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Illinois Finance Authority Announces Boost in Financing Limits for First-Time Farmers

Combines with state guarantees to help lenders diversify and offers more competitive rates

(Jan. 6, 2010 -- Chicago, Ill) The most popular agricultural financing program offered by the Illinois Finance Authority is now even better. The IFA has announced the first-ever increase in the amount of money farmers can borrow through its Beginning Farmer Bond Program (BFB). Funds available to eligible first-time farmers in 2010 have nearly doubled, from \$250,000 to \$470,100. The program's lending ceiling could continue to rise each year, according to the IFA. Based on changes sought by the IFA and similar State agencies as part of the 2008 Federal Farm Bill, the Finance Authority's lending limit is now linked to an inflationary index which allows for annual increases.

Borrowers don't need prior farming experience to take advantage of the Beginning Farmer Bond Program. All Illinois residents' 18-years or older buying farmland within the state are eligible for the low-cost financing, as long as they own little or no farmland and have a net worth that's less than \$500,000 prior to the proposed land purchase.

"Illinois' agricultural industry is one of the IFA's most important partners, as we work to keep the state's economy strong and vibrant," said IFA Executive Director Christopher Meister. "We're pleased to offer the tools needed to help finance growth of family farms, agri-businesses, and industry."

As with traditional loans, the market typically determines the interest rate for BFBs. However, this rate is generally lower than that of other financing options available to farmers. Lenders typically pass on to their farm customers the savings they realize through the IFA's tax-exempt bonds. As an example, the average interest rate for all BFBs in the last quarter of 2009 was 4.36% to the borrower, based on a tax-exempt basis. This not only makes the program very affordable to the borrower, but also very competitive for the bank.

IFA's Participation Loans add value

A wide range of borrowers are eligible for another IFA tool: the Participation Loan Program (PLP). This Program can be used for farmers, agri-businesses, and certain commercial customers who need to finance the purchase and acquisition of fixed assets such as land, facilities, and/or equipment. While IFA funding of refinances is prohibited, the originating bank may include refinanced debt in the total loan, as long as the bank funds all of the refinancing. Currently, the interest rate on the IFA's portion of the PLP is set at 1.0% below the originating lender, and may be fixed up to 5 years, with an overall term of up to 10 years for the IFA funding.

Borrowers and lenders interested in taking advantage of these lower rates and money-saving State Guarantees should visit the IFA's website, where they'll find a [new brochure](#) with a complete list of programs and eligibility criteria. Or, they can contact the IFA's Ag Team directly: 1-618-244-2424.

“The IFA has the tools our farmers and agri-businesses need to thrive,” said State Representative Brandon W. Phelps, chair of the House Agriculture Committee. “We’ll continue working to expand the impact and reach of those tools.”

Illinois Senator Michael W. Frerichs, chair of the State’s Senate Agriculture Committee, added, “From family farms to our State’s largest agricultural businesses, the IFA provides the access to affordable financing that is key to growth, and we’re pleased to help make that possible.”

The new lending limits for Beginning Farmer Bonds were authorized by the Illinois General Assembly with the passage of Public Act 96-0531 (SB260), signed into law by Governor Pat Quinn in August.

“Governor Quinn’s leadership drives IFA’s economic development agenda forward,” noted Meister, “And, with his signature on this bill, the Governor ensures family farmers remain a vibrant part of the State’s economy.”

The bill was sponsored by Senator Frerichs (Champaign) in the Illinois Senate and Representative William B. Black (Danville) in the House.

“We’re making sure the legislature does all it can to support our farmers,” Black said. “Helping the IFA provide access to more capital paves the road to success for our beginning farmers.”

About the Illinois Finance Authority

The Illinois Finance Authority provides expert, hands-on support to help businesses get the capital they need for growth. To support Illinois businesses and the State’s economic development agenda, the IFA provides access to low-cost, non-conventional financing, through banks and other sources. IFA secures financing for farms, industries, businesses, local governments, hospitals and other non-profits. The agency is continually seeking new opportunities and invites developers, financiers and community partners to see how IFA can help. Go to www.il-fa.com to learn more.

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