United States Department of Agriculture

Farm Service Agency

Microloans

FACT SHEET
August 2019

Overview

The Farm Service Agency (FSA) developed the microloan program to better serve the unique financial operating needs of new, niche, and small to mid-sized family farm operations.

Microloans offer more flexible access to credit and 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.

Types Of Microloans

Two types of microloans are available: Farm Operating Loans and Farm Ownership Loans. The microloans are issued to the applicant directly from FSA.

- Operating microloans can be used for all approved operating expenses authorized by the FSA Operating Loan (OL) 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; and delivery vehicles.
- Ownership microloans can be used for all approved expenses authorized by the FSA Farm Ownership (FO) Loan Program, such as to purchase a farm or farm land, enlarge an existing farm, construct new farm buildings, improve existing farm buildings, pay closing costs, and implement soil and water conservation and protection practices.

Simplified Application Process

The microloan application process is simpler, requiring less paperwork to complete, consistent with a smaller loan amount. Requirements for managerial experience and loan security have been modified to accommodate veterans, smaller farm operations, and beginning farmers.

- Microloan applicants for operating loans 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.
- Microloan applicants for ownership loans need to have three years of farm experience out of the last 10 prior to the date of the application being submitted. One of the years can be substituted with any of the following experience:
  - Post-secondary education, that is at least 16 semester hours in agricultural business, horticulture, animal science, agronomy, or other agriculture-related fields

- Significant business management, that is at least one year of management experience in a non ag-related field where the applicant's day-to-day responsibilities included direct management experience, such as personnel decisions, payroll, and inventory ordering; however, not an individual who is a manager in title only
- Military leadership or management that is, as a general rule, any officer or E5 or above will have completed an acceptable military leadership course.
- If an applicant has successfully repaid an FSA youth loan, that experience may partially satisfy the experience requirement for a farm ownership loan.

Security Requirements

Operating microloans for annual operating expenses 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. Operating 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.

Ownership microloans are secured by the real estate being purchased or improved. The value of the real estate must be at least 100 percent of the loan amount.

Rates And Terms

Applicants may apply for microloans totaling a combined maximum of $100,000: Up to $50,000 for a farm ownership loan and up to $50,000 for an operating loan.

For operating microloans, eligible applicants may obtain up to $50,000. 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 FSA operating loan rates that are in effect at the time of the microloan approval or microloan closing, whichever is less.

For ownership microloans, eligible applicants may obtain a microloan for up to $50,000. The repayment term may vary and will not exceed 25 years. Interest rates are the regular FSA farm ownership rates in effect at the time of the loan approval or closing.

How To Apply

FSA microloan application forms can be obtained from the local FSA office or can be downloaded and printed from the USDA website at **fsa.usda.gov/microloans.** 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 their local FSA office. To find your local FSA office, visit **farmers.gov**.

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, 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.

Who Is Eligible?

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.

More Information

For more information, visit **fsa.usda.gov/farmloans** or **farmers.gov**. Find your local USDA Service Center at **farmers.gov/service-locator**.

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