

Ag PACE

The Ag PACE loan provides interest buydown on loans to farmers or ranchers investing in nontraditional agriculture activities to supplement farm income. The program is used to reduce the interest rate on loans which have been approved by a local lender and BND.

Eligibility

The borrower must be a North Dakota resident whose principal occupation is farming or ranching. A qualified business must be conducted by the borrower or the borrower's family and is integrated into the farm operation. These businesses include:

- Nontraditional agriculture
- Manufacturing
- Processing, and value-added processing
- Targeted services industries

It is desirable that the value-added processing is located in North Dakota; however exceptions may be made based on the overall economic benefits to the state. Traditional production agriculture does not qualify for this program.

Use of proceeds

Proceeds may fund value-added or non-traditional activities to supplement farming or ranching income. Examples include, but are not limited to:

- Financing of subsurface field tiling projects
- Purchase of irrigation equipment on new irrigated acreage
- Purchase of shares in the startup or expansion of plants processing North Dakota-grown products
- Purchase of capital improvements for retention of livestock
- Purchase of capital improvements for dairy operations
- Purchase of equity shares in a condominium grain storage entity.

A borrower that receives interest buydown from the Ag PACE is not eligible to receive interest buydown under Invest for the same project.

Loan amount/limit

The total loan amount may not exceed the cost of the project.

Interest rate and fees

Interest rate: A fixed or variable interest rate may be used in the loan participation. The interest rate to the borrower is based upon the buydown requirements as outlined in the Buydown Requirement section.

Fees: Origination fee \$250 minimum to BND. Maximum service fee of 0.25%.

Lending criteria

BND uses its normal credit standards in reviewing the loan. These standards include loan size and type of project.

Collateral

Adequate collateral required

Additional requirements

Appraisal requirements are evaluated on a case-by-case basis.

Participation requirements

BND will evaluate all requests in the same manner as a Bank participation. BND's participation must be 50 – 80 percent.

Buydown requirements

Ag PACE general guidelines

- Total buydown amount per borrower may not exceed \$20,000 per project or biennium. Buydown funds up to \$60,000 over the lifetime of the borrower are available if applied for on a separate project or in a separate biennium.
- To receive buydown funds in excess of \$20,000, the applicant must have a net worth of less than \$1.5 million.
- Buydown of up to 4% below the yield rate with a minimum rate of 1%

Ag PACE Production Enhancement – Subsurface field tiling guidelines

- Total lifetime buydown per borrower is \$50,000 for subsurface field tiling projects.
- Previous buydown amounts for subsurface field tiling count toward the \$50,000 field tiling lifetime cap.
- Buydown of up to 2% below the yield rate with a minimum rate of 1%

State Water Commission Funds – Newly irrigated acreage

- Additional funding of \$20,000 per borrower from the State Water Commission may be utilized per irrigation project.

Loan terms

- Equipment: 5-7 years
- Real estate: Up to 25 years

Ag PACE Production Enhancement: Subsurface field tiling

- Equipment or second real estate mortgage: Up to 10 years. Will consider 100 percent financing.
- First real estate mortgage: Up to 25 years amortization with 10-year balloon

Default by the borrower

If the borrower is in default under the loan agreements, the interest rate on the loan changes from the buydown rate to the original higher interest rate. The borrower shall accrue interest at the higher interest rate and all interest rate buydown funding is suspended until the loan is brought current.

Forms

Bank Participation Loan Application (PDF)

It is recommended you use Internet Explorer 11 or above to download these forms. If you are not able to access a PDF, please contact us for assistance.

How to apply

BND offers this loan by partnering with local lenders. To apply, contact your lender.

If you have any questions, contact us or call 701.328.5795.