

Structure of the USDA-FSA Farm Loan Program

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Overview

The United States Department of Agriculture Farm Service Agency Farm Loan Program provides financial assistance to farmers and ranchers to start, expand or maintain a family farm. The program offers a range of loan options, including but not limited to ownership loans, operating loans and emergency loans. These loans can be used to purchase farmland, cover operational expenses, aid in recovery from natural disasters and more, depending on a farmer's situation and needs.

Loans are available in two main categories: direct and guaranteed loans. Direct loans are issued and serviced directly by the FSA, while private lenders provide guaranteed loans that are backed by the FSA to reduce their lending risk. The mission of the program is to support farmers and ranchers in securing commercial credit, with the ultimate goal of enabling borrowers to obtain credit on their own from commercial lenders. The FSA Farm Loan Program is critical in helping farmers build, sustain and grow their operations by providing accessible financing options.

Direct Farm Loans

Direct Loans are issued and serviced directly by the FSA. The FSA Direct Loan Program offers low-fixed-interest assistance to farmers in establishing and maintaining farming operations, especially for those who face difficulty qualifying for commercial credit, such as beginning farmers with a limited credit history or those recovering from financial setbacks. The FSA offers a range of loans to help farmers establish and sustain a profitable operation. Farmers can apply for direct loans at their local FSA office or online through the Loan Assistance Tool^{1,2}. Interested applicants may also apply in person at a local FSA service center. To find a local FSA service center, visit farmers.gov and input your state and county information.

Guaranteed Farm Loans

Guaranteed loans are an option for farmers who may meet minimum loan qualifications from a commercial lender but lack the credit history to obtain a loan without an FSA guarantee. Guaranteed loans are issued

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¹At the time of this publication, the Online Loan Application tool is only available for "individuals" and "married couples applying jointly" who are applying for a Direct Farm Ownership or Farm Operating Loan.

²To apply for a loan online, applicants must confirm their identity using e-authentication through login.gov. The user will be prompted to do this as part of creating an account. Applicants may also schedule a time for an in-person identity verification with a Local Registration Authority (LRA). LRAs are staffed at most FSA service centers. Be sure to call ahead to confirm the local FSA center has an LRA on staff.

and serviced by USDA-approved³ commercial lenders such as banks, Farm Credit System institutions or credit unions, with FSA backing the loan against potential losses. In the case of guaranteed loans, the lender is FSA's customer, not the loan applicant. Guaranteed loans are the property and responsibility of the lender servicing the loan and loan terms and interest rates are negotiated between the lender and the applicant. Typically, FSA guarantees up to 90 percent of the loan amount or up to 95 percent in special cases⁴. The commercial lender will originate and service the loan, but FSA approves eligible guarantees and oversees lender activities to ensure compliance. Farmers can contact their local FSA office and request a list of local participating lenders.

Examples of Farm Loans

Farm Ownership Loans

Farm ownership loans offered by FSA can be used for the purchase or expansion of a farm, the construction or improvement of farm buildings, closing costs and the implementation of soil and water conservation practices. Direct farm ownership loans are available up to a maximum of \$600,000, with microloan options (up to \$50,000) for small, beginning or niche/non-traditional farm enterprises. FSA will guarantee loans through commercial lenders for amounts up to \$2,251,000. Both direct and guaranteed farm ownership loans have a maximum repayment term of 40 years.

Farm Operating Loans

Farm operating loans are available for operating expenses, machinery and equipment purchases, minor real estate repairs or improvements, debt refinancing, and family living expenses. Direct operating loans can be up to \$400,000, with microloan options similar to those offered for ownership loans. Similarly, the FSA will guarantee operating loans through commercial lenders for amounts up to \$2,251,000. Repayment terms may vary based on the loan purpose but cannot exceed seven years, with

annual operating loans typically repaid within 12 months or upon the sale of the produced commodities. To qualify for direct operating loans, applicants must demonstrate sufficient education, training or at least one year of experience managing or operating a farm or ranch within the past five years.

Down Payment Program

The down payment loan is designed to assist socially disadvantaged and beginning farmers in purchasing a farm. To qualify, applicants are required to make a minimum cash down payment of at least 5 percent of the purchase price. The down payment loan can be for as much as 45 percent of the lesser of the farm's purchase price, appraised value or \$667,000, with a maximum loan amount of \$300,150. The loan interest rate is set at 4 percent below the direct farm ownership rate, but not lower than 1.5 percent with a maximum term of 20 years. The remaining balance can be financed through a commercial lender or private party, with FSA providing up to a 95 percent guarantee if financing through a commercial lender. There is no guarantee fee for participating lenders, and they must structure financing with an amortization period of at least 30 years with no balloon payments due within the first 20 years of the loan.

Conservation Loans

Conservation loans give farmers and ranchers who want to implement conservation practices on their land access to credit. One does not need a large or established operation to qualify for conservation loans — small scale and less financially established farmers are eligible as well. Family farm and test-for-credit requirements do not apply to conservation loans. Borrowers can use conservation loans to complete conservation activities outlined in a [USDA-approved conservation plan or Forestry Management Plan](#). Repayment terms extend up to 30 years and the maximum loan amount is \$2,251,000. Conservation loans are only available as guaranteed loans.

Emergency Loans

Emergency loans provide financial assistance for farmers and ranchers who experience losses to their operations from damage caused by natural disasters. Funds can be used to repair or replace essential property, cover all or a portion of production costs incurred during the disaster year, pay

³The FSA has four programs for lenders who originate and service guaranteed loans; each program differs by the maximum guaranteed loan amount the lender can approve. Non-traditional lenders and lenders without agricultural lending experience may become a Micro Lender. Lenders with limited experience with FSA guarantees may qualify as a Standard Eligible Lender. Lenders who have experience and a well-established relationship with the FSA may qualify for the Certified Lender Program or the Preferred Lender Program. Applicants should familiarize themselves with the standing of local lenders based on their specific loan needs.

⁴A 95 percent guarantee is reserved for situations with elevated needs or risk factors to help encourage lenders to approve loans that might otherwise be denied.

essential family living expenses, reorganize farming operations, or refinance eligible outstanding debts. The farm must be located in a county officially designated as a disaster area by the President or Secretary of Agriculture. Applicants must demonstrate a loss in production below expected yield or have experienced a physical loss to livestock, livestock products, real estate or personal property. Emergency loans can cover up to 100 percent of actual losses, with a maximum amount of \$500,000, excluding any duplicate payments from crop insurance or other government payments.

Youth Loans

Youth loans are designed for young people, ages of 10-20, who are sponsored by a project advisor affiliated with organizations such as 4-H, FFA, tribal youth organizations or similar agriculture-affiliated groups. Funded projects must provide opportunities to gain experience in education in agriculture-related skills. Youth loans are available exclusively as direct loans, with a maximum loan amount of \$10,000.

Loans for Beginning and Socially Disadvantaged Farmers

Each fiscal year, a portion of direct farm ownership and operating loan funds are targeted to beginning and socially disadvantaged farmers and ranchers. Socially disadvantaged farmers are individuals from certain groups who have historically experienced discrimination based on race, ethnicity, or gender due to their group identity rather than their individual qualities. Historically underserved farmers and ranchers include women, African Americans, Alaskan natives, American Indians, Hispanics, Asians and Native Hawaiians or other Pacific Islanders. To qualify for targeted socially disadvantaged farmers funding, applicants must voluntarily disclose their ethnicity, race and/or gender on their loan application. Otherwise, the loan process and requirements are consistent across all applicants. Non-reserved funds may also be used by individuals of socially disadvantaged groups. The only loan program specifically for historically underserved farmers and beginning farmers is the Direct Farm Ownership Down Payment loan.

Native American Tribal Loans

Native American tribal loans are available to assist Tribes in acquiring land within reservations or Alaskan Native communities. These funds serve

to support the expansion of farming operations, foster economic opportunities, and preserve farmland for future generations. FSA's Indian Tribal Land Acquisition Loan Program provides assistance for Tribes to increase property ownership, enhance agricultural productivity, and preserve cultural lands. Funds for this program are appropriated as part of the USDA budget by Congress.

The Highly Fractionated Indian Land Loan Program assists Tribes, Tribal entities and Tribal members in resolving issues caused by fractionated interests on tribal lands. The program facilitates land consolidation and enhances opportunities for agricultural operations, improves access to USDA programs, increases agricultural productivity and helps preserve Tribal farmland for future generations. This program is funded through revolving loan funds from FSA and is serviced through an approved intermediary lender.

Eligibility Requirements

To be eligible for FSA farm loan programs, borrowers must meet the following criteria:

- Be a family farmer
- Have acceptable credit history
- Be a citizen of the United States (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Commonwealth of the Northern Mariana Islands, Republic of Palau, Federated States of Micronesia and the Republic of Marshall Islands) or a U.S. non-citizen national or a qualified alien under federal immigration law
- Be unable to obtain credit from other sources at reasonable rates and terms to meet needs
- Have the ability to legally assume obligations of the loan
- Have no outstanding unpaid judgments against them issued by the United States in any court, except for judgments filed in U.S. Tax Courts
- Not be delinquent on a federal debt
- Not have provided FSA with misleading or false documents or statements in the past
- Not have been convicted under federal or state laws of planting, cultivating, growing, producing, harvesting or storing a controlled substance within the last five crop years

- Not have received debt forgiveness from FSA (certain exceptions apply)
- And be within the time restrictions as to the number of years they can receive FSA assistance

Entities such as corporations, cooperatives, joint operations, partnerships, trusts and limited liability companies are also eligible to apply for loans through FSA. To qualify, all members or stockholders of the entity must be authorized to operate a farm or ranch in the state where the farmland is located. Socially disadvantaged members need to hold a majority interest in the entity in order to be eligible for any targeted funding. Please see the attached “Eligibility Checklist” at the end of this chapter and contact your local FSA office if you believe you are ineligible for FSA loan support.

Connecting with FSA

Many FSA resources are accessible online at [farmers.gov](https://www.farmers.gov). To connect with your local Farm Service Agency office in person, locate your nearest USDA Service Center at [farmers.gov/service-locator](https://www.farmers.gov/service-locator). In addition to providing credit, FSA is available to help farmers identify strengths and areas for growth within their operations. Guidance in business planning and financial management from FSA can sometimes make the difference between the success or failure of an agricultural business.

Resources

- U.S. Department of Agriculture, Farm Service Agency. (2024). Farm loans overview. Retrieved January 3, 2025, from <https://www.fsa.usda.gov/tools/informational/fact-sheets/farm-loans-overview-2024pdf>.
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- U.S. Department of Agriculture, Farm Service Agency. (2025). Frequently Asked Questions – Public Customer FAQs. Retrieved January 15, 2025, from <https://www.eauth.usda.gov/eauth/b/usda/faq>.

GENERAL ELIGIBILITY REQUIREMENTS FOR FSA LOAN SUPPORT	YES	NO
I am a citizen of the United States, a non-citizen national, or a qualified alien		
I possess the legal capacity to obtain a loan		
I am unable to obtain credit elsewhere at reasonable rates and terms		
I can show that I have a good credit history (I pay my bills on time) or, if I do not, I can show that my failure to pay my bills was due to circumstances beyond my control, was infrequent, or did not happen recently.		
I have no federal or state controlled-substance convictions		
My operation is a family farm or ranch, and the majority of the physical labor and management are provided by me, a family member, or another entity member.		
I have not received debt forgiveness (caused FSA to lose money) on another direct or guaranteed loan.		
I will not be behind on any debt (other than a debt under the Internal Revenue Code of 1986) that I owe to the U.S. Government when the loan is closed.		
I have the training, education, or experience that enables me to effectively manage my farm or ranch.		
For farm ownership loans only: I have participated in the business operations of a farm or ranch for at least 3 out of the last 10 years. Note: Discuss your particular situation with an FSA loan official as there are several ways that you may meet this requirement.		
For beginning farmer or rancher targeted funds only: I have operated a farm or ranch for 10 years or less.		
For beginning farmer or rancher targeted funds only: If I currently own a farm or ranch, it is less than 30% of the average farm size in my county.		
For down payment loans only: I can make a cash down payment of at least 5% of the purchase price for the farm or ranch I want to buy.		
For emergency loans only: My operation is in a county that has a disaster designation, and it has not been more than 8 months since the designation was declared. I suffered a production loss (at least 30%) or a physical loss due to the designated disaster.		

Note: This checklist was adapted from USDA-FSA Your Guide to Farm Loans. More detailed information can be found [here](#) or by contacting your local FSA Service Center.

