



**BEGINNING WOMEN FARMERS
CONFERENCE**



FSA Farm Loan Programs

- Mission Statement
- Types of Farm Loan Programs Available
- Loan Application Process
- Applicant Eligibility Requirements
- Breaking Down Barriers for Beginning Farmers;
SDA Applicants
- When The Loan Application is Denied
- Additional Resources




Farm Loan Programs

Program Mission

To advance family farmers and ranchers build and sustain family farms and ranches and develop the financial and business expertise to qualify for commercial credit.

"Serving Family Farms, Cultivating Opportunities"



Direct and Guaranteed Loans

DIRECT LOANS

- Available to farmers and ranchers unable to obtain credit from commercial lenders
- Financed by Congressional appropriation; FSA makes and services the loan
- Temporary source of financing; Graduation to Commercial Credit is Goal

GUARANTEED LOANS

- FSA guarantees qualified loans through commercial lenders for up to 95 percent of the loan amount.
- Financed by commercial lending institution; Lender makes and services the loan.
- May be combined with Direct Loan financing, under certain conditions

FSA Direct Loan Program Overview

Loan Program	Maximum Loan Amount	Use of Proceeds	Rates and Terms
Direct Farm Ownership (FO)	\$300,000	<ul style="list-style-type: none"> Purchase farm Construct and repair buildings or make other capital improvements Soil & water conservation Refinance farm debt 	<ul style="list-style-type: none"> Term: Up to 40 years Interest rate: based on Agency borrowing costs Limited Resource Interest rate available
Direct Operating (OL)	\$300,000	<ul style="list-style-type: none"> Purchase livestock, poultry, equipment Purchase feed, seed, farm chemicals and supplies Family subsistence and farm operating expenses Minor Improvements; Repairs Refinance farm debt 	<ul style="list-style-type: none"> Term: 1 to 7 years Interest Rate: based on Agency borrowing cost Limited Resource Interest rate available

FSA Direct Loan Program Overview

Loan Program	Maximum Loan Amount	Use of Proceeds	Rates and Terms
Direct Emergency (EM)	\$500,000	<ul style="list-style-type: none"> Restore or replace essential property Pay all or part production costs for disaster year Family Subsistence and Farm Operating Expenses Reorganize operation Refinance farm debt 	<ul style="list-style-type: none"> Non-Real Estate Term: 1 to 7 years Real Estate Term: Up to 40 years Interest Rate: 3.75%
Direct Farm Ownership Downpayment Program	\$225,000	<ul style="list-style-type: none"> Purchase farm 	<ul style="list-style-type: none"> Min. Downpayment: 5% Term: 20 years Interest rate: Direct FO rate less 4% with a floor of 1.5%

FSA Guaranteed Loan Program Overview

Loan Program	Maximum Loan Amount	Use of Proceeds	Rates and Terms
Guaranteed Farm Ownership (FO)	\$1,214,000* <small>*Adjusted annually based on inflation</small>	Same as Direct FO loan, except the loan may be used to refinance real estate debts	<ul style="list-style-type: none"> Term: Up to 40 years Interest rate: Not to exceed rate charged to lender's average agricultural loan customers
Guaranteed Operating (OL)	\$1,214,000* <small>*Adjusted annually based on inflation</small>	Same as Direct OL loan	<ul style="list-style-type: none"> Term: From 1 to 7 years Interest rate: Not to exceed rate charged to lender's average agricultural loan customers Interest Assistance: reduces rate by 4%

FSA Guaranteed Loan Program Overview

Loan Program	Maximum Loan Amount	Use of Proceeds	Rates and Terms
Guaranteed Conservation Loan (CL)	\$1,214,000* <small>*Adjusted annually based on inflation</small>	Facilitate conservation practices	<ul style="list-style-type: none"> Term: Varies; depends upon type of collateral for loan Interest rate: Not to exceed rate charged to lender's average agricultural loan customers
Land Contract Guarantee (LC)	\$500,000* <small>*No money exchanges between parties as long as applicant makes payments</small>	Guarantees Contract Installments, real estate taxes and insurance or outstanding principal balance, for seller of family farm through Land Contract to Beginning Farmer or SDA	<ul style="list-style-type: none"> Term: 20 years Interest rate: fixed at Direct FO loan rate in effect at time the guarantee is issued, plus three percentage points Requires 5% down payment from applicant



Rural Youth Loans

- Finance modest, income-producing, agriculture-related, educational project that falls under authorized loan purposes
- **Eligibility:**
 - 10 to 20 years old
 - Lives in community 50,000 persons or less
 - Project related to 4-H, FFA, Grange Youth
 - Parental permission and supervision
 - Project Advisor
- Maximum Loan Amount is \$5,000
- **Rates and Terms**
 - 1 – 7 years, depending on loan amount and security
 - Direct OL interest rate



Farm Storage Facility Loan

- **FSFL Program Purpose**
 - Provides low interest financing for producers to build or upgrade farm storage and handling facilities to store the commodities they produce.
- **Eligible Commodities**
 - Corn, grain sorghum, rice, soybeans, oats, peanuts, wheat, barley or minor oilseeds harvested as whole grain
 - Corn, grain sorghum, wheat, oats or barley harvested as other-than-whole grain
 - Pulse crops - lentils, chickpeas and dry peas
 - Hay
 - Renewable biomass
 - Fruits, Nuts and Vegetables - cold storage facilities



Farm Storage Facility Loan

- **Maximum Loan Amount**
 - Maximum loan amount of \$500,000
- **Loan Process**
 - Borrower must meet eligibility requirements
 - COC or STC approval required before construction can begin
 - \$100 application fee
 - 15% cash down payment required
- **Rates and Terms**
 - 7 years; 10 years; or 12 years depending on amount of loan
 - Interest rate fixed for loan term at rate in effect the month the loan is initially approved
 - Interest rate is equivalent to the rate of interest charged on Treasury Securities of comparable term and maturity



Obtaining Loan Application Forms

- **DIRECT LOANS**
 - Obtain application form and related information from:
 - FSA County Office or USDA Service Center
 - FSA web site: <http://www.fsa.usda.gov>
 - eGov web site at <http://forms.sc.egov.usda.gov/eForms>
- **GUARANTEED LOANS**
 - Directly contact commercial lender that makes farm loans
 - FSA County Office or USDA Service Center can provide list of lenders known to make guaranteed loans

FSA Direct Loan Application Documents

1. Application Form
2. Financial and Production History
 - 3 years of tax returns
 - 3 years of production information
3. List of All Creditors- names, addresses, account numbers
4. Written Description of All Farm Education, On-the-Job Training, and Farm Experience, including
 - Workshops; Extension Service Seminars; Internships; Mentorship
 - Membership in vocational agricultural organization such as 4-H, FFA, Grange Youth

FSA Direct Loan Application Documents

5. Projected Farm Operating/Farm Business Plan
 - Balance Sheet for next 12 months
 - Cash Flow Projections for next 12 months
6. Evidence you cannot obtain commercial credit if requested
7. Verification of all off-farm employment and income, including 2 most recent earning statements
8. Legal description of farm property owned, leased or to be owned or to be leased
9. Payment for credit report, which is obtained by the Agency

FSA Getting Started

For FSA to make a farm loan:

- Applicant must meet general and program-specific eligibility criteria
- Must have adequate collateral for the loan
 - 150% of loan amount, except Downpayment and Rural Youth loans
 - All non-essential assets
- Loan funds must be used for authorized purposes
- Realistic business plan must show projected total income exceeds projected total expenses (farm and off-farm)

FSA Eligibility and Feasibility

- Two Step Process:**
 - Eligibility**
 - General Eligibility Requirements
 - Loan-Specific Eligibility Requirements
 - Feasibility**
 - A realistic business plan indicates you can repay the loan; appraisals indicate there will be enough collateral for the loan

FSA **General Eligibility Requirements**

Direct and guaranteed loan applicants must:

1. Be the owner-operator, or tenant-operator, of a family farm
 - All day-to-day management decisions
 - Substantial amount of the labor required
 - Recognized in the community as a family farm
2. Be unable to obtain sufficient credit elsewhere
3. Be a citizen, naturalized citizen, or a legal resident alien
4. Possess legal capacity to incur the loan obligation
5. Acceptable credit history
6. Have necessary experience, determined by loan type

FSA **General Eligibility Requirements**

7. Not be delinquent on any Federal debt or unpaid Judgments
8. Have not caused the Agency a loss by receiving debt forgiveness or payment of a guaranteed loss to lender, with some exceptions
9. No convictions for planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the last five years or be prohibited by Court Order from receiving Federal assistance
10. No Federal Crop Insurance violations

FSA **Loan-Specific Eligibility Requirements**

Direct Operating Loan

- Meet all general eligibility requirements
- Have farm experience equal to minimum 1 year full production and marketing cycle
- 7 year term limit for direct OL assistance, with 1 time 2-year waiver
- Beginning Farmers may receive no more than 10 years direct OL assistance

FSA **Loan-Specific Eligibility Requirements**

Direct Farm Ownership Loan

- Meet all general eligibility requirements
- No prior debt forgiveness on direct or guaranteed loan
- Must be owner-operator of farm after loan closing
- May not have direct FO outstanding for more than 10 years prior to new FO loan closing
- 3 years farm managerial experience out of 10 years prior to date loan application submitted

FSA Farm Managerial Experience

- Demonstrated through combination of:
 - Education
 - On-The-Job Training
 - Farming Experience
- Must be able to show documentation through:
 - Tax returns
 - Farm Records
 - Affidavits or other documentation
- Give details! Everything counts!

FSA Farm Managerial Experience

- **Education**
 - 4-year or graduate college degree in agriculture-related field
 - 2-year degree from technical college in agriculture-related field
 - Vocational or general agriculture classes in high school along with farm experience & successful 4-H/FFA agriculture projects
 - Extension Service farm management courses, workshops, seminars
 - Community college or other academic courses, workshops, seminars

FSA Farm Managerial Experience

- **On-The-Job Training**
 - Hired farm labor with management responsibilities
 - Apprenticeship Program, current or recent
 - Mentorship or Mentoring Partnership, current or recent
 - Community Supported Agriculture training farm; Urban and Community Farms (grower, not as participant)
 - Participation in Refugee Agriculture Partnership Program

FSA Farm Managerial Experience

- **Farming Experience**
 - Owner, manager or operator of farm business for minimum 1 production & marketing cycle
 - Monitor production and marketing
 - Hire, assign and supervise workers
 - Oversee maintenance of property and equipment
 - Determine when to cull livestock
 - Select seed varieties; when to plant/seed/harvest; when to fertilize & method
 - Determine crop transportation or storage requirements
 - Raised on farm, management decision-making
 - Employed as farm manager or farm management consultant for minimum 1 production & marketing cycle

Feasibility & The Farm Business Plan

- Establish realistic short term (1 year) & long term (5 year) goals
- Financial statement based on supportable current values and accurate reflection of all debts owed
- Yield/production projections based on 3-year history (unless impacted by disaster)
 - Use of State Extension Service enterprise budgets
 - Use of National Agricultural Statistics Service data
- Projected price based on current economic forecasting
- Expenses based on three year history
- Ending cash balance must be positive



Submitting the Loan Application

- Application submitted in name of actual operator of farm; Agency mails or hand-delivers confirmation of receiving loan application
- Agency determines completeness of application
 - Within 10 days applicant mailed detailed letter advising what is needed to determine application complete
 - Applicant given 20 calendar days to provide the requested information



Submitting the Loan Application

- If after 20 days the application is still **INCOMPLETE**, additional letter is sent providing for additional 10 calendar days to provide the requested information
- If information is not received after the additional 10 days, application is administratively **WITHDRAWN** and cannot be reactivated
- If/When application is **COMPLETE**, written confirmation is sent to applicant within 10 calendar days
- Agency goal is to make loan decision within 30 days



Breaking Through Barriers

Socially Disadvantaged Farmers (SDA) and Beginning Farmers (BF)

- FSA targets a significant portion of its direct and guaranteed farm ownership (FO) and operating loan (OL) funds to SDA and BF farmers.
- SDA & BF designation is funding source; not loan type
- Must voluntarily declare race and ethnicity to receive targeted funds

FSA
THE WISE CHOICE

Breaking Down Barriers

An SDA applicant identifies self as:

- American Indian or Alaskan Native
- African American or Black
- Asian
- Native Hawaiian or other Pacific Islander
- Hispanic or Latino
- Women

FSA
THE WISE CHOICE

Breaking Down Barriers

A Beginning Farmer is one who:

- Meets loan eligibility requirements
- Has not operated a farm/ranch more than 10 years
- Provides substantial day-to-day labor & management
- Agrees to participate in loan assessment and borrower training
- May not own real farm property exceeding 30% county median acreage as determined by Census of Agriculture (excludes OL applicants)
- Available resources insufficient to allow applicant to farm on a viable scale
- All entity applicants must meet Beginning Farmer definition

FSA
THE WISE CHOICE

When The Decision is "No"

- Discuss the decision with the loan officer
 - Seek alternatives that might change the decision, now or in the future
- Appeal – It's Your Right
 - Agency Reconsideration of the decision
 - Mediation by impartial third-party
 - Appeal & have case heard by National Appeals Division Hearing Officer

FSA
THE WISE CHOICE

When The Decision is "No"

- May just need additional or different documentation
- May take additional action or actions over time
 - Credit
 - Contact creditors /credit bureau ; correct credit report errors
 - Build good faith & better credit record by meeting all obligations over period of time (at least 1 year)
 - Experience
 - Consider leasing until experience criteria is met
 - Get training/experience through coursework; apprenticeship



When The Decision is "No"

- Ask some "What If's..."
 - Develop alternate farm plan with different enterprise mix
 - Obtain or increase non-farm income
 - Consider a smaller operation, at least to start
 - Think about leasing or renting, rather than buying assets; cheaper/practical
 - Partner with someone or swap labor for use of equipment
- Keep in mind these are ideas intended to help you reach your goals. Don't be discouraged.
- **You always may submit an FSA loan application at any time, even if you've been denied!**



Additional Resources

- FSA: <http://www.fsa.usda.gov>
- Start 2 Farm: <http://www.start2farm.gov>
- National Agricultural Library: <http://www.nal.usda.gov>
- Risk Management Agency: <http://www.rma.usda.gov>
- Cooperative Extension System: <http://www.csrees.usda.gov/Extension/>
- Use other experts-
 - Farm Advisor/Farm Management Specialist
 - State Farm-Link Programs and State Departments of Agriculture
 - Other state or community organization

