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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Secretary Of Agriculture

The Cooperative Extension Service Should Provide Farmers With More Information On Farm Credit Sources

The demand for farm credit has increased significantly in recent years. While the supply of credit from the numerous private and public lenders has generally been adequate to meet the needs of qualified borrowers, beginning and marginal operators have had problems getting credit and repaying outstanding loans.

In the future, the success of family farms in the United States will depend largely on skillful financial management--including the efficient use of credit. However, information on sources of credit, interest rates and terms, and how to apply for credit is only available on a piecemeal basis from numerous sources.

As a result, farmers are often unaware of the differences in credit available. This can limit the creation, survival, and efficiency of family farms. A central source of credit information for farmers is needed.

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CED-80-45

FEBRUARY 27, 1980

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

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-197615

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The Honorable Bob Bergland
The Secretary of Agriculture

Dear Mr. Secretary:

Background

This report discusses farmers' knowledge of farm credit sources and suggests a way to improve their awareness of this information.

The report contains recommendations to you on page 31. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the above House and Senate committees; the Chairmen, House Committee on Agriculture and Senate Committee on Agriculture, Nutrition, and Forestry; the Director, Office of Management and Budget; Senator Henry Bellmon; and Congressman L. H. Fountain. We are also sending copies to your Assistant Secretary for Conservation, Research and Education; Director, Science and Education Administration; Inspector General; and Director, Office of Operations and Finance.

Sincerely yours,

Henry Eschwege

Henry Eschwege
Director

BY THE U.S. GENERAL ACCOUNTING OFFICE REPORT TO THE SECRETARY OF AGRICULTURE

THE COOPERATIVE EXTENSION SERVICE SHOULD PROVIDE FARMERS WITH MORE INFORMATION ON FARM CREDIT SOURCES

D I G E S T

Farmers are finding more than ever that borrowing is a necessity. However, information on sources of credit, interest rates and terms, and how to apply for farm credit is available only on a piecemeal basis from lenders, the Cooperative Extension Service, and other sources. These and other factors, such as the time required to process and approve an application, loan servicing, availability of funds during periods of tight credit, and the amount of downpayment required can significantly affect a borrower's ability to repay a loan, make a profit, and succeed in business.

GAO randomly sampled 419 farmers nationwide who have applied for farm credit in the past 5 years and make the financial decisions for the farm they own or operate. Over one-third of the responding farmers had not heard of 10 or more of the 16 basic types of farm lenders.

In addition, a large number of the sampled farmers were unaware of the types of loans available from each of the five largest lenders. A range of from 14 to 92 percent of the farmers who applied only for short-term loans were not aware of which of the five major lenders make this type of loan. Similar results were obtained for those farmers who applied only for long-term loans. Those who applied for both types of loans were slightly more knowledgeable, however. (See pp. 22 to 25.)

Fifty-one percent of the sampled farmers said that a central source of credit information is definitely or probably needed. Conversely, 32 percent said a central information source is definitely or probably not needed. Support for a central information source is strongest among young, beginning, and small volume farmers. The weakest support was expressed by the older, more experienced farmers.

Farmers who said that a central credit source was not needed were slightly more knowledgeable about major lenders than the overall sample of farmers. Nevertheless, many of these farmers lack basic knowledge about the availability of credit from the major lenders and know even less about the smaller volume lenders. (See pp. 27 and 28.)

The Cooperative Extension Service offers financial management assistance that varies widely from State to State. However, only a small proportion of farmers are reached by these programs. GAO believes that although existing programs cannot practicably fulfill farmers' credit information needs, the Cooperative Extension Service can provide more information.

Providing a central source of credit information would supplement other Federal programs designed to aid the family farm sector. This information would

--identify private and public credit programs available to help potential farmers get a start in farming,

--help financially sound farmers to improve their efficiency, and

--direct financially marginal farmers to the private and public credit sources that can help them remain in business.

RECOMMENDATION TO THE SECRETARY OF AGRICULTURE

The Secretary of Agriculture should:

--Have the Director, Science and Education Administration, encourage State Cooperative Extension Services to provide farmers with more information on farm credit sources. This should include allocating special project funds to several States interested in preparing a credit information handbook on an experimental basis at both the State and local levels.

--At the conclusion of the experiment, gather and provide to the Congress and each State Cooperative Extension Service information on the handbooks' costs, its usefulness to farmers, and the impact of the increased workload on the extension staffs.

AGENCY COMMENTS

The Science and Education Administration-Extension generally agrees that farmers need more information on the sources and terms of credit and agreed to work with and encourage State extension directors to implement programs to provide this information to farmers.

C o n t e n t s

ABBREVIATIONS

ASCS	Agricultural Stabilization and Conservation Service
BIA	Bureau of Indian Affairs
CES	Cooperative Extension Service
ESCS	Economics, Statistics, and Cooperatives Service
FmHA	Farmers Home Administration
FLBA	Federal land bank association
GAO	General Accounting Office
PCA	Production credit association
SEA-E	Science and Education Administration-Extension
SBA	Small Business Administration

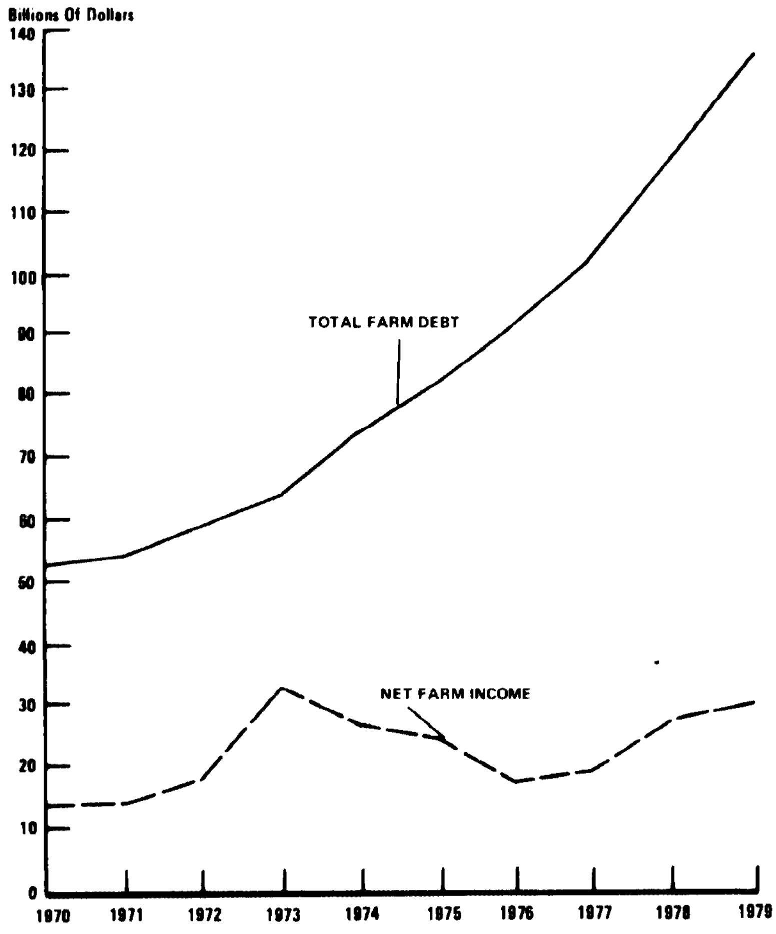
CHAPTER 1

INTRODUCTION

The demand for farm credit has grown significantly in recent years. Numerous private and public lenders are available to fill this growing need.

FARM CREDIT IN THE 1970s

During the 1970s farm ownership and operating expenses increased steadily, but commodity prices fluctuated and generally did not keep pace with expenses. As a result, the number of farms continues to decline, and farmers have more than ever found borrowing a necessity to finance operating expenses and expansion. As shown below, total farm debt has increased substantially in relation to net farm income.



SOURCE ECONOMICS, STATISTICS, AND COOPERATIVES SERVICE, DEPARTMENT OF AGRICULTURE

While the supply of credit from the numerous farm lenders has generally been adequate to meet the needs of qualified borrowers, beginning and marginal operators have had problems getting credit and repaying outstanding loans.

In the early 1970s, crop shortfalls around the world drove up farm prices and raised net U.S. farm income to its highest point--$33.3 billion. Largely because of these high prices, many farmers borrowed heavily to invest in expensive land and machinery. When net farm income declined steadily from 1974 to 1976, farmers began experiencing difficulties in making timely loan payments.

Widespread drought in the grain-producing areas during 1977, and the resulting decreases in income due to lost crop production, intensified the credit problems of many farmers. In addition, the cost-price squeeze increased the demand for credit considerably. During that year the prices farmers paid increased over 5 percent, but the prices farmers received for all farm products decreased about 1.6 percent.

Nevertheless, farm real estate lenders escaped this downturn relatively unscathed, and by early 1978 the financial position of borrowers was much improved due to increases in farm income and Government loans and slow sales of farm equipment and machinery. In March 1978 the Department of Agriculture's Economics, Statistics, and Cooperatives Service (ESCS) surveyed lenders in 12 States where farmers were hit hard by reduced income and cash flow problems. ESCS reported that although no economic shortage of loan funds existed, some marginal operators were having problems in getting credit and repaying outstanding loans. According to the survey, commercial banks reported that about 3 percent of their 1977 borrowers--up from about 1 percent in a normal year--would not qualify for nonreal estate loans during 1978, primarily because of inadequate income and/or insufficient equity. Production credit associations (PCAs) reported that about 4 percent of their borrowers would not qualify, as compared with a normal 2 percent. The reasons most often given for considering borrowers not qualified were the same as for the commercial banks--inadequate income and insufficient equity.

Forty-seven percent of the PCAs and 24 percent of the commercial banks reported that the financial soundness of their farm loan portfolios had decreased during the preceding year. Thirty-nine percent of the commercial banks surveyed reported that they had more loan funds outstanding than desirable when compared to their current level of deposits. However, 87 percent of the commercial banks said the financial soundness of their farm loan portfolios was as good or better than the overall financial soundness of all other business loans.

The ESCS survey concluded that many farmers had avoided delinquency by refinancing debts to a longer term basis to reduce annual payments. Borrowers refinancing short-term loans into longer term debt rose from a normal 2 percent to 7 percent at commercial banks and from 3 percent to 9 percent at PCAs.

Government programs were instrumental in improving the farm credit situation during 1977 and 1978. Farm loans made during fiscal year 1978 by the Farmers Home Administration (FmHA), the Small Business Administration (SBA), and the Agricultural Stabilization and Conservation Service (ASCS) totaled nearly $13.4 billion. In an August 1978 publication, ESCS concluded that these Government programs, together with improved dairy, livestock, and wheat prices, had sharply improved cash flow positions and prospects in agriculture.

Total farm debt, including Commodity Credit Corporation loans outstanding, was $119.3 billion on January 1, 1978--$16.7 billion more than in 1977 and a record increase for 1 year. By January 1, 1979, that amount had increased by another $18.2 billion to a total of $137.5 billion--another record yearly increase.

Farm real estate debt comprised $72.2 billion of the total farm debt on January 1, 1979. The increase from 1978--13.5 percent--almost kept pace with the increase in farm real estate value. In 1978 a record 90 percent of all farmland transactions involved credit financing, versus only 67 percent in the early 1960s.

Total farm nonreal estate loans increased 17 percent during 1978. Much of the increase was due to the loans made by FmHA and SBA for disasters or economic emergencies. Farmers also took advantage of the Commodity Credit Corporation's price-support loans as a source of operating capital at favorable interest rates.

Despite the increases in farm debt, the supply of credit has generally been adequate--except for temporary shortages in some areas--to meet the needs of qualified borrowers. While loan approval criteria vary among lenders, the two most important factors usually are repayment ability and collateral. Thus, a loan will generally be approved if the prospective borrower's expected income is sufficient to meet the loan payments and other expenses and sufficient equity exists to support the additional debt. During our review, however, we identified some localized credit problems. For example, 11 of 30 non-Government lenders contacted said that they had refused loans to qualified borrowers because of temporary fund shortages.

The supply of credit has not been as readily available for beginning and marginal farmers, however. Because of high farmland prices and production costs, beginning farmers need high levels of capital. With the low income and equity positions typical of a beginning operation, credit for new farmers is extremely hard to obtain. Likewise, established farmers who have low incomes and have already borrowed heavily against their equity to remain in agriculture during periods of depressed prices also have had difficulty in obtaining credit.

Farm production expenses in 1979 are forecasted to be 14 percent higher than in 1978. Net farm income is also forecasted to increase but only by 7.5 percent over last year's levels. Much of the increased production costs will be borne by increased borrowing. According to one source, as of October 1979, rural commercial banks were being swamped with requests for agricultural loans, and total farm-related commercial bank lending had increased by 30 percent since January 1979. As a result, some rural banks have temporarily stopped making new farm loans and thus have interrupted farmers' traditional supply of credit in those areas.

A recent Department of Agriculture survey of commercial banks confirmed that farm loans from banks are becoming less available. Forty-five percent of the responding banks stated that their funds available for lending were not sufficient to fulfill the demand. Forty-one percent of the banks responded that their ratio of loans to deposits was too high. Overall, 20 percent of the responding banks said that they had denied loans or had granted smaller loans than requested because of their loan fund situations in 1978 and 1979. As a result, more and more farmers may be forced to locate and secure loans from lenders they have not dealt with before.

Farm financial management--including the efficient use of credit--is already a major factor in successful farming and is likely to become even more important in the 1980s. A current impediment to the use of credit is the lack of readily available information on sources of farm credit. This problem is discussed in chapter 2.

MAJOR FARM LENDERS

Estimated farm debt as of January 1, 1979, by major lender is shown in the following table.

Lender	Real estate	Nonreal estate	Total	Percent
	--------------(millions)-------------			
Farm Credit System	$24,619	$15,525	$ 40,144	29
Commercial banks	8,557	28,273	36,830	27
Life insurance companies	10,168	0	10,168	7
Farmers Home Administration	4,121	5,780	9,901	7
Commodity Credit Corporation	0	5,242	5,242	4
Individuals and others	24,767	10,420	35,187	26
Total	$72,232	$65,240	$137,472	100

Source: Economics, Statistics, and Cooperatives Service, Department of Agriculture.

A brief description of each of the major categories of farm lenders follows.

Farm Credit System

The Farm Credit System is the largest source of loans to farmers. It is a cooperative system, owned by member farmers and their marketing, supply, and business service cooperatives and supervised by the Farm Credit Administration, an independent Federal agency.

There are 12 farm credit districts. In each district, there is a Federal land bank, a Federal intermediate credit bank, and a bank for cooperatives. Federal land banks make long-term loans secured by first mortgages on farm real estate through local Federal land bank associations (FLBAs). Federal intermediate credit banks provide funds for short- and intermediate-term farm loans made by local PCAs. Banks for cooperatives make loans of all types to agricultural cooperatives but do not loan to individual farmers.

FLBAs and PCAs raise funds through the sale of securities in the major money markets. FLBAs are the largest single institutional lender for farm real estate loans. The PCAs are second only to commercial banks in total nonreal estate loan funds provided to farmers.

Commercial banks

Commercial banks are the second largest source of farm credit in terms of total farm debt held. While banks have made a substantial number of real estate loans, they are most active in short- and intermediate-term loans on crops, livestock, and equipment. According to January 1979 estimates, commercial banks held 43 percent of total nonreal estate farm debt, compared to the second-ranking Farm Credit System's 24 percent.

Life insurance companies

Loans from life insurance companies are not available in all farming areas. Lending is restricted to long-term real estate loans secured by first mortgages. Life insurance companies generally make larger loans than other real estate lenders. Because they generally do not have offices in rural areas, life insurance companies often develop arrangements with banks, real estate offices, or mortgage companies to act as agents in originating loans.

Farmers Home Administration

FmHA traditionally has been the primary Federal lending agency for farmers. Its basic function is to operate as a lending agency of last resort--providing credit only to those farmers unable to borrow elsewhere at reasonable rates and terms. Historically, FmHA's two major types of loans have been short- or intermediate-term operating loans and long-term farm ownership loans. FmHA also makes emergency loans to help farmers adjust to (1) the effects of physical damage or crop production losses caused by natural disasters such as wind storms, floods, or drought and (2) economic hardships caused by a general lack of credit. During fiscal year 1979, emergency loans accounted for 68 percent of FmHA's total farmer loan volume of $7.7 billion. In addition, FmHA currently has five other specialized farmer loan programs.

Commodity Credit Corporation

Because the Corporation has no operating personnel, its two farm loan programs are administered through ASCS. Under the Commodity Loan Program, ASCS makes short-term loans on commodities stored on the farm or in an approved warehouse in connection with its price-support programs. The commodity serves as collateral for the loan. In addition, the Corporation makes intermediate-term loans for purchase or construction of storage structures and drying equipment necessary for onfarm storage of crops.

Individuals and others

"Individuals and others" is a category ESCS uses to include all other unclassified credit sources. This category accounted for 34 percent of the estimated farm real estate debt outstanding as of January 1, 1979, and 16 percent of the nonreal estate debt. The real estate debt held by individuals and others primarily represents financing provided by farmland sellers. In addition to individual sellers, this category includes savings and loan associations, credit unions, finance companies, farm equipment dealers, suppliers and merchants, food processors, State loan programs, and other Federal programs.

Individuals

Individual sellers often carry all or a portion of a buyer's indebtedness on a contract for deed or other security arrangement to provide themselves a retirement income or tax advantages. Other individuals may make real estate loans for investment purposes.

Following is a brief description of some of the credit sources included in the "other" category.

Savings and loan associations

Savings and loan associations make long-term real estate loans secured by first mortgages. Those contacted during our review generally made very few farm loans.

Credit unions

Credit unions generally make short- to intermediate-term loans secured by personal property. Unsecured loans are sometimes made in smaller amounts. Loans to farmers are most often for equipment or livestock and are made only to members. Membership requirements generally include buying one or more shares in the credit union.

Finance companies

Finance companies make short- to intermediate-term loans secured by personal property, real estate, or simply the borrower's signature. Loans to farmers are generally for equipment or livestock.

Farm equipment dealers

Major manufacturers of farm machinery provide financing for farm machinery and equipment sold through their dealers. At the end of 1978, outstanding loans provided by the six full-line farm machinery manufacturers totaled nearly $3.2 billion.

Suppliers and merchants

Vendors of feed, seed, fertilizer, and other farm supplies provide substantial amounts of short-term credit in the form of open charge accounts. Payment is usually required within 30 to 60 days, with interest charged on past due accounts.

Food processors

Food processors--firms that contract with farmers to grow crops such as vegetables or sugar beets--provide credit ranging from supplying seed to extending operating loans for the duration of the growing season.

State loan programs

We identified 21 States that make loans to farmers. The types of loans available range from small educational loans for students from farm families to substantial real estate loans. (See app. I.) While some of the other States also have programs which participate in FmHA loans or the secondary market, they do not originate loans.

Other Federal programs

In addition to FmHA and ASCS, two other Federal agencies--SBA and the Bureau of Indian Affairs (BIA)--make farm loans. SBA began making farm loans in 1976 as the result of Public Law 94-305, which amended the Small Business Act to include farmers in the definition of an eligible small business concern. Through fiscal year 1978, SBA had made about $2.1 billion in farm loans, of which nearly $1.9 billion was under its Disaster Loan Program. SBA loans represent about $1.5 billion of the January 1979 nonreal estate debt held by "Individuals and others."

BIA makes loans to Indian tribes, Indian organizations or partnerships, and individual Indians for purposes which will provide a direct economic benefit to a tribe or its members residing on a reservation or for economic development of a reservation and its resources. Among the eligible loan purposes are purchasing land and financing farm operations.

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Specific terms and requirements of private lenders and Federal programs are summarized in appendixes II, III, and IV.

SCOPE OF REVIEW

Our review consisted primarily of interviewing sources of farm credit in the States of Colorado, Georgia, Idaho, Minnesota, Missouri, Tennessee, and Wisconsin. We visited headquarters, State, and county offices of FmHA. We also contacted headquarters and local offices of various other agencies, including ASCS, BIA, SBA, the Cooperative Extension Service (CES), and the Farm Credit System. In addition, we visited private credit sources, including commercial banks, life insurance companies, savings and loan associations, credit unions, finance companies, and vendors. We also reviewed pertinent legislation and other documents and contacted the Department of Agriculture's Office of Inspector General to avoid duplication.

During our review, we identified 16 types of institutions that make loans or extend credit to farmers. To measure farmers' awareness of and contact with these lenders, we mailed questionnaires to a randomly selected sample of farmers nationwide. We received responses from 419 part-time and full-time farmers in 42 States. Each of these farmers makes the financial decisions on the farm they own or operate and each has applied for farm-related credit in the past 5 years. These farmers represent a wide range of ages, income levels, and types of farms. (See apps. VI and VII.)

CHAPTER 2

A CENTRAL FARM CREDIT INFORMATION SOURCE WOULD FACILITATE BETTER CREDIT DECISIONS

Information on the sources and terms of credit is available to farmers only on a scattered, piecemeal basis. As a result, farmers are not aware of many private and public sources of farm credit and are effectively denied the opportunity to consider the borrowing options available from them. This lack of information can limit the efficiency, survival, and creation of farm operations. A central source of information would fill this information void.

VARIATIONS IN AVAILABLE FARM CREDIT

Although each of the lenders discussed in chapter 1 extends farm loans or credit, many farmers are likely to find that some lenders may be unable or unwilling to help them at one time or another. Lenders may determine that a farmer lacks sufficient repayment ability or collateral or, in other instances, local credit conditions or lending practices may restrict the number of credit sources available. However, several potential sources of credit often exist for a given situation, with different effects on the borrower.

Real estate loans

Real estate loans can be made for virtually any purpose but are always secured by property. At the time of our review, the farm real estate lenders contacted were offering interest rates ranging from 3 percent to 12 percent and repayment periods of 3 to 40 years. For those borrowers able to meet the eligibility requirements, Federal programs generally provide loans at lower interest rates than are available from private lenders.

Of the non-Federal lenders contacted, FLBAs generally offered slightly lower interest rates and longer repayment periods than commercial banks, savings and loan associations, and life insurance companies. However, the interest rate on an existing FLBA loan may fluctuate periodically based on the FLBA's cost of obtaining funds to lend to farmers. Also, the lower rate of interest charged is partially offset by the FLBA's requirement that borrowers purchase stock in the association equal to 5 percent of the loan amount. When the FLBA does not pay dividends, the stock requirement raises the effective interest rate. The size of the increase depends on the amount and terms of the loan.

Variations in other charges assessed by lenders also can affect the cost to the borrower. For example, some lenders charge loan origination fees, often levied as a percent of the loan amount. Other additional charges include application fees and appraisal fees. There are also variations in loan closing costs.

Because of the various practices individual lenders use, we have not tried to identify these other charges by type of lender. However, prospective borrowers should be aware that these variations do exist, so that they can identify and compare all the costs of alternative sources of credit.

Because of its effect on the amount of the annual payment, the length of the repayment period can sometimes be a more important factor in the choice of lenders than the interest rate. For example, lengthening the repayment period from 15 to 40 years for a loan of $100,000 at 9 percent reduces the annual payment by more than $3,000. This amount can be significant to a borrower with a limited income or cash flow problem.

The following table shows the effect of variations in interest rates and repayment periods on annual payments and total interest expense for a real estate loan of $100,000.

Effect of Interest Rates and Repayment Periods on Annual Payment and Total Interest Expense

	$100,000 real estate loan					
	Annual payment (note a)			Total interest expense (note b)		
Repayment period (years)	8%	9%	10%	8%	9%	10%
15	$11,683	$12,405	$13,147	$ 75,245	$ 86,075	$ 97,205
20	10,185	10,955	11,746	103,700	119,100	134,920
25	9,368	10,181	11,017	134,200	154,525	175,425
30	8,883	9,734	10,608	166,490	192,020	218,240
35	8,580	9,464	10,369	200,300	231,240	262,915
40	8,386	9,296	10,226	235,440	271,840	309,040

a/Payment calculation:

$$P=A\ \frac{i(1+i)^n}{(1+i)^n - 1}$$

A=loan amount
P=monthly payment
i=interest rate per period
n=number of repayment periods

b/Total interest is equal to the annual payment multiplied by the number of periods, less the principal.

Nonreal estate loans

The differences in interest rates and repayment periods are much greater among nonreal estate lenders than among real estate lenders. At the time of our review, the nonreal estate lenders contacted charged interest rates ranging from 5 percent to 36 percent. As with real estate loans, for those borrowers who qualify, Federal Government programs generally provide loans at lower interest rates than are available in the private sector.

PCAs generally offer the lowest interest rates among non-Federal lenders. However, as with the FLBAs, the interest rate of a PCA loan fluctuates with the PCA's cost of obtaining funds to lend to farmers. PCAs also require borrowers to purchase stock ranging from 5 percent to 10 percent of the loan amount. If the PCA does not pay dividends, the stock requirement increases the effective interest rate.

The following table shows the effect of variations in interest rates and repayment periods on annual payments and total interest expense for a nonreal estate loan of $10,000.

$10,000 nonreal estate loan

Repayment period (years)	Annual payment (note a) 9%	12%	18%	36%
1	$10,900	$11,200	$11,800	$13,600
5	2,571	2,774	3,198	4,586
7	1,987	2,191	2,624	4,073
10	1,558	1,770	2,225	3,774

Repayment period (years)	Total interest expense over life of loan (note b) 9%	12%	18%	36%
1	$ 900	$1,200	$ 1,800	$ 3,600
5	2,855	3,870	5,990	12,930
7	3,909	5,337	8,368	18,511
10	5,580	7,700	12,250	27,740

a/Payment calculation: $P=A\ \frac{i+(1+i)^{n}}{(1+i)^{n}-1}$

A=loan amount
P=monthly payment
i=interest
n=number of repayment periods

b/Total interest is equal to the annual payment multiplied by the number of periods, less the principal.

Other considerations

Choosing the best lender to satisfy individual needs should not be limited to a comparison of interest rates, repayment periods, and additional charges levied by lenders. Many other factors such as the time required to process and approve an application, loan servicing policies, availability of funds during periods of tight credit, and the amount of downpayment required are also important considerations in deciding among lenders of real estate and nonreal estate loans.

For example, there are various reasons why borrowers are willing to pay the relatively high interest rates--as high as 36 percent--charged by lenders such as finance companies.

Reasons suggested by lenders contacted during our review ranged from necessity to convenience. (See app. V.) Because some borrowers cannot meet the eligibility criteria of the more selective lenders whose interest rates are lower, they must borrow from less selective lenders which are willing to take greater risks in return for higher interest rates. In contrast, persons who can borrow at lower rates from other sources may choose high interest financing because it is convenient. For example, a finance company in the Midwest often handles farm auctions and provides on-the-spot financing for equipment and livestock sold.

Major farm equipment manufacturers provide financing for equipment purchases through their dealers. While their interest rates are generally several percents higher than the rates PCAs, commercial banks, or credit unions charge, the only eligibility requirement is a downpayment of 30 to 33 percent of the purchase price. The downpayment requirement is often met by trading in a piece of used equipment. Also, the buyer does not have to provide the detailed information about his or her financial condition that other lenders would generally require.

As with the variations in charges levied by lenders, prospective borrowers should also be aware that these other considerations exist and that they can be as important as the interest rate and repayment period.

IMPORTANCE OF CREDIT INFORMATION TO FARMERS

Farm financing is a major factor in successful farming and is likely to become even more important in the future. The success of farming operations over the next 20 years will depend more on skillful financial management--including the efficient use of credit--than on improved production techniques. Being aware of the wide variations in credit sources available before borrowing is important to the efficient operation of some farms and the survival of others. It is also important to beginning farmers.

Despite the large increase in farm debt during the 1970s, farmers are not deeply in debt in a real sense. Largely because of the high equity level of farming assets, farmers in the aggregate are in a stronger financial condition than nonfarmers. Throughout this period, the debt-to-equity ratio of farmers has remained low.

Aggregate statistics can be misleading, however. While many farmers own their assets with little or no debt, many others have high debt and low equity. Regardless of their financial condition, both existing and potential farmers can benefit by being knowledgeable about the wide differences in credit before borrowing.

Financially sound farmers

As discussed earlier, many farmers have had little or no difficulty in obtaining credit. Finding the best credit to meet the borrower's needs, however, is a time-consuming process. Based on the responses to our questionnaire, farmers have generally not spent the time necessary to become familiar with the loans available from all the major lenders. (See pp. 22 to 25.) As a result, these farmers are effectively denying themselves the opportunity to fully consider these borrowing options and are not making the most efficient use of credit.

Many farmers responding to our questionnaire said they were satisfied with their established credit sources. Considering the various loans available, relying on the same credit sources without knowing what is available from other lenders can be costly. Poor credit decisions can add unnecessary expenses to the overall farm operation and reduce net income. Relying on the same credit source can also be a problem when the lender--such as a rural commercial bank--suspends lending during periods of tight credit or high loan-to-deposit ratios.

Financially marginal farmers

The farmers on the other end of the financial spectrum--those with low income, low equity, and high debt--literally cannot afford to make unwise credit decisions. To these farmers, the differences in interest rates, repayment periods, and other terms and conditions of the remaining lenders can significantly affect their ability to repay a loan, make a profit, and succeed in business.

During the past decade, some farmers became highly leveraged by expanding their operations to take advantage of the economies of scale possible on larger farms. Others borrowed heavily to get their start in farming. Still others were forced to borrow against their equity to pay rapidly rising current operating expenses.

These financially marginal farmers are especially vulnerable to inflation and energy costs and have the greatest problems in obtaining credit. Typically they are overextended, repay their loans more slowly, and often ask for loan renewals or extensions. They have cash flow problems because production costs have risen steadily while farm prices are generally out of their control. When crop prices fall, these farmers' ability to refinance is severely limited by their poor showing on the financial indicators--such as poor return-on-investment and debt-to-asset ratios--that are important to lenders.

During the fall of 1979, interest rates on farm loans increased substantially and lenders became more cautious. Some lenders suspended lending, thus interrupting borrowers' traditional farm credit arrangements. It is generally expected that even more farmers will be unable to obtain loans. Situations requiring farmers to sell their inventories and other assets to meet their fixed financial commitments will probably occur more often. The impact of this tightened credit on farmers could be devastating. Clearly, farmers with poor financial positions have little, if any, leeway for making unwise financial management decisions--including credit choices. For example, choosing a lender whose interest rates are too high or repayment terms are too short can mean the difference between survival and foreclosure.

Most people that leave farming before retirement age are operators on small farms who are unable to earn an income comparable to that from nonfarm employment. One can only speculate how many of the approximately 750 farms that go out of business during the average week do so because the farmers were unaware of the existence of, or the rates and terms of, other available sources of credit.

Beginning farmers

The number of new and young people entering farming has declined for nearly 50 years. High capital requirements for farming, along with the generally strong demand for labor in the nonfarm economy, have reduced the number of entrants. Concern exists that there will be a limited supply of new entrants because the capital and other barriers to entry may be too great.

It is apparent that new farmers will only be able to get their start by borrowing or through an established operation. Because credit sources for the new borrower are severely limited, it is important that prospective farmers become aware of the available credit sources. FmHA, for example, has helped many new farmers unable to obtain credit to overcome the financial barrier through a program of direct loans and loan guarantees.

If potential farmers are not aware of the available sources, and thus do not enter farming, the total number of farms will continue to decrease and become even more concentrated in the hands of fewer, older farmers.

SOURCES OF FARM CREDIT INFORMATION

Currently information on the wide variations in farm credit is available on a piecemeal basis from numerous sources. Based on 940 total responses from 419 respondents, the average farmer currently uses more than two sources to obtain credit information.

Source	Number of farmers	Percent
A banker	287	69
Individuals, relatives, friends, neighbors, etc.	161	38
PCA or FLBA	156	37
News media	132	32
FmHA	98	23
CES	67	16
A farm records service, management service, or business association	17	4
A Federal agency other than FmHA or CES	9	2
Other sources	7	2
A State agency	6	1
	a/940	

a/Total responses exceed number of respondents because farmers were asked to indicate every source they use.

Agricultural lenders

As shown above, many farmers turn to the major agricultural lenders for credit information. When we contacted major lenders in seven States, however, we found that although they had very good information on their own loans, many were not knowledgeable about the existence of all or most of the other sources of farm credit. In addition, most lenders generally lacked the familiarity with other lenders' programs necessary to provide useful information to borrowers.

A CES agent told us that the lack of awareness among lenders has been compounded by a large turnover in personnel at various farm credit lenders.

When lenders are aware of other sources of credit, they can greatly assist farmers by referring those who do not qualify for their loans to another lender. However, although 71 of the farmers who responded to our questionnaire said they had been refused credit during the past 5 years by a bank, PCA, or FLBA, only 6 of these farmers said they were referred to additional sources of credit other than FmHA.

Cooperative Extension Service

CES is another source of farm credit information. The basic mission of CES is to help people identify and solve their farm, home, and community problems with research findings, Department of Agriculture programs, and other information sources. CES programs are cooperatively financed by Federal, State, and local governments. Federal funds are channeled through the Science and Education Administration-Extension (SEA-E) to land-grant colleges which carry out extension work through State and county extension offices. The State offices employ county, home economics, and 4-H club agents; State and area specialists; nutritional aides; and others to conduct educational programs adapted to local problems and conditions.

The SEA-E official who is responsible for the CES farm management program told us that to his knowledge none of the State or county CES offices have a specific program solely designed to inform farmers about the interest rates, terms, and how to apply for loans from the available sources of farm credit. He said further, however, that although CES programs often include some of this information, they are primarily intended to address the much broader issue of when, how much, and what types of credit a farmer should seek, if any. In some cases CES also helps farmers analyze possible alternative uses of funds and new investments and, when appropriate, provides help in finding sources of credit.

The types of programs CES uses to address the credit area vary widely from State to State. Generally, CES credit counseling can be classified into two broad categories. The first type of program is designed to provide farmers and lenders with the proper technique to use in making credit decisions that consider each farmer's particular needs. This approach helps the farmer prepare and use cash flow analyses and financial statements and may include instruction on how to adapt previously prepared computer programs to their individual needs. This approach is carried out in most States with a large agricultural population.

The second type of program uses CES-trained paraprofessionals to work with small farmers on a one-to-one basis to develop a farm plan that is tailored to fit their abilities, levels of desired risk, technology, and financial situations. Two States--Missouri and Texas--have pioneered this program, and many other States are now using this approach.

Each of the State and county CES offices we visited had some credit information available for farmers, but each office appeared to have a different approach to solving the credit information needs of farmers.

Based on our visits, we concluded that, at a minimum, county CES agents refer farmers that ask for credit information to four of the major credit sources--commercial banks, PCAs, FLBAs, and FmHA. Any help beyond that, however, appears to depend on the overall extension needs of farmers in the area and the backgrounds of personnel staffing the county CES office.

For example, some county offices have brochures on FmHA programs and are prepared to discuss the types of loans available from the major private lenders. Other offices may hold periodic meetings which may include some information on the local lenders. In still other offices, a farm management agent may be available to work with individual farmers on particular financial problems.

Formal training is also available on a variety of topics, including financial management, cash flow analysis, estate planning, income tax preparation, and farm recordkeeping.

Although CES financial management programs are available in most if not all of the heavy agriculture States, farmer participation has been minimal. While over one-half of the farmers responding to our questionnaire used a county CES office in the last 5 years, very few used it to obtain financial information, as shown below.

Farmers' response	Percent
Used a county CES office for non-financial technical help	59
Attended a farm financial management workshop or seminar sponsored by CES	13
Got other financial advice or counseling from CES	14

The usefulness of CES' general programs to efficiently fulfill the narrow credit informational need addressed throughout this report is also suspect. Only 12 (23 percent) of the 52 farmers who attended financial management workshops or seminars CES sponsored said they obtained useful information on possible sources of credit; 15 (29 percent) said the seminars provided useful information on rates, terms, or eligibility requirements. Of the 55 farmers who said they got other financial advice or counseling from CES, 26 (47 percent) said they obtained useful information on possible sources of farm credit; 23 (42 percent) said they obtained useful information on rates, terms, or eligibility requirements.

<u>Other sources</u>

Farmers should also be aware that other sources of farm credit information exist. While some sources have little or no information, others can be quite helpful. A brief description of the types of information available from each source is described below.

As shown in appendix I, 21 States currently make some type of loans to farmers. Most of the 19 States with active programs have brochures or other information available describing the purpose, terms, and eligibility requirements of their programs. At least one State--Virginia--has also prepared an "Agricultural Credit Handbook" which was designed to provide lenders and borrowers with a description of the major farm lenders operating in the State. This handbook includes general information on farm borrowing, the role of CES, and 9 of the 16 types of agricultural lenders identified during our review. According to the Virginia official responsible for the handbook, preparation costs were minimal because lenders supplied the information. Although they never formally determined the usefulness of the earlier version, State officials have decided to update the handbook because of the continuing need to educate farmers and lenders about other sources of credit. Although this handbook was designed for Virginians--it includes the names and addresses of many of the lenders across the State--we believe it would also greatly benefit other farmers across the country.

Numerous farm management services provide bookkeeping and other services for farmers in many States. These organizations may have some credit information gained through their contacts with financial institutions and other farmers.

Small articles and advertisements in farm magazines and newspapers are another major source of credit information. One CES official said that writing small articles has been the most effective way of reaching a large number of farmers at a nominal cost.

College courses are also available on the use and sources of agricultural credit. Some agricultural colleges require this type of course for graduation and use textbooks that are designed to familiarize farming students with various lenders, terms, and requirements. In addition, at least one large university--the University of Illinois--publishes a magazine devoted to agricultural finance.

The Federal Government has three general sources of information available to farmers on Federal loan programs. One source is entitled "Catalog of Federal Loan Guarantee Programs," printed in September 1977. Although the information included is over 2 years old and some programs are not mentioned, the catalog is available at a nominal charge and may be useful to farmers. The second source "Catalog of Federal Domestic Assistance" is more current and inclusive. The charge for this publication is $20 per year. Third, each Federal agency has brochures on its major loan programs available to farmers.

The network of Federal information centers is another potential source of available farm credit information. In contacting 36 of these centers by telephone, however, we found that the farm credit information was either incomplete or inaccurate. Although each of the 36 centers was aware of FmHA, only 7 centers were able to name other lenders. When asked specifically whether SBA makes farm loans, 22 centers incorrectly stated that SBA does not, 13 stated that they did not know, and 1 center correctly stated that SBA does make farm loans.

During our review, we also contacted two other potential sources of farm credit information--the American Farm Bureau Federation and the National Agricultural Credit Committee--but neither group compiles credit information for farmers.

NEED FOR A CENTRAL SOURCE OF FARM CREDIT INFORMATION

Many farmers need or want a central source of farm credit information. This information can be provided in several ways.

Farmers' awareness of credit information

Collectively, a wealth of credit information is available to farmers. Probably because this information is scattered among numerous sources, however, many farmers believe more credit information is needed.

During our review, we attended three of five Regional Small Farm Conferences held throughout the United States during 1978. The conferences were sponsored by the Department of Agriculture and the Community Services Administration to allow small farmers to identify problems of importance to them. At each of the conferences we attended, the lack of sufficient information on farm credit programs was cited as a problem. A summary report on all five of the conferences concluded that the single most important problem with Federal programs intended for small farmers is that too few small scale operators know about or participate in them. Since then the Department of Agriculture has been trying to determine whether Federal programs need to be better tailored to small farmers or whether a better method is needed to publicize the existing programs.

Similar information was obtained from our random sample of farmers. We asked these farmers whether they had heard, from any source, about the kinds of farm-related credit or loans offered by 16 types of lenders. Of the 419 farmers who responded, 338, or 81 percent, said they had not heard of the kinds of loans or credit offered by one or more of the 16 types of lenders. Sixty-eight percent had not heard of 5 or more of the lenders and 35 percent--over one-third of the responding farmers--had not heard of 10 or more of the 16 lenders.

The level of awareness varies by type of lender. For example, while 82 percent of the respondents said they had heard of the kinds of loans offered by commercial banks, only 39 percent knew about the kinds of loans offered by SBA. For this reason, we focused on farmers' awareness of the major types of agricultural lenders across the country. As shown by the following chart, however, a large percent of the farmers responding to the questionnaire who make the financial decisions for a farm and have used credit in the past 5 years are unaware of even the major lenders.

	Percent of farmers who heard about the lenders' farm loans
Commercial banks	82
FLBAs	75
PCAs	73
FmHA	68
Life insurance companies	33

We recognize that not all farmers need both short- and long-term loans 1/ and therefore cannot realistically be

1/Farmers were instructed in the questionnaire that short- or medium-term credit was credit extended for 7 years or less and that real estate and long-term credit was credit extended for more than 7 years. For purposes of discussion in this report, these types of loans are referred to as "short-" or "long-" term loans.

expected to be knowledgeable about both types of lenders. For this reason, we measured farmers' awareness of the major types of lenders that offer the same types of loans the farmers indicated they had applied for during the past 5 years. Based on this analysis, farm borrowers are more familiar with the credit available from the major lenders than those of the minor lenders.

As shown below, however, a large number of responding farmers who only applied for short-term credit during the past 5 years were either uncertain or "incorrect" 1/ about whether some of the major lenders make short-term loans.

Awareness of Major Lenders as a Short-Term Credit Source

	Percent of farmers applying only for short-term loans		
	Uncertain	Incorrect	Total unaware
Commercial banks	13	1	14
Life insurance companies	72	20	a/92
PCAs	25	4	29
FLBAs	45	46	a/91
FmHA	49	7	56

a/Lender does not extend short-term credit.

Those responding farmers who applied for both short- and long-term credit, however, were slightly more knowledgeable about whether the major lenders extend short-term credit. Nevertheless, as shown on the next page, a significant number of these farmers lack basic information on the major lenders.

1/Responses were considered incorrect if a farmer (1) indicated that a lender makes a certain type of loan that the lender does not make or (2) indicated that a lender does not make a certain type of loan that the lender actually does make.

Awareness of Major Lenders as a Short-Term Credit Source

	Percent of farmers applying for both short- and long-term loans		
	Uncertain	Incorrect	Total unaware
Commercial banks	7	5	12
Life insurance companies	71	13	a/84
PCAs	14	2	16
FLBAs	26	58	a/84
FmHA	31	8	39

a/Lender does not extend short-term credit.

Similarly, with respect to whether major lenders make long-term loans, responding farmers who only applied for long-term loans during the past 5 years were not as knowledgeable as those farmers who applied for both types of loans. As indicated, large numbers of responding farmers are also unaware of whether the major lenders make long-term loans.

Awareness of Major Lenders as a Long-Term Credit Source

	Percent of farmers applying for only long-term loans		
	Uncertain	Incorrect	Total unaware
Commercial banks	34	(a)	(a)
Life insurance companies	81	3	84
PCAs	61	30	b/91
FLBAs	35	0	35
FmHA	46	0	46

a/Some banks extend long-term credit to farmers; others do not.

b/Lender does not extend long-term credit.

Awareness of Major Lenders as a Long-Term Credit Source

	Percent of farmers applying for both short- and long-term loans		
	Uncertain	Incorrect	Total unaware
Commercial banks	31	(a)	(a)
Life insurance companies	58	6	64
PCAs	32	42	b/74
FLBAs	9	3	12
FmHA	26	6	32

a/Some banks extend long-term credit to farmers; others do not.

b/Lender does not extend long-term credit.

We also recognized that persons primarily employed in farming may have a different awareness of lenders than part-time farmers who are primarily employed off the farm. For this reason, we compared the awareness indicated by both types of farmers. We concluded that although many farmers in each group lack basic information on the major lenders, those farmers employed in farming are generally more knowledgeable of lenders than part-time farmers--with one exception. Part-time farmers who applied for long-term loans were more aware that life insurance companies and FLBAs make long-term farm loans and, conversely, that PCAs do not make long-term loans.

Similarly, we compared the awareness indicated by farmers generating less than $20,000 in annual farm sales with the awareness of farmers having annual farm sales over $20,000. Again we concluded that many farmers in each group lack basic information on the major lenders. Of the two groups, farmers with the higher annual sales were generally more knowledgeable about lenders. Farmers with lower sales--except those that only applied for short-term loans--were more knowledgeable about the types of loans available from FmHA, however.

Farmers' opinion on the need for a central source of credit information

More than one-half of the responding farmers said that a central source of credit information is definitely or probably needed, as shown on the following page.

	Percent
Definitely yes	34
Probably yes	17
Uncertain	18
Probably no	19
Definitely no	13

Although some variations exist, a large percent of all types of farmers believe a central source of credit information is needed. As shown by the following chart, support for a central information source is strongest--as high as 74 percent--among young, beginning, and small volume farmers. Conversely, the weakest support--as low as 44 percent--is among the older, more experienced farmers.

Farmers' Perception of the Need for a Central Credit Information Source

	Probably or definitely yes	Probably or definitely no	Uncertain
	(percent)		
Short-term borrowers (184)	45	34	22
Long-term borrowers (38)	55	37	8
Short- and long-term borrowers (164)	57	29	14
Primary farmers (272)	49	34	17
Secondary farmers (117)	56	26	18
1 to 5 yrs. farming (86)	56	28	16
6 to 10 yrs. farming (67)	64	15	21
over 10 yrs. farming (232)	45	38	17
Under 25 yrs. old (19)	74	16	11
25 to 44 yrs. old (167)	57	25	18
45 and older (203)	44	38	18
Under $5,000 (66)	61	20	20
$5,000 to $19,999 (99)	45	33	21
$20,000 to $39,999 (61)	56	30	15
over $40,000 (159)	48	36	15
overall (391) (note a)	51	32	18

a/Only 391 of the 419 responding farmers answered this question.

Note: The numbers in parentheses correspond to the number of each type of farmer expressing an opinion on the need for a central credit information source.

Thirty-two percent of the farmers who responded said a central credit information source is probably or definitely not needed. To find out why, we asked these 124 farmers to provide a further explanation. As shown in the following chart, the largest percent of farmers indicated that they were satisfied with their established credit sources and thus do not need a central information source. Over one-half of these farmers also said they believe enough information is already available.

Reasons Provided by the One-Third of Sampled Farmers Who Said a Central Credit Information Source is Probably or Definitely Not Needed

	Percent
Satisfied with established credit sources	58
Believe enough information is already available	52
Aware of the rates and terms available from most lenders	35
Do not anticipate the need for more credit	10
Other reasons	9

Note: Total responses exceed the number of respondents because farmers were asked to indicate all reasons that apply.

As a group, these farmers were generally somewhat more knowledgeable about the major lenders than the overall group of farmers responding to our questionnaire. As indicated in appendix VIII, however, many of the farmers who do not believe a central credit information source is needed nevertheless lack basic knowledge on the availability of credit from the major lenders.

These farmers' knowledge of the entire group of 16 types of lenders was even more limited. Of the 124 farmers who said a central credit information source is not needed, 74 percent said that they had never heard of the kinds of loans or credit offered by one or more of the lenders. Fifty-six percent had not heard of 5 or more of the lenders, and 21 percent had not heard of 10 or more of the 16 lenders.

Approaches to providing
a central source of farm
credit information

Because farmers are largely unaware of the important differences in farm credit available from the numerous sources, we considered various methods of providing more information to farmers.

Training a person in each farming area to be familiar with the various credit sources available could be of help to farmers. This person could counsel farmers on a personal basis about the various credit sources and how to apply for loans. This method is already in use in many States as part of a much larger CES program to help farmers develop a viable, individualized farm plan. (See p. 18.) The approach is not practical on a large scale for providing information on credit sources, however, because of the expense in trying to keep all farmers current on changes in credit available.

A second approach would be to offer specific courses on available credit. CES has also developed seminars including similar information designed to help farmers better fiscally manage their farms. Considering the small proportion of farmers that attend these seminars and the continuing need to update the information, however, this approach also does not seem a practical way to inform farmers about credit sources.

In contrast, we believe that preparing and periodically updating a credit handbook, with a format similar to that of appendixes II and III, can be a very efficient way to keep the Nation's farm borrowers informed of the variations in available credit.

CES appears to be the best source to provide such a credit handbook for farmers. Although only a small percent of farmers have obtained useful credit information from CES in the past, its employees appear well qualified and its network of county offices seems well suited to widely disseminate this information.

A useful credit handbook can be prepared at two levels--State and local. In discussing the possibility of such a handbook, the SEA-E official responsible for the CES farm management program told us that State financial management specialists could easily prepare a statewide handbook. On the other hand, he cautioned that preparing and updating a local credit handbook for each farming county could be quite costly in both time and funds needed, even though county CES agents are generally qualified to prepare one if such a project is given sufficient priority among their other duties.

Because Federal funding is determined by a formula set by law, SEA-E can encourage, but not directly require, States to adopt specific programs. Each State CES would have to determine whether or not to prepare a credit handbook, and at what level. The SEA-E official, however, told us that SEA-E works very closely with States to encourage them to adopt programs deemed important by local farmers and the State and national CES offices.

CONCLUSIONS

Many sources of farm credit exist. In spite of factors which sometimes limit the borrowing options of specific farmers, more than one source of financing is usually available. These sources may reflect wide variations in repayment periods, interest rates, and other costs to the borrower and can significantly affect the efficiency, survival, and creation of farm operations. For these reasons, farm borrowers need information concerning the interest rates, terms, and conditions of available sources to choose the source of credit that best meets their individual needs.

However, there is no central source from which prospective borrowers can obtain information about all available farm credit sources. As a result, farmers may have to contact each lender separately to obtain basic information about loan programs. Unfortunately, many farmers are unaware of some of the major agricultural lenders--such as FmHA and life insurance companies--or the types of credit or loans available from them. Farmers are generally even less knowledgeable about the lower volume lenders, such as savings and loan associations and SBA. As a result, farmers are effectively denied the opportunity to fully consider these potential borrowing options.

CES is a logical source of credit information for farmers. Although CES has programs in financial management, farmer participation has been minimal and the existing general programs cannot practicably fulfill the credit information needs shown in this report. CES does not have a specific program to inform farmers about the interest rates, terms, and how to apply for loans from the available farm credit sources. Because its basic mission is to help people identify and solve their farm, home, and community problems, we believe CES could use its personnel and network of county offices to be more active in providing credit information to farmers.

This information could be prepared and disseminated in the form of a simple directory of the credit sources available to farmers. The format could be similar to that of appendixes II and III of this report, modified as necessary for local conditions and updated periodically.

We believe that providing more credit information to farmers is consistent with the Congress' desire to maintain the family farm system of agriculture. In support of that goal, Federal programs have been established to favorably affect the credit available from lenders by changing the returns, risk, and liquidity of farm loans. Policies such as price supports, acreage allotments, deficiency payments, target prices, direct purchases, and other similar mechanisms are designed to improve the returns on agricultural production. The Federal Government also has numerous direct and guaranteed loan programs designed to help the farming sector.

A central credit information source would supplement these other attempts to aid the farming sector by providing farmers with current information on the availability and terms of Federal, as well as private, farm credit. This information would (1) identify private and public credit programs available to help potential farmers get a start in farming, (2) assist financially sound farmers to improve the efficiency of their operations, and (3) direct financially marginal farmers to private and public credit sources that can help them remain in business.

We recognize that farming may not be the only type of business that may experience difficulties in getting adequate information on credit available from the numerous lenders. However, the Congress has--as demonstrated in the Food and Agriculture Act of 1977--specifically singled out the family farm as an institution requiring special types of assistance. Section 102(a) of that act specifically states that

> "* * * the maintenance of the family farm system of agriculture is essential to the social well-being of the Nation and the competitive production of adequate supplies of food and fiber."

If the Congress wishes to bolster other types of businesses, special programs such as credit information assistance may also be appropriate for nonfarm businesses.

RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

We recommend that the Secretary of Agriculture:

--Direct the Director, Science and Education Administration, to actively encourage State Cooperative Extension Services to provide farmers with more information on farm credit lenders. This encouragement should include allocating special project funds to States that wish to prepare a credit handbook on an experimental basis. We believe these experimental handbooks should be prepared at both the State and local levels for comparison purposes and include, at a minimum, each lender's (1) name, address, and telephone number, (2) general eligibility requirements, and (3) principal terms and conditions.

--At the conclusion of the experiment, gather and provide to the Congress and each State Cooperative Extension Service information on the handbooks' preparation costs, the impact of the increased workload on county and State staffs, and the usefulness of the handbooks to farmers.

AGENCY COMMENTS

SEA-E officials generally concur with our conclusion that farmers need more information on the sources and terms of credit. Further, they agreed to work with and encourage State Extension Directors to implement programs to provide this information to farmers. They also said they would consider preparing a credit handbook on an experimental basis. (See app. IX.)

STATE FARM LOAN PROGRAMS (Note a)

State	Type of loan	Loan amount (maximum)	Eligibility	Contact
Alaska	Farm development Chattel loan Short-term irrigation	$200,000 100,000 25,000	Bona fide farmer with farm experience in Alaska.	Division of Agriculture--Alaska Dept. of Natural Resources Box 1088 Palmer, AS 99645 (907) 745-3236
Colorado	Real estate operating	No dollar limit	Farmer or farming background and unable to obtain credit elsewhere at a reasonable rate.	Colorado Rural Rehabilitation Corp. 12025 East 45th Avenue Denver, CO 80239 (303) 371-4290
Georgia	Any farm need	No dollar limit	Farmer with real estate as collateral.	Georgia Development Authority 15 Peachtree Street, NE Atlanta, GA 30303 (404) 525-0789
Hawaii	Real estate Soil and water conservation Operating Corporations and cooperatives Emergency New farmer	$100,000 35,000 75,000 250,000 depends on use 75,000	Must derive one-third or more of income from farming and be rejected by FmHA. Full-time farmer.	Farm Loan Division Hawaii Dept. of Agriculture 1428 South King Street Honolulu, HI 96814 (808) 548-7126
Idaho	Real estate Operating Membership in farm assn. Youth education	$ 10,000/ individual	Aimed at young people and those farmers unable to obtain credit elsewhere at a reasonable rate.	Dept. of Agriculture 4696 Overland Road PO Box 790 Boise, ID 83701 (208) 384-3242
Illinois	Soil and water Youth Disposal systems Livestock Equipment	not specified	Farmers who are unable to obtain credit elsewhere at a reasonable rate.	Dept. of Agriculture Junior Livestock Building State Fairgrounds Springfield, IL 62706 (217) 782-2172
Iowa	Young farmer production loan	$ 3,000	Limited to young farmers, 4-H, or Future Farmers of America youth who are or will be farming in Iowa.	Iowa Dept. of Social Services Hoover Building Des Moines, IA 50319 (515) 281-5764

State	Type of loan	Loan amount (maximum)	Eligibility	Contact
Louisiana	Storage and processing facilities	75% of collateral	Farmers, partnerships, and corporations which market raw agricultural products originating in Louisiana.	Louisiana Dept. of Agriculture Office of Marketing PO Box 44184 Capital Station Baton Rouge, LA 70804 (504) 292-3600
Maryland	Disaster loan (note b)			Dept. of Agriculture Parole Plaza Office Building Annapolis, MD 21401 (301) 269-2161
Michigan	Toxic substance	$ 75,000	Michigan farmer who suffered a loss due to farmland contamination from PBB, PCP, or PCB.	Toxic Substance Loan Commission Michigan Dept. of Public Health Office of Finance and General Services PO Box 30035 Lansing, MI 48909 (517) 373-0431
New Jersey	Junior livestock (note c)			Secretary of Agriculture Dept. of Agriculture Trenton, NJ 08625 (609) 292-3976
North Dakota	Beginning farmers program	50% of appraised land value	Same as FmHA.	Bank of North Dakota
Oregon	Real estate	$150,000	Military veteran who is a resident of Oregon.	Dept. of Veteran Affairs 1225 Ferry Street, SE Salem, OR 97310 (503) 378-6952
South Dakota	Cooperative	no dollar limit	Must represent a group of family farmers unable to obtain credit elsewhere at a reasonable rate.	Dept. of Agriculture Anderson Building Pierre, SD 57501 (605) 773-4007

State	Type of loan	Loan amount (maximum)	Eligibility	Contact
Utah	Range land Rural rehab-ilitation real estate operating soil and water agri-business	no dollar limit	Must be used for agriculture and rural development.	Dept. of Agriculture 147 North 200 West Salt Lake City, UT 84103 (801) 533-5421
Montana	Real estate Operating Junior live-stock Education	$ 50,000 60% of mort-gayed chattel $ 5,000 10,000	Rural background with substandard income. Young people active in 4-H or Future Farmers of America. Rural residents unable to obtain Federal student loans or unable to acquire funds from other sources at a reasonable rate.	Program Manager Rural Development Dept. of Agriculture Capital Station Helena, MT 59601 (406) 449-3144
Minnesota	Real estate	no dollar limit	Minnesota farmers who can demonstrate need and has necessary equipment and operat-ing capital and a net worth of less than $50,000.	Farm Security Program 510B State Office Building St. Paul, MN 55155 (612) 296-8435
Nebraska	Agriculture student loan	$ 1,500/ year	Students from farm families who reside in Nebraska.	Nebraska Agriculture Department Department of Agriculture PO Box 94947 Lincoln, NE 68509 (402) 471-2341
Nevada	Junior agri-culture projects	$ 2,500	Active member of 4-H, Future Farmers of America, Future Homemakers of America, or other farm youth organization.	Dept. of Agriculture PO Box 1100 Reno, NV 89510 (702) 784-6401

State	Type of loan	Loan amount (maximum)	Eligibility	Contact
Virginia	Farm youth student loan	$ 10,000	Children of Virginia farm families.	Commissioner of Agriculture/Commerce PO Box 1163 Richmond, VA 23209 (804) 770-3978
Wyoming	Farm development	$150,000	Resident of Wyoming who is or will be engaged in farming.	Commissioner of Farm Loans 41 State Capital Building Cheyenne, WY 82002 (307) 777-7309
	Water development	no dollar limit	Individual or corporation engaged in the business of agriculture.	

a/In addition to the direct farm loan programs listed, some States use State Rural Rehabilitation Corporation funds to increase available agricultural credit through participation in Farmers Home Administration loans and through student loan programs.

b/Program has been enacted but has not been funded.

c/No loans currently being made.

APPENDIX II

MAJOR PRIVATE FARM LENDERS (note a)

Lender	Interest rate	Maximum length (years)	Maximum amount	Eligibility requirements	Uses and restrictions
Federal land banks	8.25 - 8.75	35 - 40	70% - 85% of appraised value	Must purchase stock equal to at least 5% of loan value.	Generally must be used for agricultural purposes or farm-related needs.
Production credit associations	7.8 - 10.5	1 - 7	Generally unlimited	Must purchase stock equal to at least 5% of loan value.	Same as Federal land bank
Commercial banks	8.5 - 12.0	1 - 25	(b)	No specific requirements	No restrictions
Savings and loan associations	9.0 - 10.25	25 - 30	(c)	No specific requirements	Usually restricted to real estate purchases
Life insurance companies	9.75 - 10.0	25 - 40	Unlimited with $100,000 minimum	No specific requirements	Usually restricted to real estate purchases
Farm equipment dealers	10.0 - 16.9	3 - 10	70% - 80% of cost	No specific requirements	Purchase farm equipment
Suppliers and merchants	9.0 - 18.0	no set maximum length	(d)	No specific requirements	Purchase supplies

APPENDIX II

Lender	Interest rate	Maximum length (years)	Maximum amount	Eligibility requirements	Uses and restrictions
Finance companies	18.0 - 36.0	4 - 5	$ 50,000	No specific requirements	No restrictions
Credit unions	9.0 - 12.0	1 - 30	$300,000	Purchase a share, usually $5	No restrictions
Individuals	(e)	(e)	(e)	No specific requirements	Varies

a/Terms of lenders surveyed during our review (fall 1978).

b/Varies by bank. Usually depends on the value of collateral. Maximums from $50,000 to $250,000.

c/Varies by association. From a percentage of value to maximums of $150,000 to $250,000.

d/Depends on net worth of borrower.

e/Whatever is negotiated between borrower and lender.

MAJOR FEDERAL LOAN PROGRAMS

Agency and loan program (note a)	Interest rate (note b)	Maximum length	Maximum amount	Eligibility requirements (note c)
		(years)		
Farmers Home Admin.:				
Farm ownership (FO)	d/10.0	40	$200,000	U.S. citizen with necessary training and farm experience and unable to obtain credit elsewhere at a reasonable rate.
Farm operating	d/10.5	e/7	$100,000	Same as FO.
Emergency	(f)	(f)	No ceiling	Same as FO and suffered a physical loss in a designated county.
Economic emergency	(g)	(g)	$400,000	Same as FO and suffered economic hardship.
Soil and water	10.0	40	$200,000	Same as FO. Also partnerships and corporations.
Recreation facility	10.0	40	$200,000	Same as FO with experience or training in the proposed recreational enterprise.
Indian land acquisition	h/10.0	40	No ceiling	Recognized Indian tribe without adequate uncommitted funds.
Grazing association	10.0	40	No ceiling	Nonprofit associations owned and operated by neighboring farmers.
Irrigation and drainage	10.0	40	No ceiling	Public or quasi-public nonprofit organizations which serve residents of open country and rural towns.

APPENDIX III

Uses and restrictions	Where to apply
To buy, improve, or enlarge family farms; refinance debt, provide water facilities, soil treatment, and buildings necessary for a family farm.	Local county FmHA office.
To purchase livestock and equipment, provide operating expenses, and refinance debt.	Local county FmHA office.
To repair or replace damaged farm property, provide operating expense, and refinance debt made necessary by a disaster.	Local county FmHA office.
To help farmers continue their normal farming operations.	Local county FmHA office.
To finance land and water development.	Local county FmHA office.
To develop income-producing recreational areas on farms.	Local county FmHA office.
To assist tribes to purchase reservation land.	Local county FmHA office.
To acquire and develop grazing land.	Local county FmHA office
For irrigation, drainage, and other soil conservation measures.	Local county FmHA office.

Agency and loan program (note a)	Interest rate (note b)	Maximum length (years)	Maximum amount	Eligibility requirements (note c)
Small Business Admin.:				
Small business loan (note i)	8.25	20	$150,000	Small business independently owned and operated and unable to obtain credit elsewhere at a reasonable rate.
Physical disaster loan	j/8.25	30	$500,000	Same as small business loan with evidence of a physical loss. Credit elsewhere test not required.
Economic disaster loan	8.25	30	No ceiling	Any small business judged to have suffered substantial economic injury.
Economic opportunity loan	9.375	15	$100,000	Low income or socially or economically disadvantaged owner of a small business that is unable to obtain credit elsewhere at a reasonable rate.
Agricultural Stabilization and Conservation Service:				
Commodity loan	9.0	k/9 mos.	90%-100% of commodity value	Farm owner, landlord, tenant, or sharecropper on a farm producing one of the eligible commodities.
Storage facility	10.5	5	85% of cost not to exceed $50,000	Same as commodity loan but must show need for additional storage.

Uses and restrictions	Where to apply
To construct facilities, purchase equipment or supplies, and for working capital.	Area or district office of the SBA or a local bank.
To repair or replace damaged realty, machinery, equipment, household, and personal property.	Area or district office of the SBA or a local bank.
Same as small business loan.	Area or district office of the SBA or a local bank.
Same as small business loan.	Area or district office of the SBA or a local bank.
Unrestricted use.	Local ASCS county office.
To finance the purchase of necessary storage structures and drying equipment.	Local ASCS county office.

Agency and loan program (note a)	Interest rate (note b)	Maximum length (years)	Maximum amount	Eligibility requirements (note c)
Bureau of Indian Affairs:				
Direct loan	7.875	30	No ceiling	Member of federally recognized tribe which does not conduct its own credit program and which is unable to obtain credit elsewhere at a reasonable rate.

a/Most of the Federal direct loan programs listed here have associated guaranteed loan programs whose terms are negotiated between borrower and lender. The maximum amount is generally larger under guaranteed loan programs.

b/Rates in effect on November 15, 1979. Rates for Federal programs are generally based on the cost of money to the Government.

c/These are the basic eligibility requirements. In addition, lending agencies usually require adequate collateral and repayment ability.

d/Lower interest rate is available for limited resource farmers who cannot afford the regular rate.

e/May be extended up to 7 additional years.

f/Emergency production loss loan terms are 5 percent and 20 years. Emergency real estate loan terms are 10 percent and 40 years. Emergency operating loan terms are 10.5 percent and 7 years but can be extended up to 5 more years. Operating loans may have a 20-year repayment under special circumstances.

g/Economic emergency real estate loan terms are 10 percent and 40 years; operating loan terms are 10.5 percent and 7 years, but may be extended to a total of 20 years.

h/A 6-percent interest rate is available to those who cannot afford the regular rate.

i/SBA has 19 programs for which farmers are potentially eligible. However, SBA officials said only four programs were applicable to farmers. Only two of these (small business and physical disaster) have had significant farm loan activity.

j/Rate shown is for refinancing and repair. Applicants who cannot get credit elsewhere can qualify for a 5 percent loan. Home and personal property loans are made at 3 percent.

k/Can be extended 3 years under the Grain Reserve Program.

Uses and restrictions	Where to apply
Must be used on or near a Federal Indian reservation for business, agriculture, industry, housing, education, or relending by the tribe.	Local BIA office.

DESCRIPTION OF MAJOR FEDERAL

FARM LOAN PROGRAMS

Several Federal agencies make loans to farmers. These include FmHA, SBA, ASCS, and BIA. FmHA traditionally has been the primary Federal lending agency for farmers. The other agencies have become involved in farm lending for various reasons.

FARMERS HOME ADMINISTRATION

FmHA currently has six farmer loan programs for individual farmers and three more for groups or associations. These programs are available only to those farmers unable to obtain credit elsewhere at reasonable rates and terms. The following table identifies these programs and the loan activity during fiscal year 1979.

Program	Fiscal year 1979 activity			
	Number of loans	Percent	Amount	Percent
			(millions)	
Individuals:				
Farm operating	37,942	23	$ 894.8	12
Farm ownership	12,568	8	763.2	10
Soil and water	2,500	2	51.5	(a)
Recreation	29	(a)	2.2	(a)
Emergency loan	62,913	39	2,871.6	37
Economic emergency	47,302	29	3,089.5	40
Emergency livestock (note b)	97	(a)	19.0	(a)
Associations:				
Indian land acquisition	7	(a)	11.0	(a)
Grazing association	5	(a)	2.1	(a)
Irrigation and drainage	5	(a)	0.6	(a)
Total	163,368	c/101	$7,705.5	100

a/Less than 1 percent.

b/Program expired September 30, 1979.

c/Exceeds 100 percent due to rounding.

Following is a description of each of the programs.

Farm operating loans

Under its farm operating loan program, FmHA makes short- to intermediate-term loans for a variety of purposes. Loan funds may be used for virtually any farm-related purpose, including operating costs, livestock and equipment purchases, land and building improvements, and debt refinancing. FmHA can make direct loans or guarantee loans made by other lenders. When FmHA makes the loan, the repayment period depends on the loan purpose and the borrowers' ability to repay. Loans for operating expenses are generally repaid when the crops, livestock, or other products are sold. Loans for other purposes may be repaid over a period ranging from 1 to 7 years and, in some cases, can be extended for an additional 7 years. The limit on farm operating loans made directly by FmHA is $100,000.

The interest rate is set periodically, based on the Federal Government's cost of borrowing. On November 15, 1979, the rate was 10.5 percent, except for limited resource borrowers, who cannot repay loans at that rate. Such borrowers are eligible for loans at a lower rate, which was 6 percent on that date. FmHA has directed that such loans receive priority funding, and FmHA State directors are expected to reserve 25 percent of operting loan funds for limited resource borrowers.

When FmHA guarantees a loan from another lender, the repayment terms are negotiated by the borrower and the lender, not to exceed 7 years. The agency can guarantee loans up to $200,000. The interest rate for guaranteed loans is negotiated by the borrower and the lender.

Farm ownership loans

FmHA makes and guarantees long-term loans under its farm ownership loan program. Loans can be used for almost any farm-related purpose, including buying and improving land; constructing, improving, or repairing buildings; and refinancing debts. Repayment of loans to FmHA is scheduled according to the borrower's ability to repay. The maximum loan amount is $200,000, and the maximum term is 40 years.

The interest rate is set periodically, based on the Government's cost of borrowing. On November 15, 1979, the rate was 10 percent. Borrowers with limited resources, who cannot repay a loan at the standard interest rate, are eligible for a lower rate, which was 4 percent on that date.

Loans to limited resource applicants have been designated by FmHA to receive priority funding. FmHA State directors are expected to reserve at least 25 percent of farm ownership funds for limited resource borrowers.

The repayment terms and interest rates on guaranteed loans are negotiated between the lender and the borrower, and the maximum loan amount is $300,000. In addition, combined indebtedness under the farm ownership, soil and water, and recreation loan programs cannot exceed $200,000 for direct loans or $300,000 for guaranteed loans.

Soil and water loans

Loans under the soil and water program can be made to finance land and water development, forestation, drainage of farmland, irrigation, pasture improvement, and related land and water uses. FmHA can make loans directly or guarantee loans by other lenders. The maximum loan amounts, repayment periods, and interest rates are the same as for the farm ownership program.

Recreation loans

The purpose of recreation loans is to develop recreation areas for individual farmers planning income-producing recreation on their farms. Eligible purposes include swimming, fishing, boating, and camping facilities. FmHA can make loans or guarantee loans made by other lenders. Maximum loan amounts, repayment periods, and interest rates are the same as for farm ownership loans.

Emergency loans

FmHA can make emergency loans in counties where property damage or production losses occur as a result of adverse weather conditions that substantially affect farming operations. Loans may be made to cover actual losses and expenses for damaged or destroyed farm property and production. A borrower eligible for an actual loss loan may also qualify for an additional loan to construct or improve buildings, purchase livestock, or to reorganize the farming system. The borrower may also receive annual loans for operating purposes for each successive year up to 6 years after the initial loss loan, to permit recovery from the disaster losses.

Repayment periods and interest rates depend on loan purpose. Loans for actual losses generally are scheduled for repayment over 7 years, with periods up to 20 years authorized under special conditions. Loans for real estate purposes can be for as long as 40 years. Annual operating loans are scheduled for repayment each year when the principal income from the year's operation is received. The interest rate on loans for actual losses occurring on and after October 1, 1978, is 5 percent. The interest rate on loans for other purposes is set periodically by the Secretary of Agriculture, based on rates prevailing in the private market for comparable credits. On November 15, 1979, the rate was 10 percent for real estate loans and 10.5 percent for operating loans. There is no statutory limit on loan amounts.

Economic emergency loans

Farmers or ranchers who suffer economic hardships because of a general lack of credit may receive economic emergency loans from FmHA. These loans are authorized when farm credit is hard to get because of national or areawide economic stresses, such as a general tightening of agricultural credit or situations such as high production costs and low prices for farm products. The overall purpose of the loans is to help the borrower to continue normal operations. Loans can be used for nearly any purpose, including operating costs, debt installments, refinancing, or reorganizing the farming operation. Economic emergency loans to any one borrower cannot exceed $400,000. In addition, the combined total of farm ownership, soil and water, recreation, operating, and economic emergency loans cannot be more than $650,000. The repayment periods are the same as for the emergency loan program. The interest rate is based on the cost of Government borrowing. On November 15, 1979, the interest rate was 10 percent for real estate loans and 10.5 percent for operating loans.

FmHA may also guarantee loans made by other lenders. Interest rates are negotiated between the borrower and lender. Repayment periods are also negotiated, subject to the same maximum periods established for loans made by FmHA.

The economic emergency loan program was authorized by the Agricultural Credit Act of 1978 and became effective in August 1978. It is a temporary program scheduled to terminate on May 15, 1980.

Indian land acquisition

The purpose of FmHA's Indian land acquisition loans is to help Indian tribes and tribal corporations to purchase land within tribal reservations and Alaskan Indian communities. Loans may be used to buy land and to pay incidental costs for appraisal, title and legal services, surveys, and loan closing. There is no statutory ceiling on the loan amount. The maximum repayment period is 40 years. On November 15, 1979, the interest rate was 10 percent, provided the tribe was able to pay that rate. A rate of 6 percent was available for tribes unable to pay the higher rate.

Grazing association lands

Nonprofit associations of farmers or ranchers who do not have adequate grazing lands may obtain grazing association loans. Loans may be used to acquire and develop grazing land to provide seasonal grazing for livestock belonging to association members. Loans can be made for a maximum of 40 years. There is no statutory limit on the loan amount. On November 15, 1979, the interest rate was 10 percent.

Irrigation and drainage loans

FmHA makes loans to public or quasi-public organizations and nonprofit corporations for irrigation, drainage, or other soil conservation measures. The service or facilities to be provided must serve primarily farmers or rural residents. The maximum repayment period is 40 years. There is no statutory limit on loan amounts. The interest rate on November 15, 1979, was 10 percent.

SMALL BUSINESS ADMINISTRATION

SBA began making loans to farmers as a result of Public Law 94-305, enacted on June 4, 1976. Prior to that time, FmHA and SBA agreed that SBA would not make loans to farmers because section 18 of the Small Business Act prohibited SBA from duplicating programs of other Federal agencies. Public Law 94-305, however, amended section 18 of the act to exempt farmer programs from this provision.

While all of SBA's loan programs are available to farmers who otherwise qualify, the only programs with significant farm loan activity are the Small Business Loan Program (7(a)) and the Disaster Loan Program. Fiscal year 1979 farm loan activity in these programs was as follows:

Program	Number of loans	Amount
		(millions)
7(a)	443	$ 456.9
Disaster	15,592	897.3
Total	16,035	$1,354.2

SBA 7(a) loans

Under the 7(a) program, SBA can make or guarantee loans to farmers for a variety of purposes. Eligible loan uses include purchase of land and buildings; building construction, renovation, or improvement; purchase of machinery and equipment; farm operating expenses; and refinancing of farm debt. Loan repayment periods will generally not exceed 1 year for annual operating expenses; 7 years for working capital; 10 years for livestock, machinery, and equipment; and 20 years for real estate. The interest rate on direct loans is based on the cost of Government borrowing, and on November 15, 1979, the rate was 8-1/4 percent. The interest rate on guaranteed loans is established by the lender, subject to the SBA ceiling, which was 12 percent at the time of our review. The maximum amount for direct loans is $150,000; the ceiling for guaranteed loans is $350,000. These limits can be exceeded in exceptional situations. Direct loans can only be made to applicants who cannot obtain guaranteed loans and only if funds are available for direct lending. Most 7(a) loans are made by banks and guaranteed by SBA.

SBA disaster loans

SBA makes disaster loans to borrowers who have suffered physical property loss which occurred in an area designated as eligible for assistance because of floods, riots or civil disturbances, or other catastrophes. Loans are available to all disaster victims, including businesses, homeowners and tenants, nonprofit organizations, churches, and social clubs. Loan funds may be used to repair or replace damaged or destroyed real property, machinery and equipment, and household and other personal property. There is no statutory limit on loan amounts. However, SBA administratively limits loans to $500,000, except in cases of undue hardship. Loans can be made for up to 30 years. Interest rates are based on the cost of money to the Federal Government. On November 15, 1979, the rate for refinancing and repair was 8-1/4 percent.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

ASCS administers two closely related loan programs. The Commodity Loan Program was established to improve and stabilize farm income, to help bring about a better balance between supply and demand of the commodities, and to help farmers market their crops by providing interim financing until the crop is sold. The Storage Facilities and Equipment Loan Program was established to complement the Commodity Loan Program by providing adequate financing for onfarm storage facilities and drying equipment. Loan activity during fiscal year 1979 was as follows:

Program	Amount (millions)
Commodity loans	$3,896
Storage facilities and equipment loans	679
Total	$4,575

Commodity loans

ASCS makes short-term loans under the Commodity Loan Program. Loan amounts are determined by applying a predetermined loan rate to the volume of the commodity securing the loan. Loans are made for up to 9 months to provide interim financing until the crop is sold and may be extended for an additional 3 years under the Grain Reserve Program. There are no restrictions on how the loan funds are used. Only those farmers participating in the Set-Aside Program--a program designed to reduce the number of acres planted in certain crops--are eligible for commodity loans. On November 15, 1979, the interest rate was 9 percent.

In addition to providing interim financing, the Commodity Loan Program establishes the loan rate as the minimum price the borrower will receive for a commodity. If the market price drops below the loan rate, the borrower can deliver the commodity as payment of the loan.

Storage facilities and equipment loans

ASCS also makes loans for storage facilities, drying equipment, and essential operating equipment for onfarm storage of commodities. Loans can be made for up to 85 percent of the cost of the storage facilities and/or equipment to be financed, subject to a maximum of $50,000 per borrower. Loans can be made for up to 8 years. On November 15, 1979, the interest rate was 10.5 percent.

BUREAU OF INDIAN AFFAIRS

Under the Indian Financing Act of 1974, BIA provides financial assistance for any purpose that will promote the economic development of a Federal Indian Reservation. As a part of this program, BIA makes loans to Indian farmers for operating expenses; purchase of livestock, equipment, machinery, and supplies; and the acquisition of land and buildings. During fiscal year 1978, BIA made farm loans totaling $4 million. Loans are made only to members of Indian tribes recognized by the Federal Government and only if they are unable to get credit elsewhere. Operating loans are made for up to 2 years. Loans for livestock, machinery, and equipment can be made for up to 10 years. Real estate loans can be made for 30 years. There is no dollar limit on loan amounts. Loan ceilings depend primarily on the borrower's repayment ability. The interest rate is determined monthly. On November 15, 1979, the rate was 7-7/8 percent.

OTHER FEDERAL PROGRAMS

The principal Federal agency involved in rural housing is FmHA, but the Department of Housing and Urban Development and the Veterans Administration also administer national housing programs which include rural areas. Each of these rural housing programs is the subject of another report which we plan to issue.

The Economic Development Administration makes and guarantees loans to some farming businesses--including cattle feedlots and tomato hothouse operations--that create permanent jobs in designated areas of the country. The Economic Development Administration also makes trade adjustment assistance loans to some farming businesses--for example, mushroom growers--that are adversely affected by increased imports. Because both of these programs are primarily targeted to nonfarm enterprises, neither were included in this review.

BORROWING ADVANTAGES CITED BY LENDERS CONTACTED DURING OUR REVIEW

Lender	Advantages cited
Farmers Home Administration	Low interest rate and long terms. More flexibility to help delinquent borrowers. Loan supervision and counseling. Help young farmers get started. Can loan up to 100 percent of borrower's requirements. Local servicing (as opposed to SBA). No prepayment penalty.
Agricultural Stabilization and Conservation Service	Low interest rate. No "credit elsewhere" test. Fast service. Know farming business. Long terms for facility and equipment loans. May extend maturity on facility loans. Commodity Loan Program guarantees a price for crops.
Small Business Administration	Low interest rates and high loan limits. Disaster Loan Program with no credit elsewhere test. Corporate farms are eligible. Guaranteed loans increase banks' lending capacities.
Bureau of Indian Affairs	Low interest rate. More effective servicing. Understand Indians. Lender of last resort to Indian farmers.
State programs	Low interest rate. Fixed interest rate. Farm lending specialists. No stock requirement. Small size for good service. Fast loan closing and low closing cost.

Lender	Advantages cited
Federal land bank associations	Large loans and long terms. Low interest rate. Variable interest. Borrower owned. No prepayment penalty. Always have funds to lend. Flexibility in loan treatment. Better and faster loan servicing. Established farm lender that knows agriculture. Borrower can make advanced payments and draw interest. 1 percent closing fee compared to 3 percent for life insurance companies and savings and loan associations.
Production credit associations	Low interest rate. Funds are always available. Farm lending specialists. Line of credit financing. Understand farmers' needs. Operated by farmers for farmers. One interest rate for all borrowers. Counseling for effective farm management. Recordkeeping service (Agrifax).
Commercial banks	Fast service. Convenience of full service. Simple loan procedures. Fixed interest rate.
Savings and loan associations	Fast service.
Life insurance companies	Ample funds. Large loan amounts. Better servicing. Low closing cost. Short processing time. Advice on how to improve operations.

Lender	Advantages cited
Credit unions	Fast personal service. Low interest rate. Borrower is part owner.
Finance companies	Convenience. Take credit risks other lenders will not take. Secondary source of financing which allows farmers to retain their line of credit at commercial banks.
Equipment vendors	Fast and easy credit. Extends the number of sources of short and intermediate credit. Loans are not reported to other creditors. Farmers like to finance where they buy. Delayed interest or interest-free programs. Credit life and risk insurance.
Supply vendors	Fast service. Convenience. Farmer-owned cooperatives (in some cases).
Agriculture credit corporations	Convenience. No stock purchase necessary. Additional source of credit when other sources are not available.
Food processors	Guaranteed prices. Offer support services. No out of pocket costs. Corporation assumes the risk. Simple borrowing procedures. Borrower and lender know each other.

SAMPLING APPROACH AND TECHNIQUE

USED IN SURVEYING FARMERS

Throughout our review we have been interested in farmers' awareness of and experiences with the major agricultural lenders. Because no comprehensive information was available on this subject prior to our review, we sent questionnaires to a randomly selected group of farmers across the country. Overall, 76 percent of the farmers responded.

To select farmers to participate, we considered four different sources of farmers' names and addresses, including the Bureau of the Census, Department of Commerce. Although the Bureau apparently has the most accurate list of farmers residing in the United States, we were denied access to this list because of restrictions on the use of census data.

We also considered using lists developed by the various State statistical reporting services and the Economics, Statistics, and Cooperative Service. We did not use these lists, however, because we were told that the State lists are not very accurate and that ESCS' list is still being assembled.

For these reasons we used an ASCS name and address file. This file is a nationwide list of corporate and noncorporate farmers eligible to participate in one or more of ASCS' programs. Because ASCS has programs for most, if not all types of farmers except aquaculture operators, we believe ASCS' list was appropriate for our purposes. At the time of our survey, ASCS' list of active noncorporate farmers had a total of 4,616,525 names and addresses. Because we did not know which farmers on the list had recent experience with agricultural lenders, names were selected from this entire list.

At our request, ASCS randomly selected 2,372 farmers for our survey using the Touche Ross STRATA Audit Retrieval Program. Subsequently, we eliminated 17 names because of incomplete addresses and because some addresses were apparently executors of deceased farmers.

In early February 1979, we sent copies of our questionnaire to the remaining 2,355 farmers in the sample. Later that month and in March 1979, we sent two followup letters to encourage a response from those farmers who did not return a questionnaire.

The U.S. Postal Service returned 126 of the 2,355 questionnaires because the addresses were incorrect. Another 95 were returned because the farmers were deceased. Of the remaining 2,134 questionnaires mailed, 1,604 farmers replied--an effective response rate of slightly over 75 percent.

To insure meaningful comparisons, we limited our analyses to the 419 farmers who indicated that they (1) usually make the financial decisions on the farm they own or operate and (2) applied for farm-related credit or loans during the past 5 years.

Our initial computerized analysis was made on May 18, 1979. Since then we have received completed questionnaires from an additional 19 farmers. The data in these questionnaires was not included in our review, however.

The questionnaire was designed by GAO auditors, psychologists, and statisticians specifically for purposes of this study. Development of the questionnaire included pretesting with several farmers in seven locations to facilitate understanding and to minimize response time.

The results of our analyses are discussed in chapter 2. A copy of the questionnaire used, including the frequency of responses received for each question, is included in appendix VII.

U.S. GENERAL ACCOUNTING OFFICE

SURVEY OF FARMERS' EXPERIENCES WITH FARM RELATED CREDIT

INTRODUCTION

Rates and terms vary greatly among the many sources of farm credit. Annual interest rates range from 1 percent to over 18 percent and repayment plans can range from less than a month to over 40 years.

Because of these wide variations, the U.S. General Accounting Office (GAO) has developed this questionnaire to obtain information about farmers' experiences with farm credit lenders. Congress will use this information in determining what actions, if any, should be taken to change or better publicize credit programs available to farmers.

We are sending this questionnaire to a random sample of farmers across the country. Please take a few minutes to fill it out now.

Most questions can be answered by checking a box. Please use estimates if obtaining exact information would delay your response.

Individual responses are confidential and the report will contain only group data. This questionnaire is numbered only to aid us in our follow-up efforts and will not be used to identify you with your response. Your answers will be held in confidence.

Throughout this questionnaire there are numbers printed within parentheses to assist our keypuncher in coding responses for computer analysis. Please disregard these numbers.

Please return the completed questionnaire in the enclosed self-addressed envelope within 5 days. If you have any questions, please call "collect" to Mr. Daniel Spengler; telephone number (202) 447-2924.

Note: The numbers which appear beside many of the questions indicate how many of the responding farmers answered in that manner. Although 419 farmers responded to the questionnaire, all of the farmers did not choose to answer every question. For this reason, and because some of the questions were not intended to be answered by every farmer, the number of responses for each individual question may total less than 419.

BACKGROUND

1. Please provide the following information regarding your farm or ranch operation. *(Enter total acres for each item. For example enter* |_|_|_|1|5|0| *for 150 acres. If none enter* |_|_|_|_|_|0| *.)*

|_|_|_|_|_|_| Total number acres owned and/or mortgaged *(6-11)*

|_|_|_|_|_|_| Total number acres rented from someone else for cash *(12-17)*

|_|_|_|_|_|_| Total number acres rented from someone else for a share of the crops or proceeds *(18-23)*

|_|_|_|_|_|_| Total number acres rented to someone else *(24-29)*

2. Please enter below the county and State where your farming or ranching operation is located.

_______________ / _______________
County State

(|_|_| 30-31)
(blank 32-33)

3. What is your age? *(Check one.)* *(34)*

1. ☐ Under 25 — 19
2. ☐ 25 - 34 — 73
3. ☐ 35 - 44 — 103
4. ☐ 45 - 54 — 109
5. ☐ 55 - 64 — 85
6. ☐ 65 and over — 28

4. Approximately what is the total value of your farm sales in a typical or average year? *(Check one.)* *(35)*

1. ☐ Less than $2,500 — 44
2. ☐ $2,500 to $4,999 — 31
3. ☐ $5,000 to $9,999 — 36
4. ☐ $10,000 to $19,999 — 67
5. ☐ $20,000 to $39,999 — 63
6. ☐ $40,000 to $99,999 — 104
7. ☐ $100,000 to $199,999 — 43
8. ☐ $200,000 to $499,999 — 23
9. ☐ $500,000 or more — 2

5. What percentage of your farming or ranching operation's total value of sales is derived from each of the following groups of agricultural products? *(Enter an approximate percent for all that apply.)*

1. CASH GRAINS – barley, corn, oats, rice, soybeans, and wheat (Also – buckwheat, cowpeas, dry field and seed beans and peas, emmer, feed grains, flaxseed, lentils, mustard seed, popcorn, rye, safflower, sorghums triticale, etc.)	⌊__⌋ %	(36-37)
2. COTTON AND COTTON SEED	⌊__⌋ %	(38-39)
3. TOBACCO	⌊__⌋ %	(40-41)
4. SUGAR CROP, IRISH POTATO, HAY, PEANUT, AND OTHER FIELD CROPS – hay, peanuts, and sweet potatoes (Also – alfalfa, broomcorn, flax, hops, Irish potatoes, mint, sugar beets, sugar cane, timothy, etc.)	⌊__⌋ %	(42-43)
5. VEGETABLES AND MELONS NOT GROWN UNDER COVER	⌊__⌋ %	(44-45)
6. FRUITS AND TREE NUTS – apples, grapefruit, grapes, oranges, peaches, pears, pineapples, and strawberries (Also – almonds, apricots, avocados, bushberries, caneberries, cherries, chestnuts, cranberries, dates, figs, lemons, limes, nectarines, olives, pecans, persimmons, plums, pomegranates, prunes, quinces, tangerines, tropical fruits, tung nuts, walnuts, etc.)	⌊__⌋ %	(46-47)
7. HORTICULTURE SPECIALTY – ornamental plants and other nursery products, such as bulbs, florists' greens, flowers, shrubbery, flower and vegetable seeds and plants, sod, mushrooms, and vegetables grown under cover	⌊__⌋ %	(48-49)
8. DAIRY – production of cows' milk and other dairy products and raising of dairy heifer replacements	⌊__⌋ %	(50-51)
9. LIVESTOCK, EXCEPT DAIRY, POULTRY, AND ANIMAL SPECIALTIES – beef cattle, beef cattle feedlots, goats, hogs, lambs, and sheep (Also – goats milk, lamb feedlots, mohair, wool, etc.)	⌊__⌋ %	(52-53)
10. POULTRY AND EGGS – chickens, ducks, geese, pheasant, pigeons, quail, and turkeys	⌊__⌋ %	(54-55)
11. ANIMAL SPECIALTIES – burros, donkeys, horses, mules, and ponies (Also – bees, chinchilla, fish in captivity, except fish hatcheries, fox, fur-bearing animals, laboratory animals, mink, rabbits, and worms)	⌊__⌋ %	(56-57)
12. FOREST PRODUCTS	⌊__⌋ %	(58-59)
13. OTHER (PLEASE SPECIFY) ________________	⌊__⌋ %	(60-61)
	⌊__⌋	(62-63)

6. Do you spend 50 percent or more of your work time farming or ranching? *(Check one.)* (64)
   1. ☐ No 130
   2. ☐ Yes 286

7. Do you primarily work as an employee on someone else's farm? *(Check one.)* (65)
   1. ☐ No 401
   2. ☐ Yes 11

8. Do you usually make the financial decisions–such as when, where, and how much to borrow to buy supplies, equipment, or land–on the farm you own or operate? *(Check one.)* (66)
   1. ☐ No
   2. ☐ Yes 419

   If yes, for how many years have you been making the financial decisions on your operation? *(Enter years.)*

   ⌊__⌋ years (67-68)

> In this questionnaire, please consider only farm related credit. Do not consider (1) personal credit, such as buying a television set, or (2) deferred payments, for example–buying seed and fertilizer in the spring but paying for it without interest after crops are sold.

9. Have you applied for farm related credit or loans during the past five years? *(Check one.)* (69)
   1. ☐ No (Skip to Question 10.)
   2. ☐ Yes 419

   If yes, for what type of farm-related credit or loans did you apply during the past 5 years? *(Check one.)* (70)
   1. ☐ Only Short- or Medium-Term (7 or less years) 202
   2. ☐ Only Real Estate or Other Long-Term (more than 7 years) 40
   3. ☐ Both Short- and Long-Term 171

10. If you answered no to question 8 and/or 9 above, please check the box below and return the questionnaire at this time in the envelope provided. Thank you for your help.

    ☐ I answered no to questions 8 and/or 9. 1 (80)

IF YOU ANSWERED YES TO QUESTIONS 8 AND 9, PLEASE ANSWER THE REMAINING QUESTIONS.

CREDIT INFORMATION

11. We are interested in finding out if information about farm-related credit available from various lenders is reaching farmers. Have you heard – From Any Source – of the kinds of farm-related credit or loans that the following lenders extend? *(Check yes or no for each lender.)*

(CARD 2)
(Dup 1-5)

	HEARD				
PRIVATE CREDIT SOURCES	1.) YES		2.) NO		
1. Commercial Banks	1. ☐	325	1. ☐	70	*(6)*
2. Mortgage Banking Companies (broker intermediary)	2. ☐	34	2. ☐	311	*(7)*
3. Life Insurance Companies	3. ☐	118	3. ☐	242	*(8)*
4. Farm Equipment Dealers	4. ☐	270	4. ☐	105	*(9)*
5. Retail and Wholesale Feed, Seed, and Fertilizer Suppliers	5. ☐	176	5. ☐	186	*(10)*
6. Dealers, Warehouses, Canners, Packers, Processors, and Others making loans using existing crops or livestock for security	6. ☐	46	6. ☐	299	*(11)*
7. Credit Unions	7. ☐	85	7. ☐	265	*(12)*
8. Savings and Loan Associations	8. ☐	147	8. ☐	217	*(13)*
9. Finance Companies	9. ☐	132	9. ☐	224	*(14)*
SEMI-PUBLIC CREDIT SOURCES					
10. Production Credit Associations (PCA)	10. ☐	278	10. ☐	105	*(15)*
11. Federal Land Bank/Associations	11. ☐	291	11. ☐	97	*(16)*
PUBLIC CREDIT SOURCES					
12. Agricultural Stabilization and Conservation Service (ASCS) – CCC price supports	12. ☐	275	12. ☐	101	*(17)*
13. ASCS – loans for dryers, bins, etc	13. ☐	271	13. ☐	104	*(18)*
14. Farmers Home Administration	14. ☐	254	14. ☐	121	*(19)*
15. Small Business Administration	15. ☐	142	15. ☐	220	*(20)*
16. State Government or Rural Rehabilitation Corporation	16. ☐	27	16. ☐	313	*(21)*

OTHER

Please list any other farm credit lenders you have heard about ____________________ *(22)*

LENDERS CONTACTED

12. Place an X beside each lender that you contacted during the past 5 years (either by mail, telephone, or in person) to apply for or get information on farm-related credit or loans.

PRIVATE CREDIT SOURCES

1. Commercial Banks	318	1.	☐	(23)
2. Mortgage Banking Companies (broker intermediary)	4	2.	☐	(24)
3. Life Insurance Companies	32	3.	☐	(25)
4. Farm Equipment Dealers	138	4.	☐	(26)
5. Retail and Wholesale Feed, Seed, and Fertilizer Suppliers	87	5.	☐	(27)
6. Dealers, Warehouses, Canners, Packers, Processors, and Others making loans using existing crops or livestock for security	8	6.	☐	(28)
7. Credit Unions	17	7.	☐	(29)
8. Savings and Loan Associations	34	8.	☐	(30)
9. Finance Companies	16	9.	☐	(31)

SEMI-PUBLIC CREDIT SOURCES

10. Production Credit Associations (PCA)	147	10.	☐	(32)
11. Federal Land Bank/Associations	153	11.	☐	(33)

PUBLIC CREDIT SOURCES

12. Agricultural Stabilization and Conservation Service (ASCS) – CCC price supports	123	12.	☐	(34)
13. ASCS – loans for dryers, bins, etc.	100	13.	☐	(35)
14. Farmers Home Administration	130	14.	☐	(36)
15. Small Business Administration	43	15.	☐	(37)
16. State Government or Rural Rehabilitation Corporation	3	16.	☐	(38)

OTHER

Please list any other farm credit lenders you have heard about __________ (39)

TYPES OF CREDIT

13. We are interested in the types of farm loans various lenders are making to farmers. Based on your knowledge or experience, do the following lenders make short and/or medium term loans (for 7 years or less) to farmers? *(Check ONE BOX for each lender.)*

	Make Short-Medium Term Loans: 1. YES	2. NO	3. UNCERTAIN	
PRIVATE CREDIT SOURCES				
1. Commercial Banks	1. ☐ 331	1. ☐ 12	1. ☐ 43	(40)
2. Mortgage Banking Companies (broker intermediary)	2. ☐ 19	2. ☐ 23	2. ☐ 273	(41)
3. Life Insurance Companies	3. ☐ 53	3. ☐ 36	3. ☐ 237	(42)
4. Farm Equipment Dealers	4. ☐ 232	4. ☐ 15	4. ☐ 97	(43)
5. Retail and Wholesale Feed, Seed, and Fertilizer Suppliers	5. ☐ 125	5. ☐ 28	5. ☐ 170	(44)
6. Dealers, Warehouses, Canners, Packers, Processors, and Others making loans using existing crops or livestock for security	6. ☐ 37	6. ☐ 32	6. ☐ 251	(45)
7. Credit Unions	7. ☐ 62	7. ☐ 21	7. ☐ 237	(46)
8. Savings and Loan Associations	8. ☐ 101	8. ☐ 25	8. ☐ 202	(47)
9. Finance Companies	9. ☐ 80	9. ☐ 22	9. ☐ 222	(48)
SEMI-PUBLIC CREDIT SOURCES				
10. Production Credit Associations (PCA)	10. ☐ 262	10. ☐ 12	10. ☐ 79	(49)
11. Federal Land Bank/Associations	11. ☐ 171	11. ☐ 42	11. ☐ 129	(50)
PUBLIC CREDIT SOURCES				
12. Agricultural Stabilization and Conservation Service (ASCS) – CCC price supports	12. ☐ 189	12. ☐ 15	12. ☐ 133	(51)
13. ASCS – loans for dryers, bins, etc	13. ☐ 214	13. ☐ 15	13. ☐ 114	(52)
14. Farmers Home Administration	14. ☐ 177	14. ☐ 26	14. ☐ 146	(53)
15. Small Business Administration	15. ☐ 81	15. ☐ 16	15. ☐ 239	(54)
16. State Government or Rural Rehabilitation Corporation	16. ☐ 13	16. ☐ 16	16. ☐ 288	(55)

OTHER

Please list any other lenders that make short term and/or medium term loans to farmers. ______________ *(56)*

____

____

14. We are also interested in whether various lenders are making long term farm loans. Based on your knowledge or experience, do the following lenders make real estate or other long term loans (for more than 7 years) to farmers? *(Check ONE BOX for each lender.)*

	Make Long Term Loans: 1. YES	2. NO	3. UNCERTAIN	
PRIVATE CREDIT SOURCES				
1. Commercial Banks	1.☐ 149	1.☐ 77	1.☐ 127	(57)
2. Mortgage Banking Companies (broker intermediary)	2.☐ 27	2.☐ 18	2.☐ 271	(58)
3. Life Insurance Companies	3.☐ 88	3.☐ 12	3.☐ 225	(59)
4. Farm Equipment Dealers	4.☐ 18	4.☐ 114	4.☐ 189	(60)
5. Retail and Wholesale Feed, Seed, and Fertilizer Suppliers	5.☐ 3	5.☐ 107	5.☐ 204	(61)
6. Dealers, Warehouses, Canners, Packers, Processors, and Others making loans using existing crop or livestock for security	6.☐ 3	6.☐ 69	6.☐ 239	(62)
7. Credit Unions	7.☐ 17	7.☐ 44	7.☐ 253	(63)
8. Savings and Loan Associations	8.☐ 96	8.☐ 25	8.☐ 207	(64)
9. Finance Companies	9.☐ 29	9.☐ 42	9.☐ 246	(65)
SEMI-PUBLIC CREDIT SOURCES				
10. Production Credit Associations (PCA)	10.☐ 127	10.☐ 63	10.☐ 144	(66)
11. Federal Land Bank/Associations	11.☐ 275	11.☐ 9	11.☐ 72	(67)
PUBLIC CREDIT SOURCES				
12. Agricultural Stabilization and Conservation Service (ASCS) – CCC price supports	12.☐ 19	12.☐ 86	12.☐ 215	(68)
13. ASCS – loans for dryers, bins, etc	13.☐ 44	13.☐ 76	13.☐ 200	(69)
14. Farmers Home Administration	14.☐ 201	14.☐ 12	14.☐ 132	(70)
15. Small Business Administration	15.☐ 65	15.☐ 18	15.☐ 241	(71)
16. State Government or Rural Rehabilitation Corporation	16.☐ 13	16.☐ 18	16.☐ 285	(72)

OTHER

Please list any other lenders that make real estate or other long term loans to farmers. ________________ (73)
1 (80)

____

15. Place an X beside each of the following lenders, IF ANY, that refused you credit during the past 5 years.

(CARD 3)
(Dup 1-5)

22 1.☐ Commercial Bank (6)
12 2.☐ Production Credit Association (PCA)
11 3 ☐ Federal Land Bank/Association
26 4.☐ More than one of the above
165 5.☐ None of these (Skip to Question 16)

Did any of these lenders suggest to you any additional sources of farm credit OTHER THAN THE FARMERS HOME ADMINISTRATION? *(Check one.)* (7)

56 1.☐ No
6 2.☐ Yes (On the line below, please write the name of the lender(s) you were told about.)

____

4 3.☐ Do not remember

INFORMATION SOURCES

16. Which of the following sources do you currently use to get farm-related credit information? (information such as credit sources, rates, terms, and eligibility requirements.) *(Check all that apply.)*

132 1. ☐ News media (newspaper, magazines, radio, TV, etc.) *(8)*

161 2. ☐ Individuals, relatives, friends, neighbors, etc. *(9)*

287 3. ☐ A banker *(10)*

17 4. ☐ A farm records service, management service, or business association *(11)*

67 5. ☐ County Extension Service *(12)*

98 6. ☐ Farmers Home Administration *(13)*

156 7. ☐ Production Credit Association or Federal Land Bank Association *(14)*

9 8. ☐ A Federal agency, other than the County Extension Service or Farmers Home Administration (please specify) *(15)*

____

____

6 9. ☐ A State agency (please specify) *(16)*

____

____

7 10. ☐ Other Sources (please specify) *(17)*

____

____

17. During the past 5 years have you used the County Extension Service to get non-financial technical farming or ranching assistance, such as soil sample analysis, production techniques, etc? *(Check one.)*

156 1. ☐ No *(18)*

225 2. ☐ Yes

18. During the past 5 years did you attend a farm financial management workshop or seminar sponsored by the County Extension Service? *(Check one.)*

1. ☐ No (Skip to Question 21.) 349 *(19)*

2. ☐ Yes 52

19. Did the workshop or seminar provide you with any useful information on possible sources of farm credit? *(Check one.)*

1. ☐ Yes 12 *(20)*

2. ☐ No 28

3. ☐ Unsure 10

20. Did the workshop or seminar provide you with any useful information on the rates, terms, or eligibility requirements of farm credit? *(Check one.)*

1. ☐ Yes 15 *(21)*

2. ☐ No 27

3. ☐ Unsure 10

21. Other than attending a farm financial management workshop or seminar, did you get any financial advice or counseling from the County Extension Service during the past 5 years? *(Check one.)*

1. ☐ No (Skip to Question 24.) 335 *(22)*

2. ☐ Yes 55

22. Did the County Extension Service provide you with any useful information on possible sources of farm credit? *(Check one.)*

1. ☐ Yes 26 *(23)*

2. ☐ No 17

3. ☐ Unsure 11

23. Did the County Extension Service provide you with any useful information on the rates, terms, or eligibility requirements of farm credit? *(Check one.)*

1. ☐ Yes 23 *(24)*
2. ☐ No 23
3. ☐ Unsure 9

24. Do you feel there is a need in your area for a central source of information regarding the rates, terms, and eligibility requirements for farm-related credit available from various lenders? *(Check one.)*

132 1. ☐ Definitely yes (Skip to Question 26) *(25)*
66 2. ☐ Probably yes (Skip to Question 26)
69 3. ☐ Uncertain (Skip to Question 26)
73 4. ☐ Probably no
51 5. ☐ Definitely no

25. Which of the following best describes why you believe a central source of credit information is not needed? *(Check all that apply.)*

13 1. ☐ I do not anticipate the need for more credit *(26)*
72 2. ☐ I am satisfied with my established credit sources *(27)*
43 3. ☐ I am already aware of the rates and terms available at most of the farm credit lenders *(28)*
64 4. ☐ I believe that enough farm credit information is already available *(29)*
11 5. ☐ Other reasons (Please specify) ________ *(30)*
____

26. Do you believe the Federal Government should devote funds to make this type of information available in your area at one central source? *(Check one.)*

1. ☐ Definitely yes 91 *(31)*
2. ☐ Probably yes 46
3. ☐ Uncertain 92
4. ☐ Probably no 56
5. ☐ Definitely no 116

COMMENTS

27. If you have any additional comments on any of the questions in the questionnaire or related topics, please write your comments below.

(32)

3 (80)

AWARENESS OF MAJOR LENDERS AS INDICATED BY FARMERS THAT BELIEVE A CENTRAL SOURCE OF CREDIT INFORMATION IS NOT NEEDED

Awareness of major lenders as a short-term credit source

	Percent of farmers who only applied for short-term loans during the past 5 years			Percent of farmers who applied for short- and long-term loans during the past 5 years		
	Uncertain	Incorrect (note a)	Total unaware	Uncertain	Incorrect (note a)	Total unaware
Commercial banks	10	0	10	2	5	7
Life insurance companies (note b)	68	26	c/94	65	9	74
PCAs	19	2	21	13	0	13
FLBs (note b)	37	50	87	20	63	83
FmHA	44	4	48	34	9	c/43

Awareness of major lenders as a long-term credit source

	Percent of farmers who only applied for long-term loans during the past 5 years			Percent of farmers who applied for short- and long-term loans during the past 5 years		
	Uncertain	Incorrect (note a)	Total unaware	Uncertain	Incorrect (note a)	Total unaware
Commercial banks	25	(d)	(d)	39	(d)	(d)
Life insurance companies	67	0	67	49	3	52
PCAs (note e)	39	46	85	36	33	69
FLBs	31	0	31	7	0	7
FmHA	64	0	c/64	24	3	27

a/Responses were considered incorrect if a farmer indicated that (1) a lender makes a certain type of loan that the lender does not make or (2) a lender does not make a certain type of loan that the lender does make.

b/Lender does not extend short-term credit.

c/Total measured awareness is less than that indicated by the overall group of farmers.

d/Some commercial banks extend long-term credit to farmers; others do not.

e/Lender does not extend long-term credit.

UNITED STATES DEPARTMENT OF AGRICULTURE
SCIENCE AND EDUCATION ADMINISTRATION

OFFICE OF THE DEPUTY DIRECTOR FOR
EXTENSION
WASHINGTON, D.C. 20250

January 3, 1980

SUBJECT: Comments on the Draft of a Proposed GAO Report, "The Cooperative Extension Service Should Provide Farmers with More Information on Farm Credit Lenders"

TO: Mr. Richard A. Hart
Group Director
Community and Economic Development Division
General Accounting Office

We have reviewed your report and your recommendations. We generally concur that farmers have a need for more information on alternative sources of credit and the terms for which this credit can be obtained from the various lenders. We will work with the State Extension Directors on this problem and encourage them to implement programs to provide such information to farmers.

Also, it may be useful to conduct an experimental project as proposed in your study and we will give consideration to implementing such a project.

Mary N Greenwood

MARY NELL GREENWOOD
Acting Deputy Director
for Extension

cc:
G. F. Sedgwick
Raymond C. Scott
Sharon Hoobler
Buel Lanpher

(069140)

GPO 866 373

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