

Senator NELSON. How difficult is it for a young farmer who wants to go into dairying at an economic commercial size to obtain a loan? I understand that it costs from \$90,000 to \$100,000 to be in dairying today.

Mr. PICKERIGN. This is correct, it does present a problem and about the only way in which we have been as a bank able to work with them at all would be from a standpoint of financing, cosigning through the parent to get the young fellow established. It is just about impossible with today's capital requirements to attempt to go about it any other way. We are restricted on the basis of how much we can loan to an individual without a certain element of his own capital and about the only way is with a cosigner, and the other is through the Farmers Home Administration which we work very closely with.

Senator NELSON. Well, what if a young farmer was going to buy a farm with a \$100,000 price tag, what does he have to have in assets in order to get the balance of the loan from a commercial bank?

Mr. PICKERIGN. First of all, we are regulated nationally on the basis of 20 percent on any real property. The other one, of course, we are following a trend of approximately 65 percent on personal-type property, in other words, we will finance approximately 65 percent.

Senator NELSON. You can finance under the law 80 percent of the real estate?

Mr. PICKERIGN. Right.

Senator NELSON. But machinery, the animals, all personal type, a maximum of 65 percent?

Mr. PICKERIGN. This is just an unwritten law in our particular bank and we feel that this particular fellow should have this much invested himself and about the only way he can invest it himself is by mortgaging his father's property.

Senator NELSON. Well then, for all practical purposes, a young farmer who doesn't have the backing, doesn't have a parent who can back him, just can't go into farming because there isn't any such thing as some \$20,000 that he can get his hands on to make the down-payment; is that it?

Mr. PICKERIGN. That's right, Senator. Going on 5 years that I have been in the bank I think we would have our first loan to make to a young man coming from the outside without having some connection or start or a boost from the parent.

Senator NELSON. Do you have any suggestions what modifications in the law might be made to make it possible for a young farmer to obtain the capital he needs? I introduced a bill which would make the farmer a 40-year loan with a balloon payment due at the end of the 40 years and the right to refinance the other half again. The loan would be granted through FHA. I am just wondering if there are any ideas that you might have on what changes in the law. Now for all practical purposes the young fellow, no matter how good he is, can't go into farming unless per chance his parents can help.

Mr. PICKERIGN. I think the FHA, Senator, takes the same approach primarily in that the person first of all is engaged in farming or has to have the ability to farm, it is expected that he's cut out for