



2008 Farm Bill: Wisconsin Focus Title V: Credit¹



Key Features

The credit title of the Food, Conservation, and Energy Act of 2008 makes significant improvements in federal financial credit policies. In particular, Title V gives priority to beginning and socially disadvantaged farmers under most USDA credit programs. Changes include an increase in the loan limits for Farm Service Agency (FSA) direct loans, expansion of the FSA Land Contract Pilot Program, improvements in the Beginning Farmer and Rancher Down Payment Program, and creation of a New Farmer Individual Development Accounts Pilot Program.

A *beginning* farmer is a person who: A) has not operated a farm for more than a total of ten years; B) will materially and substantially participate in the operation of the farm; C) agrees to participate in any borrower training required by FSA; D) does not own a total farm acreage that is more than 30 percent of the median size of farms in the county in which the farm is located. A *socially disadvantaged* farmer is one who would self-identify as a member of 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.

Under Title V, the loan limit for a direct Farm Ownership (FO) or Operating Loan (OL) was increased from \$200,000 to \$300,000. In addition, the portion of total funding that is earmarked specifically for loans to beginning or socially disadvantaged farmers was increased.

The 2002 Farm Bill created a Land Contract Guarantee Pilot Program that was available in only six states, one of which was Wisconsin. Title V expands this program to all states with a phase-in period to be completed by 2011. The provisions of the Land Contract Guarantee Program include:

- The beginning or socially disadvantaged farmer must contribute a down payment of at least 5 percent of the purchase price of the farm.
- The purchase price of the farm can be no more than \$500,000.
- The guarantee is in place for a maximum of ten years.
- The seller can opt for either a guarantee of prompt payment of three amortized annual installments (including property taxes and insurance costs incurred during that period) or a guarantee equal to 90 percent of the outstanding principal of the loan.

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Title V makes significant changes to the Beginning Farmer and Rancher Down Payment Loan Program. The program assists beginning and socially disadvantaged farmers with the purchase of a farm, and provides retiring farmers with a means of transferring real estate to the next generation. Under this program, FSA may provide a maximum loan amount not to exceed 45 percent of the purchase price or appraised value of the farm. Changes to this program in the 2008 Farm Bill include:

- Sets the interest rate at 1.5 percent or 4 percent below the normal direct Farm Ownership (FO) loan interest rate, whichever is higher.
- Increases the maximum allowable purchase price of a farm from \$250,000 to \$500,000. (At the loan maximum of 45 percent of the purchase price, the maximum loan amount would be \$225,000.)
- Reduces the borrower's minimum down payment requirement to 5 percent.
- Increases the maximum term of the loan from 15 to 20 years.

Title V creates the New Farmer Individual Development Accounts Pilot Program. This program is intended to help beginning farmers save money to use for a down payment on a farm, mortgage payments in the first six months after purchasing a farm, purchase of breeding stock, or other similar expenditures. The program allows state FSA farm loan programs to coordinate with non-profit organizations or other qualified entities to create beginning farmer savings accounts. An eligible beginning farmer will deposit savings into his or her personal savings account and the qualified entity will deposit matching dollars up to \$6,000 per year.

In addition to the changes noted above, Title V creates a conservation loan program for farmers who are carrying out qualified conservation projects on their farms. Title V also allows for priority to be given to beginning and socially disadvantaged farmers whenever the U.S. Secretary of Agriculture sells or leases property.

How is Wisconsin Affected?

Wisconsin typically ranks among the top five states in the nation in the number of FSA Beginning Farmer Loans and loan guarantees; any improvements in these programs will benefit our state more than most others. Title V increases credit availability to new farmers. It offers one new program and a revamp of an existing program that should help facilitate farm real estate transfers from one generation to the next.

Where Can I Get More Information?

- Refer to [Title V](#) of the 2008 Farm Bill

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