

**MICROLOANS**

CULTIVATING  
**BIG  
DREAMS**  
ON A SMALLER SCALE

**USDA FSA**



# Who is FSA

The Farm Service Agency (FSA), is an agency within the United States Department of Agriculture (USDA).

FSA's Farm Loan Programs (FLP) can provide credit to agricultural producers who are unable to obtain private, commercial credit. FSA places special emphasis on providing loans to beginning, minority and women farmers and ranchers.



United States Department of Agriculture  
Farm Service Agency





# FSA's Microloan Program

The Farm Service Agency (FSA) developed the Microloan (ML) program to better serve the unique financial operating needs of beginning, niche and the smallest of family farm operations. Examples might include; direct marketing to restaurants and grocery stores, organic production, community supported agriculture (CSA's) and farmers markets.

# Fulfilling a Need

- Assisting applicants who have limited experience by providing them with an opportunity to gain farm management experience while working with a mentor;
- Eliminate use of high cost personal loans and high interest credit cards;
- Providing a bridge for Youth Loan borrowers to transition to larger-scale operations;
- Assisting the agricultural community by creating opportunities to start new businesses.



United States Department of Agriculture  
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# What is a Microloan

**Microloans** are direct farm operating loans, either annual or term, that do not exceed \$35,000. Microloans have a simplified application process and paperwork and verification requirements that are more proportional to smaller loans and operations.



# An Overview

Microloans can be used for operating expenses including but not limited to:

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



# Eligibility Requirements

Different types of loans have different eligibility requirements. Some examples of these are:

Being the operator of a farm, having sufficient managerial ability, be unable to obtain credit elsewhere but have an acceptable credit history, and are a U.S. citizen, non-citizen national, or qualified alien.

For more information on general and loan specific eligibility requirements, visit our website at [www.fsa.usda.gov](http://www.fsa.usda.gov) or see your local FSA loan officer.



# Managerial Ability and Alternatives

## **Got Experience?**

Applicants not meeting the general requirement for farm management and experience may still be eligible.

Alternatives include an apprentice relationship; past participation with organizations such as FFA, 4-H, Beginning Farmer programs, and Community Based Organizations; even prior small business management experience combined with a self-directed apprenticeship can allow applicant to start farming with a Microloan.



# Securing Microloans

- For an annual operating purpose, such as purchasing seed, fertilizer and other crop input costs, these loans are generally secured by the crop or products produced, however equipment or other security can be used.
- Loans for other purposes such as purchasing equipment or foundation livestock are usually secured by the equipment or livestock being purchased but other types of security can be used.

All loans need adequate security.



# Applying for a Loan

➤ You may obtain the forms for a loan application by visiting your local office or from the FSA website at

[http://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home.](http://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home)

Your FSA loan officer can provide assistance in completing the FSA forms or can identify other sources of assistance in your area.

➤ You may submit your application by:

- calling for an appointment with an FSA loan officer;
  - mailing, faxing, or delivering your application to your local FSA office;
- or
- electronically submitting your application if you have registered through the e-gov system.





# In Summary: Microloans

- Are a direct operating loan with a maximum loan amount of \$35,000.
- Have a shortened application process and reduced paperwork.
- Allow some applicants that do not currently meet the experience and managerial requirements to qualify through a self-guided mentorship.



# In Summary: Microloans

- Provide some flexibility in loan security;
- Assist the agricultural community by creating opportunities to start new businesses;
- Fulfill financial operating needs of beginning, niche and the smallest of family farm operations.

# An Introduction to FSA Farm Loans

➤ If you are a farmer or rancher who is unable to obtain credit from another lender to start, purchase, sustain, or expand your family farm you may be able to get a loan through FSA's Farm Loan Programs.

➤ FSA has different types of loans depending on your current situation and what you need the loan for. FSA loan officers are available to answer your questions and to help with the application process.



# What Type of Loans are Available

Farm ownership, operating, and conservation loans are available under the Guaranteed Loan Program. Farm ownership, operating, emergency, and conservation loans are available under the Direct Loan Program. FSA offers two types of guarantees under the Land Contract Guarantee Program.



# Farm Loan Programs Information Chart

Type of Loan	Maximum Loan Amount	Rates and Terms
Direct Farm Ownership	\$300,000	<ul style="list-style-type: none"> <li>Term: Up to 40 years</li> <li>Interest rate: fixed**</li> </ul>
Direct Down Payment	The lowest of the following: <ul style="list-style-type: none"> <li>45% of the farm or ranch purchase price</li> <li>45% of the appraised value</li> <li>\$500,000</li> </ul>	<ul style="list-style-type: none"> <li>Term: Up to 20 years</li> <li>Interest rate: fixed**</li> </ul>
Direct Operating	\$300,000	<ul style="list-style-type: none"> <li>Term: 1 to 7 years</li> <li>Interest rate: fixed: **</li> </ul>
Direct Emergency	The lowest of the following: <ul style="list-style-type: none"> <li>100% of actual or physical losses</li> <li>\$500,000</li> </ul>	<ul style="list-style-type: none"> <li>Term: 1 to 7 years (possibly up to 20 years) for non-real estate purposes</li> <li>Up to 40 years for physical losses on real estate</li> <li>Interest rate: fixed**</li> </ul>
Guaranteed Farm Ownership	The maximum loan amount is adjusted annually for inflation*	<ul style="list-style-type: none"> <li>Term: Up to 40 years</li> <li>The interest rate is negotiated by you and your lender.</li> </ul>

## Farm Loan Programs Information Chart *Continued*

Guaranteed Operating	The maximum loan amount is adjusted annually for inflation*	<ul style="list-style-type: none"> <li>• Term: 1 to 7 years</li> <li>• The interest rate is negotiated by you and your lender.</li> </ul>
Guaranteed Conservation	The maximum loan amount is adjusted annually for inflation*	<ul style="list-style-type: none"> <li>• Term: Up to 20 years</li> <li>• The interest rate is negotiated by you and your lender.</li> </ul>
Land Contract Guarantee	A maximum purchase price of \$500,000 on a new land contract	<ul style="list-style-type: none"> <li>• Term: Contract payments must be amortized for a minimum of 20 years with equal payments during the term of the guarantee. The guarantee period is 10 years.</li> </ul>
Youth Loan	\$5,000	<ul style="list-style-type: none"> <li>• Term: 1 to 7 years</li> <li>• Interest rate: fixed: **</li> </ul>

\* To determine the maximum loan limit for the current year, please check with your local FSA loan officer at <http://offices.sc.egov.usda.gov/locator/app> or our website at [http://www.fsa.usda.gov/Internet/FSA\\_File/guaranteed\\_farm\\_loans.pdf](http://www.fsa.usda.gov/Internet/FSA_File/guaranteed_farm_loans.pdf)

\*\* Direct loan interest rates are adjusted monthly and are posted online at <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=gfmlp&topic=fir> and at your local FSA office.



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