

June 4th, 2020

The Honorable Richard Shelby
Chairman, Senate Appropriations Committee
United States Senate
Washington, DC 20510

The Honorable Patrick Leahy
Ranking Member, Senate Appropriations Committee
United States Senate
Washington, DC 20510

The Honorable John Hoeven
Chairman, Senate Agriculture Appropriations
Subcommittee
United States Senate
Washington, DC 20510

The Honorable Jeff Merkley
Ranking Member, Senate Agriculture Appropriations
Subcommittee
United States Senate
Washington, DC 20510

Dear Senators:

On behalf of our nation's farmers and ranchers and the lenders who provide much needed credit for their ongoing business operations, we write to urge you to include additional support and flexibilities for USDA farm and rural development loan programs in the next COVID-19 emergency relief bill.

We thank you for the financial assistance provided in previous assistance packages. Access to credit continues to be essential for farmers, ranchers and rural businesses. As you consider further assistance to rural America, we urge you to include the additional provisions outlined below to enhance vital USDA lending programs that play an important role in ensuring the farm and rural sector can continue providing food and fiber to Americans.

USDA Farm Loan Credit Access and Funding Recommendations:

- **Increase Guaranteed Loan Limits to \$2.5 million.** By increasing the guaranteed loan limits, farmers and ranchers will have access to capital to meet higher debt levels needed to sustain their farm and ranch operations.
- **Reimburse Producers' Guaranteed Loan Fees.** Provide funds to allow USDA-FSA to reimburse borrowers with guaranteed loans for the cost of the guarantee fee for 2020 and 2021, similar to how Congress provided relief for fees under the SBA's 7(a) program.
- **Increase Loan Authority for Direct and Guaranteed Loans.** Provide an additional \$500 million in program level for non-targeted direct farm ownership loans and guaranteed farm ownership loans to meet current and expected demand for the balance of this fiscal year. Both of these programs register as having no cost in terms of budget outlays.
- **Down Payment Loan Program.** Increase the Down Payment Loan Program loan limit to \$600,000, consistent with the change made in the 2018 Farm Bill for direct farm ownership loans. Not increasing this program's loan limits was an oversight in the farm bill.
- **Temporarily Suspend Term Limits on Direct Loans.** Suspend term limits for FSA direct operating loans for 2020/2021. Term limits are impeding access to direct operating loans for many hard-hit producers who are financially unable to graduate to guaranteed loans.

Farm Loan Streamlining & Appraisal Recommendations:

- **Temporarily Require USDA to Streamline the Loan Approval Process.** Lenders and borrowers should have greater flexibility to determine which county office to utilize for approval of their guaranteed loan applications based on where they do business.
- **Funds for Continuing Appraisals/Inspections.** Higher loan demand for USDA loan programs necessitates funds to pay for appraisals and inspections. We urge \$2 million in additional FY 20 funding for the loan cost expense fund and ensure \$13 million total in that account for FY 21.
- **Require USDA to Accept Appraisals Made Within the Previous Three Years or Accept Current Tax Assessments.** USDA should accept appraisals made within the past 36 months for guaranteed farm ownership loans or utilize current tax assessments for portfolio loans. Appraisals are time consuming and it is often difficult to find a certified appraiser within a timely manner. Additionally, some appraisers are worried about interacting with potential clients due to coronavirus concerns. By using appraisals already completed or current tax assessments, borrowers will be able to acquire much needed funding in an expedited manner.
- **Suspend Environmental Assessments.** USDA should temporarily suspend the need for federal environmental impact assessments. These assessments can add months to the loan making process at a time when borrowers need assistance quickly.

USDA Farm Loan Program Recommendations:

- **Further Enhance USDA's Business & Industry (B&I) Loan Program.** With the provision of \$23 million in funding, Congress enabled USDA to offer an additional \$1 billion B&I loan program for businesses and producers that will provide a 90 percent loan guarantee for 10-year terms to finance working capital. Rural businesses and producers have exhausted working capital levels due to financial pressures in recent years, pressures which will be exacerbated by the current pandemic. By providing an additional \$50 million, the enhanced B&I program could finance over \$3 billion of total guarantees for rural businesses and producers.

Finally, we stress that due to the horrific financial impact caused by the impact of the coronavirus, any subsequent legislation should ensure rural businesses and producers that participate in USDA programs or the PPP or EIDL programs should not face reductions in the amount of payments they receive or the amount of capital they can access if participating in one or more of these programs.

By adopting these changes Congress will help lenders and borrowers work through these challenging times by increasing access to capital and reducing the time to process loans, thus allowing borrowers to keep their operations running smoothly. Thank you for your consideration of these recommendations.

Sincerely,

American Bankers Association
Farm Credit Council
Independent Community Bankers of America
National Rural Lenders Association