



**United States Department of Agriculture**

Office of the Secretary  
Washington, D.C. 20250

April 25, 2007

Dear Chairmen and Ranking Members:

I am pleased to share with you legislative language that would implement the credit title provisions of the Administration's proposal for the 2007 farm bill. I appreciate the interest that has been expressed in reviewing this language.

I believe that our comprehensive proposals can be the building blocks for a farm bill that is more equitable, predictable, and better able to withstand challenge. More specifically, the credit proposals I am forwarding to you today are intended to focus the Department's direct farm loans to provide more help to socially disadvantaged farmers and beginning farmers.

In order to give socially disadvantaged and beginning farmers a better opportunity to obtain direct financing from the Department, our proposal would prioritize 100 percent of direct farm ownership loan funds, and 70 percent of the direct farm operating loan funds, for socially disadvantaged farmers and beginning farmers. The proposal also provides for repooling procedures, which would ensure that if any of these prioritized funds cannot be used in a State, the funds would be offered to socially disadvantaged and beginning farmers in other States where prioritized funds have been exhausted.

Several of our proposals would make the beginning farmer and rancher down payment loan program more attractive to farmers, and would improve the administration of the program. Most importantly, we are opening this program to socially disadvantaged farmers. We are also proposing several changes to the terms of the program to make it more attractive to farmers. In order to reduce the burdens on borrowers at the beginning of the loan, we are proposing to defer the repayment of the loan by 1 year. To expand the number of properties that qualify for this type of financing, we are proposing to replace the current \$200,000 cap on the value of the property for which a down payment loan can be made with a simple \$200,000 limit for any down payment loan. Finally, in order to make this form of financing more attractive and affordable to farmers, we are proposing to reduce the minimum contribution from 10 percent to 5 percent, and reduce the interest rate from 4 to 2 percent.

The \$200,000 loan limitations for direct farm ownership loans and for farm operating loans have not been increased for over 20 years. Consequently, we are proposing to combine these separate \$200,000 limitations into a combined \$500,000 limitation for direct ownership and operating loans. This should benefit all farmers who participate in the Department's farm loan programs.

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Chairmen and Ranking Members

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I have consulted with the Office of Management and Budget, and they advise that enactment of this legislation would be in accord with the President's program.

I appreciate your interest in receiving the legislative language that correlates with our 2007 farm bill conservation proposals and I would be happy to further discuss these proposals with you, or any member of Congress, and to answer any questions you might have. As you know, I believe the Administration's farm bill proposals set the right course for American agriculture and I look forward to continuing to work with Congress as the 2007 farm bill takes shape.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mike Johanns".

Mike Johanns  
Secretary

Enclosures