Farm Service Agency
Farm Loans

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Direct Loans

- Made directly by a FSA loan officer to the farmer with the loan funds coming from the US Treasury.

- Operating Loan up to $400,000 to finance
  - Crop production inputs
  - Equipment
  - Livestock
  - Refinance debts incurred for above purposes
Direct Operating Loans

- Repaid over 1 to 7 years
  - Crop production loans normally repaid in 1 year
  - Equipment loans normally repaid over 5-7 years

- Interest rate is fixed. The rate is currently 1.375%
Direct Farm Ownership Loan

- Used to purchase real estate
- Construct or improve buildings
- Wells and septic systems

- Maximum loan of $600,000
- Several variations of loans with terms from 20 to 40 years
- Fixed interest rate depending on loan type from 1.5% to 2.375%
Loan Requirements

- Meet eligibility requirements
- Demonstrate ability to repay the loan
- Collateral
- Comply with environmental requirements
Eligibility

- Loan official needs to determine that farmer can’t get loan from a commercial lender.
- The farmer has adequate farm experience
  - 1 year of farming or training for Operating Loan
  - 3 years of “farming” experience for Farm Ownership loan
- Acceptable credit history
  - No history is ok
  - If credit problems - we will determine if applicant paid to best of ability
- Citizen or legal alien status
Repayment Ability

- Loan officer and farmer prepare cash flow projection
- Cash flow must demonstrate sufficient farm income + non-farm income to pay farm expenses, family living expenses, and debt payments and have $1 left over
Collateral

- At least $1 of collateral for $1 of loan
  - Value crops at production loan amount
  - FSA appraises equipment, livestock, and real estate to determine if collateral is adequate.

- FSA tries to get $1.50 of collateral if loan applicant can provide but can make loan as long as 1:1 collateral
How to apply or get more information?

- Contact local FSA office based on location of farming operation
  - Ramsey, Washington, Dakota, Scott or further south
    - Rochester, MN office at 507-289-7843
  - Carver, Sibley, McLeod
    - Glencoe, MN office at 320-864-5178
  - Hennepin or Wright
    - Waite Park, MN office at 320-251-2092
  - Anoka, Chisago, Isanti
    - Mora, MN office at 320-679-2080
- Loans under $50,000 qualify as Microloan with reduced application requirements
Guaranteed Loan

- FSA can guarantee loans made by commercial lenders
- Guarantee is like an insurance policy for the lender
- Loans up to $1,776,000
- Interest rate and terms negotiated between farmer and lender
Questions?

Thank you!