Farm Service Agency

U.S. DEPARTMENT OF AGRICULTURE

USDA Updates Farm Loan Programs to Increase Financial Freedom, Resilience and Profitability for Agricultural Producers

News Release | South Carolina | August 07, 2024

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WASHINGTON, Aug. 7, 2024 – The U.S. Department of Agriculture (USDA) today announces changes to the Farm Service Agency's (FSA) Farm Loan Programs, effective Sept. 25, 2024 — changes that are intended to increase opportunities for farmers and ranchers to be financially viable. These improvements, part of the *Enhancing Program Access and Delivery for Farm Loans* rule, demonstrate USDA's commitment to improving farm profitability through farm loans designed to provide important financing options used by producers to cover operating expenses and purchase land and equipment.

"USDA recognizes that Farm Service Agency's loan making and servicing activities are critical for producers, especially in tough times. Providing borrowers the financial freedom to increase profits, save for long-term needs and make strategic investments is the best way to ensure the nation's farmers and ranchers can build financial equity and resilience," said Zach Ducheneaux, FSA Administrator. "Implementing these improvements to our Farm Loan Programs is the next step in our ongoing commitment to removing lending barriers that may prevent access to credit for borrowers, especially those who need it most."

Farm loan policy changes outlined in the *Enhancing Program Access and Delivery for Farm Loans* rule, are designed to better assist borrowers to make strategic investments in the enhancement or expansion of their agricultural operations.

The three most notable policy changes include:

- Establishing a new low-interest installment set-aside program for financially distressed borrowers. Eligible financially distressed borrowers can defer up to one annual loan installment per qualified loan at a reduced interest rate, providing a simpler and expedited option to resolve financial distress in addition to FSA's existing loan servicing programs.

- Providing all eligible loan applicants access to flexible repayment terms that can increase profitability and help build working capital reserves and savings. By creating upfront positive cash flow, borrowers can find opportunities in their farm operating plan budgets to include a reasonable margin for increased working capital reserves and savings, including for retirement and education.
- Reducing additional loan security requirements to enable borrowers to leverage equity. This reduces the amount of additional security required for direct farm loans, including reducing the frequency borrowers must use their personal residence as additional collateral for a farm loan.

Additional Farm Loan Program Improvements

Under the Biden-Harris Administration, USDA's FSA has embarked on a comprehensive and systemic effort to ensure equitable delivery of Farm Loan Programs and improve access to credit for small and mid-size family farms. FSA has also included additional data in its annual report to Congress to provide information that Congress, stakeholders, and the general public need to hold USDA accountable on the progress that has been made in improving services to underserved producers. This year's report shows FSA direct and guaranteed loans were made to a greater percentage of young and beginning farmers and ranchers, as well as improvements in the participation rates of minority borrowers. The report also highlights FSA's microloan program's new focus on urban agriculture operations and niche market lending, as well as increased support for producers seeking direct loans for farm ownership in the face of increasing land values across the country.

FSA has a significant initiative underway to streamline and automate the Farm Loan Program customer-facing business process. For the over 26,000 producers who submit a direct loan application annually, FSA has made several impactful improvements including:

- The Loan Assistance Tool that provides customers with an interactive online, step-by-step guide to identifying the direct loan products that may be a fit for their business needs and to understanding the application process.
- The Online Loan Application, an interactive, guided application that is paperless and provides helpful features including an electronic signature option, the ability to attach supporting documents such as tax returns, complete a balance sheet, and build a farm operating plan.
- An online direct loan repayment feature that relieves borrowers from the necessity of calling, mailing, or visiting a local USDA Service Center to pay a loan installment.
- A simplified direct loan paper application, reduced from 29 pages to 13 pages.

USDA encourages producers to reach out to their local FSA farm loan staff to ensure they fully understand the wide range of loan and servicing options available to assist with starting, expanding, or maintaining their agricultural operation. To conduct business with FSA, please contact your local USDA Service Center

FSA helps America's farmers, ranchers and forest landowners invest in, improve, protect and expand their agricultural operations through the delivery of agricultural programs for all Americans. FSA implements agricultural policy, administers credit and loan programs, and manages conservation, commodity, disaster recovery and marketing programs through a national network of state and county off ices and locally elected county committees. For more information, visit, www.fsa.usda.gov

USDA touches the lives of all Americans each day in so many positive ways. In the Biden-Harris administration, USDA is transforming America's food system with a greater focus on more resilient local and regional food production, fairer markets for all producers, ensuring access to safe, healthy and nutritious food in all communities, building new markets and streams of income for farmers and producers using climate smart food and forestry practices, making historic investments in infrastructure and clean energy capabilities in rural America, and committing to equity across the Department by removing systemic barriers and building a workforce more representative of America. To learn more, visit www.usda.gov.

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