

Loan Participation Program (LPP) Application Instructions

Program Requirements

1. The maximum Loan Participation is 30 percent of the total project cost up to \$200,000
2. Eligible loan purposes include: new purchases for agricultural land, breeding livestock, machinery, and/or to make farm improvements
3. Purchases from closely related family members are eligible for the Loan Participation Program.
4. Farmers who meet the qualifications for both this program and the Beginning Farmer Loan Program (BFLP) can participate in both programs simultaneously. But it is not a requirement to qualify for the BFLP in order to obtain a Loan Participation loan.

Application Process

1. **Applications must be in the Authority's office by the 1st day of the month** in order to be considered at that month's meeting.
2. Lender and borrower are to submit a **completed application with all attachments and \$100 application fee** to the Iowa Agricultural Development Division (IADD). **A complete application includes all of the following items:**

Application Packet

- Joint Loan Participation Program application (Signed by all borrowers and lender)
 - Financial statement less than 30 days old prepared by a lender or financial professional
 - **See "Current Financial Statement" placeholder for financial statement criteria**
 - Completed Beginning Farmer background form
 - Pro-forma (after-closing) financial statement
 - Global Projected cash flow statement
 - Prior three year's tax returns
 - Credit Bureau report on the borrower
3. IADD will review the application and make a recommendation for approval/denial to the IADD Board:
 - a. If approved, a "Conditional Commitment to Participate" will be sent to the lender.
 - b. If denied, lender will be notified.

LPP Underwriting Criteria

1. Current Ratio >1.1 at time of application (without guaranteed source of repayment)
2. Debt to Asset < 80% (without guaranteed source of repayment)
3. Debt Service Coverage >120% (without guaranteed source of repayment)
4. Off Farm Income < 50% Gross Income
 - This requirement is to ensure that farming is the main occupation of borrowers.

If the borrower does not meet the underwriting criteria, the LPP can be approved if there is a guarantor. The guarantor would have to meet the underwriting criteria. If there will be a guarantor for the loan, the guarantor's financial statement must be included with the application.

A Loan closing fee of 1.50% of the LPP 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 LPP Approved _____	Project Number _____
IFA LPP Approved _____	BFLP Project Number _____
Amount Approved _____	\$100 Fee Received _____

(Date Received by IADD)

PLEASE NOTE: This application is a publicly available document.

LOAN PARTICIPATION PROGRAM (LPP) 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, or if the Project should become ineligible, the Authority may refuse to complete loan processing or reduce the loan amount.

1. Name of applicant _____ Soc. Sec. # _____ Birth date _____
Name of spouse _____ Soc. Sec. # _____ Birth date _____
 Address: _____ Telephone _____
 City _____ State _____ Zip _____ E-mail: _____

2. Lender _____ Federal ID No. _____
 Contact Person: _____ Telephone _____
 Address _____ Fax _____
 City _____ State _____ Zip _____ E-mail: _____

3. Purpose of Project - AN APPRAISAL WILL BE REQUIRED

<input type="checkbox"/> 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 and an assignment of the feeding contract will be required)

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:	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

****LPP cannot exceed 30% of total project cost or \$200,000
 Loan closing fee of 1.50% of the LPP loan at time of closing**

5. Collateral - Proposed Security For Project:

Description	Appraised Value	Lenders' Lien Position (including LPP)	Other Prior Liens	Remaining Collateral Value
Land (acres)	\$	\$	\$	\$
Machinery	\$	\$	\$	\$
Breeding Livestock	\$	\$	\$	\$
Improvements	\$	\$	\$	\$
UCC Filing	\$	\$	\$	\$
Other	\$	\$	\$	\$
TOTALS:	\$	\$	\$	\$

6. Location of Project

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

Parcel number(s): _____

7. Seller of Property _____

8. Was the collateral appraised by a third-party appraiser?

Yes - Please attach a signed copy of the appraisal.

No - Please explain why: _____

9. Based on the current market value of the proposed collateral, the total debt on the collateral will be what percentage of the current market value of the collateral?

_____ % (Total amount of loans on the project + existing liens on the collateral) / current market value of the collateral

10. If the collateral is a livestock operation, do you have a manure management plan? YES NO
If no, please explain how you will dispose of the manure from the facility. _____

11. 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: _____

PROPOSED LOAN TERMS

The interest rate on this participation loan will be:

5.00% for 2024

Rate will be fixed for the 10 years

The principal payments on this loan will be equally amortized as follows:

- Real estate loan equally amortized for a maximum of 20 years with balloon due at end of year 10.
- Real estate loan equally amortized for 30 years (ONLY if using FSA program) balloon due at end of year 10.
- Construction or purchase of Livestock facilities equally amortized for 12 years balloon due at end of year 10.
- Machinery loan or livestock loan, including beef, dairy and/or sheep, equally amortized for 7 years.
- Livestock loan for swine equally amortized for 3 years.

Anticipated closing date: _____ If the project is for the construction of a facility the LPP will not be funded until the project is complete and there is a final appraisal.

LENDER'S ANALYSIS

LENDER TO COMPLETE THIS PAGE

12. Please state the strong points of this farmer and his/her farming operation and how this Loan Participation can assist him/her. (Attach additional page if necessary.)

13. Please state the weak points of this farmer and his/her farming operation and elaborate on the past loan performance. (Attach additional page if necessary.)

Please assist the applicant in submitting the following:

- Attachment 1 - **Current personal financial statement** (less than 30 days old)
 - See “**Current Financial Statement**” placeholder for financial statement criteria.
 - NOTE: A financial statement is also required of any partnership, corporation, or other entity, etc. in which the beginning farmer or spouse has a financial interest.
 - If the beginning farmer will be using a guarantor for the loan, a current financial statement for the guarantor must also be included.

- Attachment 2 - **Pro-forma financial statement including the new project**
 - Must include new project at appraised value as asset.
 - Must include new project financing as debt.
 - Listed debts must match the debt repayment table on page 4.

- Attachment 3 - **Projected global cash flow that includes the new purchase**
 - Use the commodity prices listed on the following page or explain why different prices were used.
 - It is suggested that lenders use the five-year historical average for crop yields, calving percentages, pigs per sow, death loss, etc.
 - Principal and interest payments must match the debt repayment table on page 4.
 - Projected depreciation \$ _____, please provide if not listed on the cash flow.
 - Projected income and social security tax \$ _____, provide if not listed on the cash flow.
 - Projected family living expenses \$ _____, please provide if not listed on the cash flow.

- Attachment 4 - **Three years tax returns (or as many as are available)**

- Attachment 5 - **Credit Bureau Report on Borrower**

Please also complete the following lender’s financial document reconciliation (Page 4)

LENDER'S FINANCIAL DOCUMENT RECONCILIATION

LENDER TO COMPLETE THIS PAGE

DEBT REPAYMENT TABLE

THE PRO-FORMA FINANCIAL STATEMENT AND PROJECTED GLOBAL CASH FLOW MUST MATCH THE FOLLOWING TABLE

To Whom Owed	Purpose	Interest Rate	Remaining Amort. in Years	Principal Balance	Annual Payment Amount	Current Principal Portion	Current Interest Portion	Non-current Principal Portion
				\$	\$	\$	\$	\$
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				\$	\$	\$	\$	\$

COMMODITY PRICE ASSUMPTIONS

For use in Loan Participation application
For use January 1, 2024 thru December 31, 2024

FSA PLANNING

<u>COMMODITY</u>	<u>PRICES</u>
Corn	\$ 4.50/bu
Soybeans	\$ 10.50/bu
Milk (base price)	\$ 18.50/cwt.
Choice Fed Cattle – live weight	\$ 1.25/lb.
Feeder Steers – 550#	\$ 1.70/lb.
Feeder Heifers – 550#	\$ 1.50/lb.
Hay - alfalfa	\$125.00/ton
Hay – mixed	\$ 90.00/ton

Hog prices and prices for other commodities not listed here will be based on best available current and historical data that clearly shows a consistent pattern of sales. For applicants who will receive a premium for a commodity they must provide evidence such as a contract or other written agreements that guarantee the price for the commodity being produced.

IF ABOVE COMMODITY PRICES WERE NOT USED, PLEASE EXPLAIN BELOW

CERTIFICATIONS OF APPLICANT

I understand and agree that:

1. The Authority's Loan Participation will mature in:
 - Seven years or less if purchasing livestock or machinery
 - Ten years, if constructing a livestock facility, the loan will be amortized for a maximum of 12 years or if purchasing land, the loan will be amortized for a maximum of 20 years. However, if you are also utilizing an FSA Loan program the participation can be amortized to comply with FSA rules.
2. I have the option of paying this loan ahead of schedule and can pay it off at any time without any prepayment penalties.
3. If I move out of Iowa and/or quit farming, I will not be permitted to rent out my operation and/or the collateral for this loan and will be required to pay off this Loan Participation in full at that time.
4. The interest rate on the participated loan will be a fixed rate set by the Authority board of directors.
5. The collateral and performance of this Participation Loan will be reviewed annually by Lender and I may have to pledge additional collateral in the future if the value of the collateral becomes insufficient to adequately secure the Participated Loan.
6. The closing fee for this loan is 1.50% of the amount participated with the Authority. A minimum loan closing fee of \$300 will be charged.
7. I am liable to pay all the appraisal fees and any legal or abstracting costs which may be incurred while valuing the collateral for the Participated Loan.
8. The Authority and my lender will have the final approval of this loan request and submitting this application does not insure me that my Loan Participation application will be approved.
9. I will annually provide to lender copies of current financial statements which may be requested by the Authority.

I hereby certify that:

1. I am a resident of the State of Iowa.
2. I am the principal operator of a farming operation.
3. I have sufficient education, training or experience in the type of farming for which this loan is requested.
Complete the form describing the education, training or experience of you and your spouse as it relates to farming.
4. My net worth does not exceed the maximum (before closing).
5. All of my debts will be current at the time the participation loan is closed.
6. If this loan is for machinery or livestock purchase, the collateral I am pledging for this Participation Loan has an appraised fair market value at least equal to the Loan amount(s).
7. If this loan is for real estate purchase or improvements, the collateral I am pledging for this Participation Loan has an appraised fair market value so that the Loan amount(s) requested does not exceed 100 percent of the real estate collateral.
8. If other loans have been previously issued to me under this program, the outstanding Participation totals will not exceed \$200,000.
9. This loan application is for new agricultural purchases and will not be used for refinancing.
10. I have read the "Program Summary" for the IADD Loan Participation Program. I understand all the terms of the program and I agree to adhere to all of the rules and regulations required of me to secure and keep intact an IADD Loan Participation. I further certify that all information on the application, including the financial statements that are attached for me and my spouse, is true and correct.

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 THE LENDER

I have completed the lender's analysis, lender's financial document reconciliation, current financial statement, pro-forma financial statement and cash flow to the best of my ability and hereby certify that all the information contained in the above is true and correct.

I understand and agree that:

1. I must bring the applicant's debts to a current status at the time the Loan Participation loan is closed.
2. I must pay the Authority a proportion of each principal and interest payment received in the proportion equal to the original Participation Loan purchased by the Authority.
3. I will assume all responsibility for servicing this loan according to the Loan Participation Certificate and Agreement.
 - a. The Authority shall have final approval on the sale of all collateral on Participation Loans.
4. The closing fee for this loan is 1.50% of the amount participated with the Authority. A minimum loan closing fee of \$300 will be charged.
5. 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.

I hereby certify that:

1. I have read the "Program Summary" for the IADD Loan Participation Program" and both the applicant and my lending institution meet and understand all of the eligibility requirements.
2. Applicant is a "low-income" farmer who cannot obtain financing to purchase agricultural property without the assistance of a loan participation with IFA.
3. No other private or state credit is available or can be obtained in a timely manner.

_____ Date

_____ Lending Institution

_____ Signature of Official of Lending Institution

_____ Print or Type Official's Name & Title

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

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
- All liabilities due in the next 12 months must be listed under current liabilities**

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.

**If the beginning farmer will be using a guarantor for the loan,
a current financial statement for the guarantor must also be included.**

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

REPLACE THIS PAGE WITH:

Attachment 2

PRO-FORMA FINANCIAL STATEMENT

- Must include new project at appraised value as asset
- Must include new project financing as debt
- Listed debts must match the debt repayment table on page 4 of the application

REPLACE THIS PAGE WITH:

Attachment 3

PROJECTED GLOBAL CASH FLOW STATEMENT

- Use the commodity prices listed on page 4 of the application or explain why different prices were used.
- It is suggested that lenders use the five-year historical average for crop yields, calving percentages, pigs per sow, death loss, etc.
- Principal and interest payments must match the debt repayment table on page 4 of the application.
- List projected depreciation on the bottom of page 3 of the application if not listed on the cash flow.
- List projected income and social security tax on the bottom of page 3 of the application if not listed on the cash flow.
- List projected family living expenses on the bottom of page 3 of the application if not listed on the cash flow.

REPLACE THIS PAGE WITH:

Attachment 4

**PREVIOUS THREE YEARS TAX RETURNS
(OR AS MANY AS ARE AVAILABLE)**

**MUST INCLUDE SCHEDULE F
(IF APPLICABLE)**

REPLACE THIS PAGE WITH:

Attachment 5

Credit Bureau report of Borrower

Loan Participation Program (LPP) Closing Procedures

1. Two weeks prior to loan closing:

- a. Lender will submit to the Authority:
 - 1) LPP Closing Request Worksheet (will be mailed with approval letter)
 - 2) Signed Conditional Commitment to Participate (will be mailed with approval letter)
 - 3) Preliminary title opinion on real estate collateral (if applicable)
 - 4) Appraisal (third-party appraiser)
 - 5) Copy of UCC search on the borrower
 - 6) Copy of ALL promissory notes to be used for the project, including borrower information, loan terms and pledged collateral. (If the project is used in conjunction with the Beginning Farmer Loan Program, IADD will provide a joint promissory note for the Beginning Farmer Loan Program and the Loan Participation Program).
*LPP Loan terms as follows:
 - Interest rate will be equal to Wall Street Journal prime on January 1 of the year of application
 - Amortization is determined by project purpose with a 10-year balloon
 - 7) Amortization schedules for all promissory notes for the project
 - 8) Copy of ALL Security Documents being used as collateral (Including but not limited to; mortgages, security agreements, guarantees, etc.)
 - All collateral should specifically list the bank and LPP as “notes”.
 - 9) Copy of bill of sale, purchase agreement, or sales receipt of purchase(s) (if applicable)
 - 10) ACH Instructions (Bank routing number and account number)

2. After the documents have been approved by the IADD attorney:

- a. Authority will submit to lender:
 - 1) The Authority will email the Loan Participation Certificate and Agreement to be signed and returned via email to the IADD office at least 3 days prior to the closing date.
 - 2) Once the signed Certificate and Agreement is received the Authority will ACH the loan funds to the bank so they can be disbursed at time of closing.
 - 3) The Authority will mail the original Loan Participation Certificate and Agreement to be signed at closing.

3. After the loan closing has occurred:

- a. The following forms need to be sent to the IADD office:
 - 1) Original signed Loan Participation Certificate and Agreement
 - 2) 1.50% closing fee (minimum of \$300)
 - 3) Copy of ALL signed Promissory Notes
 - 4) Copy of ALL signed Security Documents being used as collateral (Including but not limited to; mortgages, security agreements, guarantees, etc.)
 - 5) Copy of recorded UCC filing
 - 6) Copy of signed Feeding Contract (if applicable)
 - 7) Copy of signed Assignment of Feeding Contract (if applicable)

4. Following loan closing

- a. For real estate loans, the Authority will need a copy of the final title opinion within 90 days after closing

NOTE: A Loan Participation coupled with the Beginning Farmer Loan Program (BFLP) must close the same day.

LPP Loan Servicing Procedures

- 1) The lender will proceed to work with the farmer to service the loan.
- 2) The provisions for loan servicing are specified in the LPP Participation Certificate and Agreement.
- 3) **The Lender will collect all payments for the LPP and Bank Loan(s) and send IFA its pro-rata according to the original amortization schedule(s) along with the Payment Transmittal form.**
- 4) **Any payments to the LPP and/or Bank Loan(s) that differ from the original amortization schedule(s) will need to be split on a pro-rata basis** according to the Certificate and Agreement document and sent to IFA with the Payment Transmittal. Examples include but are not limited to the following:
 - a. Additional principal payments are being made to either the LPP and/or the Bank Loan(s).
 - b. Payment is being made to only one loan, either the LPP or Bank Loan(s), and not the other.
 - c. Payment being made is not full payment on either the LPP and/or Bank Loan(s).
- 5) Upon request, lender will provide any annual financial statements or other necessary documents.