

## The Process

1. **Find a Lender.** The first step in getting a loan is to locate a lender. This can be a bank, savings and loan, insurance company or other lending institution which will loan funds through this program. It can also be a private individual, including the current landowner, if certain requirements are met.

2. **Submit an Application.** When the borrower qualifies with the lender, a loan application, preliminary agreement and application fees must be submitted to CADA. Visit CADA online for an application and mailing information.

After the application has been reviewed and approved by the CADA Board, a closing date will be set.

3. **At Closing...** CADA issues a tax-exempt bond to the lender. A bank purchasing the bond should be aware, however, that interest received on the bond will probably have the effect of reducing the interest expense deduction that the bank may otherwise have available for income tax purposes.
4. **After Closing...** The lender's payment for the bond will pass through CADA to the borrower to fund his/her project. The borrower's payments on the loan are assigned by CADA to the lender, thereby becoming the payments on the bond.



To apply, visit CADA at:

[www.CADAFarmloan.com](http://www.CADAFarmloan.com)

or contact us at:

Phone: (303) 815-9543

Fax: (303) 466-8515

E-mail: [jimrcada@comcast.net](mailto:jimrcada@comcast.net)

## CADA Fees

There are certain fees associated with obtaining a beginning farmer loan through this program. These fees include:

**Application Fee.** A non-refundable \$50 application fee payable to CADA.

**Legal Fees.** Ranging from \$750-\$1,250 for drafting the necessary document (\$750 for loans of \$100,000 or less; \$1,000 for loans ranging from \$100,001 to \$200,000; and \$1,250 for loans over \$200,000. Larger loans may have higher fees).

**Closing Fee.** Of ¼ of 1 percent (minimum of \$100) which covers the costs CADA experiences in closing the loan (the application fee will be applied to CADA's closing fee); and,

**Annual Fee.** Equal to 1/8 of 1 percent of the unpaid principal of the bond. The lending institution may also charge usual and customary fees and points which are mutually agreed upon by the lender and borrower and are approved by CADA.

*NOTE: this loan can be used in conjunction with the Farm Service Agency (FSA) Beginning Farmer Program. Please refer to FSA guidelines for qualifications.*



Colorado  
Agricultural  
Development  
Authority

## Beginning Farmer Loan



### Questions & Answers

Photo by Jean M. Armstrong

Obtaining enough capital to pursue a career in agriculture can be a challenge these days. However, if you are determined on owning and managing your own livestock or crop operation, the Beginning Farmer Program may be able to help.

## About Us



The Colorado Agricultural Development Authority (CADA) is an independent public body established by statute in 1981. Its mission is to encourage the investment of private capital in the agricultural sector through the use of public financing for the purpose of making low-interest loans available to agricultural producers for specified uses.

CADA is governed by seven board members: three appointed by the President of the State Senate, three by the Speaker of the House, and one by the Governor. The Commissioner of Agriculture also serves on the Board as a non-voting member.

CADA's loan program is known as the Beginning Farmer Program. The program involves a three-way transaction among the lender, the borrower and CADA. Through the issuance of a tax-exempt bond by CADA to the lender, all interest paid by the borrower is tax-exempt. The result is an interest rate to the borrower below commercial rates.

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The Beginning Farmer Program may not be used to refinance an existing loan. If you wish to participate but have already closed on the loan, CADA must approve the project application within 60 days after any payment is made to acquire the project. If CADA's approval is not received within 60 days, the loan is considered refinancing and is not eligible for tax-exempt financing.

## Beginning Farmer Guidelines



Photo by Kelly Lightfoot

### Are there any conditions?

Yes, borrowers must meet the following conditions:

1. The borrower must be a resident of the state of Colorado.
2. The borrower must be actively involved in agricultural production on the land which is purchased.
3. The borrower must qualify with a lender. Since the lender provides 100% of the capital and 100% of the risk (CADA does not guarantee any part of the loan), their approval is necessary as in any other loan they make.

### What are the loan terms?

All loan terms are negotiable between the borrower and the lender including interest rates, payment schedule and the length of the loan.

**Interest rates.** Interest rates can be either fixed or floating depending on the agreement between the lender and the borrower.

**Length of loans.** The length of the loan is also agreed upon by the lender and the borrower and reviewed by CADA. Loan lengths cannot exceed 120% of the estimated life of the assets purchased. Equipment loans, therefore, should not exceed six years in length. Land loans, however, can be as long as 30 years.

## Requirements

### How much can I borrow?

CADA can finance agricultural land any new, depreciable agricultural property up to \$500,000 (subject to inflation). Loans may include up to \$62,500 for breeding stock or used farm equipment.

### What can funds be used to finance?

Only the following types of agricultural property can be financed with a beginning farmer loan:

1. **Agricultural land.** Agricultural land means land suitable for farming or ranching activities. Any agricultural land financed must be located within the boundaries of the state of Colorado.
2. **Agricultural improvements.** Agricultural improvements mean any improvements to buildings, structures or fixtures, suitable for use in farming or ranching, which are located on the agricultural land which is purchased through the program.
3. **Depreciable agricultural property.** Depreciable agricultural property means any personal property suitable for use in farming for which an income tax deduction for depreciation is allowable in computing federal income under the Internal Revenue Code. This includes farm machinery, irrigation equipment, etc., but does not include feeder livestock, seed, fertilizer and other types of inventory supplies.

*NOTE: No portion of the loan may be used for a personal residence.*



Photo by Rita Cleve