Beginning Farmer/Rancher Program
Frequently Asked Questions

1. How does the program work?

If the borrower qualifies as a "beginning" farmer/rancher as defined in the program requirements, NIFA issues a tax-exempt bond to the borrower's lender, backed by the Ag loan, thus inducing the lender to offer the borrower a reduced interest rate on the Ag loan.

2. What is a beginning farmer/rancher?

Generally speaking, a beginning farmer/rancher has a net worth no greater than $500,000, has not owned a "substantial" amount of farm land, and will use the loan proceeds for an eligible agricultural purpose.

3. Who provides the loan?

The lender originating the Ag loan may be a financial institution (i.e., bank, credit union, S&L), a private seller-lender on a land contract, a private investor-lender, etc. The lender need not be located in Nebraska.

4. What will the interest rate be?

The interest rate and all loan terms are negotiated between the lender and the borrower. The interest rate established by the lender must be below what the lender's normal rate would be on a similar loan not financed with a tax-exempt bond. The loan cannot exceed a term of 30 years.

5. What may the loan proceeds be used for?

Purchase of farm land, permanent improvements to such land, equipment and machinery, or breeding livestock. Loan proceeds may not be used to provide working capital, refinance existing indebtedness, or to rent farm land.

6. Must the farm land be located in Nebraska?

Yes.

7. What about when there's a house/garage on land desired to be purchased?

NIFA can only assist with the agriculturally-related structures (grain bins, sheds, silos, barns, etc.). To keep everything in one Ag loan transaction the borrower would need to come up with down payment monies (out-of-pocket plus any other funding sources) greater than the value of the house/garage, otherwise, he/she would need to finance them with financing other than the NIFA loan in a separate loan transaction.

8. How large may the loan be?

NIFA may issue a bond to finance up to $524,200 for land or permanent land improvements. Of this amount, no more than $250,000 may be used to finance any new depreciable property and no more than $62,500 of such amount may be used to finance used depreciable property or breeding livestock.

9. What happens when the purchase price of a farm is greater than $524,200?

The purchase price may be any amount, but NIFA can issue a bond for only up to $524,200 to assist the borrower in obtaining a reduced interest rate. For any amount in excess of $524,200 the borrower would need to obtain other sources of additional financing.

10. May this program be used in conjunction with the Farm Service Agency?

Yes, NIFA's program may be used in conjunction with FSA's loan participation programs for purchases (i.e., their 50/50 or 5/45/50 programs). The NIFA tax exemption would apply only to the non-federal (non-FSA) funds loaned by a bank, private seller-lender, or private investor-lender. (Note: NIFA tax exemption cannot be placed on a bank loan with an FSA guarantee.)

11. May this program be used when a child wants to purchase land or depreciable property from a parent?

Yes, although the purchase price must be at fair market value and may not be done through a land contract with the parent. (Lineally-related parties cannot provide the financing on a tax-exempt basis.)

12. May a borrower use the NIFA program if the purchase has already occurred previously?

Yes, but NIFA must issue an Intent Resolution within 60 days of the transaction. An Intent Resolution can be done only after application materials have been reviewed by NIFA staff and eligibility is determined.

13. May a closed loan be modified in the future?

Yes. The modification needs to go through the formal NIFA approval process and must be done prior to the change taking effect, and prior to the original maturity date of the loan. The terms of the bond must always match the terms of the loan in order to keep the tax-exempt status of the loan intact.

14. How long does the NIFA process take?

Generally NIFA can be ready for a loan closing as soon as 30 days from receiving a fully completed application.

15. If a borrower has used the program once, can he/she use it again?

Yes, but they must qualify under all the "beginning" farmer/rancher requirements each time an application is submitted.

16. Can an Ag loan on which NIFA has participated be assumed by someone else?

Yes, but the borrower assuming the loan would need to meet all program requirements.

17. May a borrower, at some point in the future, sell off or rent out a portion of the land they've purchased through the NIFA program?

Yes. This falls under "change of use" rules – the amount of the loan (bond) paid off must be equal to or greater than the value of the portion of land being sold or rented out.

18. May siblings purchase land together?

Proceeds of the loan may not be used by a partnership or corporation. Only "individuals" may obtain a NIFA Ag loan. The siblings would need to individually purchase their own separately-identified parcels of land, and each farm on their own.