

U.S. family farmers tell story of usury and human rights violations

by Suzanne Rose

At the request of Rev. James Bevel, the running-mate of former presidential candidate Lyndon LaRouche, a commission was formed in December to investigate human rights violations against family farmers. During the course of his campaigning in the farm states, Reverend Bevel had met many farmers who had been victimized by usurious farm credit policies, and who had been removed from their land against their will, at times through the use of force. Impressed by the seriousness of the crisis this has produced in rural areas, and cognizant of the ultimate effect on the food supply of destroying the family farmer, Reverend Bevel requested that the Schiller Institute form a committee which, sometime after the elections, would hold hearings and investigate what the farmers were saying.

In response to the request, Judge William C. Goodloe, a former justice of the Washington State Supreme Court, and civil rights leader Wade Watts of Oklahoma, a former member of the Civil Rights Commission, convened an investigating committee with Schiller Institute Food for Peace representative Phil Valenti, which took 20 hours of testimony from farmers and ranchers in North and South Dakota at four hearings Dec. 7-10. At the hearings' conclusion, Judge Goodloe prepared a draft report of his findings, which, together with copies of the testimonies, will be available for circulation internationally. Since the draft's release, there has been a demand for further hearings in the Dakotas, as well as other states such as Montana, Iowa, and Nebraska.

Strategy of forced liquidation

Sue Atkinson, a former loan officer for the government-backed farm credit agency, the Farm Credit System (FCS), testified that between 1985 and the present, the government participated in the forced liquidation of hundreds of thousands of family farmers. These farmers had borrowed from government-backed farm credit agencies, and were victims of a political decision, made at the expense of farmers, and to the advantage of the Wall Street bondholders of the FCS, to puncture a farm credit bubble which had grown from \$50 billion in 1970 to over \$200 billion by the mid 1980s. High interest rates and low farm prices over the previous decade had contributed to the development of this farm debt. Atkinson testified from her own experience how loan policy was manipulated at the FCS and the Farmers Home Administra-

tion (FmHA), to eliminate the family farmer in the the course of this credit crisis. Tragically, the very same international banks which popped the farm credit bubble made more profits from the destruction of the farmer. The international agribusiness bank RaboBank, a holder of farm credit bonds, bought farm loans which were guaranteed by the FmHA and cashed in from the taxpayer when the farmer was forced out of business.

Testimony from farmers and ranchers underlines the human rights violations which were committed in a process which has resulted in the restructuring of U.S. agriculture, from family-sized farms to "agribusinesses" under the domination of the international grain traders.

Atkinson's testimony was supported and given further detail by another former FCS loan officer, Keith McGruder, who testified at all four hearings. McGruder explained that both the FCS and the FmHA adopted a policy in name only of restructuring or forbearance toward their borrowers. Liquidation or foreclosure was ostensibly to be the final resort after every step possible was taken to lighten the farmer's debt load. McGruder's testimony showed that this was a cruel hoax. In the case of the FCS, the policy was either ignored, or, when carried out, the aim was to grab more collateral from the farmer, or to squeeze more payments from him before the final termination of his loan.

Charles Bellman, a 60-year-old rancher from South Dakota, testified that when he filed bankruptcy to evade the clutches of a foreclosure by the Production Credit Association (PCA, a branch of the FCS), the PCA filed a false criminal complaint against him, and he was sent to prison for 18 months. He subsequently contracted leukemia, partly as a result of his imprisonment. He believes that they wanted to make an example of him, because he was encouraging other farmers to file bankruptcy as a way of forestalling foreclosure during a period of drought and low farm prices.

Another South Dakota rancher, Keith Carlson, testified that his farm was foreclosed before he had a chance to meet with loan officer Keith McGruder to whom he had been assigned, in order to work out a plan to save it. Prior to the foreclosure, his land was devalued by 36% overnight by an FCS appraisal. At the same time, his interest rates were raised over 14%. By the time they foreclosed on his land, he owed \$95,000 on a \$75,000 loan which had been made in 1982,

after having paid \$36,000 back in the first three years. When his land was taken, it was worth more than he owed.

Kay Zenker, a North Dakota farmer, testified that her banker had failed to disclose her existing debts and falsified her cash flow projection, in order to get a government loan guarantee. After the loan guarantee was obtained, the loan was sold to RaboBank, the Zenkers were forced into bankruptcy, and RaboBank collected the loan guarantee.

Documentation

From the Final Report

Public Hearings were held in the states of North and South Dakota, as follows: North Dakota Heritage Center, Bismarck, Dec. 7; Hettinger County Courthouse, Mott, N.D., Dec. 8; Fargo Public Library, Fargo, N.D., Dec. 9; Sioux Falls Public Library, Sioux Falls, S.D., Dec. 10.

The Committee heard 20 hours of testimony from 41 witnesses over four days. Members of the Committee are:

Justice William C. Goodloe, Chairman; Washington State Supreme Court (ret.);

Rev. Wade W. Watts, Member; Executive Director, Oklahoma State NAACP; former member, U.S. Civil Rights Commission;

Philip Valenti, Member; representative of Food for Peace.

As a result of public hearings, the Committee reaches the following:

Findings of Fact

I. All evidence pertaining to Farmers Home Administration (FmHA) guaranteed loans of debtor-farmers clearly indicated an intent and pattern by creditors to defraud the program and violate the law.

II. From the evidence presented, officers and directors of the Farm Credit System fail to truthfully and fully inform the debtor of how a lower interest rate on the loan and longer terms to repay the loan, may be received, all in violation of the law. This was especially evidenced by testimony of this class of debtor.

III. Confidential documents entitled "Project 1995" were entered in evidence, detailing a national plan which describes and adopts as approved standard procedure each of the illegal financial strategies reported herein.

"Project 1995" was promulgated and developed under the leadership of Thomas N. Farr, chairman, and the final report dated April 26, 1985 is directed to Bank Presidents and District Directors within the Farm Credit Systems. "Project 1995" details a complete change in the farm policies of the United States from farmer-oriented culture to control by a

"central entity." The Committee also received evidence indicating that the "central entity" plan has international implications.

IV. Public law 100-233, Jan. 6, 1988 Agricultural Credit Act of 1987:

"(3) *Limitation on foreclosure*—No qualified lender may foreclose or continue any foreclosure proceeding with respect to any distressed loan before the lender has completed any pending consideration of the loan for restructuring under this section.

"(C) *Meetings*—On determination by a qualified lender that a loan made by the lender is or has become a distressed loan, the lender shall provide a reasonable opportunity for the borrower thereof to personally meet with a representative of the lender—

"(1) to review the status of the loan, the financial condition of the borrower, and the suitability of the loan for restructuring; and

"(2) with respect to a loan that is in nonaccrual status, to develop a plan for restructuring the loan if the loan is suitable for restructuring."

V. *Congressional Record—House, H. 2625, May 13, 1986, "Farm Credit System Guidelines and definitions for Restructuring Troubled Loans, May 6, 1986"* :

General: "The banks and associations of the Farm Credit System will administer troubled accounts with the objective of utilizing FmHA loan guarantees and other loan restructuring measures, including participation in federal- and state-funded interest rate buy-down programs, *as preferred alternatives to foreclosure* [emphasis added].

"Restructuring should be accomplished on a case by case basis when:

"The borrower has acted in good faith to manage his business affairs and has been cooperative with the banks or association;

"The borrower can present a plan with reasonable assumptions showing a high probability of return to financial viability as a result of the restructuring; and

"The alternative chosen will minimize any loss that will be borne by the other borrowers/stockholders of the bank or association."

Resolution a 7, unanimously adopted by the FCS bank Chief Executive Officers on March 24, 1986, and the FCCA Board of Directors on April 2, 1986:

"The objective of these System Guidelines and Definitions for Restructuring Troubled Loans is to provide a reasonable alternative to foreclosures and property acquisition [emphasis added]. . . .

VI. *Congressional Record—House, H. 2627, May 13, 1986, on the expressed intent of Congress, "in support of a lender policy of forbearance rather than foreclosure."*

Comments by Hon. Richard Gephardt: "This resolution puts Congress in support of a lender policy of forbearance rather than foreclosure. It states simply that lenders ought to

make every effort to restructure loans before they consider foreclosure. Congress after all supported a restructuring of the Farm Credit System, *restructuring to help the farmer—not just the lender*. The loosened regulations should give the lenders the tools to exercise more forbearance. *We expect lenders to use these tools*” [emphasis added].

Comments by Hon. Byron Dorgan: “I urge my colleagues to support House Concurrent Resolution 310, which expresses the sense of the Congress that the Federal Farm Credit Administration and its associated agencies and lending institutions should use their existing authority to restructure loans for viable farming operations and to take other actions to help farm families while protecting the financial integrity of the Farm Credit System. . . .

“Mr. Speaker, it is certainly no secret that the Farm Credit System will soon return to Congress to request additional appropriations. During deliberation of the issue I believe *Congress should mandate a policy of forbearance rather than foreclosure* outlined by House Concurrent Resolution 310 [emphasis added]. . . .

“In summary, House Concurrent Resolution 310 will cost no money. It will not mandate that the FCS make any changes in loan procedures that would endanger the stability of its resources. Instead, it provides a clear indication that the FCS *should apply forbearance to its foreclosure policies* if it expects the Congress to lend a sympathetic ear to its problem” [emphasis added].

VII. “Criminal Violations,” *U.S. Department of Justice, Northern District of Iowa letter of April 24, 1992, addressed “to all officers, directors, agents and employees of the Production Credit Association of the Midlands and the Farm Credit Bank of Omaha,” covering Wyoming, South Dakota, Nebraska, and Iowa. Letter is reproduced in full:*

U.S. Department of Justice United States Attorney
Northern District of Iowa
April 24, 1992

To all officers, directors, agents, and employees of the Production Credit Association of the Midlands and the Farm Credit Bank of Omaha:

In early 1992, the United States government, the Production Credit Association of the Midlands and the Farm Credit Bank of Omaha settled a case involving allegations of false claims being submitted to the government. A copy of that settlement Agreement is available from your supervisor. The allegations were that a Production Credit Office submitted false information to the Farmers Home Administration in order to obtain government guarantees on loans. Specifically, there were allegations that cash flows, financial statements, chattel appraisals and land appraisals were falsified and documents were signed in blank to be filled out by others.

Such activities would violate several sections of federal law. Penalties for *each* such criminal violation could be up

to a maximum *thirty years* imprisonment and *one million dollar* fine. This would involve any knowing false statement or report or willful overvaluation of any land, property or security submitted to influence the government’s action on a loan guarantee.

The purpose of this letter is not to frighten anyone but to advise all those dealing with the government that all dealings must be scrupulously honest. There is no room for anyone to take illegal shortcuts. The following are examples of activities which may be suspect:

1—Submitting application packets for guaranteed loans which contain false or misleading information and/or fail to disclose material information.

2—Using real estate appraisals that have been signed by a qualified appraiser, but were completed by another either qualified or unqualified appraiser.

3—Providing real estate appraisals that do not accurately represent the fair market value of the property either at the time the guarantee documents are submitted to the government or when a guarantee is issued.

4—Providing false chattel appraisals or chattel appraisals that have not been completed by the appraiser who examined the property.

5—Disregarding normal chattel appraisal procedures which require the appraiser to review the property close to the time that the appraisal is completed.

6—Submitting false financial statements that are obtained as a result of false chattel or real estate appraisals, e.g. financial statements which do not accurately reflect the borrower’s net worth.

7—Providing false cash flow projections including those which indicate a positive net cash flow when in reality there exists no positive cash flow or likelihood of a positive cash flow.

8—Submitting a false claim asking for payment on a guaranteed loan that was obtained fraudulently or by methods contrary to standard lending practices.

These examples are not all inclusive, and are meant only to describe a few possible ways the law could be violated.

Criminal penalties also exist for those who know someone else is doing something illegal, but conceal their knowledge and don’t report the information to the proper authorities. Finally, a person can be convicted of a crime even if they were instructed by their supervisor to do something illegal. It is no defense that “My boss made me do it.” The way to avoid trouble is to report what is going on.

It is the hope of all involved that all business will be conducted in an honest fashion, whether it is with the government or with private citizens. Everyone profits when truth is the primary concern. Hopefully this letter will serve as a reminder of that fact to those who might otherwise be tempted to take illegal shortcuts. Honesty is not just the best policy, it is the *only* policy.

If you have any questions or concerns about this letter or

any of the things mentioned in the letter, feel free to contact this office.

Sincerely,
Charles W. Larson, United States Attorney

The warnings contained in the above letter have been systematically circumvented by lenders, to the effect that loan officers use federal laws and standards for opposite results—to wit: to liquidate the farmer-debtor by imposing conditions of restructure on the debt that must inevitably lead to eventual liquidation of the farmer-debtor, in violation of the intent of Congress.

[Reference: Farm Credit Bank of St. Paul, *Procedure Manual on Loan Workouts for all FCS Institutions*; and Farm Credit Banks of Louisville, *Credit Manual (Indiana, Ohio, Kentucky, Tennessee)*, Volume 4 C, p. 2070.1 (5-14-87).]

Evidence was received that the U.S. Internal Revenue Service compounded each restructuring or work-out plan with penalizing tax burdens which impaired the farmer's ability to adopt any plan.

All Public Hearings were limited by fear and reports of threatened retaliation and politically-motivated actions by prosecutors were common in each area in which Hearings were held.

Evidence was received concerning serious violations of the Federal Trust Responsibility for Indian land. The Federal Trustee of Indian land is allowing creditors to take Indian tribal land by failing to ensure appropriate remedial measures to provide adequate protection.

Further evidence showed a very high degree of fear throughout Indian Reservation caused by reports of over 40 unsolved Indian homicides on Standing Rock Reservation alone. Examples of harassment include shots fired at the homes of protesters, vandalism, and in one case threatened eviction. In addition to fear, the absence of due process and equal protection results in low self esteem among individual Indians, and lack of trust and respect for their government and laws.

The legal system in North and South Dakota came under severe attack indicating a lack of trust, the extent of which was that few farmers considered the system protective of their constitutional rights. This mistrust was particularly expressed in regard to lawyers, but cases of improprieties by both federal and state judges were heard. Opinion expressed placed the judicial system in very low esteem and confidence in the quality of justice was totally lacking.

Conclusions

1. That the finance industry in North and South Dakota is operating under a collusive plan to liquidate farmers by unlawful over-reaching, foreclosures, and work-outs. This plan is being implemented to create a unification of land under central ownerships, forcing citizens to leave the region by the tens of thousands, leaving economic depression behind.

2. That the plan described in Conclusion 1 appears to be part of a master plan entitled "Project 1995" which contains international implications and indicates that the actions of North and South Dakota bankers are more than a local problem.

3. That the execution of the scheme has included threats and acts of retaliation against objectors causing a veil of fear to exist among citizens who have experienced the damages of the plan.

4. That the Federal Trust Responsibilities of Indian lands are being violated and ignored resulting in the checkerboard depletion of Indian lands by foreclosures and work-outs.

5. That the administration of law and order on Indian lands are in violation of due process and equal protection causing fear and a lowering of self-esteem requiring a total reorganization of the constitution and laws of Indian Reservations.

6. That the Judicial Systems of North and South Dakota have allowed these injustices to be perpetuated. As a result, these Judicial Systems are held in low esteem by farmers and others who hold a well-grounded belief that widespread injustices are caused by corrupt or poorly trained lawyers and some judges who do not meet the standards of fairness and impartiality.

Respectfully submitted,
William C. Goodloe, Chairman
Wade Watts
Phil Valenti

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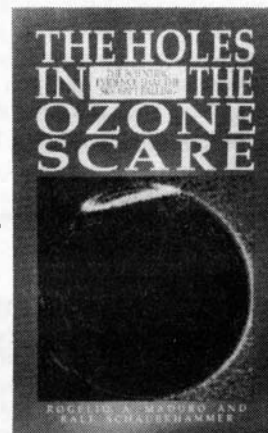
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