

MONTANA BEGINNING FARM/RANCH LOAN PROGRAM

APPLICATION INSTRUCTIONS

Enclosed is an application for the Montana Beginning Farmer/Rancher Loan Program. Following is a list of items to be submitted when making application for a loan.

1. Completed application **NOTE: The application MUST be typed or printed. If it is illegible, it will be returned.**
2. \$50 application fee. Make check payable to the Montana Department of Agriculture.
3. A brief letter containing the following information on the Beginning Farmer/Rancher:
 - Experience and/or training in farming/ranching;
 - If the loan is for land, state the Beginning Farmer/Rancher's access to equipment or livestock. Also, if the land has an existing CRP contract or if there is intent to enter into a new contract, the number of acres being placed in CRP must be stated. Ultimately, it will be necessary to have an appraisal on the buildings (if any), CRP land, pasture or timberland, and cropland;
 - If the loan is for equipment or livestock, please state access to land;
 - The Beginning Farmer/Ranchers' s access to operating capital and who will supply this capital;
 - Whether interim financing will be provided for the beginning farmer/rancher prior to bond issuance.
4. A financial statement within the last sixty days prior to submission of the application.
NOTE: This statement must be typed or printed legibly. If not, it could cause the application to be delayed or tabled.
 - The statement (preferably on a bank form) must be signed and dated by the Beginning Farmer/Rancher and spouse (if any). When listing machinery, a value for each item must be shown including the age. The value of all livestock (weights where applicable) should be included, feed, bushels of grain and the price per bushel listed.

The Montana Agriculture Loan Authority (MALA) reviews loan applications on an as received basis. Applications may be submitted at any time. If you have any questions, please contact the Montana Department of Agriculture at the following location.

**Beginning Farm/Ranch Loan Program
Montana Department of Agriculture
Rural Development Bureau
PO Box 200201
Helena, MT 59601
406-444-2402
www.agr.state.mt.us**

Montana Beginning Farm/Ranch Loan Program

For Department Use Only

Application Approved: _____
 Amount Approved: _____

For Department Use Only

Project No.: _____
 \$50 Fee Rec'd: _____

APPLICATION

(To be completed by the applicant - print or type all information)

Note: APPROVAL OF THIS APPLICATION DOES NOT CONSTITUTE FINAL LOAN APPROVAL. If prior to closing, it is discovered that the project, in whole or in part, is ineligible for tax-exempt financing, or if the project should become ineligible, the Montana Agriculture Loan Authority (MALA) may refuse to complete loan processing or reduce the loan amount.

1. Type of application - PLEASE CHECK ONE: _____ Bank Loan or _____ Contract Sale or _____ Individual Investor

2. Name of applicant _____ Spouse _____

Address _____ City _____ State _____ Zip _____

Telephone (_____) _____ Age (For Statistical purposes) _____

3. Bond Purchaser _____ (Bank, Contract Seller or Individual Investor)

Contact Person: _____ Telephone (_____) _____

Address _____ Fax (_____) _____

City _____ State _____ Zip _____ E-Mail Address _____

4. Purpose of Project (Check and describe how project proceeds are to be used)

Purchase land: Total Acres _____ Tillable Acres _____ CRP Acres _____

Estimated value of house \$ _____ (A dwelling and CRP acres may limit eligibility)

Estimated value of out-buildings \$ _____ (Send appraisal if property has a dwelling or out buildings)

Purchase machinery _____

Purchase Livestock (what and how many) _____

Buildings or other farm improvements _____

Who owns the property where improvements are to be made? _____

If constructing livestock buildings, who will own the livestock? _____

(If applicant will not own livestock, send copy of feeding contract)

5. Financing of Project (Contributions by applicant, lender or contract seller and MALA):

	Land Purchase	Livestock Purchase	Machinery Purchase	Farm Improvements	Total Project
Down payment by applicant	\$	\$	\$	\$	\$
MALA bond financing	\$	\$	\$	\$	\$
Other sources	\$	\$	\$	\$	\$
TOTAL COST OF PROJECT	\$	\$	\$	\$	\$

6. Location of Project:

a. List the county, township, range, & section numbers (Example-Any County, MT-T9N, R32E, Sec. 16). _____

b. Location by road from nearest town: (Example - 4 miles north of Any town, MT on State Highway 14) Roads must be identified, unless they are unmarked gravel roads, then state as such. _____

c. If the project consists of the construction or acquisition of buildings, structures or other immovable property (including remodeling of or additions to existing structures), will the Beginning Farmer/Rancher be the sole owner of the land on which the project will be located? YES _____ NO _____
If NO, will applicant have a long-term lease for the length of the loan? YES _____ NO _____

7. Seller of Property _____

Address _____
City _____ State _____ Zip _____ Telephone (____) _____

a. Please indicate if you are acquiring the "Project" from a related person: YES _____ NO _____
If YES, please explain the relationship. _____

NOTE: Contract sales are not allowed between the Beginning Farmer/Rancher and their grandparents, parents, children or siblings. Cash/bank loans are permitted with these relatives, but MALA Fair Market Value Certificate and Related Person Certificate must be completed.

b. Please explain if you have begun to acquire or construct any part of the "Project" for which you are requesting a Loan; if you have entered into any contract or purchase agreement (installment or otherwise) in connection with the construction or acquisition of the "Project", or have begun off-site fabrication or acquisition of any portion of the "Project." _____

NOTE: Any payments made more than 60 days prior to approval of the application will not be eligible for bond financing.

8. Previous tax-exempt financed projects: Have you, your spouse, minor children or any related person received tax-exempt financing of any kind in any state? YES _____ NO _____

If YES, please explain. _____

PROPOSED LOAN TERMS FOR BOND

(Complete Questions 9-11 With Your Lender, Contract Seller or Individual Investor)

9. Current personal financial statement (not more than 60 days old) for the Beginning Farmer/Rancher, his/her spouse and minor children is enclosed: YES _____ NO _____. (Please attach a copy of the financial statement.)

Net worth of Beginning Farmer/Rancher (including spouse and minor children): \$ _____

NOTE: A financial statement is required from all co-applicants including partnerships.)

10. Application fee (\$50) submitted: YES _____ NO _____.

11. Proposed loan or contract sale terms:

a. Tax-exempt interest rate: Fixed: _____ percent (%) OR Variable: _____ percent (%)
If variable rate, indicate index used: (Example - 80% of bank's prime rate, such prime rate is 11% to be adjusted semi-annually).

b. Total term: _____ years.

c. Repayments: Monthly _____; quarterly _____; semi-annually _____; annually _____ OR other (specify below)

Amount \$ _____ Does this amount include interest? YES _____ NO _____.

d. First payment due date: _____

e. Call options/Balloon as follows: _____ Amount of balloon _____

NOTE: Balloon will automatically end tax exemption - See Program Summary.

12. Previous and present land owned

a. Have you, your spouse, or minor children ever directly or indirectly owned agricultural land? YES _____ NO _____

NOTE: The following are examples of indirect land ownership:

- 1) Ownership of a beneficial interest in a trust, which in turn holds land.
- 2) Ownership of shares in a family farm corporation, which owns land.
- 3) A remainder interest in land, which is subject to a life estate in another person.

If your answer to 12a is no, skip to question 13.

b. Describe each parcel of land presently or previously owned by county location, size, time period owned, and maximum fair market value while you owned it (if the ownership is indirect, also describe the means of ownership and the total amount owned (e.g. "I have a one-fourth beneficial interest in a trust; the trust holds a total of 200 acres")):

c. Have you, your spouse, or minor children done any of the following:

- 1) Performed physical work on the land? YES _____ NO _____
- 2) Participated in management decisions about operations on the land? YES _____ NO _____
- 3) Provided regular advice and consultation on the business operations on the land? YES _____ NO _____
- 4) Regularly inspected production activities on the land? YES _____ NO _____
- 5) Directly or indirectly advanced funds or paid a substantial portion of the operating expenses for operations on the land? YES _____ NO _____
- 6) Lived on the land? YES _____ NO _____

d. Please describe the degree of your involvement in each activity, the frequency of your involvement and the length of time over which your involvement occurred (Use additional sheets if necessary):

e. Have you; your spouse or minor children disposed of any parcels of land? YES _____ NO _____

If YES, identify the parcel(s) and the approximate date disposed: _____

f. Did you, your spouse or minor children recognize income for federal income tax purposes as the result of cancellation of indebtedness with respect to any of the parcels disposed of? YES _____ NO _____

If YES, identify the parcel(s) with respect to which income was recognized: _____

13. Management and labor of project will be proved by: _____

a. Will any portion of the project be used in any existing farm partnership, farm corporation, limited liability company, or other formal or informal joint farming/ranching venture, including contract feeding arrangement? YES _____ NO _____

If YES, please describe; _____

b. Will this joint operation continue after receiving this Loan? YES _____ NO _____

c. Will any portion of the "Project" be used in connection with any new partnership, corporation, limited liability company, or other formal or informal joint farming venture, including contract-feeding agreement? YES _____ NO _____

If YES, please explain: _____

d. Will any of the applicants work off the farm? YES _____ NO _____

If YES, Amount of non-farm/ranch income anticipated \$ _____

Where will he/she be employed? _____

Explain any other related details to non-farm/ranch income _____

e. Please explain what your operation will consist of and include the new project:

Crop acres on owned land: _____

Crop acres on cash rented land: _____

Crop acres on crop-share rented land: _____

Owned livestock operation: _____

Contract-feeding livestock operation: _____

Other farm/ranch operations: _____

CERTIFICATION OF APPLICANT

(To be completed by Beginning Farmer/Rancher applicants)

In submitting this Application, I the undersigned Beginning Farmer/Rancher have read the following statement and hereby certify and agree that:

1. I will be a permanent resident of the state of Montana at the time of bond issuance. True False
2. I have sufficient training or experience in the type of farming/ranching for which this loan is requested. True False
3. The project shall be used only for farming/ranching by myself, my spouse, and/or minor children True False
4. None of the proceeds of the loans shall be used for the refinancing or restructuring of any existing indebtedness in whole or in part, working capital, operating purposes or for inventory or supplies for the Beginning Farmer/Rancher or any related person. True False
5. I have or will have access to adequate working capital, equipment or livestock (if the loan proceeds are to be used to acquire agricultural land), and I have or will have access to adequate working capital or agricultural land (if the loan is to be used to acquire depreciable agricultural property). True False
6. I agree the loan may not be assumed by another person without the Montana Agricultural Loan Authority's prior approval and then only if the purchaser of the property is an eligible applicant for a MALA loan. I presently plan to retain the property financed by the loan for the term of the loan; however, I understand equipment and other depreciable property may be exchanged or traded in on similar property, and other property such as breeding livestock may be added or substituted as collateral at the discretion of the lender without prior approval of the MALA. I also understand that the benefits of the loan, made at the tax-exempt rate from the proceeds of a MALA bond, must be retained by myself, and no person to whom property is traded or otherwise transferred may obtain the benefits of the MALA loan. True False
7. I understand and agree that I am responsible for submitting an application fee with this application and a loan fee equal to one and one-half percent of the principal amount of the loan to the MALA at the time of loan closing; such fees will be used for expenses of administering the Beginning Farm/Ranch Loan Program. True False

All of the information I have provided in the application is true and complete, I understand this application and any of the documents prepared or submitted in connection with it or the loan referred to hereon are "public records" and are subject to examination, copying, publication or other dissemination by any person.

Date

Signature of Beginning Farmer/Rancher

Signature of Beginning Farmer/Rancher's Spouse

This application cannot be reviewed unless the MALA has received all of the following:	
<input type="checkbox"/> \$50 application fee	<input type="checkbox"/> Background letter from applicant & lender
<input type="checkbox"/> Current personal financial statement witnessed by a bank officer & signed by all applicants	<input type="checkbox"/> Completed application form signed by both parties
	<input type="checkbox"/> Certificates if sale is from close relative

CERTIFICATION OF BOND PURCHASER

(To be completed by Financial Institution, Contract Seller, or Individual Investor)

The undersigned Bond Purchaser has read the following statements and hereby certifies that:

1. All of the proceeds of the bond will be used for the acquisition, construction, reconstruction, equipping and installation of land, or property of a character subject to the allowance for depreciation under Section 167 of the internal Revenue Code.
2. To the best of the bond purchaser's knowledge, each of the Certifications of the Applicant and all other information with respect to the project or applicant set forth in this application are true and correct.
3. The proceeds of the bond will not be used to provide working capital or finance inventor, supplies or other operating expenses for the applicant or any related person, or be used to refinance or restructure and portion of existing indebtedness.
4. The Bond Purchaser requests the Authority to issue and sell its bond to the Bond Purchaser for the purpose of financing the project to the extent thereof.

Bond Purchaser or Financial Institution

Signature of Authorized Official, Contract Seller, or Individual

Print or Type Name and/or Title

Date

RELATED PERSON CERTIFICATE

(to be completed only if seller is grandparent, parent or sibling)

The undersigned seller(s) owns the following agricultural land, agricultural improvements, and/or depreciable agricultural property (the "project") _____

which is being sold to _____ (the "Beginning Farmer/Rancher") and is being financed with proceeds from an Agricultural Development Revenue Bond to be issued by the Montana Agriculture Loan Authority. The seller hereby certifies that the project is being sold to the Beginning Farmer/Rancher for its fair market value and subsequent to such sale:

- A. If the project is being operated by a formal or informal partnership or joint venture, the seller will have no more than a 10 percent interest in such operation;
- B. If the project is being operated by a corporation, the seller has no more than a 10 percent stock or ownership interest in such corporation;
- C. If the project is being operated by a trust, the seller has no more than a 10 percent beneficial interest of such trust;
- D. The seller will not be a user of more than 10 percent of the project; and
- E. The seller will not have any other direct or indirect ownership or use of the project.

IN WITNESS WHEREOF, we have hereunto set our official signatures as of the _____ day of _____, 20____.

By _____
(Signature of Seller)

(Print or Type Seller's Name)

By _____
(Signature of Spouse)

(Print or Type Spouse's Name)

FAIR MARKET VALUE CERTIFICATE

(to be completed only if seller is grandparent, parent or sibling)

The undersigned on behalf of _____ (the "Lender") in connection with the sale from _____ (the "Seller") of Agricultural Land, Agricultural Improvements and/or Depreciable Agriculture Property as identified: _____

to _____ (the "Beginning Farmer/Rancher").

To be financed with the proceeds of an Agricultural Development Revenue Bond to be issued by the Montana Agriculture Loan Authority, hereby certifies that the purchase price being paid by the Beginning Farmer/Rancher to the Seller for the Project is the fair market value of the Project. Attached hereto is a copy of an appraisal establishing the fair market value of the Project.

IN WITNESS WHEREOF, I have hereunto set my official signature as of the ____ day of _____, 20____.

(Financial Institution)

(Signature of Authorized Individual)

(Print or Type name of Authorized Individual)

(Title)