

Two-Tier debt restructure proposed

A new innovative approach for aiding financially troubled farmers was recently introduced by the American Farm Bureau Federation. The plan, called Two-Tier Debt Restructuring, has received favorable support by the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Comptroller of the Currency.

It includes capital forbearance, that is, allowing banks to operate below the six percent of total assets capital requirements if they can replenish capital within five years. Currently, banks desiring to write off portions of farm loans run up against this requirement and discourage loan forbearance.

Two-Tier Debt Restructuring would encourage the farm operator and the lender to sit down and analyze the individual operation to determine how much debt could be paid under normal circumstances. That part of the debt would become Tier One. Under Tier One, the farm operator would pay a portion of the farm debt making a regular interest and

principal payment over a 10-year period. The remainder of the debt would be placed in Tier Two where it would carry an interest rate of three percent with no principal payments.

As the portion of Tier One debt is paid off annually, an equal amount of the debt would shift from Tier Two to Tier One until all the Two-Tier debt is paid.

For example: If you have a \$300,000 debt, and after a thorough analysis, the bank and borrower decide that \$200,000 can be properly serviced; that becomes Tier One. The remaining \$100,000 becomes Tier Two debt.

In order to see Two-Tier Debt Restructuring, there will need to be regulatory changes which would allow banks to operate at below the six percent of total assets capital requirement if they can replenish capital within five years. Current law discourages loan forbearance by imposing penalties on banks offering such restructuring. Banks have, as a rule, chosen to write-off bad debts, which there is little chance of collecting. In the farm community

these are the ones that end up in foreclosure.

Debt restructuring for troubled farmers has several advantages.

One, it gives the farm bank a realistic chance to recover the principal amount loaned and a reasonable rate of interest on a major portion of the principal.

Secondly, while the bank is receiving a lower interest rate on the second tier for a five year period, the amount of the lower interest loan is diminished each year as a portion of the principal shifts up to the first tier each year. Thus the bank is sustaining a relatively minimal loss in interest compared to a total write-off of the principal loan.

This program is a debt restructuring — not a debt forgiveness program. The farmer will also benefit as he has set his payments at a manageable amount and he is able to pay off his indebtedness, thus preserving his credit and his farm.

The Senate Banking Committee, the Federal Reserve Board, Federal Deposit Insurance Corporation (FDIC) and Comptroller of the Currency have agreed to the necessary changes to regulations which would allow for debt restructuring.

Banking experts and economists have admitted that debt restructuring is not for everybody. It is obvious that some farmers now have debt loads that make it impossible for principal and interest to be paid from the income of their operations under normal conditions. Partial or total liquidation may be the only resource.

Again, it is important to stress that in order to consider debt restructuring, both farmer and lender must do an indepth financial analysis of the farming operation to determine the amount of nonworking debt and the amount of interest and principal that can be paid from the operation under

normal conditions. The operation should be analyzed from a profit and loss on production, not on a debt-to-asset ratio. No debt will be forgiven.

Such a plan represents a realistic approach to turning the debt programs around. Land values will stabilize, fewer farmers will be forced out of business and banks will benefit from stronger loan holdings.



Agriculture is much more than food: it includes cotton, wool, forest products, tobacco, greenhouse products, and many others. About one-fourth of prescription drugs contain an agricultural product. We use about 20 pounds of paper per person daily. People spend \$5 billion a year on cat and dog food.

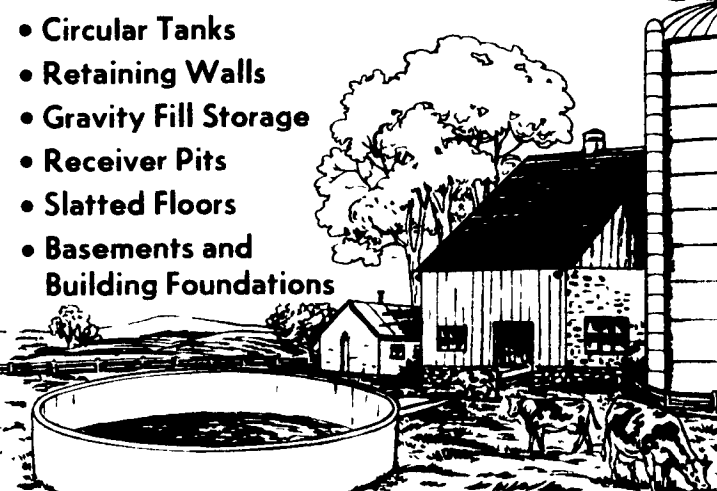
KING
Construction Co.
 DESIGNERS & BUILDERS OF ALL
 TYPES OF FARM & COMMERCIAL
 BUILDINGS



WE SPECIALIZE IN
 HORSE BARN & POULTRY BUILDINGS
King Construction Co.
 Box 166, RD#2
 New Holland, PA 17557
 (717) 354-4740

**POURED REINFORCED
 CONCRETE CONSTRUCTION**

- Circular Tanks
- Retaining Walls
- Gravity Fill Storage
- Receiver Pits
- Slatted Floors
- Basements and Building Foundations



SIZES & LAYOUTS TO YOUR SPECIFICATIONS

We are qualified to handle any poured concrete job you may need. We use a practical aluminum forming system to create concrete structures of maximum strength and durability. For a highly satisfactory job at an affordable price, get in touch with us.

POURED FOR DURABILITY

Groffdale
 concrete walls, inc.

BRICK CHURCH RD LEOLA PA 17540

FOR SALES & LAYOUT CONTACT
 GROFFDALE POURED WALLS (717) 656-2016
 JAKE KING (717) 656-7566

BEST BUY of the YEAR



- 6" Steel Main Beam
- 2" Vertical Tubing Drilled so that the 1" Horizontal tubing extends Full Length of Wagon
- Front-Side and Rear Loading and Unloading
- 2x8 Pressure Treated Lumber Floor
- 2x6 Oak Cross Beams
- Beds are 8' wide, available in 16, 18 or 21' lengths. Racks are 90" high.
- NEW FEATURE: 6" Channel across back for pushing wagon without damaging bed.

FOR FURTHER INFORMATION, CALL YOUR LOCAL DEALER:

<p>LOST CREEK IMPLEMENT Oakland Mill, PA 717-463-2161</p> <p>MELROSE FARM SERVICE Greencastle, PA 717-597-3138</p> <p>KELLER BROS. Lebanon, PA 717-949-6501</p> <p>DUNKLE & GREIB Mill Hall, PA 717-726-3115</p> <p>WALTER G. COALE, INC. Churchville, MD 301-734-7722</p>	<p>TOBIAS EQUIPMENT CO., INC. Halifax, PA 717-362-3132</p> <p>NORTHEAST DISTRIBUTING West Clifford, Pa. 717-222-9020</p> <p>VALLEY IMPLEMENT SALES Harrisonburg, VA 703-434-9961</p> <p>CHAMBERSBURG FARM SUPPLY Chambersburg, PA 717-264-3533</p>	<p>OXFORD GREENLINE, INC. Oxford, PA 215-932-2753</p> <p>PAUL SHOVER'S, INC. Loysville, PA 717-789-3117</p> <p>A.B.C. GROFF New Holland, PA 717-354-4731</p> <p>CARLISLE FARM SERVICE Carlisle, PA 77-243-4419</p> <p>CLARK'S FARM SUPPLY Williamsport, PA 717-494-0060</p>
---	--	--

Manufactured By

CLW MANUFACTURING, INC.

R.D. #2, Box 8
 Newburg, Pa. 17240
717-423-6794