USDA Provides Payments of nearly $800 Million in Assistance to Help Keep Farmers Farming

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When: Tuesday, October 18, 2022

Release Description: USDA has announced that distressed borrowers with qualifying USDA farm loans have already received nearly $800 million in assistance, as part of the $3.1 billion in assistance for distressed farm loan borrowers provided through Section 22006 of the Inflation Reduction Act (IRA). The IRA directed USDA to expedite assistance to distressed borrowers of direct or guaranteed loans administered by USDA's Farm Service Agency (FSA) whose operations face financial risk. Today's announcement kicks off a process to provide assistance to distressed farm loan borrowers using several complementary approaches, with the goal of keeping them farming, removing obstacles that currently prevent many of these borrowers from returning to farming, and improving the way that USDA approaches borrowing and servicing.

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Guidance: FSA Communications Coordinators are asked to amplify this national announcement beginning on October 18, 2022. This includes posting the news release – as is – to your state website, sharing with your state media contacts, and distributing via GovDelivery. Please flag all media queries to fpac.bc.press@usda.gov for guidance on next steps.

Toolkit Contents:

- **GovDelivery Bulletin Template:** can be used in State GovDelivery information bulletins
- **News Release:** (attached) please use as is.
- **Talking Points:** for internal review and reference

GovDelivery Bulletin

Subject Line/ Title: USDA Provides Payments of nearly $800 Million in Assistance to Help Keep Farmers Farming

Preheader: USDA is focused on generating long-term stability and success for distressed borrowers.

Body Text: USDA announced that distressed borrowers with qualifying USDA farm loans have already received nearly $800 million in assistance, as part of the $3.1 billion in assistance for distressed farm loan borrowers provided through Section 22006 of the Inflation Reduction Act (IRA). The IRA directed USDA to expedite assistance to distressed borrowers of direct or guaranteed loans administered by USDA’s Farm Service Agency (FSA) whose operations face financial risk.

Today’s announcement kicks off a process to provide assistance to distressed farm loan borrowers using several complementary approaches, with the goal of keeping them farming, removing obstacles that currently prevent many of these borrowers from returning to farming, and improving the way that USDA approaches borrowing and servicing. Through this assistance, USDA is focused on generating long-term stability and success for distressed borrowers.

Work has already started to bring some relief to distressed farmers. As of today, over 13,000 borrowers have already benefited from the resources provided under the Inflation Reduction Act as follows:

- Approximately 11,000 delinquent direct and guaranteed borrowers had their accounts brought current. USDA also paid the next scheduled annual installment for these direct loan borrowers giving them peace of mind in the near term.
- Approximately 2,100 borrowers who had their farms foreclosed on and still had remaining debt have had this debt resolved in order to cease debt collections and garnishment relieving that burden that has made getting a fresh start more difficult.

In addition to the automatic assistance already provided, USDA has also outlined steps to administer up to an additional $500 million in payments to benefit the following distressed borrowers:

- USDA will administer $66 million in separate automatic payments, using COVID-19 pandemic relief funds, to support up to 7,000 direct loan borrowers who used FSA’s disaster-set-aside option during the pandemic to move their scheduled payments to the end of their loans.
- USDA is also initiating two case-by-case processes to provide additional assistance to farm loan borrowers. Under the first new process, FSA will review and assist with delinquencies from 1,600 complex cases, including cases in which borrowers are facing bankruptcy or foreclosure. The second new process will add a new option using existing direct loan servicing criteria to intervene more quickly and help an estimated 14,000 financially distressed borrowers who

request assistance to avoid even becoming delinquent.

More details on each of the categories of assistance, including a downloadable fact sheet, are available on the Inflation Reduction Act webpage on farmers.gov.

Similar to other USDA assistance, all of these payments will be reported as income and borrowers are encouraged to consult their tax advisors. USDA also has resources and partnerships with cooperators who can provide additional assistance and help borrowers navigate the process.

The announcement today is only the first step in USDA's efforts to provide assistance to distressed farm loan borrowers and respond to farmers and to improve the loan servicing efforts at USDA by adding more tools and relaxing unnecessary restrictions. Additional announcements and investments in assistance will be made as USDA institutes these additional changes and improvements.

This effort will ultimately also include adding more tools and relaxing unnecessary restrictions through assistance made possible by Congress through the IRA. Further assistance and changes to the approach will be made in subsequent phases.

Background

USDA provides access to credit to approximately 115,000 producers who cannot obtain sufficient commercial credit through direct and guaranteed farm loans, which do not include farm storage facility loans or marketing assistance loans. With the funds and direction Congress provided in Section 22006 of IRA, USDA is taking action to immediately provide relief to qualifying distressed borrowers whose operations are at financial risk while working on making transformational changes to how USDA goes about loan servicing in the long run so that borrowers are provided the flexibility and opportunities needed to address the inherent risks and unpredictability associated with agricultural operations and remain in good financial standing.

In January 2021, USDA suspended foreclosures and other adverse actions on direct farm loans due to the pandemic and encouraged guaranteed lenders to follow suit. Last week, USDA reiterated this request to guaranteed lenders to provide time for the full set of IRA distressed borrower assistance to be made available before lenders take irreparable actions.

Producers can explore available loan options using the Farm Loan Discovery Tool on farmers.gov (also available in Spanish) or by contacting their local USDA Service Center. Producers can also call the FSA call center at 877-508-8364 between 8 a.m. and 7 p.m. Eastern. USDA has tax-related resources available at farmers.gov/taxes.

Talking Points

- Farming is inherently a risky and unpredictable business that put even the most prepared and experienced producer in precarious positions due to no fault of their own. That is even more of a challenge for beginning, underserved, and small farmers, as well as innovative producers growing specialty crops or looking for ways to diversify and add value who often haven't had the time to build up a rainy-day fund and who cannot readily obtain commercial credit.
- These producers are among the most vulnerable to shocks to the market, challenging weather, or spikes in input costs—and they also are who make up the approximately 115,000 USDA direct and guaranteed farm loan borrowers with more than $35 billion in loans.
- The past few years demonstrate the risks and changing conditions all farmers, and especially these vulnerable USDA borrowers, face. The American agriculture industry has faced several challenges, including trade disruptions, an unprecedented pandemic and its continued impacts on input costs and markets, and more frequent, more intense, climate-induced natural disasters.
- Unfortunately, USDA's approach to farm loan making and servicing has been too aligned with the commercial for-profit banking industry and lost sight that USDA's customers and the goals of the program are different. A loan program for the newest and more precarious producers must be about providing opportunity and tailored to expect and manage stumbles and hurdles along the ways.
- In too many cases, the rules that are established in guidance, regulations and even statute stand in the way of helping a borrower get back to a financially viable path. As a result, some are pushed out of farming and others stuck under a debt burden that prevents them from growing or reacting to opportunities.
- Congress has recognized and responded to both these recent challenges and the need to add tools and a change in approach through multiple pieces of legislation and oversight. Mostly recently, the Inflation Reduction Act (IRA) has provided an opportunity for USDA to both address the immediate need of distressed borrowers and design a better path and process for borrowers as some invariably will be knocked down by a disaster, market shock or some other challenge.
- Section 22006 of the IRA provided $3.1 billion in funding for USDA to provide assistance for distressed borrowers with at-risk agricultural operations. This funding is being implemented in a manner that reflects and builds on the Biden-Harris Administration's commitment to preventing foreclosures, keeping farmers farming, and removing obstacles that currently prevent many farm loan borrowers from returning to farming.

- The first phase is to “stop the bleeding” to prevent any further financial deterioration for distressed borrowers, providing additional time for the more significant changes to be designed and put in place. By taking this multi-part approach, USDA can address both the immediate symptoms and begin the work of correcting the root causes and design ways to intervene earlier instead of forcing borrowers to be in desperate straits before unlocking any potential help.
- Foreclosures, loan accelerations and other adverse actions continue to be paused on USDA direct farm loans since early in the Biden-Harris Administration due to the pandemic. USDA also has asked and recently reiterated the request for a similar pause from the private lenders that hold the USDA guaranteed farm loans. But this state of limbo is not good for anyone and USDA’s Farm Service Agency (FSA) recently took action to address this cloud hanging over 10 percent to 15 percent of our borrowers. These actions also give USDA the time it needs to improve our approach and add new tools to make sure a stumble and fall doesn’t leave borrowers stuck in the ditch at no fault of their own.
- Specific assistance varies by the situation faced by each distressed borrower. USDA has allocated up to $1.3 billion for these initial steps, with the remaining funds reserved for the subsequent efforts and new tools. Initial assistance includes:
    - Delinquent borrowers (60 or more days past due).
        - USDA has already made almost $600 million in payments to the accounts of about 11,000 direct and guaranteed borrowers that are 60 or more days delinquent make their loans current. USDA also paid the next scheduled annual installment for the direct loan borrowers to provide at least a year to consider whether new or existing options for loan modifications make sense for them.
        - Direct loan borrowers will receive a letter detailing the specific payments made to their accounts. Guaranteed borrowers will receive a check to pay their guaranteed lender current.
    - Delinquent borrowers facing foreclosure, bankruptcy or other complex situations.
        - USDA is prepared to provide assistance to help borrowers who are 60 or more days delinquent, but also facing more serious or complicated situations like pending foreclosure or bankruptcy. These cases require case-by-case review and may require working with other parties to resolve.

    - There are about 1,600 borrowers with about $330 million in delinquencies in this more complicated set of situations. FSA may need to reach out to some of these borrowers directly and borrowers will subsequently receive a letter detailing any payments made to their account.

- Borrowers whose loan collateral was already liquidated but have remaining federal debt.
    - USDA has already processed $211 million in payments to resolve the remaining debts for approximately 2,100 borrowers that had their loan collateral liquated but had remaining debt that was referred, or is subject to referral, to Treasury for offset or collections.
    - This action will mean these borrowers will no longer be facing garnishment of tax refunds of social security benefits and remove one of the hurdles to farming and participating in federal programs. Borrowers will receive a letter detailing the specific payments made to their accounts. [Note: if any debt was written off previously, they still would be ineligible for FSA farm loans due to a statutory restriction]

- Direct loan borrowers that used Disaster Set-Aside to move payments to the end of the loan during the pandemic.
    - During the pandemic, about 7,000 borrowers who were having trouble making their scheduled payment used a disaster set-aside option to move the payment that was due to the end of the loan. With this announcement, USDA will begin a process to make up to about $66 million in payments from available pandemic assistance to reverse the impact from the disaster set-aside to provide a level of assistance similar to that provide to delinquent borrowers. FSA will notify these borrowers as the payments and adjustments are completed.

- Direct loan borrowers with insufficient cash flow to make their upcoming payment.
    - USDA has existing loan servicing options for borrowers who are having trouble with enough cash-flow to make the upcoming annual installment. USDA is adding another option to provide a payment to cover their next installment. This will allow earlier intervention as some loan servicing options are only available to delinquent borrowers.
    - Borrowers will be provided written notification of the option to request this benefit. Based on historical rates of borrowers having problems cash-flowing, USDA

estimates up to 14,000 borrowers may qualify for estimated assistance of up to $175 million.

- Wherever possible USDA has continued a pattern of reducing the paperwork burden of our assistance programs and to make automatic payments. The recent livestock and crop disaster assistance are an example of this approach we are continuing for the first phase of assistance for distressed farm loan borrowers.
- All payments will be reported as income and borrowers are encouraged to consult their tax advisor. USDA also has resources and cooperators that can provide additional information or to help borrowers navigate the process. While speaking to your local office and loan officer is always an option, you can also contact the FSA call center at 877-508-8364 between 8 a.m. and 7 p.m. Eastern.

- The announcement today is just the first step to provide assistance to distressed farm loan borrowers in order to stop the bleeding and provide time for more comprehensive efforts to change the approach to farm loan making and servicing, including adding more tools made available by Congress providing the IRA resources. Further assistance and changes to the approach will be made in subsequent phases.

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