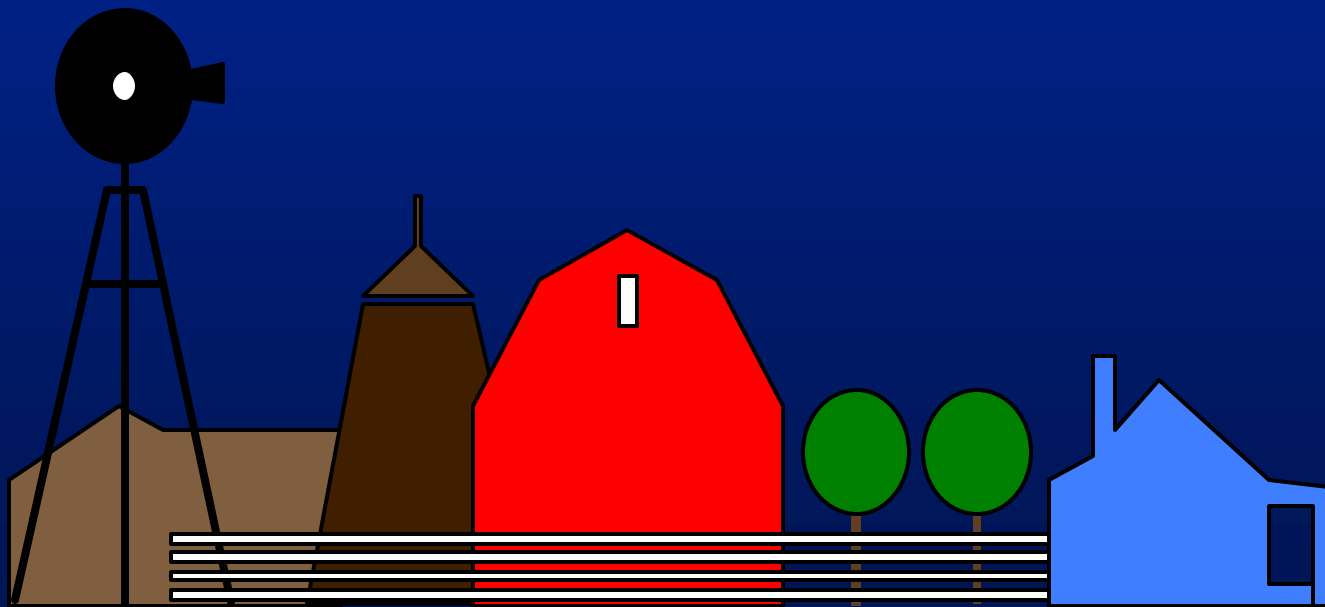




***FARM SERVICE AGENCY
LOANS FOR SMALL AND BEGINNING
FARMERS AND RANCHERS***



FSA Farm Loan Programs



This presentation covers:

What kind of FSA loans are available

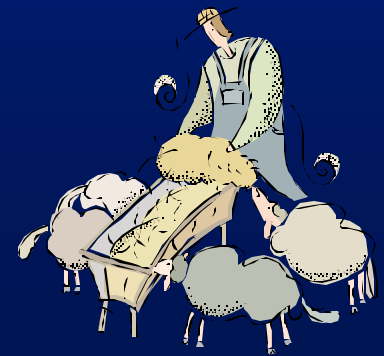
**Loan Program Changes in the Farm Bill
that help Beginning, Minority, and
Female Farmers**

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

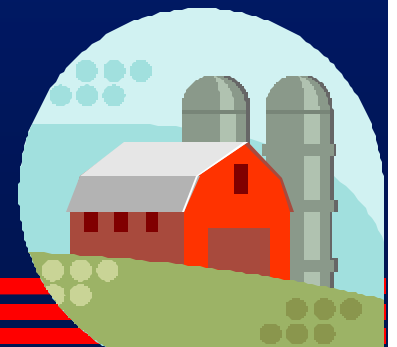
FSA Farm Loan Programs

- 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

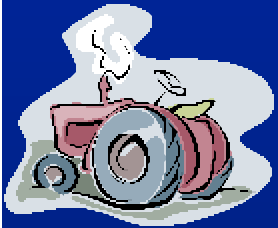
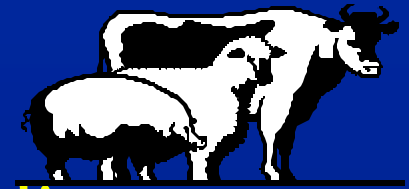
- Purchase assets:

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

- Refinance farm operating debts

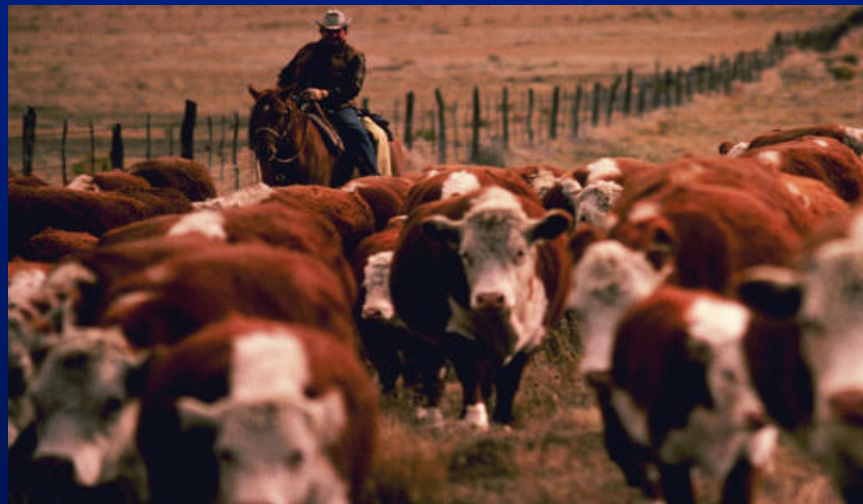
- Pay annual operating expenses

- Feed, seed, fertilizer, rent, feeder livestock, etc.



Beginning Farmer/Rancher Definition

- **Has not operated a farm or ranch for more than 10 years**



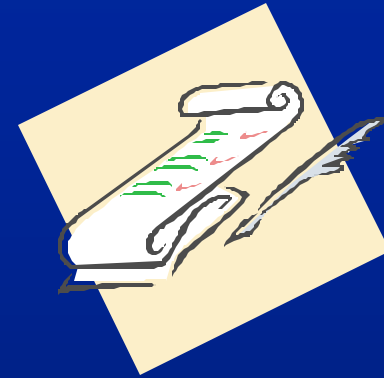
Beginning Farmer/Rancher Definition

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



FSA Farm Loan Programs

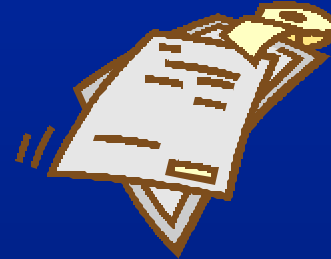
2008 Farm Bill Changes



- 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

Before Farm Bill

10% Down payment
required

4% interest rate

Maximum term 15 years

Now

5% Down payment
required

Regular Ownership rate
less 4 %, floor of 1.5%

Maximum term 20 years



FSA Farm Loan Programs

Down Payment Program Changes

Before Farm Bill

Maximum loan amount
\$100,000

Value of farm purchased
cannot exceed \$250,000

Must be beginning farmer

Now

Maximum loan amount
\$225,000

No limit on value of farm
purchased

Must be Socially
Disadvantaged OR beginning
farmer

FSA Farm Loan Programs

Impact of Down Payment Program Changes

Sample 250,000 purchase

Before Farm Bill

\$25,000 down

FSA loan 100K, 4% 15 years

FSA payment \$8,994/year

Other financing@ 7% 30 years

\$12,088/year

Total installment \$21,082

Now

\$12,500 down

FSA loan 112.5K, 1.5% 20 years

FSA payment \$6,552/year

Other financing@ 7% 30 years

\$12,088/year

Total installment \$18,640

Reduction: \$2,442

FSA Farm Loan Programs

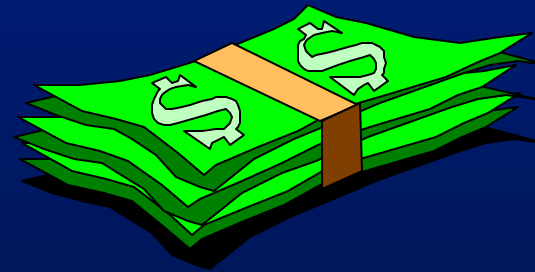
Impact of Down Payment Program Changes

Before Farm Bill

Now

FY 2000-2008 975 loans

FY 2009 983 loans \$134.7 million



FSA Farm Loan Programs



- 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



FSA Farm Loan Programs



Beginning Farmer Funding Target Changes

<u>Before Farm Bill</u>	<u>Now</u>
Direct ownership loans- 70%	75%
Down payment loans- 60%	66.6%
Direct operating loans- 35%	50%
Guaranteed ownership loans- 25%	40%



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

Program	2009 Use*	2010 Expected
Direct Operating	\$1.14 billion	\$700 million
Direct Ownership	\$559 million	\$392 million
Guaranteed Operating	\$1.38 billion	\$1.15 billion
Guaranteed Ownership	\$1.21 billion	\$1.5 billion

* 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 use 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

- **On the web** <http://www.fsa.usda.gov>
 - **Fact sheets on FSA farm loan and other programs**
 - **Download and complete loan application and other forms**
- **Contact local FSA office**