

Approved January 28, 1986
Date

MINUTES OF THE Senate COMMITTEE ON Agriculture

The meeting was called to order by Senator Allen at
Chairperson

10:10 a.m. ~~XXX~~ on January 23, 1986 in room 423-S of the Capitol.

All members were present except:

Committee staff present: Raney Gilliland, Research Department
Fred Carman, Revisor of Statutes Department

Conferees appearing before the committee: Larry Davis, State Farmers Home Administration
Director

Senator Allen called the Committee to order at 10:10 a.m. The Chairman called for action on the minutes of the January 22 meeting. Senator Arasmith made a motion the minutes stand approved and Senator Montgomery seconded the motion. Motion carried. The Chairman introduced and welcomed Larry Davis to the Committee.

Mr. Davis gave copies of his testimony (attachment 1) to the Committee.

Committee questions and discussion followed. Mr. Davis said that FmHA sells land they receive because of foreclosures by sealed bid only. A person who has lost his land by foreclosure can buy his land back if his sealed bid is the highest and if he has approved funding. At the present time FmHA is not selling any land; they have sold none since May of 1983; they now own 66,000 acres in Kansas. The approximately 300 loans in trouble in Kansas are spread across the whole state. He said nationwide there are about 65,000 delinquent loans out of about 270,000 borrowers. So nationwide 28% FmHA loans are in trouble; in Kansas 22% are delinquent. Mr. Davis said some bankers have donated time to help farmers with financial planning. Mr. Davis explained that in a foreclosure situation they do not take household items or cars, only items such as equipment, crops and livestock, that is, only things listed on the lien. Mr. Davis suggested maybe the Farm Corporate Law should be studied to see if a way could be found to help get some capital infused into the farming industry.

Senator Allen thanked Mr. Davis and declared the Committee adjourned at 11:00 a.m.

NEW SERVICING REGULATIONS

There is a change being developed in Washington on the new servicing regulations. Originally we were to send to all farm borrowers delinquent \$100 or more as of December 31, "Notice of Intent to Take Adverse Action", and list of servicing actions, which the borrower needed to respond to within 30 days. If they did not respond within 30 days, then we were to accelerate the loan.

What I believe the changes will be is, that the farmers who have converted security, abandoned the farm, or had not made a payment in the last three years, will receive the original packet. The borrower less than three years delinquent will receive a list of all servicing actions.

In December, 1985, we mailed a list of servicing options, including deferrals and borrower responsibilities, to all farm borrowers. See attached.

The major change in servicing actions is that we may now defer payments of principal and interest for five years. Interest does continue to accrue during the deferral period.

As of December 19, 1985, out of a total of approximately 8000 borrowers, Kansas showed 1,788 delinquent, of which 290 were three years or more delinquent.

The 1985 Farm Bill changed our emergency loan program to cover those crops in areas where Federal Crop Insurance is not available. However, this does not apply to crops harvested or planted in 1986.

At the present time, we do not have the regulations out enacting the 1985 Farm Bill.

*attachment |
1/23/86 Sen. Ag.*

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

NOTICE

FARMER PROGRAM BORROWER SERVICING OPTIONS INCLUDING
DEFERRALS AND BORROWER RESPONSIBILITIES

Servicing Options

All borrowers are expected to repay their loans according to planned repayment schedules. However, sometimes borrowers will not be able to pay as scheduled. If this happens, you may inquire about the following servicing options:

I. Deferral:

An approved delay in making regularly scheduled payments. Such a delay may be granted if FmHA finds that, due to circumstances beyond your control, you are temporarily unable to continue making the scheduled payments on such loan(s) without unduly impairing your standard of living. A more detailed description is available at any FmHA Office.

II. Limited Resource Program:

The Farmers Home Administration (FmHA) has authority to make limited resource farm ownership and operating loans to qualified applicants.

The program provides credit at an interest rate which is lower than FmHA's regular interest rate.

In addition to making loans at reduced interest rate, borrowers with existing farm ownership and operating loans who qualify as limited resource operators may have their loans rewritten at the lower interest rate.

III. Consolidation:

Combining and rewriting similar type loans made for operating purposes at new rates and terms.

IV. Rescheduling:

Rewriting loans made for operating purposes at the interest rate of the original note or current loan rate, whichever is the lesser.

V. Reamortization:

Rewriting loans made for real estate purposes at the interest rate of the original note or current loan rate, whichever is the lesser.

VI. Subordination of the FmHA lien to the lien of another creditor.

VII. Restructuring the business and debt by selling a portion of your assets.

If you would like additional information regarding any of the above items and how to apply you should contact the FmHA County Supervisor. You will be asked to attend a conference with the FmHA County Supervisor and you must furnish the information necessary for FmHA to make a decision on your request. The County Supervisor can advise you of the information needed for a decision.

FARMER PROGRAM BORROWER RESPONSIBILITIES

Please read carefully the following summary of major FmHA requirements. Farmer Program insured borrowers should understand what the Farmers Home Administration (FmHA) expects of them and how FmHA can be of better service. This is *not* a complete list of all responsibilities of an FmHA borrower; this highlights only *some* of those responsibilities.

RESPONSIBILITIES CONSIST OF, BUT ARE NOT LIMITED TO, THE FOLLOWING:

PAYMENTS:

Payments are due as agreed upon in the note(s). It is essential that payments be made on time. Extra payments are encouraged whenever possible.

SECURITY:

The loan(s) is secured by a Financing Statement and Security Agreement and/or a real estate mortgage or other security instruments (depending upon the type of loan or security). These instruments give FmHA a valid lien on crops, chattels, land, etc., as applicable.

USE OF LOAN FUNDS:

FmHA loan funds will be used for the purpose(s) shown on the Farm and Home Plan or other plan of operation acceptable to FmHA, and/or Development Plan in cases of real estate improvements.

RELEASES AND SALES:

The Form FmHA 1962-1, "Agreement For The Use of Proceeds/Release of Chattel Security," which you signed is the agreement between FmHA and you which explains what sales you plan to make, approximately when and to whom those sales will be made, and how the proceeds from those sales will be used. You must inform FmHA if you want to make any sales which are not listed on the form, if you want to sell to a purchaser not listed on the form, or if you make a sale and you receive an amount of proceeds different from the amount listed on the form. It may be a violation of Federal criminal law to make sales which have not been authorized on Form FmHA 1962-1 or to fail to account for sales proceeds.

CHANGES IN OPERATION:

FmHA agreed to lend you money based on facts which you supplied about your operation. If any changes occur in your operation you should notify the FmHA County Supervisor at once.

VIOLATION OF RESPONSIBILITIES: Violation of any of the above responsibilities may result in denial of further FmHA assistance, and could cause your FmHA loan(s) to be accelerated.

FARMERS HOME ADMINISTRATION - U S DEPARTMENT OF AGRICULTURE
Loans and Grants by Program - Fiscal Year 1985

	Number of Loans or Grants	Dollar Amount
FARMER PROGRAMS		
Farm Operating loans	2,125	\$ 114,920,900
Farm Ownership loans	290	25,917,610
Emergency loans	471	12,883,440
Soil and Water loans (individual).	<u>14</u>	<u>513,580</u>
Farmer Program Totals	2,900	\$ 154,235,530
RURAL HOUSING PROGRAMS		
Low-Moderate income housing loans . . .	395	\$ 8,499,040
Very low income repair loans	7	11,800
Very low income grants	37	82,910
Rural Rental Housing loans	<u>41</u>	<u>11,940,476</u>
Rural Housing Program Totals	480	\$ 20,534,226
COMMUNITY & BUSINESS PROGRAMS		
Water and Waste disposal loans	10	\$ 4,461,700
Water and Waste disposal grant.	1	4,056,700
Community Facility loan	<u>1</u>	<u>195,000</u>
Community & Business Program Totals	12	\$ 8,713,400
FmHA PROGRAMS		
Loans.	3,312	\$ 167,403,070
Grants	<u>45</u>	<u>4,139,610</u>
TOTAL	3,357	171,542,680