



## **Loans for Socially Disadvantaged Persons (Minorities and Women)**

### **Overview**

The U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) makes and guarantees loans to approved socially disadvantaged applicants to buy and operate family-size farms and ranches.

A socially disadvantaged (SDA) farmer, rancher, or agricultural producer is one of a group whose members have been subjected to racial, ethnic, or gender prejudice because of his or her identity as a member of the group without regard to his or her individual qualities. SDA groups are women, African Americans, American Indians, Alaskan Natives, Hispanics, Asian Americans and Pacific Islanders.

The Agency:

- Reserves direct and guaranteed loan funds for SDA persons. Non-reserved funds also can be used by SDA persons;
- Discovers and removes barriers that prevent full participation of those persons in FSA's farm loan programs; and
- Provides information and assistance to applicants to help them develop sound farm management practices, analyze problems,

and plan the best use of available resources essential for success in farming, ranching, or other agricultural production.

### **Types of Loans**

Direct farm ownership loans (FO) and farm operating loans (OL) are made by FSA to approved applicants.

Guaranteed FO and OL loans are available and may be made by any lending institution subject to Federal or State supervision (banks, savings and loans, and units of the Farm Credit System) and guaranteed by FSA. Typically, FSA guarantees 90 or 95 percent of a loan against any loss that might be incurred if the loan fails.

### **Use of Loan Funds**

FO loans may be used to purchase or enlarge a farm or ranch, purchase easements or rights of way needed in the farm's operation, erect or improve buildings, implement soil and water conservation measures, and pay closing costs. Reserved direct FO loan funds can only be used to purchase a farm or ranch. Guaranteed FO funds may also be used to refinance debt.

OL loans may be used to purchase livestock, poultry, farm

equipment, feed, seed, fuel, fertilizer, chemicals, insurance, and other operating expenses. Funds also may be used to refinance debt (subject to certain restrictions) and to install or improve water systems for home use, livestock or irrigation, and other improvements.

### **Who May Borrow**

To qualify for assistance, SDA applicants must meet all loan eligibility requirements including:

- Be a family-size farmer;
- Have a satisfactory history of meeting credit obligations;
- For direct loans, have sufficient education; training, or at least 1-year's experience in managing or operating a farm or ranch within the last 5 years. For direct FO loans, applicants must have participated in the business operations of a farm or ranch for 3 years;
- Be a citizen of the United States (or a legal resident alien), including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and certain former Pacific Island Trust Territories;
- Be unable to obtain credit elsewhere at reasonable rates and terms to meet actual needs;

- Possess legal capacity to incur loan obligations;
- Not be delinquent on a Federal debt;
- Not have caused FSA a loss by receiving debt forgiveness (certain exceptions apply); and
- Be within the time restrictions as to the number of years they can receive FSA assistance.

In the case of an entity, the members holding a majority interest must meet the same eligibility requirements. The entity must be authorized to operate a farm or ranch in the State where the actual operation is located. In addition, the entity must be owned by U.S. citizens or legal resident aliens, and the SDA members must hold a majority interest in the entity.

If the individuals holding a majority interest in the entity are related by blood or marriage, at least one stockholder, member, or partner must operate the family farm or ranch. If they are not related by blood or marriage, those holding a majority interest must operate the farm or ranch.

### **Terms and Interest Rates**

Repayment terms for direct OL loans depend on the collateral securing the loan and usually run from 1 to 7 years. Interest rates for direct loans are set periodically according to the Government's cost of borrowing. Repayment terms for direct FO loans vary but never exceed 40 years.

Interest rates for guaranteed loans are established by the lender, but may not exceed the rate the lender charges its average farm loan customer. Guaranteed loan terms are set by the lender.

### **Getting a Loan**

Applications for all FSA direct loan programs are made through FSA local offices and USDA Service Centers. These are listed in telephone directories under "United States Government, Department of Agriculture."

Guaranteed loan applications are made with the lender. In cases where a lender is not known to an applicant, local office personnel will assist the applicant.

### **For more information**

Further information is available from local USDA Service Centers or on the FSA Web site at: [www.fsa.usda.gov](http://www.fsa.usda.gov).

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