

# Mortgages for Drilling Properties May Face Hurdle

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The Department of Agriculture is considering requiring an extensive environmental review before issuing mortgages to people who have leased their land for [oil](#) and gas drilling.



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Last year more than 140,000 families, many of them with low incomes and living in rural areas, received roughly \$18 billion in loans or loan guarantees from the department under the [Rural Housing Service program](#). Much of the money went to residents in states that have seen the biggest growth in drilling in recent years, including Pennsylvania, Texas and Louisiana.

The program is popular because it generally requires no down payment. As its financing has grown and credit markets have tightened in recent years, the program's loans have roughly quadrupled since 2004.

The decision, agriculture officials say, would also affect the department's [Rural Business and Cooperative](#) program, which issued more than \$1 billion in loans and grants last year to about 15,000 rural businesses.

Home mortgages and rural business loans from the agency have been allowed to avoid such reviews, except under unusual circumstances.

The proposal by the Agriculture Department, which has signaled its intention in e-mails to Congress and landowners, reflects a growing concern that lending to owners of properties with drilling leases might violate the [National Environmental Policy Act](#), known as NEPA, which requires environmental reviews before federal money is spent. Because that law

covers all federal agencies, the department's move raises questions about litigation risks for other agencies, legal experts said.

Drilling for gas has become more common using a technique known as hydraulic fracturing, which breaks up rock deep underground using water and chemicals under high pressure. The drilling has been an economic boon — creating jobs and reducing dependence on foreign energy. But it has raised concerns about contamination of water wells, air pollution and above-ground spills.

Over the last year, some banks and federal agencies have started revisiting their lending policies to account for the potential impact of drilling on property values.

“We will no longer be financing homes with gas leases,” Jennifer Jackson, program director for rural loans in the Agriculture Department's New York office, wrote in an internal e-mail this month, citing several factors, including the costs of conducting such reviews.

In e-mails sent to landowners and Congress, agriculture officials said that environmental specialists at the agency believed that the reviews were legally necessary and that leased properties should not be given special exemptions. But when asked about the notice, the Agriculture Department said its secretary, Tom Vilsack, is still reviewing it.

Legal experts said that the agency's notice would have broad repercussions.

The environmental reviews being proposed by the Agriculture Department would give the public a fuller accounting of the potential environmental risks of drilling, the experts said. Such reviews would also help protect the agency from litigation from environmental groups — a cost that would ultimately be borne by taxpayers.

But the Agriculture Department's notice would also mean that landowners who had already signed leases to allow drilling on their land would face hurdles if they applied for federally backed mortgages.

Full environmental reviews from the Agriculture Department or other agencies would also add new wrinkles to President Obama's plans to expand domestic drilling, the experts said.

Asked for comment, department officials declined to answer specific questions about the notice or about the e-mails, which were sent in February and March by officials from the Agriculture Department's regional offices and its headquarters. The e-mails were provided to The New York Times by Congressional staff members and landowners.

Other Agriculture Department officials, who asked not to be identified because they were not authorized to speak to reporters, said that the notice was technically not a policy change but a clarification of existing rules. The notice was being issued partly in response to growing questions from state offices about whether agency loans for properties with drilling leases complied with federal environmental law, they said.

Officials in some offices, especially in the West, where drilling has been occurring for decades, said they had historically given categorical exclusions to properties with drilling leases. But officials in state offices in the East, where drilling has expanded rapidly in recent years, said they wanted more guidance on whether bypassing environmental reviews was legal. Next month's clarification from agricultural officials in Washington is meant to settle that dispute.

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