



HOW TO BE READY TO APPLY FOR AN FSA LOAN

SOUTHSIDE COMMUNITY LAND TRUST

WHAT IS THIS USER'S GUIDE?

The purpose of this guide is to introduce farmers to two kinds of FSA loans, Operating Loans and Micro Operating Loans. It provides an overview of these programs and a checklist tool that farmers can use to gather information and documents they will need for loan applications.

The need: Access to capital for financing is a barrier for many of the beginning farmers with whom we work. The process for dealing with financial institutions can be daunting. The checklist tool provided here is a way for farmers to identify the documents and information that they will need in order to successfully apply for a loan with which to grow their business.

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Who made this guide?

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VARIATION: Throughout this guide, boxes (like this one) contain variations and adaptations that serve varying programs and farmers. They are suggestions and reflections from other programs based on how they made this workshop work for them.

ICONS: You will find the icons below throughout this guidebook. They are there so you are prepared for the activity and can get an idea of what it will bring at a glance.



SIGNS/CARDS



POWERPOINT



WORKSHEET



DISCUSSION



VOCABULARY



INDOOR



OUTDOOR



TALKING POINTS

Is this guide right for you?

- AUDIENCE:**
- **Who:** Refugee farmers and growers
 - **Language / Literacy:** Advanced. If using an interpreter, this module should be appropriate for most English-speaking levels.
 - **Farming Experience:** This module is appropriate for advanced farmers who have been farming for market multiple years.
 - **Prerequisites: Skills, experience, and knowledge:** It is highly advisable that participants already have some training in business planning and basic income and expense accounting.
 - **Region/Climate:** This guide is appropriate for all regions.
 - **Program Structure:** This guide is appropriate for any program structure.
 - **Season:** This guide is an indoor training and can be taught at any time of year.

- RESOURCES NEEDED:**
- **Time:** 90 minutes
 - **Staff/Interpreters:** This guide can be used with one staff person. An interpreter is recommended.
 - **Location:** Indoor classroom.
 - **Background Trainer Information:**
FSA website <https://www.fsa.usda.gov/programs-and-services/farm-loan-programs/>
 - **Resources and Materials Needed to Complete this Module:**
 - Drawing paper
 - Colored markers – enough for students to each make a drawing
 - Pens
 - ‘How to be Ready to Apply for an FSA Loan’ Slideshow
 - ‘FSA Meeting Checklist’

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10 MINUTES
 - Participants identify through pictures what their farm business needs to grow.

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15 MINUTES
 - This discussion introduces vocabulary and concepts related to financing for farms. The teacher and the students discuss the differences between savings, reimbursements, and loans.

- 11 LESSON 3: UNDERSTANDING FSA OPERATING & MICRO LOAN OPTIONS**
20 MINUTES
 - An introduction to the types of loan programs that FSA offers to farmers. A detailed description of the types of farm improvements and activities which are appropriate for the Micro Loans and Operating Loans program is presented.

- 14 LESSON 4: GETTING READY TO REQUEST ASSISTANCE FROM FSA WITH AN OPERATING OR MICRO OPERATING LOAN**
30 MINUTES
 - Participants use a checklist to determine what information they currently have and what information they will need to find or prepare before applying for an FSA Operating or Micro Operating Loan.

- 19 LESSON 5: CONCLUSION**
5 MINUTES
 - Students use pictures they drew during the icebreaker and report whether they think FSA loan financing, or any other kind of financing, is the right choice to acquire the activity in their picture.

Objectives and Skills

VOCABULARY: Financing
Savings
Reimbursement
Loan
Farm Service Agency, FSA
Interest
Operating Loan
Micro Operating Loan
Credit Report
EQIP (Environmental Quality Incentives Program)



OBJECTIVES: **By the end of this module, farmers will:**

- Understand the meaning of financing.
- Be able to name and describe different types of financing.
- Understand that FSA loans can be used to finance improvements for their farm.
- Have a checklist of information and documents they need to prepare before applying for an FSA loan.
- Assess options and choose whether they are ready to apply for an FSA loan

PROOF OF LEARNING: **I will know that farmers have achieved learning objectives because:**

- They understand how FSA loans are similar to their prior experiences with financing for car loans, mortgages, or other expensive items.
- They identify farm improvements they want to make, but that will require financing.
- They will decide whether or not FSA loans are a way that they can finance the farm improvements they want to make.
- They will know if they have all the information and documents they need to complete the checklist.
- Follow up check-ins with farmers will provide verification on whether or not they have continued to collect and any missing items on the checklist.

Icebreaker: Dream Big!

1

TIME: 10 Minutes

OVERVIEW:

This is an icebreaker to introduce participants to each other while they each identify - through drawing - potentially expensive farm improvements they would like to make in order for their farm business to grow.

MATERIALS NEEDED:

- Colored markers and pens
- Paper to draw or write on

OBJECTIVES / LEARNING:

By the end of this activity, participants will:

- Identify farm improvements they would like to make which may require financing.

LESSON STEPS

1. Ask students to use the markers and paper to draw or write something they would like to add to their farm to improve their operation or increase their income and profit. Give examples such as purchasing new equipment, new buildings, more land, or hiring more staff.

Alternative: For groups that may not be comfortable with drawing, have a set of photos of examples of things people may want to add to their farm and have farmers select them. The photos should be broad in representation, not just of equipment or implements, so the farmers can attach meaning to them and explain what they represent in terms of what they want to improve on their farm.

LESSON STEPS, CONTINUED

2. Ask each student to share what they wrote or drew and describe the barriers to acquiring this addition for their farm.
3. Based on the students' responses, sort their stated barriers into categories. These will likely be:
 - Can't afford it
 - Don't know how to get it
 - Don't know how to use it
4. Point out that this workshop is going to focus on what to do when the farmer can't immediately afford to pay for something that will improve their farm.

Introduction to Financing for the Farm

2

TIME: 15 Minutes

OVERVIEW:

This discussion introduces vocabulary and concepts related to farm financing. The teacher and the students discuss the differences between savings, reimbursements, and loans.

MATERIALS NEEDED:

- ‘How to be Ready to Apply for an FSA Loan, Part 1’ Slideshow

OBJECTIVES / LEARNING:

By the end of this activity, participants will:

- Understand the meaning of financing.
- Name and describe different types of financing.

VOCABULARY:

- Financing – Acquiring the money you need for a big purchase or an expensive project
- Savings
- Reimbursement
- Loan
- Farm Services Agency, FSA
- EQIP (Environmental Quality Incentives Program)
- NRCS (Natural Resources Conservation Service)

LESSON STEPS

1. Begin by asking students if they have ever purchased something that cost more money than they usually have to spend. Examples can be things like a car, or a gift for someone, or tickets to go on a trip.

LESSON STEPS, CONTINUED

2. Ask the students how they acquired the money to buy that item.

- Did they save the money?
- Did they borrow the money?
- Did other people give them the money without the expectation of being paid back?

3. Explain that acquiring the money needed for a big purchase or an expensive project is called is what is called financing.



4. Use the 'How to be Ready to Apply for an FSA Loan, Part 1' Slideshow to explain that there are different kinds of financing

a. Savings: Money that farmers set aside over a period of time in order to make a purchase.

b. Loans: Money that a farmer barrows from a lending agency and has to pay back overtime.

c. Reimbursements: Money that a farmer pays initially, but will be granted by an outside funding source, like NRCS EQIP.

5. Point out to students that each of these options may be good. Sometimes they can be combined to overcome cost barriers. For example, a farmer might acquire money through a loan to cover the initial cost of a building and then use a reimbursement to pay back the loan.

LESSON STEPS, CONTINUED



6. *Discuss* with students what their experience has been with loans and interest, spending time defining each of these.
7. *Role Play*: give students an example of a farmer who wants to buy a water pump (or something appropriate for your program), asking for one volunteer to play the farmer, one to play the lender. The water pump and accompanying materials cost \$700. She has \$200 in savings she can use and needs to finance the rest with another source. She can get a microloan at a local bank with 10% interest and has to pay it back in 2 years.

Demonstrate through the role play that the farmer will make payments of part of the total loan, plus interest, back to the lender over the course of the 2 years.

8. This workshop is about loans, offered by the Farmer Services Agency, FSA. The next portion of the discussion will go into detail about this.

Understanding FSA Operating and Micro Loan Options

3

TIME: 20 Minutes

OVERVIEW:

Using a slideshow, the teacher introduces the types of loan programs that FSA offers to farmers. A detailed description of the types of farm improvements and activities which are appropriate for the Micro Loans and Operating Loans program is presented.

MATERIALS NEEDED:

- 'How to be Ready to Apply for an FSA Loan, Part 2' Slideshow

OBJECTIVES / LEARNING:

By the end of this activity, participants will:

- Understand that FSA loans can be used to finance improvements for their farm.

VOCABULARY:

- Interest
- Operating Loans
- Micro Operating Loans

LESSON STEPS



1. With the aid of the slideshow, explain that FSA is a federal agency that exists to help farms. One of the ways that FSA helps farmers is by offering low interest loans of money so that farmers can buy or pay for improvements on their farms.
2. Slide 7-8: Explain that 'interest' is an extra amount that has to be paid when the loan is being repaid to the lender.

LESSON STEPS, CONTINUED

Interest is the cost of borrowing money. Interest is charged to the borrower as a percentage of the original loan amount. For example, if you take out a loan of \$100, and there is a 5% interest rate, you will have to pay back the \$100 plus 5% of \$100 or \$5, so a total of \$105 (or more depending on the payment plan).

Slide 9: Next explain that there are different categories of loans that FSA makes available:

- Operating Loans
- Operating Micro Loans
- Farm Purchase Loans
- Guaranteed Farm Loans

Slide 9: This discussion is only going to talk about **Operating Loans** and **Operating Micro Loans**. The difference between these is really just the size of farm they are intended to help. For most new farmers, a Micro Operating Loan is a good place to start.

Slide 10: Describe the types of farm improvements for which Operating and Operating Micro Loans can be used:

Farm business improvements: When a farmer wants to change or improve the method of producing or marketing crops. This can be things such as switching from commodities to vegetables, or the cost the farmer has to pay to become part of a marketing co-op.

Livestock: Farmers can acquire money from a loan to buy new animals for their farm.

LESSON STEPS, CONTINUED

Equipment: Farmers can borrow money to buy machines and tools that a farmer uses to produce, harvest, or prepare crops for market.

Expenses: A lot of things fit into this category. It includes things like seeds and fertilizer, the cost of renting farmland, or even the cost of living for the farmer.

Farm facilities improvements: Repairing or improving equipment or buildings that a farmer already owns.

Alternative: Prior to or after this slide, trainers can prepare photos (physical copies or digital through the PowerPoint) of a variety of types of things that are or are not covered by an FSA loan (new car, livestock, building improvement, home improvement, vacation, etc). Show each of them to participants and have them determine whether they think each is something that could be covered by an FSA loan. Or, this activity could be used as a review to gauge how much participants remembered about what kind of things might qualify for an FSA loan.

The loan process can be complicated, and there are many things that will be used to decide if a farmer is eligible for a loan from FSA. When farmers are ready to apply for a loan like this, they should contact FSA directly. But, there are some things which the farmer should prepare before they contact FSA, and those will be discussed next.

Getting Ready to Request Assistance From FSA with an Operating or Micro Operating Loan

4

TIME: 30 minutes

OVERVIEW:

Participants use a checklist to determine what information they currently have and what information they will need to find or prepare before applying for an FSA Operating or Micro Operating Loan.

MATERIALS NEEDED:

- 'FSA Meeting Checklist'
- Pens for writing

OBJECTIVES / LEARNING:

By the end of this activity, participants will:

- Use the 'FSA Meeting Checklist' provided with this module to prepare all of the information and documents they need to begin the application process for an FSA loan.
- Assess options and choose whether they are ready to apply for an FSA loan.

LESSON STEPS

1. Begin this activity by explaining that an FSA loan provider will need to know details about the farmer's business in order to decide if it is possible to give a loan to the farmer. If the loan provider doesn't have enough information about the following, then they will not be able to offer a loan:
 - the farm plan,
 - the income and expenses of the farm,
 - the farm owners own income and expenses, and
 - lease agreements.

LESSON STEPS, CONTINUED

The more details about all of these things the farmer can offer, the better the farmer's chance of getting a loan.

2. Distribute the checklist to students.
3. Go over the checklist with the students. Do this line by line, giving examples of each category, explaining why they are needed, and asking each time for the farmers to raise their hands if they have the information or documents indicated for that line. If students raise their hand, invite them to share how they recorded or acquired that particular piece of information or document.

Alternative: Some programs may want to add pictures to each category to make the checklist more visually connecting.

Table 1: Potential Details about Farm Business and Household Records, necessary for meeting with FSA loan provider

Farm Plan	Every farmer should have a farm plan that includes what crops or livestock the farmer plans to produce, how they will produce (organic, sustainable, conventional, hand tools or tractor equipment), the cost of production, how the farmer will market what they produce, and how they will maintain safety on the farm (Developing this plan is a subject for another workshop).
Farm Financial Records	Financial records: Can be receipts for purchases and sales. Should include documentation of assets

LESSON STEPS, CONTINUED

Incomes and Expenses	The farmers should have records for at least one year which show their farm's income and expenses. It does not have to be very complicated, but it should show the money that the farmer is earning and the money the farmer is spending.
Sales	This is the most common kind of income for the farm
Other Payments	The farmer might get paid for other things, such as hosting events, teaching classes, or subleasing their land. This kind of income should be included.
Fees	Money that farmers have to pay for insurance, for farmers markets or co-ops, or for trainings that the farmer or farm employees have to attend.
Equipment costs	Money that farmers have to pay to buy or fix tools and machines.
Land cost	Money that the farmers have to pay to the landlord or bank for the land on which they produce.
Payroll	Money farmers have to pay for their farm workers, this can include both the wages and taxes.
Cost of goods	Money farmers have to pay in order to produce and bring their crops to market. It includes things like fertilizer, seeds, packaging, storage costs, and many others.
Household Financial Records	Farmers should be able to provide information and documents about their household financial records, this can include income earned from another job, and the regular life expenses that the farmer has to pay just to have a home and family.
Non-farming income	Money that the farmer or family members living with the farmer earn from a job that isn't on the farm.

LESSON STEPS, CONTINUED

House cost	Money the farmer pays for the house they live in. It can be the rent paid to a landlord or their mortgage payment to the bank. It can also include the amount that has to be paid for insurance.
Medical cost	Money the farmer and the members of their family who live with the farmer have to pay for medical insurance and medical bills.
Food and clothing	What the farmer pays to have food to eat and clothing to wear.
Debt	Money the farmer owes for other purchases that they have made outside of the farm.
Credit cards	Money the farmer owes for the credit cards they use.
Other loans	Money the farmer owes for any loans that they have already acquired.
Car debts	Money the farmer owes for any cars that they drive. It can also include the amount of the car insurance.
Education cost	Money the farmer pays to go to school, or to send family members that live with them to go to school.
Childcare and Adult-care cost	Money the farmer pays for their children to be in daycare, or for elderly members of the family to be in assisted living.
Copies of leases -for Land -for equipment	The farmer should have copies of leases showing the amount and price of the land or equipment that they are using for their farm.
Customer contracts	If the farmer has contracts with wholesale buyers, it is good to include those with the information and documents that they take to the meeting with the FSA loan provider.

LESSON STEPS, CONTINUED

4. Ordering: After reviewing these items, either using pictures representing each one, or just discussing, ask farmers to order which of the required items would be hardest for them to gather/have and which would be easiest. This will show the trainer the level of comprehension for the activity, as well as help trainers to know how they can best support participants who may move forward with an application, in gathering needed materials.
5. In addition to this information, it is important that a farmer get a credit report before going to see the FSA loan provider. A credit report is a detailed record that combines information from banks, credit cards, and other companies or utilities companies that the farmer pays money to.

Explain that the reason farmers should get a credit report is so that they can see whether or not they agree with the information in the records. Sometimes, there can be mistakes in the records. The federal government has a law that everyone is allowed to receive a credit report once every twelve months for free.

To get a free credit report go to the website or call the number on the checklist. Credit scores are often on a scale of 300-850. Anything above 700 is a good score. Things like credit card payments, loan payments, and other payments all can affect your credit score in good or bad ways. If farmers that if they do not agree with what the credit report says, they should take steps to fix that disagreement before they go to the FSA loan provider. For a free credit report, call 1-877-322-8228 or go to annualcreditreport.com

TIME: 5 minutes

OVERVIEW:

Students use the pictures they drew during the icebreaker in Activity 1, and report whether they think FSA loan financing, or any other kind of financing, is the right choice to make the farm improvements in their picture.

OBJECTIVES / LEARNING:

By the end of this activity, participants will:

- Assess options and choose the best method of financing for their farm's improvement, given the options of savings, loans and reimbursement.

LESSON STEPS

1. Going around the room, ask each student to describe the farm improvement that they identified during the icebreaker activity at the start of this module.
2. Ask each student to say what they think would be the best option for financing this improvement, and why.
3. Be sure to tell farmers that there is no right or wrong answer.
4. Also, tell farmers that even if they don't want to get an FSA loan right away, collecting all the documents and information on the checklist is still a good thing to do so that they are prepared just in case.