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Agricultural and Rural Finance Markets in Transition

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An Analysis of Borrowing Rates on FSA Guaranteed Farm Loans

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Slide 1



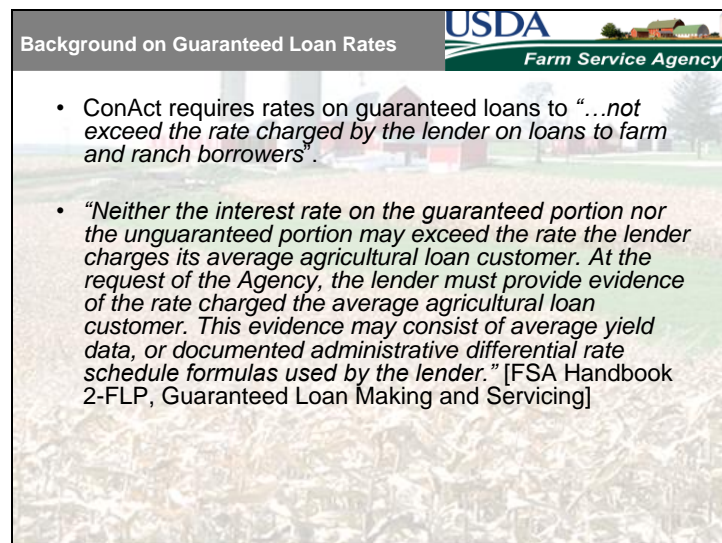
USDA
Farm Service Agency

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Presentation to the
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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

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- "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]

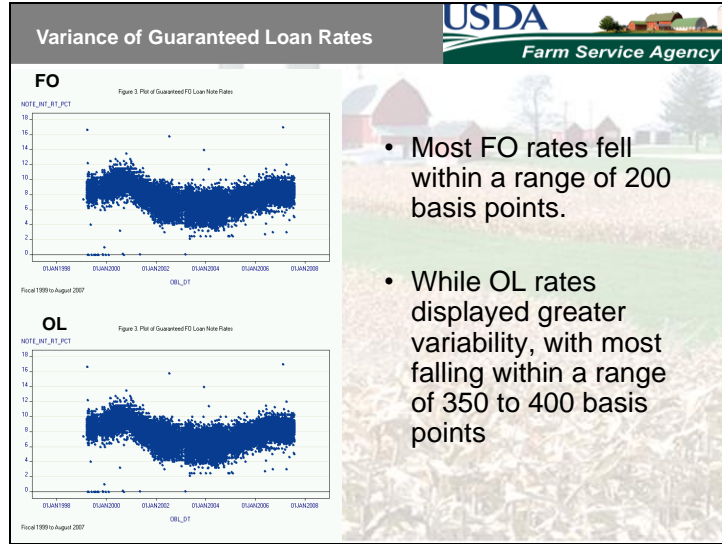
Slide 4

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

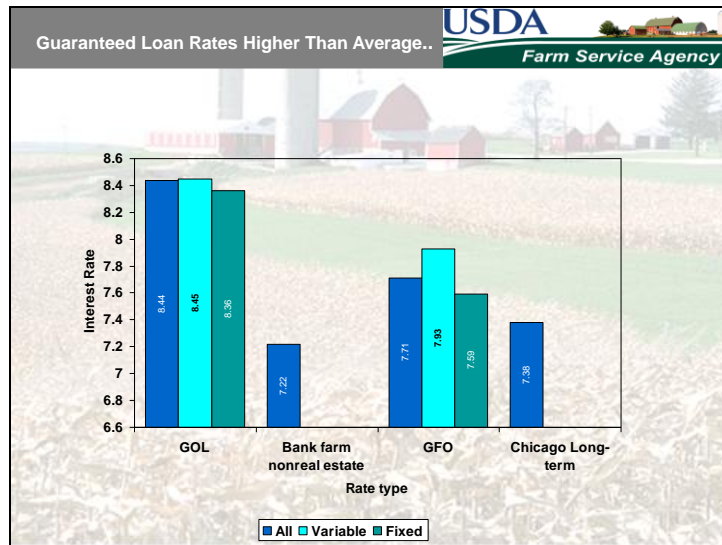
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- Exploratory analysis of FSA data on guaranteed loans originated from FY 1999 until present.
- Examine rates charged on FO's and OL's by assistance codes, loan size, location, and purpose.

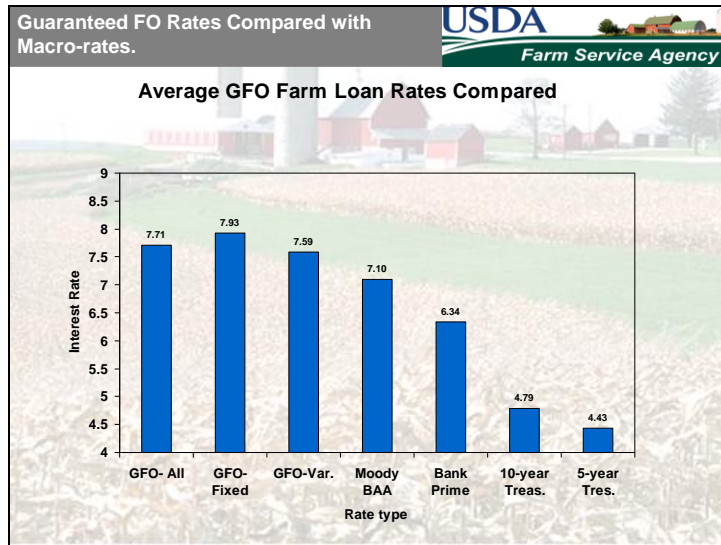
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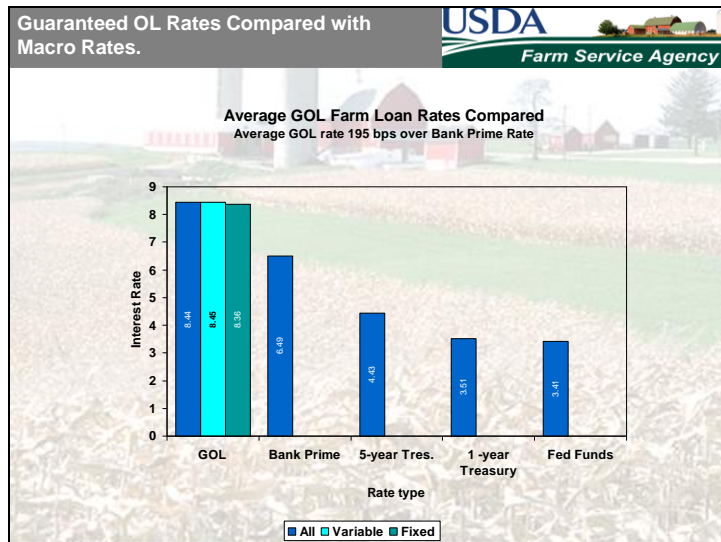
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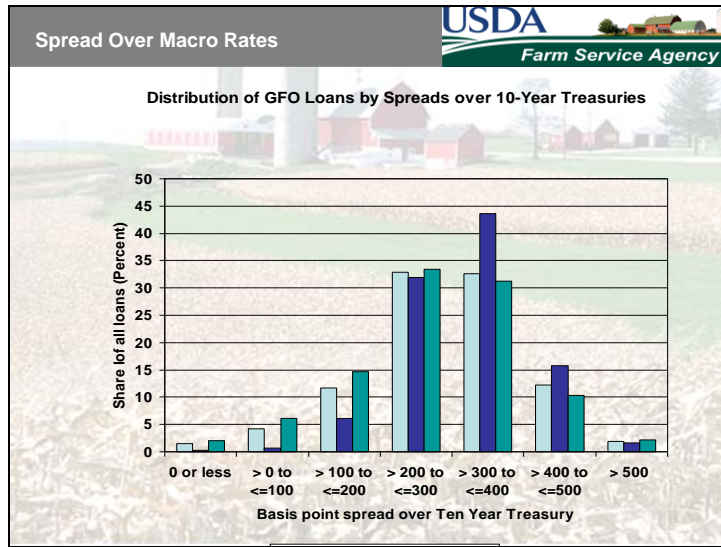
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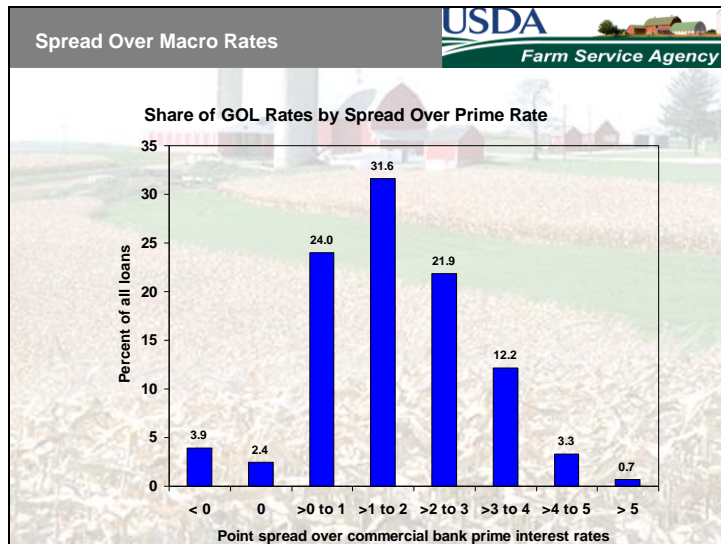
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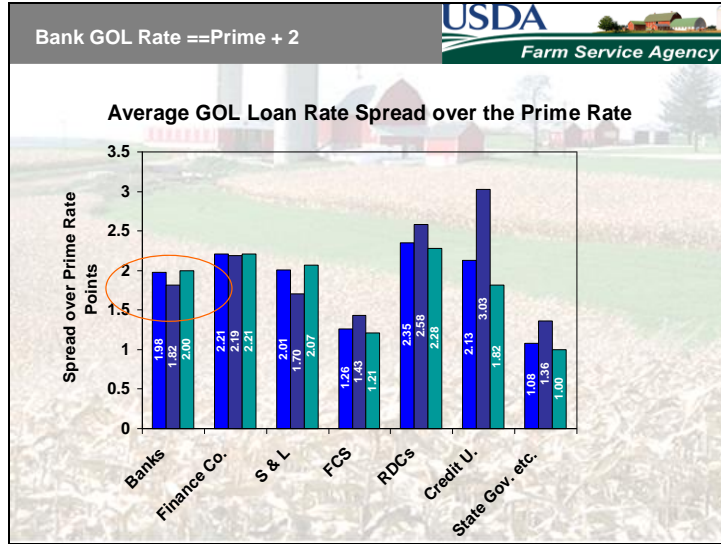
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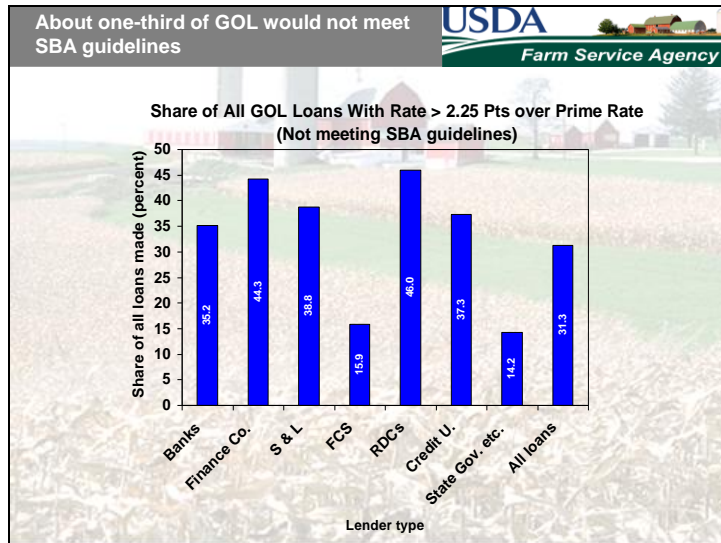
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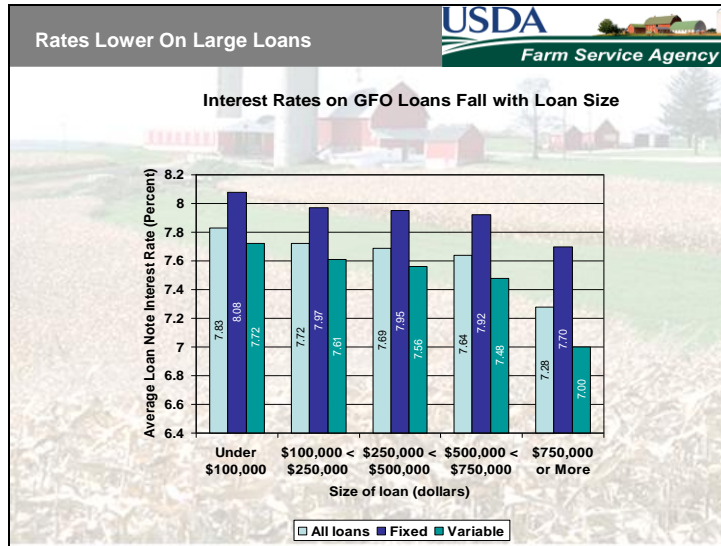
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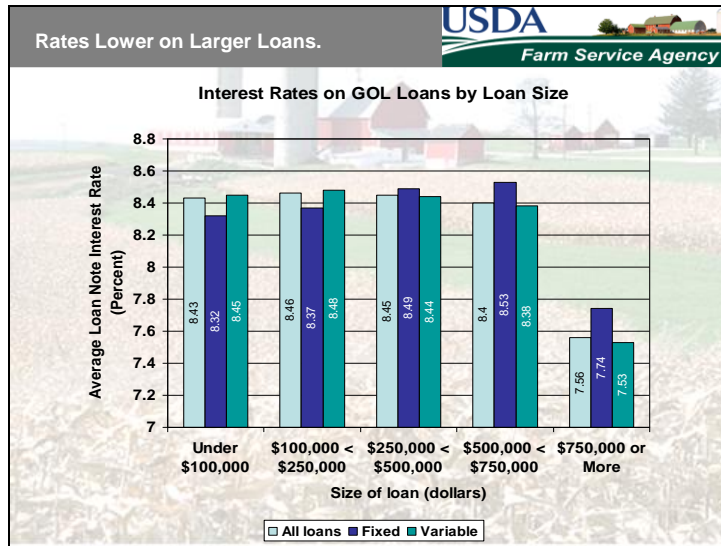
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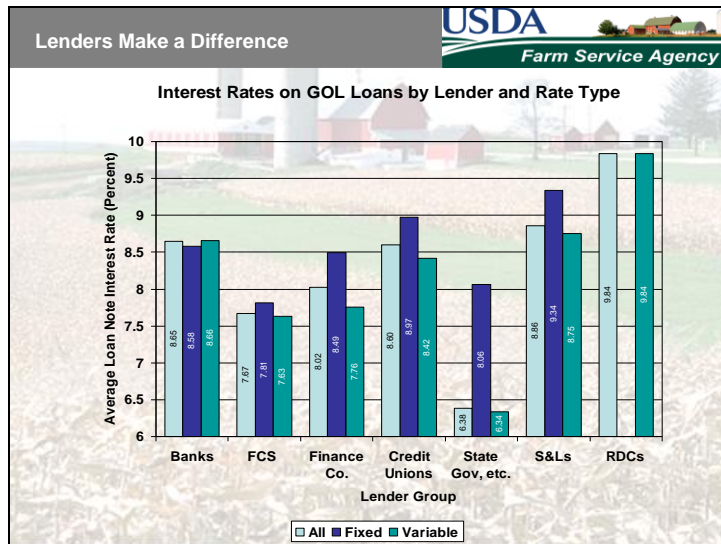
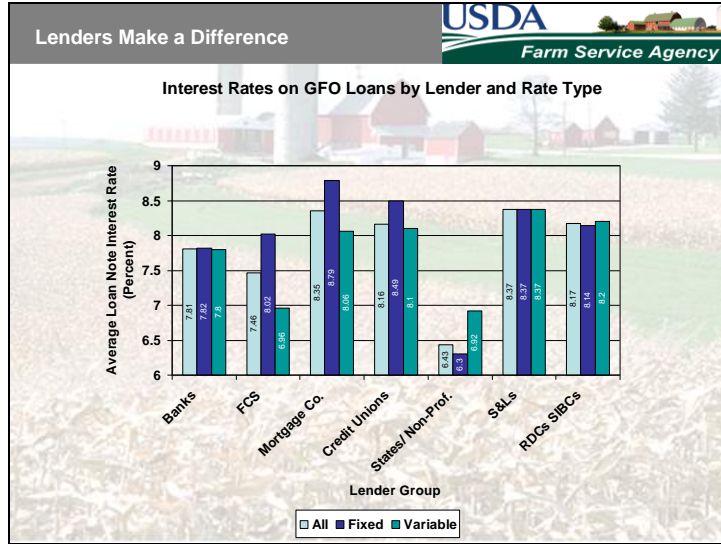


Slide 13

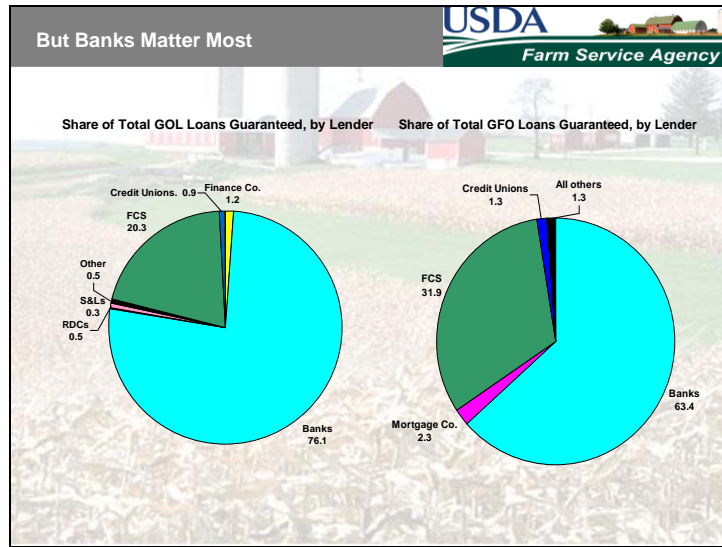


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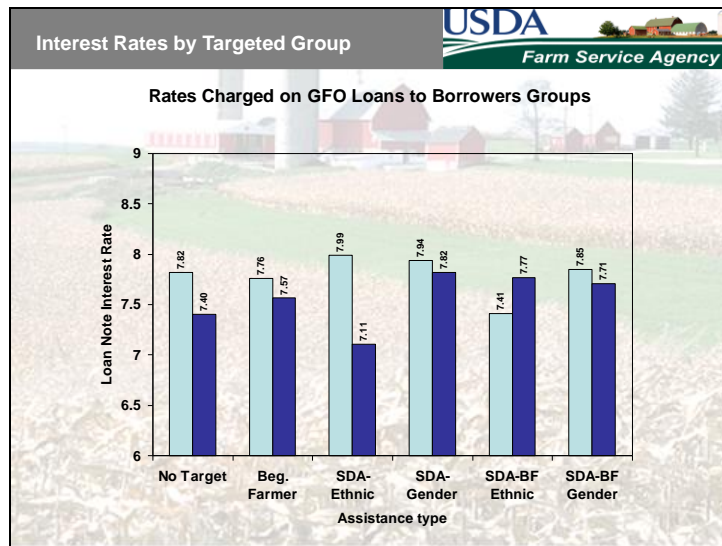




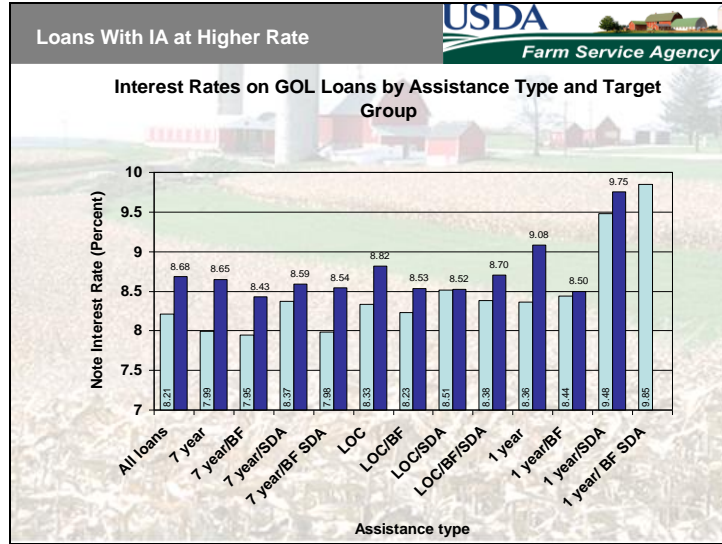
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Slide 18



Slide 19



Slide 20

