

**Loans for Beginning Farmers and Ranchers****Overview**

The Farm Service Agency (FSA) provides direct and guaranteed loans to beginning farmers and ranchers who are unable to obtain financing from commercial credit sources. Each fiscal year, the Agency targets a portion of its direct and guaranteed farm ownership (FO) and operating loan (OL) funds to beginning farmers and ranchers.

A beginning farmer or rancher is an individual or entity who (1) has not operated a farm or ranch for more than 10 years; (2) meets the loan eligibility requirements of the program to which he/she is applying; (3) substantially participates in the operation; and, (4) for FO loan purposes, does not own a farm greater than 30 percent of the average size farm in the county. (Note: all applicants for direct FO loans must have participated in business operation of a farm for at least 3 years.) If the applicant is an entity, all members must be related by blood or marriage, and all stockholders in a corporation must be eligible beginning farmers.

Maximum Loan Amounts

Maximum amounts of indebtedness are:

- Direct FO or OL \$200,000;
- Guaranteed FO or OL \$949,000 (Amount varies annually based on inflation).

Down Payment Farm Ownership Loan Program

FSA has a special down payment FO loan program to assist beginning farmers and ranchers to purchase a farm or ranch. This program also provides a means for retiring farmers and ranchers to transfer their land to a future generation.

To qualify:

- An applicant must make a cash down payment of at least 10 percent of the purchase price.
- FSA may provide a maximum amount equal to 40 percent of the purchase price or appraised value, whichever is less. The term of the loan is 15 years at a fixed interest rate of 4 percent.
- The remaining balance may be obtained from a commercial lender or private party. FSA can provide up to a 95 percent guarantee if financing is obtained from a commercial lender. Participating lenders do not have to pay a guarantee fee.
- The purchase price or appraised value, whichever is lower, may not exceed \$250,000.

Sale of Inventory Farmland

FSA advertises acquired farm property within 15 days of acquisition. Eligible beginning farmers and ranchers are given first priority to purchase these properties at the appraised market value. If more than one eligible beginning farmer or rancher offers to purchase the property, the buyer is chosen randomly.

Joint Financing Plan

Beginning farmer or rancher applicants may choose to participate in a joint financing plan that is also available to other applicants. In this program, FSA lends up to 50 percent of the amount financed, and another lender provides 50 percent or more. FSA will charge a reduced interest rate on the loan.

Where to Apply

Applications for direct loan assistance may be submitted to the FSA local office serving the area where the operation is located. Local FSA offices are listed in the telephone directory under U.S. Government, Department of Agriculture, Farm Service Agency. For guaranteed loans, applicants must apply to a commercial lender who participates in the Guaranteed Loan Program. Local FSA offices have lists of participating lenders.

For More Information

Further information about this and other FSA programs is available from local USDA Service Centers or on the FSA website at: www.fsa.usda.gov.

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