USDA

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

Farm Loans

FACT SHEET

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Shared Appreciation Agreements

OVERVIEW

Farm Service Agency (FSA) farm loan borrowers who own real estate, apply for loan servicing and qualify to have real estate debt written down must sign a shared appreciation agreement (SAA).

The SAA allows the Government to recapture all or a portion of the amount written down if the real estate security increases in value during the term of the SAA. Recapture cannot exceed the amount of the write-down. Recapture is calculated as of the expiration date of the SAA, or sooner if one of the following occurs:

- the property is sold or conveyed, with the exception of transferring title to the spouse upon the death of a borrower;
- the FSA loans are repaid;
- the borrower ceases farming; or
- the account is accelerated.

Recapture due under the SAA is 75 percent of the appreciation when one of the above events occurs within 4 years of receiving the write-down, and 50 percent of the appreciation after 4 years. If the amount of write-down is less than the appreciation calculated, the amount due is the write-down amount.

APPRAISALS

Appreciation of the property's value is determined by appraisal, with deductions for certain capital improvements made during the term of the agreement. The borrower may appeal the Agency appraisal by obtaining a technical appraisal review of the Agency's appraisal. The issue of the appeal will be the compliance of the Agency appraisal with the Uniform Standards of Professional Appraisal Practice. Once appreciation has been calculated, the borrower is required to pay the amount of recapture due.

IF A BORROWER CANNOT PAY THE RECAPTURE AMOUNT

In some instances, borrowers will be unable to pay the recapture amount or obtain financing to do so. In such cases, provided that the borrower can show a positive cash flow and meet other regulatory requirements, the recapture amount can be repaid over a period of up to 25 years at a special low interest rate.

FOR MORE INFORMATION

For more information about FSA and its programs, visit your local FSA office or online at **www.fsa.usda.gov**. To find your local FSA office, visit **http://offices.usda.gov**.