The Fair Credit for Farmers Act (S.3126/H.R. 6169)

Most family farmers rely on agricultural credit (i.e., loans) as a critical financial tool to plant crops, as well as to invest in conservation, purchase livestock, replace old machinery, and navigate marketplace disruptions. But with chronically low farm-gate prices, farmers can also be burdened by farm debt **– the USDA estimates farm debt to reach $624.7 billion in 2026[1], higher than ever before.**

The **USDA's Farm Service Agency (FSA)** is known as the "lender of last resort" for farmers who cannot access credit at commercial banks or within the Farm Credit System, but for many family farmers FSA is the only option. Without basic protections for farmer-borrowers, strong institutional oversight, and flexible lending terms, farmers can face predatory lending practices, discrimination, and an extractive relationship with lenders.

The Fair Credit for Farmers Act will improve access and accountability in the FSA loan application and appeals process. It seeks a fundamental shift in the dynamic between farmers and FSA, to a relationship where farmers have protections and are joint partners with FSA staff in seeking farm success. **Specifically, the Fair Credit for Farmers Act will:**

- **Enact a targeted two year, low-interest payment deferment on direct farm loans.** It also extends the term for repayment by two years to help farmers recover from recent market disruptions. To be eligible, farmers must be economically distressed.
- **Waive guaranteed loan fees for certain borrowers for two years.** Guaranteed loan fees (paid to FSA as a loan closing cost) can be a substantial up-front expense for farmers seeking a guaranteed loan, and, when added to the loan principal, cost the farmer much more in interest over time.
- **Limit over-collateralization on farm loans and protect farmers' homes.** Over-collateralization is a common but unnecessary practice which puts significant financial risk on farmers, especially when they are required to use their homes as collateral. This bill limits collateralization to a maximum of the full value of FSA loans, and only allows farmers' homes as the last option for collateral. Homes will also be the first collateral removed from the loan once enough has been paid. This bill also protects farmers in delinquency against FSA taking all of their assets as collateral, as well as from some lenders of guaranteed loans initiating liquidation without concurrence by FSA.

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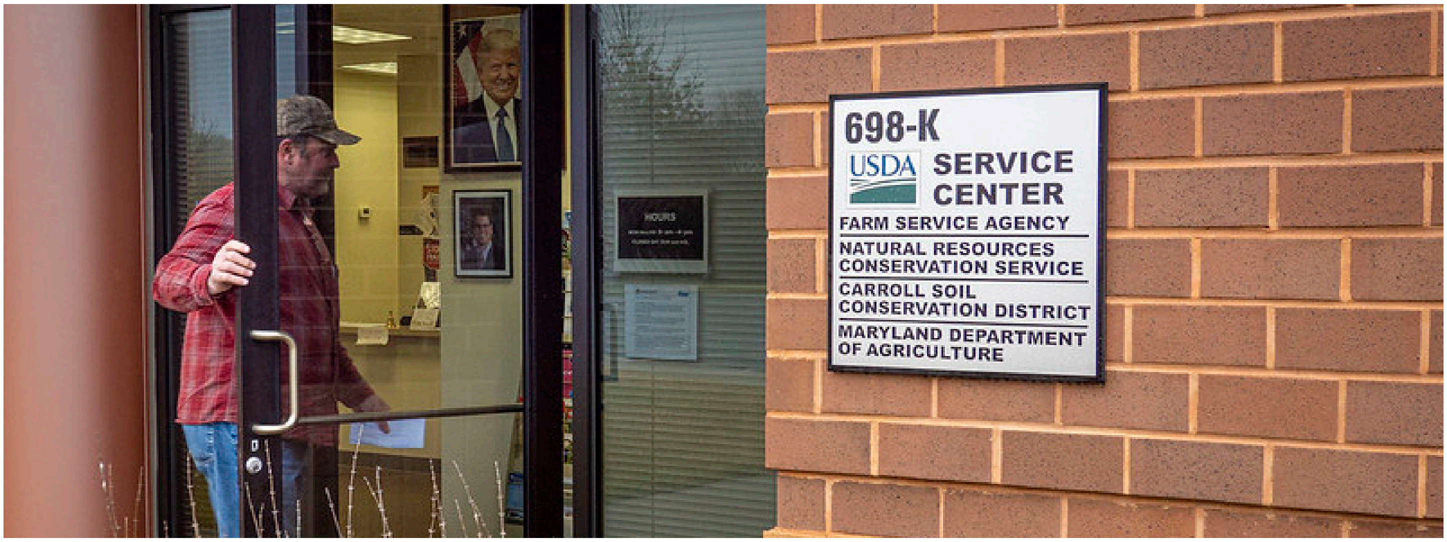
[1]USDA, Economic Research Service. (2026). *Farm sector income & finances: Assets, debt, and wealth.* United States Department of Agriculture. https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/assets-debt-and-wealth



- **Ensure that farmers can refinance existing debt with FSA loans.** Debt refinancing allows farmers to manage their debt and adapt to market and environmental changes or disasters. This bill helps ensure that FSA can support farmers navigating tough times.
- **Eliminate FSA loan eligibility term limits.** Current FSA policy restricts farmers to only seven years of loan eligibility for operating loans, regardless of financial status. After this period, farmers are forced to find private loans where they have fewer protections. This bill eliminates arbitrary FSA loan eligibility term limits for farmers who cannot access favorable credit options in the private sector.
- **Restore FSA eligibility after a debt write-down.** Debt write-downs (i.e., partial debt relief) are only given when a farmer borrower acted in good faith and their financial distress was due to circumstances beyond their control. Currently, farmers who have had a debt-write down are no longer eligible for FSA lending. This bill restores FSA loan eligibility for farmers with previous debt write-downs.
- **Improve access to credit for beginning farmers.** Currently, newer farmers must meet a three-year experience requirement to be eligible for direct loans. This provision allows the USDA to shorten that requirement to enhance loan access for new and beginning producers. The bill also provides greater flexibility on the use of funds reserved for beginning farmers.
- **Expand equitable relief when FSA erroneously denies a farmer's loan or program benefit.** When FSA erroneously denies a loan or benefit, the farmer is likely to be financially harmed, particularly if the farmer missed a planting season or market opportunity. Equitable relief is a tool for financial restitution. This bill expands equitable relief to deliver economic support to farmers in situations where FSA has erred, resulting in harm. It also makes equitable relief decisions appealable to the National Appeals Division. These provisions do not apply retroactively.
- **Improve transparency and fairness in the National Appeals Division (NAD).** The NAD allows farmers to appeal FSA loan denials – but the process is slow, hard to navigate, and forces the burden of proof on the farmer rather than FSA. The process can also be repetitive, with FSA issuing new denials based on reasons not previously stated, spelling financial disaster for farmers dependent on seasonal farm loans. This bill requires FSA to include all potential reasons for denial in its initial communication with the farmer to ensure that the farmer does not have to repeat the appeals process. This bill also shifts the burden of proof in NAD appeals to FSA when the farmer's annual farm income is $300,000 or lower.

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