

Nebraska citizens' hearings amass evidence of loan fraud in farm belt

Public hearings were held in Nebraska March 10-12 on the farm crisis and injustices against farmers, sponsored by Citizens for Economic Justice and the Schiller Institute's Food for Peace organization. The hearings were conducted in Grand Island and Scottsbluff, by two prominent South Dakota farm leaders—Chuck Bellman, former Democratic Party chairman of South Dakota, and Ron Wieczorek, farmer and former independent candidate for Congress.

The Nebraska events followed four similar public hearings conducted last December in North and South Dakota, sponsored by Food for Peace and conducted by retired Washington State Supreme Court Justice William Goodloe and civil rights leader Wade Watts from Oklahoma, which resulted in the publication of extensive documentation in a pamphlet, the "Goodloe Report." This report has been the basis for a mobilization to remedy the fraud and dispossession of farmers, which has caused resolutions to be introduced in both the North and South Dakota and Iowa legislatures. U.S. Representatives Fred Grandy (R-Iowa) and Tim Johnson (D-S.D.) called for a moratorium on farm foreclosures pending an investigation of unjust and corrupt farm credit lending practices of both commercial banks and government-backed farm lending agencies.

The "Goodloe Report" found collusion among financial interests to restructure agriculture away from family farms and into large-scale corporate farms, to the benefit of the giant grain cartels and international banks.

Ninety people participated in the hearings in Nebraska, in 14 hours of testimony. Dozens of farmers submitted written reports, and even more damning information came out in private discussion.

Corrupt bankers

Wieczorek and Bellman issued findings which said in part, "General conclusions are that a massive problem exists in the area of fraud, overcharging of interest, lack of, or no accounting of, liquidation assets to debtors, mismanagement of loans and unreasonable treatment by the IRS, the FBI, and the Department of Justice. . . . The borrowers live in fear of lenders and the government. A certain pattern held true with the Dakota hearings, but the situation in Nebraska was found to be even more brutal."

The role of unscrupulous bankers like Roy Dinsdale from Central City, Nebraska, was documented; he has played a role in the region similar to that which, the Dakota hearings

found, Minneapolis organized crime-connected banker Carl Pohlad was found to have played (see box). Dinsdale owns at least 32 farm-related banks in Nebraska, Wyoming, and Colorado. His access to the purchase of banks has been facilitated by his role as a director of the Federal Reserve Board in Kansas City. In one testimony it was reported that one of Dinsdale's banks had not been audited in six years, and had embezzled \$750,000 from a farmer borrower.

Dinsdale, like Pohlad, has been able to obtain government guarantees on farmer loans in his banks. The farmer is liquidated and Dinsdale's guarantees are paid by the government. One farmer from Wyoming reported that Dinsdale has been paid millions in government guarantees. Another farmer testified, "We were not delinquent on our notes. The Production Credit Association created a bad cash flow by denying us operating money. They did this so they could drop the axe on us. I think the PCA participated in a plan to liquidate farmers."

Evidence was presented at the Dakota hearings that the Omaha Farm Credit District, which covers Nebraska and Iowa (part of the national network of the Farm Credit System), was caught in a scheme of obtaining government guarantees on loans by submitting false information, and then pulling the plug on farmers in order to collect. The Nebraska evidence showed that farmers in the state were victims of the PCA of the Midlands (PCAM, in Omaha), which last year was caught defrauding farmers in Iowa. In 1992 the PCAM committed to pay over \$4 million to the farmers who sued, in an attempt to avert a more extensive investigation that might reveal more extensive fraud.

At the Nebraska hearings, one farmer said, "You've got the diehards here, the people who wouldn't give up." He reflected, though, that 10 years ago it wouldn't have been possible to get a group of farmers such as this together, who would actually admit that they had been forced into bankruptcy. Hearings chairman Ron Wieczorek responded, "Everything depends on us. You and I must change things through a movement which represents all mankind. As a farm movement, we will be defeated." At both Scottsbluff and Grand Island, participants discussed building a movement based on the American System of economics, and the leadership of Lyndon LaRouche.

The following is a summary of the testimony at the Nebraska hearings:

Forced bankruptcy. Ken Hilton of Cambridge, Nebras-

ka reported that the Midwest Production Credit Association had induced him to sell his cow herd in order to receive an operating loan for another year. He sold the cows and received no loan. He was then forced into bankruptcy.

Guaranteed loan fraud. Dale and Virginia Krausnick of D.A.K. Ranch in Wauneta, Nebraska testified:

"We had been using the Wauneta Falls Bank in Nebraska for many years, and as we expanded, we needed to be able to borrow more money for operating expenses than they could lend, so we went to the First National Bank of McCook as a participating bank. We sold our grain and cattle, and the money was taken to the bank to pay off the notes. The interest rates began to climb, and the banks started to renew the notes very often, with higher interest rates, sometimes as often as every 60 to 90 days, not corresponding to the crop harvests or livestock selling time. We did not always have the money at the right time for the interest, so the interest was applied to the note and we were paying interest on interest.

"In 1984, the banks decided we needed to mortgage all our land to secure our notes and we were very reluctant to do this because we didn't have to do so before. Then they decided we should get a guaranteed loan from FmHA [Farmers Home Administration], and in the process of doing this, we

did, in fact, give them mortgages on everything: land, cattle, crops, vehicles, and machinery. This was in July of 1985. Our loan was approved on May 22, 1985, but we didn't realize that they had changed the purpose of the loan from an operating loan to read that the loan would be used to pay off an overline with the First National Bank in McCook. When the loan was disbursed, we were in the hospital with an emergency, and the bank maneuvered our daughter into paying \$378,000 of the \$400,000 loan to the First National Bank in McCook.

"In January of 1986, the Wauneta Falls Bank refused to advance more operating money. The WFB wrote to the FmHA one year after we had gotten the guarantee, demanding liquidation, because they said we didn't have a workable cash flow. As soon as we found out this was in progress, we filed for bankruptcy to protect ourselves. As soon as the bank found out, they wrote to FmHA and stated that we had too many assets to file for bankruptcy! This proves there was plenty of collateral to continue the loan, but they just wanted to have the farm and FmHA money. When we took bankruptcy, we were under the impression that interest stopped. We have been charged with interest since taking bankruptcy, which we believe is another injustice.

Pohlad, the liquidator

The deregulation of the U.S. banking system in the early 1980s led to the ouster of local bankers who were interested in the development of the community. They were replaced by men such as Carl Pohlad of Minneapolis, ruthless speculators who view the local bank and its loans as assets to loot.

After decades of financial successes, backed by Minneapolis-based organized crime circles, Pohlad is today listed by *Forbes* as one of the wealthiest men in America. He owns over 30 banks outright, in North and South Dakota, Minnesota, Colorado, Illinois, and Wyoming, and many more indirectly. He recently sold several of his Minneapolis banks for a stake as the second largest shareholder in the second largest banking chain in Minnesota, First Bank System. Known as a chain banker and "the liquidator," he buys up distressed properties, loots them, bankrupts them, and dumps them. He learns of the financial condition of the local banks because his Minneapolis bank, Marquette National, became the corresponding bank for surrounding states. He has been caught selling farm loans through banks he controls, such as the Regent Bank of North Dakota, on the secondary market, in order to cash in on government guarantees by causing the farmer to go into bankruptcy.

Pohlad owes his success to the backing of the "Minneapolis mob" of organized crime, which stretches back to the gangster friends of Meyer Lansky.

The Anti-Defamation League and the Democratic Farmer Labor Party are intimately tied to the Minneapolis mob. Carl Pohlad has enjoyed their protection, along with his friends and fellow bankers Irwin Jacobs and Curtis Carlson, since the late 1950s and early 1960s. He sprang to prominence by buying up the Minneapolis Transit Authority, a property of Lansky mob associate Kid Cann, who looted it and went to jail when the pilfering became too public. Pohlad turned the authority into Minnesota Enterprises Inc., a company which, over the decades, bought and bankrupted various cash-rich businesses, ideal for money-laundering, such as Pepsi distributorships, franchises for snack foods, and beauty salon chains.

Pohlad's ownership of the Minnesota Twins baseball team and the Tropicana Hotel from 1968-72 fit the profile of a money launderer. He bought the Tropicana in the late 1960s when it was under the control of Meyer Lansky, and sold it to his business partner Deil Gustavson in 1972. Gustavson later went to jail for skimming money from the casino for the Kansas City mob.

This year, Pohlad's Minnesota Enterprises, Inc. filed for bankruptcy. In Minneapolis, the word is that Pohlad is anxious to keep ahold of the Minnesota Twins, because he knows they steal bases.

"The bank was sold to another group, and we signed a stipulation. They reported the loss to FmHA, adding interest, and reported they wrote the loan down \$40,000 more than they did. FmHA paid them more than they should have. When we get through with our payments to the bank there is nothing left for operating expenses the following year. We have had to let our children and their families leave and find work elsewhere, because we could no longer afford to pay them and they had to find work elsewhere."

Collusion between the FCS and banks. Leonard and Florence Kraus of Crete, Nebraska:

"We were fraudulently forced into co-signing a note for our son. The bank, Crete State Bank, then kept juggling his notes and raised his interest up to 21%, and it became impossible to meet the interest without meeting any principal. The bank foreclosed on our son. He had a 400-acre farm which was over half paid for, a 300 hog operation and was a very good manager.

"Next, they took our 240-acre farm. We had a loan from the Production Credit Association for our cattle. When the Crete State Bank began legal proceedings against us, the PCA immediately called our note due, even though our interest and principal was current and everything paid on time. Our farm was sold at a sheriff's sale, we were evicted, and now we are in deep trouble with the IRS. This was in 1988. We found a house in Crete, which is barely liveable, and the rent is difficult to meet. It is difficult to put into words the emotional trauma."

Discriminatory treatment of borrowers. From Dennis Kucera of Bellwood, Nebraska:

"My father had done business with the First National Bank of Schuyler, Nebraska for over 50 years, had an unblemished record with the bank, and had no money borrowed in 1984. That he had \$100,000 more or less in assets made no difference. We needed operating capital to make our farming operation as viable as possible. At least two attempts to borrow capital were futile.

"It has been brought to my attention on two occasions that three farmers banking with First National of Schuyler were liquidated to some degree while at about the same time frame—mid-1980s. Century Farms of Colfax County, Nebraska, had an \$800,000 write-off by First National Bank of Schuyler, Nebraska. It may be of interest to note that a senior member of Century Farms served as a director for First National Bank of Schuyler.

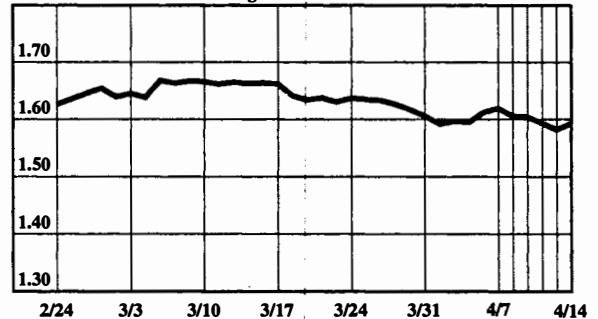
"My father again made an attempt to borrow \$3,260 to cover a March 1, 1985 land payment, our 18th of 21 payments, and was refused. My father had no choice but to file a Chapter 13 on April 2, 1985, a very humiliating and disheartening experience for him. I'm convinced the stress triggered his cancer, subsequently killing him in 1990.

"I feel very strongly that all banks should be investigated as to whether some farmers were sacrificed to cover write-offs for others."

Currency Rates

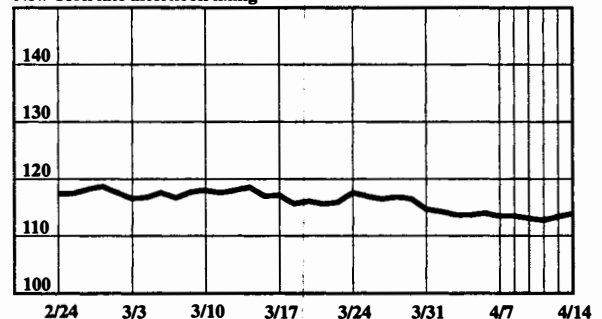
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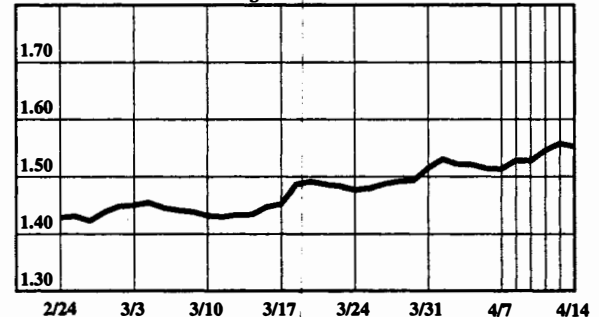
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

