

Farm Service Agency Producer Resource Workshop



Farm Loan Programs



PLANT CITY USDA SERVICE CENTER

FARM SERVICE AGENCY

201 S. Collins Street, Suite 201

Plant City, FL 33563

813/752-1474 x 2

SERVICING AREA FOR FARM LOANS:

Hillsborough, Pinellas, Polk, Hardee, DeSoto, Sarasota &
Manatee Counties

Farm Loan Manager Bronwyn Bethea-Myers

Farm Loan Officer (Trainee) Maria Santos



Loan Programs

The U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) offers farm loan assistance to farmers and ranchers who have experience and want to own or operate their own farm or ranch, but who don't yet meet the qualifications to get financing from a traditional lender.

The Farm Service Agency also provides financial assistance and business planning that help ensure the future well-being of American Agriculture.



Types of Loans

- **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



Types of Loans

- **Emergency Farm Loans**
 - Provide assistance to help producers recover from production and physical losses caused by natural disasters or quarantine
- **Rural Youth Loans**
 - Help rural youths 10-20 years old establish and operate income producing projects.



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 may assist applicants in completing paperwork



Types of Farm Loan Programs

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



Loan Purpose

- **Farm Real Estate**
 - Purchase
 - Make improvement
 - Develop land to promote soil and water conservation
- **Farm Operating**
 - 1-7 years repayment
 - Direct loans have a fixed rate; Guaranteed loans may be fixed or variable
 - Finance all types of intermediate-term capital loans



Loan Limitations

Direct Loans

- Direct FO - \$300,000
- Direct OL - \$300,000
- Direct OL Youth - \$5,000
- EM - \$500,000 (or amount of loss, whichever is lower)

Guarantee Loans

- Guaranteed: Combined G-FO and G-OL cannot exceed \$1,094,000 (changes annually based upon “Prices Paid by Farmers” index calculated by USDA-NASS)
- Can combine direct and guaranteed loans



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



General Eligibility Requirements (Cont.)

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



FSA Direct Loans

A direct loan applicant must:

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.)



FSA Direct Loans (Cont.)

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” (refinance) to private sector credit when able to do so



FSA Direct Loans

Corporations, cooperatives, joint operations, trusts and partnerships may be eligible:

- their members/stockholders must meet the program eligibility requirements
- the entity must also be authorized to operate a farm in the State where the farm is located
- An entity must be owned by individuals



Direct Loan Making

Operating Loans

- **Purposes:**
 - Purchase Equipment
 - Purchase Livestock
 - Production Expenses
 - Refinance operating expenses (other than FSA)
- **Farm Operating Loans are repaid in 1 to 7 years depending on loan purpose**

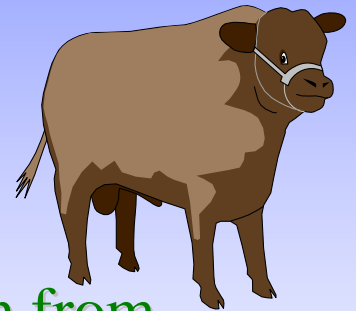


Direct Loan Making Youth Loans

Under the direct Farm Operating (OL)
Program \$5,000 maximum loan limit

Program Requirements

- 10 yrs. old and under 21
- Must have parental consent and recommendation from advisor (4-H, Vo-Ag teacher, scout leader, etc.)
- Live in rural area or town of less than 50,000 population



Loan Funds May Be Used to :

- Buy animals, equipment & supplies
- Buy, rent or repair needed tools
- Pay operating expenses for a project
- Expand size or extent of existing project



Youth Project Possibilities

- **Agriculture Fair/Show Projects**
- **Growing Fruits/Vegetables for Resale**
- **Raising and Breeding Livestock**
- **Growing Flowers/Plants for Resale**
- **Producing Field Crops**



Direct Loan Making Farm Ownership Loans

Farm ownership 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



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



Where Do We Apply?

FSA Direct Loans

- 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



Farm Loans

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



GUARANTEED LOANS-ELIGIBILITY

To qualify for an FSA Guarantee, an 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



Types of FSA Guaranteed Farm Loans

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



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



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



Where Do We Apply?

GUARANTEED LOANS

- 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



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



Down Payment Program

- A special loan program to assist socially disadvantaged and beginning farmers in purchasing a farm
- Retiring farmers may also use this program to transfer their land to future generations
- To qualify:
 - The applicant must make a cash down payment of at least 5 percent of the purchase price
 - The maximum loan amount does not exceed 45 percent of the least of
 - The purchase price of the farm or ranch to be acquired
 - The appraised value of the farm or ranch to be acquired or;
 - \$500,000
 - This results in a maximum loan amount of \$225,000



Down Payment Program Cont'd

- To qualify:
 - The term of the loan is 20 years
 - The interest rate is 4 percent below the direct FO rate, but not lower than 1.5 percent
 - The remaining balance may be obtained from a commercial lender or private party.
 - FSA can provide up to a 95 percent guarantee if financing is obtained from a commercial lender.
 - Participating lenders do not have to pay a guarantee fee



Joint Financing Arrangement

- Beginning farmers may choose to participate in a joint financing arrangement.
- FSA lends up to 50 percent of the amount financed, and another lender provides 50 percent or more.
- The interest rates can be obtained from your local FSA office and the term of the loan will not exceed 40 years or the useful life of the security.



Socially Disadvantaged Applicant (SDA)

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.



SDA Loans

- 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



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 farm ownership (FO) and operating loan (OL) funds to beginning farmers



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



Where to Apply

- Applications for direct loan assistance may be submitted to the local FSA 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 or Farm Service Agency.
- For guaranteed loans, applicants must apply to a commercial lender who participates in the Guaranteed Loan Program.
- Contact your local FSA office for a list of participating lenders.



Application Tips

A good farm business plan is critical

- Set short and long term goals
- Production projections should be supported by records or county/state averages
- Plan conservatively
- Good financial records are important
- Get help from experts (Extension, State Programs, etc.)



Application Tips

- Application forms are available from FSA Offices
- Some forms are available via internet as well
- You cannot be denied an application or other forms



Application Tips

- Don't be afraid to ask for help to complete the paperwork
- FSA employees will help if you ask
- Other sources of free assistance-
 - Extension Service
 - USDA Outreach Grant Recipient Organizations



Need More Information?

- Contact the Local FSA Office
Plant City – (813) 752-1474 ext. 2
- Visit the FSA Website: www.fsa.usda.gov
- Call National Helpline toll-free at
1-866-538-2610



QUESTIONS?

