



Fair Credit for Farmers Act (S. 2668, H.R.5296)



Photo courtesy of USDA.

Most family farmers rely on agricultural credit as a critical financial tool to plant crops, as well as to invest in sustainable practices, 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 U.S. farm sector has more debt than ever before, exceeding \$500 billion in 2022.**

The **USDA Farm Service Agency (FSA)** is known as the 'lender of last resort' for farmers who cannot access credit at commercial banks, but for many family farmers FSA is the only option. Without basic farmer borrower protections, strong institutional oversight, and flexible lending terms, farmers can face predatory lending practices, discrimination, and an extractive relationship with lenders. The situation is even more challenging for Black farmers, who have experienced decades of discriminatory lending practices from the USDA as well as private lending institutions.

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.

The Fair Credit for Farmers Act Will:

Enact a targeted two year, interest-free payment deferral 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 and have not yet received aid from Section 22006 of the Inflation Reduction Act.

Waive guaranteed loan fees for historically underserved 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 principle cost the farmer much more in interest over time.



Photo courtesy of USDA.

The Fair Credit for Farmers Act Will:

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 Act 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 Act also protects farmers in delinquency against FSA taking all of their assets as collateral.

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 Act 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 Act 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 (or debt relief) are only given when the farmer borrower acted in good faith and the 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 Act restores FSA loan eligibility for farmers with previous debt write-downs.



Photo courtesy of USDA.

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 Act 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.

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 Act 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 Act 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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