

NEW FARMERS

Financing 101/Getting Started

Getting started with USDA:

- Connect with your state Beginning Farmer Coordinator
- Connect with your local USDA Service Center.
- USDA Service Center Locator
- You will be able to visit one-on-one with Farm Service Agency (FSA) and Natural Resources Conservation Service Center (NRCS) staff.



Definitions:

- *Beginning Farmer according to FSA: 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

- *SDA: Historically Underserved Groups*

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.

Definitions:

Veteran Farmer or Rancher:

Farmer or Rancher who has served in the Armed Forces (as defined in section 101 (10) of title 38) and who has not operated a farm or ranch for more than 10 years total or has obtained status as a veteran (as defined in 38 U.S.C. 101 (2)) during the most recent 10-year period.

For entities requesting to be considered a veteran farmer or rancher, at least 50% of the interest must be held by veteran farmers or ranchers.





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What does FSA offer?



Farm Programs

- Disaster Assistance
- Conservation Programs
- Safety Net
- Risk Management

Farm Loans

- Ownership Loans
- Operating Loans
- Microloans
- Loan Guarantees



FSA Farm Programs



- Crop Acreage Reporting
- Disaster Programs- Noninsured Crop Disaster Assistance Program (NAP); Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP); Livestock Indemnity Program (LIP); Livestock Forage Disaster Program (LFP); Emergency Conservation Program (ECP)
- Farm Storage Facility Loan Program (FSFL)

FSA Eligibility and Supervised Credit

FSA is supervised credit: this is different from traditional credit. FSA is the lender of first opportunity for those who may not otherwise qualify for ag credit. FSA makes and services direct loans through supervised credit with funds from the U.S. Treasury. FSA also offers loan guarantees for loans made by conventional lenders.

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

General Eligibility Requirements Continued

Direct and guaranteed applicants must:

- Not be delinquent on federal debt
- Have managerial ability for the type of loan requested
- 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



A direct loan applicant must:

- Develop a realistic Farm Business Plan that projects repayment ability for the loan and meet general eligibility criteria
- Provide adequate collateral for the loan
- Agree to take borrower training courses (if required) and “graduate” to private sector credit when able to do so
- Not exceed restriction on years of eligibility
- Have applicable education, training, or farm experience that provides reasonable prospects of success (For a FO loan, must have participated in the management of a farm or ranch for at least 3 years)
 - Certain types of qualifications can reduce the three-year experience requirement: these include degrees, military experience, and having a mentor



FSA Lending Basics



- FSA is supervised credit—the goal is to graduate!
- 5 C's of credit: character, capital, collateral, conditions (market), and capacity (to repay)
- Know your credit score, your credit report, cash flow and your farm finances!
- Have a plan for success and repayment.

FSA Farm Loan Programs:

- Direct Loan Programs- Farm Ownership (FO), Operating (OL) and Microloan (ML)
 - * Interest rates are set monthly.
- Guaranteed Loan Programs
- Beginning Farmer Down Payment Loan

Types of Loans and their limits:

- Operating: \$400,000
- Ownership \$600,000
- Microloan \$50,000 (Ownership and operating 50k each for a possible
combined \$100,000)
- Guaranteed \$1,825,000 million
- Down Payment Loan: The lesser of 45% of the purchase price, 45% of the appraised value or \$667,000 (not to exceed \$300,150)



Operating Loans

Operating loans can be used to purchase:

- Equipment
- Livestock
- Production expenses
- Refinance operating expenses

Operating loans can be repaid in 1-7 years.
Limit is \$400,000.





Farm Ownership Loan

Ownership loans can be used to pay for:

- Land purchases
- Capital improvements
- Soil and water conservation
- Loan closing and related expenses

Farm Ownership loans can be repaid in up to 40 years. Limit \$600,000



Microloans

Microloans are limited to \$50,000 and have a simpler application process and less paperwork. There are both **Farm Ownership and Operating Microloans**.

- Operating microloans can be used for all approved operating expenses authorized by FSA such as initial start-up expenses, seed, fertilizer, marketing, livestock etc.
- Ownership loans can be used for approved expenses such as purchasing land or a farm, enlarging an existing farm, constructing buildings, paying closing costs etc.
- The experience requirements have been modified to accommodate applicants: small business, management and military experience can count towards management requirements for ownership loans while working with a mentor can modify/count toward operating loan requirements.
- Operating Loans repayment terms are 1 to 7 years while Farm Ownership is up to 25 years.

Guaranteed Loans

- Guaranteed loans are made and serviced by agricultural lenders (farm credit, local bank etc.)
- Funded by the lender
- Often used to help lenders continue with customers who have experienced setbacks
- To qualify for a FSA guarantee loan an applicant must: meet general eligibility requirements, be unable to obtain the loan without a guarantee and have a feasible plan and adequate collateral as determined by the lender
- \$1,825,000 Limit

Down Payment Loan:

Applicants must:

- be beginning farmers, veteran or SDA farmers
- Provide a 5% down payment

Down Payment loan funds may be used only to partially finance the purchase of a family farm.

FSA can loan up to 45% of the least of the purchase price, appraised value or \$667,000 (max loan is \$300,150).

The balance of the purchase price not covered by the down payment loan and the loan applicant's down payment may be financed by a private lender, a cooperative, or the seller.





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Networking

- Extension Services
- Farm Bureau Young Farmer & Ranchers
- State Department of Agriculture
- Small Business Administration
- Local and State Organizations
- Colleges/Universities





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Questions?

