A Detailed Look at Lender Participation in the Farm Service Agency Guaranteed Loan Program

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Abstract

This paper presents a detailed summary analysis of commercial bank, Farm Credit System (FCS), and other commercial lenders use of Farm Service Agency (FSA) guaranteed loan program over the time period fiscal 1993-2003. Key aspects of the guaranteed program are examined including the usage level of guaranteed loans by the various lenders and the intensity of guaranteed lending to socially disadvantaged (SDA) and beginning farmer groups. The usage of guaranteed loans is examined at state, regional, and national levels. Specific characteristics associated with banks using the program are identified.

Key Words: Farm Service Agency, guaranteed loans, Farm Credit System, banks

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Background and Purpose of the Study

Farm Service Agency (FSA) farm loan programs serve as alternative sources of credit for U.S. farm borrowers temporarily unable to obtain private, commercial credit at reasonable rates and terms. FSA borrowers are typically those who have insufficient net worth and cash flow to qualify for commercial credit, those who have suffered financial setbacks from natural disasters, or those who have limited resources with which to establish and maintain profitable farming operations. FSA offers both direct and guaranteed loans to qualified farmers. Congress appropriates the funds for the guaranteed loan program, but private lenders provide the actual principal to borrowers. Lenders making and servicing guaranteed loans are partially reimbursed for any losses incurred on those loans. Repayment is guaranteed for up to 90 percent of the lost principal and interest on the loan in the event of a default (95 percent for beginning farmer loans and loans refinancing certain direct FSA loans). Direct loans are made and serviced exclusively by FSA staff. While direct loans are a significant component of FSA lending, guaranteed loans have held a greater share of both lending authority and obligations made since 1987. Guaranteed loans comprised 73.6 percent of the total farmer program obligations in fiscal year 2003.[†]

In terms of dollar volume, the use of FSA guaranteed loans has grown over the past decade. In fiscal 1999, total guaranteed obligations rose to over $2 billion (table 1). This was the highest level reached since the guaranteed loan program surpassed direct lending as the preferred method of government credit assistance to agricultural borrowers. Total obligations remained above $2 billion for the next five years. In fiscal 2003, total guaranteed obligations reached an all-time high of $2.6 billion. Legislation has committed federal funds to supporting the guaranteed loan program through fiscal 2008 at historically high levels. Given the significant support that this program provides to production agriculture, it is critical that all of its aspects be examined in order to determine whether or not efficient delivery of federal funds is achieved.

Past studies have focused on borrower usage of guaranteed loans (Settlage et al., 2001a and 2001b; Dodson and Koenig, 2003). Koenig and Sullivan (1991) presented a descriptive analysis of commercial banks using the FSA guaranteed loan program in fiscal 1988, while Dixon, Ahrendsen, and McCollum identified characteristics of banks and economic forces that influenced commercial bank utilization of FSA guarantee programs in the state of Arkansas during fiscal years 1990-1995. Finally, Ahrendsen, Koenig, Dixon, Dodson, and Settlage (2003) examined borrower and lender use of interest assistance on FSA guaranteed loans. However, no previous study has addressed bank lending to beginning and socially disadvantaged (SDA) farm borrowers. This paper is unique from those studies mentioned above because it draws upon a broader data set consisting of multiple years and provides a detailed look at lender participation in the FSA guaranteed loan program as a whole.

This analysis describes the size and scope of the FSA guaranteed loan program. The results of this study identify the underlying characteristics of commercial banks that frequently use guaranteed loans. In addition, a detailed descriptive analysis of guaranteed loan use by lender, state, and region is presented. From a policymaking perspective, FSA can use the results of this analysis to assist in predicting future use of guaranteed loans by commercial lenders thus

[†] Source: FSA Monthly Management Summary, September 30, 2004 (internal source).

improving the efficiency of program administration. In addition, these results may help refine delivery of guaranteed loan funding to the targeted SDA and beginning farmer groups.

Usage of Guaranteed Loans

FSA guarantees are available for either farm ownership (FO) or operating (OL) loans. FO loans may used to purchase farmland, construct buildings or other fixtures, develop farmland to promote soil and water conservation, or to refinance debt. OL loans provide operating capital for many purposes such as the purchase of variable inputs, intermediate capital items and living expenses. OL loans may take either the form of loan notes or lines of credit (LOCs). Between fiscal 1987 and 2004, FO loans comprised 31.2 percent of total guaranteed loans, on average (table 1). However, this percentage increased in recent years. In fiscal 2003 and 2004, FO's share of total guaranteed lending was 44.5 and 47.3 percent, respectively. OL loan notes and LOC's tended to possess even shares of total guaranteed lending, with LOC's holding a slight advantage in most years.

Table 2 presents the annual average dollar amount of FO, OL, and total guaranteed loans originated by state over the period fiscal 1993 through 2003. The averages were calculated from guaranteed loan data obtained from FSA. Total loan volume for each state (over the eleven-year period) was divided by the number of years in the sum. More detailed information about the construction of all data in the various table and figures presented may be found in Settlage (2003). The top five states in terms of annual average loan volume were Texas, Iowa, Minnesota, Wisconsin, and Nebraska. They accounted for 30 percent of the national average for annual lending over the eleven-year period. In terms of guaranteed FO loan volumes originated, Arkansas, Wisconsin, Oklahoma, Iowa, and Nebraska were the leading five states. The same five states that accounted for the highest annual average loan volumes for total guaranteed loans also accounted for the highest annual average loan volumes for guaranteed OL loans. These five states accounted for 33% of the U.S. annual average OL loan volume. Interestingly, the average amounts of guaranteed FO loans originated in both Texas and Minnesota were substantially less than the average amount of guaranteed OL loans originated. In Texas, guaranteed FO loans accounted for only 17 percent of average annual guaranteed lending.

Figure 1 displays the average annual loan volumes for FSA guarantees from a regional perspective. The volume of FO, OL, and total loans were summed for all states in each region, and then the regional totals were divided by eleven to calculate annual regional averages for fiscal 1993 through 2003. The Corn Belt, with three of its states in the top twelve, led all regions in terms of average annual guaranteed lending. On an annual average basis for 1993-2003, more guaranteed loans of both types were obligated to borrowers in this region than in any other region. The Northern Plains was the second largest guaranteed lending region followed by the Lake States in third place. Together, these three regions accounted for 46 percent of the U.S. annual average guaranteed loan volume over the eleven years. While the Southern Plains and Delta States also accounted for significant amounts of annual guaranteed lending, the Pacific, Northeast, and Southeast nearly tied for the least amount of annual guaranteed lending.

Lender Participation in Guaranteed Loan Program

Commercial banks were the major users of guaranteed loans followed by the FCS (table 3). Together, commercial banks and the FCS accounted for about 95 percent of total guaranteed loan volume. Other lenders such as mortgage companies, savings and loans, insurance companies, and credit unions accounted for the balance of guaranteed lending. In recent years, the FCS proportion of guaranteed lending rose, while the proportion of commercial bank guaranteed lending fell. Commercial banks accounted for 81 percent of guaranteed lending to all farm borrowers in fiscal 1993 and 70 percent in fiscal 2003.

In terms of lender participation on a regional basis, commercial banks dominated all regions except the Northeast where Farm Credit Services accounted for 52% of average annual lending (figure 2). FCS has a large guaranteed lending presence in the Southeast and Appalachia. Banks accounted for well over 80 percent of average annual lending to guaranteed borrowers in the Corn Belt, Northern Plains, Delta, and Southern Plains regions. Other lenders including savings and loans, savings banks, mortgage companies, finance companies and credit unions account for relatively insignificant proportions of guaranteed lending in all regions. Their largest presence in guaranteed lending was in the Pacific region where they account for 13 percent of the average annual total.

The primary reason lenders use loan guarantees is to cover credit risks on borrowers who fail to meet conventional credit standards. Also, since the guaranteed portion of the loan carries a zero risk weighting against capital, guaranteed loans can be used to expand lending capacity. A third attraction of guaranteed loans is the existence of a secondary market. The secondary market affords guaranteed lenders more liquidity because selling the loan frees funds for additional lending or investing activity. Additionally, by reselling the guaranteed portions, lenders reduce their interest rate risk and may increase their return on investment from the generation of servicing fees.

Lender Characteristics

More detailed information about lender participation in the guaranteed loan program is found in table 4. On average, 1,853 banks participated in guaranteed lending over the years studied compared with 123 FCS institutions. More banks originated OL loans than FO loans, whereas the numbers of participating FCS institutions in the FO and OL programs were roughly the same. In annual average terms, banks issued between 4 and 5 times more loans than FCS. FO loans accounted for one-third of FCS guaranteed lending and only one-fifth of bank guaranteed lending. Between fiscal 1993 and 2003, banks issued an annual average of $1.6 billion in guaranteed loans. By dividing the $1.6 billion by the average number of participating banks, participating banks lent an average of $858,690 in guaranteed principal. An equivalent figure for FCS is $3.1 million per participating FCS institution.

On average, 27 percent of banks participating in the FSA guaranteed loan program issued only one loan per year. Approximately two-thirds of banks making guaranteed loans during the sample period issued between one and four loans per year. For FCS, roughly the same percentage of firms originated more than four loans per year. On average, 21 percent of

participating FCS institutions issued between 11 and 25 loans per year, and 18 percent issued between 26 and 100 loans per year. Only 13 percent of participating banks issued more than ten guaranteed loans per year.

Table 5 displays select characteristics of the loans originated by participating lenders over the sample period. In terms of loan sizes, average amounts were roughly the same for each lender type. Average FO size ranged between $216,007 for banks and $226,933 for other lenders with FCS in between these two at $219,982. Average sizes of OL loans were between $129,715 for other lenders and $142,211 for FCS lenders with banks at $133,494. As expected given their dominance in guaranteed lending, average loan sizes for banks were very close to the averages for all lenders. Average median loan sizes were also contained in small ranges across lender type. For FO loans, the range was $177,142 (other lenders) to $190,491 (banks). For OL loans, the range of median loan size was $93,450 (other lenders) to $104,764 (banks). The loan size standard deviations indicate there is considerable disparity in size of loan observed over the sample period. The FO standard deviations were higher than the OL standard deviations for all lenders.

Few FO loans were originated for less than $50,000. For all lenders, 36% of FO loans originated were for amounts greater than $250,000, 33% had principal amounts ranging between $50,000 and $149,999, and 25% had principal amounts that lay between $150,000 and $249,999. More OL loans fell into the smaller loan categories. On an annual average, almost one-quarter of OL loans had principal amounts less than $50,000. Over 40% of obligation amounts ranged between $50,000 and $149,999. More FO loans than OL loans were originated for principal amounts that met or exceeded loan limits on an average annual basis.[‡] However, both percentages were very small. On average, 9% of FO loans were at or above loan limits, and only 1.5% of OL loans met or exceeded the limits. As expected, few loans were guaranteed at percentages less than 90%.

Table 6 compares financial characteristics of banks originating at least one guaranteed loan during fiscal 1994, 1997, 2000, and 2003 with those banks not participating in guaranteed lending. The fiscal years presented in these tables correspond to selected years of sample data which are statistically modeled in the next chapter. Average asset size for participating banks ranged from $464.9 million in fiscal 1994 to $1.8 billion in fiscal 2003. Average asset size of participating banks grew noticeably in 2003 as a result of greater numbers of larger banks originating guaranteed loans in that year than in previous years. Clearly, a small number of very large banks skewed the average dramatically. This is also evidenced by the decrease in non-participating bank asset size from 2000 to 2003.

Agricultural loan-to-total loan ratios were much higher (about 20 percentage points) for those banks that participated in guaranteed lending for all listed years. There was little difference in the capital-to-asset ratios and rates of return on assets when comparing the two sets of banks. Some differences appear in both the loan-to-deposit and loan-to-asset ratios. The

[‡] Limits for FO and OL loans were $300,000 and $400,000, respectively for loans made prior to fiscal 1999. Beginning in fiscal 1999, limit amounts were such that total guaranteed lending could not exceed a base of $700,000. This base amount has been adjusted annually to reflect changes in the cost of production.

annual average loan-to-deposit ratios were consistently lower for guaranteed banks, while the loan-to-asset ratios were slightly higher in all reported years. Of those banks in the sample, a large majority of them hold deposits in only one state. Roughly one-quarter of the number of banks participating and not participating in the guaranteed loan program were affiliated with multi-bank holding companies.

Targeted Lending

As mandated by Congress, a given proportion of guaranteed lending is targeted to two specific groups: SDA and beginning farmers. SDA farmers are those classified in one or more of the following categories: women, African Americans, Native Americans, Alaskan Natives, Hispanics, Asians, and Pacific Islanders (USDA/FSA, 2002). Targeting of loan funds for SDA borrowers began in fiscal 1988 as part of the Agricultural Credit Act of 1987 (P.L. 100-233) (Dodson and Koenig, 1999). The amount of funds set aside for SDA applicants in the FO program is based upon the state percentage of the total rural population made up of SDA groups and the statewide percentage of total farmers who are female (USDA/FSA, 2002). In the OL program, the target is determined by the statewide percentage of total farmers from the SDA minority group, and the statewide percentage of total farmers who are female (USDA/FSA, 2002).

The Agricultural Credit Improvement Act of 1992 (P.L. 102-554) authorized FSA to establish a beginning farmer and rancher program. A beginning farmer is one with 10 years or less experience owning or operating a farm. Additionally, a beginning farmer has three to ten years of farming experience and owns acreage which does not exceed 25 percent of the county average farm size. FSA reserves 40 percent of guaranteed operating loans (OL) and 25 percent of guaranteed farm ownership (FO) funding for beginning farmers' use until April 1 of each fiscal year (USDA/FSA, 2002).

As intended, the percentage of guaranteed lending to SDA borrowers has risen steadily since fiscal 1990, however the percentage in 2003 was just over half the percentage of guaranteed lending to beginning farmers (table 7). In fiscal 2003, $239 million in guaranteed loans were made to SDA farmers. Seventy-three percent of those loans were FO. Total guaranteed obligations to beginning farmers equaled $452 million in fiscal 2003. Slightly more than half of those obligations were FO loans.

Most FSA guaranteed lending to SDA and beginning farmers has been geographically concentrated. In their descriptive analysis of FSA's credit delivery to different classes of borrowers, Dodson and Koenig (1999) found that some regions appeared much more aggressive in lending to beginning farmers. In particular, guaranteed beginning farmer loans tended to be prevalent in the Midwest and Mississippi Delta. Racial and ethnic minorities tended to be regionally clustered due to historical factors. Dodson and Koenig (1999) reported that most Hispanic or Latino farmers were located in the Southwest, American Indians in the Plains, Asian farmers primarily in California, and Black farmers along the Southern Coastal Plain, parts of the Piedmont, and the Mississippi River Delta. As such, these areas had the highest concentrations of SDA guaranteed loans between fiscal 1993 and 1999 (Dodson and Koenig, 1999).

As expected, the data show that lending to beginning and SDA farmers represented a small but growing portion of total guaranteed lending during the sample period of the study. By examining the annual average amounts lent to these borrower groups by region (figure 3), the data show the Delta States lead the way in terms of guaranteed lending to beginning farmers. Average annual lending to beginning farmers in this region over the fiscal 1993-2003 data period was more than $25 million higher than that of the next closest region, the Lake States. Beginning farmers received just over 25 percent of total guaranteed lending in this region. The Corn Belt had the next largest amount of guaranteed lending to beginning farmers on average. But, in proportionate terms, beginning farmers in the Southeast received a larger amount of total guaranteed lending than beginning farmers in other regions.

The Southern Plains, Pacific, and Delta regions had the highest average annual amounts of guaranteed lending to SDA borrowers. In the Pacific region, SDA borrowers received 19 percent of average annual guaranteed obligations. The Corn Belt, Northern Plains, Northeast, and Lake States obligated the smallest average annual amounts of guaranteed loans to SDA borrowers over the eleven year period. While average annual SDA totals were small for these regions, regional lending to this group increased dramatically in years subsequent to fiscal 1993. The region experiencing the highest rate of growth was the Corn Belt. Annual obligations to SDA borrowers in this region more than tripled between fiscal 2002 and 2003.

In terms of guaranteed lending to target farmer groups, banks averaged 69 percent of guaranteed lending to SDA farmers over the fiscal 1994-2003 period and 75 percent of guaranteed lending to beginning farmer groups. In the same time period, FCS lending fluctuated between 18 and 26 percent of the loan volume to SDA borrowers. Probably the main reason why FCS' share of total guaranteed lending increased during the past decade was their significant increase in lending to beginning farmers. Since 1994, the year beginning farmers became targeted recipients of FSA guaranteed loans, the percentage of lending to this group by FCS increased by 11 percentage points. Bank guaranteed lending to beginning farmers decreased by 12 percentage points over the same period.

Summary and Implications

Results show that the U.S. production regions having the highest annual obligations of guaranteed loans include the Corn Belt, Northern Plains, and Lake States. Guaranteed lending in these regions as well as guaranteed lending for the entire U.S. is dominated by commercial banks. Commercial banks obligated 77 percent of total guaranteed loan volume over the study period. Approximately one-fifth of the average number of commercial banks in existence in each year of the sample period obligated at least one guaranteed loan. The majority of banks with guaranteed loans originated fewer than five loans per year. Agricultural loan-to-total loan ratios were much higher for those banks originating guaranteed loans, and a large majority of them hold deposits in only one state.

From a policymaking perspective, FSA can use the identified characteristics that frequently use the guaranteed loans to predict future use of the program by commercial lenders. For example, participating banks tended to have greater asset size in recent years. One of the most significant, current trends in financial markets is the continued mergers of lenders. The larger bank size

created by these mergers should lead to increased use of guaranteed loans. This may bode well for potential guaranteed borrowers in counties where banks are traditionally small and local. As larger banks emerge in these markets, there may be an increased opportunity to make use of loan guarantees. On the other hand, agricultural loan-to-total loan ratio of banks was also a significant variable in the models. Mergers may dilute the relative proportion of agricultural loans in the institution's loan portfolio and lead to less guaranteed loan use.

Another aspect for FSA's consideration is the finding that the majority of participating lenders make fewer than four loans per year. Guaranteed loans require more paperwork for the lender because of the necessity to deal with a third party (FSA). Even though loss exposure to the lender is substantially reduced, the overall cost of originating the loan is higher for the lender. Additionally, FSA program costs rise because the agency must interact with larger numbers of lenders per the same number of loans. If fewer banks made more loans, it might be possible to reduce this cost thus translating savings for lenders and FSA. This gain in efficiency ultimately accrues to taxpayers and borrowers. However, the need for regional dispersion of active lenders could limit the efficiencies of having just a relatively few active lenders.

Also related to efficiency and cost of program delivery is the existence of FSA's Preferred Lender program in which experienced guaranteed lenders and those with high proportions of successfully repaid loans are given more freedom in loan making thus reducing lender cost of participating in the guaranteed loan program. Unfortunately, since most banks making guaranteed loans originate only a few guaranteed loans per year, it may be the case that this program is not being utilized effectively. When data reflecting preferred lender use of guaranteed loans becomes available, it would be interesting to examine the characteristics of preferred lenders and compare those with the bank characteristics identified in this study.

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Table 1. FSA Guaranteed FO and OL Obligations, Fiscal 1985-2004

			OL Obligations					
	FO Obligations		Lines of Credit		Loan Notes		Total Obligations	
Year	Number	Amount*	Number	Amount*	Number	Amount*	Number	Amount*
1985	415	$62.47	6	$0.47	8655	$967.40	9076	$1,030.33
1986	1098	$161.66	4665	$353.81	9501	$966.99	15264	$1,482.46
1987	2156	$331.29	5711	$461.36	7527	$753.55	15394	$1,546.21
1988	2095	$306.44	4763	$412.14	5115	$490.11	11973	$1,208.69
1989	2101	$304.41	5412	$488.85	4325	$381.83	11838	$1,175.09
1990	2295	$327.76	5366	$511.61	4457	$388.81	12118	$1,228.18
1991	2397	$347.25	5769	$576.40	4795	$448.53	12961	$1,372.18
1992	2817	$436.93	5739	$589.74	5239	$523.80	13795	$1,550.47
1993	2930	$472.08	5144	$537.93	4626	$475.23	12700	$1,485.23
1994	3103	$508.65	6271	$676.43	5779	$606.16	15153	$1,791.24
1995	3351	$536.59	6856	$753.12	5904	$615.92	16111	$1,905.63
1996	3077	$520.70	6047	$719.04	5353	$586.39	14477	$1,826.13
1997	2922	$511.43	4595	$528.00	4255	$509.65	11772	$1,549.08
1998	2543	$447.39	4118	$502.59	4026	$499.92	10687	$1,449.91
1999	3326	$711.35	6107	$944.13	5801	$793.18	15234	$2,448.66
2000	3316	$811.60	6022	$957.91	5371	$812.82	14709	$2,582.33
2001	3205	$837.59	4966	$852.82	4304	$657.10	12475	$2,347.50
2002	3779	$1,049.37	4804	$716.97	4584	$818.03	13167	$2,584.38
2003	4012	$1,163.55	4426	$769.61	4358	$681.85	12796	$2,615.01
**2004	3753	$1,099.05			7319	$1,222.53	11072	$2,321.58

* All dollar amounts are in millions.

** The source for OL obligations did not divide obligation amounts and loan numbers between line of credit and loan note category.

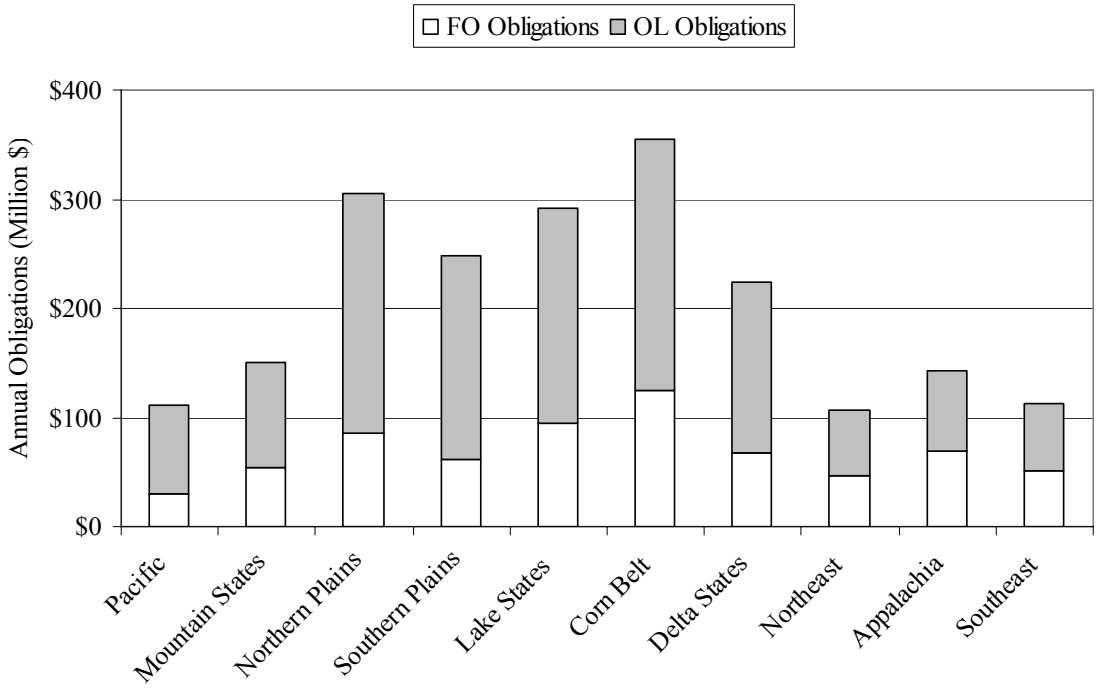
Source for years 1985-2003: Computed from data provided by the FSA guaranteed loan database (Settlage, 2003): 2004: FSA Monthly Management Summary.

Table 2. FSA Guaranteed Loan Obligations by State, Annual 1993-2003 Average

State	FO Obligations	OL Obligations	Total Obligations	Overall Rank
Alabama	$14,711,274	$5,536,957	$20,248,231	29
Arizona	$1,448,916	$5,798,468	$7,247,384	40
Arkansas	$47,368,234	$53,470,135	$100,838,369	6
California	$14,212,130	$41,893,413	$56,105,543	16
Colorado	$15,518,487	$24,115,762	$39,634,249	22
Connecticut	$1,442,692	$1,810,394	$3,253,086	44
Delaware	$2,600,253	$853,206	$3,453,459	42
Florida	$5,712,433	$7,177,596	$12,890,029	35
Georgia	$23,473,691	$39,196,568	$62,670,259	12
Hawaii	$840,257	$199,656	$1,039,913	47
Idaho	$6,925,319	$24,367,865	$31,293,184	26
Illinois	$26,000,572	$61,427,736	$87,428,308	8
Indiana	$19,855,904	$32,232,269	$52,088,173	17
Iowa	$31,580,072	$86,151,443	$117,731,516	2
Kansas	$18,445,132	$42,364,763	$60,809,896	13
Kentucky	$21,441,936	$21,018,445	$42,460,380	20
Louisiana	$9,346,683	$69,988,823	$79,335,506	10
Maine	$1,172,267	$2,019,786	$3,192,053	45
Maryland	$4,041,618	$3,843,663	$7,885,281	38
Massachusetts	$2,752,027	$2,070,257	$4,822,284	41
Michigan	$23,031,968	$36,694,972	$59,726,941	15
Minnesota	$27,874,736	$88,515,501	$116,390,237	3
Mississippi	$11,079,607	$32,192,245	$43,271,851	19
Missouri	$29,977,182	$32,920,503	$62,897,685	11
Montana	$13,088,933	$18,596,768	$31,685,701	25
Nebraska	$30,379,635	$71,027,755	$101,407,390	5
Nevada	$1,057,928	$1,906,855	$2,964,783	46
New Hampshire	$551,161	$444,092	$995,253	48
New Jersey	$1,738,589	$1,595,771	$3,334,360	43
New Mexico	$6,697,533	$8,767,270	$15,464,803	32
New York	$15,711,632	$25,562,658	$41,274,291	21
North Carolina	$28,097,181	$21,153,211	$49,250,392	18
North Dakota	$18,674,434	$64,017,353	$82,691,787	9
Ohio	$17,583,016	$17,752,159	$35,335,175	24
Oklahoma	$35,450,413	$57,219,938	$92,670,351	7
Oregon	$6,344,865	$11,974,596	$18,319,461	30
Pennsylvania	$11,831,865	$13,076,056	$24,907,921	28
Rhode Island	$204,091	$114,023	$318,114	49
South Carolina	$7,356,164	$9,754,754	$17,110,917	31
South Dakota	$17,821,702	$41,933,186	$59,754,888	14
Tennessee	$8,776,753	$21,554,104	$30,330,856	27
Texas	$26,038,501	$130,089,936	$156,128,437	1
Utah	$4,163,948	$3,504,871	$7,668,819	39
Vermont	$5,044,805	$8,217,667	$13,262,472	34
Virginia	$6,975,128	$5,257,424	$12,232,552	36
Washington	$9,262,843	$28,026,800	$37,289,642	23
West Virginia	$4,317,497	$4,496,307	$8,813,804	37
Wisconsin	$43,431,533	$71,734,089	$115,165,621	4
Wyoming	$4,597,276	$9,484,765	$14,082,041	33
U.S.	$686,050,813	$1,363,122,833	$2,049,173,646	

Source: Computed from guaranteed loan data provided by FSA (Settlage, 2003).

Figure 1. FSA Guaranteed Loan Obligations by Region, Fiscal 1993-2003



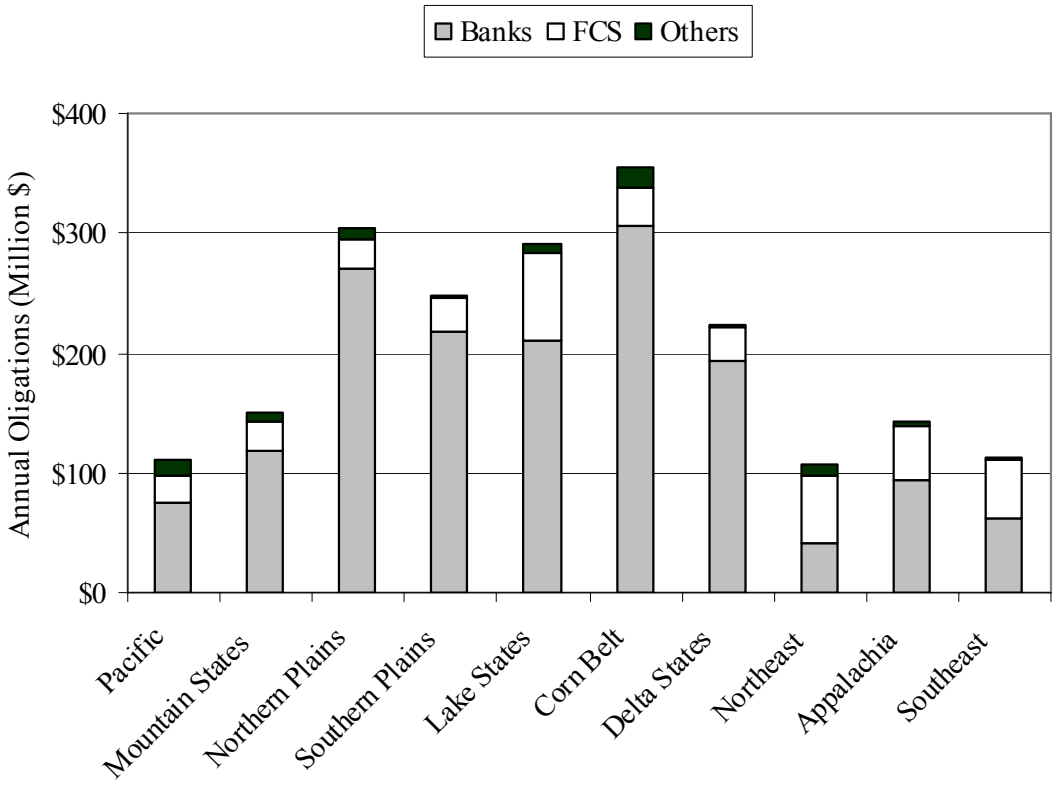
Source: Computed from guaranteed loan data provided by FSA (Settlage, 2003).

Table 3. Bank and FCS Percentages of Guaranteed Lending, Fiscal 1993-2003

	All Guaranteed Loans		SDA Farmer Loans		Beginning Farmer Loans	
Fiscal Year	Banks	FCS	Banks	FCS	Banks	FCS
1993	81.1	16.2	72.3	23.6	n.a.	n.a.
1994	82.3	14.8	70.8	20.1	79.5	17.6
1995	83.0	14.3	73.0	20.8	79.9	17.1
1996	81.9	15.9	73.8	18.7	76.5	20.1
1997	78.8	17.8	61.9	24.2	75.6	21.5
1998	79.9	16.1	65.7	17.8	75.1	20.8
1999	80.4	16.2	67.2	21.6	79.4	18.3
2000	76.5	19.1	69.8	21.3	75.2	20.9
2001	73.2	22.4	67.7	25.9	68.3	28.1
2002	72.2	23.1	69.0	24.7	69.9	26.3
2003	70.4	23.8	69.6	23.1	67.5	28.7

n.a.: not available. The first year of guaranteed loans targeted to beginning farmers was fiscal 1994.
Source: Computed from data provided by the FSA guaranteed loan database (Settlage, 2003).

Figure 2. Regional Lender Participation in FSA Guaranteed Lending, FY 1993-2003



Source: Computed from guaranteed loan data provided by FSA (Settlage, 2003).

Table 4. Lender Participation in Guaranteed Loan Program, Fiscal 1993-2003

	Banks	FCS	S&L's	CU's	Other	Total
Average number of participating firms/yr:						
FO	920	95	21	11	13	1060
OL	1673	97	28	16	14	1828
Combined	1853	123	36	20	17	2049
Average number of loans originated/yr:						
FO	2311	757	52	26	86	3233
OL	8439	1560	126	66	147	10338
Combined	10750	2317	178	93	234	13571
Average amount of loans originated/yr:			(Millions of dollars)			
FO	$487.86	$164.44	$9.97	$6.47	$19.46	$688.21
OL	$1,103.30	$218.46	$16.01	$7.52	$19.70	$1,364.98
Combined	$1,591.15	$382.90	$25.99	$13.99	$39.16	$2,053.19
Proportion of firms originating:						
1 loan/yr.	26.8%	11.9%	33.9%	25.5%	27.5%	26.0%
2 loans/yr.	19.9%	9.7%	19.2%	19.9%	13.2%	19.2%
3 loans/yr.	11.7%	7.7%	8.4%	13.0%	5.8%	11.4%
4 loans/yr.	7.9%	6.0%	5.1%	11.6%	4.2%	7.8%
5-6 loans/yr.	10.5%	10.2%	9.1%	10.2%	5.3%	10.4%
7-8 loans/yr.	6.3%	6.6%	7.1%	5.1%	4.8%	6.3%
9-10 loans/yr.	3.9%	6.3%	4.1%	5.1%	4.8%	4.1%
11-25 loans/yr.	9.8%	21.0%	11.1%	7.4%	16.4%	10.5%
26-100 loans/yr.	2.9%	18.1%	2.0%	2.3%	17.5%	3.9%
over 100 loans/yr.	0.2%	2.7%	0.0%	0.0%	0.5%	0.4%

Source: Computed from guaranteed loan data provided by FSA (Settlage, 2003).

*Averages and proportions for lender types are based on all firms participating in the guaranteed program and all loans made during the fiscal 1993-2003 period.

Table 5. Selected Guaranteed Loan Characteristics by Program and Lender Category, Fiscal 1994-2003

	Lender category							
	All Lenders		Banks		FCS		Others	
	FO	OL	FO	OL	FO	OL	FO	OL
Size of loan:								
Mean	$217,510.14	$134,699.93	$216,006.58	$133,494.32	$219,981.76	$142,211.33	$226,932.69	$129,715.11
Median	$187,817.50	$103,300.00	$190,491.80	$104,763.50	$187,205.41	$99,752.00	$177,142.00	$93,450.00
Standard Deviation	$131,353.25	$114,653.18	$131,497.68	$112,394.81	$128,809.95	$125,072.57	$137,091.41	$111,986.77
Proportion of loans:								
Less than $50,000	6.65%	23.40%	6.39%	22.91%	6.87%	25.23%	9.33%	26.79%
$50,000 to $149,999	32.56%	42.62%	32.99%	43.28%	31.74%	39.32%	30.52%	41.77%
$150,000 to $249,999	25.06%	19.38%	25.28%	19.63%	24.97%	18.42%	22.40%	17.64%
More than $250,000	35.72%	14.61%	35.34%	14.18%	36.42%	17.03%	37.75%	13.81%
At loan limit	9.38%	1.52%	9.61%	1.35%	8.96%	2.43%	8.13%	1.57%
Percentage of loan guaranteed:								
Mean	89.85%	89.74%	89.79%	89.71%	89.99%	89.90%	90.00%	89.67%
Proportion--								
Below 80 percent	0.34%	0.40%	0.44%	0.45%	0.05%	0.09%	0.18%	0.57%
80 to 89 percent	1.58%	2.00%	1.98%	2.22%	0.58%	0.82%	0.72%	1.97%
90 percent and over	98.08%	97.61%	97.58%	97.34%	99.37%	99.09%	99.10%	97.46%

Source: Computed from guaranteed loan data provided by FSA (Settlage, 2003).
* The figures reported in this table represent all guaranteed loans made during the fiscal 1994-2003 time period.

Table 6. Characteristics of Non-Participating and Participating Commercial Banks, Select Years

	Nonparticipating Banks				All Participating Banks*			
	1994	1997	2000	2003	1994	1997	2000	2003
Average:								
Asset size (thousands)	$320,772	$512,785	$742,457	$697,812	$464,940	$282,120	$440,118	$1,798,004
Agricultural loan-to-total loan ratio:	0.1339	0.1307	0.1105	0.1099	0.3459	0.3268	0.3253	0.3117
Capital-to-asset ratio	0.0977	0.1064	0.1076	0.1089	0.0977	0.1009	0.0991	0.1038
Rate of return on assets	0.0109	0.0117	0.0105	0.0100	0.0119	0.0124	0.0118	0.0114
Loan-to-deposit ratio**	1.0066	2.2019	1.0780	6.0172	0.6409	0.6969	0.7623	0.7923
Loan-to-asset ratio (LAR)	0.5385	0.5806	0.6091	0.6125	0.5538	0.5981	0.6355	0.6490
Proportion with assets:								
Less than $25 million	19.54%	16.44%	13.17%	9.07%	23.33%	15.78%	11.80%	8.09%
$25 million to $99,999,999	50.32%	48.71%	45.92%	42.93%	53.85%	53.97%	51.71%	45.08%
$100 million to $1 billion	26.95%	31.17%	36.68%	43.37%	18.86%	26.69%	32.77%	40.43%
Over $1 billion	3.19%	3.68%	4.22%	4.62%	3.96%	3.56%	3.71%	6.40%
Proportion that:								
Hold deposits in one state	99.92%	98.79%	97.02%	96.40%	100.00%	99.23%	97.86%	93.13%
Hold deposits in multiple states	0.08%	1.21%	2.98%	3.60%	0.00%	0.77%	2.14%	6.87%
Are multibank holding affiliates	30.65%	29.24%	27.81%	23.75%	26.32%	28.94%	28.95%	27.16%
Proportion with average LAR:								
Less than 50 percent	35.74%	25.41%	19.92%	21.95%	31.85%	19.93%	12.93%	11.59%
From 50 to 70 percent	52.08%	54.66%	51.02%	45.94%	56.39%	60.79%	55.09%	50.67%
Over 70 percent	12.19%	19.93%	29.06%	32.11%	11.76%	19.28%	31.98%	37.74%

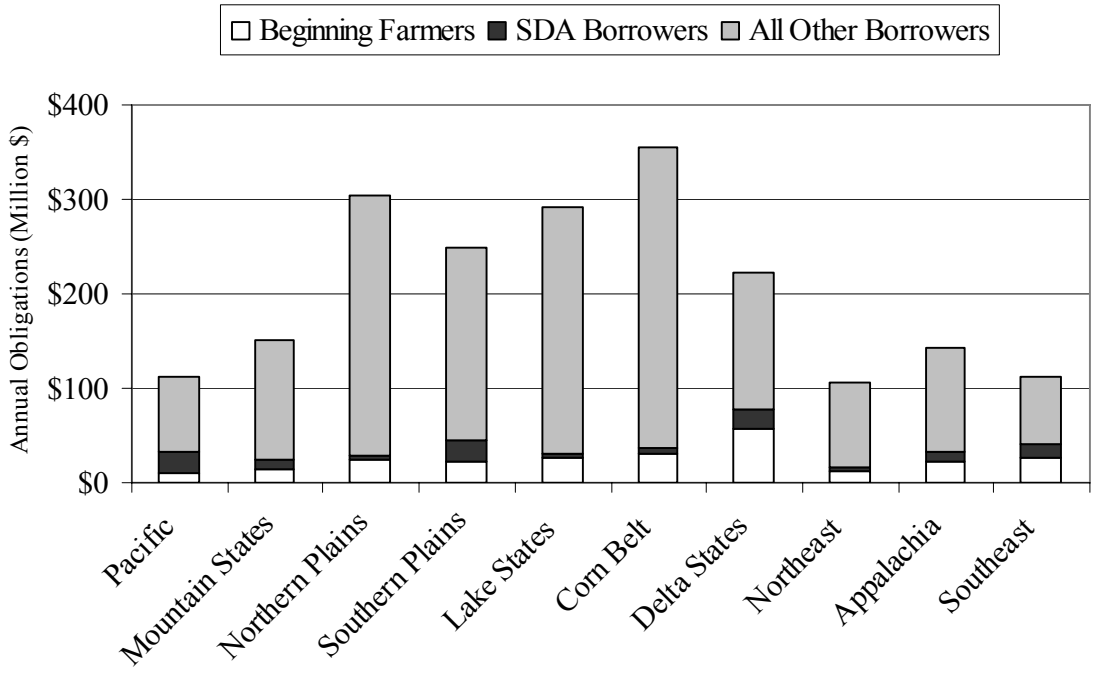
* Participating banks issued one or more guaranteed loans during specified year. **The value for non-participating banks in 2003 is extraordinarily high due to the fact that several very large banks reported low levels of deposits. Instead, they listed high levels of purchased fed funds and other borrowed funds. Source: Computed from FDIC Call Report data (Settlage, 2003)

Table 7. Guaranteed Lending to Beginning and SDA Borrowers, Fiscal 1990-2003

	Beginning Farm Borrowers				SDA Farm Borrowers			
Fiscal Year	FO Loans*	OL Loans*	Total Obligations*	% of Guar. Lending†	FO Loans*	OL Loans*	Total Obligations*	% of Guar. Lending†
1990	--	--	--	--	$1.85	$0.00	$1.85	0.15
1991	--	--	--	--	$5.70	$4.54	$10.24	0.75
1992	--	--	--	--	$5.82	$4.64	$10.46	0.67
1993	$0.00	$0.02	$0.02	0.00	$11.47	$18.94	$30.41	2.05
1994	$44.05	$70.22	$114.27	6.38	$40.73	$34.88	$75.61	4.22
1995	$70.77	$124.91	$195.68	10.27	$50.81	$42.50	$93.31	4.90
1996	$68.68	$111.77	$180.45	9.88	$44.12	$41.79	$85.91	4.70
1997	$84.58	$112.60	$197.18	12.73	$32.47	$38.38	$70.86	4.57
1998	$92.40	$134.26	$226.66	15.63	$46.32	$46.65	$92.97	6.41
1999	$118.19	$188.74	$306.93	12.53	$81.23	$66.68	$147.90	6.04
2000	$138.43	$164.76	$303.18	11.74	$88.19	$70.31	$158.49	6.14
2001	$159.58	$179.98	$339.56	14.46	$108.38	$68.87	$177.25	7.55
2002	$216.16	$211.60	$427.76	16.55	$119.35	$81.75	$201.10	7.78
2003	$249.55	$202.47	$452.01	17.29	$173.82	$64.73	$238.55	9.12

* All dollar amounts are in millions.
† Some guaranteed borrowers may be classified as both beginning and SDA farmers. These borrowers would be included in both percentages.
Source: Computed from data provided by FSA's guaranteed loan database (Settlage, 2003).

Figure 3. Beginning and SDA Farmer Guaranteed Loans by Region*, Fiscal 1993-2003



Source: Computed from guaranteed loan data provided by FSA (Settlage, 2003).