Texas Department of Agriculture
Texas Agricultural Finance Authority
Young Farmer Interest Rate Reduction Program
Frequently Asked Questions

COMMISSIONER SID MILLER

Q. What's the YFIRR program?
A. We're glad you asked! The Young Farmer Interest Rate Reduction Program is intended to provide below market interest rates to creditworthy applicants.

Q. How do I apply?
A. Complete the application available from the Texas Department of Agriculture website 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 who is 18 years of age but younger than 46 years of age and proposes to use the proceeds of a loan under this program in a manner that will help accomplish the state's goal of fostering the creation and expansion of an agricultural business in this state.

Q. Who is involved?
A. A lender that is a financial institution that makes commercial loans and is an approved depository for state funds. Farm Credit System institutions are not eligible as they cannot 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. Interest rates vary, but the program may result in the reduction of several percentage points on a borrower's interest rate.

Q. Is there a guarantee to the lender?
A. The YFIRR Program is an interest rate reduction program and not a guaranteed loan program.

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

Q. What's the loan limit?
A. The maximum amount of a loan under the YFIRR program 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 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. As a fictitious example, if the lender approves a loan request with a three-year maturity, the 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: 1.25% (4.25% minus 3.0%, (but never below 0.5%))
Borrower’s loan rate: 5.25% (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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