

## FmHA raises interest rates

WASHINGTON, D.C. — The U.S. Department of Agriculture's Farmers Home Administration raised its basic interest rates to 13 percent on December 20, FmHA Administrator Gordon Cavanaugh said last Monday.

Because of the higher costs in borrowing from the U.S. Treasury, FmHA raised interest rates to 13 percent on

—low to moderate income rural housing loans,

—farm operating loans (including economic emergency loans for operating purposes) and

—disaster emergency loans for annual production or operating purposes above actual losses

Cavanaugh said the increase in housing interest rates applies only to non-subsidized FmHA housing loans.

"Home loans will still be available at rates as low as one percent for low-income families under the 'interest credit' provision of the national housing act," he said.

According to Cavanaugh the agency's interest rates are now set at 12.25 percent for most long term farm loans, including farm ownership, soil and water, recreation, grazing association, irrigation and drainage, economic emergency loans for real estate and disaster emergency loans for major adjustments above actual losses.

"Indian land acquisition

loans and biomass fuel facilities loans will also be made at 12.25 percent," he said.

"For disasters occurring between July 3 and December 19, 1980, emergency loans will be made at 11.75 percent to applicants who can get credit from other sources," Cavanaugh said.

Rural renting housing and rural housing site loans will be made at 11.5 percent.

Cavanaugh also said that interest rates on

—loans to limited resource farm applicants will be made at seven percent for operating purposes and five percent for real estate purposes;

—loans to cover actual losses from disasters occurring after Oct. 1, 1978, will remain at five percent;

—loans on water, waste disposal and community facilities will remain unchanged at five percent.

"FmHA interest rates had not changed since September 26, but increases were forced up because of recent rises in the prime interest rate," Cavanaugh said. "Interest rates will continue to be negotiated between borrower and lender for the agency's guaranteed loan programs."

The formulas used in setting FmHA's interest rates and other government lenders are prescribed by law and closely tied to the cost of federal borrowing and prevailing private market interest rates for similar maturities



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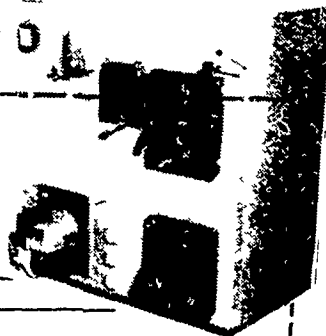
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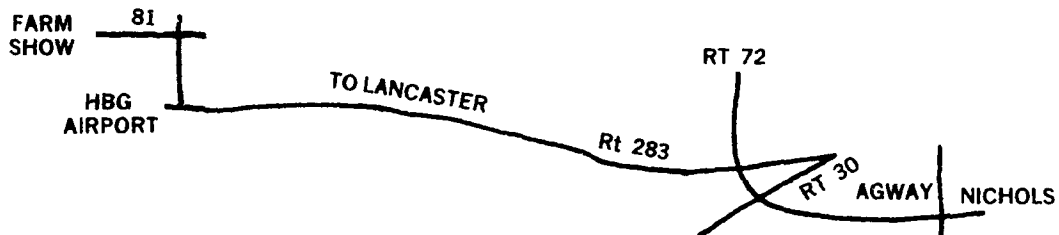
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