

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

*Immediate Help for Over 13,000 Distressed USDA Farm Loan Borrowers;*

*Begins process to provide up to \$500 million more for up to 23,000 additional borrowers*

**WASHINGTON, Oct. 18, 2022** - The U.S. Department of Agriculture (USDA) today 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.

"Through no fault of their own, our nation's farmers and ranchers have faced incredibly tough circumstances over the last few years," said Agriculture Secretary Tom Vilsack. "The funding included in today's announcement helps keep our farmers farming and provides a fresh start for producers in challenging positions."

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 [insert link].

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](#).

USDA touches the lives of all Americans each day in so many positive ways. In the Biden-Harris Administration, USDA is transforming America's food system with a greater focus on more resilient local and regional food production, fairer markets for all producers, ensuring access to safe, healthy and nutritious food in all communities, building new markets and streams of income for farmers and producers using climate smart food and forestry practices, making historic investments in infrastructure and clean energy capabilities in rural America, and

committing to equity across the Department by removing systemic barriers and building a workforce more representative of America. To learn more, visit [www.usda.gov](http://www.usda.gov).

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## **Fact Sheet: Inflation Reduction Act Section 22006**

### **Overview**

On August 16, 2022, President Biden signed the Inflation Reduction Act (IRA) into law. Section 22006 of the IRA provided \$3.1 billion for USDA to provide relief for distressed borrowers with certain Farm Service Agency (FSA) direct and/or guaranteed loans and to expedite assistance for those whose agricultural operations are at financial risk. USDA is implementing this provision with the goals of keeping borrowers farming, removing obstacles that currently prevent many borrowers from returning to their land, and improving the way that USDA approaches borrowing and loan servicing in the long-term. For many farmers, including those who have been hard hit by pandemic-induced market disruptions exacerbated by more frequent, more intense, climate-driven natural disasters, this assistance is vital if they are to continue producing the food, fiber, and fuel that are essential to the well-being of not only our rural communities but our Nation as a whole.

### **First Phase: How It Works**

#### *Automatic Assistance*

USDA has already provided nearly \$800 million in assistance to distressed borrowers to help cure delinquencies and resolve uncollectable farm loan debts, including:

- Nearly \$600 million in payments to the accounts of approximately 11,000 borrowers who were 60 or more days delinquent on their FSA direct or guaranteed loan, as of September 30, 2022. For direct loan borrowers, the assistance includes payments to make their loans current and to cover their next annual installment. For guaranteed borrowers, these payments were equal to the amount the borrower was delinquent as reported in their most recent report from their lender and may require an additional true-up.
- Just over \$200 million in payments to resolve the remaining debts for approximately 2,100 borrowers who had their loan collateral liquidated but had remaining debt that was or was due to be referred to the Department of Treasury for offset or collections. This action will mean that these borrowers will no longer face garnishment of their tax refunds, social security benefits, or other Federal benefit payments.

With the announcement of this assistance on October 18, 2022, USDA also began a process to provide approximately \$66 million in payments from available pandemic assistance funds to provide similar levels of assistance to direct loan borrowers who used disaster set-aside as an option in response to the COVID-19 pandemic. Up to 7,000 borrowers who were struggling to make their scheduled direct loan payment during the pandemic and used disaster set-aside to

delay their payment to the final maturity date of their loan will automatically receive a payment for the set-aside amount that remains outstanding.

### *Case-by-Case*

Following the initial automatic payments, about 1,600 farm loan borrowers with more complex cases, including borrowers facing bankruptcy and foreclosure, with delinquencies of about \$330 million have the opportunity to receive similar assistance to cure delinquencies and, if a direct loan borrower, cover their next annual installment. These accounts will require manual, case-by-case review by the FSA. The aid provided in these cases may vary based on the necessities of the case and may include additional payments to resolve foreclosure fees.

Another case-by-case process as part of the October 18, 2022, announcement adds an option under existing loan servicing procedures that are used to identify whether an operation has sufficient cashflow to make the next loan installment payment (also known as financially distressed borrowers under existing FSA procedures). USDA will provide new assistance upon borrower request to cover the next installment that is due for qualifying borrowers facing these cashflow challenges. USDA estimates that up to 14,000 borrowers may qualify for estimated assistance of \$175 million. Direct loan borrowers will also be reminded of the process to initiate a review of sufficient cashflow that triggers potential assistance.

### **What's Next**

This first round of payments is focused on “stopping the bleeding” and helping to ensure distressed farm loan borrowers can stay in or re-enter the business of agriculture and continue feeding their communities. The October 18<sup>th</sup> announcement is just the first step to provide assistance to distressed farm loan borrowers. This effort will ultimately also include adding more tools and relaxing unnecessary restrictions by leveraging the remaining assistance made available by Congress through the IRA. Further assistance and changes to the approach will be made in subsequent phases.

### **Learn More**

For more information:

- Visit [farmers.gov/inflation-reduction-investments](https://farmers.gov/inflation-reduction-investments);
- Contact the FSA call center at 877-508-8364 between 8 a.m. and 7 p.m. Eastern.
- Related to tax resources, visit [farmers.gov/taxes](https://farmers.gov/taxes).