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Sec. Vilsack launches 'unprecedented' loan assistance effort – to help rural America & maintain secure food supply

By Agri-Pulse Staff

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Agriculture Secretary Tom Vilsack announced Monday that USDA has launched an “unprecedented effort to use the Department’s administrative flexibility to provide relief to individuals and businesses in struggling agriculture industries.” Vilsack has ordered USDA Rural Development and the Farm Service Agency to use “all available means” to help producers, processors and other small businesses who have been hit by worsening economic conditions.

“The Obama administration is committed to doing everything it can to help families and businesses in agriculture to get through these tough economic times,” Vilsack said. “Not only is this effort critical to restoring economic prosperity in America’s rural communities, it is essential to ensure that Americans continue to have access to a safe, secure, and healthy food supply.”

The assistance includes an increased Farm Service Agency (FSA) effort to provide loan assistance to livestock producers and the Rural Development Business and Industry Loan program which has been structured to provide relief to processors and other small businesses in agriculture industries. FSA is carrying out a number of actions to ease some of the stress through:

- Educating producers in all agricultural sectors about the loan and servicing options available to them and,
- utilizing all existing authorities to maximize relief available to both new and existing borrowers.

FSA sent a letter to direct borrowers outlining the options and tools that are available to help ease any financial stress they may be experiencing. The letter encourages borrowers to contact their local county offices where loan officers can offer individualized financial and farm planning expertise. Options available include rescheduling, reamortization, deferral, and in extreme cases, reduction of debt.

FSA is also encouraging guaranteed lenders to use all options available to assist FSA guaranteed borrowers. FSA regulations allow lenders to undertake a variety of actions to help struggling producers, including:

- Lowering payments on chattel loans through debt rescheduling,
- Lowering payments on real estate loans through reamortization,
- Deferring part of scheduled payments. and,
- Writing down part of a delinquent loan.

USDA is focused on increasing awareness among producers about loans available through FSA county offices around the country and points out that:

- Producers can apply for direct operating loans of up to \$300,000 at 2.5% and direct farm ownership loans up to \$300,000 at 4.625%.
- Direct operating loans can be used for most farm related expenses including refinancing debt, while farm ownership loans can only be used to purchase or improve real estate;
- County loan officers can also work to help secure guaranteed operating and farm ownership loans up to \$1,094,000 at a rate negotiated with the lender. The first scheduled installment of these loans can be deferred for up to 18 months or can be interest only if needed. The terms of each loan are determined on a case by case basis.

Additionally, Rural Development's Business and Industry Guaranteed Loan program, which supports the development of private businesses, has been put to work helping processors and other businesses connected with the agricultural sector of the economy. Business and Industry loans are available to help cooperative organizations, corporations, partnerships, nonprofit groups; federally recognized Indian tribes, public bodies and individuals.

USDA recently made available \$1.7 billion from the American Reinvestment and Recovery Act for Business and Industry loans. These funds will be focused to create and retain quality jobs, and serve difficult-to-reach populations and areas hardest hit by the current economic downturn. USDA is implementing a series of immediate steps to expand access to capital among rural small businesses, such as:

- Directing at least 10 percent of the \$1.7 billion in Business & Industry loans to persistent poverty counties, defined as: Any county that has had 20 percent or more of its population living in poverty over the past 30 years, as measured by the 1980, 1990 and 2000 census.
- Helping businesses with their credit needs by keeping all existing authorities in the Business and Industry program in place. Businesses are eligible for working capital refinancing, machinery and equipment, real estate and construction, business development and expansion.
- Under the new initiative, USDA Rural Development will consider loan term adjustments as part of a comprehensive business stabilization strategy, including adjustments in interest rates, principal reduction and loan terms.
- Increasing the loan guarantee to up to 90 percent.

USDA states that these enhancements are not intended to assist businesses that made imprudent decisions, and all loans will be subject to standard underwriting criteria. USDA will work with borrowers and lenders on a case-by-case basis to provide needed financing under terms that include:

- Providing incentives to lenders who finance businesses with jobs that pay at least 125% of the national minimum wage and/or provide health care benefits.
- Reducing loan guarantee fees by at least 50 percent.
- Eliminating the annual renewal fee that lenders had been required to pay to maintain the guarantee.
- Working with lenders involved in financing rural businesses in struggling industries to discuss with them the challenges they are facing in the industries.

More information about USDA's Recovery Act efforts is available at www.usda.gov/recovery, and the Federal government's efforts on the Recovery Act is available at www.recovery.gov

More information about USDA Rural Development can be found at www.rurdev.usda.gov and about FSA at www.fsa.usda.gov

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