



Emergency Loan Assistance

Background

The Farm Service Agency (FSA) provides Emergency (EM) loans to help cover production and physical losses in counties declared as disaster areas by the President or designated by the Secretary of Agriculture. For physical losses only, the FSA Administrator may authorize EM assistance.

Eligibility

Emergency loans may be made to farmers and ranchers who:

- are established family farm operators;
- are citizens or permanent residents of the United States;
- have the ability, training or experience necessary to repay the loan;
- have suffered a qualifying physical loss, or a production loss of at least 30 percent in any essential farm or ranch enterprise;
- cannot obtain commercial credit;
- can provide collateral to secure an EM loan; and
- have repayment ability.

Loan Uses

Emergency loan funds may be used to:

- restore or replace essential property;
- pay all or part of production costs associated with the disaster year;

- pay essential family living expenses;
- reorganize the farming operation; and
- refinance debts.

Loan Limit

The loan limit is up to 80 percent of actual loss, with a maximum indebtedness under this program of \$500,000.

Loan Requirements

FSA loan requirements are different from those of other lenders. Some of the more significant of these conditions are:

- Borrowers must keep acceptable farm records.
- Borrowers must operate in accordance with a farm plan they develop and agree to with FSA.
- Borrowers may be required to participate in a financial management training program, and may be required to obtain crop insurance.

Loan Terms

Loans for crop, livestock, and non-real estate losses are normally repaid from 1 to 7 years depending upon the loan purpose, repayment ability, and collateral available as loan security. In special circumstances, terms of up to 20 years may be authorized. Loans for physical losses to real estate are normally repaid within 30 years. Again, in unusual circumstances, repayment may be made over a maximum of 40 years.

Temporary Assistance

Borrowers are expected to return to conventional credit sources. Emergency loans are a temporary source of credit, and borrowers are reviewed periodically to determine whether they can return or “graduate” to commercial credit.

Interest Rate

The current annual interest rate is 3.75 percent.

Collateral

All emergency loans must be fully collateralized. A first lien is required on all property or products acquired, produced, or refinanced with loan funds. The specific type of collateral required may vary depending upon the loan purpose, repayment ability, and the individual circumstances of the applicant.

Application Deadline

Applications for emergency loans must be received within 8 months of the disaster designation date.

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