

Farm Financing Options for Historically Underserved and Beginning Farmers Through the USDA Farm Service Agency



Who is FSA?

- The Farm Service Agency (FSA) is an agency within the United States Department of Agriculture (USDA)
- FSA's Farm Loan Programs (FLP) can provide credit to agricultural producers who are unable to obtain private, commercial credit
- FSA places special emphasis on providing loans to historically underserved (HUS) and beginning farmers (BF)

2018
**FARM
BILL**

Historically Underserved

- **Socially Disadvantaged Group**: a group whose members have been subject to racial, ethnic, or gender prejudice because of their identity as a member of the group without regard to their individual qualities
 - American Indians/Alaskan Natives, Asians, Blacks/African Americans, Native Hawaiians/Pacific Islanders, Hispanics, and women
- **Socially Disadvantaged Applicant or Farmer**: individual or entity who is a member of a socially disadvantaged group

Beginning Farmer

- **Beginning Farmer: individual or entity who**
 - Has not operated a farm for more than 10 years; applies to all entity members
 - Substantially participates in the operation
 - FO – cannot own farm exceeding 30% of average acreage for farms in the county at time of application
 - Available resources are not sufficient to enable applicant to enter or continue farming at a viable scale
 - All entity members are related by blood or marriage and must be beginning farmers
 - Meets requirements for type of loan

Introduction to FSA Farm Loans

- **If you are a farmer or rancher who is unable to obtain commercial credit from another agricultural lender to start, purchase, sustain, or expand your family farm, you may be able to get a loan through FSA's Farm Loan Program**
- **FSA has different types of loans depending on your current situation and purpose of the proposed loan**
- **FSA loan officers are available to answer your questions and to help with the application process**

2018
FARM
BILL

Farm Loan Programs

- **Direct Loans**

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

- **Guaranteed Loans**

- Another lender makes and services loans
- FSA guarantees loans made by conventional lenders for up to 95% of any loss

Operating Loans (OL)

- **Purposes can include:**
 - Livestock
 - Machinery/Equipment
 - Crop inputs
 - Operating expenses
 - Refinance operating debts
 - Reorganize a farm
 - Minor capital improvements

Operating Loans (OL)

- **Operating loans (OL) maximum: \$400,000**
- **Rates and terms**
 - Rates: Change monthly, but become fixed once the loan is approved
 - Term: 1 to 7 years

2018
**FARM
BILL**

OL Eligibility

- Operate a family-sized farm
- Unable to obtain credit from another agricultural lender
- Possess at least 1 year of farm training or experience within last 5 years
 - Beginning farmers have less than 10 years of experience
- Demonstrate acceptable credit history
- Display repayment ability with a business plan showing a financially viable farm business
- Offer enough collateral to secure the loan; additional security up to 150% required when available

2018
FARM
BILL

Farm Ownership Loans (FO)

Purposes can include:

- Purchase a farm or enlarge existing farm
- Capital improvements (construction, purchase or improvement of farm dwellings or service buildings essential to the operation)
- Loan closing costs

2018
**FARM
BILL**

Farm Ownership Loans (FO)

**Farm Ownership (FO) loan maximum limit:
\$600,000**

- **Rates and terms**

- Rates: Change monthly, but become fixed once the loan is approved
- Term: Regular FO, up to 40 years

2018
**FARM
BILL**

FO Eligibility

- Operate a family-sized farm
- Unable to obtain credit from another agricultural lender
- At least 3 years of farm training or experience within the last 10 years
 - Can substitute certain education or management experience
 - Beginning farmers have less than 10 years of experience and own less than 30% of average farm acreage
- Demonstrate acceptable credit history
- Display repayment ability with a business plan showing a financially viable farm business
- Offer at least 100% security on RE purchased or improved

2018
FARM
BILL

Joint Financing FO

- **FSA: 50% of amount financed, up to \$600,000;
Other Lender: 50% or more**
- **Participating commercial lenders can get up to 95% guarantee on their loan**
- **FSA term up to 40 years**
- **FSA rate is currently 2.5%***
- **Other Lender gets 1st lien, FSA takes 2nd lien**
- **FSA requires at least 100% security on their portion of the loan; can take additional**
- **May alleviate need for down payment**

Beginning Farmer Down Payment Program

- **Cash Down Payment: 5% purchase price; FSA: 45% of purchase price, up to \$300,150; Other Lender: 50% or more of purchase price**
- **Must meet general FO requirements and Socially Disadvantaged or Beginning Farmer definition**
- **Participating commercial lenders can get up to 95% guarantee on their loan**
- **Other lender's loan must have amortization period of at least 30 years and cannot have a balloon payment due within the first 20 years of loan**
- **FSA interest rate is currently 1.5%, term up to 20 years**
- **Other lender gets first lien, FSA takes second lien and requires at least 100% security on their portion of the loan; can take additional**

2018
FARM
BILL

Microloan Program (ML)

- **Focuses on providing assistance to beginning farmers and ranchers and smaller operations**
- **Simplified application process**
- **Assists applicants who have limited experience by providing them with an opportunity to gain farm management experience while working with a mentor**
- **Eliminates use of high cost personal loans and high interest credit cards**
- **Provides a bridge for Youth Loan borrowers to transition to larger-scale operations**

**2018
FARM
BILL**

Microloan Program (ML)

- **Direct Farm Operating Loans (either annual or term) and Direct Farm Ownership Loans**
- **Maximum limit of \$50,000**
 - Allowable for borrowers to obtain both an operating microloan and a farm ownership microloan and still remain under the microloan limit
- **Simplified application process and paperwork and verification requirements are more proportional to smaller loans and operations**

2018
**FARM
BILL**

ML- Eligibility

- **Applicants must meet the same eligibility requirements as other Direct Loans, including, but not limited to:**
 - Acceptable credit history
 - Unable to obtain sufficient credit elsewhere
 - No federal debt delinquency
 - Be the owner/operator of a family farm
 - Sufficient managerial ability

2018
**FARM
BILL**

ML OL- Eligibility

- **ML-OL Managerial ability: Applicants must meet the same eligibility requirements as other Direct Farm Operating Loans except for farm management experience. Applicants may demonstrate managerial ability by one of the following:**
 - Past participation with an agriculture related organization (4-H, FFA, Beginning Farmer and Rancher Development Programs, etc.)
 - Small business experience, agricultural internship, or apprenticeship combined with working with a mentor during the first year
 - Obtained and successfully repaid one FSA youth loan

2018
**FARM
BILL**

ML FO- Eligibility

- **ML-FO Managerial ability: Applicants must meet the same eligibility requirements as other Direct Farm Ownership Loans**
- **3 years of farm management experience is required within 10 years of the application date**
- **Applicants may substitute 1 year of farm experience with certain other criteria, for a total of 2 of the 3 years required**
 - If applicant has at least 1 year experience as hired farm labor with substantial management responsibilities AND has an established relationship with experienced farmer or rancher participating in SCORE or a mentor, 3 year requirement can be waived

**2018
FARM
BILL**

ML- Collateral

- **Direct OL Microloan**
 - Annual Operating Loans
 - Must be at least 100% secured
 - Will be secured up to 150% when additional security is available
 - Term Operating Loans
 - Must be secured 100%
 - Collateral examples: crops, livestock, equipment, real estate
- **Direct FO Microloan**
 - Must be at least 100% secured
 - Will be secured by the real estate being purchased or improved

2018
**FARM
BILL**

Application Tips

- **Application forms are available from FSA offices and online**
- **A good farm business plan is critical**
- **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.)**

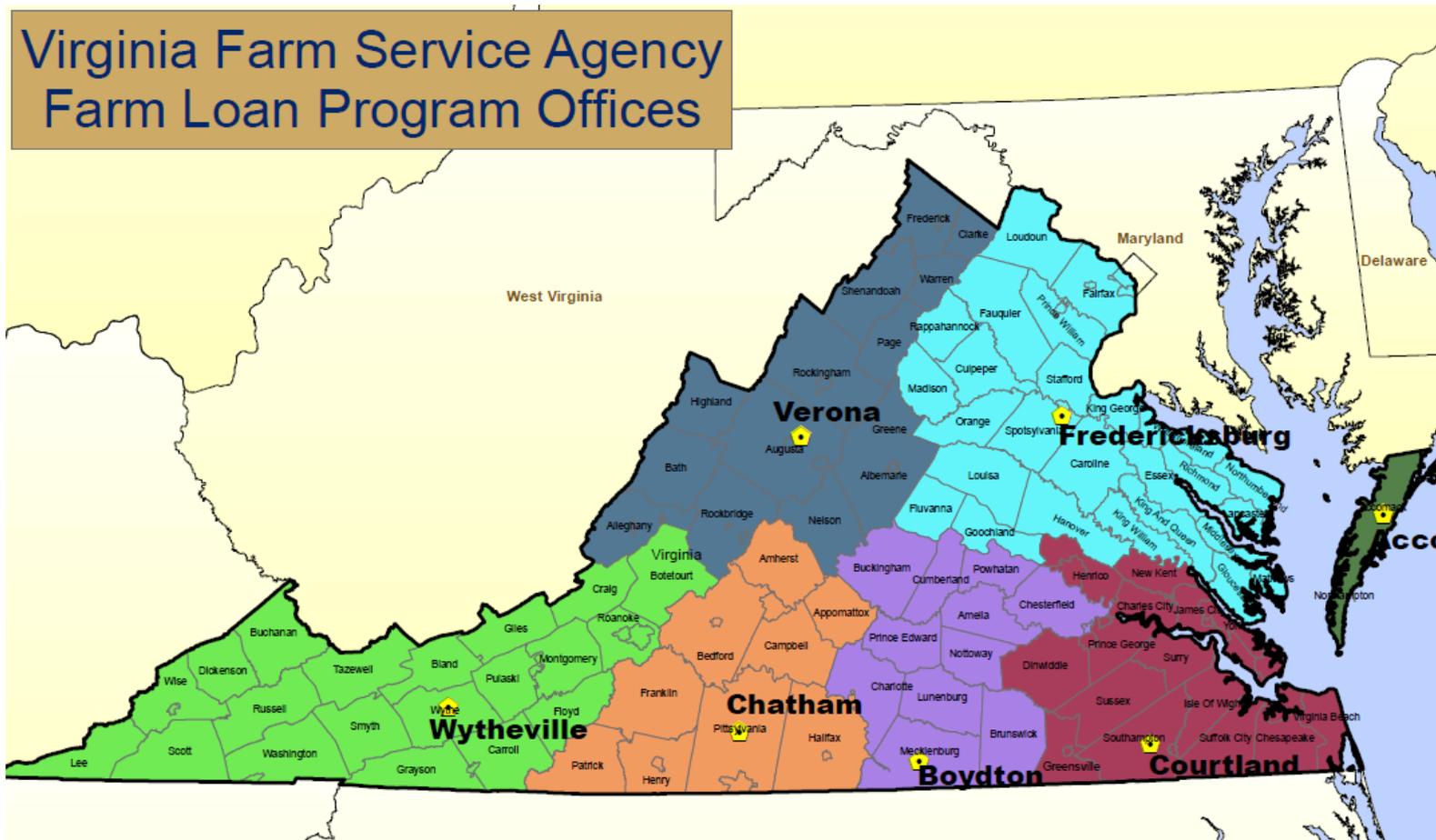
**2018
FARM
BILL**

In Summary

- **FSA offers direct loans, including Direct Operating Loans or Direct Farm Ownership loans**
- **Targeted funds are allocated for HUS/SDA/Beginning Farmers for both OL and FO**
- **FSA can partner with other lenders to help the borrower**
- **Direct OL and FO Microloans of \$50,000 or less are available and have a simplified application process**
 - Allow those who do not have the experience requirements for other loan programs to start small and gain experience
 - Fulfill the needs of beginning, niche, and smaller operations

**2018
FARM
BILL**

Virginia Farm Service Agency Farm Loan Program Offices



2018
**FARM
BILL**

Thank You!

Farm Loan Discovery Tool: Answer a few short questions to learn about USDA farm loans that may be right for you!

Link: <https://www.farmers.gov/fund/farm-loan-discovery-tool>

To apply for any of FSA's loan programs, contact your local FSA office or visit us on the web at www.fsa.usda.gov

2018
**FARM
BILL**