



# Microlending from the USDA

## A new tool for California's farmers

### Is the Microloan Right for Me?

The Farm Service Agency (FSA) developed the Microloan (ML) program to better serve the unique financial operating need of beginning, specialty and small family farms operations. With a streamlined application, improved eligibility and security requirements and favorable rates and terms, this loan has many advantages for many small scale and beginning farmers. FSA's Microlending option offers more flexible access to credit and serves as an attractive loan alternative for smaller farming operations like specialty crop producers and operators of community supported agriculture (CSA) businesses.

### Uses for Microloans

Microloans can be used for all approved operating expenses, including:

- Initial start-up expenses
- Annual expenses such as seed, fertilizer, utilities, land rents
- Marketing and distribution expenses
- Family living expenses
- Purchase of livestock, equipment, tools, other essentials
- Minor farm improvements such as wells, coolers
- Hoop houses - extend growing season
- Irrigation
- Delivery vehicles

### Simplified Process

Focusing on less paperwork to complete, the ML application process is much simpler than traditional lending. Requirements for managerial experience and loan security have been modified to accommodate smaller farm operations, beginning farmers and those with no farm management experience.

### Use Your Life Experience

FSA understands that there will be applicants for the ML program who want to farm but do not have traditional farm experience or have not been raised on a farm or even within a rural community. ML program applicants need to have some related experience; however, FSA will consider an applicant's small business experience as well as any experience with a self-guided farm apprenticeship.



### Security Requirements

For annual operating purposes, Microloans must be secured by a first lien on a farm property or agricultural products, have a security value of at least 100 percent of the Microloan amount and up to 150 percent when available. Microloans made for purposes other than annual operating expenses must be secured by a first lien on a farm property or agricultural products purchased with loan funds and having a security value of at least 100 percent of the loan amount.



### California Microlending

Recently, California Microloans have made it possible for borrowers to purchase additional greenhouse equipment, acquire a forklift, expand sheep and cow herds and help cover operating expenses on a diversified organic farm, a cut flower operation and several hay businesses, just to name a few.

### Favorable Rates, Terms

Eligible applicants may obtain a Microloan for up to \$35,000. The repayment term may vary, not to exceed seven years. Annual operating loans are repaid within 12 months or when the agricultural commodities products are sold. Interest rates are based on the regular OL rates that are in effect at the time of the Microloan approval or Microloan closing, whichever is less.

### Weigh the Benefits

Learn more at your FSA local office or [www.fsa.usda.gov](http://www.fsa.usda.gov). For a list of local offices in California visit [www.fsa.usda.gov/ca](http://www.fsa.usda.gov/ca)

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