

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office

April 22, 1999 LB 835

by federal people, if you have loans out there and the borrower does not have enough collateral to cover the loan, that's a classified loan. And no lender can have too many of these classified loans without running into trouble himself or herself. So how does a loan become classified? Senator Dierks might have enough land to cover the loan that he's got. Senator Coordsen doesn't have enough land, but he has some equipment. Well, let's say both of them have put up their collateral and they have their loans. Both are prudent careful farmers. They buy good seed. They do whatever is necessary to make it grow. They have an efficient method of harvesting. But the value of Senator Dierks' land is not governed by Senator Dierks. There are other forces beyond his control that can reduce the value of his land. And if the value of his land is reduced to the point where, as collateral, it no longer covers that loan, then either he has to find something else to put behind that loan as collateral, which might be equipment if he has it, otherwise, the lender is going to have to say, if you don't come up with something by this time, then I'm going to have to foreclose; I've got to take that from you and get out of it what I can. So there's Senator Coordsen breathing a sigh of relief--my land has diminished in value just like Senator Dierks', but I've got my equipment. Well, then I go ahead and I depress the value of equipment and now neither of their loans has enough collateral. So then somebody else comes into the picture. Both of them have to be foreclosed on. What's going to happen to Senator Coordsen's equipment? The lender is not going to go out there and start farming. It'll be sold. And if you have a lot of equipment on the market, if the supply is greater than the demand, then the price of that is not going to be high and the value of equipment is not going to remain high, even if it's not out there being sold. And lenders want their money back. The only time a lender would want to take your farm and take your equipment, if there's a tie-in with some other operation that wants to begin farming and this is the way to accumulate holdings or assets. And if there's a big operation looking to accumulate land, Senator Dierks can continue to be a farmer, so can Senator Coordsen, but, if I'm the big operator, they're going to farm by working for me. And as I was telling Senator Raikes, I don't believe the John D. Rockefeller Standard Oil philosophy is dead in this country. That's where the big shot will look at these little independent operators and set up a