



U.S. DEPARTMENT OF AGRICULTURE



Partnerships in Lending with USDA

FARM PRODUCTION AND CONSERVATION
FSA | NRCS | RMA | Business Center

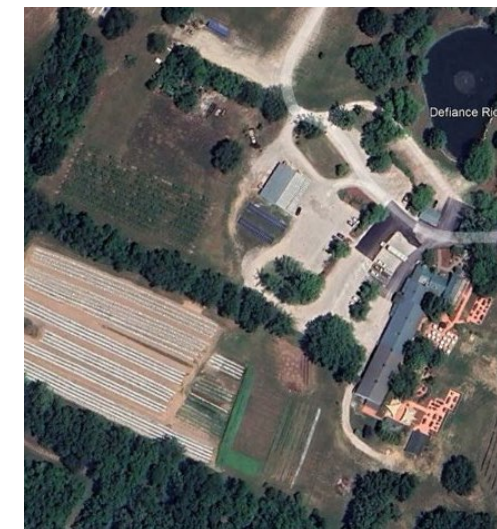
Overview

- Direct Loans
 - Loans that FSA makes directly to the farmer.
 - Includes Farm Ownership Loans, Microloans, and Joint Financing Loans.
 - Customer must be unable to access commercial credit at reasonable rates and terms.
- Guaranteed Loans
 - Loans made to by a USDA-approved traditional lender. FSA guarantees the banks note.
 - Makes the loan less risky for the bank.
 - Typically used for larger loan requests and refinancing existing debts.



Direct Farm Ownership Loans

Farm Ownership	50/45/5-Down Payment	50/50-Participation
<ul style="list-style-type: none"> -Up to \$600,000 -No down payment required 	<ul style="list-style-type: none"> -Total purchase up to \$667,000 -Bank loans 50% -FSA loans 45% or up to \$300,150 -5% down payment 	<ul style="list-style-type: none"> -FSA loans lesser of 50% up to \$600,000 -Bank loans at least 50% of purchase price -No down payment required
<ul style="list-style-type: none"> -May be used to purchase farm real estate, capital improvements, and loan closing costs 	<ul style="list-style-type: none"> -May be used to purchase farm real estate 	<ul style="list-style-type: none"> -May be used to purchase farm real estate, capital improvements, and loan closing costs
<ul style="list-style-type: none"> Term up to 40 years 	<ul style="list-style-type: none"> -20 year Term -Bank term minimum of 30 years 	<ul style="list-style-type: none"> Term up to 40 years
<ul style="list-style-type: none"> Interest Rate 5.875% 	<ul style="list-style-type: none"> -Interest Rate 1.875% -Bank determines their rate 	<ul style="list-style-type: none"> -Interest Rate 3.875% -Bank determines their rate



Direct Farm Ownership Loans

- For farm real estate purchases a sales contract is required. Approval is property specific. FSA does not do pre-approvals.
- Must have 3 years of farm managerial experience.
 - List of substitutions available for similar experience.
 - Talk with FSA loan official for more details.
- FSA orders and pays for the appraisal.



Direct Farm Operating Loans

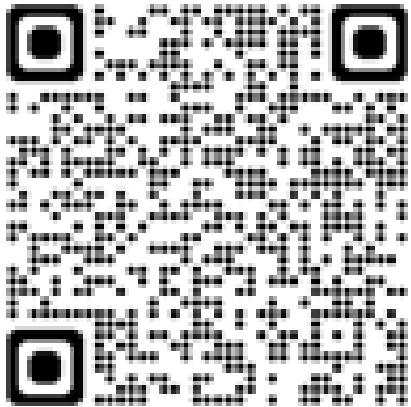
- Loan Limit \$400,000
- May be used to purchase equipment and livestock, minor improvements to real estate, and recurring operating costs.
- Term up to 7 years
- Current Rate 5.125%

Guaranteed Farm Loans

- FY25 Loan Limit \$2,251,000 (both Farm Ownership and Operating)
 - Combined loan limitations when FSA Direct Loans involved.
 - Farm Ownership-May be used to purchase farm real estate, make farm improvements, refinance certain debts.
 - Operating- May be used to purchase livestock, poultry, equipment, feed, seed, farm chemicals, supplies, soil and water conservation, and refinance debts with certain limitations.
- Rate determined by the lender
- Term
 - Up to 40 years-Farm Ownership
 - 1-7 years-Operating
- Loan guarantee fee is 1.5%
 - Fee waivers available in certain scenarios. 2-FLP Par. 136C

Loan Assistance Tool

- Interactive guide to farm loans available online at <https://lat.fpac.usda.gov/>
- QR Code



Scenario 1-50/50 Joint Financing

- Farmer Joe has been farming for 20 years and wants to expand his row crop operation. He has a sales contract to purchase a 40 ac farm for \$1,400,000 . Joe has approached his bank about financing the farm, however Joe has had a few years with poor yields due to drought. The bank cannot make the loan on their own because Joe's financial ratios do not meet the banks underwriting standards. Joe hears about FSA joint financing loans via his neighbor and reaches out to FSA. FSA plans a meeting with the customer, and the bank to discuss options. Joe currently owns a 30 ac farm worth \$900k with a prior lien of 760,000 (DSC \$140,000). His primary residence on 5 ac is worth \$300k-prior lien of \$90k (DSC \$210,000). The loan was structured as follows:
 - Bank \$800,000
 - 7% variable
 - Collateral: 1st lien on 40 ac farm to be purchased
 - FSA \$600,000
 - 2.5% fixed
 - Collateral: 2nd lien on 40 ac farm to be purchased & Jr lien on 30 ac farm with \$140,000 in equity.
 - Appraisal paid for by FSA

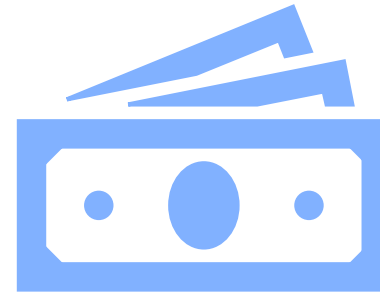
Scenario 2-Down Payment FO Loan

- Farmer Frannie was raised on her family's vegetable and small livestock operation. She just graduated with her Bachelor's degree in agribusiness and is looking to purchase her own farm. She has been managing the family's operation on her own for one year. She reaches out to the bank for assistance in purchasing a 1 ac lot in St Louis for \$200,000. She plans to grow high tunnel tomatoes, beets, and microgreens. The bank is not familiar with specialty crop operations and reached out to FSA to partner. Frannie also worked with MU Extension to develop a marketing/business plan and utilize their specialty crop budgets, which allowed her to prepare for applying for the loan. She also provided commitment letters from potential purchasers for the crops she intends to grow. This loan also qualified for a guarantee fee waiver. The loan was structured as follows:
 - Bank \$100,000
 - 6.5% variable (bank sets their own rate)
 - Collateral: 1st lien on 1 ac farm to be purchased
 - FSA \$90,000
 - 1.5% fixed
 - Collateral: 2nd lien on 1 ac farm to be purchased
 - 5% Down Payment \$10,000 provided by customer

Scenario 3- Micro Operating Loan-Referral



Herb Turner is starting his own herb business. The customer approached ABC Commercial Bank for financing of a walk behind tractor and a tiller totaling \$20,000. The bank requires a 10% down payment for operating loans and a credit score of 650+. Because the customer did not meet the banks underwriting criteria, they referred them to FSA for assistance.



FSA was able to assess that the customer had an acceptable credit history, and feasible cash flow. The security for the loan was also adequate based on recent sales comps. FSA does not require a down payment for operating loans. FSA was able to make the operating loan. The customer now has the opportunity to demonstrate a positive repayment history and gain financial strength to graduate to commercial credit in the future.

Combined Loans

- FSA Farm Ownership Loans may be combined with Guaranteed Farm Ownership Loans, Direct Operating Loans, and Guaranteed Operating Loans.
 - Example: FSA finances the real estate and equipment with the Direct Loan Program. The bank provides operating credit through a Guaranteed Operating Loan.
 - Keeps the land with a lower fixed interest rate while allowing the customer to build and maintain a lending relationship with the bank.



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Farm Storage Facility Loans



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Farm Storage Facility Loans (FSFL)

- For structures and handling equipment used to store/handle a commodity **after harvest**:
 - Washing
 - Drying
 - Packing
 - Storing
 - Moving, etc.

Farm Storage Facility Loans (FSFL)

- To qualify to take out an FSFL, you must:
 - Grow the commodity.
 - Show need for the storage. (FSA can assist with calculation).
 - Have an acceptable credit rating and financial analysis.
 - Have no delinquent federal non-tax debt.
 - Test for Credit requirement does not apply to FSFL program.

Farm Storage Facility Loans (FSFL)

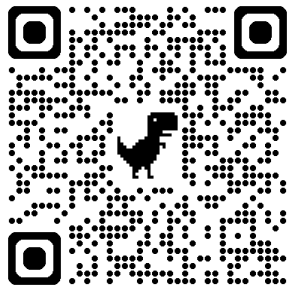


Farm Storage Facility Loans (FSFL)



Farm Storage Facility Loans (FSFL)

- Term 3-12 years, depending on loan amount.
- The interest rate is fixed for the term of the loan.
 - Current interest rates may be found [here](#):



Questions?



Contact Info-St Louis

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