**Section 1100.710 Bond Programs and Rules Applicable to Each**

a) Beginning Farmer Bond and Contract Bond Programs

1) Purpose. The purpose of the Beginning Farmer Bond and Contract Bond Programs is to provide affordable financing to new, low net worth farmers for financing capital purchases. IFA works with the applicant's local lender or contract seller to provide this financing. IFA issues a tax-exempt bond for the amount and with the terms of the loan. Because the interest income to the lender or contract seller is exempt from federal income tax, the lender or contract seller is able to charge a lower rate to the applicant. The loan and the bond are secured solely by the collateral required by the lender or contract seller and are not obligations of IFA or of the State of Illinois. Because the lender or contract seller assumes all credit risk, the lender or contract seller makes all credit decisions.

2) Eligible Applicants

A) The applicant must have net worth of not more than $250,000 at the time of application. Net worth means total assets less total liabilities of the individual and the individual's spouse and minor children, if any.

i) Total *assets shall include, but not be limited to, the following: cash crops or feed on hand; livestock held for sale; breeding stock; marketable bonds and securities; securities (not readily marketable); accounts receivable; notes receivable; cash invested in growing crops; net cash value of life insurance; machinery and equipment; cars and trucks; farm and other real estate including life estates and personal residence; value of beneficial interests in trusts; government payments or grants; and* all *other assets.* [20 ILCS 3501/801-10] Total assets shall not include items used for personal, family or household purposes by the applicant, but in no event shall such property be excluded to the extent that a deduction for depreciation is allowable for federal income tax purposes. All assets shall be valued at fair market value by the participating lender. Such value shall be what a willing buyer would pay a willing seller in the locality. A deduction of ten percent may be made from fair market value of farm and other real estate.

ii) Total *liabilities shall include, but not be limited to, the following: accounts payable; notes or other indebtedness owed to any source; taxes; rent; amounts owed on real estate contracts or real estate mortgages; judgments; accrued interest payable; and* all *other liabilities.* [20 ILCS 3501/801-10]

B) The applicant must be an individual, not a corporation, partnership, trust, or any other legal entity.

C) The applicant must be the sole owner and principal user of the project.

D) The applicant must not have had any prior direct or indirect ownership interest in a substantial amount of land. A substantial amount of land is a parcel that exceeds 30% of the median farm size in the county in which the land is located, or which had at any time during ownership a fair market value in excess of $125,000. An individual with prior ownership of land may still be eligible if the individual did not participate in the operation of the farm. Ownership or material participation by an individual's spouse or minor child shall be treated as ownership or material participation by an individual.

3) Loan Amount. The maximum loan amount is $250,000 per person.

4) Eligible Purchases. Loan proceeds may be used for the following capital purchases only:

A) Land located in the State of Illinois that is suitable for use in farming and that is or will be operated as a farm.

B) Agricultural Improvements. Any improvements, buildings, structures or fixtures suitable for use in farming that are located on agricultural land. IFA will finance the purchase of new improvements on agricultural land. IFA can finance used agricultural improvements only in situations in which:

i) the improvements are purchased in conjunction with agricultural land and used in the operation of a farm to be operated on the agricultural land being purchased; or

ii) a sufficient amount of qualified rehabilitation expenditures are incurred by the borrower with respect to the agricultural improvements within two years from the date of the issue of the bond.

C) Depreciable Agricultural Property. Personal property suitable for use in farming for which an income tax deduction for depreciation is allowable in computing federal income tax under the Internal Revenue Code. Examples include, but are not limited to, farm machinery and trucks. Feeder livestock, seed, feed, fertilizer, and other types of inventory or supplies do not qualify as depreciable agricultural property. IFA will finance the purchase of any new depreciable agricultural property. IFA can also finance used depreciable agricultural property if it is purchased in conjunction with agricultural land and used in the operation of a farm to be operated on the agricultural land being purchased. The total loan proceeds allocated to the purchase price of used equipment may not exceed $62,500.

D) No portion of the loan proceeds may be used for the purchase of a residence. If the project includes a residence, the applicant must make a down payment or obtain conventional financing for the value of the residence.

5) Purchase from Related Persons. The IRS states that the following, among others, are deemed to be "related persons" of any individual: grandfather, grandmother, father, mother, brother, sister (whether whole or half blood), child grandchild, or spouse. In addition, a partnership and each of its partners (and their spouses and minor children) are related persons, as are an S corporation and each of its shareholders (and their spouses and minor children). Related persons also include certain related corporations and partnerships. It should be pointed out that the foregoing list is not all-inclusive. There are certain other entities and individuals that could also be considered related persons. It should also be noted that certain individuals are not related persons. For example, an uncle, aunt, nephew, niece, brother-in-law or sister-in-law would not be treated as a related person. IFA loan proceeds may be used to purchase property from a related person in some circumstances:

A) The Beginning Farmer Bond Program may be used to purchase eligible property from a related person if the following conditions are met:

i) The applicant must certify and provide supporting documentation that the purchase price of the project is equal to the market value of the project.

ii) The applicant must certify that the seller will have no continuing financial interest in the project and will not be a principal user of the project, and will have no other direct or indirect ownership or use of the project.

B) The Beginning Farmer Contract Bond Program may never be used to purchase property from a related person.

6) Security for the Loan. To facilitate the making of the loan, the Lender Loan Agreement or Contract Seller Agreement provides that the lender or contract seller will act as agent and fiduciary for IFA in connection with the loan. The principal and interest of the bond are payable solely out of the revenue derived from the Borrower's Promissory Note, which is secured by collateral furnished by the borrower. Please note that cash and cash equivalents may not be used as collateral. The bond that is issued by IFA and purchased by the lender or contract seller is a non-recourse obligation. The principal and interest on the bond do not constitute an indebtedness of IFA or a charge against its general credit or general fund.

7) Fees. The Authority charges a non-refundable application fee of $100 that must be submitted with the application. There is also a closing fee of one and one-half percent of the loan amount, less the $100 application fee, due when the loan is closed. The lender under the Beginning Farmer Bond Program may charge a closing fee of up to one-half of one percent of the loan amount. No other fees may be charged. However, the lender may pass on to the borrower any recording or filing fees associated with the loan. The contract seller under the Beginning Farmer Contract Bond Program may charge no fees. However, the contract seller may pass on to the borrower any recording or filing fees associated with the loan.

8) This program takes effect upon adoption pursuant to this Part.

b) Agricultural Manufacturing Bond Program

1) Purpose. This program is designed to encourage the development and expansion of agribusiness manufacturing operations in Illinois. The intention of this program is to enhance economic growth in Illinois by creating and saving jobs in the rural areas of the State.

2) Eligibility Requirements Particular to the Agricultural Manufacturing Bond Program.

A) The applicant must be an agribusiness as defined in the Act and in Section 1100.700 of this Part. The applicant must also be a "manufacturing facility" as defined in section 144(a)(12)(C) of the Internal Revenue Code of 1986. This means any facility which is used in the manufacturing or production of tangible personal property (including the processing resulting in a change in the condition of such property).

B) The applicant, including all affiliates and subsidiaries, must have no more than 100 employees at the time of application or have had gross income of no more than $2 million for the calendar year preceding the date of application. "Gross income" for this purpose means the amount of gross income properly reportable for federal income tax purposes for the taxable year under the provisions of the Internal Revenue Code.

C) The IFA shall waive the requirements of subsection (b)(2)(B) for any Agricultural Manufacturing Facility which at the time of application does not operate a facility within the State of Illinois.

3) The amount of a loan authorized herein to any agricultural manufacturing facility shall be limited by section 144(a)(4)(A) of the Internal Revenue Code with respect to the issuance of small issue industrial development bonds. In no event shall any loan to any one agricultural manufacturing facility exceed $10 million.

4) Issuance of Bond. Following approval of the loan, the Authority shall issue a bond, in the amount of and fitting the terms of the loan, to be purchased by the participating lender.

5) This program takes effect upon adoption pursuant to this Part.

6) The applicant must pay a $100 fee at the time of application.

(Source: Amended at 26 Ill. Reg. 7084, effective May 10, 2002; recodified from 8 Ill. Adm. Code 1400.140 at 31 Ill. Reg. 12104)