



Overview of the Farm Service Agency (FSA) Loan Program for Beginning Farmers and Other Types of Lender Participation

Loan Type:	Downpayment Program 50-45-5	Joint Financing <small>(a.k.a. Participation Loans)</small> 50 - 50	FSA Direct Beginning Farmer	Guaranteed Loan Beginning Farmer	Bridge Loan
Loan Requirement:					
Eligibility Criteria	Farm Ownership ¹ Beginning Farmer ² or Socially Disadvantaged Applicant ³	Farm Ownership ¹ Beginning Farmer ²	Farm Ownership ¹ Beginning Farmer ²	Farm Ownership ¹ Beginning Farmer ²	N/A
Loan Purpose ⁴	Purchase farm real estate and make capital improvements. Farm to be owned and operated by the borrower.	Purchase farm real estate or make capital improvements. Farm to be owned and operated by the borrower.	Purchase farm real estate or make capital improvements. Farm to be owned and operated by the borrower.	Purchase farm real estate, make capital improvements, refinance debt incurred for authorized farm ownership or operating loan purposes.	Temporarily Finance real estate purchase <u>after</u> FSA Direct loan has been approved but not funded (cannot be used if loan purpose includes capital improvements).
Loan Limit – FSA ⁵	45% of the lesser of: - the purchase price - the appraised value - or \$500,000 (225,000 max from FSA)	\$300,000	\$300,000	N/A	N/A
Loan Limit – Lender ⁵	Balance of purchase price or appraised value, whichever is lower.	50% of appraised value if FSA loan is 50% (FSA can loan less than 50% and lender more than 50% but total debt can't exceed lesser of purchase price or appraised value).	N/A	\$1,302,000	Equal to FSA Direct Loan (will be ≤ \$300,000). Bridge loan cannot be made before FSA Direct loan is approved. Used when FSA funds temporarily unavailable.
Interest Rate – FSA ⁶	The regular Direct FO rate minus 4%, but in no case less than 1.5%	5% Fixed	____% Cost of Money (fixed) or 5% limited resource; subject to adjustment annually up to cost of money rate.	N/A	N/A
Interest Rate – Lender	Determined by lender.	Determined by lender.	N/A	Interest rate determined the lender and borrower agreed	Determined by lender.

Loan Type:	Downpayment Program 50-45-5	Joint Financing (a.k.a. Participation Loans) 50 - 50	FSA Direct Beginning Farmer	Guaranteed Loan Beginning Farmer	Bridge Loan
Loan Requirement:					
Term – FSA	20 Years	Up to 40 Years	Up to 40 Years	N/A	N/A
Term – Lender	Amortized for no less than 30 years; if balloon, can't come due within first 20 years.	Up to 40 Years	N/A	Up to 40 Years	Temporary in nature (generally not more than one year - no restriction on amortization).
Down payment	Minimum of 5% of purchase price. Cannot borrow down payment.	None required.	None required.	None required by FSA; lender's option.	Should be same as FSA Direct loan that was approved.
Subject to Graduation ⁷	Yes	Yes	Yes	N/A	N/A
Percent of Guarantee only applies to guaranteed portion, if Guaranteed Loan obtained	95%	Maximum of 90	Maximum of 90%	Maximum of 90%	Varies depending on type of loan
Guarantee Fee Only applies to guaranteed portion, if Guaranteed Loan obtained	None	1.5% of guaranteed portion.	1.5% of guaranteed portion.	1.5% of guaranteed portion.	Varies depending on type of loan
Availability of Funds	Generally available, but may require a wait (reason for bridge loan).	May require a wait (reason for bridge loan).	Only slightly more available than the previous column.	Available, generally no wait.	N/A

To find a FSA County Office with Farm Loan Programs staff ready to assist you – navigate to: www.fsa.usda.gov/ks where a County Office locator is located OR call the Kansas FSA State Office at 785-539-3531.



Footnotes:

1) Overview of Eligibility Criteria for Farm Ownership Loans:

- 1) Be US citizen or legal alien
- 2) Possess legal capacity to incur obligation
- 3) Sufficient applicable educational and/or on the job training or farm experience in managing a farm or ranch which indicates the managerial ability necessary to assure reasonable prospects of success (generally met by item 6 below)
- 4) Unable to obtain credit elsewhere
- 5) Be owner/operator of not larger than family sized farm
- 6) Participated in business operations of a farm or ranch for at least 3 years out of the 10 prior years
- 7) Not had direct FSA farm ownership loans outstanding for more than total of 10 years prior to date new loan closed
- 8) Not caused FSA a loss
- 9) Not delinquent on any Federal debt (IRS tax debt excluded)
- 10) For entity, some additional requirements tying members to the entity (contact FSA)

2) Overview of Eligibility Criteria for Beginning Farmer:

- 1) Meets criteria for Farm Ownership loan above.
- 2) Not operated a farm or ranch more than 10 years.
- 3) Does not own farm or real estate which exceeds 30% of the median farm or ranch acreage of farms in the county where the property is located. The 30% maximum is land owned before the purchase being considered for a loan.

3) Socially Disadvantaged Applicant or farmer

- 1) is an individual or entity who is a member of a socially disadvantaged group. For entity applicants, the majority interest must be held by socially disadvantaged individuals. For married couples, the socially disadvantaged individual must have at least 50 percent ownership in the farm business and make most of the management decisions, contribute a significant amount of labor, and generally be recognized as the operator of the farm. A socially disadvantaged group is a group whose members have been subject to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities. These groups consist of: American Indians or Alaskan Natives, Asians, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics, and women.

4) Loan Purpose

- 1) Loan Purpose – must be for a farm purpose; land to be rented out or used for a non-farm purpose is not eligible. Closing costs can be included in the purpose.

5) Limits

- 1) Limits listed are also subject to any other outstanding debt with the Agency. Contact FSA or details if borrower has an existing direct or guaranteed loan.

6) Interest Rates

- 1) Rates quoted are subject to change although the cost of money rate is the only one that has historically changed. (COF write in rate)

4% FO (Cost of Money Rate effective 9/1/13)	5.00%	FO Limited Resource Rate
Downpayment - FO rate less 4%, but not less than 1.5%	5.00%	FO Joint Financing

7) Graduation

- 1) Although these are subject to FSA graduation requirements, they do not usually meet the criteria for graduation due to the nature of a beginning farmer (may be shortage of collateral, tight cash flow, etc.). If they do get to a financial position that makes them eligible for commercial credit, they will be asked to graduate.

