

# Understanding Bank Perspectives of the Beginning Farmers and Ranchers Loan Program



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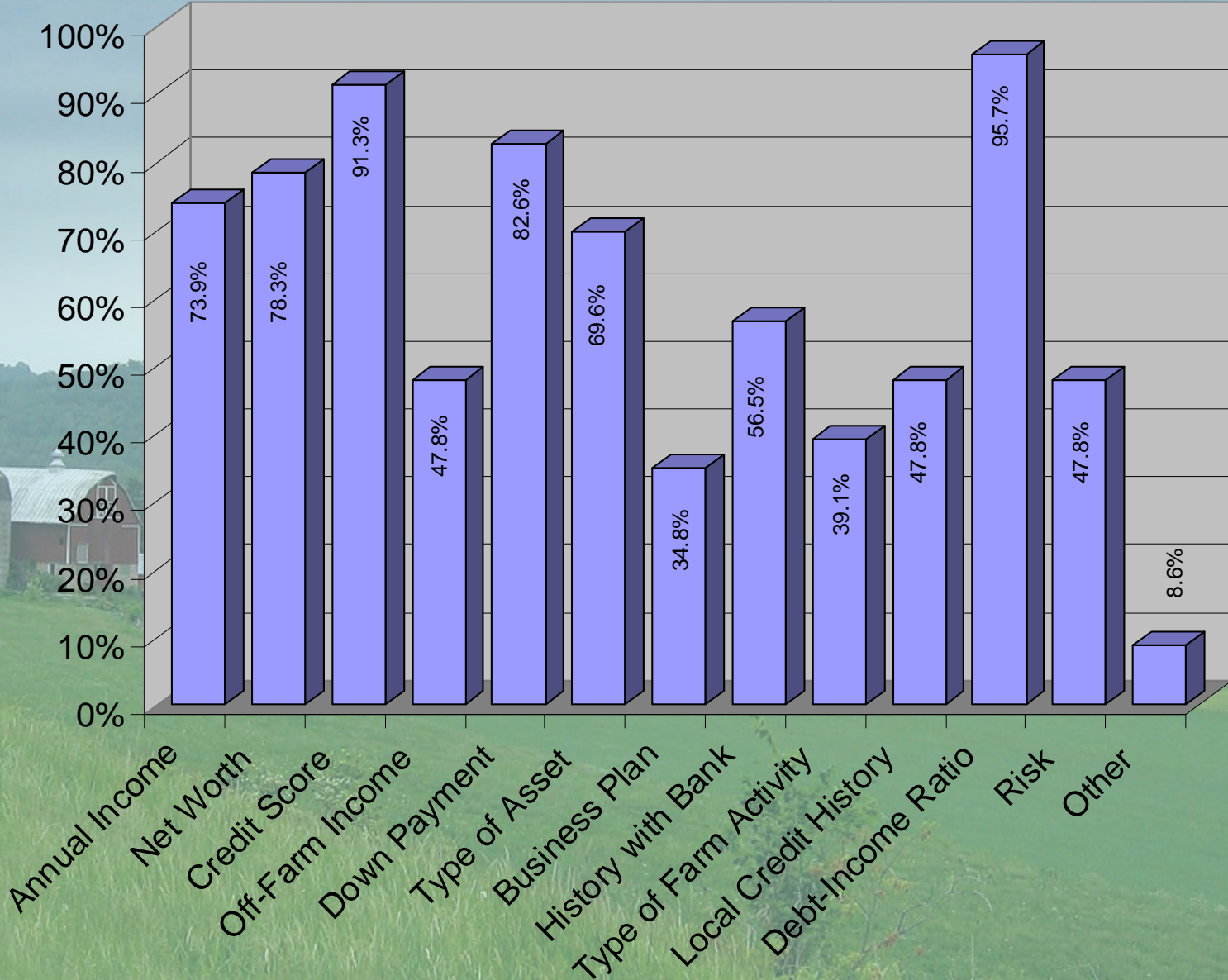
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# Purpose and Objectives

The purpose of this study was to explore financing options available to beginning farmers and ranchers, specifically examining the Beginning Farmers and Ranchers Loan Program.

1. To determine if banks participate in or have knowledge of federal farm loan programs, specifically the Beginning Farmers and Ranchers loan program;
2. To learn of the extent of banks' participation in these programs and factors that impact their participation;
3. To explore how banks would change the current Beginning Farmers and Ranchers loan program in order for them to participate.

# Most Important Factors for Loan Acceptance

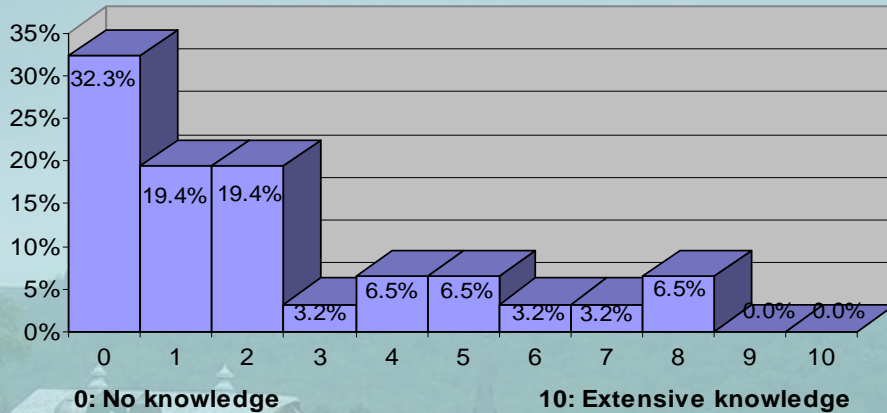


# Most Important Factors for Loan Acceptance

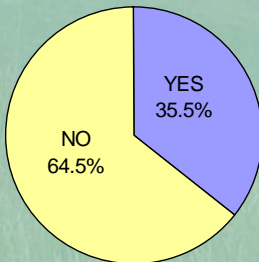
	0	1	2	3	4	5	6
<i>Annual Income</i>	26.1%	<b>13.0%</b>	4.3%	4.3%	<b>26.1%</b>	8.7%	17.4%
<i>Net Worth</i>	26.1%	0.0%	8.7%	<b>13.0%</b>	8.7%	<b>17.4%</b>	26.1%
<i>Credit Score</i>	8.7%	<b>17.4%</b>	<b>13.0%</b>	<b>17.4%</b>	4.3%	<b>17.4%</b>	21.7%
<i>Off-Farm Income</i>	56.5%	0.0%	0.0%	0.0%	0.0%	0.0%	43.5%
<i>Down Payment</i>	17.4%	4.3%	<b>17.4%</b>	4.3%	<b>13.0%</b>	4.3%	39.1%
<i>Type of Asset</i>	34.8%	4.3%	4.3%	4.3%	8.7%	8.7%	34.8%
<i>Business Plan</i>	69.6%	0.0%	0.0%	0.0%	0.0%	0.0%	30.4%
<i>History with Bank</i>	47.8%	8.7%	0.0%	4.3%	4.3%	8.7%	26.1%
<i>Type of Farm Activity</i>	65.2%	0.0%	0.0%	0.0%	0.0%	0.0%	34.8%
<i>Local Credit History</i>	52.2%	0.0%	0.0%	8.7%	0.0%	8.7%	30.4%
<i>Debt-Income Ratio</i>	4.3%	<b>17.4%</b>	<b>26.1%</b>	<b>21.7%</b>	<b>8.7%</b>	0.0%	21.7%
<i>Risk</i>	56.5%	8.7%	0.0%	0.0%	4.3%	4.3%	26.1%
<i>Other</i>	91.3%	8.7%	0.0%	0.0%	0.0%	0.0%	0.0%

# Knowledge of Loan Programs

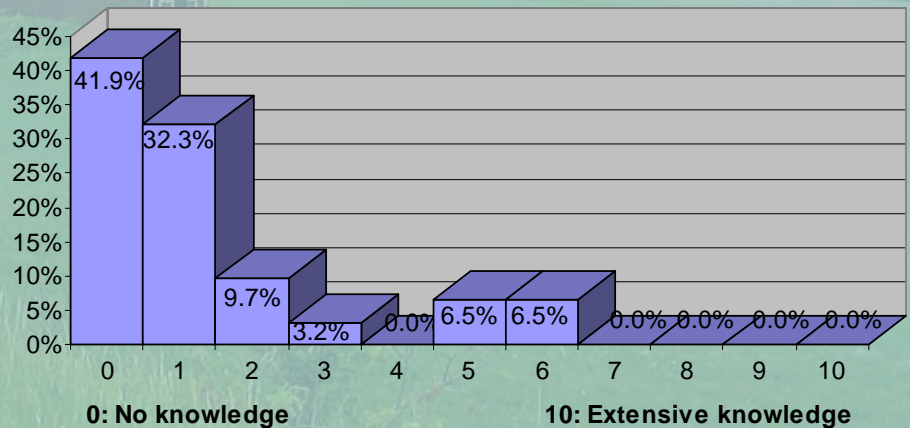
## Knowledge of Federally-assisted Farm Loan Programs



## Know Farm Service Agency (FSA) county representative

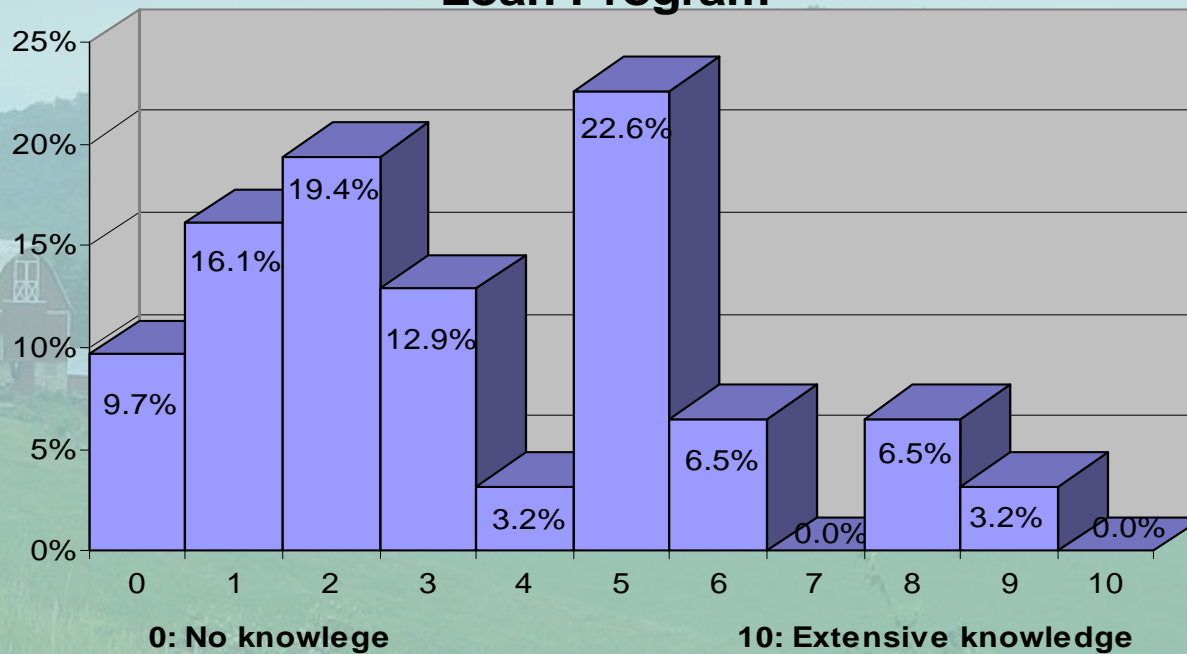


## Knowledge of Beginning Farmers and Ranchers Loan Program



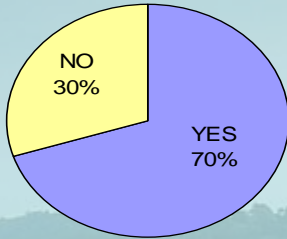
# Knowledge of Loan Programs

## Knowledge of Small Business Administration Loan Program

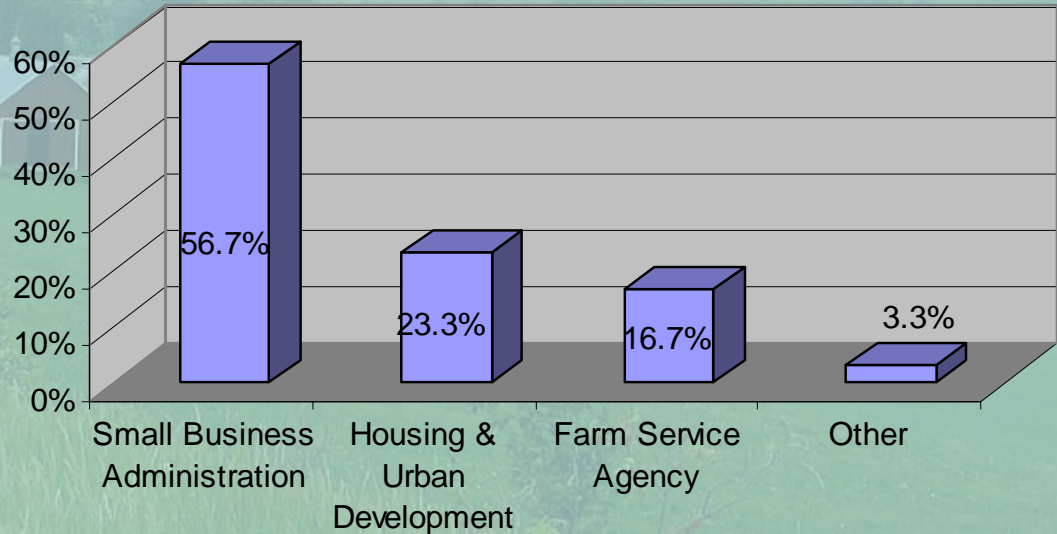


# Participation in Loan Programs

Participation in Federally-assisted Loan Programs

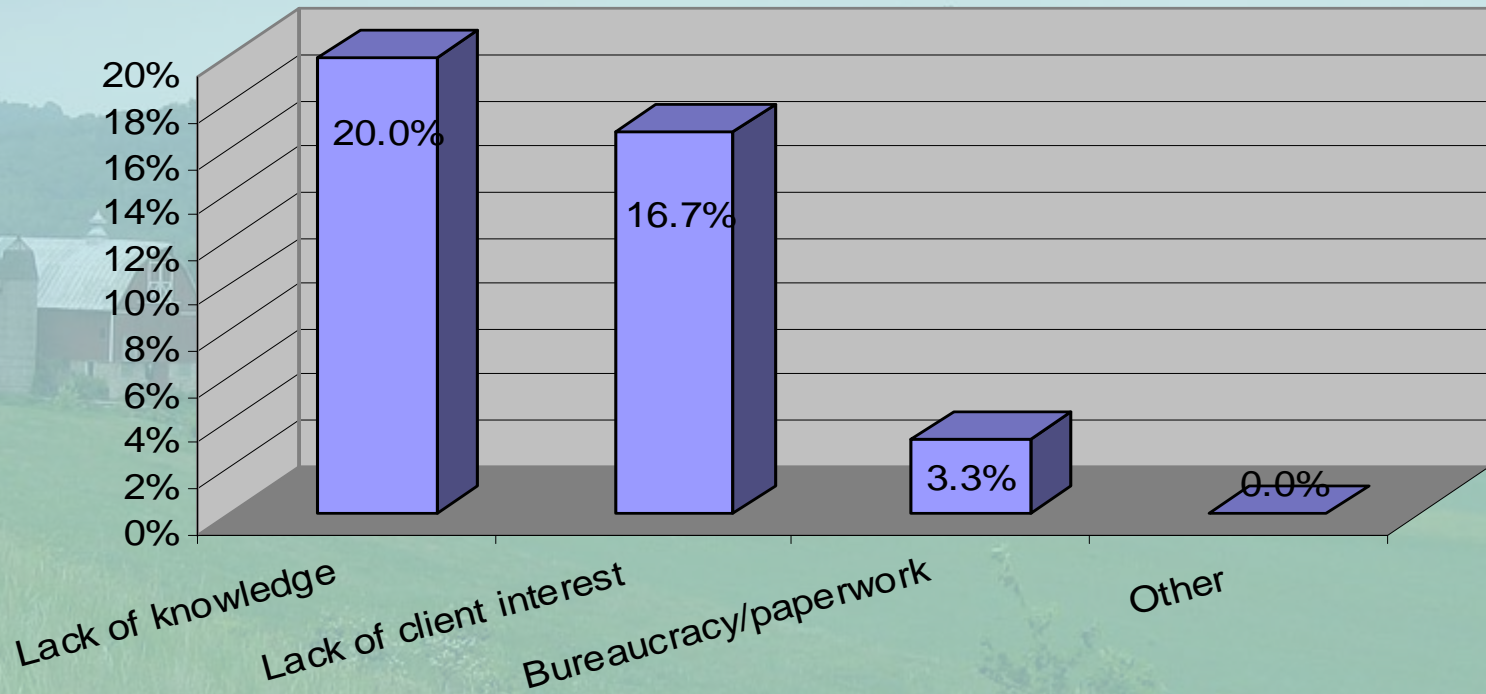


Participation in Federally-assisted Loan Programs



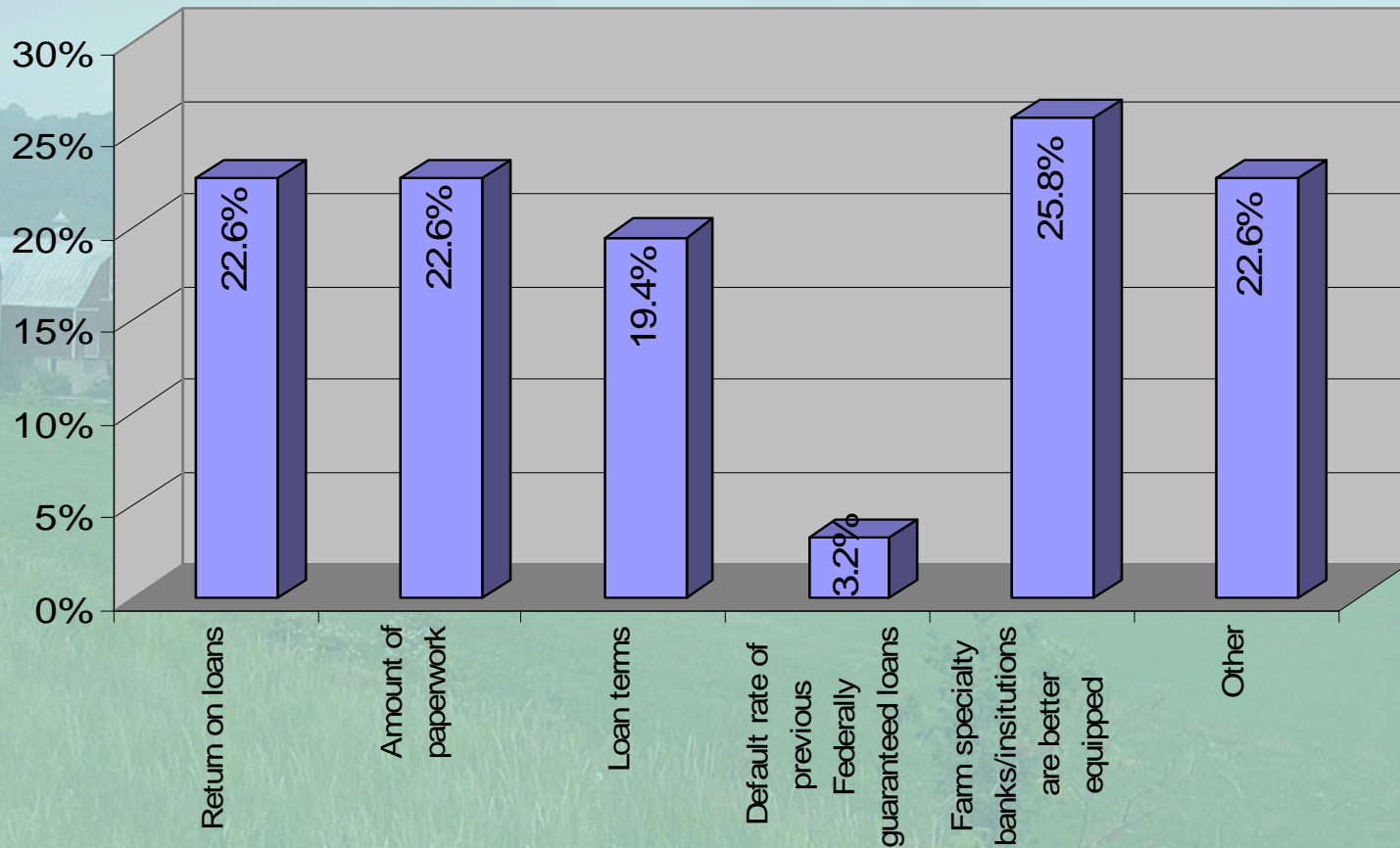
# Participation in Loan Programs

## Reason for not participating



# Participation in Loan Programs

## Factors that Impact Banks' Willingness to Participate in Federally-guaranteed Agricultural Loan Programs



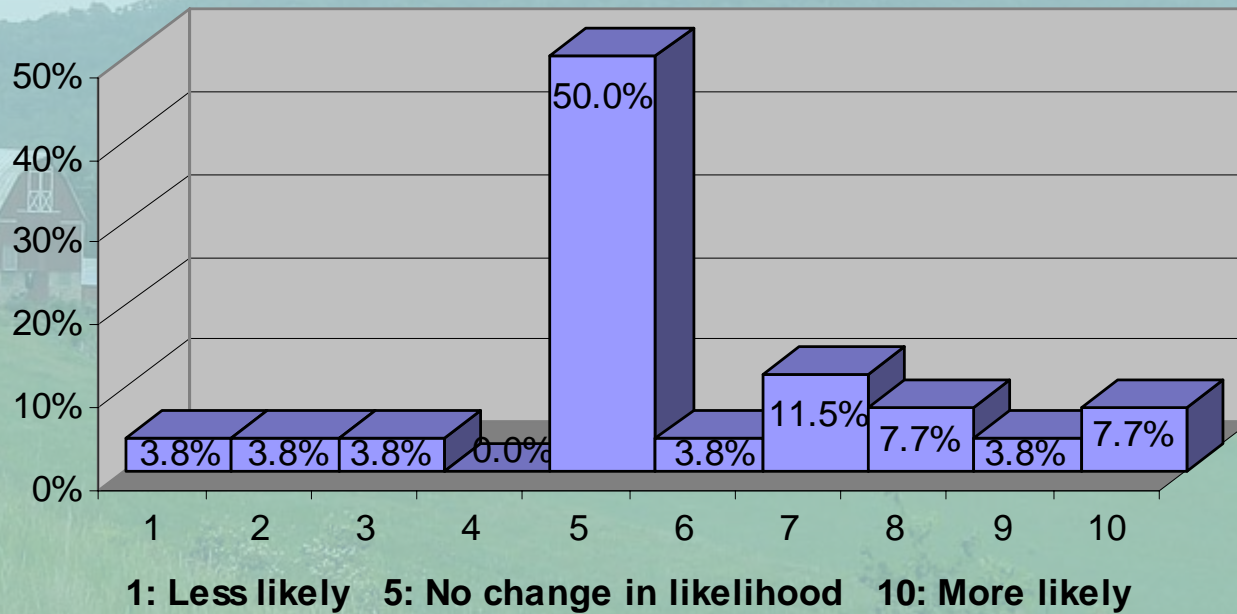
# Proposed Changes and Likelihood of Participation

Proposed changes to the Beginning Farmers and Ranchers Downpayment Loan Program:

1. Change the 4% interest rate to 2%.
2. Defer initiation on first annual payment for one year.
3. Eliminate the \$250,000 cap on the value of property that may be acquired. Replace it with a maximum downpayment loan amount of \$200,000. This at a minimum doubles the potential buying power.
4. Decrease the minimum beginning farmer or rancher contribution from 10% of the property purchase to 5%.

# Proposed Changes and Likelihood of Participation

## Change in Likelihood of Participation

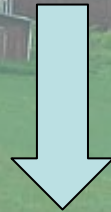


# Conclusions

Lack of Knowledge



Lack of Participation



Lack of Financial Resources Available