

CHAPTER 11
CONSERVATION PRACTICES REVOLVING LOAN FUND

[Prior to 12/28/88, see Soil Conservation Department, 780—Ch 9]

27—11.1 to 11.9 Reserved.

27—11.10(161A) Authority and scope. The Iowa general assembly appropriated to the former Iowa department of soil conservation \$1 million in 1983, \$750,000 in 1984, and \$99,000 in 1985 to establish a conservation practices revolving loan fund.

These rules provide procedures and standards to be followed by the division of soil conservation, Iowa department of agriculture and land stewardship, in accordance with the policies of the state soil conservation committee in administering the conservation practices revolving loan fund and the standards and guidelines to which the soil and water conservation districts shall conform in all contracts under this program.

27—11.11(161A) Rules or subrules are severable. If any provision of a rule or subrule or the application thereof to any person or circumstances is held invalid, the invalidity does not affect other provisions or applications of the rule or subrule which can be given effect without invalid provision or application, and to this end the provisions of these rules or subrules are severable.

27—11.12 to 11.19 Reserved.

27—11.20(161A) Definition of terms. In addition to terms defined herein, rule 27—10.20(161A) Definitions shall apply.

“*Current legal usury limit*” means the limit on interest rates established by Iowa Code section 535.2, subsection 3, paragraph “a.”

“*Financial partner*” means the division’s designated bank, mortgage company or governmental agency charged with servicing loans described in this chapter.

“*Net worth*” means total assets minus total liabilities as determined in accordance with generally accepted accounting principles with appropriate exceptions and exemptions reasonably related to an equitable determination of the landowner’s net worth.

“*Total assets*” means the sum of cash; crops or feed on hand; livestock held for sale; breeding stock; marketable bonds and securities; securities (not readily marketable); accounts receivable; notes receivable; cash invested in growing crops; net cash value of life insurance; machinery, equipment, cars and trucks; farm and other real estate including life estates and personal residence; value of beneficial interest in a trust; government payments or grants; and any other assets. Total assets shall not include items used for personal, family or household purposes by the applicant; but in no event shall such property be excluded to the extent a deduction for depreciation is allowable for federal income tax purposes. All assets shall be valued at fair market value by the participating lender. Such value shall be what a willing buyer would pay a willing seller in the locality. A deduction of 10 percent may be made from fair market value of farm and other real estate.

“*Total liabilities*” means the sum of accounts payable; notes or other indebtedness owed to any source; taxes; rent; amount owed on real estate contract or real estate mortgages; judgments; accrued interest payable; and any other liabilities. Liabilities shall be determined on the basis of generally accepted accounting principles.

27—11.21(161A) Financial partner. The division may designate or enter into an agreement with a financial partner to assist with servicing loans under this program.

11.21(1) Responsibilities. The financial partner may assist with the following responsibilities:

a. Making determinations regarding an applicant's ability to repay the loan. Making this determination may include evaluating the applicant's net worth or securing other information as deemed necessary.

b. Securing valid liens on real estate on which the conservation practices are applied.

c. Disbursing loan funds and processing loan payments.

d. Collecting application fees for servicing loans. Maximum application fees assessed to the borrower will be 2 percent of the loan plus filing costs.

e. Pursuing delinquent loan payments and collections.

11.21(2) Reserved.

27—11.22(161A) Allocation of revolving loan funds to soil and water conservation districts. The division shall utilize the following method to allocate program funds to the districts:

11.22(1) District allocations. Districts shall submit requests identifying valid applications and cost estimates, if any, to the division by March 1 of each year. If the requests submitted by districts fail to exhaust funds available, the division may continue to fund district requests on an individual basis until December 1. The allocation to any district will be the lesser amount of either:

a. The amount of available funds divided by the number of districts applying for an allocation; or

b. The amount requested.

11.22(2) Unobligated allocations. Any funds allocated in a fiscal year that the districts have not obligated by March 1 of that fiscal year and any funds that were obligated during the previous year for projects for which construction has not been started by March 1 will be recalled by the division. Recalled funds shall be distributed in accordance with 11.22(1).

11.22(3) Reserve funds. The division shall administer for each program year a reserve fund that shall not exceed \$20,000. The reserve fund will be set aside and used only to meet contingencies that occur in the districts or within the division.

27—11.23(161A) Eligibility for revolving fund loan.

11.23(1) Reserved.

11.23(2) Ability to repay the loan. The applicant must demonstrate the ability to repay the loan to the satisfaction of the division and its financial partner.

11.23(3) Use of the loan. Loan funds shall be used only to pay the total eligible cost of installing permanent soil and water conservation practices listed in 27—subrule 10.82(2) of the Iowa financial incentive program for soil erosion control. District commissioners may designate which soil and water conservation practices will be eligible for loans in their district. The selected practices must be from the state-approved practices contained in rule 27—10.82(161A). The general conditions contained in rule 27—10.81(161A) and the specifications contained in rule 27—10.84(161A) shall apply to the district-designated practices. Revolving loan funds and public cost-sharing funds shall not be used in combination for funding a particular soil and water conservation practice.

11.23(4) Other requirements. The applicant must also meet the eligibility requirements contained in rule 27—10.73(161A) for the Iowa financial incentive program for soil erosion control.

27—11.24(161A) Loan application processing procedures.

11.24(1) Application submitted by landowner. Applicants for loans for soil and water conservation practices shall complete and submit an application for financial incentives to the district office. Application forms shall be available at the district office.

11.24(2) Denial of application by district. Applications for financial incentives which are denied by the district shall be retained in the district to the end of the program year. Written notification of the denial shall be provided to the applicant along with the reason(s) that the application was denied. Application denial as used here refers to those applications which cannot be approved for reasons other than lack of available loan funds.

11.24(3) Initial approval of application by district. Rescinded IAB 12/7/05, effective 11/16/05.

11.24(4) Selection of applications for fiscal evaluations. Applications received by the district shall be evaluated under the priority system adopted by the district for disbursement of allocated funds. The high-priority applications that can possibly be funded by the district's loan fund allocation will be identified, and successful applicants will be requested to provide necessary financial information as required by the division or the division's financial partner.

11.24(5) Final approval of application and obligation of funds. Upon receipt of proper financial disclosures on a form prescribed by the division or by the division's financial partner, the district shall give the application final approval and obligate funds for the project in the amount of the project cost estimate identified on the application. Upon obligation of funds, the district shall notify the applicant.

11.24(6) Application withdrawn by applicant. An application may be withdrawn by the applicant at any time prior to receipt of loan by notifying the district in writing that withdrawal is desired. Applications withdrawn by the applicant shall be retained in the records of the district until the end of the program year.

27—11.25(161A) Project design and construction. 27—subrules 10.74(2), Project design by district, and 10.74(3), Project construction or practice performance, of the Iowa financial incentive program for soil erosion control shall apply to the revolving loan fund program.

27—11.26(161A) Issuance of loan.

11.26(1) Loan payment to applicant. 27—subrule 10.74(4), Payment of financial incentive, of the Iowa financial incentive program for soil erosion control shall apply in its entirety. In addition, upon transfer of payment to the recipient(s), the district shall require the recipient to sign appropriate loan papers.

11.26(2) Maintenance agreement. As a condition for receipt of a loan for permanent soil and water conservation practices, the owner of the land on which the practices have been installed shall agree to maintain those practices in accordance with the requirements of 27—subrule 10.74(5), Maintenance and performance agreements.

11.26(3) Case files. A case file shall be assembled and maintained for each approved loan application. The file will be assembled and maintained in accordance with the requirements of 27—subrule 10.74(6), Case files.

27—11.27(161A) Amount of loan and number.

11.27(1) Minimum loan. The minimum loan that will be granted under this program will be \$2,500.

11.27(2) Maximum loan. The maximum loan that a landowner may receive in one year pursuant to this program shall not exceed \$10,000.

11.27(3) Number of loans. There will be no limit to the number of loans an applicant can receive, except that an applicant shall be eligible for no more than \$10,000 in loans outstanding at any time under this program. Each approved application will be handled as a new loan.

27—11.28(161A) Repayment of loans.

11.28(1) *Loan period.* Each loan made under this chapter shall be for a period not to exceed ten years.

11.28(2) *Repayment schedule.* Loans shall be paid back to the revolving loan fund in equal yearly installments due March 1 of each year the loan is in effect.

11.28(3) *Repayment upon sale of land.* Loans made under this program shall come due for payment upon sale of the land on which those practices are established. If the entire balance of the loan is not paid within ten days of the date of sale, a delinquent loan charge shall be applied as provided in subrule 11.28(5).

11.28(4) *Interest.* The loans shall bear no interest.

11.28(5) *Interest on delinquent loans.* Interest rate upon loans for which payment is delinquent shall accelerate immediately to the current legal usury limit. This is the maximum rate allowed by Iowa Code section 535.2, subsection 3, paragraph “a,” and it shall be applied to the entire unpaid principal, prorated for the period for which the installment is delinquent.

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