

PROGRAM: FSA Farmer Programs **Soil and Water Programs Not Updated**

AGENCY: Farm Services Agency (FSA)

DESCRIPTION: The FSA guarantees loans made by agricultural lenders for family farmers and ranchers for farm ownership, improvements and operating purposes. The FSA describes a family farm as one which a family can operate and manage itself.

ELIGIBILITY:

- Farm Ownership Loans: Acquisition, construction or repair of farm homes or service buildings; improvement of on-farm water supplies; refinancing debts; clearing and improving farmland; and establishing nonagricultural enterprises to assist farmers in supplementing their farm income.
- Farm Operating Loans: Purchase items for farm operations, such as livestock, equipment, feed and seed, fuel, crop and insurance; family living expenses; building improvements; pollution abatement; water system development; and methods for complying with the Occupation Safety and Health Act.
- To qualify for an FSA Guarantee, a loan applicant must:
 - be a citizen of the United States (or legal resident alien), which includes Puerto Rico, the U.S., Virgin Islands, Guam, American Samoa, and certain former Pacific Trust Territories,
 - have an acceptable credit history as determined by the lender,
 - have the legal capacity to incur the obligations of the loan,
 - be unable to obtain a loan without a guarantee,
 - not have caused FSA a loss by receiving debt forgiveness on more than 3 occasions,
 - be the owner or tenant operator of a family farm after the loan is closed, and (For an OL, the producer must be the operator of a family farm after the loan is closed. For an FO Loan, the producer needs to also own the farm.)
 - not be delinquent on any Federal debt.
- **Soil and Water Improvements:** Water irrigation systems; drainage and forestry; and other improvements

PROGRAM/LOAN STRUCTURE:

- Maximum Program Benefits: guarantee operating loans and farm ownership loans of up to \$852,000, the maximum guarantee is 95%.
- Equity is based on the lender's policy.
- Maturities: Farm Ownership is up to 40 years. Operating Loan (equipment) is up to seven years. Operating Loan (revolving line of credit) funds are advanced within three years and repaid in seven years, and non-revolving loans are advanced within one year and repaid in 18 months.
- Rates are negotiable; variable or fixed. The FSA may subsidize the rate by 4% or the amount needed to achieve a 110% cash flow.
- No fee for subsidized loans; 1% guarantee for others.

QUALIFICATION CRITERIA/COMMENTS:

- Eligible borrowers include individuals, partnerships, corporations, legal resident aliens and cooperatives that conduct family farming or ranching operations.
- Processing time is normally seven to 21 days from the date a completed application is submitted.
- The lender has three options to market the guaranteed portion of the loans, including:
 - (1) Assignment Option: the lender may assign all or part of the guarantee to one or more holders;
 - (2) Multi-Note System: upon disposition, the holder will receive one of the borrower's

- executed notes and a Loan Note Guarantee attached to the borrower's note; and
- (3) Participation Option: the originating lender may sell participations in the guaranteed portion in accordance with its regular procedures, but retain the un-guaranteed portion.

In each instance, the originating lender services the loan and makes distributions to assignees, holders and participants. The lender may charge a servicing fee.

- For more information on ownership and operating loans, visit <http://www.fsa.usda.gov/dafl/Downloads/FinalRule.pdf> , <http://www.fsa.usda.gov/DAFL/Guaranteed.htm> , and the home page at <http://www.fsa.usda.gov/pas/> . Call (202) 720-7809.