

Distressed Borrower Set-Aside Program

August 2024



Overview

The Distressed Borrower Set-Aside Program (DBSA) provides USDA direct loan borrowers the opportunity to set-aside one loan payment to the end of the loan term if they are unable to make their scheduled installment. DBSA results in the borrower accruing significantly reduced interest and allows them to become current on their loans and continue farming. The program is authorized under Section 331A of the Consolidated Farm and Rural Development Act.

Notification

When a borrower indicates they are in financial distress or when they become 90 days past due on an FSA direct loan, they will be notified of the availability of the Distressed Borrower Set-Aside Program (DBSA), or they may inquire about eligibility at their local FSA office.

How to Apply

Borrowers can request DBSA assistance at any time. A complete application for DBSA consists of the following items:

- A written request for DBSA signed by all parties liable for the debt;
- Production, income, and expense records for the current and upcoming production cycles (unless the FSA already has this information); and
- Other items as required to establish repayment ability and set-aside feasibility, based on the individual application.

Eligibility and Limitations

Eligibility to receive the DBSA will primarily be determined based on the following criteria:

- The loan receiving the DBSA was outstanding as of September 25, 2024.
- The borrower is unable to pay all family living and farm operating expenses, payments to FSA and other creditors;
- The borrower must have acted in good faith and complied with written agreements with FSA;
- The borrower must not be in non-monetary default;
- The borrower must be current or not more than 150 days past due on any FSA loan when the DBSA application is completed.
- No loan to be set-aside may have a remaining term of less than two years;
- DBSA cannot be used with a concurrent Primary Loan Servicing action;
- Loans must not be accelerated;
- After the DBSA is completed, the borrower will be current on all FSA loans;
- The amount set aside will not exceed one year's payment on the FSA loan;
- No loan may have more than one active set-aside at a time; and
- The borrower must be able to develop a positive cash-flow projection for the coming year.

Payment

Each payment set-aside must be repaid prior to the final maturity of the note. Any principal set-aside will continue to accrue interest at a reduced rate of 0.125% until it is repaid or restructured.

For More Information

For more information, visit fsa.usda.gov/farmloans or farmers.gov. Find your local USDA Service Center at farmers.gov