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Friday, July 26, 2019

## Minnesota Farmer Sentenced To Prison For Converting USDA Farm Loan Collateral For Personal Use

United States Attorney Erica H. MacDonald today announced the sentencing of DANIEL L. KLUENDER, 41, to a year and a day in prison and ordered to pay \$880,143.01, for illegally selling hundreds of thousands of dollars in property that was pledged as collateral for a USDA-backed farm loan. KLUENDER, who pleaded guilty on March 7, 2019, was sentenced yesterday before Chief Judge John R. Tunheim in U.S. District Court in Minneapolis, Minnesota.

According to his guilty plea and documents filed in court, in May 2013, KLUENDER took out a loan in the amount of \$1,302,000 from Farmers State Bank, which operates in the vicinity of Albert Lea, Minnesota. This loan was guaranteed by the Farm Service Agency ("FSA") of the U.S. Department of Agriculture ("USDA"). Under the terms of the loan, KLUENDER was required to pledge specific items as collateral, including, among other things, crops, livestock, farm equipment, and vehicles. KLUENDER agreed that any and all proceeds from the sale of these items were obligated to be applied to his loan payments. Between 2013 and 2017, in violation of the terms of the loan, KLUENDER began selling pledged collateral without authorization or permission from the FSA. Moreover, KLUENDER retained the proceeds and diverted the funds for his personal use. In the course of committing this offense, KLUENDER also filed for Chapter 7 bankruptcy during which he testified falsely about his ownership of pledged property.

According to documents filed in court, in July 2015, Farmers State Bank began efforts to repossess collateral from KLUENDER to collect on the loan. In response to the repossession efforts, KLUENDER resorted to physical violence against a bank employee, engaged in vandalism of pledged collateral, and continued to illegally



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convert pledged collateral.

This case was the result of an investigation conducted by the United States Department of Agriculture-Office of Inspector General.

This case was prosecuted by Assistant U.S. Attorney Katharine T. Buzicky and Matthew S. Ebert.

Defendant Information:

DANIEL L. KLUENDER, 41

Walters, Minn.

Convicted:

- Conversion of property mortgaged or pledged to farm credit agencies, 1 count

Sentenced:

- One year and one day in prison
- Two years of supervised release
- \$314,003.18 in restitution to Farmers State Bank
- \$566,139.83 in restitution to the U.S. Department of Agriculture’s Farm Service Agency

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**Component(s):**

USAO - Minnesota

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