



Finance and Economics Discussion Series: Bank Risk Ratings and the Pricing of Agricultural Loans

By Nick Walraven, Photographer Reader in English Peter Barry

Bibliogov, United States, 2013. Paperback. Book Condition: New. 246 x 189 mm. Language: English . Brand New Book ***** Print on Demand *****.In this paper, we review the prevalence of the use of risk ratings by commercial banks that participated in the Federal Reserve s Survey of Terms of Bank Lending to Farmers between 1997 and 2002. We find that adoption of risk rating procedures held about steady over the period, with a little less than half the banks on the panel either not using a risk rating system, or reporting the same rating for all their loans in the survey. However, most of these banks were small, and roughly four-fifths of all sample loans carried an informative risk rating. We found that after controlling for the size and performance of the bank and as many nonprice terms of the loan as possible, banks consistently charged higher rates of interest for the farm loans that they characterized as riskier, with an average difference in rates between the most risky and least risky loans of about 1-1/2 percentage points.

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