

Type of Loan	Maximum Limit
Operating Loan PLUS Farm Ownership Loan: Maximum possible (EX: \$300,000 Direct OL + \$1,399,000 Guaranteed FO)	\$1,699,000
Operating Loan PLUS Farm Ownership PLUS Emergency Loan: Maximum possible in any FSA Loan Combination. (EX: \$300,000 Direct OL + \$1,399,000 Guaranteed FO + \$500,000 EM)	\$2,199,000

The FSA loan application: Step by Step

If you have already tried to get a loan through your bank and have been refused, and you have already reviewed the eligibility criteria and know that you are eligible for an FSA Direct or Guaranteed loan, you are ready to apply. Keep in mind that the FSA loan options are tools to lower the risk of your bank, to make it more favorable for them to offer you the loan and thus open up your access to credit. FSA Guarantees do not lower *your* risk, if your business is struggling or if you are late on payments. In fact, FSA loans may open up an additional liability for you in the event of a default if your collateral doesn't cover the full amount of debt you owe.

Getting Help with your loan application

FSA loan officers are available and required by USDA to provide technical assistance to farmers if needed to help them complete application forms, and identifying sources of information required for the FSA application.²⁵ In addition to FSA loan officers, Cooperative Extension Agents and other farmer advocacy organizations and non-profits, such as RAFI-USA, are available to assist farmers in this process. Your local FSA loan officers may be able to direct you to additional resources for support in your area.

Once you are ready to apply, the process will look like this:

²⁵ 3FLP.P41

Step 1: Environmental Assessment (for new construction)

A critical step in the FSA Loan application process is to work with your FSA Loan Officer (or with your bank, if applying for an FSA Guaranteed Loan) to complete an Environmental Assessment of your operation. This will involve several steps, which may be different depending on the size, type, and location of your operation. The application form with a checklist of much of the information in the Environmental Assessment is available here: <https://www.rd.usda.gov/files/RD1940-20.pdf>

The first step is for your FSA Loan Officer to collect basic information about your operation, and conduct a pre-screening. For this step you may need to provide maps, estimates of total production, a contract or letter of intent, indications of production methods and other information to your Loan Officer.

As no FSA loans can be used for the manipulation of wetlands, part of the pre-screening is to determine if your operation is on high, dry ground, or may need further assessment before going forward. If your Loan Officer determines it necessary, either the Natural Resources Conservation Service or the Army Corps of Engineers or the will need to make a determination. You will need to apply for this assessment with their offices, and in some cases this process may take several months. You and your Loan Officer may continue on to additional steps in the application process.

Step 2: Historic Preservation (for new construction)

If it's deemed necessary, your FSA Loan Officer will send maps of your land to the Historic Preservation Office to ensure that your construction would not interfere with any protected areas. Their approval will be sent directly to your FSA loan manager, you do not need to apply yourself to the Historic Preservation Office.

Step 3: Fish and Wildlife (for new construction)

Depending on where your farm is located, your FSA Loan Officer may also need to notify the Fish and Wildlife Office to review the area regarding any possible disturbance of endangered species. Your loan officer will inform you if this is necessary, and what they will need to make this happen.

Step 4: Waste Management Plan CNMP

Whether you are building new construction or not, if your operation will have poultry or livestock you will need to supply a Comprehensive Nutrient Management Plan (CNMP) along with your application. This is often referred to as a “waste management plan.” This is a critical step that requires planning ahead. Large livestock and poultry operations can generate a large amount of waste. This can be an advantage if you are able to sell the waste for fertilizer, or if you can use it on your own fields. But excess or overflow waste can cause toxic problems for your land and your neighbors if neglected. It is critical that your CNMP be well planned.

CNMP – Comprehensive Nutrient Management Plan: You will need to demonstrate that you have a way to manage the large quantities of waste that your operation will generate. In most cases, this involves demonstrating that you have access to and control of enough land to spread the waste on, without risking over application. The amount that you can spread will be determined based on your local or statewide indexes. States will use different indexes – like the Nitrate or Phosphorus index – to assess how much waste you can spread on a given amount of land.

Ask your local Cooperative Extension agent or State Veterinarian for more information.

There are some tools available online to help farmers in developing your CNMP. Your local Extension agent may be able to direct you to additional resources. This website has some helpful information: <http://www.purdue.edu/agsoftware/mmp/>

Further steps may be required depending on the scale of your operation. Depending on how many animals will be on your farm, you may need to complete a process to collect public comment on establishing your operation. Contained animal feeding operations (CAFOs) are broken into three categories: Small CAFOs, Medium CAFOs, and Large CAFOs. If your operation will be small or medium, your FSA loan officer can supply a **supported categorical exclusion** to your operation, so you will not need to conduct a process for public comment. But if your operation will qualify as a Large CAFO, you will need to complete a process of collecting public comment on your operation for FSA to consider. You can find the classifications of CAFOs at this website:

<https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/plantsanimals/livestock/afo/>

As of publication of this guide, **the following are the classifications for broiler operations:**

Small CAFO: less than 37,500 birds

Medium CAFO: 37,500 – 124,999 birds

Large CAFO: 125,000 birds

If you will be establishing a Large CAFO of more than 125,000 birds, you will need to obtain a **Finding Of No Significant Impact (FONSI)** from FSA before proceeding. This process includes posting information about your planned operation in a public newspaper or other news source, and allowing members of the public to submit comments to FSA. Your Loan Officer will collect these, and FSA will make a determination with consideration of the comments as to whether your application will proceed.

Step 5: Contract or Letter of Intent from Integrator

In order for FSA to give Direct loan, they must receive a copy of your contract or a letter of intent from your integrator stating certain conditions about the contract. If you are applying for a Direct loan from FSA, your contract must be for at least a 3-year duration at a minimum. In addition, your contract must guarantee either the number of birds and/or flocks necessary to maintain the income level projected in your cash flow for those 3 years. Ask for a copy of your contract and make sure that this information is clearly stated, and that your cash flow matches the guarantees in your contract. (See our section on developing a cash flow projection on page 26.)

In the case of Guaranteed loan, FSA technically has the same requirements as Direct loans, but the responsibility to ensure these are met is on the shoulders of your bank and not FSA. FSA will not specifically check the contract or ask for a letter of intent, but your bank should receive these documents. Your bank will sign an agreement that they have verified that these requirements are met by the integrator, and then FSA will issue their conditional commitment for the Guarantee.

Step 6: Repayment Ability and Farm Operating Plan

In order for your application to be successful, you must demonstrate that your plan is feasible. USDA has defined a “**feasible plan**” as being:

“A plan is considered feasible when an applicant or borrower's cash flow budget or farm operating plan indicates that there is sufficient cash inflow to pay all cash outflow. If a loan approval or servicing action exceeds one production cycle and the planned cash flow budget or farm operating plan is atypical due to cash or inventory on hand, new enterprises, carryover debt, atypical planned purchases, important operating changes, or other reasons, a cash flow budget or farm operating plan must be prepared that reflects a typical cycle. If the request is for only one cycle, a feasible plan for only one production cycle is required for approval.”²⁶

²⁶ 761.2 Abbreviations and Definitions

The assessment of feasibility is based on your Farm Plan. This is one of the most important sections in your application, and often one of the most difficult challenges for farmers.

If you have a history in farming at your current operation, you will use your current and previous production numbers to fill out your Farm Plan. If you do not have a history to draw on, you will need to use outside resources such as pro-forma estimates provided by the company or by a university to establish expected income and cash flow.

To complete this section of your application, you will fill out forms FSA 2037 and FSA 2038. Appendix 5 contains a sample farm plan for a poultry operation that takes into consideration the standard expenses and possible cash flow.

Step 7: Security Requirements

In your application, you must demonstrate that you meet the security requirements for the loan you are applying for. Keep in mind that the core requirement for all FSA loans is: you must put up collateral (securities) of at least 100% of the value of the loan you are applying for, and up to 150% if it is available, with some exceptions. For a more detailed description of security requirements see p.38.

Step 8: The approval process

After your application has been submitted, FSA will begin the review process. If your application was incomplete, FSA must notify you within 10 days of receiving your application.²⁷ As soon as you receive this notice, you will need to compile the missing information as quickly as possible. FSA will send two notices regarding incomplete applications. Ten days after the second notice, your application will be withdrawn if you do not send in the requested information.

If your application was complete, FSA will begin by reviewing first your eligibility, and then the feasibility of your plan. If they find that you do not meet the requirements for approving a loan (as described in earlier sections of this guide, p.33 - 41) you will receive a notice that your loan has been denied. If you meet all the requirements, your loan will be approved.

²⁷ 764.52 Processing incomplete application

Step 10: What to do if your loan is denied or changed

If your loan application is denied, you may be able to appeal the decision, but your options are very time sensitive. If you do not respond within the window of time given after your loan is denied, you will lose your appeal rights.

It is important to note that *decisions* made by FSA are appealable, but the *regulations* are not.²⁸ If your loan application was denied because you failed to turn in the \$16 fee for credit check, that is not appealable. That is a requirement in the regulations. But if your loan application was denied because FSA deemed that you did not have sufficient farming experience based on the documentation you provided, you would be able to request reconsideration, and if that is not successful, to appeal the decision with the National Appeals Division, providing additional documentation if necessary.

If FSA denies your loan, you will receive what is referred to as an adverse decision letter or a denial. This letter will contain an explanation of your options in the appeals process. Refer to your letter for more specific information in your case.

In general, the options you have are:²⁹

- 1) You may **request a reconsideration meeting** with the FSA decision maker. You must make this request usually within 30 days of the date you receive the decision letter. At the meeting, you can present additional documentation or information to explain why you believe they reached their decision in error.
- 2) If the decision does not change, you will be notified and will have 30 days to **request mediation** and/or appeal. *Note that during mediation, the 30-day clock stops but does NOT reset.* If you request mediation on day 28 after receiving your notice from the reconsideration meeting, and you are unsatisfied with the outcome of mediation, you will only have 2 more days to file for an appeal. If you want to pursue mediation or appeal, do so quickly! **Mediation** is a process of resolving a disagreement. A trained, neutral mediator is appointed to help two parties consider all available options and attempt to agree on a solution. If your state has a mediation program that is approved by the USDA, this agency will participate in the mediation. Contact your local FSA office to find out who the approved mediators in your area are.
- 3) If you are unsatisfied with the outcome of mediation, you can **appeal the FSA decision**. An **Appeal** is a process in which you present evidence to USDA's National

²⁸ 7 CFR Part 11

²⁹ 7 CFR Part 78

Appeals Division to show that the agency's decision is wrong. To file an appeal, you must request an appeal postmarked no later than 30 days after your denial or adverse decision letter. You should mail your request for an appeal to:

**National Appeal Division,
PO Box 1508
Cordova, TN 38088**

You have the right to not be discriminated against. The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the base of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract), because all or part of the applicant's income derives from any public assistance program.

If you feel that the adverse decision in your case was made on a basis of discrimination, you may want to reach out to a farmer advocate, or someone who can help you make your case in the mediation and appeals process. Contact RAFI's Farmer Advocacy staff for more information and referrals: 919-542-1396.

