



**IOWA AGRICULTURAL
DEVELOPMENT DIVISION**
A DIVISION OF IOWA FINANCE AUTHORITY

IADD BOARD MEETING MINUTES

**Iowa Finance Authority
1963 Bell Avenue, Suite 200, Des Moines, Iowa
May 27, 2020**

Board Members Present

Lyle Borg, Chair
Mark Leonard, Vice Chair
John Fredrickson
Gretchen McLain
Annette Townsley

Board Members Absent

None

Staff Members Present

Lori Beary, Chief Bond Programs Director
Debi Durham, Executive Director
Steve Ferguson, IADD Program Specialist
Nicki Howell, Office Assistant
Tammy Nebola, IADD Program Specialist
Becky Wu, Loan Servicing Specialist

Others Present

Cris Kuhn, Dorsey & Whitney

CALL TO ORDER

The meeting of the Iowa Agricultural Development Division (IADD) Board of Directors was called to order by Chair Borg on May 27, 2020 at 8:31 am. A quorum was established with the following Board Members present via conference call: Borg, Leonard, Fredrickson, McLain and Townsley.

REVIEW OF MINUTES OF APRIL 22, 2020 BOARD MEETING

Mr. Borg presented the minutes of the April 22, 2020 IADD Board Meeting. Mr. Borg asked if there were any additions or corrections to the minutes.

MOTION

On a motion by Ms. Townsley and a second by Ms. McLain, the Board unanimously approved the minutes of the April 22, 2020 IADD Board meeting.

REVIEW OF APRIL 2020 FINANCIAL STATEMENT

Becky Wu presented the April 2020 financials. She stated that for FY20 year-to-date, IADD had operating income of \$550,000 operating expense of \$519,000 and net operating income of \$31,000.

MOTION

On a motion by Mr. Fredrickson and a second by Ms. McLain, the Board unanimously approved the April 2020 financial statement as presented.

REVIEW OF FY21 BUDGET

The FY21 IADD budget was presented to the Board in April for review. There have been a couple changes to the budget, one is to decrease the LPP loan loss reserve to \$50,000 for the LPP that is in default. The LPP income was decreased due to lower volume and BFTC fee income was decreased due to the new fee structure set in legislation. Many assumptions were made similar to last years budget so there are certain expenses that were not changed due to uncertainty that will most likely not be fully utilized. NARRC and NCOSAFP have cancelled their conferences and currently Steve is not traveling or doing workshops so those expenses will most likely be much lower. Net income of \$130,000 is a \$45,000 increase compared to FY20. There were no further questions about the FY21 Budget.

MOTION

On a motion by Mr. Leonard and a second by Mr. Fredrickson, the Board unanimously approved the FY21 Budget as presented.

LOAN PARTICIPATION PROGRAM

Tammy Nebola presented information on the following loan participation application.

P0287 - Kyle and Molly Lundsgaard. This is a revised LPP application for \$200,000 that was originally approved in June of 2019. The borrower has constructed a 600 Hd Cattle Facility, commodity shed and working facility. Total project cost has increased from \$1,077,800 to \$1,245,055. The appraisal came in at \$1,325,000 supporting the increase in the project cost. The bank is American Bank, NA in Remsen.

MOTION

On a motion by Mr. Fredrickson and a second by Ms. Townsley, the Board unanimously approved the loan participation for Kyle and Molly Lundsgaard subject to obtaining a limited guaranty from Kyle's parents on the LPP loan of \$100,000 (an increase from the original \$66,000 guaranty) and an assignment of the feeding contract.

BEGINNING FARMER LOAN AMENDING RESOLUTIONS

Tammy Nebola presented the following resolutions to adjust the terms and conditions on closed BFLP projects:

Resolution 04341M – Beau M. Romsey – U.S. Bank, N.A. in Boone is the lender. The amendment will lower the interest rate from 3.95% to 2.35% until May 1, 2025 at which time the rate will adjust to the original index of 85% of 2.45% over the 5 year Treasury Rate and be adjustable every five years thereafter. Due to the rate decrease the annual payment amount will decrease from \$5,865.82 to \$4,485.72 beginning on December 15, 2020. Decrease the rate floor from 3.90% to 2.35%. Add the following prepayment language to the Note. This note may be prepaid at anytime upon payment of all principal, interest, fees and expenses in connection with this NOTE including, to the extent permitted by law, payment of \$250 for the early termination of this NOTE. Any permitted prepayment shall be in the amount equal to the remaining entire principal balance of the loan. All other loan terms will remain the same.

Resolution 04359M – Beau M. Romsey – U.S. Bank, N.A. in Boone is the lender. The amendment will lower the interest rate from 3.95% to 2.35% until May 1, 2025 at which time the rate will adjust to the original index of 85% of 2.45% over the 5 year Treasury Rate and be adjustable every five years thereafter. Due to the rate decrease the annual payment amount will decrease from \$5,865.82 to \$4,866.96 beginning on December 15, 2020. Decrease the rate floor from 3.90% to 2.35%. Add the following prepayment language to the Note. This note may be prepaid at anytime upon payment of all principal, interest, fees and expenses in connection with this NOTE including, to the extent permitted by law, payment of \$250 for the early termination of this NOTE. Any permitted prepayment shall be in the amount equal to the remaining entire principal balance of the loan. All other loan terms will remain the same.

Resolution 04394M – William J. and Donna S. Thomsen – Citizens State Bank in Manchester is the lender. The amendment will lower the interest rate from 5.25% to 3.82% until February 6, 2026 at which time the rate will adjust to the original index of 78% of the five year treasury rate plus a margin of 4.18% and be adjustable every five years thereafter. Due to the rate decrease the annual payment amount will decrease from \$27,407.74 to \$16,781.68 beginning on February 6, 2021 and will fully amortize over the remaining term. Decrease the rate floor from 4.00% to 3.82%. All other loan terms will remain the same.

Resolution 04420M – Lance A. Moeller – Green Belt Bank & Trust in Grundy Center is the lender. The amendment will lower the interest rate from variable 3.50% to fixed 3.10% until maturity of March 1, 2029. Decrease the rate floor from 3.50% to 3.10%. All other loan terms will remain the same.

Resolution 04525M – Koal and Ann Marie Deering – Luana Savings Bank in Luana is the lender. The amendment will lower the interest rate from variable 3.75% to fixed 3.20% until maturity of May 17, 2040. Due to the rate decrease the annual payment amount will decrease

from \$24,299.89 to \$16,445.68 beginning on May 17, 2021. Decrease the rate floor from 3.75% to 3.20%. All other loan terms will remain the same.

Resolution 04744M – Lance A. Moeller – Green Belt Bank & Trust in Grundy Center is the lender. The amendment will lower the interest rate from variable 4.39% to fixed 3.10% until maturity of December 3, 2032. All other loan terms will remain the same.

Resolution AG 13-017M – Marty J. Plueger – Midstates Bank, N.A. in Le Mars is the lender. The amendment will change the Bondholder name to Midstates Bank, N.A. formerly known as Kingsley State Bank. Lower the interest rate from 5.50% to 4.25% until May 8, 2025 at which time the rate will adjust to the new index of 1.00% above New York Prime from the original index of 2.50% above the 5 year US Treasury rate and will change from adjustable every five years to annually thereafter. Due to the rate decrease the annual payment amount will decrease from \$17,468.12 to \$15,547.61 beginning on January 15, 2021. Add the following prepayment language: In the event this loan is refinanced with another financial institution, a prepayment penalty shall be assessed based upon the below schedule. A prepayment is defined as any payment of principal over the normal amortization. a) if the prepayment occurs on or before the second anniversary date, the prepayment penalty will equal three percent (3%) of the outstanding principal balance. b) If the prepayment occurs after the second anniversary date, but on or before the fourth anniversary date, the prepayment penalty will equal two percent (2%) of the outstanding principal balance. c) If the prepayment occurs after the fourth anniversary date, but on or before the fifth anniversary date, the prepayment penalty will equal one percent (1%) of the outstanding principal balance. Kingsley State Bank has already assigned all loan, security and bond documents to Midstates Bank, N.A. when their merger was finalized on May 1, 2019. All other loan terms will remain the same.

Resolution AG 17-027M – Ryan L. and Katelyn E. Borcharding – U.S. Bank, N.A. in Boone is the lender. The amendment will lower the interest rate from 4.40% to 3.64% until August 7, 2027 at which time the rate will adjust to the original index of 85% of 2.50% over the 5 year US Treasury rate and be adjustable every five years thereafter. Due to the rate decrease the annual payment amount will decrease from \$17,038.91 to \$15,622.80 beginning on December 7, 2020. Decrease the rate floor from 3.75% to 3.64%. All other loan terms will remain the same.

Resolution AG 18-006M – Nicholas and Gentry Winter – Security State Bank in New Hampton is the lender. The amendment will transfer the bondholder from Fidelity Bank and Trust fka State Bank, New Hampton, IA to Security State Bank, New Hampton, IA. Increase the interest rate from 3.40% to 3.65% until January 1, 2026 at which time the rate will adjust to the new index of equal to Security State Bank 5 year Ag Real Estate Rate from the original index of 2.00% above the 5 year Treasury and be adjustable every five years thereafter. Due to the rate increase the annual payment amount will increase from \$5,491.33 to \$5,549.42 beginning on January 5, 2021. Due to the payment date change from December 31st to January 5th extend the maturity date from December 31, 2047 to January 5, 2048. Fidelity Bank and Trust fka State Bank will be assigning all loan, security and bond documents to Security State Bank. Change

the security document from a Real Estate Mortgage dated April 2, 2018 to a Deed of Trust dated May 13, 2020. All other loan terms will remain the same. There was some discussion by the Board on whether or not this change is beneficial to the beginning farmer and that it is not a good business practice for a beginning farmer to have a loan at the same bank where he is employed.

Resolution AG 18-059M – Zachary T. Helmuth – Hills Bank & Trust Company in Kalona is the lender. The amendment will lower the interest rate from 4.25% to 3.59% until May 15, 2025 at which time the rate will adjust to the original index of 70% of the one (1) year Treasury Rate + 3.50% and be adjustable annually thereafter. Decrease the rate floor from 4.25% to 3.59%. All other loan terms will remain the same.

Resolution AG 18-086M – Chad Vincent and Jenna Leigh Steeve – Bank Iowa in Clarinda is the lender. The amendment will lower the interest rate from 5.00% to 4.00% until February 11, 2029 at which time the rate will adjust to the original index of 100% of the ten (10) year Treasury Rate + 1.85% and be adjustable every ten years thereafter. Due to the rate decrease the annual payment amount will decrease from \$35,670.12 to \$31,868.79 beginning on February 11, 2021. All other loan terms will remain the same.

MOTION

On a motion by Ms. Townsley and a second by Mr. Leonard, the Board approved the Beginning Farmer Loan Program Amending Resolutions. Ms. McLain voted against the motion due to concerns with project AG 18-006.

BEGINNING FARMER LOAN APPLICATIONS

Tammy Nebola introduced the following applications for Beginning Farmer loans:

AG 20-019 – Alan Dennis Bladt – Beginning farmer loan of \$497,088 to purchase approximately 140 acres of agricultural land in Shelby County. The loan will have a 3.50% variable interest rate and a loan length of 30 years. The index will be equal to Wall Street Journal Prime Rate. The lender is Shelby County State Bank in Shelby, Iowa.

AG 20-020 – Jacob J. and McKenna J. Lupkes – Beginning farmer loan of \$200,000 to purchase 41 acres of agricultural land, house and out-buildings in Clarke County. The loan will have a 3.75% variable interest rate and a loan length of 20 years. The index will be 0.50% below Wall Street Journal Prime. The lender is Midwest Heritage Bank in West Des Moines, Iowa.

MOTION

On a motion by Mr. Fredrickson and a second by Ms. McLain, the Board unanimously approved the BFLP applications.

PUBLIC HEARING ON BEGINNING FARMER LOANS

A public hearing was held by the IADD Board at the Iowa Finance Authority office on May 27, 2020 at 9:08 am. There were no comments received regarding the Beginning Farmer Loan applications. The public hearing was closed at 9:09 am.

MOTION

On a motion by Ms. Townsley and a second by Mr. Leonard, the Board unanimously recommended approval of the BFLP Bond documents which included projects AG 18-006, AG 20-019 and AG 20-020.

BEGINNING FARMER TAX CREDIT APPLICATIONS

Steve Ferguson presented a summary of the Beginning Farmer Tax Credit applications. There were 91 new BFTC applications for an estimated tax credit amount of \$1,703,232.55. He noted that of those 91; 55 are cash rent, 34 are crop share and 2 are hybrid leases. There was some discussion by the Board about a few of the higher tax credit award amounts. Mr. Leonard had some additional questions on project 4064 due to his knowledge of the applicants and their operation. Ms. Townsley had some questions about the crop share percentage and lease arrangements on project 3982.

MOTION

On a motion by Ms. McLain and a second by Mr. Fredrickson, the Board unanimously recommended approval of the Beginning Farmer Tax Credit applications as presented.

BEGINNING FARMER TAX CREDIT CHANGE

Steve Ferguson presented a summary of the Beginning Farmer Tax Credit requested change. There is one change request, he noted that the change is to increase the number of acres.

MOTION

On a motion by Mr. Fredrickson and a second by Ms. McLain, the Board unanimously recommended approval of the Beginning Farmer Tax Credit change request.

MARKETING UPDATE

Included in the Board packet is the IADD marketing calendar. Steve Ferguson reported that there are no events scheduled.

OTHER BUSINESS

IFA BOARD MEETING UPDATE

Director Durham presented the agenda from the May 6th IFA Board Meeting. She gave the IADD Board a brief update of the items discussed. She reported that the organization has been working full scale propping up new programs and discussed a few new relief programs available. She also shared that on May 28th IFA will be announcing a new Rent and Foreclosure assistance program. IFA is also following the USDA funding and programs for the Ag Community and trying to figure out where the gap will be and see if there are any programs that IFA could provide that would be of assistance. The agency is also discussing and working with the IEDA and IFA team to create an onboarding plan.

NEXT IADD BOARD MEETING

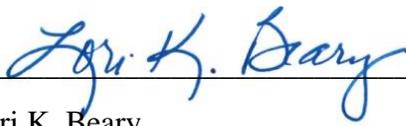
The June IADD Board meeting will be Monday, June 22, 2020 at 8:30 am, via conference call.

ADJOURNMENT

On a motion by Mr. Fredrickson and a second by Ms. McLain, the May 27, 2020 meeting of the IADD Board of Directors adjourned at 9:31 am.

Dated this 22nd day of June, 2020.

Respectfully submitted:



Lori K. Beary
Director's Designee/Board Secretary

Approved as to form:



Lyle Borg, Chair
IADD Board