

NEXT GENERATION FARMER LOAN PROGRAM (NGFL)



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

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A 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 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 \$517,000 per person/couple/partnership. Borrowers can combine other loans with the Next Generation loan to complete the project financing package as needed.

Who Qualifies for The Next Generation Farmer Loan Program?

The 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 appropriate.
- 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.

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What are the Eligible Uses of the Funds?

- 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 if I'm Buying the Farm from a Relative?

Funds can be used to purchase property from 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.

What are the Fees for this Loan?

Application Fee: \$750; non-refundable.

Closing Fee: 1/2% of the loan amount.

Legal Fee: Based upon time required for each project. Approximate cost: \$2,000.

When are Applications Due?

Completed applications must be submitted by the 1st of the month in order to be reviewed by the local authority at their scheduled monthly meeting. Following local approval, the applicant will be forwarded to the County Commissioners for their approval and then to the Pennsylvania Department of Community & Economic Development for final approval.

When Can the Project Construction or Acquisition Begin?

Project construction and/or acquisition cannot begin until approval has been received from the CCIDA. Deposits on real estate made prior to the approval are financeable through the program if the acquisition of the real estate occurs after the approval.

"We had always hoped for the opportunity to purchase our own farm. When the opportunity knocked, we weren't sure how we could make this happen. With the help of the CCIDA and the Next Generation Farmer Loan Program we were able to see this dream become a reality. The process went smooth and quickly and before we knew it, we were signing the papers. Now, we hope to be able to carry this farming heritage on to our children." - Heather Lewis