Education and Funding Resource Toolbox for Beginning Farmers
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For more information on Small Farms, visit our website at: http://smallfarms.ifas.ufl.edu/ or contact your local County Extension Agent.

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The U.S. Department of Agriculture’s Farm Service Agency (FSA) makes and guarantees loans to family farmers and ranchers to promote, build and sustain family farms in support of a thriving agricultural economy.

FSA’s loan programs are designed to help family farmers obtain loans and loan guarantees, and conduct business planning.
In many cases, these are beginning farmers who need additional financial and business insight to qualify for commercial credit.

In other cases, they are farmers who have suffered financial setbacks from natural disasters, or who need additional resources with which to establish and maintain profitable farming operations.
Some farmers obtain their credit needs through the use of loan guarantees.

Under a guaranteed loan, a commercial lender makes and services the loan, and FSA guarantees it against loss up to a maximum of 90 percent in most cases.
Direct Loans

- For those not yet meeting the qualifications for a loan guarantee from a commercial lender, FSA also makes direct loans, which are serviced by an FSA official.

- The Agency helps applicants evaluate the adequacy of the real estate and facilities, machinery and equipment, financial and production management, and the farmer’s goals.
Eligible applicants may obtain loans up to a maximum indebtedness of $300,000 (direct) and $1,119,000 (guaranteed).

The maximum repayment term is 40 years for both direct and guaranteed FO loans.

Loan funds may be used to purchase a farm, enlarge an existing farm, construct new farm buildings and/or improve structures, pay closing costs, and promote soil and water conservation and protection.
Eligible applicants may obtain loans for up to a maximum indebtedness of $300,000 (direct) and $1,119,000 (guaranteed).

The repayment term may vary, but typically it will not exceed 7 years for intermediate-term purposes.

Annual operating loans are generally repaid within 12 months or when the commodities produced are sold.

Loan funds may be used for normal operating expenses, machinery and equipment, real estate repairs, and refinancing debt.
Targeted Funds to Beginning Farmers

- Each fiscal year Congress targets a percentage of direct and guaranteed FO and OL funds to beginning farmers.
A beginning farmer is an individual or entity who:

- Has not operated a farm for more than 10 years;
- Meets the loan eligibility requirements of the programs to which he/she is applying;
- Substantially participates in the operation; and
- For FO purposes, does not own a farm greater than 30% of the median size farm in the county.
FSA has a special loan program to assist socially disadvantaged and beginning farmers in purchasing a farm.

Retiring farmers may use this program to transfer their land to future generations.
The applicant must make a cash down payment of at least 5% of the purchase price. The maximum loan amount does not exceed 45% of the least of –

- The purchase price of the farm or ranch to be acquired;
- The appraised value of the farm or ranch to be acquired; or
- $500,000.
Qualifications

- The term of the loan is 20 years.
- The interest rate is 4% below the direct FO rate, but not lower than 1.5%.
- The remaining balance may be financed through a commercial lender or private party.
- FSA can provide up to a 95% guarantee if financing is obtained from a commercial lender.
FSA advertises inventory property within 15 days of acquisition.
Eligible SDA and beginning farmers are given first priority to purchase these properties at the appraised market value.
Beginning farmers may choose to participate in a joint financing arrangement.

- FSA lends up to 50% of the amount financed, and another lender provides 50% or more.
- The term of the loan will not exceed 40 years or the useful life of the security.
Where to Apply

- Applications for direct loan assistance may be submitted to the local FSA office serving the area where the operation is located.
- For guaranteed loans, applicants must apply to a commercial lender that participates in the Guaranteed Loan Program.
- Local FSA offices are listed in the telephone directory under U.S. Government, Dept. of Agriculture of Farm Service Agency.
Further information about this and other FSA programs is available from local FSA offices or on the FSA website at: www.fsa.usda.gov.

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