STATEMENT OF

TIM OHLDE
PRESIDENT

ELK STATE BANK
CLYDE, KANSAS

ON BEHALF OF THE
KANSAS BANKERS ASSOCIATION

AT A PUBLIC MEETING OF THE

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FARM CREDIT ADMINISTRATION
McLEAN, VA

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Chairman Reyna, Mr. Flory, and Ms. Pellett – thank you for this opportunity to address your questions regarding the scope of and eligibility for financing by the Farm Credit System. My name is Tim Ohlde and I am the president of Elk State Bank in Clyde, Kansas, a rural community of 750 people in the north central part of the state. Elk State Bank is an independently owned bank with assets of $25 million and total loans serviced of approximately $16 million of which 60 percent are agricultural loans. I have a farm background and have been in banking for over 19 years. I appear before you today as a representative of the Kansas Bankers Association. The Kansas Bankers Association has a membership of 359 banks of the 363 in the state of Kansas. In 2002 Kansas banks provided nearly 5 billion in agricultural credits. This constitutes nearly 20% of all commercial bank lending in the state. Over 96% of all Kansas banks engage in some type of agricultural lending.

Regarding the question of whether FCA should retain the definition of "bona fide farmer," I say yes. Congress created the Farm Credit System for a specific mission. I believe the FCS, a tax-advantaged, government-sponsored financier of agriculture, should focus on the mission for which it was created. The current definition is certainly not limiting FCS from lending in our area of the state. In fact, we see below market pricing of credits and very aggressive practices on the part of some offices to pursue the well-established farm customer. I am also seeing disturbing cases of rapid credit approval for the "bona fide farmer" as well as for the individuals who work full time off farm. This hurried process is not conducive to proper lending guidance for the customer. A change to the definition that would dilute the definition of both bona fide farmer and the conservative credit requirement will move the Farm Credit

System further from its original mission thus increasing the competitive advantage of a tax-advantaged, government-sponsored entity. This serves no public purpose and will tip the playing field even further to the FCS advantage.

What limit, if any, should FCA regulations place on lending for farmers other credit needs?

Regarding the question of how FCA should regulate lending by the System for other credit needs of eligible farmers who derive most of their income from off-farm sources, I believe that such lending should be left to the private sector. The private sector in Kansas, and indeed throughout the United States, is meeting the "other" credit needs of rural Americans. For example, in our community of 750, there are over 12 lenders competing for residential housing and consumer credits. What purpose would it serve for a tax advantaged, government-sponsored institution, to change its current definition or move further away from conservative credit in the case of part-time farmers in a market that is already well-served by private industry? Congress never intended, in granting FCS generous tax and borrowing privileges, for FCS to become a main stream consumer lender. FCS should remain focused on farmers and ranchers, because that is what Congress identified as the consumer need when FCS was founded, and that is why Congress bailed out the system in 1987. The American taxpayer was told FCS **had** to be rescued in 1987 because if they failed, farmers and ranchers would be hurt; the taxpayer supported the bailout to support farmers and ranchers who were facing a difficult time.

The credit industry is serving well the multi-faceted credit needs of farmers and ranchers and there are no "gaps" in the marketplace that would justify a tax-advantaged, government-

sponsored institution entering further into the financing of non-agriculture debt. Should there be a limit placed by FCA on lending for farmer's other credit needs? Yes, there should be, and it should be off limits to a tax-advantaged, government-sponsored institution and left to the private sector.

Regarding whether the FCA should change the definition of "moderately priced" rural housing, I say no, the FCA should not change the definition of moderately priced housing. Serving the clientele with the current definition of moderate is most appropriate given the FCS's tax-advantaged, government-sponsored status. Again, private industry is serving the needs in residential lending in our area as well as the state.

When I was a student at Kansas State University in the early 80s, the Farm Credit Bank of Wichita was giving away a book that talked about the future of production agriculture–larger, highly technical operations that would use helicopters to check crops, and which would allow farmers more time to help with community activities. The input given to me as a potential young farmer was to not pursue production agriculture because future successful operations would be very large. As I began my banking career, I witnessed many situations where the only resolution of a debt problem FCS would consider was a deed back or foreclose. I saw the FCS close local offices and otherwise reduce its presence in local communities. Today, I find myself giving public input on the question of whether FCS should stray even further from its mandate in regard to lending to bona-fide farmers. Instead of continuing its drift away from its original mandate, the FCS needs to **re-focus** on its original mission given to it from Congress.