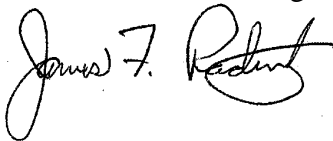


For: State Offices and Service Centers

**Using FSFL's in Conjunction With Direct Microloans**

Approved by: Acting Deputy Administrator, Farm Loan Programs



**1 Overview**

**A Background**

FSFL's provide low-interest financing for producers to build or upgrade farm storage and handling facilities. FSA is authorized to implement the Facility Loan Programs through CCC. An eligible borrower is any person who is a landowner, landlord, leaseholder, tenant, or sharecropper and meets other FSFL eligibility requirements. The maximum FSFL amount is \$500,000 per request. FSFL terms are 7, 10, or 12 years depending on the amount of the FSFL. Each applicant is charged a nonrefundable \$100 application fee.

Facilities built for commercial purposes and not for the sole use of the producer's eligible commodity are **not** eligible for FSFL's.

**B Purpose**

This notice informs State Offices and Service Centers to leverage all resources, knowledge, skills, and experiences of farm program and farm loan staff to promote FSFL's and direct microloans to assist local producers with meeting their needs in commodity storage and equipment.

**C Contacts**

If there are questions about this notice:

- Service Centers shall contact the State Office
- State Offices shall contact either of the following:
  - Russ Clanton, Branch Chief Direct Loan Making and Funds Management, by telephone at 202-690-0214
  - Toni Williams, Facility Loan Program Manager by telephone at 202-720-2270.

|                      |   |
|----------------------|---|
| <b>Disposal Date</b> | <b>Distribution</b>                                   |
| June 1, 2016         | State Offices; State Offices relay to Service Centers |

## 2 General FSFL Information

### A Eligible FSFL Commodities

The following commodities are eligible.

- barley
- corn
- grain sorghum
- hay
- oats
- wheat
- honey
- FAV's
- oilseeds include the following:
  - canola
  - crambe
  - flaxseed
  - mustard seed
  - rapeseed
  - safflower
  - sesame seeds
  - soybeans
  - sunflower seeds
- other grains include the following:
  - buckwheat
  - speltz
  - triticale
- peanuts

**2 General FSFL Information (Continued)**

**A Eligible FSFL Commodities (Continued)**

- pulse crops include the following:
  - chickpeas
  - dry peas
  - lentils
  - dry beans
- rice
- renewable biomass.

**B Eligible Facilities and Upgrades**

The following types of facilities and upgrades are eligible and must have a useful life of at least 15 years:

- new:
  - conventional cribs or bins
  - oxygen-limiting structures and remanufactured oxygen-limiting structures
  - flat-type storage structures
  - electrical equipment and handling equipment, excluding the installation of electrical service to the electrical meter
  - safety equipment, such as interior and exterior ladders and lighting
  - equipment to improve, maintain or monitor the quality of stored grain
  - concrete foundations, aprons, pits, and pads, including site preparation, off-farm labor and material, essential to the proper operation of the grain storage and handling equipment
  - permanently affixed grain handling and grain drying equipment determined by CCC to be needed and essential to the proper operation of a grain storage system (with or without a loan for the storage facility)
  - structures that are bunker-type, horizontal or open silo structures, with at least 2 concrete walls and a concrete floor

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### 2 General FSFL Information (Continued)

#### B Eligible Facilities and Upgrades (Continued)

- structures suitable for storing hay built according to acceptable design guidelines
- structures suitable for storing renewable biomass
- cold storage buildings, including prefabricated buildings that are suitable for storing FAV's

**Note:** Also may include permanently affixed cooling, circulating and monitoring equipment and electrical equipment including labor and materials for installation of lights, motors and wiring integral to the proper operation of a cold storage facility.

- renovation of existing farm storage facilities, under certain circumstances, if the renovation is for maintaining or replacing items.

**Note:** Scales, portable equipment, used bins, and used equipment are **not** eligible for financing. Facilities built for commercial purposes and not for the sole use of the borrowers are **not** eligible for financing.

#### C FSFL Security

Additional security is required if the aggregate outstanding FSFL balance exceeds \$100,000.

**Note:** STC has the authority to establish a more restrictive policy; however, requiring additional security for FSFL's greater than \$50,000 must be Statewide.

#### D Resources

Additional FSFL information can be found at  
<http://www.fsa.usda.gov/programs-and-services/price-support/facility-loans/index>.

FSFL regulatory authority is 7 CFR Part 1436 and is administered using 1-FSFL that is available at <http://fsaintranet.sc.egov.usda.gov/dam/handbooks/handbooks.asp>.

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### 3 Action

#### A State Office Action

State Offices shall:

- ensure that all Service Center employees understand general FSFL provisions provided in this notice
- encourage FLP and farm program staffs to communicate and work together to better understand how to use FSFL's and direct microloans together to meet producer commodity storage, drying, and handling equipment needs
- inform producers, banks, and other farm lending institutions about the availability of FSFL's and direct microloans
- assist Service Center staff with questions about this notice.

#### B Service Center Action

Part of the farm program and farm loan staff's responsibilities include using creativity in helping producers to use the features and benefits of FSA programs to best meet their capital need. One approach to this is using the Facility Loan Program along with microloan funding to meet a producer's needs for storing and processing their farm products.

**Examples:** To assist a grower to enhance their capability to store and market produce, a FSFL can be used for a cold storage facility and a vegetable packing line can be financed with a microloan.

To assist a producer with a hay enterprise, FLP can finance the haying equipment and a FSFL can finance the hay storage shed. With FLP, there may be a tendency to not involve FSFL's in the interests of simplicity; however, FSFL's have unique features and benefits that can be advantageous in certain situations. FSA staff should always be aware of how program features benefit producers and ensure that producers are fully informed of the ways that FSA programs can be used together to obtain the capital they need.