



**Fact Sheet**

# **Loans for Socially Disadvantaged Persons**

The Farm Service Agency (FSA) can make and guarantee loans to socially disadvantaged applicants to buy and operate family-size farms and ranches. Funds specifically for these loans are reserved each year.

A socially disadvantaged farmer or rancher is one of a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as members of the group without regard to their individual qualities. For purposes of this program, socially disadvantaged groups are women, African Americans, American Indians and Alaskan Natives, Hispanics, and Asians and Pacific Islanders.

The purposes of the program are to:

- Target direct and guaranteed loan assistance to socially disadvantaged persons;
- Discover and remove obstacles that prevent the full participation of those persons in FSA's farm loan programs;
- Provide advice to qualified applicants to help them develop sound farm management practices, analyze problems, and plan the best use of available resources essential for success in farming or ranching.

## **Types of Loans**

Direct loans are made to applicants by FSA and include both farm operating and farm ownership loans.

Guaranteed loans also may be made for ownership or operating purposes, and may be made by any lending institution subject to Federal or State supervision (banks, savings and loans, insurance companies and units of the Farm Credit System including the Bank for Cooperatives) and guaranteed by FSA. Some State governments also operate farm loan programs that are eligible for FSA guarantees. 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**

Farm ownership loan funds 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 such as a dwelling or barn, promote soil and water conservation and development, and pay closing costs.

Farm operating loan funds may be used to purchase livestock, poultry, farm and home equipment, feed, seed, fuel, fertilizer, chemicals, hail and other crop insurance, food, clothing, medical care, and hired labor. Funds also may be used to install or improve water systems for home use, livestock or irrigation, and other improvements.

## **Who May Borrow**

Individuals, partnerships, joint operations, corporations, and cooperatives primarily and directly engaged in farming and ranching on family-size operations may apply. A family-size farm is considered to be one that a family can operate and manage itself.

In addition to being members of a socially disadvantaged group, individual applicants under this program must meet all requirements for FSA's regular farm loan program assistance. To be eligible, an applicant must, among other requirements:

- Have a satisfactory history of meeting credit obligations;
- 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 an operating loan, or, for an ownership loan, have 3 years experience in operating a farm or ranch;

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- 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 the legal capacity to incur the obligations of the loan.

In the case of corporations, cooperatives, joint operations, or partnerships, the stockholders, members, or partners holding a majority interest must meet these same eligibility requirements. The borrowing 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 socially disadvantaged 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 operating loans depend on the collateral securing the loan and usually run from 1 to 7 years. Repayment terms for direct ownership loans can be as long as 40 years. Guaranteed loan terms are set by the lender.

Interest rates for direct loans are set periodically according to the Government's cost of borrowing.

Interest rates for guaranteed loans are established by the lender.

### **Getting a Loan**

Applications for all FSA direct loan programs are made through FSA's county offices. Offices often are located in county seats, and their addresses and telephone numbers can be found in local 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, personnel at the county offices will help find one and will help with an application, either for a direct loan or a guaranteed loan.

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The United States Department of Agriculture (USDA) prohibits discrimination in its programs on the basis of race, color, national origin, sex, religion, age, disability, political beliefs and marital or familial status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint, write the Secretary of Agriculture, U.S. Department of Agriculture, Washington, D.C., 20250, or call 1 800-245-6340 (voice) or (202) 720-1127 (TDD).

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