

WHY SHOULD YOU PARTICIPATE IN THE BEGINNING FARMER BOND PROGRAM?

BEGINNING FARMER BENEFITS:

- Receives benefit of lower rate of interest on a loan.
- Can obtain financing on machinery, equipment, breeding livestock, or land with low or moderate net worth.
- Down payment negotiated with bond purchaser (bank or contract seller).
- Can purchase from a closely related party, i.e., parents, grandparents, and siblings, only through a third-party lender.
- No restrictions on off-farm income.
- May reapply and benefit from the program until all of the \$450,000 lifetime maximum has been used or purchased sizeable land tract.
- Likely to establish a good credit ranking (rapport) with a lending institution/contract seller.
- If eligible, may be used in conjunction with down payment assistance through a Farm Service Agency (FSA) loan.
- Easy to use application form.

CONTRACT SELLER BENEFITS:

- Receives a federal tax exemption on the interest earned on loans less than \$450,000
- Negotiation of loan terms and conditions are between you and the beginning farmer with no government interferences.
- Can sell farm to a relative, however, only those not closely related, i.e. between aunts, uncles, cousins.
- Easy to use application form and loan closing documents.
- Assist beginning farmers by giving them access to low-interest financing.

BANK BENEFITS:

- Lender receives federal tax exempt interest on loans.
- Opportunity of providing a lower interest loan to a "beginning" farmer/rancher to obtain property, machinery, etc.
- Bank establishes a new long-term relationship with a beginning farmer/rancher.
- Bank receives beginning farmer checking and savings accounts and possibility of other relatives' and friends' business.
- Loans qualify under the Community Reinvestment Act (CRA).
- Easy to use application form and loan closing documents.