

## **FSA direct loan info detailed**

Written by Holyoke Enterprise

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“Direct” farm loans are made by FSA with Government funds. FSA also services these loans and provides direct loan customers with supervision and credit counseling so they have a better chance for success.

Farm ownership, operating, emergency and youth loans are the main types of loans available under the direct program. Direct loan funds are also set aside each year for loans to minority applicants and beginning farmers.

### **Program eligibility**

In addition to other eligibility criteria, a direct loan applicant must:

—have sufficient education, training or experience in managing and operating a farm or ranch that demonstrates the managerial ability needed to succeed in farming.

For a direct farm ownership (FO) loan, the applicant must have participated in the operation of a farm or ranch for at least three of the last 10 years.

—be a citizen of the United States, United States non-citizen national or a qualified alien under applicable Federal immigration laws.

—have the legal capacity to incur the obligations of the loan.

—be unable to obtain credit elsewhere.

—have an acceptable credit history.

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—be the operator or tenant operator of a family farm after the loan is closed. For an operating (OL) or emergency (EM) loan, the producer need only be the operator. For an FO loan, the producer must own and operate the farm.

—not have had a previous loan which resulted in a loss to the Agency

—not be delinquent on any Federal debt.

Corporations, cooperatives, joint operations and partnerships and their members/stakeholders must meet most of these same eligibility requirements, and the entity must also be authorized to operate a farm or ranch in the State where the land is located.

If a loan applicant qualifies, what next?

The following actions are usually taken as part of the application process:

—Loan applicant contacts the Farm Service Agency (FSA) office and receives an application package.

—Loan applicant completes the loan application, with FSA assistance if needed.

—FSA and the loan applicant meet to review and discuss the application.

—FSA determines if the applicant is eligible and reviews the application for repayment ability, security and compliance with other regulations.

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—FSA approves and obligates the loan.

—Loan is closed, and the loan applicant receives the funds.

What are the loan terms and interest rates?

Repayment terms and interest rates vary according to the type of loan made, the collateral securing the loan and the applicant's ability to repay. OL loans are normally repaid within seven years, and FO loan terms cannot exceed 40 years. The interest rates for direct loans are adjusted periodically based on the Federal Government's cost of borrowing.

A lower interest rate may be available for producers with limited resources. Loans to limited resource producers are reviewed periodically to adjust the interest rate based on repayment ability.

What security is required?

Loans must be adequately secured. Collateral for OL loans consist of a first lien on crops to be produced and on livestock and equipment purchased or refinanced with loan funds. A lien may be taken on certain other chattel and real estate property, and an assignment usually will be taken on income such as that from a dairy enterprise.

Collateral for FO loans consist of real estate only or a combination of real estate and chattels. FSA requires security of 150 percent of the loan amount, if available. At a minimum, the security must equal the loan amount.

Are there any special loan conditions?

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FSA provides temporary credit to its direct loan borrowers; therefore, all borrowers are required to refinance their loans with a private, commercial lender when they are financially able to do so.

To improve their production and financial management ability, FSA requires all borrowers to complete farm and financial training courses. Some borrowers may receive a waiver from the course if they have demonstrated adequate knowledge and ability in the subject areas covered by the course.

As part of its supervised credit role, FSA will require borrowers to provide updated financial information periodically and participate in an annual review of their operation by FSA.

The Agency completes a comprehensive evaluation of the real estate and chattel property used in the operation, the farm business organization and key personnel and any planned changes to the operation.

FSA will then identify and prioritize training and supervisory needs and help the borrower complete a plan of supervision to assist the producer in achieving financial viability.

Also, all borrowers must operate their farms in an environmentally sound manner, comply with highly erodible land and wetland policies and, if necessary, operate according to a USDA land management plan.

Where can you apply for a loan?

For direct loans, farmers apply at the local FSA county office servicing the area in which they expect to carry out their operations.

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Does it cost anything to apply for a loan?

To process a direct loan application, FSA requires the loan applicant to pay a credit report fee. In addition, if a loan is made, the producer pays the fees charged for lien searches and for filing and recording security instruments.

### **Direct FO loans**

How can FO loan funds be used?

With a direct FO loan, you can purchase farmland, construct or repair buildings and other fixtures and promote soil and water conservation.

### **Direct OL loans**

How can OL loan funds be used?

OL loans may be used to purchase items such as livestock, farm equipment, feed, seed, fuel, farm chemicals, insurance, and other operating expenses. OL loans can also be used to pay for minor improvements to buildings, costs associated with land and water development, family subsistence and to refinance debts under certain conditions.

### **Emergency loans**

FSA provides EM loans to help producers recover from production and physical losses due to drought, flooding, other natural disasters or quarantine.

### **Beginning farmers and ranchers loans**

FSA provides direct and guaranteed loans to beginning farmers and ranchers who are unable to obtain financing from commercial credit sources. Each fiscal year, the Agency targets a portion of its direct and guaranteed FO and OL funds to beginning farmers and ranchers.

### **Socially disadvantaged farmers and ranchers**

FSA makes and guarantees loans to approved socially disadvantaged applicants to buy and operate family-size farms and ranches. Each fiscal year, FSA targets a portion of its direct and guaranteed FO and OL funds to socially disadvantaged farmers and ranchers.

### **Youth loans**

FSA makes loans to individual rural youths to establish and operate income producing projects of modest size in connection with their participation in 4-H clubs, FFA or similar organizations.