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**Evaluation of the North Dakota
Agricultural Mediation Service:
July 1993 - October 1994**

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EVALUATION OF THE NORTH DAKOTA AGRICULTURAL MEDIATION SERVICE: JULY 1993 - OCTOBER 1994

by
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In an effort to solve some of the financial problems facing both farm borrowers and lenders, the United States Congress enacted the Agricultural Credit Act of 1987 (P.L. 100-233, 1988). This act restructures financial institutions providing credit to farmers, sets forth the conditions under which delinquent farm loans either are restructured or foreclosed upon, and provides delinquent borrowers with numerous borrower rights. One provision of the Act (Title V) established funding for developing and operating state-sponsored agricultural mediation programs. These programs were designed to settle credit disputes between delinquent farm borrowers and their lenders and to minimize legal expenses of each party. Specifically, Title V:

- 1) established guidelines for state mediation programs,
- 2) established matching federal grants for operations of qualifying state mediation programs,
- 3) required certain federal agencies (Farmers Home Administration or FmHA) that make, guarantee, or insure farm loans to participate in the mediation process, and
- 4) required Farm Credit System (FCS) institutions to participate in the mediation program.

The intent of the mediation program was to furnish a credible mechanism whereby agricultural borrowers and lenders could resolve their financial problems.

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Prior to 1987, the North Dakota Department of Agriculture used an informal mediation process to resolve farmer/lender disputes. Farm borrowers could contact the state agriculture department requesting assistance in dealing with financial problems. The agriculture department would then assign a credit counselor to work with the borrowers in preparing financial plans to meet their obligations. When necessary, credit counselors would attempt to bring the lenders and borrowers together to resolve financial disputes. No individual or institution was required to participate, and institutions could foreclose once loans became delinquent. Moreover, only state appropriated funds were available to support the credit counseling efforts.

Passage of the Agricultural Credit Act of 1987 created formal mediation proceedings. Either a farm borrower or a creditor of a delinquent farm borrower could request mediation. Mediation must be offered, and time to complete the process must be given, to FmHA and FCS borrowers before foreclosure proceedings can be initiated. Participation by other lending institutions is strictly voluntary.

North Dakota established its mediation service in January 1989 and has been actively involved in the formal mediation process from that time to the present. The North Dakota Agricultural Mediation Service is responsible for training negotiators and mediators, accepting applications for mediation, and arranging meetings between farm borrowers and lenders. The state provides negotiators (credit counselors) who supply farm management, counseling, technical support, and financial advice to farm borrowers preparing for and engaged in formal mediation proceedings.

Mediation is a voluntary process in which an impartial third party assists in reaching a mutually acceptable solution to a dispute. The steps in the process are very straightforward and can be initiated by either the lender or the borrower. Mediation is strictly voluntary for

borrowers with only nominal fees charged to participants. The program provides farmers and lenders a mechanism to negotiate a mutually acceptable resolution of financial disputes.

Periodically, it is important to evaluate these programs in order to ensure relevancy, usefulness, and effectiveness. Such evaluations also ensure that limited program funds are properly allocated and that those who use the service are indeed benefiting. The North Dakota Mediation Service was evaluated in 1990 and was found to be an effective mechanism for resolving borrower-creditor conflicts (Baltezare, Gustafson, and Leistritz, 1990). Sufficient time has passed that a similar evaluation of the service is warranted for like reasons. This review provides an opportunity to elicit useful suggestions for improvement from those who know the service the best, the borrowers and lenders who have personally used the service, and employees of the service.

Purpose

The overall objective of this study was to evaluate the North Dakota Agricultural Mediation Service (NDAMS). Specific objectives are to:

- 1) determine the perceived effectiveness of the NDAMS to farmers and lenders who have participated in the negotiation process by determining their expectations and motives for participating, and
- 2) improve program targeting by relating the socio-economic characteristics of respondents to their evaluation responses.

The NDAMS was evaluated from both the farm operator and lender perspective as well as from the negotiator perspective so that all involved could make their opinions known. Potentially,

results from this evaluation will help identify possible weaknesses in the service that could be strengthened to improve the quality of program delivery.

Analytical Procedure

Information for the study was obtained from mail surveys of farm borrowers, financial institutions, and professional negotiators. The farm borrowers were divided into two groups, those who worked with a professional negotiator (credit counselor), and those farmers whose case went through formal mediation and consequently worked with a professional mediator. Although separate questionnaires were developed, major portions of each were similar so attitudes of the groups could be compared. The survey instruments were color coded to help keep them distinguishable. Each questionnaire consisted of several sections designed to evaluate specific aspects of the negotiation process and the mediation service.

Responses from similar sections in the borrower and creditor questionnaires were compared to isolate significant differences in opinions among farmers and lenders. Significant differences may indicate specific areas where the mediation service could be modified to improve program content and delivery. Comparisons were made within each survey group to further identify characteristics of participants who benefitted most (or least) from the service. This provided a program evaluation across geographic areas, classes of creditors, and types of borrowers.

Classifications

Characteristics of respondents were used to develop classifications within borrower and creditor survey groups. Classifications were used to isolate specific types of borrowers and

lenders who are likely to use the mediation service and to be successful in reaching an agreement through mediation. Borrowers and lenders receiving the greatest benefit from the program can be identified. Isolating borrowers and lenders likely to resolve their financial problems through mediation allows the service to target the mediation program for these individuals and institutions. The result is more efficient use of available financial resources supporting the mediation program.

Borrowers

Respondents to the borrower survey were organized into the following classifications (Table 1):

- geographic location (Figure 1),
- age,
- education,
- total farm income,
- farm size,
- major creditor involved in mediation, and
- whether some type of settlement was reached.

Respondents were organized into geographic locations based on their county of residence (Figure 1). Farm income represented the dollar value of total gross receipts for agricultural products sold during 1993. Farm size was estimated by summing the number of acres the farmer owned and rented. Type of borrower represented the borrower's largest creditor involved in mediation.

TABLE 1. BORROWER CLASSIFICATIONS AND SURVEY RESPONSE RATES, NORTH DAKOTA AGRICULTURAL MEDIATION SERVICE SURVEY, 1995

Classification/Group	Negotiation		Mediation	
	Responses	Percent	Responses	Percent
Geographic Location				
West	16	14	4	14
West Central	45	39	12	41
East Central	28	25	7	24
East	25	22	6	21
Age (years)				
45 or less	42	28	10	26
46 to 54	32	37	8	32
55 or older	40	35	13	42
Education				
12 or less	69	61	12	41
More than 12	44	39	17	59
Farm Income (thousands)				
\$45 or less	23	21	7	17
\$46 to \$90	19	26	4	29
More than \$90	48	53	13	54
Farm Size (acres)				
800 or less	33	38	7	39
801 to 1,600	42	30	11	25
More than 1,600	36	32	10	36
Type of Creditor				
FCS	17	15	5	16
FmHA	65	56	21	68
Commercial banks	19	16	2	6
Credit union	15	13	3	10
Settlements				
Yes	73	65	19	63
No	40	35	11	37

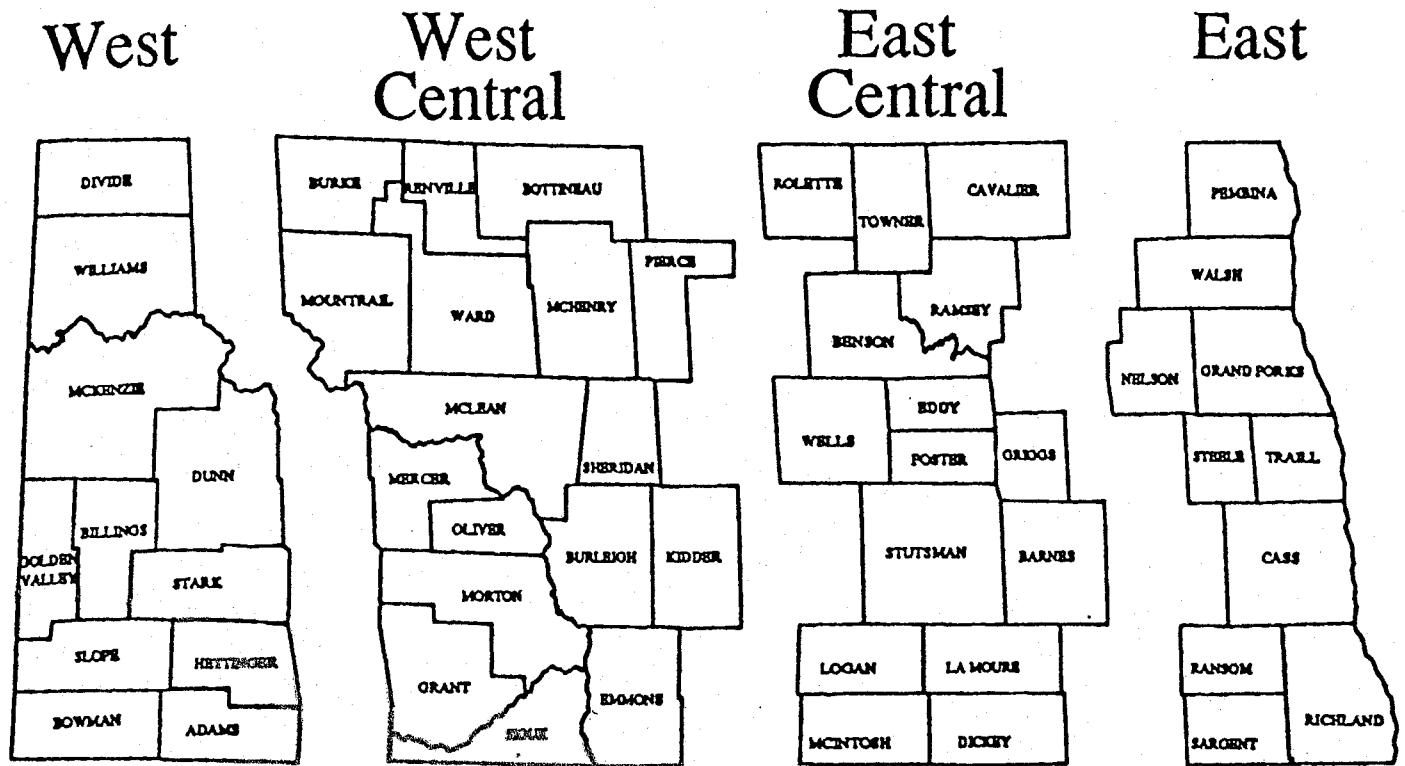


Figure 1. North Dakota Geographic Locations

Creditors

Respondents to the creditor survey were classified into survey groups (Table 2) by:

- credit institution type,
- credit institution size,
- percentage of agricultural loans,
- geographic location, and
- percentage of settlements reached.

Credit institution size was based on the dollar value of all loans processed by the institution during 1993. The percentage of agricultural loans was estimated by dividing the total dollar value of agricultural loans processed by the total dollar value of all loans processed in 1993. Percentage of settlements reached was estimated by dividing the number of successful settlement cases by the number of mediation cases the credit institution participated in.

Statistical Tools

Means and frequencies were developed and presented, as appropriate, for all questions by borrower and creditor classifications. Various significance tests were used to determine if differences existed among classifications for nonparametric (attitudinal) and parametric (descriptive) parameters. A Kruskal-Wallis (K-W) test (used to test attitudinal parameters) or a T-test (used to test descriptive parameters) was used to determine if significant differences
or appropriate survey questions.

*Watch for
Kruskal-Wallis
(K-W).*

*after this citation is
stated, should it be
K-W. There's some of
each.*

**TABLE 2. CREDITOR CLASSIFICATIONS AND SURVEY
RESPONSE RATES, NORTH DAKOTA AGRICULTURAL
MEDIATION SERVICE, 1995**

Classification/Group	Number of Respondents	Percent of Total Respondents
Geographic Location		
West	11	24
East	15	33
East Central	11	24
East	9	20
Credit Institution Type		
FCS	5	9
FmHA	32	58
Commercial banks	17	31
Credit unions	1	2
Credit Institution Size (million)		
\$3.5 or less	14	30
\$3.6 to \$15.0	10	42
more than \$15.0	9	27
Percentage of Agricultural Loans		
65 percent or less	15	38
66 percent to 95 percent	13	44
More than 95 percent	6	18
Percentage of Settlements Reached		
1 percent or less	36	31
2 percent to 65 percent	17	67
More than 65 percent	1	2

Kruskal-Wallis Test

A K-W test was used to detect differences in responses among survey classifications for questions with yes/no and ranking responses. K-W one-way analysis of variance by ranks is useful in testing whether independent samples are from different populations (Daniel, 1978). The K-W test determines whether differences among samples represent merely chance variations or genuine population differences (Seigel, 1956). The test converts scores to ranks using more of the information in the observation than just a mean test and is useful in situations where a normality assumption (homoscedasticity) does not hold or is not critical (Mendenhall et al., 1974).

T-Test

A T-test was used to determine if the means from two classifications were the same. The basic T-test accommodates the assumption that the variances from classifications were unequal. The T-test assumes variables are normally and independently distributed within each classification (SAS Institute Inc., 1985).

Weighted Average Index

A weighted average index was developed to facilitate comparisons between overall borrower and creditor responses and among their respective classifications (Likert, 1967). The index allows responses to Likert-type questions to be summarized into one value representing the general attitudes of respondents. The weighted average index is a quick reference to identify differences in opinions among respondents.

The weighted average index (WAI) for Likert-type attitudinal questions was estimated with the following equation:

$$\text{WAI} = (1 \times \% \text{ of 1 responses}) + (2 \times \% \text{ of 2 responses}) + (3 \times \% \text{ of 3 responses}) + (4 \times \% \text{ of 4 responses}) + (5 \times \% \text{ of 5 responses}).$$

The equation places different weights on each response. Weighted responses are summed to estimate an overall weighted average score for a particular question. The overall weighted average score can be compared to other scores for the same question, as well as related

questions among groups and classifications, to identify differences among types of borrowers or lenders.

Significance Testing

Responses among and within survey classifications were compared using the K-W test and T-test to determine if significant differences existed. A 90 percent confidence level was assumed to be sufficient for this type of data. Specifically, responses of creditors and borrowers to questions relating to expectations, motives, costs, mediators, and mediation in general were compared to identify areas of significant differences. Significance tests were also performed within classifications to identify differences among types of borrowers or lenders.

Data Collection Procedure

A mail survey was used to collect data from both borrowers and creditors who participated in negotiation or mediation during the period of July 1993 through October 1994. Surveys were also sent to negotiators employed by the NDAMS during this time period. The borrower sample consisted of 425 farm operators who had used the mediation service, 101 for mediation and 324 for negotiation (Table 3). Borrowers surveyed took part in the mediation program as initiated by FmHA, FCS, and/or Bank of North Dakota (BND) and either had or had not reached some type of agreement with these and/ or other creditors through the mediation program.

There were 287 financial institutions surveyed of which 202 responded (Table 3). Financial institutions surveyed were:

- county and district FmHA offices,
- branch and regional FCS associations,
- credit unions, and
- state and national banks in North Dakota.

The majority of creditors surveyed were state and nationally chartered banks. Financial institutions surveyed may or may not have participated in the North Dakota Agricultural Mediation Program. Institutions participating in the mediation process were asked to complete the questionnaire. Nonparticipating institutions were asked if they had eligible borrowers and if so would they indicate why they did not participate.

**TABLE 3. SURVEY GROUPS, SAMPLE SIZES,
AND RESPONSE RATES, NORTH DAKOTA
AGRICULTURAL MEDIATION SERVICE SURVEY,
1995**

	Mailed	Responses*	Rate (%)
Farmers			
Mediation	101	43	42.6
Negotiation	324	135	41.7
Total farmers	425	178	41.9
Lenders			
FCS	24		
FmHA	48		
Credit unions	46		
Commercial banks	169		
Total lenders	287	202	70.4
Negotiators	24	20	83.3
All Surveys	736	400	54.3

*Lender classification by institution type was not possible because those institutions who did not participate in mediation in 1994 did not identify themselves by type of institution (see Question #1 on the creditor survey, Appendix C).

Survey Instrument Design

Four survey instruments were developed to evaluate the quality of the mediation service and mediation as a way of resolving borrower/lender conflicts. The four groups were 1) those farmer borrowers who worked with a negotiator, 2) those farmer borrowers who went through formal mediation, 3) credit institutions, and 4) professional negotiators. Questionnaires contained several sets of statements from which respondents could select responses from a Likert-type scale (Likert, 1967). Additional closed-ended and open-ended questions were included. Personnel in the Agricultural Economics Department, Fargo, and Agricultural Mediation Service, Bismarck, reviewed survey instruments to identify ambiguous, inflammatory, or unnecessary questions and to ensure study objectives would be met. Moreover, the project was reviewed by the Institutional Review Board (IRB) at NDSU prior to execution and approved as being in accordance with federal regulations covering human subject research.

The farmers who worked with a negotiator made up the largest borrower group. This questionnaire (Appendix A) was grey and consisted of the following six sections:

1. general questions about their negotiation experience and the creditors involved (questions 1-13),
2. possible motives for using a negotiator (questions 14-15),
3. perceptions of the negotiation process (questions 16-21),
4. perceptions of the negotiator assigned to their case (questions 22-25),
5. how their experience with negotiation has affected them as a person (questions 26-27), and
6. socioeconomic and demographic information (questions 28-38).

The questionnaire (Appendix B) sent to the farm borrowers who went through formal mediation was blue and consisted of the following seven sections:

1. general questions about their mediation experience and the creditors involved (questions 1-16),
2. possible motives for using the mediation service (questions 17-18),
3. impressions of the mediator who worked with them on their case (questions 19-23),
4. perceptions of the mediation process (questions 24-33),
5. perceptions of the negotiator assigned to their case (questions 34-37),
6. how their experience with mediation has affected them as a person (questions 38-39), and
7. socio-economic and demographic information (questions 40-50).

The questionnaire (Appendix C) sent to the credit institutions was yellow and consisted of the following six sections:

1. general questions about mediation and the type of credit institution they are (questions 1-15),
2. possible motives for trying mediation, their actions during the mediation process, and how the mediation experience has affected their institution (questions 16-19),
3. perceptions of the mediator they worked with (questions 20-24),
4. perceptions of mediation (questions 25-32),
5. perceptions of the negotiator who worked with the farmer (questions 33-36), and
6. socioeconomic and demographic information (questions 37-40).

The questionnaire (Appendix D) sent to the professional negotiators was green and consisted of the following six sections:

1. general questions about work as a negotiator (questions 1-4),
2. possible motives for farmers and lenders to use the negotiation process (questions 5-8),
3. skills and training needed to be a successful negotiator (questions 9-15),
4. questions about the North Dakota Agricultural Mediation Service (questions 16-19),
5. perception of themselves as a negotiator and their actions as a negotiator (questions 29-31), and
6. socioeconomic and demographic information (questions 32-36).

Mailings

The North Dakota Agricultural Mediation Service supplied mailing lists for the two borrower groups--the professional negotiators, and the FmHA and FCS institutions. The North Dakota Bankers Association and the Credit Union League provided the remaining mailing lists. Mailing lists were sorted by zip code to facilitate bulk-rate mailing. Questionnaires were sent in an envelope printed with a return address, bulk-rate mailing permit, and a forwarding and return postage guaranteed, address correction requested.

A cover letter was included asking potential respondents for their cooperation and providing information about survey sponsors. A self-addressed business reply envelope was supplied with each questionnaire. The second mailing contained a brief reminder stating this was the last opportunity to respond (Appendix E).

The initial mailing was sent in December 1994. Those not responding to the initial mailing within three weeks were mailed a second questionnaire January 1995. Exactly 400 questionnaires were returned--202 creditor, 178 borrower, and 20 negotiator surveys (Table 3).

Response rates were 70 percent and 42 percent for the creditor and borrower surveys, respectively. The negotiator response rate was 83 percent and the overall response rate was 52 percent.

Nonresponse Bias

Nonresponse bias can exist when only a portion of a sample replies and when reasons for nonresponse are related to the survey topic (Kish, 1967). Characteristics of nonrespondents could be significantly different from those who do respond. Wrong addresses, deaths, literacy, and loss of questionnaire in the mail are not likely sources of nonresponse bias. The opinions of these individuals will usually not be biased in either a positive or negative way with respect to the survey topic. Possible reasons for refusing to respond that may lead to nonresponse bias in both the borrower and creditor surveys include: 1) strong feelings against the Agricultural Mediation Service personnel (i.e., mediators and negotiators/credit counselors) and the mediation process, 2) feelings toward borrowers/creditors involved, and 3) whether settlements were reached through the mediation.

A follow-up mailing was used in this study to mitigate potential nonresponse bias. Additional mailings increase response rates, helping to minimize possible nonresponse bias. The potential for nonresponse bias can be examined by comparing responses among mailings for certain questions in the borrower and creditor questionnaires (Wellman et al., 1980). Responses among mailings were compared using a Kruskal-Wallis test. Significant differences in responses were based on a 90 percent confidence level. No significant differences were found in responses suggesting little potential for nonresponse bias to exist in either survey.

Results

The Statistical Analysis System (SAS) was the computer software used to handle the data and to perform the statistical analysis. SAS is a preferred system for handling large data sets involving multiple variables because of the careful manner in which it treats missing observations (unanswered questions). Not all respondents answered every question on the survey. To maintain the statistical integrity of the analysis, for any given question SAS excludes those surveys for which a respondent did not provide an answer to that question. In this fashion a nonanswer is not counted as a no answer, thus skewing the statistical results. For example, some respondents refused to answer the question, "What is your age?" Therefore, when analysis was performed according to age, only those questionnaires where the respondent answered the question and identified their age are included. Likewise, some respondents refused to answer the questions, "What is your county of residence?" or "What was the dollar value of the total gross receipts for agricultural products you sold during 1993?" Consequently, as one looks at the tables summarizing the survey results, it is possible and quite likely that the totals for these and the other various classifications will not all sum to the same number. Moreover, of all the classifications, county of residence appeared to be most frequently answered. Consequently, the totals for "all borrowers" and "all creditors" that appear at the top of various tables are the sum of the geographic location classification. The reader can calculate for themselves any other totals from the other classifications as would suit their specific needs.

Respondent Characteristics

Sociodemographic characteristics of borrowers were examined to identify the types of individuals using the mediation service. Identifying characteristics of borrowers using negotiation and mediation will facilitate targeting service delivery.

The average responding borrower participating in negotiation was 50 years old (Table 4); had a high school education; had been farming for 24 years; and operated a farm of 1,508 acres that generated \$122,518 of gross farm sales. The average responding borrower who went through formal mediation was 53 years old; had been farming for 21 years; and operated a farm of 1,453 acres generating \$185,217 of gross farm sales. Off-farm income accounted for 37 percent of the negotiation borrowers' income and 40 percent of the mediation borrowers' income. The majority of farms were of individual ownership, and for the negotiation borrowers, evenly split between crop farms and livestock farms (Table 5). There were more crop farms than livestock farms in total numbers that went through mediation.

The professional negotiators who responded indicated that they have seven years of experience as a professional negotiator and have received 411 hours of formal training as well. The negotiators also indicated that on average they spend approximately 25 percent of their time in administrative or overhead activities that are not directly billable to a client.

The negotiators also indicated that when in formal mediation they spend on average 99 minutes per session, and they spend 1.4 sessions per case. During the past 18 months, they handled on average 47 cases, nine of which went to formal mediation, and 67 percent of all their cases resulted in a settlement.

TABLE 4. MEAN AND STANDARD DEVIATION OF KEY SOCIOECONOMIC VARIABLES FOR FARM BORROWERS

Variable	Number	Mean	Standard Deviation
Negotiation Borrowers			
Negotiation cost (\$)	93	1,034	1,866
Age	116	50	12
Years school	115	12	2.5
Years farming	117	24	13
Gross farm sales (\$)	93	122,518	135,733
Debt before negotiation	79	277,281	261,518
Debt after negotiation	77	265,551	463,929
Off-farm income (%)	103	37	38
Owned acres	103	911	834
Rented acres	87	845	805
Total acres	111	1,507	1,113
Mediation Borrowers			
Number of sessions	40	4	3
Age	34	53	12
Years farming	40	21	15
Gross farm sales (\$)	25	185,218	222,128
Debt before negotiation	20	355,859	244,380
Debt after negotiation	20	262,534	220,877
Off-farm income (%)	27	40	39
Owned acres	29	898	684
Rented acres	21	836	702
Total acres	30	1,453	1,003
Negotiators			
Number of cases	20	47	35
Cases to mediation	20	9	16
Cases settled (%)	20	68	31
Hours of training	20	411	287
Overhead time (%)	20	25	29
Number sessions/case	20	1.4	0.51
Time/session (minutes)	20	99	41
Years as negotiator	20	7	2

TABLE 5. NEGOTIATION AND MEDIATION BORROWER RESPONSES TO WHY THEY USED THE SERVICE, WHO ASSISTED THEM, MARITAL STATUS, AND OWNERSHIP AND ENTERPRISE CLASSIFICATIONS

	Negotiation Borrowers	Mediation Borrowers
Why the Negotiation Service Was Used		
Credit counselor/negotiator recommendation	25	12
Personal decision	48	10
Lender recommendation	36	8
Other	9	3
Assisted or Advised During Negotiation Process		
Lawyer(s)	28	10
Credit counselor/negotiator	78	24
Family member	19	4
Friend(s)	14	4
Private consultant	11	4
Other	9	9
Marital Status		
Married	102	27
Single	8	2
Other	7	5
Type of Farm Ownership		
Individual	100	30
Partnership	14	2
Corporation	2	0
Type of Farm Enterprise		
50% or more crops	40	14
50% or more livestock	39	8
50% crops and 50% livestock	29	8

Organization

Survey responses are presented for both borrower groups, creditors, and professional negotiators and are organized in tables according to survey statement. Consequently, the tables are numbered to correspond to specific survey question numbers. For example, Appendix F contains the results from the negotiation borrowers that were collected using the grey survey instrument (Appendix A), and Table G5 is the responses to question 5. Appendix G contains the results of the mediation borrower survey collected using the blue survey instrument (Appendix B), and Table B9 contains the responses to question 9, for example. Appendix H contains the results of the creditor (yellow) survey (Appendix C), and Appendix I contains the results of the negotiator (green) survey (Appendix D).

As was explained in the survey instrument design section, several questions on each of the four questionnaires were identical. The responses to these questions are presented in Appendix F because the negotiation borrowers were the largest group surveyed.

Highlighted Findings

Overall, the general trend is toward "strong agreement" among all demographic groups. As can be seen from Table G10, farmers in both groups with lower education rated the competence of the negotiator assigned to their case higher than those with more than a high school education. FCS and FmHA borrowers rated their negotiator higher than commercial bank borrowers. Likewise, those who received a settlement rated their negotiators higher than those who did not.

The professional negotiators were surveyed to obtain their perspectives of the negotiation process and to give them an opportunity to evaluate the mediation service administration in a purely anonymous setting. Generally, their comments were in line with the perceptions reported by the farm borrowers and lenders surveyed. No negotiator reported a hostile relationship with any of the lenders, and most reported a moderate to very friendly working relationship with the creditors with whom they worked (Table GN4). This fact is reflected in the high ratings the lenders gave the negotiators regarding their trustworthiness (Table Y20i) and overall performance (Table Y20k).

This indicates that the mediation service negotiators have established a positive working relationship with the lenders in the state and are in a position of being able to effectively work with them in solving borrower/lender credit problems.

The negotiators responded that, in their perception, most lenders participated in mediation because it would provide a quicker settlement and a more private solution than bankruptcy (Table GN5). To a much lesser degree did the lenders, in the view of the negotiators, participate in mediation because they "hoped to cut a better deal" or delay foreclosure. The negotiators perceived that farmers primarily used negotiation because it was a more private process than bankruptcy (Table GN6).

Overall, the negotiators were very positive about the mediation service, its administration and working conditions, as reported in Tables GN16-17 and GN12.29. No respondent disagreed with the statements that the mediation service is administered fairly and efficiently, is open to change, that past changes have been positive, is respected across the state, and enjoys a better image in the community. Responses regarding training were less positive with some suggesting that the quality of training could be improved, although no specific suggestions were offered.

While they perceive that the workloads are getting larger, individual cases more difficult, and the agency more bureaucratic, there is also evidence that lenders and farmers are becoming less difficult. This could be interpreted that the mediation service has provided positive results that are being recognized by the broader community. The social stigma some have attached to working with a negotiator is decreasing. In short the negotiators are, in their view, doing an increasingly better job. The responses reported in Table GN12.29 also indicate that it is important for negotiators to have strong agricultural and communication skills. Table GN30 seems to indicate that the negotiators provide a role of communication and preparation rather than a decision making role with the farmers. This conclusion is supported by the farmer and creditor responses as well (Tables G22a - G22p).

The majority of the lender respondents participated in mediation (Tables Y1 and Y1a) and indicated that they did so for a variety of reasons (Table Y3), with the majority of the cases resulting in a settlement (Table Y7). As a group they were satisfied with the time of day (Table Y8), location (Table Y10), and length of mediation session (Table Y9). The majority participated because they were required to (Table Y16). Those institutions that followed a set

strategy were less successful in obtaining a settlement than those that were flexible (Tables Y17a and Y17b).

Tables Y17c-Y17i report the responses to a series of questions regarding lender behavior during the mediation process. Generally, the institutions with a smaller percentage of their total loan portfolio in agricultural loans were more confident about the mediation process and were more proactive. Creditors in western North Dakota rated the mediation process lower than those in the west central region of the state (Table G16), and those who reached less than one percent settlements ranked the process lower than those with 2 to 65 percent settlements (Table G16).

As a result of their mediation experience, the lenders are marginally more prepared to deal with other conflicts (Table Y18a) and are more sensitive to human needs (Table Y18c), but in their opinion, don't necessarily enjoy a better image in the community (Table Y18b). The lenders don't view themselves as being less successful because of using mediation (Table Y18d), as being better prepared to identify problem loans before they are a crisis (Table Y18e), and haven't developed a "negotiation strategy" (Table Y18f). Moreover, they haven't changed priorities (Table Y18g) or procedures (Table Y18h) as a result of their mediation experience.

The lenders felt the explanation of the mediation process was good (Table Y20a). They were also positive regarding the mediators' understanding of the issues (Table Y20b), knowledge of farming (Table Y20c) and finance (Table Y20d), competence (Table Y20c), neutrality (Table Y20d), communication skills (Table Y20g), ability to establish priorities (Table Y20h), and ability to advise (Table Y20m), overcome obstacles (Table Y20n), and suggest options (Table Y20o). Borrowers in the east were less likely to feel their case information was kept confidential than those in either the west central or east central areas of the state (Table G19).

Most revealing is that no lender rated the mediators lower than "okay" on their trustworthiness (Table Y20i), patience (Table Y20j), ability to listen (Table Y20l), or overall performance (Table Y20k). All categories of lenders responded overwhelmingly that the case was presented fairly to all parties at mediation by the mediator (Table Y23), and only FCS lenders responded that they lacked confidence in the mediators' ability to reach settlements (Table Y21). There were only three FCS respondents to this question, however.

Regarding the mediation process, the lenders were generally satisfied with the time required to complete the process (Table Y28). Compared to bankruptcy, the lenders rated

mediation as less costly (Table Y29) and the settlements more favorable (Table Y30) and faster (Table Y31).

Overall, the farmers who responded to the surveys were positively affected by their negotiation and/or mediation experience. Generally, those who reached a settlement and had 12 or fewer years of formal education gave higher ratings than older and more formally educated respondents. The majority indicated that as a result of their negotiation or mediation experience they maintain better production records (Table G26a), better understand financial statements (Table G26b), better understand financial decisions (Table G26c) and are better farmers (Table G26e) and managers (Table G26f).

The mediation borrowers' responses were very positive regarding the mediation process and the mediator with whom they worked. They gave high rankings particularly for the mediators' communication skills (Table B19g), patience (Table B19j), ability to listen (Table B19l), ability to advise (Table B19m) and overcome obstacles (Table B19n), and overall performance (Table B19k).

It is generally acknowledged that one of the hidden costs of financial stress is the cost of lower self-esteem and associated social problems. These costs are hidden because they are very difficult and expensive to quantify and measure. For example, the inability of some to cope with financial pressures has contributed to their abusive actions towards themselves and others. The societal costs of domestic abuse and suicide are real. It is not the intent of this analysis, to accurately measure what, if any, reduction in these types of societal costs are attributable to the negotiation process. However, intuition leads one to think that any process which reduces stress and pressure probably also reduces the likelihood of abuse and its resulting costs. Therefore, some questions were designed to address this issue by determining if the borrowers feel that their use of a negotiator to help them through financially stressful situations had reduced stress and improved self-esteem. They were designed only to measure the respondents feelings and not their actions.

Across all geographic groups, the general trend in responses is toward "agreement" to the statements on the surveys. They only marginally agreed that as a result of their negotiation or mediation experience they now have more confidence in themselves (Table G26d) and have less

family stress (Table G26h). In both cases those who went through formal mediation were less positive than those who only worked with a negotiator.

As a group the farmers disagree that they now have better health (Table 26j) and were undecided about their being more sociable (Table G26k). They did, however, indicate that they feel more successful (Table G26i), feel good about themselves (G26l), feel less alone (G26m), agree that what they think (Table G26n) and what they feel (Table G26o) matters, and perceive that they have control of their life (Table G26p).

A close review of the various categories on these tables reveals that some groupings are obviously more positive than others. This is expected. The overall results, however, indicate that the negotiation/mediation experience has been positive for these respondents. The experience has been personally difficult but the process has been successful and yielded positive results.

Conclusions

The purpose of this study was to evaluate the North Dakota Agricultural Mediation Service. Evaluation criteria centered on mediation and negotiation mechanics and concept as viewed by program participants. A survey of borrowers who worked with a professional negotiator and those borrowers who went through formal mediation, and the creditors and negotiators involved provided the basis for determining the effectiveness of service delivery as administered by the North Dakota Agricultural Mediation Service. Survey returns were used to identify borrower, creditor, and negotiator perceptions of negotiation and mediation and determine motives for participation.

All three groups provided favorable evaluations of service delivery. Generally the borrowers rated the service higher than did the lenders, and the negotiators gave the highest rankings. All were satisfied with the logistics of delivery indicating that the negotiators are well trained and able to perform their roles in a professional and effective manner.

Privacy and avoiding the other negative aspects of bankruptcy was a major benefit of the negotiation process. Borrowers responded positively that as a result of the negotiation and mediation process they feel better about themselves and are more in control. This indicates that

the mediation service is succeeding in helping troubled borrowers through an emotionally difficult time and perhaps preventing additional social problems.

Negotiation and mediation as administered by the North Dakota Agricultural Mediation Service is an effective mechanism in solving borrower and creditor financial conflicts. Borrowers in particular and creditors in general support the mediation concept and feel the negotiators and mediators trained by the Mediation Service are effective. Negotiation and mediation appear to be viable options available to resolve financial disputes.

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