

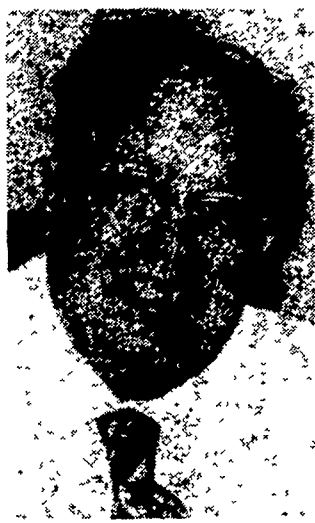
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# Credit



Robert Stover, general manager of Production Credit, York

(Continued from Page 1)

exempt agricultural loan transactions from certain Truth-in-Lending regulations.

Present requirements include a mandatory three-day "cooling-off period" for all loan applications. During that period, a borrower who has already signed on the dotted line can return a recision slip, legally cancelling the contract. The consumer-oriented legislation came out of Congress in 1969, with the original intent of protection from high-pressure sales tactics, especially those of the uninvited, unannounced, door-to-door variety. Its umbrella coverage included farm lending transactions.

As with most government regulations, once established they have a way of mushrooming into more complications.

"While we're awaiting progress of Senate Bill 1312, the Federal Reserve Board recently amended Regulation Z to require advance disclosure of any variable rate clause in a credit contract that would result in an increase in the cost of credit to a customer, effective October 10, 1977.

That amendment will add even more to the costs of our borrowers - owners."

Parker, Jr. Parker is Assistant General Counsel to the Federal Land Bank of Baltimore. Since Farm Credit institutions are actually owned by the people they loan money to, Parker sees no reason to suspect that the credit establishment would have an incentive to overcharge or misrepresent their services.

"The Truth-in-Lending Act was designed to deal with consumer credit transactions in which loans are made primarily for personal, family or household purposes. For the most part, the credit transactions of the Farm Credit System involve extensions of credit for agricultural business purposes in financing ongoing farming operations," added Parker.

Robert Stover, general manager of Production Credit of York, cites the red-tape paperwork as a major stumbling block to Farm Credit business operations.

"I couldn't begin to estimate how many hours are involved in preparing the forms and all the copies required by the regulation," he figures.

"It's been a hindrance to use in providing good service to the farmer," Stover added. There are a couple of sets of papers for each loan, with copies to keep and copies to send out to the borrower. It takes twice the time to close out loans and costs us both the manpower and added postage expenses."

But any credit organization ignoring the mandatory Truth-in-Lending regulations takes its chances. If found not properly complying with the law when government inspectors tally the books, there's a stiff fine, as well as the possibility of a jail sentence for the parties responsible.

Loans over \$25,000 are exempt from the waiting period under the federal rulings. However, Pennsylvania has its own set of Truth-in-Lending laws, with compliance extending beyond the federal cut-off figures.

One case of farm borrowing difficulty might occur when the feedlot operator finds himself a bargain at the stockyards and purchases a trailerload of cattle without first clearing a loan.

"Before Truth-in-Lending, a feedlot operator could have walked in the office and gone home with a check immediately," explains Stover. "Now all he can get for three days is a chance to back out of the transaction." And the waiting period is three working days; on a holiday weekend that could run to a total of six days delay.

"The regulations have caused me problems in the past," indicated John W. Marstellar, Sr., of Stewartstown R3. "There's entirely too much paperwork and sometimes it took too long to get money."

Marstellar maintains an average of 300 head of cattle on his feedlot. Because of bulk buying at auction, he has established revolving-type credit arrangements for operational purchasing.

Jerry Rutter, Dover R2, indicates similar credit management to operate his set-up which includes about 4000 head of hogs and several hundred feeder cattle.

"The waiting period hasn't caused us any difficulties," commented Rutter, who periodically updates his future credit needs with commercial loan establishments.

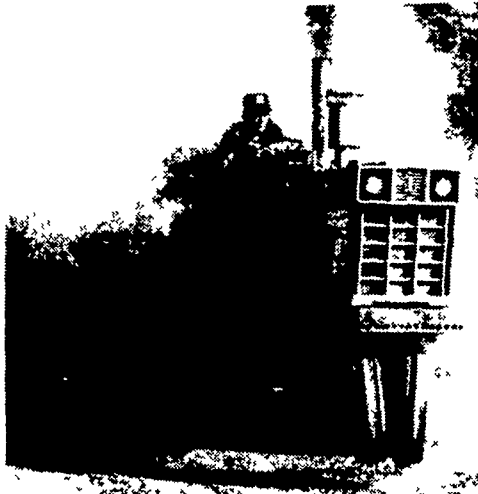
How much good has the time-consuming and costly paperwork done agriculture borrowers?

"In the several years we've been working under this law, we've never had one recision slip return," concluded Stover.

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