

To replace SBA emergency loans

FmHA now can make loans to borrowers with other options

WASHINGTON, D.C. — The U.S. Department of Agriculture's Farmers Home Administration now has authority to make unsubsidized emergency disaster loans to farmers who are able to get credit from commercial lenders.

This new authority, granted recently, means the USDA agency will serve credit-worthy farmers previously served by the Small Business Administration, said Alex P. Mercure, assistant secretary of agriculture for rural development.

It is expected to add an estimated \$400 million to FmHA's emergency loan volume for fiscal year 1981 October 1, 1980 - September 30, 1981, Mercure said.

The new authority represents a major change for Farmers Home Administration, Mercure said. Up to now, he said, the agency has made loans only to borrowers who meet the USDA criterion of being unable to get credit from private lenders. The change affects only loans made by the agency in designated areas hit by natural disasters for losses caused by these disasters.

Farmers Home Administration also makes emergency loans for annual production expenses and major adjustments in farming operation. These loans will continue to be made only to farmers unable to get credit elsewhere.

Authority to serve credit-worthy borrowers was provided Farmers Home Administration by the Small Business Act of 1980, which became law on July 2, 1980. The intent of the law, said Mercure, is that Farmers Home Administration take over the emergency farm lending carried out by the Small Business Administration to the fullest extent possible.

Regulation implementing

the new insured emergency loan authority were effective October 22. Farmers Home county offices, which have been accepting and processing - but not approving - applications for emergency disaster loans from farmers able to get credit elsewhere, now will be able to approve and close these loans.

The new law: affects only farmers suffering losses from natural disasters

commencing on or after July 3, 1980, who are located in designated disaster areas.

Limits loans to these farmers to \$500,000 or the actual amount of loss per borrower, whichever is less.

Severely restricts, but does not eliminate, Small Business Administration disaster loans to farmers able to get credit elsewhere will be eligible for consideration for Small Business Administration

loans for losses to their farming operations only if they have been turned down for such loans by Farmers Home because of legal restrictions. Loans to farmers for losses to residential housing still may be made by either the Small Business Administration or Farmers Home.

Provides that Farmers

Home emergency disaster loans to farmers able to get credit elsewhere will be made at a rate of interest reflecting the costs of money to the federal government - currently 11.75 percent. The interest rate for Farmers Home emergency actual loss loans to farmers unable to get credit elsewhere will continue at five percent.

Farmers suffering production losses from disasters commencing on or after July 3 and able to get credit elsewhere may apply for loans at their local county Farmers Home offices. Those with housing losses only still have the option of applying to either Farmers Home or the Small Business Administration.

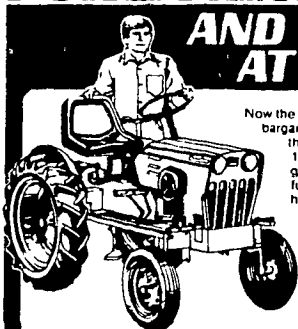
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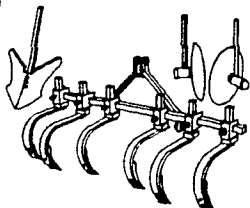
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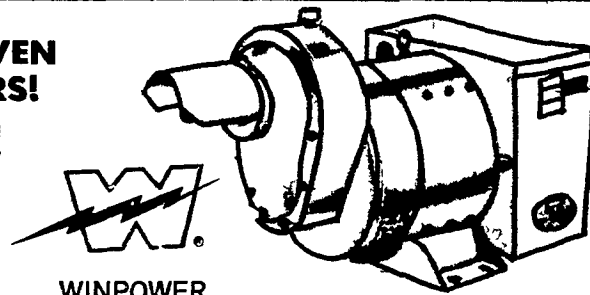
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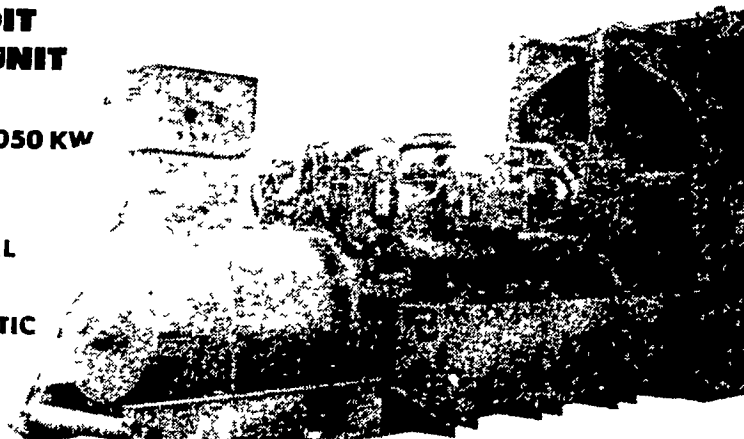
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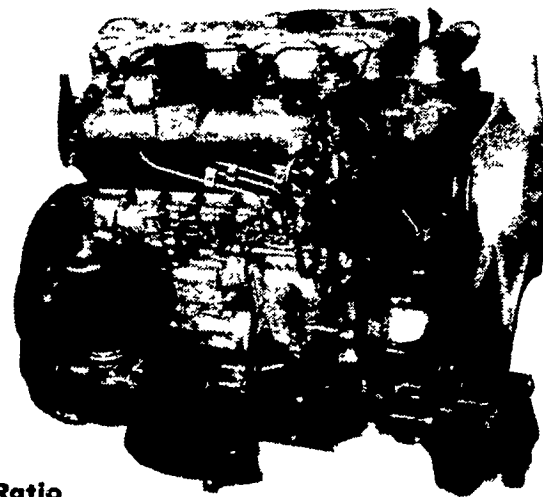
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