

USDA – Farm Service Agency Loan Programs

The Farm Service Agency (FSA), an agency of the United States Department of Agriculture (USDA), offers a variety of loan programs to those engaged in agriculture. The FSA Farm Loan Programs are for farmers and ranchers who are unable to obtain credit from a commercial lender for the purpose of purchasing, sustaining or expanding their farming operation. FSA loans are intended to offer temporary assistance to a farmer or rancher with the goal of enabling them to qualify for credit extension from a commercial lender in the future.

Loan Categories

There are three general categories of loan programs available through the FSA: guaranteed loans, direct loans, and land contract guaranteed loans.

Guaranteed loans are made and serviced by commercial lenders such as banks, credit unions and the Farm Credit System, The FSA can guarantee up to 95% of these loans to minimize the risk to the commercial lender and thereby make it more likely that the lender will be willing to extend credit.

Direct loans are made and serviced by the FSA making government funds available to the farmer or rancher.

Land contract guarantees are made available to a farmer or rancher who is willing to sell real estate to a beginning or socially disadvantaged farmer or rancher.

Loan Types

Farm Ownership loans are for the purpose of purchasing or enlarging a farm or ranch, constructing a new or improved structure or building, pay closing costs, and pay for soil and water conservation programs. Direct Farm Ownership loans presently have a maximum amount of \$300,000, while Guaranteed Farm Ownership loans are adjusted annually for inflation with the present maximum amount (2016) set at \$1,399,000.

Operating loans are used to assist the farmer or rancher in purchasing equipment and livestock and to pay for minor real estate repairs and annual operating expenses. Direct Operation Loans are presently capped at \$300,000 while Guaranteed Direct Operation Loans are adjusted annually for inflation with the present maximum amount (2016) set at \$1,399,000.

Emergency loans provide assistance to those who suffer certain losses due to natural disasters that damage their farming or ranching operation. These funds can be used to replace property, pay production costs tied to the disaster and pay essential family living expenses. These funds can also assist in reorganizing the farming or ranching operation and refinancing debts. The maximum amount presently available for this type of loan is the lesser of 100% of the actual or physical loss or \$500,000.

Conservation loans can assist the farmer or rancher in completing a conservation practice in an approved conservation plan. These loans are only available as a guaranteed loan and presently have a maximum amount of 1,399,000 adjusted annually for inflation.

Land contract guarantees can provide financial guarantees to the seller of a farm or ranch to either a beginning or socially disadvantaged farmer or rancher through a land contract. The seller has the option of getting three annual installments or opting to get a guarantee of 90% of the principal amount of the land contract. These loans can be funded up to a maximum purchase price of \$500,000.

Beginning and Socially Disadvantaged Farmer and Rancher loans are available from both direct and guaranteed loan funds. These loans are made available to beginning farmers and ranchers who have less than 10 years of experience. You can also qualify for this type of loan if you can be classified as an American Indian or Alaskan Native, Asian, Black or African American, Native Hawaiian or Pacific Islander, Hispanic or Female. The maximum amount that can be borrowed under this program is presently \$667,000.

Microloans are available up to \$50,000. These loans are intended to assist small, beginning farmers; non-traditional farm operations such as truck farms, farms participating in farmers markets or CSA's; farmers and ranchers selling to farmers markets, restaurants and grocery stores, hydroponic, organic and vertical growing methods.

Youth Loans are available to individuals who are between the ages of 10 and 20 and who are sponsored by a project advisor, such as a 4-H Club, FFA, or vocational instructor. The maximum amount available under this program is \$5,000.

NOTE: It is important to check with the USDA regarding maximum loan amounts as the amount can change from year to year.



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SmartGrowth and the greater law firm of the North Caroling Association of Black Lawyers' Land Loss Prevention Project (LLPP) of which SmartGrowth is a part compiled the information in this document as a service to the public. The information in this document is up-to-date as of September 2016.

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About the Land Loss Prevention Project The Land Loss Prevention Project is a non-profit law firm that offers legal representation of clients, community education, and professional outreach in the effort to promote wealth, land preservation, and rural livelihoods www.landloss.org

About the W.K. Kellogg Foundation - The W.K. Kellogg Foundation (WKKF), founded in 1930 as an independent, private foundation by breakfast cereal pioneer, Will Keith Kellogg, is among the largest philanthropic foundations in the United States. Guided by the belief that all children should have an equal opportunity to thrive, WKKF works with communities to create conditions for vulnerable children so they can realize their full potential in school, work, and life.

The Kellogg Foundation is based in Battle Creek, Michigan, and works throughout the United States and internationally, as well as with sovereign tribes. Special emphasis is paid to priority places where there are high concentrations of poverty and where children face significant barriers to success. WKKF priority places in the U.S. are in Michigan, Mississippi, New Mexico, and New Orleans; and internationally, are in Mexico and Haiti. For more information, visit www.wkkf.org.

About the Local Food Promotion Program The Local Food Promotion Program (LFPP) of the Agricultural Marketing Service, USDA, offers grant funds with a 25% match to support the development and expansion of local and regional food business enterprises to increase domestic consumption of, and access to, locally and regionally produced agricultural products, and to develop new market opportunities for farm and ranch operations serving local markets. For more information, visit <https://www.ams.usda.gov/services/grants/lfpp>