



FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

August 2013

Microloans

Overview

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 by modifying its Operating Loan (OL) application, eligibility and security requirements. The program will offer more flexible access to credit and will serve as an attractive loan alternative for smaller farming operations like specialty crop producers and operators of community supported agriculture (CSA). These smaller farms, including non-traditional farm operations, often face limited financing options.

Use of Microloans

Microloans can be used for all approved operating expenses as authorized by the FSA Operating Loan Program, 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.

Simplified Application Process

The application process for microloans will be simpler, requiring less paperwork to fill out, to coincide with the smaller loan amount that will be associated with microloans. Requirements for managerial experience and loan security have been modified to accommodate smaller farm operations, beginning farmers and those with no farm management experience. FSA understands that there will be applicants for the ML program who want to farm but do not have traditional farm experience or have not been raised on a farm or within a rural community with agriculture-affiliated organizations. ML program applicants will need to have some farm experience; however, FSA will consider an applicant's small business experience as well as any experience with a self-guided apprenticeship as a means to meet the farm management requirement. This will assist applicants who have limited farm skills by providing them with an opportunity to gain farm management experience while working with a mentor during the first production and marketing cycle.

Security Requirements

For annual operating purposes, microloans must be secured by a first lien on a farm property or agricultural products having a security value of at least 100 percent of the microloan amount, and up to 150 percent, when available. Microloans made for purposes other than annual

operating expenses must be secured by a first lien on a farm property or agricultural products purchased with loan funds and having a security value of at least 100 percent of the microloan amount.

Rates and Terms

Eligible applicants may obtain a microloan for up to \$35,000. The repayment term may vary and will not exceed seven years. Annual operating loans are repaid within 12 months or when the agricultural commodities produced are sold. Interest rates are based on the regular OL rates that are in effect at the time of the microloan approval or microloan closing, whichever is less.

Obtaining Forms and Submitting an Application

FSA Microloan application forms can be obtained from the local FSA office or can be downloaded and printed from the USDA website. Applicants who are having problems gathering information or completing forms should contact their local FSA office for help. After completing the required paperwork, an applicant should submit the farm loan application to the local FSA office.

The following form must be completed:

[FSA 2330 – Request for Microloan Assistance](#)

[\(Instruction Form for FSA 2330\)](#)

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What Happens After a Loan Application is Submitted?

After a loan application is submitted, FSA reviews the application and determines if the applicant is eligible for the requested loan. The applicant will receive written notification of each step in the process, such as when the application is received, when more information is needed, when an eligibility determination is made, and when a final decision is made. If the application is approved, FSA makes the loan and funds are distributed as needed. If the application is denied, the applicant is notified in writing of the specific reasons for the denial, and provided reconsideration and appeal rights.

Eligibility Criteria and Additional Information

To qualify for assistance, the applicant must not be larger than a family-sized farmer, have a satisfactory history of meeting credit obligations, be unable to obtain credit elsewhere at reasonable rates and terms, and meet all other loan eligibility requirements. Additional information on the FSA microloan program may be obtained at local FSA offices or through the FSA website at www.fsa.usda.gov.

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Farm Loan Information Chart

The following chart summarizes FSA farm loan information, effective Oct. 1, 2013. Additional details are available at local FSA offices and on FSA's website: www.fsa.usda.gov.

Program	Maximum Loan Amount	Rates and Terms	Use of Proceeds
Direct Farm Ownership (FO)	\$300,000	<ul style="list-style-type: none"> Rate based on Agency borrowing costs Term up to 40 years 	<ul style="list-style-type: none"> Purchase farm Construct buildings or other capital improvements Soil and water conservation Pay closing costs
Direct Farm Ownership (FO) Participation	\$300,000	<ul style="list-style-type: none"> Interest rate 5.0% or less if at least 50% of loan amount provided by other lender Term up to 40 years 	Same as Direct FO
Direct Down Payment Farm Ownership Program	The lesser of: <ul style="list-style-type: none"> 45% of the purchase price, 45% of the appraised value, \$225,000 	<ul style="list-style-type: none"> Rate is direct FO rate less 4% with a floor of 1.5% Term of 20 years Down payment of at least 5% 	<ul style="list-style-type: none"> Purchase of farm by a beginning or socially disadvantaged farmer
Direct Operating (OL)	\$300,000	<ul style="list-style-type: none"> Rate based on Agency borrowing cost Term from 1 to 7 years 	<ul style="list-style-type: none"> Purchase livestock, poultry, equipment, feed, seed, farm chemicals and supplies Soil and water conservation Refinance debts with certain limitations
Direct Operating Microloan (ML)	\$35,000	Same as Direct OL	Same as Direct OL
Direct Emergency	100% actual or physical losses \$500,000 maximum program indebtedness	<ul style="list-style-type: none"> Rate is based on the OL rate plus 1% Term from 1 to 7 years for non-real estate purposes Term up to 40 years for physical losses on real estate 	<ul style="list-style-type: none"> Restore or replace essential property Pay all or part of production costs associated with the disaster year Pay essential family living expenses Reorganize the farming operation Refinance debts with certain limitations
Guaranteed Operating	\$1,355,000 (Amount adjusted annually for inflation)	<ul style="list-style-type: none"> Rate determined by the lender Term from 1 to 7 years Loan guarantee fee is 1.5% 	<ul style="list-style-type: none"> Same as direct OL
Guaranteed Farm Ownership	\$1,355,000 (Amount adjusted annually for inflation)	<ul style="list-style-type: none"> Rate determined by the lender Term up to 40 years Loan guarantee fee is 1.5% 	<ul style="list-style-type: none"> Same as direct FO except loan may be used to refinance debts
Guaranteed Conservation Loan (CL)	\$1,355,000 (Amount adjusted annually for inflation)	<ul style="list-style-type: none"> Rate determined by the lender Term not to exceed 30 years, or shorter period, based on the life of the security Loan guarantee fee is 1.5% Eligibility requirements expanded to include large and financially strong operations 	<ul style="list-style-type: none"> Implement any conservation practice in an NRCS approved conservation plan May be used to refinance debts related to implementing an NRCS approved conservation plan
Land Contract (LC) Guarantee	The purchase price of the farm cannot exceed the lesser of: <ul style="list-style-type: none"> \$500,000 The current market value of property 	<ul style="list-style-type: none"> Rate cannot exceed the direct FO interest rate plus 3% Amortized over a minimum of 20 years with no balloon payments during the first 10 years of loan Down payment of at least 5% 	<ul style="list-style-type: none"> Sell real estate through a land contract to a beginning or socially disadvantaged farmer Guarantee is with the seller of the real estate

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