

Rural Finance Authority Bond Request

Background

The Minnesota Department of Agriculture's Rural Finance Authority (RFA) offers low-interest loan programs to farmers for a wide variety of activities. Five of these programs are funded from the sale of general obligation bonds. These include the Beginning Farmer Loan Program, the Seller-Assisted Loan Program, the Agricultural Improvement Program, the Livestock Expansion Loan Program, and the Restructure II Loan Program.

These programs are an important source of funding for Minnesota's beginning farmers, as the Beginning Farmer Loan Program alone consists of approximately 70% of the bond fund loans issued. All five programs are participation programs — the RFA partners with local lending institutions to provide credit based upon certain pre-established rules. Over 450 financial institutions can participate.

The RFA has averaged about 92 loans per year over the last five fiscal years and currently services \$99 million worth of loans.

Details

The five RFA bond-funded loan programs currently have about \$19 million in available funds from an authorization of \$50 million in 2020. These funds are projected to be exhausted by about October 2023. Governor Walz and Lieutenant Governor Flanagan's One Minnesota Budget proposal seeks an appropriation of \$40 million to provide future funding for the five programs. This proposal would provide program funds for approximately two to three years.

Additional Information

- **Beginning Farmer Loan Program:** Helps beginning farmers purchase ag land.
- **Seller-Assisted Loan Program:** A cooperative financing effort where the seller actively participates in financing the sale of their farm by providing a portion of the financing, and the lender and the RFA provide the balance of the funds with a first mortgage.
- **Agricultural Improvement Program:** Assists eligible farmers with financing of capital improvements to their farming operation.
- **Livestock Expansion Loan Program:** Creates affordable financing for new state-of-the-art livestock production facilities.
- **Restructure II Loan Program:** Helps farmers reorganize their farm debt to improve cash flow.