



BEGINNING  
FARMERS

## Rural Land Access

# 6. Can I Afford Farmland? Loans & Leasing

Learn about options for loans and leasing.

## KEY TERMS

**Agricultural loans:** Support various aspects of farming and ranching operations. They help cover expenses related to planting and harvesting crops, caring for and marketing livestock, and other essential activities in primary production.

**Farm Credit Network:** A system of cooperatives that provides financial services and support to farmers, ranchers, and rural communities, offering loans and other resources tailored to agricultural and rural needs.

### State Agricultural Loan Programs

**USDA Farm Service Agency:** Financial assistance initiatives managed by the USDA that offer low-interest loans, grants, and technical support tailored to the needs of agricultural operations within specific states, promoting productivity, sustainability, and economic stability in agriculture.

**Community Development Financial Institutions (CDFIs):** Organizations that provide financial services and support to underserved communities to promote economic development and access to credit.

## SUPPLIES NEEDED

- Pen/Pencils
- Colored Pencils or Markers
- Highlighters
- Print outs of Credit Options
- Print out of Lease Documents

### Alternate Supplies

- Zoom or other online meeting room
- Ability to split into breakout rooms
- Google documents or other online documents sharing tool



## How do you do this?

### Step 1: Introductions:

- Share your **name and whether or not they feel comfortable having a loan** to buy farmland. **Has anyone had a loan for farmland** now or in the past? If so, listen to them describe their experience if they would like to.

### Step 2: Farm Credit Options:

- Explain the activity
- Spend about 5 minutes looking through the Farm Credit Options sheet
  - Put an X next to the options you want to try
  - Choose your favorite option to research on their phone or computer for 5 minutes.Try to find out:
  - Qualifications for the loans
  - Loan process
  - Maximum loan amounts & other rules
  - Interest rates
  - Etc.

**Step 3: Write a list of the favorite loan and funding options** on a white board or poster paper.

**Step 4: Join a group of 2 or 3 people** with the same or similar interests for funding their farms to discuss what everyone found in their research:

- Think of 2 questions to ask the full group. These can be general or specific!

**Step 5: Have each group share what they discovered and 1 of their questions** with the full group. Does anyone have an answer to the questions?



## Farm Credit Options

1. Mark credit options with an "X" that may make sense to try.
2. Then select one credit option to research.
3. Share what you learned and whether it could work for you

### Loans Note:

- How comfortable are you with debt?
- Can your farm or personal income pay off a loan?
- Will this loan improve profitability, work-life balance or happiness of farmers, employees?
- 5 C's of Credit: Character, Capacity, Capital, Collateral, & Conditions; to set loan rates/terms

### FSA Loan Programs = Lowest interest rate!

(Oct. 1 until September 30; funds often run out, apply early)

- Check current interest rates here
- **FSA Microloan** - \$50,000 max for land + \$50,000 max for operating (can have both simultaneously) - Require 1 Year Farm Management experience and a Business Plan (NSAC Guide)
- **FSA Direct Farm Ownership** - \$300,000 max - 3 Years Farm Management experience - Business Plan (NSAC Guide)
- **FSA Down Payment Assistance** (For Direct Farm Ownership Loans, Guaranteed Loans, etc.) 5% down payment
- **FSA Operating Loans** Microloans up to \$50,000 - Loans up to \$400,000, re-pay in 1 year, require 1 Year Farm Management experience
- **Farm Storage Facility Loans** - Microloans up to \$50,000 - Loans up to \$500,000 (NSAC guide)
- **Emergency Farm Loans** (for designated disaster areas only)
- **Guaranteed Loan Program** - USDA will guarantee a loan with a bank partner

### Greenstone Loan Programs = Average interest rates

- **Young, Beginning & Small Farmer** – 5% down payment; GreenStone funds 50%, FSA funds 45% at 1.5%, 30-year (need to be under 35 years old -OR- less than 10 years farming -OR- under \$350K in sales)
- **Farm Real Estate** – 5-30 years, check interest rates here
- **Farm Operating Loans** - 1 - 3 years



## Farm Credit Options

### **USDA Rural Development – Lowest interest rate!**

- Home loans - Interest can be 1%! - No down payment – communities under 30,000 people - home must be a major portion of the property value

### **Local Banks & Credit Unions**

- Traditional Home Mortgages - Home Construction Loans
- Business Loans - Few banks will offer farm loans or loans based on a farm business plan

**Michigan Good Food Fund** - High interest rate – good if turned down by FSA & Greenstone – Mission to get healthy food to people

### **Listings of Loan and Funding Options**

- Food Business Funding  
[https://www.canr.msu.edu/resources/food\\_business\\_funding\\_sources](https://www.canr.msu.edu/resources/food_business_funding_sources)
- Loans, grants and funding in Detroit [https://migooodfoodfund.org/wp-content/uploads/2017/10/MGFF\\_Detroit-Ecosystem\\_Reference-Guide\\_Final-1.pdf](https://migooodfoodfund.org/wp-content/uploads/2017/10/MGFF_Detroit-Ecosystem_Reference-Guide_Final-1.pdf)

**Family & Personal Loans** - In writing! (Loan amount, Interest, land use stipulations) -

- Charge interest - File with County

**Land Contract** - Seller finances the sale & holds deed until paid in full -

- Max 11% interest (could be 2% or lower)
- FSA Land Contract Guarantee Program - Guarantees up to 90% - Interest rate at/below FSA Direct Farm Ownership Rate + 3%
- Buyer pays seller directly - Pay Monthly, Annually or Balloon payment (Large payment after several years)

**Your Savings, Retirement, Off-farm income...**



## Farm Credit Options

### Crowdfunding Options

- Kiva US- 0% interest - \$15,000 max - 15 days to invite funders + 30 days to fundraise - 3 years to repay
- Campaigns - Kickstarter, GoFundMe, etc. - Rewards Campaigns vs Donation Campaigns
  - Success – Photo/Video – Plan daily postings BEFORE – Donors pledge BEFORE (Track \$ - Contact if don't donate)
  - Expenses – Rewards (Veggies, T-shirts, etc.), Fees - Cost of video production, Time to market campaign

### Creative Credit Card use – Use 0% interest promos & transfer before APR increase

- Be VERY careful, these can go as high as 24% and trap you in debt)

### Leasing

- Farm Commons has excellent info! Join for the free trial or for the long-term to download resources, watch videos, etc.
- Beware of templates – if you don't understand the legalese, you might sign something you don't understand

### BIPOC Farmer Land Funds

- Detroit Black Farmer Land Fund
- West Michigan Farmers of Color Land Fund
- Washtenaw County Black Farmers Fund
- Others?

### Veterans –

- FSA loans: “farming experience” = military leadership; Longer microloan term; Lower operating loans interest
- Value-Added Producer Grants - Priority to veteran applicants
- EQIP 90% cost-share for veterans - Advance payments of up to 50% - Preference to veterans
- CSP - \$4,000 to \$40,000 payment per farm, based on acres - Preference to veterans
- Farmer Veteran Coalition - Farmer Veteran Fellowship Fund \$1,000 to \$5,000 grant to farmers



## Farm Credit Options

### **Socially Disadvantaged Applicants**

- Women, African-Americans, Alaskan & Hawaiian Natives, American Indians, Hispanic, Asian, Pacific Islanders
- % FSA loan funds for SDAs = % of total rural population of that minority OR state % female farmers
- % FSA operating loans for SDAs = statewide % of total farmers from minority OR state % female farmers

**Youth – FSA Youth Loans** for 10 – 20 years old (need parent consent, but no co-sign) - Up to \$5000

**Limited Resource** Under \$174k in sales AND (HH income below US poverty OR under 50% county median HH income)

**Beginning Farmers - FSA reserves 40 – 75% of loan funds for beginning farmers, depending on loan type**

### **NRCS**

- EQIP - High Tunnel System (Up to ~\$15,000 for a 30x96 ft. hoophouse), pollinator borders, windbreaks, rotational grazing plans and fencing, forest management, etc.
- Others = Organic Cost Share Program - On-farm Energy Initiative - Air Quality Initiative
- CRP (Conservation Reserve Program) - Field Border Buffer Initiative &
- CSP (Conservation Stewardship Program) - pay \$4,000 to \$40,000 per farm to set conservation goals to address concerns like erosion or pollinator conservation



## Practice talking to a Landowner about a lease:

With a Partner work to Brainstorm, Practice and Reflect on the process of talking to a Landowner about the wide variety of topics that should be discussed before going into a lease agreement.

- **Brainstorm 5 areas to discuss for a land lease:**
- **Some Examples:**
  - Values around land practices
  - Do our operations align with each other enough to share space?
  - Property appearance
  - Lease price and payment times
  - Long-term lease?
  - First right of Refusal
  - Option to Purchase
  - Can I access the barn/tractor/well water or other infrastructure on the property?
  - What if one of us breaks something?
  - Mediation - can we agree to meet with a mediator if we have a disagreement?
  - What happens if something goes wrong?
  - How do you manage stress?
  - How do we want to communicate? Phone, text, email, etc.
  - Other questions you think of!
- **Practice with your partner:** Pick one of the topics listed above or that you spoke about in your brainstorm and have one person be the Landowner and the other person be the leaser. Practice having a conversation about the particular topic and notice how you share your opinion and advocate for yourself.
- **Switch Roles:** Have an opportunity to be in the other role.
- **Reflect:**
  - How did that feel?
  - What was challenging?
  - What was easier to talk about?
- **Repeat:** If time allows choose another topic and try again



## Questions to ask a landowner before leasing land

*Based on the Brainstorm above, write down question you would like to ask landowners before leasing land:*





Review the Elements of a Good Lease and links to Leasing Templates. Based on the practice conversations above, do these leases cover the questions that are most important to when leasing land?



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## ELEMENTS OF A GOOD FARM LEASE

- 1. The Parties** – Be clear about the identities of the landlord and the tenant. The lease should specify whether the party is an individual, LLC, corporation, or some other entity.
- 2. Description of the Property** – The description should be sufficient to allow a stranger to identify the location of the property. The description should include the address, a map, and relevant specifics about the parcels being leased. A description of the initial condition of the property, including any structures, should be included. Typically, a dwelling should be leased separately, with the property immediately surrounding it as part of the residential lease.
- 3. Duration of the Lease** – The start and end dates, and options for extension or renewal. The lease should also state whether it stays with the property if ownership transfers. FILE at REGISTRY.
- 4. Rent** -- Payment (known as the “consideration”) must be specified, even if it is no cost. There are various ways to calculate the rent. In a non-cash agreement, the type and frequency of services or the crop-share amount should be specified. If there are penalties (e.g., interest) for a late payment, those should be specified as well.
- 5. Taxes** – Responsibility for property and any other tax payments should be specified.
- 6. Utilities** – The lease should specify who is responsible for utility bills and what entity will be named on each utility account.
- 7. Permitted and Prohibited Uses** – This is an important section. The lease should clearly define the permitted and prohibited uses of the property. What kinds of farming will be allowed? What counts as agriculture? Does a cordwood operation qualify as agriculture? Commercial composting? A corn maze? Aquaculture? Definitions and perceptions of farming evolve, so it's important to be both clear and flexible. Address whether farm-related education or non-agricultural uses such as recreation will be permitted. A landowner may also prohibit certain activities, e.g., removing trees or gravel.  
Landowners may want to specify whether the land is to be limited to certain types of production, for example, only pasture or hay land, or to other restrictions or requirements regarding uses appropriate to the soils or topography of the farm. A map indicating where certain practices are allowed or prohibited is useful. It's recommended to include a process for the tenant to request permission or clarification regarding uses. For example, the lease may say that removing trees is prohibited except as approved by the landowner in response to a written request by the tenant.
- 8. Entry** – The lease should specify whether the landowner has permission to enter the property, and if there are limitations to such entry. For example, requiring the landowner to give 24 hours notice about a visit. Can landlord's family members walk or picnic on the leased property?



**9. Maintenance and Repairs** – The lease should specify who is responsible for maintaining and making repairs to the land and any structures included in the lease, such as fences, buildings, storage structures, roads and irrigation systems. Repairs and maintenance are fertile areas for disagreements and disappointments between landowner and farm tenant. The distinctions among maintenance, repairs and improvements should be spelled out as clearly as possible. Typically the tenant is responsible for basic maintenance and routine repairs. The landlord is usually responsible for major repairs, rehabilitation, and replacement of farm structures or systems. A process spelled out in the lease for the parties to decide when there is some question can save miscommunication and tension down the road.

**10. Alterations and Improvements** – The lease should specify who is responsible for improvements such as new structures or major alterations, along with the process for approval, and who bears the cost. It should specify whether such improvements are considered permanent fixtures and become the property of the landowner (compensating the tenant or not) or whether they may be removed by the tenant at the end of the term.

**11. Stewardship and Conservation** – In this clause, the parties can specify what practices may be required or encouraged. Often it's good to reference a separate stewardship plan as an attachment to the lease. The plan can be reviewed and revised annually. A lease may specifically encourage or require the development of a conservation management plan, a waste management plan, or a grassland habitat management plan.

**12. Subletting** – The lease may specify whether subletting is permitted and under what conditions. Farm leases typically do not allow subletting without some controls by the landowner such as prior review and approval of the sublease terms and sub-tenant.

**13. Termination** – The lease should indicate the procedure for either party to terminate the lease. Tenants should always have a reasonable exit option. The lease should specify if and when notice must be given. On longer-term leases, the ability of the landlord to terminate without just cause should be limited, otherwise the long-term nature of the lease is undermined.

**14. Default** – The lease should specify what constitutes default by tenant or landowner. Default means that one of the parties to the lease has violated a term by failing to do something or by doing something not permitted by the lease. The lease should allow for the party to remedy the default, such as to pay the late rent or clean up a pile of trash, and address any damages resulting from the default.

**15. Monitoring and Reporting** – The lease should specify how monitoring will be handled, whether there will be reporting between the farmer and landowner and what form such reporting would take. There may be a schedule of monitoring visits. The landowner may want someone familiar with farming to do the monitoring—a farming friend or a professional, for example.

**16. Insurance and Liability** – The lease should require the tenant to carry liability insurance, typically indemnifying the landowner. The landowner may carry casualty insurance on the structures. The lease should specify what will happen in the event the property is condemned or destroyed by fire or other casualty.

**17. Dispute resolution** – A lease also may include a dispute resolution process, from a mutual commitment to engage in a facilitated conflict management process, to shared cost of formal mediation.

## Examples of Leasing Templates:

[California Land Linking Lease Template](#)

[Land For Good Short Term Lease Agreement](#)

[How to Determine the Right Farm Rental Rate](#)





## **What does it mean for my farm?**

- **What did you learn through having a practice conversation with your partner?**
- **Do you have more clarity around what your priorities would be if you end up leasing land?**
- **What questions do you still have about leasing?**
- **What are some challenges?**
- **What are some benefits you see to leasing?**