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Preventing the Perfect Storm: Assessing the State of the USDA Farm Loan Program

Statement of
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Chairman Chambliss, Ranking Member Harkin and distinguished members of the Senate Committee on Agriculture, Nutrition and Forestry:

My name is Betsy Senter, and I am here today representing the Federal Managers Association (FMA) and the National Association of Credit Specialists of the Farm Service Agency (NACS-FSA). On behalf of the 1700 managers in the Farm Service Agency and the nearly 200,000 managers, supervisors and executives in the federal government, please allow me to take a moment and thank you for this opportunity to present our views before your Committee. As federal managers, we are committed to carrying out the mission of our agency in the most efficient and cost effective manner while providing those necessary services to needy farmers and ranchers. We truly appreciate your interest and leadership in ensuring our stability by assessing the state of our Farm Loan Program today.

I come before you as the former two-term President of the NACS-FSA and am presently serving as Chair of FMA's USDA Conference. I grew up in Raleigh, North Carolina, graduated with a Bachelor of Science degree in both Animal Science and Wildlife Biology from North Carolina State University and have been a USDA Farm Service Agency/Farmers Home Administration employee in South Dakota for more than 28 years. I am currently a Farm Loan Manager in Winner, South Dakota where I supervise the making and servicing of a diverse loan portfolio to family-sized farmers and ranchers in the rural south central part of the state. Please keep in mind that I am here on my own time and of my own volition representing the views of the FMA and the NACS-FSA organizations. I do not speak on behalf of the USDA either officially or unofficially.

The mission of the Farm Service Agency is to "administer farm commodity, credit, environmental, conservation, and emergency assistance programs for farmers and ranchers." As a Loan Manager, I work daily with farmers and ranchers who, for a variety of legitimate reasons, do not qualify for direct loans from private lenders. In such cases, we offer both direct and guarantee loans to assist farmers and ranchers in getting started on a family-sized agriculture endeavor or expanding an existing operation. To meet our mission, the agency provides direct loans of up to $200,000 or guarantee loans from a private lender to assure repayment and minimize the commodity lenders risk. Ideally, the goal for these small loans is for farmers and ranchers to graduate through the process from receiving direct loans from the government, to having the government guarantee a loan from a private lender, to establishing their own sustainable line of direct private loans.

The effective and capable leadership of Deputy Administrator Carolyn Cooksie in conjunction with recent years of positive economic fortunes allows me to report that, from our perspective, the FSA's farm loan programs are in good standing. The agency has highlighted that loan funds are in high demand and loan default and loss rates are low. The Office of Management and Budget (OMB) Program Assessment Rating Tool (PART) scores and the "Farm Service Agency Direct Loan Program Effectiveness Study" performed by the University of Arkansas Department of Agricultural Economics and Agribusiness confirm that the loan programs are meeting objectives, being managed effectively, and remain in good standing.

With few exceptions, the program changes made with the passage of the 2002 Farm Bill have pleased its customers, the commercial lenders, farmers and ranchers. The bill authorized the Farm Loan Program to modernize its delivery tools, regulatory rules and resource infrastructure to better serve rural Americans. Despite budget shortfalls and a growing disparity in information technology resources, significant enhancements have been achieved in the use of existing modern technology and expansion into Web-based programs. We are in the final stages of streamlining loan program regulations and updating our forms. This effort should result in the elimination of approximately 38 regulation manuals. Any remaining documents in use will be automated to improve cost savings, enhanced efficiency and easy access for internal and external customers. Ms. Cooksie is to be complimented for her accomplishments in modernizing the programs given the limited resources, improving customer service, improving program efficiency and for maintaining a loan portfolio that is worthy of our continued support.

We do not wish to overshadow the many accomplishments of the Agency and the incredible work being conducted by the dedicated managers and employees of its workforce. However, as responsible stewards of the taxpayers' dollars we find it necessary to express some concerns for the future economic well being of rural America and the continued effectiveness of the programs that we administer. Somewhat like the fishermen at sea looking into the horizon at the bourgeoning storm, there seems to be a number of warning signs that indicate an impending perfect storm could hit the shores of the FSA and threaten the stability of rural America.

Rising interest rates, high agricultural production costs, high capital investment costs, increasing costs of living, the probability of less generous commodity program benefits, shrinking agricultural profit margins, a declining number of lenders offering credit to family-size farm operations, outdated information technology resources and a "human capital crisis" of increasing attrition rates at the Agency are all indications that a potentially devastating scenario could cripple the strength and stability of the farm loan program. We recognize the inherent risks of the cyclical agriculture industry that we are in and understand that no degree of preparation will allow us to save every family farm, rural business, rural school or rural community from market conditions. Yet, as responsible stewards of the program it is our opinion that we must seize this opportunity to stave off the detrimental effects of preventable problems and secure the tools that will be necessary for us to weather the storm and save as many family farms as possible. In saving family-size farms and ranches we will help preserve the economic stability of rural America. The continued effectiveness of farm loan programs depends on our ability to retool and prepare for the storm.

POSITIVES AND MISSED OPPORTUNITIES IN THE 2002 FARM BILL

During the 2002 Farm Bill debate, NACS-FSA and FMA supported many of the changes that were eventually adopted by Congress and implemented in the field. The most critical of issues that Congress supported and we believe has significantly improved the programs and services for rural Americans were:

- The "bridge loans" that allowed loan applicants to secure approval for real estate purchases from FSA and then to refinance a temporary source of credit to purchase farm real estate at times when loan funds are not available;
- Changes in the beginning farmer down payment loan program, which increased FSA's participation level from 30 percent to 40 percent and increased the amortization period from 10 years to 15 years;
- The passage of an amendment that required an annual rather than a semiannual assessment of each direct loan borrower's operation to reduce the amount of paper work and unburden managers with an more effective assessment timeframe;
- The increase in the "Lo-Doc" benchmark allowed more loan applicants to use the streamlined loan processing provisions; and,
- The continuation of interest assistance on guaranteed farm operating loans.

These changes have allowed the farm loan program to develop into the robust government service it is today. However, there were a number of other issues which we believed would further improve the program and allow it to maintain its stability that were overlooked. We proposed some of these reforms in 2001 and 2002 during the consideration of the 2002 Farm Bill. More specifically, addressing term limits on direct and guaranteed loans, increasing loan limits, blanket assignment authority on FSA program payments, and allowing FSA to guarantee "aggie" or tax exempt bond loans made by commercial lenders are a few issues that we recommended as further improving the effectiveness of the program, but were ultimately omitted from the 2002 Farm Bill. As we face the expiration of the 2002 Farm Bill, this seems like an opportune time for Congress to act on reforming these important issues during the reauthorization of the Agriculture, Conservation and Rural Enhancement Act.

REFORMS TO THE FARM LOAN PROGRAM

END THE TERM LIMITS

The phrase "term limit" is used to describe rules limiting the number of years that a customer can be enrolled in the FSA direct and guarantee loan programs. The term limits for direct loan programs are seven to ten years depending on the type of loan received. A customer who is unable to obtain credit from commercial sources can only receive loans from the agency for seven to ten years at which point the farmer or rancher must either have built up a strong enough credit to go to a private lender or face the alternative of being unable to sustain their operations. Term limits do not have any caveats or exclusions for natural disasters, falling prices or random occurrences such as a ban imposed on the American beef industry by the Japanese government. Term limits are hard and fast dates that set forth a get lucky or get out mandate seemingly unsuitable for a need based federal farm loan program. The reality is many needy farmers and ranchers are unable to apply for loans because of these arbitrary term limits.

In our line of work, these are not just theoretical examples. Day in and day out, we encounter good, hard working people who just need a little more assistance or a little more time to stay afloat. For instance, a Wisconsin dairy farmer who cannot apply for credit to rebuild his dairy barn that burned down, or the Texas farmer with a terminally ill wife who suffered two consecutive years of crop failures as a result of a severe drought is unable to secure credit to continue a farm operation that has traditionally been profitable. As a farm loan manager, these arbitrary standards put us in the unenviable position of turning away otherwise qualified applicants such as a forty year old apple orchard farmer from Washington forced to sell a third-generation farm after 20 years of ownership because three consecutive years of low apple prices eroded her financial condition and prevented her from securing commercial credit or more than 375 Indiana farmers who will not be eligible for FSA loans unless the term limits are not removed. These are real scenarios collected from our members across the country that reflect the reality of a farm loan program established to aid people in these situations, but are rendered useless due to the unfortunate bureaucracy.

I work with a family from South Dakota that began farming six years ago. They have scrimped and saved and now have a herd of 100 cows. The family has one year of FSA direct operating loan eligibility remaining. As of today, it looks like they will not harvest any spring grain and will incur a significant financial setback due to dry weather in our area. Unfortunately, federal crop insurance does little to assist farmers in areas that suffer multiple crop failures. For example, in our area we lost the majority of three spring grain crops over the past four of five years. Our corn yield has plummeted from around 76 bushels per acre to 47 bushels per acre during the past 10 years. With only one year of FSA loan eligibility remaining, it is not likely that they will be able to prosper enough to meet commercial lending standards within the next 12 months. The family will lose their safety net and their source of financing within one year. Simply allowing an extension of the term limits would give this family more time to get on their feet and build an economically sustainable farm.

The amount of capital required to maintain a viable farming operation is staggering. In the best of times the profit margins are slim, often requiring more than seven to ten years to build the equity and profitability that commercial lenders require. FSA loan programs are a critical part of the safety net that was created to assist viable family-size farmers and ranchers who are unable to secure commercial credit at affordable rates and terms. By neglecting this issue, we are hindering the sustainable development of rural farmers and ranchers by forcing term limits instead of working with the fluctuating markets and unique agricultural environments.

Provisions contained in the 2002 Farm Bill allowed for a two-year waiver of direct operating loan term limits on a case-by-case basis. Although it was appreciated, this band-aid did not fix the problem and the agency must then deny essential services to a large number of farmers and ranchers. One farm loan manager from Texas reports that a prolonged drought and term limits will force 23 of his customers to seek a new line of work within twelve months with approximately 80 percent of the 130 direct loan borrowers in that area to follow within a few years, since they do not meet today's "chain bank underwriting standards." A loan manager in Wisconsin reported that 63 of 103 direct loan borrowers in his area will become ineligible for direct loans before the next Farm Bill is signed. As these families exit the farming business, liquidate their assets and move to the city to find work, the rural community and rural economy will suffer a devastating blow. It is possible to prevent this and help encourage sustainable rural agricultural development.

Term limits also apply to loans made by commercial lenders that are guaranteed by FSA. Term limits on guarantee loans were waived through the end of the 2002 Farm Bill and will become effective again on January 1, 2007. Waiving the term limit rule on FSA guaranteed loans did not jeopardize the integrity or effectiveness of the program in any way, and guaranteed loan activity remained healthy while loan default and loss rates remained low. However, it is our recommendation that the 2007 Farm Bill should permanently eliminate term limits on guarantee loans.

If it wasn't clear, we strongly recommend that the Committee support Farm Bill provisions to eliminate term limit rules on FSA direct and guaranteed farm loan programs. By failing to address the elimination of this bureaucratic matter, we are denying the Agency a tool that will be essential in our efforts to save viable farm operations and provide stability to rural economies when the seas get rough and rural America needs us most. The get lucky or get out term limit rules should be eliminated in favor of agency graduation, market placement and credit elsewhere provisions that are already in existence. When properly applied, graduation, market placement and credit elsewhere rules are effective in assuring that FSA is not competing with private industry in providing essential credit to farmers and ranchers.

As loan managers, it takes extensive training and experience to become a manager or an officer. The decisions that we render are not done without proper oversight, review, consideration and reconsideration. It is in our interest as managers to provide economically sound loans to qualified seekers. We are not recommending this modification as a way to impair the loan making structure or create an unbalanced risk for the federal government. Rather, it is a way to use government resources as they were intended to be used in a profoundly helpful program such as this.

Increase the Farm Loan Limits

Loan limits describe the maximum amount of dollars that an applicant can borrow from FSA. As managers, we also struggle with the hindrance of the limits placed on the level of loan we may make at a given time. FSA's direct operating loan (OL), which is used to finance production expenses, machinery, equipment, vehicles, livestock or other short and intermediate term farm business ventures, has a limit of $200,000. Direct farm ownership (FO) loans, which are used to finance the purchase or improvement of real estate, also have a $200,000 loan limit. These loan limits were established more than 20 years ago and do not meet the needs of modern day operations. Production and capital costs increased significantly over the past 20 years. Direct OL and direct FO loan limits need to be adjusted to allow FSA to effectively serve family-size farmers and ranchers in all areas of this great nation.

A farm loan official from Wisconsin reported to us that a farmstead costing less than $200,000 20 years ago is currently selling for at least $650,000 and they are lucky if a $200,000 loan is enough to purchase a ten acre farmstead. East and West coast states are realizing an even larger spread between our current loan limit and the amount of funds needed to finance the purchase a modest family-size farm.

Of greater concern is that our operating loan limit is preventing FSA from meeting the needs of customers. A loan manager from Washington reports that a typical 50 acre fruit production operation in his area requires $150,000 operating capital annually, and they do not sell their crop from one year before needing funds to produce the following year's crop. This means this customer will need $300,000 of operating credit for a short period of time when only $200,000 is available from FSA. This also does not take into consideration his credit needs for machinery and equipment with the agency on a term loan. The Washington loan official, with just reason, claims that we are setting beginning farmers up and "directly participating in their demise" because our loan limits are not sufficient to meet the needs of the customers that we are attempting to assist. Similar stories may be heard from loan officials in Georgia, Florida, California, Iowa, Minnesota or any other state in the country. Agricultural production, start up and capital costs 20 years ago are not a reasonable baseline for use in establishing loan limits today.

We urge the Committee to consider raising the loan limits for direct operating loans to at least $300,000 along with the direct farm ownership loan limit. As an alternative we may suggest that the Committee eliminate provisions setting forth a separate loan limit for each type of loan – operating and farm ownership – and authorize individuals to receive any combination of direct operating and farm ownership loans for a total amount not to exceed $500,000 to $600,000 as the Committee may see fit. A combined loan limit may help customers who need FSA operating or farm ownership loans, but are able to secure their other credit needs from a commercial lender.

PREVENT THE INCREASE OF GUARANTEE LOAN FEES

The President recently proposed a 150 to 450 percent increase in fees charged to commercial lenders who work with FSA in offering guaranteed loans. According to the American Bankers

Association (ABA), the FSA guaranteed loan programs are a remarkable success story representing a supreme example of a true public-private partnership that will suffer considerably if the new fees are incurred. We agree with ABA's assessment of the resulting problems from increasing the guarantee fees. At present, the fees are modest and the guaranteed loan programs are performing as intended. Program usage has been strong. Loan default and loss rates have been low. ABA's concern that an increase in fees will have a significant adverse affect on FSA guaranteed loan programs is valid. However, we believe that the impact of such an action will be much greater than ABA has reported.

Family-size farmers and ranchers use guaranteed loans because their credit represents more risk than a commercial lender is able to incur without the backing of a guarantee from FSA. Guaranteed loan customers generally fail to meet commercial lending standards due to a lack of repayment margin or a lack of owner equity; therefore, assessing larger guarantee fees will add to the already sizeable financial burdens of the customers that we are attempting to serve.

In understanding the relationship that exists between the FSA direct and guaranteed loan programs one will recognize what we believe to be an even greater reason for concern regarding the proposed increase in fees. Guaranteed loans are used to help direct loan borrowers secure credit from commercial lenders, otherwise known as graduating; to help loan applicants secure all or part of their credit needs from a commercial lender, or market placement; and to serve those who do not quite meet commercial lending standards but can prosper without having to rely on FSA direct loans. Increasing guaranteed loan fees will reduce guaranteed loan demand and increase demand for direct loan funds, thus, shift loan making and loan servicing responsibilities from commercial lenders to FSA. FSA does not have sufficient resources in terms of loan funds or human capital to meet a significant increase in direct loan demand.

In an effort to preserve program effectiveness and prevent administrative fee increases in future years, we ask that the committee add a provision to the 2007 Farm Bill that will require Congressional approval of any future USDA guaranteed loan fee increases.

Liability Insurance for Farm Loan Managers

In 1998, Congress mandated that agencies cover 50 percent of the professional liability insurance premiums for management officials in supervisory roles. This applied to managers across the federal government. As it is an inherent hazard of their job, the government, like most private employers, covers a percentage of the cost for managers to maintain liability insurance should a claim be brought forth that names them as one of the defendants. The professional liability insurance offered in affiliation with FMA costs roughly $300 per year, and would be an obligation of $150 for the Agency. This protects against a supervisor or manager being named in a lawsuit or other kind of legal action.

A limitation in the law stipulates that the employee must be a supervisor in order for the government to cover 50 percent of the insurance premiums for liability coverage. The reality is that many other management officials who are in decision-making positions, such as farm loan officials and contracting officials, may be subject to legal action even though they do not meet the definition of manager under the law. In their case, they do not have the same support from the Federal government that Federal supervisors do in recognition of the hazards of the job. We recommend that Congress amend the 1998 law to require agencies, including the Farm Service Agency, to extend coverage of 50% of the professional liability insurance premiums to non-supervisory federal managers.

ADDRESSING THE HUMAN CAPITAL CRISIS

The Office of Personnel Management Director Linda Springer recently unveiled a four-year operational plan to address both internal and government-wide human capital needs in order to prevent what she called the impending "retirement tsunami" in the federal government. Over the next few years, more than 50 percent of the entire federal workforce and more than 60 percent of all managers will be eligible for retirement. FSA is not immune to the potentially disastrous impact of the baby boomer retirement wave on the agencies most valuable commodity, the human capital workforce.

In an effort to develop a strategic plan for managing human capital, FSA performed a study identifying mission critical positions, evaluating retirement eligibility trends, and assessing the amount of time required to train personnel to perform mission critical tasks. Results of the study are alarming. The study looked at mission critical positions in the 1165 FSA classification series including: Farm Loan Officers, Farm Loan Managers, Farm Loan Specialists, and Farm Loan Chiefs. Of the 1165 employees studied, 28 percent of the employees will be retirement eligible as of 2008, while 50 percent of the supervisory employees will be eligible in the same timeframe.

Agency officials reported that the average 1165 job series employee is retiring within three months of becoming eligible to retire as compared with the average federal employee who works for three years beyond the date that they become eligible to retire. FSA also determined that it requires 18 to 24 months to train an employee to perform entry-level Farm Loan Officer's duties. The concern is compounded by the realization that FSA farm loan program personnel, after multiple consolidation and streamlining efforts, are delivering loans from fewer than eight hundred FSA field office locations often covering very large geographic regions. Farm loan program staffing levels in many states are few in number and sparsely scattered leaving no fully trained loan personnel within a reasonable commuting distance to fill field office loan official or loan technician positions that become vacant for any length of time. Customer service is suffering at an increasing number of locations.

Poor credit decisions made by inexperienced or inadequately trained loan officials during good economic times often go unnoticed. In good times, above normal income and/or increasing asset values allow customers to get by and allow the agency to avoid a loss. In less favorable economic times, poor credit decisions often result in costly loan losses and the failure of farm operations that may have been avoided by a more experienced loan official armed with the knowledge, skills and ability to address the complexities of the job. As family-size farms fail, rural businesses, rural communities and rural economies suffer. Delayed action could prove to be hazardous to the economic well being of rural communities as we embark on less favorable times with too little experience, too little training and too few personnel in mission critical loan official and loan technician positions.

The state of Michigan is a great example of a potential human capital problem. Currently, there are 52 loan officers working in the farm loan program area. Of the staff in the field, four managers are eligible for retirement as we speak 6 more within the next two years, and five additional employees over the next five years for a total of 15 farm loan managers. The sad part is there are only 20 farm loan managers in Michigan and it takes a minimum of two years to train a new managers. Should the employees that are eligible to leave today retire; there will be 11 counties of the 83 counties in Michigan with no loan officers present. Within 2 years the potential counties increases to 38. Presently, there are no additional loan officers in the pipeline. In simple terms, 46% of the state of Michigan has the potential to have no loan officer coverage for FSA within the next two years.

We would be remiss if we failed to compliment FSA Administrator Teresa Lasseter for the positive first steps that she took towards addressing our concerns. Administrator Lasseter set aside 30 full time equivalents (FTEs) for Farm Loan Officer Trainee (FLOT) positions in 2006 and is proposing to allocate 15 additional FTEs for FLOT positions in 2007. Administrator Lasseter's actions, while extremely positive and possibly the best that she can do within current budget constraints, may prove to be too little too late unless Congress provides additional resources to assist her efforts.

In order to preserve program efficiency and effectiveness we would like to encourage the Committee to work with appropriators in providing additional funding and FTEs to allow the

Administrator to hire and begin training Farm Loan Officers and Farm Loan Program Technicians 18 to 24 months before the trainer walks out the door leaving no-one to train a new hire and no-one to efficiently and effectively carry out fulfill program objectives. Furthermore, we would ask that Congress approve an allocation for training and travel funds targeted at assuring that the Farm Loan Officers and Farm Loan Program Technicians are properly trained during their 18 to 24 month apprenticeship.

INFORMATION TECHNOLOGY FUNDING AND CAPITAL NEEDS

One of the five pillars of the President's Management Agenda is to bring Agency's up-to-par when it comes to e-government. The expansion of electronic government programs seeks to meet the high demand of government services while reducing the cost to the federal government. Farm Loan Programs moved expeditiously into an e-government compliant organization and to achieve enhanced levels of efficiency through better use of automation tools. With a reasonable amount of budgetary support, we anticipate that a majority of the FLP information technology (IT) systems will be converted to Web-based applications later this summer. However, if we do not continue supporting investments in hardware and software to complete the modernization process we can not achieve desired results. We made a commitment, we are mid stream and we can not turn back.

From an employee's perspective, the most frustrating part of working with Web-based applications is the connectivity and the down time. Providing quality customer service depends on maintaining an efficient work force depends on our ability to access and use Web-based systems every hour of the day and night. Sending customers home without service because the FSA servers are down is simply not acceptable. Even more unacceptable is employees staring into a computer monitor waiting for the next screen to come up because connectivity is woefully inadequate. This is not a model of government efficiency. Rather this forces employees to modify his or her business practices because they can not depend on infrastructure to support the Web-based applications to work properly. Appointments cancelled or work deferred because computer systems are not working, can not be replaced and are awaiting repair should not become common place.

Reduced funding for information technology has had and will continue to have a significantly adverse impact on agency employees and on the quality of service provided. We ask that information technology funding levels be maintained, at minimum, or improved to allow the Agency to attain Congressional objectives for providing efficient, effective, quality services to rural Americans.

Several years ago, the USDA established an equipment replacement plan that would allow for the timely replacement of computer equipment. Budget reductions, however, forced the Department to amend their plan, and with fewer information technology personnel available to repair the machines, the Department must attempt to keep the average computer in service forty percent longer than was outlined in the original plan.

Cuts in personnel coupled with cuts in information technology expenditures are a double-edged sword. We need the efficiencies from better software and hardware to achieve agency objectives with fewer employees. However, information technology budget items are routinely cut in order to meet short-term obligations. We recommend that information technology objectives be adequately funded and departments be held accountable for achieving objectives within budget. Information technology enhancements are an investment in our future. Funds that are intended for information technology enhancements must not be diverted to pay rent, utilities and similar short-term obligations.

CONCLUSION

It is our contention that the Farm Service Agency's Farm Loan Program loan portfolio is in good financial standing. However, we have grave concerns that a number of pending issues on the horizon that could place at risk the taxpayer's investment in the agency's loan portfolio. The USDA Farm Loan Program makes it possible for beginning, financially strapped or multi-generational family farmers and ranchers to compete in the market place. The 2002 Farm Bill aided the efforts of the FSA in achieving its mission, but more must be done.

We are standing on the precipice of what could be a disastrous storm. The combination of questionable economic conditions, unknown weather patterns, human capital deficiencies, technology failures, and bureaucratic hindrances rests on the horizon in a preventable scenario that could be harmful to rural America and the agriculture industry. Congress and this Committee is in the pivotal position to address some of these pending disruptions, and there is no better time than now as the 2002 Farm Bill is set to expire at the end of this year.

We recommend the elimination of term limits as a means to free up farm loan managers to make sound financial decisions in offering loans to qualified recipients who otherwise would be ineligible because of the current regulations. It also means preventing scenarios like a Georgia family of five –a farming father, and a stay at home mom – from defaulting on their loan because they reached the term limit and could not find a private lender to take on the small farm as an investment. As the cost of living goes up, so goes the cost of maintaining and establishing farms and ranches. Rural America has not been immune to the cost increases of a growing national economy, and the federal government farm loan program limits should keep up with the growth. In order to reap rewards of investment, it is important to provide loans that will adequately assist in the cost of farm and ranch maintenance. It is time to increase the loan limit from $200,000 to at least $300,000. Additionally, charging substantial increases in guarantee fees to commercial lenders only adds to the financial burden of the farmer or rancher seeking private loans from the same commercial lenders. Congress must also work to protect the workforce of America from often frivolous lawsuits by supporting the inclusion of loan officials and contracting officers into the liability insurance reimbursement program.

These reform recommendations, however, can only be effective if the Agency is provided the necessary resources to administer the program services and its reforms. The Administration must offer budget proposals that take into account the impending brain drain in human capital, proper succession planning, information technology upgrades and overall adequate funding, and Congress must authorize and appropriate funds that meet those resource needs. With so much pending on the horizon, however, it is critical that Congress and the Administration invest in a successful federal program before it falls apart and wreaks havoc on rural America.

We are the men and women who work with the American farmer and rancher everyday. We see the potential of so many worthwhile applicants, and take to heart the work we do. We are dedicated and committed members of the federal workforce serving rural America. I'd like thank you for the opportunity to present our perspective on the state of the farm loan program and would be pleased to answer any questions you might have. Thank you for your time and consideration of our views.