

49th LEGISLATURE - SPECIAL SESSION 11
MINUTES OF THE MEETING
JOINT APPROPRIATIONS, HOUSE AND SENATE AGRICULTURE COMMITTEES

March 26, 1986
1:00 p.m.

The joint meeting of the Appropriations, House and Senate Agriculture Committees was held on March 26, 1986 at 1:00 p.m. in the old Supreme Court Chambers in the State Capitol. Senator Boylan, Chairman of the Senate Agriculture Committee, presided.

ROLL CALL: All Appropriations Committee members were present.

SENATE BILL 7 and HOUSE BILLS 10 and 11 were heard.

SENATE BILL 7: "AN ACT CREATING AN AGRICULTURAL PRODUCTION LOAN LINKED DEPOSIT PROGRAM..."

The sponsor, Senator Ted Neuman, explained the bill. The bill pertains to the agricultural production loan linked deposit program. It provides for the placement of \$50 million of public investment funds in financial institutions at a rate 1% below the current six-month CD rate (EXHIBIT A).

Proponents:

The following proponents rose in support of the bill:

Mike Grove, Governor's Council on Economic Development
Keith Kelly, Montana Department of Agriculture
Terry Murphy, Montana Farmers Union
Ron Pyfer, Montana Credit Union League
Pat Underwood, Montana Farm Bureau
Mons Tiegen, Montana Stockgrowers and Montana Cowbellers
Bill Milton, Northern Plains Resource Council
Robert VanDerVere
Esther Ruud, Montana Cattlemans Association
Chet Kinsey, Montana Low Income Coalition (EXHIBIT B)
Jim Murray, Montana State AFL-CIO
Representative John Cobb
Bill Campbell, Montana Education Association
Al Verschoot, Montana Peoples Action (MPA)
Del Rodriquez, MPA (EXHIBIT C)
John Allhands, Madison County Commissioner.

For a more detailed summary of the testimony, refer to the minutes of the Senate Agriculture Committee.

Opponents: None

Senator Neuman closed.

Committee Discussion:

In response to Senator Williams, Senator Neuman said the PCA's capital structure probably would not allow them to use this program.

Representative Bardanouve asked Senator Neuman if he had had any signals from the banking industry whether they would cooperate or use this bill. Senator Neuman said he had communications from some bankers that they could use the funds. Currently in Montana the banks have sufficient capital to loan. When interest rates fall, however, he felt this might become a concern for the small rural banks.

In response to Representative Koehnke, Senator Neuman said there hadn't been any priorities set in the bill regarding who should get the loans, other than that the loans should be made to those operators who were close to cash flow. In response to Representative Swift, Senator Neuman said the intent of the 30% floor was so the loans wouldn't go to top raters who didn't need the loans. They didn't think there was a need for a cap because the lenders could make the decisions as to how high the debt to asset ratio could go. There was no reason for a ceiling because the State was not at risk.

Representative Koehnke called on Mr. John Cadby, Montana Bankers Association, to answer Representative Bardanouve's question. Mr. Cadby said the Association hadn't taken a formal position on the bill and were neutral because they couldn't predict without surveying all 170 banks in the State how much of this money would be used, if any. He submitted that this was an experiment and it may or may not work. In response to Representative Peck, Mr. Cadby said that banks typically tried to operate on a spread of three to five points and the bill was asking them to operate on two points, which obviously would not make it as attractive as a normal loan. Under the Farmers Home Loan Administration Interest Rate Buy-Down Program, the FmHA took up to a two point cut. The lender also took up to a two point cut, for a total of four points.

Appropriations Committee
March 26, 1986 - 1:00 p.m.

The borrower then got the money at four points below normal, but the lender in giving up the two points in yield got from the FmHA up to a 90% guarantee of that loan. Therefore, the federal agency was in essence assuming a portion of the risk. He said that banks were at present very actively seeking these funds.

Representative Peck wanted to know if there were any features of the bill that could be made more attractive to the bankers. Mr. Cadby said that raising the amount of the loan ceiling from \$50,000 would make the program more attractive to both lenders and borrowers.

Senator Conover wanted to know if Mr. Cadby had attended any of the meetings which had been held in preparation of SENATE BILL 7 and Mr. Cadby said he had been at a meeting in Great Falls a few weeks earlier of the Interim Committee on Agricultural Problems, and at that time they had presented some alternatives which included regulatory changes now being implemented by the federal regulators which would make it possible for bankers to be more liberal in their agricultural loans.

Representative Bardanoue asked Mr. Cadby if he felt the bankers supported or opposed the bill. Mr. Cadby answered that when the future could be predicted with more certainty they could come in with a more certain attitude; however, at the present time it was impossible to predict what would happen in the agricultural community over the next few years. As lenders they hated to come in and say whether or not the program would work.

In response to Representative Ellerd, Senator Neuman said provisions were in the bill to indicate that the money lent was primarily to be used to get crops in the ground or buy yearlings to put on summer pasture. However, this was not to exclude absolutely capital expenses when they considered essential. Senator Neuman spoke up regarding Mr. Cadby's statements about the FmHA Interest Rate Buy-Down Program. He said that over half of the \$25 million appropriation for Montana was already gone and the demand was more than double the amount of funds now available for those loans. Even though the banks like the program, the amount of funds available would not meet

today's needs.

In response to Representative Jenkins, Phil Johnson, President of First Bank in Helena, said that if a person couldn't meet the requirements under a FmHA Guarantee program, the bank would probably not entertain a loan request under this program. If the bank was going to lend to a troubled borrower to get him through one more year, he submitted there would have to be some guarantee on the additional money loaned where the bank would be guaranteed to get that money back, plus interest, and hopefully also have some headway made towards relief on the balance of the debt as well. In response to Representative Ellison, Mr. Johnson said that cutting the interest rate from 12% to 9 or 10% on a \$50,000 loan might not be enough relief.

(Tape 5:B:000)

Mr. Johnson brought up that he felt that under the penalty section of the bill it should be a fraud rather than a misdemeanor if a person knowingly made a false statement on a loan application. In addition he felt that one year would not be enough time for the program to work.

In answer to Representative Cody, Senator Neuman said that already five or six other states had programs similar to this one and over \$600 million was put out on the programs. Senator Neuman said that the bill planning committee had thought \$50,000 should be enough to get the crop in the ground or the yearlings on the pasture. He submitted that the loans were not intended to be a total operating package. He supposed lenders would be making loans for less than a year's time under this bill. Programs such as the one in this bill would be perfect for the situation in which the operator just needed enough money to get through harvest. Mons Tiegen stated that he felt \$50,000 was a minimal amount and that most livestock operations spent more than this.

The hearing on SENATE BILL 7 was closed.

HOUSE BILL 10: "AN ACT APPROPRIATING MONEY TO REPLACE THE POTENTIAL EARNINGS LOST TO INVESTMENT FUNDS USED TO PURCHASE DISCOUNTED CERTIFICATES OF DEPOSIT UNDER THE AGRICULTURAL PRODUCTION LOAN LINKED DEPOSIT PROGRAM..."

Appropriations Committee
March 26, 1986 - 1:00 p.m.

The sponsor, Representative Schultz, explained that HOUSE BILL 10 was the appropriation for SENATE BILL 7. \$250,000 will be provided for the interest buy-down and the effective date will be immediate; March 15, 1987 will be the termination date.

Proponents:

Keith Kelly, Department of Agriculture, rose in support of the bill.

Opponents: None

Committee Discussion:

Senator Aklestad asked Representative Schultz if the \$50 million would be allocated as needed or in lump sums. Representative Schultz said it would be allocated as loans came in. If there weren't loans made there wouldn't be the draw-down on the General Fund.

Representative Schultz closed. The hearing on HOUSE BILL 10 was closed.

HOUSE BILL 11: "ESTABLISHING AN AGRICULTURAL ASSISTANCE AND COUNSELING PROGRAM TO AID FINANCIALLY DISTRESSED FARMERS; PROVIDING FOR FINANCIAL COUNSELING, FARM MANAGEMENT TRAINING, LEGAL SERVICES, VOLUNTARY DEBT MEDIATION, MENTAL HEALTH ASSISTANCE, SUPPORT COUNSELING, AND REFERRAL SERVICES; AUTHORIZING THE DEPARTMENT OF AGRICULTURE TO ADMINISTER THE PROGRAM..."

The sponsor, Representative Gaye Holliday, presented the bill to the Committees. This bill was a product of the Interim Agriculture Committee. See EXHIBIT D.

Proponents:

Keith Kelly, Director of the Department of Agriculture, spoke up in support of the bill; see EXHIBIT E. He stated that Montana agriculture probably had a far worse record of servicing debts than other states, for two reasons: (1) drought in the recent past, and (2) foreclosures and the trouble the farm credit system has run into in Montana. He reviewed how the agricultural assistance/counseling program would be set up and what it would offer. The Agriculture Department would coordinate the program, put a hotline and coordinator in place, and contract out with existing State, private, and/or federal agencies for

the remainder of the services. He added that the SCORE Program and the VISTA Program might be able to offer some assistance to better coordinate the utilization of some federal resources. He offered some amendments, which the Agriculture Department proposed, which included: (1) the Department of Agriculture would require financial statements and proforma cash flow statements (profit/loss) including any non-farm activities, in reference to the mediation category of the bill. He submitted that the Department had some problems with mandatory mediation as far as the financial resources which would be needed in order for them to be able to do an adequate job. He felt that the cost would be "fairly horrendous" and it would take most of the mediation money just to make sure the Department had gone through a complete analysis. In addition, he said his Department didn't want to be the one to determine who could or could not mediate because this would be putting them in an adversarial role. (2) The Department also proposed to add clauses to the bill to cover sovereign immunity for the Department, and severability.

Marty Connal, an Agricultural consultant from Billings, rose in support of the bill. He stressed that farming was a business, and those who ran it like a business would survive. He cautioned the committees on the subject of mediation or any type of moratoriums because of the effect it might have on the banking institutions. At present, money was leaving Montana and if the bankers were scared out of making any loans to agriculture, the State would be even worse off. Montana needed to have a clearing-house for agricultural problems, similar to what Nebraska is doing, he said; in addition, the State debt laws needed to be reviewed. He felt the best way money could be spent in Montana was through the education system educating the farmers, ranchers, accountants, lawyers, and bankers as to what the problem was and how it could be solved.

Barbara Archer, Coordinator of the Montana Farm Council and Advocacy Coalition, rose in support of the goals of the bill, but proposed several amendments; see EXHIBIT F. She also rose in support of Representative Rapp-Svrcek's amendment regarding the borrower's right to mediation. She explained that the Montana Farm Counseling and Advocacy Coalition was a group of voluntary farmer advocates who were linked into a

Appropriations Committee
March 26, 1986 - 1:00 p.m.

farm crisis hotline and responded to farmers in financial distress; see EXHIBIT G. At present, nine advocates were working with more than 120 active cases.

Dale and Mary Ann Fossen then spoke up, also representing the Montana Farm Counseling Advocacy Coalition. They were in support of the amendments including peer counseling. They felt that one of the solutions to the agricultural problems facing the country was people helping other people. Mrs. Fossen then presented an analysis of the process which farmers go through which she called the "Time Lock Syndrome." The four stages were: (1) temporary impotence, (2) Identification, communication and relief; (3) realization, and (4) motivation. Stage two is where advocate intervention is so important. Mr. Fossen said they had clients of all ages and all situations. He explained how the advocates helped the people who came to them. He stressed that he didn't make recommendations, he made choices.

Mary Kee, Montana People's Action (MPA) then rose in support of the bill with the amendment to provide for the right to mediation; see EXHIBIT H. She gave a history of the problems her family had encountered with the PCA and the Federal Land Bank. She felt that if their lenders had been willing to cooperate that their operation could have been kept productive and viable.

Joan Voise, MPA member from Ryegate, spoke up in support of the bill with the amendment; see EXHIBIT I.

Susie Tilton Chiovaro, a Farmer Advocate and bankrupt rancher, spoke briefly; see EXHIBIT J.

Joe Duffy, a Great Falls attorney, rose in support of the bill, particularly the Advocacy Program. He praised the work the Farm Advocates had been performing. He got where he is regarding understanding the FmHA, the PCA, the administrative notices and procedural notices because the Farm Advocates had done their homework. He suggested that often a farmer wouldn't call a lawyer or a CPA but would call an Advocate. He stated that the lawyers who wanted to know more in this area didn't have the resources to call upon to ask for assistance, and passage of this bill would help that.

(Tape 6:A:212)

Appropriations Committee
March 26, 1986 - 1:00 p.m.

Ray Patte, a former Ryegate County Commissioner, then rose in support of the bill as amended with the right to mediation; see EXHIBIT K.

Curtis Haskens, a Montana Advocate and member of MPA, rose in support of the bill. He presented a case which showed how the advocates had helped solve the problems of one Montana farmer. He submitted that there was a need in the State for this program, evidenced by the fact that almost everyone present had raised their hand when asked if they knew someone who had had a bankruptcy, sheriff's sale, or foreclosure within the past year.

Jack Heyneman, Chairman of the Northern Plains Resource Council, rose in support of the Rapp-Svrcek amendment regarding mediation; see EXHIBIT L.

Mike Grove, Governor's Council on Economic Development - Agriculture Credit Subcommittee, said their committee on the linked deposit bill felt the Counseling Program had much merit. He emphasized the importance of having highly qualified persons on the financial and legal side. They supported mediation, on a voluntary basis as presented in the bill.

Jo Bruner, Power Farmers Elevator Company, spoke, stating that bankruptcy and foreclosures benefitted neither the producer nor the lender or agribusiness. They were in support of the Advocacy Program and the mediation process as defined in the bill.

Lavina Lubinus, Women Involved in Farm Economics, rose in support of the bill; see EXHIBIT M.

Senator Boylan ruled that due to the lack of time, Legislators would not be allowed to testify on the bill, in order that those traveling from out-of-town might have a chance to talk.

Steve Waldron, Montana Council of Regional Mental Health Boards, Inc., spoke up in support of the bill; see EXHIBIT N.

In view of the shortage of time, Senator Boylan asked if there were any opponents to HOUSE BILL 11 who wished to speak.

Opponents:

L. C. Terrett, a Billings consultant and ex-banker, said

he was opposed to the mediation portion of the bill. He felt this would be putting banks into a position where they would frown on making any agricultural loans. He asked that the Legislature consider what was happening in the farm credit system. He felt that action would be taken very shortly to implement the farm credit bill and its issue on long-term loans. However, it would probably take some time to find out the regulations because the President said he would make the farm credit system utilize its reserves before he would come to the rescue of the farm credit system. An extensive search of what is happening in the farm credit system program should be undertaken, he suggested.

Representative Bardanoue asked Mr. Terrett what a banker would rather have: mediation or a moratorium for a year on all foreclosures, and he replied that they would favor neither one. Representative Bardanoue said maybe they had better take something or they would have nothing.

There being no further opponents, Senator Boylan directed the testimony back to proponents.

Proponents:

Wink Nyhart, Twin Bridges ranch wife, spoke. Her family was facing foreclosure by an insurance company on their property, which had been in the family for 120 years. She pointed out that many people had more equity in their property than what was borrowed against it and these seemed to be the farms that were being picked on more because the lenders could see that if there was enough equity to sit on the farm after foreclosure, they stood to lose less by waiting until land prices started to rise again. She said the representative from the insurance company they were dealing with, Travelers, had responded to their proposal to negotiate and take only part of their ranch and leave the rest with, "Why the Hell should we when we can have the whole thing"? See EXHIBIT P.

Bill Milton, a Roundup area rancher, spoke up on behalf of the farmers and ranchers from that area for the right to mediate, stressing that this did not mean that the arbitration was binding. He asked, "If the right to mediate isn't provided why bother providing counseling efforts"? He pointed out that every foreclosure that

Appropriations Committee
March 26, 1986 - 1:00 p.m.

occurred reduced everyone's equity.

Neil O. Peterson, MPA, rose in support of the right to mediate and in support of the Advocacy Program.

Esther Ruud, Montana Cattlemen's Association, spoke. She said she had been working for nine years to get a better price for agriculture and was still trying. She submitted that many of the foreclosures were not the fault of those farmers facing them.

Al Verschoot, MPA President, rose in support of mandatory mediation. He took issue with the statement that some of those losing their farms were "bad managers." He submitted that farmers were the best managers in the world and that no bank or business could operate for as long as the farmers had with the adverse conditions and governmental and banker opposition they had had. He added that he knew that HOUSE BILL 11 wasn't going to provide all the answers. Agriculture needed to get some prices and they have got to work to get them.

Tape 6:B:042)

Nancy Collins, Co-Chair of the Womens' Lobbyist Fund, rose in support of the bill as amended to provide for peer counseling and the right to mediation.

John Ortwine, Montana Catholic Conference, rose in support of the bill as amended on peer counseling and the right to mediation; see EXHIBIT Q.

Jim Murry, Montana AFL-CIO, rose in support of the bill; see EXHIBIT R.

Terry Murphy, President of the Montana Farmers Union, rose in support of the bill. In the U.S. the asset value of agricultural real estate by official figures has fallen \$180 billion in four years and the equity of farmers has fallen \$216 billion. Not one farmer had anything to do with the policy decisions that had to do with that. The Farmers Union was in favor of the right to mediate, so long as it stopped short of binding arbitration; see EXHIBIT S.

Pat Underwood, Montana Farm Bureau, and also on behalf

Appropriations Committee
March 26, 1986 - 1:00 p.m.

of Mons Tiegen, Montana Stockgrowers (see EXHIBIT T), was in support of the bill without amendments.

John Allhands, Madison County Commissioner, stated that over 40% of the delinquent taxes in his county were on agricultural land. This affected county government tremendously; the schools are short about \$480,000. He added that no taxes were received back in their bankruptcy cases. The banks were selling personal property, cattle, and machinery and collecting the money but not paying the taxes. He felt mediation would help buy the County more time to pick up these taxes that the banks were in essence putting in their own pockets.

Senator Boylan then opened the hearing to questions from the Committees, even though there were more proponents who wished to testify, due to the lack of time. Representative Bardanoue said that those who still wished to testify on the bill could do so at the Appropriations Committee meeting in Room 104, upon adjournment of the House.

Committee Discussion:

Representative Koehnke wanted to know if Mr. Terrett (who was no longer present) was opposed to voluntary or mandatory mediation. Mr. Cadby replied that Mr. Terrett's feelings were probably based on the fact that the bank was in a no-win situation. If they refused mediation they could be accused of bad faith and be faced with a worse lawsuit than they might have already faced, and if they agreed to mediation and didn't accept the conclusions, they might also be subjecting themselves to bad faith litigations. He was in support of the spirit and intent of the bill but he stressed that the banks needed to be prudent investors. If the bill was altered so that it became an advocacy program for the agricultural customer, he felt the entire program would be jeopardized.

Senator Aklestad asked Mr. Kelly if he felt his Department would be liable if bad advice was put out under this bill. Mr. Kelly said an amendment had been offered by his Department to exempt liability for the Department staff and those working on the program. Representative Bardanoue submitted that until

Appropriations Committee
March 26, 1986 - 1:00 p.m.

the Legislature passed a constitutional amendment, the voters approved it, and the 1987 Legislature put some limitation on liability, the proposed amendment wasn't worth the paper it was written on. Mr. Kelly said they had attempted to structure a program to minimize liability.

In response to Representative Rapp-Svrcek, Senator Tom Towe spoke up in support of mediation as the single most important thing the Legislature could do for the farmers at this time. As an attorney he said he had been on both sides of the issue, and he submitted that bankers were very receptive to mediation. He stressed that he was not talking about mandatory mediation or moratoriums but rather the time-honored and tested procedure of the law asking people to sit down and talk about their problems. He submitted that the voluntary mediation provided for in the bill might work 60-70% of the time; however, he would like to see a requirement that if one of the parties wanted mediation they could request it, and once it was formally requested, then the parties would be granted a period of time, possibly up to 60 days, to try mediation. He added that it also had to be provided for that this wasn't a mandatory thing and after the time was up, if it didn't work out, then the initial process could be gotten on with. Regarding bad faith, he said this was most often a bugaboo that had to be discounted. He submitted that mediation would give the banks a chance to demonstrate their good faith. He added that he was not fearful of most bankers in this regard, and his main distrust was of some of the out-of-state insurance companies, foreign lenders, and people who didn't understand what was going on. These people were the ones that it was most important to get to the bargaining table. He submitted that the bill needed a little more teeth in order to achieve this.

The hearing was then closed on HOUSE BILL 11.

Representative Holliday closed, thanking all of those who had come to testify.

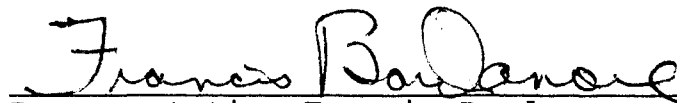
Representative Bardanoue announced that the House Appropriations Committee would meet upon adjournment

Appropriations Committee
March 26, 1986 - 1:00 p.m.

of the House in Room 104 and stressed that especially those persons interested in amendments to HOUSE BILL 11 should attend the meeting.

Additional testimony on HOUSE BILL 11 had been submitted in written form only; see EXHIBITS U, V, W, and X.

The meeting was adjourned at 3:40 p.m.



Representative Francis Bardanouve - Chairman
Appropriations Committee

DR

DAILY ROLL CALL

HOUSE APPROPRIATIONS COMMITTEE
SPECIAL SESSION II
49th LEGISLATIVE SESSION -- 1986

Date 3/26 1:00 p.m.

NAME	PRESENT	ABSENT	EXCUSED
BARDANOUVE, FRANCIS - Chairman	✓		
DONALDSON, GENE - Vice Chairman	✓		
BRADLEY, DOROTHY	✓		
CONNELLY, MARY ELLEN	✓		
ERNST, GENE	✓		
FRITZ, HARRY	✓		
HAND, BILL	✓		
LORY, EARL	✓		
MANUEL, REX	✓		
MENAHAN, WILLIAM	✓		
MILLER, RON	✓		
MOORE, JACK	✓		
NATHE, DENNIS	✓		
PECK, RAY	✓		
QUILICI, JOE	✓		
REHBERG, DENNIS	✓		
SPAETH, GARY	✓		
SWIFT, BERNIE	✓		
THOFT, BOB	✓		
WINSLOW, CAL	✓		

Page 1

DATE

3/26/86

COMMITTEE ON

SB 7, HB 10, HB 11

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
J. Turner	Red Lodge	11	X	
Jay L. Voss	Muskegon State of	"	X	
Philip M. Moring	Muskegon Chapter	11	X	
John Osterman	Montana People's Action	11	X	
TONI KERRY	mt Cath Cong. Helena	11	X	
Tony Munster	NPRC	11	X	
Ed Munnane	Montana Representation	11	X	
Miki Martin	Mont. People's action	11	X	
Lenore Smith	Ruby Valley	11	X	
Marcia Pilgram	" "	11	X	
Robert J. Stearns	Gold Creek	11	X	
Wally Blom	missoula MPA	11	X	
Daniel C. Kee	Twin Bridge	HB 11	X	
David C. Peterson	Roundup	HB 11	X	
Lawrence Fair	Sheridan, MT MPA	HB 11	X	
Harry Nelson	Ryegeat Mt MPA	HB 11	X	
Helen Morris	Roberts	HB 11	X	
Walter Morris	Roberts Valley M.P.A.	HB 11	X	
Wallace Braden	Twin Bridges	11	X	
W. R. Bath	Ruby Valley M.V.A.	11	X	
Susan J. Bath	Teerie & Ridge	11	X	
Harry Martin	Ryegeat	11	X	
David Bruner	Ryegeat (Montana P.A.)	HB 11	X	
Martin R. Connell	Ryegeat (Montana People's Action)	HB 11	X	
Ed Terrell	Twin Bridge MPA	"	X	
Bruce B. Riden	Ryegeat MPA	"	X	
	Billings, MT			
	Billings, MT			
	COOPER	"	X	

(Please leave prepared statement with Secretary)

COMMITTEE ON

SB 7 HB 10 & HB 11

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo.
Frank Conley	Alder MPA	11	X	
James R. Pevnek	Board of Investments	10		
Mark Teigen	Mont. Stockgrowers	SB 7	X	
Mike Conley	Alder MPA	11	X	
Margaret Harington	Absecon	"	X	
Bill				
John Allhand	Mad Co	"	X	
Neil O'Steen	Shenandoah Mt. MPA	11	X	
Loral Mosher	Mt. Cow Belts	"	X	
Phillip Johnson	First St Helena			
Jo B. Gorman	Power Farm Eley	11	X	
Chet Gorman	Helena	11	X	
Bob Pyfer	Mont. Civil Liberties League	SB 7	X	
Nancy Burnham	Helena		X	
Tom Murphy	Mt. Farmers Union	SB 7 HB 11	X	
Leslie Thomas	MT INDEPENDENT CRAFTSMEN	HB 11	X	
Phil Campbell	Mont. Ed. Assoc	SB 7	X	
LARRY AKEL	SEC OF STATE	"		
KEITH KELLY	DEPT. OF AGRICULTURE	7 & 11	X	
Tom Walden	Mental Health Centers	11	X	
Jeff Knutson	MPA	11	X	
James Wilson	Farmers	11	X	
Del Rodriguez	Mpa		X	
Andrew Walzer	MPA	11	X	
Don Sigels	Mt. Col C	SB 7	X	
Ted J. Doney	MT Dairymen's Assn.	AM	X	

(Please leave prepared statement with Secretary)

DATE

COMMITTEE ON

VISITORS' REGISTER

HB 11
SB 7, Kd

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Robert Van der Meer	Self	SB 7	X	
Ted J. Dorsey	MT. Dairymen's Assn	HB 11 SB 7	X	
Rep. James Moore	HD-65	HB-11	✓	
Jack Henneman	A.N.P.R.C.	HB 11		
Barbara Becker	MT. Farm Counseling & Advoc. ^{Coalition}	HB 11	✓	
Dale Fion	"	HB 11		
Mary Ann Fion	"	HB 11		
Artis Hobins	"	HB 11		
Suzie Chiovano	"	HB 11		
Joe Dap	"	HB 11		
George Cushing	"	HB 11		
Bill Milder	Self - Roundup Group	HB 11		
Ray L. Vais	Musselshell Chapter of Montana People's Action	HB 11	✓	
Richard M. M. M.	"	HB 11	✓	
Nancy Bellini	Women's Lobbyist Fund	HB 11	✓	
Bernard Harkness	Rancher	HB 11	✓	
Debi Brammer	MACD	SB 7	✓	
Marisa Pilgerman	my family	HB 11	X	
Donell G. G.	Self	HB 11	✓	
Dorothy Todd	Todd Ranch	HB 11	✓	
Mary Ka	Lee Angus Rib	HB 11	✓	
Richard L. L.	Todd Ranch	HB 11	✓	
Lothar Rued	Montana Cattlemen's Assn. Int'l	HB 11 SB 7	✓	
Charles D. D.	Shenandoah Dist.	HB 11	✓	
Jim M. M.	Mont. State AFL-CIO	HB 11	✓	
Buddy Zindler	Receipt	HB 11	✓	

(Please leave prepared statement with Secretary)

VISITORS' REGISTER

COMMITTEE

BILL NO.

HB 11

DATE

SPONSOR

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Al Verschoot	Nonan	✓	
Man Kee	Randup	✓	
Josh Vaize	Rycate	✓	
Bernard Hartness	Delp	✓	
W. R. PATTE	RYEGATE	✓	
Lavina Lubinus	WIFE	HB 11 ✓	
Lavina Lubinus	WIFE	SB 7 ✓	
Wink Myhart	Twin Bridges	✓	
Carl Hoffman	Bozeman	✓	
John Welch	Bozeman	✓	
Volentin Zordie	Redpoint	✓	
Margaret Thompson	Absarokee	✓	
Paul Holmgren	Absarokee	✓	
David Holmgren	Absarokee	✓	
Jerry Ryhart	Twin Bridges	✓	
Jerry Garsione	MSA	✓	
Jim Reichmann	Missoula	✓	
John Murphy	MT Farmers Union	✓	
Cathy Campbell	Int Association of Churches	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Members of the committees I offer for your consideration SENATE BILL 7. Senate Bill 7 is a bill to provide the use of \$50,000,000 short term investment pool funds to financial institutions at a rate 1% below the current six month CD rate. These funds would be invested in Montana financial institutions who agree to pass on these funds to agricultural borrowers at no more than 2% above the cost of these state funds.

In order to be eligible for these loans the agriculture businessman must have a debt to asset ratio greater than 30%. He must also make more than 70% of his income from a Montana farming operation. No loan to any individual could exceed \$50,000. These loans would be short term production loans and could also be used to purchase livestock for other than breeding purposes. Senate Bill 7 contains several provisions that would insure these loans are not used in a manner other than is contemplated by this bill.

This bill is similar to legislation in many other agricultural states that is providing 600 plus millions of dollars to help farmers survive the financial crisis of their lives brought on by low commodity prices and high interest.

A recent study at M.S.U. stated that for each 1% drop in interest rates about 2.3% additional Montana farms would cash flow. Montana has about 16,000 professional farmers. That would indicate about 1400 farmers would be helped by a 4% write-down of interest. These figures must be adjusted down somewhat because as the interest rate declines fewer farmers are helped by each point.

I think you can reasonably assume then, based on the study, that approximately 1000 farmers would be helped by this program.

What types of individuals will benefit from this program? Will farmers who have been marginal for a number of years be helped? The answer is probably not, but it will help the farmer who is marginal because of drought or other factors that are not attributable to poor management.

I believe the lenders, especially in the heavily agricultural areas, want to keep as many farmers on the land as they possibly can. So, I believe they will use this money to help those good managers who can structure their operations so that this interest savings is in concert with other savings or innovations and will make the difference in obtaining an operating loan for this spring or fall.

The most critical need for this program, I think, is in the livestock industry where many operators have been forced to sell their cow herds because of the drought and now are not able to buy yearlings to use their grass this summer. I hope the lenders who look at this program will give special attention to that particular sector of the agricultural industry.

I will be glad to answer any questions.

TED NEUMAN

TN/jim
3/26/86

NAME: CHESTER KINSEY DATE: Mar 25 1986

ADDRESS: 6860 APPLEGATE DR HELENA

PHONE: 458-5620

REPRESENTING WHOM? Montana Low Income Coalition

APPEARING ON WHICH PROPOSAL: SB 7 ~~HB 10~~ HB 11 ~~HB 10~~ HB 10

DO YOU: SUPPORT? YES AMEND? OPPOSE?

COMMENTS: We are in support because farmers

are also experiencing problems

We are interested in the job
that agriculture generates

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Del Rodriguez DATE: 3/26/86

ADDRESS: 722 Cedar St. Helena Mont 59601

PHONE: 442-1740

REPRESENTING WHOM? Farmers Montana Peoples Action

APPEARING ON WHICH PROPOSAL: Farmers Mediation

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: Farming is just about the only industry
we have left in the State of Mont. and if the
farmers are foreclosed on we won't have no industry
left. besides we need our steaks & potatoes.
The farmers provide the cheapest food in the
world.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Agriculture producers have always believed that hard work would solve any problem. That is no longer true, because of the variables we ~~know~~ experience in agriculture. —

Whether it be the policy of the Federal Government, prices received for the commodities, drop in land values, limited credit or drought.

All of these, contribute to the financial crisis we are now in, and financial problems ^{often} lead to legal problems, extreme stress and often mental health problems.

Farmers are often poorly informed about bankruptcy or foreclosure proceedings, deeds in lieu of foreclosure, appeal rights on loan decisions and other legal issues. They may also need information on tax issues surrounding liquidation of assets.

Many states (18) have counselling and assistance programs in place now, and several states are utilizing the volunteer programs as we have done in H.B. 11 which includes the peer counselling.

The mediation concept has allowed some farmers and lenders to work out differences short of bankruptcy or foreclosure actions. Tax assistance programs also have helped some farmers avoid costly mistakes in liquidating assets.

Most people in agriculture are not

familiar with the options that might
be available, therefore, the need for
the services provided for in this act.

BILL SUMMARY

(House Bill 11)

Prepared by Tom Gomez
Staff Researcher
Legislative Council

House Bill 11 provides for an agricultural assistance and counseling program to aid financially distressed farmers and ranchers in Montana.

As introduced, House Bill 11 contains the following main provisions:

- provides a statement of purpose, declaring that an emergency program is established to directly assist individual farmers who are financially distressed by making available certain types of assistance and counseling;
- authorizes the creation of a program to provide financial counseling, farm management training, legal services, voluntary debt mediation, mental health assistance, support counseling, and referral services;
- grants the Department of Agriculture responsibility for administration of the program;
- requires the Department of Agriculture to utilize the available services of the Cooperative Extension Service, state agencies, legal service corporations, community service organizations, private businesses, mental health corporations, volunteer groups, and other persons in order to provide the services required under the bill;
- mandates that the Department of Agriculture contract for services with qualified personnel;
- allows the Department of Agriculture to adopt rules necessary for the administration of the program;
- permits the Department of Agriculture to receive gifts and grants to support the program;
- provides for voluntary mediation, whereby a farmer who is in danger of foreclosure or a secured creditor may request mediation of the farmer's indebtedness;
- clarifies the duties and role of mediators in conducting voluntary mediation, requiring the mediator to be an impartial person who is knowledgeable in financial and agricultural matters;

- requires that the Department of Agriculture must dismiss a mediation request if there is an unsuccessful mediation attempt or if either the creditor or the farmer does not agree to participate in mediation;
- establishes the confidentiality of records and information obtained as part of a request for mediation;
- excludes mediation meetings from the provisions of the state open meeting law;
- appropriates money \$350,000 from the general fund for operation of the program; and
- provides for an immediate effective date and a termination date of July 1, 1987.

March 26, 1986

House Bill 11

An Act Establishing An Agricultural Assistance and Counseling Program
To Aid Financially Distressed Farmers.

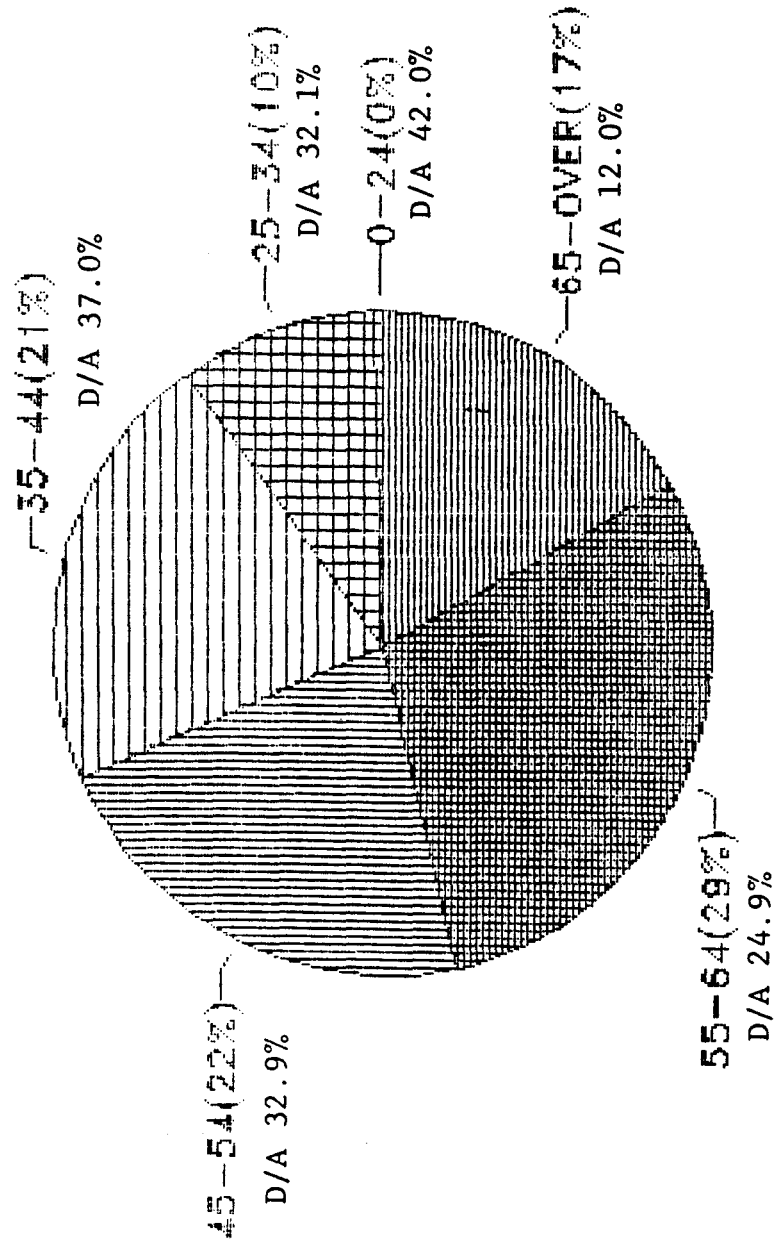
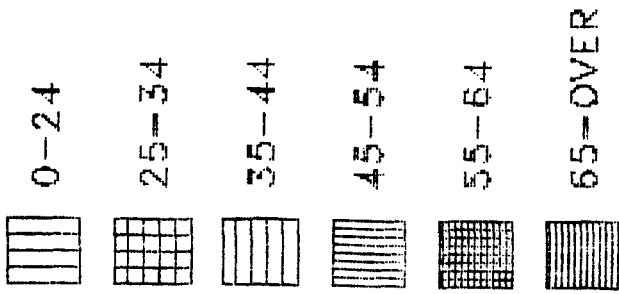
House Agriculture Committee
Senate Agriculture Committee
Appropriations Committee

Presented by

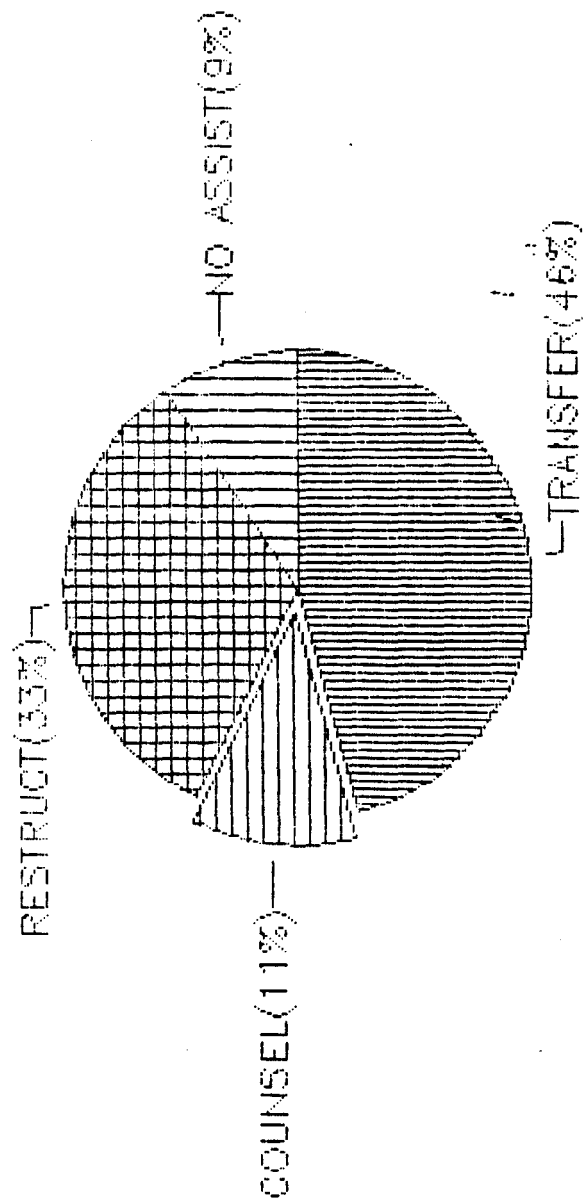
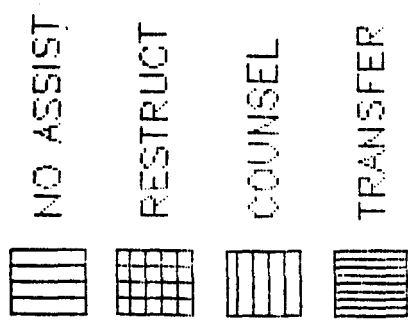
Keith Kelly
Director
Montana Department of Agriculture

MONTANA DEBT/ASSET RATIO BY AGE

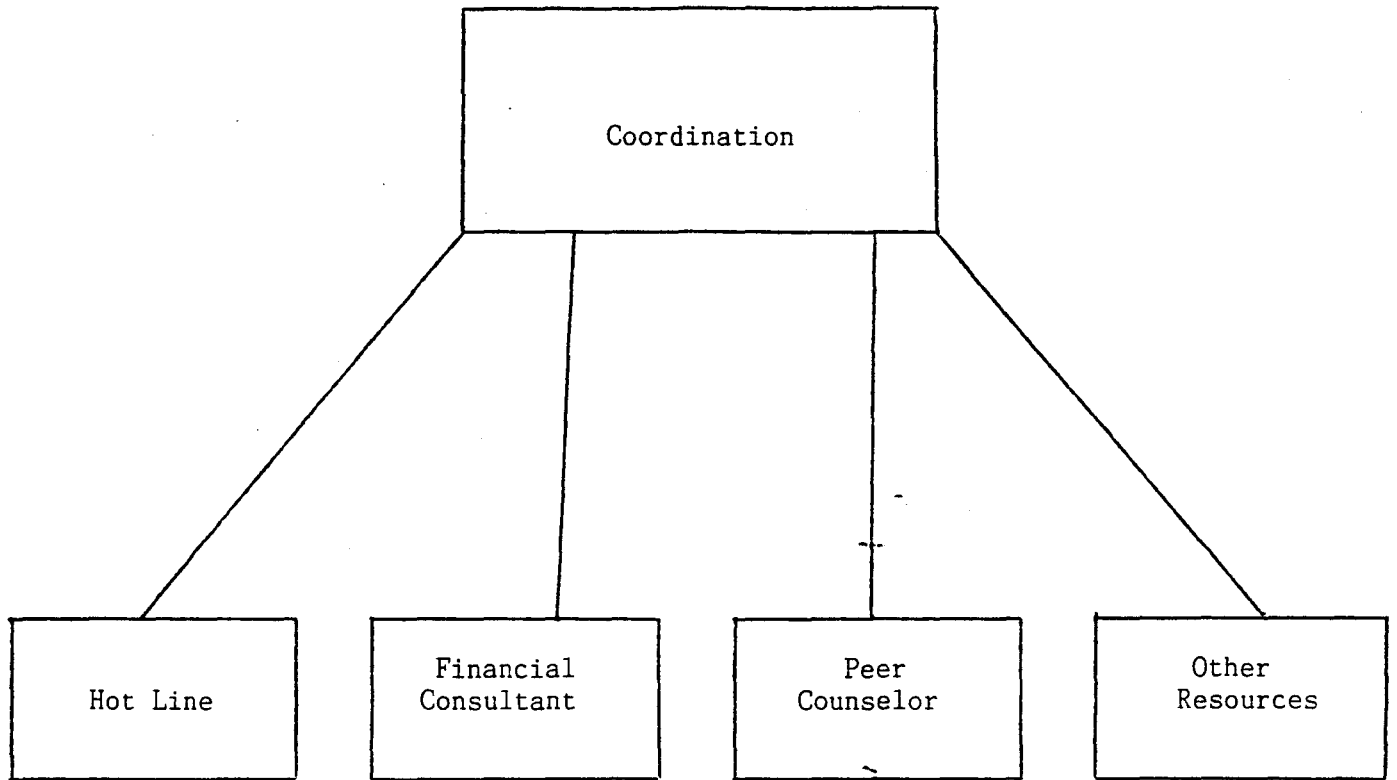
1985



TARGET GROUP NEEDS



Agricultural Assistance/Counseling Program



i.e.
Training
Legal
Community Services
Mental Health

Amendments to HB11
Proposed by the Montana Department of Agriculture

Amend page 1, section 1, line 21

following: "avoid"
insert: or mitigate

Amend page 3, section 2, subsection (7)(c), line 1

Subsection (7)(c) reads as follows:
(c) a person with a statutory lien or a perfected
security interest in agriculture property; or

Amend page 3, section 2, subsection (8), line 6

following: "without"
insert: a perfected security interest

Amend page 3, section 3, subsection (2), line 14

following: "financial"
strike: ~~counseling~~
insert: consulting

Amend page 3, section 3, subsection (2), line 15

following: "management"
strike: ~~training~~
insert: consulting

Amend page 3, section 3, subsection (2), line 16

following: "legal"
insert: information

Amend page 4, section 4, line 1

following: "service"
insert: college of agriculture

Amend page 4, section 4, line 3

following: "state"
insert: or federal

Amend page 4, section 4, line 4

following: "corporation"
insert: or the University of Montana Law School,

Amend page 4, section 4, line 15

following: "coordinator"
insert: and necessary staff

Amend page 5, section 6, line 11

strike: ~~imminent~~

Amend page 5, section 6, line 11 and 12

strike: ~~or-who-has-received-a-notice-of-foreclosure~~

Amend page 5, section 6, line 16

following: "filing"

insert: or responding to

Amend page 5, section 6, line 23

insert: new subsection (d) to read as follows:

- (d) financial statement(s) and proforma cashflow statement (profit/loss) including any non-farm activities.

Renumber subsequent subsections

Amend page 5, section 6, line 25

insert: new subsection (3) and it reads as follows:

- (3) In filing or responding to a mediation request, the secured creditor(s) shall provide:
- (a) The information pertaining to the basis of the credit determination;
 - (b) Financial statement(s) and proforma cashflow statement on the respective borrower;
 - (c) Statement regarding status of the borrowers loan performance;
 - (d) Indicate name and title of authorized representative of the creditor authorized to enter into a binding mediation agreement; and
 - (e) any additional information the department may require.

Renumber subsequent subsections

Amend page 5, section 6, line 25

following: "farmer"

strike: ~~requesting~~

insert: or secured creditor in

Amend page 6, section 6, lines 4 and 5

following: "department"

strike: ~~or-its-agent-shall-evaluate-each-request-and-may~~

insert: shall

Amend page 6, section 6, line 8

following: "agrees"

strike: =

insert: or if the mediator determines that an unsecured creditor is a necessary party to the mediation.

Amend page 8, section 12, line 24

insert: new section 12 as follows:

Section 12. Sovereign Immunity. The state of Montana acting by and through the Department of Agriculture, it's employees, contracted services and personnel shall be immune from liability in the performance of the duties and responsibilities of this act. The State shall not be liable for any action brought against it as a result of any errors, omissions, or negligence that occurs as a result of providing services pursuant to this act.

Renumber subsequent sections

Amend page 9, line 6

insert: new section as follows:

Section Severability. If a part of this act is invalid all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in one or more applications, the part remains in effect in all valid applications that are severable from the invalid application.

AMEND SECTION 1:

Purpose. It is the declared purpose of [this act] to establish an emergency program to directly assist individual farmers who are financially distressed by providing them assistance and counseling to manage farm credit problems, to avoid forced liquidation or farm foreclosure, to cope with the financial stress resulting from adverse conditions of agriculture in this state, and to maximize the effectiveness of this program by utilizing peer counselors and cooperating with the private sector.

AMEND SECTION 2 (definitions) TO ADD:

(8) "Peer Counselor" means a person who is or has been involved in production agriculture and who has been trained through the Department and others in financial counseling and mediation/negotiation techniques and who works to aid financially distressed farmers through this program.

AMEND SECTION 4(a) TO ADD AS NEW SECTION (i), RENUMBER SUBSEQUENT SUBSECTIONS:

(i) a network of trained peer counselors who can directly assist financially distressed farmers;

AMEND SECTIONS 4(b):

(b) contract for services with qualified personnel, including peer counselors, farm management specialists, accountants, attorneys, and mental health professionals, to provide the assistance required under [section 3];

AMEND SECTION 4(d)

(d) provide training for peer counselors to assist farmers needing help with farm financial management problems;

ADD SECTION 4(g):

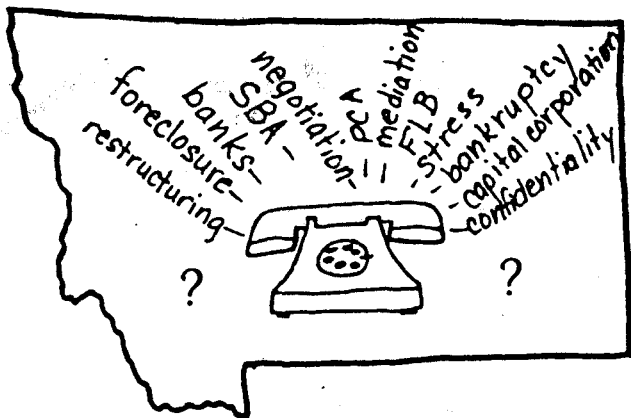
(g) provide peer counselor access to computer and computer programs.

THE MONTANA FARM COUNSELING AND ADVOCACY COALITION

"In any real understanding there aren't any good guys and bad guys. There are only human beings in a leaking boat. When we look to the right or left we do not see . . . (farmers or bankers or small business people or borrowers or lenders) . . . All we see are some people bailing and some people rowing because there are children in this lousy boat and we are in deep trouble." The Rev. Leonard Kayser, from Violence in Rural America, Catholic Rural Life. November, 1985

FARM CRISIS
HOPELINE ☀

653-2492



"Farmers Helping Farmers"

The idea of farmers helping farmers in Montana originated within farm and ranch communities. Assessment of needs was done by farmers and ranchers themselves. The Montana Farm Counseling and Advocacy program was designed and activated by farmers and ranchers.

"Farmers can be very effective self-and lay advocates. . . farmers as advocates are often more effective, especially when they have support, than an attorney or paralegal would have on the "front lines" (with the lender). Farmers speak the language of farm operations and credit, know the operations, may use more effective informal means of negotiation, and do not pose the same kind of adversarial threat at the administrative level that legal workers do." Jim Massey, Atty. Minnesota Legal Services

The MFCAC is committed to the idea that PEOPLE ARE NOT EXPENDABLE, therefore:

*All people affected by the farm crisis can be helped in some way.

*MFCAC encourages self-development, self-help, and self-advocacy within the community, thereby avoiding creating new dependencies of the sort which led to the current farm crisis.

*MFCAC encourages calls from people BEFORE the situation is desperate. There may be opportunities through reservicing and restructuring to avoid the heartache others have experienced.

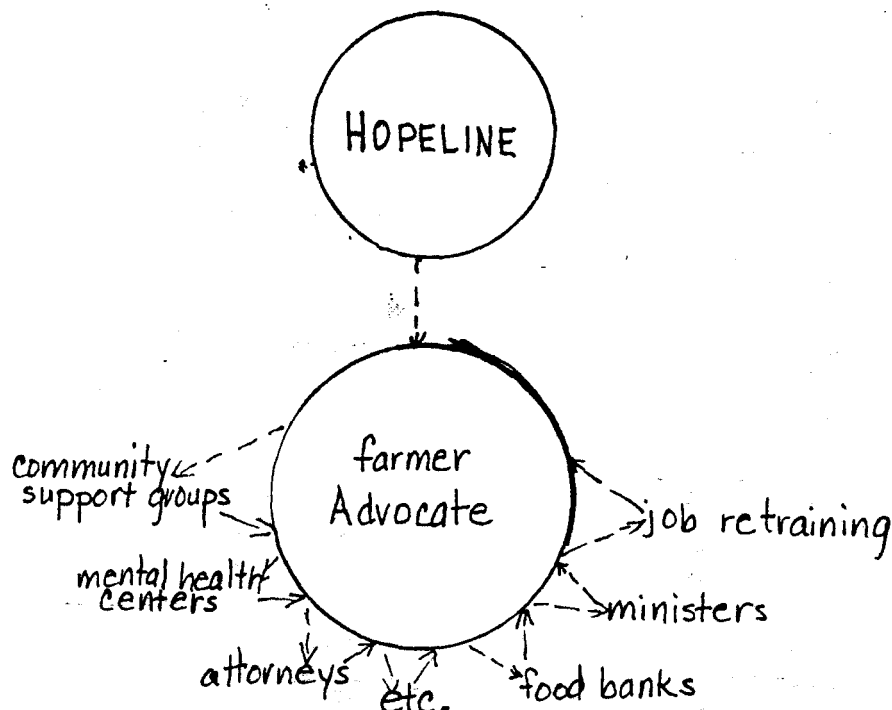
*MFCAC is committed to helping so-called "worst cases" as well as those who have a good chance of making it on the land. People in the worst situations need the most support. Their literal, physical survival is at stake. These persons have the most potential for violence because, "I have nothing to lose." They are also most vulnerable to improper advice and they carry the most tax liability.

*MFCAC sees itself as a mediator and negotiator between borrowers and lenders, thus, preventing polarization and splitting of communities and enhancing the life of communities.

The MFCAC OFFERS THESE SERVICES:

1) Direct service and counseling by trained advocates who are farmers and ranchers, many of whom have themselves experienced foreclosure or bankruptcy. They will a) listen, b) offer support, c) explain rights/options, d) refer to advocates or other support systems, 2) follow up by advocates with a) information dissemination, b) assistance in developing cash flow projections, c) mediation and negotiation, d) explain rights/options, e) geographical referral of calls, 3) referral to a) legal help, b) professional emotional or mental health counseling, c) where necessary, professional financial advice.

The HOPELINE is a central number answered by a trained person who calms and assures the caller if need be, assesses needs, and refers to a trained advocate. At the present time the number is not toll-free. An 800 number and additional staff are needed. HOPELINE staff must be familiar with the unique characteristics and problems of farm families.



Among the advocates, who are all production agriculturalists, is the kind of assistance that farm people need and respond to, people who have, 1) absolutely no vested interest with lenders, including FmHA, banks, PCA, FLB, insurance, etc., 2) familiarity with the major pertinent farm cases, e.g., Coleman, Nicholson, Curry, Allison, etc., and the particular issues involved in the cases, such as overcharge of interest, non-recording of payment of principle, relative position of unequal parties, etc., 3) willingness to meet with officials of banks, lending supervisors, etc. on behalf of any borrower, 4) willingness to set up a cadre of attorneys who have no conflict of interest with lenders, 5) familiarity with farm manuals, the 36 items of the Farmer's Guide checklist, the Center for Rural Affairs' loan manual, etc., and with policies, rules, regulations of PCA, FLB, FmHA and its A.N.'s and P.N.'s, 6) working knowledge of farm plans, principle and interest both accrued and paid, loan balance, loan history analysis, deferrment and reamortization, and refinancing, and much more. They are also trained to give emotional support.

(This sheet to be used by those testifying on a bill.)NAME: Mary Lee DATE: 3-26-86ADDRESS: 16345 Hwy 124, Roundup, MTPHONE: 323-2557REPRESENTING WHOM? Land Mary Lee (Lee Angus Ranch)APPEARING ON WHICH PROPOSAL: H B 11 w amendmentsDO YOU: SUPPORT? X AMEND? X OPPOSE? COMMENT: The need is critical.We need assistance and the
right to mediateIn 5 days our ranch through summary
judgment will be awarded to H B unless
we have a stay and opportunity
to negotiate.PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

My name is Joan Voise of Ryegate Montana. I am a member of Montana People's Action and I'm here to testify in support of HB 11 with amendments. My husband Laurence and I farm ~~the~~ *and ranch.*

Our lender has sent notice to us that they are accelerating our mortgage payment. They have already foreclosed on our machinery as of last August, and refused to negotiate any solutions except liquidation. We believe that ~~we~~ with some adjustments in our loan, that our place could be made productive and viable.

Throughout our dealings with our lender, we feel that we have been dealt with in bad faith. When the bank sent out an appraiser, he appraised our place at half the previous value. We learned on January 23rd, 1986, that a paragraph had been added by the bank to our security agreement which stated that the bank "may retake possession of collateral without a hearing, which debtor hereby specifically waives."

We had never approved of this paragraph being added to the language of our contract and only learned of it ~~when~~ we requested copies of all of our contracts. We tried to have this language removed and our banker refused, even though we had never seen the language and it was not printed in our contract when we signed it.

We believe that if we had the Right To Mediation that this situation would never have arisen. Furthermore, we know that many other people in agriculture have had similar experiences.

The family farm ~~is~~ the backbone of my community and the nation. If the farmer is unfairly forced out the economic repercussions will ripple down Main Street., as is presently happening in Montana communities right now. Lenders are going to be a lot better off keeping productive farmers on the land, then they will be if they become owners of these farms and have to take even greater losses on resale.

Sen. T. H. ...

I am a fifth generation Montanan. My family moved to Virginia City in 1863. I am proud of my heritage, and of my ties to the good Montana land.

I am also a bankrupt rancher. That is not a fact I state proudly, but rather with pain and sorrow for those who are facing similar circumstances. That is also why I am a farmer advocate.

I know only too well the pain I felt when I held my children through their nightmares of people taking things away--the only comfort I could offer was that their father and I loved them very much.

I know only too well the sleepless nights which go hand in hand with the hours contemplating financial paperwork which doesn't improve with continued reading. I know only too well the impotent fury which I felt and directed at my lender--ultimately to translate into a recognition that there were powers beyond his control--or mine. I did not create the weather; I did not create the plague of grasshoppers; and I did not create a system which revolves around a price for production which does not take into account the cost of production.

What, then, can I offer to others in similar straits--what do I tell the seventy year old woman whose husband is ninety when the property they have framed for sixty years is to be taken away? What do I tell the man who calls because he ran out of heating fuel for his house two hours ago, it's below zero, and he has nowhere to turn?

What do I tell the young person who bought his family's homestead and wants to make a go of agriculture? All of these people have contracted debts, as I did, with the intention of paying them. All of them felt there was a reason to try. Do I then tell them that Gee, what a shame. The state of Montana is only interested in statistics, and you are part of the whatever percent we write off?

Or do I tell them that this State really does care about its agricultural people and recognizes the need for lenders and borrowers to work together to achieve an equitable solution--one which is in the best interests of them, and of the taxpaying population as a whole?

Please help me and the other advocates to take home a message

Mr. Chairman, members of the Committee,
I am Ray Gatte from Big Lake, Montana.
I am a former County Commissioner of Golden
Valley County and a past director on the Mental
Health Board in Billings.

I am in favor of H.B.-11 with the addition
of either mandatory mediation or right of mediation.
There are three things which affect the farm plight
or economic situation today, low prices, high interest
and unrelieved weather conditions. We can do something
about low prices by minimum pricing or other states
have done and we must reduce interests so as to
obtain a cash flow.

Tax situation - with a loss in state and local
taxes by the loss of taxes to not only the State
but also to the local tax structure.

There are about 26,000 farmers and Ranchers in
Montana losing about 10% a year of because
of foreclosure and self liquidation. The last two years
we have lost nearly 5,000 farmers and ranchers,
if this keeps up in two or three more years
there will be less than half of the farmers and
ranchers left in Montana.

Ten to fifteen years ago we listened to
banks and lenders for the high equity and value
placed on lands and property. Because of the loss
of equity due to decreased valuations has placed
the farmers and Ranchers in the position we are
in today. We listened to them now they should
listen to us.

If we are going to build Montana, let us begin
at the foundation, the grass roots, keep our farmers
and Ranchers on the land.

Submitted Ray Gatte

Explanation of Right to Mediation Amendments in HB 11

The right to mediation applies to agricultural property greater than \$5,000.

The right may be exercised by a farmer facing or in foreclosure.

The amendments suspend execution of debt during the mediation period.

The amendments bring the borrower and creditor together with a mediator to attempt to work out an agreement that will prevent further foreclosure action and stabilize the rural economy.

The mediation period extends 75 days from service of notice to the end of mediation.

The mediator does not have any binding authority to impose an agreement on either the farmer or the creditor.

WIFE Women Involved In Farm Economics

HB 11

Support

March 26, 1986

Chairmen and Members of the committees. For the record my name is Lavina Lubinus and I am here today representing Women Involved in Farm Economics.

WIFE formed the original Advocacy program, the Crisis Line, in Jan. of 1985 when it became clear that someone had to help the rural people in trouble.

JoAnn Forsness ^{a WIFE member} was and is the voice at the other end of the Hot Line. In it's first 3 months JoAnn received 100 calls a month. During the summer the calls went down to 35 calls per month. In January of this year, from the 5-8 she received 38 calls.

JoAnn took training where it was available and brought in speakers to train and educate others. All with funding from donations.

There is a world of hurt still out there. Not only on farms and ranchers but in small rural communities that depend on the agriculture economy.

The advocates in the field have had "hands on experience" with this hurt.

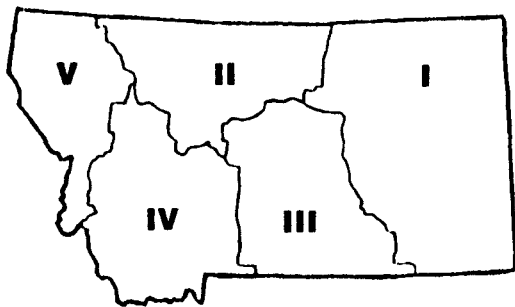
There is a great deal of reluctance by those in trouble to speak to or turn to professional help such as mental health until they have talked to someone who has "been" there.

That is where the advocates now in the field come in. Those with problems need to know that the people they talk to can relate to their problems with understanding of the situation from personal experience.

The advocates that are now working with the Hot-Line have all earned a degree in the "School of ^{hard} Knocks" and have attended seminars to refine that training.

We hope that with the passage of HB11 that these advocates will be asked to work as they have been because of their first hand experience, Knowledge of the problems and their talent.

Thank You



Montana Council of Regional Mental Health Boards, Inc.

3/26/86

For the record my name is Steve Waldron, Executive Director of the Montana Council of Regional Mental Health Boards. I represent the Montana Community Mental Health Centers.

The Community Mental Health Centers of Montana support HB 11. We believe there is a justified need for an agriculture crisis line to be manned by peer counselors volunteers when possible. However, it is critical that there be a paid staffer to coordinate the volunteers and insure that they get the necessary screening and training.

Many of the farm families will be experiencing extreme emotional stress. Some may even be suicidal. The phone volunteers must know the appropriate technics for dealing with a person who is in an emotional crisis. The volunteers must be able to know when a referral to a professional is necessary. They will also have to know where the nearest available resource is located and how to contact that resource. Training of these volunteers is critical.

The crisis line volunteers would also be assisting the Mental Health Centers by screening out those persons who are not in serious need of our services. Thus it makes sense to have a separate ag crisis line rather than trying to utilize Mental Health Center hot lines.

We also believe that the financial counseling and advocacy functions should be separated from the crisis line functions. The phone volunteers should be making referrals to appropriate financial advocates but should not attempt to provide extensive financial counseling over the telephone.

Our experience indicates a need to respond to the emotional and financial needs of people in the agricultural community. HB 11 is a laudable effort to address those needs. The Community Mental Health Centers urge your adoption of this legislation.

REGION I

EASTERN MONTANA COMMUNITY
HEALTH CENTER
1819 Main Street
Miles City, Montana 59301
(232 0234)

REGION II

GOLDEN TRIANGLE COMMUNITY
MENTAL HEALTH CENTER
Holiday Village Shopping Center
P. O. Box 3046
Great Falls, Montana 59403
(761 2100)

REGION III

MENTAL HEALTH CENTER
1245 North 29th Street
Billings, Montana 59101
(252 5658)

REGION IV

MENTAL HEALTH
SERVICES, INC.
512 Logan
Helena, Montana 59601
(442 0310)

REGION V

WESTERN MONTANA COMMUNITY
MENTAL HEALTH CENTER
Fort Missoula 112
Missoula, Montana 59801
(728 6870)

(This sheet to be used by those testifying on a bill.)NAME: L.C. Torrett DATE: 3-25-86ADDRESS: 1009 N 31st Billings MT.PHONE: 248 3028REPRESENTING WHOM? MyselfAPPEARING ON WHICH PROPOSAL: HB 11DO YOU: SUPPORT? AMEND? X OPPOSE?

COMMENT: Expenditure reduction portion as well as
a 1 yr moratorium. I would rather see pressure
put on the 1986 Farm relating to the Farm Credit
Sanitation Rules & regs are being written
on the loan buy out program and further
legislation at a national level

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

EXHIBIT **P**
HOUSE BILL 11
3/26/86

NAME: Wink Rykard DATE: _____

ADDRESS: Turn Bridge 127

PHONE: 684-5498

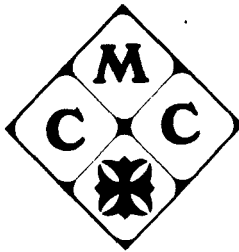
REPRESENTING WHOM? Montana People's Action Group

APPEARING ON WHICH PROPOSAL: HB 11 amendments

DO YOU: SUPPORT? ☒ AMEND? _____ OPPOSE? _____

COMMENT: for those who have a chance to continue our
agriculture, we need the right to mediate.
Please support the bill. Keep Montana alive.
We need agriculture.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.



Montana Catholic Conference

CHAIRMAN AND MEMBERS OF THE AGRICULTURE COMMITTEES:

I am John Ortwein representing the Montana Catholic Conference.

Most of us know what we mean when we say family farm. The family farm is a production unit in an agricultural system in which most of the farms are similar. There is a certain harmony to the system-- farms owned and operated by working farmers whose children learn responsibility by growing up in an environment where work and play go together, where taking care of the land is not just good economics but doing what's right, and where the loss of a neighbor is an occasion for sorrow more than an opportunity to enlarge the farm.

Why save the family farm? First, there is almost universal agreement among economists who have studied the question of farm efficiency that when a farm is big enough to keep one or two people fully employed, it has reached full efficiency. Second, there is a greater tendency to appreciate the future and to conserve on farms where the owners hope to leave something for their children. Thirdly, family farming brings with it certain democratic and community values-- widespread ownership of economic resources, equality of opportunity, a belief in the dignity of work and the integrity of the individual, and a concern for the good of community.

As we all know, this way of life is being threatened at this time as it has not been in many years. It is for this reason that the Montana Catholic Conference is here today. We support H.B. 11 with the amendments.



Box 1176, Helena, Montana

JAMES W. MURRY
EXECUTIVE SECRETARY

ZIP CODE 59624
406/442-1708

Testimony of Jim Murry before the House Agriculture Committee on House Bill 11, March 26, 1986

Mr. Chairman and members of the Committee, my name is Jim Murry, and I'm appearing here on behalf of the Montana State AFL-CIO in support of House Bill 11.

Members of the Committee, those of us with the labor movement recognize that our friends, Montana family farmers and ranchers, are going through a crisis that can only be compared to that of the Great Depression of the 1930s.

Agriculture is the backbone of our state's economy, and we are concerned about farm foreclosures that are increasing at an alarming rate. Crop prices have not kept pace with inflation and production costs. Cheap farm imported products have stripped many of our former markets.

Figures released by the U.S. Department of Agriculture show that Montana farmers had a net loss of more than \$55 million in 1984. With last year's drought, grasshopper infestation and early snow, 1985's numbers are expected to be equally as devastating.

For the first time in history, federal deficiency and crop-insurance payments to Montanans exceeded the total value of this state's wheat crop. In fact, fully one-third of all indemnities paid in the entire United States went to Montana farmers.

The U.S. Department of Labor predicts that more than half of Montana's 24,000 farms will not survive over the next five years. And those farm failures affect more than farm and ranch families.

According to Montana Department of Labor statistics, 23,200 people were employed by agriculture during December 1984. Just twelve months later, that figure fell to 19,500, for a loss of 3,700 jobs. Members of the Committee, last year almost ten primary jobs in agriculture were lost every day of the year.

Montana's agriculture accounts for roughly one-third of the total industry in our state, providing not only needed jobs for the farmer or rancher, but business for Main Street merchants and work for countless others dependent on the farm economy.

House Bill 11 will help provide financial and personal counseling, farm management training and debt mediation. The need for this bill is obvious during these difficult economic times.

Testimony of Jim Murry
House Bill 11
March 26, 1986

Farmers and ranchers and their families are going through horrible times in their professional and personal lives. They are going through much the same kinds of stress that workers and their families are facing while losing their jobs with no place to go.

The Montana State AFL-CIO welcomes the effort by this legislative body to assist with the personal and family crisis that is facing Montana's farmers and ranchers.

The Montana State AFL-CIO is the largest operator of dislocated workers' programs in this state. Over 15% of the current participants in our program come from the agricultural community.

Mr. Chairman and Members of the Committee, on behalf of the Montana State AFL-CIO, I want to pledge our continued support of Montana's family farmers and ranchers and our support of House Bill 11.

NAME: Jimmy Murphy DATE: 3-21-86ADDRESS: Box 2417 Great Falls, MT 59403PHONE: 453 1406REPRESENTING WHOM? Montana Farmers UnionAPPEARING ON WHICH PROPOSAL: HB 11DO YOU: SUPPORT? X AMEND? OPPOSE?

COMMENT: I do support HB 11 in the basic
concept as introduced. I support the organization
for counselling of ad-vocacy and also support
the "right to mediate" so long as it stays
short of an imposed solution.
Compulsory negotiating through a neutral mediator -
yes. Binding arbitration - No!

Thank youJimmy Murphy, President M.F. Farmers UnionPLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Mons Tegen DATE: 3/26/86

ADDRESS: Helena

PHONE: 442-3420

REPRESENTING WHOM? Mont Stockgrowers & Cowbelts

APPEARING ON WHICH PROPOSAL: HB 11

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: We support the bill as is without amendments.

The interim committee has held fairly extensive discussions
on the issue and have reached a more or less tentative
resolution. We must have something that lenders and borrowers
can both accommodate.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

House Bill 11 Amendments

1. Title, line 10.
Strike: "VOLUNTARY"
2. Page 3, line 17.
Strike: "voluntary"
3. Page 5, line 9.
Following: "Section 6."
Strike: remainder of lines 9 through 15 in their entirety.
Insert: "Right to mediation -- notice -- waiver --
conditions of mediation. (1) Except as provided in
subsection (3), no secured creditor may initiate
foreclosure against agricultural property subject to a
mortgage or trust indenture, terminate a contract for
deed to agricultural property, or enforce any judgment,
lien, or security interest against agricultural
property unless a notice of default and intent to
proceed against such secured property is served on the
debtor and a copy is filed with the department.
(2) The notice must inform the debtor that he has
a right to request mediation and that such a request,
to be effective, must be filed in writing with the
department within 14 days after service of notice.
(3) This section does not apply to agricultural
property with a fair market value of less than \$5,000.
(4) A debtor who fails to file a mediation
request as provided in [this act] waives the right to
mediation. Upon such failure, the department shall
file a release order with the creditor allowing the
creditor to proceed against the agricultural property."
Renumber: subsequent subsections
4. Page 6, line 4.
Following: "request"
Strike: remainder of lines 4 through 21 in their entirety.
Insert: "from a qualified debtor, the department shall,
within 14 days, serve notice of mediation on each
creditor indicated in the mediation request and shall
direct a mediator to meet with the debtor and creditors
to arrange for mediation.
Section 7. Stay of action pending mediation. If
a creditor is served with notice of mediation, neither
the creditor nor the creditor's successors in interest
may begin or continue proceedings against agricultural
property subject to mortgage, trust indenture, contract
for deed, judgment, lien, or other security interest
until the department issues a release order to the
creditor. Proof of service of notice of mediation is

effective in any court of this state to obtain a continuance or delay, provided that no delay may be granted that:

(1) causes any right to be lost or adversely affected by any statute of limitation;

(2) substantially diminishes or impairs the value of the contract or obligation of the person against whom relief is sought without reasonable allowance to justify the exercise of police power under [this act]; or

(3) causes irreparable harm or undue hardship to any secured creditor or his successors."

Renumber: subsequent sections

5. Page 7

Following: line 5

Insert: "(i) reduces either the interest obligation or the principal repayment obligation, or both;"

6. Page 7

Following: line 20

Insert: "Section 9. Mediation period. (1) The initial mediation meeting must be held within 15 days of service of the notice of mediation.

(2) The mediator may hold additional mediation meetings for up to 60 days after the initial meeting."

Renumber: subsequent sections

7. Page 8

Strike: lines 7 through 10 in their entirety

Insert: "Section 11. Release order. (1) Upon completion and adoption of a mediation agreement, the department shall issue a release order in accordance with the terms of the mediation agreement.

(2) If after 60 days have elapsed since the initial mediation meeting no mediation agreement has been adopted, the mediator shall issue a release order unless:

(a) the debtor and creditor agree to an extension of the mediation period; or

(b) the creditor has not participated in the mediation meetings.

(3) Any decision of the department or the mediator under [this act] may be appealed to the mediation panel established in [section 12].

Section 12. Mediation panel. (1) The governor shall appoint a mediation panel consisting of three persons, one who is a farmer, one who is a lending officer of a financial institution, and one who is

neither a farmer nor a lender. The panel is attached to the department for administrative purposes.

(2) The mediation panel shall advise the director of the department in the hiring and training of the mediators, in promulgating administrative rules, and in all other matters involving the operation of the mediation program established in [this act]."

Renumber: subsequent sections

8. Page 8

Following: line 23

Insert: "Section 15. Mediation of ongoing proceeding. A debtor whose agricultural property as of [the effective date of this act] is subject to ongoing legal foreclosure or debt enforcement action may, within 20 days after [the effective date of this act], request mediation as provided in [this act]. Such a request is subject to the same conditions and has the same effect as a request filed under [section 6]."

Renumber: subsequent sections

COGHMI/hm/6085a

BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551



SR 83-15 (FIS)

DIVISION OF BANKING
SUPERVISION AND REGULATION

March 30, 1983

TO THE OFFICER IN CHARGE OF EXAMINATIONS
AT EACH FEDERAL RESERVE BANK

SUBJECT: Home Mortgage, Farm and Small Business Loans

The economic environment over the past several months has resulted in financial pressure on a rising number of bank customers, particularly certain farmers, small businesses and individuals.

These financial pressures are, at times, reflected by delinquent business and residential loans in the portfolios of the nation's financial institutions. Some borrowers who are experiencing financial difficulties face the prospect of foreclosure on their homes and family farms, or the failure of their small businesses. Often these problems are transitory and the borrowers are able to resume payments when general economic conditions improve. Under such circumstances, the financial institutions may find that the most prudent policy is to stretch out payments and exercise forbearance rather than to take more precipitous action such as foreclosure and/or forcing a borrower into bankruptcy.

As a supervisor of State-member banks and bank holding companies, the Federal Reserve does not wish its examinations or its supervisory actions to be pursued in a manner that discourages this type of forbearance. On the contrary, such forbearance is in the public interest and should be encouraged when it is consistent with safety and soundness considerations. It is requested, therefore, that you remind the Federal Reserve examiners in your District of the need to be particularly sensitive to these problems at this time and to refrain from criticizing bank management for exercising forbearance in the circumstances described. Moreover, in accordance with long-standing instructions, examiners should not recommend foreclosure or other precipitous action. Supervisory staff should also take these policies into account when dealing with the supervised institutions' boards of directors and when designing remedial action plans.

A handwritten signature in dark ink, appearing to read "John E. Ryan", is positioned above the printed name and title.

JOHN E. RYAN
Director

Twin Bridges Public Schools

CONSOLIDATED SCHOOL DISTRICT NO. 7, MADISON COUNTY

Drawer AC, 216 West 6th Avenue

Twin Bridges, Montana 59754

Phone 684-5656

March 25, 1986

EXHIBIT W
HOUSE BILL 11
3/26/86

BOARD OF TRUSTEES
DAVID L. SMITH, Chairman
STEVE DAVIS, Vice Chairman
MARY REYNOLDS
SHEILA GILTRAP
DANOWSLEY

PHIL WABER, Superintendent
SYLVIA DULANEY, District Clerk
DOUGLAS R. DENSON,
Elementary Principal

Dear Committee Members:

I urge you to include a provision for mediation of foreclosure procedures in the Ag bill under consideration. Mediation could help school districts in two ways - financially and on a personal basis for our students.

Financially, a foreclosure results in property taxes not being paid for a minimum period of one year. With a majority of our local school budget based on property taxes, any non-payment has a negative effect on both our operating funds, already limited, and our reserves, also limited.

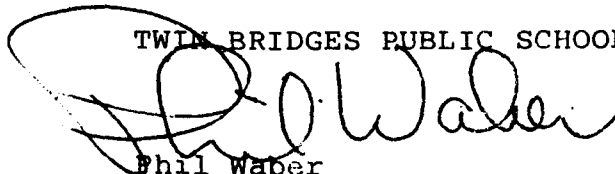
On a personal basis, the credit crisis is having a negative impact on the students in our school district. Family stress is increasing and many families in our area are going through divorce. This situation at home is causing many students to have difficulties in their academic work.

Any help you can provide for our agricultural community will benefit all parties concerned, especially, in my opinion, our youth.

Thank you.

Sincerely,

TWIN BRIDGES PUBLIC SCHOOLS



Phil Waber
Superintendent

P
W
:
W
S

Mountainview Veterinary Service

Dr. Layne E. Carlson

Route 1

Twin Bridges, Montana 59754

(406) 684-5831

March 25, 1986

TO THE MONTANA STATE LEGISLATURE:

I have been a practicing veterinarian for the past seven years. In 1983 I established my own mixed practice in my native Ruby Valley area. Increasingly, I have felt the effects of a depressed agricultural economy on my business. This negative effect has been in primarily three areas:

1. An increased number of delinquent accounts receivable. We estimate our past due accounts have risen approximately 15 percent in the past year.
2. A decrease in the number of clients with live-stock. Some of our better ranch accounts have been forced to sell off their cattle or sheep herds due to lack of financing or foreclosure.
3. Clients foresaking good management practices due to poor economic conditions. Many ranchers in this area have been forced to eliminate or drastically cut back on my services in order to make ends meet. Pregnancy testing cows and herd vaccination programs are two examples.

Many of my colleagues practicing across the state have expressed the same negative effects on their own businesses. I urge the legislature to act in a positive way to help Montana's failing agricultural economy.

Thank you.

Sincerely yours,



Layne E. Carlson, DVM

We, the undersigned members of the
Twin Bridges Chamber of Commerce do
hereby support the proposed Right to
Mediation bill which is being presented
by The Montana People's Action Group
to a joint House/Senate Ag Committee.

James B. Sykes - part owner Campbell's Garage
Jim's Repair Shop

Carl Banks, part owner Twin Tie

David A. Banks, part owner Twin Tie

Betty M. Sykes

De Ann Allen owner Allen Import/Export

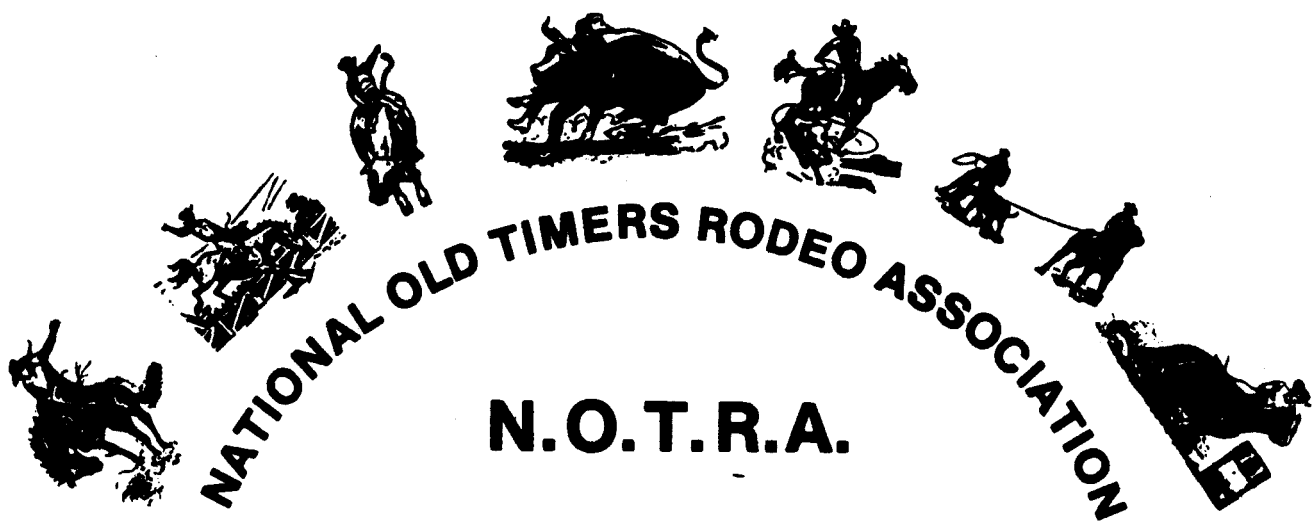
Bryan Ballen - Co Owner B+B Enterprises

Craig Ballen - " " " " " " & Larry B. Moten

Martha Nelson Co owner Nelson Auto Parts

Melvin Nelson Co owner Nelson Auto Parts

Cathy Pratt " 3 Rivers Exxon



TO WHOM IT MAY CONCERN:

I AM WRITING THIS LETTER TO HELP BRING SOME MORE ATTENTION TO THE PROBLEMS CAUSED BY THE STATUS ECONOMIC FAILURE.

MY RANCH IS VERY SMALL COMPARED TO THE ONES I READ ABOUT IN THE PAPER, THAT ARE LOSING THEIRS TO THE BIG INSURANCE COMPANIES. NEVERTHELESS, IT'S ALL I HAVE. I STARTED HAVING JACKPOT TEAM ROPINGS A FEW YEARS AGO TO MAKE A LITTLE EXTRA MONEY TO HELP PAY MONTANA POWER, TAXES, INSURANCE, + ETC. FOR AWHILE THINGS WERE BREAKING OUT EVEN, THEN THE POWER CO RAISED THEIR RATES. CATTLE PRICES FELL + INTEREST RATES MORE THAN DOUBLED. TEAM ROPERS, (WHICH WERE MOSTLY RANCHERS + FARMERS) COULDN'T EVEN AFFORD A COUPLE OF HOURS ON A SUNDAY AFTERNOON TO JACKPOT. THERE IS NO MONEY. AND IF ONE SMALL RANCHER, LIKE MYSELF, IS HAVING A TOUGH TIME, THEN WHAT IN THE WORLD ARE THE BIG RANCHES DOING.

THIS DEPRESSION WE ARE GOING THROUGH SHOULD NOT BE ALLOWED TO HAPPEN. NOT IN AMERICA, WHERE WE HAVE THE FINEST GOVERNMENT IN THE WORLD. OUR GOVT IS TO PROTECT IT'S PEOPLE. OUR CONSTITUTION WAS FOUNDED ON THAT PURPOSE. THERE IS AN ANSWER, I'M SURE OF THAT. I'M JUST NOT SMART ENOUGH TO KNOW IT. I ONLY KNOW HOW TO WORK HARD LIKE MOST RANCHERS + FARMERS DO. SOMEWHERE, SOMEHOW, YOU FOLKS IN OFFICE MUST HELP US TO KEEP OUR LAND. - SINCERELY, *Benny R. Ruppel*

Committee Members:

As I cannot be in Helena in person to speak in behalf of the Ag bill, of Mr. Hatt's. I hope you all will give it your serious consideration, and help us Ranchers & Farmers get this bill through. I strongly believe we need this mandatory mediation & minimum pricing for ag products of grain as well as livestock. Something has to be done for the Agriculture sector, because if they aren't here & making money they don't buy tractors, trucks, cars, other machinery, seed, parts & repairs & etc. which in turn give other people jobs. And if we aren't buying these things we aren't producing, and in turn people won't eat if we don't produce.

I am 43 yrs old and have a cattle ranch here plus we do livestock trucking also. The ag related business being in the shape it is in today has sure made a difference in our business. There is not the livestock to haul and a lot of the longer haul loads are going to bigger out of state outfits that come in and cut the price to try to keep going a little longer, but that don't work either for very long. Because when you try to operate below the cost of production it eventually catch up with you. I Hope you will support us on this bill.

Sincerely yours,
W. H. Hubert

The following written testimony from Jack J. Laruch of Twin Bridges Montana is to be presented by the Montana Peoples Farm Action Organization at your Committee's hearing on Wednesday March 26.

During the last 6 years our ranching operation has lost or gone behind \$37,000. We are losing a whole lifetime of hard work in a very few years. We are producing more to-day and getting less income. I have spent my entire life on the ranch (60 years) and only in the 30's were times as bad as now. If things don't turn around very soon and corporate farmers take over, what do you think will happen to the price of food? If no doubt, go across the waters and

see how much they pay for food since they have had corporate farming. This is on record, not an assumption.

Last year our small family ranch had an income of \$96,000, expenses of \$120,000 -- interest alone runs between \$25,000 and \$30,000 a year, it doesn't take a very intelligent person to see what is happening.

Due to the fact that we are dealing with a perishable product, our hands are tied when it comes to marketing it. And, by then it is too late to cut production. We need parity for our product if we are to stay in business. Our numbers in livestock go down --- we import more meat --- it keeps the price down. We need import duties on these products and administered to the producers to bring their income

I sincerely hope that this special session can find a way to bring us lower interest for the present time, and perhaps help get us a parity price for our product.

Inasmuch as the needs of the clothing and automobile industries have been assisted (and their products are not perishable) we ask only for the same consideration.

We need help now --- badly.

Jack J. Jasich

2525 Hwy. 41 S

Twin Bridges, MT

59754

Phone 406-684-5423

NAME: Christ Kurey for Montana Low Income DATE: Collition

ADDRESS: 6860 Apple gate

PHONE: 458 5620

REPRESENTING WHOM? Montana Low Income Collition

APPEARING ON WHICH PROPOSAL: H. B 11

DO YOU: SUPPORT? yes AMEND? OPPOSE?

COMMENTS: We support business and this
bill should keep some business in
business. This helps low income
people as it creates jobs and keep
some farmer out of poverty

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.