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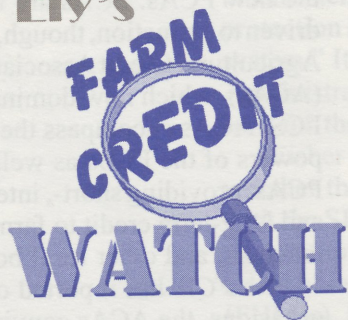
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"Green Acres," Reborn

(September 2002)

We have noted in past issues that the Farm Credit System (FCS) seems increasingly intent on financing the purchase of country estates, weekend getaways and hunting preserves. Some owners of these properties may fit the mold of the central characters of the 1965-71 sitcom, "Green Acres," a show about a wealthy city couple moving to the country. While the details are still being hammered out, "Green Acres" may return, on the Fox network, as a reality-TV program.

Fox Broadcasting – meet the FCS. The new "Green Acres" program offers a wonderful promotion opportunity for the FCS. The rich, upper-class family Fox plans to move to rural America will need a country place suited to their station in life. To help these city folks, the FCS might offer an even lower rate than it usually charges on "farm" mortgages for the wealthy. After all, we do not want them to be too pinched financially. *FCW* even envisions this line in the program credits: "Cheap, taxpayer-subsidized farm financing brought to you by your friendly Farm Credit association, where wealth never stands in the way of a taxpayer-subsidized loan." As a public service, *FCW* will help Fox locate the nearest FCS office.

FCA To Study YBS Lending Regulations

Even as the FCS increasingly lends to "Green Acres" types, its regulator, the Farm Credit Administration (FCA), has launched an effort to improve the FCS's lending to young, beginning and small (YBS) farmers. At a Sept. 12 meeting, the FCA Board issued what is known inside the Washington Beltway as an "advance notice of proposed rulemaking" on the FCS's YBS lending regulations. That's a bureaucratic way of saying to the world, "Tell us what you think." Not being the bashful type, *FCW* will use a future issue to tell the FCA how it can greatly improve its YBS regulations. Suggestions must be submitted before the end of the year. In addition to accepting written suggestions, the FCA should hold a series of public hearings across the country to obtain additional ideas for improving the FCS's YBS lending.

The FCA stated three laudable objectives for the FCS's YBS lending:

- "Develop clear, meaningful, and results-oriented guidelines for YBS policies and programs;
- "Effectively measure the System's YBS performance to ensure that the System is fulfilling its YBS statutory mission; and
- "Provide adequate reporting and disclosure to the public on the System's compliance with its statutory YBS mission."

In commenting on these objectives, the FCA noted that "the System has a special public purpose concerning YBS farmers and ranchers. Since 1980, Congress has required the System to prepare

programs for furnishing sound and constructive credit and related services to YBS farmers and ranchers." *FCW* has pointed out this obligation on numerous occasions.

The FCA's request for suggestions on how to improve the FCS's YBS lending cited key observations in a General Accounting Office (GAO) critique of YBS lending the *FCW* reported in its March 2002 edition (No. 49). The GAO's key recommendations:

- Promulgate a regulation "that outlines specific activities and standards that constitute an acceptable program to implement the YBS statutory requirement."
 - Ensure that FCA examiners "complete the appropriate examination procedures related to YBS [lending], and adequately document the work performed and conclusions drawn."
 - Publicly disclose "the results of the [YBS] examinations for individual [FCS] associations."
- The FCA, with a push from the GAO, is moving ahead to increase the FCS's YBS lending. Big question: Is the FCS listening? More importantly, will it respond?

Report FCS Lending Abuses

Bankers are continuing to send *FCW* reports of FCS lending abuses, such as FCS loans for rural estates, weekend getaways and hunting preserves. E-mail reports of similar lending abuses in your market to: green-acres@ely-co.com. Please provide as much detail as possible about any loan which violates the spirit, if not the law, governing FCS lending.