

## Support H.R. 5877, the “USDA Express Loan Act”

As Congress writes a new farm bill in 2024, it presents an opportunity to address many needs facing farmers and ranchers. This includes quick and efficient disbursement of USDA Guaranteed farm loans.. Both lenders and their farm and ranch customers need to obtain USDA guaranteed loans on a timely basis. USDA Express would address this need by providing loan approvals within 36 hours from when lenders submit loan applications, much like the SBA Express loan program.

### USDA Express Loans

- **Quick funding:** the intent is to quickly release funds to farmers and ranchers in a safe and sound manner. The Usual disbursement time frames for a USDA Guaranteed loan can range from a few weeks to 60 days and in some cases, up to 6 months. Under the Express program, a borrower will receive approval or rejection of their application within 36 hours of submission. Borrowers will be able to use the quick distribution of funds for purchasing feed, seed and fertilizer to plant crops and other timely needs while waiting for the remainder of their guaranteed loan financing.
- **Lender Guarantee:** Currently, the USDA guarantees 90 percent of the principal to the lender if the borrower defaults. Express loans would offer a reduced guarantee in exchange for a quick turnaround time. For loans up to \$750,000 the guarantee would be 75 percent. For loans between \$750,000-\$1,000,000, the guarantee would be 50 percent. The lower guarantee means that bankers have substantially more to lose in the case of defaults. The much higher exposure to loss will lead to strong due diligence by lenders who will only submit the strongest loans possible while also doing all the work on the loan, thus freeing up limited USDA staff resources
- **Lower disbursement amount:** the loan is capped at \$1,000,000. The lender would receive the Express funding as an upfront differential from the rest of their USDA Guarantee amount. For example: With a potential \$3 million loan cap for operating loans, a farmer could apply for a USDA Express loan of \$750,000 while the remainder of their overall loan application (\$2.25 million) is pending but which may not be available and 30 to 60 days.

The legislation is backed by four major trade groups: ICBA, the Farm Credit Council, the American Bankers Association, and the National Rural Lenders Association and is based on an existing successful program at SBA (SBA Express loans). For further information, please contact [Mark.Scanlan@icba.org](mailto:Mark.Scanlan@icba.org) or [Scott.Marks@icba.org](mailto:Scott.Marks@icba.org).

**SBA Express loan compared with proposed USDA Express loan program:**

<b>Description</b>	<b>SBA Express Loan</b>	<b>Proposed USDA Express Loan</b>
<b>Maximum loan amount</b>	\$500,000	\$1 Million
<b>Maximum SBA guarantee percent</b>	50% guaranteed	50-75% depending on size of loan
<b>Eligibility</b>	Determined by Lender (SBA)	USDA – Agriculture purposes only
<b>Turnaround time for loan (important)</b>	36 hours	Proposed: Same
<b>Forms</b>	Lender primarily uses own forms and procedures, plus SBA Form 1919	Proposed: Same / similar
<b>Collateral</b>	May use existing collateral policy for loans over \$25,000 up to max. loan limit (SBA).	Proposed: similar
<b>Credit decision</b>	Made by lender	Same