ARC 0558D

SOIL CONSERVATION AND WATER QUALITY DIVISION[27]

Notice of Intended Action

Proposing rulemaking related to conservation practices revolving loan fund and providing an opportunity for public comment

The Soil Conservation and Water Quality Division hereby proposes to rescind Chapter 11, "Conservation Practices Revolving Loan Fund," Iowa Administrative Code, and to adopt a new Chapter 11 with the same title.

Legal Authority for Rulemaking

This rulemaking is proposed under the authority provided in Iowa Code section 161A.4.

State or Federal Law Implemented

This rulemaking implements, in whole or in part, Iowa Code chapter 161A.

Purpose and Summary

This proposed rulemaking rescinds and replaces Chapter 11 to modernize and streamline administration of the Conservation Practices Revolving Loan Fund. The proposed rules simplify the allocation of available loan funds by providing funding to eligible district applications on a first-come, first-served basis, incorporate use of the Department's Financial and Reports Management System (FARMS), update references to the Iowa Financial Incentive Program rules, and rely on applicable provisions of the Iowa Code for loan repayment requirements. The rulemaking maintains the existing purpose of the program and its general eligibility, loan amount, and financial partner requirements.

Regulatory Analysis

A Regulatory Analysis for this rulemaking was published in the Iowa Administrative Bulletin on June 24, 2026. A public hearing was held on the following date(s):

- July 14, 2026

Fiscal Impact

This rulemaking has no fiscal impact to the State of Iowa.

Jobs Impact

After analysis and review of this rulemaking, no impact on jobs has been found.

Waivers

Any person who believes that the application of the discretionary provisions of this rulemaking would result in hardship or injustice to that person may petition the Division for a waiver of the discretionary provisions, if any.

Public Comment

Any interested person may submit written comments concerning this proposed rulemaking, which must be received by the Division no later than 4:30 p.m. on October 6, 2026. Comments should be directed to:

Colin Tadlock
Iowa Department of Agriculture and Land Stewardship
1305 East Walnut Street, Fifth Floor

Des Moines, Iowa 50319
Email: colin.tadlock@iowaagriculture.gov

Public Hearing

No public hearing is scheduled at this time. As provided in Iowa Code section 17A.4(1)"b," an oral presentation regarding this rulemaking may be demanded by 25 interested persons, a governmental subdivision, the Administrative Rules Review Committee, an agency, or an association having 25 or more members.

Review by Administrative Rules Review Committee

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rulemaking by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rulemaking at its regular monthly meeting or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

The following rulemaking action is proposed:

ITEM 1. Rescind 27—Chapter 11 and adopt the following **new** chapter in lieu thereof:

CHAPTER 11
CONSERVATION PRACTICES REVOLVING LOAN FUND

27—11.1(161A) Authority and scope. These rules provide procedures and standards to be followed by the division of soil conservation and water quality, department of agriculture and land stewardship, in administering the conservation practices revolving loan fund created in Iowa Code section 161A.71 and the standards and guidelines to which the soil and water conservation districts shall conform in fulfilling their responsibilities under this program.

27—11.2(161A) Rules are severable. If any provision of a rule or the application thereof to any person or circumstances is held invalid, the invalidity does not affect other provisions or applications of the rule that can be given effect without invalid provision or application, and to this end, the provisions of these rules are severable.

27—11.3(161A) Definition of terms. In addition to terms defined herein, definitions in rule 27—10.3(161A) shall apply.

"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—11.4(161A) Financial partner.

11.4(1) *Agreement.* The division may designate or enter into an agreement with a financial partner to assist with servicing loans under this program.

11.4(2) *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.

27—11.5(161A) Allocation of revolving loan funds to soil and water conservation districts.

11.5(1) *Method.* The division shall utilize the following method to allocate program funds to the districts.

11.5(2) *District allocations.* Districts shall submit requests identifying valid applications and cost estimates as they are received and as the applicant has verified that they would like to move forward with securing a loan through this program. The division shall allocate available program funding on a first-come, first-served basis until such time as these funds are exhausted.

27—11.6(161A) Eligibility for revolving fund loan.

11.6(1) *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.

11.6(2) *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 10.21(3) for 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 general conditions contained in rule 27—10.20(161A) shall apply to the district-designated practices. Revolving loan funds and public cost-sharing funds may be used in combination for funding a particular soil and water conservation practice.

11.6(3) *Other requirements.* The applicant must also meet the eligibility requirements contained in rule 27—10.17(161A) for the Iowa financial incentive program for soil erosion control.

27—11.7(161A) Loan application processing procedures.

11.7(1) *Application submittal process.* Applicants may apply for loans for soil and water conservation practices following the application process guidance provided by and utilizing documents specified by the soil and water conservation district in the county where the proposed soil and water conservation practice would be located. Applicants will be required to provide necessary financial information as specified by the division or the division's financial partner.

11.7(2) *District application processing.* Districts shall enter and process loan applications in FARMS following guidance provided by and maintained in policy established by the division.

11.7(3) *Application canceled by applicant.* A loan application may be canceled by the applicant by notifying the district at any time prior to receipt of the loan.

27—11.8(161A) Practice design and construction. Practices shall be designed and constructed to meet Natural Resources Conservation Service (NRCS) practice standards and specifications. These standards and specifications may be accessed through the NRCS Field Office Technical Guide, and copies may be requested in the district office where the practice will be implemented.

27—11.9(161A) Issuance of loan.

11.9(1) *Loan payment to applicant.* Loan payments shall be issued following the process specified by and maintained in policy established by the division.

11.9(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 rule 27—10.5(161A) related to maintenance and performance agreements.

11.9(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 10.18(2).

27—11.10(161A) Amount of loan and number.

11.10(1) *Minimum loan.* The minimum loan amount provided under this program will be $2,500.

11.10(2) *Maximum loan.* The maximum loan amount provided under this program will be $20,000.

11.10(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 $20,000 in loans outstanding at any time under this program. Each approved application will be handled as a new loan.

27—11.11(161A) Repayment of loans. The loan repayment process, the repayment schedule and penalties on delinquent loans will be administered as specified in Iowa Code section 161A.71.

11.11(1) *Repayment upon sale of land.* In addition to specifications of Iowa Code section 161A.71, 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 11.11(2).

11.11(2) *Interest on delinquent loans.* The 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(3)*"a,"* and it shall be applied to the entire unpaid principal, prorated for the period for which the payment is delinquent.

These rules are intended to implement Iowa Code chapter 161A.