

# **Saving America's Working Lands Conference**

## **Public and Private Capital in Land Access and Ownership**



# **AGGIE BONDS**

Tammy Nebola | IADD Loan Program Specialist  
Iowa Finance Authority



**Tammy Nebola**

Loan Program Specialist

515.725.4919

[tammy.nebola@iowafinance.com](mailto:tammy.nebola@iowafinance.com)

**Iowa Finance Authority**

**Iowa Agricultural Development Division (IADD)**

1963 Bell Ave, Suite 200

Des Moines, IA 50315

515.725.4900

[IADD@iowafinance.com](mailto:IADD@iowafinance.com)

[IowaFinance.com/IADD](http://IowaFinance.com/IADD)

# What is an Aggie Bond?

---

- Aggie Bonds are tax-exempt private activity bonds (PAB) used to assist beginning farmers in acquiring agricultural assets at reduced interest rates
- They allow private lenders to receive federal and/or state tax-exempt interest on loans made to eligible beginning farmers
- The tax-savings allows the lenders to provide the loans at a reduced interest rate to the beginning farmer
  - Most lenders can decrease the rate 20-25%
- The credit decisions and financial risk remain with the local lending institutions



# Aggie Bond Uses



**They can be used for purchasing:**

- **Agricultural land**
- **Depreciable machinery or equipment**
- **Breeding livestock – not feeders**
- **Existing buildings**
- **Constructing new buildings**
- **New farm improvements**

**The assets purchased must be for the individual's farming operation**





# States with Aggie Bond Programs

Arkansas	Montana
Colorado	Nebraska
Illinois	North Carolina
Indiana	North Dakota
Iowa	Oklahoma
Kansas	Oregon
Maryland	Pennsylvania
Minnesota	South Dakota
Missouri	Washington



# Federal Bond Amount Limits

**Maximum bond amount** - adjusts annually on January 1st

- \$667,500 for real estate (2025 maximum)
- \$250,000 for existing buildings or farm improvements and new ag depreciable property
- \$ 62,500 for “used” depreciable agricultural property
- Federal legislation is being pursued to increase all tiers to the maximum bond amount

## **Restrictions**

- Dwelling may not exceed 5% of bond proceeds
- CRP ground may not exceed 25% of bond proceeds
- Combination of the above can be used up to maximum bond

# Eligibility - Federal Requirements

Agricultural property purchased must be used for farming purposes

Beginning Farmer must be the owner/operator of the farm

- Cannot lease to someone else or hire someone else to do the work

Beginning Farmer cannot at any time have had ownership interest of substantial farmland, which is defined as more than 30% of the county median

- Federal legislation is being pursued to change the maximum land ownership from 30% of the county median to 30% of the county average

Purchases from closely related family members (parents, grandparents or siblings) are permitted but:

- They must be financed through a 3rd party lender (no contract sale)
- Must be sold for at least fair market value (appraised price)

Contract sale allowed if not immediate family

- Can be with aunts, uncles, cousins, etc

# State Requirements

Each State must define  
“beginning farmer”



## Iowa Beginning Farmer Definition

- 2025 Maximum Net worth less than \$820,000
- Tied to an inflation index and adjusts each January 1<sup>st</sup>
- At least 18 years old
  - No upper age limit
- Resident of Iowa
- Must have sufficient education, training and experience for the anticipated farm operation
  - No years of service restriction
- Must have access to adequate working capital, farm machinery, livestock and/or agricultural land



# Iowa's Beginning Farmer Loan Program



Iowa has closed over 4,700 Aggie Bond Loans totaling over \$690 million



Those loans encompass over 430,000 acres purchased by beginning farmers



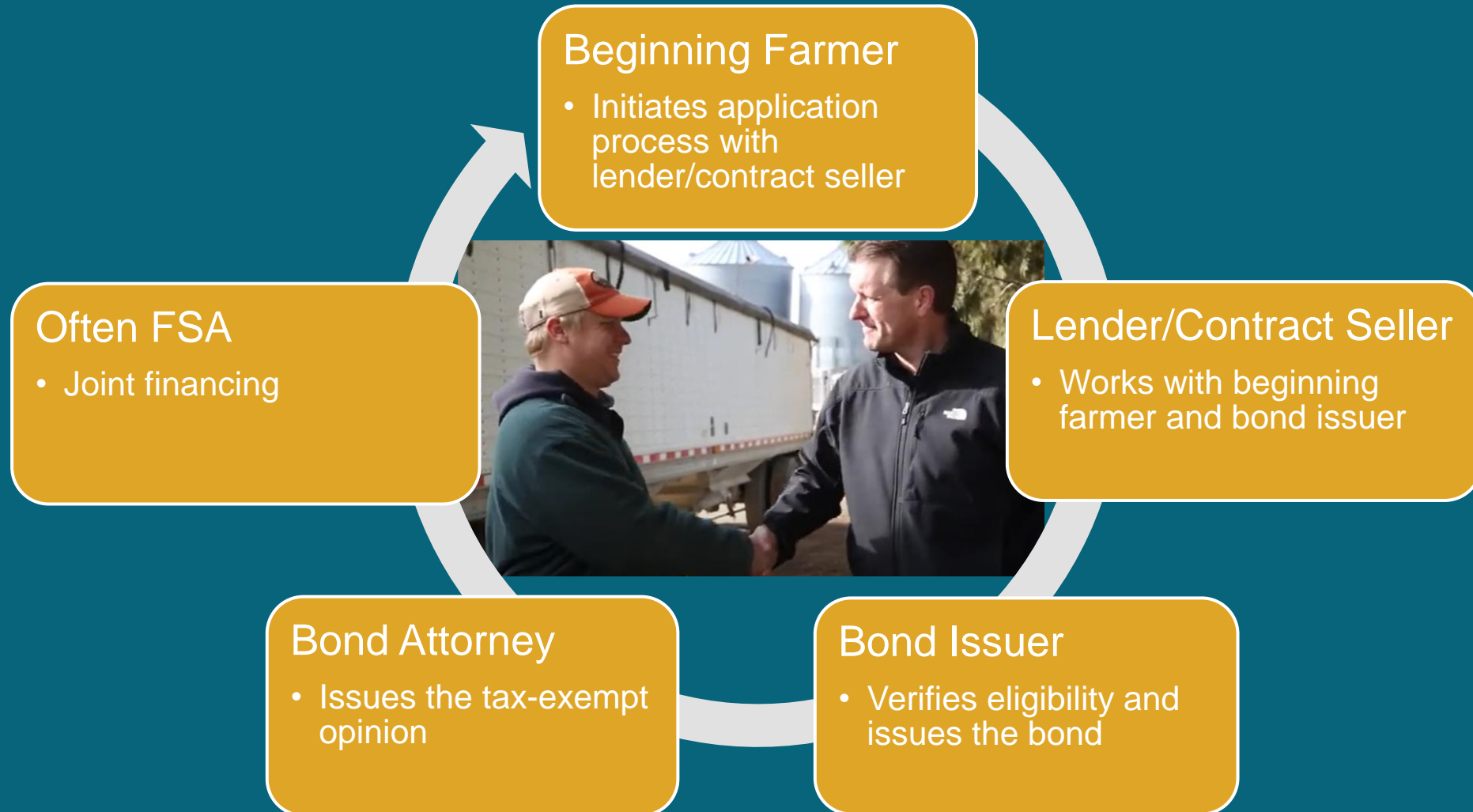
In 2024 Iowa closed 65 Aggie Bond Loans totaling almost \$22 million

- Average Loan Amount was approx. \$390,000
- Average Age was 27
- Average size farm purchased was 63 acres



Aggie Bonds are subject to Volume Cap  
Iowa allocates 21% of the Bond Cap annually to Aggie Bonds

# Who is involved in the Aggie Bond Process?



# Using the BFLP and FSA 5/45/50 Together

% of Project	Funding Source	Total	Interest Rate	1 <sup>st</sup> year Interest
5% of project	Down payment	\$ 50,929		
45% of project	FSA Loan	\$ 300,150	1.50%	\$ 4,502
50% of project	Aggie Bond	\$ 667,500	5.81%	\$38,782
		<b>\$1,018,579</b>		<b>\$43,284</b>

## COMPARED TO

% of Project	Funding Source	Total	Interest Rate	1 <sup>st</sup> year Interest
5% of project	Down payment	\$ 50,929		
95% of project	Traditional Loan	\$ 967,650	7.75%	\$74,923
		<b>\$1,018,579</b>		<b>\$74,923</b>

**\$31,639 Interest Savings in the first year**

# Lifetime savings on Aggie Bond

## 7.75% Interest Loan Amortization Schedule

Loan Information		Summary	
Loan Amount	667,500.00	Rate (per period)	7.750%
Annual Interest Rate	7.750%	Number of Payments	30
Term of Loan in Years	30	Total Payments	1,736,982.65
First Payment Date	1/1/2025	Total Interest	1,069,482.65
Payment Frequency	Annual	Est. Interest Savings	(0.28)
Compound Period	Annual		
Payment Type	End of Period		
Annual Payment		57,899.41	

## 5.81% Interest Loan Amortization Schedule

Loan Information		Summary	
Loan Amount	667,500.00	Rate (per period)	5.810%
Annual Interest Rate	5.810%	Number of Payments	30
Term of Loan in Years	30	Total Payments	1,425,341.68
First Payment Date	1/1/2025	Total Interest	757,841.68
Payment Frequency	Annual	Est. Interest Savings	(0.00)
Compound Period	Annual		
Payment Type	End of Period		
Annual Payment		47,511.39	

Loan Breakdown	7.75% Interest	5.81% Interest	Total Saving on Aggie Bond
Loan Amount	\$667,500	\$667,500	
Total Interest	\$1,069,483	\$757,842	\$311,641
Annual P&I Payments	\$57,899	\$47,511	\$10,688
Total P&I Payments	\$1,736,983	\$1,425,342	\$311,641



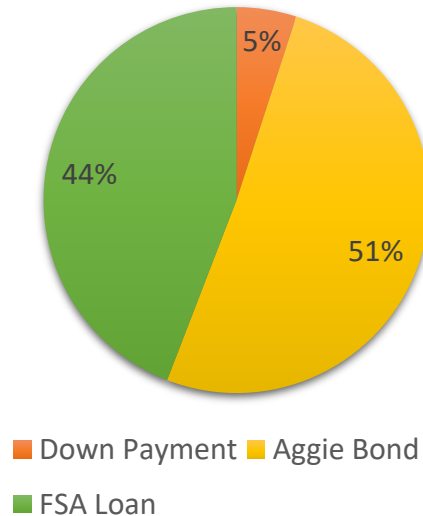
# Ludwig Family Project

Landon, Christopher and Samuel each purchased 80 acres for \$8,500/acre

\$ 34,000 Down payment  
\$345,850 Aggie Bond  
\$300,150 FSA Loan  
\$680,000



## Financing Breakdown



- 4.67% was the traditional interest rate
- Aggie Bond interest rate reduced to 3.50%
- FSA Loan interest rate was 1.50%

# Ludwig Family Projects

% of Project	Funding Source	Total	Interest Rate	Amortization	Total Interest
5% of project	Down payment	\$ 34,000			
45% of project	FSA Loan	\$300,150	1.50%	20 years	\$ 49,499
50% of project	Aggie Bond	\$345,850	3.50%	30 years	\$218,280
		<b>\$680,000</b>			<b>\$267,779</b>

## COMPARED TO

% of Project	Funding Source	Total	Interest Rate	Amortization	Total Interest
5% of project	Down payment	\$ 34,000			
95% of project	Traditional Loan	\$646,000	4.67%	30 years	\$567,674
		<b>\$680,000</b>			<b>\$567,674</b>

**\$299,895 INTEREST SAVINGS OVER THE LIFE OF THE PROJECT  
USING AN AGGIE BOND AND FSA LOAN**

# Iowa's Success Story

Strong relationships with local lenders

- Maintained through hosting workshops and webinars on IADD Programs
- Involvement with Iowa Bankers Association Ag Bankers Conference and Ag Credit School

Partnership with state Farm Service Agency (FSA) officers

- Providing joint workshops at Ag Community Colleges and other locations
- IADD Program Training for FSA officers at their annual meeting

Access to experienced and affordable Bond Counsel

- We have streamlined the program with simplified processes and standardized documents which helps provide a shorter approval timeline and lower attorney and closing costs

Iowa is rich in Agriculture

- 86% of our land is used for agriculture



# National Council of State Agricultural Finance Programs

- The National Council of State Agricultural Finance Programs (NCOSAFP) was established in 1984 to provide national representation for states operating finance programs for the agricultural industry
- Our mission is to facilitate communication and education for our members and represent the interests of agriculture in developing legislation, regulation, and other issues affecting public agricultural finance in cooperation with private industry
- State Agricultural Program Directory can be found at [stateagfinance.org](http://stateagfinance.org)