



FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

August 2010

Conservation Loan Program (CL)

Overview

The U.S. Department of Agriculture's Farm Service Agency (FSA) makes and guarantees conservation loans to promote conservation on farms and ranches throughout the United States to conserve our natural resources.

Many farmers who need and want to implement conservation measures on their land do not have the "up front" funds available to implement these practices.

The goal of FSA's Conservation Loan (CL) program is to provide farmers access to credit to implement these practices.

Unlike FSA's traditional farm ownership and operating loan programs that are targeted toward smaller and less financially established farmers, eligibility requirements are expanded to permit the agency to provide assistance to some applicants who may be large and financially strong.

FSA Conservation Loan Program

CL funds can be used to implement a conservation practice approved by the Natural Resources and Conservation Service (NRCS), such as to reducing soil erosion, improving water quality and promoting sustainable and organic agricultural practices. This would include installation of conservation structures; establishment of forest cover; installation of water conservation measures; establishment or improvement of permanent pastures; transitioning

to organic production; manure management, including manure digestion systems; adaptation of other emerging or existing conservation practices, techniques or technologies.

Interested applicants who do not already have NRCS-approved conservation plans should work with the local NRCS staff to develop a conservation plan, including all applicable conservation practices. New or existing conservation plans must be NRCS approved before FSA can provide financing.

Rates and Terms

Those interested may apply for direct CLs with loan limits up to \$300,000 at local FSA offices. In addition, guaranteed CLs up to \$1,119,000 (amount adjusted for inflation), may be available by applying with lenders working with FSA to obtain a guarantee.

Interest rates on guaranteed CLs will vary, but may not exceed the rate charged the lender's average farm customer. For direct CLs, the interest rate will be the direct loans rate in effect (for farm ownership loans) either at the time of loan approval, or loan closing. These rates are available at the local FSA office.

Terms will vary and will be based on the life of the security offered, but not to exceed 20 years for real estate security and seven years for chattel property. CLs must be fully secured and can only be approved for those who have the

ability to repay them.

Streamlined CLs

For those applicants with a strong financial position, paperwork requirements can be significantly reduced. The streamlined application process reduces paperwork for applicants, lenders and FSA staff by eliminating the requirement to provide a cash flow and its supplementary documentation.

To submit a streamlined CL application, the applicant must: be current on payments to all creditors; have a debt-to-asset ratio of 40 percent or less; have a minimum Fair Isaac Corporation (FICO) score of 700; have a net worth of at least three times the loan amount; and not have received FSA primary loan servicing within the past five years.

For More Information and Eligibility Criteria

Additional information may be obtained at local FSA offices or through the FSA website at www.fsa.usda.gov.

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