



New Farm Bill Offers Modifications to Farm Loan Programs

OVERVIEW

The 2014 Farm Bill, signed by President Obama on Feb. 7, 2014, updates certain requirements and modifies several loan programs administered by the Farm Service Agency (FSA).

ACTIONS FSA CUSTOMERS CAN EXPECT TO TAKE EFFECT IMMEDIATELY

The following will be implemented immediately due to the 2014 Farm Bill.

- The percent of guarantee offered on all Conservation Loans (CL) will increase from 75 percent to 80 percent. The percent of guarantee will increase to 90 percent for CLs made to socially disadvantaged (SDA) and beginning farmers.
- The interest rate charged on Direct Farm Ownership loans that are made in conjunction with other lenders is set at 2 percent below the regular Direct Farm Ownership rate, with a floor of 2.5 percent.
- The requirement for FSA to appraise the value of oil, gas, or other minerals to be used as collateral for Farm Ownership loans has been removed.
- The maximum loan amount for down payment Farm Ownership loans increased to \$300,000 from \$225,000, consistent with all other Direct Farm Ownership loans.
- The rural residency requirement for Youth Loans (YL) is removed. Previously, to qualify for a YL an applicant had to live in a rural area.
- Microloans made to beginning and veteran farmers or ranchers are exempt from direct term limits. Term limits still apply for non-microloan direct loans (regular operating loans and Farm Ownership loans).
- A limited resource rate is available to beginning and veteran farmers who receive a Microloan. Borrowers will be given a choice to accept the limited resource rate or regular operating loan rate.

- The restriction that an applicant could receive a Guarantee Operating Loan (OL) for no more than 15 years has been eliminated.
- The definition of a qualified beginning farmer or rancher is modified to set the average size of farmland owned at no greater than 30 percent of the average size farm. Previously, this definition used the median farm size which eliminated many otherwise qualified applicants.
- Debt forgiveness will no longer preclude a former Youth Loan (YL) borrower from obtaining additional loans from any U.S. government agency. Additionally, borrowers with YL debt forgiveness or who are delinquent on YL debt can receive student loans. The servicing and collection of YLs is not affected by the statute and will continue under the present regulation. FSA is revising the definition of debt forgiveness to comply with this statute.

Additional information regarding FSA Farm Loans or other FSA programs can be found by visiting a nearby FSA Service Center or online at fsa.usda.gov.

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