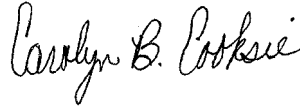


For: FSA Offices

**Determining Whether Direct or Guaranteed Applicants Qualify for Socially Disadvantaged (SDA) Funding**

Approved by: Deputy Administrator, Farm Loan Programs



**1 Overview**

**A Background**

FSA is required by law to target direct and guaranteed loan funds to those applicants who are socially disadvantaged. It is the responsibility of the loan approval official to ensure that SDA funds are used only for those who meet the SDA definition.

A recent review of socially disadvantaged applications completed by the National Office show that many applications coded as SDA were not from SDA's. Specifically, a large number of entities were incorrectly coded as SDA and received SDA targeted loan funds.

SDA is defined as an applicant who is a member of a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as a member of a group, without regard to their individual qualities. The following are identified as SDA's:

- women
- Blacks
- American Indians
- Alaskan Natives
- Hispanics
- Pacific Islanders
- Asians.

For entity applicants, a majority interest must be held by socially disadvantaged individuals to be considered SDA and to receive targeted loan funds. Majority interest is defined as any individual or combination of individuals owning **more than a 50 percent** interest in the entity.

<b>Disposal Date</b>	<b>Distribution</b>
February 1, 2005	All FSA Offices; State Offices relay to County Offices

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### 1 Overview (Continued)

#### B Purpose (Continued)

This notice:

- reminds loan approval officials to verify that SDA's meet the SDA definition to receive SDA targeted loan funds
- clarifies documentation needed to make SDA determinations.

#### C Contact

State Offices with questions about this notice shall contact the Loan Making Division at 202-720-1632.

### 2 Identifying SDA's

#### A SDA's

An applicant is socially disadvantaged if any of the following apply:

- he/she is an individual and identifies themselves as a member of an SDA group
- they are husband and wife applying together and either:
  - both identify themselves as a member of an SDA group
  - the member holding a majority interest in the operation identifies themselves as a member of an SDA group
- they are 2 or more individuals who have agreed to farm together and either:
  - all members identify themselves as a member of an SDA group
  - 1 or more members holding a majority interest identifies themselves as a member of an SDA group
- they are a partnership, cooperative, trust, LLC, or corporation and either:
  - all members identify themselves as a member of an SDA group
  - 1 or more members holding a majority interest identifies themselves as a member of an SDA group.

**Note:** If the applicant does not meet 1 of the criteria listed, the loan will be funded as non-SDA.

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### 2 Identifying SDA's (Continued)

#### B Required Documentation

The following documentation is required for a **direct** loan.

- **Individual** applicants must submit FSA 410-1 with item 32 A, B, and/or C marked indicating that they are a member of an SDA group.
- **Entity** applicants must submit FSA-410-1 with item 34 (4), (7), (8), and/or (9) marked indicating that the members holding a majority interest are a member of an SDA group.

Either of the following documentation is required for **individual** and **entity** applications for **guaranteed** loans.

- FSA-1980-25 with items 26, 27, and/or 28 marked indicating that they are a member of an SDA group.
- FSA-1980-28, items 45, 46, and/or 47 marked indicating that they are a member of an SDA group.

**Note:** If an application is received for a direct or guaranteed loan and the applicant has not completed the section that identifies the race, ethnicity, or gender of the applicant or members of the entity (i.e., all sections are blank), the application will be processed as non-SDA. Race, ethnicity, and gender determinations completed as observed by an FSA employee will not be used to qualify an applicant for SDA funding. The only exception to this is an application from an existing borrower who has already properly provided the documentation needed to qualify them as SDA.