



Missouri State Fact Sheet

FSA "Guaranteed" Farm Loan Programs

The Farm Service Agency (FSA) may guarantee loans eligible agriculture lenders make to family farmers. The primary purpose of the program is to enable lenders to provide credit to farmers who cannot otherwise obtain credit without the guarantee due to risk and other factors. FSA provides the lender with a guarantee covering up to 90 percent, in most cases. In certain limited circumstances, a 95% guarantee is available. FSA has the responsibilities of approving all loan guarantees and providing technical assistance to the lender in order to accomplish the objectives of the guaranteed loan program.

Who May Borrow? Individuals, partnerships, joint operators, L.L.C., trusts, and corporations that do, or will, conduct and operate family-size farming operations; have day-to-day management and control; and provides a substantial amount of the labor requirements. For operating loans, a loan applicant must be the “**operator.**” For farm ownership loans, the loan applicant must be the “**operator and owner.**” FSA does not make loans to landlords.

What Other Criteria Does FSA Consider? In addition to meeting eligibility criteria, the loan applicant must have a satisfactory credit history, demonstrate repayment ability, and provide sufficient security for the loan.

What Types of Guarantees Are Available and How May Loan Funds Be Used?

1. Farm Ownership (FO/LN):

- Purchase land.
- Construct or acquire buildings and/or other improvements that will become real estate fixtures.
- Soil and water conservation.
- Refinance indebtedness incurred for authorized operating (OL) or farm ownership (FO) purposes provided need to refinance is demonstrated.

2. Operating (OL/LN):

- To purchase livestock and farm machinery/equipment.
- To refinance indebtedness (authorized operating purpose) provided need to refinance is demonstrated.
- For payment of intermediate term chattel (IT) & long term real estate (LT) debt installments, if the debt being paid was for authorized OL or FO purposes.

3. Operating Line of Credit (OL/LOC):

- To pay for annual operating expenses such as feed, seed, fertilizer, chemicals, fuel, repairs, feeder livestock, and family living expenses.
- For purchase of routine capital assets such as replacement of breeding livestock that can be repaid within the operating cycle.
- For payment of scheduled, non-delinquent IT & LT debt installments, if debt being paid was for authorized OL or FO purposes.
- For payment of current annual operating debts advanced for current operating cycle. Under no circumstances can last years carry-over operating debts be refinanced.

4. Conservation Loan (CL):

- Conservation activities included in a NRCS-approved conservation plan.

What Are the Loan Limits? Total outstanding unpaid principal on all guaranteed loans cannot exceed \$1,399,000. Maximum interest rate cannot exceed applicable 3-mo LIBOR or 5-Yr Treasury index and spread.

What Are the Interest Rates? The interest rate on a guaranteed loan is negotiated between the lender and borrower. It can be fixed or variable.

What Are the Loan Terms? Repayment terms vary according to the type of loan made, the market value of the collateral securing the loan, remaining useful life of the collateral, and the producer's repayment ability.

FO/LN - The maximum repayment term is 40 years.

OL/LN - The repayment term may vary, but cannot exceed 7 years for intermediate term purposes.

OL/LOC - Up to a revolving 5-year credit line for annual operating expenses. Generally repaid each year. Subject to renewal based on the next year's cash flow projections.

Is this a Lender's or FSA Loan? This is the lender's loan. The loan is made and serviced to conclusion by the lender. If a loan fails, FSA will reimburse the lender for the loss of the guaranteed principal and interest portion as set forth under the terms and conditions specified in the Loan Note Guarantee.

What is the Guarantee Fee? The guarantee fee is a one-time fee paid to FSA by the lender, who may pass it on to the borrower. The fee is 1.5% of the principal loan amount, multiplied by the percentage of the FSA guarantee. The 1.5% fee is waived:

1. If 50% or more of loan funds are used to refinance Agency debt.
2. Loans to Beginning or SDA farmers involved in the direct Downpayment loan program.
3. If 50% or more of loan funds are funded with the state of Missouri Linked Deposit Beginning Farmer program.

Interest Assistance: FSA is no longer accepting guaranteed loan applications for the OL Interest Assistance Program because of lack of program funding.

Secondary Market Available to Obtain Fixed-rate Loans: The Loan Guarantee is readily marketable by the lender on the secondary market. The lender may assign all or part of the guaranteed portion of the loan to one or more holders, but must retain the unguaranteed portion. The full faith and credit of the U.S. Government protect holders (investors) of Loan Note Guarantees. Operating (OL/LOC) loans may not be sold on the secondary market.

If the Producer Qualifies, What Next? The following actions are usually taken as part of the application process:

1. The producer and lender complete the guaranteed application and submit it to FSA.
2. FSA reviews for eligibility, repayment ability, security, and compliance with other regulations.
3. FSA approves and obligates the loan.
4. The lender receives a conditional commitment indicating funds have been set aside, and the loan may be closed.
5. The lender closes the loan and advances funds to the producer.
6. FSA issues the guarantee.

Additional information may be obtained at local county Farm Service Agency offices or on the FSA website at:

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=landing>

Regulations governing FSA Guaranteed Farm Loans are found in **FSA Handbook 2-FLP (7 CFR Part 762)**.

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To file a complaint of discrimination, write: USDA, Office of the Assistant Secretary for Civil Rights, Office of Adjudication, 1400 Independence Ave., SW, Washington, DC 20250-9410 or call (866) 632-9992 (Toll-free Customer Service), (800) 877-8339 (Local or Federal relay), (866) 377-8642 (Relay voice users).