

FARM SERVICE AGENCY LOANS

THE INS AND OUTS
OF GROWING A FARM
WITH FEDERAL LOANS





**United States
Department of
Agriculture**

FARM SERVICE AGENCY LOANS: THE INS AND OUTS OF GROWING A FARM WITH FEDERAL LOANS

©2018 NATIONAL YOUNG FARMERS COALITION

AUTHORS: CARA FRAVER, MICHELLE HUGHES, LINDSEY LUSHER SHUTE

THANKS TO THE FOLLOWING PEOPLE FOR THEIR INTERVIEWS, EDITS, AND CONTRIBUTIONS:

SOPHIE ACKOFF, LUKE DEIKIS, HOLLY RIPPON-BUTLER, HANNAH SASSOON,
CHELSEY SIMPSON, ANDREW WILLIAMS

THIS GUIDE WAS MADE POSSIBLE BY A COOPERATIVE AGREEMENT WITH FSA. SPECIAL THANKS TO EVERYONE AT FSA, ESPECIALLY:

SARAH CAMPBELL, BILL COBB, J. LATRICE HILL, MICHAEL MOORE, JOHN TAMASHIRO,
SHAYLA WATSON-PORTER, TONI WILLIAMS, LYNETTE WRIGHT

THANK YOU THE INTERVIEWEES WHO GENEROUSLY SHARED THE STORIES OF THEIR LOANS:

LEE BROOKS, WAYNE HARRIS, JR., RJ LAWSON, MATTHEW LINEHAN, NOAH LINK,
AMELIA NEWTON, BENJAMIN SHUTE, TRYLON WILLIAMS

DESIGN: SARAH DOUGLAS | GAIACREATIVE.COM

ILLUSTRATION: TAMARA LUSHER STOCKER | TAMARALUSHERSTOCKER.COM

USDA IS AN EQUAL OPPORTUNITY PROVIDER, EMPLOYER, AND LENDER.



TABLE OF CONTENTS

4 A LETTER FROM THE AUTHOR

6 ALL ABOUT FSA

13 FSA LOAN REQUIREMENTS

19 LOAN TYPES

24 OPERATING LOANS

26 FARM OWNERSHIP LOANS

28 DOWN PAYMENT LOAN

29 LAND CONTRACT GUARANTEE PROGRAM

30 FARM STORAGE FACILITY LOAN

32 CONSERVATION LOANS

33 EMERGENCY LOANS

34 YOUTH LOANS

36 APPLYING & AFTERWARD

36 TIMING AND ALLOCATIONS

37 IS AN FSA LOAN RIGHT FOR ME?

38 BUSINESS PLANNING

39 HOW DO I APPLY FOR AN FSA LOAN?

41 TIMELINES

42 IF YOUR LOAN IS ACCEPTED

43 IF YOUR LOAN IS REJECTED

44 GRADUATING TO TRADITIONAL CREDIT

44 WHAT IF I CAN'T PAY?

45 CONCLUSION

46 GLOSSARY

48 RESOURCES

A LETTER FROM THE AUTHOR



CARA FRAVER



IN 2011, MY HUSBAND AND I were searching for capital to buy a 50-acre farm in the upper Hudson Valley of New York. We'd saved money, we had several years of farm apprenticeships under our belts, we had written a thorough ten-year business plan, and we had worked extensively with local land conservation groups to manage our planned purchase. We didn't qualify for a loan from a traditional lender, but due to the rules in place at the time, we also didn't qualify for an FSA loan.

Despite years of working at several large and successful farms, we hadn't held official management positions, and therefore didn't meet the FSA requirements at the time. We managed to start our farm without an FSA loan, but it was not always a pretty sight.

In the years that followed, the National Young Farmers Coalition (NYFC) fought for changes to many FSA loan restrictions, including the one that had blocked us. Thanks to the work of NYFC and others, the 2014 Farm Bill debuted some of these changes, making American agriculture more hospitable to young and beginning farmers like us. The FSA Microloan Program is emblematic of this shift: thanks to streamlined paperwork, more affordable terms, and young-farmer-friendly requirements, a sizable cadre of farmers who were previously unqualified for FSA support can now access financing for their businesses.

What can seem like a minor tweak in the wording or terms of a program can result in huge opportunities on the ground, and the cumulative effect of these opportunities is contributing positively to the shifting face of agriculture across the nation.



NYFC has worked closely with FSA to identify areas where these changes, both small and large, could open doors to new types of farmers. It often takes money to make money, and responsible loans can play a big part in getting that ball rolling.

This guidebook was written to explain how FSA programs can be accessed by small-scale, diversified farmers, including those who are growing organically, farming in urban environments, marketing through CSAs, or exploring non-traditional growing practices like aquaponics or rooftop agriculture. We want you to understand the benefits and the costs of FSA loans and all of the options available to you. This book also stands as a guide to equip young farmers, both conventional and those outside the box, with knowledge that will help them navigate this sometimes daunting system and avoid the pitfalls that might occur.

Thanks to tight business management and careful control of our debt, my husband and I turned our dream into a successful small farm. When, four years later, we decided that farming was no longer the right choice for our family, we were able to stop farming with our finances expanded instead of depleted. If we had benefited from the changes that NYFC and others have since made at FSA, our start-up would have been easier and our business more secure. I believe these changes make the future brighter for young farmers across America.

FSA loans are arguably some of the very best loans available, but loans are only good if you can pay them back. So be smart, cautious, thorough, and diligent about your borrowing options.

BEST,

ALL ABOUT THE FARM SERVICE AGENCY (FSA)

THE FEDERAL GOVERNMENT WILL LEND FARMERS MONEY!

SIMPLY PUT, the Farm Service Agency (FSA) exists to provide economic stability to farmers and ranchers across America.



FSA'S MISSION STATEMENT

To serve our nation's farmers and ranchers professionally, efficiently, equitably, and in a manner that is customer, taxpayer, and employee friendly.



IN ADDITION TO LOANING
MONEY TO FARMERS...



...what else does FSA do?

- Supports and prices commodity crops
- Offers risk management coverage, similar to crop insurance (See NAP, page 17)
- Helps farmers who have suffered from a natural disaster
- Shares the cost of organic certification
- Protects sensitive land through conservation programs



ABOUT FSA

FSA IS A PART of the United States Department of Agriculture (USDA), the agency that broadly oversees farming and forestry issues in the United States. USDA does everything from developing new agricultural laws and policies to protecting farm-related natural resources to fighting hunger on an international level. President Abraham Lincoln, himself the son farmers, claimed that the interests of farmers are “most worthy of all to be cherished and cultivated.” During his time in office, while also overseeing a nation at war with itself, he established a Department of Agriculture.

The roots of FSA began in the 1930s as one of FDR’s New Deal social programs to help dig America out of the Great Depression. Originally called the Farm Security Administration (and, later, the Farmers’ Home Administration), the agency began as a system of programs to alleviate rural poverty through technical agricultural assistance and moneylending to farmers. Technological advances around World War II saw huge shifts in the way the U.S. handled commodity crops, and USDA responded with programs addressing commodity crop demand and surplus and pricing supports to help farmers and

ranchers manage their profitability in the new marketplace. In the 1980s, an increased understanding of the interplay between farming, forestry, and the environment led to the fortification and creation of programs that helped farmers and ranchers sustain and strengthen their wetlands and other natural resources. (Natural Resources Conservation Service, another agency within USDA, also protects soil and natural resources.) In 1994, USDA was substantially restructured, and the conservation and commodity crop programs were combined with the loan programs to form the Farm Service Agency that we know today.

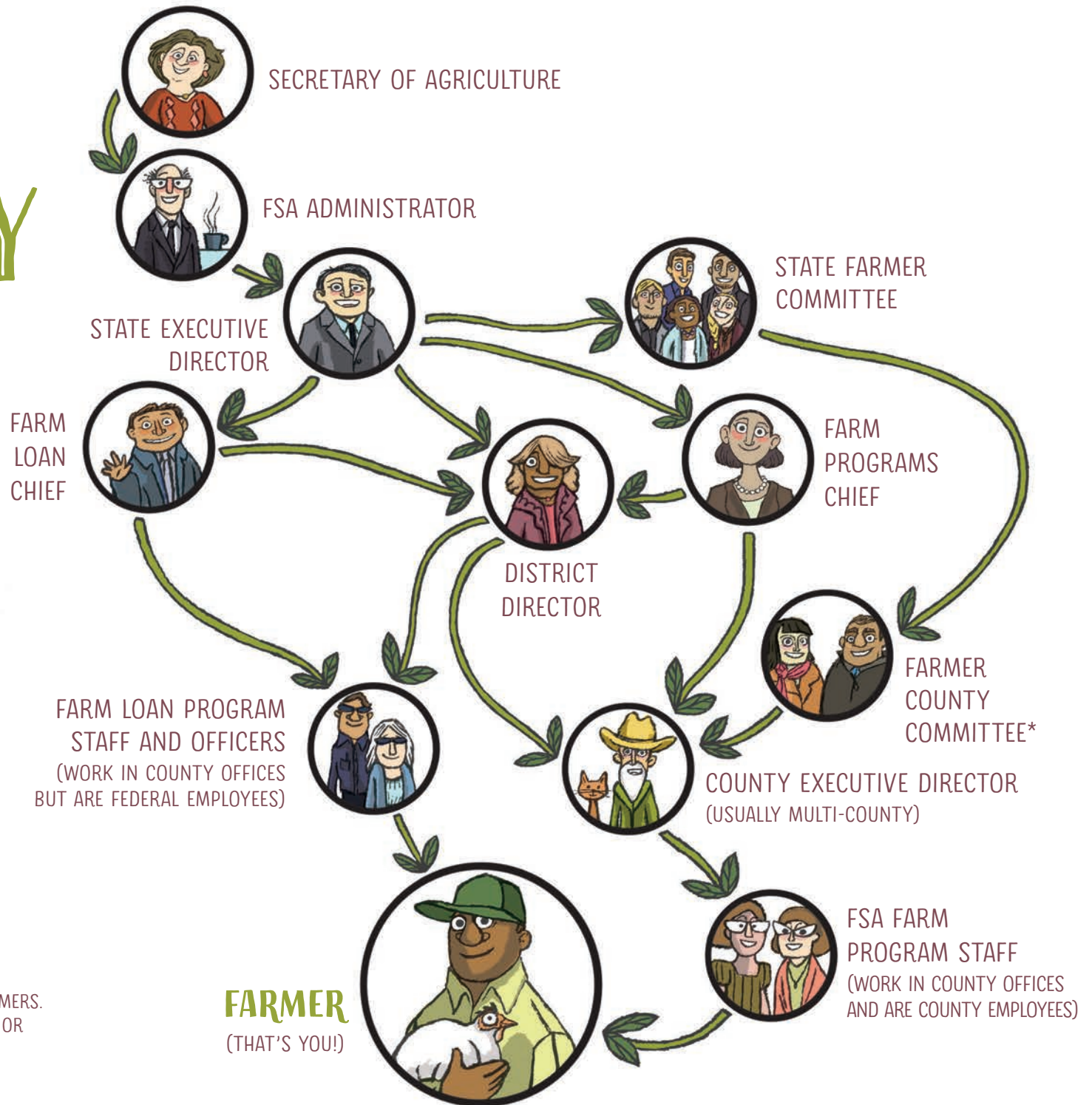
ABOUT NYFC

The National Young Farmers Coalition (NYFC) represents, mobilizes, and engages young farmers and ranchers to ensure their success. NYFC tackles the most critical structural and economic barriers that prevent motivated young people from building successful farming careers. In surveys, young farmers in our coalition consistently rank access to capital as one of their biggest challenges. In our 2011 National Young Farmer Survey, 78% of young farmers ranked “lack of capital” as a top challenge for new farmers, with another 40% ranking “access to credit” as their biggest challenge.

NYFC strives to match the enthusiasm of young farmers with legislative legwork that creates change. NYFC pushed for the Microloan Program and worked with USDA to adapt the Farm Storage Facility Loan to reach diversified farmers. While these programs are large and can seem unwieldy, even small changes to the language of the rules can create opportunities for beginning farmers. Unlike traditional banks, where rules are created by markets or shareholders, these public programs through USDA are created to ultimately benefit farmers and, therefore, should change as the demands of the farmers change. As you go through the process of working with FSA, keep NYFC in the loop. If there are areas where changes in rules could help you, please let us know.



FSA FAMILY TREE



*COUNTY COMMITTEES ARE ELECTED BY FARMERS. YOU CAN VOTE FOR COMMITTEE MEMBERS OR RUN FOR YOUR COMMITTEE!

ABOUT THE FAMILY



SECRETARY OF AGRICULTURE: Oversees the U.S. agricultural industry including price supports, agricultural research, expanding international export markets for U.S. farm products, food safety, financial support to rural communities, conservation programs, and food and nutrition assistance to families in need. This is a cabinet position, appointed by the President.



FSA ADMINISTRATOR: Manages all of the activities of FSA in 50 U.S. States and territories, overseeing over 2,000 county offices and more than 10,000 employees. Appointed by the President.



STATE EXECUTIVE DIRECTOR: Plans, organizes, implements, coordinates, and directs FSA programs, policies, and practices. Additionally directs sharing program information to farmers, farm groups, and participating industries. This is an appointed position.



STATE FARMER COMMITTEE: Addresses state-level appeals, oversees state-level programs such as conservation programs, and keeps farmers and ranchers abreast of FSA programs. This is an appointed position.

PROGRAM DIVISIONS: FSA's work is divided into two divisions at the local level. The Farm Loan Program lends money to farmers. Farm Programs manages commodity programs, Non-Insured Crop Disaster Assistance Program, conservation programs and more.



FARM LOAN CHIEF: Directs Farm Loan Programs and oversees the farm loan state office staff.



FARM PROGRAMS CHIEF: Provides overall direction in delivering Farm Programs and oversees the Farm Programs state office staff.



DISTRICT DIRECTOR (# VARIES BY STATE): Traveling regional manager that oversees county office operations for both farm program and farm loan staff in a specific area of the state. Communicates between the state office and the county offices.



FARM LOAN PROGRAM STAFF AND OFFICERS: Make loans to farmers, as discussed throughout this guidebook!



ELECTED FARMER COUNTY COMMITTEE: This elected committee guides FSA's farm programs at a local level. The non-partisan elected group of three to eleven members meet monthly to "make important decisions on disaster and conservation programs, emergency programs, commodity price support loan programs, selecting a county executive director, and other agriculture issues."



COUNTY EXECUTIVE DIRECTOR: Manages the day-to-day operations of a county office(s), including overseeing farm program staff. This role is selected by the FSA County Committee.



FSA FARM PROGRAM STAFF: Implement and run their respective programs, such as conservation or disaster assistance programs.



COMMITTEES

FSA COUNTY COMMITTEES are a link between rural growers and policymakers. The County Committee is a team of individually elected farmers or ranchers who have experience with FSA programs. These farmers make decisions about FSA programs and outreach at a local level during their three-year term, but they do not make decisions on farm loan applicants. The County Committee selects the FSA County Executive Director, helps make decisions about FSA programs, and promotes all FSA programs, including the

loan programs discussed in this guidebook. Engagement in this committee can be a wonderful way to effect change, understand more about how FSA works, and connect with your regional farming community. “Through the county committees, farmers and ranchers have a voice. Their opinions and ideas get to be heard on federal farm programs,” said Tom Vilsack, former USDA Secretary. “It is important for county committees to reflect America’s diversity, so I encourage all eligible farmers and ranchers, including beginning farmers, to get involved

“THROUGH THE COUNTY COMMITTEES, FARMERS AND RANCHERS HAVE A VOICE. IT IS IMPORTANT FOR COUNTY COMMITTEES TO REFLECT AMERICA’S DIVERSITY...”

— TOM VILSACK, FORMER USDA SECRETARY

in [...] elections. We’ve seen an increase in the number of nominations for qualified candidates, especially among women and minorities, and I hope that trend continues.”

FSA specifically encourages farmers and ranchers from targeted underserved groups to run for County Committees (see page 16). Of course, diversity on these committees will enable the voice of underserved farmers to be heard.

RACIAL DISCRIMINATION IN FARM LENDING

In 1999 and 2010 respectively, USDA settled two historically important legal cases, often referred to as Pigford and Keepseagle. In settling the first case, *Pigford v. Glickman*, USDA paid the plaintiffs—a large group of African-American farmers—for systemic racial discrimination in relation to the farm loan program between 1981 and 1996. The following year a similar lawsuit was settled to address discrimination against Native American farmers and ranchers in *Keepseagle v. Vilsack*. USDA has paid more than \$2.5 billion to these farmers, to other farmers who have experienced discrimination, and to nonprofit and educational institutions to address issues of racism in agricultural programs. Since then, USDA and FSA have been actively addressing inclusivity within their programs by attempting to diversify their staff, reaching out to underrepresented farmers, and setting aside percentages of the loan program allocation for farmers of color. While traditional commercial lenders are prohibited from considering factors like race and gender, FSA now routinely does so in order to ensure equitable allocation of loan funds.

In 1999 and 2010 respectively, USDA settled two historically important legal

55% OF YOUNG FARMERS RANKED “ACCESS TO CREDIT” AS A SIGNIFICANT CHALLENGE OR SOMEWHAT OF A CHALLENGE

18%

OF YOUNG FARM OWNERS WHO HAVE USED FEDERAL PROGRAMS ACCESSED MICROLOANS.

—2017 National Young Farmer Survey



What makes FSA loans unique?



AFFORDABILITY

FSA loan interest rates are different for each program and vary over time with the economy (though most become fixed at the closing), but they are generally a fraction of current commercial interest rates—some are as low as 1.5% APR. Many FSA loan programs require no down payment.

SPECIAL PRIORITIES

A portion of the money that FSA loans each year is set aside for farmers of color, indigenous farmers, women farmers, beginning farmers, and, in some programs, veterans. (See pages 15 and 16 for more information about underserved and beginning farmers.)

THEY'RE PUBLIC

These loans are made using tax dollars, and the rules surrounding them are written by Congress.

LENDERS WHEN BANKS WON'T

For all loans except Conservation Loans and Farm Storage Facility Loans, FSA will only lend to you if you cannot secure credit elsewhere at reasonable rates.

FAMILY FARMS ONLY

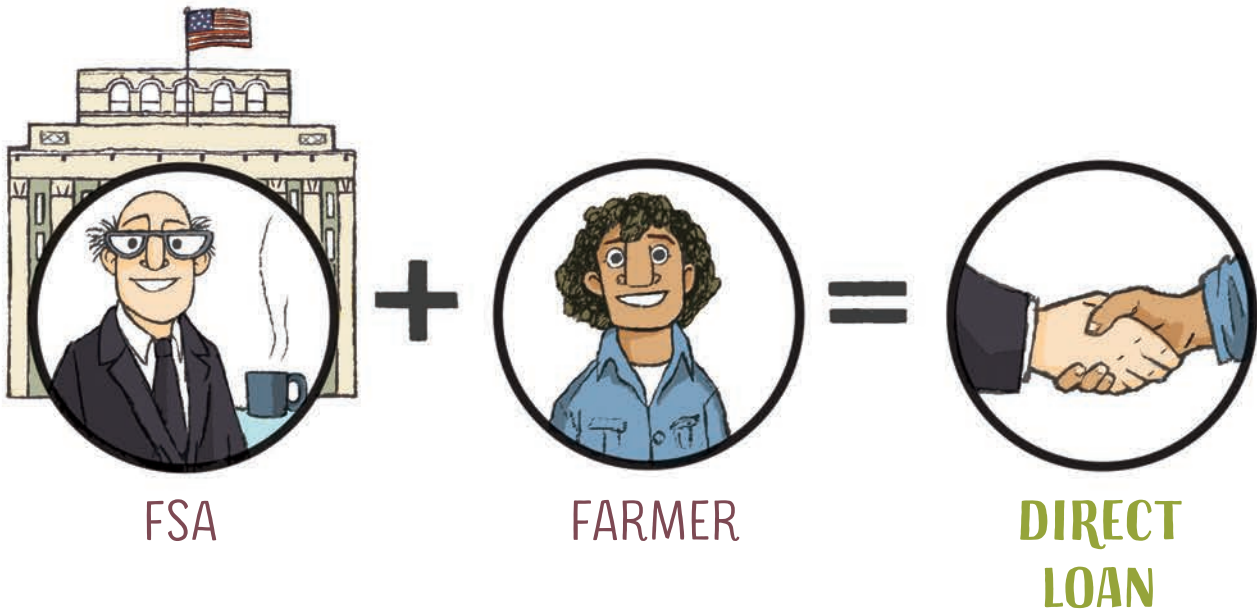
FSA has some special restrictions that traditional lenders don't use. For instance, nearly all FSA loans are only available to "Family Farms" (see page 13).

TYPES OF FSA LOANS

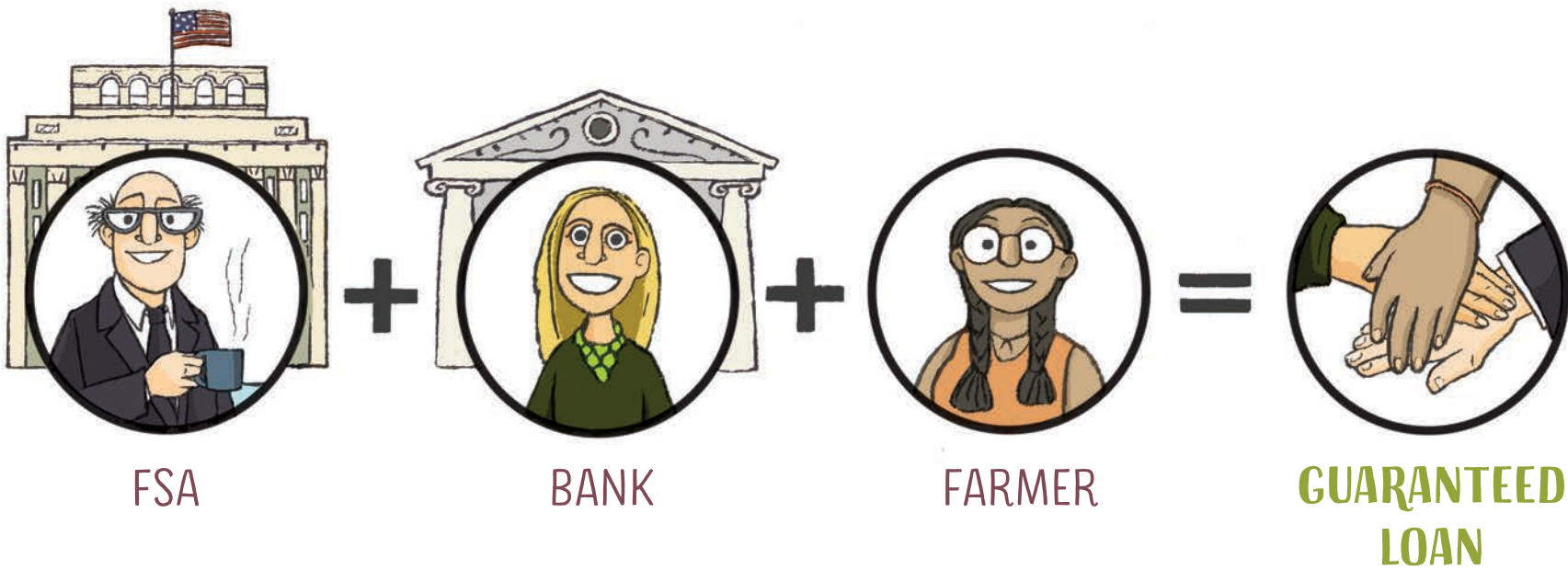
GUARANTEED LOANS: These loans are made to you by a USDA-approved traditional lender, with the backing of FSA. Imagine you go to the bank and ask to borrow \$5 for your farm. The bank compares your qualification to their standards, and then says you almost qualify for a \$5 loan, but not quite. If you get someone to financially guarantee that you'll pay it back, they'd lend it to you. You and the bank work with FSA, which compares your qualifications to its own standards. If you qualify, FSA guarantees the loan, and the bank lends you the \$5. Smaller, less paperwork intensive direct loans are called EZ Guarantee loans.

DIRECT LOANS: As the name implies, these are loans that FSA makes directly to the farmer. Imagine you go to the bank and ask to borrow \$5 for your farm. The bank compares your qualifications to their standards, then says, No way are we loaning you \$5! You contact FSA, they look at your qualifications, and if you qualify they lend you the \$5 for your farm. Smaller, less paperwork intensive direct loans are called microloans. You can only have \$50K in microloans, regardless of the type.

OTHER TYPES: Most of the loans we talk about in this book are managed under the Farm Loan Program. (See family tree on pages 8 and 9.) Farm Storage Facility Loans are managed under FSA's Farm Programs arm and vary slightly from Farm Loan Program loans. Talk to your loan officer for more details.



FSA LOAN TYPES



FSA LOAN REQUIREMENTS

BEFORE WE get too deep into the specific programs offered by FSA, let's take a moment to define some groups and narrow down who is eligible for these programs.

These are basic, applies-to-everyone rules for receiving an FSA loan. When we later say "Meet general FSA eligibility," this is what we mean.

PERSONAL

- ✓ **CITIZENSHIP:** You are a citizen or legal resident of the United States.
- ✓ **ADULT AND MENTALLY COMPETENT:** You have the "legal capacity to incur responsibility for the loan obligations." Basically, you must be 18 years old (except for the youth loan) and mentally competent enough to make decisions about your own debt and finances.
- ✓ **LEGAL BACKGROUND:** You have not been convicted on a federal or state level for a controlled substance violation that makes you currently ineligible for federal benefits.

BUSINESS

- ✓ **A WORKABLE FARM BUSINESS PLAN:** In addition to meeting all of the eligibility requirements, you have to be able to pay your loan back. Your FSA Loan Officer will review all of the forms that you submit to determine whether your farm business will generate enough money to return the loan funds. In order to decide this, they'll review your financial history and business plan, compare your income to your expenses, and inspect any outstanding debt you have. Remember, FSA loan programs are loans—they need to be repaid, and FSA will not lend to you if they don't have a reasonable expectation that you will be able to repay the obligation.
- ✓ **FAMILY FARM:** (Note: this requirement does not apply to Farm Program loans like FSFL.) This requirement can be broken down into two parts:
 - 1 Much of the labor and most of the management decisions on the farm need to be made by the family that runs the farm. There is allowance for hiring outside labor in peak seasons or in labor-intensive enterprises like fruit and vegetable

operations. There is also an allowance for LLCs and partnerships that include non-family members, so long as all members contribute substantial physical labor, not just management.

2 The borrower needs to be considered a "farm" by FSA, meaning a business aiming to make a profit producing agricultural products. This excludes exotic animals, non-agricultural equine, pets, etc. It also excludes homesteaders who aren't selling products.

- ✓ **OWNER OPERATOR:** You must be the owner/operator or renter/operator when the loan is closed. (Note: This is not required for Farm Program loans like FSFL or Conservation.)
- ✓ **ADEQUATE COLLATERAL:** As most FSA loans don't require a down payment, you must have enough collateral to back your loan up to 100%, and often up to 150%, with the exception of some Emergency Loans. This collateral can be the real estate, equipment, livestock, or products that you are buying with the loan. See more about collateral on page 18.



✓ **FSA NUMBER:** FSA's non-loan programs require that each farm is designated with a number. Sometimes a farm is composed of multiple plots with different numbers. These numbers remain with the land even if the land is sold to another farmer. FSA's Farm Loan Programs don't always require that you have a farm number, but you may find that it is an easy step that makes tracking your land through various USDA programs easier. FSA is looking to find ways to incorporate rooftop gardens, shipping container farms, and other non-land-based growers.

✓ **COMPLY WITH NATURAL RESOURCES CONSERVATION SERVICE RULES:** If your farm has wetlands or highly erodible land, you must meet NRCS's "Highly Erodible Land Conservation" guidelines and "Wetland Conservation Cross Compliance." Basically, they want to be sure that you aren't draining or cropping wetlands or annually plowing erodible land. If you have wetlands or highly erodible land on your farm, you will want to work with NRCS to be sure that you have a plan to steward these delicate areas responsibly. NRCS may visit your farm to assess these areas.

CREDIT

- ✓ **REASONABLE CREDIT HISTORY:** Your credit history must show that you and all other owners do not have a poor history of paying off debts.
- ✓ **NOT ABLE TO GET CREDIT ELSEWHERE:** (Note: this is only required in Farm Loan programs.) One of the requirements of FSA's Farm Loan Program is that the borrower cannot obtain credit from another lender with "reasonable rates and terms." This rule is in place to ensure that federal funds are going to farmers and ranchers who are most in need of credit. Your loan officer will review your application, review the credit history of all of your farm's entities (owners), and use his or her judgment to determine whether you'd be unlikely to get a loan from a traditional lender. You will also need to self-certify in writing on your application that you can't get credit elsewhere. If your loan officer reviews your application and thinks that you might be able to get credit from a traditional lender, he or she may ask for a letter of denial. Note, though, that whether you actually need to apply

and be denied by a conventional lender is at the discretion of your loan officer. Your loan officer will also take into account the amount and quality of the credit available in the area where you farm. Some places in the country are considered "credit deserts" with very little agricultural credit available or loans that are only available at very high interest rates. In this way, your loan officer isn't just judging your credit history and ability to repay your loan but also the general credit environment in the geographical area where you farm.

- ✓ **NO CROP INSURANCE VIOLATIONS:** You are ineligible if you have a federal crop insurance violation on your record.
- ✓ **NOT BEHIND ON FEDERAL DEBT:** You are not behind on another federal debt, excluding IRS tax debt.
- ✓ **NO FSA DEBT FORGIVENESS:** You have not received debt forgiveness on an FSA loan (with some exceptions). Speak to your loan officer to understand how your history with FSA loans could impact your ability to borrow again.



TERM LIMITS

- ✓ **OPERATING LOANS:** You have not had a direct operating loan from FSA for more than seven non-consecutive years. Microloans for veterans and beginning farmers do NOT count toward the seven years.
- ✓ **OWNERSHIP LOANS:** You have not had a direct ownership loan from FSA for more than 10 years from the date of the first loan.

FOR ALL FARM LOAN PROGRAM DIRECT LOANS A FEW ADDITIONAL EXPERIENCE AND TRAINING CRITERIA APPLY:

- ✓ **MANAGEMENT EXPERIENCE:** You are able to show “sufficient managerial ability.” Work with your FSA loan officer if you have questions about your eligibility due to managerial experience, as situations are evaluated on a case-by-case basis and the judgment of the individual loan officer plays a huge role. Direct Farm Ownership Loans are the most stringent and require

that an applicant has had a management role on a farm for three of the previous 10 years. Growers can substitute one of those years with one of the experiences below. Direct Operating Loans, depending on the size of the loan, require that a borrower shows relevant farming experience by:

- Operating a farm for a full growing season
- Working or apprenticing on a farm
- Education in an agricultural field
- Getting and repaying a Youth Loan

Experiences that can help determine your eligibility include: 4-H, apprenticeships, participating in your family’s farm, technical school, an agricultural degree, farm management, military leadership, significant business management, and farm ownership. In some cases, having an experienced mentor will contribute to your management requirement.

- ✓ **TRAININGS:** You must be willing to attend FSA’s Borrower Training workshops. Direct loans require that most borrowers attend FSA-approved borrower training sessions. These trainings cover financial management as well as production. (See page 42.)

BEGINNING FARMERS

In addition to the funding set-asides within the general loan programs, FSA also has some loans that are only for beginning farmers, like the Down Payment Loan and the Land Contract Guarantee Program. When FSA possesses a farm, such as through default on a loan, they are supposed to offer it to beginning or underserved farmers first.

FSA defines a beginning farmer as someone who:

- Has fewer than 10 years of experience operating a farm or ranch; being a hired-hand, apprentice, or employee does not count
- Has a main role in the operation of his or her farm or ranch
- Doesn’t own a “large” farm or ranch. This is defined as smaller than 30% of the average farm in the county where the farm is located. This rule is actually more selective than it seems at first blush and may exclude farm owners who have woods or other land that isn’t in cultivation, as well as those starting larger operations, like pastured animals, in counties dominated by intensive cultivation.



Underrepresented applicants

Because some farmers and ranchers are underrepresented in FSA programs, they are given special priority.

FSA DEFINES 'TARGETED UNDERSERVED APPLICANTS' AS:
AFRICAN AMERICANS
ALASKAN NATIVES
ASIAN AMERICANS
LATINOS, HISPANICS, OR CHICANOS
NATIVE AMERICANS
NATIVE HAWAIIAN
PACIFIC ISLANDERS
WOMEN

FSA defines some groups of farmers and ranchers as "Targeted Underserved" (sometimes called "Socially Disadvantaged Applicants" or SDAs) and reserves special funding set-asides for these farmers. There is a separate pot of money for beginning farmers. This basically means that there is a chunk of money set aside to fund loans to farmers who fall into one of these groups, and that money cannot be loaned to anyone else unless there isn't enough demand within the set-aside groups. FSA sets goals of reaching an increasing number of farmers of color, indigenous farmers, women farmers, and beginning farmers each year. Also, when FSA owns a farm due to foreclosure or another reason, they give targeted underserved and beginning farmers first priority to buy it.

To be eligible for these funding set-asides or programs for targeted underserved applicants, you must hold a majority of the farm ownership. For married couples, this is eased to include 50/50 ownership as long as the farmer of color, indigenous farmer, woman, or beginning farmer contributes substantially to the running of the farm and is generally seen as a principal operator.

OTHER DEFINITIONS TO UNDERSTAND

CROP INSURANCE

Crop insurance is a complicated system and many beginning or diversified farmers don't choose to use this type of insurance. The Farm Storage Facility Loan, Commodity Loans, and Emergency Loans can require crop insurance. Also, if you will be using your crop as collateral, FSA will want your crop to be insured. In at least one instance (see page 31) a farmer got a waiver from his State Committee to replace crop insurance because he was mitigating risk on his farm through CSA.

Crop insurance is a tool for mitigating some of the risk of farming. Farmers pay premiums for insurance and, if they have a bad year, the insurance helps to cover some of the loss through an "indemnity payment." Insurance can be a way of evening out good years and bad years for a more consistent income. Farmers buy crop insurance from private insurance agencies that are approved by the Risk Management

Agency (RMA). To find an agency go to: www.rma.usda.gov/tools/agent.html. More than 60% of the crop insurance premium is subsidized by the federal government. Crop insurance programs are managed by the RMA, with the exception of a few programs that are similar to crop insurance but managed by FSA. Some crop insurance programs have special assistance for beginning or underserved farmers. There are many options for farmers, but here we'll just describe two that are often used by small-scale growers.

NON-INSURED CROP DISASTER ASSISTANCE PROGRAM (NAP)

Unlike other "crop insurance," NAP is managed by FSA and isn't technically crop insurance. In this program, farmers can buy protection for crops that aren't usually covered under RMA's crop insurance programs in their county. In the case of a natural disaster, the farmer can be reimbursed for up to 65% of the value

SHARING THE RISK

COMMUNITY SUPPORTED AGRICULTURE (CSA) IS A WAY THAT MANY BEGINNING FARMERS MANAGE THEIR RISK. FOR LOANS THAT REQUIRE CROP INSURANCE, LIKE THE FARM STORAGE FACILITY LOAN, YOU MAY BE ABLE TO SHOW THAT YOUR FARM CARRIES LESS RISK DUE TO SALES THROUGH CSA.

of covered crops. If there is data to prove historical prices, farmers can even protect the value of organic or direct market crops. Service fees are waived and premiums are reduced for beginning, traditionally underserved, and "limited resource" farmers.

TO FIND AN AGENCY, GO TO:

WWW.RMA.USDA.GOV/TOOLS/AGENT.HTML



OTHER DEFINITIONS, CONTINUED

WHOLE FARM REVENUE PROTECTION (WFRP) INSURANCE

This is a fairly new program aimed at diverse or niche farms. It is available in all counties and covers all of the crops on the farm in one policy, instead of crop-by-crop. This type of insurance is based on your historic revenue, not the futures prices.

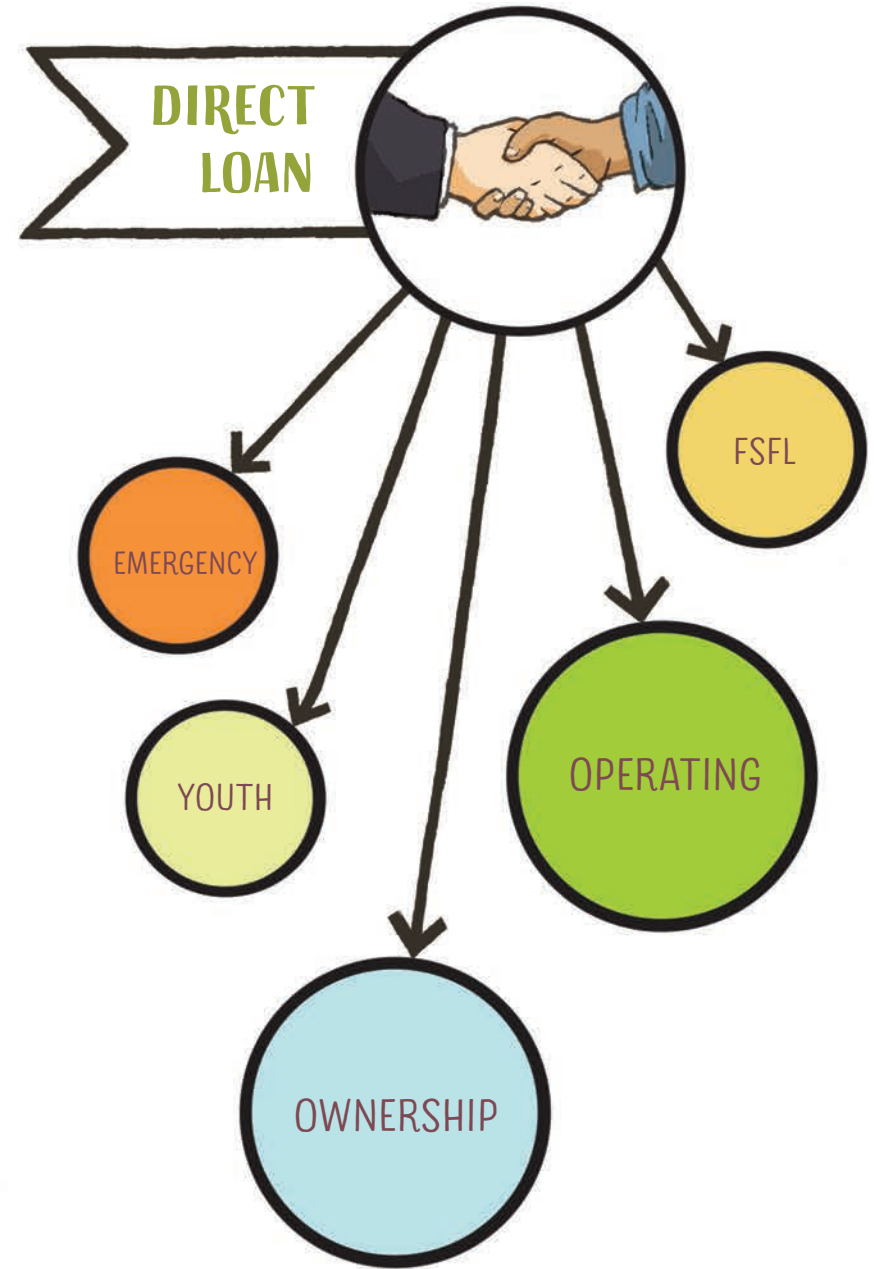
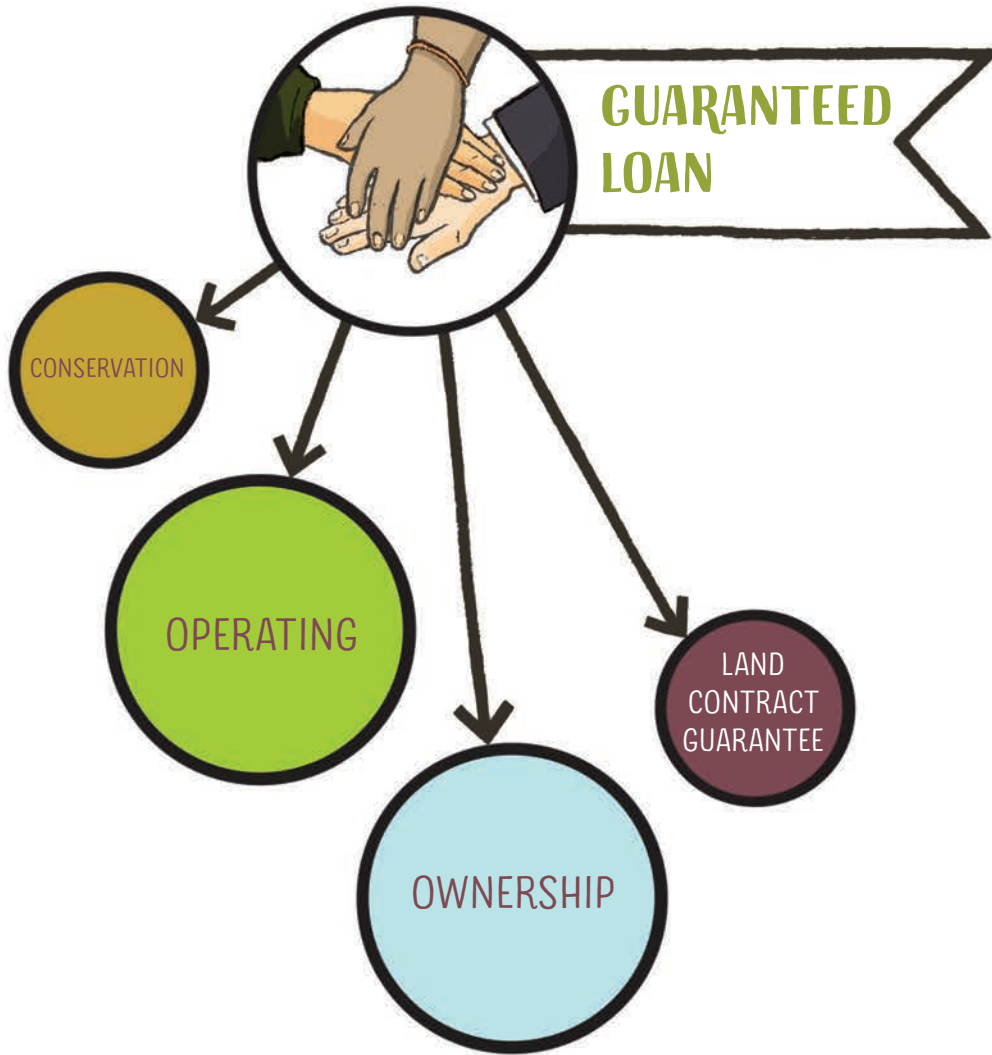
COLLATERAL

FSA requires 100% security, or collateral, on all farm loans, except some Emergency Loans. If this isn't available, the borrower can use a pledge of security from a third party, which is like underwriting. In many cases—such as Microloans that aren't for annual operating expenses, Youth Loans, and Down Payment Loans—FSA will ask for 150% security.

FSA will assess your collateral to be sure that it covers the amount of your loan. You may need an appraisal to determine the value of the collateral, especially with real estate. If there is

more than one available choice for collateral, FSA will choose the collateral it deems the most reasonable. A borrower can use a piece of real estate or a movable asset (like livestock, equipment, or stored crop) to secure more than one loan with FSA. When a borrower uses collateral to secure two loans with different lenders, each lender has a "lien position," or an order in which they'll be paid if the collateral has to be sold off. If you use real estate to secure your loan, FSA wants to have "first lien," meaning they'd be the first entity to get paid back if you defaulted.

If you're using your farm as collateral for a Farm Ownership Loan, like you would in a traditional mortgage, you'll need to be sure that it doesn't have environmental problems and isn't compromised in any other way. Examples include presence of endangered species or buildings of historical significance. This seems trivial, but the environmental testing that may be necessary could contribute to a longer application timeline.



2 } LOAN TYPES



DIRECT LOANS

LOAN NAME	FOR WHAT	RATES	MAX \$	TERM IN YEARS	PAGE #
DIRECT OPERATING LOAN	Anything from annual cash flow to livestock, equipment, refinancing and certification costs.	3.0%*	\$300,000	1-7	24
MICROLOAN OPERATING	Anything from annual cash flow to livestock, equipment, refinancing and certification costs.	3.0%*	\$50,000	1-7	24
DIRECT OWNERSHIP LOAN	For buying a farm, capital improvements, conservation projects.	3.750%	\$300,000	Up to 40	26
MICROLOAN OWNERSHIP	For buying a farm, capital improvements, conservation projects.	3.750%	\$50,000	Up to 25	26
DOWN PAYMENT LOAN	For buying a farm. FSA loans up to 45% of the cost of the farm, or up to \$300,000 to beginning farmers, farmers of color, or women farmers. The farmer pays a 5% down payment and finances the remainder of the cost of the farm.	1.5%* (Fixed rate at 4% below the rate for Direct Farm Ownership Loans, but never lower than 1.5%)	\$300,000 from FSA	Up to 20 from FSA and at least 30 from the traditional lender, and they can't use balloon payments within the first 20 years of the loan	28



DIRECT LOANS



LOAN NAME	FOR WHAT	RATES	MAX \$	TERM IN YEARS	PAGE #
FARM STORAGE FACILITY LOAN	For washing, packing, drying, or storing facilities. Farmer pays 15% down payment and farmers receive payment after bulding or buying is underway.	2.250 - 2.375%*	\$500,000 (but all loans over \$100,000 subject to extra criteria such as liens)	7, 10, or 12	30
FARM STORAGE FACILITY MICROLOAN	For washing, packing, drying, or storing facilities. Farmer pays 5% down payment and farmers receive payment after bulding or buying is underway.	1.875 - 2.250%*	\$50,000	3,5, or 7	30
EMERGENCY LOANS	For farmers or ranchers who have suffered from a natural disaster.	3.75%*	\$500,000	1-40	33
YOUTH LOANS	For youth between the ages of 10 and 20 who are involved with an agriculture youth org. Covers basic operating expenses.	3.0%* linked to Direct Operating Loans	\$5,000	1-7	34
DIRECT OWNERSHIP JOINT FINANCING	For buying a farm or ranch. A hybrid loan, this combines a direct loan from FSA and a loan from a traditional lender.	2.5%*	\$300,000 or 50% directly from FSA	N/A	26

*as of 1/12/18. Interest rates are subject to change.



GUARANTEED LOANS



LOAN NAME	FOR WHAT	RATES	MAX \$	TERM IN YEARS	PAGE #
GUARANTEED OPERATING LOAN	Anything from annual cash flow to livestock, equipment, refinancing, and certification costs.	Set by lender. FSA charges the bank a fee of 1.5% of the part of the loan that they guarantee. Often the bank passes this fee on to the borrower.	\$1,399,000, adjusted yearly for inflation	1-7, with shorter terms for basic operating loans and longer terms for equipment, livestock, or renovation costs	24
EZ GUARANTEE OPERATING	Anything from annual cash flow to livestock, equipment, refinancing, and certification costs.	Set by lender	Up to \$100,000 from traditional lenders and \$50,000 from Microlenders	1-7	24
GUARANTEED OWNERSHIP LOAN	For buying a farm.	Set by lender. FSA charges the bank a fee of 1.5% of the part of the loan that they guarantee. Often the bank passes this fee on to the borrower.	\$1,399,000, adjusted yearly for inflation	Up to 40	26



GUARANTEED LOANS



LOAN NAME	FOR WHAT	RATES	MAX \$	TERM IN YEARS	PAGE #
EZ GUARANTEE OWNERSHIP	For buying a farm.	Set by lender, but must be below a cap set by FSA	Up to \$100,000 from traditional lenders and \$50,000 from microlenders	1-7	26
LAND CONTRACT GUARANTEE	For buying a farm. FSA guarantees a loan from an established farmer to a beginning farmer. Requires a 5% down payment. Only for beginning farmers, farmers of color, indigenous farmers, or women farmers.	Set by the retiring farmer who is lending the \$; cannot be more than 4% points higher than Direct Farmer Ownership and must be fixed	\$500,000	FSA guarantee lasts for the first 10 years of the loan	29
CONSERVATION LOANS (GUARANTEED)	To help farmers implement NRCS Conservation Plans. Not just for family farms.	Set by lender	\$1,399,000	Up to 20	32

*as of 1/12/18. Interest rates are subject to change.



OPERATING LOANS

OVERVIEW

Farmers need money most during the initial months of the growing season to buy livestock, seeds, fertilizer, equipment and more. Yet the income from these investments isn't usually recouped for months, while labor, marketing, and utility costs continue to roll in. FSA's operating loans are, therefore, one of the most-used loan types and can run out of funding before the end of the federal fiscal year (we'll discuss the timeline of loan funding within FSA on page 36).

OPERATING LOANS ARE AVAILABLE IN FOUR TYPES:

Guaranteed, EZ Guarantee, Direct, and Microloans. A streamlined option of the Direct Operating Loan is also available for borrowers who have already repaid an annual operating loan and are using much of the same

application paperwork and documentation. Operating loans that are borrowed for about 12 months to cover annual cash flow are sometimes called "annual operating loans." Longer-term loans that are used for livestock, equipment, refinancing, or other long-term credit are called "term operating loans."

WHAT DOES AN OPERATING LOAN COVER?

- Repairing buildings or small construction projects
- Buying equipment, fencing, irrigation supplies, farm vehicles, greenhouses, tools
- Buying livestock, fertilizer, feed, seeds
- Paying for fuel, cash rent, insurance, utilities, marketing fees, payroll, or other day-to-day operating costs
- Conservation of land and water resources
- Certification costs related to GAP (Good

Agricultural Processes), GHP (Good Handling Practices), or USDA Organic

- Refinancing other ag-related debts

ELIGIBILITY

- Meet general FSA eligibility (see page 13)

TIMELINE

- See Guaranteed Loan Timeline or Direct Loan Timeline (see page 41)

APPLICATION PROCESS

- See section on application process on page 39 for direct and guaranteed loans



Trylon Williams



WILLIAMS ENTERPRISES
SAFFORD, AL

OPERATING LOAN
(MICROLOAN)

Trylon Williams was raised on the 80-acre farm that his parents, Andrew and Evelyn, bought when he was young. Like many farmers in West Alabama, they had cleared the land to raise beef cattle, selling the trees to local paper mills and reinvesting the profits to grow their herd. Trylon learned all about running the cow-calf operation from his father, but he went off to college and then built a life for himself in Huntsville away from the farm. When Andrew launched the Deep South Food Alliance in 2012 to support limited-resource smallholder farmers in the region, Trylon decided it was time to come home and help his father with the farm.

In 2013, he took over the herd of 15 Black Angus mother cows, raising them on pasture using rotational grazing, and selling the calves at the local stockyards. Raising cattle is a side business for him, but since the cows calve at different times of year, it is a steady source of income that allows him to easily work off-farm in his other business—trucking wood chips to the paper mills. A year after he returned home he sought a microloan to buy 10 additional cows and a bull, with the goal of eventually increasing the herd to 50. He and other farmers in his area had a meeting with an extension agent who traveled down from Tuskegee to support them in the process. Trylon recalls that the paperwork was easy to get together—it took him about a week to gather all of the required documents, and he was approved within an additional week. The funds from his loan were available in a little over a month, and he was able to use his cows as collateral. He described the application process as fairly straightforward, “nothing worth complaining about.”

He has four annual payments left on his seven year loan, and has already been able to grow the herd to 40, including one group of six young heifers that he is raising to be mother cows.

TRYLON DESCRIBES THE APPLICATION PROCESS AS STRAIGHTFORWARD.



FARM OWNERSHIP LOANS

OVERVIEW

Long-term land tenure allows a farmer to build and invest in both infrastructure and soil health. Those investments are done most confidently when the farmer has secure land access. Due to the escalating cost of property and infrastructure in the United States, as well as the inherent financial risk of farming, farmers have found it harder and harder to buy land. Farm Ownership Loans are, at their core, a tool to help farmers achieve that security. In addition to providing capital for farmers and ranchers to buy land and farm buildings, these loans can also provide funding for closing costs, conservation of soil or water resources, easements, or the improvement of farm structures. These loans can finance up to 100% of the cost of a farm or ranch.

Farm Ownership Loans are available as Guaranteed, EZ Guarantee, Direct, and

Microloans. In addition, FSA offers a Direct Farm Ownership Joint Financing Loan (also called a Participation Loan). This is a hybrid version of the Direct Farm Ownership Loan, which combines a direct loan from FSA with some credit from other lenders. FSA can lend up to \$300,000 or 50% of the total amount borrowed. The borrower seeks the balance of the loan from a bank, credit union, private lender, grants, state institution, or other available source.

WHAT DOES IT COVER?

- Buying a farm or ranch
- Expanding your current farm
- Buying, building, or improving farm housing, outbuildings, and infrastructure
- Easements
- Down payments
- Closing costs
- Soil and water conservation projects

FARM OWNERSHIP LOANS
ARE AVAILABLE AS:
GUARANTEED | EZ GUARANTEE
DIRECT | MICROLOANS

ELIGIBILITY

- Meet general FSA eligibility (see page 13)

TIMELINE

- See Guaranteed Loan Timeline or Direct Loan Timeline (see page 41)

APPLICATION PROCESS

- See section on application process on page 39 for direct and guaranteed loans and use the checklist on page 40
- If you're requesting both a Direct Operating Loan and a Direct Farm Ownership Loan, combine them into one submission



Amelia Neaton



SWEET BEET FARM
MONTROSE, MN

OWNERSHIP LOAN

For four years, Amelia Neaton worked on other people's farms while working to gain the skills to start her own business. Meanwhile, she rented land in multiple locations, building her business, solidifying her marketing strategy, buying equipment, and looking for permanent land. Amelia and her husband, who works off the farm, owned a house in town close to land that she rented when they found a great opportunity to buy a farm. A few issues worried Amelia and made her think that an FSA loan might be out of reach: the farmhouse needed some big ticket repairs; lots of her equity was tied up in her house in town; and the farm was for sale by an owner who needed to sell quickly. They found renters for their home in town and got some help from family to bridge the six-month gap between the sale of the farm and when her FSA loan came though.

It took a few weeks to pull together all of the records—field histories, three years of financial history by enterprise, capital investments, assets, tax returns, balance sheets, projected income and expenses, and more—that she needed in order to apply for an FSA Direct Ownership Loan, but her loan officer was very helpful. A week after submitting her finalized application, her loan was approved, but the sale required appraisals, which took a bit longer. She was able to close about six weeks after the loan was approved.

Her final loan was a 40-year ownership loan at 4% interest with 0% down and included a bit of additional money to cover a new roof and a well for irrigation. Amelia has already started exploring graduating to traditional credit now that conventional mortgage rates are low. She'd also consider using FSA loans again to renovate a packing shed and put up another high tunnel.

AMELIA'S ADVICE:

"PLAN AHEAD. THESE LOANS CAN TAKE LONGER TO PROCESS THAN CONVENTIONAL LOANS. GET YOUR PAPERWORK IN ORDER SO YOU'RE READY TO MOVE WHEN YOU FIND YOUR DREAM FARM."



DOWN PAYMENT LOAN

OVERVIEW

Sometimes the Down Payment Loan is called the “Beginning Farmer Down Payment Loan” and sometimes it’s called “Down Payment Loan Program” (DPLP). It is considered a part of the Direct Farm Ownership program and is therefore only available as a Direct Loan. While many FSA loans have financial set-asides for beginning farmers and historically underserved farmers, this program is exclusively for farmers and ranchers who meet these criteria. See pages 15 and 16 for those criteria.

This loan is a three-way relationship that funds buying a family farm. The farmer or rancher, traditional lender, and FSA work together. The farmer has to contribute a cash down payment of 5% of the purchase price of the farm or ranch. FSA makes a loan of 45% of the purchase price or up to \$300,000. Applicants secure

funding for the remainder of the price from another lender. It can be a traditional lender, like a bank or credit union, but the lender could also be a private lender, co-op, or the original landowner. If the farmer borrows the remainder from a traditional lender, FSA can guarantee that portion of the loan as a guaranteed ownership loan. In this case, unlike other guaranteed ownership loans, the traditional lender does not owe FSA a guarantee fee. Unless the farmer is able to contribute more than 5% of the price of the farm, the farm needs to be priced or appraised at less than \$677,000.

WHAT DOES IT COVER?

- Buying a family farm if you are a beginning or underserved farmer or rancher

ELIGIBILITY

- Must be a beginning farmer, farmer of color,

indigenous farmer, or woman farmer

- Meet general FSA eligibility (see page 13)

APPLICATION PROCESS

- Collect the forms from your local office or online, and check with your local loan officer to be sure no additional forms are needed. The forms needed for the Beginning Farmer Down Payment Loan are the same as Direct Ownership Loan Programs. Submit these forms in person or by mail. Usually your loan officer will contact you to set up a meeting when he or she has received your application. You will need to work with a traditional lender to secure the remainder of the credit needed to buy the farm at the same time as you’re working with FSA.

TIMELINE

- See Direct Loan Timeline on page 41



LAND CONTRACT GUARANTEE PROGRAM

OVERVIEW

The Land Contract Guarantee Program is an option that allows a landowner to sell his or her farm or ranch directly to a beginning or underserved farmer with the financial backing of FSA. Like the Down Payment Loan Program, this program is only for beginning or underserved farmers (see pages 15 and 16 for a description of these). The aim of the program is to help the new farmer obtain farmland and to help protect the original landowner in the case that the new farmer cannot make his or her payments. This program is not frequently used, but it has the potential to encourage farmer-to-farmer land sales, facilitate safe sale of farmland between generations, protect retiring farmers who want to see their land transferred to new farmers, and keep good farmland in productive agriculture.

This program comes in two forms: the Standard Guarantee, which guarantees 90% of the price of the loan; or the Prompt Payment

Guarantee, which covers up to three years' worth of payments while the borrower works to restructure the debt or adapt his or her farm business to meet the loan obligations.

The Land Contract Guarantee Program, first introduced in 2012, has not been heavily used. It is likely that your loan officer doesn't have much experience with this program, so if you think it might be right for you, be proactive in seeking out more information. Land contracts, which usually don't allow the transfer of the title to the farmer until the entire loan is paid, can be an effective strategy for land access. They can also be risky. We highly recommend that you work with a lawyer who understands your needs and can help you carefully evaluate all agreements. We want to be sure that beginning farmers know about the Land Contract Guarantee Program so that they can evaluate whether it works for them.

WHAT DOES IT COVER?

- Purchase of a family farm with a loan amount up to \$500,000, or the market price of the property, whichever is lower

TERMS

FSA's guarantee lasts for 10 years for both the Standard Guarantee and the Prompt Payment Guarantee. Both programs also require the buyer to contribute at least a 5% down payment. While the interest rate and most of the terms of the actual loan are to be worked out between buyer and seller, FSA does require the interest rate be fixed for the life of the loan. It also cannot be more than four percentage points higher than the rate of the Direct Farm Ownership Loan at the time of signing the loan.

ELIGIBILITY

- Meet general FSA eligibility (see page 13)
- Be a beginning farmer, farmer of color, or woman farmer



FARM STORAGE FACILITY LOAN

OVERVIEW

Most farmers and ranchers can benefit from clean, safe buildings where they can process and store their crops until sale. Good facilities can boost income by reducing loss due to spoilage while also allowing growers to sell when prices are higher or piecemeal over a longer time. A farmer might need a place to dry and store grain, a freezer to hold packaged meats, or a barn to store cured potatoes and onions for sale throughout the winter. Up-to-date washing, packing, and storage facilities can help ALL farmers meet government safety standards for both their employees and the goods they produce.

Most of the other loans in this book are administered by FSA's Farm Loan Program, but FSFL is actually administered by the Commodity Credit Corporation (CCC, a separate wing of FSA) as it was originally targeted at commodity growers. This means that some of the eligibility requirements are different from other loans (see page 13).

Importantly, FSFLs do not get paid out completely to the borrowers until after the equipment has been bought or the structure has been built and inspected, with the exception of a partial payment at the halfway point. They are available as direct loans and microloans.

WHAT DOES IT COVER?

- Buying, building, or renovating a storage, washing, or packing area that will stand for at least the term of the loan
- Walk-in coolers, freezers, and other structures for temperature-controlled storage, both new and used
- Bulk tanks
- Equipment like sorters, graders, hydrocoolers, washers
- Electrical and plumbing infrastructure related to storage
- Cooling, monitoring, and food safety equipment
- Shipping costs associated with any covered equipment or materials
- Site prep, installation costs, labor, legal fees
- Portable storage structures and portable equipment, refrigerated trucks or other vehicles
- Forklifts, pallet jacks, skid steers, and handling trucks
- Products covered: fruits and vegetables, dairy, meat, eggs, aquaculture products, maple sap, honey, hops, fresh flowers, grains, nuts, oil seeds, hay, biomass, pulse crops, legumes
- FSFL loans cannot be used for buildings that are used for commercial uses, such as storage or drying of a product for a person or business other than the applicant

APPLICATION PROCESS

- Collect the form (CCC-185) from your local office or online, and check with your local office to be sure no additional forms are needed. Submit these forms in person or by mail.
- Pay a non-refundable application fee of \$100.
- Self-certify your growing history and the size of the facility you need, using a form available on FSA's website or use acreage reports
- Complete all environmental reviews before approval

TIMELINE

- According to CCC, loan approval usually takes two to four weeks from the time that your application is completed. However, keep in mind that getting all of the forms, waivers, reports, and other documentation in place can take many weeks or months.
- Acquisition or construction can only start when you have received your approval letter.
- A partial payment of up to half the loan value can be awarded when half of the structure is completed. The other half of the loan payment will not be paid out until the building is built and inspected by FSA.



Ben Shute



**HEARTY ROOTS
COMMUNITY FARM**
GERMANTOWN, NY

**FARM STORAGE
FACILITY LOAN**

When Ben Shute, NYFC co-founder, moved Hearty Roots Community Farm from rented land to permanent land in 2012, he began to think about a new washing and packing building. He wanted enough cold storage for his then 600-member CSA to expand and up-to-date equipment to meet food safety regulations and increase efficiency. He had a specific building in mind, and wanted to be able to build to his specifications instead of using something prefabricated. In the winter of 2013, he applied for the Farm Storage Facility Loan to erect a new 45' x 60' building with room to install walk-in coolers and wash vegetables. While he had worked with Farm Credit and NRCS in the past, this was his first application with FSA. At the time, the FSFL had been recently expanded to include fruit and vegetable growers, but very few were using the program, and FSA was curious about how to improve this program for beginning and diversified farmers. (Neither Direct nor FSFL Microloans were available at the time.) Because of his connection to NYFC, Ben worked with state and federal FSA officers, as well as his local office, to identify needed areas of improvement in the application process. Many of the rules of the program at that time were cumbersome for diversified farms like Hearty Roots, and Ben's experience informed changes that have since been made in the program. Ben wrote a letter to his state committee asking to be excused from the crop insurance requirement, which is less applicable for a farm that markets predominantly through CSA. He compared the FSFL loan program with other traditional and FSA loans, evaluating interest rates, the cost of crop insurance, and other requirements, fees, and details of the loan terms. Hearty Roots was able to contribute labor as a part of their down payment for the loan, as they did much of the construction themselves. As a very diverse farm that sells primarily through CSA, some of the requirements didn't quite fit. For instance, there were rules for acreage reporting to determine how much storage they'd need. Ben notes that while the program has changed since his loan was made, he encountered a few hurdles that remain. First, the loan was paid out during and after construction instead of before, requiring that the farmer has enough cash flow to cover building half of the structure. At the time of his loan, Ben needed to get forms signed by all of the subcontractors.

BEN'S ADVICE:

**KEEP YOUR MIND OPEN ABOUT WHAT LOANS ARE THE BEST FIT
FOR YOUR SITUATION, AND BE SURE TO COMPARE THE FULL COST
OF EACH LOAN.**



CONSERVATION LOANS

OVERVIEW

Farmers and ranchers have a stake in healthy soil and water, but they don't always have the capital to fund projects to protect these resources. FSA's Conservation Loans aim to provide farmers and ranchers with funds to implement approved NRCS Conservation Plans. Unlike most of FSA's Loan Programs, Conservation Loans are available to farms of all scales, not just family farms. However, priority is given to beginning, organic, and traditionally underserved farmers and ranchers. There is a streamlined version of this loan for farms that have a very strong financial situation and have a net worth three times the amount of the loan they're requesting.

Though the farm bill still defines this loan program as direct or guaranteed, funding has traditionally only been made available for

guaranteed loans. Remember, though, that you can also use Direct or Guaranteed Operating or Ownership loans, or Microloans, to implement a conservation plan.

WHAT DOES IT COVER?

- Installing conservation structures, such as contour strips or riparian buffers
- Seeding or renovating permanent pasture
- Water conservation systems, including some types of irrigation systems and exclusion fencing
- Transitioning your operation to organic production or IPM, or adopting rotational grazing or other ecological management strategies
- Manure management systems
- Protecting highly erodible land
- Establishing forest covers
- Establishing buffers

APPLICATION PROCESS AND FORMS

- Work with NRCS to create an approved conservation plan
- Apply with a traditional lender on the approved FSA lender list

ELIGIBILITY

- General FSA eligibility applies (see page 13), except that borrowers don't have to be a family farm, and can be eligible for credit elsewhere
- Must be current on payments to all creditors



EMERGENCY LOANS

OVERVIEW

FSA lends Emergency Loans to farmers or ranchers who have suffered either crop or property losses due to a quarantine or a recognized natural disaster such as hurricane, wildfire, tornado, flood, or drought. Written documentation proving that you're not able to receive credit through another lender is required if you want to borrow more than \$100,000. The length of the loan varies widely. If the loan is covering operating costs, the term is usually 12 months; if it's a large property loss such as a building, the term can be up to 40 years.

WHAT DOES IT COVER?

- Replacing or repairing damaged property such as livestock, buildings, equipment, or perennial crops
- Replacing all or some of the production costs from the disaster season
- Funding essential family expenses (in some cases)
- Refinancing farm-related, non-real-estate debts

- Nearly anything a Farm Ownership Loan covers to establish a new site if your farm was destroyed by a natural disaster, except refinancing

APPLICATION PROCESS AND FORMS

- FSA 2309 Certification of Disaster Losses
- FSA 2310 Lenders Verification of Loan Application and FSA 2015
- Complete all the forms required with FSA direct loans: FSA 2001- 2006, FSA 2037 and 2038, FSA 2302
- Must have a letter of rejection from a bank if you want to borrow more than \$100,000 and two letters of rejection if you want to borrow more than \$300,000

ELIGIBILITY

- General eligibility requirements apply (see page 13)
- Must farm in a county formally designated as a primary disaster area or a quarantine

area by the Secretary of Agriculture or the President, or an adjacent county

- Must be the tenant-operator or owner-operator of the affected farm or ranch when the disaster occurred
- Must apply within eight months of the designation date of the natural disaster or quarantine
- Must have suffered a 30% loss due to this disaster or quarantine, defined as either a 30% reduction in the price of the damaged crop or 30% loss of the crop itself. Physical losses do not require a percentage of loss.
- Must have hazard insurance at the time of the disaster (fire, windstorm, lightning, property damage, flood, workers' comp, etc.). You don't have to have crop insurance when the disaster struck, but you will have to have it after receiving your Emergency Loan.
- Must plan to keep farming
- Some alterations to the regular collateral rules apply. Talk to your loan officer about how you can secure your Emergency Loan.



YOUTH LOANS

OVERVIEW

Youth Loans are very small Direct Operating Loans for people between the ages of 10 and 20 who want to fund an agricultural project. Borrowers must be connected with 4-H, FFA, or a similar agriculture-related youth organization. These loans were introduced to help educate young people about agricultural enterprises.

WHAT DOES IT COVER?

Youth Loans cover operating costs, feed, livestock, seed, tools, equipment, rent, and other basic operating expenses.

TERMS

- Maximum loan amount of \$5,000
- Term is 1-7 years, depending on the project
- Interest rates are the same as for a Direct Operating Loan

ELIGIBILITY

- Must be a financially viable farm- or ranch-related project
- Must be part of an agricultural youth program
- Does not have to be connected to an existing family or commercial farm
- Must be between the ages of 10 and 20
- Must have an advisor
- Must be farm-related—not exotic animals, pets, non-agricultural equine, etc.
- Must directly create the farm product
- Must be a U.S. Citizen or qualified resident alien
- Must not be ineligible for federal benefits due to a controlled substance conviction
- Must not have received loan forgiveness on an FSA loan
- Must not have caused the Government a financial loss on previous loan assistance

- Must not have failed to repay loans. A credit report fee is required for applicants over 18 years old.
- If you are under 18, a parent or guardian must sign, but not necessarily co-sign (since you don't have the official "legal capacity to incur loan obligation")
- Like other FSA loans, you must secure this loan with collateral. FSA will have a first lien on supplies, livestock, or equipment purchased for this project.

APPLICATION PROCESS AND FORMS

- 2301 Request for Youth Loan

TIMELINE

- See direct loan timeline on page 41



RJ Lawson



CATHERINE, AL

YOUTH LOAN

Eleven-year-old Robert James “RJ” Lawson learned to farm and hunt from his father, Sam, at a young age. While his older brother prefers hunting deer, even with a bow and arrow, RJ would rather spend his time caring for the family’s cows and pigs. When asked why he likes farming, RJ says, “I just like cows. They can graze and you don’t have to feed them much food. I like seeing the progress and watching them grow.”

Before his father passed away in 2017 from a genetic disease, RJ would help his dad pen the cows and work them through a chute to manage the herd health. One day his dad asked if he wanted some cows of his own. Sam already had an FSA microloan that he used to build up his cow-calf operation, and knew that his son could apply for a youth loan of up to \$5,000.

Sam and RJ connected with their local 4-H agent, who served as their project advisor and supported them through the application process with FSA. Because Sam got sick, RJ’s loan process was delayed and took about five months altogether. His mother says she knows his dad would be so proud to see the two Hereford-Red Angus mother cows that RJ is now raising. The fact that FSA paid the stockyard invoice directly and that the cows serve as collateral for the loan give her peace of mind. Now the cows have been bred, and RJ will raise their calves for about seven to eight months before selling them to a local stockyard. His mother also says that RJ’s success has even gotten his older brother more interested in farming, and he was also recently approved for a youth loan.

THE COWS SERVE AS COLLATERAL FOR THE LOAN.

APPLYING & AFTERWARD



A WORD ON TIMING AND ALLOCATIONS

THE DETAILS OF how FSA receives funding appropriations and the timeline of allotting loans may seem unimportant for the average borrower. However, this information can be hugely important. Unlike a conventional bank that has full control of its resources, FSA is dependent on congressional funding to carry out its programs.

The fiscal year for FSA stretches from October 1st through September 30th. This means that FSA is allotted money from the federal government on October 1st and has until September 30th of the following year to award loans with this money. However, if they dole out all of the money before the next funding cycle can begin, a situation can arise where FSA doesn't have money to fulfill loans. During that time, FSA will continue to accept loan applications and grant or deny loans, but they

can't actually release any money until the new fiscal year starts on October 1st. You can see what funding remains using the website: www.fsa.usda.gov/programs-and-services/farm-loan-programs/funding/index. It is easy to understand how problematic this could be if you were expecting to put up a new storage structure in time for fall, but the funding ran out. Or if you were negotiating a land purchase and the contract expired before FSA could fund your approved loan. This stuff is critical.

Funding set-asides (see pages 11, 15, and 16) help keep funding available for underserved or beginning farmers and ranchers. If these funds are not exhausted but the pool of money for traditional farmers is spent, the beginning and underserved farmer funds can be re-allocated in September for most loans and in April for Guaranteed loans.

Many FSA operating loan borrowers are commodity farmers who borrow to keep a safe cash flow when crop prices drop. Therefore, commodity crop pricing can affect how quickly the federal allotment of loan money is used. Much of the operating loan money is advanced in the spring, when most farmers are spending and investing but not yet harvesting and selling.

Understanding this, borrowers may have the best success approaching FSA for loans earlier in the fiscal year—in October or November. However, borrowers can apply for loans even when the loan program is out of money. Once funding is replenished, the approved loan will be funded in the order it was received.

IS AN FSA LOAN RIGHT FOR ME?

DON'T MISCONSTRUE the fact that FSA is willing to lend to you and has a program that applies to your farming situation to mean that you should take out an FSA loan, or any loan!

DO YOU WANT A LOAN?

Many beginning farmers are debt-averse. With the memory of the 2008 recession and looming student loan payments, a healthy fear of debt isn't surprising. However, low-interest loans can be a very useful way to capitalize your farm and help your business grow quickly. Investing in equipment can help increase yields and allow work to be done more efficiently. Buying land can help you feel secure enough to invest in soil improvements, building improvements, or other long-term investments. Efficient storage and packing facilities can help you market your product year-round or create a high-quality, value-added product. Investing in livestock early can help grow your herd quickly. All of these areas help you grow your business and start earning more money.

Deciding if a loan is right for you is a complex decision. A good, clear business plan is an important tool for understanding where your farming business is today, where it's heading, and how much you expect to earn. FSA also requires a business plan in most cases. Without a plan, you may not be able to predict how

you'll pay back your loan, and therefore, how much you can afford to borrow. Use this plan to evaluate what investments you most need and what investments will increase your income and efficiency. Be honest with yourself (and your business partners) about how you feel about debt and how you see debt fitting into your family and the future of your farm. This is a very personal question and one that only you can answer.

WHICH LOAN IS RIGHT FOR YOU?

Keep in mind that your project could be eligible for more than one type of loan. Suppose you want to invest \$50,000 in a new washing and packing area: your project might qualify for an Operating Microloan, a Farm Storage Facility Microloan, a Direct or Guaranteed Operating Loan, a Direct or Guaranteed Ownership Loan, or possibly even an Emergency Loan if you have suffered a misfortune. Deciding which program, if any, is right for your farm business involves charting out the costs and terms of each one as they interact with your specific business. Perhaps the incredibly low interest rate of a short-term FSFL Microloan works for you because you're sure you can repay the debt within three years and have the cash on hand to start the project; on the other hand, perhaps you expect to grow your business more cautiously or anticipate having other substantial expenses, and a longer term and higher interest

rate are smarter; or perhaps you can't swing the initial expense of starting the project under either FSFL loans and need to apply for a different program... It can seem like a daunting pile of numbers, but you need to buckle down and develop an educated understanding of your specific situation. No one else can.

CAN YOU PAY BACK YOUR LOAN?

Use your business plan to understand if the terms and interest rates are reasonable for your business. Your business plan should include projections of how much money you'll earn in the coming months and years. You should also have a detailed plan for how much you'll need to spend to run your farm. Investigate how your monthly loan payments will fit into your expenses and profits, perhaps creating a separate budget imagining your expenses and profits with this loan. For instance, if you use your loan to buy a cultivating tractor, you may need to spend less on labor, or if you use your loan to invest in irrigation equipment, you may have reduced labor and higher yields. In both instances, though, you will also experience higher fuel costs and equipment maintenance expenses. And while FSA's interest rates are extremely attractive, interest on a loan is an expense to be factored in. This may seem like a tedious chore to do thoroughly, but you want to be sure that your loan will earn you more than it will cost you!



BUSINESS PLANNING

I F YOU'RE AT the stage where you are interested in an FSA loan, you have probably already heard about the importance of writing a business plan. FSA requires a business plan in order to be eligible for a loan. Even if this were not a requirement, a business owner should have a clear idea of how much money is needed and how those funds would be repaid before deciding to seek a loan. There are countless books and programs to help you write a farm business plan. FSA or your County Extension Educator may be able to point you toward local programs. See the resource guide for business planning books, websites, and workshops. FSA's forms FSA-2037, FSA-2038, and FSA-2302 are required to get a direct loan. If you haven't written a business plan yet, you could use these as a platform for writing your balance sheets and projected income and expenses.

In researching this guidebook, I've come across situations in which loan officers requested more than one business plan from a potential borrower. These plans might have different levels of risk, slightly different marketing plans, different strategies for labor, etc. While it would be frustrating to have to rewrite your plan, this could be a useful exercise in imagining different scenarios. However, remember that this is the plan for your business and you shouldn't put anything on paper that isn't fully in keeping with your vision for your operation, nor should you create an unrealistic business plan because you think it will get financed.

Finally, FSA also wants to see your family's overall expenses and income streams to be sure that you will earn enough to support yourself. Your business being in the black is irrelevant if you're unable to provide for yourself and your family's basic needs. FSA does not require your farm to provide all, or even most, of your family's income, but your family's overall financial situation must be solvent.



HOW DO I APPLY FOR AN FSA LOAN?

YOU HAVE a clear business plan and understand your goals and how to reach them, you've decided that a loan is right for your farm or ranch, you've narrowed down which program is best for you, and you believe you're eligible. Now what?

PROCESS OF APPLYING

YOU CAN APPLY FOR LOANS:

- Electronically: forms are available on the FSA website
- By mailing or delivering your application to an FSA loan office
- In person, during an appointment with an FSA loan officer

In most areas, a few counties share a regional USDA office. Farmers and ranchers can use this link to find their local office: <http://offices.sc.egov.usda.gov/locator/app>. FSA loan officers are housed in USDA offices with other programs, like Natural Resources Conservation Service (NRCS), Rural Development, and other FSA programs. Sometimes County Extension offices are in this same building.

Ultimately, borrowers are likely to have an extended conversation, and hopefully an ongoing relationship, with their local FSA loan officers over the course of the loan experience. Often a loan officer will schedule a meeting once he or she has received your request, but we recommend setting up a meeting before starting the application process. Every farm has different business details and, therefore, a different loan experience. Your loan officer should be able to answer your questions and work with you to format an application. That said, many FSA loan officers don't have as much experience working with smaller, diversified farms with alternative marketing models. This can pose a challenge for them. The national offices of USDA have worked to create loans and set-asides that work for beginning farmers. Yet there is sometimes a disconnect between the national offices that introduce these programs, the loan officers who approve the loans, and the young farmers who seek the capital. Try to grant them the patience you'd like to be granted.

TIMELINES:

The timelines below represent what FSA describes as a best-case scenario. Often, especially for farmers who are new to borrowing, additional documentation is needed or the business plan needs edits to make it more viable. A Direct Farm Ownership loan may take more than a year from start to finish, especially if you need to have an environmental assessment (see page 18), need to create a new NRCS Conservation Plan, or have to re-organize your business plan to match the farm you're hoping to buy. You'll need patience, resolve, flexibility, and attention to detail. That said, try to communicate frequently with your loan officer and use these timelines to be sure that your loan is moving along at an appropriate speed. If you feel that your loan officer is not helping your loan along, you may contact your state office or the national headquarters.



Getting your documents together

YOU'LL NEED:

- Your written business plan
- All of the forms required for your type of loan, filled out.
Scan or duplicate copies to keep on file in your office, too.
- Clear expense and income records for your business
- Clear expense and income records for your family
- Written leases
- Previous tax returns and income records, both personal and business
- EIN, articles of incorporation, LLC documents, bylaws, or other legal business documents
- Proof of how you meet conservation requirements, if applicable
- You should check your credit report. FSA doesn't use your credit score, but any problems with repayment of loans or other areas of your history may raise red flags. You'll want to know this before going in.
- Checklists for specific loans

DIRECT LOAN TIMELINE

WITHIN TWO DAYS of receiving your application, FSA will write to you to confirm receipt of your loan application.

WITHIN 10 DAYS, FSA will write to you to confirm your application is complete or to request additional documents. If you need to hand over more forms or documentation, you will get a letter within 10 days of handing in the new documents to say that your application is complete.

WITHIN 60 DAYS of receiving your completed application, FSA will write to you with an approval or denial of your application.

IF APPROVED:

- FSA will notify you with the final terms of your loan, any closing requirements, and details about your next steps. You will need to sign and return this letter to finalize your loan approval. If you have ANY questions about these terms, speak to your loan officer.
- FSA will work with you to schedule a loan closing, aiming to transfer funds within 15 days of your approval, unless the borrower agrees to stretch the time frame
- Farm ownership loans must be closed with an attorney or title agency. You will need to coordinate with your loan officer and your attorney to schedule a loan closing.
- If FSA funding has been drained, your loan will remain approved but unfunded until loaning has been reallocated (see page 36).

IF YOUR LOAN IS NOT APPROVED:

FSA will notify you in writing with an explanation. Your loan officer might work with you to change your application or business plan to improve your application.

If denied, you can request reconsideration, mediation, or a formal appeal (see page 43).

GUARANTEED LOAN TIMELINE

Most of the communication regarding this loan is between the bank and FSA. Guaranteed Loans are often decided more quickly than Direct Loans. Many guaranteed borrowers barely interact with FSA, but rather have most of their loan-making conversations with their bank.

- Your bank will submit the application to FSA.
- Within five days of submitting your loan application, FSA will write to inform you and the bank that your application is either complete or in need of additional documents. If you needed to hand over more forms or documentation, you and the bank will get a letter within five days of handing in the new documents to say that your application is complete.
- FSA will review your application, and you will be notified of your approval status within 30 days of FSA acknowledging your application is complete.

IF APPROVED:

The bank will schedule your loan closing.

IF YOUR LOAN IS NOT APPROVED:

FSA will notify the bank in writing with an explanation. If denied, you can request reconsideration, mediation, or a formal appeal (see page 43).



IF YOUR LOAN IS ACCEPTED

- FSA prefers to use an Electronic Funds Transfer to provide your loan funds.
- Keep your loan documents in a secure place where you can find them easily. This may include a promissory note, lien instruments, and loan closing paperwork.
- Follow your business plan. FSA isn't likely to be concerned if you said you were going to grow bok choy as one of your 40 CSA crops and you decide that you're going to grow tatsoi instead, but they may want to know if you scrap the idea of a CSA altogether and start selling to restaurants. Be upfront and use your financial records to back up your changes. Mainly, they want to see that you are earning enough money to pay back your loan.
- Make your loan payment in a timely manner. FSA is working to set up an easy Electronic Funds Transfer system. If you are having trouble making payments, talk to your loan officer immediately. They may have servicing options that could be helpful. FSA does not want you to default on your loan and has special programs to help.
- Keep clear records, with all expenses and income, for both business and family expenses.
- Maintain your collateral! Your loan is partially based on the things you own, like real estate, equipment, and livestock. Do not endanger these things with liens or failure to pay taxes. Keep your buildings well maintained and your livestock healthy. If you used crops, machinery, or livestock as security, FSA officers may check on this collateral. This is called a "chattel check." If you placed equipment or livestock up as collateral, you **MUST** talk to your loan officer before selling or trading it.
- Similarly, if you use your crop or livestock as collateral, in most cases, you will need to have checks from buyers made out to your farm **AND** to FSA. There is some flexibility here, so be sure to talk to your loan officer.
- Attend Borrower Trainings (see page 15). The cost of the borrower training can be paid from the loan funds. The training must be completed within two years and must be completed to borrow from FSA again. FSA loan officers can provide a list of approved trainings, some of which are available online.
- Annually, FSA will schedule a meeting with you to go over the records from your business year and make any necessary changes to your business plan. Your loan officer may also make a farm visit during the season to check on your crops, livestock, equipment, or other collateral.
- Graduate to traditional commercial credit. FSA wants to help provide farmers with credit to create financially viable and healthy farms. Once a farm business has a reasonable cash flow and strong markets, the farm may be eligible to borrow from a traditional bank. FSA wants to move farmers from direct credit with FSA to either guaranteed credit with FSA and a traditional bank, or to a non-FSA-backed loan from a bank. This is a great sign that your business is thriving, and the FSA funds that you were using can go to another farmer in need. (See 44 for this process.)



IF YOUR LOAN IS REJECTED

If your application is rejected, you'll receive a letter from FSA describing why. At that point, you can work with your loan officer to submit a revised application if you believe you can remedy the issues that made your original loan unacceptable. If you think that your loan should have been accepted, you can consider the following options:

- **RECONSIDERATION:** Meet with your loan officer and make a case for why your loan should have been funded
- **MEDIATION:** Meet with an outside mediator to resolve any disagreement about the loan decision. A list of mediators can be found

at https://www.fsa.usda.gov/Internet/FSA_File/ag_mediation_program.pdf

- **APPEAL:** Write to the National Appeals Division regarding why the decision was incorrect and use supporting information: www.nad.usda.gov/app_appeal.html

If you think you've been discriminated against, you should take action. With your rejection, FSA will supply you with information about how to proceed if you believe you've been a victim of discrimination under the Federal Equal Credit Opportunity Act or USDA rules. You can use form AD-3027 to submit

your claim of discrimination. FSA is trying to address discrimination at the local, county, and federal level, but the agency can only address discrimination if it knows about your claim. If you have submitted forms and contacted the national office to no avail, your next step could be to contact Farmers' Legal Action Group, Rural Advancement Foundation International, or Farm Aid.



GRADUATING TO TRADITIONAL CREDIT

FSA LOAN OFFICERS will check in with you over the term of your loan to see if you are ready to graduate to traditional credit, i.e., refinancing your loan with a traditional bank or lender. For a shorter-term operating loan, you will probably conduct all of your business with FSA. For a Farm Ownership Loan, where the repayment term can stretch for 40 years, FSA hopes that your business will be thriving well before you've finished paying off your loan. Therefore, they work with you to understand when is an ideal time to move your debt to a traditional lender. Typically, this happens within 10 years (see term limits on page 15). When FSA is ready to see if you should move to traditional credit, they'll contact you and ask for your current financial documents, like balance sheets, a farm budget, and cash flow records. Send these within 30 days. If they think you'll be able to get credit through a bank, they'll send these documents to commercial lenders. FSA will let you know which traditional lenders are interested in loaning to you, and you'll have 30 days to apply for a loan with one of these lenders. If you are rejected, you'll need to show documentation of this rejection to FSA.

WHAT IF I CAN'T PAY?

IF YOU'VE TAKEN out a loan and find yourself unable to pay for reasons outside of your control, contact your loan officer immediately. They will meet with you to discuss your options. You should contact FSA before you even have a late payment.

If you are 90 days past due, FSA will provide you with a booklet describing your options. FSA has a computer program that assesses your debt and finds which options would be feasible. The following options MAY be available:

- **RESCHEDULING:** Recalculating the payment amount, maybe with an extension of the payment period, to make a new payment schedule for an operating loan
- **RE-AMORTIZATION:** Recalculating the payment amount, maybe with an extension of the payment period, to make a new payment schedule for a real estate loan
- **CONSOLIDATION:** Combining the principal and interest of two or more loans to make a new payment schedule
- **DEFERRAL:** Delaying payment for a specific period of time

- **WRITE-DOWN OR WRITE-OFF OF THE AMOUNT OWED:** Lowering or eliminating a debt or portion of the debt that cannot be paid
- **CONSERVATION CONTRACT:** Debt can sometimes be reduced by creating a conservation contract on a delicate piece of land
- **DISASTER SET-ASIDES:** The deferral of a loan payment to the end of the loan term or period

If FSA and the borrower try all of the available options and nothing is successful, the next step is foreclosure, where FSA takes back the collateral used to secure the loan, such as the livestock or farm property. FSA tries to avoid repossessing homes and will use Homestead Protection to allow farmers to lease-to-own the home, farm buildings, and an adjacent 10 acres, if applicable. After foreclosure, FSA owns the farm and will try to sell it to a beginning or underserved farmer.



CONCLUSION

AFTER MONTHS of poring over FSA documents and immersing myself in loan terms, I'm concluding this guidebook with hope.

USDA wants to lend to a new generation of farmers. They want to find ways to incorporate rooftop gardens, pastured poultry, and CSA into their programs. Recently they've unveiled improved crop insurance aimed at diversified growers (see WFRP on page 18). While I was writing this guidebook, they announced the EZ Guarantee program, aimed at smaller farms. Your loan officer might not be familiar with movable fencing and might not completely understand your nontraditional marketing strategy, but these loan programs are written with your farm in mind.

FSA has a long but sometimes troubled history of working with U.S. farmers. I've spoken to farmers who have easily gotten loans and already repaid them. I've talked to others who worked for a year to buy a farm, only to have the whole deal fall through. But both of these groups have said that they would work with FSA again because the rates are favorable and because FSA understands more about how farms operate than other lenders.

Assess these opportunities carefully and consult your business plan. Figure out exactly how you want your business to grow. Capital can provide opportunity at any level. You can probably look out over your land and envision a thousand ways capital could help your farm be more efficient, productive, or conserved. We hope that this guidebook has left you feeling more informed, more prepared, and encouraged to speak to FSA loan officers about how your farm or ranch may benefit from their lending.

GLOSSARY



ASSETS: items of value that you own, including the money you have in accounts

BALANCE SHEET: a financial statement that shows your financial position, comparing debts to assets

BEGINNING FARMER: for FSA's official definition, see page 15

CASH FLOW BUDGET: a budget that shows how money will come in and out of your farm business. FSA wants to see everything that you think you'll be spending money on, such as fuel, feed, seeds, debt and debt servicing, utilities, taxes, labor, etc. On the other side, you'll show all of the money you're earning from selling your product, renting out land, etc. Prepare to present both farm and family expenses and income.

CHATTEL: the property or products that one owns, usually movable and not attached to real estate. Examples include, equipment, livestock, stored grain or vegetables, or vehicles. Often used to secure a loan.

COLLATERAL: items or real estate used to secure a loan, provided as proof of your ability to repay

CONSERVATION PLAN: an NRCS-approved plan that you create together to ensure that the environment of your farm—soil, water, air, plants, and animals—is kept healthy

CONSERVATION PRACTICE: one of many specific techniques described in the NRCS handbook that conserves the resources of your farm, including water, soil, air, plants, or animals

COSIGNER: someone, in addition to farm entity members, who signs your loan, promising to help pay it back

CREDIT REPORT: a credit report is a long list of your credit history and should include all the lines of credit you've had. It shows how much credit you've had, how much you've paid back, and if you've paid late or defaulted. It may include student loans, mortgages, credit cards, medical payments, car loans, and any other loans. Your credit report, sometimes called your credit history, doesn't include your credit score. Your credit score, sometimes called your FICO score, is a number that represents this long history and other factors, like the length of your credit history and the diversity of types of credit. You can see your credit report three times a year for free. You may need to pay to see your credit score, but credit card companies have begun to share credit scores with customers.

DEBT FORGIVENESS: when FSA reduces the amount of your debt or ends your loan when debt is still owed. This causes a loss to FSA.



GLOSSARY

ENTITY: a legal business, such as a corporation, partnership, joint operation, cooperative, limited liability company, or trust, that can officially do business

ENTITY MEMBERS: anyone who is an owner in an entity, including any businesses that are members (they're called embedded members). For ease of reading, we mostly used "owner" in place of "entity members."

FAMILY FARM: see page 13

GOOD FAITH: in an honest, complete, and straightforward way

GRADUATION: fully paying a debt by refinancing with a traditional lender, with or without a guarantee from FSA

LIABILITY: something (usually a payment or debt) for which one is legally responsible. Opposite of asset.

LIEN: the legal claim that a lender has on real estate or other property until a debt has been repaid. For example, in a traditional mortgage, the bank has a lien on the property.

MICROLENDER: a nonprofit organization that provides credit and usually some technical assistance. Sometimes these organizations are community based. Outside of FSA, Microlender is often used to describe crowd sourcing or peer-to-peer lenders like Kiva.

OWNER-OPERATOR: one who owns the farm and the land where the farm is located and contributes to the management, labor, and capital to run the farm. A tenant-operator is the same, but leases the land instead of owning it.

PROMISSORY NOTE: (also just called a note) the document that promises payment of a debt by a certain date

RISK ANALYSIS: part of a business plan where the business identifies risks and ways to avoid problems associated with these risks

SECURITY: property of any type that is pledged to back your loan. Also called collateral. Includes basic, adequate and additional.

TRADITIONAL LENDERS: banks, Farm Credit System institutions, credit unions

RESOURCES



FSA'S EMPLOYEE HANDBOOKS

So much information about FSA loans is available on FSA's website, but the most helpful documents I have found are the FSA Handbooks for employees. These are updated frequently and seem to include answers to most questions. However, they are long and unwieldy, and they aren't written for a regular borrower to understand, or else we wouldn't have seen a need for this guidebook! Find them here: www.fsa.usda.gov/FSA/webapp?area=home&subject=empl&topic=hbk. For loan programs, you'll be looking at FLP 1-7, and FLP 3 is particularly helpful. For FSFL, you'll want to look in the Price Support area, as FSFLs are not part of the regular FLP. It takes awhile to become accustomed to the legal style of writing.

On each page, you'll see a number in each corner. In the top left corner and the top right corner is the number that corresponds to the first "paragraph" on the page. If there is more than one "paragraph" on the page, you'll see that number further down on the left-hand side. On the bottom right, you'll see two numbers, the first is the "Part," and after the dash is the page number within that part. On the bottom

left is the date that this information was last updated. From the table of contents, you can find either the Part and page number or the Paragraph of the information you're looking for. You can also search the document using your web browser or Adobe Acrobat, but sometimes that is a less direct option.

FSA FACT SHEETS

As the details about loan programs change, these fact sheets aren't always completely up-to-date. Check the date of issue as a reference.

OTHER GUIDEBOOKS

FSA has two helpful guides, one about getting loans and another about servicing. They can both be found at: <https://www.fsa.usda.gov/programs-and-services/farm-loan-programs/index>

Farmers' Legal Action Group's guide to the FSA Microloan Program: www.flaginc.org/publication/farmers-guide-to-the-fsa-microloan-program-5/

National Sustainable Agriculture Coalition's guide: www.sustainableagriculture.net/wp-content/uploads/2017/02/FSA-Guide-Final.pdf

FINDING ADDITIONAL CREDIT

If you need additional credit, see the NYFC website for information: www.youngfarmers.org/credit-and-capital

LIST OF TRADITIONAL LENDERS WITH WHOM FSA WORKS

www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/Farm-Loan-Programs/pdfs/Current_Guaranteed_Lender_List.pdf

BUSINESS PLANNING RESOURCES

There are many wonderful workshops, books, templates, and online guides for creating a business plan. Here are a few.

www.HolisticManagement.org

www.beginningfarmers.org/farm-business-planning/

www.nebeginningfarmers.org/farmers/planning-2/business-plan-templates/

www.smallfarms.cornell.edu/resources/business-planning/newfarmers.usda.gov/technical-assistance-planning-your-business

www.youngfarmers.org/



NOTES

