# Financially Sound Keystone Elects Directors

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WILLOW STREET (Lancaster Co.) — A good barometer of a bank's financial condition is its capital position. If so, then a capital position of 13.64 percent (what Keystone Farm Credit, ACA maintains) signifies a sound financial condition, according to Bernard C. Flory, president and chief executive officer of the association.

Flory spoke to more than 400 Keystone Farm Credit stockholders at a banquet Tuesday night. Three meetings were held throughout the region this week to update the stockholders on the financial condition of the association in 1990 and to elect directors and nominating committee members for the upcoming year.

Net income for 1990 was $1.059 million, compared to $1.478 million in 1989, said Flory. The reasons for the slight decrease in overall income, said Flory, were due to "some extraordinary items that took place in 1989 which did not occur in 1990.

"From the net operating standpoint, the income was a truer picture this past year than it was in the previous year," he said.

**Expenses decreased**

During 1990, the overall operating expenses were decreased by $82,000 from the previous year. According to Flory, since the merger, the company "did not promise we would reduce expenses but we did say we would try to contain them. I think again, working very closely with the board and the staff of the association, they look at these things very hard and did reduce the overall operating budget."

Of major interest to Keystone Farm Credit is the capital position, which is more than 13 percent, down from 15 percent in 1989.

Also, in 1989, the board of directors decided to reduce the overall investment of the membership. At that time, said Flory, the board decided to have a five-year plan to reduce the stock requirement from 5 percent down to 2 percent or a $1,000 maximum.

In 1990, the company refunded $3.3 million in excess stock. Also, during the past year, the association paid a 5 percent dividend on the excess stock.

**7 percent capital**

Flory said the Farm Credit Association (FCA) has established the minimum standard capital of system entities at 7 percent, and the Farm Credit Bank of Balitmore has established 7.25 percent as minimum to maintain funding relationship with the bank.

"With us being at 13 percent, we intend to continue with our stock reduction plan," he said.

"We anticipate moderate to modest growth," said Flory. "And we feel that our capital ratio will not deterioriate below 10 percent."

The association's real estate delinquency is 2.4 percent (commercial real estate), 3.6 percent (rural home real estate), and commercial loan deliquency is 4.8 percent.

**Worked on loans**

Flory said that, during 1990, "the staff and management worked very diligently on some of the problem loans." The bad loans have been identified and are being worked on.

"Other problems we're going to have are the regulations," he said. "One of the situations that we have is going to cost the association some money is the appraisal function. This is something that the commercial banks have done — in certain cases they've gone to outside appraisers."

The association is required to utilize certified appraisers effective Jan. 1, 1992. Flory said, as an example, in the St. Paul district, 75 appraisers cost the association representing the district $3 million.

To defray costs, Keystone Farm Credit, said Flory, will be training their own staff internally for appraising.

**Will be change**

"But it will be a change," he said to the stockholders. "You may feel that now you're seeing two people come out to your farm as opposed to one in the past. This is not something that we created locally. This is a federal regulation, so we will adhere to that. But again, changes are inevitable."

Despite the problems the S&Ls have had and some of the difficulties of the commercial banks, Flory said, "Let me assure you that your association is sound financially," said Flory.

Three new directors were appointed as a result of the meetings. Harold A. Knechel, Montgomery Co., has been farming for 38 years. He and two sons have a 100-head heifer/dry cow dairy operation, and they also raise 300 acres of corn and 100 acres of alfalfa and clover.

Paul L. Kreider, Lebanon Co., has been farming for 23 years. In partnership with a brother, the operation consists of dairy, beef, and cash grain. They farm 750 acres, and have 90 cows and 130 young stock.

Kenneth L. Schlegel, Berks Co., has been farming for 27 years. A partner in Ker-Min Farms, the operation consists of dairying and general crops. Schlegel is chairman of the Baltimore Advisory and Legislative Council and chairman of the Keystone Farm Credit board.

In addition, 15 new Nominating Committee members were elected, but this information was not available as of presstime.

**Bernard C. Flory, president and chief executive officer of Keystone Farm Credit, ACA, spoke Tuesday night at the stockholders meeting.**