

**AGGIE BOND CHANGES
EFFECTIVE UPON ENACTMENT OF THE
2007 FARM BILL**

PART III—AGRICULTURAL PROVISIONS

SEC. 15341. INCREASE IN LOAN LIMITS ON AGRICULTURAL BONDS.

(a) IN GENERAL.—Subparagraph (A) of section 147(c)(2) (relating to exception for first-time farmers) is amended by striking “\$250,000” and inserting “\$450,000”.

(b) INFLATION ADJUSTMENT.—Section 147(c)(2) is amended by adding at the end the following new subparagraph:

“(H) ADJUSTMENTS FOR INFLATION.—In the case of any calendar year after 2008, the dollar amount in subparagraph (A) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year, determined by substituting ‘calendar year 2007’ for ‘calendar year 1992’ in subparagraph (B) thereof

If any amount as increased under the preceding sentence is not a multiple of \$100, such amount shall be rounded to the nearest multiple of \$100.”.

(c) MODIFICATION OF SUBSTANTIAL FARMLAND DEFINITION.—Section 147(c)(2)(E) (defining substantial farmland) is amended by striking “unless” and all that follows through the period and inserting “unless such parcel is smaller than 30 percent of the median size of a farm in the county in which such parcel is located.”.

(d) CONFORMING AMENDMENT.—Section 147(c)(2)(C)(i)(II) is amended by striking “\$250,000” and inserting “the amount in effect under subparagraph (A)”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after the date of the enactment of this Act.

1. What does this mean?

Effective upon enactment, the new maximum bond amount for the Aggie Bond Program is \$450,000. This new limit applies to bareland only, the federal maximum bond amount for depreciable property remains at \$250,000. In addition, the maximum bond amount will be adjusted on January 1 each year based on the cost of living index shown above.

The previous program rules stipulated that the maximum bareland value to currently owned or previously owned real estate as \$125,000. This stipulation has been removed & the only requirement on previously owned real estate is it cannot exceed 30% of the median size farm in the county it is located in.

Each state should assure that they do not have state rules which are more restrictive than the federal limitations.

2. What's next?

The National Council of State Agricultural Finance Programs Steering Committee is currently working with the Senate Finance Committee staff to increase the maximum bond amount of farm improvements which are attached to the property. That was the intent of the above language, however Iowa's bond attorney has advised us that the change was not made. It appears there will be a bill to make technical corrections to the farm bill & we hope to address this issue in this bill.

In addition we will continue to pursue the exemption of Aggie Bonds from the Industrial Revenue Bond Cap as well as the use of FSA guarantees on Aggie Bonds.

If you have any questions, please contact Jeff Ward, Executive Director, Iowa Agricultural Development Authority, 515/281-6444.