# Farm Loans Overview

## Overview

The U.S. Department of Agriculture's Farm Service Agency (FSA) offers direct and guaranteed loans to farmers and ranchers to promote, build, and sustain family farms for a thriving agricultural economy.

Farm ownership, operating, and emergency loans are available under the Direct Loan Program. Farm ownership, operating, and conservation loans are available under the Guaranteed Loan Program. FSA offers two types of guarantees under the Land Contract Guarantee Program.

The goal of FSA's farm loan programs is to help farmers and ranchers obtain commercial credit. Once you are able to obtain credit from a commercial lender, our mission of providing temporary, supervised credit is complete.

## Direct Farm Loans

FSA's Direct Loan Program is designed to help farmers start, purchase, or expand their farming operation. From beginning farmers who have limited financial history to qualify for commercial credit to farmers who have suffered financial setbacks from natural disasters, FSA offers a variety of loans to provide additional resources farmers need to establish and maintain profitable farming operations. Farmers may apply for direct loans at their local FSA offices.

## Guaranteed Farm Loans

Guaranteed loans are available to farmers who may not meet loan qualifications from a commercial lender. Guaranteed loans are made and serviced by commercial lenders, such as banks, Farm Credit System institutions, or credit unions. Under a guaranteed loan, a commercial lender makes and services the loan, and FSA guarantee up to 90 percent of the loss of principal and interest on a loan in most cases. The actual percentage may be higher or lower on a case- by-case basis. Contact a local FSA office for a list of participating lenders.

## Farm Ownership Loans

Farm Ownership Loans may be used to purchase a farm, enlarge an existing farm, construct new farm buildings and/or improve structures, pay closing costs, and promote soil and water conservation and protection. The direct loans are available up to a maximum of $600,000. Microloans are also available. FSA will guarantee farm ownership loans through a commercial leader up to $2,343,000. The maximum repayment term is 40 years for both direct and guaranteed farm ownership loansibus iaculis lectus auctor. Fusce consectetur ornare lorem.

## Farm Operating Loans

Farm Operating Loans may be used for normal operating expenses, machinery and equipment, minor real estate repairs or improvements, and refinancing debt. The direct loans are available up to a maximum of $400,000. Microloans are also available. FSA will guarantee farm operating loans through a commercial leader up to $2,343,000. The repayment term may vary, but it cannot exceed seven years. Annual operating loans are generally repaid within 12 months or when the commodities produced are sold.

Direct operating loans require applicants to have sufficient education, training, or at least one year's experience in managing or operating a farm or ranch within the last five years.

## Down Payment Program

The Down Payment loan assists beginning and socially disadvantaged in purchasing a farm.

Requirements:

- 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 to be acquired, the appraised value of the farm to be acquired or $667,000 (Note: This results in a maximum loan amount of $300,150);
- The term of the loan is a maximum of 20 years. The interest rate is 4 percent below the direct farm ownership 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 and;
- Financing from participating lenders must have an amortization period of at least 30 years and cannot have a balloon payment due within the first 20 years of the loan.

## Youth Loans

Youth loans may be made to young persons who are sponsored by a project advisor, such as a 4-H club, FFA, tribal youth organization, or similar agriculture affiliated group. The project must provide an opportunity for the young person to acquire experience and education in agriculture-related skills. These loans are only available as direct loans with a maximum loan amount of $10,000. Youth loans are available to those between the ages of 10 and 20 years at the time of loan closing.

## Emergency Loans

Emergency loans help farmers and ranchers who have suffered a loss caused by natural disasters that damaged their farming or ranching operation.

Emergency loan funds may be used to restore or replace essential property, pay all or part of production costs associated with the disaster year, pay essential family living expenses, reorganize the farming operation, and refinance certain debts. The county or counties where the farm is located must be declared a disaster area by the President or designated by the Secretary of Agriculture. “For production loss loans, applicants must have suffered a loss of production below the normal production yield of the crop or realized a physical loss to livestock, livestock products, real estate or personal property.”

Producers can borrow up to 100 percent of actual production or physical losses to a maximum amount of $500,000, excluding any duplicate payments such as crop insurance indemnity payment or other government payments.

## Conservation Loans

Conservation Loans provide access to credit for farmers and ranchers who want to implement conservation measures on their land. These loans are available to both smaller and less financially established farmers and ranchers, and to larger and financially stronger farmers and ranchers. The family farm and test for credit requirements are not applicable to Conservation Loans.

Farmers and ranchers may use conservation loans to complete any conservation activity included in a USDA approved conservation plan or Forestry Management Plan. The maximum loan amount is $2,343,000 with a maximum repayment term of 30 years. Conservation Loans are available as guaranteed loans only.

## Loans for Beginning Farmers

Each year, Congress targets a percentage of farm ownership and farm operating loan funds to beginning and socially disadvantaged farmers, per federal statute. FSA offers several loan programs to assist beginning farmers. FSA’s Down Payment Program is offered to assist beginning and socially disadvantaged farmers in purchasing a farm with a maximum loan amount of $300,150.

## Land Contract Guarantees

FSA also offers financial guarantees for land sale contracts to a beginning or socially disadvantaged farmer.

The seller may request either of the following:

- Prompt Payment Guarantee: A guarantee up to the amount of three amortized annual installments plus the cost of any related real estate taxes and insurance.
- Standard Guarantee: Aguarantee of 90 percent of the outstanding principal balance under the land contract.

The purchase price of the farm cannot exceed the lesser of $500,000 or the market value of the property.

The buyer must provide a minimum down payment of 5 percent of the purchase price of the farm. The interest rate is fixed at a rate not to exceed the direct farm ownership loan interest rate in effect at the time the guarantee is issued, plus three percentage points. The guarantee period is 10 years for either plan regardless of the term of the land contract.

The contract payments must be amortized for a minimum of 20 years. Balloon payments are prohibited during the 10-year term of the guarantee.

## Who is Eligible

Eligibility requirements:

- Be a family farmer;
- Have a satisfactory credit history;
- Be a citizen of the United States, including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Commonwealth of the Northern Mariana Islands, Republic of Palau, Federated States of Micronesia and the Republic of Marshall Islands; a U.S. non- citizen national or a qualified alien under federal immigration law;
- Be unable to obtain credit elsewhere at reasonable rates and terms to meet actual needs;
- Have the legal capacity to incur the obligations of the loan;
- Not have outstanding unpaid judgments obtained by the U.S. in any court, excluding judgments filed in U.S. Tax Courts;
- Not be delinquent on a federal debt;
- Must not have provided FSA with false or misleading documents or statements in the past;
- Not have been convicted under federal or state laws of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the last 5 crop years;
- Not have received debt forgiveness from FSA (certain exceptions apply); and
- Be within the time restrictions as to the number of years they can receive FSA assistance.

Applications may also be made by entities. Entities are corporations, cooperatives, joint operations, partnerships, trusts, and limited liability companies. Their members/ stockholders must meet these same eligibility requirements. The entity must also be authorized to operate a farm or ranch in the state where the land is located.

For socially disadvantaged members, they must hold a majority interest in the entity applicant to receive targeted funding.

## Working with Farmers and Ranchers

FSA does more than just provide credit — it works with farmers and ranchers to identify strengths and opportunities for improvement in farm production and management. FSA helps farmers and ranchers find alternative options, so they can achieve success. Learning and improving business planning and financial insight through FSA's credit management is the difference between success and failure for many farm families.

FSA works to keep farmers and ranchers farming. FSA may be able to support direct loan borrowers whose accounts are distressed or delinquent, including:

- Re-amortization, rescheduling, consolidation, and/or deferral of loans;
- Rescheduling at a lower interest rate;
- Acceptance of conservation contracts on environmentally sensitive land in exchange for reduction of debt; and
- Writing down the debt.

If none of these options results in a feasible farm operating plan, FSA will work with borrowers to determine if they are eligible for consideration to retain the homestead and up to 10 acres. Borrowers may be offered the opportunity to pay off their debt for an amount below the full debt if that amount represents the market value of the loan collateral.

Farms that come into FSA ownership are sold at market value, with preference given to socially disadvantaged and beginning farmers.

## More Information

For more information visit, fsa.usda.gov/farmloans or farmers.gov where you can explore the Loan Assistance Tool for a step-by-step guide to finding the right loan for your farm. Find your local USDA Service Center at **farmers. gov/service-locator**.