

Enhancing Program Access and Delivery for Farm Loans

On Aug. 7, the U.S. Department of Agriculture (USDA) Farm Service Agency (FSA) introduced the Enhancing Program Access and Delivery for Farm Loans rule, which aims to increase opportunities for farmers and ranchers to achieve financial viability. According to the rule, "FSA loan applicants are often beginning farmers and socially disadvantaged farmers who do not meet the underwriting requirements of commercial lenders because of insufficient net worth; or established farmers who have suffered financial setbacks due to natural disasters or economic downturns." FSA loans are tailored to a farmer's needs and may be used to buy farmland and finance agricultural production. Through this change, "FSA hopes to remove barriers to capital access and increase opportunities for borrowers to be successful."

Key Components of the Rule

Distressed Borrower Set-Aside Program (DBSA):

- Establishes a low-interest installment set-aside program for financially distressed borrowers.
- Eligible borrowers can defer (at a reduced interest rate) up to one annual loan installment per qualified loan.
- This modification complements existing programs like the Primary Loan Servicing Program (PLS) and the Disaster Set-Aside Program (DSA).
- Unlike other programs, the deferred payment will accrue at a reduced interest rate, and the borrower does not need to suffer a loss from a declared disaster to qualify.
- Borrowers must submit a written request to FSA to apply for DBSA.
- Clarifications and Amendments to Farm Loan Programs (FLP) Regulations:

Clarifications and Amendments to Farm Loan Programs (FLP) Regulations:

- FSA is making discretionary changes to clarify and amend existing delivery processes and program requirements.
- Changes are categorized as clarifications, technical corrections, non-substantial changes, or substantial changes.

Substantial Changes

Farm Operating Plans and Assessments:

- Establishes requirements for developing farm operating plans and assessments to ensure a reasonable cash flow margin for working capital reserves and savings, including retirement and education.

Flexible Repayment Terms:

- Provides all eligible applicants the option to receive flexible repayment terms, including maximum direct loan repayment terms and interest-only payments during the first year for certain types of direct loans.

Loan Security Requirements:

- Modifies additional loan security requirements for direct Farm Ownership Loans (FO), Operating Loans (OL), and Emergency Loans (EM).
- Reduces the additional security requirement for all loan making and servicing requests.

- Removes the requirement for non-real estate assets and personal residences to be used as additional security.
- Adds an alternative to PLS for a simplified extension of repayment terms when a balloon payment comes due.
- Expands opportunities for the release of a limited amount of direct loan security without compensation in certain circumstances.

Additional Direct Loan Security and Collateral Servicing Requirements

125 Percent Loan Security Margin:

- Requires a 125 percent loan security margin for direct loans, reduced from the current 150 percent.
- Real estate assets are only required as additional security for direct FOs.
- Expands circumstances where no additional security is required, including all Microloans and FOs with a cash down payment.
- Applies the reduced security margin to PLS, with a lien on the personal residence still required if necessary.
- Removes the DSA additional security requirement, consistent with the new DBSA Program.
- Removes the requirement for guaranteed lenders to take a lien on all assets when restructuring a loan with a balloon installment.
- Provides processes for an expedited release of certain direct loan security after successful loan repayment.

These changes are intended to help farmers manage finances better, invest in their operations and access necessary capital. For more details, you can view the [rule](#) and the [fact sheet](#). The proposal is available for comment on the federal registry and will go into effect Sept. 25. Questions about the new program or eligibility can be answered by your local FSA agent, whose information can be found [here](#).



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