

The Food, Conservation and Energy Act of 2008

Title V – Credit

- **IMPROVES THE BEGINNING FARMER AND RANCHER DOWN PAYMENT LOAN PROGRAM:** This program combines the resources of a beginning farmer, USDA, and commercial lender finance farm purchases with relatively low down payments. The program maximizes the effectiveness of federal funds since the government's portion of financing a farm purchase is only 45 percent as opposed 100 percent in the traditional direct farm ownership loan. Improvements include:
 - setting the interest rate at 4 percent below the traditional direct farm ownership loan interest rate or 1.5 percent, whichever is greater;
 - reducing the down payment requirement from 10 percent to 5 percent;
 - increasing the loan duration from 15 years to 20 years; and
 - setting the maximum purchase prices at \$500,000.
- **CREATES A BEGINNING FARMER AND RANCHER INDIVIDUAL DEVELOPMENT ACCOUNTS PILOT PROGRAM:** This pilot program is modeled after the Assets for Independence Program at the Department of Health and Human Services. It provides grants to enable community-based nonprofits and state, local, and tribal government agencies to assist beginning farmers or ranchers enter agriculture. A beginning farmer or rancher who agrees to complete financial training and establish a savings plan with the goal of purchasing a capital expenditure such as farmland and equipment. There savings are matched by the participating entity. An authorization of \$5,000,000 for each of fiscal year 2009 through 2012 is provided for the program.
- **BEGINNING FARMER OR RANCHER AND SOCIALLY DISADVANTAGED FARMER OR RANCHER CONTRACT LAND SALES PROGRAM:** The program established as a pilot in the Farm Security and Rural Investment Act of 2002 is made permanent and applied nationwide. This program provides a prompt payment guarantee or standard Farm Service Agency (FSA) loan guarantee for a private seller of farmland who uses a land contract to transfer land to beginning farmer or rancher or socially disadvantaged farmer or rancher. The prompt payment guarantee covers either three annual payment installments or an amount equal to three annual payment installments while the standard FSA guarantee covers an amount equal to 90 percent of the outstanding principle of the loan.
- **INCREASES DIRECT AND GUARANTEED LOAN FUND SET-ASIDES AND INVENTORY LAND SALES PREFERENCES:** The loan funds reserved for beginning farmers and ranchers in the Farm Service Agency direct farm ownership and operating loan programs and guaranteed operating loan program are increased to provide greater opportunities for beginning framers and ranchers. In the direct farm ownership loan program, the set-aside is increased from 70 percent to not less than 75 percent. In the direct operating loan program the set-aside is increased from 35 percent to not less than 50 percent while the guaranteed operating loan program increases the set-aside from 25 percent to not less than 40 percent.
- **RAISES FARM OWNERSHIP AND OPERATING LOAN LIMITS:** Despite the increased cost of farmland and farm production expenses, the Farm Service Agency direct ownership and operating loan limitations has not been increased in over two decades. The direct farm ownership and operating maximum loan limitations are increased from \$200,000 to \$300,000.