United States General Accounting Office

GAO

Report to Congressional Committees

January 2001

FARM SERVICE AGENCY

Updated Status of the Multibillion-Dollar Farm Loan Portfolio

Accountability * Integrity * Reliability

GAO-01-202

**United States General Accounting Office
Washington, D.C. 20548**

January 10, 2001

The Honorable Tom Harkin
The Honorable Richard G. Lugar
Committee on Agriculture,
Nutrition, and Forestry
United States Senate

The Honorable Larry Combest
The Honorable Charles W. Stenholm
Committee on Agriculture
House of Representatives

The Farm Service Agency (FSA), a lending agency within the U.S. Department of Agriculture (USDA), provides, among other things, financial assistance to farmers and ranchers who are unable to obtain commercial credit at reasonable rates and terms.[1] FSA does so by providing (1) direct government-funded loans and (2) repayment guarantees on farm loans made by commercial lenders. For a guaranteed loan, a commercial lender must certify that it will not make the loan unless it receives an FSA guarantee.

During the 1990s, we issued a series of reports highlighting the substantial financial risk associated with FSA's farm loan programs and multibillion-dollar portfolio. In summary, we reported that FSA faces the conflicting tasks in operating its farm loan programs of providing temporary credit to high-risk borrowers so they can stay in farming until they are able to secure commercial credit and of ensuring that the taxpayers' investment is protected. We also reported that FSA had evolved into a continuous source of subsidized credit for many thousands of borrowers, experienced a high rate of defaults on loan repayments, and incurred billions of dollars of loan losses. The causes of the agency's problems included program policies—some of which were congressionally directed—that contributed to financial risks and the need for clear direction on the basic purposes of the farm loan programs. In the 1996 Farm Bill,[2] the Congress, among other things, made fundamental changes to the programs' loan-making,

[1]FSA administers the farm loan programs that historically were operated by the former Farmers Home Administration. In this report, we refer to these loan programs as FSA's programs.

[2]The Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127, Apr. 4, 1996).

loan-servicing, and property management policies and provided direction for many other aspects of FSA's basic lending mission.

This report provides an updated overview of the changing financial condition of FSA's farm loan portfolio as of September 30, 2000.[3] Specifically, this report discusses (1) the outstanding principal owed on direct and guaranteed farm loans, including the amounts owed by delinquent borrowers, at the end of fiscal year 2000 and how those values differ from those at the end of fiscal years 1995 through 1999 and (2) the losses incurred by FSA on direct and guaranteed farm loans in fiscal year 2000 and how those amounts compare with the losses in fiscal years 1995 through 1999.

Results in Brief

FSA had more than $16.6 billion in outstanding farm loans as of September 30, 2000; direct loans accounted for slightly more than half of this amount and guaranteed loans for slightly less than half. Of the $16.6 billion, about $2.1 billion was owed by borrowers who were delinquent on repaying their FSA loans; most (87 percent) of this problem amount was owed on direct loans. Overall, although the total amount of these problem loans remains high, this financial position reflects improvement in FSA's direct farm loan portfolio in recent years as well as a continuation of a relatively healthy guaranteed farm loan portfolio. Specifically, since the end of fiscal year 1995, the amount of outstanding principal owed by borrowers who were delinquent on direct loans, and the percentage of debt owed by such borrowers, declined each year—from $4.6 billion, or about 41 percent of the outstanding principal, in fiscal year 1995 to $1.8 billion, or about 21 percent of the outstanding principal, in fiscal year 2000. In addition, the amount of outstanding principal owed by borrowers who were delinquent on guaranteed loans was less in fiscal year 2000 ($282 million) than at the end of the 3 prior fiscal years, but it was slightly higher than the amounts owed by such borrowers at the end of fiscal years 1995 and 1996 ($218 million and $280 million, respectively). Also, the percentage of debt that delinquent borrowers with guaranteed farm loans owed was 3.5 percent in fiscal year 2000, which is lower than the percentages in fiscal years 1995 through 1999.

[3] In our last report on these programs, *Farm Service Agency: Information on Farm Loans and Losses* (GAO/RCED-99-18, Nov. 27, 1998), we provided an overview of FSA's direct loan portfolio at the end of fiscal year 1997.

Farm loan losses incurred by FSA during fiscal year 2000 totaled about $486 million; direct loans accounted for most (88 percent) of this amount. Specifically, FSA wrote off about $428 million of direct loans through its various processes for resolving delinquencies. The losses that FSA experienced on its direct farm loans in fiscal year 2000 were lower than the losses in each of fiscal years 1995 through 1999, when loan losses averaged $778 million per year. The agency also made $57.8 million in loss payments to commercial lenders on guaranteed loans during fiscal year 2000. The total losses on guaranteed farm loans in fiscal year 2000 were slightly lower than the losses in fiscal year 1999, but higher than the losses in each of fiscal years 1995 through 1998. On average, guaranteed loan losses were $47 million per year during fiscal years 1995 through 1999.

We provided a draft of this report to USDA for review and comment. FSA officials, including the Deputy Administrator for Farm Loan Programs and the Director of the Loan Making Division, agreed with the material contained in the report.

Background

FSA provides various types of direct and guaranteed farm loans to the nation's farmers and ranchers. For example, direct farm ownership loans are made for buying farm real estate and making capital improvements. Guaranteed farm ownership loans are made for the same purposes and for refinancing existing debts. Also, direct farm operating loans are made for purposes such as buying feed, seed, fertilizer, livestock, and farm equipment; paying family living expenses; and, subject to certain restrictions, refinancing existing debts. Guaranteed farm operating loans are made for the same purposes but without restriction on refinancing existing debts. Additionally, emergency disaster loans are direct loans made to farmers and ranchers whose operations have been substantially damaged by adverse weather or other natural disasters. The Consolidated Farm and Rural Development Act, as amended (P.L. 87-128, Aug. 8, 1961), is the basic authority for the farm loan programs.

When a borrower does not repay his or her direct farm loans, FSA has various tools to resolve the delinquency, including (1) restructuring the loans, which may include reducing (writing down) some of the outstanding debt, so that the borrower can continue in farming; (2) allowing a borrower who does not qualify for restructuring to pay an amount based on the value of collateral security, which is less than the outstanding debt and results in FSA's forgiving (writing off) the balance; and (3) reaching a final resolution of the debt that may or may not include a payment by the borrower, which also results in debt forgiveness. When a borrower defaults on a guaranteed loan and a commercial lender incurs a loss, FSA reimburses the lender for the guaranteed portion of the loss.

Various pieces of legislation in recent years have had a significant impact on the operation of FSA's farm loan programs. Specifically, the 1996 Farm Bill made a variety of changes to the lending and servicing policies of FSA that were intended to reduce the risks associated with the farm loan programs. For example, the Farm Bill included provisions that (1) prohibit borrowers who are delinquent on FSA direct or guaranteed farm loans from obtaining additional direct farm operating loans, (2) generally prohibit borrowers whose past defaults resulted in loan losses from obtaining new direct or guaranteed farm loans (although an exception provides that a direct or guaranteed farm operating loan for paying annual farm or ranch operating expenses may be made to a borrower whose restructuring resulted in debt forgiveness), and (3) limit borrowers to one instance of debt forgiveness on direct loans. The Farm Bill also requires borrowers to have, or agree to obtain, hazard insurance on the property that they acquire with farm ownership and operating loans, and requires applicants, as a condition for getting an emergency disaster loan, to have had hazard insurance on property that was damaged or destroyed.[4] In addition, the 1996 Farm Bill provided direction for many other aspects of the agency's basic lending mission. For example, the Farm Bill emphasized that farm loan assistance is temporary by providing that borrowers can receive direct farm ownership loans during a 10-year period that starts when they first obtain farm ownership loans and that borrowers can obtain direct farm operating loans during a total of 7 years, which may be consecutive or nonconsecutive years. The Farm Bill also encouraged the graduation of direct loan borrowers to conventional credit by allowing a 95-percent guarantee on loans made by commercial lenders to refinance the existing direct loans that borrowers have, which is an increase from the usual guarantee of 90 percent.

Other more recent legislation has eased some lending restrictions. First, Public Law 105-277 (Oct. 21, 1998) provides additional exceptions to the Farm Bill's general prohibition of new loans to borrowers who caused FSA to incur loan losses. Specifically, this act provides that a guarantee is only

[4]The Secretary of Agriculture is to establish the levels of insurance that borrowers need to obtain on property acquired with farm loans and the level of insurance that borrowers needed to have had as a condition for obtaining an emergency loan.

prohibited on a loan to a borrower who caused loan losses (1) after April 4, 1996, the date of the Farm Bill or (2) on more than three occasions on or before the date of the Farm Bill. The act continued allowing direct and guaranteed farm operating loans to restructured borrowers and also allows such loans to borrowers who are current on payments under confirmed bankruptcy reorganization plans. In addition, the act allows an emergency disaster loan to be made to a borrower who (1) caused not more than one loan loss on or before the date of the Farm Bill and (2) has not caused a loss after the date of the Farm Bill. Furthermore, the act specifies that an emergency disaster loan cannot be denied to a borrower who does not have sufficient collateral to secure the loan if the borrower can show the ability to repay the loan. Second, Public Law 106-31 (May 21, 1999) removed a loan-making provision that said an applicant for a guaranteed loan needed to have an income level that provided for a margin to fund the replacement of capital items. Third, Public Law 106-224 (June 22, 2000) specifies that the limitation on the number of years in which borrowers can receive farm operating loans—7 years for direct loans and a total of 15 years for direct and guaranteed loans—does not apply from the enactment date through the end of December 2002. Fourth, Public Law 106-387 (Oct. 28, 2000) allows making an emergency disaster loan to a poultry farmer to cover the loss of a chicken house on which the farmer did not have hazard insurance at the time of the loss if certain conditions are met.

FSA's Farm Loan Portfolio Has Generally Improved in Recent Years, but Many Delinquent Loans Remain

The outstanding principal owed on FSA's direct and guaranteed farm loans totaled more than $16.6 billion as of September 30, 2000. Direct loans accounted for about $8.7 billion of the total amount, and guaranteed loans accounted for almost $8 billion. Borrowers who were delinquent owed slightly more than $1.8 billion, or 20.9 percent, of the outstanding direct loan debt and about $282 million, or 3.5 percent, of the outstanding guaranteed loan debt.[5] (See table 1.)

[5] If a borrower was delinquent on any farm loan, the principal on all farm loans held by the borrower was totaled to calculate the amount owed by the delinquent borrower.

Table 1: Outstanding Principal and Amount Owed by Delinquent Borrowers, Direct and Guaranteed Farm Loans, September 30, 2000

Dollars in millions

	Outstanding principal		Owed by delinquent borrowers		Percentage owed by delinquent borrowers[a]	
Loan program	**Amount**	**Number of borrowers**	**Amount**	**Number of borrowers**	**Percentage of debt**	**Percentage of borrowers**
Direct loans	$8,659.0	96,887	$1,812.4	13,930	20.9	14.4
Guaranteed loans	7,967.1	40,679	281.9	1,863	3.5	4.6
Total[b]	**$16,626.1**	**137,566**	**$2,094.2**	**15,793**	12.6	11.5

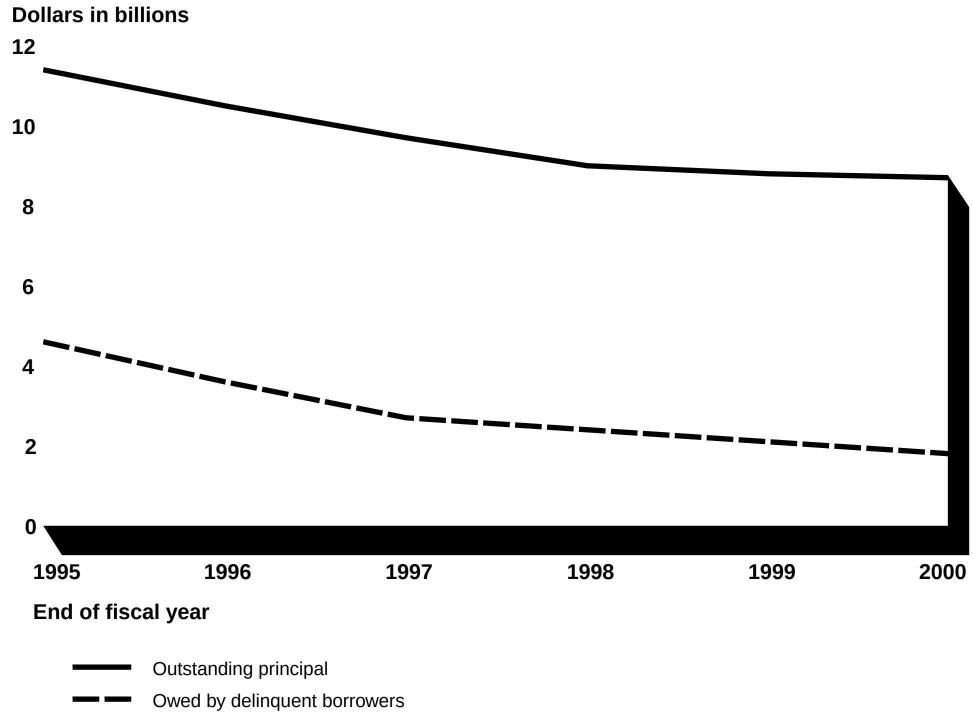
[a]Percentages are based on whole numbers.

[b]The total number of borrowers includes some borrowers who are counted more than once because they have both direct and guaranteed loans. Also, the total amount owed by delinquent borrowers does not add because of rounding.

Source: GAO's analysis of information in FSA's farm loan automated databases.

Both the total outstanding principal owed on direct farm loans and the amount owed by borrowers who were delinquent were lower at the end of fiscal year 2000 than at the end of fiscal year 1999. Also, as figure 1 shows, the amounts owed have declined each year since the end of fiscal year 1995.

Figure 1: Outstanding Principal and Amount Owed by Borrowers Who Were Delinquent on Direct Farm Loans, End of Fiscal Years 1995 Through 2000

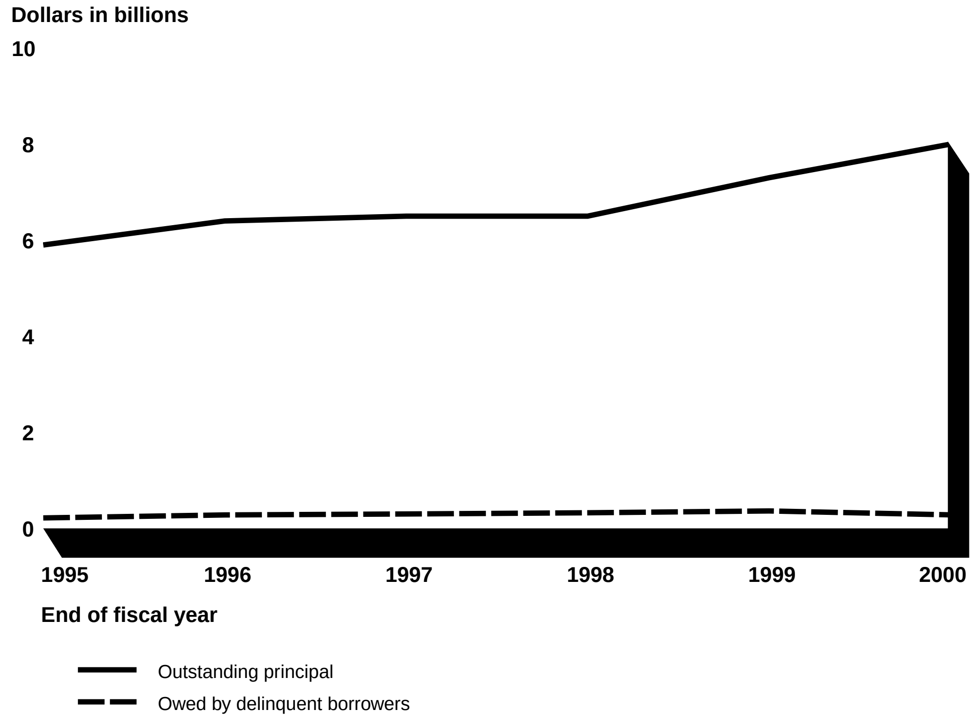


Note: The percentage of outstanding principal owed by delinquent borrowers was as follows: 40.7 percent in 1995, 34.2 percent in 1996, 28.2 percent in 1997, 26.4 percent in 1998, 23.5 percent in 1999, and 20.9 percent in 2000.

Source: GAO's analysis of information in FSA's farm loan automated databases.

The total outstanding principal owed on guaranteed farm loans was higher at the end fiscal year 2000 than at the end of fiscal year 1999, and the amount owed by borrowers who were delinquent was lower. However, the amount owed by borrowers who were delinquent increased slightly from fiscal year 1995 to fiscal year 2000—$218 million, or 3.7 percent of the outstanding principal, in fiscal year 1995, to $282 million, or 3.5 percent of the outstanding principal, in fiscal year 2000. (See fig. 2.)

Figure 2: Outstanding Principal and Amount Owed by Borrowers Who Were Delinquent on Guaranteed Farm Loans, End of Fiscal Years 1995 Through 2000



Note: The amount and percentage of outstanding principal owed by delinquent borrowers were as follows: $218 million, or 3.7 percent, in 1995; $280 million, or 4.4 percent, in 1996; $300 million, or 4.6 percent, in 1997; $325 million, or 5.0 percent, in 1998; $363 million, or 5.0 percent, in 1999; and $282 million, or 3.5 percent, in 2000.

Source: GAO's analysis of information in FSA's farm loan automated databases.

Information on Farm Loans Owed by Delinquent Borrowers at the End of Fiscal Year 2000, by Type of Loan

Although all types of direct and guaranteed farm loans had outstanding principal owed by delinquent borrowers at the end of fiscal year 2000, some types accounted for much more problem debt than others. On direct loans, for example, natural disaster emergency loans accounted for the highest amount of principal owed by borrowers who were delinquent, about $811 million; 44.1 percent of the outstanding principal on these emergency loans was owed by delinquent borrowers.[6] Farm operating loans were second in terms of the amount of principal owed by delinquent borrowers—$569.4 million; 20 percent of the outstanding principal on these loans was owed by delinquent borrowers. On guaranteed loans, farm operating loans accounted for the highest amount owed by delinquent borrowers, more than $165 million; 3.8 percent of the outstanding principal on operating loans was owed by delinquent borrowers. Guaranteed farm ownership loans had about $115 million, or 3.2 percent of the outstanding principal owed by delinquent borrowers. (See table 2.)

Table 2: Outstanding Direct and Guaranteed Farm Loans and Portion Owed by Delinquent Borrowers as of September 30, 2000, by Loan Type

Dollars in millions

Loan type	Outstanding principal: Amount	Outstanding principal: Percentage of total	Owed by delinquent borrowers: Amount	Owed by delinquent borrowers: Percentage of total	Percentage owed by delinquent borrowers
Direct loans					
Ownership	$3,482.4	40.2	$135.7	7.5	3.9
Operating	2,846.9	32.9	569.4	31.4	20.0
Natural disaster	1,838.8	21.2	810.8	44.7	44.1
Other[a]	490.9	5.7	296.5	16.4	60.4
Total	**$8,659.0**	**100.0**	**$1,812.4**	**100.0**	20.9
Guaranteed loans					
Ownership	$3,581.9	45.0	$114.9	40.8	3.2
Operating	4,380.7	55.0	165.4	58.7	3.8
Other[b]	4.5	0.1	1.5	0.5	34.2
Total	**$7,967.1**	**100.0**	**$281.9**	**100.0**	3.5

[6]Natural disaster emergency loans are inherently riskier than the other types of farm loans that FSA makes because they are made to help farmers recover from losses rather than to generate new income.

Note: percentages are based on whole numbers. Also, totals may not add because of rounding.

[a]Other direct loans are economic emergency and recreation loans, which FSA no longer makes, and soil and water loans.

[b]Other guaranteed loans are economic emergency loans, which FSA no longer guarantees.

Source: GAO's analysis of information in FSA's farm loan automated databases.

Information on Farm Loans Owed by Delinquent Borrowers at the End of Fiscal Year 2000, by State

Borrowers in a relatively small number of states accounted for a disproportionate share of the total delinquent debt in FSA's direct and guaranteed farm loan portfolio at the end of fiscal year 2000. For example, borrowers in the 10 states (a group that includes one territory) with the highest amount of delinquent direct loan debt owed about $1.1 billion, or 58.3 percent, of the total delinquent debt ($1.8 billion). Overall, borrowers in these 10 states owed $3.4 billion, or 39.5 percent, of the total outstanding principal owed on FSA's direct farm loans. Texas accounted for the highest amount owed by delinquent borrowers—almost $300 million. The next three were Mississippi, Puerto Rico, and California; each had $101 million to $118 million owed by delinquent borrowers. The remaining top six states were Oklahoma, New York, North Dakota, Minnesota, Georgia, and Louisiana; each had about $49 million to $98 million owed by delinquent borrowers.

On guaranteed loans, borrowers in the 10 states with the highest amount of delinquent debt owed about $145 million, or 51.4 percent, of the total delinquent debt ($282 million). Overall, borrowers in these 10 states owed about $4.1 billion, which is 51.4 percent of the total outstanding principal owed on FSA's guaranteed farm loans. Texas accounted for the highest amount owed by delinquent borrowers—about $36 million. The next three were Nebraska, Minnesota, and Oklahoma; each had $13 million to $14 million owed by delinquent borrowers. The remaining top six states were New York, Iowa, North Dakota, Wisconsin, Kansas, and Illinois; each had $10 million to $13 million owed by delinquent borrowers.

Appendix I provides additional information on the states that had the highest amounts of principal owed by borrowers who were delinquent on direct and guaranteed farm loans at the end of fiscal year 2000.

Loan Losses Declining, but Still Substantial

FSA's losses on direct and guaranteed farm loan totaled about $486 million during fiscal year 2000. Most of these losses—88 percent—involved direct farm loans. Specifically, as table 3 shows, the agency incurred losses of about $428 million on direct loans and $57.8 million on guaranteed loans.

Table 3: Direct and Guaranteed Farm Loan Losses, Fiscal Year 2000

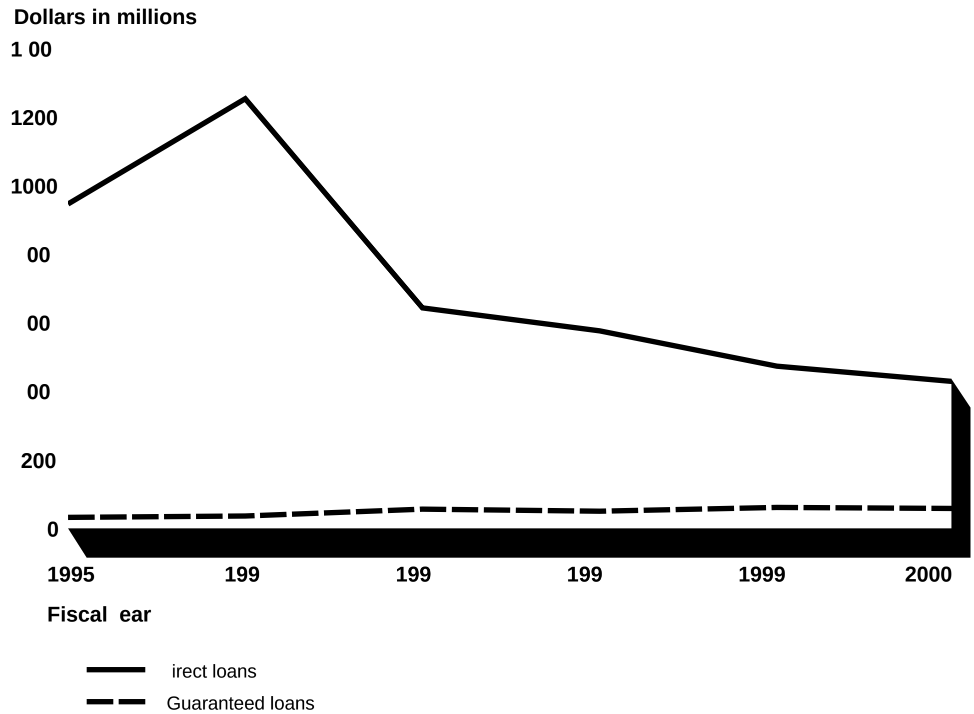
Loan program	Total loss amount (dollars in millions)	Number of borrowers	Average loss amount[a]
Direct loans	$428.0	2,307	$185,503
Guaranteed loans	57.8	595	97,216
Total	**$485.8**	**2,902**	$167,401

[a]Average losses are based on whole numbers.

Source: GAO's analysis of information in FSA's farm loan automated databases and reports.

The losses that FSA experienced on its direct farm loans in fiscal year 2000 were lower than the losses in each of fiscal years 1995 through 1999. On guaranteed farm loans, the losses in fiscal year 2000 were slightly lower than the losses in fiscal year 1999. However, the $57.8 million that was lost in fiscal year 2000 is more than the losses in each of fiscal years 1995 through 1998. (See fig. 3.)

Figure 3: Losses on FSA's Direct and Guaranteed Farm Loans, Fiscal Years 1995 Through 2000



Note: The losses on guaranteed farm loans were as follows: $32 million in 1995, $36 million in 1996, $56 million in 1997, $50 million in 1998, $61 million in 1999, and $58 million in 2000.

Source: GAO's analysis of information in FSA's farm loan automated databases and reports.

Information on Farm Loan Losses in Fiscal Year 2000, by Type of Loan

Some types of direct and guaranteed farm loans had much higher losses than others during fiscal year 2000. On direct loans, for example, natural disaster emergency loans accounted for the highest amount of losses—$223.8 million, or 52.3 percent of total losses (about $428 million). Farm operating loans were second in terms of losses on direct loans—$108.3 million. On guaranteed loans, about $58 million was lost during fiscal year 2000. A large part of these losses—about $49.5 million, or 85.6 percent—involved farm operating loans. (See table 4.)

Table 4: Direct and Guaranteed Farm Loan Losses During Fiscal Year 2000, by Loan Type

Dollars in millions

Loan type	Amount	Percentage of total[a]
Direct loans		
Ownership	$44.3	10.3
Operating	108.3	25.3
Natural disaster	223.8	52.3
Other[b]	51.6	12.1
Total	**$428.0**	**100.0**
Guaranteed loans		
Ownership	$8.2	14.2
Operating	49.5	85.6
Other[c]	0.1	0.2
Total	**$57.8**	**100.0**

[a]Percentages are based on whole numbers.

[b]Other direct loans on which there were losses were economic emergency, recreation, and soil and water loans.

[c]Other guaranteed loans on which there were losses were economic emergency loans.

Source: GAO's analysis of information in FSA's farm loan automated databases and reports.

Information on Direct Farm Loan Losses in Fiscal Year 2000, by Type of Servicing Action

Delinquent borrowers (1) who were restructured with debt write-down or (2) who did not qualify for restructuring and were allowed to make a buyout payment to FSA, which was based on the value of their loan-security property, accounted for 2 percent of the direct farm loan losses that FSA experienced in fiscal year 2000. Almost 98 percent of the $428 million in losses that FSA incurred in fiscal year 2000 involved delinquent borrowers whose farm loans were resolved through the agency's debt settlement process.[7] (See table 5.)

[7]The debt settlement process essentially represents the final resolution of unpaid loans. Debt settlements generally occur after loan-security property has been liquidated and frequently result in no payments being made to the agency by the borrowers at the time of settlement.

Table 5: Direct Farm Loan Losses During Fiscal Year 2000, by Type of Servicing

Loan servicing	Total loss amount (dollars in millions)	Number of borrowers	Average loss amount[a]
Restructured with write-down	$7.5	56	$133,946
Recovery value buyout with write-off	2.6	26	99,035
Debt settled with write-off	417.9	2,225	187,811
Total	**$428.0**	**2,307**	$185,503

[a]Average losses are based on whole numbers.

Source: GAO's analysis of information in FSA's farm loan automated databases and reports.

Information on Farm Loan Losses in Fiscal Year 2000, by State

Borrowers in a small number of states also accounted for a disproportionate share of the total losses that FSA experienced on its direct and guaranteed farm loans during fiscal year 2000. Specifically, borrowers in the 10 states where the highest amount of direct loan losses occurred accounted for approximately $326 million, or 76.1 percent, of the total losses ($428 million). Texas accounted for the highest amount of losses—almost $110 million; California was second with about $95 million; and Mississippi was third with $32.5 million. The other top seven states were Louisiana, Arizona, North Dakota, Oklahoma, New York, Minnesota, and Arkansas; each had more than $8 million to $20 million in losses.

On guaranteed loans, borrowers in the 10 states where the highest amount of losses occurred accounted for about $41 million, or 70.4 percent, of the total losses ($57.8 million). Texas accounted for the highest amount of losses—about $11 million; Louisiana was second with about $6.5 million; and Oklahoma was third with more than $5 million. The other top seven states were Mississippi, Georgia, Tennessee, North Dakota, Arkansas, Minnesota, and Indiana; each had more than $1 million to about $4 million in losses.

Appendix I provides additional information on the states that had the highest amounts of losses on direct and guaranteed farm loans during fiscal year 2000.

Agency Comments

We provided USDA with a draft of this report for review and comment. We met with FSA officials, including the Deputy Administrator for Farm Loan Programs and the Director of the Loan Making Division. The agency officials agreed with the material contained in the report. Furthermore, in commenting about the legislative changes to the farm loan programs that have been enacted since the 1996 Farm Bill, the Deputy Administrator expressed concern that easing some lending restrictions may adversely affect the financial condition of the farm loan portfolio in future years. We agree with this assessment.

Scope and Methodology

To prepare this report, we obtained and analyzed information in FSA's direct and guaranteed farm loan computerized databases, which included the levels of outstanding and delinquent loans and losses.[8] FSA uses these databases to manage its farm loan programs. We also obtained and reviewed various financial reports on the agency's farm loan portfolio and losses and discussed the farm loan programs and portfolio with FSA officials, including the Deputy Administrator for Farm Loan Programs and the Director of the Loan Servicing and Property Management Division. We did not verify the accuracy of the information contained in the agency's databases or reports. We performed our work during November and December 2000 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the appropriate Senate and House committees; interested Members of Congress; the Honorable Dan Glickman, Secretary of Agriculture; Mr. Keith Kelly, Administrator, FSA; the Honorable Jacob J. Lew, Director, Office of Management and Budget; and other interested parties. We will also make copies available to others upon request.

[8]Some of the information contained in this report may differ from previously reported information because of adjustments to the financial data in FSA's databases.

Please call me at (202) 512-3841 if you or your staff have any questions about this report. Key contributors to this report were Charles M. Adams, Jerry D. Hall, and Patrick J. Sweeney.

Lawrence J. Dyckman
Director, Natural Resources and
Environment

Information on Farm Loans in the States With the Highest Amounts of Delinquencies and Losses

This appendix provides information on the Farm Service Agency's (FSA) direct and guaranteed farm loans in the states[1] that had the highest amounts of debt owed by delinquent borrowers as of September 30, 2000. Also, information is provided on direct and guaranteed farm loan losses experienced by the agency in the states where the highest amounts of losses occurred during fiscal year 2000.

Direct and Guaranteed Farm Loan Portfolio, September 30, 2000

Nationally, FSA had about $8.7 billion in outstanding direct farm loans as of September 30, 2000; of that amount, delinquent borrowers owed more than $1.8 billion, or 20.9 percent. Borrowers in nine states and Puerto Rico accounted for a high portion—58.3 percent—of the total outstanding principal owed by all delinquent borrowers. (See table 6.)

Table 6: Ten States With the Highest Amount of Outstanding Direct Farm Loans Owed by Delinquent Borrowers as of September 30, 2000

Dollars in millions

	Outstanding principal		Owed by delinquent borrowers		Percentage owed by delinquent borrowers[a]	
State	**Amount**	**Number of borrowers**	**Amount**	**Number of borrowers**	**Percentage of debt**	**Percentage of borrowers**
Texas	$776.2	6,481	$299.0	2,251	38.5	34.7
Mississippi	277.3	3,307	118.0	861	42.6	26.0
Puerto Rico	269.7	3,459	109.8	1,197	40.7	34.6
California	280.3	1,579	101.3	410	36.1	26.0
Oklahoma	378.3	4,915	98.4	840	26.0	17.1
New York	297.7	2,443	89.4	490	30.0	20.1
North Dakota	419.1	3,900	81.0	537	19.3	13.8
Minnesota	349.7	3,871	62.2	504	17.8	13.0
Georgia	172.1	1,808	49.1	343	28.5	19.0
Louisiana	203.8	2,432	48.8	499	24.0	20.5
10-state total	**$3,424.1**	**34,195**	**$1,057.0**	**7,932**	30.9	23.2
National total	**$8,659.0**	**96,887**	**$1,812.4**	**13,930**	20.9	14.4

[a]Percentages are based on whole numbers.

Source: GAO's analysis of information in FSA's farm loan automated databases.

[1]For convenience in presentation, we categorize Puerto Rico as a state in this appendix.

In addition, FSA had almost $8 billion in outstanding guaranteed farm loans as of September 30, 2000, of which delinquent borrowers owed about $282 million, or 3.5 percent. Borrowers in 10 states accounted for slightly more than half—51.4 percent—of the total outstanding principal owed by all delinquent borrowers. (See table 7.)

Table 7: Ten States With the Highest Amount of Outstanding Guaranteed Farm Loans Owed by Delinquent Borrowers as of September 30, 2000

Dollars in millions

	Outstanding principal		Owed by delinquent borrowers		Percentage owed by delinquent borrowers[a]	
State	**Amount**	**Number of borrowers**	**Amount**	**Number of borrowers**	**Percentage of debt**	**Percentage of borrowers**
Texas	$474.4	2,556	$35.8	220	7.5	8.6
Nebraska	450.9	2,284	13.8	89	3.1	3.9
Minnesota	452.8	2,343	13.4	96	2.9	4.1
Oklahoma	382.2	1,630	13.2	76	3.4	4.7
New York	172.3	823	12.9	67	7.5	8.1
Iowa	564.9	3,457	12.8	101	2.3	2.9
North Dakota	389.0	1,698	11.5	67	3.0	3.9
Wisconsin	530.4	2,182	10.8	59	2.0	2.7
Kansas	283.2	1,692	10.5	83	3.7	4.9
Illinois	393.2	2,154	10.4	62	2.6	2.9
10-state total	**$4,093.2**	**20,819**	**$144.8**	**920**	3.5	4.4
National total	**$7,967.1**	**40,679**	**$281.9**	**1,863**	3.5	4.6

Note: Borrowers in these 10 states accounted for slightly more than half of (1) the total outstanding principal owed by all borrowers and (2) the principal owed by all delinquent borrowers. As a result, the percentage of debt held by delinquent borrowers in these 10 states was approximately the same as the percentage owed by all delinquent borrowers—3.5 percent.

[a]Percentages are based on whole numbers.

Source: GAO's analysis of information in FSA's farm loan automated databases.

Direct and Guaranteed Farm Loan Losses in Fiscal Year 2000

Nationally, FSA experienced about $428 million in losses on direct loans in fiscal year 2000. Borrowers in all states and in Puerto Rico caused these losses. However, borrowers in 10 states accounted for more than three-quarters of the total loss amount—76.1 percent. (See table 8.)

Table 8: Ten States With the Highest Amount of Direct Farm Loan Losses in Fiscal Year 2000

State	Total loss amount (dollars in millions)	Number of borrowers	Average loss amount[a]
Texas	$109.6	336	$326,226
California	94.6	94	1,006,228
Mississippi	32.5	123	264,408
Louisiana	20.4	172	118,486
Arizona	14.9	59	252,260
North Dakota	14.6	136	107,597
Oklahoma	13.0	144	90,576
New York	9.1	79	115,482
Minnesota	8.6	70	123,451
Arkansas	8.2	95	86,102
10-state total	**$325.6**	**1,308**	$248,932
National total	**$428.0**	**2,307**	$185,503

Note: Most of the losses experienced by FSA in these 10 states, as well as in other states and Puerto Rico, occurred through the agency's debt settlement process. Specifically, 1,256 of the 1,308 borrowers who caused losses in these 10 states in fiscal year 2000 had their delinquent farm loan accounts resolved through debt settlements. In addition, 969 of the 999 borrowers who caused losses in the other 40 states and Puerto Rico had their accounts resolved through debt settlements.

[a]Average losses are based on whole numbers.

Source: GAO's analysis of information in FSA's farm loan automated databases and reports.

In addition, FSA had $57.8 million in losses on guaranteed farm loans in fiscal year 2000. Loan losses occurred in 42 states and in Puerto Rico. However, borrowers in 10 states accounted for a significant portion of the total loss amount—70.4 percent. (See table 9.)

Table 9: Ten States With the Highest Amount of Guaranteed Farm Loan Losses in Fiscal Year 2000

State	Total loss amount (dollars in millions)	Number of borrowers	Average loss amount[a]
Texas	$10.6	90	$117,569
Louisiana	6.5	78	82,779
Oklahoma	5.4	38	143,238
Mississippi	3.9	33	117,473
Georgia	3.5	36	96,866
Tennessee	3.2	33	96,721
North Dakota	3.1	35	89,514
Arkansas	1.9	25	76,439
Minnesota	1.4	20	67,874
Indiana	1.3	9	145,297
10-state total	**$40.7**	**397**	$102,634
National total	**$57.8**	**595**	$97,216

[a]Average losses are based on whole numbers.

Source: GAO's analysis of information in FSA's farm loan automated databases and reports.

Ordering Information

The first copy of each GAO report is free. Additional copies of reports are $2 each. A check or money order should be made out to the Superintendent of Documents. VISA and MasterCard credit cards are accepted, also.

Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:
U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

Orders by visiting:
Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders by phone:
(202) 512-6000
fax: (202) 512-6061
TDD (202) 512-2537

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

Orders by Internet:
For information on how to access GAO reports on the Internet, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web home page at:

http://www.gao.gov

To Report Fraud, Waste, or Abuse in Federal Programs

Contact one:

- Web site: http://www.gao.gov/fraudnet/fraudnet.htm
- e-mail: fraudnet@gao.gov
- 1-800-424-5454 (automated answering system)

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548-0001

Official Business
Penalty for Private Use $300

Address Correction Requested

Bulk Rate
Postage & Fees Paid
GAO
Permit No. GI00

[redacted]