

FSA Farm Loan Programs (FLP)

The Lender of First Opportunity



Acronyms

FSA	Farm Service Agency
FO	Farm Ownership
OL	Operating Loan
EM	Emergency Loan
ITLAP	Indian Land Acquisition Program

Who Are We?

FSA's Loan Programs provide access to credit for farmers and ranchers.

Eligible Persons Typically Are:

- Beginning Farmers
- Farmers that have suffered financial set backs.
- Farmers that have limited resources which restrict profitable operations.

What the Loans are Used For

- These loans must be used to fund agricultural based business that directly produce and sell the agricultural goods.

Types of Loans FLP Provides

- Direct
- Guarantee

Direct Loans

Direct Loans are made and serviced directly by FSA Farm Loan Program Employees.

Money for these loans are provided directly by the government.

FSA provides credit counseling and supervision to its direct borrowers. Annual assessments of the operation evaluate the strengths and weaknesses in order to make changes that will improve the financial position and management of the operation.

Types of Direct Loans:

- Farm Ownership (FO)
- Beginning Farmer Down Payment (FO)
- Participation Loan (FO)
- Farm Operating (OL)
- Micro Loan (OL)
- Micro Loan (FO)
- Emergency (EM)
- Youth Loan (OL)
- Indian Land Acquisition Loan (ITLAP)

Direct - Farm Ownership (FO)

Maximum Loan Amount

\$300,000

Up To 40 Year Term

Current Interest Rate: 4.0% (2/1/2017)

Loan Proceeds May Be Used For:

- Purchase of Land
- Construction of Farm Buildings or Other Improvements
- Soil And Water Conservation
- Can **NOT** be used to refinance other debts

Direct - Beginning Farmer Down Payment (FO)

- For Real Estate purchase only
 - Maximum direct loan -- 45% Of The Purchase Price Or \$300,000 (Which Ever Is The Lesser).
 - 5% down payment and 50% from other sources
 - 20 Year Term
 - Interest rate is the Regular FO rate less 4% - with a floor of not less than 1.5% fixed.

Direct - Participation Loan (FO)

- May loan up to \$300,000
 - Up to a 40 year term
 - Another interested lender must provide 50% or more of the financing
 - Interest rate is the Regular FO rate less 2% - with a floor of 2.5% fixed.

Direct - Farm Operating (OL)

Maximum Loan Amount

\$300,000 - Current interest rate 2.875% (2/1/2017)

1 to 7 Year Term

Depends on security and repayment ability.

Loan Proceeds May Be Used For:

- Purchase of livestock, poultry, equipment, feed, seed, farm chemicals, and supplies.
- Soil and Water Conservation.
- Refinancing indebtedness with certain limitations.
- Annual operating credit

Direct - Microloan (FO)

Maximum Loan Amount

\$50,000

Up To 25 Year Term

Current Interest Rate: 4.0% (2/1/2017)

Loan Proceeds May Be Used For:

- Purchase of Land
- Construction of Farm Buildings or Other Improvements
- Soil And Water Conservation
- Can **NOT** be used to refinance other debts

Direct - Micro Loan (OL)

Maximum Loan Amount

\$50,000

Interest Rates are the same as the regular OL.

Repayment term may vary and will not exceed 7 years.

Modified operating loan to assist the non-traditional farm operations.

Direct - Emergency (EM)

When a county or area has been designated for a Natural Disaster by the President or Secretary of Agriculture.

Loan Limit:

100% of the actual loss

OR

\$500,000 maximum program indebtedness

Term of Loan:

1 to 7 years on non-real estate

Up to 40 years on real estate

Direct - Emergency (EM)

Loan Funds May Be Used For:

- Restoration or replacement of essential property.
- To pay all or part of production costs associated with the disaster year.
- Pay essential family living expenses.
- Reorganize the farming operation.
- Refinance indebtedness with certain limitations.

Direct - Youth Loan

- Up to \$5,000
- Individual must be age 10-20.
- Must have an advisor (i.e. 4-H, FFA, County Extension Agent)
- Project must be agricultural in nature
- 1-7 years depending on type of project and repayment ability.
- Interest rate -- current OL rate

Indian Tribal Land Acquisition Program (ITLAP)

- Extends credit to Indian tribes or tribal corporations to acquire land interests within Federally recognized tribal reservations
- Term of loan can not exceed 40 years

Guaranteed Loans

Guaranteed Loans are administered by a local commercial lender, and FSA guarantees the loan against loss up to a maximum of 90%.

Some special circumstances can receive guarantees of 95%.

Types of Guarantees

- Guaranteed Farm Ownership Loan (FO)
- Guaranteed Operating Loan (OL)
- EZ Guarantee

Guarantee (FO)

Maximum Loan Amount

\$1,399,000 – Interest rate negotiated between lender and the producer.

Term of Loan:

Up To 40 Years (Lenders Decision)

Use of loan proceeds are the same as the Direct Farm Ownership (FO); except guaranteed FO funds **can** be used to refinance other indebtedness.

Guarantee - Operating Loan

- **Maximum Loan Amount:**
\$1,399,000

Term of Loan:
1 to 7 Years

Use of loan proceeds is the same as direct operating loans.

EZ Guarantee

- Will be a type of Farm Ownership (FO) loan or Operating Loan (OL and OL/LOC)
- Same – eligibility, loan purpose, security, rates and terms, guarantee percentage, guarantee fees, environmental rules
- Same process for loan closing and issuing the guarantee
- **Key Differences:**
 1. Application
 2. Feasibility determination

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EZ Guarantee

Applicant cannot have more than any combination of FO and OL:

- **\$100,000** Guaranteed principal outstanding with SEL, CLP, and PLP lenders
- **\$50,000** Guaranteed principal outstanding with MLP lenders

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Types of Lenders

Ag lenders assisting in the Guarantee Loan Program are classified in 4 ways:

- 1) SEL – Makes less than 5 guarantee loans per year.
- 2) CLP – Makes at least 10 guaranteed loans in 2 years.
- 3) PLP – Has made at least 20 loans in the last 5 years.
- 4) MLP- Has made 20 loans

The status of the lenders is determined by how much information they supply to the Agency.

A producer is free to choose whichever lender they want.

Micro Lender Program (MLP)

- Purpose: to increase participation in FSA's guaranteed loan program by nontraditional lenders
 - Typically work with small and underserved farmers
- Not regulated by typical state or federal regulatory agencies
- Initially includes (may expand later):
 1. Community Development Financial Institutions (CDFI)
 2. Rural Rehabilitation Corporations (RRC)
 3. Traditionally regulated commercial lenders (banks or credit unions without ag lending experience)

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Micro Lender Program (MLP)

- Application - new form for Micro Lenders to complete and become MLP lenders
- Approval of MLP – SED has authority to approve for their state.
- MLP status is good for up to 5 years
- Micro Lenders may receive guarantees only on EZ Guarantee loans up to \$50,000 (any combination of FO and OL outstanding principal)

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Micro Lender Program

Criteria

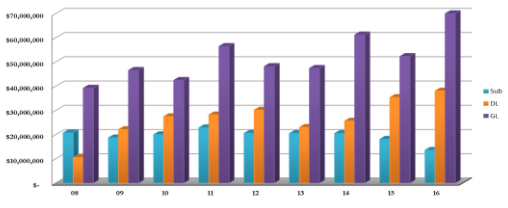
- Experience in making and servicing business (including ag) loans
- Have necessary staff and resources
- Subject to oversight (FSA to define what is acceptable)
- Loss rate on business (including ag) portfolio less than 3 percent
- Originated 20 or more business (including ag) loans

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QUESTIONS??



Montana Total Loan \$ per FY



Sub	\$ 20,760,721	\$ 18,731,538	\$ 20,856,118	\$ 22,399,745	\$ 28,691,052	\$ 20,530,993	\$ 18,149,432	\$ 13,697,631
OL	\$ 18,731,538	\$ 20,856,118	\$ 22,399,745	\$ 28,691,052	\$ 20,530,993	\$ 18,149,432	\$ 13,697,631	
GL	\$ 20,856,118	\$ 22,399,745	\$ 28,691,052	\$ 20,530,993	\$ 18,149,432	\$ 13,697,631		
Total	\$ 60,348,377	\$ 62,017,411	\$ 72,346,925	\$ 77,612,102	\$ 69,653,978	\$ 55,530,154	\$ 41,494,694	\$ 27,395,262

Application Processing

Starts with a conversation

Application processing

Direct Loans

FSA-2001	Regular loan
FSA 2301	Youth Loan
FSA-2314	Streamline loan
FSA-2330	Micro-loan

Guarantee Loans

FSA-2212	PLP application
FSA-2211	SEL & CLP app
FSA-2210	Microloan

FSA “Rulebooks”

2-FLP Guaranteed Loan Handbook

3-FLP Direct Loan making Handbook



Eligibility

1. Controlled Substances
2. Legal Capacity
3. Citizenship
4. Credit History
5. Credit elsewhere
6. Delinquent on a Federal Debt
7. Federal Crop Insurance Violation

Eligibility (continued)

8. Managerial ability
 9. Borrower training
 10. Owner/operator of a family farm
 11. Entity composition
- Final determination

Feasibility

- Does the farm operating plan show that the new loan, farm operating and family living expenses and all other obligations will be repaid?
- Are operating and family living expenses, non-farm income and other income in the plan realistic?

Feasibility (Continued)

- Is projected production realistic?
- Is the farm suitable for operation?
- Are the land, buildings and facilities, and water adequate for operation?
- Is there reasonable assurance that any rented land which the applicant depends on is available?
- Is any non-farm employment dependable?

Security Requirements

Loan must be secured

Basic Security

Additional Security

Choice of security

Non-essential security

Adequate Insurance

1. Borrower to maintain insurance equal to the value of security as long as the premiums do not exceed the benefit

2. Growing crops must be covered by crop insurance if such insurance is available. At a minimum Catastrophic Risk protection

Environmental Compliance

- Borrowers are required to have a current AD-1026 on file with FSA
- We recommend that you obtain a copy of the customer's CCC-902 (*Farm Operating Plan for Payment Eligibility*)
- Other applicable items, if specialized facilities

QUESTIONS??

