II

119TH CONGRESS
1ST SESSION

# S. 3126

To amend the Consolidated Farm and Rural Development Act to reform farm loans, to amend the Department of Agriculture Reorganization Act of 1994 to reform the National Appeals Division process, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

NOVEMBER 6, 2025

Mr. WELCH (for himself and Mrs. GILLIBRAND) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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# A BILL

To amend the Consolidated Farm and Rural Development Act to reform farm loans, to amend the Department of Agriculture Reorganization Act of 1994 to reform the National Appeals Division process, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the ‘‘Fair Credit for Farmers Act of 2025’’.

**SEC. 2. DEFERMENT OF PAYMENTS FOR BORROWERS OF FARM LOANS.**

(a) DEFINITIONS.—In this section:

(1) COVERED PRODUCER.—The term ''covered producer'' means—

(A) a limited resource farmer or rancher (as defined in section 718.2 of title 7, Code of Federal Regulations (as in effect on the date of enactment of this Act));

(B) a socially disadvantaged farmer or rancher (as defined in section 2501(a) of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 2279(a)));

(C) a beginning farmer or rancher (as defined in that section); and

(D) a veteran farmer or rancher (as defined in that section).

(2) ELIGIBLE BORROWER.—The term ''eligible borrower'' means a borrower that is a farmer or rancher that is—

(A) delinquent, as described in the definition of the term ''delinquent borrower'' in section 761.2(b) of title 7, Code of Federal Regulations (as in effect on the date of enactment of this Act); or

(B) financially distressed, as described in the definition of the term "financially distressed borrower" in section 761.2(b) of title 7, Code of Federal Regulations (as in effect on the date of enactment of this Act).

(3) FARM LOAN.—The term "farm loan" means a direct or guaranteed—

(A) farm ownership loan under subtitle A of the Consolidated Farm and Rural Development Act (7 U.S.C. 1922 et seq.);

(B) operating loan under subtitle B of that Act (7 U.S.C. 1941 et seq.); or

(C) emergency loan under subtitle C of that Act (7 U.S.C. 1961 et seq.).

(4) SECRETARY.—The term "Secretary" means the Secretary of Agriculture.

(b) DEFERMENT OF PAYMENTS ON DIRECT FARM LOANS.—

(1) IN GENERAL.—The Secretary shall—

(A) defer payments of principal and interest due on direct farm loans by eligible borrowers during the 2-year period beginning on the date of enactment of this Act; and

(B) extend by 2 years the maturity date and repayment period of each direct farm loan the payments on which are deferred under subparagraph (A).

(2) EXCLUSION.—Paragraph (1) does not apply to a direct farm loan the term of which is 12 months or less.

(3) AUTHORITY TO EXCEED LOAN MATURITY DATES.—In extending a date under paragraph (1)(B), the Secretary may exceed by not more than 2 years—

(A) the maximum period of repayment described in section 307 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1927) for a farm ownership loan under subtitle A of that Act (7 U.S.C. 1922 et seq.);

(B) the maximum period of repayment described in section 316(b) of that Act (7 U.S.C. 1946(b)) for an operating loan under subtitle B of that Act (7 U.S.C. 1941 et seq.); and

(C) the maximum period of repayment described in section 324(d) of that Act (7 U.S.C. 1964(d)) for an emergency loan under subtitle C of that Act (7 U.S.C. 1961 et seq.).

(c) INTEREST RATE DURING DEFERRAL.—The Secretary shall modify each direct farm loan of an eligible borrower that is outstanding as of the date of enactment of this Act such that the interest rate on all remaining principal of the farm loan is 0.125 percent during the 2-year period beginning on that date of enactment.

(d) WAIVER OF GUARANTEED FARM LOAN FEES FOR COVERED PRODUCERS.—

(1) IN GENERAL.—The Secretary shall require lenders of guaranteed farm loans to covered producers to waive guarantee fees (as described in section 762.130(d)(4) of title 7, Code of Federal Regulations (as in effect on the date of enactment of this Act)) on those loans during the period—

(A) beginning on the date of enactment of this Act; and

(B) ending not earlier than 2 years after that date of enactment.

(2) EXTENSION.—The Secretary may extend a deadline under paragraph (1)(B) by an additional 180 days if the Secretary determines the extension to be necessary.

**SEC. 3. FARM LOAN REFORM.**

(a) GENERAL REFORMS.—

(1) IN GENERAL.—Subtitle D of the Consolidated Farm and Rural Development Act is amended by inserting after section 374 (7 U.S.C. 2008i) the following:

**"SEC. 375. FARMER PROGRAM LOAN REFORM.**

"(a) DEFINITIONS.—In this section:

"(1) ADVERSE DECISION.—The term 'adverse decision' has the meaning given the term in section 271 of the Department of Agriculture Reorganization Act of 1994 (7 U.S.C. 6991).

"(2) PRINCIPAL RESIDENCE.—The term 'principal residence' means the principal residence (as determined by the Secretary) of a borrower of a farmer program loan, including a residence and not more than 10 acres of adjoining land possessed and occupied by the borrower.

"(b) DETERMINATION LETTERS AND ADVERSE DECISIONS.—

"(1) IN GENERAL.—In the case of any adverse decision relating to a farmer program loan, a Farm Service Agency program benefit, or the noninsured crop disaster assistance program established by section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333), the Secretary shall include in a determination letter provided to the applicant, to the maximum extent practicable—

"(A) a description of each reason known, or that reasonably should have been known, to the Secretary for that adverse decision;

"(B) a reference to each regulation and each relevant instruction in the Farm Loan Programs handbook, the Noninsured Crop Disaster Assistance Program handbook, or any other appropriate handbook published by the Farm Service Agency; and

"(C) instructions for accessing the Electronic Code of Federal Regulations and the handbooks described in subparagraph (B) online.

"(2) EFFECT OF FAILURE TO STATE REASONS.—If the Secretary issues any adverse decision relating to an application for a farmer program loan, a Farm Service Agency program benefit, or the noninsured crop disaster assistance program established by section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333) and does not include in a determination letter provided to the applicant a reason known or which should have reasonably been known to the Secretary for that adverse decision, the Secretary may not subsequently issue an adverse decision to that applicant on the basis of the same reason, known or which should have reasonably been known to the Secretary, unless the circumstances of the applicant have substantially changed since the issuance of the prior adverse decision.

"(c) COLLATERALIZATION.—

"(1) ORIGINATION.—The Secretary may secure a direct farmer program loan with a principal residence only if the total value of other assets available to secure the farmer program loan does not provide adequate security (as defined in section 761.2(b) of title 7, Code of Federal Regulations (as in effect on the date of enactment of the Fair Credit for Farmers Act of 2025)) for the loan.

"(2) PARTIAL RELEASE OF PRINCIPAL RESIDENCE SECURITY.—In the case of a farmer program loan secured in part by a principal residence, the Secretary shall initiate a partial release of the principal residence as security in accordance with subpart H of part 765 of title 7, Code of Federal Regulations (as in effect on the date of enactment of the Fair Credit for Farmers Act of 2025), without any action required by the borrower, when the total value of other assets securing the farmer program loan is equal to 100 percent of the remaining loan amount.

"(3) LOAN SERVICING.—

"(A) IN GENERAL.—In the case of a farmer program loan borrower who is delinquent prior to restructuring the farmer program loan, the borrower shall execute and provide to the Secretary a lien on assets necessary to achieve not more than 100 percent collateralization of the loan value.

"(B) BEST LIEN.—Except as provided in section 764.106 of title 7, Code of Federal Regulations (as in effect on the date of enactment of the Fair Credit for Farmers Act of 2025), the Secretary shall take the best lien obtainable on assets described in subparagraph (A), subject to the condition that a primary residence shall be the last option available to the Secretary to achieve 100 percent collateralization of the loan value.

"(4) PROHIBITION ON ADDITIONAL SECURITY.—The Secretary may not secure a direct farmer program loan with any property that provides security in excess of the amount of security value equal to the loan amount.

"(d) ELIGIBILITY REQUIREMENTS.—The Secretary shall not impose any limitation relating to the number of years in which a farmer program loan may be closed by a borrower.''.

(2) CONFORMING AMENDMENT.—Section 196(b) of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 7333(b)) is amended by adding at the end the following:

''(5) ADVERSE DECISIONS.—In the case of an adverse decision relating to an application under this subsection, section 375(b) of the Consolidated Farm and Rural Development Act shall apply.''.

(b) FARM LOAN ELIGIBILITY.—

(1) PERSONS ELIGIBLE FOR DIRECT FARM OWNERSHIP LOANS.—Section 302(b) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1922(b)) is amended—

(A) by striking paragraph (1) and inserting the following:

''(1) IN GENERAL.—The Secretary may make a direct loan under this subtitle only to a farmer or rancher who has at least 1 year of experience substantially participating in the management and business operations of a farm or ranch, as determined by the Secretary.''; and

(B) by striking paragraphs (3) and (4) and inserting the following:

"(3) Waiver authority.—In the case of a qualified beginning farmer or rancher, the Secretary may waive the 1-year requirement described in paragraph (1) if the qualified beginning farmer or rancher—

"(A) has an established relationship with an individual who has experience in farming or ranching, or with a local farm or ranch operator or organization, approved by the Secretary, that is committed to mentoring the qualified beginning farmer or rancher; or

"(B) has other acceptable education or experience for an appropriate period of time, as determined by the Secretary.".

(2) Persons eligible for direct farm operating loans.—Section 311 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1941) is amended by striking subsection (c).

(c) Refinancing of Debt With Farm Loans.—

(1) Allowed purposes of farm ownership loans.—Section 303(a)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1923(a)(1)) is amended by striking subparagraph (E) and inserting the following:

"(E) refinancing the indebtedness of the farmer or rancher, if the farmer or rancher—

"(i) has used a direct loan under this subtitle to refinance indebtedness not more than 4 times previously; and

"(ii) is refinancing a debt obtained from a creditor other than the Secretary, including a guaranteed loan.".

(2) ALLOWED PURPOSES OF DIRECT OPERATING LOANS.—Section 312(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1942(a)) is amended by striking paragraph (9) and inserting the following:

"(9) refinancing the indebtedness of a borrower; or".

(d) EFFECT OF PREFERRED LENDER CERTIFICATION.—Section 339(d)(4)(B) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1989(d)(4)(B)) is amended—

(1) by striking "institutions to" and inserting the following: "institutions—

"(i) to"; and

(2) in clause (i) (as so designated)—

(A) by striking "subsection relating" and inserting "subsection, relating";

(B) by striking ‘‘worthiness, the’’ and inserting ‘‘worthiness or the’’; and

(C) by striking ‘‘collection and liquidation of loans, and to’’ and inserting the following: ‘‘or collection of loans; and

‘‘(ii) to’’.

(e) LOAN FUND SET-ASIDES FOR BEGINNING FARMERS AND RANCHERS.—Section 346(b)(2) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1994(b)(2)) is amended—

(1) in subparagraph (A)—

(A) in clause (i)(II), by inserting ‘‘, to the extent practicable’’ after ‘‘April 1 of the fiscal year’’; and

(B) in clause (iii), by inserting ‘‘, to the extent practicable’’ after ‘‘September 1 of the fiscal year’’; and

(2) in subparagraph (B)(iii), by inserting ‘‘, to the extent practicable’’ after ‘‘April 1 of the fiscal year’’.

(f) REMOVAL OF ELIGIBILITY RESTRICTION BASED ON PREVIOUS DEBT WRITE-DOWN OR OTHER LOSS.—Section 373 of the Consolidated Farm and Rural Development Act (7 U.S.C. 2008h) is amended—

(1) in subsection (b)(2)(A)—

(A) by striking clause (i);

(B) in clause (ii), by striking ''chapters 11, 12, or 13 of Title 11 of the'' and inserting ''chapter 11, 12, or 13 of title 11,''; and

(C) by redesignating clauses (ii) and (iii) as clauses (i) and (ii), respectively; and

(2) by striking subsection (c) and inserting the following:

''(c) PROHIBITION ON ELIGIBILITY RESTRICTION BASED ON DEBT WRITE-DOWN OR OTHER LOSS.—The Secretary shall not restrict the eligibility of a borrower for a farm ownership or operating loan under subtitle A or B based on a previous debt write-down or other loss to the Secretary.''.

(g) EQUITABLE RELIEF.—

(1) IN GENERAL.—Section 366 of the Consolidated Farm and Rural Development Act (7 U.S.C. 2008a) is amended—

(A) in subsection (a)—

(i) in paragraph (1), by striking ''(1) received'' and inserting ''(1)(A) received'';

(ii) in paragraph (2)—

(I) by striking the period at the end and inserting ''; or''; and

(II) by striking ''(2) the Secretary'' and inserting ''(B) the Secretary''; and

(iii) by adding at the end the following:

''(2)(A) received a benefit under any other program administered by an agency (as defined in section 271 of the Department of Agriculture Reorganization Act of 1994 (7 U.S.C. 6991)); and

''(B) the Secretary determines is not in compliance with the requirements of the provisions of law that authorize that program.'';

(B) in subsection (b)(2), by inserting '', including having made management or financial decisions for the farming or ranching operation of the farmer or rancher that were detrimental due to the erroneous nature of an official communication from the Department of Agriculture, regardless of whether a financial benefit was received or only promised'' before the period at the end;

(C) in subsection (c)(1), by striking ''(a)(2)'' and inserting ''(a)(1)(B)'';

(D) in subsection (e), by striking ''section'' in the matter preceding paragraph (1) and all that follows through ''shall not be'' in paragraph (2) and inserting ''section shall be''; and

(E) by adding at the end the following:

''(f) AUTHORITY OF NATIONAL APPEALS DIVISION HEARING OFFICERS.—

''(1) IN GENERAL.—A hearing officer (as defined in section 271 of the Department of Agriculture Reorganization Act of 1994 (7 U.S.C. 6991)) may provide equitable relief under this section.

''(2) REVIEW.—The Secretary may review a decision of a hearing officer (as so defined) to grant equitable relief pursuant to paragraph (1).

''(g) CASES IN WHICH AN APPLICANT IS ELIGIBLE.—

''(1) DEFINITIONS.—In this subsection:

''(A) ADVERSE DECISION.—The term 'adverse decision' has the meaning given the term in section 271 of the Department of Agriculture Reorganization Act of 1994 (7 U.S.C. 6991).

''(B) APPLICANT.—The term 'applicant' means a person who submitted to, or attempted to submit to, the Farm Service Agency an application for—

"(i) a direct farm ownership, operating, or emergency loan under this title; or

"(ii) a Farm Service Agency program benefit.

"(2) DENIAL BASED ON FEASIBILITY.—

"(A) IN GENERAL.—A loan applicant shall be eligible for equitable relief under this section if—

"(i) the National Appeals Division determines that the Farm Service Agency was in error in denying the loan, benefit, or payment based on feasibility;

"(ii) the National Appeals Division has confirmed the accuracy of the projected income and projected expenses described in the original application submitted by the applicant; and

"(iii) the original application submitted by the applicant is no longer feasible due to the delay caused by the erroneous denial by the Farm Service Agency and the length of the appeals process.

‘‘(B) AMOUNT.—The amount of equitable relief under subparagraph (A) shall be the amount equal to the difference between—

‘‘(i) the projected income described in the application; and

‘‘(ii) the projected expenses described in the application.

‘‘(3) DENIAL BASED ON ELIGIBILITY.—A loan applicant shall be eligible for equitable relief under this section if—

‘‘(A) feasibility was not listed as a reason for an adverse decision in the determination letter provided to the applicant;

‘‘(B) eligibility was listed as a reason for an adverse decision in the determination letter provided to the applicant;

‘‘(C) the National Appeals Division determines that the Farm Service Agency was in error in denying the loan based on eligibility; and

‘‘(D) the original application submitted by the applicant is no longer feasible due to the delay caused by the erroneous denial by the Farm Service Agency and the length of the appeals process.

"(4) SUBSEQUENTLY WITHDRAWN ADVERSE DECISION.—An applicant shall be eligible for equitable relief under this section if—

"(A) the Farm Service Agency issued an adverse decision on an application that the Farm Service Agency subsequently withdrew; and

"(B) the original application submitted by the applicant is no longer feasible due to the delay caused by the adverse decision.

"(5) PROMISED PROGRAM BENEFITS NOT RECEIVED.—An applicant shall be eligible for equitable relief under this section if—

"(A) the Farm Service Agency indicated in an official communication made after the date of enactment of this subsection that the applicant could expect the loan, benefit, or payment, and then reversed its decision; and

"(B) the applicant acted in good faith.".

(2) APPLICATION.—Subsection (g) of section 366 of the Consolidated Farm and Rural Development Act (7 U.S.C. 2008a)—

(A) applies only with respect to applications submitted or attempted to be submitted, and decisions or communications made, after the date of enactment of this Act; and

(B) does not apply retroactively with respect to—

(i) any application submitted or attempted to be submitted, or decision or communication made, before that date of enactment; or

(ii) any action, inaction, or consequence resulting from a decision or communication made before that date of enactment.

**SEC. 4. NATIONAL APPEALS DIVISION REFORM.**

(a) BURDEN OF PROOF.—Section 277(c)(4) of the Department of Agriculture Reorganization Act of 1994 (7 U.S.C. 6997(c)(4)) is amended—

(1) by striking "The appellant" and inserting the following:

"(A) IN GENERAL.—Except as provided in subparagraph (B), the appellant"; and

(2) by adding at the end the following:

"(B) APPELLANTS BELOW INCOME THRESHOLD.—

"(i) IN GENERAL.—In the case of an appellant described in clause (ii), the agency shall bear the burden of proving by substantial evidence that the adverse decision of the agency was not erroneous.

"(ii) APPELLANTS DESCRIBED.—An appellant referred to in clause (i) is an appellant—

"(I) the adjusted gross income of which for the previous year is not more than $300,000; or

"(II) the average annual adjusted gross income of which for the previous 5-year period is not more than $300,000.".

(b) IMPLEMENTATION.—Section 280 of the Department of Agriculture Reorganization Act of 1994 (7 U.S.C. 7000) is amended—

(1) by redesignating subsection (b) as subsection (c); and

(2) by inserting after subsection (a) the following:

"(b) REQUIREMENT.—In implementing a final determination in accordance with subsection (a), the head of an agency shall use the information used by the Division to make the final determination, without requiring additional information on which implementation would be conditioned, except as otherwise provided in the decision letter relating to the final determination.''.

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