

**ALCORN STATE UNIVERSITY  
MISSISSIPPI SMALL FARM AND AGRIBUSINESS CENTER  
SMALL FARM LOAN PROGRAM FREQUENTLY ASKED QUESTIONS**

**WHAT IS THE MAXIMUM AMOUNT THAT I CAN BORROW?**

The maximum amount that you can borrow is \$25,000.

**WHAT IS THE INTEREST RATE?**

The interest rate is zero percent, which eliminates the cost of borrowing money.

**WHAT IS THE MINIMUM CREDIT SCORE?**

There is no minimum credit score. These loans are for small farmers who cannot obtain credit from traditional credit sources. Most applicants will have less than perfect credit. We expect a low score.

**CAN I PURCHASE LAND WITH THE LOAN?**

Land cannot be purchased with the loan. The loan can only be used to purchase farm equipment; livestock; cover operating costs; purchase inputs for crops, and to purchase equipment and/or supplies for value-added production.

**WHAT IS VALUE-ADDED PRODUCTION?**

Value-added production is the process of changing the form of a raw product (such as milk into cheese or tomatoes into tomato sauce.) The production of the raw product enhances its value, thereby allowing the producer to gain more revenue.

**CAN I PAY MY LOAN OFF EARLY?**

Yes, you are allowed an early payoff without penalty. You may also make payments larger than your annual scheduled payments.

**HOW OFTEN WILL I HAVE TO MAKE A PAYMENT ON MY LOAN?**

Payments are made annually; however, if you decide to pay monthly, your payment will be accepted.

**WHAT KIND OF COLLATERAL CAN I USE?**

You may use farm machinery and equipment, vacant land or farmland (not homestead), vehicles or any other hard asset approved by the MSFAC. All collateral must be free and clear of liens and encumbrances. You must provide documentation of each asset pledged as loan security with proof that you are the rightful owner. You may provide the following documents: (1) affidavits for farm machinery and equipment; (2) deeds for land with land roll reports from your local tax assessor's office; (3) title for vehicles, and (4) bill of sale or statement showing that the asset is paid in full for any other hard asset.

**HOW MUCH COLLATERAL DO I HAVE TO PUT UP?**

Crop and production loans are secured 100% from your personal assets that are free and clear of liens and encumbrances. Equipment loans are secured 80% from your personal assets that are free and clear of liens and encumbrances.

**HOW LONG WILL I HAVE TO PAY OFF MY LOAN?**

The general payment term is annually and lasts for 3-5 years. See the chart below for a specific breakdown of the repayment process.

ITEMS PURCHASED	REPAYMENT PLAN
Equipment Only	5 Annual Payments
Crop or Live Stock	3 Annual Payments
Equipment and Livestock	5 Annual Payments

**CAN I SEND BACK MY LOAN CHECK AND GET ANOTHER VENDOR?**

The only condition by which checks may be sent back to Alcorn State University is when the approved vendor cannot fulfill the obligations of the contract. Otherwise, checks cannot be sent back.

**CAN I APPLY FOR THE LOAN UNDER A RELATIVE'S NAME?**

No. You cannot submit an individual loan for yourself under a relative's name or use a relative's personal or financial information in your application packet.

**WHY DO I NEED TO GET AN IRS FORM W-9 FROM VENDORS?**

The purpose of the IRS Form W-9 is to obtain the vendor's correct taxpayer identification number (TIN). This information may be reported to the IRS, because the loan check is considered revenue (income) for the vendors.

**WHY DO YOU REQUIRE ME TO COMPLETE THE IRS FORM W-9?**

Just like vendors, you are required to complete this form to obtain your correct taxpayer identification number (TIN). However, your information will not be reported to the IRS. The loan check is not considered revenue (income) but a debt which you are obligated to pay back as described in your promissory note.

**WHAT IF A VENDOR DOES NOT WANT TO GIVE ME A COPY OF THEIR IRS FORM W-9?**

The vendor can fax their form directly to the Small Farm Loan Program at 601.877.3942.

**CAN I BUY FROM VENDORS THAT ARE NOT COMMERCIAL BUSINESSES?**

Yes. You may purchase livestock or equipment directly from private owners. However, you and the producer will be required to complete a Private Owner Quote. If you purchase from a commercial vendor, you must obtain an official quote from them on their letterhead.

**WHAT IF A BANK DOES NOT TURN ME DOWN?**

Unfortunately, you do not qualify for the small farm loan. Turndown letters are a requirement.

**WHY CAN'T I GET A LOAN IF THE BANK DID NOT TURN ME DOWN?**

If the bank does not turn you down for a loan, you are in a good financial position to obtain credit from other sources.

**WHEN IS THE DEADLINE FOR THE APPLICATION?**

There is no application deadline. However, you must follow optimum planting dates for crops and gestational periods for livestock when making a loan application. This ensures that your application is a feasible project within a specified time period, usually before the crop season begins.

**HOW LONG IS THE APPLICATION PROCESS?**

From the time that we receive your loan application to final decision is typically 30 days. Sometimes it may take longer, depending on the timely submission of your application and if all documents listed in the application packet are submitted.

**WHEN WILL I RECEIVE MY CHECKS IF I GET THE LOAN?**

After loan approval, you will receive your check within 14 days and sometimes as early as 7 days.

**HOW LONG DOES MY APPLICATION REMAIN ACTIVE IF I HAVE NOT SUBMITTED ALL OF THE REQUIRED INFORMATION?**

Your application will remain active for 60 days after it has been received.

**WHY DO I NEED A DEED FOR LAND THAT I AM LEASING?**

The deed is necessary to validate that the lessor is the rightful owner of the land, the land is not considered the property of heirs, and that the lessor has given you control of the land for agricultural purposes.

**CAN I PURCHASE A WORK TRUCK WITH THE LOAN?**

Yes, but you may only purchase a farm work truck. Proper description of the truck must be documented with pictures from the vendor.

**CAN I PURCHASE A DOZER WITH THE LOAN?**

No, you cannot purchase a dozer. A dozer is considered construction equipment, not farm machinery and equipment.

**FOR MORE INFORMATION**

Velma Oliver

Farm Management Loan Specialist

Mississippi Small Farm and Agribusiness Center

Small Farm Loan Program

Phone: 601.877.6570 | Fax: 601.877.3942 | voliver@alcorn.edu