



# Next Generation Farmer Loan

## Program to Help First-Time Farm Buyers

### **How Does the Program Work?**

In using the program, a lending institution provides a tax-exempt mortgage to the borrower with the assistance of the Chester County Industrial Development Authority (CCIDA). Interest earned by the bank is exempt from federal and state income taxes. The lender, in turn, passes on a lower interest rate to its borrower, the first-time farm buyer.

### **What is the Loan Term and Rate?**

The rate and the term of the loan are established by the lender. Usually the rate is set at 70%-80% of the lender's agricultural loan rate and the term is normally 15-25 years for real estate loans and 5-7 years for equipment and machinery.

### **What is the Minimum and Maximum Size of the Next Generation Loan?**

There is no minimum size; the maximum loan amount is \$558,000 per person/couple/partnership. Borrowers can combine other loans with the Next Generation loan to complete the project financing package as needed.

### **Qualifying borrower(s) must:**

- Be a permanent resident of Pennsylvania and at least 18 years of age.
- Meet lender credit standards and document to the satisfaction of the lender that they will have access to adequate working capital, farm equipment and livestock, if applicable
- Be the sole owner and principal user of the project.
- Have no prior direct or indirect ownership interest in a substantial amount of land. A substantial amount of land is a parcel, which exceeds 30% of the median farm size in the county in which the land is located.
- Have a net worth that does not exceed \$500,000 if filing as an individual or \$1,000,000 as a partnership.

### **Can I purchase from a Relative?**

Yes, purchase can be between related persons. The IRS states that the following, among others are deemed to be "related persons" of an individual: grandfather, grandmother, father, mother, brother, sister, child, grandchild, or spouse. In addition, a partnership and each of its partners (and their spouses and minor children) are related persons, as are an S corporation and each of its shareholders (and their spouses and minor children). Related persons also includes certain related corporations and partnerships. The preceding list is not exhaustive. The following are not considered as related persons: an aunt, uncle, nephew, niece, brother-in-law, or sister-in-law.

If loan proceeds are used to purchase property from a related person, the applicant must certify and provide supporting documentation that the purchase price of the property is at least equal to the market value of the project. The applicant must also certify that the seller will have no continuing financial interest in the project and will not be a principal user of the project, and will have no other direct or indirect ownership of the project.



The Chester County Industrial Development Authority (CCIDA) provides federal tax-exempt financing for farmers for the purchase of land, buildings, improvements, machinery, and equipment.

### **How can the funds be used?**

- Agricultural Land
- Agricultural Improvements
- Depreciable Agricultural Property, such as farm machinery (The total loan proceeds allocated to the purchase price of used equipment may not exceed \$62,500.)

Note: No portion of the loan proceeds may be used for the purchase of a residence. The applicant must make a down payment or obtain alternate financing for the value of the residence.

### **What are the Fees for this Loan?**

- Application Fee (\$500) + TEFRA Fee (\$250); non-refundable.
- Closing Fee: 1/2% of the loan amount.
- Legal Fee: Based upon time required for each project. Approximate cost: \$2,500.
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### **How to apply?**

Submit by the 1<sup>st</sup> of each month for review by the local authority at their scheduled monthly meeting. Following local approval, the applicant will be forwarded to the County Commissioners for their approval.

**TO LEARN MORE, CONTACT: Kathy Field, 610.321.8217, [kfield@ccedcpa.com](mailto:kfield@ccedcpa.com)**