

Iowa Agricultural Development Division (IADD)

FINANCING A HOG FACILITY USING BEGINNING FARMER LOAN PROGRAMS

IADD Beginning Farmer Eligibility Requirements

To be considered an eligible beginning farmer for the IADD programs you must meet the following qualifications:

- Have a net worth below \$682,000 (2020 Maximum)
- Be at least 18 years old
- Be a resident of Iowa
- Must have sufficient education, training and experience for the anticipated farm operation
- Must have access to the following as needed: Adequate working capital, farm machinery, livestock, agricultural land
- For the **BFLP ONLY** – Present and past landownership cannot exceed 30% of the county median farm size
- For the **LPP ONLY** – Additional Underwriting Criteria
 - Current Assets to Current Liabilities > 1.1
 - Farm debt-to-asset ratio < 80%
 - 120% Debt coverage ratio
 - Off-farm income < 50% of projected gross income
 - Loan-to-value < 100% of appraised value of assets offered as security for the participated loan

Beginning Farmer Loan Program (BFLP):

This program is an Aggie Bond Program, the beginning farmer would still get their financing through a bank or a contract seller and then the IADD would issue the lender a tax-exempt bond on the loan. This makes the interest income the lender earns from that loan federally tax free (also state tax free if a contract sale) then the lender can pass that savings on to the beginning farmer with a lower interest rate. Most banks are able to reduce the rate approximately 20-25% by using the BFLP program. **When using the program to construct a facility it would fall under our farm improvement limit of \$250,000. There is also a restriction that the feeding contract would need to be on a per head/per day basis to qualify.** When using this loan to construct a facility it is often times used in conjunction with our LPP program and an FSA guarantee.

Loan Participation Program (LPP):

This program is to assist low income farmers secure loans and make down payments. IADD's participation can be used to supplement the borrower's down payment, thereby helping a farmer secure a loan more readily. The lender's risk is also reduced since the IADD provides a "last-in/last-out" loan participation for the financial institution. This program can be used for 30% of your project up to \$200,000. This loan has a 12 year amortization for a facility and a 10 year balloon. The interest rate is currently 4.75% until February 1st, 2021 at which time it will adjust to be equal to Wall Street Journal Prime as of January 1s. The interest rate will lock at time of approval and be fixed for the 10 year term.

FSA Guarantee

An FSA Guarantee can be obtained on the remaining amount that needs to be financed. For most loans, FSA charges a guarantee fee of 1.50% of the guaranteed portion of the loan. The guarantee fee is waived for loans in conjunction with a qualifying state beginning farmer program. That means if the borrower qualifies as an FSA beginning farmer the guarantee fee will be waived for using either the IFA Beginning Farmer Loan Program (BFLP) or the Loan Participation Program (LPP). For more information on FSA's programs and eligibility requirements visit: <http://www.fsa.usda.gov/FSA>

Example of financing: Construction of a 2,400 Hd Hog Facility = \$700,000

Project Cost	Fees
\$200,000 – Loan Participation Program (LPP)	\$100 app fee + 1.50% of LPP closing fee
\$250,000 – Beginning Farmer Loan Program (BFLP)	\$100 app fee + 1.50% of BFLP closing fee
\$250,000 – Bank loan with FSA Guarantee	Waived for using LPP or BFLP
\$700,000	

Please direct Beginning Farmer Loan Program or Loan Participation Program questions to:

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