

# LOAN PARTICIPATION PROGRAM

## PROGRAM SUMMARY



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# TABLE OF CONTENTS

## FOR LOAN PARTICIPATION PROGRAM SUMMARY

<u>Section</u>	<u>Topic</u>	<u>Page</u>
<b>I</b>	<b>PROGRAM SUMMARY</b> .....	1
	1. Supplement Borrower's Down Payment .....	1
	2. IADD's Last-In/Last-Out Collateral Position .....	1
	3. Lender's Certification.....	1
	4. Participation Loan in Conjunction with Beginning Farmer Loan .....	1
	5. FSA Loan Guarantee on Lender's Participated Amount .....	1
<b>II</b>	<b>DEFINITIONS</b> .....	1
<b>III</b>	<b>BASIC QUALIFICATION CRITERIA</b>	
	1. Borrower .....	3
	2. Age Limits .....	3
	3. Residence .....	3
	4. Training and Experience .....	3
	5. Loan Purpose.....	3
	6. Amount of Participated Loan .....	3
	7. Net Worth.....	3
	8. Maximum Debt Level.....	3
	9. Farm Debt-To-Asset Ratio.....	3
	10. Ratio of Current Assets to Current Liabilities .....	3
	11. Off-Farm Income .....	3
	12. Collateral Appraisals .....	4
	13. Loan-To-Value Ratio .....	4
<b>IV</b>	<b>ELIGIBLE PROJECTS AND ACTIVITIES</b>	
	1. Use of Project.....	4
	2. Agricultural Land .....	4
	3. Agricultural Improvements.....	4
	4. Livestock Used For Breeding Purposes.....	4
	5. Machinery and Equipment.....	4
	6. Recent Purchases.....	4
	7. Interim Financing By Lender.....	4
<b>V</b>	<b>INELIGIBLE PROJECTS AND ACTIVITIES</b>	
	1. Refinancing of Existing Debt .....	5
	2. Financing Personal Expenses .....	5
	3. Down Payment Funds For Contract Sale .....	5
	4. Houses/Acreage Limitations.....	5
<b>VI</b>	<b>PROGRAM MAXIMUMS</b>	
	1. Purchase Price Impact .....	5
	2. Net Worth Factor .....	5
	3. Real Estate Collateral Issues .....	5
	4. Loan Terms .....	5
	5. Loans Outstanding .....	5

<b>VII</b>	<b>LOAN APPLICATION PROCEDURES</b>	
	1. Application Deadline.....	5
	2. IADD Loan Review/Credit Analysis and Board Decision.....	5
	3. Application Requirements .....	6
	4. Loan Participation Application Needs to Specifically State .....	6
	5. Purchases from Closely Related Family Members .....	6
	6. Financial Statement.....	6
	7. Income Statements .....	6
	8. Background Letter .....	6
	9. Credit Evaluation.....	6
	10. Processing Loan Applications .....	7
	11. Security for Participated Loans and Use of Security Documents .....	7
	12. Loan Terms.....	7
	13. Fees.....	7
<b>VIII</b>	<b>LOAN CLOSING PROCEDURES</b>	
	1. IADD Conditional Commitment.....	7
	2. Before Loan Closing.....	7
	3. On the Day Before the Loan Closing .....	8
	4. On Loan Closing Day .....	8
	5. Final Title Opinion .....	8
	6. Recording Documents and Fees .....	8
<b>IX</b>	<b>LOAN ADMINISTRATION PROCEDURES</b>	
	1. Lender's Responsibilities.....	8
	2. Payment Due Dates .....	8
	3. Prepayment Penalty .....	8
	4. Repayment Proceeds and Collateral .....	8
	5. Subsequent Loans .....	9
	6. Events of Loan Default.....	9
	7. Applying Principal and Interest Payments .....	9
	8. Application of Proceeds of Loan Liquidation.....	9
<b>X</b>	<b>LOAN SERVICING PROCEDURES.....</b>	<b>9</b>
<b>XI</b>	<b>SOURCE OF PARTICIPATION FUNDS .....</b>	<b>9</b>
<b>XII</b>	<b>RIGHT TO AUDIT .....</b>	<b>9</b>
	<b><u>APPENDIX</u></b>	
	<b>How Loan Participation Program Works .....</b>	<b>10</b>
	<b>Comparison of IADD Programs .....</b>	<b>11</b>

# IADD LOAN PARTICIPATION PROGRAM

## SECTION I - PROGRAM SUMMARY

The Iowa Agricultural Development Division (IADD) Loan Participation Program for qualified farmers (hereafter referred to as "program") is intended to assist lenders and qualified farmers (hereafter referred to as "borrower(s)") by participating in a loan for the purchase of agricultural property

1. **Supplement Borrower's Down Payment.** The participation can be used to supplement the borrower's down payment so that the borrower can more readily secure a loan (the "participated loan") from a participating lender (the "lender").
2. **IADD's last-in/last-out collateral position.** The program enables lenders to request a "last-in/last-out" loan participation (the "participation") from the Iowa Finance Authority (the "Authority"). The lender, on behalf of the borrower, shall apply for the participation on application forms provided by the Authority. The Authority board and staff will review the application and make a determination regarding approval of a participation.
3. **Lender's certification.** The lender and the borrower shall certify that:
  - a. The information included in the application and any other documents submitted to the Authority for consideration is true and correct to the best of their knowledge.
  - b. Borrower is a "low-income" farmer who cannot obtain financing to purchase agricultural property without the assistance of a loan participation with the Iowa Finance Authority.
  - c. No other state or private credit is available or can be obtained in a timely manner.
4. **Participation loan in conjunction with Beginning Farmer Loan.** The Loan Participation Program may be used in conjunction with the Authority's Beginning Farmer Loan Program, providing the borrower meets the criteria for both programs respectively. In these instances, the lender will have the borrower sign one promissory note to cover the loan funds to purchase the "aggie bond" as well as the loan funds to be participated with the Authority. The participation may also be used in conjunction with USDA Farm Service Agency Beginning Farmer Loan Programs.
5. **FSA Loan Guarantee on Lender's Participated Amount.** The lender may apply to FSA to obtain a loan guarantee on the amount of the lender's participated amount (gross loan, less IADD's participation amount). Lender will need to provide all of the necessary information and meet all of FSA's loan guarantee guidelines. The guarantee will not include IADD's participated amount.

## SECTION II - DEFINITIONS

**"Agricultural improvements"** means any improvements, buildings, structures, or fixtures suitable for use in farming which are located on agricultural land. Agricultural improvements are defined in Iowa Code Chapter 175 to include a single family dwelling located on agricultural land, which is or will be occupied by the borrower, and structures attached to or incidental to the use of the dwelling.

**"Agricultural property"** means agricultural land, agricultural improvements, or depreciable agricultural property.

**"Agricultural land"** means land suitable for use in farming and which is or will be operated as a farm.

**"Application"** means a completed instrument on a form approved by the Authority. Each application must include the following: borrower's name, address, financial data, description of anticipated use of loan proceeds, amount of loan, down payment amount (if any), statement of borrower's net worth determined in accordance with Authority rules, a summary of proposed loan terms, and certifications of the borrower.

**“Authority”** means the Iowa Finance Authority.

**"Corporation"** or "Domestic Corporation" means a corporation for profit, which is incorporated under Iowa Chapter 490 and not a foreign corporation. To comply under this program, such corporation shall have no more than two corporate shareholders. Shareholder means the person in whose name the shares are registered in the records of the corporation.

**“Depreciable agricultural property”** means personal property suitable for use in farming for which an income tax deduction for depreciation is allowable in computing federal income tax under the Internal Revenue Code of 1986.

**"Farm"** means a farming enterprise which is recognized in the community as a farm rather than a rural residence.

**"Farming"** means the cultivation of land for the production of agricultural crops, the raising of poultry, the production of eggs, the production of milk, the production of fruit or other horticultural crops, grazing, the production of livestock, aquaculture, hydroponics, the production of forest products, or other activities designated by the Authority's rules.

**"Lender"** means any regulated bank, trust company, bank holding company, mortgage company, national banking association, savings and loan association, life insurance company, state or federal governmental agency or instrumentality, or other financial institution or entity authorized to make mortgage loans or secured loans in this state.

**"Limited Liability Company"** means a limited liability company as defined in Iowa Code section 490A.102, Code of Iowa.

**“Low-income”** farmer means a farmer who cannot obtain financing to purchase agricultural property without the assistance of a loan participation with the Iowa Finance Authority.

**"Net worth”** means total assets minus total liabilities as determined in accordance with generally accepted accounting principles with appropriate exceptions and exemptions reasonably related to an equitable determination of the net worth of the individual, partnership, limited liability company or corporation. Assets shall be valued at fair market value.

**"Partnership"** means a partnership formed by two or more persons under the laws of the state of Iowa.

**“Participated loan”** means the aggregate amount of a loan that is participated in total by the lender and the Iowa Finance Authority.

**“Participation”** means the “last-in/last-out” loan participation requested by the lender from the Iowa Finance Authority.

**“Projected gross income”** is the total of all non-farm income plus gross farm revenues which include revenue from cash sales, inventory and receivable charges; crops, livestock products, government program payments, and other farm income received by the borrower during the next calendar year.

**“Term debt coverage ratio”** is the total of net farm income from operations plus total nonfarm income plus depreciation/amortization expense plus interest on term debt plus interest on capital leases minus total income tax expense minus withdrawals for family living multiplied by 100 and divided by the sum of annual scheduled principal and interest payments on term debt and the annual scheduled principal and interest payments on capital leases. The ratio provides a measure of the ability of the borrower to cover all term debt and capital lease payments. The greater the ratio over 100 percent, the greater the margin to cover the payments.

**"Total assets"** shall include, but not be limited to, the following: Cash; crops or feed on hand; livestock held for sale; breeding stock; marketable bonds and securities; securities (not readily marketable); accounts receivable; notes receivable; cash invested in growing crops; net cash value of life insurance; machinery, equipment, cars and trucks; farm and other real estate including life estates and personal residence; value of beneficial interest in a trust; government payments or grants; any other assets. Total assets shall not include items used for personal, family or household purposes by the applicant; but in no event shall any property be excluded, to the extent a deduction for depreciation is allowable for federal income tax purposes. All assets shall be valued at fair market value by the participating lender. The value shall be what a willing buyer would pay a willing seller in the locality. A deduction of 10 percent may be made from fair market value of farm and other real estate.

**"Total liabilities"** shall include, but not be limited to, the following: Accounts payable, notes or other indebtedness owed to any source, taxes, rent, amount owed on real estate contract or real estate mortgages, judgments, accrued interest payable, any other liabilities. Liabilities shall be determined on the basis of generally accepted accounting principles.

## **SECTION I - BASIC QUALIFICATION CRITERIA**

1. **Borrower.** A borrower may be an individual that is a low-income farmer.
2. **Age limits.** A borrower must be at least 18 years of age unless the borrower is married. There is no upper age limit.
3. **Residence.** Borrower must be an Iowa resident at the time of loan closing and throughout the duration of the participation. Project must be located in Iowa.
4. **Training and experience.** The must have documented, to the satisfaction of the Authority, sufficient education, training, and experience in the type of farming operation for which the participated loan is requested.
5. **Loan purpose.** Loans must be for new purchases of agricultural property; funds may not be used for refinancing, except for those instances when down payment funds are made for a new purchase no more than 60 days prior to the Authority's approval of the participation.
6. **Amount of participated loan.** The aggregate amount of the participated loan can be no more than three times the net worth of the borrower. This requirement can be waived when an assignment of payment can be obtained.
7. **Net worth.** The aggregate net worth of the individual and the individual's co-applicant and minor children (if any) must be less than \$678,731.
8. **Maximum debt level:** Borrower's debts at the time of application: For an individual, and the individual's co-applicant and minor children (if any) shall be less than \$400,000.
9. **Farm debt-to-asset ratio.** Borrower must have a farm debt-to-asset ratio of no more than 80 percent upon completion of loan closing. If the farm debt-to-asset ratio is greater than 60 percent, borrower's projected term debt coverage ratio must be 120 percent or greater. This provision may be waived if an assignment of payment can be obtained.
10. **Ratio of current assets to current liabilities.** Borrower must have a ratio of current assets to current liabilities better than 1.1 to 1 at the time of application.
11. **Off-farm income.** Borrower may have off-farm income, but 50 percent or more of the projected gross income must come from farm income.

12. **Collateral appraisals.** All real estate and depreciable property intended for use as collateral on a participated loan must be evaluated/appraised by a qualified third-party appraiser. All real estate appraisals must meet the federal regulatory requirements of the lender's examiners and the uniform standards of professional appraisal practice of the appraisal foundation.
13. **Loan-to-value ratio.** The Authority may approve any participation where the borrower does not borrow more than 100 percent of the appraised value or purchase price of the property offered as security for the participated loan.

## **SECTION IV - ELIGIBLE PROJECTS AND ACTIVITIES**

1. **Use of project.** Loans must be for new purchases; funds may not be used for refinancing. Assets purchased with loan funds must be used for agricultural purposes. The agricultural property purchased with funds from a participated loan shall be used for farming only by the individual, the individual's co-applicant, or the individual's minor children.
2. **Agricultural land.** The participated loan can be used for the purchase of agricultural land, which may include small acreages on which sufficient agricultural improvements are located to conduct a livestock operation. If a house is located on land for which a participation is requested, an appraisal of the house will be made. If the appraised value of the house exceeds 50 percent of the appraised value of the property or total collateral, then the property will not be eligible for a loan.
3. **Agricultural improvements.** The participated loan can be used for the construction or purchase of improvements located on agricultural land (which is suitable for use in farming). Examples of such improvements include, but are not limited to, the following: confinement systems for swine, cattle, or poultry; barns or other out-buildings; grain storage facilities and silos. There are restrictions regarding participated loans for a personal residence on a farm.
4. **Livestock used for breeding purposes.** The participated loan can be used for the purchase of livestock for which an income tax deduction for depreciation is allowed in computing state and federal income taxes.
  - a. Eligible livestock include, but are not limited to, the following: swine, sheep, beef, and dairy cattle used for breeding purposes.
  - b. Ineligible animals include, but are not limited to, the following: feeder cattle, feeder pigs, feeder lambs, chickens, or turkeys as they do not qualify as depreciable property and, as a result, are not eligible under the program. Other animals that would be ineligible under the program would include horses and those classed as "exotic" such as llamas, fallow deer, ostriches and emus.
  - c. There are certain provisions included in the loan agreement regarding payments due to the death or sale of livestock included in the loan.
5. **Machinery and equipment.** The participated loan can be used for the purchase of agricultural machinery and equipment for which an income tax deduction for depreciation is allowed in computing state and federal income taxes. This machinery and equipment must be used in the borrower's farming operation.
6. **Recent purchases.** Purchases which can be approved by the Authority within 60 days of the purchase date are permitted.
7. **Interim financing by lender.** Interim financing by the lender may be done provided the Authority has received a written request by the lender explaining the details and justification for interim financing and the expected time frame for participation closing date. Examples: construction projects, buying breeding livestock or machinery.

## SECTION V - INELIGIBLE PROJECTS AND ACTIVITIES

The following program activities are ineligible:

- 1. Refinancing of existing debt.** Refinancing of existing debt or new purchases which have been incurred by the borrower more than 60 days prior to approval of the participation by the Authority.
- 2. Financing personal expenses.** Financing personal or living expenses and working capital to purchase such items as feed, seed, fertilizer, fuel, and feeder livestock.
- 3. Down payment funds for contract sale.** Down payment to a contract sale, or in connection with a loan from a non-regulated lender.
- 4. House/Acreage Limitations.** If a house is located on land for which a participation is requested, an appraisal of the house will be made. If the appraised value of the house exceeds 50 percent of the appraised value of the property or total collateral, then the property will not be eligible for a loan.

## SECTION VI - PROGRAM MAXIMUMS

- 1. Purchase price impact.** Maximum participation amount is the lesser of:
  - a. Thirty percent of the purchase price; or
  - b. \$150,000.00.
- 2. Net worth factor.** The aggregate amount of the participated loan can be no more than three times the net worth of the borrower. This portion may be waived if an assignment of payment can be obtained.
- 3. Real estate collateral issues.** A participated loan for real estate:
  - a. Cannot exceed 100 percent of the appraised value of the real estate collateral.
  - b. Any guarantee of repayment or pledge of additional collateral required by the lender to secure the participated loan shall secure the entire participated loan including the participation (by the Authority).
- 4. Loan terms.** The Authority has established the following with respect to participation terms:
  - a. The maximum amortization period for the participation is seven years for depreciable agricultural property. When a participated loan is made for livestock, the length of the participation is restricted to the expected useful life of the animal being purchased. The following expected useful life schedules have been approved for livestock: cattle (including beef and dairy), equal 7 years; swine equal 3 years; and sheep equal 7 years.
  - b. IADD participation loan payments on participated real estate loans will be equally amortized for up to 20 years. If also utilizing an FSA Beginning Farmer Loan Program the participation amortization can comply with FSA amortization rules.
  - c. The interest rate on the participated loan will be a rate set by the IADD board of directors.
- 5. Loans outstanding.** Loans under the program may be issued more than once, providing the outstanding participation totals do not exceed \$150,000 to any single borrower.

## SECTION VII - LOAN APPLICATION PROCEDURES

- 1. Application deadline.** If an application is received in the IADD office by the first of the month, it will be reviewed at the next board meeting.
- 2. IADD loan review/credit analysis and board decision:** The IADD will review the application and make a recommendation to approve/deny for further board consideration.
  - a. If approved, a "Conditional Commitment to Participate" will be sent to the lender.
  - b. If denied, lender will be notified.

3. **Application Requirements.** Lender and borrower are to submit a completed application and \$100 application fee to the IADD office along with the following items:

**By Lender**

- a. Background letter
- b. Lender's Security Analysis
- c. Debt Repayment Analysis
- d. After-closing financial statement
- e. Projected income statement
- f. Appraiser's Certification – by third party appraiser

**By Loan Applicant**

- a. Loan Participation Application
- b. Financial statement less than 1 month old
- c. Prior two year's financial statements
- d. Prior three year's income statements or tax returns

4. **Loan Participation application needs to specifically state:**

- a. Percentage of the applicant's loan the IADD is to buy from the lender, 30 percent of the purchase price or \$150,000, whichever is less
- b. The purpose for the loan proceeds: new purchases for agricultural land, breeding livestock, machinery, and/or to make farm improvements.

5. **Purchases from closely related family members.** These transactions are eligible for the Loan Participation Program.

6. **Financial statement.** Lenders may use their own form of financial statement and other forms deemed necessary and appropriate to document the eligibility of the borrower and the borrower's ability to make principal and interest payments. A copy of the borrower's most current financial statement (taken within one month preceding application submission) and the prior two years' financial statements, and a projected after-closing financial statement must be submitted with the application.

**NOTE:** If the borrower or the borrower's co-applicant is involved in a business, partnership, limited liability company, corporation, etc., either related or unrelated to the borrower's farming operation, a financial statement from this entity must also be submitted with the application.

7. **Income statements.** A copy of the borrower's most recent income statement, prior three years' income statements, and a projected income statement must be submitted with the application. If historical income statements are not available, then copies of income tax returns may be submitted.

8. **Background letter.** A "background letter" regarding the borrower must be submitted with the application. This letter should explain the borrower's background with respect to education and experience in the type of farming operation for which a participation is sought. The letter should also outline the borrower's access to machinery, if the participated loan is for land; or the borrower's access to land, if the participated loan is for agricultural improvements or depreciable agricultural property. The letter should also state where the borrower will obtain operating capital.

9. **Credit evaluation.** The lender will submit a credit evaluation of the project for which a participation is sought. The lender will evaluate the borrower's net worth and ability to pay principal and interest and certify the sufficiency of security for the participated loan. The Authority will review the application and make its own credit evaluation prior to issuance of a participation. Such evaluation will center on whether:

- a. The borrower adequately demonstrates the ability to service the debt requirements of the participated loan based on cash flow, net worth, down payment, and collateral pledged for the participated loan.
- b. The borrower provides sufficient collateral to adequately secure the participated loan and keep the participated loan collateralized throughout its term.
- c. The lender certifies that all of the borrower's debts will be current at the time the participated loan is closed.
- d. The applicant is a "low-income" farmer who cannot obtain financing to purchase agricultural property without the assistance of a loan participation with the Iowa Finance Authority.
- e. The lender certifies that no other private or state credit is available or can be obtained in a timely manner.

- 10. Processing loan applications.** Applications for the program will be taken and processed by the Authority on a first come, first served basis. The Authority reserves the right to change the program or terminate the approval of participations under the program at any time. Grounds for termination/suspension of the program would include, but not be limited to, reaching the maximum allowable limit for total outstanding participations as established by the Authority or changing the program by order of the Iowa General Assembly or by rules promulgated by the Authority.
- 11. Security for participated loans and use of security documents.** The lender shall take any security, co-signatures, guarantees, sureties, for example, that are deemed necessary for any participated loan.
- The Authority would advise that any security documents or guarantees required to be used in connection with a participated loan clearly state they are given as security for the indebtedness evidenced by the promissory note and to further secure the agreements, covenants, and obligations of the borrower for the loan involved.
  - The security documents and any guarantees should run directly between the borrower and the lender.
  - Any guarantee of repayment or pledge of additional collateral required by the lender to secure the participated loan shall secure the entire participated loan including the participation (by the Authority).
- 12. Loan terms.** The lender and borrower must agree on terms of the participated loan including interest rate, length of loan, prepayment options, service fees, and repayment schedule. See loan terms in Program Maximums section.
- 13. Fees.** The lender or borrower must submit to the Authority a nonrefundable application fee in the amount of \$100 when the application is submitted. A participation closing fee equal to 1.25% of the IADD participation will be paid by check to the IADD. A minimum participation closing fee of \$300 will be charged.

## **SECTION VIII - LOAN CLOSING PROCEDURES**

- 1. IADD conditional commitment.** If the application is approved, a Conditional Commitment to Participate will be sent to the lender.
- 2. Before loan closing.**
  - Lender to inform IADD when requesting loan closing date:
    - Loan number to be assigned by their bank for this loan participation
    - Whether loan closing fee to be paid by check or withheld from loan proceeds by IADD.
  - Lender will submit to IADD:
    - Signed Conditional Commitment to Participate
    - Preliminary title opinion on real estate collateral, if applicable
    - Appraiser's Certification (completed by third-party appraiser)
    - Copy of amortization schedule specifying all anticipated principal and interest payments for the entire term of the loan
    - Copy of the UCC search on the borrower
    - Credit Bureau report on the borrower
    - Copy of blank promissory note form to be used, only if loan participation is not in conjunction with a beginning farmer loan.
  - IADD will submit to lender:
    - If participation is for a project that is NOT also funded through the IADD Beginning Farmer Loan Program (BFLP), IADD will forward Loan Participation Certificate and Agreement.
    - If participation is for a project that IS also funded through the IADD Beginning Farmer Loan Program (BFLP), the IADD will forward the Loan Participation Certificate and Agreement along with the closing documents for the BFLP bond.

**NOTE: A Loan Participation coupled with the Beginning Farmer Loan Program will need to close the same day.**

**3. On the day before the loan closing:**

- a. Lender requests applicant to sign all loan documents which are dated for the following day; lender closes loan for the approved agricultural purchase, scans and emails to IADD, before 1:00 p.m., copies of the following to the IADD:
  - 1) Original signed Loan Participation Certificate and Agreement
  - 2) Copy of signed promissory note
  - 3) Copy of signed mortgage, if applicable
  - 4) Copy of signed security agreement
  - 5) Copy of bill of sale, purchase agreement, or sales receipt of purchase(s)
  - 6) Copy of recorded UCC filing
  - 7) Copy of amortization schedule specifying all anticipated principal and interest payments for the entire term of the loan
  - 8) Copy of loan closing fee in the amount of 1.25% of the IADD participated loan, not less than \$300
- b. IADD confirms all documents have been properly completed and sends (ACH) to the lender the following day for the funds to purchase IADD's loan participation.

**4. On loan closing day:**

- a. Lender confirms to IADD the ACH funds arrived at the bank
- b. Lender mails to IADD all of the original documents listed in #3 above.

**5. Final title opinion.** For real estate loans, the participating bank will be expected to forward a copy of the final title opinion within 90 days after closing.

**6. Recording documents and fees.** Any recording or filing fees or transfer taxes associated with the participated loan will be paid by the borrower or lender and not the Authority. Also, the Authority will have no responsibility with respect to the preparation, execution, or filing of any declaration of value or groundwater hazard statements.

**SECTION IX - LOAN ADMINISTRATION PROCEDURES**

**1. Lender's responsibilities.** The lender is responsible for servicing the participated loan following accepted standards of loan servicing and transferring participation payments to the Authority.

a. The lender shall:

- 1) *On an annual basis*, provide the Authority with copies of a current financial statement and/or a current tax return
- 2) Provide copies of insurance to the Authority with the lender named as loss payee. Lender will apply payments to the participated loan on a pro-rata basis

b. The lender shall not, without prior consent of the Authority:

- 1) Make or consent to any substantial alterations in the terms of any participated loan instrument
- 2) Make or consent to releases of security or collateral unless replaced with collateral of equal value on the participated loan
- 3) Lender will not use the collateral purchased with funds from the participated loan as security for any other loan without prior written consent of the Authority
- 4) Accelerate the maturity of the participated loan
- 5) Sue upon any participated loan instrument
- 6) Waive any claim against any borrower, consignor, guarantor, obligor, or standby creditor arising out of any instruments

**2. Payment due dates.** Payment due dates will be the same as the lender's share of the loan.

**3. Prepayment penalty.** There is no penalty for early repayment of principal or interest.

**4. Repayment proceeds and collateral.** Without limitation, the repayment of proceeds and collateral shall include rights of setoff and counterclaim, which the lender or the Authority jointly or severally may at any time recover on any participated loan.

5. **Subsequent loans.** Any loan or advance made by a lender to a borrower subsequent to obtaining a participation under the program and secured by collateral or security pledged for the participated loan will be subordinate to the participated loan.
6. **Events of loan default.**
  - a. Default will occur when loan payment is 30 days past due. Notice to cure will be sent to borrower by the lender, with a copy sent to the Authority; and the lender will take appropriate steps to cure the default through mediation, liquidation, or foreclosure if needed.
  - b. After a participated loan is in default for a period of 30 days, the lender shall file monthly reports regarding the status of the participated loan to the Authority.
  - c. The Authority may, anytime a participated loan is in default, purchase the unpaid portion of the participated loan from the lender including the note, security agreements, additional guarantees, and other documents. The Authority would become the servicer of the participated loan.
7. **Applying principal and interest payments.** Lenders shall receive all payments of principal and interest. All payments made prior to liquidation or foreclosure shall be made on a pro-rata basis. All accrued interest must be paid to zero at least annually on the anniversary date of the note.
8. **Application of proceeds of loan liquidation.** Application of proceeds of loan liquidation will be determined after a written liquidation plan is approved by the Authority or the Authority's loan committee. All amounts recovered upon liquidation or foreclosure will be applied first to the unpaid balance of the lender's portion and then to the unpaid portion of the participation's portion. All funds received from liquidation or foreclosure procedures shall be applied in the following order of priority:
  - a. **First Priority:** To the payment of the outstanding principal and accrued interest on the lender's portion of the participated loan;
  - b. **Second Priority:** To the payment of the outstanding principal and accrued interest on the Authority's participation;
  - c. **Third Priority:** To the payment on a pro-rata basis of all reasonable and necessary expenses incurred by the lender or the Authority in connection with such liquidation or foreclosure procedures.

## **SECTION X - LOAN SERVICING PROCEDURES**

1. The lender will proceed to work with the farmer to service the loan
2. Lender will collect all payments and forward to IADD its pro-rata of each payment
3. The provisions for loan servicing are specified in the Participation Certificate and Agreement
4. Lender will annually provide a current financial statement and other necessary documents

## **SECTION XI - SOURCE OF PARTICIPATION FUNDS**

Funding for the program is derived from the Iowa Rural Rehabilitation Corporation Assets (IRRC). The IRRC assets were obtained from the Rural Rehabilitation Corporation Trust Liquidation Act, 40 U.S.C. 440 et seq., and prior thereto from the Federal Emergency Relief Act of 1933, 48 Stat. 55, the Act of February 15, 1934, 48 Stat. 351, and the Act of June 19, 1934, 48 Stat. 1055. The administration of the fund was transferred to the Authority in 1980 when the Authority was created.

## **SECTION XII - RIGHT TO AUDIT**

1. The Authority shall have, at any time, the right to audit records of the lender and the borrower relating to any participated loan made under the program.
2. Loans made pursuant to the provisions of this program may be subject to review by the Iowa Division of Banking for the purpose of determining that the underwriting requirements of the program have been complied with by the lender.

## How the Loan Participation Program Works

- Maximum IADD loan buyout is 30% of purchase up to \$150,000

	<u>Example A</u>	<u>Example B</u>
• Buy farmland	\$100,000	\$200,000
Less 10% down payment	<u>-10,000</u>	<u>-20,000</u>
Bank finance 90% (one note)	\$ 90,000	\$180,000
Less IADD loan buyout	<u>-30,000</u>	<u>-60,000</u>
Bank portion of loan*	\$ 60,000	\$120,000
20 year amort. on IADD loan	\$ 2,407	\$ 4,815
Balloon due at year 10	\$ 21,336	\$ 42,673
• Buy machinery or livestock	\$ 50,000	\$175,000
Less 10% down payment	<u>-5,000</u>	<u>-17,500</u>
Bank finance 90% (one note)	\$ 45,000	\$157,500
Less IADD loan buyout	<u>-15,000</u>	<u>-52,500</u>
Bank portion of loan *	\$ 30,000	\$105,000
7 year amort. on IADD loan	\$ 2,592	\$ 9,073
Fully amortized/paid in 7 years		

- \* Beginning Farmer Loan Program can be used if applicant is eligible

**REMINDER: LOAN PARTICIPATION APPLICATIONS, WITH ALL REQUIRED DOCUMENTATION ARE TO BE RECEIVED IN THE IADD OFFICE BY THE FIRST OF THE MONTH**

## Comparison of IADD Loan Programs

	<b>Beginning Farmer Loan Program – BFLP</b>	<b>Loan Participation Program - LPP</b>
<b>Age</b>	At least 18 years old No upper age limit	At least 18 years old No upper age limit
<b>Eligible projects</b>	Breeding livestock, machinery, land, farm improvements	Breeding livestock, machinery, land, farm improvements
<b>Lender's Certification</b>	None	Certify that no other private or state credit can be obtained; FSA does not need to certify denial
<b>Land ownership</b>	Cannot own substantial farmland (30% of county median acres)	No restrictions
<b>Buy from close relatives</b>	Yes	Yes
<b>Minimum loan</b>	None	None
<b>Maximum loan</b>	\$500,000	30% purchase price or \$150,000 participation loan
<b>Maximum net worth</b>	\$678,731	\$678,731
<b>Maximum debt before closing</b>	N/A	\$400,000
<b>Application fee</b>	\$50	\$100
<b>Closing fee</b>	1.50% of IADD <b>Bond</b> to \$250,000 0.75% of the <b>Bond</b> over \$250,000 \$300 minimum	1.25% of IADD <b>participation loan</b> \$300 minimum
<b>Current ratio</b>	N/A	Greater than 1.1
<b>Debt to asset ratio</b>	N/A	Cannot exceed 80% without guaranteed source of repayment
<b>Loan to net worth ratio</b>	N/A	Cannot exceed 300% without guaranteed source of repayment
<b>Off-farm income</b>	No restrictions	Cannot exceed 50% of projected total of gross income
<b>Corporation, Partnerships, LLC's eligibility</b>	No	Yes

A beginning farmer can participate in both of these programs at the same time as long as the applicant and project meet both programs' guidelines.