

Beginning Farmer Loan Program (BFLP) Application Instructions

Attached is the application for the Beginning Farmer Loan Program (BFLP). The Iowa Agricultural Development Division (IADD) Board normally reviews loan applications on the fourth Wednesday of the month and then makes a recommendation to the Iowa Finance Authority (IFA) Board on the first Wednesday of the following month.

Applications need to be in the Authority's office by the 1st day of the month to be considered at that month's IADD meeting.

Following is a list of items to be submitted when completing an application for a loan:

1. **Completed BFLP application**, the application must be legible. If it is illegible, it may be returned or delayed.
2. **\$100 application fee**. Make check payable to the Iowa Agricultural Development Division (IADD).
3. **Background form or a background letter** containing the following information about the Beginning Farmer:
 - ☐ Experience and/or education in farming.
 - ☐ Ag lender and access to working capital.
 - ☐ Access to adequate machinery.
 - ☐ Where down payment funds are coming from.
 - ☐ Any additional information.
4. **A financial statement less than 30 days old.**
 - ☐ Financial Statement must be prepared by a lender or financial professional.
 - ☐ **See "Current Financial Statement" placeholder (page 8) for financial statement criteria.**
5. **An appraisal (if applicable)** will be required (2 weeks prior to closing) if:
 - ☐ **The project purchase includes a dwelling or out-buildings on the property.**
(No more than 5% of the bond proceeds can go towards the purchase of a dwelling).
 - ☐ **The project includes CRP land.**
(No more than 25% of the bond proceeds can go towards the purchase of CRP land, if there is also a dwelling on the property than only 20% of the bond proceeds can go towards the purchase of the CRP land and 5% towards the purchase of the dwelling).
 - ☐ **The project is being purchased from a closely related party (parent, grandparent or sibling).**
The purchase price cannot be less than fair market value which is determined by the appraised value.
(See page 6 of the application for the required Related Party Certificate and page 7 of the application for the required Fair Market Value Certificate).
6. **Feeding Contract (if applicable)** will be required (2 weeks prior to closing). If purchasing or constructing a facility, the maximum bond amount allowable is the farm improvement maximum of \$250,000. Also, per federal regulations **the feeding contract will have to be on a per head / per day basis to qualify.**
7. **Contract Sale (if applicable)**. If the project is a contract sale. Contract Sellers should have the contract prepared between the Seller and the Iowa Finance Authority (IFA). Sample contracts will be furnished by the Authority with the application receipt letter. A contract should not be filed/recorded until attorneys for the Authority have reviewed its contents and the Executive Director has signed for the Authority.

A Loan closing fee of 1.50% of the BFLP bond (loan) amount will be required at time of closing.

If you have any questions, please contact the IADD office
1963 Bell Avenue, Suite 200 | Des Moines, Iowa 50315
515.452.0400 | 800.432.7230 | fax 877.461.0904
IADD@IowaFinance.com | IowaFinance.com

IADD App Approved _____	Project Number _____
IFA Bond Approved _____	LPP Project Number _____
Amount Approved _____	\$100 Fee Received _____

(Date Received by IADD) _____

PLEASE NOTE: This application is a publicly available document.

BEGINNING FARMER LOAN PROGRAM (BFLP) APPLICATION

(To be completed by the applicant and lender -- please print or type all information)

Note: Approval of this application does not constitute final loan approval. If prior to closing, it is discovered that the Project, in whole or in part, is ineligible for tax-exempt financing, or if the Project should become ineligible, the Authority may refuse to complete loan processing or reduce the loan amount.

1. **Type of application** PLEASE CHECK ONE: ☐ Bank Loan **or** ☐ Contract Sale **or** ☐ Individual Investor

2. **Name of applicant** _____ Spouse _____
 Address: _____ Telephone _____
 City _____ State _____ Zip _____ E-mail: _____
 Age (for statistical purposes) _____

3. **Bond Purchaser** _____ (bank, contract seller or individual investor)
 Contact Person: _____ Telephone _____
 Address _____ Fax _____
 City _____ State _____ Zip _____ E-mail: _____

4. **Purpose of Project -** *AN APPRAISAL WILL BE REQUIRED IF PROPERTY HAS A DWELLING OR OUT-BUILDING(S)
 **A DWELLING & CRP ACRES MAY LIMIT ELIGIBILITY – SEE PROGRAM SUMMARY

☐ Purchase land: Total Acres _____ Tillable Acres _____
 Estimated value of house** \$ _____ * Pasture Acres _____
 Estimated value of out-buildings \$ _____ * CRP Acres** _____

☐ Purchase machinery _____
☐ Purchase livestock (what and how many) _____
☐ Make building or other farm improvements of _____

Who will own the property where improvements are to be made _____

If constructing hog/livestock buildings, who will own animals in building? _____

(If applicant will not own hogs/livestock, a feeding contract will be required)

PER FEDERAL REGULATIONS THE FEEDING CONTRACT WILL HAVE TO BE ON A PER HEAD / PER DAY BASIS

5. **Financing of Project** (Contributions by applicant, lender or contract seller and IFA)

	Land Purchase	Livestock Purchase	Machinery Purchase	New Farm Improvements	Total Project
Down payment by applicant (If gift, need gift letter)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
BFLP Bond - Financed by Lender	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other Financed by Lender	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
(FSA) Farm Service Agency	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
From other sources: _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
IADD Loan Participation	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL COST OF PROJECT:	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Loan closing fee of 1.50% of the BFLP bond (loan) at time of closing

6. Location of Project

- a. List the county and township names with section numbers (e.g. Section 26, Bristol Township, Any County, IA)

Parcel number(s): _____

- b. Location by road from nearest town: (Example - 4 miles north of Anytown, IA on State Highway 175). **Roads must be identified, unless they are unmarked gravel roads, then state as such.** _____

- c. Will the project consist of the construction or acquisition of buildings, structures or other immovable property, including remodeling of or additions to existing structures? ☐ YES ☐ NO
- d. Will the Beginning Farmer be the sole owner of the land where the project will be located? ☐ YES ☐ NO
- If **NO**, will applicant have a long-term lease for the length of the loan? ☐ NA ☐ YES ☐ NO

7. Seller of Property

Address _____

City _____ State _____ Zip _____ Telephone _____

- a. Please indicate if you are acquiring the "Project" directly or indirectly from a related person: ☐ YES ☐ NO
- If **YES**, please explain the relationship. _____

NOTE: Contract sales are not allowed between the beginning farmer and their grandparents, parents, children or siblings. Cash/bank loans are permitted with these relatives, but the Authority's Fair Market Value Certificate and Related Person Certificate must be completed.

- b. Please explain if you have begun to acquire or construct any part of the "Project" for which you are requesting a loan; have entered into any contract or purchase agreement (installment or otherwise) in connection with the construction or acquisition of the "Project," or have begun off-site fabrication or acquisition of any portion of the "Project." _____

NOTE: Down payments made more than 60 days prior to approval of the application will not be eligible for bond financing.

8. Previous tax-exempt financed projects

Have you, your spouse, minor children or any related person received tax-exempt financing of any kind in any state?

☐ YES ☐ NO If **YES**, please explain. _____

PROPOSED LOAN TERMS FOR IADD BOND

(Complete question 9 with your lender, contract seller, or individual investor, whichever is applicable.)

9. What are the proposed loan or contract sale terms?

- a. Tax-exempt interest rate: _____ percent (%) ☐ **FIXED** OR ☐ **VARIABLE** (Variable, must complete below)
- Taxable interest rate (rate that would be charged without the BFLP Program): _____ percent (%)

Rate index: (Example—Fixed for ten years then 80% of bank's prime rate, such prime rate currently is 7%) _____

Adjustment frequency: Every _____ years thereafter

- b. **Total term:** _____ years.

- c. Repayments: ☐ monthly, ☐ quarterly, ☐ semi-annually, ☐ annually **OR** ☐ other (specify below)

Amount \$_____ Does this amount include interest? ☐ YES ☐ NO

- d. Proposed Date of Closing: _____

- e. First payment due date: _____

- f. Call options as follows: _____

OR balloon _____ amount of balloon \$_____

NOTE: Balloon will automatically end tax exemption -- See Program Summary.

10. What is the net worth of the beginning farmer (including spouse and minor children)? \$ _____

NOTE: A financial statement is also required of any partnership, corporation, or other entity, etc. in which the beginning farmer has a financial interest.

- a. Is a current personal financial statement less than 30 days old, signed by the beginning farmer, spouse (if applicable) and preparing lender? ☐ YES ☐ NO
- b. Are all assets valued at fair market value by the lender? ☐ YES ☐ NO

If NO, please explain. _____

(Please attach a copy of the financial statement and detailed list of machinery owned.)

11. Previous and Present Land Owned (If your answer to 11a is no, skip to question 12.)

- a. Have you, your spouse, or minor children ever directly or indirectly owned any farmland? ☐ YES ☐ NO

Note: The following are examples of indirect land ownership:

- 1) ownership of a beneficial interest in a trust which in turn holds land.
- 2) ownership of shares in a family farm corporation which owns land.
- 3) a remainder interest in land which is subject to a life estate in another person.

- b. Describe each parcel of land presently or previously owned by county location, size, and the time period during which you owned it. (If the ownership is indirect, also describe the means of ownership and the total amount owned, for example, "I have a one-fourth beneficial interest in a trust; the trust holds a total of 200 acres"):

- c. Have you, your spouse, or minor children done any of the following:

- 1) performed physical work on the land? ☐ YES ☐ NO
- 2) participated in management decisions about operations on the land? ☐ YES ☐ NO
- 3) provided regular advice and consultation on the business operations on the land? ☐ YES ☐ NO
- 4) regularly inspected production activities on the land? ☐ YES ☐ NO
- 5) directly or indirectly advanced funds or paid a substantial portion of the operating expenses for operations on the land? ☐ YES ☐ NO
- 6) lived on the land? ☐ YES ☐ NO

- d. Please describe the degree of your involvement in each activity, the frequency of your involvement and the length of time over which your involvement occurred. **(Use additional sheets if necessary):** _____

- e. Have you disposed of any of these parcels of land? ☐ YES ☐ NO

If YES, please identify the parcel(s) and the approximate date disposed: _____

- f. Did you, your spouse or minor children recognize income, for federal income purposes, as the result of cancellation of indebtedness with respect to any of the parcels disposed? ☐ YES ☐ NO

If YES, identify the parcel(s) with respect to which income was recognized: _____

12. Management and Labor of Project will be provided by: _____

- a. Will any of the labor be performed by or management provided by individuals or entities other than the Applicants? ☐ YES ☐ NO If YES, please describe: _____

- b. Will any portion of the Project be used in connection with any new or existing farm partnership, farm corporation, limited liability company, or other formal or informal joint farming venture, including contract feeding arrangements? ☐ YES ☐ NO If YES, please describe: _____

- c. Will any of the applicants work off the farm? ☐ YES ☐ NO If YES, amount of non-farm income anticipated: \$ _____

Where will he/she be employed? _____

Explain any other related details to non-farm income _____

- d. Please explain what your farming operation will consist of and include the new project:

Crop acres on owned land: _____

Crop acres on cash rented land: _____

Crop acres on crop-share rented land: _____

Owned livestock operation: _____

Contract-feeding livestock operation: _____

Other farm operations: _____

CERTIFICATIONS OF APPLICANT

To be completed by beginning farmer applicant/s

In submitting this application, I, the undersigned Beginning Farmer, have read the following statements and hereby certify and agree that:

1. I will be a permanent resident of the state of Iowa at the time of bond issuance. ☐ True ☐ False
2. I have sufficient education, training or experience in the type of farming for which this loan is requested. ☐ True ☐ False
Attach the background form or background letter.
3. The Project shall be used only for farming by myself, my spouse, and/or minor children, and we will perform the labor and provide the management needed to use the Project for farming. ☐ True ☐ False
4. None of the proceeds of the loan shall be used for the refinancing or restructuring of any existing indebtedness in whole or in part, working capital, operating purposes or for inventory or supplies for the Beginning Farmer or any related person. ☐ True ☐ False
5. I have or will have access to adequate working capital, farm equipment, machinery or livestock (if the loan proceeds are to be used to acquire agricultural land), and I have or will have access to adequate working capital or agricultural land (if the loan is to be used to acquire depreciable agricultural property). ☐ True ☐ False
6. I agree the loan may not be assumed by another person without the Authority's prior approval and then only if the purchaser of the property is an eligible applicant for an BFLP loan. I presently plan to retain the property financed by the loan for the term of the loan; however, I understand equipment and other depreciable property may be exchanged or traded in on similar property, and other property such as breeding livestock may be added or substituted as collateral at the discretion of the Lender without prior approval of the Authority. I also understand that the benefits of the loan, made at the tax-exempt rate from the proceeds of an BFLP bond, must be retained by myself, and no person to whom property is traded or otherwise transferred may obtain the benefits of the BFLP loan. ☐ True ☐ False
7. I understand and agree that I am responsible for submitting an application fee with this application and a loan closing fee of 1.50% of the bond amount to the IADD at the time of loan closing; such fees will be used for expenses of administering the Individual Agricultural Development Bond Program. ☐ True ☐ False

All of the information I have provided in the application is true and complete. Also, I understand this application and any of the documents prepared or submitted in connection with it or the loan referred to hereon are "public records" as defined in Section 22.1 of the *Iowa Code* and are subject to examination, copying, publication or other dissemination by any person.

Date

Signature of Beginning Farmer

Signature of Beginning Farmer's Spouse

CERTIFICATIONS OF BOND PURCHASER

To be completed by Lender, Contract Seller, or Individual Investor

The undersigned Bond Purchaser has read the following statements and hereby certifies that:

1. All of the proceeds of the bond will be used for the acquisition, construction, reconstruction, equipping and installation of land, or property of a character subject to the allowance for depreciation under Section 167 of the Internal Revenue Code.
2. To the best of the bond purchaser's knowledge, each of the Certifications of the Applicant and all other information with respect to the project or applicant set forth in this application is true and correct.
3. The proceeds of the bond will not be used to provide working capital or finance inventory, supplies or other operating expenses for the applicant or any related person, or be used to refinance or restructure any portion of existing indebtedness.
4. The Bond Purchaser requests the Authority to issue and sell its bond to the Bond Purchaser for the purpose of financing the project to the extent thereof.
5. The principal and interest on the bond do not constitute an indebtedness of the Authority or the State of Iowa or a charge against their general credit or general funds.

Bond Purchaser or Bank Name

Date

By

Signature of Official of Bank, Contract Seller, or Individual Investor

This application cannot be reviewed unless the Authority has received all of the following:

- | | |
|--|---|
| <input type="checkbox"/> \$100 application fee | <input type="checkbox"/> Background form or letter |
| <input type="checkbox"/> Current personal financial statement prepared by a lender or financial professional | <input type="checkbox"/> Completed application form signed by both parties |
| | <input type="checkbox"/> Certificates—pages 6 & 7, if sale from close relative |

Mail completed application, attachments and application fee to: IADD | 1963 Bell Avenue, Suite 200 | Des Moines, Iowa 50315

Beginning Farmer Background Form

Complete this form or submit a background letter

Print Name of Beginning Farmer: _____

1. Describe your experience, training and/or education that will allow you to carry out this farming operation:

2. Who is your ag lender and what arrangement do you have for working capital:

3. Explain your access to adequate machinery and equipment – do you own all the equipment you will need or do you have arrangements to lease or trade labor for equipment?

4. Explain where your down payment funds are coming from? (Only need to answer if you are making a down payment and the funds are not reflected as cash or a payable on your balance sheet) If a gift, a gift letter will be required.

5. Please provide any additional background information you would like to include:

Date

Signature of Beginning Farmer

TO BE COMPLETED ONLY IF SELLER IS GRANDPARENT, PARENT OR SIBLING

RELATED PERSON CERTIFICATE

The undersigned Seller(s) owns the following Agricultural Land, Agricultural Improvements, and/or Depreciable Agricultural Property (the "Project"):

which is being sold to _____ (the "Beginning Farmer") and is being financed with proceeds from an Agricultural Development Revenue Bond to be issued by the Iowa Finance Authority.

The Seller hereby:

- (1) Provides a copy of the appraisal that confirms the fair market value of the Project is: \$ _____
- (2) Certifies that the Project is being sold to the Beginning Farmer for its fair market value.
- (3) Certifies that subsequent to such sale:
 - a. If the Project is being operated by a formal or informal partnership or joint venture, the Seller will have no more than a 10 percent interest in such operation;
 - b. If the Project is being operated by a corporation, the Seller has no more than a 10 percent stock or ownership interest in such corporation;
 - c. If the Project is being operated by a trust, the Seller has no more than a 10 percent beneficial interest of such trust;
 - d. The Seller will not be a user of more than 10 percent of the Project; and
 - e. The Seller will not have any other direct or indirect ownership or use of the Project.

IN WITNESS WHEREOF, we have hereunto set our official signatures as of the _____ day of _____, 20 _____.

SELLER

By _____
(Signature of Seller)

(Print or Type Seller's Name)

By _____
(Signature of Co-Seller)

(Print or Type Co-Seller's Name)

TO BE COMPLETED ONLY IF SELLER IS GRANDPARENT, PARENT OR SIBLING

FAIR MARKET VALUE CERTIFICATE

The undersigned on behalf of _____ (the "Lender") in connection with the sale from _____ (the "Seller") of Agricultural Land, Agricultural Improvements and/or Depreciable Agriculture Property as identified:

to _____ (the "Beginning Farmer"), to be financed with the proceeds of an Agricultural Development Revenue Bond to be issued by the Iowa Finance Authority, **hereby certifies the following**:

- (1) The attached appraisal establishes the fair market value of the Project to be: \$ _____
(Please send appraisal along with Fair Market Value Certificate)
- (2) Purchase price being paid by the Beginning Farmer to the Seller for the Project is: \$ _____
- (3) Total difference, if any: \$ _____
If difference of (1) minus (2) is greater than "O", then application cannot be considered until purchase price is adjusted to at least equal the Fair Market Value (1).

IN WITNESS WHEREOF, we have hereunto set our official signatures as of the _____ day of _____, 20 _____.

LENDER

(Lender/Bank Name)

(Signature of Loan Officer)

(Print or Type Name of Loan Officer)

(Title)

REPLACE THIS PAGE WITH:

BEGINNING FARMER
CURRENT FINANCIAL STATEMENT

READ CAREFULLY

- ☐ **MUST be less than 30 days old (must show date prepared)**
- ☐ **MUST be prepared by lender or financial professional**
- ☐ **MUST include beginning farmer, spouse and minor children***
*All assets of the beginning farmer's spouse and minor children MUST be included on the financial statement
- ☐ **All assets (including land) MUST be valued at fair market value***
*Fair market value is what a willing buyer would pay a willing seller in the locality
- ☐ **Financial statement MUST include all schedule pages**
- ☐ **Financial statement MUST include a machinery list* (if applicable)**
*Machinery list should include year, make, model and value of all machinery

DO YOU HAVE AN OWNERSHIP INTEREST IN AN ENTITY?

- ☐ **No, you are done.**
- ☐ **Yes, see below.**

Note: A financial statement is also required of any partnership, corporation, LLC or other entity in which the beginning farmer, spouse and/or minor children has a financial interest and MUST also abide by the above criteria.

**ALL OF THE ABOVE FINANCIAL STATEMENT CRITERIA MUST BE FOLLOWED
OR THE APPLICATION WILL NOT BE CONSIDERED COMPLETE**