

# Federal Land Bank Association

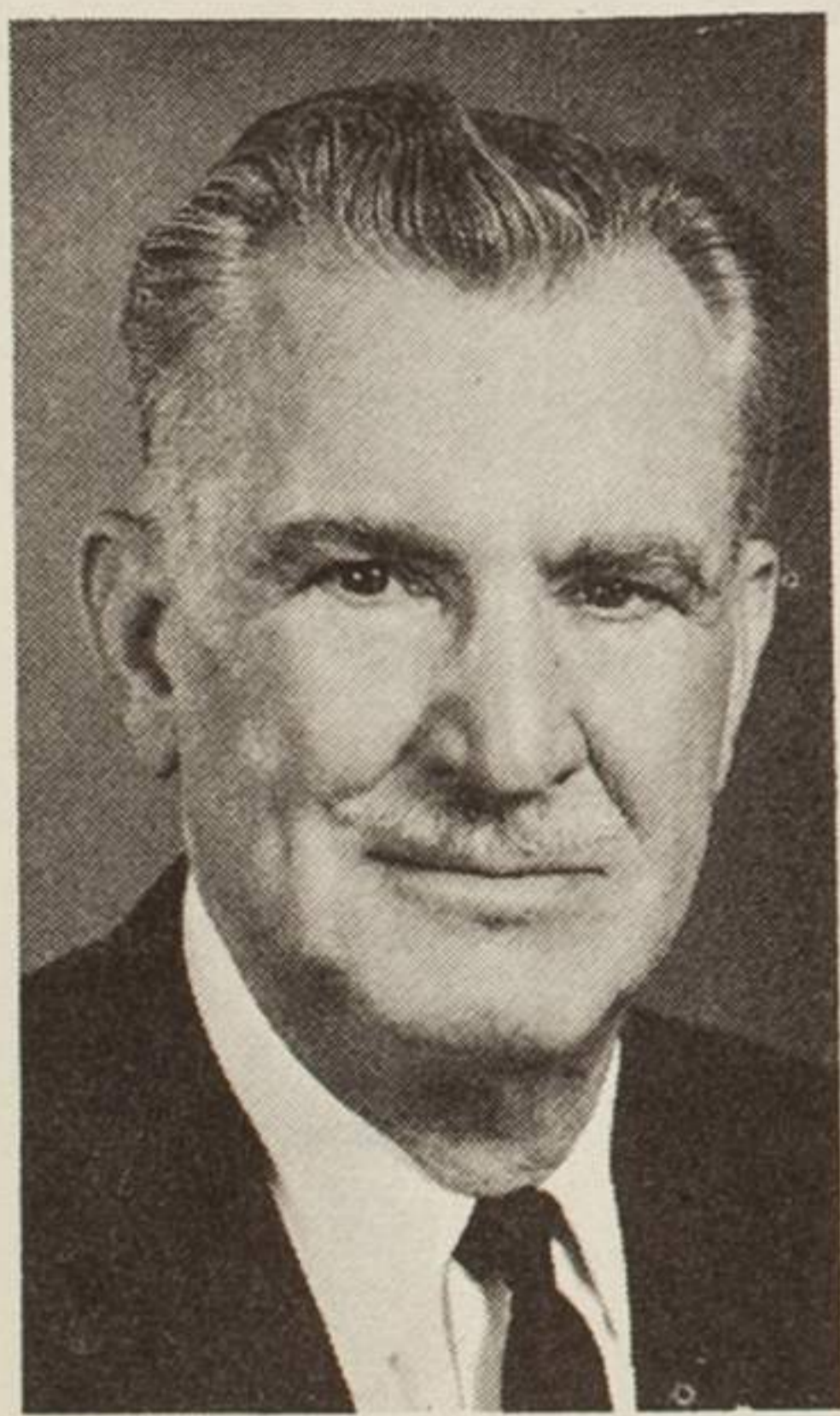


NO. 2

## “THE OPEN END IS COMING”!

By Wm. G. Pleased, Jr., President  
of The Federal Land Bank of Wichita

The Open End is Coming refers to the new open end loan plan. This plan is structured to allow farmers and ranchers to conveniently use their real estate mortgage credit to a maximum advantage. Within certain guide lines, funds can be borrowed, repaid, and re-borrowed. This is advantageous to many agricultural producers since it saves money by eliminating certain abstract and recording costs when funds are re-borrowed. Also,



idle funds can be applied against the loan to reduce interest cost. As a member of your Federal Land Bank Association, you will want to understand this loan plan. It may be one which would be a tremendous benefit in your own operation, and if you understand it, you will be able to explain how it works to a friend or neighbor. I suggest you visit with the folks in the association office to determine what this plan can do for you.

The District Federal Land Bank Board, at their October meeting, approved reducing the interest rate from 9% to 8½% on the variable plan on all applications for new loans taken on and after November 1. This reduction in rate was made possible by recent changes in general economic conditions. Not only will loans made on and after November 1 have an 8½% contract rate on the variable

plan, but all 9% Land Bank loans made during the past year will be reduced temporarily to 8½%, as well, on installments maturing on and after January 1, 1971. This is a unique practice in long-term lending, but it is in line with the Bank's policy of providing credit at the lowest cost possible. The Federal Land Bank of Wichita has voluntarily reduced the interest on loans outstanding on four previous occasions in its 53 year history of operation.

The availability of money has improved during the past few months. . .most indicators suggest there will be ample long-term and short-term credit for agriculture in the immediate months ahead. Many financial advisers are telling their businessmen clients, which includes farmers and ranchers, to take a hard look at their financial programs. If adjustments are required, the present credit relaxation should be an advantageous time to finance for the months and years ahead.

Frequently we are asked if farmers can afford to pay today's interest rates. Farm management records will substantiate that there are those who can afford present day cost of money. The present time is thought by many people close to the money markets to be a time for setting up debt on a long-term base, providing as much liquidity as possible.

All new Land Bank loan plans are being written on the well accepted variable interest rate plan. It provides for a guaranteed rate on the new loan for one year, after which the rate becomes variable and fluctuates up or down according to economic conditions. This plan will benefit the borrower since the

Land Bank will now be able to set long-term loan rates with more confidence and will be able to lower rates more quickly with the knowledge that the rate can be adjusted later if the economy demands. The plan is backed up by the Land Bank's record of lowering interest rates on existing loans on a number of occasions in the past when economic conditions permitted.

On November 1, the Land Bank introduced the blended rate loan. This is a plan structured to assist present Land Bank borrowers who need additional funds. The blended rate will be assured for one year. At the end of this period, the loan will be subject to the variable interest rate plan.

We are constantly studying ways in which our long-term credit service can be improved. We recognize continued changes will be required to provide modern long-term credit geared to the 70s. Many of you probably have read the September Successful Farming which contained a seven page bonus on farm credit. This article pointed out a Michigan study which compared farmers who made fast gains in net worth with farmers making slower gains. "One big difference: The 'fast gainers' used three or four times more credit as the other farmers in the study! The moral: Used wisely, borrowed money can give you the leverage you need to get ahead faster."

A **SUCCESS STORY** about a Land Bank borrower is found inside - although it may be quite different from your operation we think you will find it informative and of interest.

**SUCCESS IS THE CROP WE CULTIVATE**