

**For:** State and County Offices

**Clarifying Term Limits for Beginning Farmers and Ranchers**

**Approved by:** Deputy Administrator, Farm Loan Programs



**1 Overview**

**A Background**

The Consolidated Farm and Rural Development Act (Act), Section 311 (c) contains the term limit requirements and waiver provisions for direct farm operating loans (OL's). The limitations affect the number of years an applicant may receive OL assistance. FSA regulations implementing the provisions of the Act are in 7 CFR 1941.12 (a)(6) and (7), (b)(9), and (b)(10).

**Notes:** This notice has no effect on direct farm ownership (FO) term limit determinations.

Term limits do **not** apply for direct OL's to a farmer or rancher whose land is subject to the jurisdiction of an Indian tribe. The suspension of guaranteed OL term limits under Section 319 of the Act remains in effect until September 30, 2007, according to Pub. L. 109-467, Section 5102.

**B Purpose**

This notice:

- continues guidance provided to loan approval officials, that:
  - beginning farmers and ranchers are **not** subject to direct OL term limit requirements
  - beginning farmers and ranchers may **not** receive the 1-time, 2-year waiver on term limit requirements
- obsoletes Notice FLP-434.

**C Contact**

State Offices may direct questions about this notice to LMD at 202-720-1472.

<b>Disposal Date</b>	<b>Distribution</b>
May 1, 2008	State Offices; State Offices relay to County Offices

## 2 Clarification of Term Limit Requirements

### A Beginning Farmer Applicants

7 CFR 1941.4, in part, defines a “beginning farmer or rancher” as someone who has **not** operated a farm or ranch, or who has operated a farm or ranch for **not** more than 10 years. Section 346 of the Act requires FSA to target loan funds to eligible beginning farmers and ranchers.

Under Section 311 (c) of the Act, OL term limits (including the 1-time, 2-year waiver of these limits) do **not** apply to beginning farmers and ranchers. Beginning farmers and ranchers can receive direct OL assistance throughout the 10-year period, as long as all other eligibility criteria is met.

The maximum number of years a beginning farmer may receive direct OL assistance is 10 years.

**Example 1:** If a beginning farmer receives a direct OL loan in their 1st year of farming, this applicant has 9 additional years in which they may receive direct OL assistance as a beginning farmer applicant. This applicant is **not** eligible for the 2-year waiver or any future direct OL assistance if loans were received in all 10 years as a beginning farmer.

**Example 2:** If a beginning farmer receives a direct OL loan in their 5th year of farming, this applicant has 5 additional years in which they may receive direct OL assistance as a beginning farmer applicant, but only 1 year as a non-beginning farmer applicant. This applicant may be considered to receive the 2-year waiver to extend eligibility as a non-beginning farmer.

### B Non-Beginning Farmer Applicants

The maximum number of years a non-beginning farmer may receive assistance is 9 years (7 plus the 2-year waiver).

Once a direct OL applicant has operated a farm or ranch for more than 10 years, they are no longer considered a beginning farmer or rancher and term limits apply. Loans received during the 10-year period would be considered in determining the remaining number of years, if any, a direct OL applicant would be eligible for assistance as a non-beginning farmer.

## Notice FLP-457

### 2 Clarification of Term Limit Requirements (Continued)

#### B Non-Beginning Farmer Applicants (Continued)

**Example 1:** A non-beginning farmer applicant who received a direct OL beginning farmer loan in 1994 can receive direct OL assistance during 6 additional years and be granted a 1-time, 2-year waiver, if certain requirements are met.

**Example 2:** A non-beginning farmer applicant who received direct annual OL beginning farmer loans in 1990, 1994, and 1997 can receive direct OL assistance during 4 additional years and be granted a 1-time, 2-year waiver, if certain requirements are met.

**Example 3:** A non-beginning farmer applicant who received direct OL beginning farmer loans in each year of the 10-year period may **not** receive additional direct OL assistance under term limitations. This applicant would **not** be eligible for a 1-time, 2-year waiver.

#### C State Office Responsibilities

State Offices will reissue any existing State supplements on term limit requirements to comply with the provisions of this notice.

**Note:** State supplements **must** be issued and approved according to 1-AS, paragraphs 216 and 220.