175.35 Agricultural loan assistance program.

1. The authority shall establish and develop an agricultural loan assistance program to facilitate the availability of affordable operating capital to farmers by providing grants to lending institutions as provided by this section.

2. The authority shall make available to farmers and lending institutions eligibility application forms for the agricultural loan assistance program. Applications to the authority for assistance under this section shall be executed jointly by the lending institution and the farmer upon approved forms.

3. The authority shall provide in the agricultural loan assistance program that a grant will be provided in conjunction with a farmer's operating loan only if the following criteria are satisfied:

a. The farmer is a resident of the state.

b. The farmer is an individual, a partnership, or a family farm corporation, as defined in section 9H.1, subsection 8.

c. The farming operation in which the farmer will use the operating loan is located within the state.

d. The operating loan will be used by the farmer for reasonable and necessary expenses and cash flow requirements of farming as defined by rules of the authority.

e. The farmer has made full disclosure of the farmer's finances to the lending institution and to the authority, to the extent required by the authority.

f. Additional requirements as are prescribed by the authority by rule, which may include but are not limited to:

(1) Participation in federal crop insurance programs, where available.

(2) A consideration of the borrower's agreement to maintain farm management techniques and standards established by the authority.

(3) Participation in federal farm programs, where applicable.

(4) The maximized use of available loan guarantees where applicable.

(5) A consideration of factors demonstrating the farmer's need for operating loan assistance and the probability of success with the assistance in the farming operation in which the operating loan will be used, including net worth, debt-to-asset ratio, debt service coverage ratio, projected income, and projected cash flow.

g. The farmer has a net worth of not more than two hundred thousand dollars.

h. The farmer develops a farm unit conservation plan, as defined in section 161A.42, with the commissioners of the soil and water conservation district where the land is located within one year from the date of entering into the program, unless the authority prescribes a shorter period by rule.

4. The authority may participate in and cooperate with programs of an agency or instrumentality of the federal government in the administration of the agricultural loan assistance program. The authority may provide in the agricultural loan assistance program that a grant may be provided in conjunction with a farmer's operating loan only if the farmer and lending institution participate in one or more operating loan

assistance programs of an agency or instrumentality of the federal government, which are determined to be appropriate by the authority.

5. Upon approval of an eligibility application and a determination by the authority that assistance pursuant to the agricultural loan assistance program is needed to qualify a farmer and lending institution for participation in an appropriate operating loan assistance program of an agency or instrumentality of the federal government, the authority may:

a. Enter into an agreement with the lending institution and the farmer to supplement the assistance to be received pursuant to the federal program in which agreement the lending institution shall agree to reduce for up to three years the interest rate on the farmer's operating loan to the rate determined by the authority to be necessary to qualify the farmer and lending institution for participation in the federal program and the farmer shall agree to comply with the rules and requirements established by the authority.

b. Agree to give the lending institution, for the benefit of the farmer, a grant in an amount to be determined by the authority to partially reimburse the lending institution for the reduction of the interest rate on the farmer's operating loan.

6. In determining the rate reduction to be required under subsection 5, paragraph *"a"*, and the amount of the grant to be given under subsection 5, paragraph *"b"*, the authority shall:

a. Consider the amount of any interest reimbursement to be received by the farmer or lending institution pursuant to the federal operating loan assistance program.

b. Not require a rate reduction pursuant to subsection 5, paragraph *"a"* which is in excess of three percentage points in addition to the interest rate reduction required pursuant to the federal program.

c. Not give a grant pursuant to subsection 5, paragraph *"b"* in an amount greater than three percent per annum of up to one hundred thousand dollars of the principal balance of the farmer's operating loan outstanding from time to time, for the term of the loan or for three years, whichever is less.

7. Notwithstanding the provisions of subsections 4, 5, and 6, upon approval of an eligibility application and a determination by the authority that operating loan assistance will not be available to an individual farmer and lending institution on a timely basis pursuant to an appropriate program of the federal government, the authority may:

a. Enter into an agreement with the lending institution and the farmer in which the lending institution shall agree to reduce for up to three years the interest rate on the farmer's operating loan to a rate determined by the authority below the lending institution's farm operating loan rate as certified to the authority and the farmer shall agree to comply with the rules and requirements established by the authority.

b. Agree to give to the lending institution, for the benefit of the farmer, a grant in the amount, as determined by the authority, up to three percent per annum of up to one hundred thousand dollars of the principal balance of the farmer's operating loan outstanding from time to time, for the term of the loan or for three years, whichever is less, to partially reimburse the lending institution for the reduction of the interest rate on the borrower's operating loan. However, the grant shall not exceed fifty percent of the amount of interest foregone by the lending institution pursuant to the rate reduction under paragraph *"a"*.

8. The authority may require a lending institution to submit evidence satisfactory to the authority that the lending institution has complied with the reduction in the interest rate as required by an agreement pursuant to subsection 5 or 7. The authority may inspect any books and records of a lending institution which are pertinent to the administration of the agricultural loan assistance program.

9. In order to assure compliance with this section and rules adopted pursuant to this section, the authority may establish by rule appropriate enforcement provisions, including but not limited to, the payment of civil penalties by a lending institution or farmer.

86 Acts, ch 1027, § 4; 87 Acts, ch 127, § 13; 87 Acts, ch 169, § 3