

U.S. Senate approves 3-year extension on farm credit

WASHINGTON, D.C. — The Senate Committee on Agriculture, Nutrition, and Forestry approved last Wednesday a three-year extension of the farm and rural credit programs of the Farmers Home Administration.

In the Committee approved bill, farm operating loan levels would be increased to \$1.6 billion for fiscal years 1983, 1984, and 1985. In addition, the Committee agreed to continue the FmHA limited resource borrowers program and the Business and Industrial (B&I) loan program at limited funding levels.

The Committee legislation, patterned after the Administration's S. 2314, followed

extensive hearings in the Subcommittee on Agricultural Credit and Rural Electrification, chaired by Senator Paula Hawkins (R-Fla.).

Senator Jesse Helms, chairman of the Committee, commended Senator Hawkins for "completing a very difficult task under severe economic circumstances." Helms expressed concern about increased funding in certain areas of the bill and about the continuation of FmHA programs, which do not benefit farmers.

"In the area of farm operating loans, the Committee action forged by Senator Hawkins is important to American farmers and ranchers. However, I am concerned

that increased funding in many areas of this bill may contribute to an increased federal budget deficit, which will exacerbate problems farmers face with interest rates," Helms said.

The following is a summary of the items considered by the Committee:

—**Farm operating loans.** The Committee approved a three-year authorization of farm operating insured and guaranteed loans at a level of \$1.6 billion. The Administration bill (S. 2314) provided for a level of \$1.51 billion for each of the next three years.

—**Farm ownership loans.** The Committee approved a three-year extension of the loan authorization for farm ownership loans at a level of \$775 million, the same as the request in S. 2314.

—**Business and Industrial loan program.** The Committee approved a compromise agreement presented by Senator Hawkins providing \$400 million for guaranteed B&I loans in each of the next three years. The Administration proposed to eliminate

the program

In order to make the program more accountable, the Committee proposed to raise the equity requirement on loan applications to 20 percent instead of the current 10 percent; to decrease the present 90 percent federal loan guarantee on loans to 80 percent to ensure proper loan making and servicing, and to require a high unemployment.

—**Limited resource borrowers program.** The Committee approved a Hawkins' proposal to set aside 15 percent of farm operating and farm ownership loan funds for beginning or disadvantaged farmers.

The Administration had proposed to eliminate the distinction between limited and non-limited resource borrowers. Present law requires that 20 percent of the funds be set aside for this purpose.

A provision was also adopted that would require limited resource borrowers to repay the subsidy on interest rates when they dispose of property obtained

with low-interest loans

—**Emergency Disaster loan program.** The Administration had proposed to cap the disaster program at \$1.5 billion. The Committee agreed to a provision to continue the authorization for the program providing for "such sums as may be necessary."

—**Water and waste program.** The Committee agreed to the Administration proposal to authorize the water and waste disposal loan programs at \$300 million and \$130 million for community facility programs.

The Committee approved bill also includes a provision to establish the rate of interest on water and waste disposal loans at 5 percent for communities below the 80 percent statewide non-metropolitan income level. The bill also provides an intermediate rate of interest of 7 percent for communities between 80 and 100 percent of the state-wide non-metropolitan median income level.


—**Alcohol Production Facilities Program.** The Committee agreed to eliminate the alcohol production facilities loan program. However, the Senators agreed to include language in the report providing that a portion of the Business and Industrial loan funds will be made available for alcohol production applications if they meet the regular requirements of the B&I loans.

—**Purchase of Crop Insurance.** The Committee adopted a provision that would authorize the Secretary of Agriculture to require FmHA borrowers to purchase crop insurance of any type where available, on crops that will be used as substantial security for a loan.

—**Five-Year review of Borrowers.** Under the Committee proposal, a thorough review of any borrower who has received FmHA farm operating loans for the previous five years would be required to determine his financial

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Program	FY 1981		FY 1982		Senate proposed
	Actual	Authorized	Authorized	Such sums	
Operating loans	848	1 37	1 37	Such sums	1 6
Ownership loans	813	825	825	Such sums	775
Emergency Disaster	5 112				
Business & Industrial	652	300	300		400
Water and waste	750	375	375		300
Community facility	260	130	130		130



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