NIFA 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 guidelines, NIFA issues a tax-exempt bond to the lender the borrower has selected. The lender purchases the bond, backed by the NIFA Ag loan, resulting in the lender offering the borrower a reduced interest rate on the agricultural loan.

2. Who qualifies as a beginning farmer/rancher?

A beginning farmer/rancher is anyone who does not have a net worth in excess of $500,000, has not owned a "substantial" amount of farm land, and agrees to 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, a private investor lender, etc. The lender need not be located in Nebraska.

4. What is the interest rate and loan term?

The interest rate and all loan terms are negotiated between the lender originating the loan and the borrower. The loan cannot exceed a term of 30 years. 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.

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 happens when the land being purchased includes a house/garage?

NIFA can only assist with the agriculturally-related structures (grain bins, sheds, silos, barns, etc.). The borrower must finance the house/garage with financing other than the NIFA Beginning Farmer Rancher Program. Various options may be available including, but not limited to, a second (non-tax-exempt) loan from a bank, NIFA's First Time Homebuyer Program, USDA-Farm Service Agency, and USDA-Rural Development.

8. Is there a maximum NIFA loan amount?

NIFA may issue a bond to finance a loan up to $616,100 on land or permanent 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 $616,100?

The purchase price may be any amount, but NIFA can issue a bond for only up to $616,100 to assist the borrower in obtaining a reduced interest rate. For any amount in excess of $616,100 the borrower must obtain other sources of financing.

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

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 bond may only be used to finance the non-federal (non-FSA) loan originated by a bank, private seller-lender, or private investor lender. (NIFA cannot issue a bond to finance a loan guaranteed by FSA.)

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

Yes. The purchase price must be at fair market value, and the financing may not be provided by the parent or lineally-related parties on a tax-exempt basis.

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

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

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

Yes. The modification must be approved by NIFA, such approval must occur prior to the change taking effect, and the effective date of the modification must be prior to the 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 bond intact.

14. How long does the NIFA process take?

Generally, NIFA can be ready for a tax-exempt loan closing within 7-10 days after its next regularly scheduled Board meeting (see NIFA website for Board meeting schedule). If funds need to be extended sooner, other options for the lender are to 1) do an interim loan or 2) close the loan firmly on a taxable basis, in which case it is taxable for the short period of time until becoming tax-exempt.

15. If a borrower has used the program previously, 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. May an Ag loan on which NIFA has participated be assumed by someone else?

Yes. 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 and 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 their own parcel.