April 11, 2018

The Honorable Pat Roberts
Chair, Committee on Agriculture, Nutrition, and Forestry
United States Senate

The Honorable Mike Conaway
Chair, Committee on Agriculture
U.S. House of Representatives

The Honorable Debbie Stabenow
Ranking Member, Committee on Agriculture, Nutrition, and Forestry
United States Senate

The Honorable Collin Peterson
Ranking Member, Committee on Agriculture
U.S. House of Representatives

Dear Chairs and Ranking Members,

We, the undersigned, state our significant concerns with proposals to increase limits on USDA Direct and Guaranteed farm loans in the next farm bill. We urge you to oppose across the board increases to FSA loan limits and to instead take a more prudent and targeted approach.

Together, we represent over 250 farm organizations and community lenders that work directly with family farmers and ranchers, including beginning and socially disadvantaged farmers and others underserved by commercial lenders and for whom FSA loans are critical. These are the very farmers who will be impacted the most by any loan limit increase, and their concerns must be both considered and addressed in any debate.

We therefore urge that any policy changes to FSA loan programs proposed in the next Farm Bill be measured against current program usage and demand, historical funding levels, and performance targets. In recent years, demand for both FSA direct and guaranteed loans exceeded available funding for all programs with the exception of Direct Farm Ownership loans. This reality calls for additional funding, not necessarily larger loans.

In a budget-constrained environment, increased FSA loan limits will almost certainly result in fewer, but larger loans – reducing credit availability to small and mid-scale farms, many of whom are beginning farmers, for which the program is intended. Moreover, even at the current loan limits, guaranteed lenders have failed to meet the statutory target participation rates for both beginning and socially disadvantaged farmers. Any increase in maximum loan amounts will create an economic advantage to more established and larger operations and decrease the likelihood guaranteed lenders will meet their statutory obligations.

USDA loans are a critical part of the farm safety net, and often the first step toward access to credit in private markets. Allowing taxpayers to finance larger and larger loans through FSA would ultimately increase the risk to the taxpayer and increase dependence on federal programs (rather than private lending) - especially regarding investment in single-use and single-market facilities.

Therefore, as Congress looks towards the next farm bill, we urge that:

- **any increases to FSA loans reflect demonstrated need.** We support a moderate increase to Direct Farm Ownership Loans with adjustments for annual farmland inflation rates, but oppose any significant increase to Direct and Guaranteed Operating Loans and Guaranteed Ownership Loans.

- **any increases in loan limits be modest and tied to proportionate increases in appropriations.** If Congress nonetheless decides to raise loan caps, we would strongly urge that any increases be quite modest and be triggered only when and if appropriations for guaranteed and direct loans are increased in a proportional manner.

- **guaranteed preferred lender status be tied to achievement of loan target participation rates of beginning and socially-disadvantaged farmers.** We should not continue to allow substandard performance, and we should certainly not increase the likelihood of lenders falling short of their target participation rates set by Congress. Any loan limit increase must be conditioned on first reporting on and meeting these statutory targets.

- **any increase in maximum loan amounts must be matched by universal implementation of borrower's rights as set out in statute which will not allow lenders to weaken or circumvent borrower rights to notification and servicing as established in direct loan programs.** No farm family should lose their land and home because of the mistake of a federal employee, or because the lender, whether direct or guaranteed, failed to follow appropriate regulations.

- **contract based single-use facility loans must contain sufficient protections to ensure the likelihood that the loan can be serviced for its duration, in order to mitigate increased risk to taxpayers.** Greater loan limits increase the risk of farm loss, especially with investment in single-use facilities that are dependent on a single company or buyer. No loans should be made unless contract provisions commit to a sufficient volume of production for at least the term of the loan.

We thank you for your attention to this important matter, and for your commitment to the farm families that these programs were created to serve.

Sincerely,

California FarmLink
Capitol Impact Partners
Center for Rural Affairs
Coastal Enterprise Inc.
Coalition of Community Development Financial Institutions (CDFI Coalition)
Family Farm Defenders
Farm Aid
Farmers Legal Action Network

Hmong National Development
Land Stewardship Project
National Family Farm Coalition
National Farmers Union
National Sustainable Agriculture Coalition
National Young Farmers Coalition
Rural Advancement Foundation International
Rural Coalition
Self Help Credit Union
Western Organization of Resource Councils
Women, Food and Agriculture Network

cc: Members of the House and Senate Agriculture Committees