

NORTHWESTERN Banker Newsletter

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FmHA Halts Farm Land Sales

THE Farmers Home Administration was ordered by the USDA on December 19 to discontinue selling farm land taken over by the FmHA in nine midwestern states. Charles W. Shuman, administrator of FmHA sent the order to his state officials immediately and also directed that real estate brokers with FmHA listing agreements be informed of the action.

The agency had already been acting under the earlier request of Secretary of Agriculture John Block to adhere to strict guidelines before selling farm land assumed by the agency, because many industry observers felt these sales amounted to "dumping" and were pulling land prices down further.

It was reported that FmHA at last year-end had 2,089 farms in the United States, for a total of 488,000 acres. The nine midwestern states now affected by the new order prohibiting FmHA from selling farm land, accounted for these totals in farms and acres:

Illinois, 34 and 6,000; Iowa, 75 and 15,000; Kansas, 73 and 22,000; Minnesota, 149 and 12,000; Missouri, 198 and 42,800; Nebraska, 13 and 5,400; North Dakota, 49 and 14,000; South Dakota, 52 and 12,000, and Wisconsin, 88 and 18,000.

Nebraska's Repr. Doug Bereuter, at a December 19 press conference in

Lincoln, proposed that the state buy back from the FDIC the good and marginal loans of failed banks it takes over. Apparently, the state would then administer those loans until they could find a "home" at an appropriate lending institution. Nebraska Gov. Robert Kerrey's response was favorable to the plan but said the federal government should perform this function, not the state.

Earlier, 10 representatives of the FDIC, the Fed, the Comptroller, FmHA, USDA and Farm Administration, held five meetings in the midwest with bankers and state officials to discuss the crisis resulting in those states from the closing of several rural banks. They met in Grand Island and Lincoln on December 12, in Creston and Des Moines, Ia. on December 13, and in St. Joseph, Mo. on December 14.

No decisions or promises were made since the participants from the regulatory and government offices were staff personnel and not policy makers. Plenty of testimony and comments were forthcoming from bankers attending, as well as from the regulators.

Nebraska, for example, has lost banks in Cody, Kilgore, Verdigre (all in northern Nebraska) and David City (east central Nebraska) since Labor Day, and Niobrara late last year. All these banks were later reopened by other banks, but many of

the loans were held by FDIC and those "marginal" and "delinquent" loans looking for a "home" in other banks have been getting a lot of press and attention in the Cornhusker state because FDIC has been taking 100% of the proceeds of crop sales. It is estimated that \$10 to \$20 million in loans is involved, but the farm families affected by that procedure are really hurting, which has resulted in the concentrated attention in that state. Two PCAs in northern Nebraska counties also have failed.

A.C. "Skip" Hove, Jr., president of the Nebraska Bankers Association and chairman of Minden Exchange Bank, Minden, said, "For many, the Farmers Home Administration is the only practical hope. If that agency fails to respond promptly to the needs in a community where an ag lending institution has failed, the entire community will suffer an economic disaster. A multitude of farm sales conducted during a relatively short period of time will cause irreparable damage." He asked FmHA to take these actions:

1. The farm borrowers of failed agricultural lending institutions who apply for loans from the FmHA should be given a loan processing priority at least equal to the highest existing priority of the agency. Unless this is done, many will be liquidated, not because of a final determination of ineligibility for loans, but because of the absence of prompt

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attention to their distressed situation.

2. The FmHA should be directed to hire the temporary staff necessary to process these applications without delay so that the farmers will know whether or not they will be able to operate during 1985. The Nebraska Department of Agriculture and the Nebraska Bankers Association provided employee assistance to the FmHA for the guaranteed loan program for a period of eighteen (18) months which recently ended. The Nebraska Department of Agriculture has offered similar assistance again to be used for any appropriate FmHA programs. In addition, it is strongly recommended that permanent FmHA staff be assigned to Nebras-



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ka offices to handle the increasing workload that they are experiencing due to the farm crisis.

The ultimate objective of this aid by the State to the Federal Government should be the resolution of at least some of the producers' financing problems in time to salvage their operations. This aid should not be accepted unless the other steps are taken which will assure the availability of funds to make operating loans to new applicants who are finally determined to be qualified for loans.

3. Appropriate reallocations of FmHA funds should be made to address the crisis situation caused by failed ag lending institutions.

4. Maximum cooperation between the FmHA and the FDIC, or other liquidating authority, should be mandated immediately. This is necessary to assure that all alternatives available to each individual borrower are given careful consideration.

5. The provisions of the President's Debt Restructuring Program for existing FmHA borrowers should be made available immediately to new FmHA loan applicants from these areas.

In addition, the FmHA Economic Emergency Loan Authority should be renewed with appropriate safeguards against abuses to the program.

Another Nebraska banker told the gathering his state is getting only \$89.5 million in direct loans of the \$4.3 billion the FmHA has budgeted nationwide. Another banker said FDIC and regulators should be "creative" with liquidation or takeovers of community banks to the same degree they were "creative" in shoring up Continental Bank of Chicago and Chrysler Corporation.

In Iowa, John Chrystal, president of Bankers Trust Company, Des Moines, and a long-time ag banking leader in Iowa, said the current farm situation is "bordering on catas-

trophe." He pointed to high interest rates and low prices for farm products as two of the main culprits in the deteriorating farm scene. Iowa Superintendent of Banking Tom Huston pointed out that bank customers having difficulty translates into banks having difficulty—and that is the scenario being witnessed in midwestern states today.

The announcement by FmHA of the USDA action putting a hold on farm land sales followed those meetings, but it is not known if that decision was a direct result or was already in progress. □

Iowa News

CLEGHORN: The Cleghorn State Bank has announced the promotion of Bruce Schmadeke to vice president and Susan Erickson to cashier. Mr. Schmadeke has been with the bank since 1982. Ms. Erickson joined in 1977.

DAVENPORT: Perry Hansen has been elected executive vice president of Brenton Bank. He has served as senior vice president since 1980 and will now assume the daily management of the bank.

KNOXVILLE: Richard E. Magnuson has been elected assistant vice president at Community National Bank, primarily in agricultural lending. Previously Mr. Magnuson was with Columbus PCA in Osceola, Nebraska, as branch manager-loan officer, and with IBM Mid America Employees Federal Credit Union in Omaha, Nebraska.

Nebraska News

Roger L. Weiss, president and chairman of Commercial National Bank in Ainsworth, submitted his resignation as president-elect of the Nebraska Bankers Association during the NBA executive council meeting in Lincoln December 13. He said, "With the problems with agriculture credits generally, and our area of Northern Nebraska particularly, I feel that I am needed at home." NBA President A.C. "Skip" Hove appointed an 11-member search committee, made up of members of the NBA Executive Council.

At the meeting, council members also voted to adopt the recommendation from the recent NBA Banking Leadership Conference that the NBA will oppose any interstate banking legislation in the forthcoming state legislature. Also, Max Callen, who resigned as vice president

at National Bank of Commerce, Lincoln, to become executive vice president at City National Bank in Hastings, resigned from the Council and his place is being taken by Tom Potter, NBC president.

BERTRAND: H.S. Kingsley, Sr. past president and past chairman of Bank of Bertrand, died November 20. Born and raised in Minden, Mr. Kingsley joined his father's bank in Norman in 1928, and in 1939 transferred the bank charter to Bertrand, where he established the Bank of Bertrand.

LINCOLN: The Nebraska State Claims Board ruled on December 18 that the State of Nebraska is liable for deposits of up to \$30,000 for customers of the failed Commonwealth Savings Company. That covers approximately 7,000 depositors. The board's ruling was based on the state's support of the Nebraska Depository Institution Guaranty Corp., an independent group that insured the deposits of Commonwealth and other Nebraska industrial banks, but in fact only had a limited amount of dollars in it. This claim, estimated at \$20-30 million, will go to the legislature for action. Roger Beverage, state banking director, was quoted as saying he was not optimistic for passage of the claim.

OMAHA: William Dewhurst has been promoted to vice president at Norwest Bank Omaha. Mr. Dewhurst joined the bank in 1979 and in his new position will serve in the financial institutions group with responsibility for western Iowa, Lincoln and Omaha.

OMAHA: Dallas P. Hogan has been named vice president and trust officer for Southwest Bank & Trust Company. Mr. Hogan previously held a similar position with First National Bank, Iowa City, Iowa.

UEHLING: Uehling State Bank was closed Tuesday, December 18, by Roger Beverage, state banking director. A recent routine examination uncovered some disturbing records, and the department stated, and this prompted follow up examination in the last few days, before closing the bank. The department discovered "apparent criminal irregularities," according to Mr. Beverage, who in turn has contacted the appropriate authorities for further action. Uehling State Bank had assets of \$4.7 million as of June, 1984, and deposits of \$3.77 million. At press

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time it was not known if the bank would be reopened or sold.

Minnesota News

The Minnesota Bankers Association Human Resources Committee will sponsor a Supervisory Workshop Wednesday, January 9, 1985 at the Holiday Inn Downtown, Mankato.

The workshop is designed for bank personnel responsible for managing and directing others.

Pat Coleman, president, The Training Company, St. Paul, will conduct the program. He is a training consultant with over 20 years of experience.

MINNEAPOLIS: Norwest Bank Minneapolis has named Dharani P. Narayan as executive vice president, reporting to James R. Campbell, president. Mr. Narayana is responsible for the bank's national and international departments, and will continue to manage the financial institutions business group. He originally joined Norwest bank in 1969.

MINNEAPOLIS: Robert V. Gorsche has been named president of Norwest Mortgage, Inc., announced Vice Chairman Richard S. Levitt, who has been serving as the mortgage company's president since August. Mr. Gorsche previously was a senior vice president at Norwest Financial, based in Des

Moines, Iowa. Mr. Levitt also announced that Patrick J. Kenneally, former vice president and regional manager at Norwest Financial, has joined Norwest Mortgage as executive vice president, and William J. Brechtel, vice president at Norwest Corporation, has been named senior vice president and assistant to the president of Norwest Mortgage.

Montana News

BILLINGS: At First Interstate Bank of Billings, John H. Evans and Keith D. Cook have been elected assistant vice presidents. Mr. Evans, elected in sales and marketing, previously was district manager for the F.W. Woolworth Company in the Billings area. Mr. Cook, commercial loans, previously served as an officer of Montana Bank of Billings and Montana Bank of Great Falls.

GREAT FALLS: LaVonne R. Kirkhorn has been elected vice president in the commercial lending division at First Bank West. Most recently an assistant vice president, Ms. Kirkhorn has worked the past two years in credit review and compliance functions.

HELENA: Jerry Overmier has been elected vice president, cashier and chief administrative officer of First Bank Helena. He joined the bank in 1973 as a trainee and most recently has served in personnel and operations.

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SENIOR AG LOAN OFFICER — Salary to \$50,000. Opportunity for life-time employment. Send resume to Board of Directors, Bank of Elgin, 2nd and Pine, Elgin, Nebraska 68636. Phone: 402/843-2228. (PA)

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