FACT SHEET
UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

February 2011

Socially Disadvantaged Farmers and Ranchers Loan

Overview

The U.S. Department of Agriculture’s (USDA) Farm Service Agency (FSA) makes and guarantees loans to eligible socially disadvantaged farmers (SDA) to buy and operate family-size farms and ranches. Each fiscal year, the Agency targets a portion of its direct and guaranteed farm ownership (FO) and operating loan (OL) funds to SDA farmers. Non-reserved funds can also be used by SDA persons.

An SDA group is a group whose members have been subject to racial, ethnic or gender prejudice because of their identity as members of a group without regard to their individual qualities. These groups consist of American Indians or Alaskan Natives, Asians, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics and women.

The Agency:

- Helps remove barriers that prevent full participation of SDA farmers in FSA’s farm loan programs; and

- Provides information and assistance to SDA farmers to help them develop sound farm management practices, analyze problems, and plan the best use of available resources essential for success.

Terms and Interest Rates

Repayment terms for direct OL depend on the collateral securing the loan and usually run from 1 to 7 years. Repayment terms for direct FO vary but never exceed 40 years.

Interest rates for direct loans are set periodically according to the Government’s cost of borrowing. Guaranteed loan terms are set by the lender. Interest rates for guaranteed loans are established by the lender.

Types of Loans and Uses of Loan Funds

Direct farm ownership loans (FO) and farm operating loans (OL) are made by FSA to eligible farmers. Guaranteed FO and OL loans are made by lending institutions subject to Federal or State supervision (banks, savings and loans, and units of the Farm Credit System) and guaranteed by FSA. Typically, FSA guarantees 90 percent of any loss the lender might incur if the loan fails. FO funds may be used to purchase or enlarge a farm or ranch, purchase easements or rights of way needed in the farm’s operation, erect or improve buildings, implement soil and water conservation measures, and pay closing costs. Guaranteed FO funds may also be used to refinance debt.

OL funds may be used to purchase livestock, poultry, farm equipment, feed, seed, fuel, fertilizer, chemicals, insurance, and other operating expenses. The funds also may be used for borrower training costs, closing costs, and to reorganize and refinance debt.

Downpayment Program

FSA has a special loan program to assist socially disadvantaged and beginning farmers in purchasing a farm. Retiring farmers may use this program to transfer their land to future generations.

To qualify:

- The applicant must make a cash down payment of at least 5 percent of the purchase price.

- The maximum loan amount does not exceed 45 percent of the least of (a) the purchase price of the farm or ranch to be acquired; (b) the appraised value of the farm or ranch to be
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acquired; or (c) $500,000
(Note: This results in a
maximum loan amount of
$225,000).

- The term of the loan is
20 years. The interest
rate is 4 percent below
the direct FO rate, but not
lower than 1.5 percent.
The remaining balance
may be obtained from
a commercial lender
or private party. FSA
can provide up to a 95
percent guarantee if
financing is obtained from
a commercial lender.
Participating lenders
do not have to pay a
guarantee fee.

- Financing from
participating lenders must
have an amortization
period of at least 30
years and cannot have
a balloon payment due
within the first 20 years of
the loan.

Sale of Inventory Farmland

FSA advertises inventory
property within 15 days of
acquisition. Eligible SDA and
beginning farmers are given
first priority to purchase these
properties at the appraised
market value. If one or more
eligible SDA or beginning
farmer offers to purchase the
same property in the first 135
days, the buyer is chosen
randomly.

Where to Apply

Applications for direct loan
assistance may be submitted
to the local FSA office serving
the area where the operation
is located. Local FSA offices
are listed in the telephone
directory under U.S.
Government, Department of
Agriculture or Farm Service
Agency. For guaranteed
loans, applicants must apply
to a commercial lender who
participates in the Guaranteed
Loan Program. Contact your
local FSA office for a list of
participating lenders.

For more information

Further information is
available from local FSA
offices or on the FSA website

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political beliefs, reprisal, or because
all or part of an individual's income
is derived from any public assistance
program. (Not all prohibited bases
apply to all programs.) Persons with
disabilities who require alternative
means for communication of program
information (Braille, large print,
audiotape, etc.) should contact
USDA's TARGET Center at (202)
720-2600 (voice and TDD). To file a
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to USDA, Director, Office of Civil
Rights, 1400 Independence Avenue,
SW., Washington, DC 20250-9410, or
call (800) 795-3272 (voice) or (202)
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