

25—4.7 (175) Loan application procedures.

4.7(1) *Financial statement.* Lenders may use their own form of financial statement and other forms deemed necessary and appropriate to document the eligibility of the borrower and the borrower's ability to make principal and interest payments. A copy of the borrower's most current financial statement (taken within one month preceding application submission) and the prior two years' financial statements, and a projected after-closing financial statement must be submitted with the application. If a participation is sought with respect to a partnership, a limited liability company or corporation, separate applications and financial statements must be submitted by each partner, member or shareholder.

NOTE: If the borrower or the borrower's spouse is involved in a business, partnership, limited liability company, or corporation, for example, either related or unrelated to the borrower's farming operation, a financial statement from this entity must also be submitted with the application.

4.7(2) *Income statement.* A copy of the borrower's most recent income statement, prior three years' income statements, and a projected income statement must be submitted with the application. If historical income statements are not available, then copies of income tax returns may be submitted. If a participation is sought with respect to a partnership, limited liability company or corporation, separate applications and financial statements must be submitted by each partner, member or shareholder.

4.7(3) *Background letter.* A "background letter" regarding the borrower must be submitted with the application. This letter should explain the borrower's background with respect to education and experience in the type of farming operation for which a participation is sought. The letter should also outline the borrower's access to machinery, if the participated loan is for land; or the borrower's access to land, if the participated loan is for agricultural improvements or depreciable agricultural property. The letter should also state where the borrower will obtain operating capital.

4.7(4) *Credit evaluation.* The lender will submit a credit evaluation of the project for which a participation is sought. The lender will evaluate the borrower's net worth and ability to pay principal and interest and certify the sufficiency of security for the participated loan. The authority will review the application and make its own credit evaluation prior to issuance of a participation. Such evaluation will center on whether:

a. The borrower adequately demonstrates the ability to service the debt requirements of the participated loan based on cash flow, net worth, down payment, and collateral pledged for the participated loan.

b. The borrower provides sufficient collateral to adequately secure the participated loan and keep the participated loan collateralized throughout its term.

c. The lender certifies that all of the borrower's debts will be current at the time the participated loan is closed.

d. The applicant is a "low-income" farmer who cannot obtain financing to purchase agricultural property without the assistance of a loan participation with the Iowa agricultural development authority.

e. The lender certifies that no other private or state credit is available or can be obtained in a timely manner.

4.7(5) *Processing loan applications.* Applications for the program will be taken and processed by the authority on a first-come, first-served basis. The authority reserves the right to change the program or terminate the approval of participations under the program at any time. Grounds for termination/suspension of the program would include, but not be limited to, reaching the maximum allowable limit for total outstanding participations as established by the authority or changing the program by order of the Iowa general assembly or by rules promulgated by the authority.

4.7(6) *Security for participated loans and use of security documents.* The lender shall take any security, cosignatures, guarantees, sureties, for example, that are deemed necessary for any participated loan.

a. The authority would advise that any security documents or guarantees required to be used in connection with a participated loan clearly state they are given as security for the indebtedness evidenced by the promissory note and to further secure the agreements, covenants, and obligations of the borrower for the loan involved.

b. The security documents and any guarantees should run directly between the borrower and the lender.

c. Any guarantee of repayment or pledge of additional collateral required by the lender to secure the participated loan shall secure the entire participated loan including the participation (by the authority).

4.7(7) *Loan terms.* The lender and borrower must agree on terms of the participated loan including interest rate, length of loan, prepayment options, service fees, and repayment schedule. See loan terms in rule 25—4.6(175), Program maximums.

4.7(8) *Fees.* The lender or borrower must submit to the authority a nonrefundable application fee in the amount of \$100 when the application is submitted. A participation closing fee equal to 1.25 percent of the IADA participation will be deducted from the participation proceeds by the IADA. A minimum participation closing fee of \$300 will be charged.