



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

# **Agricultural and Rural Finance Markets in Transition**

Proceedings of Regional Research Committee NC-1014  
St. Louis, Missouri

October 4-5, 2007

*Dr. Michael A. Gunderson, Editor*

January 2008

Food and Resource Economics

University of Florida

PO Box 110240


Gainesville, Illinois 32611-0240

# **An Analysis of Borrowing Rates on FSA Guaranteed Farm Loans**

Prepared by


Steven Koenig and Charles Dodson  
USDA Farm Service Agency

Slide 1



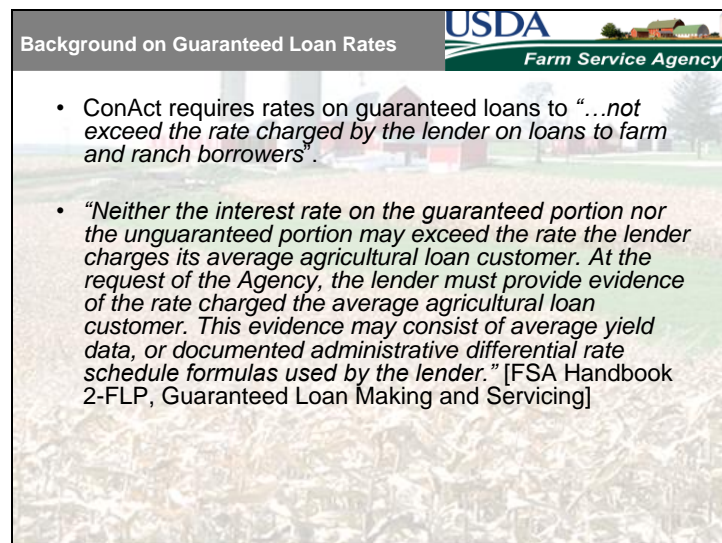
**USDA**  
**Farm Service Agency**

**Steven R. Koenig**  
**Charles Dodson**  
**Agricultural Economists,**  
**USDA/Farm Service Agency**  
**Economic Policy Analysis Staff**



**Presentation to the**  
**Annual Meeting of**  
**NC-1014 Agricultural and Rural**  
**Finance Markets in Transition**  
October 4-5, 2007  
St. Louis, Missouri

Slide 2



**Background on Guaranteed Loan Rates**

- ConAct requires rates on guaranteed loans to “...not exceed the rate charged by the lender on loans to farm and ranch borrowers”.
- “Neither the interest rate on the guaranteed portion nor the unguaranteed portion may exceed the rate the lender charges its average agricultural loan customer. At the request of the Agency, the lender must provide evidence of the rate charged the average agricultural loan customer. This evidence may consist of average yield data, or documented administrative differential rate schedule formulas used by the lender.” [FSA Handbook 2-FLP, Guaranteed Loan Making and Servicing]



Slide 3

Oklahoma False Claim Cases

USDA  
Farm Service Agency

- "GOLD BANC TO PAY \$16 MILLION TO RESOLVE CLAIMS OF INFLATING INTEREST RATES AND CHARGING EXCESSIVE FEES ON AGRICULTURE LOANS" (Press Release, Office of the U.S. District Attorney, Western District of Oklahoma, November 19, 2004).
- "Roger L. Ediger...has won a second settlement against a bank alleging the bank improperly charged excessive interest rates and fees on federally-guaranteed Farm Service Agency loans. ...Farmers Exchange Bank has agreed to repay \$2.1 million to the federal government in the settlement" [Enid News, June 2, 2006]
- "More than \$2 million in settlement checks are in the mail to farmers whose cases over bank fraud allegations were settled last year...The settlement is the third in a series of cases involving agricultural loans but the first class-action claim on behalf of a group of farmers. Each of the lawsuits successfully accused banks of charging excessive interest rates and fees on federally guaranteed Farm Service Agency loans" [Enid News, June 5, 2006]

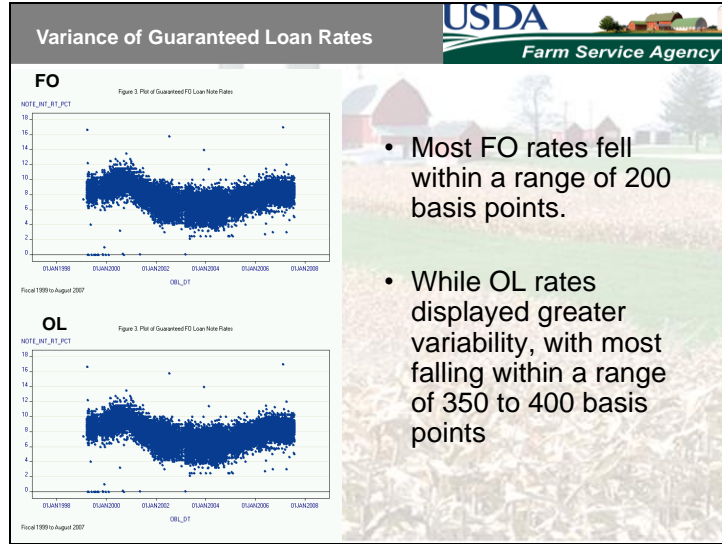
Slide 4

What is the "Rate the Lender Charges Its Average Agricultural Loan Customer?"

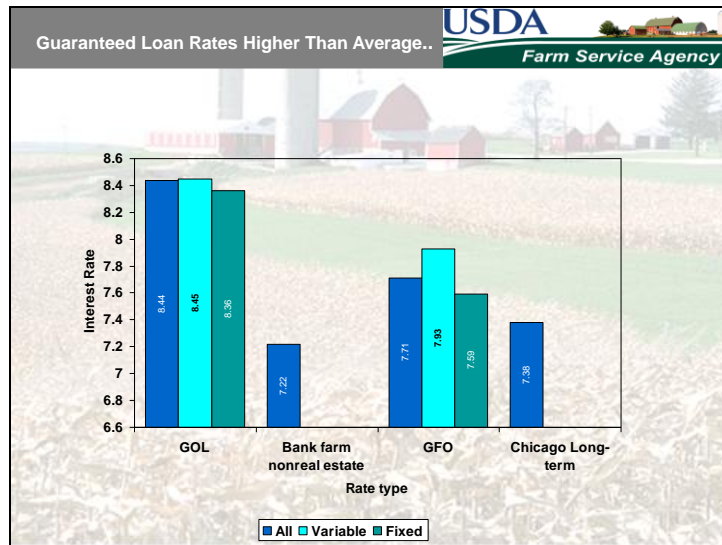
USDA  
Farm Service Agency

- Exploratory analysis of FSA data on guaranteed loans originated from FY 1999 until present.
- Examine rates charged on FO's and OL's by assistance codes, loan size, location, and purpose.

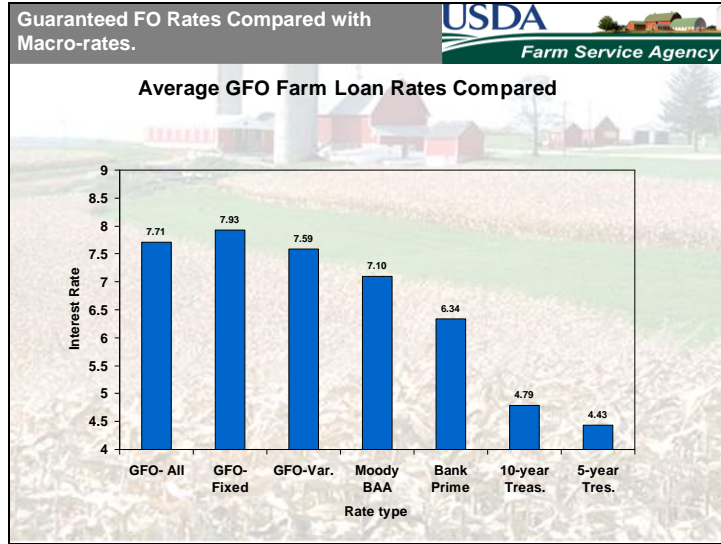
Slide 5



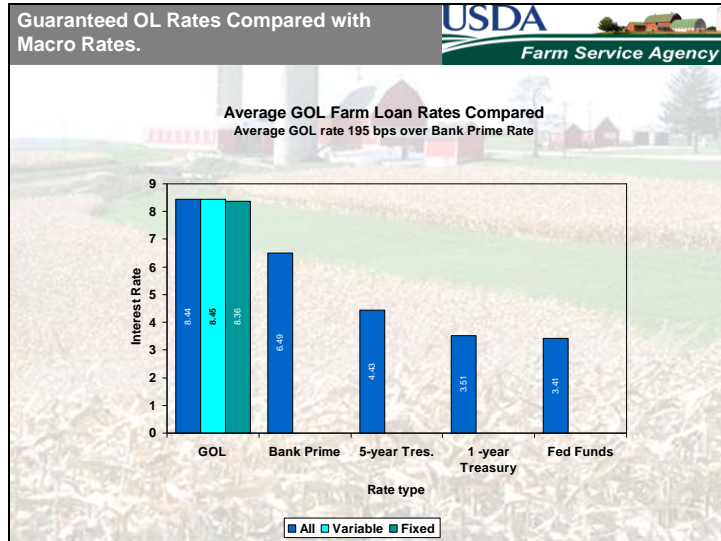
Slide 6



Slide 7

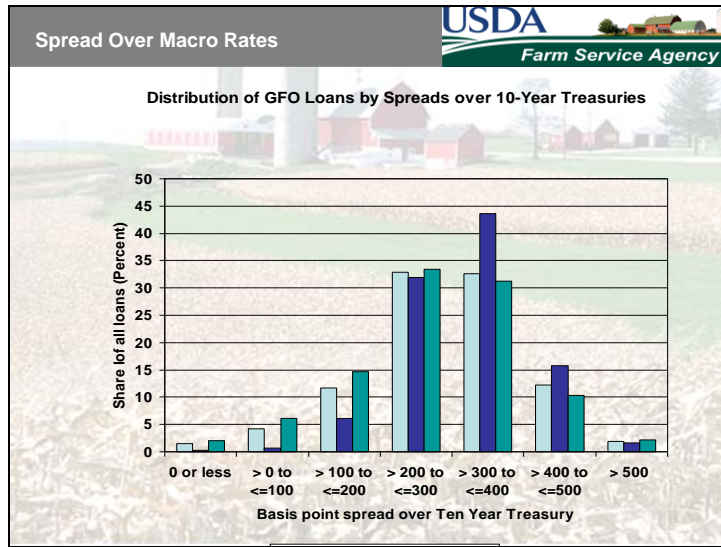


Slide 8

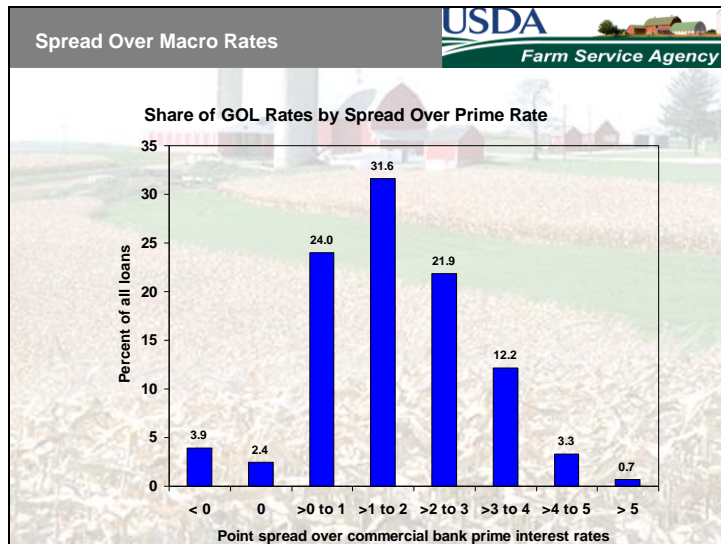




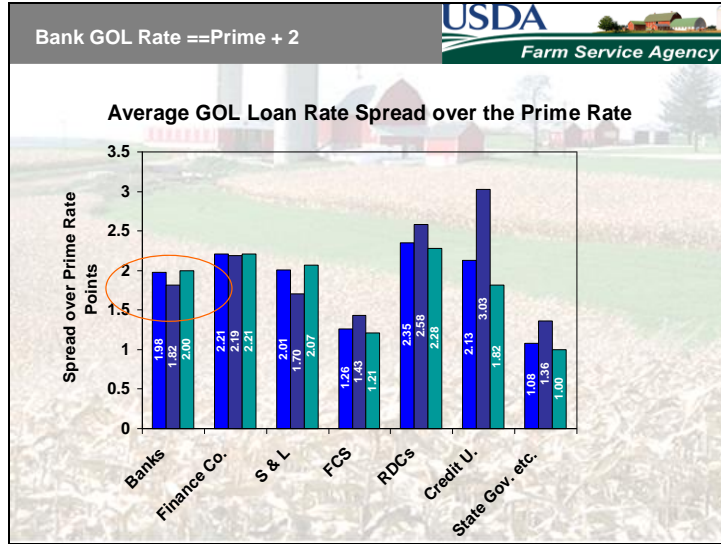
Slide 9



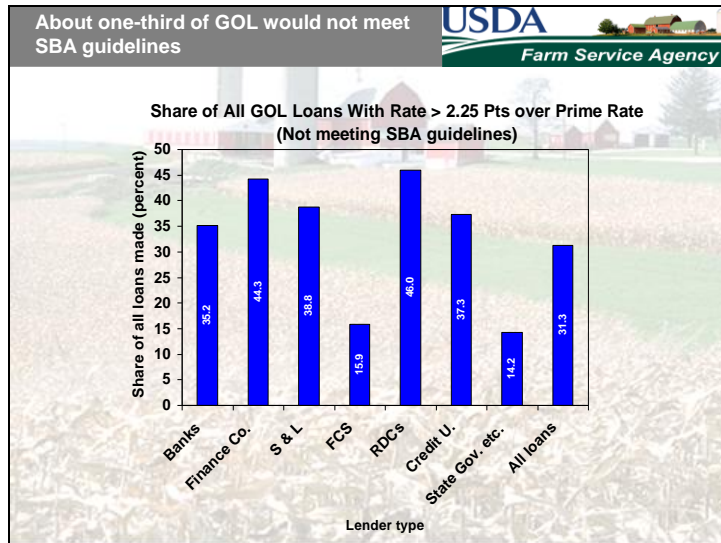
Slide 10



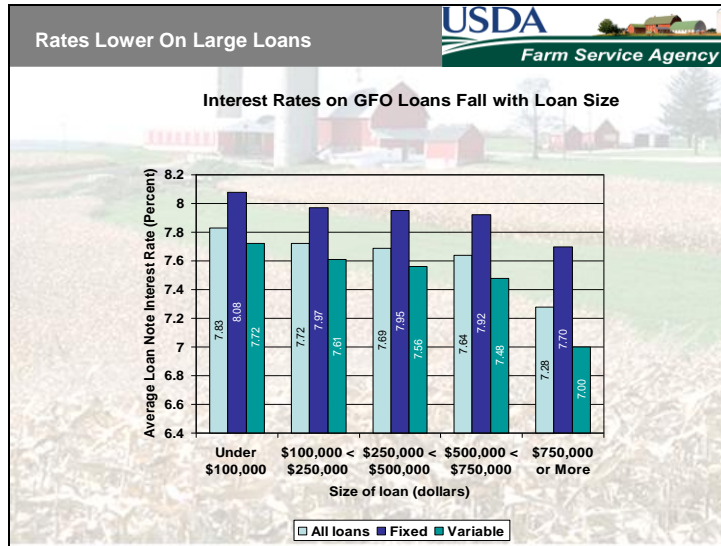
Slide 11



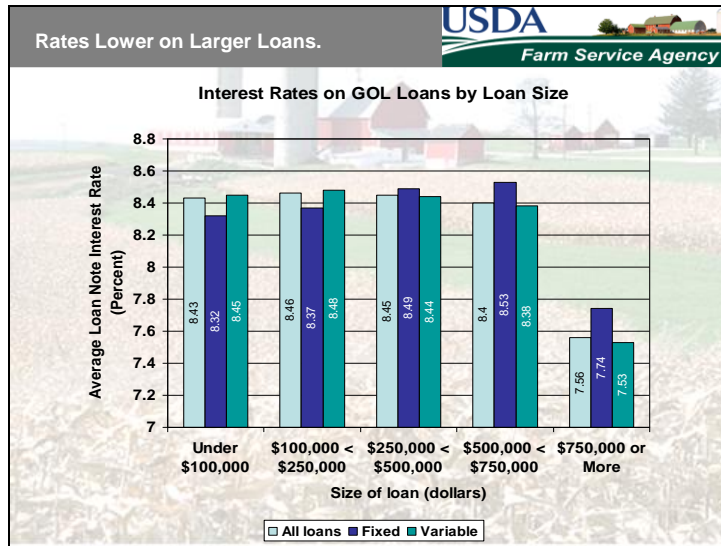
Slide 12



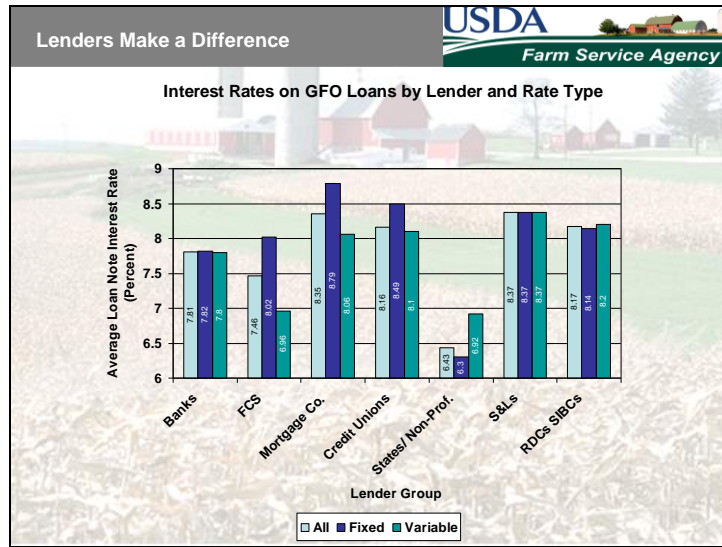
Slide 13



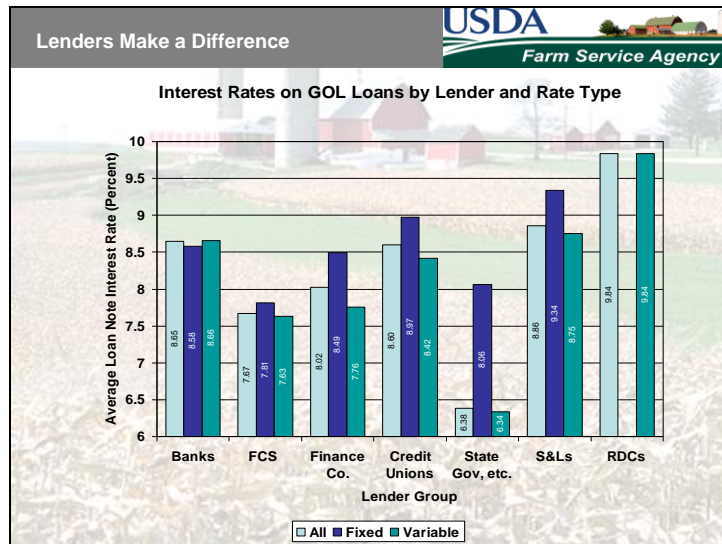
Slide 14



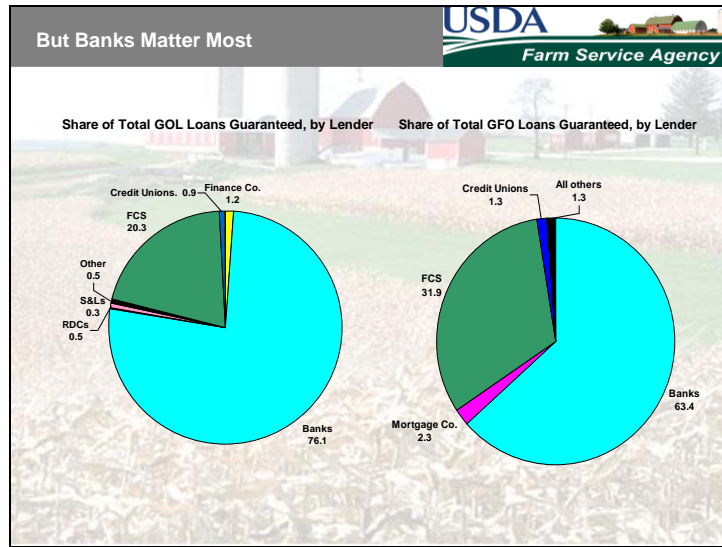
Slide 15



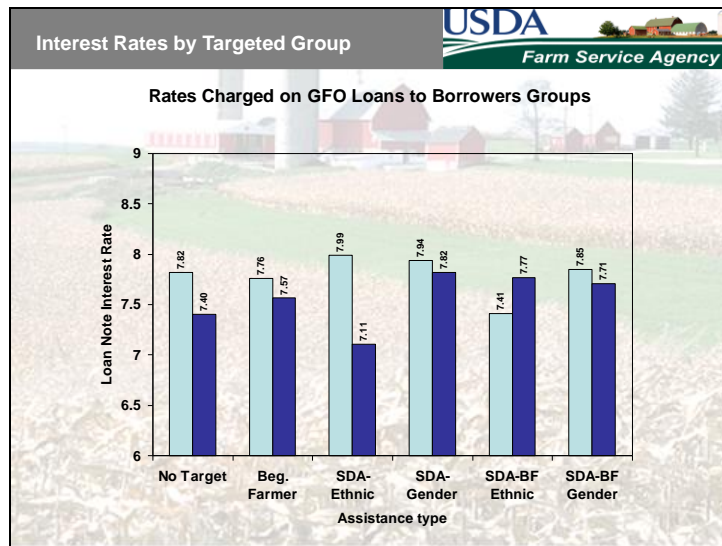
Slide 16



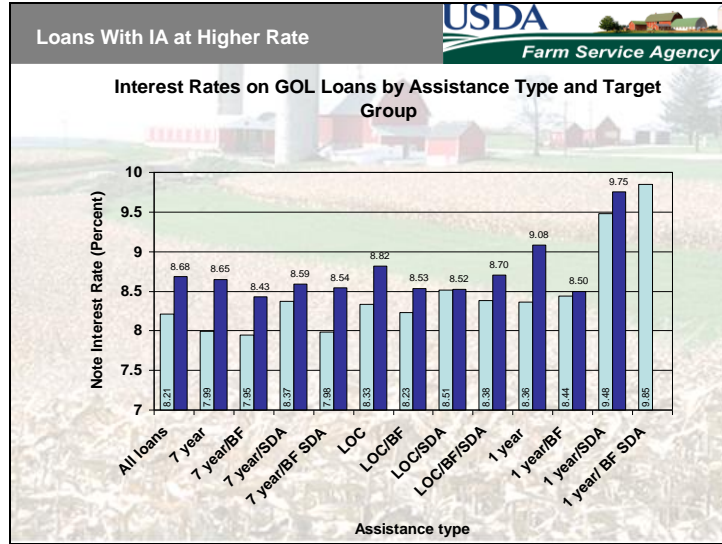
Slide 17



Slide 18



Slide 19



Slide 20

