



Conservation Contracts

BACKGROUND

The Conservation Contract Program is a unique program for eligible landowners that protects important natural resources and other sensitive areas while providing a debt management tool.

A conservation contract is available to persons with Farm Service Agency (FSA) loans secured by real estate. These individuals may qualify for a reduction of their FSA indebtedness in exchange for a conservation contract with a term of 50, 30 or 10 years. The conservation contract is a voluntary legal agreement that restricts the type and amount of development that may take place on portions of the landowner's property. Contracts may be established on marginal cropland and other environmentally sensitive lands for conservation, recreation and wildlife purposes.

HOW CONSERVATION CONTRACTS WORK

All FSA Farm Loan Program borrowers who have loans secured by real estate are eligible if they have land that qualifies for a conservation contract. This includes both borrowers who are current on their payments as well as those who are experiencing difficulty in keeping their loans current. A conservation contract may be considered alone, in conjunction with FSA's primary loan servicing programs, or on new loans that are secured by real estate.

By participating in this program, borrowers reduce their FSA debt, thereby improving their overall financial stability. In addition, borrowers conserve wildlife habitat and improve the environmental and scenic value of their farms.

Eligible lands include the following types:

- Wetlands;
- Highly erodible lands;
- Lands containing aquatic life, endangered

species or wildlife habitat of local, regional or national importance;

- Lands in 100-year floodplains;
- Areas of high water quality or scenic value;
- Historic or cultural properties listed or eligible for the National Register of Historic Places;
- Aquifer recharge areas of local, regional or State importance;
- Buffer zones necessary to protect proposed conservation easement areas; and
- Areas within or adjacent to Federal, State or local conservation areas.

CONTRACT PROCESS

FSA will determine if the borrower is eligible and establish a contract review team. This team, consisting of representatives from FSA, the Natural Resources Conservation Service (NRCS), the U.S. Fish and Wildlife Service and interested State, local and nonprofit conservation agencies, will work with the borrower to conduct a field evaluation of the farm. Within 30 days of the site review, the team provides a report to the county FSA official indicating the following:

- A finding of whether the land being offered is suitable for conservation, recreation and/or wildlife purposes;
- Potential contract boundaries;
- Recommended conditions of the contract; and
- A proposed management plan that is consistent with the contract purposes.

FSA evaluates the contract review team's report to determine if a conservation contract can be established on the farm in exchange for debt reduction.

REDUCTION OF DEBT

In general, the maximum amount of a borrower's FSA debt that can be canceled is calculated by considering the present market value of the farm; the borrower's FSA debt secured by real estate;

and the number of acres to be covered by the contract. For borrowers who are up to date on their loan payments or receiving a new loan secured by real estate, no more than 33 percent of the loan principal can be canceled in exchange for a contract. For delinquent borrowers, the amount of debt canceled may surpass this amount provided it does not exceed the appraised value of the land on which the contract is placed. Conservation contracts can be used in conjunction with other FSA primary loan servicing options available to delinquent and financially distressed borrowers.

CONTRACT ESTABLISHMENT COSTS

If FSA determines that a survey is necessary in order to develop legal descriptions, FSA will cover the cost. FSA will cover the costs of appraisals and recording fees associated with the conservation contract.

TERMS AND CONDITIONS

The term of a conservation contract may be either 50, 30 or 10 years. In general, the following activities are prohibited:

- Building, construction or other development;
- Altering the vegetation or surface or ground water on the contract area, except for the purpose of wildlife habitat restoration or management functions;
- Allowing access for livestock unless necessary to provide drinking water;
- Harvesting timber*;
- Agricultural production; and
- Placing refuse, wastes or other debris or contaminants on the contract area.

*Timber thinning/harvesting and other compatible uses may be allowed if they achieve the protection and enhancement of the conservation values for which the contract was established.

The borrower retains the right to control public access to the contract area and may use the area in a manner compatible with the contract (e.g., hunting and fishing, if allowed by the management plan). Access to the contract area must be provided to FSA for enforcement purposes.

The borrower is responsible for ensuring compliance with the terms and conditions of the conservation contract. If the property is sold, the borrower must ensure that the purchaser is aware of the conservation contract and that the terms and conditions remain applicable and binding on all subsequent owners.

FOR MORE INFORMATION

For more information about FSA and its programs, visit your local FSA office or online at www.fsa.usda.gov. To find your local FSA office, visit <http://offices.usda.gov>.

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- 1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW Washington, D.C. 20250-9410;
- 2) fax: (202) 690-7442; or
- 3) email: program.intake@usda.gov.

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