



Beginning Farmer Loan and Tax Credit Programs

IOWA AGRICULTURAL DEVELOPMENT DIVISION

Iowa Finance Authority

Iowa Agricultural Development Division Staff



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Presentation Overview

Purpose:

- Improve awareness of all IADD beginning farmer programs and review how they can work in conjunction with FSA programs

Topics and Programs:

- Eligibility and application process
- Beginning Farmer Tax Credit Program
- Beginning Farmer Loan Program
- Loan Participation Program
- DNR Lease to Beginning Farmer Program – Administered by DNR

Presentation available at IowaFinance.com



Who is a Beginning Farmer?

For ALL IADD Programs

Net worth less than
\$901,000
(2026 maximum)

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

NO restriction on
number of operating
years

Do not have FSA
requirement of >3
years and <10
years



Application Process

For ALL IADD Programs

- Obtain application at [IowaFinance.com](https://www.iowafinance.com)
- Contact your ag lender and/or FSA officer to prepare a current financial statement (less than 30 days old) and assist with application (if needed)
- Mail all items listed on instructions, including required signatures
- Staff will review and request any missing items to finalize application, so it is Board ready
- Applications are presented to the IADD and IFA Boards for review and action

Application Packets

For ALL IADD Programs

- **IADD Program Application**
 - Fully completed and signed
- **Financial statement**
 - Less than 30 days old and prepared by a financial professional
- **Beginning Farmer Background Form** or letter describing:
 - 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)
- **Application fee**
 - Send with application packet
- **Other documents** may be required depending on the program you are using



Approval Procedures

Apply



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graph TD; A[Apply] --> B[Board Approval]; B --> C[Follow-up];
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Send application and fee to Iowa Finance Authority

- Obtain applications at IowaFinance.com
- IADD staff will review and finalize applications
- IADD Board reviews and recommends approval to IFA Board

Board
Approval

After board meeting

- Board decision letter sent

Follow-up

Follow-up after approval, in most cases, no follow-up is needed

- Provide address and telephone changes to IADD
- Submit change request when changes are desired
- Explore potential and benefits of applying for other IADD programs



Beginning Farmer Tax Credit Program (BFTC)

IOWA AGRICULTURAL DEVELOPMENT DIVISION
Iowa Finance Authority

Beginning Farmer Tax Credit Program

- **Barrier served: Access to land**
 - Encourages agricultural asset owners to lease their land, equipment and/or buildings to qualified beginning farmers
- Provides asset owner a tax credit on state of Iowa income taxes
 - **5% on cash rent**
 - **15 on crop share**
 - **15% on flex lease**
- Tax credits (all years) allocated the year application is approved
- Tax credit certificates will be issued annually through lease term
- Allocation is \$12 million annually



Application Requirements

All information MUST
be the same on:

BFTC Application

- Must be submitted before August 1st
- Application Fee must be included
- Fee is based on a combination of the number of acres and term of the lease

Lease

- Must be 2-5 years in length
- All parties involved with lease must be listed and sign lease

FSA 156 Form


- Confirms farm location, acres, ownership and operator
- Beginning farmer must be listed as operator

BFTC Program Requirements


Lease term must be between 2-5 years



Can re-apply, but asset owner limited to 15 years in the program

- When re-applying - 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
 - Cash rent lease value cannot be more than 30% above county average cash rent
 - Per ISU survey
- 

Flex lease risk-sharing factors:

- Will be calculated on an equation adopted by rule by the Authority
- 

Lease can be with closely related family members

- Parents can lease to their children

30% Above the County Average Cash Rental Rate

- Source: 2025 Iowa State Extension Cash Rental Rate Survey
 - For 2026 BFTC Applications
- Rents in “red” have decreased while rents in “black” have increased

County	Average Cash Rent	30% Above Average
Adair	\$230	\$299
Adams	\$254	\$330
Allamakee	\$281	\$365
Appanoose	\$188	\$244
Audubon	\$283	\$370
Benton	\$283	\$370
Black Hawk	\$289	\$376
Boone	\$290	\$377
Bremer	\$317	\$412
Buchanan	\$269	\$350
Buena Vista	\$288	\$374
Butler	\$282	\$367
Calhoun	\$275	\$358
Carroll	\$299	\$389
Cass	\$254	\$330
Cedar	\$276	\$359
Cerro Gordo	\$262	\$341
Cherokee	\$317	\$412
Chickasaw	\$299	\$389
Clarke	\$209	\$272
Clay	\$267	\$347
Clayton	\$277	\$360
Clinton	\$275	\$358
Crawford	\$316	\$411
Dallas	\$306	\$398
Davis	\$234	\$304
Decatur	\$187	\$243
Delaware	\$300	\$390
Des Moines	\$254	\$330
Dickinson	\$247	\$321
Dubuque	\$330	\$429
Emmet	\$244	\$317
Fayette	\$270	\$351
Floyd	\$247	\$321
Franklin	\$293	\$381
Fremont	\$254	\$330
Greene	\$279	\$363
Grundy	\$303	\$394
Guthrie	\$255	\$332
Hamilton	\$270	\$351
Hancock	\$273	\$355
Hardin	\$281	\$365
Harrison	\$294	\$382
Henry	\$281	\$365
Howard	\$271	\$352
Humboldt	\$285	\$371
Ida	\$323	\$420
Iowa	\$271	\$352
Jackson	\$255	\$332
Jasper	\$275	\$358

County	Average Cash Rent	30% Above Average
Jefferson	\$251	\$326
Johnson	\$282	\$367
Jones	\$287	\$373
Keokuk	\$242	\$315
Kossuth	\$282	\$367
Lee	\$288	\$374
Linn	\$323	\$420
Louisa	\$253	\$329
Lucas	\$169	\$220
Lyon	\$310	\$403
Madison	\$228	\$296
Mahaska	\$228	\$296
Marion	\$251	\$326
Marshall	\$288	\$374
Mills	\$276	\$359
Mitchell	\$287	\$373
Monona	\$333	\$433
Monroe	\$188	\$244
Montgomery	\$255	\$332
Muscatine	\$257	\$334
O'Brien	\$305	\$397
Osceola	\$295	\$384
Page	\$237	\$308
Palo Alto	\$271	\$352
Plymouth	\$287	\$373
Pocahontas	\$288	\$374
Polk	\$267	\$347
Pottawattamie	\$283	\$370
Poweshiek	\$266	\$346
Ringgold	\$237	\$308
Sac	\$304	\$395
Scott	\$284	\$369
Shelby	\$282	\$367
Sioux	\$339	\$441
Story	\$289	\$374
Tama	\$302	\$393
Taylor	\$253	\$329
Union	\$235	\$306
Van Buren	\$208	\$270
Wapello	\$234	\$304
Warren	\$266	\$346
Washington	\$297	\$386
Wayne	\$177	\$230
Webster	\$296	\$385
Winnebago	\$283	\$370
Winneshiek	\$281	\$365
Woodbury	\$300	\$390
Worth	\$250	\$325
Wright	\$272	\$354

Calculating Cash Rent Tax Credit

160 tillable acres cash rented at \$300 per acre

Gross lease income: $160 \times \$300 = \$48,000$

Iowa income tax credit at 5% = \$2,400

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






Crop Share Tax Credit Calculation Method

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 receives



Calculating Crop Share Tax Credit

160 tillable acres in Jasper County

Allocating $\frac{1}{2}$ corn and $\frac{1}{2}$ soybeans with 50/50 crop share

- 80 acres corn x 202.2 bu/acre x \$4.78 x 50% x 15% = \$5,799.10
 - Total corn crop = 16,176 bushels; Owner's share = 8,088 bu.
- 80 acres soybeans x 58.4 bu/acre x \$10.99 x 50% x 15% = \$3,850.90
 - Total soybean crop = 4,584 bushels; Owner's share = 2,292 bu.

Total Iowa tax credit = \$9,650.00
Rounded to nearest dollar = \$9,650

Calculation based on:

- County's 10-year average T-yields (eliminating highest and lowest yields)
- 5-year average state prices (eliminating highest and lowest prices)



Calculating Flex Leases

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

Cash rent – 160 acres cash rent at \$300 per acre x 5% **= \$2,400.00**

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

- Split acres ½ corn and ½ soybean 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 **ONLY** be issued if 10-year county average yield is more than threshold yield

County Average Yield	Threshold Yield	Available for Tax Credit	Tax Credit 15%
Corn = 202.2 bu.	Corn > 175 bu.	27.2 bu. @ \$4.78 on 80 acres	\$1,560.19
Soybeans = 58.4 bu.	Beans > 59 bu.	No bu. @ \$10.99 on 80 acres	\$0

Flex Bonus

Tax Credit = **\$1,560.19**

Total Iowa tax credit = \$3,960.19

Rounded to nearest dollar = \$3,960.00

Flex Lease Variable Factors

- **When a flex lease bonus can be calculated the asset owner will receive a 5% tax credit on the cash rent base and a 15% credit on the flex lease portion**
- **When a flex lease includes variable factors that cannot be calculated, the asset owner will receive a 5% tax credit on the cash rent base and will forfeit the 15% credit on the flex lease portion**
 - The total award for all years of the tax credit is awarded in the year the tax credit is approved, therefore any flex leases with variable factors that prevent IADD from calculating the flex bonus portion will NOT receive a 15% tax credit on the flex lease portion
 - The asset owner will need to sign an “Acknowledgement to Forfeit Flex Lease Bonus” Form to ensure they understand no tax credit will be issued on the flex portion with variable factors
 - This does not change the lease, the flex lease agreement is still binding, and all payments and bonuses will be paid according to the lease, but the tax credit will be calculated on the cash rent base only and they won’t receive an additional tax credit on the flex lease portion



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
- \$50,000 maximum tax credit per lease per year

Beginning Farmer Tax Credit Application Checklist

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

Acres	2 year lease	3 year lease	4 year lease	5 year lease
100 or Less	\$300	\$350	\$400	\$450
101 to 250	\$400	\$450	\$500	\$550
251 or More	\$500	\$550	\$600	\$650

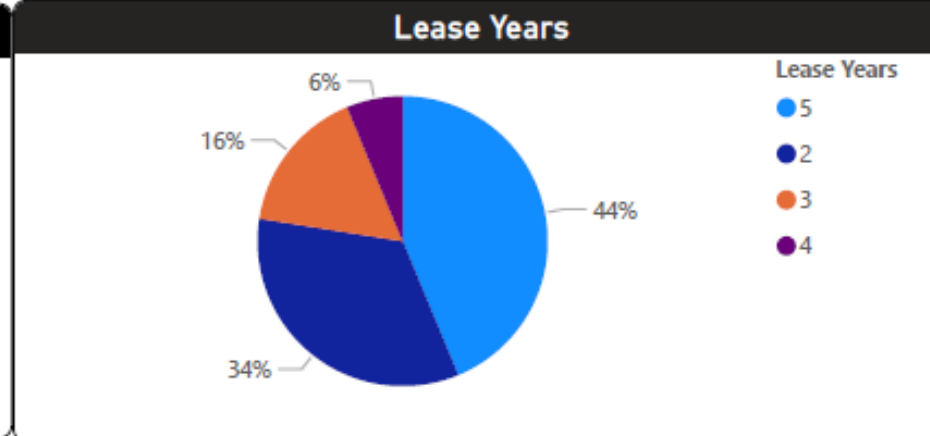
2. Asset Owner (AO) Form
3. Beginning Farmer (BF) Form
4. Beginning Farmer Background Form or Letter
5. Beginning Farmer's Financial Statement
6. 2-5 year lease
7. FSA 156 Form
8. Parent/Child Acknowledgement (if applicable)
9. Acknowledgement to Forfeit Flex Lease Bonus (if applicable)

Lease Change Requests

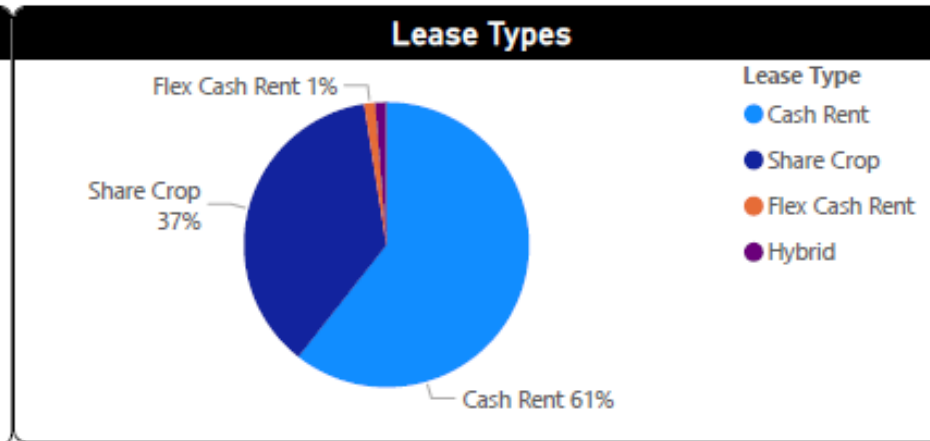
- **Requests must be received within 30 days of the date the change is executed**
- **Only changes beneficial to beginning farmer will be considered:**
 - Reduction of cash rent amount (no increases will be approved)
 - Additional acres can be added to the lease (if tax credit allocation is available)
 - A party has changed their name
 - Asset owner is changed to the owner's joint-owner 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**

Beginning Farmer Tax Credit New Applications Summary 2025 Annual Report

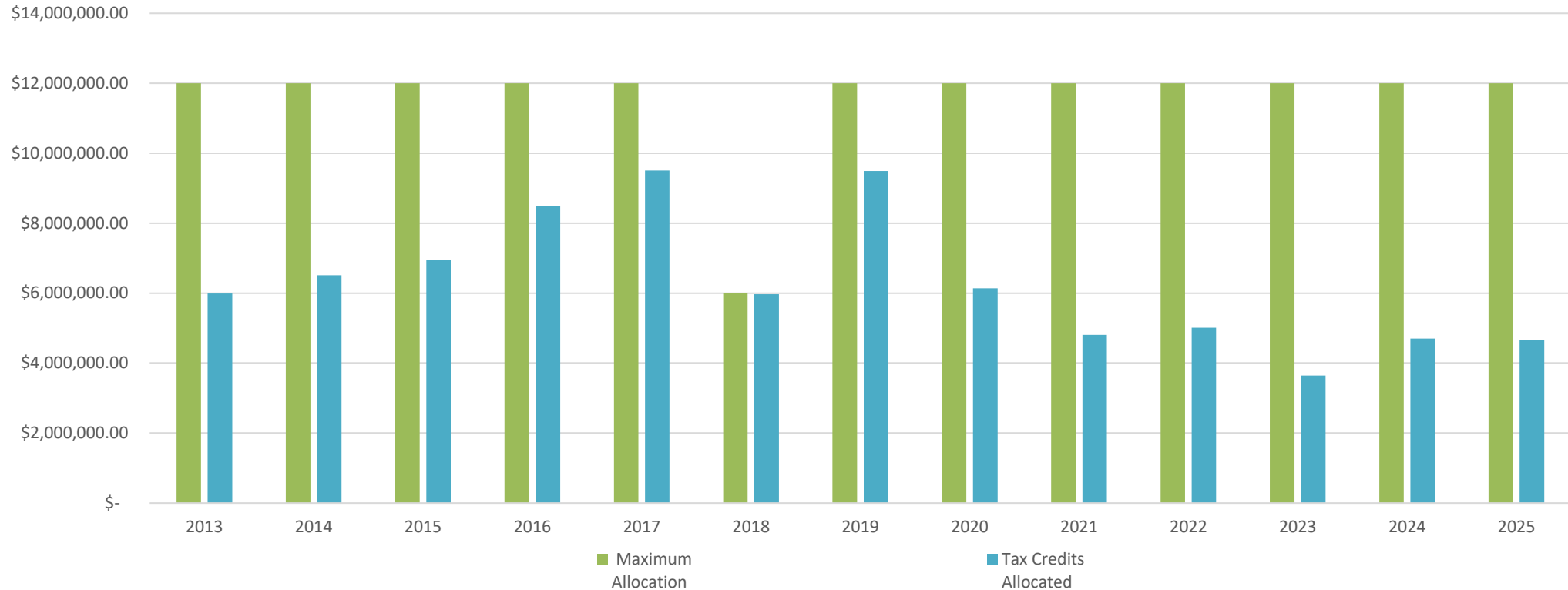
Lease Years		
Count	\$ Volume	Lease Years
54	\$480,931	2
26	\$625,408	3
10	\$453,139	4
70	\$3,090,076	5
160	\$4,649,554	



Lease Types		
Count	\$ Volume	Account Lease Type
97	\$849,914	Cash Rent
2	\$8,980	Flex Cash Rent
2	\$220,515	Hybrid
59	\$3,570,145	Share Crop
160	\$4,649,554	



Beginning Farmer Tax Credit Program



2017 – BFTC Sunset dropped maximum to \$6 million for BFTC and eliminated the Custom Farming Tax Credit

2018 - \$6 million already allocated for BFTC – NO new applications accepted in 2018

2019 – Allocation was increased to \$12 million and changed from tax credits issued to tax credits awarded (all years of lease)



Beginning Farmer Loan Program

IOWA AGRICULTURAL DEVELOPMENT DIVISION
Iowa Finance Authority

Beginning Farmer Loan Program



- **Barrier served: Access to capital**
 - Allows lenders and contract sellers to finance beginning farmers at reduced interest rates
- **IFA issues a tax-exempt bond to facilitate financing the purchase of agricultural assets**
- **Interest income is tax-exempt**
 - **Bank interest**
 - Exempt from federal income taxes
 - **Contract seller interest**
 - Exempt from both federal AND state income taxes
 - Typically, lenders and contract sellers reduce the interest rate around 20-25% when using the program
- **Beginning farmer negotiates loan terms and interest rate with bank or contract seller**

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



Maximum Bond Amounts

Maximum bond amount - adjusts annually on January 1

\$682,700
Real Estate
(2026 limit)

\$250,000
Existing Buildings or
farm improvements and
new depreciable ag property

\$62,500
“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 amount

Other BFLP Eligibility 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 sales allowed if not immediate family

- Can purchase on contract from aunts, uncles, cousins, etc.

Beginning farmer cannot own, or have previously owned, more acres than 30% of the county median acres (listed on IADD website)

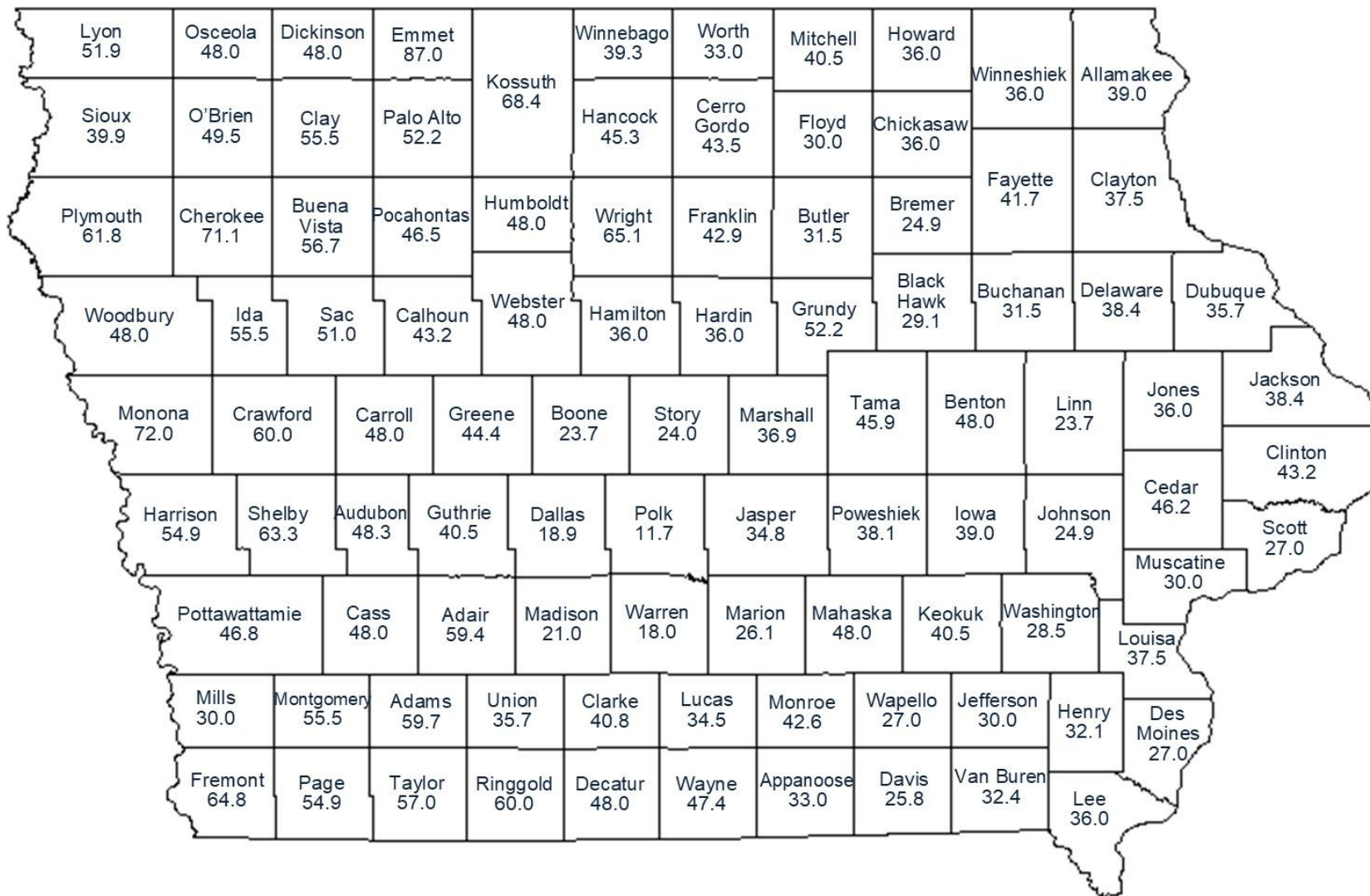
- Proposed Federal legislation would change the maximum land ownership from 30% of the county median to 30% of the county average.



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

Effective February 13, 2024

Source: 2022 Census of Agriculture



IOWA

30% OF MEDIAN FARM TO 30% OF AVERAGE FARM

PENDING FEDERAL LEGISLATION CHANGE

Source: 2022 Census of Agriculture

COUNTY	30% Median	30% Average	Difference
Adair	59.4	139.5	80.1
Adams	59.7	144.6	84.9
Allamakee	39.0	88.2	49.2
Appanoose	33.0	94.8	61.8
Audubon	48.3	129.6	81.3
Benton	48.0	103.8	55.8
Black Hawk	29.1	89.4	60.3
Boone	23.7	99.3	75.6
Bremer	24.9	71.7	46.8
Buchanan	31.5	96.9	65.4
Buena Vista	56.7	125.1	68.4
Butler	31.5	92.4	60.9
Calhoun	43.2	120.3	77.1
Carroll	48.0	96.6	48.6
Cass	48.0	131.1	83.1
Cedar	46.2	120.6	74.4
Cerro Gordo	43.5	126.3	82.8
Cherokee	71.1	120.6	49.5
Chickasaw	36.0	81.3	45.3
Clarke	40.8	82.2	41.4
Clay	55.5	126.0	70.5
Clayton	37.5	79.2	41.7
Clinton	43.2	92.4	49.2
Crawford	60.0	138.6	78.6
Dallas	18.9	95.7	76.8
Davis	25.8	68.1	42.3
Decatur	48.0	104.4	56.4
Delaware	38.4	69.3	30.9
Des Moines	27.0	69.0	42.0
Dickinson	48.0	110.4	62.4
Dubuque	35.7	61.5	25.8
Emmet	87.0	160.5	73.5
Fayette	41.7	94.5	52.8

COUNTY	30% Median	30% Average	Difference
Floyd	30.0	91.5	61.5
Franklin	42.9	118.2	75.3
Fremont	64.8	171.9	107.1
Greene	44.4	126.0	81.6
Grundy	52.2	143.7	91.5
Guthrie	40.5	107.4	66.9
Hamilton	36.0	143.1	107.1
Hancock	45.3	117.9	72.6
Hardin	36.0	119.4	83.4
Harrison	54.9	138.6	83.7
Henry	32.1	84.3	52.2
Howard	36.0	102.6	66.6
Humboldt	48.0	115.5	67.5
Ida	55.5	138.6	83.1
Iowa	39.0	106.2	67.2
Jackson	38.4	77.4	39.0
Jasper	34.8	114.6	79.8
Jefferson	30.0	93.3	63.3
Johnson	24.9	64.2	39.3
Jones	36.0	96.9	60.9
Keokuk	40.5	95.7	55.2
Kossuth	68.4	130.8	62.4
Lee	36.0	83.4	47.4
Linn	23.7	71.7	48.0
Louisa	37.5	94.8	57.3
Lucas	34.5	89.4	54.9
Lyon	51.9	93.3	41.4
Madison	21.0	82.5	61.5
Mahaska	48.0	103.8	55.8
Marion	26.1	76.2	50.1
Marshall	36.9	111.3	74.4
Mills	30.0	140.4	110.4
Mitchell	40.5	96.3	55.8

COUNTY	30% Median	30% Average	Difference
Monona	72.0	182.1	110.1
Monroe	42.6	95.4	52.8
Montgomery	55.5	146.4	90.9
Muscatine	30.0	81.6	51.6
O'Brien	49.5	91.5	42.0
Osceola	48.0	106.2	58.2
Page	54.9	137.1	82.2
Palo Alto	52.2	128.4	76.2
Plymouth	61.8	126.9	65.1
Pocahontas	46.5	118.2	71.7
Polk	11.7	69.9	58.2
Pottawattamie	46.8	140.4	93.6
Poweshiek	38.1	109.2	71.1
Ringgold	60.0	152.7	92.7
Sac	51.0	119.7	68.7
Scott	27.0	85.2	58.2
Shelby	63.3	117.9	54.6
Sioux	39.9	87.3	47.4
Story	24.0	84.0	60.0
Tama	45.9	102.3	56.4
Taylor	57.0	149.4	92.4
Union	35.7	109.5	73.8
Van Buren	32.4	92.4	60.0
Wapello	27.0	86.1	59.1
Warren	18.0	64.2	46.2
Washington	28.5	76.2	47.7
Wayne	47.4	132.0	84.6
Webster	48.0	117.9	69.9
Winnebago	39.3	108.3	69.0
Winneshiek	36.0	76.8	40.8
Woodbury	48.0	139.8	91.8
Worth	33.0	90.9	57.9
Wright	65.1	151.2	86.1
State Averages	39.0	103.5	64.5

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



Using the BFLP and FSA 5/45/50 Together

% of Project	Funding Source	Total	Interest Rate	1 st year Interest
5% of project	Down payment	\$ 50,929		
45% of project	FSA Loan	\$ 300,150	1.50%	\$ 4,502
50% of project	BFLP Aggie Bond	\$ 667,500	5.81%	\$ 38,782
		\$ 1,018,579		\$ 43,284

% of Project	Funding Source	Total	Interest Rate	1 st year Interest
5% of project	Down Payment	\$ 50,929		
95% of project	Traditional Loan	\$ 967,650	7.75%	\$ 74,923
		\$ 1,018,579		\$ 74,923

\$31,639 Interest Savings in the first year

Example of Savings Using the Beginning Farmer Loan Program

7.75% Interest Loan Amortization Schedule

Loan Information		Summary	
Loan Amount	667,500.00	Rate (per period)	7.750%
Annual Interest Rate	7.750%	Number of Payments	30
Term of Loan in Years	30	Total Payments	1,736,982.65
First Payment Date	1/1/2025	Total Interest	1,069,482.65
Payment Frequency	Annual	Est. Interest Savings	(0.28)
Compound Period	Annual		
Payment Type	End of Period		

Annual Payment 57,899.41

5.81% Interest Loan Amortization Schedule

Loan Information		Summary	
Loan Amount	667,500.00	Rate (per period)	5.810%
Annual Interest Rate	5.810%	Number of Payments	30
Term of Loan in Years	30	Total Payments	1,425,341.68
First Payment Date	1/1/2025	Total Interest	757,841.68
Payment Frequency	Annual	Est. Interest Savings	(0.00)
Compound Period	Annual		
Payment Type	End of Period		

Annual Payment 47,511.39

	7.75% Interest	5.81% Interest	Total Savings using BFLP
Loan Amount	\$ 667,500	\$ 667,500	
Total Interest	\$1,069,483	\$ 757,842	\$311,641
Annual P&I Payments	\$ 57,899	\$ 47,511	\$ 10,388
Total P&I Payments	\$1,736,983	\$1,425,342	\$311,641

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

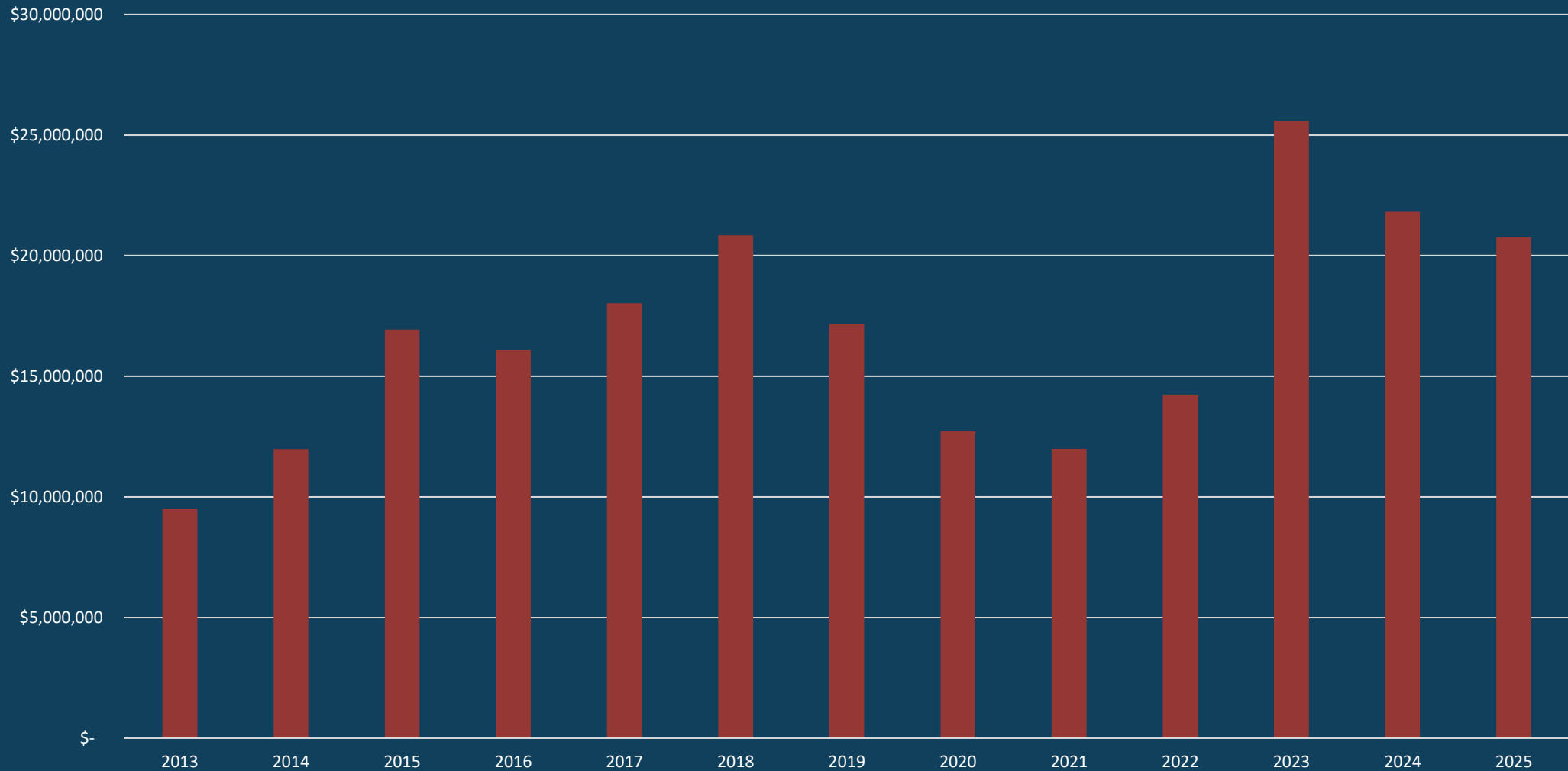
- Rental agreement (per pig space) – not eligible
- Service agreement (per head/per day) – eligible

Other Provisions and Fees

- **60-day look back**
 - Applications can be approved if bank loan is already completed, if it can be approved by IADD board within 60 days of the interim financing
- **Non-refundable \$100 application fee**
- **Closing fee paid when loan closes**
 - 1.50% of bond
 - \$300 minimum



Beginning Farmer Loan Program History





Loan Participation Program

IOWA AGRICULTURAL DEVELOPMENT DIVISION
Iowa Finance Authority

Loan Participation Program



- **Barrier served: Access to capital**
 - Allows lender to finance more beginning farmer projects and assist with down payment funds
- **Reduces the lender's risk:**
 - IFA takes last-in/last-out funding position
 - Allows lenders to meet their LTV limits

Benefits and Loan Terms

- **Maximum amount – 30% of cost, up to \$200,000**
- **Interest rate**
 - Current interest rate: 3.50% Fixed
 - Effective annually on January 1st– Interest rate will be equal to 3.50% below Wall Street Prime as of November 15th
 - Rate will lock at time of approval and 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

Using the LPP and BFLP Together for Facility Construction

% of Project	Funding Source	Total	Interest Rate	1 st year Interest
30% of project	LPP Loan	\$200,000	3.50%	\$ 7,000
F.I. Limit	BFLP Aggie Bond	\$250,000	5.81%	\$14,525
Remaining	Traditional Loan	\$300,000	7.75%	\$23,250
12 year amort.		\$750,000		\$44,775

% of Project	Funding Source	Total	Interest Rate	1 st year Interest
100% of project	Traditional Loan	\$750,000	7.75%	\$58,125

\$13,350 Interest Savings in the first year

Example of Savings Using the Loan Participation Program

7.75% Interest Loan Amortization Schedule			
Loan Amount	\$200,000	Number of Payments	12
Annual Interest Rate	7.75%	Total Payments	\$314,355
Term of Loan in Years	12	Total Interest	\$114,355
Annual Payment	\$26,196	Balloon Payment	None

4.00% Interest Loan Amortization Schedule			
Loan Amount	\$200,000	Number of Payments	10
Annual Interest Rate	3.50%	Total Payments	\$246,285
Term of Loan in Years	12	Total Interest	\$46,285
Annual Payment	\$20,697	Balloon Payment	\$59,314

	7.75% Interest	4.00% Interest	Total Savings using LPP
Loan Amount	\$200,000	\$200,000	
Total Interest	\$114,355	\$ 46,285	\$68,070
Annual P&I Payments	\$ 26,196	\$ 20,697	\$ 5,499
Total P&I Payments	\$314,355	\$246,285	\$68,070

Using an FSA Guarantee in Conjunction with IADD Loan Programs

Example: Financing the construction of a Livestock Facility = \$750,000

Project Cost

\$200,000 - Loan Participation Program (LPP)

\$250,000 - Beginning Farmer Loan Program (BFLP)

\$300,000 - Bank loan with FSA Guarantee

\$750,000

Fees

\$100 app fee + 1.50% of LPP

\$100 app fee + 1.50% of BFLP

Waived for using LPP or BFLP

- **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:

- On monthly rotation, applications are due the 1st of each month
- 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 on bank loans)

- IADD coordinates with bank to complete 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 LPP** - The bank sends the LPP portion to IADD when payment is made

Other LPP Factors

May reapply and use the program until:

- Net worth exceeds the program maximum
- Have an outstanding LPP balance up to the maximum

If eligible, may use financing with:

- Farm Service Agency (FSA) loan programs
- IADD Beginning Farmer Loan Program (BFLP)

LPP Payments are on a pro-rata basis

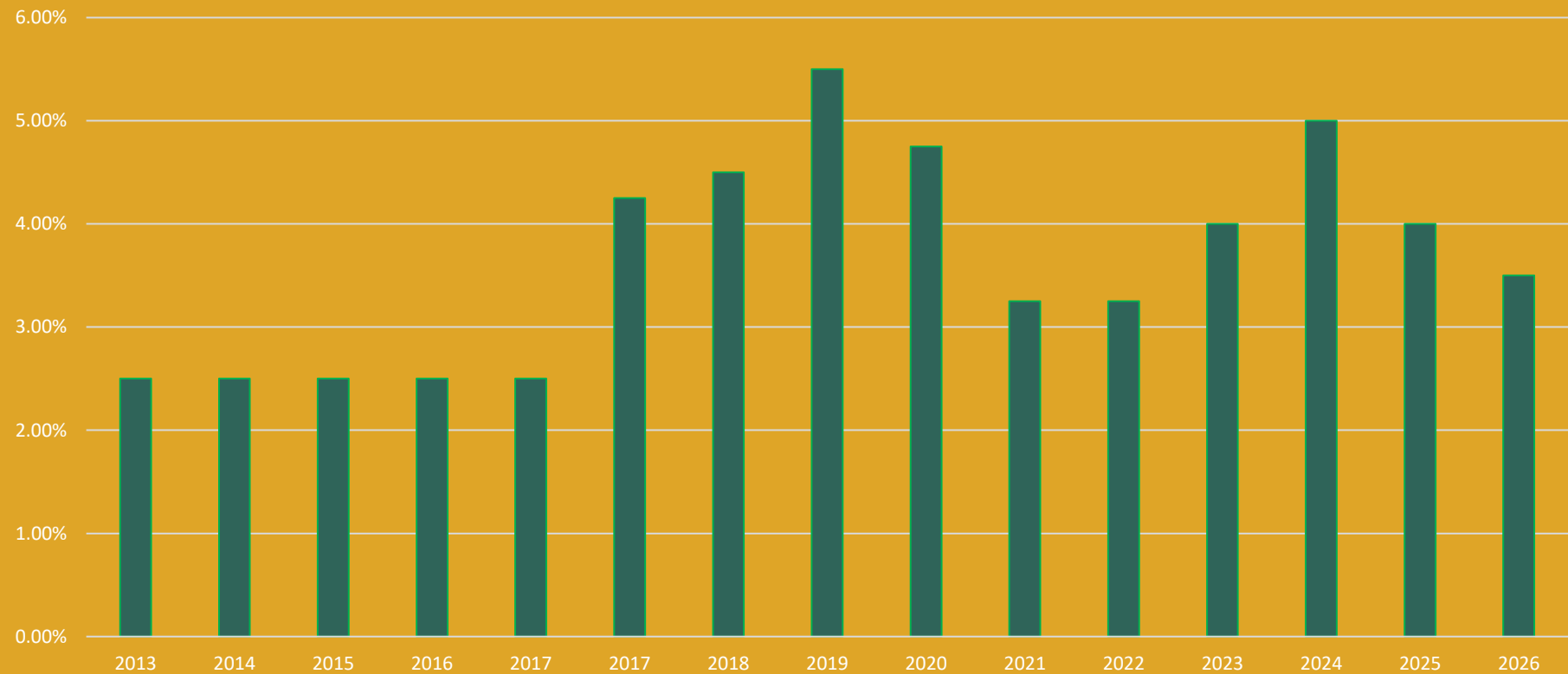
- If additional payments are made to any loan on a project involving an LPP loan, it must be split pro-rata between all the loans

Other Provisions and Fees

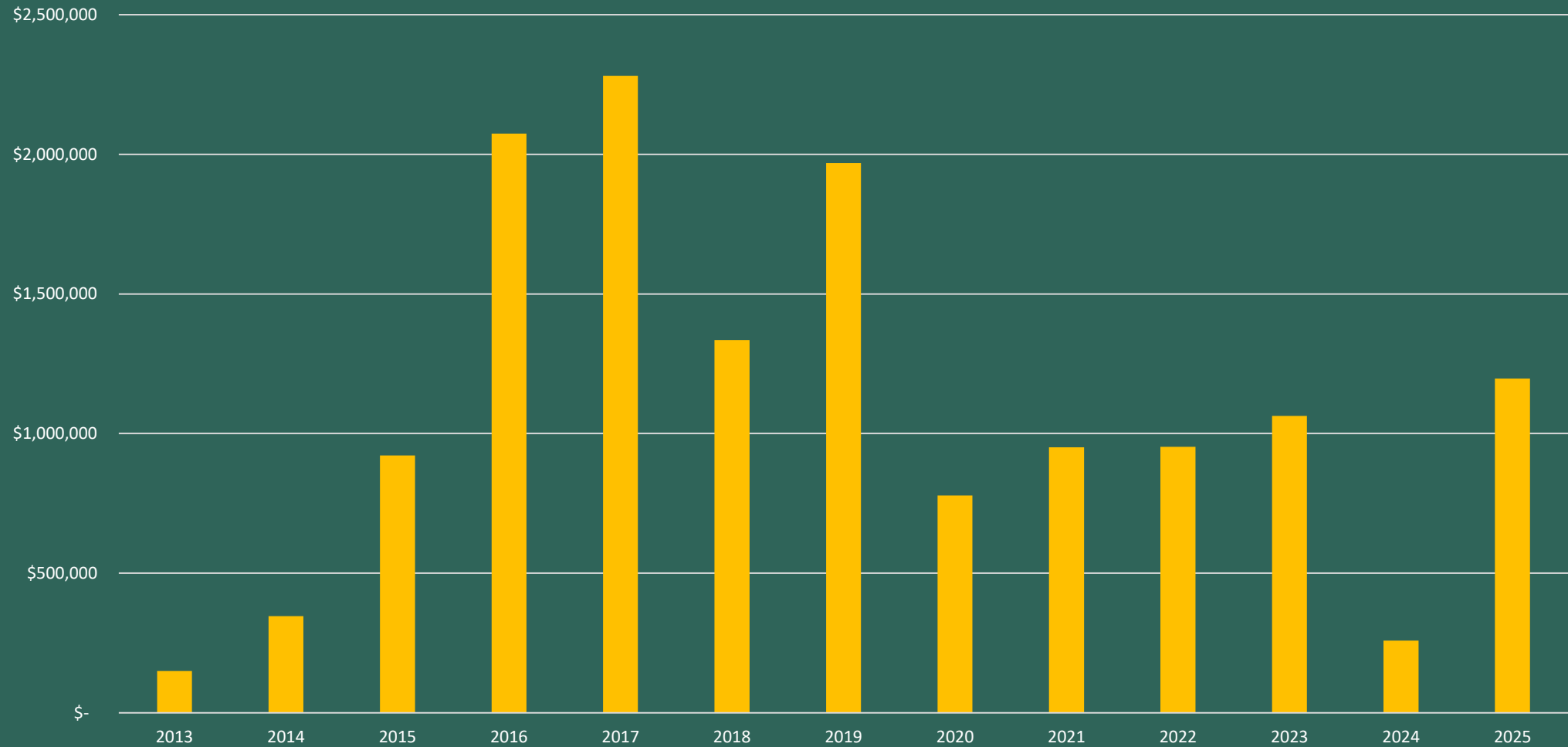
- **60-day look back**
 - Applications can be approved if bank loan is already completed, if it can be approved by IADD board within 60 days of the interim financing
- **Non-refundable \$100 application fee**
- **Closing fee paid when loan closes**
 - 1.50% of loan participation amount
 - \$300 minimum



Loan Participation Interest Rate



Loan Participation Program History





DNR Lease to Beginning Farmer Program

IOWA AGRICULTURAL DEVELOPMENT DIVISION

Iowa Finance Authority

DNR Lease to Beginning Farmer Program



- Created in 2013
- 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



Overview of IADD Programs

IOWA AGRICULTURAL DEVELOPMENT DIVISION
Iowa Finance Authority

Opportunities and Benefits

For Asset Owners, Lenders and Beginning Farmers

<u>Program</u>	<u>Beginning Farmer Benefits</u>	<u>Asset Owner or Lender</u>
(BFTC) Beginning Farmer Tax Credit Program	<ul style="list-style-type: none"> • Opportunity to lease and expand operation 	<ul style="list-style-type: none"> • Reduce Iowa Income Taxes
(BFLP) Beginning Farmer Loan Program	<ul style="list-style-type: none"> • Lower interest rates • Expand farming operation • New financing option 	<p>Contract Seller:</p> <ul style="list-style-type: none"> • Interest federal/state tax exempt <p>Lender:</p> <ul style="list-style-type: none"> • Interest is federally tax-exempt • Loans qualify under CRA • Can be used with FSA programs
(LPP) Loan Participation Program	<ul style="list-style-type: none"> • Lower interest on down payment assistance 	<ul style="list-style-type: none"> • Competitive lending rates • Reduce lender's risk

Review

Who is a Beginning Farmer?

For ALL IADD Programs

Net worth less than
\$901,000
(2026 maximum)

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

NO restriction on
number of operating
years

Do not have FSA
requirement of >3
years and <10
years



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.



THANK YOU

Iowa Agricultural Development Division
Iowa Finance Authority