

# Next Generation Farmer Loan Program

## SUMMARY

The Next Generation Farmer Loan Program encourages lenders to finance beginning farmers by allocating a portion of the Commonwealth's private activity bond volume cap to first-time farmer projects. The loan is made at the lender's credit standards and other terms and conditions. However, because the program exempts the lender from paying federal, state, or county income taxes on the interest it would earn from the loan, the lender can offer a lower interest rate.

## ELIGIBLE APPLICANTS

Beginning farmers at least 18 years old with no prior ownership of substantial farmland where the parcel size is greater than 30 percent of the median farm size in the county where it is located and whose net worth does not exceed \$500,000 or \$1 million as a partnership. The net worth is indexed each year. For the current net worth maximum, please contact PAgrows.

## ELIGIBLE USES

- Land and improvements, and other depreciable assets such as machinery and equipment.
- May be used between a borrower and lender for a loan to make a direct purchase of a farm and agricultural machinery and equipment or between a buyer and seller for a contract purchase.
- Purchase by contract from a related person is permissible under the program, under certain conditions.

## LOAN AMOUNTS

The total loan proceeds allocated to the purchase price of used equipment may not exceed \$62,500; otherwise, the maximum loan amount is \$477,000. This amount is indexed each year. For the current maximum contact PAgrows.

## TERMS

Due to the nature of the loan, terms for the loan along with any additional conditions will be at the discretion of the individual lender and will depend on the type of project as well as any other factors the lender may deem appropriate.

## INTEREST RATE

Interest rates are set by the individual lender and can often be negotiated lower than current interest rates because of the nature of the loan. Actual interest rates are negotiated between borrowers and lenders, or buyers and sellers in the case of contract sales. Neither the Pennsylvania Department of Agriculture nor the Department of Community and Economic Development dictates interest rates in this program.

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