

The Farmers Home Administration: Where is it Headed?

By Kim Norris

The financial condition of the Farmers Home Administration (FmHA) has deteriorated markedly in recent years. Because the purpose of the agency is to provide credit to farmers that cannot obtain funds elsewhere, its loan portfolio has always been dominated by highly leveraged, financially weak borrowers. The FmHA has been an especially popular source of credit in recent years, as declining land values, crop prices, and farm income have weakened the financial condition of more and more farmers. As a result, the farm loan programs administered by the FmHA have grown rapidly and loan delinquencies and losses have mounted.¹

¹ In 1986, the General Accounting Office prepared no fewer than three reports on the financial condition of the FmHA. They include "Farmers Home Administration: Financial and General Characteristics of Farmer Loan Program Borrowers" and "Farmers Home Administration: An Overview of Farmer Program Debt, Delinquencies, and Loan Losses." The third report will be released in late 1986.

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The deteriorating performance of the FmHA's loan portfolio raises questions not only about the cost of FmHA farm programs but also about how the FmHA can best carry out its mission. Although the FmHA plays a critical role as a farm lender of last resort, sharp deterioration in the quality of its loan portfolio suggests that new program directions may be needed. This article reviews the recent growth in FmHA farm loan programs, examines the deteriorating performance of these loans, and explores some possible future program directions for the agency.

FmHA and its objectives

FmHA's roots go back to the Resettlement Administration established in 1935. One of the Resettlement Administration's functions was to make loans to depression-stricken farm families and help them regain their ability to make a living from farming. The Resettlement Administration was renamed the Farm Security Administration (FSA) in 1937, and for the next ten years the FSA carried out federal farm credit programs. Many argue that FSA loan programs strengthened

family farm agriculture and helped the United States meet the demand for food during World War II. By the mid-1940s, however, many of the original resettlement programs had become obsolete and programs with new objectives were needed for the postwar era.

The Farmers Home Administration was created in 1947 to take the place of the FSA. Since then, the FmHA's function has been to supplement private sector credit in rural areas by providing financial and technical assistance where none would otherwise be available. The FmHA requires that its borrowers be unable to obtain credit from usual commercial credit sources. Even so, the agency generally applies some type of loan eligibility standard—such as cash flow measures—to its borrowers. Ultimately, the “goal of FmHA farm credit is to help farmers attain self-sufficiency and to graduate to commercial credit as soon as possible.”²

Five broad farm loan programs are administered under the FmHA—farm ownership, farm operating, emergency disaster, economic emergency, and others such as soil and water or economic opportunity.³ Under these programs, farm loan assistance can take the form of either direct loans or loan guarantees. Direct farm loans are made out of the Agricultural Credit Insurance Fund (ACIF)—a revolving fund started in the 1940s and funded through congressional appropriations, repayment of FmHA loans, and the sale of Certificates of Beneficial Ownership.⁴ The guaranteed loan program has been in

existence only since 1973. Private lenders make and service the loans, while the FmHA guarantees that some portion of the loan—up to 90 percent—will be repaid by the FmHA if the borrower defaults. Through the use of guaranteed loans, private lenders and the government share in the risk of lending to less creditworthy farm borrowers.

The FmHA also administers a number of loan programs not targeted specifically to farmers. Directed generally at rural development, most of these loans go for rural housing, community development, and rural business and industry. Although these programs account for more than half the FmHA's outstanding loans, they have not been a cause for concern. Fewer than 1 percent of these loans were delinquent in 1985. By comparison, more than a fourth of the loans in FmHA farm programs are delinquent. Most analysts agree that the nonfarm loan portfolio is and will continue to be quite healthy. Therefore, because the FmHA's present difficulties stem from the deteriorating quality of its rapidly growing farm loan portfolio, this article focuses on the farm loan programs.

Growth in the FmHA's farm loan portfolio

A decade of rapid growth

Farm loan programs administered by the FmHA have grown rapidly since the mid-1970s. Farm debt held by the FmHA increased more than 400 percent from 1976 to 1985. In comparison, total farm debt in the United States increased about 120 percent over the same period (Chart 1). FmHA's market share of farm debt has also expanded. The agency held less than 6 percent of all farm debt in 1976. By 1985, it held 13 percent.

While direct loans grew rapidly in the late 1970s, increases in loan guarantees are a more recent development. The level of direct farm lending by

² Farmers Home Administration, “A Brief History of the FmHA,” U.S. Department of Agriculture, February 1985, addendum.

³ Authorization for the Economic Emergency Loan Program expired in September 1984.

⁴ Certificates of Beneficial Ownership are backed by FmHA-held mortgages and sold by the FmHA to the Federal Financing Bank, which uses the certificates as collateral for loans from the Treasury. Virtually all nonsubsidized FmHA lending is financed by the sale of these certificates.

CHART 1
Index of annual growth in farm debt

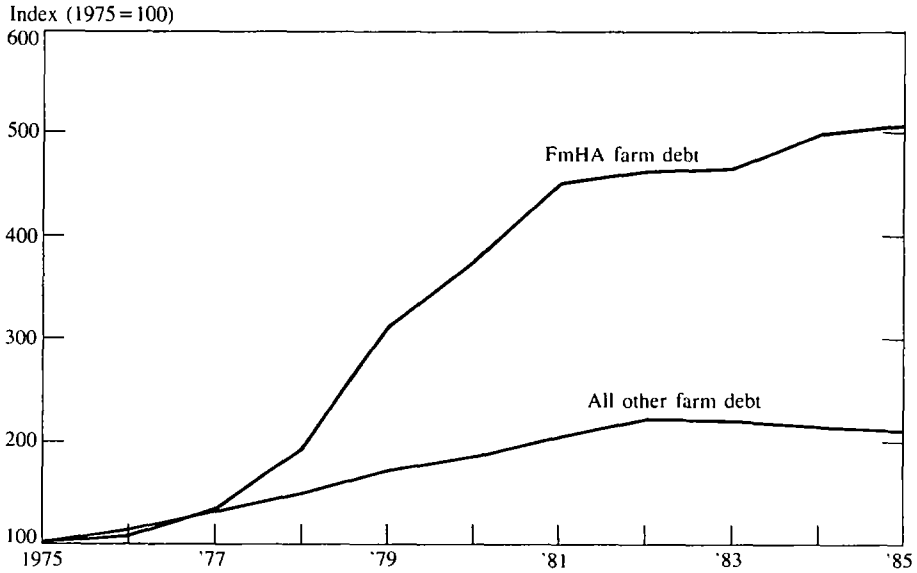
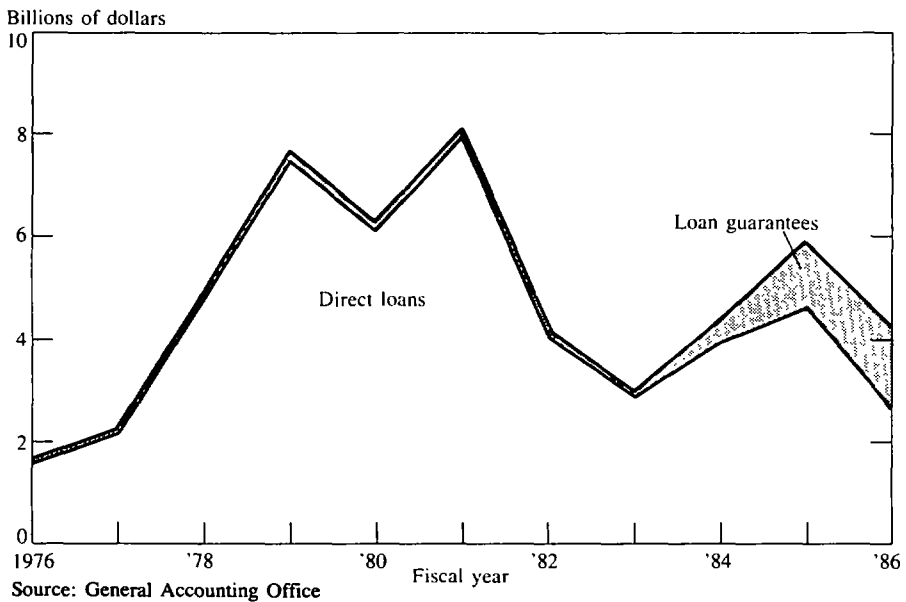


CHART 2
Annual FmHA farm program lending levels
Direct and guaranteed loans



the FmHA quadrupled between 1976 and 1981, reaching a peak of nearly \$8 billion a year (Chart 2). Cuts in federal spending slowed FmHA lending after 1981, but nearly \$5 billion in direct farm program loans were made in 1985, more than twice the amount loaned in 1976. Large increases in FmHA loan guarantees have occurred only recently. In fiscal 1985, the FmHA guaranteed more than \$1 billion in farm loans by commercial lenders—nearly as much as all the guaranteed loan activity for the previous nine years.

Growth of the FmHA's farm loan portfolio has not been even across the major farm program categories. The total outstanding principal on farm ownership loans nearly tripled between 1976 and 1986. The outstanding principal on these loans—which enable family-size farms that cannot obtain credit elsewhere to buy, improve, or refinance farm real estate—increased from \$2.9 billion in 1976 to \$7.6 billion in 1986.

The total outstanding principal on direct farm operating loans increased fivefold over the same period, to more than \$6 billion in 1986. Operating loans are made to family-size farms to buy machinery, equipment, or livestock, to pay operating expenses, including family living expenses, to refinance past operating loans other than FmHA loans, and to pay other creditors. In 1976, FmHA direct farm operating loans totaled less than half the amount of farm ownership loans. By 1986, the two were about equal.

Increases in the previous two programs pale beside the increase in emergency disaster loans that occurred between 1977 and 1981. The principal outstanding on these loans, which help farmers recover from natural disasters such as droughts, floods, and hail, totaled less than \$1 billion in 1976. By 1981, the total had jumped to more than \$10 billion. Even in 1986, the outstanding principal on emergency disaster loans exceeded \$9 billion.

Economic emergency loans, though short-lived, contributed noticeably to the FmHA's holding of

farm debt. FmHA economic emergency loans were available to farmers from August 1978 to September 1984. Under this program, an economic emergency was defined as “a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities, causing widespread need among farmers for temporary credit.”⁵ Direct loans of nearly \$3 billion were made in 1979, the first full year the program was in operation. In 1986, the outstanding principal on direct economic emergency loans stood at \$4 billion.

Farm ownership loans were the largest component of FmHA farm debt ten years ago. Now, emergency disaster loans make up a third of the debt (Chart 3). Of the major FmHA farm programs, emergency disaster loans have increased most. But that increase does not diminish the significance of growth in the other programs.

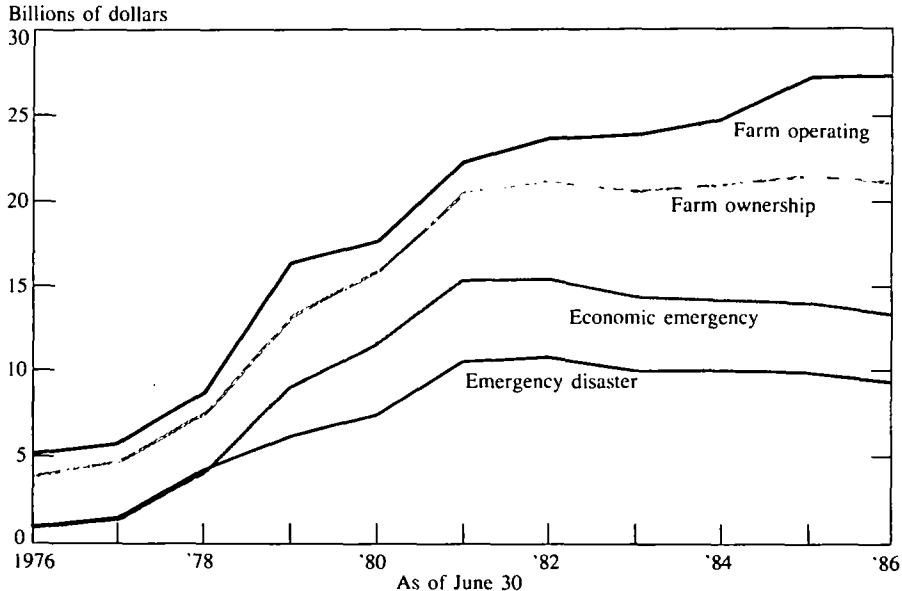
Factors contributing to growth

A series of events over the past ten years—some of them interrelated—have contributed to FmHA's burgeoning loan portfolio. These events range from the softening farm commodity markets of the late 1970s to natural disasters in 1978 and 1980 to financial deregulation in the early 1980s.

1975 to 1981. Mother nature contributed significantly to the rise in FmHA farm debt between 1975 and 1981. Natural disasters in 1978 and 1980 brought on a sevenfold increase in emergency disaster loans. About three out of every four dollars of emergency disaster loans now outstanding can be traced to the natural disasters in those two years. But nature was not the only factor at work.

⁵ “Farmers Home Administration: An Overview of Farmer Program Debt, Delinquencies, and Loan Losses,” General Accounting Office, January 1986, p. 45.

CHART 3
Outstanding principal on FmHA direct farm loans
 By loan program category



Source: General Accounting Office

Weakening farm commodity markets in the late 1970s and the subsequent legislative response brought on further increases in FmHA lending. Crop prices were weak in the late 1970s—certainly compared with the agricultural heyday of 1973-74—and markets were volatile. Many lenders ceased their previously liberal lending practices, and farm borrowers that had been accustomed to free-flowing credit suddenly found less available. As farm credit shortages began to occur, Congress responded by enacting the Emergency Agricultural Credit Adjustment Act in 1978. That act significantly expanded the spectrum of FmHA lending in two respects. First, it substantially changed the existing FmHA farm programs by expanding borrower eligibility, increasing loan limits, and lowering interest rates. Second, it added a new program—economic emergency loans—to compensate for what were regarded as tight agricultural

credit conditions. The economic emergency program remained in effect until 1984. By then, it had built up outstanding loans of \$4 billion.

Despite regional shortages of farm credit in the late 1970s, farmers remained “heavily addicted to a steady flow of borrowed funds to finance their production activities.”⁶ Moreover, with farm real estate values rising rapidly in the late 1970s, farm operators had little motivation for managing financial risk. Instead of reducing their financial exposure by reining in expanding farm debt, farmers chose—and in some cases were encouraged—to borrow more heavily against the

⁶ John E. Lee, Stephen C. Gabriel, and Michael D. Boehlje, “Public Policy Toward Agricultural Credit,” *Future Sources of Loanable Funds for Agricultural Banks*, proceedings from a symposium sponsored by the Federal Reserve Bank of Kansas City, December 8-9, 1980, p. 85.

continued rise in the value of their land collateral. As farmers became more dependent on credit, farm debt mounted—a phenomenon that affected nearly all agricultural lending institutions, including the FmHA.

Thus, the late 1970s and very early 1980s was a period when private credit became tighter and more costly, when federal credit was plentiful and comparatively inexpensive, and when farmers' risk management was such that they borrowed with little hesitation. The FmHA was a source of readily available credit that farm borrowers used enthusiastically. Moreover, the strong demand for credit was accompanied by significant pressure in Congress to service farm borrowers, particularly in the late 1970s. The FmHA responded to these demands by relaxing credit standards. Peter J. Barry notes that the FmHA was later "criticized for excessive lending in some cases and unauthorized uses of loan funds by some borrowers" during this period.⁷

1981 to present. Banking deregulation in the early 1980s had a profound effect on rural financial markets, and therefore agricultural credit. By removing deposit rate ceilings, deregulation of the banking industry through the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA) made agricultural banks compete more directly with other depository institutions for funds. Rural banks could no longer hold the large pool of low-cost demand deposits that had insulated them against unfavorable fluctuations in interest rates. Faced with increased competition and the integration of rural financial markets, agricultural banks passed their rising costs on to borrowers in the form of higher interest rates. For farm borrowers, higher interest rates

meant higher costs of carrying debt, which in turn meant reduced cash flows. Under these circumstances, some operators found qualifying for commercial credit more difficult and ended up at the FmHA.

The 1980s have also seen a deep farm recession and a mounting farm debt crisis—developments that have created significant pressure to keep a line of federal credit open to financially ailing farmers. This pressure has been intensified by the large number of troubled accounts that commercial banks and agencies of the Farm Credit System (FCS) have referred to the FmHA. Agricultural banks in the Tenth Federal Reserve District, for example, referred an historically high percentage of borrowers to other credit agencies in 1985, including the FmHA. Likewise, the FCS is referring more farm borrowers to the FmHA in an effort to strengthen its own loan portfolio.

One congressional response to the mounting demand for FmHA credit in the 1980s was the Emergency Agricultural Credit Act of 1984. Contradicting calls by some in Congress for FmHA lending to be scaled back, the act increased loan limits for farm operating loans and extended the repayment period for rescheduled loans. For emergency disaster loans, the application period was extended.

The past ten years have seen a variety of factors contribute to a fourfold increase in FmHA farm loans. Soft farm commodity markets, generous legislation, and farmers' willingness to borrow heavily in the late 1970s, then banking deregulation and a severe farm recession in the 1980s were all factors that led to greater demand for FmHA farm loans. This growth is especially troubling now that balancing the federal budget is a national priority, as the FmHA depends upon congressional appropriations to subsidize low-interest loans and compensate for loan losses. But even the rapidly expanding size of the FmHA's farm loan portfolio is not nearly as worrisome as the deteriorating performance of that portfolio.

⁷ Peter J. Barry, "Needed Changes in the Farmers Home Administration Lending Programs," *American Journal of Agricultural Economics*, May 1985, p. 342.

Deteriorating performance of the farm loan portfolio

The deteriorating quality of FmHA farm loans is reflected in both loan delinquencies and loan losses. Delinquencies as a percentage of total FmHA loans have risen substantially, and the outstanding principal represented by delinquencies has also risen. As a result, the FmHA has experienced a dramatic surge in loan losses.

Loan delinquencies

As the amount of farm debt held by the FmHA has increased over the past ten years, so have delinquencies. FmHA farm loan delinquencies grew 40 times between 1976 and 1986, rising from \$164 million to \$6.8 billion. Ten years ago, just 3 percent of FmHA farm loans were delinquent. Delinquencies now amount to 29 percent of total FmHA farm loans (Chart 4). Likewise, about a fourth of the FmHA's 270,000 farm borrowers are delinquent. One reason for the mounting delinquencies is that, as a lender of last resort, the FmHA has a loan portfolio dominated by highly leveraged borrowers. The average FmHA farm borrower in 1985 had a debt-asset ratio of 80 percent. Severe cash flow problems often plague these heavily indebted borrowers, creating a rising tide of loan delinquencies.

As delinquencies have increased, so has the outstanding principal they represent. The principal outstanding on delinquent loans was nearly \$13 billion in 1986—about half the total value of FmHA's farm loan portfolio. Even more disturbing, three-quarters of the delinquent loans were delinquent three or more years. The emergency disaster loan program has contributed the most to this problem. Nearly 90 percent of the delinquencies in that program are over three years old (Chart 5). According to the FmHA, borrowers that are delinquent in their loans more than three years are not likely to catch up on their payments. Their

TABLE 1
FmHA farm loan delinquencies:
top ten states on June 30, 1986

State	Millions of dollars
Georgia	\$747.4
Texas	653.8
Mississippi	630.5
California	419.3
Louisiana	359.7
Arkansas	295.3
Minnesota	213.6
Oklahoma	209.9
Florida	199.3
Missouri	194.9
Total - 10 states	\$3,923.7
Total - 50 states	\$6,786.7

Source: General Accounting Office

loans will probably end in forfeiture or foreclosure.

States with the largest dollar amounts of delinquent farm loans are in the South and Southeast (Table 1). This concentration likely reflects the role the FmHA assumed as an agricultural lender in those regions in the late 1970s. Three states—Georgia, Mississippi, and Texas—account for nearly a third of all farm loan delinquencies. Three-quarters of the delinquencies in these states are on emergency disaster loans. These three states also account for well over a third of the loans that are delinquent three years or more.

Loan losses

The bottom line in evaluating the performance of the FmHA's loan portfolio is the amount of loan losses. When a borrower defaults on a loan, whether a direct loan or a guaranteed loan, the FmHA loses the amount of the borrower's principal that is not covered by the sale of loan col-

CHART 4
FmHA farm loan delinquencies as a percentage of total loans

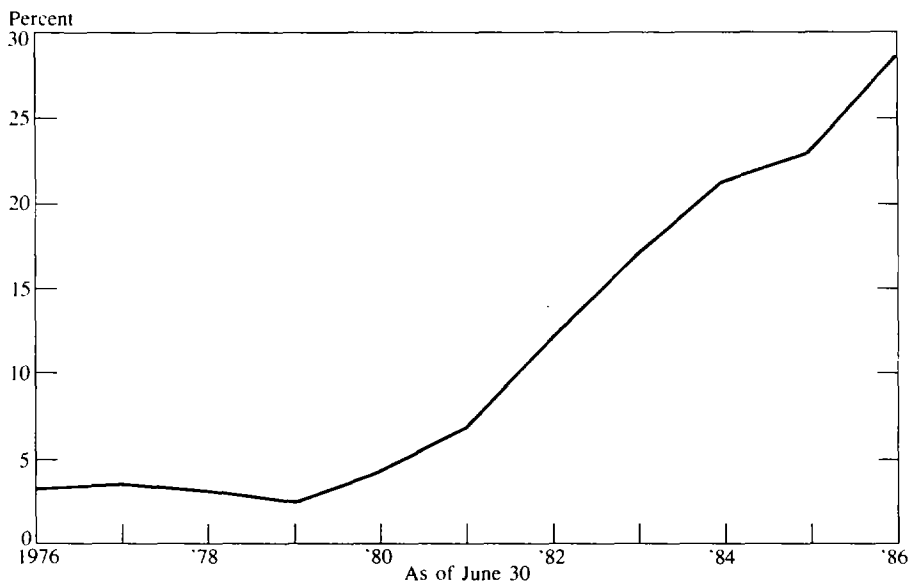
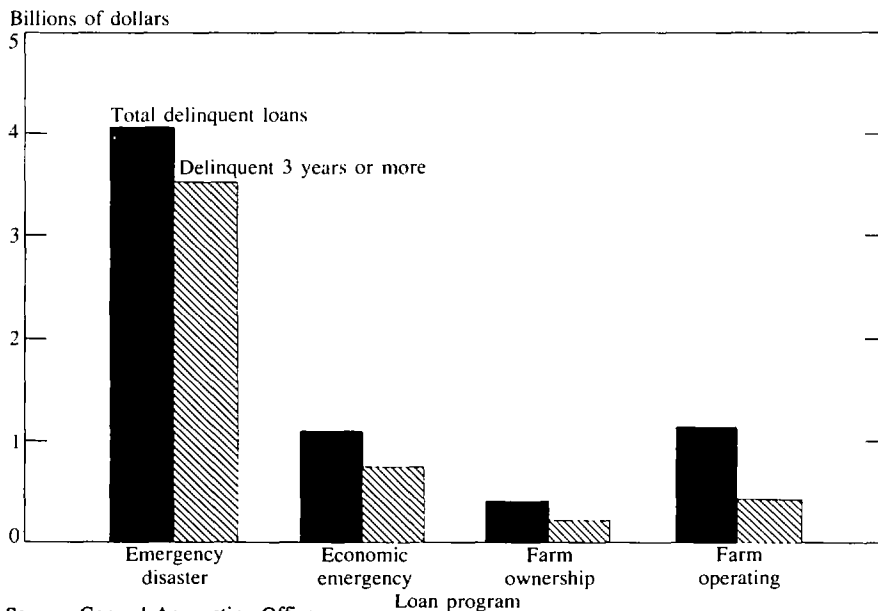


CHART 5
Loan delinquencies by FmHA farm program, 1986



Source: General Accounting Office

lateral. At the end of fiscal 1985, the FmHA had lost \$1 billion on direct and guaranteed loans since 1976. A third of those losses were in 1985 alone. Moreover, between 1976 and 1985, loan losses increased 13 times, from \$25 million to \$354 million (Chart 6). Ninety-five percent of these losses were on direct loans.

Direct loans in two farm programs have been responsible for three-quarters of the FmHA's farm loan losses over the past ten years. Emergency disaster loans account for nearly half the FmHA's loan losses since 1976. Economic emergency loans account for another 23 percent (Chart 7). Regardless of the programs that are most responsible, however, the magnitude of the loan delinquencies and loan losses the FmHA faces establishes a clear need for actions to stem the mounting problems.

Possible program directions

At least two efforts have been made in the past few years to address the FmHA's problem loans. One has been the use of farm foreclosures. The other has been credit provisions of the Food Security Act of 1985 designed to improve the performance of the FmHA's farm loan portfolio and scale back the level of FmHA farm lending. In addition to these measures, several other possible actions could be taken to moderate FmHA lending and improve the quality of its farm loans.

Recent actions

Foreclosure. Early in the current period of farm financial stress, the FmHA began foreclosing on seriously delinquent loans. Many borrowers reacted swiftly, however, by suing to stop the foreclosures. In late 1983, a federal court imposed a nationwide moratorium on almost all FmHA foreclosures.⁸ The moratorium lasted 26 months.

When the foreclosure moratorium expired in early 1986, the FmHA began notifying delinquent

borrowers that they had to take action to settle their accounts. Delinquent borrowers were required to arrange with their county FmHA officials for debt consolidation, rescheduling, reamortization, set-aside, or deferral. Borrowers who did not respond to the FmHA notification face foreclosure if their loans are delinquent three or more years. Even through foreclosure, however, the FmHA is only partially compensated for the outstanding principal of the loan.

Food Security Act. The Food Security Act provides for a phased shift from direct FmHA loans to loan guarantees. For farm operating and farm ownership loans, there will be a phased shift from equal division between direct and guaranteed loans in 1986 to one-fourth direct loans, three-fourths guaranteed loans in 1988. Under this provision, the FmHA comes closer to being a lender of last resort while sharing more of the credit risk with private lenders.

The act also scales back the emergency disaster loan program. These loans will be capped at \$600 million by fiscal 1988. The loans are also no longer available for farms larger than family-sized operations or for losses that could have been covered by crop insurance. Many agricultural economists have long recommended that federal crop insurance against natural disasters be substituted for federal loans.⁹ Since natural disaster emergency loans have accounted for nearly half the FmHA's loan losses in the past ten years, and these loans account for more than half the current farm loan

⁸ Although some have argued that the foreclosure moratorium did nothing but "postpone the problem," during its period of effectiveness a "homestead provision" was incorporated into the Food Security Act of 1985. Under this provision, an FmHA borrower that loses his farm through foreclosure can lease back his home and five acres, with an option to buy after five years.

⁹ See, for example, John E. Lee, Stephen C. Gabriel, and Michael D. Boehlje, "Public Policy Toward Agricultural Credit," *Future Sources of Loanable Funds for Agricultural Banks*, proceedings from a symposium sponsored by the Federal Reserve Bank of Kansas City, December 8-9, 1980, p. 105.

CHART 6
Annual loan losses in FmHA farm programs

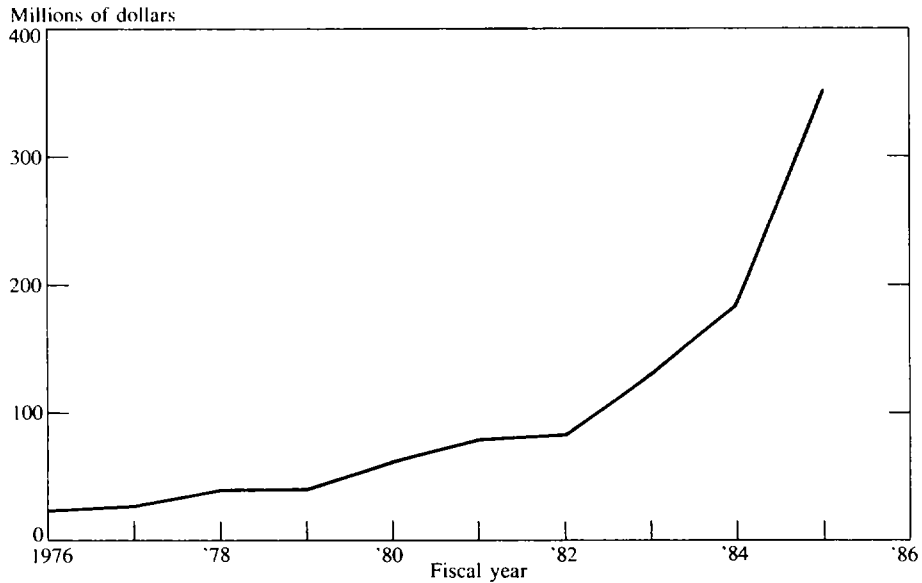
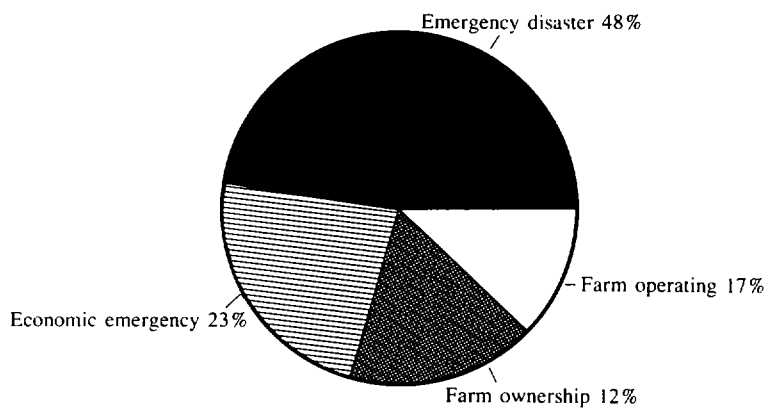


CHART 7
Composition of FmHA farm loan losses
 Cumulative for fiscal years 1976 to 1985



Source: General Accounting Office

delinquencies, scaling back these loans should prevent them from causing more serious problems in the future.

Finally, the Food Security Act includes an interest rate buydown program that allows the federal government and private lenders to share in the cost of reducing interest rates on FmHA guaranteed loans. Under this program, lenders can make or refinance loans to eligible farmers at interest rates reduced as much as four percentage points. The commercial lender absorbs half the lost revenue from the reduced rates and the FmHA reimburses the lender for the other half. Thus, while the program involves some short-term costs, it provides farm borrowers a chance to stay in business and lenders a chance to strengthen their agricultural loan portfolios. The program also makes FmHA loan guarantees more attractive than its direct loans. This change is significant since nearly all the FmHA's loan losses in the past ten years have been on direct loans.

Possible actions

Although the Food Security Act took steps to slow the growth in FmHA lending and strengthen its farm loan portfolio, other actions could also be taken. Some of these actions would have an immediate effect, while others would work over the long term.

To improve the quality of its farm loan portfolio in the short term, the FmHA could sell some of its problem loans to private lenders, possibly at auction. Coincidentally, Congress recently proposed that the FmHA sell some of its rural community program loans to raise revenue to meet the fiscal 1987 Gramm-Rudman-Hollings deficit target. Any sale of FmHA's problem farm loans would aim to minimize current and future losses, not raise revenues. There is currently no public proposal to sell the FmHA's farm loans, nor has such a sale ever occurred in the past. Even if such a sale were to be considered at some future time,

there would be serious questions about its feasibility. As farm loans would be carefully evaluated by potential purchasers, the worst-performing loans probably could not be sold. Many of these would become loan losses for the FmHA. Other problem loans might be sold at a discount, with the purchaser assuming the risk of loss. The best-performing loans might be sold at little or no discount. Thus, even if the FmHA decided to sell its problem farm loans, it would still incur losses on the loans sold at discount and the loans that did not sell. Therefore, part of any decision to sell problem farm loans would need to include a study of how much the FmHA could expect such sales to reduce its losses.

A longer term action to improve the performance of the FmHA's farm loan portfolio would be an even more pronounced shift from direct loans to loan guarantees. As noted earlier, performance of loan guarantees has been superior to direct loans, with direct loans accounting for nearly all loan losses over the past ten years. Although a shift to loan guarantees was initiated by the Food Security Act, the initiative appeared to be in jeopardy in early 1986, when some members of Congress called for loan guarantee funds to be transferred to direct operating loans for spring credit needs. Ultimately, the funds were not transferred. Instead, \$700 million was transferred from the emergency disaster loan fund to direct farm operating loans. Despite this outcome, the episode illustrates the continued preference of farm borrowers for direct loans and the political pressure for direct loans over loan guarantees. For the shift away from direct loans to succeed, a fundamental change is needed in the attitudes of both bankers and borrowers.

Another longer term action to reduce future problems with the FmHA's farm loan portfolio is the use of fixed-term loan guarantees. Under a fixed-term loan guarantee, the FmHA would bear most of the risk in the early life of a loan, while private lenders would bear more as the loan

matured.¹⁰ Because such an arrangement would force private lenders to be more selective in their initial lending decisions, the change would more effectively target assistance to operators that are most likely to achieve financial stability.

Finally, it needs to be resolved whether the FmHA—as the farm lender of last resort—is obliged to lend to all farm borrowers, regardless of their potential for becoming economically viable. For some farmers, financial stress cannot be relieved with more credit. It can be relieved only with a larger income stream, and continued borrowing does not necessarily mean that enough income will be generated. Agricultural lenders are aware of this. So are farm borrowers.

The difficulty arises in situations where farm borrowers may perceive FmHA loans not as credit but as a sort of income transfer. Evidently, some farmers still view the FmHA in terms of its 1930s mission as a provider of income subsidies. The FmHA needs to shed this image. If it does not, it will necessarily continue to suffer delinquent loans and loan losses. The current administration's Debt Assistance Program, effective for one year after its September 1984 announcement, represented a step in this direction. To qualify for assistance under this program, farm borrowers had to show that debt set-asides or loan guarantees would generate a sustainable positive cash flow for their operations. This requirement—that farm borrowers show some potential for achieving economic viability—needs to be applied to all loan programs. In that way, the FmHA could establish itself as a lending agency and dispel its image as an administrator of federal subsidies.

As the actions discussed here indicate, there are several options available for improving the quality

of the FmHA's farm loan portfolio. Of these, a shift from direct loans to loan guarantees is virtually certain. In addition, the administration is encouraging the FmHA to change its image by lending only to farmers with operations that have potential for becoming financially sound. The future of other actions, however, depends on the health of the farm economy and the resulting political pressure for or against further steps to rectify the FmHA's loan problems.

Summary

Although the FmHA performs an important role as a farm lender of last resort, the deteriorating performance of the agency's farm loans suggests that new program directions may be needed. The amount of farm debt held by the FmHA has grown rapidly over the past ten years. Moreover, because FmHA's loan portfolio is characterized by highly leveraged, financially weak borrowers, the agency's loan delinquencies and loan losses are also on the rise.

In view of the deteriorating quality of its farm loans, the FmHA has already begun to move in some new directions. Delinquent borrowers face the possibility of foreclosure, and the Food Security Act has shifted the lending emphasis from direct loans to loan guarantees and scaled back the emergency disaster loan program. Some other steps also could be taken. Selling some of its problem loans to private lenders would immediately improve the FmHA's farm loan portfolio. The feasibility of such a sale remains quite uncertain, however. To prevent future problems, the FmHA might consider using fixed-term loan guarantees. It also needs to follow through in shifting its lending emphasis from direct to guaranteed loans. Finally, even a lender of last resort needs to apply sound standards to its borrowers so that credit is extended to operators with the potential for becoming economically viable and creditworthy with commercial lenders.

¹⁰ Under a fixed-term loan guarantee, the FmHA would back the loan for a fixed number of years, with the proportion of the loan guaranteed diminishing over time. For example, the FmHA might guarantee 90 percent of a loan in year one, diminishing to 10 percent in year nine.