

Farm Credit Administration

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INFORMATIONAL MEMORANDUM



August 10, 1998

To: The Chief Executive Officer
All Farm Credit Institutions

From: Marsha Pyle Martin
Chairman and Chief Executive Officer

Subject: Adverse Conditions and Disaster Relief Efforts by Farm Credit Institutions

In light of the adverse conditions impacting agricultural producers, we want to reiterate the Farm Credit Administration's (FCA) Board's Policy Statement on Disaster Relief Efforts by Farm Credit Institutions dated June 13, 1996 (Policy). This Policy (copy attached) recognizes relief actions that may be taken by Farm Credit institutions in situations where Federal or State governments have declared a disaster.

As you are well aware, recent reports on commodity prices and trends for the agricultural economy have not been favorable. While the overall health of the Farm Credit System (FCS) remains sound, many factors are currently stressing agriculture that could impact the repayment capacity of FCS borrowers in certain sectors of the agricultural economy.

President Clinton recently called for emergency assistance to mitigate the regional problems confronting farmers and ranchers. Consistent with this initiative, government loan guarantees (such as those provided by the Farm Services Agency and the Small Business Administration) are available to reduce risk and continue to meet the needs of the agricultural community as circumstances warrant. Further, we encourage you to contact your local U.S. Department of Agriculture (USDA) office regarding available farm assistance programs to ensure your staff can provide advice to farmers and ranchers on how they can take advantage of programs for which they might be eligible. The Internet website at USDA's Farm Service Agency (www.fsa.usda.gov/pas/disaster/assistance1.htm) contains information regarding the Emergency Conservation Program, the Noninsured Crop Disaster Assistance Program, Emergency Loan Assistance, and Emergency Haying and Grazing Assistance. Additional information on disaster assistance can be obtained from the following Internet websites: www.usda.gov/da/disaster/nda.htm and www.fema.gov.

The adverse conditions may cause some borrowers to experience financial difficulties and affect their ability to repay as agreed. Therefore, we remind you that Section 4.14A of the Farm Credit Act of 1971, as amended, requires qualified lenders to consider restructuring a loan before

initiating foreclosure. Providing distressed borrowers the opportunity to apply for restructuring as soon as possible after you become aware of their situation also makes good business sense. We urge you to contact such borrowers promptly to offer your assistance or remind them of emergency assistance programs of the USDA through the Farm Services Agency. If managed effectively, your institution could retain loans with improved prospects for repayment, while at the same time continuing to provide sound and constructive credit and related services to farmers and all types of agricultural producers.

Requests for additional information and specific questions regarding this memorandum should be addressed to Thomas J. Holland, Chief Accountant and Director of the Special Examination and Supervision Division, (703) 883-4484, or on the Internet at e-mail address *hollandt@fca.gov*.

Attachment