

A stylized, light-colored illustration of a plant with several leaves and a cluster of small, round buds or flowers, positioned on the left side of the slide against a dark brown background.

DIRECT LOAN PROGRAM

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Farm Loan Officer

Direct Loans

- Available to farmers and ranchers unable to obtain credit from commercial lenders.
- Funded by Congressional appropriations; FSA makes and services the loan.
- Temporary source of financing; Graduation to Commercial Credit is Goal.

Types of Direct Loans:

Ownership Loan (FO)

- Purchase or enlarge farmland
- Construct/Repair buildings and other fixtures
- Pay for soil and water conservation and protection

Operating Loans (OL)

- Purchase livestock, farm equipment, feed, seed, fuel, farm chemicals, insurance and other operating expenses
- Pay for minor building improvements
- Costs associated with land and water development
- Annual operating expenses
- Refinance debt under certain conditions

Direct Loan Types Cont:

Emergency Loans (EM)

- Help if suffered a qualifying loss caused by natural disasters.
- EM loan funds may be used to restore or replace essential property, pay production costs, with the disaster year

Youth loans

- For individuals between ages of 10 and 20 years old
- Maximum amount \$5000



Loan Limits, Terms and Rates

FO

- \$300,000.00
- TERM: UP TO 40 YRS
- RATE: FIXED
- CURRENTLY: 4.25%

OL

- \$300,000.00
- TERM: 1 TO 7 YRS
- RATE: FIXED
- CURRENTLY: 2.0%

Eligibility Requirements:

- ✓ Be the owner-operator or tenant-operator of a family farm
 - Make day-to-day management decisions,
 - Provides substantial amount of the labor required, and
 - Recognized in the community as a family farm.
- ✓ Be unable to obtain sufficient credit elsewhere
- ✓ Be a citizen or a legal resident alien
- ✓ Possess legal capacity to incur the loan obligation,
- ✓ Have acceptable credit history,
- ✓ Have necessary training and/or experience
- ✓ Not be delinquent on any Federal debts

Applying for a Direct Loan

- ✓ Loan application provided by the FSA office or printed out online
- ✓ Tax returns (3 years)
- ✓ Leases (if applicable)
- ✓ Purchase and Sales Agreement (if applicable)
- ✓ Credit Report Fees
- ✓ UCC Lien Fees
- ✓ UCC Lien Search Fees

Business Plans

- The mission, vision and goals for your farm or ranch
- What your operation will produce
- How and where you will market and sell the products
- Cash flow analysis
- Required to get a loan



SECURITY

- 150% Security coverage margin
- Types of collateral
 - Equipment
 - Livestock
 - Crops
 - Real Estate
- Valuation
 - Appraisal based on fair market value
- Insurance required on all FSA security

Responsibilities as a Direct Loan Borrower

- Follow the business plan on which your loan was based; it is your blueprint for success.
- keep good business records that include all:
 - farm operating and family living expenses.
 - income from crops, livestock, and other sources.
- maintain loan security, which includes:
 - keeping livestock safe, healthy, and well fed.
 - maintaining all real estate, buildings, and machinery.
 - paying insurance, real estate taxes, and other taxes when due.

Responsibilities as a Direct Loan Borrower

- Attend any required production and/or financial management skills training.
- Talk with your FSA loan officer to change your business plan:
 - if you need to make expenditures outside the business plan or need to change it for any reason.
 - if you plan to sell any portion of your crop and/or livestock in a different way than described in your business plan.
 - when you propose to sell or trade any equipment.

• QUESTIONS?



For more information:

- USDA Farm Service Agency
10 Ferry St Ste 212
Concord, NH 03301
- (603) 223-6003
FAX (603) 223-6030
- “Your Guide to FSA Farm Loans”
http://www.fsa.usda.gov/Internet/FSA_File/fsa_br_01_web_booklet.pdf