USDA Farm Service Agency
U.S. DEPARTMENT OF AGRICULTURE

Inflation Reduction Act Section 22006

Additional Automatic Payments for Distressed Borrowers

Overview

Section 22006 of the IRA provided $3.1 billion for USDA to provide relief for distressed borrowers with certain Farm Service Agency (FSA) direct and/or guaranteed loans and to expedite assistance for those whose agricultural operations are at financial risk.

In October 2022, USDA provided approximately $800 million in initial IRA assistance to more than 11,000 delinquent direct and guaranteed borrowers and approximately 2,100 borrowers who had their farms liquidated and still had remaining debt. USDA also began conducting case-by-case reviews of about 1,600 complex cases for potential initial relief payments. These case-by-case reviews are underway.

Additional Assistance

To build on this initial assistance, USDA will provide relief starting in April to additional distressed borrowers. This will include approximately $123 million in automatic financial assistance for qualifying Farm Loan Program (FLP) direct loan borrowers who meet certain criteria.

The amount of assistance a distressed borrower receives will be based on the first category of distress for which they qualify below:

1. Assistance to borrowers whose interest owed on their qualifying direct FLP loan debt exceeds the principal owed. This assistance will be determined on a loan-by-loan basis and will be equal to the outstanding interest as of March 27, 2023, on those loans.
2. Assistance to FLP direct loan borrowers who were past due on a qualifying direct loan as of September 30, 2022, but by fewer than 60 days, or became delinquent between September 30, 2022, and October 18, 2022. Qualifying borrowers are those who remain delinquent on those loans today. This assistance will be equal to the amount of the delinquency and the next installment for all direct FLP loans held by the borrower, not to exceed the remaining balance.
3. Assistance to borrowers who restructured, or who have accepted an offer to restructure, a qualifying direct FLP loan after February 28, 2020 through primary loan servicing available through FSA. This assistance will be equal to any outstanding delinquency and the next installment for all direct FLP loans held by the borrower, not to exceed the remaining balance. For any borrowers who have accepted an offer to restructure, payment will be equal to the next installment for all direct FLP loans post-restructure.

Any distressed borrowers who qualify for these forms of assistance and are currently in bankruptcy will be addressed using the same case-by-case review process announced in October 2022 for complex cases.

Learn More

Additional details, frequently asked questions, and other updates will be posted: **farmers.gov/inflation-reduction-investments/assistance.**

Borrowers can also contact the FSA call center at **877-508-8364** between 8 a.m. and 7 p.m. Eastern.

For information related to tax resources, visit **farmers.gov/taxes**.

Improved Procedures

FSA is finalizing changes to its policy handbooks to better align with existing statutory guidance on the requirement the applicant "be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms". These measures are anticipated to include:

- Updating FSA procedures to ensure both loan officers and borrowers have the opportunity to compare FSA's terms with those offered by commercial banks.
- In cases where banks offer terms that don't meet the borrowers' actual needs, updating FSA procedures to ensure that they can access credit through FSA when otherwise eligible.
- Addressing FSA procedures to offer terms that assist borrowers in the accumulation of working capital reserves.
- Directing FSA staff to use their discretion to better benefit the borrowers they serve.

Legislative Proposals

The Fiscal Year 2024 President's Budget also includes eight legislative proposals focused on expanding credit access through FSA's Direct Farm Ownership, Direct Farm Operating, and Emergency Loan programs. These are no-cost legislative proposals that are designed to improve the borrower experience.

The specific proposals include:

- **Eliminating the cap on the number of times a borrower can receive a Direct Operating or Direct Farm Ownership Loan.** Each year, agricultural producers exhaust their loan eligibility due to statutory caps on the number of years an agricultural producer may receive direct loan funds from the Secretary. Removing this requirement will assist various types of borrowers, including borrowers who live in credit deserts and borrowers who have continued need for loan assistance beyond the current limits.
- **Removing Emergency Loan program requirements for written credit denial and adjusting the production loss percent threshold from 30% to an amount to be determined by the Secretary.** Agricultural producers impacted by a disaster who wish to use emergency loan funding must provide one or more written declinations from a commercial lender. Removing this requirement will better align emergency loan eligibility requirements with farm ownership and operating loan eligibility requirements and improve producer access to emergency funding in the wake of disasters.
- **Reducing the Direct Farm Ownership Loan experience eligibility requirement from three years down to one year.** Reducing experience requirements will lower existing barriers to entry into this loan program, allowing for greater program participation.
- **Increasing the Direct Beginning Farmer Down Payment Loan Program loan limit to match the regular Farm Ownership loan limit.** Direct farm ownership loan limits have increased over time, while the limit for the down payment loan program has remained the same, resulting in a decrease in utilization of that program over time. Aligning the down payment loan limit with the limit for other direct farm ownership loans will increase program utilization relative to other direct farm ownership loans.
- **Increasing the Microloan limit from $50,000 to $100,000.** The microloan program is essential for many beginning farmers and ranchers and non-traditional farm operations with limited experience or assets, but the current loan limit reduces the effectiveness of the program. Increasing the limit will improve utilization of the microloan program, which will reduce loan processing times and help more customers establish experience and eligibility required for other loan options.
- **Revising the beginning farmer definition to include entities comprised of non-related individuals.** The current language defining "qualified beginning farmer or rancher" requires in the case of a cooperative, corporation, partnership, joint operation, or such other legal entity that all members of such entity be related to one another by blood or marriage. Removing this requirement will expand program eligibility to entities whose members are not related by blood or marriage, but otherwise qualify as beginning farmers or ranchers.
- **Expanding Mediation Services to tribes and territories.** Currently, borrowers operating on federally recognized tribal land and in U.S. territories must participate in programs maintained by a nearby State, which may disenfranchise customers with unique cultural and technical backgrounds. This provision expands additional mediation services directly to tribes and territories.
- **Revising the beginning farmer reserved funding to ensure funds are targeted to the extent practicable.** The current beginning farmer lending targets reserve a substantial amount of appropriated loan funds for exclusive use by beginning farmers, thus limiting funds available to non-beginning farmers. This change will allow FSA greater flexibility to fund approved all loan requests while maintaining robust support of beginning farmer customers.