



## Farm Storage Facility Loan Program

### OVERVIEW

The U.S. Department of Agriculture (USDA) Farm Service Agency (FSA) Farm Storage Facility Loan Program (FSFL) provides low-interest financing for producers to build or upgrade farm storage and handling facilities. The FSA is authorized to implement the program through USDA's Commodity Credit Corporation (CCC).

### ELIGIBLE FACILITY LOAN COMMODITIES

The following commodities are eligible for farm storage facility loans:

- Corn, grain sorghum, rice, soybeans, oats, peanuts, wheat, barley or minor oilseeds harvested as whole grain
- Corn, grain sorghum, wheat, oats or barley harvested as other-than-whole grain
- Pulse crops - lentils, chickpeas and dry peas
- Hay
- Honey
- Renewable biomass
- Fruits (includes nuts) and vegetables - cold storage facilities

### ELIGIBLE FACILITIES AND UPGRADES

An FSA farm storage facility loan must be approved by the local FSA county committee before any site preparation and/or construction can be started.

The following types of facilities and upgrades are eligible for farm storage facility loans:

- New conventional cribs or bins designed and engineered for whole grain storage having a useful life of at least 15 years.
- New oxygen-limiting structures and remanufactured oxygen-limiting structures built to original manufacturer's specifications and other upright silo-type structures designed for whole grain wet storage having a useful life of

at least 15 years.

- New flat-type storage structures, with permanent floors and bulkheads, designed for and primarily used to store whole grain for the loan term.
- New electrical equipment integral to the proper operation of the grain storage and handling equipment, excluding the installation of electrical service to the electrical meter.
- New safety equipment, as required by CCC and meeting the U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) requirements, such as interior and exterior ladders and lighting.
- New equipment to improve, maintain or monitor the quality of stored grain, such as cleaners, moisture testers and heat detectors installed in conjunction with a proposed storage facility.
- New concrete foundations, aprons, pits, and pads, including site preparation, labor and material, essential to the proper operation of the grain storage and handling equipment.
- Renovation of existing farm storage facilities, under certain circumstances, if the renovation is for maintaining or replacing items that have a useful life of at least 15 years.
- New permanently affixed grain handling and grain drying equipment determined by CCC to be needed and essential to the proper operation of a grain storage system (with or without a loan for the storage facility).
- New structures that are bunker-type, horizontal or open silo structures, with at least 2 concrete walls and a concrete floor, designed for whole grain storage or other-than-whole-grain storage and having a useful life of at least 15 years.
- New structures suitable for storing hay built according to acceptable design guidelines and having a useful life of at least 15 years.
- New structures suitable for storing renewable biomass built according to acceptable industry guidelines and having a useful life of at least 15 years.
- New cold storage buildings, including pre-fabricated buildings, having a useful life of at least 15 years that are suitable for storing fruits

and vegetables. Also may include permanently affixed cooling, circulating, and monitoring equipment and electrical equipment including labor and materials for installation of lights, motors and wiring integral to the proper operation of a cold storage facility.

**Notes:**

- Scales, portable equipment, used bins, and used equipment are not eligible for financing.
- Facilities built for commercial purposes and not for the sole use of the borrower(s) are not eligible for financing.

**ELIGIBLE COST ITEMS**

The net cost for building or upgrading farm storage and handling facilities and equipment may include the following:

- Purchase price and sales tax
- Shipping and delivery charges
- Site preparation costs
- Installation costs
- Appraisal costs
- New material and labor for concrete pads, electrical wiring, and electric motors
- Off-farm paid labor
- New on-farm material approved by FSA
- Attorney or archaeological study fees

**ELIGIBILITY REQUIREMENTS**

An eligible borrower is any person who is a landowner, landlord, leaseholder, tenant or sharecropper who:

- Produces an eligible facility loan commodity
- Has a satisfactory credit rating as determined by CCC
- Demonstrates the ability to repay the debt for the facility loan
- Possesses no delinquent non-tax federal debt
- Demonstrates a storage need based on the borrower's three-year-average acreage and share of production, minus any current storage available
- Provides proof of multi-peril crop insurance from the Federal Crop Insurance Corporation (FCIC) or a private company for the life of the

loan

- Provides proof of all peril insurance and, if applicable, flood insurance with CCC as a loss payee
- Demonstrates compliance with USDA provisions for highly erodible land and wetlands
- Demonstrates compliance with the National Environmental Policy Act
- Demonstrates compliance with any applicable local zoning, land use, and building codes
- Has not been convicted of a controlled substance violation

**SECURITY REQUIREMENTS**

The following are security requirements for farm storage facility loans:

- All loans must be secured by a promissory note, security agreement and a UCC-1 describing the storage facility and accompanying equipment; and
- Severance agreements from all lien holders on the real estate where the facility will be located or from owners of real estate when the loan applicant is not the landowner, except when CCC holds the first lien on the real estate. Severance agreements will not be required if the borrower increases the down payment from 15 percent to 20 percent.

For loans that exceed \$100,000 or the borrower's aggregate outstanding loan balance exceeds \$100,000, the borrower must be able to provide at least one of the following:

- A first lien on the real estate on which the facility is located;
- Real estate owned by the borrower other than where the facility is located, provided the real estate offered is sufficient to secure the loan; or
- A letter of credit from a financial institution in an amount sufficient to protect CCC's interest for each year the loan has an outstanding balance.

**MAXIMUM LOAN AMOUNT**

The maximum loan amount through the Farm Storage Facility Loan Program is \$500,000 per loan.

## FACILITY LOAN TERMS

The following are the terms for farm storage facility loans:

- A 15 percent cash down payment is required; thus, CCC's loan is limited to 85 percent of the net cost of the eligible storage facility and permanent drying and handling equipment (subject to the applicant's storage needs test). The down payment cannot include any trade-in, discount, rebate, deferred payment or post-dated check.
- Loan terms available are seven (7) years, ten (10) years or twelve (12) years depending on the amount of the loan.
- Interest rate is fixed for the loan term based on the rate in effect during the month the loan is initially approved. The interest rate is equivalent to the rate of interest charged on Treasury Securities of comparable term and maturity.
- Loans are to be repaid in equal amortized installments.
- Loan will not be disbursed until the facility has been erected and inspected with the exception of one (1) qualifying partial disbursement.

## COST OF OBTAINING A LOAN

- Each applicant will be charged a nonrefundable \$100 application fee.
- CCC will pay all collateral lien searches and recording fees for filing Form UCC-1 and credit reports.
- Applicants pay all other fees, such as severance agreements, attorney fees, real estate lien search fees, and instrument filing fees.
- For loans over \$100,000, applicants will be required to pay the cost of obtaining a title search/opinion or title insurance.

## PERSONS REQUIRED TO SIGN THE NOTE

The following persons are required to sign the loan agreement:

- For sole proprietorships and joint ventures, all individuals, including spouses, if applicable
- For general partnerships, any member unless the Articles of Partnership are more restrictive

- For corporations and limited partnerships, an individual with signature authority on file with FSA

## WHERE TO FILE THE APPLICATION

Loan applications should be filed in the administrative FSA Office that maintains the farm's records.

## MORE INFORMATION

For more information about FSA programs, contact your local FSA office or USDA Service Center, or online at <http://www.fsa.usda.gov>.

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