Texas Department of Agriculture
Texas Agricultural Finance Authority
Interest Rate Reduction Program (IRR)
Frequently Asked Questions

COMMISSIONER SID MILLER

Q. What's the IRR Program?
A. The interest rate reduction program reduces interest rates for creditworthy applicants engaged in agricultural enterprises.

Q. How do I apply?
A. Complete the application available from the Texas Department of Agriculture web site, www.TexasAgriculture.gov, discuss it with your lender, and have the lender submit the application to TAFA.

Q. Is it for me?
A. Any person is eligible who proposes to use the proceeds of a loan under the interest rate reduction program in a manner that will help accomplish the state's goal of fostering the creation and expansion of enterprises based on agriculture in this state.

Q. Who is involved?
A. Any financial institution that makes commercial loans and is an approved depository for state funds. Farm Credit System lenders are not eligible as they are not able to accept deposits from the Comptroller of Public Accounts.

Q. Who determines the loan terms?
A. The lender and the borrower determine repayment, maturity and collateral for the loan.

Q. Does this program offer a guarantee to the lender?
A. No. The IRR program is an interest reduction program and not a guaranteed loan program.

Q. When would I find out if I got the loan?
A. Quick turnaround! Usually, 5-8 working days.

Q. What's the loan limit?
A. The maximum amount for a loan is $500,000.

Q. Are there restrictions on the use of loan proceeds?
A. Loan proceeds may be used for any agriculture-related operating expense, the purchase or lease of land or a fixed asset acquisition or improvement, or for any enterprise based on agriculture as identified in the application. A loan under this program may be applied to existing debt only when required by the lender to finance the expansion of an eligible project.

Q. Is the interest rate fixed for the term of the loan?
A. If the loan maturity extends beyond the state's fiscal biennium, (Aug. 31 of odd numbered years) then the interest rate will be recalculated.

Q. How is the borrower's interest rate determined?
A. If the lender approves a loan request with a three-year maturity, the interest rate will be determined as follows:

Loan origination date: Oct. 26, 2009
Loan maturity date: Oct. 26, 2012
Loan maturity or state's fiscal biennium (whichever is sooner): Aug. 31, 2011
U.S. Treasury bill/note rate: 4.25% (for Aug. 31, 2011)
Linked deposit rate to lender: 2.25% (4.25% minus 2.0%, [but never below 1.5%])
Borrower's loan rate: 6.25% (assumes lender charged the maximum 4%)
Rate adjustment: Rate will adjust after Aug. 31, 2011 and will have a new rate until the loan maturity on Oct. 26, 2012.

For more information, contact:
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