

Farm Credit Availability for Beginning Farmers in Vermont

Farm Credit Services (FCS)			
Program Name	Eligibility Criteria	Rate And Terms Loan Limits And Purposes	Allocation For Beginning Farmers, and Number of Loans Made in Vermont
Young Beginning and Small Farmers and Ranchers	Federal law directs FCS to prepare “a program for furnishing sound and constructive credit to young, beginning and small farmers and ranchers.” A beginning farmer has farmed for less than 10 years, is 35 years of age or younger or generates less than \$250,000 in annual gross agricultural sales. YBS farmers must also have a solid business plan and a good credit rating.	Real estate loans are written for 20 to 25 years and operating or chattel loans for up to 7 years. Interest rates vary from 4.25% to 5.75% depending on assets. Smaller asset levels pay a higher rate.	As of December 2001 there were 522 loans outstanding to YBS borrowers in the Yankee Farm Credit district representing 19% of the total Yankee Farm Credit portfolio or \$46,044,000.

Northeast Organic Farming Association of Vermont			
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Green Mountain Growers Revolving Loan Fund Established in 1996 by NOFA-VT and the Vermont National Bank’s (now Chittenden) Socially Responsible Banking Fund.	Open to non-NOFA members – intended for farm start-ups, farmers transitioning to organic or using sustainable farming practices who lack the credit history necessary to get a conventional loan. Also provides technical assistance in financial planning for organic farmers, organic start-up or transitioning.	Loan amounts vary from \$2,000 to \$15,000 and the interest rate is currently 6%. The fund was initiated with a \$90,000 loan from Chittenden. Loans are primarily for annual operating or for the purchase of livestock or equipment with terms of 1 to 7 years. Real estate loans are rare.	Most all NOFA-VT borrowers have farmed less than 10 years. Since 1996 the Fund has lent \$293,000 and made 35 loans to 21 borrowers.

USDA Farm Services Agency

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<p>Direct Lending</p> <p><i>Farm Ownership (FO)</i></p> <p><i>Operating Loans (OL)</i></p>	<p>A qualified beginning farmer: has participated in a farm business operation for at least 3 years (for FO loans) but less than 10, meets the general loan eligibility requirements applicable to the FO/ OL programs, and does not own a farm greater than 30% of the average size farm in the county.</p>	<p>FO: Up to \$200,000 for the purchase of a farm or construction of farm fixtures, for up to 40 years, currently at 6.25%.</p> <p>OL: up to \$200,000 for the purchase of livestock, equipment, crop inputs or other operating expenses usually repaid within 7 years and currently at 4.5%.</p>	<p>70 percent of direct FO monies are reserved for beginning farmers. The FY 2002 allocation for beginning farmers for the state of Vermont was \$168,000—one direct FO loan had been made in FY 2002 as of 4/30/02 for \$200,000. <i>Authorized</i> funding levels are significantly higher for 2003.</p> <p>35 percent of all direct OL monies are reserved for beginning farmers. The FY 2002 allocation for direct OL loans for beginning farmers was \$1,113,000 In FY 2002, 12 Operating loans were made to beginning farmers in Vermont as of April 30, 2002 (\$918,000).</p>
<p>Limited Resource Loan Program</p> <p><i>Farm Ownership (FO)</i></p> <p><i>Operating Loans (OL)</i></p>	<p>Farmer or rancher who is the owner or operator of a small, marginal family farm with a low income who demonstrates a need to maximize farm income and who due to low income cannot pay the regular interest rate on such loans.</p>	<p>Same loan limits and purposes as above.</p> <p>Limited resource borrowers are given a reduced interest rate. The need for the reduced rate is evaluated annually.</p> <p>Current rates: FO: 5% OL: 5%</p>	
<p>Down Payment Farm Ownership Loan Program</p>	<p>Must meet the definition of a beginning farmer above.</p>	<p>The applicant must be able to make a cash down payment of 10% of the purchase price. FSA provides financing for up to 40% of the purchase price over a 15 year loan term at fixed rate of 4 percent. FSA can guarantee up to 95 percent of the balance obtained from a commercial lender and will waive the guarantee fee. The</p>	<p>It appears that a down payment loan has never been made in Vermont. The FY 2002 allocation for Vermont was \$253,000. Unobligated funds are reallocated to any beginning farmer loan purpose as of April 1 of each year.</p>

		purchase price or appraised value may not exceed \$250,000.	
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(USDA Farm Service Agency continued)

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Rural Youth Loans	Must be a U.S Citizen between the ages of 10 and 20, unable to obtain a loan from another source and live in a town of less than 10,000	FSA will make loans to support income-producing projects of modest size in connection with 4-H clubs, FFA or similar organizations. Loan purposes include any income producing project but typically involve livestock and crop production, lawn and garden services, and roadside stands.	
Guaranteed Lending <i>Farm Ownership (FO)</i> <i>Operating Loans (OL)</i>	Regular eligibility criteria for guaranteed loans and fit the definition of a beginning farmer.	FSA guarantees up to 95%. Same purposes as for the direct FO and OL but can also be used for refinancing. The loan limits are considerably higher at \$759,000. Interest rates on guaranteed loans are set by the primary lender and are running around 5.25% to 6%. FSA can provide an interest subsidy on guaranteed operating loans of up to 4%.	25 percent of all guaranteed farm ownership monies are reserved for beginning farmers until April 1 of each year. VT FY 2002 allocation was \$1,694,000. For FY 2002 as of April 30, 2002 no guaranteed farm ownership loans had been made to a beginning farmer in Vermont. 40 percent of all guaranteed farm operating loan monies are reserved for beginning farmers until April 1 of each year. VT FY 02 allocation was \$573,000. For FY 2002 as of April 30, 2002 4 guaranteed OL loans had been made to beginning farmers (\$720,000) 15% of all interest assistance monies for operating loans are reserved for beginning farmers. The Vermont FY 2002 for interest subsidy for beginning farmers is \$573,000
FSA Inventory Properties	Must meet the definition of a beginning farmer above.	Farm properties that come into FSA inventory through foreclosure or voluntary liquidation are offered exclusively to beginning farmers for 135 days before it can be sold to anyone else. To the maximum extent possible, inventory properties are to be combined or divided to make them more suitable for beginning farmers.	

(USDA Farm Service Agency continued)

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Socially Disadvantaged Farmers	Direct loan funds are reserved each year to help socially disadvantaged applicants defined as a member of a group whose members have been subjected to racial, ethnic or gender prejudice because of their individual qualities. Generally, these applicants include women and people of color.		For FY 2002 VT allocation for SDA was \$14,000 Ethnic and \$92,000 gender for direct Farm Ownership loans. OL allocation for VT for socially disadvantaged beginning farmers was \$196,000 Interest subsidy for guaranteed OL's for socially disadvantaged \$101,000

Vermont Economic Development Authority			
Program Name	Eligibility Criteria	Rate And Terms Loan Limits And Purposes	Allocation For Beginning Farmers, and Number of Loans Made in Vermont
Vermont Agricultural Credit Corporation (VACC)	VACC serves farmers not having their credit needs met by conventional agricultural sources at reasonable rates and terms. There is no discreet program tailored specifically to beginning farmers although assisting beginning farmers to commence or strengthen their operations is one of the program goals. Borrowers must be residents of Vermont, with sufficient education, training or experience, creditworthiness, and with sufficient cash flow to service the debt.	The maximum loan size is \$300,000 for operating and \$500,000 for acquisition of assets with an overall aggregate principal balance limit of \$500,000. The loan term is 20 years or less depending on the life of the security. Interest rates are based on the cost of money to VACC and can be a variable 90 day reset or a five year fixed. VACC charges an administrative fee (1/2%) an FSA guarantee fee (1% of guarantee amount) and an appraisal fee.	According to 1999 ag economics and landownership survey, VACC and other state and county programs served 107 farms with loans outstanding of \$8,435,000 or 2.6% of share of Vermont farm operator debt. Ask Charley Keeler if data available for number of beginning farmers.

Vermont Community Loan Fund (VCLF)

Program Name	Eligibility Criteria	Rate And Terms Loan Limits And Purposes	Allocation For Beginning Farmers, and Number of Loans Made in Vermont
<p>VCLF, a statewide non-profit, community loan fund offers business loans to low & moderate income entrepreneurs unable to find funds from traditional sources.</p> <p>Business Lending Program (BL)</p> <p>Agritourism Program (AP)</p>	<p>BL: Must be a legal business operating in Vermont with a project that will support sustainable local economics that build on resources of communities; a business activity that will help conserve a working landscape; increase economic opportunities for low income Vermonters.</p> <p>AP: Applicant must be a Vermont farmer owned and at least 50% of household income must come from agricultural endeavors. Farms must provide goods and services directly to consumers.</p>	<p>BL: Loan terms range from several months to 20 years. Interest rate is prime plus 2% (not less than 9%) Application fee is \$50 and origination fee of 1% of loan amount.</p> <p>AP: Terms range from months to 12 years. The average loan is \$30,000. The interest rate is 4% annually and there is a 1% origination fee and \$50 application fee.</p>	<p>No discreet program for beginning farmers.</p>