



## MN Rural Finance Authority

Matt McDevitt, Ag Finance Supervisor

# RFA History

- Established in 1986 with the Restructure Loan Program
- Beginning Farmer Loan Program in 1987
- Aggie Bond in 1991
- Ag Improvement Loan Program in 1992
- Livestock Expansion Loan Program in 1994
- Revolving account for Stock Loan Program in 1994
- Methane Digester Loan Program in 2002
- Livestock Equipment Loan Program in 2005
- Disaster Recovery Loan Program in 2007
- Pilot Agricultural Microloan Program in 2012
- Farm Opportunity Loan Program in 2015

# Purpose of the RFA and Main Audience

Provide eligible Minnesota farmers affordable financing under terms and conditions not available from other credit sources.

- Beginning farmers
- Livestock producers
- Farmers facing financial adversity
- Full time farmer = Majority of income comes from farming

# Goals of the RFA

- Help Minnesota farmers
- Help local institutions be competitive
  - Lower interest rates
  - Share risk
  - Manage local lending limits
- Easy to use and prompt approval process
- Utilize local lenders supporting loan documentation

# How Are We Funded?

## **Sale of State Bonds**

- RFA has to pay these back
- \$50 Million appropriation in 2020
  - Beginning Farmer & Seller Assisted - Tax Exempt/Taxable
  - Agriculture Improvement - Taxable
  - Livestock Expansion - Taxable
  - Restructure II - Taxable

## **Allocation of Federal Tax-Exempt Bonds (Paper transactions)**

- Aggie Bond

## **Dedicated Revolving Account (Repayments go back into the account)**

- Disaster
- Livestock Equipment
- Value Added Ag Product
- Agro-Forestry
- Microloan
- Farm Opportunity
- Methane Digester

# Bonding Dollars

- About \$19 million left on the 2020 Authorization of \$50 million
- Loan requests have increased due to high interest rate environment
- RFA expect to exhaust funds by about October of 2023
- \$40 million in Governor's proposal

# RFA Program Overview

## **RFA Performance Measures *(1986 to 2022)***

- 3,810 loans issued, totaling \$362.4 million
- Losses taken on 21 loans (0.002% of total)
- Currently have 742 active loans with balance of over \$99.9 million

# How We Work

- We participate with local lenders
- We take 45% of the loan
- Local lender does most of the paperwork
- The local lender lends all of the money and we “buy” our 45% from them after the loan closes
- The borrower pays the lender, the lender pays us
- Loans contain five-year prepayment penalty



# Beginning Farmer Example

A young farmer is buying a 15-acre farm site with a home, barns, and pasture for his beef cattle operation.

<b>Creditor</b>	<b>Dollars</b>	<b>Interest Rate</b>	<b>Lien Position</b>
<b>Purchase Price</b>	<b>\$200,000</b>		
Down Payment	\$40,000		
<b>Remaining Credit Needed</b>	<b>\$160,000</b>		
RFA's 45%	\$72,000	4.00%	Shared First
Lender's 55%	\$88,000	6.50%	Shared First

# FSA/RFA Working Together for Minnesota Farmers

## *Memorandum of Understanding*

### **For Beginning Farmers:**

- FSA agrees to waive the 1% origination fee
- FSA agrees to issue 95% Guarantees
- Applies to regular or “Down Payment D-FO” loans
- RFA will do a 20-year balloon on loans including FSA Beginning Farmer Down Payment Program

# FSA/RFA Working Together for Minnesota Farmers

## FSA/RFA Example Using The Beginning Farmer Loan Program

- \$500,000 Purchase Price
- \$25,000 Down payment (5% down)

<b>Creditor</b>	<b>Dollars</b>	<b>Interest Rate</b>	<b>Lien Position</b>
<b>Credit Needed</b>	\$475,000		
<i>FSA Down Payment</i>	\$225,000	1.50%	Second
<b>Remaining Credit Needed</b>	\$250,000		
<i>RFA's 45%</i>	\$112,500	4.00%	Shared First
<i>Lender's 55%</i>	\$137,500	6.20% +/-	Shared First

# Agricultural Improvement

Used to finance improvements to the farm for any ag related purpose, such as livestock buildings, grain handling facilities, machine storage, and manure systems.

- Net worth can not exceed \$903,000 (indexed for inflation)
- Loan is limited to 45% of a qualifying loan to a maximum of \$400,000 from the RFA
- 4.25% RFA interest rate for 10 years

# Livestock Expansion

Creates affordable financing for new state-of-the-art livestock production facilities.

- Used for new hog barns, poultry barns, cattle barns, robotic milkers, etc.
- Net worth that does not exceed \$1,919,000 (indexed for inflation)
- Loan is limited to 45% of a qualifying loan up to a maximum of \$525,000 from the RFA
- 4.50% RFA interest rate for 10 years

# Restructure II

Restructure loans help farmers reorganize their farm debt to improve cash flow.

- Net worth that does not exceed \$1,919,000 (indexed for inflation)
- Loan is limited to 45% of a qualifying loan up to a maximum of \$525,000 from the RFA
- 4.50% RFA interest rate for 10 years

# Odds and Ends

- Prepayment penalty starts at 10%, then reduces 2% per year
- A borrower may pay additional principal of 10% of the loan amount without penalty
- All RFA loans should have a loan term of no more than 10 years (except when using FSA BFDP)
- Can be amortized longer

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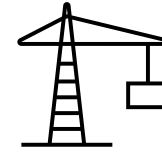




# East Grand Forks Office - Capital Request

Plant Protection Division

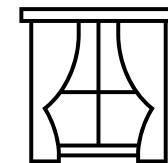
# 312 4<sup>th</sup> Ave NE , East Grand Forks, MN



Built in 1993  
8,000 sq ft



New Roof 2008  
\$20,000 Appropriated



New Windows 2015  
\$50,000 Appropriated

## Seed Potato Certification

- Field Inspections
- Laboratory testing
- Post- harvest grow out
- Outreach



## Potato Cyst Nematode

- Survey
- Sample preparation
- Laboratory screening
- Canadian Export



## Potato Grading

- Fresh & Processed potatoes
- Assign grade and condition



## USDA- Services

- Shipping point inspections
- Food safety audits



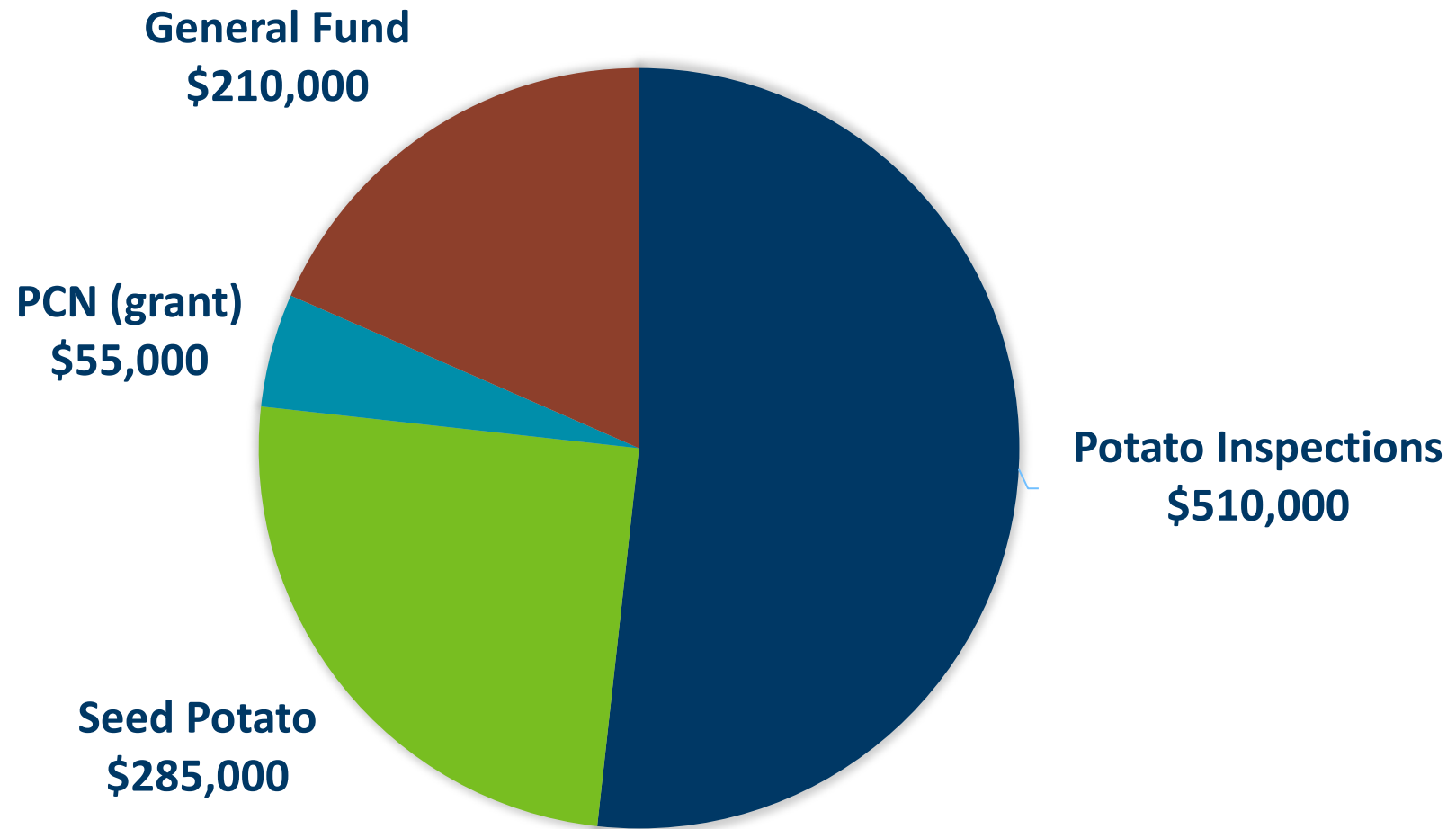
MDA-PPD  
East Grand  
Forks

# Seed Potato Certification



# PCN Survey





Budgets for programs in EGF

# Interior- Conference and Office Space



# Interior-Lab





# Interior-Garage



# Proposed Request

Description of Work	Amount	Funding Source
Building Lighting LED Upgrade	\$ 25,000	Energy Conservation Revolving Loan
HVAC & Water Heater Replacement	\$ 40,000	Energy Conservation Revolving Loan (\$65k total)
Painting (includes basic sheet rock repair)	\$ 25,000	General Fund
Carpet/Tile Replacement	\$ 60,000	General Fund (\$85k total)
Electric Panel Modernization	\$ 20,000	Bonding
Roof Replacement and exterior finishes	\$ 60,000	Bonding
Building Enclosure	\$ 35,000	Bonding
Project Management	\$ 110,000	Bonding
Abatement (potential)	\$ 25,000	Bonding
Contingency 10% (round to nearest \$1,000)	\$ 40,000	Bonding (\$290k total)
Project Total, including inflationary costs	\$ 440,000	

# Electrical



# Roof



# HVAC



# Floors



# Interior



# Building Finishes







**ma** DEPARTMENT OF  
AGRICULTURE

Thank You!