Farm Service Agency state executive director Trudy Kareus reminds producers FSA offers specially-targeted farm ownership and farm operating loans to socially disadvantaged (SDA) applicants.

“FSA targets a portion of its loan funds each year to socially disadvantaged farmers and ranchers,” said Kareus. “Farming and ranching is a capital intensive business, and FSA is committed to helping producers start and maintain their agricultural operations.”

In fiscal year 2011, Colorado FSA obligated $3.9 million in direct and guaranteed loans to socially disadvantaged producers.

USDA defines socially disadvantaged applicants as a group whose members have been subjected to racial, ethnic or gender prejudice because of their identity as members of the group without regard to their individual qualities. For farm loan program purposes, SDA groups are women, African Americans, American Indians and Alaskan Natives, Hispanics and Asians and Pacific Islanders.

SDA producers who cannot obtain commercial credit from a bank can apply for either FSA direct loans or guaranteed loans. Direct loans are made to applicants by FSA. Guaranteed loans are made by lending institutions who arrange for FSA to guarantee the loan.

FSA can guarantee up to 95 percent of the loss of principal and interest on a loan. The FSA guarantee allows lenders to make agricultural credit available to producers who do not meet the lender’s normal underwriting criteria.

The direct and guaranteed loan program offers two types of loans: farm ownership loans and farm operating loans.

Farm ownership loan funds may be used to purchase or enlarge a farm or ranch, purchase easements or rights of way needed in the farm’s operation, build or improve buildings such as a

dwelling or barn, promote soil and water conservation and development and pay closing costs.

Farm operating loan funds may be used to purchase livestock, poultry, farm equipment, fertilizer and other materials necessary to operate a successful farm.

Operating loan funds can also be used for family living expenses, refinancing debts under certain conditions, paying salaries for hired farm laborers, installing or improving water systems for home, livestock or irrigation use and other similar improvements.

Repayment terms for direct operating loans depend on the collateral securing the loan and usually run from one to seven years. Financing for direct farm ownership loans cannot exceed 40 years. Interest rates for direct loans are set periodically according to the government's cost of borrowing. Guaranteed loan terms and interest rates are set by the lender.

Producers are encouraged to contact their local FSA service center or visit FSA's website at www.fsa.usda.gov
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