

Agriculture Improvement Act of 2018
Section 5413
Comprehensive Review of 2019 - 2022

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Comprehensive Review of 2019 – 2022

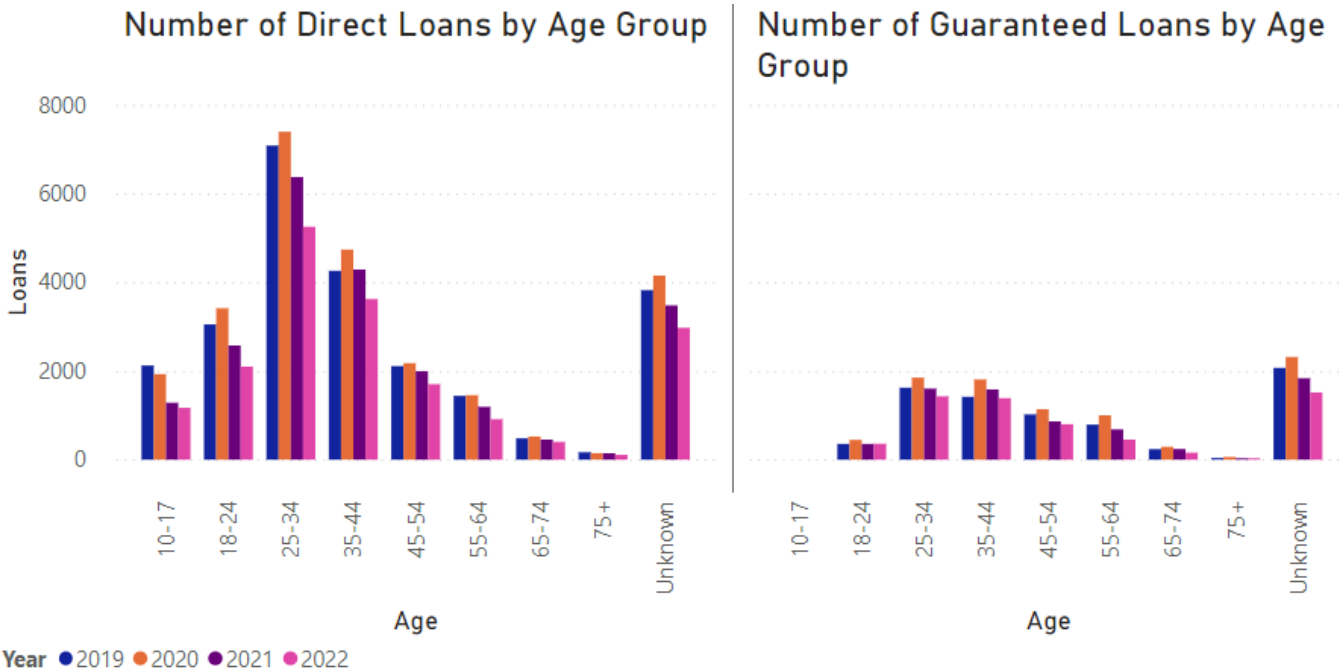
Section 5413 the Agriculture Improvement Act of 2018 (2018 Farm Bill) requires annual reporting of a significant amount of Farm Loan Programs (FLP) data. The data is provided in 22 separate Excel Spreadsheets accompanied by a summary table for each of the reports required under Section 5413(b)(1)(A). This report provides a comprehensive review of the annual reports as required by Section 5413(c) of the 2018 Farm Bill and includes trends within the data provided in the annual reports, actions USDA will take to improve the performance of direct and guaranteed loans with respect to underserved producers, and recommendations for further Congressional action.

Data Trends:

The Chart numbers in this section refer to the subsection of Section 5413 of the 2018 Farm Bill identifying inclusion of the data.

Section 5413(b)(1)(A)(i)

The following charts show the number of Direct and Guaranteed loans by producer’s age for fiscal years 2019 – 2022. Most loans have remained concentrated between ages 25 and 44.



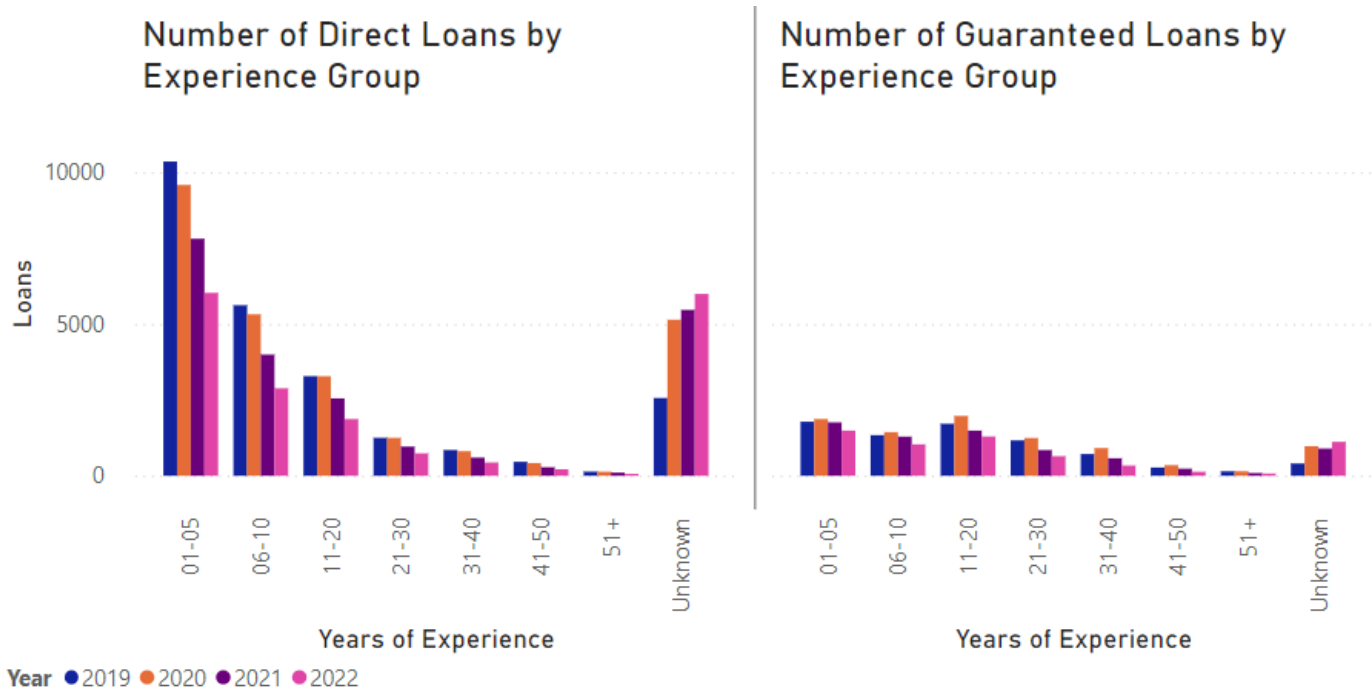
The “Unknown” amount is because borrowers operating as an entity may consist of multiple members of different ages; therefore, an age cannot be assigned to an applicant. Husbands and wives operating under an individual Social Security Number are reported based on the age of the primary borrower whose Social Security Number was used for IRS reporting.

It should be noted that the pattern within the age groups in general follows the same trend as total number of direct loans obligated with these fiscal years as noted in the table below.

Fiscal Year	Total Number of Direct Loans Made
2019	24,732
2020	26,020
2021	21,833
2022	18,235

Section 5413(b)(1)(A)(ii)

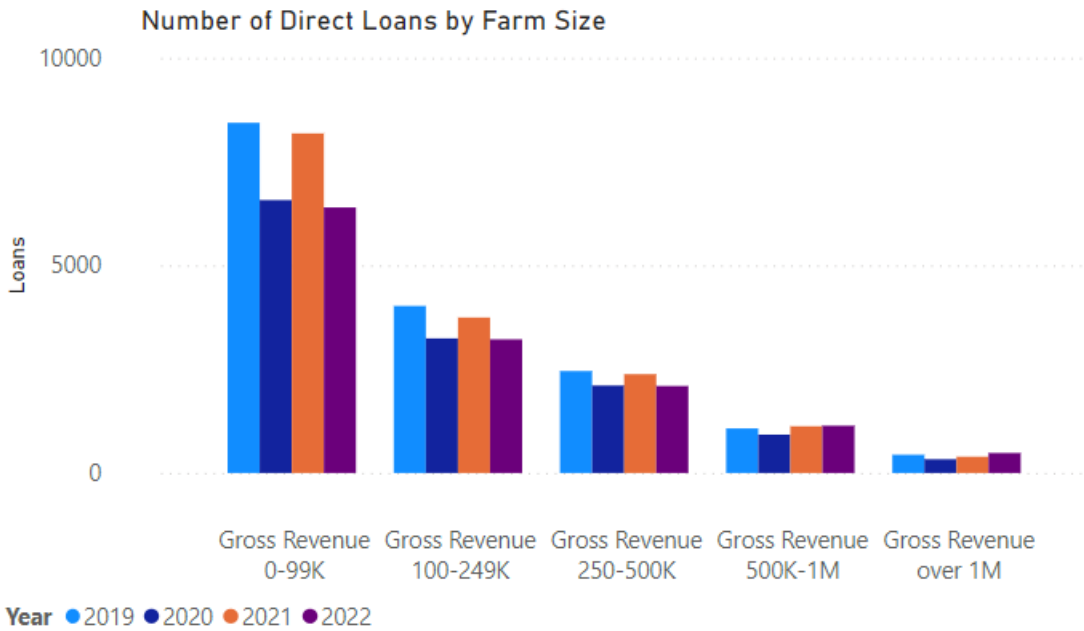
The following charts show the number of Direct and Guaranteed loans grouped by number of years farming for fiscal years 2019 – 2022. The trend has been consistent with most loans made to farmers with less than 20 years’ experience.



The “Unknown” amount is because while the number of years an applicant has operated a farm is collected on the loan application for a manual determination of eligibility for funding targeted to beginning farmers, it is not available in the automated system for all applicants.

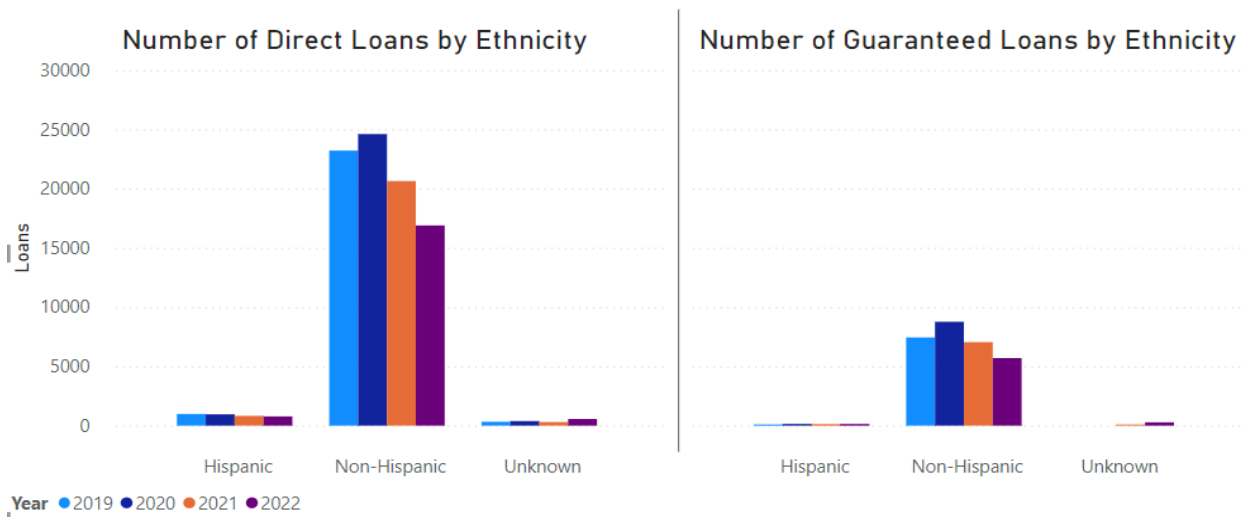
Section 5413(b)(1)(A)(iii)

The following chart shows the number of Direct loans by farm size for fiscal years 2019 – 2022. Most Direct loans are made to farms with less than \$500,000 in Gross Revenue.

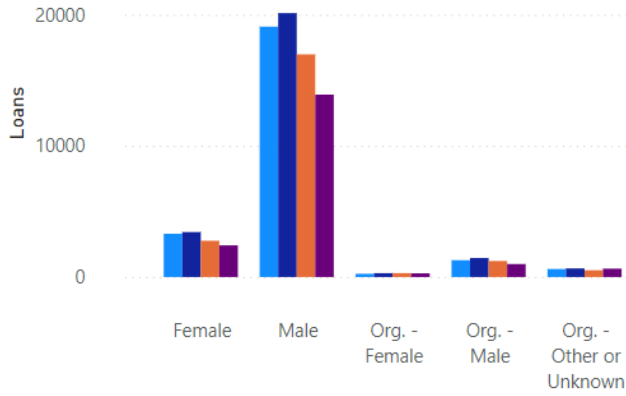


Section 5413(b)(1)(A)(iv)

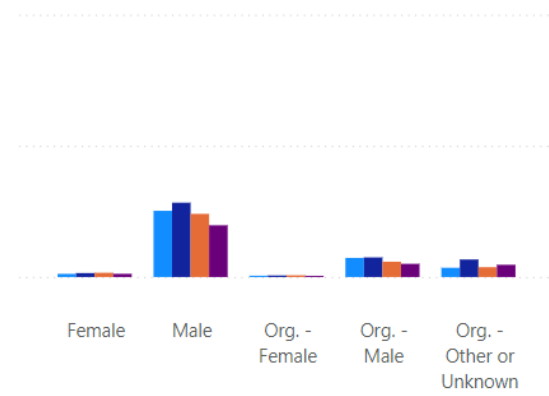
The following charts show the number of Direct and Guaranteed loans grouped by Race, Ethnicity, and Gender for fiscal years 2019 – 2022.



Number of Direct Loans by Gender

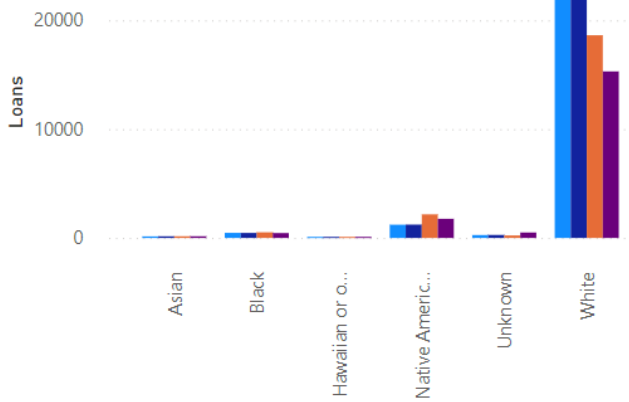


Number of Guaranteed Loans by Gender

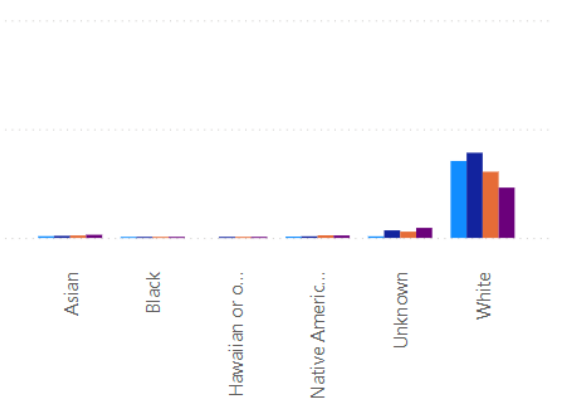


Year ● 2019 ● 2020 ● 2021 ● 2022

Number of Direct Loans by Race



Number of Guaranteed Loans by Race

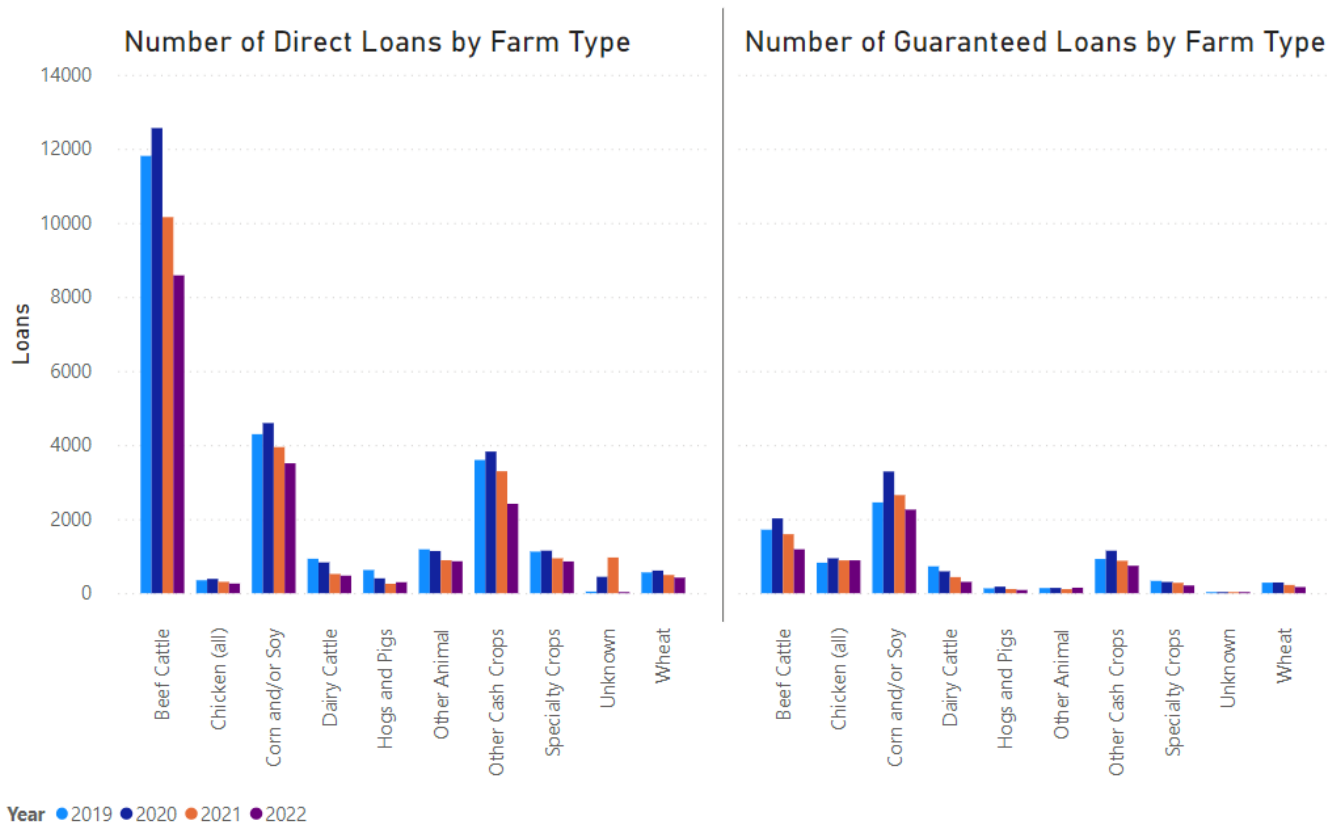


Year ● 2019 ● 2020 ● 2021 ● 2022

The “Unknown” amount is because some are unknown as race, ethnicity and gender is collected on a voluntary basis. Entities are considered socially disadvantaged if the majority interest is held by members who are a racial minority. When applicants select more than one race, the results included in this table are based on the first race selected in alphabetical order.

Section 5413(b)(1)(A)(v)

The following charts show the number of Direct and Guaranteed loans for the most common types of farm operations financed for fiscal years 2019 – 2022.

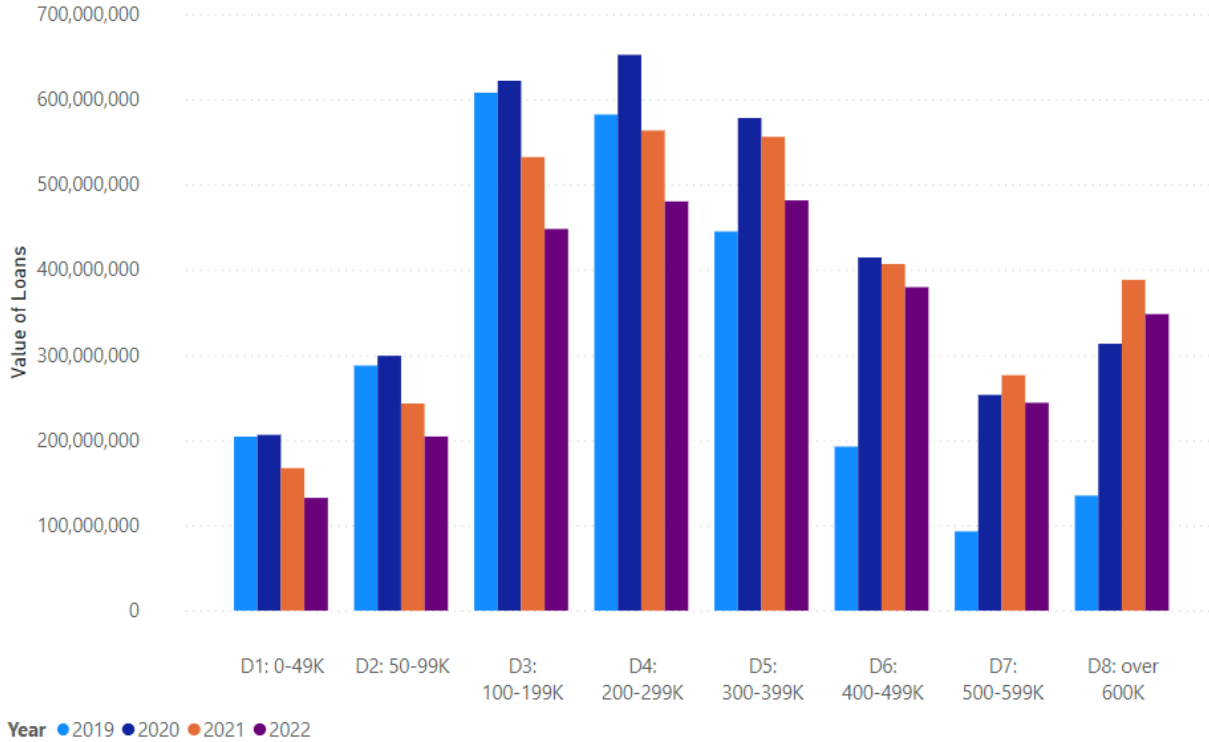


The best data available for this request was to identify the loans made by the North American Industry Classification System (NAICS) code. For guaranteed loans, while up to three NAICS codes are available, the primary NAICS code was used. For direct loans, only one NAICS code is available.

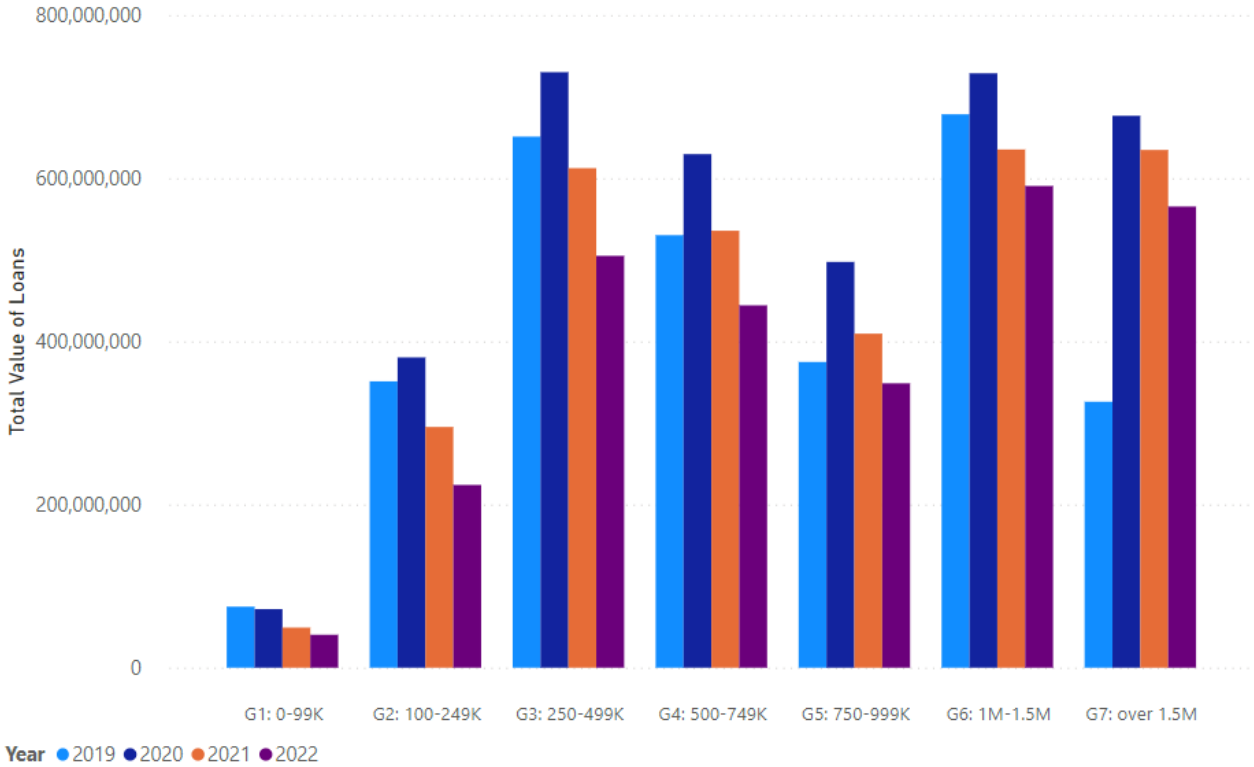
Section 5413(b)(1)(A)(vi)

The following charts show the amount (value) of Direct and Guaranteed loans by loan size for fiscal years 2019 - 2022. The loan amounts have remained fairly evenly distributed between the loan amount groupings.

Value of Direct Loans by Loan Size

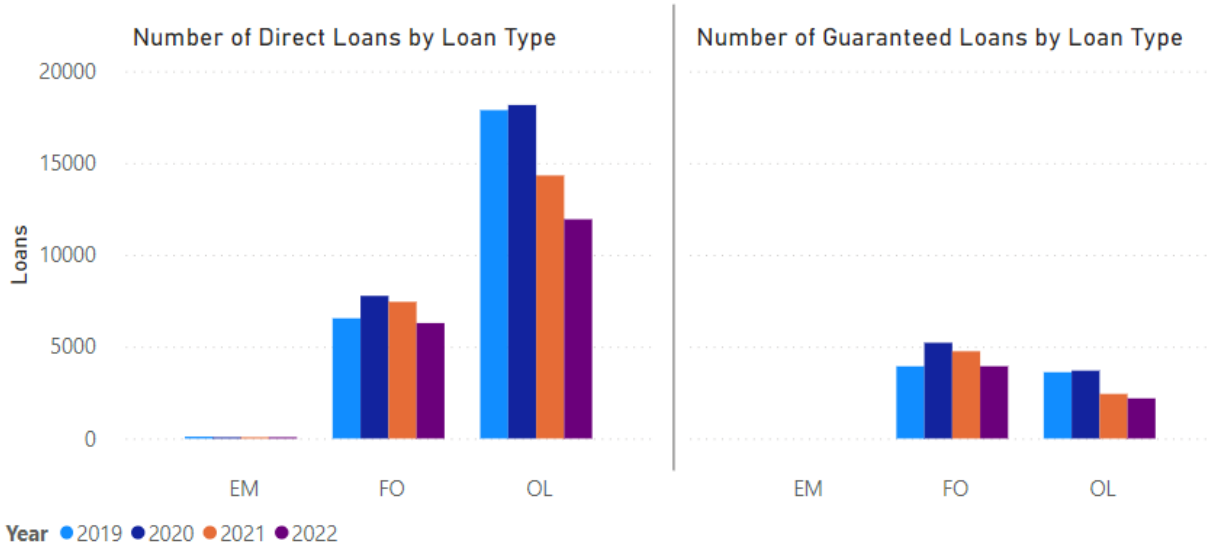


Value of Guaranteed Loans by Loan Size



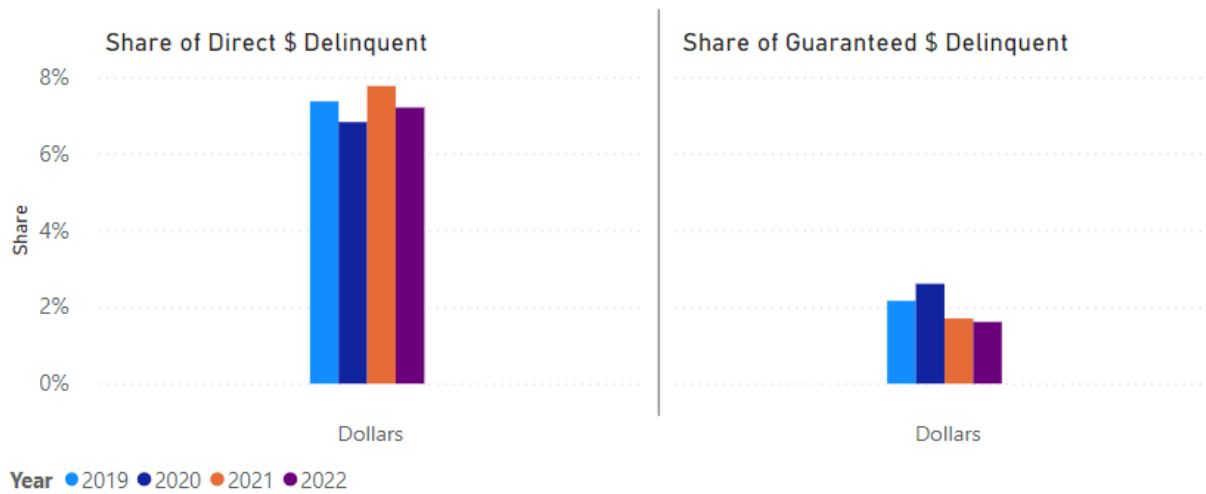
Section 5413(b)(1)(A)(vii)

The following charts show the number of guaranteed loans by loan type for fiscal years 2019 – 2022.



Section 5413(b)(1)(A)(viii)

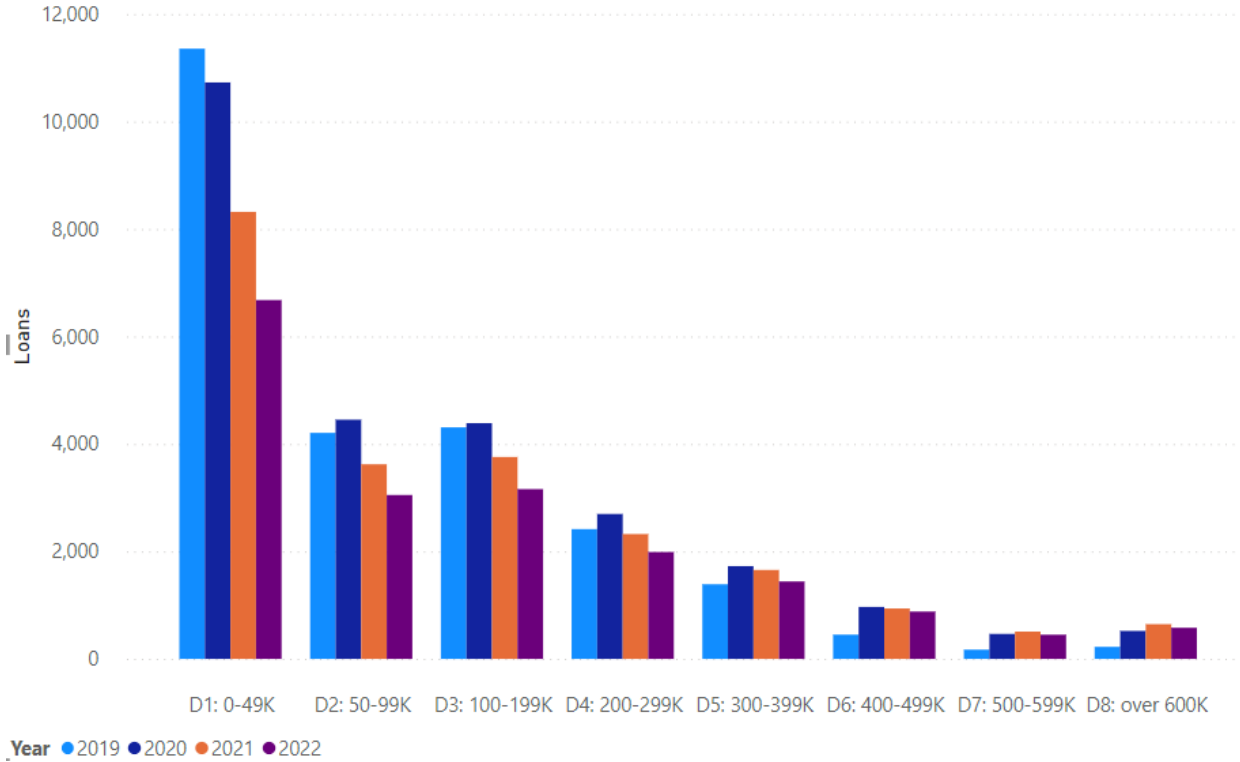
The following charts show the delinquency rate for Direct and Guaranteed loans for fiscal years 2019 – 2022. This rate has remained consistent for the past 4 years.



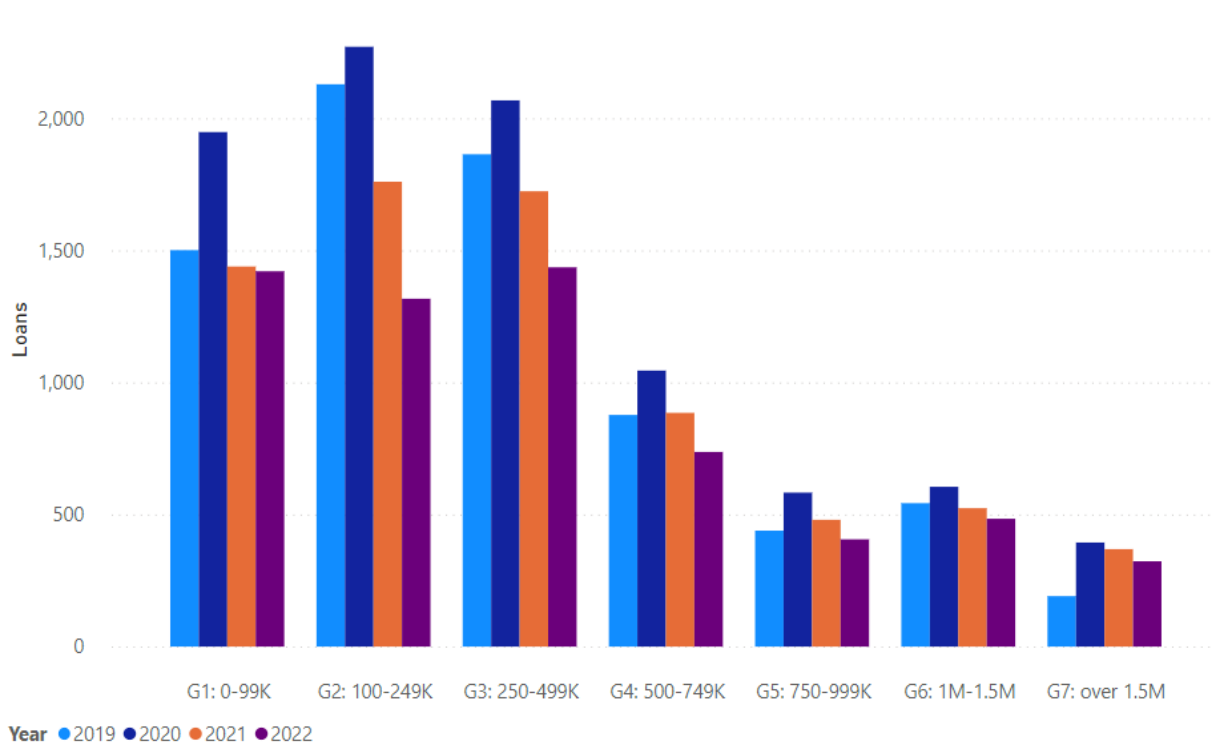
Section 5413(b)(1)(B)

The following charts show the number of Direct and Guaranteed loans by loan size at the National level. Direct loans are concentrated in the lower loan amounts reflecting an active micro loan program while the Guaranteed program loans are concentrated in amounts under \$500,000, with fewer above that level.

Number of Direct Loans by Loan Size

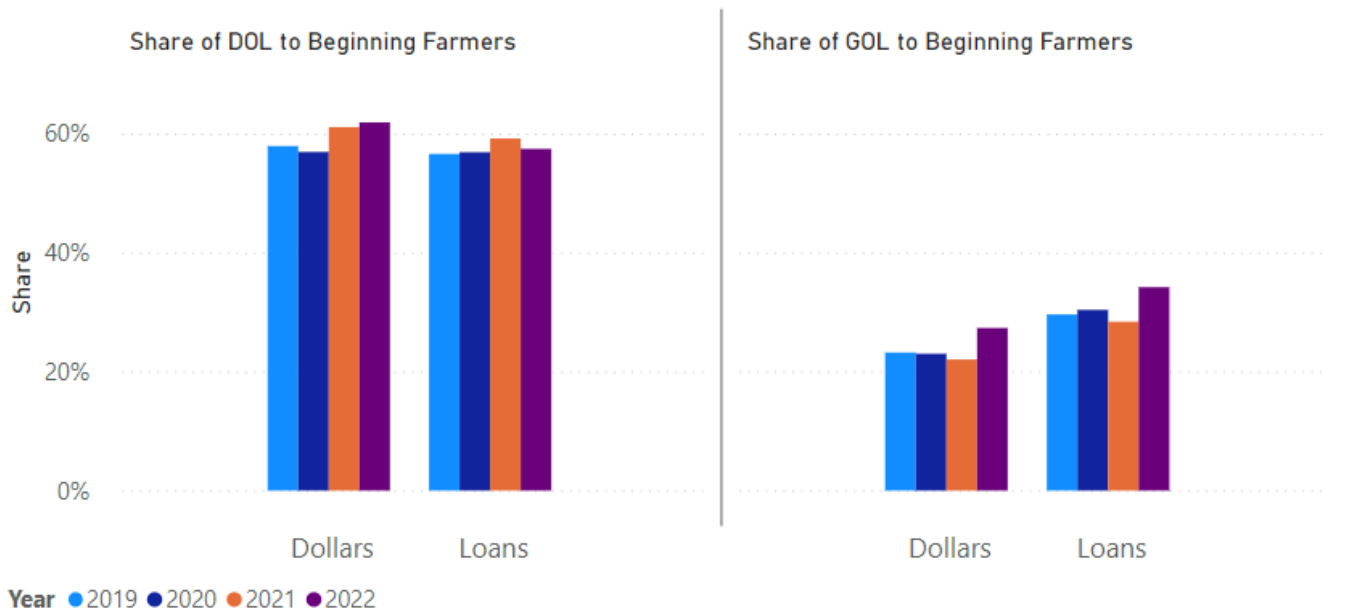
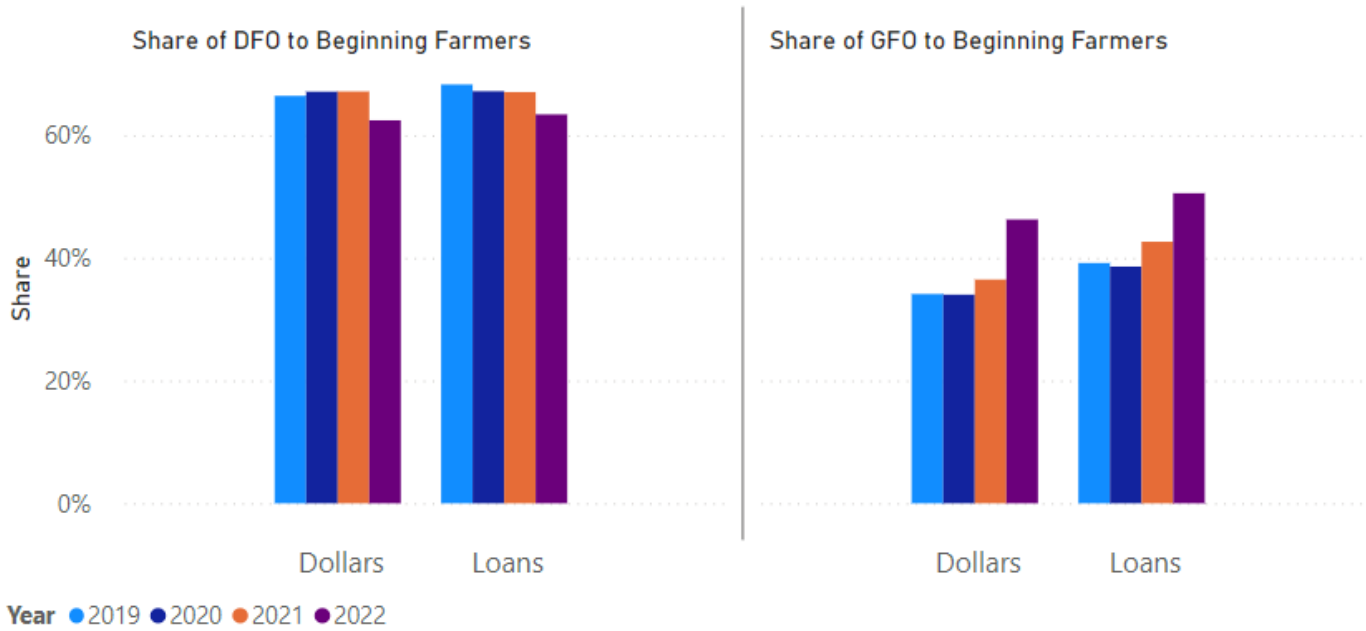


Number of Guaranteed Loans by Loan Size



Section 5413(b)(1)(C)

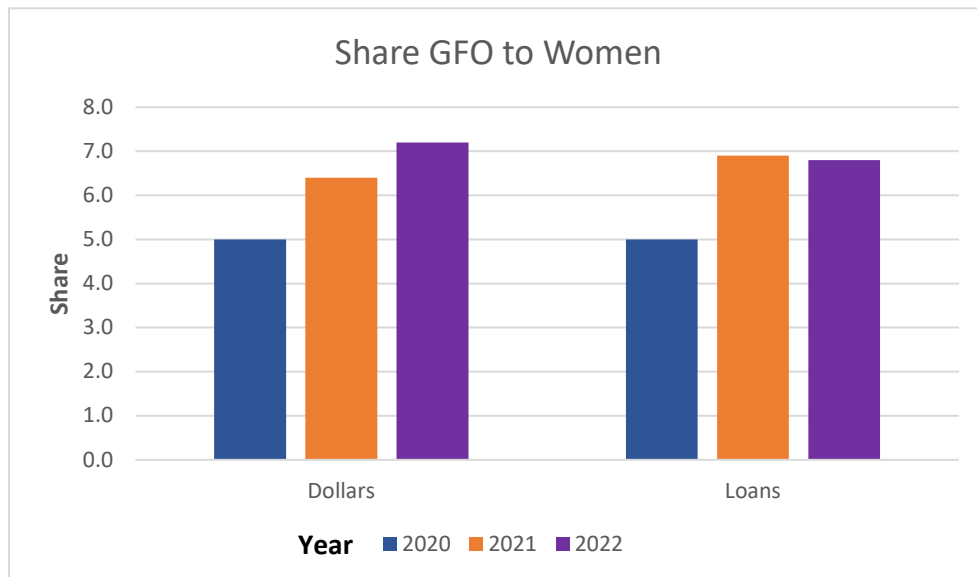
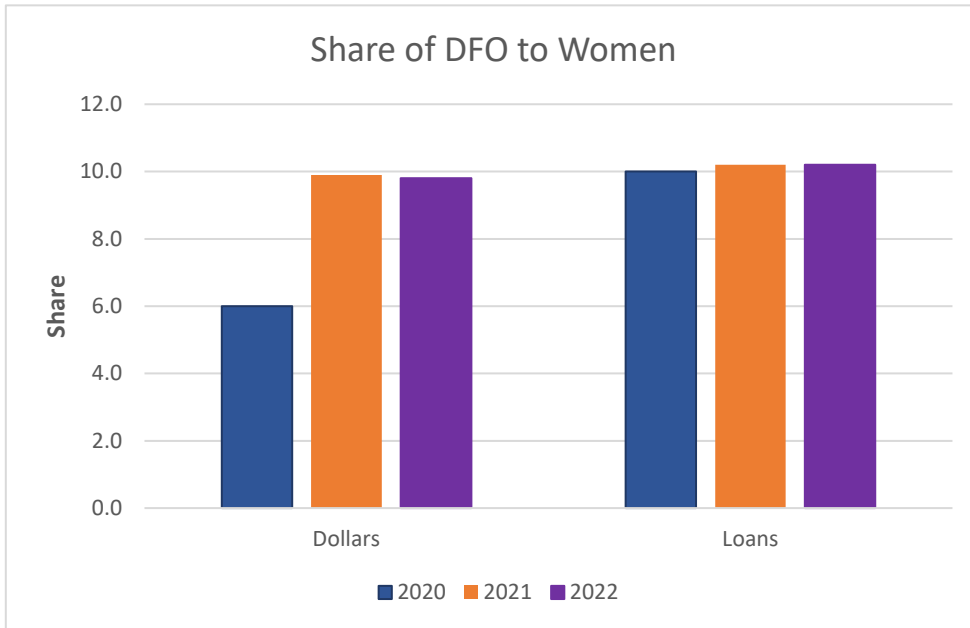
The following charts show the percent of dollars and loans made to Beginning farmers for Direct and Guaranteed FO and OL loans for fiscal years 2019 – 2022. The percentages have remained consistent over the past 4 years.



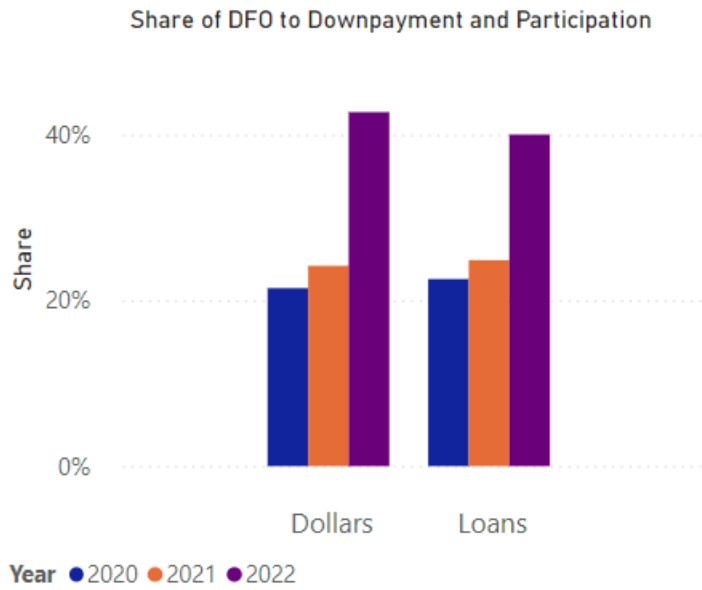
The following charts show the percent of dollars and loans made to racial / ethnic minorities and women for Direct and Guaranteed FO and OL loans for fiscal years 2019 – 2022. The percentages for both Direct and Guaranteed loans have increased over the past 4 years.



The following charts show the percent of Direct and Guaranteed FO loans made to women in fiscal years 2020 – 2022. The share made to women has remained consistent since increasing in fiscal year 2021.



The following chart shows the percentage of dollars and number of Direct Farm Ownership loans made under the Downpayment and participation programs for fiscal years 2020 – 2022. The share increased significantly in fiscal year 2022.



Improving Performance of Direct and Guaranteed Loans with Respect to Underserved Producers:

Section 5413(c)(1)(C) requires the Secretary to provide specific actions the Department will take to improve the performance of direct and guaranteed loans with respect to underserved producers and any recommendations the Secretary may make for further congressional action. Below are the actions currently underway to improve performance related to underserved producers.

Reimagining the Loan Application and Loan Servicing Processes.

In support of an Executive Order (2021) On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government (E.O. 13985 dated January 20, 2021), and another Executive Order on Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government (E.O. 14058 dated December 13, 2021), the agency devoted significant resources to improve its interaction with customers when gathering the information necessary to deliver its loan products.

Loan Assistance Tool

On October 26, 2022, FSA released the Loan Assistance Tool (LAT), the first in a suite of digital tools that will improve the borrower experience by providing an easily navigable online tool that guides the borrower through the loan lifecycle including the loan pre-application and application processes, loan repayment, and loan servicing. LAT was designed to simulate the in-person interaction between applicant and FLP team member and is intended to improve customer experience by:

- Improving and increasing equitable access to credit as the LAT establishes a uniform interpretation and explanation of loan application requirements and processes, ensuring customers receive a consistent customer experience regardless of their individual circumstances with the goal of establishing and repairing trust between underserved communities and USDA.
- Reducing customer frustration and rates of incomplete and withdrawn applications as the program purpose, eligibility requirements, and supporting documentation for a business loan are more explicitly described.
- Improving customer experience with a plain language and online easily navigable walk-through of the loan application lifecycle process.

Simplified Direct Loan Application

E.O. 14059 instructed the Secretary of Agriculture to "...design and implement a simplified direct loan application process." In February 2023, FSA implemented the simplified direct loan application consolidating the application consisting of 10 forms totaling 29 pages into a single form and of 13 pages. This action will reduce the burden associated with the application process for nearly 26,000 producers annually.

Online Loan Application

To complement the Loan Assistance Tool, FSA will introduce a new online application in the fall of 2023. This new online tool for new direct loans will be an interactive online process that gives customers a paperless and electronic signature option, along with the ability to attach supporting documents such as tax returns. The tool will provide customers with the opportunities and experience commonly provided by commercial lenders. Future releases will integrate the application portal with existing FLP systems to minimize duplicative data entry by FSA FLP staff.

Farm Loan Customer Satisfaction Survey

As a High Impact Service Provider, FLP distributed its first quarterly satisfaction survey in December 2022 to 1,250 farmer and ranchers who submitted a direct loan application in the prior quarter. The survey includes 17 questions designed to collect constructive feedback from those whose applications are still pending, or were approved, denied, or withdrawn to identify areas for process improvements.

Pay My Loans

Pay My Loan, currently under development, will provide customers with the ability to pay online 24/7 a Direct Loan installment to FSA, saving a producer from mailing a check or visiting or calling a local office.

Improved Data Analytics

FSA has developed multiple dashboards to effectively harness its vast data to improve data-driven decision-making for efficient program delivery and continuous risk management.

Diversity Equity, Inclusion and Access Reboot Task Force

In the Fall of 2021, USDA's Farm Loan Programs established a Diversity, Equity, Inclusion and Access-Reboot (DEIA-Reboot) Task Force to focus and provide recommendations on two primary goals: 1) Equitable access to FLP benefits and services, and 2) Diversity of employment. This ongoing Task Force, comprising a diverse cross-section of staff from a wide array of backgrounds, positions, and geographic locations, provided recommendations that FSA is evaluating and prioritizing for implementation such as:

- Convene a work group to review the Guaranteed Land Contract Program to make it attractive to retiring borrowers/farmers to pass land on to a beginning (BF) or SDA farmer. The work group will identify statutory and legislative barriers as well as develop tool kit items to increase outreach and participation.
- Identify opportunities to enhance participation in the Highly Fractionated Land Program and Heirs Property Program. Customer focus should include intermediary lenders and potential/ current borrowers.
- Analyze staffing in areas with high SDA producer diversity and persistent poverty levels with the goal to identify factors and determine if improvements can be made to the ideal office structure/staffing.
- Conduct Cultural awareness training for FSA staff.
- Coordinate and develop Agency-wide trainings to address customer service, diverse operations, and broad training needs.
- Ensure adherence to Departmental Regulation (DR) 1340-002, Consolidating USDA Agencies' Services on Indian Reservations. This regulation establishes the procedures for forming United States Department of Agriculture (USDA) sub-offices on American Indian reservations pursuant to the Food, Agriculture, Conservation, and Trade Act of 1990 (7 USC 2279(i)); In addition, ensure that funding is available to staff individuals as requested by tribes to maintain office presence.
- Add a full-time field staff outreach member in states that meet certain criteria.
- Develop a diversity, equity, inclusion, and accessibility recruitment plan with key performance indicators targeted to FLP. This would include developing and/or disseminating resources to hiring managers that summarize available hiring authorities and retention tools.

Many of the recommendations outlined here will require resources to implement, including ample staffing to perform the prescribed duties, and there may be either statutory and/or regulatory changes required to ensure

implementation. USDA is committed to fully exploring these recommendations to improve the accessibility of direct and guaranteed loans with respect to underserved producers.

Recommendations

The 2024 Budget includes a number of legislative proposals for the Direct Farm Ownership, Direct Farm Operating, and Emergency loan programs. These are no cost proposals that are designed to improve the borrower experience and make these farm loans work better for FSA borrowers. The specific proposals are as follows:

- Direct Farm Ownership and Direct Farm Operating loan programs Current legislative authority to be amended: Consolidated Farm and Rural Development Act (7 U.S.C. 1922(b) and 1941(c)) - Eliminate the cap on the number of times a borrower can get a Direct Operating or Direct Farm Ownership loan.

Each year, agricultural producers exhaust their loan eligibility due to statutory caps on the number of years an agricultural producer may receive direct loan funds from the Secretary. Removal of this requirement for direct loans would assist various types of borrowers, including borrowers who live in credit deserts, who have continued need for loan assistance beyond the number of times currently allowed and still meet all other eligibility criteria.

- Emergency loan program - Current legislative authority to be amended: Consolidated Farm and Rural Development Act (7 U.S.C. 1961, 1962, and 1970).
 - Remove Emergency Loan program requirements for written credit denial and adjust the production loss percent threshold from 30% to an amount to be determined by the Secretary.
 - Credit denial: Agricultural producers impacted by a disaster who wish to use emergency loan funding must provide one or more written declinations from a commercial lender. Removal of this requirement will give the Secretary maximum flexibility in regard to applicant eligibility for emergency loans, better aligns eligibility requirements with those for farm ownership and operating loans and improves producer access to emergency funding.
 - Production loss threshold: The current language defines a qualifying loss from a disaster event as being at least 30 per centum loss of normal per acre or per animal production. Removal of this language ensures that the Secretary has maximum flexibility in defining loss to improve eligibility for agricultural producers seeking emergency loan funding. The intent of this action is to improve producer access to emergency funding.
- Direct Farm Ownership loan program Current legislative authority to be amended: Consolidated Farm and Rural Development Act (7 U.S.C. 1922 and 1941(a)(1)(B)).

Reduce the Direct Farm Ownership loan requirements to require an applicant have one year of farming experience (and not three), or that the applicant have an established relationship with a mentor approved by the Secretary or is a veteran who has been honorably discharged. Direct farm ownership loans require an applicant to have three years of experience farming or ranching. While an applicant can use certain educational and training experiences to reduce the number of years of actual experience required, these requirements are a constant source of confusion for applicants and increasingly difficult for an

applicant to satisfy as barriers to accessing land increase. Reducing the experience requirements to one year will lower these barriers and simplify the process allowing for greater program participation.

- Direct Farm Ownership loan program Current legislative authority to be amended: Consolidated Farm and Rural Development Act (7 U.S.C. 1935(b))

Increase down payment loan limit to match the Direct Farm Ownership loan limit. Direct farm ownership loan limits have increased over time while the limit for the down payment loan program has remained the same, resulting in a decrease in utilization of that program over time. Aligning the down payment loan limit with the limit for other direct farm ownership loans will increase program utilization relative to other direct farm ownership loans. This alignment has historically been in place, and there is general agreement that it was an oversight in the 2018 Farm Bill not to maintain the same limits for the loan programs.

- Direct Farm Ownership loan program Current legislative authority to be amended: Consolidated Farm and Rural Development Act (7 U.S.C. 1943(c)(2))

Increase the microloan limit from \$50,000 to \$100,000. The microloan program is essential for many beginning farmers and ranchers and non-traditional farm operations with limited experience or assets, but the current loan limit reduces the effectiveness of the program. Increasing the limit will improve utilization of the microloan program, which will reduce loan processing times and help more customers establish experience and eligibility required for other loan options.

- All farm loan programs Current legislative authority to be amended: Consolidated Farm and Rural Development Act (7 U.S.C. 1991(a)(11))

Revise beginning farmer definition to require individuals of an entity to be beginning farmers without regard to relationship. The current language defining “qualified beginning farmer or rancher” requires in the case of a cooperative, corporation, partnership, joint operation, or such other legal entity that all members of such entity be related to one another by blood or marriage. Removing this requirement will expand program eligibility to entities whose members are not related by blood or marriage, but otherwise qualify as beginning farmers or ranchers.

- All farm loan programs (also a general provision) Current legislative authority to be amended: Consolidated Farm and Rural Development Act (7 U.S.C. 1994(b)(2))

Revise beginning farmer lending targets required to “to the extent practicable”. Provides revisions to beginning farmer reserved funds authorizing language. The current beginning farmer lending targets earmark a substantial amount of appropriated loan funds for the exclusive use of beginning farmers. These funds largely go unused until targets are lifted late in the fiscal year when the backlogged requests from non-beginning farmers can be funded with these resources. This change will allow FSA greater flexibility to fund approved loan requests while maintaining robust support of beginning farmer customers.