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**Farm
Service
Agency**

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FSA's mission and YBS

- **FSA's mission as an Agency coincides nicely with the YBS efforts of the Farm Credit System**
- **FSA's goal is to provide access to credit to those farmers and ranchers who are unable to address all of their credit needs with commercial lenders**
- **This often allows FSA to be a lender of first opportunity for beginning farmers and ranchers**

Points of Discussion

- **Reminders of guaranteed loan flexibilities at loan origination**
- **Reminders of guaranteed loan servicing flexibilities**
- **Future policy changes under consideration**

95% Guarantee

- **Applicants who meet FSA's definition of a beginning farmer or socially disadvantaged applicant can qualify for a 95% guarantee**
- **Change was implemented as part of the 2018 Farm Bill**

Fee Waivers

- **The FSA guarantee fee may be waived when:**
 - The majority of the guaranteed loan is used to refinance an FSA direct loan
 - A beginning, socially disadvantaged, or veteran farmer is also participating in the FSA direct down payment loan program (or a qualified state beginning farmer program)

Flexibilities in Payment Structures

- **Maximum Terms:**
 - 7 years for OL and LOC (Advances on LOC's can be made for up to 5 years)
 - 40 years for FO
- **While lenders can't exceed these maximums, there are flexibilities in how payments can be structured**

Flexibilities in Payment Structures (cont'd)

- **Balloon payments are allowed subject to the following:**
 - There is a need for an extended/modified payment structure due to a need to establish a new enterprise, develop a farm, or recover from a disaster or economic reverse
 - There must be adequate collateral at the time the balloon installment comes due
 - The borrower must be projected to be able to refinance the remaining debt at the time the balloon installment comes due

Joint Financing Options

- **Several FSA direct loan programs are available to assist as well**
- **Many times, these programs are used in conjunction with loans made by a commercial lender (guaranteed or unguaranteed)**
 - Depending on the specifics, those joint financing arrangements can sometimes result in a reduced interest rate for the borrower on the FSA direct loan

Joint Financing Options (cont'd)

- **Direct Farm Ownership (FO) Participation loans**
- **FSA Direct FO loan made in conjunction with a lender's loan for an authorized FO purpose**
 - If the FSA direct FO doesn't exceed 50% of the total amount financed in that transaction, the borrower can receive a reduced interest rate on the FSA direct loan
 - Rate on the FSA direct loan is 2% below the regular direct FO rate or 2.5% (whichever is higher)
 - FSA direct loan can be in junior lien position

Joint Financing Options (cont'd)

- **Direct Down Payment Loan Program**
 - Unique to beginning, socially disadvantaged, and veteran farmers only
 - Applicant provides minimum 5% cash down payment
 - FSA provides a direct loan up to 45% of the purchase price, 45% of the appraised value, or \$300,150 (whichever is less)
 - Lender provides the remainder of the financing
 - Applicant receives interest rate on the FSA direct loan of 4% below the direct FO rate, or 1.5% (whichever is higher)

Joint Financing Options (cont'd)

- **Direct Down Payment Loan (cont'd)**
 - FSA direct loan term can't exceed 20 years
 - Lender must have amortization period of at least 30 years with no balloon installments due in the first 20 years
 - FSA direct loan can be in junior lien position

Guaranteed Conservation Loans

- **USDA has taken a renewed focus on assisting producers in adopting climate smart agricultural practices**
- **Guaranteed conservation loans can be used to help facilitate some of those practices**
- **Although the guarantee percentage is slightly lower than normal, the traditional test for credit does not apply**

FY 21 Obligation Statistics

Percentage of Farm Ownership Loans Made to Beginning Farmers		
Loan Type	Total Loans	Total Dollars
Direct	66.7	65.7
Guaranteed	45.7	36.4

Percent of Farm Ownership Loans Made to Socially Disadvantaged Applicants		
Loan Type	Total Loans	Total Dollars
Direct	18.3	17.9
Guaranteed	14.6	15.9

Percentage of Operating Loans Made to Beginning Farmers		
Loan Type	Total Loans	Total Dollars
Direct	60.9	64.0
Guaranteed	37.2	29.7

Percentage of Operating Loans Made to Socially Disadvantaged Applicants		
Loan Type	Total Loans	Total Dollars
Direct	26.6	19.5
Guaranteed	11.8	11.8

COVID-19 Flexibilities for Guaranteed Loan Servicing



While FSA is operating under COVID-19 emergency guidance, agency approval is not required for:

- Advances on lines of credit for SEL (Standard Eligible Lenders)
- Emergency advances on lines of credit for Standard Eligible and Certified Lenders (SEL and CLP)
- Making non-guaranteed loans to existing guaranteed borrowers
 - SEL and CLP lenders must certify in writing to FSA that a feasible cash flow projection has been developed

COVID-19 Deferral Flexibilities

Payment Deferral Options

- A payment may be deferred up to 180 days, or
- A payment may be amortized over the remaining term of the loan, or
- A payment may be due at loan maturity.

Payment Deferral Requirements

- Borrower must have been impacted by COVID-19
- The deferral is not intended to circumvent other servicing options available

COVID-19 Deferral Flexibilities

Payment Deferral Eligibility

- The borrower must have operated the farm during the COVID-19 emergency
- The borrower must provide documentation showing how COVID-19 has had a direct financial impact on their operation
- Loan must not already be accelerated

COVID-19 Deferral Flexibilities

Payment Deferral Eligibility (cont'd)

- Loan must have been outstanding prior to the emergency declaration for COVID-19
- Loan must be current after the deferral has been completed
- Not have more than one installment deferred provided the scheduled due date of the payment was between March 1, 2020 and September 1, 2021

Liquidation of Guaranteed Loans



First Steps

Prior to liquidation, the lender must determine that the borrower's financial difficulties cannot be solved with any available loan servicing options

It is the lender's responsibility to liquidate timely in order to maximize loan repayment

The lender must prepare a liquidation plan within 150 days of the missed payment due date

Liquidation Plan

FSA may continue with the approval of liquidation plans and estimated or final loss claim payments.

PLP lenders, who are not required to submit liquidation plans to FSA for approval according 2-FLP, are requested to submit liquidation plans to FSA for review.

Agency officials will review the account to assess if the guaranteed delinquency can be resolved through FSA direct loan assistance.

Liquidation Plan

The plan must include:

- A current balance sheet from all liable parties
- Proposed method of maximizing the collection of debt
- If borrower has converted loan security, the lender must document if litigation is cost effective and whether civil or criminal action will be pursued
- Any proposal to release the borrower from liability

Liquidation Plan

The plan must include (cont'd)

- An appraisal report and a calculation of net recovery value
- An estimate of time needed to complete the liquidation
- An estimate of reasonable liquidation expenses
- An estimate of any protective advances

American Rescue Plan Act of 2021

Section 1005 –Debt Payments

- Signed into law March 12, 2021
- Directed the USDA Secretary to provide a payment of up to 120 percent of the outstanding indebtedness of each SDA farmer or rancher as of January 1, 2021, to pay off the loan directly, or to the SDA farmer or rancher, on each FSA direct or guaranteed farm loan
- NOFA for direct loans published May 26, 2021
- Preliminary injunctions issued in federal district court cases have halted USDA from making payments – however, loan payment notification letters are still being sent

Beginning Farmer Lending Summit

- FSA has been engaged with lender groups including ABA, ICBA, NRLA, the Farm Credit System, and Credit Unions to identify ways to better serve beginning farmers
- Working groups have unofficially presented 6 recommendations for FSA's consideration

Beginning Farmer Lending Summit Proposals

- Better addressing inconsistencies between FSA offices across the nation
- Modernizing the FSA Paperwork Process
- Realigning FSA and lender processes to better serve beginning farmers

Beginning Farmer Lending Summit Proposals (Continued)

- Reinvigorate the PLP Program
- Rethink the experience requirements for direct loans
- Reconsider eligible business structures as it relates to bona fide farmers

Beginning Farmer Lending Summit Proposals (Continued)

- FSA is currently in the process of reviewing the recommendations and assessing impacts of potential adoption
- We actively encourage additional feedback from lenders on these topics