

USDA, Farm Service Agency

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What Comprises FSA?

- **Farm Programs – price support and disaster programs, marketing assistance and FSFL loans, ARC/PLC, conservation programs (CRP), NAP, etc.**
- **Farm Loan Programs – loans to help beginning farmers get started or assist farmers who wish to expand their existing operation or change their operation type or help those who have suffered temporary setbacks.**

Farm Loan Programs (FLP)



The Farm Service Agency makes and guarantees loans and provides credit counseling and supervision to farmers and ranchers who are temporarily unable to obtain private, commercial credit.



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8 FLP Offices Statewide



Greensburg
Marion
New Castle
Vincennes

Columbia City
Salem
Rensselaer
Rockville

Note: FSA has 75 offices in Indiana but only 8 of these locations process farm loans.



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Farm Loan Programs



- **Direct Loans**
 - Farm Ownership, Operating and Emergency
 - Microloans – Farm Ownership and Operating
 - Youth Loans
- **Guaranteed Loans**
 - Farm Ownership, Operating and Land Contract
 - Lines of Credit
 - Conservation

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Indiana Farm Loan Portfolio Size



- **Direct Loans**
 - \$228.85 million in principal outstanding as of 6/30/19
 - Only 4.6% of borrowers and just 0.9% of dollars were delinquent as of 6/30/19
- **Guaranteed Loans**
 - \$645.57 million in principal outstanding as of 6/30/19
 - Only 2% of loans and just 0.53% of dollars were delinquent as of 6/30/19

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Basic FLP Eligibility Criteria



- unable to get credit elsewhere *
- actively engaged in farming
- family sized farmer *
- sufficient training and experience
- no prior agency loss
- creditworthy
- not delinquent on non-tax Federal debt

* Not applicable to Conservation Loans

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Direct Loans



- **Farm Ownership Loans**
 - \$600,000 maximum per person/entity
 - up to 40 year repayment period
 - regular & joint financing interest rates
 - funds used to acquire, enlarge or improve a farm
 - cannot refinance debts with FO funds
 - joint financing loans are very popular
 - cannot finance non-farm enterprises

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Direct Loans



▪ Down Payment Program – R/E Purchase

- Must meet Beginning Farmer or SDA definition
- Applicant provides 5% down payment (cash)
- FSA can loan up to 45% of purchase price or appraised value (whichever is less) over 20 years
- No limit on purchase price but FSA loan cannot exceed \$300,150
- Other lender loans at least 50% and must use a 30 year amortization and cannot balloon before 20 years
- FSA interest rate is fixed at our regular rate less 4% but cannot be lower than 1.5%. Current rate is 1.5%.

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Direct Loans



▪ Joint Financing Program – R/E purchase

- Also called FSA's participation loan program
- Do not have to be a beginning farmer but must meet other FSA eligibility requirements
- Another lender must provide at least 50% of the financing
- Other lender can have first mortgage – FSA will even guarantee their loan (if necessary)
- FSA interest rate is fixed at the regular rate minus 2% but cannot be lower than 2.5%. Current rate is 2.5%.

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Direct Loans



▪ Operating Loans

- \$400,000 maximum per person/entity
- Up to 7 year repayment period
- Low fixed interest rate
- Used for annual operating, equipment or livestock purchases, refinancing, etc.
- Cannot fund non-farm enterprises

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Real Life Examples



- Southern IN – M & D wanted to retire. FSA and a participating lender helped son purchase the family farm with 3 broiler barns. Son got started using favorable interest rates and terms and parents have retirement income.
- Southeast IN – Young family receives a loan from FSA and a participating lender to purchase 102 acres from husband's parents using FSA's Down Payment program.
- Northern IN – M & D are getting older and daughter is their only child. Daughter bought ~50 acres from her parents even though she is still in college. This was the 1st step in a plan to orderly transfer the farm to the next generation.

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Guaranteed Loans



- **Operating, Conservation and Farm Ownership**
 - Lender applies for the guarantee
 - \$1,750,000 maximum per person/entity – adjusted annually (FY 2019 limit)
 - Rates and terms negotiated by lender
 - Can use funds to refinance debt or purchase assets
 - Mostly 90% guarantees but up to 95%
 - Local FSA offices have lists of participating lenders

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Guaranteed Loans



- **Land Contract Guarantee Program – purpose is to facilitate land transfers to Beginning Farmer or SDA applicants**
 - 2 types of guarantees under this program – Seller may request either of the following:
 - ✓ Prompt Payment Guarantee: Guarantee of up to the amount of 3 amortized annual installments plus the cost of any related real estate taxes and insurance; or
 - ✓ Standard Guarantee: Guarantee of 90 percent of the outstanding principal balance under the land contract

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Guaranteed Loans



▪ Guarantee Fees

- One time fee of 1.5% of the guaranteed portion of loan except:
 - ✓ No fee if majority of loan (> 50%) will refinance FSA's direct loan indebtedness
 - ✓ No fee if Down Payment Loan

Example: \$400,000 loan with a 90% guarantee. Fee is $\$400,000 \times .9 \times .015 = \$5,400$. Lender typically requires the applicant to pay the fee.



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Questions or More Info?



- Contact any FSA Office – we're located in 75 counties but you'll likely be directed to 1 of the 8 FLP offices
- <https://newfarmers.usda.gov/newfarmers>
- FSA State Office: 317-290-3030



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