

MICROLOANS

CULTIVATING
BIG DREAMS
ON A SMALLER SCALE





An Introduction to FSA Farm Loans

- Farmers apply for direct loans at local FSA offices
- Guaranteed loans may be available from commercial lenders who apply for loan guarantees from FSA.
- All programs are administered through local offices.



An Introduction to FSA Farm Loans

The goal of FSA's Farm Loan Programs is to graduate its borrowers to commercial credit.

Once a farmer is able to obtain credit from the commercial lending sector, the agency's mission of providing temporary, supervised credit is complete.

Who We Help



We energetically target groups such as:

- Beginning farmers
- Historically underserved farmers (women & minorities)
- Veterans

We look outward and also help:

- Farmers who have commercial credit but have hit hard times and now require a safety net
- Value-added farming operations
- Organic and specialty farmers



What Type of Loans are Available

Direct Loan Program:

Farm ownership, operating, and emergency loans

Guaranteed Loan Program:

Farm ownership, operating, and conservation loans are available

Land Contract Guarantee Program:

FSA offers two types of guarantees

FSA Has Two Types of Loans.

1. Direct Loans

- Producer unable to get conventional credit directly or through a FSA guarantee loan
- FSA loan officer works directly with producer
- Comprehensive financial planning services
- Repayment terms tailored to operation income flow.
- Low interest and extended repayment

Real Estate, Operating and Microloans



FSA Farm Loans: Lender of First Opportunity

Direct Farm Loans – Real Estate.

Real Estate/Regular Farm Ownership - 100%.

- Purchase farms/farmland, construction projects, or repairs
- No cash down payment required
- Repayment up to 40 years.
- Maximum of \$300,000
- Minimum collateral; 100-150% of loan
- 3 years management experience in past 10 years.
 - *Post-secondary education; farm apprenticeship; leadership or management experience from military or extension service may count towards one year.*

	FSA
Maximum Loan	\$300,000
Int. Rate	3.75%
Terms	20-30 years
Collateral required	1 st lien on farm and possibly other property



Direct Farm Loans – Real Estate.

Joint Financing Farm Ownership - 50/50

- o Purchase farm property and/or farm land, construction or improvements
- o Open to beginning and non-beginning farmers
- o No down payment required

	FSA	Lender or Land Contract
% of Purchase Financed	50% up to \$300,000	50%
Int. Rate	2.50%	Lender Rate
Terms	20-40 years	Lender Terms
Collateral required	2nd lien on farm and possibly other property	1 st lien on farm



FSA Farm Loans: Lender of First Opportunity

Direct Farm Loans – Real Estate.

Joint Financing - 50/50 - Example

\$700,000 Farm Purchase

\$400,000 Lender / Land Contract 1st

\$300,000 FSA 2nd mtg -- 2.5% 20-40 yrs.



Direct Farm Loans – Real Estate.

Down Payment - 5/45/50

- Used to purchase farms and land
- 5% down payment required
- Open **only** to beginning farmers & underserved

	Farmer	FSA	Lender or Land Contract
% of Purchase Financed	5%	45% up to \$300,000	50%
Int. Rate		1.50%	Lender Rate
Terms		20 years	30 years
Collateral required		2nd lien on farm	1 st lien on farm



FSA Farm Loans: Lender of First Opportunity

Direct Farm Loans – Real Estate.

Down Payment - 5/45/50 - Example

<u>\$500,000</u>	Farm Purchase
25,000	Cash down payment
\$250,000	Lender / Land Contract 1 st
\$225,000	FSA 2 nd mtg -- 1.5% 20 yrs.



Direct Farm Loans.

Operating Loans:

- Buy livestock, equipment, crop inputs, feed, expenses, refinance farm operating debts, minor infrastructure improvements
- Low, fixed interest rate
- At least 1-year's experience in past 5 years
- Repayment terms tailored to your operation; 1–7 years
- Maximum of \$300,000
- Minimum collateral: 100-150% of loan



Direct Farm Loans.

Microloans

- Better serve the unique financial operating needs of beginning, niche and the smallest of family farm operations
- **Examples might include;** direct marketing to restaurants and grocery stores, organic production, community supported agriculture (CSA's) and farmers markets



Direct Farm Loans.

Microloans

- Assisting applicants who have limited experience by providing them with an opportunity to gain farm management experience while working with a mentor;
- Eliminate use of high cost personal loans and high interest credit cards;



Direct Farm Loans.

Microloans

- Streamlined application process
- Buy livestock, equipment, crop inputs, feed, expenses,
- Low, fixed interest rate
- Some farm experience, self-guided apprenticeship, or mentor
- Repayment terms 1-7 years
- Maximum \$50,000
- Minimum collateral; 100-150% of loan



Projects from Microloan





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FSA Has Two Types of Loans.

2. Guaranteed Loans

- Commercial lender makes and services the loan
- Producer works directly with a lender (a local bank, farm credit, or a credit union)
- Is for when the producer falls short of lender's normal standards due to repayment or collateral
- FSA may guarantee up to 90% of loan, in case of loss to lender
- Repayment rates and terms are the lenders' .

Operating, Real Estate, and Conservation

Guaranteed Farm Loans.



Partners With Local Lenders.

- Directly from your lender.
- Lender's loan, lender's money.
- Small to larger operations, expansions.
- Maximum of \$1,392,000

Guaranteed Farm Loans.

Operating Loans.

- Up to \$1,392,000
- Buy livestock, equipment, crop inputs, general operating expenses.
- Usually 1 – 7 years
- Rate determined by Lender
- Revolving line of credit available



Guaranteed Farm Loans.

Real Estate/Farm Ownership Loans.

- Up to \$1,392,000
- Buy farmland, construction, repairs, refinancing.
- Usually 20 - 30 years
- Rate determined by Lender



Guaranteed Farm Loans.

LAND CONTRACT GUARANTEES.

- Financial guarantees to the land contract holder
- Seller makes application to FSA
- Sale to beginning farmer or historically underserved
- Lesser of \$500,000 or appraised value of property
- Buyer must provide minimum 5% down
- Interest rate is fixed at FSA direct FO rate + 3%



Guaranteed Farm Loans.

LAND CONTRACT GUARANTEES.

- Prompt Payment Guarantee: up to the amount of three amortized annual installments, taxes and insurance
- Standard Guarantee: 90% of the outstanding principal balance under the land contract.
- Guarantee period is 10 years, no balloon during the 10 years guarantee period
- Contract must be minimum of 20 years



General qualifications for all loans.

- Be family-sized farm (not just a rural residence, generates at least \$1,000.00 in income)
- **Unable to obtain credit elsewhere at reasonable rates and terms to meet actual needs**
- Minimum level of experience or education
- Satisfactory credit history
- Citizen, non-citizen national, or qualified alien



General qualifications for all loans.

- Not delinquent on a federal debt
- Possess legal capacity to incur loan obligations
- Not caused FSA previous loss
- Be within time restrictions as to the number of years they can receive FSA assistance
- Entity and all members must meet eligibility criteria



Farm Loan Programs Information Chart

Type of Loan	Maximum Loan Amount	Rates and Terms
Direct Farm Ownership	\$300,000	<ul style="list-style-type: none"> • Term: Up to 40 years • Interest rate: 3.5% Fixed*
Direct Farm Ownership Participation 50/50	\$300,000	<ul style="list-style-type: none"> • Up to 40 years • Interest rate: 2.5% Fixed*
Direct Farm Ownership Down Payment 5/45/50	The lowest of the following: <ul style="list-style-type: none"> • 45% of the farm or ranch purchase price • 45% of the appraised value • \$300,000 	<ul style="list-style-type: none"> • Term: Up to 20 years • Interest rate: 1.5% Fixed*
Direct Operating	\$300,000 Microloan up to \$50,000 Youth up to \$5,000	<ul style="list-style-type: none"> • Term: 1 to 7 years • Interest rate: 2.5% Fixed*
Direct Emergency	The lowest of the following: <ul style="list-style-type: none"> • 100% of actual production or physical losses • \$500,000 	<ul style="list-style-type: none"> • Term: 1 to 7 years (possibly up to 20 years) for non-real estate purposes • Up to 40 years for physical losses on real estate • Interest rate: 3.5 Fixed*

Farm Loan Programs Information Chart *Continued*

Guaranteed Farm Ownership	\$1,392,000 The maximum loan amount is adjusted annually for inflation	<ul style="list-style-type: none"> • Term: up to 40 years • The interest rate is negotiated by you and your lender
Guaranteed Operating	\$1,392,000 The maximum loan amount is adjusted annually for inflation	<ul style="list-style-type: none"> • Term: 1 to 7 years • The interest rate is negotiated by you and your lender.
Guaranteed Conservation	\$1,392,000 The maximum loan amount is adjusted annually for inflation	<ul style="list-style-type: none"> • Term: Up to 20 years • The interest rate is negotiated by you and your lender.
Land Contract Guarantee	A maximum purchase price of \$500,000 on a new land contract	<ul style="list-style-type: none"> • Term: Contract payments must be amortized for a minimum of 20 years with equal payments during the term of the guarantee. The guarantee period is 10 years.

* **3/1/2015 Posted Rates.** Direct loan interest rates are adjusted monthly and are posted online at <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=gfmlp&topic=fir> and at your local FSA office.

Applying for a Loan

➤ You may obtain the forms for a loan application by visiting your local office or from the FSA website at

<http://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>.

Your FSA loan officer can provide assistance in completing the FSA forms or can identify other sources of assistance in your area.

➤ You may submit your application by:

- calling for an appointment with an FSA loan officer;
- mailing, faxing, or delivering your application to your local FSA office;
- or
- electronically submitting your application if you have registered through the e-gov system.





FSA Farm Loans: Lender of First Opportunity

Our Promise.



We'll do what it takes to be the lender of first opportunity for agricultural producers in our community.

