

Private participation in farm operating loans rises sharply

WASHINGTON, D.C. — Private-lender participation in farm operating loans is up sharply this year at the U.S. Department of Agriculture's Farmers Home Administration, Secretary of Agriculture John R. Block said last week.

Block credited participation lending and other cooperative efforts of federal and private lenders with successfully providing needed agricultural credit for thousands of hard hit farmers in 1982.

Meeting with representatives of the American Bankers Association, the Independent Bankers Association of America and the Farm Credit Administration, the secretary emphasized the need to continue cooperative and participation lending to meet farmers' credit needs in 1983.

He said the USDA agency will continue to enlarge its role with the private sector in making farm operating loans to meet the anticipated heavy demand for credit in crop year 1982.

Charles W. Shuman, administrator of the USDA lending agency, attributed the increase in participation lending directly to

cooperation between the USDA and rural lending institutions.

"Although our funds for operating loans are up about a third over last year," Shuman said, "demand for those funds is heavy. Through participation loans involving commercial banks and local members of the farm credit system, we stretch our limited funds, making them available to those who need help most."

"In many cases, Shuman said, the agency has subordinated its security to the private lender, helping borrowers stay with their regular credit sources.

Loans of about 5,800 of the agency's operating loan borrowers were shared with other lenders in fiscal 1981. In the first 11 months of fiscal 1982, the number rose to 28,032.

In dollars, the amount of the agency's farm borrowers' debt held by private lenders rose from \$91.6 million for all of fiscal 1981 to an estimated \$1 billion for the first 11 months of fiscal 1982.

While the participation loan may begin with either a private or public lender, Shuman said the USDA-initiated effort begins at the county level when borrowers and a

Farmers Home county supervisor review the borrower's "farm and home plan," which is the credit and economic blueprint for the borrower's crop year.

"When the plan shows a need for more operating credit than the agency by law can supply to an individual, or when the plan shows that private credit can be utilized for the borrower's needs, a local lender is contacted," Shuman said.

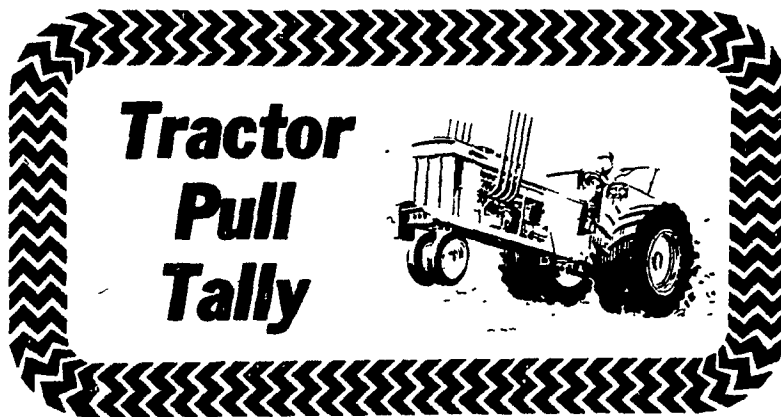
"If the local lender can make the agency subordinate part or all of its security in favor of the local lender — in effect giving the private lender first rights to collect its debts in the event of default."

Participating in last week's meeting with Block were Under Secretary Frank Naylor and Shuman of the USDA; American Bankers Association representatives Ken Lee, associate director, Michael Fitch, vice president for agricultural affairs, Wells Fargo Bank in San Francisco, and Alan Tubbs, president of First Central Bank in DeWitt, Iowa.

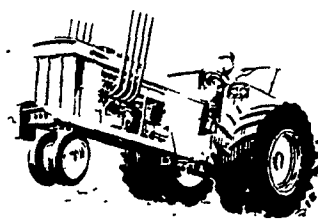
Representing the Independent Bankers Association of America were Weldon Barton, agricultural rural representative; Thomas Olson, president, Lisco State Bank,

Lisco, Neb.; and J.R. Kuiken, president, First National Bank, DeKalb, Ill.

Deputy Governor Larry Edwards of the Farm Credit Administration represented his organization.



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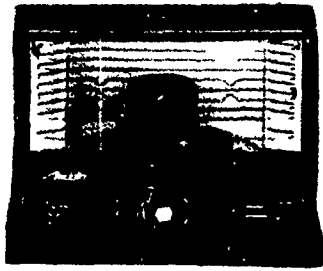
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