FARM SERVICE AGENCY
LOANS FOR SMALL AND BEGINNING FARMERS AND RANCHERS
FSA Farm Loan Programs

This presentation covers:

What kind of FSA loans are available

Loan Program Changes in the Farm Bill that help Beginning, Minority, and Female Farmers
FSA Farm Loan Programs

- FSA makes direct and guaranteed loans
  - Direct loans are made and collected by FSA
    » FSA provides technical assistance (supervised credit) in addition to loan funds
    » You will be required to refinance with commercial credit when you are able
  - Guaranteed Loans are made by a commercial lender (Bank, Farm Credit, State Agency) and FSA guarantees against a loss
FSA Farm Loan Programs

- Loans available to purchase, improve and operate a family farm

- Loans are available to anyone who qualifies, but targeted to beginning, minority, and female farmers in particular
Farm Ownership Loan Purposes

- Acquire or enlarge a farm or ranch
- Make capital improvements
- Pay closing costs
- Direct FO may not be used to refinance any farm debt, except-
  - Refinance temporary “bridge” loans for farm purchase
Operating Loan Purposes

- Purchase assets:
  - Machinery and equipment, including processing equipment for value-added marketing
  - Livestock, poultry and other farm animals
  - Coop stock, market quotas

- Refinance farm operating debts

- Pay annual operating expenses
  - Feed, seed, fertilizer, rent, feeder livestock, etc.
Beginning Farmer/Rancher Definition

- Has not operated a farm or ranch for more than 10 years
Beginning Farmer/Rancher
Definition

- Provides substantial day-to-day labor and management of the farm
- Meets regular FSA loan requirements
FSA Farm Loan Programs

2008 Farm Bill Changes

- Revised Down Payment Program
- Changed Loan Limits and Funding Set-asides
- Established New Programs
Downpayment Program

- Applicants must:
  - be beginning farmer
  - have at least 3 years experience operating a farm or participation in farm operation
  - own less than 30% of the median farm size in the county
## FSA Farm Loan Programs

### Down Payment Program Changes

<table>
<thead>
<tr>
<th>Before Farm Bill</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% Down payment required</td>
<td>5% Down payment required</td>
</tr>
<tr>
<td>4% interest rate</td>
<td>Regular Ownership rate less 4 %, floor of 1.5%</td>
</tr>
<tr>
<td>Maximum term 15 years</td>
<td>Maximum term 20 years</td>
</tr>
</tbody>
</table>
# FSA Farm Loan Programs

## Down Payment Program Changes

<table>
<thead>
<tr>
<th>Before Farm Bill</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum loan amount</td>
<td>Maximum loan amount</td>
</tr>
<tr>
<td>$100,000</td>
<td>$225,000</td>
</tr>
<tr>
<td>Value of farm purchased cannot exceed $250,000</td>
<td>No limit on value of farm purchased</td>
</tr>
<tr>
<td>Must be beginning farmer</td>
<td>Must be Socially Disadvantaged OR beginning farmer</td>
</tr>
</tbody>
</table>


### Impact of Down Payment Program Changes

**Sample 250,000 purchase**

<table>
<thead>
<tr>
<th>Before Farm Bill</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000 down</td>
<td>$12,500 down</td>
</tr>
<tr>
<td>FSA loan 100K, 4% 15 years</td>
<td>FSA loan 112.5K, 1.5% 20 years</td>
</tr>
<tr>
<td>FSA payment $8,994/year</td>
<td>FSA payment $6,552/year</td>
</tr>
<tr>
<td>Other financing@ 7% 30 years $12,088/year</td>
<td>Other financing@ 7% 30 years $12,088/year</td>
</tr>
<tr>
<td>Total installment $21,082</td>
<td>Total installment $18,640</td>
</tr>
<tr>
<td>Reduction: $2,442</td>
<td></td>
</tr>
</tbody>
</table>
**FSA Farm Loan Programs**

**Impact of Down Payment Program Changes**

<table>
<thead>
<tr>
<th>Before Farm Bill</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2000-2008</td>
<td>FY 2009</td>
</tr>
<tr>
<td>975 loans</td>
<td>983 loans</td>
</tr>
<tr>
<td></td>
<td>$134.7 million</td>
</tr>
</tbody>
</table>
By law, a portion of loan funds are targeted, or reserved for beginning farmers.

The Farm Bill Increased the target percentages.

This reserves more of the funds for beginning farmers.
### Beginning Farmer Funding Target Changes

<table>
<thead>
<tr>
<th>Before Farm Bill</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct ownership loans- 70%</td>
<td>75%</td>
</tr>
<tr>
<td>Down payment loans- 60%</td>
<td>66.6%</td>
</tr>
<tr>
<td>Direct operating loans- 35%</td>
<td>50%</td>
</tr>
<tr>
<td>Guaranteed ownership loans- 25%</td>
<td>40%</td>
</tr>
</tbody>
</table>
Targeted Funds for Beginning Farmers

- Funding is limited, targets give beginning farmers priority for funding
- Funds are reserved for first six months of fiscal year
- Each state is allocated loan funds for beginning farmers
- Loans funds are available on first-come, first served basis
## FSA Farm Loan Programs

### Funding Outlook for 2010

<table>
<thead>
<tr>
<th>Program</th>
<th>2009 Use*</th>
<th>2010 Expected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Operating</td>
<td>$1.14 billion</td>
<td>$700 million</td>
</tr>
<tr>
<td>Direct Ownership</td>
<td>$559 million</td>
<td>$392 million</td>
</tr>
<tr>
<td>Guaranteed Operating</td>
<td>$1.38 billion</td>
<td>$1.15 billion</td>
</tr>
<tr>
<td>Guaranteed Ownership</td>
<td>$1.21 billion</td>
<td>$1.5 billion</td>
</tr>
</tbody>
</table>

* As of 9/14
FSA Farm Loan Programs

Loan Limit Changes

- Maximum amounts for FSA Direct Loans are written in the law
- The limits had not been changed since the late 1970’s/early 1980’s
- Direct loan limits were increased from $200,000 to $300,000
FSA Farm Loan Programs

New Programs established by 2008 Farm Bill

- Conservation Loan Program to finance:
  - Operator portion of EQUIP projects
  - Other conservation projects
  - Conversion to organic/sustainable production

- Land Contract Guarantee Program
  - Guarantee contract land sales for SDA and beginning farmers
FSA Farm Loan Programs

New Programs established by 2008 Farm Bill

- **Individual Development Accounts**
  - Program provides savings match for low income prospective farmers
  - To be administered by non-profits using FSA grant funds

- **Highly Fractioned Indian Land**
  - Help Indians retain land with fractioned title
FSA Farm Loan Programs

New Programs established by 2008 Farm Bill

- New Programs under Development
- 2010 Funding Expected for Conservation, Highly Fractioned Indian Land, Land Contract Guarantee
- Funding For Individual Development Account Program not likely in 2010
FSA Farm Loan Programs

Where to get more information

  - Fact sheets on FSA farm loan and other programs
  - Download and complete loan application and other forms

- **Contact local FSA office**