Banking by Robert L. Baker

Vultures pick over the bones

The reorganization of farm lending means less money to grow food, and more control for the big banks.

According to the February 1989 *Financial Letter* put out by the Federal Reserve Bank of Kansas City, "Agricultural credit conditions continue to improve. . . . Despite the 1988 drought, strong farm incomes were reflected in rising farmland values, strengthening loan demand, and higher loan repayment rates. . . . But with the likely return of more normal weather conditions, agriculture in the district is poised for another strong performance in 1989."

Unfortunately, this kind of double-talk has been used too many times by the Federal Reserve, to lead farmers down the primrose path to a slow financial death. If agricultural credit conditions have improved, it may be because the credit system has been restructured and is more favorable to the banking elite.

During the past eight years, the Federal Deposit Insurance Corporation has liquidated several hundred banks, along with several hundred thousand farmers. Many of the loans obtained by the FDIC, after liquidating agricultural banks, have been sold at discount prices to dummy corporations owned by the big city banks.

For instance, many loans acquired by the FDIC from bank liquidations in Iowa and Missouri were reportedly sold for 35-45% of face value to the Willow Tree Investment Corp. and the Maple Tree Investment Corp., both of which are reportedly owned by a bank in Oak Park, Illinois. As an example, a loan could be purchased at a discount from the FDIC for $70,000, but may have a face value of $220,000. The farmer who owes the face value of this loan, would then be contacted and told that, if he could get refinanced and pay off the loan with cash, his loan would be reduced by $30,000. If the farmer accepted the offer and could get refinanced, the investment company could make a quick $120,000. This is how millions of dollars are being made by big banks at the expense of indebted farmers, agricultural banks, and the American taxpayer.

This exemplifies how completely unnecessary the FDIC shutdown of many farm banks was. These banks are being shut down and big banks are making millions through the purchase and resale of the very same loans that the FDIC used to condemn some banks to foreclosure.

Big time manipulators of the nation's money system are gloating over the restructured look of a "New Age" money system that is consolidating power into the hands of a very few. The agriculture crisis provides a good excuse for this process of cartelization and consolidation.

The Farm Credit System, the nation's largest agricultural lender, has been reorganized in such a way as to take control away from this formerly farmer-owned and -run cooperative. The original farmer-elected 12-man national board has been replaced by a three-man committee appointed by the President of the United States. At present only one person, Marvin Duncan, is on the "three-man committee."

Duncan worked for the Federal Reserve, and was assigned the task of putting together a committee which formulated a plan called "Project 1995," the blueprint used to reorganize the Farm Credit System into its current format. Is it a coincidence that Marvin Duncan is now the head of the Farm Credit Administration?

The Farmers Home Administration (FmHA), the supposed lender of last resort for farmers, is now going through the transition from being an active lender to farmers, to providing passive loan guarantees to the few private agricultural banks left. This places more control of farm credit in the hands of the large banking interests, and reduces further the number of credit sources available to farmers.

The latest development in the restructuring of farm financing is called Farmer Mac, authorized by the Agriculture Credit Act of 1987. Farmer Mac will provide a mechanism by which agricultural real estate and farm loans can be bundled together by a group called "poolers." These bundled loans will then become the capital base with which to sell government-guaranteed security bonds to investors. Local banks and Farm Credit lenders will service the loans, but the poolers will own the mortgages and liens on the real estate. Four of the five exclusive stock owners of the Farmer Mac "pool" consist of the Farm Credit System and three top insurance companies: John Hancock, Prudential, and Metropolitan.

One big concern with Farmer Mac, is that the ownership of real estate loans will be transferred out of the local community, and the borrower will be at the mercy of the Farmer Mac poolers rather than the local lender. The Farmers Home Administration has also been approved to set up a Farmer Mac-type secondary market. Here again, much local control of loans is concentrated into the hands of large multinational financial institutions.