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Far-Reaching Law Is Important Locally, Brown Explains

U.S. Farm Credit Act Adopted

A bill described as one of the most important pieces of farm credit legislation ever adopted in this country has been passed by the U.S. Congress and signed by the president.

Moves are presently underway at the local and national levels to adopt policies and procedures to implement the bill within the next few months.

Among the key provisions of the new Farm Credit Act of 1971 are: allowing for the first time for first mortgage loans on non-farm homes in rural areas; greatly expanded amounts for first mortgages on farm real estate; major new provisions for financing custom operators, and more liberal rules for farm cooperatives.

Carl Brown, manager of the Production Credit Association (PCA) and Federal Land Bank Association (FLBA) offices which serve Lancaster, Lebanon and Dauphin Counties, gave an explanation this week of the key provisions of the new legislation.

PCA is involved with short-term production loans up to seven years, while the FLBA is involved with long term farm mortgage financing. Together the FLBA and PCA serve 1,330 farmers in their three-county area and have an outstanding loan value of $33 million.

The key provisions of the new U. S. credit law, according to Brown, are:

— Replacement of the 65 per cent loan limitation for first mortgages on farms and farm land. The new maximum loan limit is 85 per cent of the farm's value. The previous limit was considered a restriction on expansion by established farmers and a barrier for young farmers seeking to buy farms and farm land.

The new 85 per cent maximum also will enable farmers to acquire their farms for a much lower down payment. Farmers generally could previously still get up to 85 per cent financing, but usually had to get both a first and second mortgage to do it, resulting in much higher monthly payments, according to Brown.

He said the new provision would enable one long-term loan resulting in a much lower payment and much less financial burden for the man acquiring a farm

— A second key provision of the new law is that the U.S. Farm Credit system will combine its funding. Previously, three different institutions sought money on the national market. These were the Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives Now, only a maximum of one joint debenture issue will be made each month.

Instead of the 33 seperate issues made in 1970, there would be a maximum of 12 issues per year under the new system. This is expected to reduce costs of raising new money and possibly result in better interest rates to farmers

— A third key provision of the new law is that loans can be made for non-farm housing in open country areas to help provide new housing in rural areas. The intent to help provide new housing in rural areas The intent is to help fight substandard housing in rural areas, where two-thirds of the nation's substandard housing exists Because the attempt will be made to solve the rural housing problem through greater availability of credit, it is believed that the new bill can make a major contribution without cost to the taxpayer

Brown explained that FLBA and PCA presently cannot make loans on housing in rural areas except to farm members Under the new law, the institutions could loan a maximum of 15 per cent of their total funds for building of homes in rural areas and the loans would not be limited to farmers.

Brown explained that there is still some administrative decisions needed to determine

What Is the Farm Credit System?

What is the Farm Credit System. Carl Brown, local Farm Credit office manager, this week issued the following explanation.

This System is nationwide network of farmer-owned credit associations that specialize in helping farmers and their cooperatives meet their own credit needs.

It was established by the Congress with Federal "seed moneys" which have all been repaid.

The banks and associations of the System are supervised by the Farm Credit Administration, an independent Federal agency, because they hold Federal charters and to assure that farmers' interests and the public interest are served.

Loan funds are obtained primarily through the sale of bonds and debentures to private investors in the nation's money markets.

No Federal funds are loaned.

Essentially, the System functions at no cost to the taxpayer. It is not a Federal system. Rather, it is a cooperative, farmer-owned credit organization regulated by a Government agency as other financial institutions are regulated—to assure that they are financially sound and serve in the best interest of the general public.

The System has three basic parts: the 12 Federal land banks which make long-term loans secured by first mortgages on farm real estate through some 600 Federal land bank associations; the 12 Federal intermediate credit banks which discount notes and make direct loans to nearly 450 local production credit associations and other financing institutions; and 13 banks for cooperatives which provide a complete credit service to farmers' supply, marketing and farm business service cooperatives.

Local Federal land bank associations are owned by about 405,000 farmers, the production credit legislation ever adopted in 525,000 farmers and the banks for cooperatives by nearly 3,900 farmer cooperatives These are farmer-stockholders who participate actively in the affairs of their credit associations

In 1970, for example, 32.9 per cent of all PCA borrowers attended their association annual meetings. There is good reason for their concern for their credit system They currently have over $1 billion invested in it

Farm Credit Use to Grow

Expansion of individual farm operations, plus improvements in managerial efficiency, will cha cterize the successful farmer in the 1970's and 1980's, as was true in the previous decade.

It is almost certain that farmers will have larger credit liabilities in land, equipment and livestock.

Credit agencies will need to increase their competencies in assisting a farmer's managerial and repayment ability if they are to furnish the necessary capital. They will also need to know which production practices will pay the greatest dividends and whether the farm operator is capable of using such practices.

In addition, it is imperative that they gain more knowledge of basic business organization to help insure profitability.

Farmers will need to present detailed plans showing the resources to be used, the value of current assets, and cash flow statements showing, month by month, the yearly income and expenditures. Without this information, credit agencies will be reluctant to loan funds necessary for expansion.

The Pennsylvania Agricultural Records Program, administered by the Cooperative Extension Service and Young Farmer advisors, is a valuable tool area farmers can use as an aid in improving business practices

By Jay W. Irwin,
Lancaster County
Associate Ag Agent

Farm Calendar

Saturday, December 25
Merry Christmas!

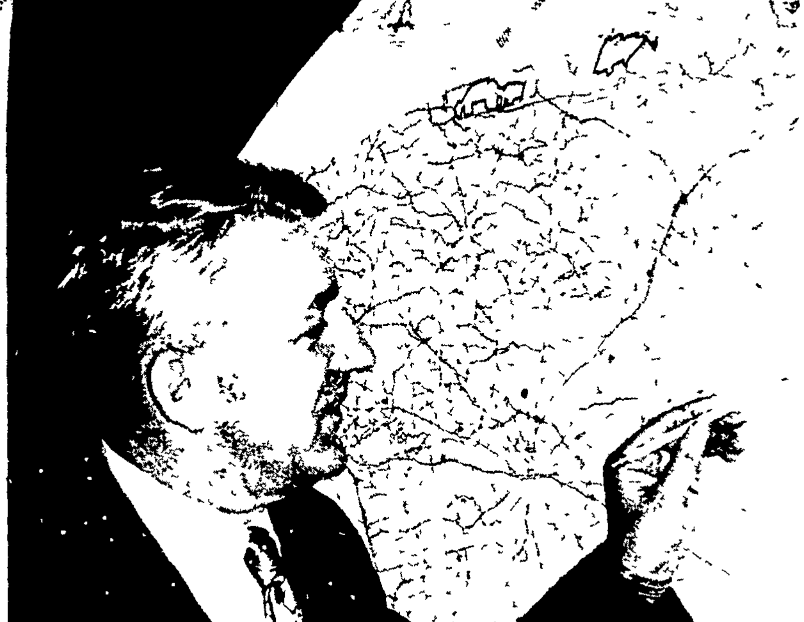
Wednesday, December 29
10 a.m. — Northeastern Poultry Producers Council semi-annual board of directors meeting, Statler Hilton Hotel, New York City.

Thursday, December 30
12 noon — Harvestore banquet, Plain and Fancy Restaurant, Bird-in-Hand
12:30 p.m. — Lancaster County 4-H Tobacco and Corn Exhibit and Roundup, Farm and Home Center

Saturday, January 1, 1972
Happy New Year!

In This Issue

Many officials believe the Farm Credit Act of 1971 may be one of the most significant pieces of national legislation for rural America in many years. While the new law isn't as important for the financially diversified Southeastern Pennsylvania as it is in many credit-starved rural areas, it's still highly significant here, as our page one story explains



In explaining the impact of th new national Farm Credit Act of 1971, recently signed into law and to be implemented early next year, Carl Brown, local Farm Credit manager, points to a map of the local area. Brown said key provisions of the important new credit legislation include: increased first mortgage loan limits; new provision for home mortgages for non-farmers building in rural areas; new provision for loans to full-time custom operators; more liberal policies for cooperatives.

Merry Christmas