

**For:** State and County Offices

**Implementing the Agriculture Improvement Act of 2018 (2018 Farm Bill)**

**Approved by:** Acting Deputy Administrator, Farm Loan Programs



**1 Overview**

**A Background**

The 2018 Farm Bill (Pub. L. 115-334) includes several provisions that change requirements for direct and guaranteed farm loans and the Agricultural Mediation Program. Provisions of the 2018 Farm Bill became effective when signed by the President on December 20, 2018.

**B Purpose**

This notice provides:

- guidance for implementing the following revisions:
  - increasing direct and guaranteed FO and OL limits
  - amending Microloan limits to \$50,000 each for FO and OL
  - increasing the percentage guarantee for beginning farmer and SDA loans
  - amending EM eligibility relating to borrowers who have received debt forgiveness
- information on status of revisions related to:
  - DFO 3-year experience requirement
  - equitable relief
  - commercial production of industrial hemp
  - USDA State Mediation Program-related provisions.

<b>Disposal Date</b>	<b>Distribution</b>
August 1, 2019 3-7-19	State Offices; State Offices relay to County Offices

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### 1 Overview (Continued)

#### C Contacts

If there are questions about this notice, County Offices shall contact the State Office. State Offices shall contact the following:

- for guaranteed loan making, contact Steve Ford by either of the following:
  - e-mail at **steven.ford@wdc.usda.gov**
  - telephone at 202-304-7932
- for direct loan making, contact Joseph Scott by either of the following:
  - e-mail at **joseph.scott@wdc.usda.gov**
  - telephone at 202-690-2854
- for DLS, contact Lee Nault by either of the following:
  - e-mail at **lee.nault@wdc.usda.gov**
  - telephone at 202-720-6834.

### 2 Farm Bill Revisions

#### A Increase of Direct and Guaranteed Loan Limits

The GFO loan limit is now \$1,750,000 for FY 2019. This amount will continue to be adjusted annually based on inflation.

The GOL limit is now \$1,750,000 for FY 2019. This amount will continue to be adjusted annually based on inflation.

The DFO loan limit is now \$600,000.

**Notes:** Downpayment FO's will not exceed 45 percent of the lesser of the following:

- purchase price
- appraised value of the farm to be acquired
- \$667,000 (maximum \$300,000).

The DFO loan limit made as part of a joint financing arrangement is \$600,000.

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**2 Farm Bill Revisions (Continued)**

**A Increase of Direct and Guaranteed Loan Limits (Continued)**

The DOL limit is now \$400,000.

**Note:** DLS updates establishing the new direct loan limits are targeted for completion on March 15, 2019. In the interim, subsequent loans that will bring the applicant's total indebtedness above \$300,000 can be approved and obligated using the OK code 7. In those cases where an applicant has applied for a loan that exceeds \$300,000, the loan can be split and approved and obligated (on subsequent days) as 2 separate loans using the same OK code 7.

Maximum loan approval authority is established in the following table.

Type of Loan	FLO			FLM, DD, FLS, FLC, or Senior FLO	SED
	GS-7	GS-9	GS-11	GS-11/12/13	
<b>Maximum Approval by Assistance Type – Limitation I</b>					
Guaranteed OL	\$100,000	\$200,000	\$400,000	\$700,000	\$1,750,000
Direct OL	\$50,000	\$100,000	\$175,000	\$225,000	\$400,000
*Guaranteed FO	\$0	\$175,000	\$400,000	\$700,000	\$1,750,000
Land Contract Guarantee	\$0	\$125,000	\$150,000	\$225,000	\$500,000
*Direct FO	\$0	\$125,000	\$150,000	\$225,000	\$600,000
Direct EM	\$50,000	\$100,000	\$150,000	\$300,000	\$500,000
<b>Maximum Approval for Combined Assistance Types – Limitation II</b>					
OL Total Direct and Guaranteed	\$100,000	\$200,000	\$400,000	\$700,000	\$1,750,000
*FO + Land Contract Total Direct and Guaranteed	\$0	\$200,000	\$400,000	\$700,000	\$1,750,000
<b>Total Approval for Multiple Assistance Types – Limitation III</b>					
OL + *FO + Land Contract Total Direct and Guaranteed	\$0	\$400,000	\$550,000	\$850,000	\$2,350,000
Total Guaranteed	\$100,000	\$400,000	\$550,000	\$850,000	\$1,750,000
<b>Total Approval for FO, CL, OL, EM, and Land Contract – Limitation IV</b>					
OL + *FO + EM + Land Contract Total Direct and Guaranteed	\$0	\$400,000	\$550,000	\$850,000	\$2,850,000

**Note:** \*FO includes all FO type loans, such as SW and CL.

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### 2 Farm Bill Revisions (Continued)

#### A Increase of Direct and Guaranteed Loan Limits (Continued)

Only SED authority is increased in the table in this subparagraph. A forthcoming 1-FLP amendment will increase limits for other loan approval officials.

To use the table in this subparagraph, start at the top and work your way down. Evaluate each row in the table for all loans (new and existing). If the loans are within the limit for any given row, move on to the next row. If the loans are within the limit for **all** rows, the request meets the overall loan limits. However, if the loans are not within the limit for **any** given row, the request does **not** meet the overall loan limits. These limits include any outstanding debt the applicant may have.

#### B Microloan Limits

Microloan limits now apply separately. A borrower may now receive both a \$50,000 DFO Microloan and a \$50,000 DOL Microloan. Previously, borrowers were limited to a total of \$50,000 for both FO and OL Microloans.

**Note:** DLS updates establishing the new Microloan limits are targeted for completion on March 15, 2019.

#### C Increase in Percent of Guarantee for Beginning Farmer and SDA Loans

The percent of guarantee for new guaranteed loans to any beginning farmer or SDA applicants will be 95 percent. The 2018 Farm Bill did not, however, change any of the conditions for receiving a fee waiver. New GOL and GFO applications can be approved and obligated; however, GLS updates are required before approving and obligating GCL.

#### D EM Eligibility

Borrowers who have received restructuring with write off will now be eligible for EM. Previously, borrowers who had received debt forgiveness were ineligible for EM's.

#### E USDA Agricultural Mediation Program

The USDA Agricultural Mediation Program provides grants to State-designated entities that offer alternative dispute resolution through mediation to agricultural producers, their lenders, and others directly affected by the actions of certain USDA agencies.

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### 2 Farm Bill Revisions (Continued)

#### E USDA Agricultural Mediation Program (Continued)

Currently, issues covered by the grants include:

- agricultural loans, whether made by USDA or commercial lenders
- disputes involving:
  - USDA actions on farm and conservation programs
  - wetland determinations
  - rural water loan programs
  - grazing on national forest system lands
  - pesticides, rural housing, and business loans
  - crop insurance.

The 2018 Farm Bill added the following provisions to the State Certified Mediation Program:

- the following issues are covered:
  - the National Organic Program established under the Organic Foods Production Act of 1990
  - lease issues, including land leases and equipment leases
  - family farm transition
  - other issues as the Secretary or head of the Department of Agriculture of each participating State considers appropriate for better serving the agricultural community and persons eligible for mediation
- authorized funding provided to State Certified Mediation Programs may be used to offer credit counseling to covered persons before the initiation of any mediation involving USDA or unrelated to any ongoing dispute or mediation in which USDA is a party.

**Notes:** 7 CFR Part 785, Certified State Mediation Program, will be amended to add the new provisions.

There are no actions required by State Offices to implement these provisions.

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### 3 Remaining Revisions

#### A Farm Ownership 3-Years Farm Experience Requirement

There will be a forthcoming 3-FLP amendment with instructions on how to proceed.

#### B Equitable Relief

Equitable Relief concerns existing loan noncompliance provisions caused by FSA employees. Examples include incorrect loan limits, loan terms, and interest rates.

Equitable Relief provisions provided in the 2018 Farm Bill are currently being drafted for the CFR. Upon publication of these provisions in the FR, FSA handbook revisions will be posted for immediate implementation.

#### C Commercial Production of Industrial Hemp

Section 10113 of the 2018 Farm Bill directs USDA to issue regulations and guidance to implement a program for the commercial production of industrial hemp in the United States. USDA has begun the process to gather information for rulemaking. Once complete, this information will be used to formulate regulations that will include specific details for both Federally regulated hemp production and a process for the submission of State and Indian Tribal plans to USDA.

Regulations for States or Tribes who submit plans will include procedures and information collections about the following:

- land to be used for planting
- testing
- effective disposal of plants and products
- compliance with law enforcement
- annual inspections
- submission of information to USDA
- certification that resources and personnel are available to carry out the practices and procedures described in this subparagraph.

As required by law, USDA is committed to completing its review of plans within 60 days once regulations are effective.

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### 3 Remaining Revisions (Continued)

#### C Commercial Production of Industrial Hemp (Continued)

It is USDA's intention to issue regulations in the Fall of 2019 to accommodate the 2020 planting season. For the 2019 planting season, the 2018 Farm Bill provides that States, Tribes, and institutions of higher education can continue operating under the authorities of the 2014 Farm Bill. Income from the production of hemp may only be included in a direct or guaranteed loan or servicing applicant's cash flow if the production is under the authorities of the 2014 Farm Bill.

At this time, all loan requests involving industrial hemp will be denied. The adverse decision letter must cite the following.

- Section 10113 of the 2018 Farm Bill directs USDA to issue regulations and guidance to implement a program for the commercial production of industrial hemp in the United States. At this time, USDA has not issued regulations and anticipates having the regulations in place by the 2020 planting season. For the 2019 planting season, the 2018 Farm Bill provides that States, Tribes, and institutions of higher education can continue operating under authorities of the 2014 Farm Bill that do not permit approval of your loan application. Questions or requests for information about the commercial production of industrial hemp should be e-mailed to **farmbill.hemp@usda.gov**.
- Applicant will receive all appeal rights according to 1-APP.