



United States Department of Agriculture

Farm Service Agency

Microloans



Cultivating Big Dreams on a Smaller Scale



What is FSA?



The U.S. Department of Agriculture's (USDA), Farm Service Agency (FSA) provides services to farmers through loans, payment programs, commodity price support, conservation efforts and disaster recovery assistance.

FSA's Farm Loan Programs (FLP) provide credit to agricultural producers who are unable to obtain private, commercial credit.

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FSA Farm Loans



If you are a farmer or rancher who is unable to obtain credit from another lender to start, purchase, sustain or expand your family farm you may be able to get a loan through FSA's Farm Loan Programs.

FSA has different types of loans depending on your current situation and what you need the loan for. FSA loan officers are available to answer your questions and to help with the application process.

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Types of Loans Available



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Guaranteed Loan Program

- Farm Ownership
- Operating
- Conservation

Direct Loan Program

- Farm ownership
- Operating
 - Microloan
 - Youth Loan
- Emergency



Type of Loan	Maximum Loan Amount	Loan Terms
Direct Farm Ownership	\$600,000	<ul style="list-style-type: none">• Term: Up to 40 years
Direct Down Payment Farm Ownership	The lesser of: <ul style="list-style-type: none">• 45% of purchase price• 45% of appraised value• \$300,000	<ul style="list-style-type: none">• Term: Up to 20 years
Direct Operating	\$400,000	<ul style="list-style-type: none">• Term: 1 to 7 years
Direct Operating Microloan	\$50,000	<ul style="list-style-type: none">• Same as Direct Operating Loan
Direct Emergency	The lowest of the following: <ul style="list-style-type: none">• 100% actual or physical losses• \$500,000	<ul style="list-style-type: none">• Term: 1 to 7 years (possibly up to 20 years) for non-real estate purposes• Up to 40 years for physical losses on real estate
Youth Loan	\$5,000	<ul style="list-style-type: none">• Term: 1 to 7 years



Type of Loan	Maximum Loan Amount	Loan Terms
Guaranteed Farm Ownership	\$1,392,000 The maximum loan amount is adjusted annually for inflation.	<ul style="list-style-type: none">• Term: Up to 40 years• The interest rate is negotiated by you and your lender.
Guaranteed Operating	\$1,392,000 The maximum loan amount is adjusted annually for inflation	<ul style="list-style-type: none">• Term: 1 to 7 years• The interest rate is negotiated by you and your lender.
Guaranteed Conservation	\$1,392,000 The maximum loan amount is adjusted annually for inflation	<ul style="list-style-type: none">• Term: Up to 20 years• The interest rate is negotiated by you and your lender.
Land Contract Guarantee	A maximum purchase price of \$500,000 on a new land contract.	<ul style="list-style-type: none">• Term: Contract payments must be amortized for a minimum of 20 years with equal payments during the term of the guarantee. The guarantee period is 10 years.



FSA Microloans



The Farm Service Agency (FSA) developed microloans to better serve the unique financial operating needs of beginning, niche and small family farm operations such as, but not limited to:

- Organic production
- Community Supported Agriculture (CSAs)
- Small scale livestock
- Shellfish operations such as clams or oysters
- Honey or cheese producers

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What is a Microloan



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- Direct farm operating loan;
- Does not exceed \$50,000;
- Simplified application process;
- Verification requirements are more proportional to smaller loans and operations.



Microloans Fulfill a Need



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- Assists applicants with limited experience by providing an opportunity to gain farm management experience while working with a mentor;
- Eliminates use of high cost personal loans and high interest credit cards;
- Provides a bridge for youth loan borrowers to transition to larger-scale operations;
- Assists the agricultural community by creating opportunities to start new businesses.



Microloans Can be Used For:



- Initial start-up expenses;
- Seed, fuel, fertilizer, utilities, or labor;
- Farmland rents;
- Purchase of livestock, farm implements or essential tools;
- Irrigation equipment or delivery vehicles;
- Marketing and distribution;
- Minor farm improvements;
- Hoop houses or high tunnels;
- Family living expenses.

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Eligibility Requirements



Other FSA loans require applicants to meet certain farm management requirements. The microloan allows alternatives to this requirement that include:

- Apprentice relationship;
- Past participation with organizations such as FFA, 4-H, beginning farmer programs, and community based organizations;
- Small business management experience combined with a self-directed apprenticeship.

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Securing Microloans



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For an annual operating purposes, such as purchasing seed, fertilizer and other crop input costs, these loans are generally secured by the crop or products produced; however equipment or other security can be used.

Loans for other purposes such as purchasing equipment or foundation livestock are usually secured by the equipment or livestock being purchased but other types of security can be used.

All loans need basic security.



Applying for a Microloan



Application forms can be obtained by visiting your local office or downloading them from the FSA website at <http://forms.sc.egov.usda.gov/>.

An FSA loan officer can help you complete the FSA forms or can identify other sources of assistance in your area.

Applications can be submitted by:

1. Calling for an appointment with an FSA loan officer;
2. Mailing, faxing, or delivering your application to your local FSA office;
3. Electronically submitting your application if you have registered through the e-gov system.

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Balance Sheet

09/25/2012 Current BS- Consolid.

	<u>Adj. Value</u>		<u>Adj. Value</u>
<u>Current Assets</u>		<u>Current Liabilities</u>	
Cash & Equivalents	100*	Cur. Portion Term Debt - FSA	5,322*
Accounts Receivable	2,300		
Market Livestock & Poultry	2,900*		
Total Current Assets	5,300	Total Current Liabilities	5,322
<u>Intermediate Assets</u>		<u>Intermediate Liabilities</u>	
Machinery & Equipment	4,000*	Intermediate Term Debt - FSA	8,836*
Farm Vehicles	14,500*		
Raised Breeding Stock	13,600*		
Other Int. (Coop Stock)	3,000*		
Total Intermediate Assets	35,100	Total Intermediate Liabilities	8,836
TOTAL ASSETS	40,400	TOTAL LIABILITIES	14,158
<i>* Scheduled Account</i>		TOTAL EQUITY	26,242

Personal

	<u>Adj. Value</u>		<u>Adj. Value</u>
<u>Current Assets</u>		<u>Current Liabilities</u>	
Cash & Equivalents	57*		
Total Current Assets	57	Total Current Liabilities	0
<u>Intermediate Assets</u>		<u>Intermediate Liabilities</u>	
Household Goods	2,500		
Total Intermediate Assets	2,500	Total Intermediate Liabilities	0
<u>Long Term Assets</u>		<u>Long Term Liabilities</u>	
Nonfarm Real Estate	106,300*	Personal Non-Current Liab.	244,898*



Projected Annual Cash Flow

01/01/2013 - 12/31/2013 Proj 2013- Consolid

Operating Income

Livestock & Poultry Sales	6,015
Total Operating Income	6,015
<i>GROSS MARGIN</i>	6,015

Operating Expenses

Supplies	1,500
Other Expenses	1,000
Total Oper. Expenses (Less Interest & Depr.)	2,500
<i>NET OPER. INFLOWS</i>	3,515

Non-Operating

Owner Withdrawal	83,762
Income Taxes	246
Non-Farm Income	16,894

Financing

Term Debt - Payments	5,995
Principal-	5,322
Interest-	673

Total Cash Inflows	22,909
Total Cash Outflows	92,503

(Before LOC P. & I.)

Net Cash Available	-69,594
- LOC Ending Bal.	69,594
Peak LOC Balance	69,594

I agree to follow this plan, as outlined above and on attached schedules, and to discuss with the agency loan official any important changes that may become necessary. This is a projected plan and does not release the security interest of the government in any security referred to in this plan. "I recognize that making any false statements on this Farm Business Plan or any other loan document may constitute a violation of federal criminal law".



SCHEDULE F (Form 1040)

Department of the Treasury Internal Revenue Service (99)

Profit or Loss From Farming

Attach to Form 1040, Form 1040NR, Form 1041, Form 1065, or Form 1065-B. Information about Schedule F and its separate instructions is at www.irs.gov/schedulef.

OMB No. 1545-0074

2014 Attachment Sequence No. 14

Name of proprietor Social security number (SSN)

A Principal crop or activity B Enter code from Part IV C Accounting method: D Employer ID number (EIN, see instr)

E Did you "materially participate" in the operation of this business during 2014? F Did you make any payments in 2014 that would require you to file Form(s) 1099? G If "Yes," did you or will you file required Forms 1099?

Part I Farm Income--Cash Method. Complete Parts I and II (Accrual method, Complete Parts II and III, and Part I, line 9.) Table with columns for description, sub-rows (1a-1c, 2, 3a-3b, 4a-4b, 5a-5c, 6a-6d, 7-9) and tax amounts.

Part II Farm Expenses--Cash and Accrual Method. Do not include personal or living expenses (see instructions). Table with columns for description, sub-rows (10-22, 23-32f) and expense amounts.

33 Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions. 34 Net farm profit or (loss). Subtract line 33 from line 9. 35 Did you receive an applicable subsidy in 2014? 36 Check the box that describes your investment in this activity and see instructions for where to report your loss.

Microloan Summary



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- Direct operating loan with a maximum loan amount of \$50,000.
- Shortened application process and reduced paperwork.
- Allows flexibility with managerial requirements.
- Provide some flexibility in loan security.
- Assist the agricultural community by creating opportunities to start new businesses;
- Fulfill financial operating needs of beginning, niche and the smallest of family farm operations.



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Learn more by visiting www.fsa.usda.gov/microloans