United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2867 (1910-A)
September 23, 1993

SUBJECT: Notification to Applicants of Loan Programs for Beginning Farmers

TO: State Directors, District Directors and County Supervisors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance to field offices in notifying applicants of the loan programs available to Beginning Farmers.

COMPARISON WITH PREVIOUS AN:

No previous AN has been issued on this subject.

IMPLEMENTATION RESPONSIBILITIES:

The Agricultural Credit Improvement Act of 1992 established new farm loan programs and modified existing loan programs for Beginning Farmers. This AN provides direction until Form FmHA 410-1, "Application for FmHA Services" is revised. Attachment A will be provided to all applicants requesting an application for a direct loan.

This AN may not be revised and reissued by State Directors without prior approval by the Assistant Administrator, Farmer Programs, unless modification is necessary to comply with State law.

State Office personnel with questions regarding this AN should contact the Farmer Programs Loan Making Division, at (202) 720-1632.

Sharron S. Longino

SHARRON S. LONGINO
Acting Administrator

Attachment

EXPIRATION DATE: September 30, 1994

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1910-A

Sent by electronic mail on 9/23/93 at 10:23 by GSS.

FmHA Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

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Letter to Applicants Regarding Assistance to Beginning Farmers or Ranchers

ATTACHMENT A

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
(Insert Address)

Telephone:

(Insert Date)

Dear _____:

The Consolidated Farm and Rural Development Act now provides Farmers Home Administration (FmHA) the authority to assist qualified beginning farmers or ranchers by implementing additional loan programs and by targeting loan funds. The new programs consist of a special beginning farmer operating (OL) loan assistance program and a farm ownership (FO) downpayment program. FmHA will target funds to qualified beginning farmers and ranchers under these programs and under the regular OL and FO programs.

A beginning farmer or rancher is an applicant who meets the loan eligibility requirements for the type of assistance requested and also meets the following requirements:

Has not operated a farm or ranch, or who has operated a farm or ranch for not more than 10 years. This requirement applies to all members of an entity.

Does not own real estate directly or through interests in farm entities that will exceed 15 percent of the average farm or ranch acreage of the farms or ranches in the County where the property is located.

Agrees to participate in the loan assessment, borrower training, and financial management programs as required by FmHA regulations.

In the case of an entity, all members are related by blood or marriage. In addition to this requirement, all stockholders in a corporation must meet the beginning farmer or rancher definition.

Will materially and substantially participate in the operation of the farm.

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New programs

Special Beginning Farmer Operating (OL) Loan Assistance Program

The special beginning farmer OL assistance program is a program to provide an applicant with a reliable source of direct or guaranteed operating credit for up to 10 years, subject to availability of funds and a feasible plan. During the commitment period, FmHA will use what assistance is necessary to move the applicant to private credit by the end of the 10-year period. To be eligible, applicants must:

Meet the beginning farmer or rancher definition.

Have not operated a farm or ranch, or have operated a farm or ranch for not more than 5 years. This requirement applies to all members of an entity.

During the 5-year period prior to applying for assistance, have sufficient education and experience to indicate that the applicant is able to conduct a successful farming or ranching operation.

Submit a plan of operation for the first 5 years which describes how the operation is to be conducted, the types and quantities of commodities to be produced, the production and conservation methods to be used, livestock and equipment needed to conduct the operation, income and expenses expected from all sources, the expected credit needs, and the location of the operation. The plan of operation must indicate that farm income is sufficient to cover farm operating expenses, debt service, and that part of living expenses not covered by nonfarm income, if any, for each year of the first five years. Nonfarm income cannot be relied on to cover farm expenses or farm debt service. The plan must show that the operation will be viable for the 5-year period and that the applicant will be able to obtain operating credit elsewhere by the end of the 10-year period. FmHA will provide an automated projection to develop plans for years 2 through 5, including the 10-year financial projection, based on the initial plan provided by the applicant. The applicant has the option to develop the 5-year plan and financial projection without the use of FmHA's automated program.

Own, lease or have a commitment to lease the site of the operation that is or will be sufficient to carry out the planned operation.

Have or will have the equipment and/or livestock available that is or will be sufficient to carry out the planned operation.

If an applicant receives a special beginning farmer OL loan, FmHA may not provide any loan assistance to the applicant to purchase a farm until the applicant has been farming more than 5 years.

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Downpayment Farm Ownership (FO) Loan Program

The downpayment FO loan program is to assist beginning farmers or ranchers to purchase a farm or ranch. An applicant must make a cash down payment of at least 10 percent of the purchase price of the farm or ranch. FmHA will provide an amount equal to 30 percent of the purchase price or appraised value, whichever is lower, of the farm or ranch to be acquired, unless the applicant requests a lesser amount. The term of this loan shall be amortized over a period of 10 years or less at an interest rate of 4 percent. The purchase price or appraised value, whichever is lower, may not exceed $250,000. The applicant must obtain other financing for the remaining 60 percent, which could include the use of FmHA's guarantee program. The terms of the other financing must be at least 30 years, with no balloon payments scheduled within the 10 years of the FmHA loan. To be eligible for this program, an applicant must meet the beginning farmer or rancher definition and the FO eligibility requirements.

Targeting of funds for qualified beginning farmers or ranchers

A percentage of OL funds will be targeted during the first 6 months of the fiscal year beginning in Fiscal Year 1994. A certain percentage of FO funds will be targeted beginning in Fiscal Year 1994. If the applicant meets the beginning farmer or rancher definition and applies and qualifies for assistance under FmHA's regular FO or OL programs, the applicant can receive targeted funds.

If you apply for OL assistance and wish to be considered under the Special Beginning Farmer OL Assistance Program, and/or you apply for FO assistance and wish to be considered for the Downpayment FO Loan Program, please state this under Item 20 of the application.

If you would like additional information regarding the availability of these or other programs, please contact this office.

Sincerely,

County Supervisor

Farmers Home Administration is an Equal Opportunity Lender
Complaints of discrimination based on race, sex, religion
national origin or marital status should be sent to:
Secretary of Agriculture, Washington, D.C. 20250