FarmLoanPrograms
FARM SERVICE AGENCY

Farm Ownership Loans: FO loans may be used to purchase farmland, construct or repair buildings and other fixtures, develop farmland to promote soil and water conservation or refinance debt.

Operating Loans: OLs may be used to purchase items needed for a successful farm operation. These items include: livestock, farm equipment, feed, seed, fuel, repairs and other operating expenses. Under certain conditions, may be used to refinance debt.

USDA is an equal opportunity employer, provider and lender.

Lender's Guide to FSA Loan Programs

The Farm Service Agency (FSA) of the U.S. Department of Agriculture (USDA) may guarantee loans that eligible agricultural lenders make to family farmers and ranchers for farm ownership, improvement, and operating purposes. Guaranteed loans are made and serviced by lending institutions subject to credit examination and supervision, such as commercial banks, farm credit system lenders, insurance companies, and savings and loan associations.

FSA provides the Ag lender ("you") with a guarantee covering up to 95 percent of any loss of principal and interest on a loan. The use of an FSA guarantee helps you to serve, or continue with, a farmer who cannot be served on a conventional basis due to risk factors.

To find out how FSA programs can work for you, just give us a call or stop in at an FSA or USDA Service Center office. FSA has offices in many agricultural counties nationwide.

FSA Loan Programs

Under the guaranteed loan programs, FSA provides loan guarantees to lenders who make farm loans to eligible applicants who operate family-size farms. You may sell the guaranteed portion of the loan on the secondary market, or retain the loan as part of your own portfolio.

Loans must meet certain qualifying criteria to be eligible for guarantees, and FSA will monitor your loan servicing. Farmers interested in guaranteed loans should apply directly with a conventional lender, who then arranges for the guarantee.

For those farmers or ranchers unable to qualify for a guaranteed loan, FSA also offers direct loans, which are made and serviced by FSA officials. Funding for direct loans is limited; therefore, applicants sometimes must wait until funds are available. To qualify for a direct farm ownership or operating loan, the applicant must have sufficient repayment ability and loan collateral. FSA will work with loan applicants to analyze the situation, provide technical assistance, and tailor loans to meet their needs.

USDA FSA
FARM SERVICE AGENCY

Michigan Farm Service Agency
Farm Loan Programs Division
3001 Coolidge Rd, Suite 350
East Lansing, Mi. 48823
Voice: 517-324-5110 Fax: 517-324-5119
www.fsa.usda.gov/mi

FSA's Special Downpayment Program works like this:

❍ 5% down payment.

❍ Lender provides 50% (or more) of the purchase price or appraised value.

❍ FSA finances 45%* at a loan term of 20 years at the direct FO loan rate less 4%, with a floor of 1.5%.

What is the Maximum Loan Size?

FSA can guarantee any combination of FO loans and OLs up to $1,094,000 (amount adjusted annually based on inflation).

Is This Loan the Lender's Loan or and FSA Loan?

A guaranteed loan is the lender's loan. You make the loan and service it to conclusion. If everything works well and the borrower is able to repay the loan, taxpayers' money will not be used except for administrative expenses. If a loan fails and you suffer a loss, FSA will reimburse you with Federal funds under terms and conditions specified in the guarantee.

What Is the Percent of Guarantee?

For most loans, the maximum guarantee is 90 percent. The guarantee percentage will be determined by FSA based on the loan risk involved. You may receive a 95 percent guarantee when:

1. The purpose of the loan is to refinance direct FSA farm loan program debt. If only a portion of the loan is for this purpose, a weighted percentage of guarantee will be used.
2. The loan is made to a beginning farmer or Socially Disadvantaged Applicant (SDA) to participate in the beginning farmer downpayment FO loan program.
3. The loan is made under a State beginning farmer program where a memorandum of understanding between the State and USDA has been signed.
4. The OL is made to a farmer or rancher whose property is subject to the jurisdiction of an Indian tribe

Is There a Guarantee Fee?

For most loans, FSA charges a fee of one percent of the guaranteed portion of the loan. This fee may be passed on to the borrower. The guarantee fee is not charged for:

- Interest assistance loans.
- Loans where more than 50 percent of the loan funds are used to pay off direct FSA loan debt.
- Loans given in conjunction with a downpayment FO loan program for beginning farmers or SDA applicants or qualifying State beginning farmer program.

*Down payment program highlighted to the left:

FSA may provide a loan amount not to exceed 45% of the lesser of

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

Note: This results in a maximum FSA loan of $225,000. FSA can provide up to a 95 percent guarantee and the guarantee fee is waived.

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