

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.

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

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.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Fair Credit for Farm-
5 ers Act of 2025”.

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

3 (a) DEFINITIONS.—In this section:

4 (1) COVERED PRODUCER.—The term “covered
5 producer” means—

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

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

14 (C) a beginning farmer or rancher (as de-
15 fined in that section); and

16 (D) a veteran farmer or rancher (as de-
17 fined in that section).

18 (2) ELIGIBLE BORROWER.—The term “eligible
19 borrower” means a borrower that is a farmer or
20 rancher that is—

21 (A) delinquent, as described in the defini-
22 tion of the term “delinquent borrower” in sec-
23 tion 761.2(b) of title 7, Code of Federal Regu-
24 lations (as in effect on the date of enactment of
25 this Act); or

1 (B) financially distressed, as described in
 2 the definition of the term “financially distressed
 3 borrower” in section 761.2(b) of title 7, Code of
 4 Federal Regulations (as in effect on the date of
 5 enactment of this Act).

6 (3) FARM LOAN.—The term “farm loan” means
 7 a direct or guaranteed—

8 (A) farm ownership loan under subtitle A
 9 of the Consolidated Farm and Rural Develop-
 10 ment Act (7 U.S.C. 1922 et seq.);

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

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

15 (4) SECRETARY.—The term “Secretary” means
 16 the Secretary of Agriculture.

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

19 (1) IN GENERAL.—The Secretary shall—

20 (A) defer payments of principal and inter-
 21 est due on direct farm loans by eligible bor-
 22 rowers during the 2-year period beginning on
 23 the date of enactment of this Act; and

24 (B) extend by 2 years the maturity date
 25 and repayment period of each direct farm loan

1 the payments on which are deferred under sub-
 2 paragraph (A).

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

6 (3) AUTHORITY TO EXCEED LOAN MATURITY
 7 DATES.—In extending a date under paragraph
 8 (1)(B), the Secretary may exceed by not more than
 9 2 years—

10 (A) the maximum period of repayment de-
 11 scribed in section 307 of the Consolidated Farm
 12 and Rural Development Act (7 U.S.C. 1927)
 13 for a farm ownership loan under subtitle A of
 14 that Act (7 U.S.C. 1922 et seq.);

15 (B) the maximum period of repayment de-
 16 scribed in section 316(b) of that Act (7 U.S.C.
 17 1946(b)) for an operating loan under subtitle B
 18 of that Act (7 U.S.C. 1941 et seq.); and

19 (C) the maximum period of repayment de-
 20 scribed in section 324(d) of that Act (7 U.S.C.
 21 1964(d)) for an emergency loan under subtitle
 22 C of that Act (7 U.S.C. 1961 et seq.).

23 (c) INTEREST RATE DURING DEFERRAL.—The Sec-
 24 retary shall modify each direct farm loan of an eligible
 25 borrower that is outstanding as of the date of enactment

1 of this Act such that the interest rate on all remaining
 2 principal of the farm loan is 0.125 percent during the 2-
 3 year period beginning on that date of enactment.

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

6 (1) IN GENERAL.—The Secretary shall require
 7 lenders of guaranteed farm loans to covered pro-
 8 ducers to waive guarantee fees (as described in sec-
 9 tion 762.130(d)(4) of title 7, Code of Federal Regu-
 10 lations (as in effect on the date of enactment of this
 11 Act)) on those loans during the period—

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

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

16 (2) EXTENSION.—The Secretary may extend a
 17 deadline under paragraph (1)(B) by an additional
 18 180 days if the Secretary determines the extension
 19 to be necessary.

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

21 (a) GENERAL REFORMS.—

22 (1) IN GENERAL.—Subtitle D of the Consoli-
 23 dated Farm and Rural Development Act is amended
 24 by inserting after section 374 (7 U.S.C. 2008i) the
 25 following:

1 **“SEC. 375. FARMER PROGRAM LOAN REFORM.**

2 “(a) DEFINITIONS.—In this section:

3 “(1) ADVERSE DECISION.—The term ‘adverse
4 decision’ has the meaning given the term in section
5 271 of the Department of Agriculture Reorganiza-
6 tion Act of 1994 (7 U.S.C. 6991).

7 “(2) PRINCIPAL RESIDENCE.—The term ‘prin-
8 cipal residence’ means the principal residence (as de-
9 termined by the Secretary) of a borrower of a farm-
10 er program loan, including a residence and not more
11 than 10 acres of adjoining land possessed and occu-
12 pied by the borrower.

13 “(b) DETERMINATION LETTERS AND ADVERSE DE-
14 CISIONS.—

15 “(1) IN GENERAL.—In the case of any adverse
16 decision relating to a farmer program loan, a Farm
17 Service Agency program benefit, or the noninsured
18 crop disaster assistance program established by sec-
19 tion 196 of the Federal Agriculture Improvement
20 and Reform Act of 1996 (7 U.S.C. 7333), the Sec-
21 retary shall include in a determination letter pro-
22 vided to the applicant, to the maximum extent prac-
23 ticable—

24 “(A) a description of each reason known,
25 or that reasonably should have been known, to
26 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 sub-

1 stantially changed since the issuance of the prior ad-
2 verse decision.

3 “(c) COLLATERALIZATION.—

4 “(1) ORIGINATION.—The Secretary may secure
5 a direct farmer program loan with a principal resi-
6 dence only if the total value of other assets available
7 to secure the farmer program loan does not provide
8 adequate security (as defined in section 761.2(b) of
9 title 7, Code of Federal Regulations (as in effect on
10 the date of enactment of the Fair Credit for Farm-
11 ers Act of 2025)) for the loan.

12 “(2) PARTIAL RELEASE OF PRINCIPAL RESI-
13 DENCE SECURITY.—In the case of a farmer program
14 loan secured in part by a principal residence, the
15 Secretary shall initiate a partial release of the prin-
16 cipal residence as security in accordance with sub-
17 part H of part 765 of title 7, Code of Federal Regu-
18 lations (as in effect on the date of enactment of the
19 Fair Credit for Farmers Act of 2025), without any
20 action required by the borrower, when the total
21 value of other assets securing the farmer program
22 loan is equal to 100 percent of the remaining loan
23 amount.

24 “(3) LOAN SERVICING.—

1 “(A) IN GENERAL.—In the case of a farm-
2 er program loan borrower who is delinquent
3 prior to restructuring the farmer program loan,
4 the borrower shall execute and provide to the
5 Secretary a lien on assets necessary to achieve
6 not more than 100 percent collateralization of
7 the loan value.

8 “(B) BEST LIEN.—Except as provided in
9 section 764.106 of title 7, Code of Federal Reg-
10 ulations (as in effect on the date of enactment
11 of the Fair Credit for Farmers Act of 2025),
12 the Secretary shall take the best lien obtainable
13 on assets described in subparagraph (A), sub-
14 ject to the condition that a primary residence
15 shall be the last option available to the Sec-
16 retary to achieve 100 percent collateralization
17 of the loan value.

18 “(4) PROHIBITION ON ADDITIONAL SECU-
19 RITY.—The Secretary may not secure a direct farm-
20 er program loan with any property that provides se-
21 curity in excess of the amount of security value
22 equal to the loan amount.

23 “(d) ELIGIBILITY REQUIREMENTS.—The Secretary
24 shall not impose any limitation relating to the number of

1 years in which a farmer program loan may be closed by
2 a borrower.”.

3 (2) CONFORMING AMENDMENT.—Section
4 196(b) of the Federal Agriculture Improvement and
5 Reform Act of 1996 (7 U.S.C. 7333(b)) is amended
6 by adding at the end the following:

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

11 (b) FARM LOAN ELIGIBILITY.—

12 (1) PERSONS ELIGIBLE FOR DIRECT FARM
13 OWNERSHIP LOANS.—Section 302(b) of the Consoli-
14 dated Farm and Rural Development Act (7 U.S.C.
15 1922(b)) is amended—

16 (A) by striking paragraph (1) and insert-
17 ing the following:

18 “(1) IN GENERAL.—The Secretary may make a
19 direct loan under this subtitle only to a farmer or
20 rancher who has at least 1 year of experience sub-
21 stantially participating in the management and busi-
22 ness operations of a farm or ranch, as determined
23 by the Secretary.”; and

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

1 “(3) WAIVER AUTHORITY.—In the case of a
 2 qualified beginning farmer or rancher, the Secretary
 3 may waive the 1-year requirement described in para-
 4 graph (1) if the qualified beginning farmer or ranch-
 5 er—

6 “(A) has an established relationship with
 7 an individual who has experience in farming or
 8 ranching, or with a local farm or ranch oper-
 9 ator or organization, approved by the Secretary,
 10 that is committed to mentoring the qualified be-
 11 ginning farmer or rancher; or

12 “(B) has other acceptable education or ex-
 13 perience for an appropriate period of time, as
 14 determined by the Secretary.”.

15 (2) PERSONS ELIGIBLE FOR DIRECT FARM OP-
 16 ERATING LOANS.—Section 311 of the Consolidated
 17 Farm and Rural Development Act (7 U.S.C. 1941)
 18 is amended by striking subsection (c).

19 (c) REFINANCING OF DEBT WITH FARM LOANS.—

20 (1) ALLOWED PURPOSES OF FARM OWNERSHIP
 21 LOANS.—Section 303(a)(1) of the Consolidated
 22 Farm and Rural Development Act (7 U.S.C.
 23 1923(a)(1)) is amended by striking subparagraph
 24 (E) and inserting the following:

1 “(E) refinancing the indebtedness of the
2 farmer or rancher, if the farmer or rancher—

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

6 “(ii) is refinancing a debt obtained
7 from a creditor other than the Secretary,
8 including a guaranteed loan.”.

9 (2) ALLOWED PURPOSES OF DIRECT OPER-
10 ATING LOANS.—Section 312(a) of the Consolidated
11 Farm and Rural Development Act (7 U.S.C.
12 1942(a)) is amended by striking paragraph (9) and
13 inserting the following:

14 “(9) refinancing the indebtedness of a borrower;
15 or”.

16 (d) EFFECT OF PREFERRED LENDER CERTIFI-
17 CATION.—Section 339(d)(4)(B) of the Consolidated Farm
18 and Rural Development Act (7 U.S.C. 1989(d)(4)(B)) is
19 amended—

20 (1) by striking “institutions to” and inserting
21 the following: “institutions—

22 “(i) to”; and

23 (2) in clause (i) (as so designated)—

24 (A) by striking “subsection relating” and
25 inserting “subsection, relating”;

1 (B) by striking “worthiness, the” and in-
 2 serting “worthiness or the”; and

3 (C) by striking “collection and liquidation
 4 of loans, and to” and inserting the following:
 5 “or collection of loans; and
 6 “(ii) to”.

7 (e) LOAN FUND SET-ASIDES FOR BEGINNING FARM-
 8 ERS AND RANCHERS.—Section 346(b)(2) of the Consoli-
 9 dated Farm and Rural Development Act (7 U.S.C.
 10 1994(b)(2)) is amended—

11 (1) in subparagraph (A)—

12 (A) in clause (i)(II), by inserting “, to the
 13 extent practicable” after “April 1 of the fiscal
 14 year”; and

15 (B) in clause (iii), by inserting “, to the
 16 extent practicable” after “September 1 of the
 17 fiscal year”; and

18 (2) in subparagraph (B)(iii), by inserting “, to
 19 the extent practicable” after “April 1 of the fiscal
 20 year”.

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

25 (1) in subsection (b)(2)(A)—

1 (A) by striking clause (i);

2 (B) in clause (ii), by striking “chapters 11,
3 12, or 13 of Title 11 of the” and inserting
4 “chapter 11, 12, or 13 of title 11,”; and

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

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

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

15 (g) EQUITABLE RELIEF.—

16 (1) IN GENERAL.—Section 366 of the Consoli-
17 dated Farm and Rural Development Act (7 U.S.C.
18 2008a) is amended—

19 (A) in subsection (a)—

20 (i) in paragraph (1), by striking “(1)
21 received” and inserting “(1)(A) received”;

22 (ii) in paragraph (2)—

23 (I) by striking the period at the
24 end and inserting “; or”; and

1 (II) by striking “(2) the Sec-
2 retary” and inserting “(B) the Sec-
3 retary”; and

4 (iii) by adding at the end the fol-
5 lowing:

6 “(2)(A) received a benefit under any other pro-
7 gram administered by an agency (as defined in sec-
8 tion 271 of the Department of Agriculture Reorga-
9 nization Act of 1994 (7 U.S.C. 6991)); and

10 “(B) the Secretary determines is not in compli-
11 ance with the requirements of the provisions of law
12 that authorize that program.”;

13 (B) in subsection (b)(2), by inserting “, in-
14 cluding having made management or financial
15 decisions for the farming or ranching operation
16 of the farmer or rancher that were detrimental
17 due to the erroneous nature of an official com-
18 munication from the Department of Agri-
19 culture, regardless of whether a financial ben-
20 efit was received or only promised” before the
21 period at the end;

22 (C) in subsection (c)(1), by striking
23 “(a)(2)” and inserting “(a)(1)(B)”;

24 (D) in subsection (e), by striking “section”
25 in the matter preceding paragraph (1) and all

1 that follows through “shall not be” in para-
2 graph (2) and inserting “section shall be”; and

3 (E) by adding at the end the following:

4 “(f) AUTHORITY OF NATIONAL APPEALS DIVISION
5 HEARING OFFICERS.—

6 “(1) IN GENERAL.—A hearing officer (as de-
7 fined in section 271 of the Department of Agri-
8 culture Reorganization Act of 1994 (7 U.S.C.
9 6991)) may provide equitable relief under this sec-
10 tion.

11 “(2) REVIEW.—The Secretary may review a de-
12 cision of a hearing officer (as so defined) to grant
13 equitable relief pursuant to paragraph (1).

14 “(g) CASES IN WHICH AN APPLICANT IS ELIGI-
15 BLE.—

16 “(1) DEFINITIONS.—In this subsection:

17 “(A) ADVERSE DECISION.—The term ‘ad-
18 verse decision’ has the meaning given the term
19 in section 271 of the Department of Agriculture
20 Reorganization Act of 1994 (7 U.S.C. 6991).

21 “(B) APPLICANT.—The term ‘applicant’
22 means a person who submitted to, or attempted
23 to submit to, the Farm Service Agency an ap-
24 plication for—

1 “(i) a direct farm ownership, oper-
2 ating, or emergency loan under this title;
3 or

4 “(ii) a Farm Service Agency program
5 benefit.

6 “(2) DENIAL BASED ON FEASIBILITY.—

7 “(A) IN GENERAL.—A loan applicant shall
8 be eligible for equitable relief under this section
9 if—

10 “(i) the National Appeals Division de-
11 termines that the Farm Service Agency
12 was in error in denying the loan, benefit,
13 or payment based on feasibility;

14 “(ii) the National Appeals Division
15 has confirmed the accuracy of the pro-
16 jected income and projected expenses de-
17 scribed in the original application sub-
18 mitted by the applicant; and

19 “(iii) the original application sub-
20 mitted by the applicant is no longer fea-
21 sible due to the delay caused by the erro-
22 neous denial by the Farm Service Agency
23 and the length of the appeals process.

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

4 “(i) the projected income described in
5 the application; and

6 “(ii) the projected expenses described
7 in the application.

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

11 “(A) feasibility was not listed as a reason
12 for an adverse decision in the determination let-
13 ter provided to the applicant;

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

17 “(C) the National Appeals Division deter-
18 mines that the Farm Service Agency was in
19 error in denying the loan based on eligibility;
20 and

21 “(D) the original application submitted by
22 the applicant is no longer feasible due to the
23 delay caused by the erroneous denial by the
24 Farm Service Agency and the length of the ap-
25 peals process.

1 “(4) SUBSEQUENTLY WITHDRAWN ADVERSE
2 DECISION.—An applicant shall be eligible for equi-
3 table relief under this section if—

4 “(A) the Farm Service Agency issued an
5 adverse decision on an application that the
6 Farm Service Agency subsequently withdrew;
7 and

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

11 “(5) PROMISED PROGRAM BENEFITS NOT RE-
12 CEIVED.—An applicant shall be eligible for equitable
13 relief under this section if—

14 “(A) the Farm Service Agency indicated in
15 an official communication made after the date
16 of enactment of this subsection that the appli-
17 cant could expect the loan, benefit, or payment,
18 and then reversed its decision; and

19 “(B) the applicant acted in good faith.”.

20 (2) APPLICATION.—Subsection (g) of section
21 366 of the Consolidated Farm and Rural Develop-
22 ment Act (7 U.S.C. 2008a)—

23 (A) applies only with respect to applica-
24 tions 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 re-
spect to—

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

(ii) any action, inaction, or con-
sequence resulting from a decision or com-
munication made before that date of enact-
ment.

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 agen-

cy 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 con-

- 1 ditioned, except as otherwise provided in the decision letter
- 2 relating to the final determination.”.

