

# **FARM SERVICE AGENCY**

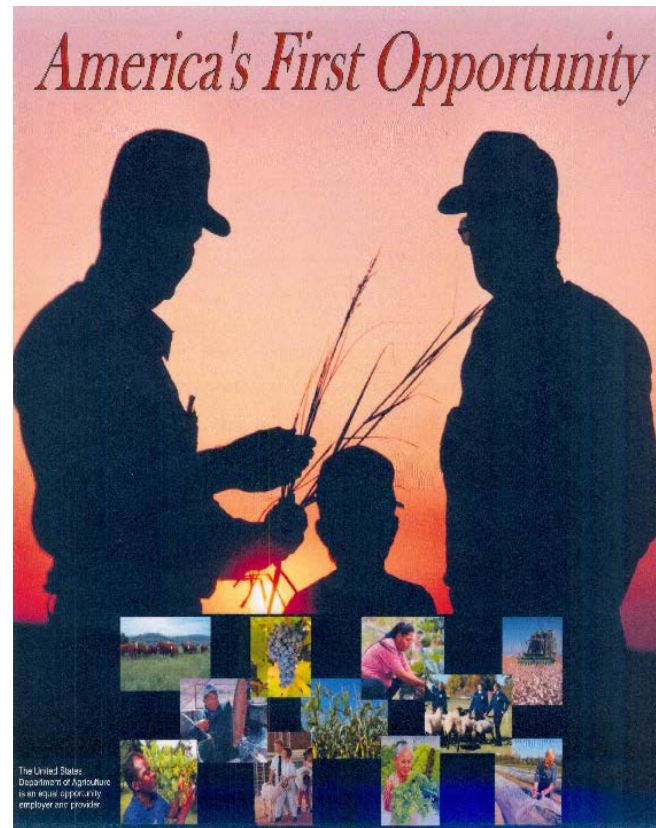
## **LENDING PROCESS FOR NEW LIVESTOCK PROJECTS**

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# Why should Farm Service Agency (FSA) be your lender?

We provide opportunities!



# Farm Service Agency delivers...

- ✓ loans
- ✓ loan guarantees
- ✓ business planning



# FSA Loan Programs



# Types of Loans

- **Operating Loans**

- Used for non-real estate purposes
  - Machinery
  - Livestock
  - Annual operating needs

- **Farm Ownership Loans**

- Used to purchase or improve real estate

# Direct Loan Program

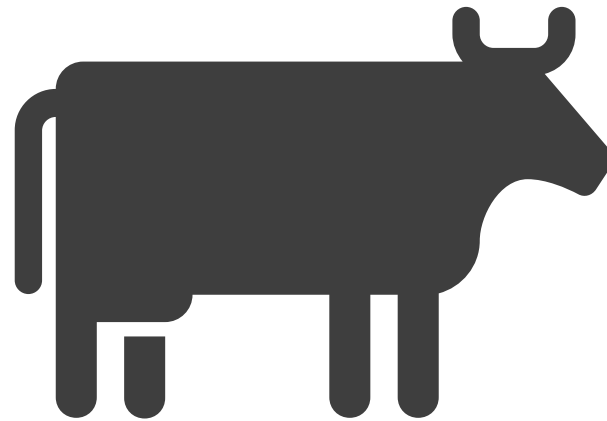
- Eligible farmer obtains a loan directly from the government
- Rates and terms based on FSA guidelines
- Payments are made to FSA

# Guaranteed Loan Program

- Eligible farmer obtains a loan from a commercial credit source, such as a bank, credit union, or Farm Credit Services
- FSA provides a guarantee as additional incentive for the lender to make the loan
- Rates and terms are negotiated between the lender and the farmer
- Payments are to the lender

# How does FSA define a beginning farmer for operating loan purposes?

- Active or new farmer
- Has operated a farm or ranch for not more than 10 years





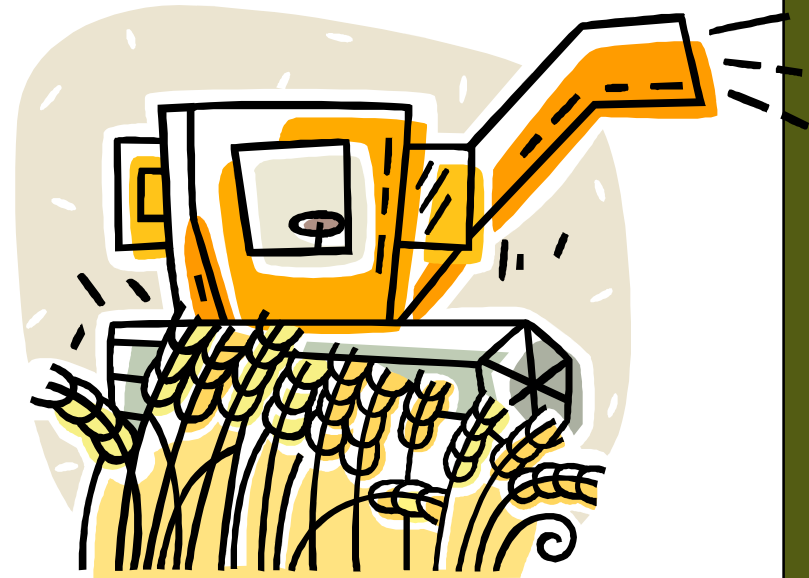
# FSA Operating Loan Program



- Interest rate –3%  
(January 2018 rate)
- Repayment terms
  - typically 1-7 years
- Loan limit - \$300,000

# Operating Loans Uses

- Crop inputs
- Machinery purchases
- Livestock
- Environmental
- Debt refinance
- Other non-real estate farm needs



# How does FSA define a beginning farmer for farm ownership loan purposes?

- Active or new farmer with at least 3 years experience managing a farm
- Has operated a farm or ranch for not more than 10 years
- Does not own property which exceeds 30% of the averaged-sized farm in the county where the farm is being purchased

# Farm Ownership Loan Programs

- Down Payment
  - Available for beginning, minority, and female farmers only
- Participation Loan
- Regular Farm Ownership



# Down Payment Farm Ownership Loan Program

- 5% down payment (minimum)
- FSA loan - 45% of purchase price up to a \$300,000 maximum loan amount
- Remaining 50% - bank, Farm Credit Services, credit union, contract
- FSA interest rate – 1.5%
- FSA repayment – not more than 20 years
- **Cannot be used for new construction**

# Participation Farm Ownership Loan Program

- FSA's loan is limited to 50% of the financing (and \$300,000 maximum)
- Balance of the financing must come from another source (bank, Farm Credit Services, credit union, contract, etc.)
- Interest rate – currently 2.5% (Jan. 2018)
- Repayment terms - 10-40 years
- FSA can take a second lien on the property being purchased
- **Can be used for purchase or new construction**

# Regular Farm Ownership Loan Program

- FSA can provide up to 100% of the financing
- Interest rate – currently 3.75% (Jan. 2018 rate)
- Repayment terms - up to 10-40 years
- FSA loan maximum - \$300,000 (no maximum purchase price)
- FSA can take a second lien on the property being purchased
- **Can be used for purchase or new construction**

# Guaranteed Loan Programs

- Financing through a traditional non-government source (bank, Farm Credit Services, etc.)
- FSA backing – up to 90%
- Operating loans
- Farm ownership loans





# Guaranteed Loan – Benefits

- Higher maximum loan amount  
- up to \$1.399 million
- Increased flexibility for the lender
- Secondary market options to allow the lender additional pricing and repayment options

*\*Guaranteed loans are FSA's primary source of financing for livestock facilities.\**



Lending  
Process for  
New  
Livestock  
Projects



# Types of Livestock Operations Financed by FSA in Iowa

- Hog barns
- Poultry – turkeys, chickens
- Mono-slope cattle facilities
- Dairy – cattle, goats, sheep
- Goats and sheep
- Shrimp
- Traditional financing for operating, as well as purchasing existing facilities and new construction

# What are FSA lenders looking for in a loan applicant?

- Business plan and goals
  - Market for products
- Financial skills
- Farm management experience
- Positive credit history
- Reliable repayment plan

# Financing New Construction

Factors to contemplate if you are considering an FSA loan (direct or guaranteed)...



Northern Monkshood

# Financial Considerations

- Reliability of integrator
  - Hogs
  - Poultry
- Impact of third-party agreements on the value of the collateral
  - Manure rights
  - Shared wells
- Collateral value of specialized facilities

# Environmental Considerations

- FSA must follow National Environmental Policy Act (NEPA) guidelines
  - Wetland determination
  - Endangered species
- Don't do any site preparation (moving dirt) prior to loan approval
- An archeological assessment (core sampling) will likely be required
- Public notice will be required for CAFO's
- DNR and county requirements will also need to be met, when applicable

# Other Considerations

- Primary impact of NEPA guidelines
  - additional time
  - cost for an archeological assessment
- Good neighbor policy
  - Who is impacted?
  - Buffers from population centers/lakes/etc.



# Where can I get additional information or submit an application?

- Find your local FSA County Office:

<http://offices.sc.egov.usda.gov/locator/app?state=ia&agency=fsa>

# FSA Loan Information On The Web:

FSA Web page: <https://www.fsa.usda.gov/>

Direct link to FSA's Farm Loan Programs:

<http://www.fsa.usda.gov/dafl>

- “Your Guide to FSA Loan Programs” is a good place to start.

USDA New Farmer Site: <https://newfarmers.usda.gov>

Presenter's Contact information:

Brian Gossling

Farm Loan Program Director

Iowa Farm Service Agency

Phone: (515) 331-8450

E-mail: [brian.gossling@ia.usda.gov](mailto:brian.gossling@ia.usda.gov)