



## **The *Debt Relief and Farm Credit Access Act***

**Introduced By:** Senator Peter Welch (D-Vt.)

### **Background:**

The U.S. Department of Agriculture's (USDA) Direct and Guaranteed Farm Loans are financing tools that help farmers promote, build, and sustain family farms. Direct Farm Ownership Loans are designed to help farmers start, purchase, and expand their operations. Guaranteed Loans provide vital assistance to farmers who may not meet loan qualifications from a commercial lender.

While both Direct and Guaranteed Farm Loan programs have been effective in supporting farmers, improvements are needed to boost access to these tools. For example, arbitrary time limits and onerous experience requirements prevent many farmers from accessing USDA loans. Additional limitations on how loans can be used and when loans can be forgiven can hinder the ability of applicants to respond to external forces like market concentration, disasters, and inflation.

### **Legislation:**

The *Debt Relief and Farm Credit Access Act* updates outdated farm loan requirements to give farmers greater flexibility in accessing credit and provides relief to distressed borrowers by allowing producers to restructure debt through USDA Direct Farm Ownership Loans.

Specifically, the *Debt Relief and Farm Credit Access Act*:

- Authorizes borrowers to use Direct Farm Ownership Loans to refinance debt, helping farmers restructure debt using lower interest rates provided by USDA.
- Increases the lifetime limitation on debt forgiveness per borrower from \$300,000 to \$600,000, matching the loan program limit.
- Removes the authority of preferred certified lenders of Guaranteed Loans to initiate liquidation without Farm Service Agency (FSA) concurrence, ensuring all borrowers are provided equitable access to FSA programs to help resolve delinquency.
- Eliminates the limitation on the number of years applicants may receive Direct Farm Ownership Loans.
- Replaces the 3-year experience requirement for Direct Farm Ownership Loans with a one-year experience requirement.
- Provides flexibility on the use of funds reserved for beginning farmers.