

Farm Service Agency - Farm Loans

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The U.S. Department of Agriculture's Farm Service Agency (FSA) has two program areas, Farm Loan Programs (FLP) and Farm Programs (FP). FLP provides loans to eligible farmers and ranchers to promote, build, and sustain family farms in support of a thriving Agricultural Economy. FP provides programs that help manage market risk, disaster recovery, and conservation/ protection of natural resources. FSA maintains offices in each state, in locations that allow customers' access to FSA Programs. FSA offices can be located on the internet using www.fsa.usda.gov. Select "Contact Us," then FSA County Offices and select the closest state and county office.

FSA FARM LOANS

Farmers may apply for direct loans at local FSA offices. Guaranteed loans may be available from commercial lenders who apply for loan guarantees from FSA. Although general information may be obtained from headquarters and state offices, all programs are delivered through local offices.

The goal of FSA's farm loan programs is to provide supervised credit to its customers and graduate its borrowers to commercial credit. Once a customer is able to obtain credit from a commercial lender, the FSA's mission of providing temporary, supervised credit is complete.

FSA's loan programs are designed to help family farmers to start, purchase or expand their operation. In many cases, these are beginning farmers who need additional financial and business acumen to qualify for commercial credit. In other cases, they are farmers who have suffered financial setbacks from natural disasters, economic conditions or who need additional resources with which to establish and maintain profitable farming operations. Emergency loans are also available when qualifying events occur.

Some farmers obtain their credit needs through the use of loan guarantees. Under a guaranteed loan, a commercial lender makes and services the loan, and FSA guarantees it against loss up to a maximum of 90 percent in most cases. In certain limited circumstances, a 95 percent guarantee is available. FSA has the responsibility of approving all eligible loan guarantees and providing oversight of lenders' activities.

For those not yet meeting the qualifications for a loan guarantee from a commercial lender, FSA makes direct loans, which are serviced by an FSA official. FSA has the responsibility of providing credit counseling and supervision to its direct borrowers by making a thorough assessment of the farming operation. FSA helps applicants evaluate the adequacy of the real estate and facilities, machinery and equipment, financial and production management, and the applicant's goals. FSA assists the applicant in identifying and prioritizing areas needing improvement in all phases of the operation. An FSA official then works one-on-one with the applicant to develop and help strengthen the identified areas that ultimately result in the applicant's graduation to commercial credit.

FLP loans must be fully secured and can only be approved for those who have repayment ability.

FSA makes loans to individual young persons (age 10-20) to start and operate income-producing projects in connection with their participation in 4-H clubs, FFA, a Tribal youth group, or similar agricultural youth organization.

FSA FLP assistance provided to the four-state region alone in fiscal year 2017 (CO, NE, SD, and WY), are provided in Table 1. FSA is the lender beginning farmers and ranchers (BF) can approach to provide their first opportunities. FSA provides significant assistance to beginning and traditionally underserved (SDA) farmers and ranchers throughout the nation. Table 2 provides general information on FSA FLP.

Table 1: Farm Loan Funds Obligated in CO, NE, SD and WY FY 2017 (Millions)

	Colorado	Nebraska	South Dakota	Wyoming	Totals by Loan Type
Direct Operating (OL)	\$22.222	\$118.192	\$54.256	\$3.751	\$198.421
Direct Farm Ownership (FO)	\$21.777	\$73.796	\$30.155	\$43.010	\$130.029
Guaranteed OL	\$16.176	\$74.096	\$31.655	\$12.802	\$134.729
Guaranteed FO	\$24.680	\$146.076	\$84.060	\$10.239	\$265.055
Total Loans by State	\$84.855	\$412.139	\$200.126	\$31.093	\$728.213
Dollars to BF*	\$44.544	\$167.726	\$81.189	\$9.452	\$302.911
Percent of Total BF*	52.49%	40.70%	40.57%	30.40%	
Dollars to SDA*	\$11.40	\$13.085	\$21.153	\$1.681	\$47.319
Percent to SDA*	13.44%	3.18%	10.57%	5.41%	

* Dollars overlap based on categories of BF and SDA

Table 2: Farm Loan Information Chart

The following chart summarizes FSA farm loan information. Additional details are available at local FSA offices and on FSA's website: www.fsa.usda.gov .			
Program	Maximum Loan Amount	Rates and Terms	Use of Proceeds
Direct Farm Ownership (FO)	\$300,000	16) Rate based on agency borrowing costs 17) Term up to 40 years	· Purchase farm · Construct buildings or other capital improvements · Soil and water conservation · Pay closing costs
Direct Farm Ownership (FO) Participation	\$300,000	· Rate is direct FO rate less 2% with a floor of 2.5% if at least 50% of loan amount provided by other lender · Term up to 40 years	Same as direct FO
Direct Farm Ownership Microloan (FO ML)	\$50,000	· Rate based on agency borrowing costs · Term up to 25 years	· Purchase farm · Construct buildings or other capital improvements · Soil and water conservation · Pay closing costs
Direct Down Payment Farm Ownership Program	The lesser of 45% of: · the purchase price; · the appraised value; or · \$667,000 (not to exceed \$300,000)	· Rate is direct FO rate less 4% with a floor of 1.5% · Term of 20 years · Down payment of at least 5%	Purchase of farm by a beginning or underserved farmer
Direct Operating (OL)	\$300,000	· Rate based on agency borrowing cost · Term from 1 to 7 years	· Purchase livestock, poultry, equipment, feed, seed, farm chemicals and supplies · Soil and water conservation · Refinance debts with certain limitations
Direct Operating Microloan (ML)	\$50,000	Same as direct OL	Same as direct OL

Direct Emergency	100% actual or physical losses \$500,000 maximum program indebtedness	<ul style="list-style-type: none"> · Rate is based on the OL rate plus 1%; with a cap of 3.75% · Term from 1 to 7 years for non-real estate purposes · Term up to 40 years for physical losses on real estate 	<ul style="list-style-type: none"> II. Restore or replace essential property III. Pay all or part of production costs associated with the disaster year IV. Pay essential family living expenses V. Reorganize the farming operation VI. Refinance debts with certain limitations
EZ Guarantee	\$100,000	Same as Guaranteed Operating or Guaranteed Farm Ownership	Same as Guaranteed Operating or Guaranteed Farm Ownership
Guaranteed Operating	\$1,399,000 (Amount adjusted annually for inflation)	<ul style="list-style-type: none"> II. Rate determined by the lender III. Term from 1 to 7 years IV. Loan guarantee fee is 1.5% 	Same as direct OL
Guaranteed Farm Ownership	\$1,399,000 (Amount adjusted annually for inflation)	<ul style="list-style-type: none"> II. Rate determined by the lender III. Term up to 40 years IV. Loan guarantee fee is 1.5% 	Same as direct FO except loan may be used to refinance debts
Guaranteed Conservation Loan (CL)	\$1,399,000 (Amount adjusted annually for inflation)	<ul style="list-style-type: none"> II. Rate determined by the lender III. Term not to exceed 30 years, or shorter period, based on the life of the security IV. Loan guarantee fee is 1.5% V. Eligibility requirements expanded to include large and financially strong operations 	<ul style="list-style-type: none"> II. Implement any conservation practice in an NRCS-approved conservation plan III. May be used to refinance debts related to implementing an NRCS- approved conservation plan
Land Contract (LC) Guarantee	The purchase price of the farm cannot exceed the lesser of: <ul style="list-style-type: none"> • \$500,000; or II. The current market value of property 	<ul style="list-style-type: none"> II. Rate cannot exceed the direct FO interest rate plus 3% III. Amortized over a minimum of 20 years with no balloon payments during the first 10 years of loan IV. Down payment of at least 5% 	<ul style="list-style-type: none"> II. Sell real estate through a land contract to a beginning or underserved farmer III. Guarantee is with the seller of the real estate

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