IOWA FINANCE AUTHORITY

Beginning Farmer Loan and Tax Credit Programs

IOWA AGRICULTURAL DEVELOPMENT DIVISION

Iowa Agricultural Development Division Staff

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Presentation Overview

- **Purpose** – Improve awareness of all programs
- **Topics and Programs:**
  - Eligibility and application process
  - Beginning Farmer Tax Credit Program
  - Beginning Farmer Loan Program
  - Loan Participation Program
  - DNR Lease Program – Administered by DNR
- **Opportunities and benefits**

Presentation available at IowaFinance.com

Beginning Farmer Eligibility Factors

For ALL IADD Programs

- Do not have FSA requirement of >3 years and <10 years
- 2021 maximum net worth: less than $686,000
  - This amount changes every year
- At least 18 years old (No upper age limit)
- Resident of Iowa
- All beginning farmer applicants must:
  - Be owner or operator of the farm--cannot lease to or hire someone else to do the work
  - Have sufficient education, training and experience for the anticipated farm operation
  - Have access to adequate working capital, farm machinery, livestock and/or ag land

Application Process
For ALL IADD Programs

Ready to apply?

1. Identify exactly what you are going to apply for: (loan or tax credit)
2. Confirm understanding and support with local ag lender and/or FSA Officer
3. Obtain application at IowaFinance.com
4. Mail all items listed on instructions, including required signatures
5. Staff review and request missing items to finalize application
6. Applications are presented to the IADD and IFA Boards for review and action

Application Packets
For ALL IADD Programs

1. **IADD program application** – fully completed and signed
2. **Financial statement** – less than 30 days old
   - Prepared by a financial professional
3. **Beginning Farmer Background Form** or letter describing:
   - Acquired education, training and experience to manage farm operation
   - Access to working capital, farm machinery, livestock and/or ag land
   - Arrangement for machinery use (rental or trading labor for use)
4. **Application fee** – send with application packet
5. **Other documents may be required for each program**

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Approval Procedures

- **Send application and fee to Iowa Finance Authority**
  - Obtain applications at IowaFinance.com
  - IADD staff review and finalize applications
  - IADD board reviews and recommends approval to IFA board
- **After board meeting**
  - Board decision letter sent
- **Follow-up after approval**
  - Provide address and telephone changes to IADD
  - Submit change request form when changes desired
    - IADD board must approve change requests
  - Explore potential and benefits of applying for other IADD programs

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Beginning Farmer Tax Credit Program

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Beginning Farmer Tax Credit Program

- Encourages agricultural asset owners to lease land, equipment, and facilities to qualified beginning farmers
- Provides asset owner a tax credit on state of **Iowa** income taxes owed
  - **5% on cash rent**
  - **15% on crop share**
  - **15% on flex lease**
- Tax credits allocated the year application is approved. Tax credit certificates will be issued annually through lease term
- Allocation is $12 million annually

Key Requirements

- Complete application must be submitted before August 1
- Application fees are be based on number of acres in lease, not term of lease
- FSA Form 156 must be submitted with application
  - Confirms farm location, acres, ownership, operator
  - Beginning farmer must be listed as operator
- All information MUST be the same on:
  - USDA – FSA 156 Form
  - Lease – All parties involved with lease must be listed and sign lease
  - IADD application

BFTC Program Requirements

- Lease term must be between 2-5 years
- Can reapply, but asset owner limited to 10 years in the program
  - When reapplying -- beginning farmer must still qualify with new net worth amount
  - To re-apply - submit entirely new application and pay new application fee
- Cash rent amount or crop share percentage:
  - Does not have to be the same for each year of the lease
  - Specific amount must be listed on lease for each year
- Flex lease risk-sharing factors will be calculated on an equation adopted by rule by the Authority
- Lease value cannot be 30% above county average cash rent, per ISU survey
- Lease can be with closely related family members
  - Parents can lease to their children

30% Above the County Average Cash Rental Rate

IADD BEGINNING FARMER TAX CREDIT PROGRAM (BFTC)

Source: 2020 Iowa State Extension Cash Rental Rate Survey - for 2021 BFTC Applications

County	Average Cash Rent	30% Above Average
Adair	$186	$242
Adams	$202	$263
Allamakee	$225	$293
Appanoose	$176	$229
Audubon	$225	$293
Benton	$246	$320
Black Hawk	$251	$326
Boone	$224	$291
Bremer	$257	$334
Buchanan	$249	$324
Buena Vista	$242	$315
Butler	$250	$325
Calhoun	$229	$298
Carroll	$248	$322
Cass	$211	$274
Cedar	$216	$281
Cerro Gordo	$218	$283
Cherokee	$271	$352
Chickasaw	$242	$315
Clarke	$194	$252
Clay	$219	$285
Clayton	$240	$312
Clinton	$244	$317
Crawford	$252	$328
Dallas	$232	$302
Davis	$157	$204
Decatur	$144	$187
Delaware	$276	$359
Des Moines	$219	$285
Dickinson	$212	$276
Dubuque	$289	$376
Emmet	$209	$272
Fayette	$271	$352
Floyd	$216	$281
Franklin	$230	$299
Fremont	$184	$239
Greene	$239	$311
Grundy	$272	$354
Guthrie	$206	$268
Hamilton	$224	$291
Hancock	$229	$298
Hardin	$229	$298
Harrison	$239	$311
Henry	$226	$294
Howard	$200	$260
Humboldt	$218	$283
Ida	$268	$348
Iowa	$223	$290
Jackson	$243	$316
Jasper	$226	$294

County	Average Cash Rent	30% Above Average
Jefferson	$186	$242
Johnson	$209	$272
Jones	$240	$312
Keokuk	$202	$263
Kossuth	$239	$311
Lee	$231	$300
Linn	$240	$312
Louisa	$210	$273
Lucas	$156	$203
Lyon	$252	$328
Madison	$180	$234
Mahaska	$198	$257
Marion	$175	$228
Marshall	$231	$300
Mills	$229	$298
Mitchell	$219	$285
Monona	$234	$304
Monroe	$176	$229
Montgomery	$216	$281
Muscatine	$217	$282
O'Brien	$259	$337
Osceola	$244	$317
Page	$199	$259
Palo Alto	$232	$302
Plymouth	$233	$303
Pocahontas	$226	$294
Polk	$224	$291
Pottawattamie	$220	$286
Poweshiek	$217	$282
Ringgold	$176	$229
Sac	$239	$311
Scott	$245	$319
Shelby	$218	$283
Sioux	$273	$355
Story	$233	$303
Tama	$250	$325
Taylor	$183	$238
Union	$219	$285
Van Buren	$186	$242
Wapello	$200	$260
Warren	$187	$243
Washington	$235	$306
Wayne	$152	$198
Webster	$220	$286
Winnebago	$211	$274
Winneshiek	$233	$303
Woodbury	$246	$320
Worth	$220	$286
Wright	$225	$293

Revised 09.22.2020

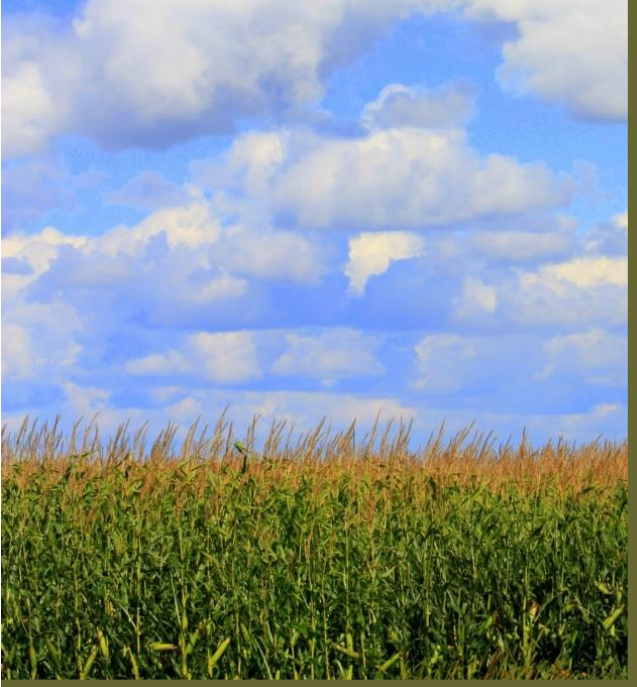
Calculating Cash Rent Tax Credit

160 tillable acres cash rented at $200 per acre

Gross lease income: 160 x $200 = $32,000

Iowa income tax credit at 5% = $1,600

- Asset owner receives each year the 2-5 year lease was approved
- Nothing more required by IFA during term of lease



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Calculating Crop Share Tax Credit

Determining tillable acres, yield and price

- **Acres**: Yearly allocate 50% to corn and 50% to beans (*Unless lease states otherwise*)

- **Yield**: County's previous 10-year average corn/soybean T-yields *(eliminating highest and lowest yields)*

- **Price**: USDA previous 5-year average state prices *(eliminating highest and lowest prices)*

Calculating tax credit amount

- Crop share tax credit amount is calculated with the percentage of crop the asset owner is to receive

Crop Share Example

160 tillable acres allocated ½ corn, ½ soybeans with 50/50 crop share:

- **80 acres corn** x 183.3 bu/acre x $3.67 x 50% x 15% = **$4,036.27**
  - Total corn crop = 14,664 bushels; Owner's share = 7,332 bu.
- **80 acres soybeans** x 53.4 bu/acre x $9.27 x 50% x 15% = **$2,970.11**
  - Total soybeans crop = 4,272 bushels; Owner's share = 2,136 bu.

Total Iowa tax credit = $7,006.38

Calculation based on:

- 10-year county average T-yields *(eliminating highest and lowest yields)*
- 5-year average state prices *(eliminating highest and lowest prices)*

Flex Lease Example

Tax credit on cash rent portion is 5% and flex lease portion is 15%:

Cash rent -160 acres cash rent at $200 per acre X 5% = $1,600.00

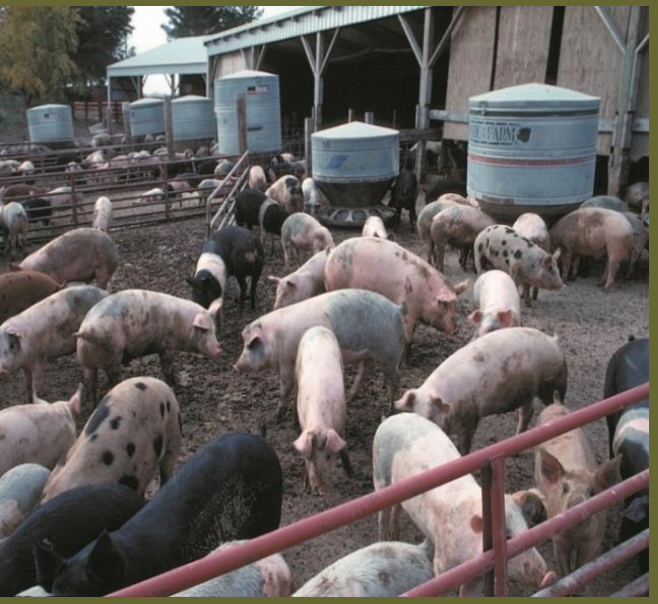
Flex lease bonus portion calculation - **may** receive extra tax credit at 15%

- Split acres ½ corn and ½ beans unless lease states differently
- Use previous 10-year county average yield/acre for corn and soybeans and 5-year average state prices
- The lease will state the flex threshold that initiates a flex bonus
- Compare threshold to county average yield per acre
- Flex bonus tax credit will be issued if 10-year county average yield is **more** than threshold yield

County Average Yield	Threshold Yield	Available for Tax Credit	Tax Credit at 15%
Corn = 185 bu.	Corn = 174.4	10.6 bu @ $3.67 on 80 acres	$466.82
Beans = 53.7 bu.	Beans = 55	No bu @ 9.27 on 80 acres	$0

Total Flex Bonus Tax Credit = $ 466.82

Total Iowa tax credit = $2,066.82



IADD Tax Credit Maximums

- IADD can allocate a maximum of $12 million annually in tax credits
- Each credit can be carried forward for 10 years but it can not be used on previous years taxes
- Effective 2019, $50,000 maximum amount tax credit per eligible taxpayer may be awarded for any one year, under all agreements

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2021 Beginning Farmer Tax Credit Application Checklist

1. **2021 Applications - will be accepted until August 1, or until all the 2021 tax credit allocation has been awarded – whichever comes first.**
2. **2021 Maximum Net Worth is $686,000. For other beginning farmer eligibility, see pages 8-9.**
3. **2022 Applications**: Applications for leases that begin in 2022 will be required to use the 2022 Application forms which will be posted in January 2022. Do not submit applications after August 1st.
4. **Completed** applications will be processed on first-come/first-completed basis.
5. ***Applicants submitting incomplete applications will be notified by email and will have 30 days to correct and/or submit all missing documents. After 30 days, the application will be withdrawn, and a portion of the application fee may be retained.***

The following items must be provided for the application to be considered complete:

☐ 1. Application fee payable to the Iowa Agricultural Development Division (IADD)

Number of acres leased	Application fee
100 acres or less	$300
More than 100 acres but not more than 250 acres	$400
More than 250 acres	$500

☐ 2. ***Asset Owner (AO) Form***, page 2 OR 3 of this packet - See page 8 of Application Instructions
- **Completed and signed**, typed or printed, for **each** separate taxpayer/owner.
- If the Beginning Farmer is a part owner of the asset, formation articles including a list of all owners and their % of ownership must be included with the application.

☐ 3. ***Beginning Farmer (BF) Form***, page 4 of this packet - See pages 8-9 of Application Instructions
- **Completed and signed** for **each** beginning farmer (must be legible).
- If the Beginning Farmer is an entity, formation articles including a list of all owners and their % of ownership must be included with the application.

☐ 4. ***Beginning Farmer Background Form***, page 5 of this packet
- **Completed and signed** for **each** beginning farmer.

☐ 5. ***Beginning Farmer's Financial Statement***, replace page 6 - See page 9 of Application Instructions
- **Current financial statement must be prepared by financial professional.**
- If there are multiple beginning farmers or the asset is leased by an entity a financial statement for each beginning farmer, partner, shareholder or member must be submitted.

☐ 6. ***Parent/Child Acknowledgement***, page 7 of this packet
- Completed **ONLY** if lease is between beginning farmer and his/her parents or in-laws.

☐ 7. ***2 to 5-year cash rent, crop share or flex lease*** – See pages 10-11 of the Application Instructions
- 1-year lease is not eligible.

☐ 8. ***USDA FSA 156 Form***
- Obtain from local FSA office -See page 9-10 of the Application Instructions
- **Names/number of acres on this form MUST match details on AO/BF forms AND lease.**

Other items may be required *– depending on unique factors of AO/BF, asset being leased, etc.*

Questions: Call Steve Ferguson at 515.452.0467 or email steve.ferguson@iowafinance.com

Application review will begin when ALL application materials are received. Send along with fee to:

IADD
PO Box 7
Adel, IA 50003

Lease Change Requests

- Requests must be received within 30 days of the date the change is executed
- Changes **only beneficial to beginning farmer** will be considered:
  - Reduction of cash rent amount (no increases will be approved)
  - Additional acres can be added to the lease (if tax credit allocation is available)
  - A party has changed their name
  - Asset owner is changed to the owner's surviving spouse, estate or trust upon death
    - Tax credit is not transferable other than to the owner's estate or trust upon owner's death
- Asset owner cannot cancel lease unless stated in lease; beginning farmer can
- $100 Processing Fee
  - No fee required for: Name or address changes or death of an asset owner
- When adding more acres, processing fee is based on number of new acres

Request to Change Lease Information

Iowa Beginning Farmer Tax Credit Program (BFTC)

Below are the ONLY circumstances where a lease and/or project can be changed without needing to submit a new Beginning Farmer Tax Credit (BFTC) application:

1. **Terms of the lease are changing and are more favorable to the Beginning Farmer**
   Including but not limited to the rent being reduced
   Complete page 2 of this packet

2. **Terms of the lease are changed to increase acres to the Beginning Farmer**
   Complete page 3 of this packet

3. **Notification when Asset Owner or Beginning Farmer has changed their name**
   Complete page 4 of this packet

4. **Upon Asset Owner's death, ownership is changed to surviving spouse**
   Complete page 5 of this packet

5. **Upon Asset Owner's death, ownership is transferred to estate**
   Complete page 6 of this packet

6. **Upon the Asset Owner's death, ownership is transferred to a Trust**
   Complete page 7 of this packet

7. **All other changes to a BFTC project will require a new application**
   See Beginning Farmer Tax Credit Application and Checklist at IowaFinance.com

NOTE:

- An existing lease may be terminated by either the asset owner or the beginning farmer as provided in the lease or by law.
- The Asset Owner must notify IFA in writing of the termination within 30 days either by letter or email.

Questions: Contact the IADD office at 515.452.0467 or email IADD@IowaFinance.com

Mail respective forms, documents and fees to:

Iowa Agricultural Development Division
1963 Bell Avenue, Suite 200
Des Moines, IA 50315

Request to Change Lease Terms Favorable to Beginning Farmer

Iowa Beginning Farmer Tax Credit Program (BFTC)

For IFA Office Use Only

_____ Project Number Date of Request Received at IADD _____

_____ Date of original application $100 paid by _____ Date_____

☐ Complete, sign and submit this form within 30 days of lease changes

☐ Attached the new signed lease if switching from cash rent lease to flex lease

☐ $100 processing fee to:

Iowa Agricultural Development Division
1963 Bell Avenue, Suite 200
Des Moines, IA 50315

Asset Owner	**Beginning Farmer**
Name/s _____	Name/s _____
Address _____	Address _____
City _____State____ Zip_____	City _____ State ____ Zip _____
Email address _____	Email address _____
Telephone _____	Telephone _____

Explain Lease Amendments Requested

Any lease adjustments must be favorable to the Beginning Farmer

	Current	Changing to	Start Date	End Date
A. Reduce cash rent	_____	_____	_____	_____
B. Reduce acres leased *If acres are being increased, go to page 3*	_____	_____	_____	_____
C. Switch to/from cash rent	_____	_____	_____	_____
D. Increase BF % crop share	_____	_____	_____	_____
E. Other (must benefit BF)	_____	_____	_____	_____

Signatures Confirming Parties Agree to Amendment/s Requested

Asset Owner/s	Date	Beginning Farmer/s	Date
_____	_____	_____	_____
Asset Owner/s	Date	Beginning Farmer/s	Date

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Beginning Farmer Loan Program

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Beginning Farmer Loan Uses

- **Purchase**
  - Agricultural land
  - Depreciable machinery or equipment
  - Breeding livestock-not feeders
- **Make improvements**
  - Existing buildings
  - New farm improvements
- **Cannot finance**
  - Operating expenses
  - Refinance previous purchases

Beginning Farmer Loan Program

- IFA issues a tax-exempt bond to facilitate financing purchase of ag assets

- Lender or contract seller provides financing at reduced interest rate because interest they receive is tax-exempt
  - **Bank interest** is exempt from federal income taxes
  - **Contract seller interest** is exempt from both federal **AND** state income taxes
  - Typically, lenders and contract sellers reduce the interest rate around 20-25% when using the IADD Beginning Farmer Loan Program

- Beginning farmer negotiates loan terms and interest rate with bank or contract seller

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Other BFLP Factors

- Purchases from closely related family members (parents, grandparents or siblings) are permitted but:
  - Must be financed through a 3rd party lender (***no contract sales***)
  - Must be sold for at least the appraised value

- Contract sale allowed if not immediate family
  - Can purchase on contract from aunts, uncles, cousins, etc.

- Beginning farmer cannot own, or previously owned, more acres than 30% of the county median acres *(listed on IADD website)*
  - Proposed Federal legislation would change the maximum land ownership from 30% of the county median to 30% of the county average.

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Beginning Farmer Loan Program Maximum Landownership
30% County Median Farm (Acres)

Effective April 11, 2019

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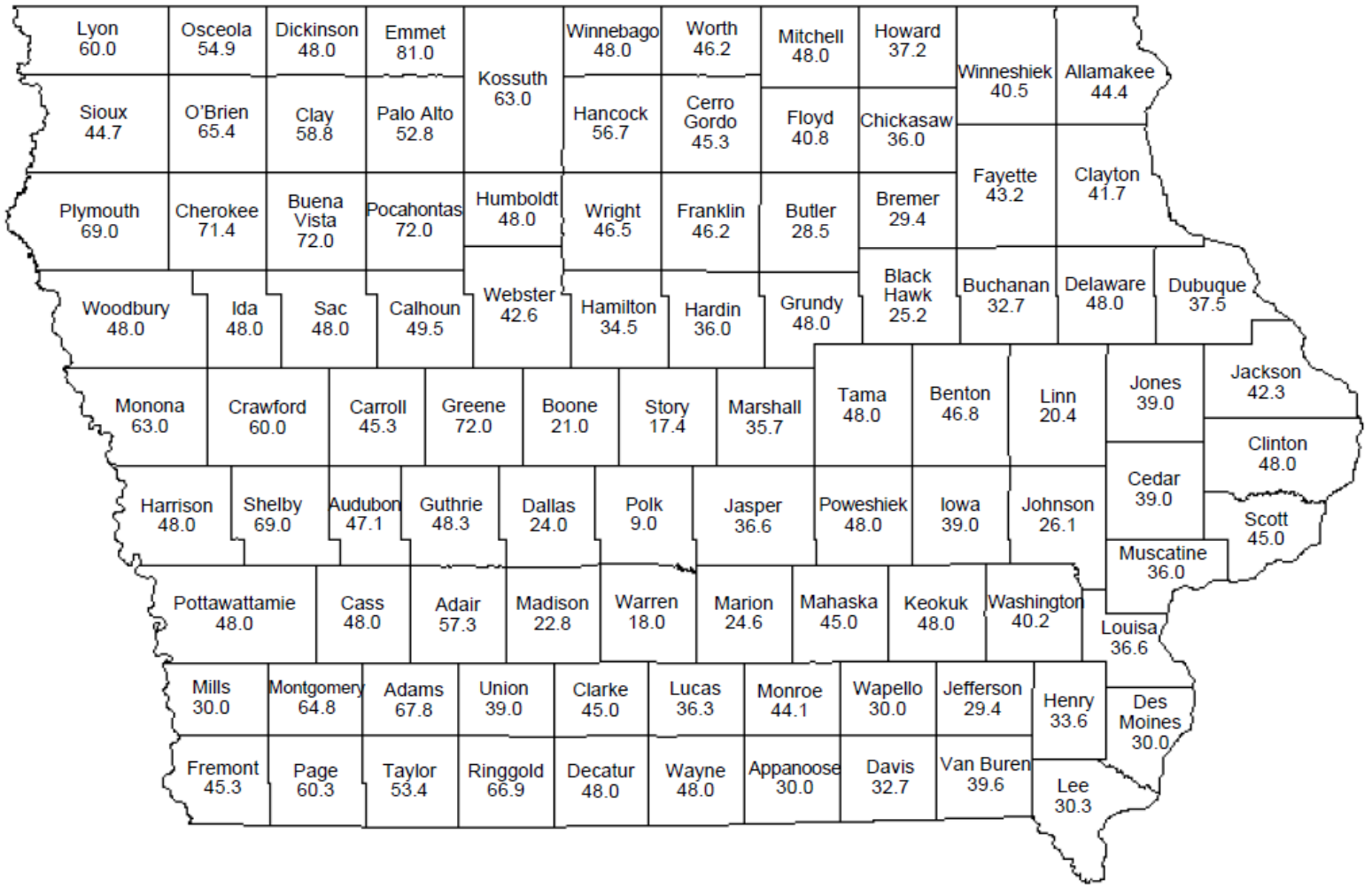

Maximum Bond Amounts

Maximum bond amount - adjusts annually on January 1

- $558,000 for real estate (2021 maximum)
- $250,000 for existing buildings or farm improvements and new depreciable agricultural property
- $ 62,500 for "used" depreciable agricultural property
- Proposed Federal legislation would increase all maximums to maximum bond amount

Restrictions

- 5% of bond proceeds maximum for dwelling
- 25% of bond proceeds maximum for CRP ground
- Combination of the above can be used up to maximum bond

Other BFLP Factors

- May reapply and use the program until:
  - Net worth exceeds the program maximum
  - Have used maximum bond amount, OR
  - Land owned exceeds 30% of the county median limit

- If eligible, may use down payment financing with:
  - Farm Service Agency (FSA) loan programs
  - IADD Loan Participation Program (LPP)
    - only when financed through a bank

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Using the BFLP and FSA 5/45/50 Together

% of Project	Funding Source	Total	Interest Rate	1st year Interest
5% of project	Down payment	$ 55,800		
45% of project	FSA Loan	$ 502,200	1.50%	$7,533
50% of project	BFLP Aggie Bond	$ 558,000	4.00%	$22,320
		$1,116,000		**$29,853**

% of Project	Funding Source	Total	Interest Rate	1st year Interest
5% of project	Down Payment	$ 55,800		
95% of project	Traditional Loan	$1,060,200	5.33%	$56,509
		$1,116,000		**$56,509**

$26,656 Interest Savings in the first year

Example of Savings Using the Beginning Farmer Loan Program

5.33% Interest
Loan Amortization Schedule

Loan Information		Summary	
Loan Amount	558,000.00	Rate (per period)	5.330%
Annual Interest Rate	5.33%	Number of Payments	30
Term of Loan in Years	30	Total Payments	1,130,264.25
First Payment Date	1/1/2022	Total Interest	572,264.25
Payment Frequency	Annual	Est. Interest Savings	(0.06)
Compound Period	Annual		
Payment Type	End of Period		
Annual Pavment	**37.675.47**		

4.00% Interest
Loan Amortization Schedule

Loan Information		Summary	
Loan Amount	558,000.00	Rate (per period)	4.000%
Annual Interest Rate	4.00%	Number of Payments	30
Term of Loan in Years	30	Total Payments	968,075.71
First Payment Date	1/1/2022	Total Interest	410,075.71
Payment Frequency	Annual	Est. Interest Savings	0.15
Compound Period	Annual		
Payment Type	End of Period		
Annual Pavment	**32.269.20**		

	5.33% Interest	4.00% Interest	Total Savings using BFLP
Loan Amount	$ 558,000	$ 558,000	
Total Interest	$ 572,264	$ 410,076	$162,188
Annual P&I Payments	$ 37,675	$ 32,269	$ 5,406
Total P&I Payments	$1,130,264	$ 968,076	**$162,188**

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Financing a Livestock Facility With Contract Feeding

- Contract must be on a per head/per day basis
- Per head/per day contract must be maintained for the life of the loan
- Most integrators are willing to adjust contract when they realize it is a financing requirement
- Program cannot be used for any type of rental: federal restriction is to distinguish between
  - Rental agreement (per pig space) – not eligible
  - Service agreement (per head/per day) – eligible

Other Provisions and Fees

- Applications can be approved if bank loan or contract transaction is already completed:
  - **BUT** must be approved by IADD-IFA boards within 60 days of any financing
- Non-refundable $100 application fee
- Closing fee paid on closing day
  - 1.50% of bond
  - $300 minimum
- Closing fee is paid when loan closes

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Loan Participation Program

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Benefits and Loan Terms

- Reduces the lender's risk:
  - IFA takes last-in/last-out funding position
  - Allows lender to finance more beginning farmer projects and assist with down payment funds
- Maximum amount – 30% of cost, up to $200,000
- Interest rate – will be locked at time of approval
  - 3.25% Fixed interest rate
  - Effective annually on **February 1st**– Interest rate will be equal to Wall Street Prime as of January 1st
  - Interest rate will be fixed for the 10-year balloon term
- 10-year balloon – amortization depends on purpose:
  - Land = 20 years unless using FSA program then 30 years
  - Facilities = 12 years
  - Machinery & breeding livestock depend on useful life
- No restrictions on related party transactions

LPP Underwriting criteria

- Current assets to current liabilities > 1.1
- Farm debt-to-asset ratio < 80% at closing
- Debt service coverage > 120%
- Beginning farmer off-farm income < 50% of projected gross income
- Loan-to-value < 100% of appraised value
  - Collateral appraisals by qualified 3rd party appraiser
  - Property not eligible if house value > 50% of appraisal
- Applicant not meeting underwriting criteria may still be approved, subject to providing a guaranty or additional capital injection that could correct the ratios

Other Provisions and Fees

- Applications can be approved if:
  - Bank loan has been completed and closed
  - **BUT** IADD-IFA board must approve application within 60 days of any financing
- $100 – Non-refundable application fee
- Closing fee paid on closing day
  - 1.50% of IADD participation loan
  - $300 minimum

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Using the LPP and BFLP Together for Hog Facility Construction

% of Project	Funding Source	Total	Interest Rate	1st year Interest
30% of project	LPP Loan	$200,000	3.25%	$6,500
F.I. Limit	BFLP Aggie Bond	$250,000	4.00%	$10,000
Remaining	Traditional Loan	$300,000	5.33%	$15,990
12 year amort.		**$750,000**		**$32,490**

% of Project	Funding Source	Total	Interest Rate	1st year Interest
100% of project	Traditional Loan	**$750,000**	**5.33%**	**$39,975**

$7,485 Interest Savings in the first year

Example of Savings Using the Loan Participation Program

5.33% Interest Loan Amortization Schedule			
Loan Amount	$200,000	Number of Payments	12
Annual Interest Rate	5.33%	Total Payments	$275,843.93
Term of Loan in Years	12	Total Interest	$75,843.92
Annual Payment	$22,986.99	Balloon Payment	None

3.25% Interest Loan Amortization Schedule			
Loan Amount	$200,000	Number of Payments	10
Annual Interest Rate	3.25%	Total Payments	$242,815.67
Term of Loan in Years	12	Total Interest	$42,815.67
Annual Payment	$20,393.44	Balloon Payment	$59,274.71

	5.33% Interest	3.25% Interest	Total Savings using LPP
Loan Amount	$200,000	$200,000	
Total Interest	$75,844	$42,816	**$33,028**
Annual P&I Payments	$22,987	$20,393	**$ 2,594**
Total P&I Payments	$275,844	$242,816	**$33,028**

Using an FSA Guarantee in Conjunction with IADD Loan Programs

Example: Financing the construction of a 2,400 Hd Hog Facility = $750,000

Project Cost	Fees
$200,000 - Loan Participation Program (LPP)	$100 app fee + 1.50% of LPP
$250,000 - Beginning Farmer Loan Program (BFLP)	$100 app fee + 1.50% of BFLP
$300,000 - Bank loan with FSA Guarantee	Waived for using LPP or BFLP
$750,000	

- **FSA Guarantee** can be obtained on the remaining financing
  - Guarantee would be on bank loan only – Not the LPP or BFLP loan
- FSA normally charges a guarantee fee of 1.50% of the guaranteed portion
- When using either IADD Loan program the FSA guarantee fee is waived
- For more information on FSA's programs and eligibility requirements visit: www.fsa.usda.gov/FSA

Likely Timeline for IADD Loan Programs
Typically 5-6 Weeks

- **Application:**
  - Reviewed, evaluated and finalized by IADD staff
  - Considered by IADD Board Credit Committee (LPP only)
  - Approved by IADD and IFA boards

- **Loan closing:** (*Interim financing is allowed)*
  - IADD coordinates with bank on closing documents
  - For BFLP – the promissory note is assigned to bank at time of closing, so the loan is funded by the lender
  - For LPP – the loan funds are sent to bank via ACH

- **Throughout loan term:**
  - Beginning farmer makes payments directly to the bank
  - For the LPP – the bank sends the LPP portion to IADD when payment is made

IOWA FINANCE AUTHORITY

DNR Lease to Beginning Farmer Program

IOWA AGRICULTURAL DEVELOPMENT DIVISION

DNR Lease to Beginning Farmer Program

- Provides leasing opportunities to Iowa beginning farmers
- Iowa Department of Natural Resources (DNR) required to lease available land to eligible Iowa beginning farmers
- IADD must certify that beginning farmer is eligible
  - Same eligibility requirements as other IADD programs
- For more information on the program, contact DNR

IOWA FINANCE AUTHORITY

Overview of IADD Programs

IOWA AGRICULTURAL DEVELOPMENT DIVISION

Opportunities and Benefits

For Asset Owners, Lenders and Beginning Farmers

Program	Beginning Farmer Benefits	Asset Owner or Lender
Tax Credit Program	• Opportunity to lease and expand operation	• Reduce Iowa Income Taxes
Beginning Farmer Loan Program (BFLP)	• Lower interest rates • Expand farming operation • New financing option	Contract Seller: • Interest federal/state tax exempt Lender: • Interest is federally tax-exempt • Loans qualify under CRA • Can be used with FSA programs
Loan Participation Program (LPP)	• Lower interest on down payment assistance	• Competitive lending rates • Reduce lender's risk

REVIEW
Beginning Farmer Eligibility Factors
For all IADD Programs

- Do not have FSA requirement of >3 years and <10 years
- 2021 maximum net worth: less than $686,000
  - This amount changes every year
- At least 18 years old (No upper age limit)
- Resident of Iowa
- All beginning farmer applicants must:
  - Be owner or operator of the farm--cannot lease to or hire someone else to do the work
  - Have sufficient education, training and experience for the anticipated farm operation
  - Have access to adequate working capital, farm machinery, livestock and/or ag land

Contact Us

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Let us know if you would like us to provide a presentation for you.

Making a Dream a Reality

Getting started on your own in farming requires capital, and that can be a challenge. The Beginning Farmer Loan Program enables beginning farmers, like Jeremiah Gingerich, to purchase necessary land with a low interest rate.

Home on the Farm

The Beginning Farmer Tax Credit program has been a valuable resource for landlords and tenants since 2007. Brian Kautzky is proud about the program allowing him and his brothers to return to the family farm.