

SEPTEMBER 2008

Farm Loans Program Funding

Overview

The U.S. Department of Agriculture's Farm Service Agency (FSA) makes and guarantees loans to family farmers to purchase farmland and finance agricultural production. Farmers may apply for direct loans at local FSA offices. Guaranteed loans are available from local commercial lenders who apply for loan guarantees from FSA. All programs are administered through local offices.

Funding Source

Each year Congress appropriates money for FSA farm loans as part of the USDA budget. The funds generally are appropriated for the Government's fiscal year, which runs from October 1 until September 30 of the following year. The amount of money appropriated by Congress does not always meet the demand for loan funds and the Agency may run out of money for some programs.

Congress may pass a supplemental appropriations bill to make additional money available. If Congress does not appropriate additional money, loans cannot be funded until the next fiscal year when new appropriations become available.

State Allocations

Each year, when FSA receives loan money in the budget, every state receives an allocation of money from the Agency. Therefore, one state can deplete its funds and be out of money while other states are still funding loans.

The Agency allocates to the states loan money based upon the potential need. This is determined by the number of farmers in each state, the value of farm assets and net farm income. The biggest factor in dividing the money among the states is the number of farmers in each state.

FSA does not allocate Emergency Loan money to states because it is impossible to predict the occurrence of natural disasters or imposition of certain federal quarantines. Instead, FSA makes money available for loans when a natural disaster or quarantine is declared. Emergency Loan money is available on a first-come, first-served basis.

When funds in a loan program start to run low and many states are out of money, the Agency will periodically combine unused loan money and place these funds in a national office account. If there is enough money left, it will be redistributed to states.

If there isn't much left, the money will be held at the national office and states can request funding on a loan-by-loan basis. Combining unused loan funds happens most commonly in the spring.

Specifically Reserved Loan Money

FSA reserves loan money for two specific categories:

- **Socially Disadvantaged Farmers (SDA):** The law requires FSA to reserve or target a portion of its direct and guaranteed operating and farm ownership loan funds for use exclusively by SDAs. An SDA group is a group whose members have been subject to racial, ethnic or gender prejudice because of their identity as members of a group without regard to their individual qualities. These groups consist of American Indians or Alaskan Natives, Asians, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics and women. In the farm ownership loan program, the percentage of loan funds targeted for SDAs is based upon the state percentage of the total rural population made up of SDAs, and the statewide percentage of total farmers who are female.

In the operating loan program, the target is determined by the statewide percentage of total farmers from the SDA minority group, and the statewide percentage of total farmers who are female.

- **Beginning Farmers:** The law also requires FSA to reserve or target loan funds for exclusive use by beginning farmers, as follows: Direct Operating, 50 percent; Guaranteed Operating, 40 percent; Direct Farm Ownership, 75 percent; Guaranteed Farm Ownership, 40 percent. Funds remain targeted for beginning farmers in the guaranteed programs until April 1 of each fiscal year. In the direct programs, funds are targeted for beginning farmers until September 1 of each fiscal year.

Applying for a Loan When a Program is Out of Money

Farmers may apply for a loan even when money has run out for a loan program. In this case, FSA still accepts, processes, and approves loan applications subject to funding. Approved loans are held until money becomes available. Loans are funded based on the date the complete application was received in the FSA office. Submitting a complete application sets a farmer's place in the waiting line for funds, so it is advantageous to apply for a loan even when there is no money available.

Funding Loans When No Money is Available

Applicants that have been approved can contact their local FSA office to determine if money is available to fund their loan. When a loan cannot be funded, the approved loan applicant is placed on a waiting list based on the date the complete application was received. The state office monitors this list and notifies the county office when funds become available.

If an application is approved but no money is currently available, farmers can find out where they stand and when there will be money for their loan. When this happens, the county offices are required to submit information about approved loans to the state office. The State office staff sets up a waiting list for the State using the loan application dates. The county office can indicate if a loan has been sent to the State office and its status for funding.

For More Information

Further information on FSA's loan programs is available from a local FSA office or on the FSA website at: www.fsa.usda.gov, which includes links to farm loan information as well as an "Ask FSA" feature for frequently asked questions.

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