



# FarmLoanPrograms

Arizona Energy and Agriculture  
Workshop

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# Farm Loan Programs

## ■ Direct Loans

- FSA makes and services direct loans and provides supervised credit
- Funds come from the U.S. Treasury

## ■ Guaranteed Loans

- The lender makes and services the loan
- FSA guarantees loans made by conventional lenders for up to 95 percent of any loss



# Farm Loan Programs

## Loan Program Delivery

- **Direct loan requests are processed and serviced in local offices**
- **Guaranteed requests are completed by the lender and producer and submitted to FSA for processing**
- **Upon request, FSA staff must assist applicants in completing paperwork**
- **Most adverse decisions are appealable**



# Farm Loan Programs

## Types of Farm Loan Programs

- **Farm Ownership (FO) Loans**
- **Farm Operating (OL) Loans**
- **Microloans (ML)**
- **Emergency (EM) Loans (only direct)**



# Farm Loan Programs

## Loan Limitations

- Direct FO - \$300,000
- Direct OL - \$300,000
- Microloan - \$35,000
- EM \$500,000  
(or amount of loss,  
whichever is lower)
- Guaranteed:  
Combined G-FO  
and G-OL cannot  
exceed \$1,355,000  
(changes annually  
based upon “Prices  
Paid by Farmers”  
index calculated by  
USDA-NASS)



# Farm Loan Programs

## Farm Loan Programs General Eligibility Requirements

### Direct and guaranteed applicants must:

- Be unable to obtain sufficient credit elsewhere
- Be a citizen or a legal resident alien
- Possess legal capacity to incur the loan obligation
- Have acceptable credit history
- Be the owner-operator or tenant-operator of a family farm



# Farm Loan Programs

## General Eligibility Requirements Continued

### Direct and guaranteed applicants must:

- Not be delinquent on federal debt
- Not have caused the agency a loss by receiving debt forgiveness (some exceptions)
- Not have been convicted of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the last five years



# Farm Loan Programs

## **FSA Direct Loans**

**A direct loan applicant must:**

- Meet general eligibility criteria**
- Have applicable education, training, or farm experience that provides reasonable prospects of success (For an FO loan, must have participated in the operations of a farm or ranch for at least 3 years)**



# Farm Loan Programs

## **FSA Direct Loans Continued**

- **A direct loan applicant must:**
  - **Develop a realistic Farm Business Plan that projects repayment ability for the loan**
  - **Provide adequate collateral for the loan**
  - **Agree to take borrower training courses and “graduate” to private sector credit when able to do so**
  - **Not exceed restriction on years of eligibility**



# Farm Loan Programs

## Direct Loan Making Operating Loans

### ■ Purposes:

- Purchase Equipment

- Purchase Livestock

- Production Expenses

- Refinance operating expenses  
(other than FSA)

- OL loans are repaid in 1 to 7 years



# Farm Loan Programs

## Direct Loan Making FO Loans

- FO loans can be repaid in up to 40 years
- Loan Purposes:
  - Purchase Land
  - Make Capital Improvements
  - Promote Soil and Water Conservation
  - Loan closing and related expenses



# Farm Loan Programs

## Direct Loan Making Emergency Loans

Used for real estate and operating purposes where a disaster or quarantine has been declared

### ■ Purposes:

- Refinance debts
- Repair/replace farm property
  - Buildings
  - Machinery/Livestock
  - Feed
  - Other items



# Farm Loan Programs

## Microloan (ML) Program What is a Microloan?

An operating loan, either annual or term that does not exceed \$35,000 and when the loan is closed, the total OL principal indebtedness to the Agency does not exceed \$35,000.

Microloans have an abbreviated application process and are made to eligible applicants to finance farm operating costs.

Allows some applicants that do not currently meet the experience and managerial requirements to qualify.



# Farm Loan Programs

## Direct Loan Making Applications

- Applications for direct loan assistance may be submitted to the FSA local office serving the area where the operation is located
- Local FSA offices are listed in the telephone directory under U.S. Government, Department of Agriculture, Farm Service Agency
- Applications, other forms, Office locations are available online at: [www.fsa.usda.gov](http://www.fsa.usda.gov)



# Farm Loan Programs

## Guaranteed Loans

- **Guaranteed loans are:**
  - **Made and serviced by local agricultural lenders**
  - **Funded by the lender**
  - **Often used to help lenders continue with customers who have experienced setbacks**



# Farm Loan Programs

## Guaranteed Loan Making Eligibility

- To qualify for an FSA Guarantee, a loan applicant must:
  - Meet the general eligibility requirements
  - Be unable to obtain a loan without a guarantee
  - Have a feasible plan and adequate collateral as determined by the lender



# Farm Loan Programs

## Types of FSA Guaranteed Farm Loans

- Farm Ownership (FO) Loans
- Farm Operating (OL) Loans
- Operating Lines of Credit



# Farm Loan Programs

## Guaranteed Loan Making

### ■ Line of Credit Loans (LOC) - Uses

- funds can be advanced and repaid throughout the year for up to 5 years
- annual production expenses
- family living expenses
- purchase of feeder livestock



# Farm Loan Programs

## Guaranteed Loan Making

### ■ The interest rate a lender charges:

- must not exceed what that lender would normally charge its average farm customer

- can be fixed or variable



# Farm Loan Programs

## Guaranteed Loan Making

- For guaranteed loans, applicants must apply to a commercial lender who participates in the Guaranteed Loan Program
- Local FSA offices have lists of participating lenders



# Farm Loan Programs

## Program Funding

- **Loan programs are funded by annual Congressional Appropriations**
- **Appropriation levels may fall short of demand, especially direct farm ownership loans**
- **Loan funds are allocated to states**
- **There are separate allocations of SDA and beginning farmer targeted funds**



# Farm Loan Programs

## Socially Disadvantaged Applicant

As defined by law, an SDA applicant is one who is a member of a socially disadvantaged group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as a member of a group, without regard to their individual qualities.

SDA groups are African Americans, American Indians, Alaskan Natives, Hispanics, Asians, Pacific Islanders, and Women.



# Farm Loan Programs

## Socially Disadvantaged Applicants

- FSA does not have a specific SDA loan program, but rather targets funds in existing programs to applicants that meet the definition
- The targets are set by law
- SDA loan applicants must meet loan program requirements



# Farm Loan Programs

## Beginning Farmer Loans

- FSA provides direct and guaranteed loans to beginning farmers and ranchers
- The law requires FSA to target a portion of its direct and guaranteed FO and OL funds to beginning farmers



# Farm Loan Programs

## Beginning Farmer Loans

- A beginning farmer or rancher is an individual or entity who:
  - (1) has not operated a farm or ranch for more than 10 years
  - (2) meets the loan eligibility requirements of the program to which he/she is applying
  - (3) for an FO loan, does not own a farm greater than 30 percent of the average size farm in the county



# Farm Loan Programs

## Application Tips

- A good farm business plan is critical
- Applicants should:
  - Set short and long term goals
  - Plan conservatively
  - Have records to support production projections
  - Have good financial records
  - Get help from experts (Extension, State Programs, etc.)



# Farm Loan Programs

## Application Tips

- Application forms are available from FSA Offices
- All forms are available via internet as well
- No one can be denied an application or other forms



# Farm Loan Programs

## Application Tips

- Applicants should ask for help to complete the paperwork
- FSA employees will help complete the paperwork
- Other sources of free assistance-
  - Extension Service
  - USDA Outreach Grant Recipient Organizations



# Farm Loan Programs

## For More Information

- Contact the Local FSA Office
- Visit the FSA Website:  
[www.fsa.usda.gov](http://www.fsa.usda.gov)
- Call National Helpline toll-free at  
**1-866-538-2610**

# **Farm Service Agency Farm Loan Programs**

## **QUESTIONS?**

