



# IOWA AGRICULTURAL DEVELOPMENT DIVISION (IADD) LOAN PARTICIPATION PROGRAM (LPP) FAQ's

## General Questions

### 1. What activities will the LPP finance?

- A. The program may only be used for new purchases, including agricultural land, depreciable machinery or equipment, breeding livestock and buildings; or to improve existing buildings or farmland. The LPP may NOT be used to refinance existing debt.

### 2. What is the risk to the lender?

- A. The lender's risk is reduced because the program enables the IADD to provide a "last-in/last-out" loan participation for the financial institution.

### 3. Can I participate in both the BFLP and LPP programs?

- A. Yes, farmers who meet the qualifications for both the Loan Participation Program and the IADD Beginning Farmer Loan Program can participate in both programs simultaneously. It is NOT a requirement to qualify for the Beginning Farmer Loan Program in order to obtain Loan Participation.

### 4. What is the interest rate on LPP loans?

- A. Effective each year on February 1, the interest rate will be equal to Wall Street Journal Prime as of January 1. The rate will lock at the time of IADD approval and be fixed for the full 10 year term.

### 5. What is the maximum loan amount?

- A. Maximum participation amount is the lesser of: Thirty percent (30%) of the purchase price; or \$200,000.

### 6. Does IADD take a second mortgage on the property being financed?

- A. IADD will actually share a first mortgage with the bank.
- B. If the loan would ever be in a liquidation process the payment priority, bank first and IADD last, is clarified in the Loan Participation Certificate and Agreement document.

### 7. How is the closing for handled when the project is to construct a facility?

- A. The bank would do an initial construction note or line of credit for the full project cost and then when the project is complete and the final appraisal is done the bank can then request the closing and funding on the IADD Loan Participation.



**Please direct Beginning Farmer Loan Program questions to:**

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