

FARM CREDIT POSES \$26.6 BILLION BAILOUT HAZARD

FCS has **grown upwards of \$225 billion** since it was last rescued by Congress

The Farm Credit System (FCS) has not been the subject of an oversight hearing in Congress in **more than a decade**. Its low profile carries great risk as its size and scope has increased exponentially since receiving the first ever federal government bailout in 1987.

When Congress authorized \$4 billion in taxpayer funds to rescue the FCS, the system was worth \$40 billion in assets. Today, that number has swelled to over \$266 billion. Another bailout of a similar nature could cost taxpayers an estimated **\$26.6 billion – a 665% or greater increase from 1987**.



The FCS has not been scrutinized to determine its potential liability to the American taxpayer and the US economy, as was also the case with its government-sponsored enterprise (GSE) counterparts Fannie Mae and Freddie Mac before their costly failures. A close examination reveals that the FCS has reached well beyond its intended purpose of providing farmers with access to affordable lines of credit.

In just the past two years, the FCS has lent over \$1.5 billion to major telecom companies including **Verizon, US Cellular, AT&T and Frontier Communications**. Enabled by a lack of oversight, the FCS uses a wildly relaxed interpretation of the Farm Credit Act to justify assuming such extraordinary risk for lending activities that are well outside its intended scope.

Compounding these economic concerns is the fact that FCS's activities are already costing the US Treasury. In 2013, the FCS enjoyed a tax subsidized net profit of \$4.6 billion while paying just 4.8 percent in combined federal, state, and local taxes. If the FCS had been taxed at the federal bank rate of 31 percent, the FCS would have paid \$1.3 billion in taxes. This subsidy will cost the American taxpayers an estimated \$6.73 billion over the next five years.

The FCS likes to identify as a commercial bank – if the FCS were a bank, it would be the ninth largest – yet in reality it is a publicly-owned GSE with the implicit back of the American taxpayer. Lawmakers should consider the wisdom of continuing to allow its large, non-agricultural loans and considerable tax subsidies to continue in the face of economic concerns that are grounded in historical precedent.

The time for meaningful congressional oversight of the FCS is now.

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