USDA Offers Targeted Farm Loan Funding for Underserved Groups and Beginning Farmers

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(*NASHVILLE, TN*) - March 1, 2023 -- USDA Tennessee Farm Service Agency (FSA) State Executive Director, John Litz, reminds producers that FSA offers targeted farm ownership and farm operating loans to assist underserved applicants as well as beginning farmers and ranchers.

"Each year, a portion of FSA's loan funds are set aside to lend to targeted underserved and beginning farmers and ranchers," said Litz. "Farming and livestock production are capital intensive business ventures and FSA is committed to helping producers start, expand and maintain their agricultural operations."

USDA defines underserved applicants as a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as members of the group without regard to their individual qualities. For farm loan program purposes, targeted underserved groups are women, African Americans, American Indians and Alaskan Natives, Hispanics and Asians and Pacific Islanders.

Underserved or beginning farmers and ranchers who cannot obtain commercial credit from a bank can apply for either FSA direct loans or guaranteed loans. Direct loans are made to applicants by FSA. Guaranteed loans are made by lending institutions who arrange for FSA to guarantee the loan. FSA can guarantee up to 95 percent of the loss of principal and interest on a loan. The FSA guarantee allows lenders to make agricultural credit available to producers who do not meet the lender's normal underwriting criteria.

"During fiscal year 2022, Tennessee FSA obligated 356 loans totaling $88.9 million targeted for underserved and beginning producers," said Litz. "Additionally 27 loans totaling $1.9 million were made to veterans."

The direct and guaranteed loan program provides for two types of loans: farm ownership loans and farm operating loans.

Farm ownership loan funds may be used to purchase or enlarge a farm or ranch, purchase easements or rights of way needed in the farm's operation, build or improve buildings such as a dwelling or barn, promote soil and water conservation and development and pay closing costs.

Farm operating loan funds may be used to purchase livestock, poultry, farm equipment, fertilizer, and other materials necessary to operate a successful farm. Operating loan funds can also be used for family living expenses, refinancing debts under certain conditions, paying salaries for hired farm laborers, installing or improving water systems for home, livestock, or irrigation use and other similar improvements.

In addition to customary farm operating and ownership loans, FSA now offers Microloans through the direct loan program. The focus of Microloans is on the financing needs of small, beginning farmer, niche and non-traditional farm operations, such as truck farms, farms participating in direct marketing and sales such as farmers' markets, CSA's (Community Supported Agriculture), restaurants and grocery stores, or those using hydroponic, aquaponic, organic and vertical growing methods. Microloans are available for both ownership and operating finance needs. To learn more about microloans, visit www.fsa.usda.gov/microloans.

Repayment terms for direct operating loans depend on the collateral securing the loan and usually run from one to seven years. Financing for direct farm ownership loans cannot exceed 40 years. Interest rates for direct loans are set periodically according to the Government's cost of borrowing. Guaranteed loan terms and interest rates are set by the lender.

To qualify as a beginning producer, the individual or entity must meet the eligibility requirements outlined for direct or guaranteed loans. Additionally, individuals and all entity members must have operated a farm for less than 10 years. Applicants must materially or substantially participate in the operation.

For farm ownership purposes, the applicant must not own a farm greater than 30 percent of the average size farm in the county at the time of application. All direct farm ownership applicants must have participated in the business operations of a farm for at least three years out of the last 10 years prior to the date the application is submitted. If the applicant is an entity, all members must be related by blood or marriage and all entity members must be eligible beginning farmers.

For more information on FSA's farm loan programs and targeted underserved and beginning farmer guidelines, visit www.fsa.usda.gov/farmloans or contact your local FSA Office. To find your local FSA office, visit http://offices.usda.gov.

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