



Rural
Finance
Authority

Minnesota Department of Agriculture

Purpose



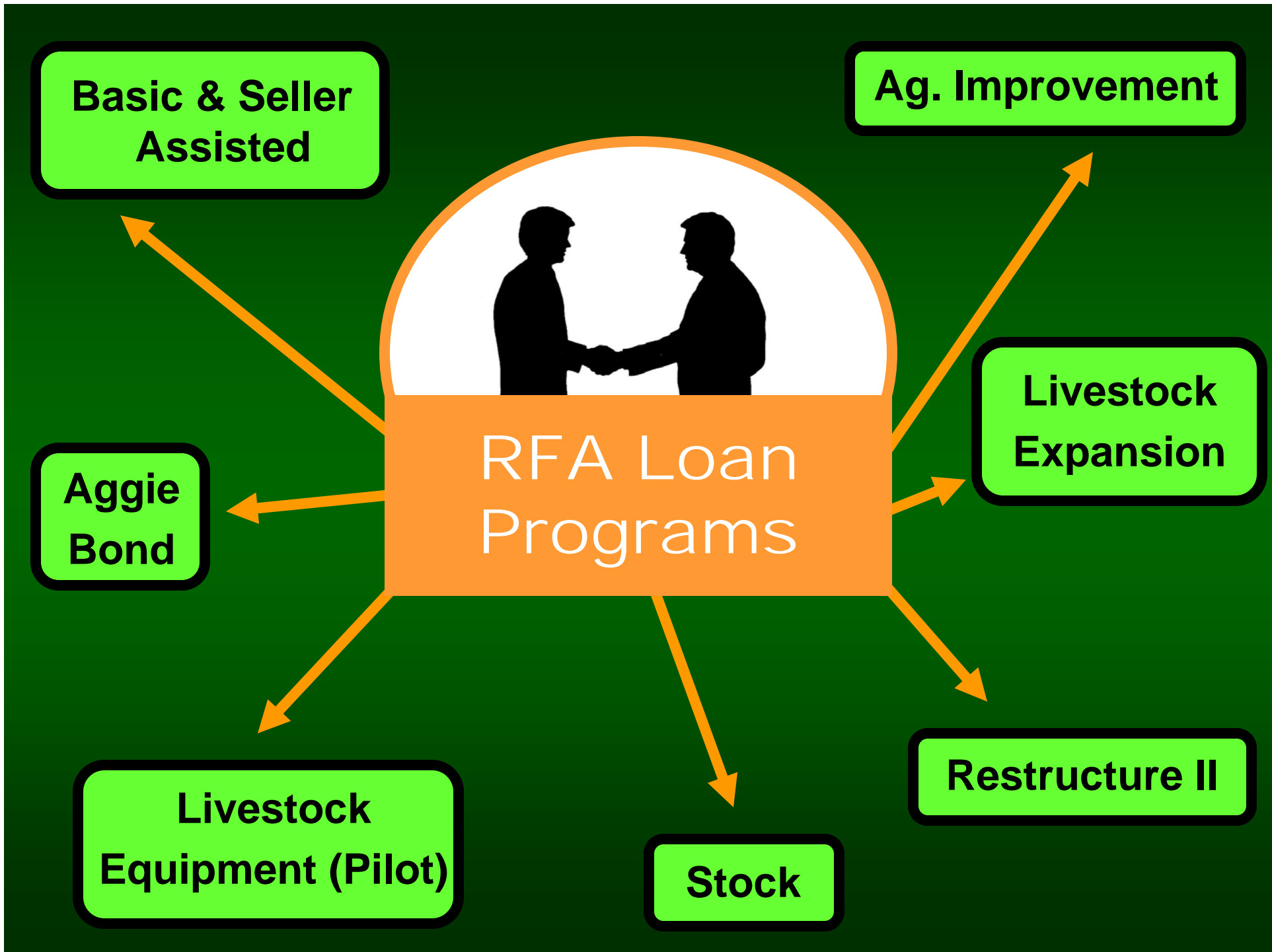
Provide eligible Minnesota farmers affordable financing under terms and conditions not available from other credit sources.

Main Audience

- **Beginning Farmers**
- **Livestock Producers**
- **Farmers facing financial adversity**
- **All farmers**

How We Work

- **We participate with local lenders**
- **Local lender does most of the paperwork**
- **We take 45 % of the loan**
- **The borrower pays the lender, the lender pays us**



Rural Finance Authority Board



Chair

Commissioner,
Department
of Agriculture

Representatives from five state agencies

1. Department of Finance
2. State Auditor
3. Department of Commerce
4. Department of Employment
and Economic Development
(DEED)
5. Department of Ag.

Six Public members

Appointed by
the Governor

Eligibility Requirements

Basic & Seller Assisted

- **Maximum Net Worth:** \$409,000
- **Loan Purpose:** Purchase Real Estate
- **Interest Rate:** RFA portion 4.00%
Lender - negotiable
- **Loan Amount:** No limits
RFA participation – 45% up to \$300,000
- **Program may be used more than once**
- **Farming must be principal occupation**
- **Enrollment in a farm management program**

Eligibility Requirements

AG Improvement

- **Maximum Net Worth:** \$409,000
- **Loan Purpose:**
 - Capital Improvements to Farm Operation (Limited refinancing)
- **Interest Rate:**
 - RFA portion 4.50%
 - Lender – negotiable
- **Loan Amount:**
 - No limits / RFA participation - 45% up to \$300,000
- **Farming must be principal occupation**



Eligibility Requirements

Livestock Expansion

- **Maximum Net Worth:** \$772,000
- **Loan Purpose:** New State-of-the-Art Improvements
(no refinancing)
- **Interest Rate:** RFA portion 5.25%
Lender – negotiable
- **Loan Amount:** No limits
RFA participation - 45% up to \$400,000
- **Must be principal operator**

Eligibility Requirements

Restructure II

- **Maximum Net Worth:** \$772,000
- **Loan Purpose:**
Restructure existing ag. debt.
- **Interest Rate:**
RFA portion 5.25%
Lender - negotiable
- **Loan Amount:**
No limits / RFA participation
45% up to \$400,000
- **Must be principal operator**

Balance

The Balance Sheet

Help Improve

CASH FLOW

Eligibility Requirements

Stock Loan

- **Maximum Net Worth:** \$409,000
- **Loan Purpose:** Purchase Stock in a Co-op, LLC, LLP
Old and New Issue Stock Eligible
- **Interest Rate:** RFA portion 4.00%
Lender - negotiable
- **Loan Amount:** No limits / RFA participation
45% up to \$40,000
- **Must be a grower of the ag. product**

Eligibility Requirements

Livestock Equipment Pilot Loan Program

- **Maximum Net Worth:** \$409,000
- **Loan Purpose:** Purchase of Livestock Related Equipment, Livestock Facilities, Improvements
- **Interest Rate:** RFA portion 3.00%
Lender - negotiate
- **Loan Amount:** No limits / RFA participation – 45% up to \$40,000
- **Must be principal owner of livestock for which the equipment will be used**
- **Hold an appropriate feedlot registration or use this program to meet registration requirements**

Source and Use of Funds

- **Sale of State Bonds (RFA has to Pay these back)**
 - Basic & Seller Assisted
 - Agriculture Improvement
 - Livestock Expansion
 - Restructure I
- **Allocation of Federal Tax-Exempt Bonds (Paper transactions)**
 - Aggie Bond
- **Dedicated Revolving Account (Repayments go back into the account)**
 - Stock
 - Livestock Equipment (Pilot)



Eligibility Requirements

Aggie Bond

- **Maximum Net Worth:** \$409,000
- **Loan Purpose:** Purchase Real Estate, Machinery, Breeding Livestock Improvements
- **Interest Rate:** Reduced Rate for Buyer – Tax Benefit for Lender
- **Loan Amount:** \$470,100 max. (can use more than once)
\$62,500 max. for used items
- **Sales between related persons allowed**
- **Farming must be principal occupation**
- **Enrollment in a farm business management program**
- **Past and present land ownership limitations**



Farms Service Agency Loans

- Direct Loans
 - Farm Ownership Loan
 - Operating Loans
 - Emergency Loan
 - Beginning Farmer Loan
- Guaranteed Loan Program
 - Guaranteed Ownership Loan
 - Guaranteed Operating Loan

Loans for Beginning Farmers

- Eligibility
 - Farmed less than 10 years
 - Meets loan eligibility requirements
 - Substantially participates in the operation
 - For FO loans does not own farm greater than 30 percent of median size farm in county
 - Most have participated in farming at least 3 years

**Farm Service Agency &
Rural Finance Authority -
Working Together for
Minnesota Farmers**

FSA/RFA's Updated “Memorandum of Understanding”

For Beginning Farmers:

- FSA agrees to waive the 1% origination fee.
- FSA agrees to issue 95% Guarantees.
- Applies to regular or “Down Payment D-FO” loans.



Beginning Farmer Down Payment Program

- RFA recently changed the rules to allow the Basic and Seller Assisted loan program to work with this program.
- 20 year balloon
- 30 year amortization

Direct FO for \$600,000 Livestock Facility Expansion

1. Farmer applies for a \$200,000 Direct Farm Ownership loan with FSA.
2. (Optional) Lender applies for Guaranteed Farm Ownership loan.
3. After FSA approval, Lender applies to RFA for \$400,000 loan participation.

Total Loan from RFA Application:	\$400,000
RFA portion at 45%:	\$180,000
Lender portion at 55%:	\$220,000

Two mortgages will be filed:

1. Lender & RFA will have a **1st lien** on the property at \$400,000.
2. FSA will have a **2nd lien** on the property at \$200,000.

Standard Guaranteed Farm Ownership Loan

Total ag debt to be restructured is \$320,000. Value of the security = \$400,000.

1. Lender first applies to FSA & obtains Conditional Commitment (usually 90% or 95% guarantee).
2. Lender applies to RFA for participation:

Total Loan From RFA Application:	\$320,000
RFA portion at 45%:	\$144,000
Lender portion at 55%:	\$176,000

Lender and RFA will share a 1st lien (and the guarantee) on the security at \$320,000.

Total Loan	\$320,000	OR	\$320,000
	x <u>.90</u>		x <u>.95</u>
Amount guaranteed by FSA:	\$288,000		\$304,000

G-FO when RFA uses Tax-Exempt Bonds

Purchase price is \$225,000. Appraised value = \$225,000.
Borrower has a \$35,000 down payment.

When the RFA utilizes funds from the sale of tax-exempt bonds, the RFA portion is not eligible for the FSA Guarantee. The participation is handled as a separate loan. There is one RFA Loan Agreement and Note, but two mortgages and two lender notes.

Lender applies to RFA for Participation:

Total Funding:	\$190,000
RFA Loan at 45%:	\$ 85,500
Lender (Guaranteed) Loan at 55%:	\$104,500

Two mortgages will be filed, both in the name of the lender:

1. The 1st lien mortgage will reference the \$85,500 note and will secure the RFA participation of \$85,500.
2. The 2nd lien mortgage will reference the \$104,500 note and will secure the lender's FSA Guaranteed note of \$104,500.

Thank you

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