



Loans to Horse Breeders

Overview

USDA's Farm Service Agency (FSA) provides loans to assist horse breeders suffering economic losses due to mare reproductive loss syndrome (MRLS). MRLS causes stillbirths, early fetal losses, late abortions, and the births of weak foals. The exact cause of MRLS remains unknown; however, some scientists believe the disease may have connections to the eastern tent caterpillar.

Loan Uses

Horse breeders can use these loans to:

- Pay ordinary and necessary expenses related to the horse breeding business.
- Replace mares and foals lost or disabled due to MRLS.
- Purchase or lease pasture when a veterinarian or other expert has determined existing pasture still has potential to cause MRLS.
- Pay or refinance debts directly related to the horse breeding business, when necessary.
- Pay loan-closing costs.

Eligibility

To be eligible for a horse breeder loan, an applicant must:

- Generate more than 70 percent of his or her income from breeding, boarding, raising, or selling horses.
- Be creditworthy.
- Be unable to obtain credit from commercial lenders. In the case of an entity, individual members must offer individual assets and income to support the entity's loan request from a commercial lender.
- Be unable to meet the financial obligations or pay the ordinary and necessary expenses of breeding, boarding, raising, and training.
- Have had at least 30 percent of the horses owned or boarded on a farm fail to conceive, abort, or otherwise not produce a live healthy foal due to MRLS in any of 3 years: 2000, 2001, or 2002.
- Be a U.S. citizen or have permanent residency status as a legally admitted alien.
- Not be delinquent on a Federal debt other than a tax debt at closing.
- Not have any outstanding unpaid judgments obtained by the United States in any court at closing.

Corporations, cooperatives, joint operations, and partnerships must meet these same eligibility requirements, and the entity must also be authorized to operate a farm or ranch in the state where the land is located.

Loan Requirements

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

- Borrowers must operate in accordance with a business plan they develop and agree to with local FSA staff.
- Borrowers may be required to obtain applicable insurance on collateral taken as security.

Collateral is Required

1. An applicant must have sufficient equity to provide adequate security for the loan. In addition, the applicant must provide additional security, if available, not to exceed 150 percent of the loan amount.
2. Loans shall be secured by collateral that can be distinguished from other security items and can be adequately described in security instruments.
3. The Agency will take the best lien obtainable on the following security, if available, as necessary to adequately secure the loan to protect the Government's interest and as a protection against loss. The security will be taken in the order of priority as follows:
 - a) Real Estate: A survey is not required if the property is

adequately described. The applicant is responsible for obtaining and paying any costs for documentation that must be completed to properly identify the security property.

- b) Chattels and crops, other than horses: Chattels consist of equipment or livestock, other than horses. Equipment must be identified by manufacturer, model, year, and serial number, where available. If this information is not available, a written description of the equipment which adequately describes the security will be maintained in the case file.
- c) Other assets owned by an applicant: Other assets may be, but are not limited to, nonfarm real estate and certificates of deposit. The applicant shall provide satisfactory documentation as to the value of the assets and the availability for the Agency to perfect a lien.
- d) Third party pledges of collateral and property not owned by the applicant: Interests in property not owned by the applicant, such as but not limited to real estate, water rights, etc., can be offered as security for the loan and will be considered in determining whether adequate security is available.
- e) Horses: Horses must be identified by color, sex, distinguishing marks, and a written description of each horse which adequately

describes the security will be maintained in the case file.

- f) Repayment ability: Repayment ability may be accepted as adequate security provided that the applicant can meet all of the following requirements:
 - 1. The applicant has pledged as collateral for the loan all available personal and business collateral;
 - 2. The feasible plan, approved by the Agency, indicates the loan will be repaid based upon the applicant's production and income history and addresses applicable income risks to the extent practicable through the use of breeder's insurance, mortality insurance, or similar risk management practices;
 - 3. The applicant has had positive net cash horse breeder business income in at least 3 of the past 5 years;
 - 4. The applicant has given the Agency an assignment on any USDA program payments, unencumbered installment sales proceeds, or other contractually based income.

Loan Limit and Terms

The amount of the loan cannot be more than the amount of financial losses caused by MRLS or \$500,000, whichever is less. Loans cannot exceed 20 years.

Interest Rate

The current annual interest rate for loans made to horse breeders is 3.75 percent.

Application Process

The application process includes the following steps:

1. Loan applicant completes Form #FSA 410-1, which is available at local FSA offices and FSA's forms website, <http://sc.egov.usda.gov/formsearch.asp>
2. Loan applicant meets with FSA staff to review the application.
3. FSA determines applicant eligibility and repayment ability, security, and compliance with other regulations.

Application Deadline

Horse breeder loan applications shall be filed at local FSA offices no later than September 30, 2002.

For More Information

Additional information on the loans for horse breeders program is available from local USDA Service Centers or on the FSA website at www.fsa.usda.gov

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