

Microloans Program

The focus of Microloans is on the financing needs of small, beginning farmer, niche and non-traditional farm operations, such as truck farms, farms participating in direct marketing and sales such as farmers' markets, CSA's (Community Supported Agriculture), restaurants and grocery stores, or those using hydroponic, aquaponics, organic and vertical growing methods.

How may I use a Microloan?

Direct Farm Ownership Microloans

Make a down payment on a farm
Build, Repair, or Improve farm buildings, service buildings, farm dwelling
Soil and Water Conservation Projects
May be used as a Downpayment Farm Ownership Loan
May be used in Joint Financing

Direct Farm Operating Microloans

Essential tools
Fencing and trellising
Hoop houses
Bees and bee equipment
Milking and pasteurization equipment
Maple sugar shack and processing equipment
Livestock, seed, fertilizer, utilities, land rents, family living expenses, and other materials essential to the operation
Irrigation
GAP (Good Agricultural Practices), GHP (Good Handling Practices), and Organic certification costs
Marketing and distribution costs, including those associated with selling through Farmers' Markets and Community Supported Agriculture operations
Pay for qualifying OSHA compliance standards (Federal or State)

How does the Microloan differ from FSA's regular loan?

Direct Farm Ownership Microloans

No appraisal needed
Verification of non-farm income unnecessary unless required for repayment
Successful repayment of an FSA Youth loan may be used towards the required 3 years of management experience

Direct Farm Operating Microloans

The Microloan program allows for situations where production yield history or reporting is impractical, not relevant to the proposal submitted, or is not available.
Modified farm managerial experience requirements accommodate smaller farm operations, beginning farmers, and those with no farm management experience. Small business experience plus any farm experience, along with a self-guided apprenticeship, is a way to meet the farm management requirement.
Rural Youth loan recipients with a successful repayment history, or youth who have participated in an agriculture-related organization, can meet the modified managerial ability requirements with those experiences.

What are the loan limitation amounts for a Microloan?

There is no minimum loan amount. The maximum loan amount for either Microloan is \$50,000. The \$50,000 limit includes any possible outstanding FSA Direct Operating loan balances. A loan applicant can have a Guaranteed Operating loan, Farm Ownership loan or Emergency loan and still qualify for a Microloan.

What is the interest rate for a Microloan?

FSA's Direct Operating loan interest rate applies to Operating Microloans. FSA's Direct Farm Ownership loan interest rate applies to Farm Ownership Microloans. The interest rate charged is always the lower rate in effect at the time of loan approval or loan closing for the type of loan wanted. To view the current month's interest rates for all loan types, please [click here](#).

What are the repayment terms for a Microloan?

For the Direct Ownership Microloan, the maximum term is 25 years.

For the Direct Operating Microloan, the repayment period will vary depending upon the purpose of the loan. General operating and family living expenses are due within 12 months or when the agricultural commodities sell. For larger purchases such as equipment or livestock, the term will not exceed 7 years.

How do I know if I qualify for a Microloan?

As with the regular Operating loan program, traditional and non-traditional family farms and ranches may be eligible for Microloan financing.

General eligibility requirements include:

- must not have Federal or State conviction(s) for planting, cultivating, growing, producing, harvesting, storing, trafficking, or possession of controlled substances
- have the legal capacity to incur the loan obligation
- be able to show an acceptable credit history
- is a citizen, non-citizen national or legal resident alien of the United States, including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and certain former Pacific Trust Territories
- have no previous debt forgiveness by the Agency, including a guarantee loan loss payment
- be unable to obtain sufficient credit elsewhere, with or without an FSA loan guarantee
- not be delinquent on any Federal debt, other than IRS tax debt, at the time of loan closing
- not be ineligible due to disqualification resulting from Federal Crop Insurance violation

Direct Farm Ownership Microloans

3 years farm management experience within 10 years of the application dates. 1 year farm management experience may be substituted with one of the following:

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- 16 credit hours Post-Secondary Education in Agriculturally-related field
- Business management, of at least 1 year direct management experience (not manager in title only)
- Military leadership or management from having completed an acceptable military leadership course.
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- Successful repayment of an FSA Youth loan

Direct Farm Operating Microloans

Microloan applicants still need to have some farm experience; however, small business experience and agricultural internships and apprenticeship programs, even those that are self-guided, count toward meeting the farm management requirement. Microloan applicants with minimal farm experience also have the option of working with a mentor for guidance during the first production and marketing cycle.

It is not necessary for a Microloan applicant to have produced farm income to meet the requirements for managerial experience.

Is a mentor someone chosen by FSA or someone I choose?

Direct Farm Operating Microloan applicants choose their own mentor and FSA reviews the choice. Any applicant wanting or needing a mentor should strive to locate a suitable person who will not charge for services. This is not applicable to Direct Farm Ownership Microloans.

What are the collateral requirements for Microloans?

For annual operating purposes, Operating Microloans must be secured by a first lien on farm property or agricultural products with minimum value of at least 100 percent of the loan amount up to 150 percent of the loan amount, if available. Microloans made for any other authorized purpose other than operating expenses must be secured by a first lien on farm property or agricultural products with a value of at least 100 percent of the loan amount.

The Direct Farm Ownership Microloans may be secured only by the real estate being purchased or improved, as long as it meets the 100% security requirement.

What kind of credit score do I need?

FSA does not use credit scores. Loan applicants are expected to have acceptable repayment history with other creditors, including the Federal Government. Loan applicants are not automatically disqualified if there are isolated incidents of slow payments; no credit history; or if it can be shown that any recent adverse credit problems were temporary and beyond one's control.

What about grants? I do not want to pay back a loan.

FSA does not administer a grant program for the purchase or operation of a farm or ranch. Grants and matching grants can be used in conjunction with FSA loans, such as a value-added grant from Rural Development or cost-share programs available through the Natural Resources Conservation Service. FSA loans may be used with State provided assistance, too. You will find a link to the National Association for State Agricultural Finance Programs under "Additional Resources."

How and where do I apply for a Microloan?

Any USDA Service Center or FSA County Office can accept all direct loan applications. You will find the address and telephone number of the nearest USDA Service Center or FSA County Office serving the County where you plan to farm by clicking here.

How do I get a loan application?

In addition to obtaining a loan application package from your local FSA office, to download or view loan application forms please click here.

What happens if I do not understand how to fill out the loan application forms or what I need to do to make sure my application is complete? Where can I get help?

Many answers are found in our booklet, "Your Guide to FSA Farm Loans." It is also recommended that you call and make an appointment with your nearest Farm Loan Officer or Farm Loan Manager. Agency officials are required to:

- help loan applicants complete FSA forms and gather information necessary for a complete application;
- explain the application procedure, process, and the requirements for a complete application;
- assist loan applicants in completing FSA forms and identifying sources of information needed for a complete application, if assistance is requested;
- inform loan applicants of other technical assistance providers who may be of assistance at minimal or no charge. Some examples include, and are not limited to, the Cooperative Extension Service, non-profit organizations and institutions, the Intertribal Agriculture Council, and other similar organizations; and
- advise applicants of alternatives that will help overcome any possible barriers to being determined eligible for an FSA loan.

What advice can you give me for my first meeting with my Farm Loan Officer or Farm Loan Manager?

- Have a general idea of what it is you want to do and be able to identify your goals. What type of operation do you have or want to have? What do you need to operate that farm or ranch? How will you market your product(s)? How much do you need? What are your projections?
- Good recordkeeping is very important. If you do not have your records organized, it is a good idea to try and put all your income and expenses into an understandable format. It does not have to be fancy. Also, what is happening inside the household is just as important as your business needs. Expenses such as food, clothing, mortgage or rent, insurance, taxes, medical costs, credit card payments, education expenses, and other consumer debt are part of the farm plan calculations. Know your costs. Bring your records with you.
- Remember to bring any financial records, which can include tax returns, for the most recent production cycle to assist in projecting the cash flow for your loan proposal. If you need to rely on off-farm income to repay the loan, bring in your last few pay stubs.
- Bring copies of any written leases to the office with you if you are leasing land or equipment.
- It is a prudent idea to check your credit report before applying for a loan. This allows you to spot any errors or research events that may have negatively impacted your credit. The Fair Credit Reporting Act (FCRA) requires each of the nationwide credit reporting companies — Equifax, Experian, and TransUnion — to provide you with a free copy of your credit report, at your request, once every 12 months. The FCRA promotes the accuracy and privacy of information in the files of the nation's credit reporting companies. The Federal Trade Commission (FTC), the nation's consumer protection agency, enforces the FCRA with respect to credit reporting companies.

Where can I learn more?

- Beginning Farmers and Ranchers
- How to Complete an FSA Loan Application
- Farm Loan Programs Funding Questions and Answers
- Direct Loan Making Handbook
- Minorities and Women

Additional Resources:

- Start 2 Farm
- New Farmers
- National Agricultural Library: Farmers and Ranchers
- National Organic Program
- Farmer Veteran Coalition
- Office of Tribal Relations
- National Arability Project
- Annual Credit Report