

House AG Committee Outline

Farm Service Agency

Beginning Farmer:

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

Does not own a farm greater than 30% of the median size farm in the county.

Meets the loan eligibility requirements of the program which he/she is applying.

Substantially participates in the operation.

Direct Operating Loan Uses:

Livestock and feed

Farm equipment

Fuel, farm chemicals, insurance and other operating costs, including family living expenses

Minor improvements or repairs to buildings

Refinance certain farm-related debts, excluding real estate

Direct Farm Ownership Loan:

Uses

Purchase farmland

Construct and repair buildings

Make farm improvements

Types

Down Payment Program- 5-45-50

Joint Financing- 50/50

Direct Loan-100% FSA

Guarantee Loans:

FSA guaranteed loans provide lenders (e.g., banks, Farm Credit System institutions, credit unions) with a guarantee of up to 95 percent of the loss of principal and interest on a loan. Farmers and ranchers apply to an agricultural lender, which then arranges for the guarantee. The FSA guarantee permits lenders to make agricultural credit available to farmers who do not meet the lender's normal underwriting criteria.

FSA guaranteed loans are for both Farm Ownership and Operating purposes. Like the Direct Loan Program, a percentage of Guaranteed Loan funds are targeted to beginning farmers and ranchers and minority applicants.

Notes:



Overview of FSA Loan Program for Beginning Farmers and Other Types of Lender Participation



FARM SERVICE AGENCY

Loan Type:	Downpayment Program 50-45-5	Joint Financing (a.k.a. Participation Loans) 50 - 50	FSA Direct Beginning Farmer	Guaranteed Loan Beginning Farmer	Bridge loan
Loan Requirement:	Farm Ownership ¹ Beginning Farmer ² or Socially Disadvantaged Applicant ³	Farm Ownership ¹ Beginning Farmer ²	Farm Ownership ¹ Beginning Farmer ²	Farm Ownership ¹ Beginning Farmer ²	N/A
Loan Purpose ⁴	Purchase farm real estate and make capital improvements. Farm to be owned and operated by the borrower.	Purchase farm real estate or make capital improvements. Farm to be owned and operated by the borrower.	Purchase farm real estate or make capital improvements. Farm to be owned and operated by the borrower.	Purchase farm real estate, make capital improvements, refinance debt incurred for authorized farm ownership or operating loan purposes.	Temporarily Finance real estate purchase after FSA Direct loan has been approved but not funded (cannot be used if loan purpose includes capital improvements).
Loan Limit – FSA ⁵	45% of the lesser of: - the purchase price - the appraised value - or \$500,000 (225,000 max from FSA)	\$300,000	\$300,000	N/A	N/A
Loan Limit – Lender ⁵	Balance of purchase price or appraised value, whichever is lower.	50% of appraised value if FSA loan is 50% (FSA can loan less than 50% and lender more than 50% but total debt can't exceed lesser of purchase price or appraised value).	N/A	\$1,302,000	Equal to FSA Direct Loan (will be ≤ \$300,000). Bridge loan cannot be made before FSA Direct loan is approved. Used when FSA funds temporarily unavailable.
Interest Rate – FSA ⁶	The regular Direct FO rate minus 4%, but in no case less than 1.5%	5% Fixed	% Cost of Money (fixed) or 5% limited resource; subject to adjustment annually up to cost of money rate.	N/A	N/A
Interest Rate – Lender	Determined by lender; not more than rate for average farm customer.	Determined by lender; not more than rate for average farm customer.	N/A	Determined by lender; not more than rate for average farm customer.	Determined by lender.

Loan Type:	Downpayment Program 50-45-5	Joint Financing (a.k.a. Participation Loans) 50 - 50	FSA Direct Beginning Farmer	Guaranteed Loan Beginning Farmer	Bridge Loan
Loan Requirement:					
Term – FSA	20 Years	Up to 40 Years	Up to 40 Years	N/A	N/A
Term – Lender	Amortized for no less than 30 years; if balloon, can't come due within first 20 years.	Up to 40 Years	N/A	Up to 40 Years	Temporary in nature (generally not more than one year - no restriction on amortization).
Down payment	Minimum of 5% of purchase price. Cannot borrow down payment.	None required.	None required.	None required by FSA; lender's option.	Should be same as FSA Direct loan that was approved.
Subject to Graduation?	Yes	Yes	Yes	N/A	N/A
Percent of Guarantee only applies to guaranteed portion, if Guaranteed Loan obtained	95%	Maximum of 90	Maximum of 90%	Maximum of 90%	Varies depending on type of loan
Guarantee Fee Only applies to guaranteed portion, if Guaranteed Loan obtained	None	1.5% of guaranteed portion.	1.5% of guaranteed portion.	1.5% of guaranteed portion.	Varies depending on type of loan
Availability of Funds	Generally available, but may require a wait (reason for bridge loan).	May require a wait (reason for bridge loan).	Only slightly more available than the previous column.	Available, generally no wait.	N/A



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Farm Loan Programs

Farm Operating Loans & Microloans

FSA's Direct Farm Operating loans are a valuable resource to establish, maintain and strengthen your farm or ranch. Under its direct loan program, FSA loan officers are responsible for every aspect of the loan application process, and funding is provided through Congressional appropriation.

Microloans are direct farm operating loans with a shortened application process and reduced paperwork designed to meet the needs of smaller, non-traditional, and niche type operations. Apprentice and mentorship programs, non-farm business experience, and farm labor experience are acceptable alternative solutions for helping to meet farm experience and managerial requirements.

Operating loans may be used to purchase items such as:

- Livestock and feed
- Farm equipment
- Fuel, farm chemicals, insurance and other operating costs, including family living expenses
- Minor improvements or repairs to buildings
- Refinance certain farm-related debts, excluding real estate

Operating loan funds cannot be used to finance nonfarm enterprises, including earthworms, exotic birds, tropical fish, dogs or horses used for non-farm purposes (racing, pleasure, show and boarding).

There is no minimum loan amount. The maximum loan amount for a Microloan is **\$35,000**. The maximum loan amount for a Direct Farm Operating Loan is **\$300,000**. There is no down payment requirement.

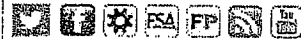
We encourage you to contact your local office or USDA Service Center to learn more about our programs and the information you will need for a complete application. To locate your local FSA office, [click here](#) or find a listing in the telephone directory in the section set aside for governmental/public organizations under the U.S. Department of Agriculture, Farm Service Agency. Our local FSA offices will be happy to provide you with further information and a loan application.

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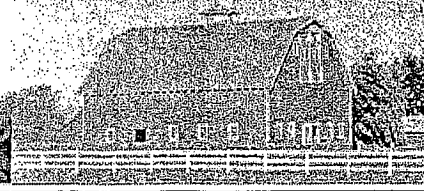
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2-5



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Farm Loan Programs

Farm Ownership Loans

FSA's Direct Farm Ownership loans provide farmers and ranchers the opportunity to:

- Purchase farmland
- Construct and repair buildings
- Make farm improvements

FSA loan officers are responsible for every aspect of the loan application process, and funding is provided through Congressional appropriation.

There is no minimum loan amount. The maximum loan amount for a Direct Farm Ownership Loan is \$300,000. There is no required down payment. All applicants for direct FO loans must have participated in the day-to-day management of a farm or ranch for at least 3 years.

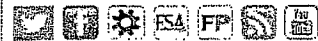
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2-6



FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

January 2013

Microloans

Overview

The Farm Service Agency (FSA) developed the Microloan (ML) program to better serve the unique financial operating needs of beginning, niche and the smallest of family farm operations by modifying its Operating Loan (OL) application, eligibility and security requirements. The program will offer more flexible access to credit and will serve as an attractive loan alternative for smaller farming operations like specialty crop producers and operators of community supported agriculture (CSA). These smaller farms, including non-traditional farm operations, often face limited financing options.

Use of Microloans

Microloans can be used for all approved operating expenses as authorized by the FSA Operating Loan Program, including but not limited to:

- Initial start-up expenses;
- Annual expenses such as seed, fertilizer, utilities, land rents;
- Marketing and distribution expenses;
- Family living expenses;
- Purchase of livestock, equipment, and other materials essential to farm operations;
- Minor farm improvements such as wells and coolers;
- Hoop houses to extend the growing season;
- Essential tools;
- Irrigation;
- Delivery vehicles.

Simplified Application Process

The application process for microloans will be simpler, requiring less paperwork to fill out, to coincide with the smaller loan amount that will be associated with microloans. Requirements for managerial experience and loan security have been modified to accommodate smaller farm operations, beginning farmers and those with no farm management experience. FSA understands that there will be applicants for the ML program who want to farm but do not have traditional farm experience or have not been raised on a farm or within a rural community with agriculture-affiliated organizations. ML program applicants will need to have some farm experience; however, FSA will consider an applicant's small business experience as well as any experience with a self-guided apprenticeship as a means to meet the farm management requirement. This will assist applicants who have limited farm skills by providing them with an opportunity to gain farm management experience while working with a mentor during the first production and marketing cycle.

Security Requirements

For annual operating purposes, microloans must be secured by a first lien on a farm property or agricultural products having a security value of at least 100 percent of the microloan amount, and up to 150 percent, when available. Microloans made for purposes other than annual

operating expenses must be secured by a first lien on a farm property or agricultural products purchased with loan funds and having a security value of at least 100 percent of the microloan amount.

Rates and Terms

Eligible applicants may obtain a microloan for up to \$35,000. The repayment term may vary and will not exceed seven years. Annual operating loans are repaid within 12 months or when the agricultural commodities produced are sold. Interest rates are based on the regular OL rates that are in effect at the time of the microloan approval or microloan closing, whichever is less.

More Information and Eligibility Criteria

Additional information on the FSA microloan program may be obtained at local FSA offices or through the FSA website at www.fsa.usda.gov.

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