

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 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 Program – Administered by DNR

Presentation available at IowaFinance.com

Beginning Farmer Eligibility Factors

For ALL IADD Programs

- **2025** maximum net worth: less than **\$820,000**
 - 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
- No restriction on number of operating years
 - Do not have FSA requirement of >3 years and <10 years

Application Process

For ALL IADD Programs

Ready to apply?

1. Identify exactly what you are going to apply for: (loan or tax credit)
2. 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)
3. Obtain application at IowaFinance.com
4. Mail all items listed on instructions, including required signatures
5. Staff will 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

- **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

Send application and fee to Iowa Finance Authority

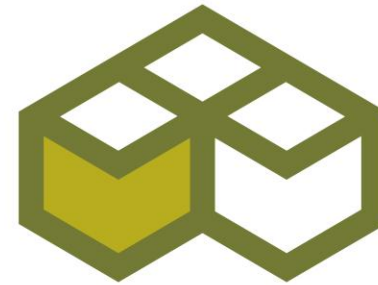
- Obtain applications at IowaFinance.com
- IADD staff will review and finalize applications
- IADD board reviews and recommends approval to IFA board

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

IOWA AGRICULTURAL DEVELOPMENT DIVISION



Beginning Farmer Tax Credit Program

- 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 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 fee**
 - Based on a combination of the number of acres and term of the 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 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

IADD BEGINNING FARMER TAX CREDIT PROGRAM (BFTC)

Source: 2024 Iowa State Extension Cash Rental Rate Survey - for 2025 BFTC Applications

Rents in "red" have decreased while rents in "black" have increased from 2024

County	Average Cash Rent	30% Above Average
Adair	\$236	\$307
Adams	\$260	\$338
Allamakee	\$309	\$402
Appanoose	\$186	\$242
Audubon	\$289	\$376
Benton	\$295	\$384
Black Hawk	\$304	\$395
Boone	\$288	\$374
Bremer	\$306	\$398
Buchanan	\$268	\$348
Buena Vista	\$304	\$395
Butler	\$274	\$356
Calhoun	\$287	\$373
Carroll	\$300	\$390
Cass	\$261	\$339
Cedar	\$282	\$367
Cerro Gordo	\$300	\$390
Cherokee	\$340	\$442
Chickasaw	\$329	\$428
Clarke	\$218	\$283
Clay	\$282	\$367
Clayton	\$338	\$439
Clinton	\$297	\$386
Crawford	\$309	\$402
Dallas	\$310	\$403
Davis	\$197	\$256
Decatur	\$221	\$287
Delaware	\$320	\$416
Des Moines	\$273	\$355
Dickinson	\$272	\$354
Dubuque	\$349	\$454
Emmet	\$274	\$356
Fayette	\$338	\$439
Floyd	\$275	\$358
Franklin	\$295	\$384
Fremont	\$252	\$328
Greene	\$271	\$352
Grundy	\$315	\$410
Guthrie	\$267	\$347
Hamilton	\$279	\$363
Hancock	\$294	\$382
Hardin	\$287	\$373
Harrison	\$296	\$385
Henry	\$283	\$368
Howard	\$274	\$356
Humboldt	\$274	\$356
Ida	\$313	\$406
Iowa	\$259	\$337
Jackson	\$281	\$365
Jasper	\$285	\$371

County	Average Cash Rent	30% Above Average
Jefferson	\$240	\$312
Johnson	\$259	\$337
Jones	\$300	\$390
Keokuk	\$235	\$306
Kossuth	\$296	\$385
Lee	\$304	\$395
Linn	\$289	\$376
Louisa	\$241	\$313
Lucas	\$194	\$252
Lyon	\$310	\$403
Madison	\$237	\$308
Mahaska	\$225	\$293
Marion	\$251	\$326
Marshall	\$304	\$395
Mills	\$293	\$381
Mitchell	\$292	\$379
Monona	\$323	\$420
Monroe	\$194	\$252
Montgomery	\$264	\$343
Muscatine	\$260	\$338
O'Brien	\$339	\$441
Osceola	\$346	\$450
Page	\$259	\$337
Palo Alto	\$271	\$352
Plymouth	\$289	\$376
Pocahontas	\$289	\$376
Polk	\$287	\$373
Pottawattamie	\$282	\$367
Poweshiek	\$279	\$363
Ringgold	\$247	\$321
Sac	\$303	\$394
Scott	\$295	\$384
Shelby	\$304	\$395
Sioux	\$336	\$437
Story	\$291	\$378
Tama	\$314	\$408
Taylor	\$259	\$337
Union	\$287	\$373
Van Buren	\$182	\$237
Wapello	\$197	\$256
Warren	\$238	\$309
Washington	\$284	\$369
Wayne	\$186	\$242
Webster	\$288	\$374
Winnebago	\$274	\$356
Winneshiek	\$309	\$402
Woodbury	\$323	\$420
Worth	\$273	\$355
Wright	\$300	\$390

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 term of lease



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 in Jasper County

Allocating ½ corn and ½ 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 soybeans 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*)

Flex Lease Example

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 1/2 corn and 1/2 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 ONLY be issued if 10-year county average yield is more than threshold yield**

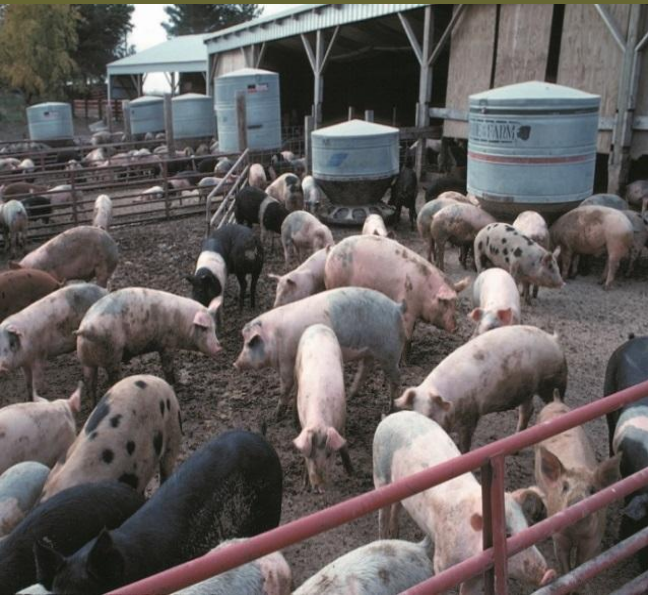
County Average Yield	Threshold Yield	Available for Tax Credit	Tax Credit 15%
Corn = 202.2 bu.	Corn = 175	27.2 bu @ \$4.78 on 80 acres	\$1,560.19
Beans = 58.4 bu.	Beans = 59	No bu @ 10.99 on 80 acres	\$0

Total Flex Bonus Tax Credit = **\$ 1,560.19**

Total Iowa tax credit = \$3,960.19
Rounded to nearest dollar = \$3,960

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



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
- \$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

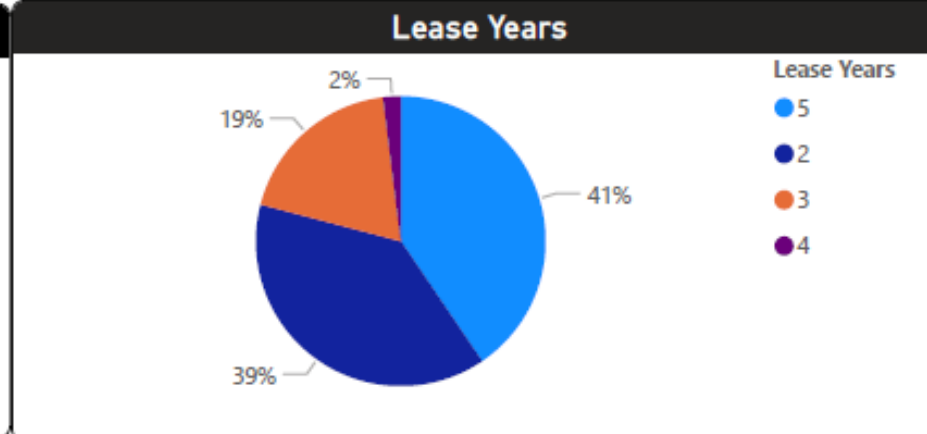
- 2. Asset Owner (AO Form)
- 3. Beginning Farmer (BF) Form
- 4. Beginning Farmer Background Form or Letter
- 5. Beginning Farmer's Financial Statement
- 6. 2-5-year Lease
- 7. USDA FSA 156 Form
- 8. Parent/Child Acknowledgement (if applicable)
- 9. Acknowledgement to Forfeit Flex Lease Bonus (if applicable)

Lease Change Requests

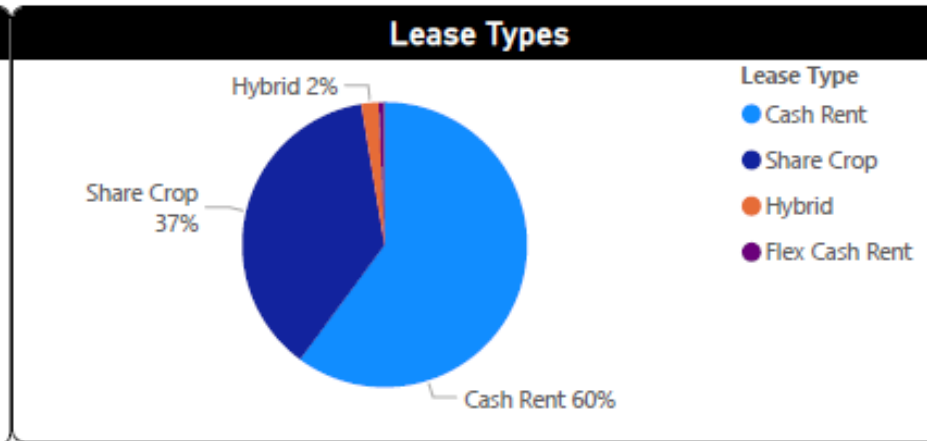
- **Requests must be received within 30 days of the date the change is executed**
- **Only changes beneficial to beginning farmer will be considered:**
 - Reduction of cash rent amount (no increases will be approved)
 - Additional acres can be added to the lease (if tax credit allocation is available)
 - 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 2024 Annual Report

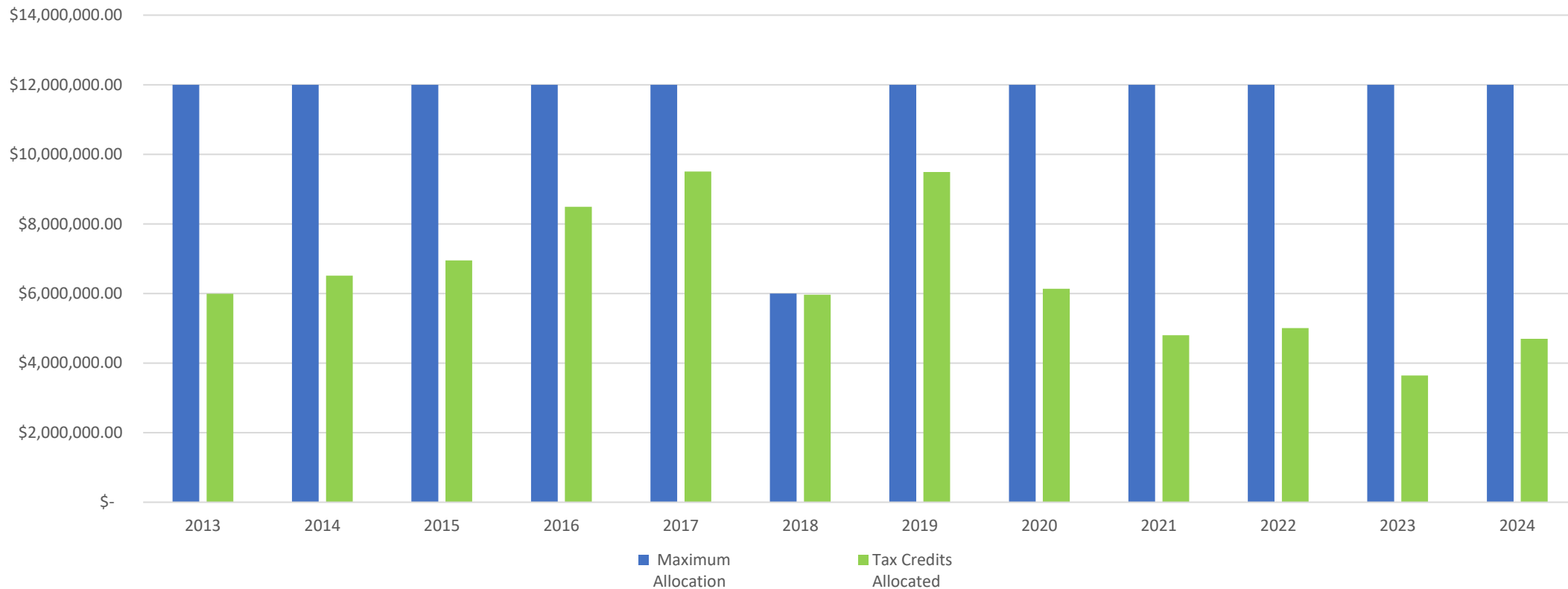
Lease Years		
Count	\$ Volume	Lease Years
59	\$501,615	2
29	\$549,105	3
3	\$17,691	4
62	\$3,631,647	5
153	\$4,700,058	



Lease Types		
Count	\$ Volume	Account Lease Type
92	\$911,828	Cash Rent
1	\$20,725	Flex Cash Rent
3	\$145,453	Hybrid
57	\$3,622,052	Share Crop
153	\$4,700,058	



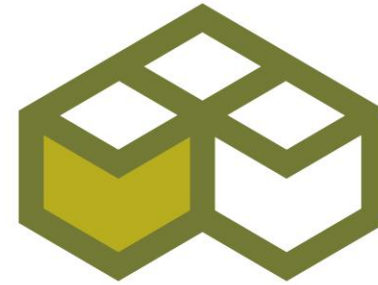
Beginning Farmer Tax Credit Program



2017 - BFTC Sunset dropped maximum to \$6 million for BFTC and eliminated 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)



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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 the purchase of ag assets
- Lender or contract seller provides financing at reduced interest rate because their interest 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**

Maximum Bond Amounts

Maximum bond amount - adjusts annually on January 1

- \$667,500 for real estate (2025 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 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.



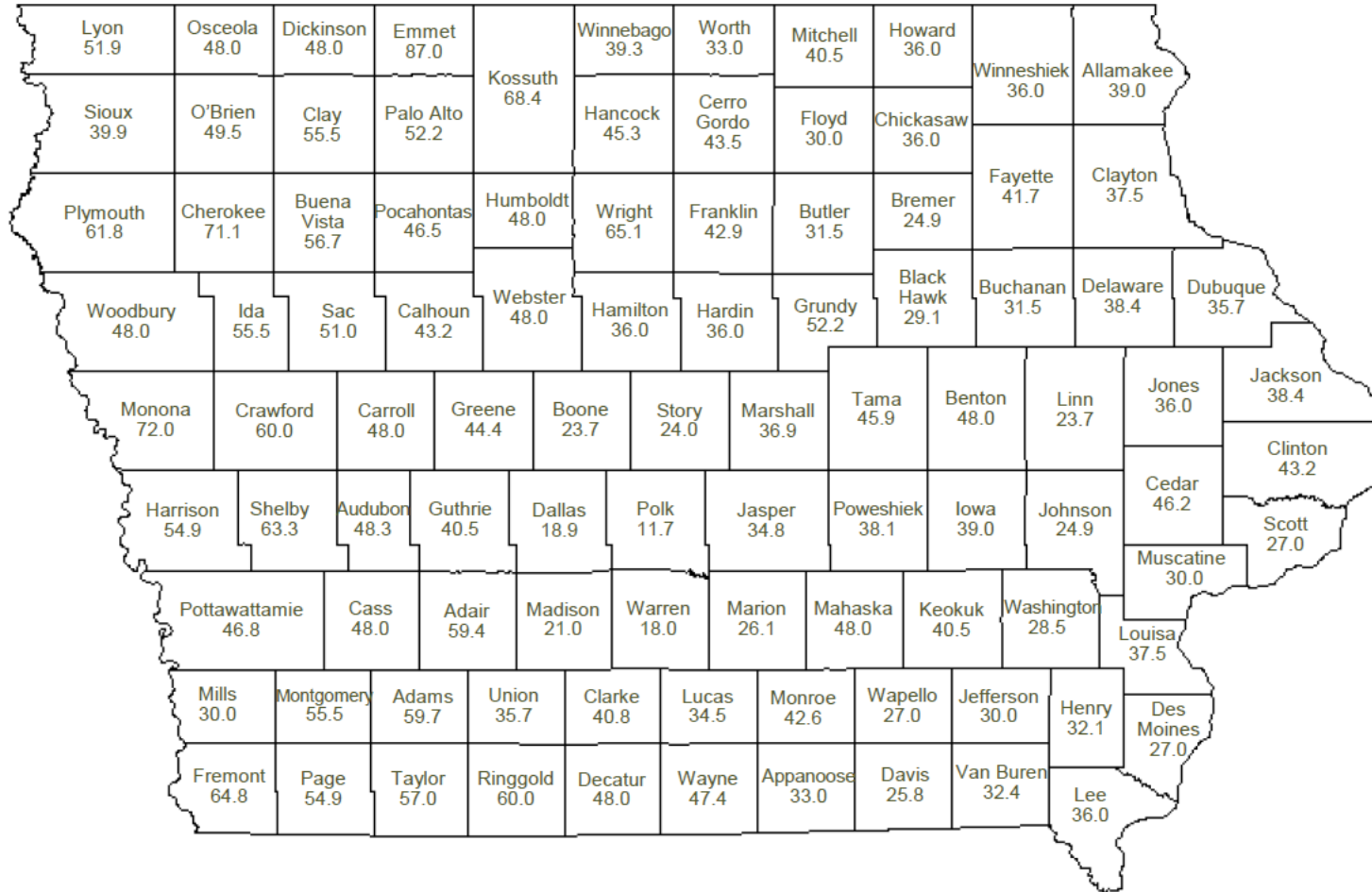
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Beginning Farmer Loan Program Maximum Landownership 30% County Median Farm (Acres)

Effective February 13, 2024
Source: 2022 Census of Agriculture



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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
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

COUNTY	30% Median	30% Average	Difference
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
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

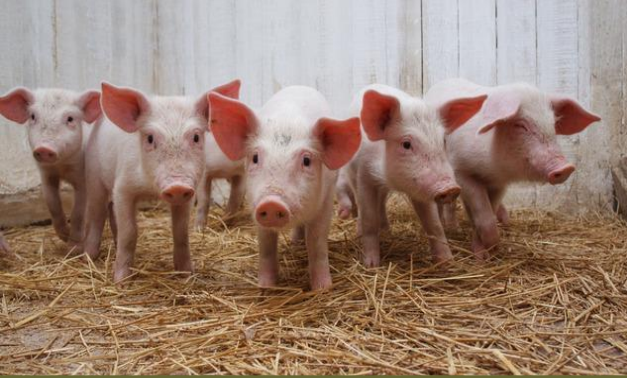
7.75% Interest Loan Amortization Schedule

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

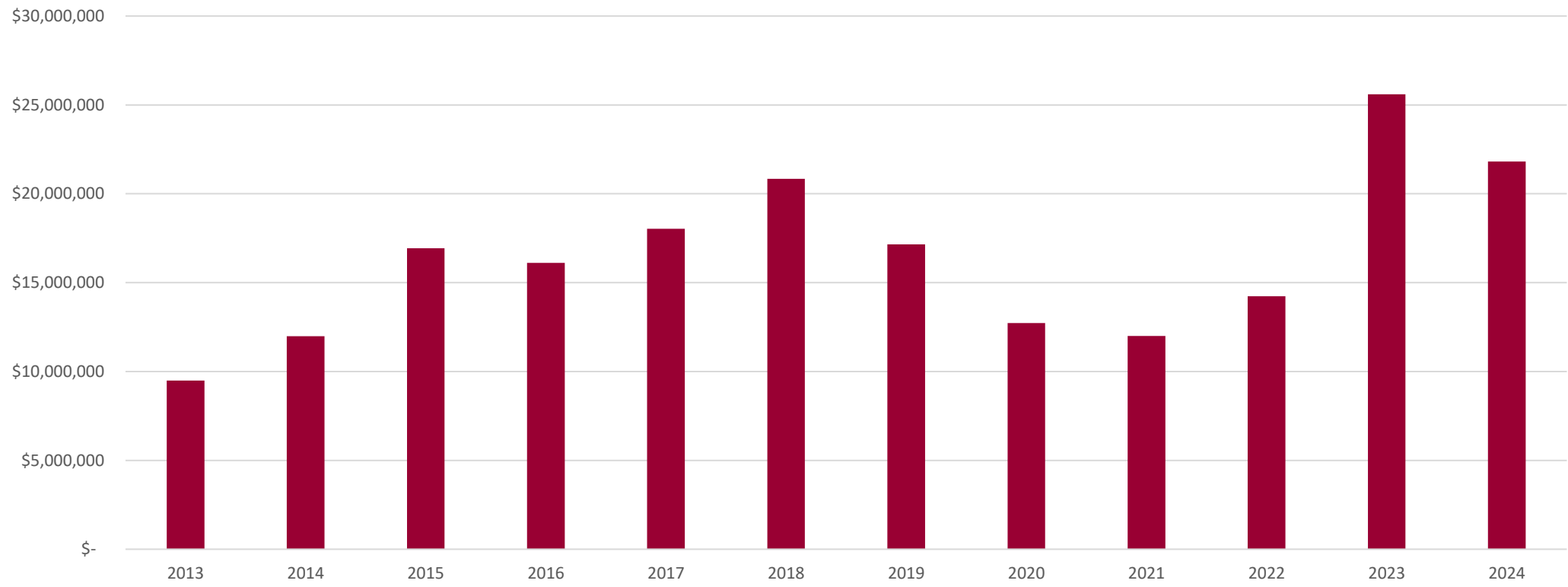


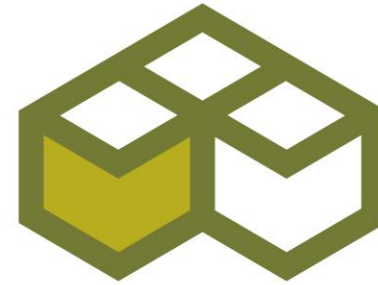
Other Provisions and Fees

- **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





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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**
 - Current interest rate: 4.00% Fixed
 - Effective annually on January 1st– Interest rate will be equal to 3.50% below Wall Street Prime as of November 15th
 - Board re-evaluated for 2025 and decreased to 4.00%
 - 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 Hog Facility Construction

% of Project	Funding Source	Total	Interest Rate	1 st year Interest
30% of project	LPP Loan	\$200,000	4.00%	\$ 8,000
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		\$45,775

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

\$12,350 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	4.00%	Total Payments	\$253,298
Term of Loan in Years	12	Total Interest	\$53,298
Annual Payment	\$21,310	Balloon Payment	\$61,504

	7.75% Interest	4.00% Interest	Total Savings using LPP
Loan Amount	\$200,000	\$200,000	
Total Interest	\$114,355	\$ 53,298	\$61,057
Annual P&I Payments	\$ 26,196	\$ 21,310	\$ 4,886
Total P&I Payments	\$314,355	\$253,298	\$61,057

Using an FSA Guarantee in Conjunction with IADD Loan Programs

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

- | <u>Project Cost</u> | <u>Fees</u> |
|--|-------------------------------|
| • \$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 |
| • <u>\$300,000</u> - 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:**

- 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

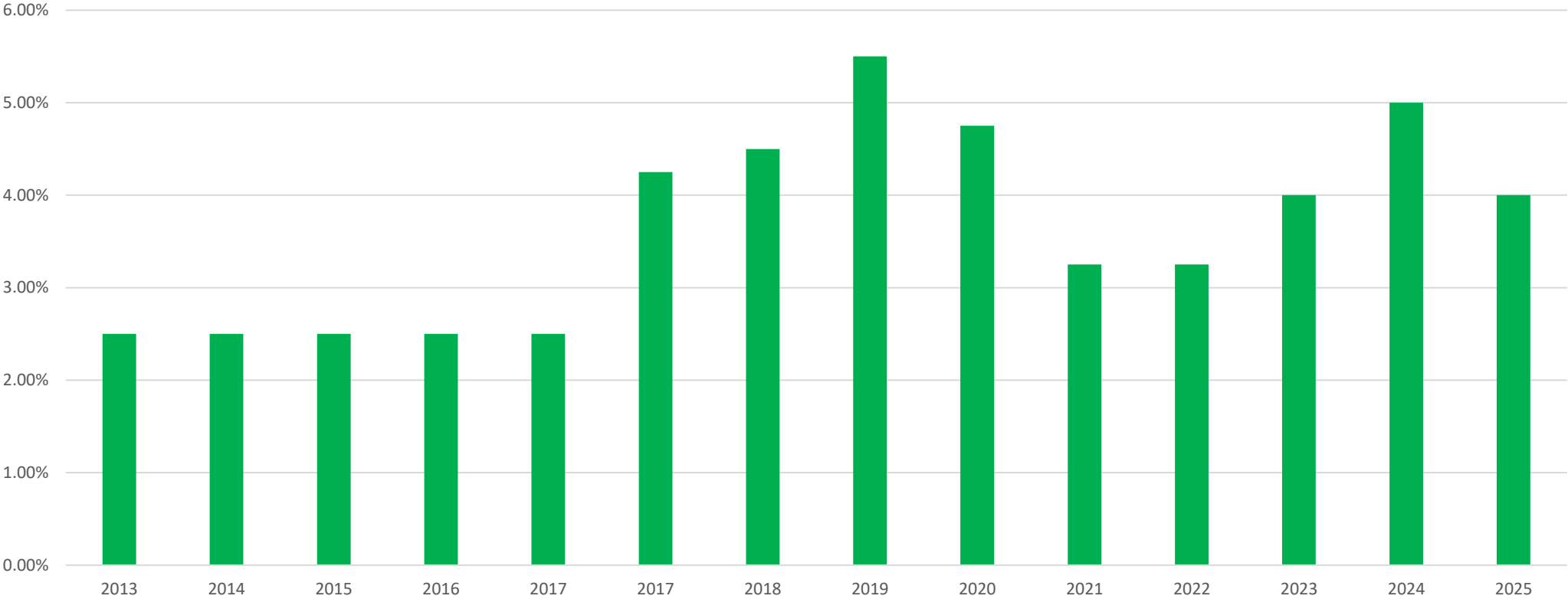


Other Provisions and Fees

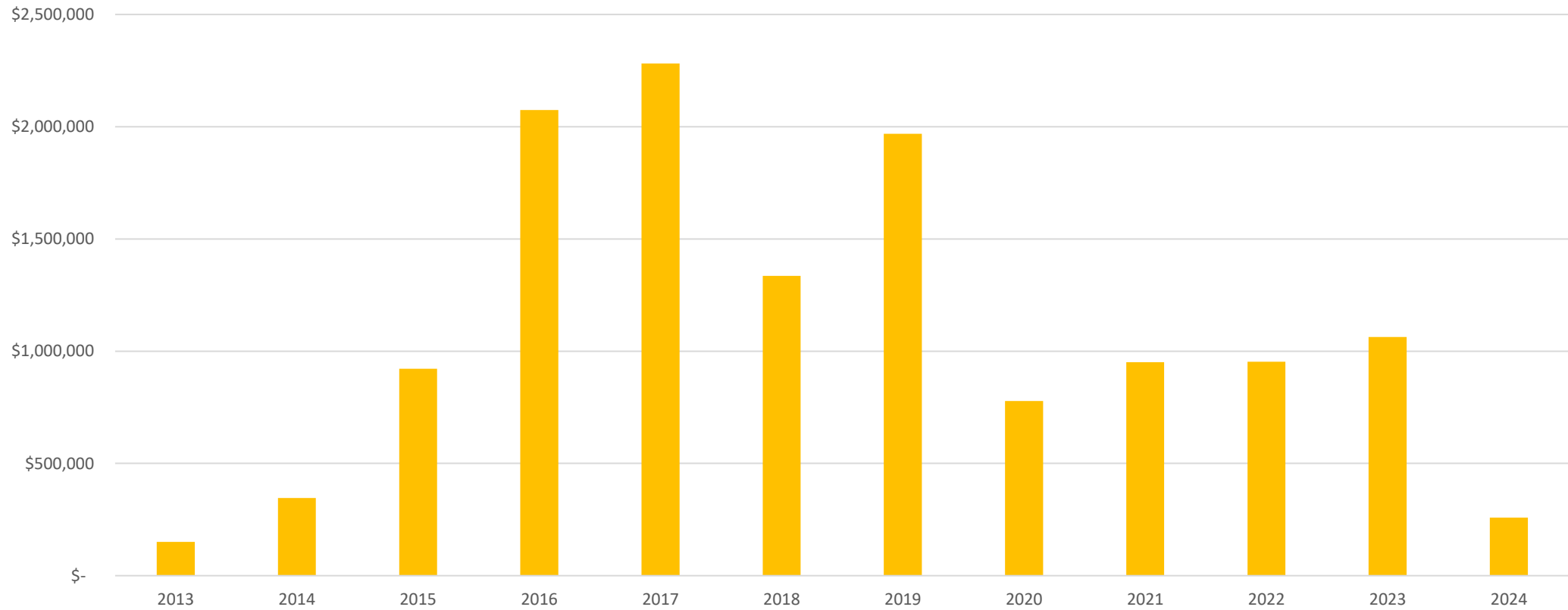
- **60-day look back**
 - Applications can be approved if bank loan is already completed, if it can be approved by IADD board within 60 days of the interim financing
- **Non-refundable \$100 application fee**
- **Closing fee paid when loan closes**
 - 1.50% of loan participation amount
 - \$300 minimum

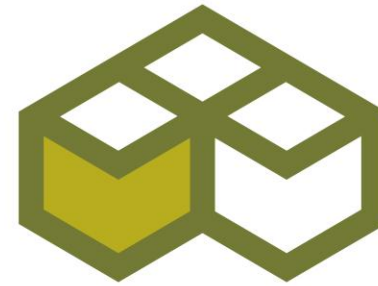


Loan Participation Interest Rate History



Loan Participation Program History





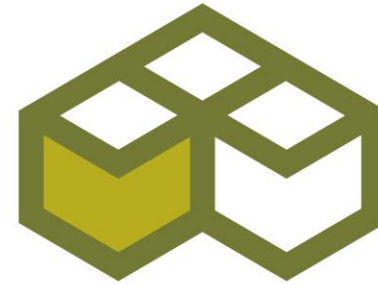
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DNR Lease to Beginning Farmer Program

IOWA AGRICULTURAL DEVELOPMENT DIVISION

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



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Overview of IADD Programs

IOWA AGRICULTURAL DEVELOPMENT DIVISION

Opportunities and Benefits

For Asset Owners, Lenders and Beginning Farmers

<u>Program</u>	<u>Beginning Farmer Benefits</u>	<u>Asset Owner or Lender</u>
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
Beginning Farmer Loan Program (BFLP)	<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
Loan Participation Program (LPP)	<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

Beginning Farmer Eligibility Factors

For ALL IADD Programs

- **2025** maximum net worth: less than **\$820,000**
 - 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
- 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.