

DECLARATION OF WILLIAM HODGSON ARENS

1. I am over 18 years of age and a United States Citizen. My birth date is May 14, 1942. My mailing address is 791 Country Road 1326, Maple, Texas 79346.

2. I assist farmers in dealing with the administrative requirements of the United States Department of Agriculture ("USDA") farm loan programs and I have since 1986. I help farmers apply for direct and guaranteed farm ownership and farm operating loans. I also help farmer borrowers restructure delinquent debt. Although most of the farmers I assist are white American farmers from the state of Texas, I have represented many Hispanic family farmers.

3. I have dealt with family farmers and the USDA's Farm Service Agency (formerly the Farmers Home Administration) ("FSA") for almost 20 years. In those years I have seen Hispanic farmers treated markedly differently from Anglo farmers. Based on my personal experience with the FSA, I believe the agency has consistently discriminated against Hispanic farmers.

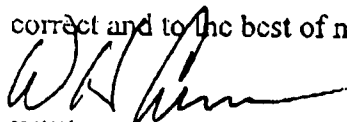
4. Many Hispanic farmer loan applications are denied on the basis of not having a feasible Farm and Home Plan. In order to qualify for an FSA loan, a farmer must submit a Farm and Home Plan. 7 C.F.R. 1924.56 states that the Farm and Home Plan is the primary tool used by FSA to evaluate loan feasibility and prospects for achieving financial viability. This plan is used to determine the feasibility of a farming operation and determine if the farmer "cash flows". Great importance is placed on the accuracy of the Farm and Home Plan, as it is the primary tool used to determine the eligibility of a farmer for USDA funding.

5. A major problem with utilization of Farm and Home Plans is that FSA employees can manipulate these plans to make a farmer ineligible for FSA loans and loan restructuring. Data used in the plans is easily manipulated by an FSA loan officer to make a farmer appear to not have a feasible plan. This can be done in a number of ways. For example, an FSA loan officer can incorrectly make it appear that a farmer's income is inadequate to pay expenses, or that loan officer can increase debt figures. Often FSA loan officers will not inform an Hispanic farmer that county average yields can be substituted for actual yields in order to project income. The Hispanic farmer often has little education to recognize the manipulation of his financial data.

6. More than half of the farmers I represent in front of the USDA National Appeals Division ("NAD") have been denied FSA loan servicing because of improper calculations made by FSA employees on the farmer's Farm and Home plan. Projections of income and expenses are easy to manipulate. Farmers often do not know where the data the FSA employees use on their plan come from. By adjusting income and expenses it is easy to manipulate the plan, thus denying an eligible farmer loans and loan servicing. Farmers often do not know of their right to appeal these decisions or they lack the finances to hire an Advocate.

7. Based upon my many years of experience, I believe the opportunity to discriminate based on race or any other factor remains widespread within the FSA credit system. The Farm Loan Manager continues to discourage applications, alter Farm and Home Plans, and deny applications with little or no effective oversight. A manager need not fear that clearly erroneous and discriminatory decisions will be effectively corrected through the USDA appeal process. All too often, the Hispanic farmer ends up humbled, damaged or totally destroyed by this terribly flawed system.

I have reviewed the forgoing Declaration, and declare, under penalty of perjury that it is true and correct and to the best of my personal knowledge



William H. Arcens

19 November 2003