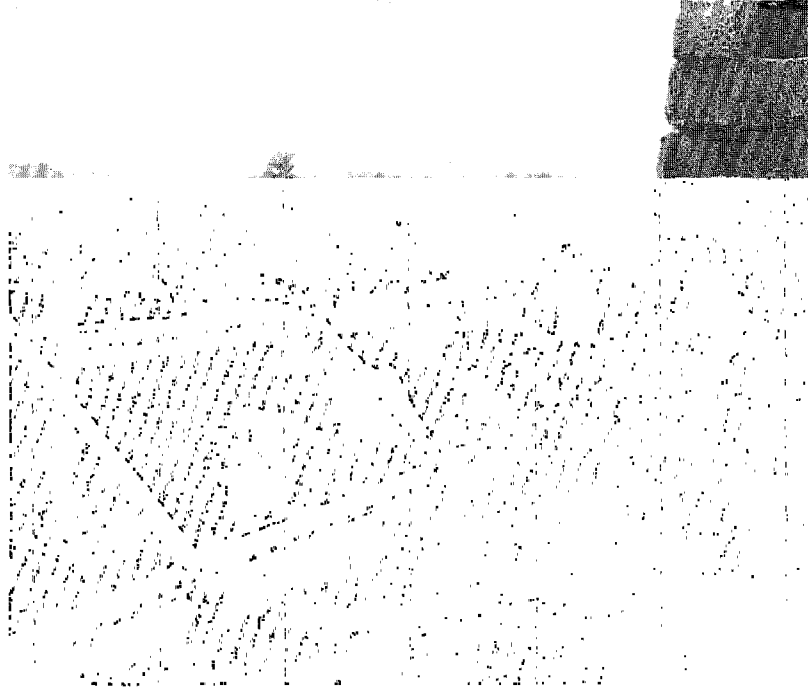
- Grants to improve rural industrial sites.
- Loans to rural youths for income-producing enterprises in connection with youth organization activities.
- Insured and guaranteed farm operating loans.
- Guaranteed rural housing loans that do not require applicants to be turned down by other credit sources.
- Extending the population limit to 10,000 for towns that could be included in water and waste disposal systems.

In addition, the act removed the per-project limitation on FmHA's financing several community programs, including that for water and waste disposal systems; expanded the list of eligible FmHA applicants to include Indian tribes and federally recognized Indian tribal groups; and increased the maximum size of individual farm and business operating loans.

During fiscal year 1975 FmHA was authorized to make loans on mobile homes and condominiums; the definition of rural communities for housing purposes was expanded to include towns with 20,000 population; and FmHA was authorized to guarantee commercial lenders' loans to livestock and poultry producers in financial distress.

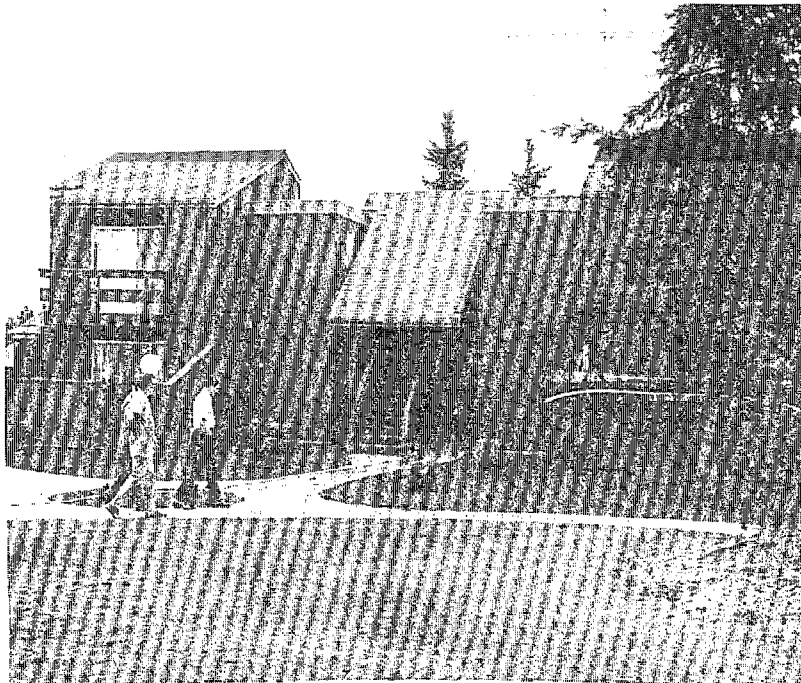
In fiscal year 1974 FmHA's loan and grant volume was about \$3.6 billion, or an increase of 450 percent over its 1965 volume. The 1974 volume, composed of 24 programs, consisted of 188,700 loans totaling about \$3.5 billion and 400 grants totaling about \$50 million. (See app. I for a comparative breakdown of FmHA's loan and grant activity and app. II for a description of FmHA's programs.)

The following photographs illustrate the results of FmHA assistance to a farm, a multifamily housing project, and a community development project.



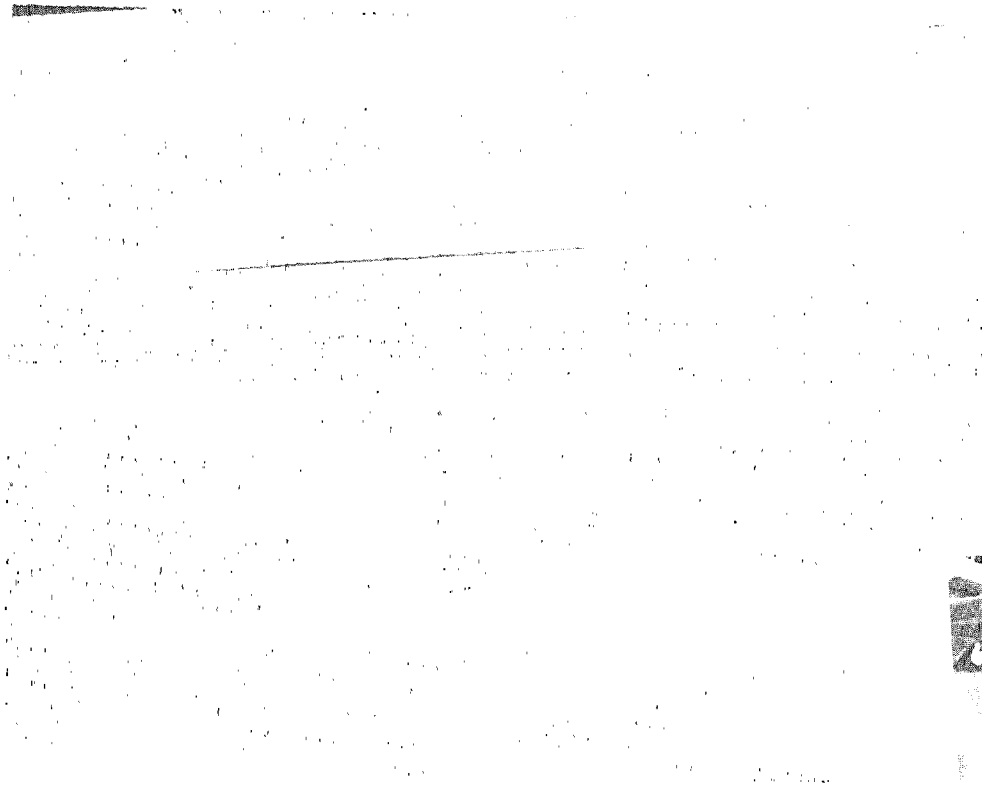
FmHA photograph

Young farmer in Colorado is taking over family farm from his father, who is retiring. FmHA advanced the new owner a farm ownership loan--which he has up to 40 years to repay at 5-percent interest--to buy farm, equipment, and livestock.



FmHA photograph

FmHA lent \$360,000 to a partnership to finance construction of this 36-unit apartment complex providing rental housing for low-income families in Scappoose, Oregon.



FmHA photograph

A business and industrial loan, guaranteed by FmHA, helped finance this new industry to provide jobs for the unemployed. Above, workers are making shirts.

CHAPTER 3

DEVELOPING A BETTER SYSTEM FOR

DETERMINING STAFF REQUIREMENTS

To more adequately determine how many employees are needed to carry out its assigned missions, FmHA must have fairly reliable estimates of the time individual offices spend doing the various functions involved in carrying out different programs. FmHA had a work measurement system which provided some data on times spent in making and servicing 1/ different types of loans and which was used for evaluating personnel needs at county offices. However, the system did not take into account factors which affect individual office productivity and did not provide information adequate to determine staff requirements.

FmHA terminated its system early in fiscal year 1975 and is working with the staff of the Joint Financial Management Improvement Program (JFMIP) 2/ to develop a comprehensive coordinated financial management program, including a new work measurement system. In their work the JFMIP staff is using some information we developed in three States on local factors and their effect on productivity.

FmHA ORGANIZATION

FmHA's organization consists of a headquarters office in Washington, D.C.; a national finance office in St. Louis, Missouri; and a field structure of State and county offices.

1/For purposes of this report, loan servicing includes all administrative and management supervision functions that FmHA performs after a loan is made.

2/JFMIP is a joint and cooperative undertaking of the Office of Management and Budget, General Accounting Office, the Treasury Department, General Services Administration, and Civil Service Commission working with the Federal operating agencies to promote improved financial management Government-wide and in individual agencies.

As of June 30, 1974, FmHA had 6,716 full-time, permanent employees located as follows:

| Organization <u>level</u> | Number of <u>offices</u> | Number of employees | | |
|------------------------------|-----------------------------|---------------------|--------------------------------|--------------|
| | | <u>Supervisory</u> | <u>Clerical/ technical</u> | <u>Total</u> |
| Headquarters | 1 | 155 | 151 | 306 |
| Finance office | 1 | 96 | 314 | 410 |
| State | 42 | 553 | 343 | 896 |
| District | (a) | 247 | - | 247 |
| County | 1,759 | 2,889 | 1,968 | 4,857 |

a

Districts are not an FmHA administrative level. District directors assist county office staffs.

In addition, FmHA had 1,435 part-time and temporary employees, of which 25 were employed at headquarters, 112 at the finance office, and 1,298 at the field level.

FmHA headquarters, headed by the Administrator, establishes general agency policies, allocates personnel positions among the States, and provides guidance to the field offices. The national finance office develops and executes FmHA's financial and program accounting and reporting requirements.

The State offices, each headed by a State director, are responsible for administering all FmHA programs and activities in one or more States and for supervising county operations. State offices also allocate personnel positions to the county offices, approve the hiring of county office employees, and provide program supervision and management assistance to the county offices. The State office staffs include program supervisors and specialists in such fields as farming, engineering, architecture, and business. The district directors are responsible for implementing the State director's policy and for assisting from 6 to 10 county offices.

The county offices make and service loans and grants at the local level and provide technical guidance to the borrowers. Each county office is headed by a county supervisor. There may be one or more assistant county supervisors. In the three States we studied, 89, or 60 percent, of the 149 county offices had only one full-time, permanent supervisor. A county or area committee of three individuals, of whom at

least two are farmers, certifies or recommends as to individual applicants' eligibility and loan amounts and reviews borrowers' progress.

FmHA's METHOD OF ALLOCATING
PERSONNEL POSITIONS

Under the work measurement system used during fiscal year 1974, FmHA collected data on time, including administrative time, spent by about 400 county offices in making and servicing different types of loans. This data was used to develop national estimates of average loan-making and servicing times. These national estimates, together with the numbers of loans made and borrowers served in the States, formed the basis for allocating FmHA's authorized personnel positions to the State offices.

Because the national estimates did not take varying local factors into account, however, State offices used other criteria for distributing the allocated positions among the districts and the county offices. In the three States reviewed, the State offices used one or more of the following criteria.

- At least one supervisor and one clerical assistant for each county office.
- Office caseload.
- Size of the area served.
- Experience and knowledge of county office personnel.
- Number of loans outstanding.

We tried to use the national average times to develop independent estimates of FmHA's staffing needs but concluded that they could not be used because:

- Quality control over information obtained from the 400 offices was inadequate to insure data accuracy.
- Time spent with applicants who were later rejected was not taken into account.
- Factors, such as a community's economic characteristics and staff training and experience, which could

affect the time taken to make and service loans, were not identified and taken into account.

--The data from the 400 offices could not be shown to be truly representative of FmHA operations.

After our review started, FmHA concluded that its work measurement system was not satisfactory for estimating staffing requirements. Consequently, the work measurement system was terminated early in fiscal year 1975.

GATHERING INFORMATION ON FACTORS AFFECTING PRODUCTIVITY

To help FmHA identify some of the key factors which affect the time individual offices spend in making and servicing loans, we developed a questionnaire, with the assistance of the Department of Commerce's National Bureau of Standards, to be completed by county supervisors. (See app. III.) The questionnaire solicited (1) the supervisors' estimates of the amount of county office time typically spent on individual loan programs and (2) information on local factors, such as the availability of clerical assistance, the income and education levels of the population being served, the skills needed at the county offices, and the extent to which the offices used the services of private individuals or organizations to help them make and service loans. We also developed variations of the questionnaire to be completed by district and State directors.

FmHA headquarters officials reviewed the questionnaires and agreed that they covered all programs important to operations at the county, district, and State offices. In cooperation with FmHA we selected three States and sent the applicable questionnaire to each State, district, and county office to be completed by the State or district director or the county supervisor. The number of questionnaires sent and completed were as follows:

| | <u>Number of questionnaires</u> | |
|-----------|---------------------------------|------------------|
| | <u>Sent</u> | <u>Completed</u> |
| Georgia: | | |
| State | 1 | 1 |
| District | 6 | 4 |
| County | 60 | 59 |
| Missouri: | | |
| State | 1 | 1 |
| District | 9 | 9 |
| County | 71 | 69 |
| Montana: | | |
| State | 1 | 1 |
| District | 3 | 2 |
| County | <u>22</u> | <u>21</u> |
| Total | <u>174</u> | <u>167</u> |

Responses from the 149 county supervisors showed some notable differences among county offices in their productivity and in the factors--hereinafter called key variables--which can influence work performance. Although information on some of the less frequently used loan programs was too limited to be useful, we obtained useful data on the loan programs which required most county office time and on the key variables which affected county office productivity in the three States. The information from these States, however, cannot be statistically projected to FmHA's operations nationwide, and we did not analyze the key variables to determine whether they were independent of one another in their influence on work performance.

Following are examples of some relationships which the county supervisors' responses showed. Not all supervisors answered each question. To determine these relationships, we arbitrarily selected for comparison the highest and lowest 10 percent 1/ of the county offices in terms of time (staff-hours) taken to make or service a loan.

1/Generally the 10 percent included 15 offices; however, where more than one office was at the 10-percent cutoff point, we adjusted the sample by including or excluding those offices to obtain a sample closest to 10 percent.

--Our analyses of the relationship between times taken to make loans and the number of clerical assistants at the county offices showed that, generally, of those offices with two or more clerical assistants, the percentage of offices taking the least time to make loans tended to be higher than the percentage of offices taking the most time. As shown in figure 1 on page 14, for example, none of the 25 county offices which had 2 or more clerical assistants were offices taking the most time to make farm ownership loans whereas 4, or 16 percent, were offices taking the least time to make such loans. No discernible relationship was observed in those offices with zero or 1 clerical assistants.

--Our analyses of the relationship between times taken to make and service loans and the percentage of low-income loan applicants showed that, generally, of those county offices reporting higher rates of such applicants, the percentage of offices taking the most time to make and service loans tended to be higher than the percentage of offices taking the least time. As shown in figure 2 on page 15, for example, none of the 12 county offices which had 76 percent or more low-income applicants were offices taking the least time to make farm operating loans whereas 2, or 17 percent, were offices taking the most time to make such loans. Of the 136 offices with 75 percent or fewer low-income applicants, 13 percent were offices taking the least time and 8 percent were offices taking the most time.

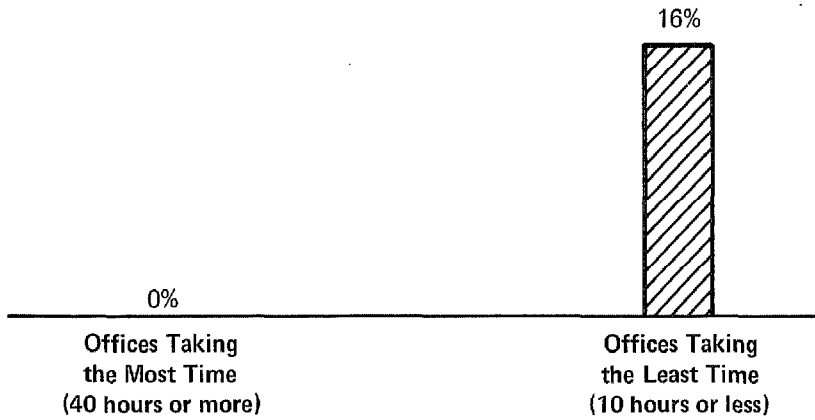
--Our analyses of the relationship between times taken to make and service loans and the county supervisors' judgments as to whether their offices needed additional technical skills showed that, generally, those offices whose supervisors believed that skills were adequate were more likely to be among the offices taking the least time to make and service loans. As shown in figure 3 on page 16, for example, of the 36 county offices indicating a need for additional home appraisal skill, 17 percent were offices taking the most time and 6 percent were offices taking the least time to make single-family housing loans. Of the 111 offices indicating no need for additional home appraisal skill, the situation was reversed: 8 percent were offices taking the most time and 13 percent were offices taking the least time.

Additional relationships are shown in appendix IV.

Figure 1

**RELATIONSHIP BETWEEN TIMES TAKEN TO MAKE FARM OWNERSHIP LOANS
AND THE NUMBER OF CLERICAL ASSISTANTS AT THE COUNTY OFFICES**

COUNTY OFFICES WITH 2 OR MORE CLERICAL ASSISTANTS (25 offices)



COUNTY OFFICES WITH ZERO OR 1 CLERICAL ASSISTANTS (114 offices)

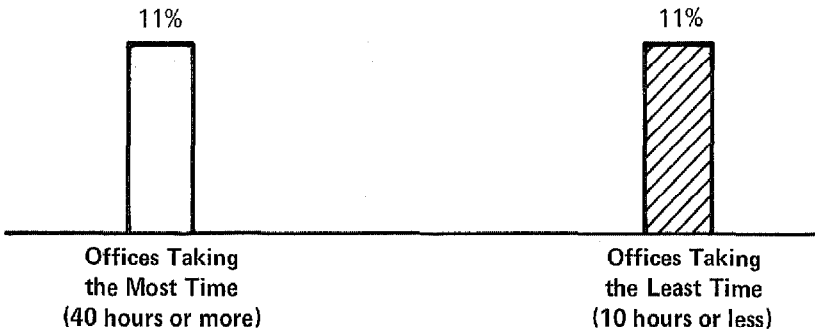
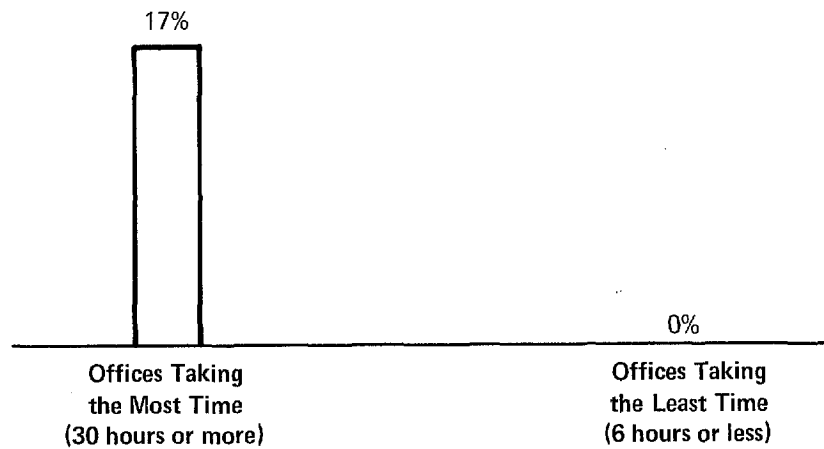


Figure 2

RELATIONSHIP BETWEEN TIMES TAKEN TO MAKE FARM OPERATING
LOANS AND THE INCOME LEVELS OF LOAN APPLICANTS

COUNTY OFFICES WITH 76 PERCENT OR MORE LOW-INCOME APPLICANTS (12 offices)



COUNTY OFFICES WITH ZERO TO 75 PERCENT LOW-INCOME APPLICANTS (136 offices)

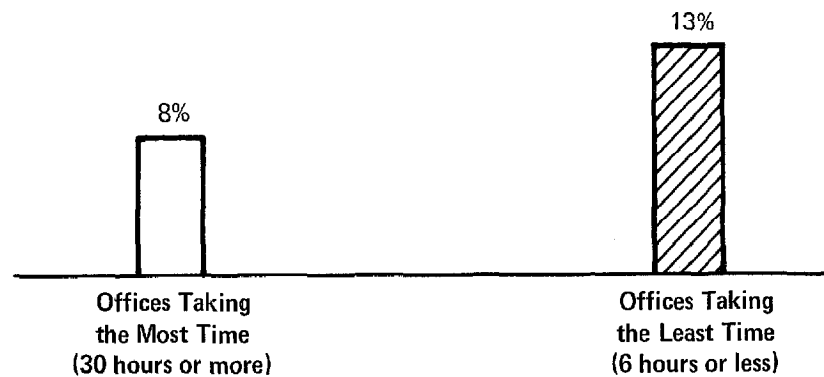
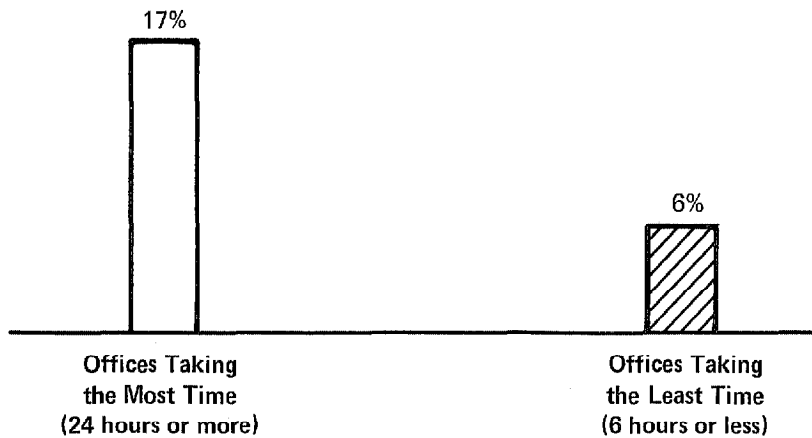


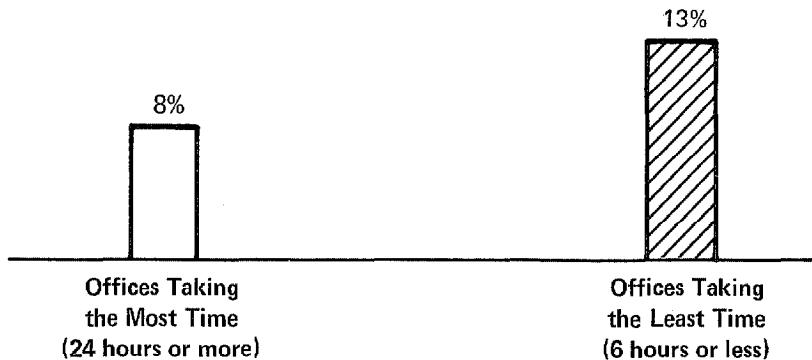
Figure 3

RELATIONSHIP BETWEEN TIMES TAKEN TO MAKE
SINGLE-FAMILY HOUSING LOANS AND THE NEED FOR
ADDITIONAL HOME APPRAISAL SKILL

COUNTY OFFICES NEEDING ADDITIONAL HOME APPRAISAL SKILL (36 offices)



COUNTY OFFICES NOT NEEDING ADDITIONAL HOME APPRAISAL SKILL (111 offices)



FmHA IS DEVELOPING
A NEW WORK MEASUREMENT SYSTEM

Upon terminating its work measurement system, FmHA enlisted the JFMIP staff's assistance to develop a comprehensive coordinated financial management program, including an improved work measurement system, which would enable it to (1) determine staffing requirements under existing and anticipated conditions, (2) properly allocate personnel to individual States, and (3) determine the cost benefit and effectiveness of each loan program.

We provided JFMIP with the information on loanmaking and servicing times, loan obligations, and local factors obtained in the three States for use in developing the new work measurement system. The FmHA-JFMIP task force plans to expand the data to be collected, to pretest its data collection technique in the same three States, and to correlate the results with the key variables we identified. We will monitor these actions.

These task force actions are intended to provide FmHA with the basis for drawing a sound, nationwide sample of county offices which will reflect the key variables affecting productivity. The task force plans to conduct a nationwide test in October 1975, and, if successful, FmHA plans to implement a revised work measurement system in October 1976. FmHA anticipates that, after a year's experience, the new system will serve as a reliable basis for staffing projections. FmHA expects that the new system will be used in preparing budget requests starting in fiscal year 1977.

CONCLUSIONS

Before FmHA's staff needs can be adequately determined, a reasonable estimate of how long it takes to do specific jobs is required. This estimate must take into account factors affecting individual office productivity. Although FmHA was using a work measurement system to calculate the average times taken to make and service loans, the system did not insure that the data was representative of all FmHA offices, nor did it obtain information on local factors which would cause variances from the national averages.

Our study in three States indicated that several factors affected county office productivity and that loanmaking and servicing times could be expected to vary substantially between offices because of these factors. Our study results cannot be projected to FmHA national operations; however, they support the need for a system which takes local factors into account if manpower is to be allocated among the States and county offices on a reasonable basis.

FmHA has enlisted JFMIP's aid in developing such a system and has given the project high priority. The FmHA-JFMIP task force plans to use data we developed and will test the new system in the same three States studied. We agree with the approach FmHA and JFMIP are using to improve the work measurement system. Developing and implementing an improved system should allow FmHA to better determine its staff needs and should help the agency insure that its services are being more efficiently and uniformly delivered to the public.

CHAPTER 4

NEED TO IMPROVE EMPLOYEE CAPABILITY AND TRAINING

To effectively administer FmHA's numerous and complex missions, particularly its newer rural community and business and industrial development missions, FmHA's staff must have, or be able to call upon specialists to provide, a variety of technical skills. FmHA has recognized this need and has tried to meet it primarily through hiring and training efforts at the county and State levels.

On the basis of questionnaire responses and other information, however, it appears that FmHA's hiring and training efforts have not provided enough technically skilled employees to effectively implement the newer rural development programs on more than a limited basis.

FmHA is also authorized to hire consultants and to use skills available from other Federal agencies but generally does not do so. According to responsible FmHA officials, the cost of consultants is prohibitive. FmHA officials also told us that it often is not feasible to obtain assistance from other Federal agencies, particularly in rural locations.

ATTEMPTS TO MEET SKILL NEEDS THROUGH HIRING AT COUNTY OFFICES

Historically, FmHA's practice has been to hire persons with agriculture-related education and/or experience for county offices and to train them in administering FmHA programs. Because farm-related programs are a large part of FmHA's workload--representing more than one-fourth of the dollars lent in fiscal year 1974--its county offices must have employees with the skills necessary to administer such programs. In recent years, however, the percentage of FmHA's workload related to nonfarm programs has increased, requiring other skills to be available at the county offices. FmHA's limited success in adding such skills through hiring at the county office level is illustrated by the following examples.

In 1971 FmHA recognized the need for business skills at the county offices and authorized the State offices to hire persons with business educations for county office staffs. Our study showed that the three States continued to hire persons with agricultural backgrounds. In Missouri for

instance, all 31 county and assistant county supervisors hired during fiscal years 1973 and 1974 had agricultural backgrounds.

FmHA officials in the three States said they preferred to hire persons for the county offices with both educational and work experience in agriculture. The FmHA official responsible for employee development told us it was easier to provide the needed business training than it was to hire persons with nonagricultural backgrounds and to train them in the agricultural areas. Of the 149 county supervisors responding to the questionnaire, however, 88, or 59 percent, said that it would be helpful if the county office staffs were of mixed educational backgrounds, such as agriculture and business.

FmHA attempted to meet the need for county office construction inspectors through hiring part-time employees. Under programs involving housing construction, county offices are responsible for inspecting houses while they are being constructed to insure that they meet applicable housing standards and to assess the completion status for authorizing payments to contractors. Although FmHA had 41 part-time construction inspectors nationwide as of June 1974, 83, or 56 percent, of the county supervisors in the three States said that a need for additional construction inspection skills existed at their offices.

ATTEMPTS TO PROVIDE SPECIALISTS
AT STATE OFFICES

The county supervisors reported that they needed additional technical assistance from their State or district offices in the following programs.

| <u>Program</u> | <u>Percent reporting need for additional technical assistance</u> |
|--|---|
| Farm: | |
| Emergency loans to farmers in disaster areas | 7 |
| Farm operating | 10 |
| Farm ownership | 13 |
| Housing: | |
| Single family | 26 |
| Multifamily | 20 |
| Business and industrial | 47 |
| Community: | |
| Association loans primarily for water supply and waste disposal facilities | 50 |
| Other essential community facilities | 30 |

As shown above, the highest percentages of county supervisors reported that additional help was needed in the community and business and industrial programs. These are among FmHA's newer programs.

FmHA has attempted to provide some needed technical skills by authorizing the State offices to create and fill specialist positions. As illustrated by the following examples, however, this has met with limited success.

To assist in administering some of the more complex construction projects, such as multifamily housing and community facilities projects, FmHA has authorized architect and engineer positions in each State office. The occupants of these positions are responsible for reviewing contractor qualifications; ascertaining that technical data, such as drawings and specifications, meet FmHA

standards; and performing specialized technical reviews of such complex projects as hospitals, water facilities, and multifamily housing. They are also responsible for providing technical assistance to the county offices and for training county employees to inspect the construction of less complex projects.

As of May 1975, 20 State offices had both architects and engineers on their program support staffs, but 2 offices--Montana and Wyoming--had neither an architect nor an engineer and the other 20 offices had an engineer but no architect. A headquarters official recommended to the Administrator in March 1975 that FmHA hire an additional 34 architects and 31 engineers for the State program support staffs. He said that:

"Those State Offices, which have engineers and/or architects, find it impossible to perform the required reviews in their offices because of heavy workloads. Some State Offices have no engineers or architects and are not able to perform any review * * *.

"* * * Proper staffing of State Program Support Staffs (engineers and architects) would result in the State being able to perform required reviews and will result in better construction under all programs."

The Administrator accepted this recommendation, and as of May 1975 FmHA was awaiting budgetary approval from the Office of Management and Budget to hire the specialists.

We discussed the shortage of architects with officials in four States, including two of the States studied. Although admitting a serious architect shortage, the officials denied that projects had been approved in their States without the necessary preapproval reviews. Three told us, however, that their State offices were unable to provide adequate continuing architectural reviews; one said this had resulted in project changes which did not conform to FmHA architectural standards.

According to headquarters officials, even if additional personnel were authorized, the State directors might not hire architects and engineers because the State directors

can use their personnel authorizations to fill any county or State office position. Two of the State officials with whom we discussed shortages said they had not filled their authorized architect positions because personnel needs in other areas had greater priority.

Also, following enactment of the Rural Development Act of 1972, FmHA established and directed each State office to fill a specialist position to review and approve business and industrial loan applications. Each State office had filled the position; nearly all did so by promoting or reassigning employees from other FmHA positions. Headquarters officials said that, primarily because the State office specialists lacked experience, background, and training, the headquarters office had retained the authority to approve business and industrial loan projects.

To help correct this situation, the Administrator authorized each State director to hire one more business and industrial loan specialist effective July 7, 1975. In the memo advising the State directors of this action, the Administrator said that:

"Persons assigned to B&I [business and industrial] positions should have strong commercial lending backgrounds, such as possessed by key bank officials. Credit experience in FmHA lending programs is not particularly what we are looking for, since the new B&I loan authorities are quite different from our other programs. Frankly, this means that most new B&I positions should be filled by register eligibles."

State directors in the three States studied said that their offices needed additional personnel in most program areas and that they were unable to obtain even part-time consulting services for business, engineering, and architectural matters because of funding and manpower ceilings.

ATTEMPTS TO PROVIDE AND IMPROVE SKILLS THROUGH TRAINING

FmHA has also tried to provide and improve skills at its field offices through training. In fiscal year 1973 FmHA established a national training center in Norman, Oklahoma, where most State office specialists have

received training in their areas of concentration. (See app. V for a list of courses presented at the center since its inception.)

FmHA is also developing an executive development program. This program is centered on FmHA employee participation in the Institute for Applied Public Financial Management, which is being developed cooperatively by the American University in Washington, D.C., and JFMIP.

Although some county supervisors attended the national training center, county office employee training is generally left to the State offices. County office employees have received training on the job and at training sessions conducted by State and district employees trained at the national center.

Although FmHA headquarters encourages the State offices to provide training to county office employees, it does not stipulate the type and frequency of training required. In the three States studied, training of county supervisors during fiscal years 1972 through 1974 emphasized FmHA's farm and housing programs, as indicated in the following table.

| <u>State</u> | <u>Percent of county supervisors trained in fiscal years 1972-74, by program</u> | | | |
|--------------|--|----------------|------------------|--------------------------------|
| | <u>Farm</u> | <u>Housing</u> | <u>Community</u> | <u>Business and industrial</u> |
| Georgia | 90 | 76 | 25 | 19 |
| Missouri | 80 | 64 | 33 | 9 |
| Montana | 86 | 76 | 10 | 19 |

Farm and housing are FmHA's largest programs and, as shown in the table below, the county supervisors reported a need for training in these programs. The table shows, however, that they generally reported greater needs for training in the community and in the business and industrial programs.

| <u>Program</u> | <u>Percent reporting additional training needed, by program</u> |
|--|---|
| Business and industrial | 80 |
| Community: | |
| Association loans primarily for water supply and waste disposal facilities | 63 |
| Other essential community facilities | 69 |
| Housing: | |
| Multifamily | 61 |
| Single family | 20 |
| Farm: | |
| Emergency loans to farmers in disaster areas | 40 |
| Farm operating | 22 |
| Farm ownership | 21 |

Our analyses of the county supervisors' questionnaire responses showed that the county offices, whose supervisors reported that additional skills or training were needed in specific programs, were more likely to be in the group taking the most time to administer loans, in terms of staff-hours used, than were offices whose supervisors did not express a need for additional skills or training.

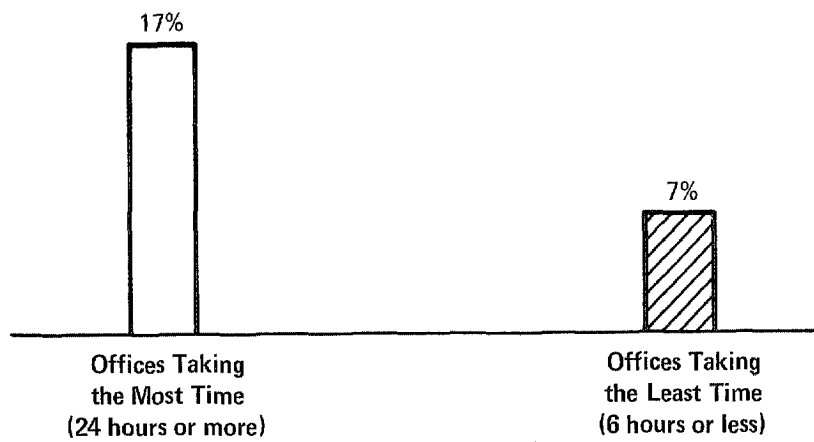
As shown in figure 4 on page 26, for example, only 2, or 7 percent, of the 29 county offices whose supervisors indicated a need for training in the single-family housing program were offices taking the least time to make single-family housing loans; 17 percent, or 2-1/2 times as many, were offices taking the most time to make such loans. Of the 118 offices whose supervisors indicated additional training was not required, 14, or 12 percent, were offices taking the least time to make loans and 9, or 8 percent, were offices taking the most time to make loans.

Additional relationships are shown in appendix IV.

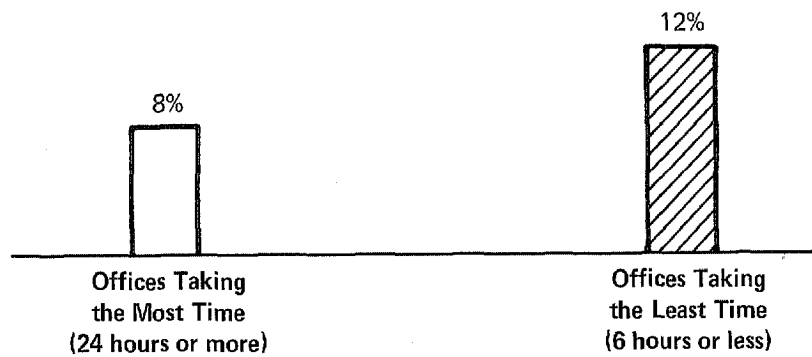
Figure 4

RELATIONSHIP BETWEEN TIMES TAKEN TO MAKE SINGLE-FAMILY HOUSING LOANS AND THE NEED FOR TRAINING IN SINGLE-FAMILY HOUSING PROGRAM

COUNTY OFFICES NEEDING TRAINING (29 offices)



COUNTY OFFICES NOT NEEDING TRAINING (118 offices)



CONCLUSIONS

Although FmHA continues to need employees with agricultural education and experience, its hiring efforts have not succeeded in acquiring enough employees with other backgrounds. Also, some State offices have not hired the technical specialists needed to fully implement some of the newer programs, such as multifamily housing, business and industrial loans, and community facilities. Such specialists are needed to assist and train the county supervisors. FmHA's efforts to enlarge these programs will be hindered until such specialists are available.

The amount of training provided county employees is left to the State offices and varies considerably among the States. Most FmHA employees in the three States studied thought they needed additional training. Data on times devoted to specific programs indicated that those county offices whose supervisors reported a need for training were generally the least efficient.

Until FmHA's hiring and training efforts provide enough technically skilled employees, FmHA will not be able to effectively implement the newer rural development programs on more than a limited basis.

RECOMMENDATIONS

We recommend that the Secretary of Agriculture direct the Administrator, FmHA, to

- continue emphasizing to the State offices the benefits of hiring employees with educational and technical backgrounds necessary to meet the specialized needs under FmHA's expanding missions,
- develop national training standards which will stipulate minimum training requirements for each FmHA position on the basis of the duties which the position requires, and
- take steps to insure that these standards are met.

AGENCY COMMENTS

In commenting on our recommendations (see app. VI), the Department of Agriculture said that FmHA would

continue to emphasize the benefits of hiring employees with specialized backgrounds but that, because of personnel ceilings, specialized hiring must be somewhat limited. It said that FmHA was developing a career development program for each loan program occupational area, technical speciality, and management support position.

Under the program the knowledge, skills, and abilities, as well as the on-the-job and formal training, required to carry out the functions and activities of the respective positions would be identified for each grade level and position in the career ladder from entry level on up. Also employee performance would be measured at least annually against the performance standards and training requirements.

USDA said the career development program would not only encompass vertical upward mobility but also provide for lateral movement into similar positions in other organizational entities or career fields within FmHA. It said that:

- Implementing the program would help FmHA identify specialized hiring needs and develop and maintain an effective work force mix.
- The horizontal mobility of employees from one career ladder to another would provide flexibility in using the specialized knowledge and experience of the present work force and would enhance the development and availability of future commercial-lending expertise in key loan programs and related FmHA areas.
- The upward mobility factor would provide opportunities for other employees who have experience and knowledge of loanmaking and servicing activities and procedures to enter the loan program fields.

USDA also cited the Institute for Applied Public Financial Management at American University as an important aspect of FmHA's executive development program. It said that, over the next 4 years, 80 FmHA employees--20 each year--would participate in the Institute course.

CHAPTER 5

OPPORTUNITIES TO IMPROVE SERVICE AND TO REDUCE COSTS

FmHA, primarily a service agency, provides funds to rural residents mainly through direct loans, guaranteed loans, joint loans with commercial institutions, and grants. As FmHA's service delivery can be improved to become more cost effective, the individual recipient, the community in general, and FmHA will benefit. We identified three areas in which improvements were needed in either FmHA's service or the manner in which it was delivered.

TIMING FUND ADVANCES TO MEET NEED FOR FUNDS

In some FmHA programs loans are made before the borrower needs the funds. When the loan is closed, the funds are usually deposited in a bank, generally in a non-interest-bearing checking account. This account is called a supervised bank account because the borrower's withdrawals from it are supervised by the FmHA county supervisor who must insure that the funds are spent as agreed to in the loan. Most funds placed in supervised accounts involve loans for constructing new homes. The funds are withdrawn periodically to make progress payments to contractors. We estimate that, as of June 30, 1974, FmHA had \$373 million in supervised bank accounts.

Supervised accounts have drawbacks for both the borrower and the Federal Government. The borrower starts incurring interest on his loan as soon as the loan is closed; in effect he incurs an interest expense on idle funds. We estimate that 93,000 fiscal year 1974 borrowers paid interest of \$14.8 million on idle funds during that year.

Also, when FmHA subsidizes the borrower's interest by charging interest at a rate less than the Federal Government's borrowing rate, the Federal Government incurs an interest cost on idle funds. In fiscal year 1974 this amounted to about \$4.9 million. Advancing loan funds before they were actually needed also resulted in FmHA expenditures that were an estimated \$373 million in excess of the amount required to fund FmHA loans during fiscal year 1974.

Another drawback is that administering the accounts is time consuming. County office staffs must establish the accounts, approve withdrawals, reconcile bank statements, and maintain accounting records.

We discussed the disadvantages of supervised accounts with FmHA officials and suggested that they consider developing a method for disbursing funds only as needed. Accordingly, a task force of FmHA and JFMIP representatives studied various disbursement alternatives. We provided the task force with the information we had developed.

Subsequently, the task force developed a multiple advance loan fund disbursement system. It will be tested for 3 months in three States during fiscal year 1976. The FmHA finance office will monitor the test.

In essence the system provides for advancing loan funds on an "as needed" basis rather than at one time. The new system is designed to eliminate unnecessary interest costs and to reduce the amount of county office administrative time associated with supervised accounts, particularly the time associated with establishing accounts and reconciling bank statements.

GREATER USE OF COMMERCIAL FINANCING

Commercial lending agencies are a primary credit source in rural America. To the extent that potential FmHA borrowers can obtain available commercial funds and that FmHA can reduce some of its employees' loanmaking and servicing activity, scarce Federal resources can be directed to assisting rural residents who are unable to obtain other financing. Several methods are available to increase lending opportunities for rural commercial lenders, including joint Federal-private financing and federally guaranteed financing. FmHA employees, however, were not always aware of opportunities for involving commercial lenders in FmHA programs.

When a joint loan is made, FmHA provides a portion of the loan and a private lender provides the rest. FmHA prefers that lenders provide at least 40 percent of the total loan but will accept less in preference to financing the entire loan itself. For a guaranteed loan the lender makes and services the loan, and FmHA guarantees up to 90 percent of any loss the lender may incur.

During fiscal year 1974 the joint and guaranteed loan methods were authorized for use in the farm and business and industrial loan programs. According to questionnaire responses, funds for some of these programs were inadequate during the fiscal year, indicating that some farm and business needs of the States' rural communities were not met. For example, 49 of the 149 county supervisors reported that their counties' fiscal year 1974 funds for farm operating loans were depleted before the end of the fiscal year.

County office use of commercial lenders

Many county supervisors were not aware of all opportunities for involving private lenders in FmHA programs, especially in the farm operating loan program. Of the 149 supervisors who answered our questionnaire, 58, or 39 percent, said they did not know their offices were authorized to make joint farm operating loans with commercial lenders. Most supervisors knew about the guaranteed loan programs; however, at least 25 percent did not know of each of the programs under which their offices could guarantee loans.

Although many supervisors knew of the guaranteed loan programs, only 13, or 9 percent, of the 149 county offices made guaranteed farm operating loans in fiscal year 1974.

Commercial lenders' interest in making guaranteed loans

Of the 149 supervisors, 106 said that it was difficult to create commercial lenders' interest in guaranteed loans. Bankers, however, viewed the situation differently.

In the summer of 1974 the American Bankers Association surveyed bankers' opinions about FmHA's guaranteed loans and received responses from more than 1,500 banks. Of these, 66 percent were in communities of 10,000 and less population. The responses indicated considerable banker interest in FmHA-guaranteed loans. About 80 percent of the bankers said that guaranteed farm operating loans would apply to their communities; 75 percent said that guaranteed business and industrial loans would apply. About 60 percent said they expected to participate in the guaranteed loan programs.

About 30 percent of the bankers indicated they were not aware of FmHA's guaranteed loan programs before the survey; only 20 percent felt they had a fairly good understanding of how the guaranteed programs worked. About half the bankers had been in contact with FmHA's local offices to learn about the loans. Of these, 60 percent indicated that they had initiated the contact. The bankers also indicated that, before the programs can be fully effective, FmHA local offices need to be more knowledgeable about the programs and more consistent in their administration.

USE OF LOAN PACKAGING

In recent years FmHA has tried to save county supervisors' time in making individual housing loans by using a loan-packaging procedure. Under this procedure land developers and homebuilders assist in preparing prospective borrowers' housing loan application forms and submit the package to the FmHA county office for approval. The packagers are to provide county offices with a completed and accurate application containing information on the loan applicant and on the house to be built or purchased. The FmHA county supervisors are to counsel the applicants about such matters as using income and credit and selecting a home. County offices are also responsible for insuring that the applicant is eligible for FmHA assistance.

Questionnaire responses indicated that loan packaging saved some loan-processing time but that applicants were not receiving adequate counseling and that loan packaging resulted in more problem loans. Problem loans increase loan-servicing time and affect both FmHA and its borrowers.

Of the 149 county supervisors, 80 said their county offices had used loan packaging. Their estimates of the percentage by which loan packaging reduced the time spent in making a loan ranged from less than 5 percent (18 respondents) to 75 percent (1 respondent). Most respondents (54) estimated time savings of 5 to 50 percent. At the same time, however,

--35 of these supervisors said that the additional loans made possible by packaging limited the time county office personnel could spend counseling applicants and insuring that loans were sound;

--32 said that applicants' income eligibility was not checked as thoroughly when packaging was used;

--66 said that packaging resulted in more problem cases because the role of the county office in the loanmaking process was reduced; and

--66 said that a greater percentage of packaged loans than nonpackaged loans resulted in problems, such as delinquencies, foreclosures, and deserted homes. Problem loans are likely to increase the amount of time required to service loans.

Our analysis of the 149 county offices' delinquency rates and loan-servicing times on housing loans generally supported the supervisors' opinions, as shown below.

| | <u>Do not package</u> | <u>Percent of housing loans packaged in fiscal year 1974</u> | |
|---|---------------------------|--|---------------|
| | | <u>0-50</u> | <u>51-100</u> |
| Number of county offices | 69 | 47 | 33 |
| Percent of county offices with above-average delinquency rates (note a) | 23.2 | 38.3 | 48.5 |
| Percent of county offices among those taking the most time to service loans (note b) | 5.8 | 14.9 | 18.2 |

a

Offices which exceeded the weighted average of delinquency rates among offices in Georgia, Missouri, and Montana.

b

Offices taking the most time include the 10 percent which reported the highest loan-servicing times.

Information on delinquencies in the three States also indicated that in Georgia, where loan packaging was used extensively, the loan delinquency rate for low-to-moderate-income housing at the end of calendar year 1974 was significantly higher than that in Missouri and Montana, where loan packaging was used less. As of December 31, 1974, for

example, Georgia's delinquency rate was 32 percent, Missouri's was 21 percent, and Montana's was 17 percent.

Of the 80 county supervisors whose offices had used loan packaging, 46 said that the main reason packaged loans resulted in more problem cases than nonpackaged loans was inadequate counseling or inadequate checks of the applicants' income eligibility.

FmHA action to improve controls over loan packaging

In January 1975 FmHA, recognizing the need for more positive control and monitoring of loan packaging, issued revised instructions. The instructions emphasized that packagers must provide, and county supervisors must obtain, complete and accurate information about the dwelling to be built or purchased and about the applicant and that the county supervisors must counsel all loan applicants. They also require that district directors review the files of at least 5 percent of the cases submitted by each packager to insure that

- the applicants were eligible for assistance and their incomes were properly verified, .
- the county supervisor interviewed and counseled each applicant and received a credit report on each applicant from a credit reporting firm, and
- the loans were made in accordance with FmHA procedures.

The revised instructions also require each county office to report annually to the State office the number of packagers submitting loan applications; the number of case files the district director reviewed; the number of case files having inaccurate information; and any actions taken to train, suspend, or debar packagers.

CONCLUSIONS

FmHA could improve its service to borrowers and rural residents by timing fund advances to meet the borrower's need for the funds and by increasing commercial lenders' involvement in FmHA programs. The effective implementation of a multiple advance system for disbursing

loan funds should reduce both borrower and Government costs and increase the efficiency of FmHA operations.

Increased use of commercial lenders in FmHA's joint financing and loan guarantee programs would permit better use of FmHA employees and would allow for a broader distribution of FmHA funds, thereby increasing the pace of rural development. County supervisors need to be made more aware of opportunities for involving commercial lenders in FmHA's programs to obtain maximum benefits from the programs. Moreover, the programs need to be better publicized within the commercial lending community.

FmHA has revised its loan-packaging instructions in recognizing the need for more positive control and monitoring of loan packaging and loan packagers. Until the implementation of these instructions is evaluated, however, their effectiveness in helping to overcome the problems that appear to be associated with loan packaging--inadequate counseling of applicants and increased delinquencies and servicing time--will not be known. We question whether any procedure which increases the number of loan delinquencies in rural America is a positive contribution toward rural development.

RECOMMENDATIONS

We recommend that the Secretary of Agriculture have the Administrator, FmHA, initiate a training and publicity program providing information to FmHA employees and to commercial lenders on the benefits of joint and guaranteed financing.

We also recommend that the Secretary have the Administrator evaluate the effectiveness of the revised loan-packaging instructions in reducing delinquency rates and take whatever additional actions may be indicated to achieve further reductions.

AGENCY COMMENTS

USDA (see app. VI) said that it has been and still is the FmHA Administrator's policy that information, such as that relating to the benefits of joint and guaranteed financing, be communicated through channels to FmHA

employees in national and State training meetings and in orientation work with new employees. It said that the Administrator expected FmHA county personnel to contact local banks to acquaint them with FmHA programs but that, as local lenders and county personnel are changed, the need for a continuing flow of information remains.

The Department said that

- reiterating the need for local contact was a part of the agenda at a national FmHA meeting held in July 1975,
- the FmHA national office had told national lender associations about loan guarantees when they were first introduced so the associations could disseminate the information,
- a fact sheet explaining the guaranteed program had been circulated in February 1974 but was now awaiting revision to incorporate new regulations, pending their approval, and
- FmHA's information staff had collaborated with the American Bankers Association on a booklet on guaranteed lending for all Association members and was working on a series of three articles on this subject for the Independent Bankers Association.

USDA agreed that FmHA should evaluate the effectiveness of the revised loan-packaging instructions. It believed that the packaging concept should be continued since the benefits of the FmHA programs could be made available to a larger number of families because of packagers and that it would want to continue to emphasize the county supervisor's responsibility to review and consider each application on its own merits.

USDA said that, although evidence in the report did not place direct blame for servicing problems on packaging, the revised instructions confirmed that FmHA recognized that some problems did and probably would continue to exist in the rural housing program as a result of packaging. It said that the results of the revised instructions would not be available until the end of 1975 or after.

CHAPTER 6

SCOPE OF REVIEW

We made our review at FmHA's Washington, D.C., headquarters office; obtained information through questionnaires and selected followup interviews from FmHA's State, district, and county offices responsible for carrying out Federal programs in Georgia, Missouri, and Montana; and obtained information from FmHA's finance office in St. Louis, Missouri.

We reviewed laws, regulations, policies, and FmHA procedures; examined agency records relating to various programs; interviewed numerous FmHA officials responsible for program planning and implementation; and reviewed audit reports on FmHA activities prepared by USDA's Office of Audit. We also hired a consultant having expertise in developing questionnaires to help with our study.

SUMMARY OF FmHA LOAN AND GRANT OBLIGATIONS, FISCAL YEARS 1974, 1970, 1965, AND 1960

| Program | 1974 Obligations | | 1970 Obligations | | 1965 Obligations | | 1960 Obligations | |
|---|------------------|----------------------------|------------------|----------------------------|------------------|----------------------------|------------------|----------------------------|
| | Number | Amount (000 omitted) | Number | Amount (000 omitted) | Number | Amount (000 omitted) | Number | Amount (000 omitted) |
| FARMING: | | | | | | | | |
| Farm ownership loans | 11,997 | \$ 352,161 | 11,491 | \$ 261,497 | 12,186 | \$182,591 | 2,966 | \$ 43,772 |
| Farm operating loans | 53,865 | 524,994 | 48,387 | 278,246 | 84,026 | 320,104 | 69,888 | 198,341 |
| Farm emergency loans | 22,434 | 128,337 | 12,778 | 89,430 | 22,290 | 78,447 | 9,203 | 22,964 |
| Recreation loans to individuals | 25 | 986 | 43 | 1,211 | - | - | - | - |
| Soil and water conservation loans to individuals | 481 | 3,627 | 937 | 4,286 | 1,275 | 77,408 | 541 | 2,920 |
| Irrigation, drainage, and soil conservation loans | 7 | 523 | 10 | 20 | - | - | - | - |
| Grazing association loans | 12 | 2,827 | - | - | - | - | - | - |
| Indian tribe land acquisition loans | 9 | 9,850 | - | - | - | - | - | - |
| Total farming | 88,830 | 1,023,305 | 73,646 | 634,689 | 119,777 | 658,550 | 82,598 | 267,998 |
| HOUSING: | | | | | | | | |
| Individual home ownership loans | 94,371 | 1,589,883 | 73,351 | 761,597 | 15,768 | 130,976 | 5,348 | 40,736 |
| Rural housing repair loans | 2,635 | 4,382 | - | - | - | - | - | - |
| Rural rental and cooperative housing loans | 879 | 173,314 | 510 | 28,441 | 35 | 2,018 | - | - |
| Farm labor housing loans | 76 | 10,000 | 24 | 1,549 | 11 | 47 | - | - |
| Farm labor housing grants | 11 | 10,081 | 6 | 2,134 | 2,393 | 1,922 | - | - |
| Rural housing site development loans | 9 | 1,590 | 3 | 114 | 7 | 920 | - | - |
| Mutual and self-help housing grants | 29 | 3,832 | - | - | - | - | - | - |
| Self-help site development loans | 1 | 246 | - | - | - | - | - | - |
| Total housing | 98,011 | 1,793,328 | 73,894 | 793,835 | 18,214 | 135,883 | 5,348 | 40,736 |
| COMMUNITY: | | | | | | | | |
| Water and waste disposal loans | 1,326 | 469,999 | - | - | - | - | - | - |
| Water and waste disposal grants | 241 | 23,763 | 804 | 47,881 | - | - | - | - |
| Recreation loans to associations | 1 | 25 | - | - | - | - | - | - |
| Watershed loans | 39 | 19,802 | 21 | 3,244 | 25 | 5,299 | 5 | 138 |
| Flood prevention loans | - | - | - | - | 4 | 345 | - | - |
| Resource conservation and development loans | 19 | 1,088 | 18 | 1,500 | - | - | - | - |
| Business and industrial loans | 399 | 199,981 | - | - | - | - | - | - |
| Industrial development grants | 136 | 9,997 | - | - | - | - | - | - |
| Community facilities loans | 102 | 49,831 | - | - | - | - | - | - |
| Association loans (note a) | - | - | 1,044 | 158,600 | - | - | - | - |
| Total community | 2,263 | 774,485 | 1,887 | 211,225 | 29 | 5,644 | 5 | 138 |
| TOTAL (note b) | 189,104 | \$3,591,119 | 149,427 | \$1,639,749 | 138,020 | \$800,077 | 87,951 | \$308,872 |

^a Association loans listed under other loan categories after fiscal year 1970.

^b Not including 94 grants totaling \$10,342,288 administered for other agencies during fiscal year 1974.

NOTE: Columns may not add due to rounding.

FmHA PROGRAMS--FISCAL YEAR 1974FARMER PROGRAMSFarm ownership loans

Loans are made to farmers and ranchers for acquiring, enlarging, or improving family-sized farms, including dwellings and other farm buildings. Farm ownership loans may also be used for financing (1) land and water development, use, and conservation, (2) forestry development, and (3) recreational facilities; refinancing indebtedness; and establishing nonfarm enterprises to supplement farm income.

Farm operating loans

Loans are made to farmers and ranchers to enable them to meet costs incident to reorganizing a farm or ranch system for more profitable operations or for meeting a variety of essential farm operating expenses. Farm operating loans, limited to family-sized operations, are commonly used to purchase livestock, farming equipment, supplies, feed, and seed; to refinance or pay interest on debts; or to develop nonfarm enterprises to supplement farm income. Under this program loans are also made to rural youths for income-producing enterprises in connection with youth organization activities.

Farm emergency loans

Loans are made to farmers, ranchers, oyster planters, partnerships, and private domestic corporations in designated areas where a major natural disaster has caused farm, ranch, or oyster-planting losses for which there would otherwise be no compensation. They are designed to enable farmers to continue operations by providing credit for farm operating expenses, family living expenses, and other costs associated with losses from a natural disaster.

Recreation loans to individuals

Loans are made to farmers and ranchers for converting all or a portion of farms or ranches into outdoor income-producing recreation enterprises. These loans are designed to supplement or supplant farm income and to enable the farmer to carry on sound and successful operations. They also encourage developing public recreational facilities for such activities as swimming, fishing, boating, and camping.

Soil and water conservation loans to individuals

Loans are made to farmers, ranchers, and other rural landowners for financing land or water development, use, and conservation. Soil and water conservation loans are frequently used to finance such activities as irrigation and drainage projects, forestation, pasture improvement, land leveling, and related projects. FmHA also provides technical management assistance for soil and water conservation loans and allows loans to be used to pay for legal, engineering, and other technical services.

Irrigation, drainage, and soil conservation loans

Loans are made to public agencies or nonprofit corporations to develop community irrigation, drainage, and other soil and water conservation projects. These loans may also be used to purchase specialized equipment and are often used for such projects as reclaiming areas that would otherwise be unsuitable for agricultural production.

Grazing association loans

Loans are made to nonprofit associations owned, operated, and managed by family farmers or ranchers for acquiring and/or developing grazing land for livestock. These loans are designed to help family-sized farms and ranches increase their incomes by using cooperatively owned grazing land.

Indian tribe land acquisition loans

These loans are made to qualified Indian tribes or tribal corporations for acquiring land and/or interests in land within the tribe's reservation or Alaskan Indian community, as determined by the Secretary of the Interior.

RURAL HOUSING PROGRAMSIndividual home ownership loans

FmHA makes loans to low-to-moderate-income families to buy, build, repair, or relocate homes and to purchase minimum adequate homesites in rural areas and communities. Low-income families may qualify for interest rates as low as 1 percent. The objective of these loans is to help rural residents, farmers, and senior citizens obtain

housing that is decent, safe, and equipped with sanitary waste facilities. Housing obtained through the FmHA rural housing program must be modest in size, design, and cost.

Rural housing repair loans

FmHA makes loans to very-low-income owner-occupants of rural housing for minor repairs to remove health and safety hazards. These loans are normally used for roof repair, bath and waste disposal facilities, sanitary water supply, and similar repairs or correction of health-related hazards.

Rural rental and cooperative housing loans

These are insured loans made to individuals, corporations, associations, State or local public agencies, trusts, and partnerships for providing moderate-cost rental or cooperative housing and related facilities to low-to-moderate-income families and senior citizens. These loans may be used to build, improve, repair, or buy rental or cooperatively owned housing that is economically designed and constructed for independent living.

Farm labor housing loans

Loans are made to farm owners, public or private nonprofit organizations, or nonprofit farmworker organizations for providing modest living quarters, basic household furnishings, and related facilities for domestic farm labor.

Farm labor housing grants

FmHA grants, not to exceed 90 percent of project cost, may be provided to a public or private nonprofit organization, a State or political subdivision, public or private nonprofit organization, or a nonprofit organization of farmworkers for use in providing new structures or for rehabilitating existing buildings suitable for dwelling use by domestic farm labor. These grants may also be used for essential related facilities, such as dining halls, community rooms, and infirmaries. These grants may be made simultaneously with farm labor housing loans and are designed to assist in providing decent living conditions for domestic farm labor.

Rural housing site development loans

Loans are made to public or private nonprofit organizations, including corporate agencies of a State or local government, to buy and develop adequate building sites for rural area housing. The loan funds may also be used for constructing essential access roads, streets, and utilities and for paying fees and administrative expenses. The land involved is then to be sold on a nonprofit basis to families with low-to-moderate incomes, cooperative housing groups, and nonprofit rural housing applicants.

Mutual and self-help housing grants

FmHA provides qualified organizations with financial assistance for technical and supervisory expertise for helping low-income families build their own housing by the mutual self-help method. The families involved must be located in rural areas, organized into groups, and willing to exchange labor on the construction of the homes.

Self-help site development loans

FmHA makes direct site loans for a 2-year period to develop building sites for sale in connection with self-help projects.

COMMUNITY PROGRAMSWater and waste disposal loans

FmHA loans are authorized to public, quasi-public, and nonprofit associations and to certain Indian tribes for replacing or upgrading water or waste disposal systems, or for combined purposes.

Water and waste disposal grants

Development grants are made to public or quasi-public agencies, including certain Indian tribes and nonprofit corporations, for developing, storing, treating, purifying, and distributing domestic water in rural areas. These grants are also made for collecting, treating, or disposing waste in rural areas.

Recreation loans to associations

Loans are made to public, quasi-public, and nonprofit associations and to certain Indian tribes for effectively developing and using recreational facilities for the public. According to FmHA, this program is to be terminated in 1976.

Watershed and flood prevention loans

Local organizations can obtain FmHA watershed protection and flood prevention loans for developing and using land and water resources in small watersheds. The loans are made only to finance the local cost-share of improvements, such as flood control dams, reservoirs, irrigation canals, and easements.

Resource conservation and development loans

FmHA makes loans to public agencies and to nonprofit corporations for use in areas that the Secretary of Agriculture has designated as resource conservation and development project areas. These funds may be used for water facility developments, water resource improvements, public water-based recreational developments, wildlife projects, shifts in land use to forests or parks, and facilities and equipment to treat and dispose of solid wastes.

Business and industrial loans

FmHA guarantees or makes loans to finance the acquisition, construction, conversion, enlargement, repair, modernization, or pollution abatement or control of rural businesses and industries. These loans may be made to an individual, cooperative, corporation, partnership, Indian tribe or tribal group, municipality, county, or other political subdivision of a State to increase employment and to save jobs in rural areas and towns up to 50,000 population.

Industrial development grants

FmHA authorizes grants to public bodies for developing industrial facilities including land, buildings, equipment, and supporting facilities. These may be made in connection with business and industrial loans.

Community facilities loans

FmHA lends funds to public bodies, nonprofit corporations, special purpose districts, and Indian tribes and tribal corporations to assist in constructing water and waste disposal systems, community centers, fire stations, hospitals, and other projects promoting the rural community's welfare.

COUNTY OFFICE QUESTIONNAIRE RESULTS, AGGREGATE FORM

GENERAL INFORMATION

1. What is your position title?

- 143 County Supervisor
- 5 Assistant County Supervisor
- 0 Other (Specify) _____
- 1 No response

2. What is your job classification?

- 4 Economist
- 143 Agricultural Management
- 2 Other (Specify)

3. What are the two most important factors on the basis of which you believe you will be promoted to a higher GS level (not step), or given a high performance rating? (Check only the TWO most important categories.)

- | | |
|---|--|
| <u>103</u> Skill in properly making and servicing loans | <u>11</u> Time in grade |
| <u>52</u> Size of county office caseload | <u>40</u> Attrition or retirement of people at higher levels |
| <u>23</u> Number of loans made | <u>7</u> Types of loans made |
| <u>17</u> Political considerations | <u>19</u> Variety of types of loans made |
| <u>20</u> How well I get along with my supervisor(s) | <u>6</u> Other (Specify) _____ |

4. How many county offices, suboffices and part-time offices are you responsible for? How many counties does your office service?

| | <u>Number of offices or counties</u> | | |
|-------------------|--------------------------------------|----------|------------------|
| | <u>1</u> | <u>2</u> | <u>3 or more</u> |
| County offices | 146 | 0 | 2 |
| Sub-offices | 27 | 13 | 5 |
| Part-time offices | 32 | 9 | 5 |
| Counties served | 44 | 52 | 45 |

5. In what fields do you have at least 2 years of full-time work experience?

| | |
|------------|--|
| <u>148</u> | FmHA |
| <u>14</u> | Agriculture and land management Government agencies (Federal, State and local) other than FmHA |
| <u>25</u> | Career military |
| <u>18</u> | Other Government agencies (Federal, State and local) |
| <u>82</u> | Farming, ranching, poultry operations |
| <u>5</u> | Food processing or distribution |
| <u>4</u> | Banking or lending institutions |
| <u>10</u> | Construction or real estate |
| <u>7</u> | Other types of business |
| <u>21</u> | Other (Specify) _____ |

PERSONNEL REQUIREMENTS

Now we would like your judgment on some questions about personnel requirements in your office.

6. What additional skills are needed at your county office?

| | | | |
|-----------|-------------------------|-----------|--|
| <u>63</u> | Farm appraisal | <u>96</u> | Skills needed to handle business and industrial programs |
| <u>37</u> | Farm operations | <u>40</u> | Engineering |
| <u>36</u> | Home appraisal | <u>29</u> | Other (Specify) _____ |
| <u>41</u> | Home inspection | <u>10</u> | Not applicable--no additional skills are needed |
| <u>83</u> | Construction inspection | | |

7. What is the best way to obtain the skills you said were needed in Question 6?

CODE BOX

- 01 - Additional training for present county office employee(s)
- 02 - Additional part-time employee(s)
- 03 - Additional full-time employee(s)
- 04 - Hired consultant's help
- 05 - Greater access to other Agriculture Department employees (e.g., Agriculture Soil Conservation Service)
- 06 - District director should have people whom he could make available to the county office when needed
- 07 - State office should have more people available to allocate to county office when needed
- 10 - State office should make the people it already has more accessible to the county office

| <u>Skill</u> | <u>Code</u> | | | | | | | |
|-------------------------|-------------|----------|----------|----------|----------|----------|----------|-----------|
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> | <u>6</u> | <u>7</u> | <u>10</u> |
| Farm appraisal | 33 | 3 | 11 | 2 | - | 8 | 4 | 1 |
| Farm operations | 18 | 3 | 14 | - | 2 | - | 3 | 4 |
| Home appraisal | 15 | 4 | 16 | 1 | - | 4 | - | - |
| Home inspection | 12 | 7 | 19 | 2 | 1 | 4 | 4 | 1 |
| Construction inspection | 12 | 11 | 28 | 8 | 3 | 10 | 8 | 2 |
| Business and industrial | 20 | - | 10 | 9 | - | 12 | 28 | 15 |
| Engineering | 3 | - | 2 | 7 | 1 | 6 | 19 | 6 |
| Other | 8 | 3 | 7 | 2 | - | 2 | 2 | 1 |

8. Which of the following loan and grant programs need more technical assistance (either time or skills) - than your district director or state office currently gives? (Check all that apply.)

| | |
|---------------------------------|--|
| <u>37</u> Single family housing | <u>10</u> Emergency |
| <u>29</u> Multifamily housing | <u>72</u> Association |
| <u>14</u> Operating | <u>43</u> Other essential community facilities |
| <u>19</u> Farm ownership | <u>68</u> Business and industrial |

APPENDIX III

APPENDIX III

9. How many days was your office visited during fiscal year 1974 by a State office specialist or your district director? Leave the spaces opposite "district director" blank if your county office is also the "home office" of your district director.

| | <u>1-10</u> <u>days</u> | <u>11-15</u> <u>days</u> | <u>16-20</u> <u>days</u> | <u>21-25</u> <u>days</u> | <u>26-30</u> <u>days</u> | <u>31+</u> <u>days</u> |
|-------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------|
| State office specialist | 114 | 17 | 6 | 2 | - | - |
| District director | 19 | 69 | 27 | 5 | 4 | 2 |

10. How many people are currently employed at your county office in each of the job categories listed below? Include non-FmHA employees such as construction inspectors and consultants who were hired on a part or full-time basis but who are not permanent U.S. Government employees.

| <u>Number of people</u> | | | <u>Job categories</u> |
|-------------------------|----------|----------|-----------------------------------|
| <u>1</u> | <u>2</u> | <u>3</u> | |
| 82 | 56 | 6 | Supervisory - permanent full-time |
| 15 | 3 | 2 | Supervisory - permanent part-time |
| 3 | - | - | Supervisory - temporary full-time |
| 3 | - | - | Supervisory - temporary part-time |
| 110 | 22 | 3 | Clerical - permanent - full-time |
| 48 | 3 | - | Clerical - permanent - part-time |
| 2 | - | - | Clerical - temporary - full-time |
| 15 | - | - | Clerical - temporary part-time |

11. How many people do you think should be employed in each category:

| <u>Number of people</u> | | | | <u>Job categories</u> |
|-------------------------|----------|----------|-----------|-----------------------------------|
| <u>1</u> | <u>2</u> | <u>3</u> | <u>4+</u> | |
| 38 | 65 | 31 | 4 | Supervisory - permanent full-time |
| 34 | 2 | - | - | Supervisory - permanent part-time |
| 4 | - | - | - | Supervisory - temporary full-time |
| 6 | 1 | - | - | Supervisory - temporary part-time |
| 59 | 63 | 10 | 2 | Clerical - permanent full-time |
| 51 | 1 | 1 | - | Clerical - permanent part-time |
| 5 | - | - | - | Clerical - temporary full-time |
| 12 | - | - | - | Clerical - temporary part-time |

12. If you need additional staffing, what has caused this?
- 99 Number of loans has increased over the last several years
 - 110 County office has been given new types of responsibilities over the last several years
 - 114 FmHA has introduced new programs
 - 90 Functions involved in making or servicing loans are more complex
 - 29 Other (Specify) _____
 - 18 Not applicable - don't need additional staffing... **SKIP TO Q.14**
13. If the present number of county office personnel is not sufficient, what is the result of this?
- 78 Loan-making functions take too long to do
 - 89 Time is not available for proper counseling
 - 73 Loan-making functions are not done as thoroughly as they should be
 - 57 Time is not available for travel to perform site visits, inspections, etc., prior to closing loans
 - 114 There is not enough time for proper servicing of loans
 - 80 Staff has too much pressure put upon it or has to work long hours
 - 43 Time of supervisory staff must be spent on clerical matters
 - 61 There is not adequate time for travel from the county office to make or service loans
 - 16 Other (Specify) _____
 - 13 Not applicable
14. If, due to insufficient staffing, it is necessary for the clerical staff to work on matters ideally handled by supervisory staff, is this a significant problem or not?
- 37 Significant problem
 - 107 Not significant problem

15. What about the opposite situation - If insufficient staffing results in the supervisory staff working on matters ideally handled by the clerical staff, is this a significant problem or not?

44 Significant problem

102 Not significant problem

16. To administer the variety of FmHA programs, would it be helpful for county offices to have a mix of educational backgrounds? (e.g., a county supervisor with a degree in agriculture and an assistant county supervisor with a background in business.)

18 Very helpful

46 Not helpful at all

41 Moderately helpful

15 Disadvantageous

29 Slightly helpful

17. Check the space next to your major field of college study.

1 No college

6 Business or economics

136 Agriculture

6 Other (Specify) _____

18. What courses have you attended during the past 3 fiscal years (FY 1972-1974)?

| <u>Attended</u> | <u>Usefulness</u> | | | |
|-----------------|-------------------|-------------------|-----------------|--|
| | <u>Very</u> | <u>Moderately</u> | <u>Not very</u> | |
| | | | | <u>MANAGEMENT</u> |
| 21 | 1 | 15 | 1 | Administrative Management I |
| 6 | 2 | 2 | 2 | Administrative Management II |
| 10 | 3 | 2 | 5 | Compliance Review Training Course |
| 7 | 3 | 3 | 1 | Management Development Course |
| 2 | 2 | - | - | Instructor Training Course |
| 46 | 19 | 24 | 3 | Supervisory Development Course - Phase I |
| 27 | 15 | 9 | 3 | Supervisory Development Course - Phase II |
| - | - | - | - | Seminar in Personnel Functions |
| 4 | 1 | 2 | 1 | Seminar in Office Management |
| 48 | 28 | 20 | 2 | Security Servicing and Management and Disposition of Acquired Properties |
| 13 | 2 | 4 | 7 | Civil Rights - Training for Trainers |
| 20 | 8 | 12 | 0 | Credit and Financial Analysis |
| 17 | 7 | 7 | 2 | Other |
| | | | | <u>COMMUNITY PROGRAMS</u> |
| 25 | 12 | 13 | 0 | Community Program Specialist (Field) Training Course |
| 16 | 8 | 11 | 0 | Community Program Training Course |
| | | | | <u>FARMER PROGRAMS</u> |
| 105 | 72 | 30 | 4 | Farm Appraisal Training Course |
| 89 | 51 | 36 | 4 | Farm Planning and Supervision |
| 71 | 43 | 29 | 3 | Real Estate Loan-Making and Servicing |
| 9 | 5 | 4 | - | Agricultural Financing |
| 46 | 23 | 20 | 3 | Production Loan-Making Servicing |
| 7 | 4 | 3 | - | Ranch Appraisal |

18. (con.)

| <u>Attended</u> | <u>Usefulness</u> | | | RURAL HOUSING PROGRAMS |
|-----------------|-------------------|-------------------|-----------------|---|
| | <u>Very</u> | <u>Moderately</u> | <u>Not very</u> | |
| 7 | 5 | 3 | - | Multiple Family Housing Training Course |
| 50 | 25 | 24 | 2 | Rural Housing Training Course |
| 3 | 2 | 1 | - | Rural Housing Training Course of Architects and Engineers |
| 49 | 33 | 17 | 1 | Single Family Housing Appraisal |
| 16 | 10 | 4 | - | Construction I |
| 2 | 1 | - | - | Construction II |
| 33 | 25 | 8 | - | Real Estate Appraisal |
| 61 | 39 | 23 | - | Rural Housing Appraisal |

19. How useful were National and State office training courses to you in your work?

| | <u>Very useful</u> | <u>Moderately useful</u> | <u>Not very useful</u> |
|-----------------------|--------------------|--------------------------|------------------------|
| National Training | 23 | 24 | 5 |
| State Office Training | 59 | 56 | 5 |

20. In your opinion, are courses offered by FmHA worth as much to the agency as the time and cost allocated to them?

116 Yes
20 No

21. In which skills have your county office staff not received on-the-job training in the last two fiscal years?

| | | | |
|-----------|-----------------|------------|--|
| <u>14</u> | Farm appraisal | <u>24</u> | Construction inspection |
| <u>16</u> | Farm operations | <u>71</u> | Skills needed to handle business and industrial programs |
| <u>16</u> | Home appraisal | <u>111</u> | Engineering |
| <u>28</u> | Home inspection | | |

22. Do you believe the types of FmHA training programs for county office personnel over the past three years have been adequate?

54 Yes
91 No

23. Have enough people been trained over the past three years to keep up with changing job requirements?

43 Yes
105 No

24. How confident are you in administering the loan and grant programs listed below: Do you feel you should have additional training in any aspect of these programs? Do you believe your assistant county supervisor should have additional training to handle these programs: How important do you believe the additional training is for either you or your assistant?

| Confidence | | | | | PROGRAMS |
|-----------------------|------------------|---------------------------|----------------------|----------------------|--------------------------------------|
| <u>Very confident</u> | <u>Confident</u> | <u>Somewhat confident</u> | <u>Not confident</u> | <u>Need training</u> | |
| 88 | 57 | 2 | - | 29 | Single family housing |
| 8 | 47 | 56 | 25 | 90 | Multifamily housing |
| 81 | 53 | 9 | - | 33 | Operating |
| 80 | 59 | 3 | 1 | 31 | Farm ownership |
| 23 | 50 | 45 | 17 | 60 | Emergency |
| 16 | 51 | 46 | 26 | 93 | Association |
| 3 | 23 | 55 | 50 | 102 | Other essential community facilities |
| 5 | 21 | 48 | 63 | 118 | Business and industrial |

| <u>Assistant needs training</u> | Importance of training | | | | PROGRAMS |
|---------------------------------|------------------------|-----------------|--------------|--------------------|--------------------------------------|
| | <u>Very</u> | <u>Somewhat</u> | <u>Minor</u> | <u>Unimportant</u> | |
| 24 | 30 | 18 | 7 | 4 | Single family housing |
| 60 | 23 | 61 | 20 | 3 | Multifamily housing |
| 36 | 31 | 20 | 10 | 6 | Operating |
| 37 | 32 | 21 | 8 | 7 | Farm ownership |
| 39 | 24 | 31 | 24 | 4 | Emergency |
| 64 | 40 | 52 | 16 | 3 | Association |
| 62 | 30 | 46 | 29 | 5 | Other essential community facilities |
| 64 | 37 | 53 | 24 | 6 | Business and industrial |

PLANNING

Now we want to ask a few questions about planning in FmHA.

25. If your county office receives any written plans or specific instructions which designates either the number or type of FmHA loans your office should attempt to make each year, where does the plan(s) originate? (Check each that applies. If you do not receive such plans, check the first block below and skip to question 27.)

| | | | |
|-----------|--------------------------------------|-----------|-------------------|
| <u>78</u> | None received... <u>SKIP TO Q.27</u> | <u>46</u> | State office |
| <u>1</u> | National office | <u>35</u> | District Director |

26. What input do you have to these plans?

| | |
|-----------|--|
| <u>34</u> | None |
| <u>11</u> | Statement of what the county office is equipped to do with resources available (e.g., staff) |
| <u>25</u> | Statement of needs and priorities of county or counties served |
| <u>10</u> | Other (Specify) _____ |

27. How do you determine the needs and priorities of the county or counties your office serves?

| | | | |
|------------|---|-----------|---|
| <u>12</u> | No determination of needs and/or priorities made | <u>13</u> | Use of Census data |
| <u>30</u> | Expected budget for each program | <u>21</u> | Coordination with State or sub-State planning agency or clearinghouse |
| <u>126</u> | Past experience and knowledge of the area's needs | | |
| <u>32</u> | Informal survey(s) | | |
| <u>4</u> | Formal (systematic) survey(s) | <u>9</u> | Other (Specify) _____ |

28. Does the county office prepare any written plan or general statement of objectives?

| | | | |
|-----------|---|-----------|-------------------------|
| <u>62</u> | No | <u>61</u> | Statement of objectives |
| <u>43</u> | Plan dealing with number and types of loans | <u>8</u> | Other (Specify) _____ |

29. Do you believe plans dealing with numbers and types of loans to be made are needed at the county office?
- 38 Yes
 - 31 No, because that budget for loan and grant programs determines what can be done.
 - 92 No, because the number of each type of loan application received is not predictable, therefore, planning would do no good.
 - 14 Other (Specify) _____
30. Does your county office regularly inform the public of FmHA programs or do you find word of mouth information and general familiarity with FmHA is sufficient?
- 123 Regularly informs public
 - 18 Find general familiarity is sufficient
31. For each major program listed below to what extent are the people who live nearest the county office more likely to be the ones who request FmHA assistance?

| | <u>Considerably more likely</u> | <u>Slightly more likely</u> | <u>No more likely</u> |
|--------------------------------------|-------------------------------------|---------------------------------|---------------------------|
| Single family housing | 56 | 38 | 50 |
| Multifamily housing | 10 | 27 | 88 |
| Operating | 26 | 41 | 71 |
| Farm ownership | 25 | 39 | 75 |
| Emergency | 10 | 25 | 91 |
| Association | 13 | 21 | 102 |
| Other essential community facilities | 10 | 21 | 96 |
| Business and industrial | 11 | 26 | 91 |

32. What is the average number of hours per month your office spends on coordinating FmHA's rural development programs with plans of other Federal, State, and local agencies or groups?

[4] Number of hours per month spent coordinating FmHA's programs with other groups. (mean)

33. How successful has your office been in achieving coordinated rural development programs?

| | | | |
|-----------|-----------------------|-----------|---------------------|
| <u>9</u> | Highly successful | <u>16</u> | Unsuccessful |
| <u>61</u> | Moderately successful | <u>2</u> | Highly unsuccessful |
| <u>56</u> | Slightly successful | | |

Was your office requested by the State office during fiscal year 1974 to provide specific information on community needs for any of the following kinds of loans?

- | | | | | | |
|-----|-----------|-----|------------|----|--------------------------------|
| 34. | <u>61</u> | Yes | <u>79</u> | No | Farming needs? |
| 35. | <u>47</u> | Yes | <u>93</u> | No | Housing needs? |
| 36. | <u>39</u> | Yes | <u>98</u> | No | Community facility needs? |
| 37. | <u>18</u> | Yes | <u>114</u> | No | Business and industrial needs? |

FUNDING ALLOCATION

We are also interested in the allocation of available funds to FmHA's various programs.

38. Were there any programs for which your office did not have funds readily available during fiscal year 1974? Were there any programs for which funds became completely depleted before the end of the fiscal year?

| <u>Funds were not readily available</u> | <u>Funds were depleted</u> | |
|---|----------------------------|--------------------------------------|
| <u>6</u> | <u>-</u> | Single family housing |
| <u>5</u> | <u>6</u> | Multifamily housing |
| <u>55</u> | <u>49</u> | Operating |
| <u>83</u> | <u>100</u> | Farm ownership |
| <u>6</u> | <u>2</u> | Emergency |
| <u>59</u> | <u>59</u> | Association |
| <u>14</u> | <u>11</u> | Other essential community facilities |
| <u>21</u> | <u>10</u> | Business and industrial |

39. Are there any programs for which you are formally or informally advised by the State office to make a certain number of loans, at a minimum?

| | | | |
|-----------|-----------------------|-----------|--------------------------------------|
| <u>39</u> | Single family housing | <u>2</u> | Emergency |
| <u>10</u> | Multifamily housing | <u>8</u> | Association |
| <u>22</u> | Operating | <u>2</u> | Other essential community facilities |
| <u>23</u> | Farm ownership | <u>10</u> | Business and industrial |

40. Is the number of loans you are advised to make under any program in excess of the actual needs of the communities your office serves?

The format of the response categories for this question precluded a meaningful response from questionnaire respondents.

41. Are there any loan programs which you feel are neglected in terms of either funds available or time available because of quotas on other types of loans?

| | | | |
|-----------|-----------------------|-----------|--------------------------------------|
| <u>5</u> | Single family housing | <u>1</u> | Emergency |
| <u>3</u> | Multifamily housing | <u>22</u> | Association |
| <u>38</u> | Operating | <u>11</u> | Other essential community facilities |
| <u>72</u> | Farm ownership | <u>17</u> | Business and industrial |

42. Would it be beneficial to the communities your county office serves, if additional funds were available for operating and farm ownership loans, even at the expense of reducing funds available under other programs?

| <u>Operating Loans</u> | | <u>Farm Ownership</u> | |
|------------------------|-----|-----------------------|-----|
| <u>101</u> | Yes | <u>124</u> | Yes |
| <u>36</u> | No | <u>21</u> | No |

43. Do you feel that FmHA's eligibility requirements for operating loans are too stringent?

| | |
|------------|-----|
| <u>37</u> | Yes |
| <u>112</u> | No |

44. A significant portion of funds appropriated for low-income housing repair loans (section 504) have not been used during the last two fiscal years. Based on your county office's experience, to what would you attribute this?

- 3 National, State, and district offices do not encourage these loans.
- 30 There is not much of a need for these loans.
- 39 Loan applicants prefer to receive a section 502 housing loan.
- 28 Servicing (inspections and so forth) on these loans is too time-consuming for limited staff at county office.
- 55 It is usually more cost-effective to purchase a home than to make numerous repairs.
- 4 County office receives little or no credit from higher FmHA levels for making section 504 loans.
- 56 Rural residents are not very familiar with the housing repair program.
- 4 Higher FmHA levels have not provided county offices enough information regarding such things as how to obtain section 504 funds, how to promote or administer the program, etc.
- 2 County office has not been made aware that funds for section 504 program are plentiful.
- 50 Other (Specify) _____

45. When do you feel funds should be reallocated to State offices (pooling of funds)?

- | | | | |
|-----------|----------------|-----------|-----------------|
| <u>43</u> | Every 3 months | <u>13</u> | Every 9 months |
| <u>42</u> | Every 6 months | <u>45</u> | Every 12 months |

46. Do you feel your State office has sufficient input into determining -

47. 73 Yes 66 No The amount of funds to be allocated to your State in comparison to other States?

48. 73 Yes 68 No The amount of funds to be allocated to the various programs in your State?

That is all we want to ask about planning. If you have any additional thoughts about planning that you would like to tell us, we encourage you to write them on the pages at the back of this questionnaire.

Next we want to ask about income eligibility of your FmHA applicants.

INCOME ELIGIBILITY

49. If, during fiscal year 1974, your county office could not make a loan to an applicant because his income was too low for an interest credit loan, how many cases of this were there?
 [20] Number of applicants (mean)
50. If your office had any applicant whose income or net worth was too high for an FmHA loan, yet too low for a loan with other lenders, in how many cases did this occur?
 [17] Number of applicants (mean)

If you had any applicants whose income or net worth was too high for an FmHA loan, yet, too low for a loan with another lender, how often do you believe private lenders in your area would make loans to them if FmHA could participate in them? How often if FmHA could guarantee them?

| | <u>Almost all the time</u> | <u>Most of the time</u> | <u>Some of the time</u> | <u>Almost never</u> | <u>Never</u> |
|---|--------------------------------|-----------------------------|-----------------------------|-------------------------|--------------|
| 51. Participation | 20 | 21 | 60 | 29 | 11 |
| 52. Guarantee | 14 | 22 | 54 | 37 | 14 |
| 53. Does your office make housing loans to single unmarried borrowers who do not have a family? | | | | | |
| | <u>129</u> Yes | <u> 17</u> No | | | |
| 54. Does your office make loans to individuals who can obtain credit from other lenders, but only at interest rates or repayment conditions which you do not believe the borrower can afford? | | | | | |
| | <u> 60</u> Yes | <u> 89</u> No | | | |

55. Does your office ensure that borrowers who approach, but do not exceed, the maximum income limit for FmHA loans, have attempted to obtain loans from other lenders?

136 Yes 13 No

56. Approximately what percentage of people in the communities served by your office live in sub-standard housing and have incomes that are too low for FmHA home loans?

| | |
|----------------------|-----------------------|
| <u>39</u> 5% or less | <u>13</u> 26% - 33% |
| <u>51</u> 6% - 10% | <u>3</u> 34% - 50% |
| <u>42</u> 11% - 25% | <u>0</u> 51% and over |

57. Approximately what percentage of people in the communities served by your office live in sub-standard housing?

| | |
|----------------------|-----------------------|
| <u>17</u> 5% or less | <u>31</u> 26% - 33% |
| <u>33</u> 6% - 10% | <u>9</u> 34% - 50% |
| <u>58</u> 11% - 25% | <u>1</u> 51% and over |

PACKAGING

Now we would like to know your thinking on some questions about packaging loans.

58. Is packaging of home loans used by your county office?

*72 Yes 77 No

59. Approximately what percentage of all home loans made by your office were packaged during fiscal year 1974?

[23]% (mean)

60. By what percentage does packaging reduce the time you normally would have to spend making a loan? For example, if you spend only about one-fourth as much time per loan because of packaging, your answer would be a three-fourth savings, or 75%. (Check one.)

| | |
|----------------------------------|---------------------|
| <u>18</u> Less than a 5% savings | <u>11</u> 34% - 50% |
| <u>16</u> 5% - 10% | <u>4</u> 51% - 66% |
| <u>10</u> 11% - 25% | <u>1</u> 67% - 75% |
| <u>17</u> 26% - 33% | <u>0</u> Over 75% |

*Figure not compatible with that used in report because 8 of the 77 answering no to question 58 indicated in question 59 that their offices had used loan packaging in 1974.

61. Check each of the items below that you think are true about packaging.
- * 72 Packaging is used because of the large number of housing applications.
 - 46 Among realtors and builders, there is a lack of interest in packaging.
 - 103 Packaging results in more problem cases because the role of the county office in the loan-making process is reduced.
 - 3 There is better screening of applicants when packaging is used.
 - 53 Income eligibility is not checked as thoroughly as it should be when packaging is used and therefore more unqualified borrowers receive loans.
 - 105 Packagers attempt to mislead people by making the loan look most attractive when in fact some of the applicants cannot meet FmHA's lending requirements.
 - 5 Applicants receive better counseling because the county office has more time when packaging is used.
 - 50 Additional loans made possible by packaging limit the time county office personnel can spend counseling applicants and ensuring loans are sound.
 - 78 The additional caseload built up due to the number of loans that can be processed by packaging limits the time available to service each loan and, consequently, it is more difficult for the county office to eliminate or avoid problems.
 - 8 Packaging allows more time for servicing loans and taking care of problems before they become unmanageable.
 - 94 The packagers do not do an adequate job--adequate as compared to the job the county office would do--in preparing the packaged loans.
 - 94 A greater percentage of packaged loans result in delinquencies, transfers, assumptions, voluntary conveyances, foreclosures, or deserted homes than do non-packaged loans.
 - 51 Packaging is a good tool but staffing has not increased to keep up with total caseload.
 - 19 Other (Specify) _____
-

* Figures are not compatible with those used in the report because responses from offices not packaging loans are included.

62. If packagers do less than a completely satisfactory job, why is that?
- 44 Not familiar enough with details regarding how to prepare a package.
 - 95 Careless package preparation--errors, inaccuracies, incomplete information, etc.
 - 83 Ineligible applicants are sometimes submitted for loans.
 - 18 Other (Specify) _____

63. When your office first uses a packager, do you always check on his past performance, if any, as a packager?

64 Yes 34 No

64. Is information on "problem" contractors available at your State office?

117 Yes
3 No
18 Don't Know

65. If packaged loans result in more problem cases than do non-packaged loans, what is the main factor?

80 Inadequate counseling
7 Inadequate check on income eligibility
30 Other (Specify) _____

Please answer the next three questions in light of the number of packaged loans your office handles.

66. Is it possible to counsel all packaged borrowers prior to the loan closing counseling session?

74 Yes 30 No

67. Do you presently counsel all packaged borrowers prior to the loan closing counseling session?

79 Yes 20 No

68. Can you adequately counsel all packaged borrowers prior to the loan closing counseling session?

52 Yes 47 No

69. Should the county office be required to counsel packaged borrowers prior to the counseling session at the loan closing?

106 Yes 4 No

70. Have you ever suspected packagers of fraud or gross negligence in connection with submitting ineligible applicants as part of a package?

57 Yes 52 No

71. Considering all factors, do you believe packaging is the best method for making housing loans?

24 Yes 100 No

PARTICIPATION AND GUARANTEED LOANS

Now we would like some information about participation and guaranteed loans.

72. For which programs was your office authorized to participate in loans or grants with private lenders during fiscal year 1974?

How many participation loans did your office make during fiscal year 1974?

| <u>Authorized</u> | | <u>No</u> <u>loans</u> | <u>1-5</u> <u>loans</u> | <u>6-10</u> <u>loans</u> | <u>11-15</u> <u>loans</u> | <u>16-20</u> <u>loans</u> | <u>21+</u> <u>loans</u> |
|-------------------|--------------------------------------|---------------------------|----------------------------|-----------------------------|------------------------------|------------------------------|----------------------------|
| 18 | Single family housing | 142 | 6 | - | - | 1 | - |
| 7 | Multifamily housing | 147 | 2 | - | - | - | - |
| 91 | Operating | 94 | 17 | 11 | 12 | 5 | 10 |
| 140 | Farm ownership | 26 | 44 | 45 | 14 | 17 | 3 |
| 13 | Emergency | 144 | 3 | 1 | - | - | 1 |
| 14 | Association | 144 | 5 | - | - | - | - |
| 11 | Other essential community facilities | 148 | 1 | - | - | - | - |
| 40 | Business and industrial | 142 | 5 | - | - | - | - |

73. For which programs was your office authorized to guarantee loans in fiscal year 1974? How many guaranteed loans did your office make during fiscal year 1974?

| <u>Authorized</u> | | <u>No loans</u> | <u>1-5 loans</u> | <u>6-10 loans</u> | <u>11-15 loans</u> | <u>16-20 loans</u> | <u>21+ loans</u> |
|-------------------|--------------------------------------|-----------------|------------------|-------------------|--------------------|--------------------|------------------|
| 5 | Single family housing | 148 | - | - | - | - | - |
| 2 | Multifamily housing | 148 | - | - | - | - | - |
| 105 | Operating | 135 | 7 | 1 | 4 | - | 1 |
| 110 | Farm ownership | 138 | 2 | 2 | 1 | 5 | - |
| 21 | Emergency | 147 | 1 | - | - | - | - |
| 8 | Association | 145 | 2 | - | - | - | - |
| 17 | Other essential community facilities | 148 | - | - | - | - | - |
| 111 | Business and industrial | 131 | 14 | - | - | - | - |

74. If your office makes any participation loans, what is the percentage of the total loan which is usually absorbed by the other lender?

| <u>Percentage usually absorbed by other lender</u> | <u>Program</u> |
|--|--------------------------|
| [49.9] % | Farm ownership loans |
| [36.0] % | Operating loans |
| [32.0] % | Rural housing loans |
| [17.0] % | Community facility loans |

(means)

75. What problems has your office encountered or is likely to encounter in attempting to make participation loans? What about guaranteed loans?

| <u>Column A</u> <u>Participation</u> | <u>Column B</u> <u>Guaranteed</u> | |
|---|--------------------------------------|--|
| <u>67</u> | <u>106</u> | Difficulty in creating interest of other lenders in this type of loan |
| <u>10</u> | <u>19</u> | Lack of or inadequate guidance from FmHA State or national office |
| <u>27</u> | <u>46</u> | Not enough time available for county office personnel to place much emphasis on this type of loan |
| <u>42</u> | <u>44</u> | Differences in FmHA and other lender's interest rates |
| <u>34</u> | <u>45</u> | Problems associated with who is responsible for servicing loans, or problems with the servicing job performed by private lenders |
| <u>30</u> | <u>23</u> | Other (Specify) _____ |
| | | _____ |
| | | _____ |
| | | _____ |

76. Do you believe special incentives (e.g., FmHA being allowed to guarantee 100 percent of the loan, or guarantee a profit on the loan) would encourage private lenders to be more receptive to FmHA guaranteed loans?

91 Yes 52 No

GRADUATION REVIEWS

Now we would like to turn to your experience and thinking on graduation reviews.

77. How many years is it after loan closing before a graduation review is made in your office for each type of loan listed below? (Enter the number of years in spaces provided.)

| | |
|------------------------|-----------------------------|
| <u>1.8</u> Emergency * | <u>4.8</u> Farm ownership * |
| <u>2.7</u> Operating * | <u>4.8</u> Housing * |

*Mean of all responses

78. What is done when a borrower who has been asked to refinance refuses to do so? (Answer for both an initial and a subsequent graduation review.)

| | <u>After initial graduation review</u> | <u>After subsequent graduation review</u> |
|--|--|---|
| The case is referred to the Office of the General Counsel for legal action | 2 | 15 |
| Repayment of the loan is accelerated | 3 | 7 |
| No action is taken against the borrower until his next graduation review | 22 | 6 |
| No action is taken against the borrower | 5 | 1 |
| The case is referred to the State office | 110 | 101 |

79. How does your office ascertain that a borrower who has been asked to refinance is actually unable to do so?

- 111 The county office determines in advance what private lending requirements are before asking a borrower to refinance.
- 95 Borrower informs FmHA that he has attempted to obtain a loan from one or more lenders.
- 88 The county office talks to the lender to ensure that the borrower has asked for a loan.
- 105 The county office requires the borrower to obtain a written explanation from the lenders regarding the reason the borrower was denied credit.
- 57 The county office contacts the lender to find out why the borrower was denied credit.
- 39 The county office contacts another lender to determine if a loan can be obtained.
- 32 If necessary, the county office directs the borrower to another lender outside the boundaries serviced by the county office.
- 6 Other (Specify) _____

80. How often does your county office contact lending institutions to determine the reasons FmHA borrowers who were asked to refinance were refused a loan?
- 43 All the time
51 Most of the time
17 Almost half of the time
26 Less than half the time
8 Never
81. How often has the lender reversed its decision and decided to make a loan when contacted by the county office regarding the reason for the initial rejection?
- 5 All the time
4 Most of the time
1 Almost half of the time
49 Less than half the time
83 Never
82. What percentage of loans are reviewed during each subsequent graduation review?
- 58.1% (mean)
83. Are interest credit loans reviewed periodically for the purpose of reducing or eliminating the interest credit?
- 136 Yes 9 No
84. In your opinion, would more frequent graduation reviews result in earlier graduation of a significant number of borrowers?
- 7 Yes 142 No
85. In your opinion, how often should each of the following loan programs be reviewed for graduation?

| | <u>Emergency</u> | <u>Operating</u> | <u>Farm ownership</u> | <u>Housing</u> |
|-------------------|------------------|------------------|---------------------------|----------------|
| Every year | 47 | 13 | 4 | 3 |
| Every 2 years | 40 | 26 | 9 | 9 |
| Every 3 years | 31 | 58 | 17 | 21 |
| Every 4 years | 1 | 7 | 4 | 4 |
| Every 5 years | 11 | 26 | 85 | 82 |
| None of the above | 13 | 14 | 25 | 25 |

86. For which kinds of loans are county committeemen used in graduation reviews?
 For which loans are the committeemen needed in the reviews?

| <u>Committeemen involved in the reviews</u> | <u>Committeemen needed in the reviews</u> | <u>Types of Loans</u> |
|---|---|-----------------------|
| <u>131</u> | <u>114</u> | Emergency loans |
| <u>146</u> | <u>146</u> | Operating loans |
| <u>92</u> | <u>104</u> | Farm ownership loans |
| <u>115</u> | <u>96</u> | Housing loans |

87. If you are in a county office covering more than one county, what is your opinion of having only three county committeemen represent all the counties within your office's jurisdiction?

- 37 Good idea
- 43 Good idea if each county had at least one county committeemen representing it
- 16 Bad idea
- 2 No opinion
- 10 Other (Specify) _____

88. If you have any ideas on how committeemen can be better utilized (e.g., to counsel prospective borrowers) please elaborate below.

Wide variety of answers were received.

89. If your caseload increased significantly over the past several years, what effect has this had on the graduation review process?

- 4 Reviews are less frequent
- 31 Reviews are not as thorough
- 90 No effect
- 11 Other (Specify) _____

90. Should all borrowers be required to file financial statements at the time of graduation reviews?

84 Yes 58 No

If financial statements were filed, could the graduation review process be handled effectively by the FmHA State office, Finance office, or by a specialist who would cover several county offices? (Check Yes or No for each.)

| | | | | | |
|-----|-----------|-----|------------|----|-----------------------|
| 91. | <u>25</u> | Yes | <u>113</u> | No | By the State office |
| 92. | <u>9</u> | Yes | <u>126</u> | No | By the Finance office |
| 93. | <u>69</u> | Yes | <u>78</u> | No | By a Specialist |

94. In what percentage of cases do loan reviews actually result in increases in borrowers' interest rates, elimination of interest credits, or graduation of borrowers to loans with non-FmHA lenders?

[38]% (mean)

95. What is your opinion of using loan participation or loan guarantee methods to graduate borrowers to non-FmHA loans as soon as possible? (Use the code box to select your answer for each procedure.)

| <u>Participation</u> | <u>Guarantee</u> | |
|----------------------|------------------|--------------------------------------|
| <u>45</u> | <u>39</u> | It would probably work |
| <u>44</u> | <u>47</u> | It might work |
| <u>33</u> | <u>32</u> | Doubt that it would work |
| <u>18</u> | <u>19</u> | Feel strongly that it would not work |

DELINQUENT BORROWERS (HOUSING)

Next we want to turn to delinquent borrowers.

What is the total number of days which normally elapse from the time the county office first learns of a delinquency until each of the following actions are taken? (means)

- 96. 30.3 Days which elapse from the time the county office learns of a delinquency until the borrower is contacted by telephone.
- 97. 32.8 Days which elapse from the time the county office learns of a delinquency until a letter is sent to the borrower.
- 98. 60.3 Days which elapse from the time the county office learns of a delinquency until the borrower is visited by a county office staff member or until the borrower visits the county office.
- 99. 142.8 Days which elapse from the time the county office learns of a delinquency until a problem case report is sent to the FmHA State office.

100. Do you feel a specialist (who would cover several county offices) is needed to review and follow-up on delinquencies?

78 Yes 65 No

101. What are the major factors that cause borrowers to be delinquent in their payments?

148 Poor money management
85 Loss of employment
76 Sickness, accidents, death
123 Domestic problems
38 Lack of timely supervision
33 Double payments for rent and house while under construction
87 Large families--low income
52 Crop failures--low farm income
48 High taxes and insurance
21 Other (Specify _____)

SALE, TRANSFER, ASSUMPTION, VOLUNTARY
 CONVEYANCES, AND FORECLOSURES (HOUSING)

102. How many days usually elapse from the time a borrower is declared delinquent until your office attempts to obtain one of the available liquidation alternatives: sale, transfer, assumption, or voluntary conveyance of the property?

138 days (mean) (weighted)

103. Which of the following security instruments does your State law allow as security for real property in making a loan?

54 Mortgage
74 Deed of trust
14 Both mortgage and deed of trust

104. How many months should a borrower be allowed to remain delinquent so that he may make payment before FmHA attempts to obtain a sale, transfer, assumption, voluntary conveyance, or a foreclosure?

| | |
|--------------------|---------------------------------|
| <u>11</u> 2 months | <u>4</u> 5 months |
| <u>52</u> 3 months | <u>34</u> 6 months |
| <u>30</u> 4 months | <u>16</u> Other (Specify) _____ |

105. Do you feel FmHA waits too long to start foreclosure proceedings?

100 Yes 43 No

106. What problems does your office experience, if any, because of the amount of time elapsed before foreclosure proceedings are started?

24 No problems
77 Other people will not make payments because of poor example.
86 Property deteriorates during the process.
112 Much time spent by county office personnel on delinquency follow-up.
11 Other (Specify) _____

107. Do you use designated attorneys at the local level to handle foreclosure proceedings?

143 Yes 4 No

108. What is your attitude toward the possible use of designated attorneys at the local level to handle foreclosure proceedings?

91 Highly favorable
28 Somewhat favorable
12 Neither favorable nor unfavorable
12 Unfavorable
5 Highly unfavorable

109. Why is that?

- 82 Administrative time of county supervisors would be reduced appreciably
- 90 Reduction in the time required to start foreclosure proceedings
- 70 More thorough or effective job could be done at the local level
- 50 Use of local courts rather than Federal courts would improve FmHA's image
- 21 It won't make a significant difference
- 11 Other (Specify) _____

110. Write any other comments you wish concerning foreclosures on delinquent borrowers.

Comments varied.

What is your opinion concerning a change in procedures which would allow FmHA to take each of the actions listed below?

CODE BOX

1 = Highly favorable
 2 = Somewhat favorable
 3 = Neither favorable nor unfavorable
 4 = Unfavorable
 5 = Highly unfavorable

| | Code | | | | |
|---|----------|----------|----------|----------|----------|
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
| 111. Refinance delinquent FHA borrowers under certain circumstances. | 71 | 52 | 4 | 9 | 11 |
| 112. Offer deferred payments | 17 | 46 | 17 | 33 | 26 |
| 113. Offer partial loan forgiveness | 5 | 15 | 4 | 41 | 74 |
| 114. Offer reduced interest rates to borrowers in trouble | 17 | 42 | 14 | 41 | 32 |
| 115. Establish more lenient standards for giving a borrower a greater interest subsidy at the time the loan is made | 13 | 16 | 14 | 50 | 48 |

123. If your office did rent vacant homes during fiscal year 1974, how many was your office able to rent? (Enter the number in the answer space.)

[] *

FmHA PRIORITIES

Now we would like to hear your ideas about FmHA program priorities.

124. What are the two most important reasons for making the types of loans or grants you make most often? (Check two.)

125 Meets local needs
35 Most demand (most applications)
30 Most money available for these loans or grants
7 State office encourages making these loans or grants the most
0 Other (specify) _____

125. Have the FmHA national, State, or county offices established priorities among FmHA loans or grants? (Check one answer under each level.)

| <u>National office</u> | | <u>State office</u> | | <u>County office</u> | |
|------------------------|------------|---------------------|------------|----------------------|-----|
| <u>53</u> | Yes | <u>62</u> | Yes | <u>43</u> | Yes |
| <u>34</u> | No | <u>51</u> | No | <u>103</u> | No |
| <u>61</u> | Don't know | <u>36</u> | Don't know | | |

126. What kinds of programs do your communities need most? Rank the following programs according to the need for the programs in the communities your office serves. Number one should be the program needed most, number two the second most needed, and so forth. (Ranked by weighted averages.)

| | | | |
|----------|-----------------------|----------|--------------------------------------|
| <u>1</u> | Single family housing | <u>8</u> | Emergency |
| <u>5</u> | Multi-family | <u>4</u> | Association |
| <u>2</u> | Farm ownership | <u>7</u> | Other essential community facilities |
| <u>3</u> | Operating | <u>6</u> | Business and industrial |

*Responses were not compatible with computer program used to compile questionnaire responses.

127. Now rank the programs according to the emphasis placed on them by the State office. The program most emphasized should be number one, the second most emphasized should be number two, and so forth. (Ranked by weighted averages.)

| | |
|--------------------------------|---|
| <u>1</u> Single family housing | <u>7</u> Emergency |
| <u>5</u> Multi-family housing | <u>4</u> Association |
| <u>2</u> Farm ownership | <u>8</u> Other essential community facilities |
| <u>3</u> Operating | <u>6</u> Business and industrial |

128. Is there a local planning district or commission in the area your office serves? (Local planning district described in OMB Circular A-95.)

138 Yes
5 No
4 Don't know

129. When there is more work than can be handled by your office, which aspect of your work receives the greatest emphasis?

56 Making loans and grants
35 Servicing loans and grants
57 Making and servicing about the same

LOCATION OF COUNTY OFFICE

130. In your opinion, what is the maximum number of miles a county office should be located from any of the residents of the county or counties it serves?

39 miles (mean)

131. Approximately how many miles is your county office from the most distant residents you serve?

| | <u>Georgia</u> | <u>Missouri</u> | <u>Montana</u> |
|--------------|----------------|-----------------|----------------|
| Miles (mean) | <u>41</u> | <u>37</u> | <u>105</u> |

132. In your opinion, do residents who live closer to your county office (or sub- and part-time offices) use FmHA programs more than those who live farther away?

84 Yes 62 No . . . Skip to Q. 134

133. If you answered "yes" to the last question, why do you think that is the case?

- 43 Limited time available for county office staff to travel where needed
- 53 It takes residents too much time to travel to the county office.
- 57 Residents not located near an FmHA office are not as familiar with FmHA programs.
- 33 Residents not located near an FmHA office are not very aware of our existence.
- 3 Other (specify) _____

DIRECT PAYMENTS TO FmHA FINANCE OFFICE

134. For each of the following listed programs, what is the approximate percentage of loan payments which are paid directly to the county office rather than to the FmHA Finance Office?

- 80 % Operating loans
- 55 % Farm ownership loans (means)
- 30 % Housing loans

135. For each of the following listed programs, what is the approximate percentage of borrowers who make monthly, rather than annual payments?

- 12 % Operating loans
- 11 % Farm ownership loans (means)
- 86 % Housing loans

136. In which cases are borrowers normally requested to make payments directly to the county office?

- 97 When you expect in advance that the borrower will have difficulty in making payments regularly.
- 35 When loan first becomes delinquent (30-60 days late)
- 125 When loan has been delinquent for a considerable amount of time (90 days or more)
- 22 Other (specify) _____

137. For which kinds of loans is it normal practice for payments to be made directly to your county office?

141 Operating loans
75 Farm ownership loans
14 Housing loans

Is the absence of monthly payments and any corresponding difficulty in following up on delinquencies a reason your county office uses a direct payment system for each kind of loan listed below?

138. 41 Yes 86 No Operating loans?
 139. 33 Yes 95 No Farm ownership loans?
 140. 69 Yes 63 No Housing loans?

141. Approximately how many man-hours does your office use each month to handle direct payments made to the county office?

[14] Man-hours per month (mean)

142. Of all section 502 loans you make, what percentage is made to applicants who wanted the loans only because of inadequate plumbing in their previous dwellings? (Check one.)

| | | | |
|-----------|------------|----------|-------------|
| <u>51</u> | Don't know | <u>1</u> | 11%-15% |
| <u>80</u> | 5% or less | <u>2</u> | 16%-20% |
| <u>7</u> | 6%-10% | <u>4</u> | 21% or more |

143. Of all section 502 loans you make, what percentage is made to applicants who wanted the loans because of other inadequate mechanical or structural problems in their previous dwellings as well as inadequate plumbing?

| | | | |
|-----------|------------|-----------|-------------|
| <u>31</u> | Don't know | <u>11</u> | 11%-15% |
| <u>40</u> | 5% or less | <u>14</u> | 16%-20% |
| <u>15</u> | 6%-10% | <u>38</u> | 21% or more |

144. Of all housing loans you make, what percentage is made to —

[60]% Construct a new dwelling?

[31]% Purchase an existing dwelling? (means)

[7]% Repair or rehabilitate a dwelling already occupied by the borrower?

145. Is the total number of new dwellings being constructed in the communities served by your county office adequate to meet the demand for homes? (Consider all construction, not just that involving FmHA.)

34 Adequate

55 Not adequate

55 Somewhat adequate

146. Is there an adequate number of existing vacant dwellings in your county office's jurisdiction? (Consider all vacancies in the area.)

21 Adequate

81 Not adequate

39 Somewhat adequate

8 Don't know

SUPERVISED BANK ACCOUNTS

Now we'd like to ask a few questions about the use of supervised bank accounts.

147. How many supervised bank accounts did your office establish during fiscal year 1974 for each of the following programs?

[22] Housing
 [7] Farm ownership
 [20] Operating (means)
 [1] Community facilities
 [4] Emergency
 [4] Other _____

[49] Total supervised bank accounts established FY 1974 (mean)
 (note a)

148. What was the total number of supervised bank accounts your office established during —

[74] FY 1972? (mean) [110] FY 1973? (mean)

149. How many supervised bank accounts that were established during prior years were carried over into fiscal year 1974 for each of the following programs?

[7] Housing
 [8] Farm ownership
 [23] Operating
 [1] Community facilities (means)
 [1] Emergency
 [3] Other (specify) _____

[17] Total supervised bank accounts carried over into fiscal year 1974
 (note a)

150. If your office established significantly fewer supervised bank accounts in fiscal year 1974 than it did in fiscal years 1972 or 1973, what caused this?

 56 Fewer housing starts in FY 1974
 17 Temporary moratorium on interest credit housing loans
 15 Greater use of construction financing
 5 Greater use of FHA interim financing
 42 Greater use of escrow agent trust accounts
 17 Other (specify) _____

^aFigures do not add to 100% due to use of means.

151. At what rate are funds normally disbursed from supervised bank accounts? Please indicate the percentages of the total amount of a supervised bank account that are normally spent during the periods after loan closing as they are listed on the left below.

For example, if on the average, you expend 40 percent of the amount of a rural housing supervised bank account 1 month after closing, another 45 percent 3 months after closing, and the last 15 percent 5 months after closing, then you would enter [0 4 0]% opposite the 1-month category, [0 4 5]% opposite the 3-month category, and [0 1 5]% opposite the 5-month category, all in the rural housing column. Please complete for all programs listed.

Round off to the nearest month in choosing the number of months after loan closing. (Weighted averages)

| <u>Number of months after loan closing</u> | <u>Rural housing</u> | <u>Farm ownership</u> | <u>Operating</u> | <u>Community facilities</u> | <u>Emergency</u> | <u>Other</u> |
|--|----------------------|-----------------------|------------------|-----------------------------|------------------|--------------|
| 14 days or less | [18.2]% | [44.7]% | [24.8]% | [22.1]% | [39.6]% | [39.5]% |
| 1 month | [14.2]% | [10.7]% | [18.6]% | [9.6]% | [20.6]% | [9.6]% |
| 2 months | [17.6]% | [7.1]% | [16.2]% | [7.4]% | [11.2]% | [11.5]% |
| 3 months | [34.0]% | [9.8]% | [14.1]% | [8.3]% | [11.2]% | [9.6]% |
| 4 months | [8.0]% | [4.6]% | [8.9]% | [7.3]% | [7.1]% | [7.7]% |
| 5 months | [3.0]% | [1.9]% | [4.2]% | [6.1]% | [2.1]% | [3.8]% |
| 6 months | [1.8]% | [8.2]% | [6.9]% | [8.6]% | [4.3]% | [2.9]% |
| 7 months | [.3]% | [1.4]% | [.9]% | [4.0]% | [.3]% | [6.7]% |
| 8 months | [.3]% | [.6]% | [1.1]% | [3.7]% | [.6]% | [0.0]% |
| 9 months | [.2]% | [2.0]% | [1.2]% | [4.9]% | [.3]% | [1.0]% |
| 10 months | [.7]% | [2.3]% | [.8]% | [.9]% | [.2]% | [0.0]% |
| 11 months | [0.0]% | [.9]% | [.2]% | [2.4]% | [.6]% | [0.0]% |
| 12 months or more | [1.7]% | [5.8]% | [2.1]% | [14.7]% | [1.9]% | [7.7]% |
| | 100% | 100% | 100% | 100% | 100% | 100% |

152. What is the average number of days it takes from the time the Treasury disburses funds for FmHA loans until the time your county office receives the funds?

| | | | |
|-----------|------------|-----------|-----------------|
| <u>40</u> | 1-4 days | <u>13</u> | 15-19 days |
| <u>17</u> | 5-9 days | <u>6</u> | 20-29 days |
| <u>17</u> | 10-14 days | <u>1</u> | 30 days or more |

153. How many days does it normally take from the time FmHA loan funds are received from the Treasury until the time you choose the loan?

| | | | |
|-----------|------------|-----------|-----------------|
| <u>6</u> | 1-4 days | <u>17</u> | 15-19 days |
| <u>30</u> | 5-9 days | <u>5</u> | 20-29 days |
| <u>41</u> | 10-14 days | <u>1</u> | 30 days or more |

What percentage of your total number of supervised bank accounts for housing loans currently use each of the following payment methods for construction projects?

154. [56] % Make a series of payments to one contractor.

155. [38] % Make one lump-sum payment to a contractor. (means)

156. [7] % Make payments to several subcontractors.

157. Do banks in your area generally assess FmHA borrowers a service charge on their supervised bank accounts or on checks drawn on the accounts? (Check one.)

| | |
|-----------|---|
| <u>10</u> | Yes--a service charge on the account only. |
| <u>7</u> | Yes--a service charge on the number of checks written only. |
| <u>80</u> | No--no service charges. |

158. In the area served by your county office, what is the minimum amount of time that money must be in an interest-bearing account before banks will pay interest? (Check one.)

| | | | |
|-----------|-----------------|-----------|----------|
| <u>35</u> | 1 month or less | <u>1</u> | 4 months |
| <u>9</u> | 2 months | <u>0</u> | 5 months |
| <u>34</u> | 3 months | <u>12</u> | 6 months |

159. What percentage of your supervised bank accounts do you place in interest-bearing accounts? (If none are placed in interest-bearing accounts, enter zeros in the blanks: [0 0 0].)

[2] % (mean)

How many times during fiscal year 1974 did you establish an FmHA loan using each of the following arrangements?

165. [12] conditional commitments?
166. [7] construction financing?
167. [2] FmHA interim financing? (means)
168. [10] escrow agent trust accounts?

169. Is there a bonding company located in or near the county or counties served by your county office?

 46 Yes

 50 No

COUNTY OFFICE STATISTICAL QUESTIONNAIRE

Just a few questions about general statistics in the area you serve and you will be through. If they have the data, your clerical staff may answer these questions for you.

170. What is the approximate size of the area your office serves (in square miles)?

| | <u>Georgia</u> | <u>Missouri</u> | <u>Montana</u> |
|---------------------|----------------|-----------------|----------------|
| Square miles (mean) | <u>1,001</u> | <u>917</u> | <u>9,055</u> |

171. What is the population of the area your office serves?

| | <u>Georgia</u> | <u>Missouri</u> | <u>Montana</u> |
|-------------------|----------------|-----------------|----------------|
| Population (mean) | <u>75,095</u> | <u>52,482</u> | <u>32,554</u> |

172. How many of those live in rural areas and how many in urban areas (cities over 20,000)?

[*] Rural
 [*] Urban

173. What is the income level of most of the rural and in-town residents, all residents, not just applicants in the area your county office serves? Use FmHA Instructions A1 108 (444), Exhibits C and D, to aid you in classifying income levels as low, moderate, or high).

| | <u>Rural</u> | | <u>In-Town</u> |
|--------------------------------|--------------|-----------|-----------------------|
| <u>58</u> Low income | | <u>36</u> | Low income |
| <u>83</u> Moderate income | | <u>86</u> | Moderate income |
| <u>7</u> Above moderate income | | <u>11</u> | Above moderate income |

174. Approximately what percentage of your applicants for rural housing loans have annual incomes in each of the following levels?

[50]% Low income
 [41]% Moderate income (means)
 [11]% Above moderate income
 (note a)

*Mean could not be determined due to inappropriate responses.

^aFigures do not add to 100% due to use of means.

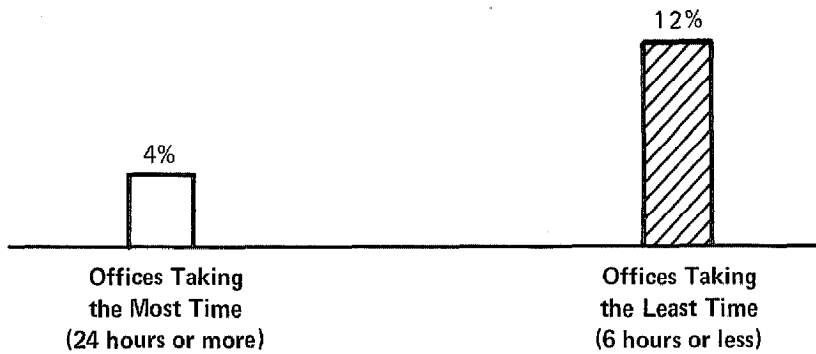
175. Approximately what percentage of your applicants for farm ownership loans have annual incomes in each of the following levels? (in each space provided.)
- [35]% Low income (mean)
 [53]% Moderate income (mean)
 [20]% Above moderate income (mean)
- (note a)
176. Approximately what percentage of your applicants for operating loans have annual incomes in each of the following levels?
- [42]% Low income
 [48]% Moderate income (means)
 [17]% Above moderate income
 (note a)
177. What percentage of applicants for emergency loans have annual incomes in each level?
- [32]% Low income
 [49]% Moderate income (means)
 [28]% Above moderate income
 (note a)
178. How many years of formal education does the average applicant for each kind of loan in your area have?
- years
- [10] Rural housing
 [12] Farm ownership (means)
 [11] Operating
 [11] Emergency
179. What percentage of FmHA applicants in your area are functionally illiterate? (That is, cannot read an FmHA form or loan contract.)
- [9]% Applicants (mean)
180. Approximately what percentage of the residents of your area are functionally illiterate?
- [8]% Residents (mean)

^aFigures do not add to 100% due to use of means.

GRAPHS SHOWING APPARENT RELATIONSHIPS BETWEEN TIMES SPENT MAKING OR SERVICING LOANS AND KEY VARIABLES

1. Relationship Between Times Taken to Make Single-family Housing Loans and the Number of Clerical Assistants at the County Offices

COUNTY OFFICES WITH 2 OR MORE CLERICAL ASSISTANTS (25 offices)



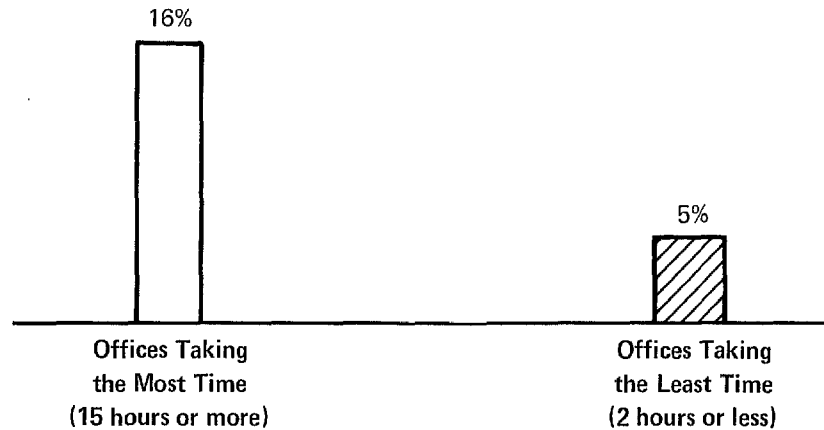
COUNTY OFFICES WITH ZERO OR 1 CLERICAL ASSISTANTS (124 offices)



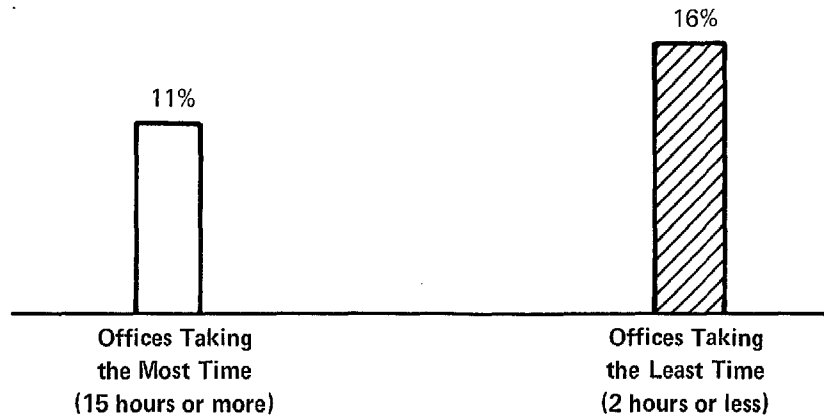
Of the 25 county offices with 2 or more clerical assistants, 12 percent were offices taking the least time to make single-family housing loans and 4 percent were offices taking the most time to make such loans. No discernible relationship was observed in those offices with zero or 1 clerical assistants.

2. Relationship Between Times Taken to Service Single-family Housing Loans and the Income Levels of Loan Applicants

COUNTY OFFICES WITH 76 PERCENT OR MORE LOW-INCOME APPLICANTS (19 offices)



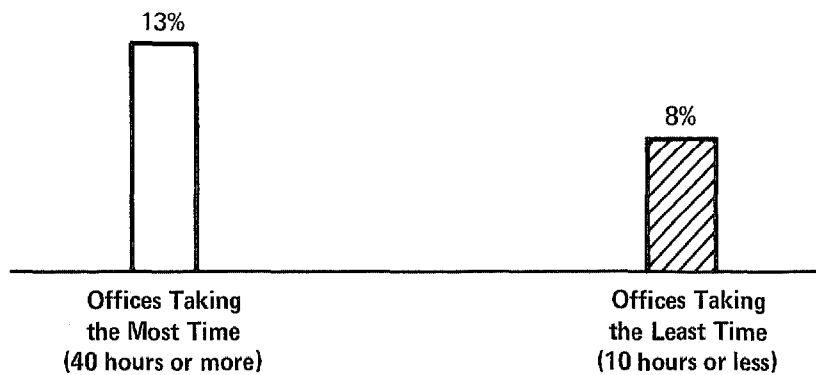
COUNTY OFFICES WITH ZERO TO 75 PERCENT LOW-INCOME APPLICANTS (130 offices)



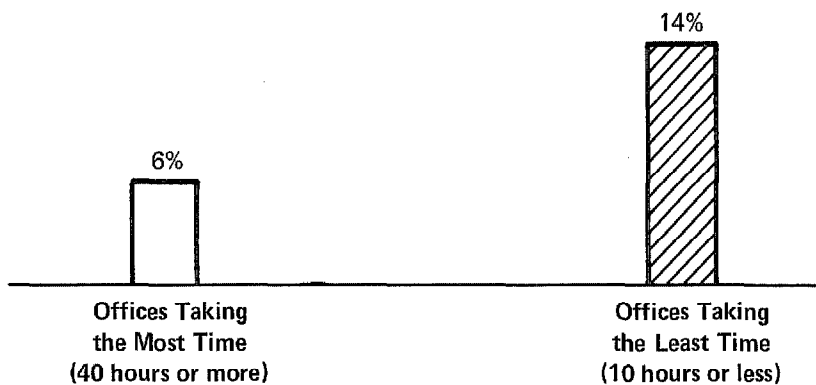
Only 1, or 5 percent, of the 19 county offices which had 76 percent or more low-income applicants was an office taking the least time to service single-family housing loans whereas 3, or 16 percent, were offices taking the most time to service loans. Of the 130 offices which had 75 percent or fewer low-income applicants, 11 percent were offices taking the most time and 16 percent were offices taking the least time.

3. Relationship Between Times Taken to Make Farm Ownership Loans and the Need for Additional Skill in Farm Appraisals

COUNTY OFFICES NEEDING FARM APPRAISAL SKILL (60 offices)



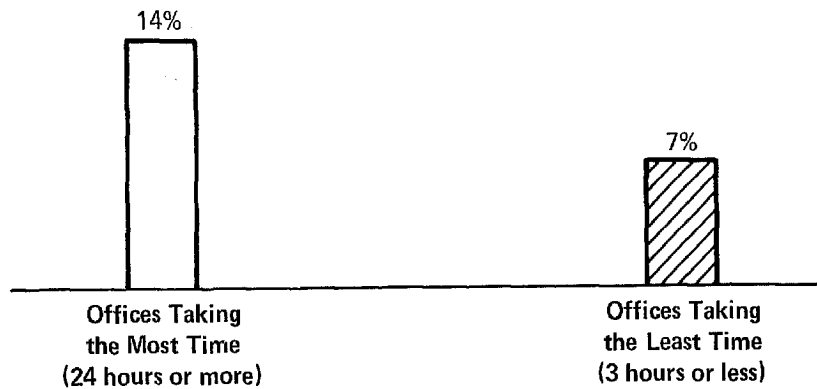
COUNTY OFFICES NOT NEEDING FARM APPRAISAL SKILL (77 offices)



Of the 60 county offices indicating a need for additional farm appraisal skill, 13 percent were offices taking the most time and 8 percent were offices taking the least time to make farm ownership loans. Of the 77 offices indicating no need for additional farm appraisal skill, the situation was reversed: 6 percent were offices taking the most time and 14 percent were offices taking the least time.

4. Relationship Between Times Taken to Make Emergency Loans and the Need for Training in Emergency Loan Program

COUNTY OFFICES NEEDING EMERGENCY LOAN TRAINING (29 offices)



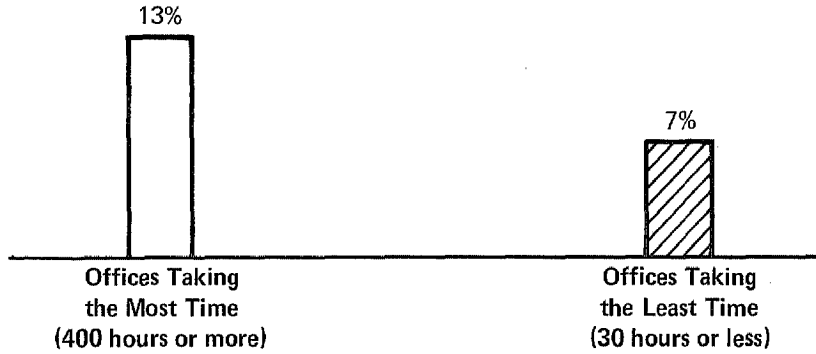
COUNTY OFFICES NOT NEEDING EMERGENCY LOAN TRAINING (36 offices)



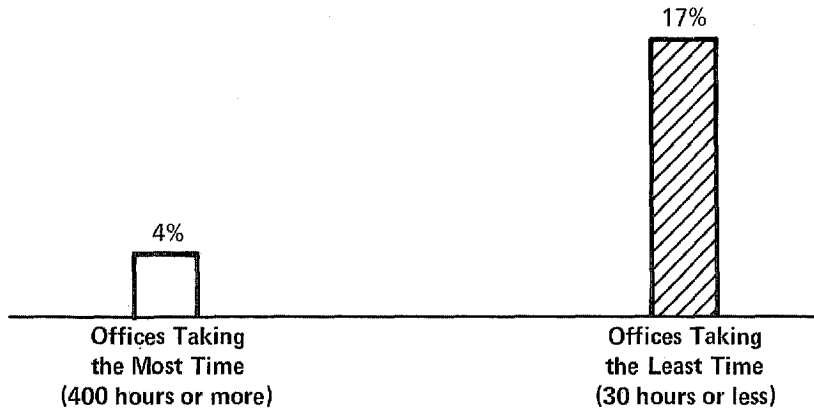
Of the 29 county offices whose supervisors indicated a need for training in the emergency loan program, only 2, or 7 percent, were offices taking the least time to make loans whereas 4 (14 percent), or twice as many, were offices taking the most time to make loans. Of the 36 offices whose supervisors indicated additional training was not required, 8 percent were offices which took the least time to make loans and 6 percent were offices which required the most time to make loans.

5. Relationship Between Times Taken to Make Association Loans and the Need for Training in Association Loan Programs

COUNTY OFFICES NEEDING ASSOCIATION LOAN TRAINING (30 offices)



COUNTY OFFICES NOT NEEDING ASSOCIATION LOAN TRAINING (23 offices)



Of the 30 county offices whose supervisors indicated a need for training in association loan programs, only 2, or 7 percent, were offices taking the least time to make loans whereas 4, or 13 percent, were offices taking the most time to make loans. Of the 23 offices whose supervisors indicated additional training was not required, 1, or 4 percent, was in the group of offices which took the most time to make loans, and 4, or 17 percent, were offices which required the least time to make loans.

COURSES PRESENTED AT FmHA'S NATIONAL
TRAINING CENTER SINCE INCEPTION IN FISCAL YEAR 1973

Management

Administrative Management I
 Administrative Management II
 Compliance Review Training Course
 Management Development Course
 Instructor Training Course
 Supervisory Development Course--Phase I
 Supervisory Development Course--Phase II
 Seminar in Personnel Functions
 Seminar in Office Management
 Security Servicing and Management and Disposition of Acquired
 Properties
 Civil Rights--Training for Trainers
 Credit and Financial Analysis
 Secretary/clerical Skills Seminar
 Management by Objective and Human Behavior
 Instructor Training Course for Office Management Assistants (OMA)
 Executive Secretarial Seminar
 Problem Identification and Decision Making
 Adverse Actions, Grievances, Appeals, Labor Management Relations
 Advanced Management Support Seminar
 Human Side of Management (Interpersonal Relations and
 Communications)
 Advanced Credit and Financial Analysis
 Personnel Clerk Functions
 Executive Development Modules

Community Programs

Community Program Specialist (Field) Training Course
 Community Program Training Course
 Community Program Development Seminar

Farmer Programs

Farm Appraisal Training Course
 Farm Planning and Supervision
 Real Estate Loan Making and Servicing
 Production Loan Making and Servicing
 Farm Program Loan Examiner
 Agricultural Financing

Housing Programs

Multiple Family Housing Training Course
 Rural Housing Training Course
 Rural Housing Training Course for Architects and Engineers
 Single-family Housing Appraisal and Inspection
 Analysis of Multifamily Housing Projects
 Contract Administration for Property Management

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
WASHINGTON, D.C. 20250

OFFICE OF THE ADMINISTRATOR

AUG 1 1975

Mr. Henry Eschwege
Director, Resources and Economic
Development Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Eschwege:

This responds to your request for comments on your draft report "Personal Management Improvements Initiated Or Needed To Help Farmers Home Administration Meet Its Expanded Missions."

GAO recommends that the Secretary of Agriculture have FmHA ———

----- develop national training standards which will stipulate minimum training requirements for each FmHA position based on the functions the employees filling the position are expected to perform and take steps to insure that these standards are met.

FmHA is in the process of developing a Career Development Program for its employees. Each loan program occupational area, technical speciality and management support positions will be covered in the respective career ladders for all grade levels from entry level to highest career level position in the agency. Knowledge, skills and abilities will be identified for each grade level and position in the career ladder as well as the on-the-job and formal training required to fully perform the functions and activities of the respective position. The Career Development Program envisioned will not only encompass vertical upward mobility, but provide for lateral movement into similar positions in other organizational entities or career fields within FmHA. Employee performance will be assessed, at least annually, against the Standards of Performance for each position and satisfactory completion of the required on-the-job and formal training.

An important aspect of the FmHA Executive Development Program is the Institute for Applied Public Financial Management, The American University. FmHA has selected 20 candidates to participate in the first session, 1975/1976. An additional 20 employees will be selected for the 1976/1977 session, with like numbers chosen each subsequent year for a total of 80 candidates over the next four years. The Institute is described in Attachment I. [See GAO note, p. 97.]

*Farmers Home Administration is an Equal Opportunity Lender.
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Secretary of Agriculture, Washington, D. C. 20250*

Personnel Management Improvements Recommendation - Page 31:
"Continue to emphasize to the State Offices the benefits of hiring employees with educational and technical backgrounds necessary to meet the specialized needs under FmHA's expanding mission."

The FmHA will continue to emphasize to the State Offices the benefits of hiring employees with educational and technical backgrounds necessary to meet the specialized needs under FmHA's expanding mission. However, with a permanent full-time ceiling authorization of 6,600 and a permanent full-time staff of approximately 6,560 as of June 30, 1975, specialized hiring must of necessity be somewhat limited. Provided that our ceiling authorization remains constant, normal attrition will permit only about 475 new permanent full-time field hires during FY 1976.

It is our opinion that implementation of the Career Development Program will contribute significantly to our efforts not only to identify specialized hiring needs but developing and maintaining an effective work force "mix". The refinement of knowledge, skills and abilities for the respective career ladder positions and grade levels will assist us in providing the necessary work experience, on-the-job and formal training required for full performance in such positions. The horizontal mobility of employees from one career ladder to another will provide a flexibility of utilizing more fully the specialized knowledge and experience of our present work force and will enhance the development and availability of future commercial lending expertise in key loan programs and related areas of this agency. The Upward Mobility factor, also envisioned in the career ladder, will provide opportunities for other employees who have substantial experience and knowledge of loan making and servicing activities and procedures to enter the loan program fields.

GAO recommends: that the Secretary have FmHA initiate a training and publicity program providing information to FmHA employees and to commercial lenders on the benefits of joint and guaranteed financing.

It has been and still is the Administrator's policy that information such as this be communicated through channels to FmHA employees in the national and state training meetings, and in orientation work with new employees. He then expects the person in the county to contact the banks in the county to acquaint them with the participation and guaranteed programs of Farmers Home Administration. Obviously, as local lenders and county FmHA personnel are changed, the need for a continuing flow of information remains.

National and state training plans were interrupted in FY 1975 because of travel budgets. They are being reinstated now -- the first national meeting was held the week of July 14 -- and reiteration of the need for local contact was a part of the agenda.

As an example, it should be mentioned that when loan guaranties were first introduced the national office made contact with the national associations of lenders -- the American Bankers Association, the Independent Bankers Association, mortgage bankers, savings and loans and other lenders -- to convey the story to them so it could be disseminated through the lending groups. As a matter of fact, the information staff collaborated with the ABA on a booklet on guaranteed lending for all ABA members (95 percent of the country banks) and is now working on a series of three articles on this subject for the Independent Bankers.

State directors are charged with contacts with state associations of lenders to reinforce the national office efforts and pave the way for county contacts.

Through personal contacts, county supervisors can apprise the lenders of the type of person eligible to be an FmHA borrower, and can exercise some control over the lender-FmHA relationship.

A fact sheet explaining the guaranteed program was circulated in February 1974 but is now awaiting revision to incorporate new regulations as soon as they are approved, Attachment II. A circular on participation loans was prepared and distributed. [See GAO note, p. 97.]

GAO recommends that the Secretary of Agriculture have FmHA evaluate the effectiveness of the revised loan-packaging instructions in reducing delinquency rates and take whatever additional actions that may be indicated.

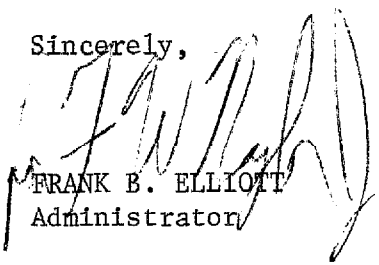
GAO reported that based on a survey of approximately 149 County Supervisors in three states, loan packaging appears to result in inadequate counseling of applicants and in increased delinquencies and loan servicing time. The survey was conducted in September and October of 1974.

We believe that the packaging concept should be continued since the benefits of the FmHA programs can be made available to a larger number of families because of packagers. We agree with the recommendation, however, that FmHA evaluate the effectiveness of the new instructions. We also would want to continue to place emphasis on the responsibility of the County Supervisor to review and consider each application on its own merits. We can not directly relate the evidence in the report to place the blame for servicing problems such as high delinquency rates, larger numbers of foreclosures, and deserted homes directly to the packaging of applications.

Realizing the need for more positive control and monitoring of application packaging, FmHA procedures concerning packaging were revised in December of 1974 and issued to our field staff in January of 1975. The revised procedures emphasize that packagers must provide complete and accurate information to the County Supervisor about the dwelling to be built or purchased and the applicant. If the loan package is not complete or if the packager fails to submit a signed certification which contains a "warning" statement, the packaged application is not to be accepted. The revised procedure also provides that the County Supervisor will, in all cases, interview the applicant prior to approving the loan in order to reach a proper understanding with the applicant as to the basic loan making and servicing policies, the responsibilities of borrowers, and the benefits which may be expected from FmHA assistance.

To assure that packagers and County Supervisors properly carry out their respective responsibilities in packaging applications and processing loans, a new paragraph has been added to provide that District Directors review the files of at least 5 percent of the cases submitted by each packager working in the county. The District Director is to specifically determine, among other things, that the County Supervisor interviewed and counseled with the applicant prior to loan approval, that the applicant's income was properly verified, and that the loan is in accordance with FmHA procedures. The revised procedure confirms that FmHA recognized that some problems did and probably will continue to exist in the Rural Housing program as a result of packaging. The results of the revised procedure will not be available until the end of or after 1975.

Sincerely,



FRANK B. ELLIOTT
Administrator

Attachments

GAO note: Attachments I and II were considered in finalizing the report but are not reproduced herein.

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