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## Interview: Kay Zenker

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# A North Dakota farm family resists sheriff's sale—politically

*LaVerne and Kay Zenker operate a family farm near Regent, North Dakota, where they have four children. A sheriff's sale, which was scheduled by the Federal Deposit Insurance Corp. (FDIC) of Chicago on Feb. 8 to liquidate their property, has been cancelled for the time being. The forced sale was to be the culmination of a series of actions by bank and government officials against the family (see box, page 66). These acts of the government did not ensue because a farmer failed in his work, but because there is an organized scheme in the farm belt to use federal loan guarantees to illegally funnel money into the insolvent U.S. banking system.*

*The Zenker case dramatizes the moral crisis of policy in the United States. Creditor and government fraud in the farmbelt is dispossessing farmers at a time when the world desperately needs more food.*

*Kay Zenker was interviewed by Phil Valenti on Feb. 6.*

**EIR:** What was the first thing you did back in 1988 when you found out that the bank had committed fraud?

**Zenker:** I wasn't the one who found it at first. Our accountant found it when he was processing our papers. He called me and advised me that we should go immediately to the Farmers Home Administration [FmHA] and alert them because, since the papers were falsified, we wouldn't be able to make all of our payments at the end of the year, with debt now showing up that wasn't there when the cash flows were projected. He advised me to get ahold of the bank right away and then go to FmHA with that information and see what we were going to do to straighten it out.

**EIR:** So you went to the bank?

**Zenker:** I did call the bank and talked to the loan officer and he advised me not to tell Farmers Home because they might pull the guarantee and then we wouldn't have anyone to work with.

**EIR:** And then you told Farmers Home?

**Zenker:** The accountant was the first one to call the county supervisor and tell him that documents had been falsified to get the loan guarantee from the government, and that now the Zenkers were going to be in trouble at the end of the year

when they try to make their payments, because there simply wasn't going to be enough cash to go around, since they had omitted to tell Farmers Home about quite a large debt that was existing in that bank that we were expected to pay.

**EIR:** And despite that, Farmers Home went ahead and authorized the payment on the guarantee to the bank?

**Zenker:** Yes.

**EIR:** Did you go to elected officials?

**Zenker:** I have phone logs and notebooks that I've kept over the years, and I would say the calls are probably somewhere in the hundreds, made to our congressman and senators. We tried ag [agriculture commissioner] mediation early on and that didn't work.

**EIR:** What did the office of Agriculture Commissioner Sarah Vogel tell you?

**Zenker:** Basically they just sent an ag mediator to work with us. He had a meeting at the bank with the loan officer, but we weren't there. They talked about how they were going to solve our problems, and we weren't even included in the meeting. And then he came back in a few days and told us the only way we were going to solve this problem was if we sold half of our farmland, and my husband was then to get a long-haul truck-driving job, and leave mother and the kids to raise some sheep and take care of what field work we would have.

**EIR:** They didn't even consider the evidence of fraud by the bank?

**Zenker:** No, that was never talked about in mediation; they didn't want to hear it; they didn't want anything to do with it. They just wanted to find a solution that, in my mind, would benefit the bank, not me.

**EIR:** What about your experience with courts and attorneys?

**Zenker:** I don't have exact dollar amounts that we've spent on lawyer fees, but it's somewhere in the neighborhood of \$35,000, that we've spent on attorneys and trying to get something done through the court system in the last three

years. We've never been allowed discovery for our case through the court system, and from the only hearing we had, the transcript has been missing since Oct. 3, 1991 and can't be found, and now the judge has said it's irrelevant.

**EIR:** I understand that the lawyer that you paid failed to respond to a summary judgment.

**Zenker:** Yes, he did. That happened in September 1992, and everything has been escalated since that time. We went right from not answering a motion for summary judgment to a sheriff's sale which was scheduled for Feb. 8.

**EIR:** Was the *New Federalist*, a national weekly which regularly reports on Lyndon LaRouche and his political movement, the first newspaper to cover your story? It had an article on June 29, 1992.

**Zenker:** Yes, that was the first time that we saw our story in print. We'd been contacted by the *Des Moines Register* and spent a lot of time on the phone with a reporter there. We sent all of the information to this reporter. Then, after several weeks had passed and it got to be months, we were told that he was advised by his superiors that he couldn't print a story like that because the story was too old.

**EIR:** Was there any reaction to the *New Federalist* article at the time?

**Zenker:** We had a lot of phone calls from people we don't know, people who read the paper, in different parts of North Dakota, and even some in Minnesota and Iowa had picked up on our story and asked if there was anything they could do to help.

**EIR:** During the election last fall you endorsed LaRouche for President. Could you explain why?

**Zenker:** I said I was endorsing Lyndon LaRouche for President, and my husband was also, and the reason we were doing that was because Mr. LaRouche and his supporters were the only people who believed in us, and believed our story. They are the only ones who really care about independent farmers. When we said we'd been defrauded, they looked into it and found out that it was a fact.

**EIR:** The Rev. James Bevel, LaRouche's vice presidential running mate, came to North Dakota in October and held a prayer vigil and a meeting in your home. Can you describe the reaction to that?

**Zenker:** On our family, he made a great impression. We still talk about that today. My husband reads the Bible more than I do—I always say I don't have the time, so he reads it to me while I'm cooking or whatever—so we refer back to our prayer vigil as the beginning of something new for us. We decided that if the system wouldn't let us have our farm, at least we've met a group of people who believed in us, so we'd have something to hang on to.

**EIR:** What did the neighbors say?

**Zenker:** I tried to get more people to come to the prayer vigil. I just thought that they would come, and not too many of our close neighbors did. I think maybe from what they've heard about Lyndon LaRouche and his movement, that they associate it with something totally opposite from what it is. Maybe that kept them from coming, or, as people are today, they just don't want to get involved in anything. We're just thankful for those who did get involved.

**EIR:** Did your endorsement of LaRouche, and Reverend Bevel's support, finally get some reaction from elected officials?

**Zenker:** I would say it did; we had a lot of comment about that. Most of it was negative though. They told us to stop running around with this radical bunch of people.

After a long period of time trying to get a meeting with one high official, he finally did agree to meet with us on election day. He also told us that if we expected to save our farm, the first thing we needed to do was stop running around with these groups of people. The only group of people I was ever involved with was the LaRouche movement and Food for Peace, so it's clear who he meant.

**EIR:** You also lobbied with the Schiller Institute in Washington, D.C. in January. Would you describe what happened?

**Zenker:** It was most interesting, that's for sure. I would have to say that we really had more interest about what was going on in North Dakota from congressmen from other states. They were sometimes more open to listening to our story.

**EIR:** When you got back from Washington, you began demanding action from state officials. What was their reaction then?

**Zenker:** At first we couldn't get meetings set up—it's so hard to run around and try to catch all these people—but we were advised to go and talk to Roger Johnson, Sarah Vogel's assistant, because we were told that Johnson was thinking that none of this stuff is really so, since we were basing a lot of our findings on "hearsay" and he needed more proof. He had already been made aware of the Goodloe hearings [see *EIR*, Jan. 8] and he knew it was more than hearsay.

We followed up then and went to see Johnson, and he said he would try to help us if he could. We asked him if he would put together a meeting so we could have all these people together in one place at one time, because we were getting nowhere being bounced around. So he agreed to do that.

Then he also told me to stop running all over the country, hollering and yelling and getting involved with all these people who don't even know what's going on in North Dakota. He said what you need is to go home, find some "reputable

people" in your own area that know what's going on, then when we have this meeting, you can all come. So that's what we did. We made some phone calls when we got home and talked to some people. I think there were 23 people who showed up at the meeting when all the state officials were gathered in one room, so we could talk to them all at one time.

**EIR:** This was the meeting on Jan. 25 with Agriculture Commissioner Sarah Vogel, her assistant Roger Johnson, the state banking commissioner and his assistant, someone from the attorney general's office, representatives of the two U.S. senators and the one U.S. congressman, and also two state legislators. Was this the first time that these people had admitted, after four years, that the bank had in fact committed fraud against you?

**Zenker:** Yes, that was the first time we had ever heard them admit that there was fraud in that particular bank. It was mentioned several times that day in the meeting that we don't need to talk about the fraud that was committed anymore, we all agree in this room that fraud was committed. But no problem-solving took place that day either.

**EIR:** But as a result, the two state legislators did introduce House Concurrent Resolution 3037 on Jan. 28, just three days later, and after that, Food for Peace organized a prayer vigil and protest in front of the Hettinger County courthouse in Mott where the sheriff's sale was scheduled to take place. Had there ever been a picket line and protest like that before?

**Zenker:** I'm sure not; I think people are still talking about that. For some reason the county sheriff assumed that we were going to be carrying more than picket signs, saying things like "Hands Off the Zenker Farm," "No Sale," "Jail Corrupt Bankers," and things like that. I don't know where he got his information, but he must have been quite concerned that the group of people that he had been told were going to show up to do the prayer vigil and picketing were possibly dangerous, might be armed, a very violent group of people might be coming. So he had alerted adjoining county sheriffs to come to his aid in case he needed them. There was a sheriff from Grant County and one from Adams County, also a couple of highway patrolmen were around, and some plain-clothes policemen were standing in our group as we said our prayer before we started our march on the courthouse.

**EIR:** I'm sure they were all there to protect you! Finally, it was just a little more than a week later, on Feb. 5, three days before the sheriff's sale was scheduled, that the attorneys for the FDIC contacted the sheriff and canceled the sale. Were you surprised?

**Zenker:** I might be still in shock over that. I can't understand why, when they had us all the way to the sheriff's sale. I'm sure they knew there were other options we could have taken to stop the sheriff's sale, but we hadn't done that. I guess I'm

## Government fraud in the Zenker case

The facts of the Zenker case, and related farm finance operations in the Midwest, show blatant fraud by government agencies and private banks. What is in order is investigation and prosecution of guilty officials at the state and federal level, who thus far have refused to investigate the Zenkers' concerns over a pattern of fraud upon taxpayers and farmers nationwide, and a moratorium against farm foreclosures.

The case of the Zenkers began in July 1987, when officials at Regent Bank in their home town lied to the Farmers Home Administration (FmHA) to get a government-guaranteed loan on the Zenker farm. The Zenker family was buying their farm from a neighbor who was financing them, who told the Zenkers he would take \$70,000 less than they owed if they obtained a loan to "cash out" the contract from their local bank.

The Zenkers obtained a loan from their bank, but they did not know that bank officials, in order to obtain a guarantee on this loan from the FmHA, had failed to disclose debt the Zenkers had with Regent Bank. The Zenkers also did not know that the bank told the FmHA that the loan would be repaid with milk income from cows that did not exist.

After the loan closed, the Zenkers did not receive the dairy cows upon which repayment of the loan was based. This fraud by the bank forced the Zenkers into default on the loan. The Zenkers exposed the bank's fraud to FmHA officials and requested that the government revoke its guarantee to the bank. Then, they asked the FmHA to request lower payments on the loan, which was a part of the written guarantee. Lower payments would have

still in shock.

We had submitted a proposal to them on a Friday, and by the following Tuesday they were already saying that they were going to look at it, and then by Thursday we had gotten notice that the sheriff's sale was cancelled for an indefinite period of time to talk negotiation and settlement.

**EIR:** Many people considering getting active in politics are frightened about being associated with Lyndon LaRouche. What would you recommend to those people?

**Zenker:** A lady just called me this morning. She had just heard that the sheriff's sale had been stopped and she won-

allowed the Zenkers to repay the loan in full, and the government would not have had to pay a penny on the Zenker loan.

Instead, the FmHA ignored the Zenkers' requests, covered up the bank fraud, and paid \$258,000 to a second bank (the giant Dutch agro-bank Rabobank), which had bought the guaranteed loan from the Zenkers' bank and cashed it in when the Zenkers couldn't pay.

The Zenkers disclosed the second bank's fraud to the FmHA, and again asked the FmHA for help. The FmHA admitted that bank's fraud, but refused to investigate and paid the guarantee, even though the contract voided the guarantee under conditions of fraud. The FmHA then approved foreclosing the Zenkers' farm. When the fraud was exposed, the Federal Deposit Insurance Corp. (FDIC) from Chicago closed the bank.

But the FDIC covered up the fraud of the bank, and also the fraud of FmHA officials. The FDIC then went to court stating that the FDIC held the debt of the Zenkers, when in actuality, another arm of government, the FmHA, held the debt.

The pattern of fraud appears to extend far beyond North Dakota. Some of the same people who purchased fraudulently obtained government-guaranteed loans from the Zenkers' bank in North Dakota on behalf of Rabobank, the bank which cashed in the Zenker guaranteed loan, were former employees of the government-backed Farm Credit Bank of Omaha, Nebraska. That bank repaid \$4 million to the U.S. government in April 1992, as part of a settlement agreement with the government and the Iowa U.S. attorney. The agreement resulted from allegations that the Farm Credit District had fraudulently obtained government guarantees on its loans and then liquidated farmer borrowers to collect on the guarantee.

Thus far, the FmHA at the state and national level, the North Dakota U.S. attorney, the FDIC in North Dakota, Chicago, and Washington, D.C., the North Dakota ag-

ricultural commissioner, the North Dakota state banking commissioner, and the Office of Inspector General in Kansas City (who investigated the Iowa fraud which led to the \$4 million settlement) have all refused to act to stop this continuing fraud.

North Dakota Senators Byron Dorgan and Kent Conrad have also thus far refused to launch an investigation into this pattern of fraud by the government. Thus far, the court overseeing the Zenker foreclosure has ignored procedure by not permitting a hearing to present the fraud and ordering the foreclosure to proceed. The court appears to be in collusion with the government and the bank to prevent the fraud from being exposed.

### **The Goodloe hearings**

Over Dec. 7-10, 1992, Justice William C. Goodloe, a retired Washington State Supreme Court judge, and Oklahoma civil rights leader Rev. Wade Watts held hearings sponsored by the Schiller Institute and the Food for Peace organization on the Zenker and other cases of human rights violations against family farmers, taking 20 hours of testimony from 41 people in four locations in North and South Dakota. At the end of those hearings, a report was issued, which is being circulated to Congress, state capitals, and the media. Goodloe found a significant pattern of abuse in the FmHA's guaranteed loan program: "All evidence pertaining to FmHA-guaranteed loans of debtor-farmers clearly indicated an intent and pattern by creditors to defraud the program and violate the law."

On Jan. 28, House Concurrent Resolution 3037 was introduced in the North Dakota state legislature by Representative Kerzman and Senator Krauter. It urges the Congress and the President of the United States to investigate allegations of fraud and abuse by banks and other credit agencies in the handling of agriculture loans, to compensate victims of fraud and abuse, and to consider a moratorium on farm foreclosures.

dered how we accomplished that. I guess I don't have a total answer for that, but it has to be a chain of events, something that we've been doing right.

I told her that we've been called kooks, and we've been called deadbeats because we don't pay our bills, but the LaRouche people believe in us. It can't be wrong. They're always there; they'll come to your aid for picket lines and prayer vigils, or whatever you need from them. They're certainly not violent. They pray more than any group of people I've ever been associated with; they don't even start up a meeting without a prayer of some sort, and usually end it with a prayer, so if these are violent people, then I'm still confused.

People who have heard anything about Lyndon LaRouche, owe it to themselves to first find out the facts, not just listen to what the news media tell us; and when they know the facts, there'd be no reason for them not to join a group of people that help people. I just don't understand why they're afraid of people helping people.

I never really knew any Indians before, but we worked with the Indians in the fight they were having on the reservation against the casino, and they're really nice, wonderful people [see *EIR*, Jan. 15]. They're just nice families trying to make a better life for themselves and their kids. If people are afraid to join people like that, then there's something wrong.