



The Farm Ownership Improvement Act

Introduced By: Senators Peter Welch (D-Vt); John Hoeven (R-N.D.); Tina Smith (D-Minn.)

Background:

Access to capital is a foundational need of young and beginning farmers. The U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) offers a variety of tools, like Direct Farm Ownership loans, which can help producers access land. However, approval for an FSA Direct Farm Ownership loan can take up to six months to process. This prolonged timeline can leave farmers at a disadvantage as they compete with other non-farming prospective buyers. By offering a pre-qualification or pre-approval process to Direct Farm Ownership applicants, FSA could help level the playing field for those seeking land, particularly among the next generation of farmers and ranchers.

About Pre-qualification & Pre-approval

Pre-qualification and pre-approval are common practices in the mortgage lending industry and are often critical for moving forward in the contract process with a seller. These terms are sometimes used interchangeably, but pre-qualification typically means a lending institution has reviewed basic financial information provided by the potential borrower and indicated whether or not they would consider lending. Pre-approval is a more involved process, which typically means the lender conditionally agrees to lend a borrower a certain amount of money to purchase a specific property.

For farm loans, such conditions would include a review of an applicant's farm business plan. Establishing a pre-qualification or pre-approval process for FSA Direct Farm Ownership loans would improve customer experience and program outcomes for farmers and ranchers nationwide.

Legislation:

The *Farm Ownership Improvement Act* would require USDA to implement a pre-qualification or pre-approval process for all farmers and ranchers seeking FSA Direct Farm Ownership loans. Under this proposal, USDA would have up to two years to fully vet the details of such a process prior to implementation and be granted flexibility to implement a process that reliably evaluates an applicant's financial viability. The *Farm Ownership Improvement Act* also requires USDA to provide Congress with an annual report on the pilot program's performance outcomes and coordinate outreach with stakeholder organizations to spread awareness about the program.

Endorsing Organizations: The *Farm Ownership Improvement Act* is endorsed by the National Young Farmers Coalition, National Farmers Union, National Sustainable Agriculture Coalition, National Family Farm Coalition, and the Rural Coalition.