



Farm
Production and
Conservation

Farm
Service
Agency

Farm Loan
Programs

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Dear Guaranteed Lender,

The American Rescue Plan Act of 2021 was signed into law on March 12, 2021, by President Joseph Biden. Section 1005 of the Act provides for farm loan assistance for Socially Disadvantaged Farmers and Ranchers (SDA). This section of the Act directs the United States Department of Agriculture (USDA) Secretary to provide a payment of up to 120 percent of the outstanding indebtedness of each SDA farmer or rancher as of January 1, 2021, to pay off the loan directly or to the SDA farmer or rancher on each direct or guaranteed farm loan made by the Secretary and administered by the Farm Service Agency (FSA).

Section 1005 also uses the definition of “social disadvantaged farmer or rancher” found in the Food, Agriculture, Conservation, and Trade Act of 1990. This Act describes an SDA farmer or rancher as *a farmer or rancher who is a member of a socially disadvantaged group*. The term “socially disadvantaged group” is defined as “a group whose members have been subjected to racial or ethnic prejudice because of their identity as members of a group without regard to their individual qualities”, and doesn’t consider women to be part of that group.

The Secretary and FSA are establishing a process to carry out those payments.

While we do so, **we are encouraging lenders and borrowers to continue normal loan activities on all loans that are in “current” status.** FSA recognizes that the calculation of the payment amount will be based on the outstanding indebtedness as of January 1, 2021, and any subsequent reduction in indebtedness as a result of payments received after that date will not reduce the amount of the payment the borrower receives.

As you are likely aware, on January 26, 2021, the USDA suspended all adverse actions for all direct loan borrowers during the COVID-19 pandemic. At that time, we also encouraged guaranteed lenders to be flexible and consider similar limits, on liquidations in particular. We are now **asking lenders to suspend all adverse actions** for all SDA guaranteed loan borrowers until the Secretary and FSA have established a process to carry out payments under Section 1005.

If your institution has opted to proceed with a liquidation, please be reminded that 7 CFR §762.149(c) requires Standard Eligible Lenders (SEL) and those approved under the Certified Lender Program (CLP), **to obtain FSA approval of their liquidation plan.** Preferred Lender Program (PLP) lenders **must submit a liquidation plan** as required by the lender’s agreement. See 7 CFR §762.149(b)(2). FSA may request lenders transfer all rights and interests to FSA to allow FSA to liquidate the loan. See 7 CFR §762.149(c)(3).

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For any loans you may have in, or entering the liquidation phase, **please notify USDA prior to taking any further action** so that FSA may exercise its authority to assume the liquidation process. This notification should include, at a minimum, the borrower name(s), amount of principal, interest, and fees due, and date of the next scheduled action. This information should be sent to Bill Cobb, Deputy Administrator for Farm Loan Programs via email at ARP1005@usda.gov.

In addition to those loans in, or entering the liquidation stage, in order to inform our loan payment process development, **please complete and return the attached spreadsheet to ARP1005@usda.gov with all guaranteed borrower information no later than April 16, 2021**. For any loans that are in any stage of delinquency **please indicate your willingness to forestall any further action while we develop the payment process**. Documentation of the submitted loan balances may be requested at a later date for audit purposes.

Thank you for your patience and cooperation as we develop the processes to implement the Act and work toward our common goal of serving America's agriculture producers.

If you have any questions, please contact me or Bill Cobb.

Sincerely,



Zach Ducheneaux
Administrator
Farm Service Agency
202-941-4675
zach.ducheneaux@usda.gov

Attachment