

Microloans

Overview

The Farm Service Agency (FSA) developed the Microloan (ML) program to better serve the unique financial operating needs of beginning, niche and the smallest of family farm operations by modifying its Operating Loan (OL) application, eligibility and security requirements. The program will offer more flexible access to credit and will 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.

Use of Microloans

Microloans can be used for all approved operating expenses as authorized by the FSA Operating Loan 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;
- Delivery vehicles.

Simplified Application Process

The application process for microloans will be simpler, requiring less paperwork to fill out, to coincide with the smaller loan amount that will be associated with microloans. Requirements for managerial experience and loan security have been modified to accommodate smaller farm operations, beginning farmers and those with no farm management experience. FSA understands that there will be applicants for the ML program who want to farm but do not have traditional farm experience or have not been raised on a farm or within a rural community with agriculture-affiliated organizations. ML program applicants 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.

Security Requirements

For annual operating purposes, microloans 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. 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.

Rates and Terms

Eligible applicants may obtain a microloan for up to \$35,000. 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 OL rates that are in effect at the time of the microloan approval or microloan closing, whichever is less.

More Information and Eligibility Criteria

Additional information on the FSA microloan program may be obtained at local FSA offices or through the FSA website at www.fsa.usda.gov.

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