

PERSPECTIVES

New IFA programs offer benefits for Illinois farmers

It has been a busy year at the Illinois Finance Authority (IFA). Our agricultural project financings this year range from beginning farmer loans to live-stock expansions and ethanol plants.

The IFA is a self-funded, state authority that helps finance capital investment throughout the state to stimulate economic growth and create jobs.

IFA funds projects in many different markets, such as agriculture, business and industry, health care, education, and communities.

In the agriculture market, the IFA offers several different programs. All of our loan programs are designed to be used in partnership with local lenders. Two of our programs are particularly relevant as we enter the land sale season.



ERIC REED

An exciting new IFA program is the farm purchase guarantee, which allows producers to finance land purchases up to \$500,000.

Under this program, the borrower works with his or her local lender to obtain a loan guarantee from IFA.

With the added loan guarantee of 85 percent provided by IFA, the lender is able to sell the guaranteed portion of the loan into the secondary market and obtain a long-term fixed-interest rate for the borrower.

While the guaranteed portion of the loan is sold, the producer maintains his/her relationship with the originating lender, who services the loan throughout the loan term.

The lender benefits from reduced risk and more competitive interest rates. The borrower receives a long-term fixed-rate, which the lender otherwise might have not been able to offer.

This program is useful for those producers who wish to purchase farmland but perhaps don't qualify for beginning farmer loan programs.



All IFA guaranteed loans qualify for the secondary market.

The beginning farmer bond program, which is approximately 25 years old, provides financing for land purchases for beginning farmers at a reduced or below-market interest rate.

The IFA issues a single tax-exempt bond to the

lender, which conveys tax-exempt status on the interest income the lender receives on the land-purchase loan. Thus, the lender is able to pass on a lower interest rate to the producer.

This program also may be used in a contract-for-deed scenario, in which the seller holds the bond and finances the purchase on a contract purchase. Purchases from related parties are allowed under the program.

The eligibility requirements for this program are fairly broad. They include: a minimum age of 18 years, an Illinois resident, a net worth less than \$500,000, and limited land ownership prior to the purchase.

There are no requirements of farm income as a percentage of total income, but the producer should either be involved in farming or become involved in farming with the purchase of the subject property.

This program is a great tool for those farmers who are buying land for the first time, whether they have been farming for years or are returning to the farm after college.

I cover the southern half of Illinois for IFA projects related to agriculture. My counterpart in the northern half of the state is Cory Mitchell.

For more information about IFA programs or to find a participating lender in your area, please contact the IFA Mt. Vernon office at 618-244-2424 or go online to {www.il-fa.com}.

Eric Reed has been a senior funding manager at IFA for the past three years. He is responsible for assisting with financing projects in Springfield and the counties south of the capital. Prior to joining IFA, he was an agricultural lender for 13 years in Southern Illinois and Indiana.