

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

What is the IRR Program?

The Interest Rate Reduction (IRR) Program is intended to facilitate a lower-than-market interest rate to eligible and creditworthy applicants through a commercial lender. The lender must be a financial institution that makes commercial loans, be certified as a state depository by the Comptroller and agree to participate in the interest rate reduction program. The lender and the borrower determine the repayment, maturity and collateral for the loan. Reduction of several percentage points on a borrower's interest rate may be possible.

Who is Eligible?

Any person who proposes to use loan proceeds in a manner that will help accomplish the state's goal of fostering the creation and expansion of an agricultural business in this state.

How Can I Use the Funds?

Loan proceeds may be used for any agriculture-related operating expense, including:

- the purchase or lease of land;
- a fixed asset acquisition or improvement; and/or
- 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.

What is the Interest Rate?

The Comptroller of Public Accounts places a linked deposit with a participating financial institution. The interest rate on the linked deposit is determined on the date the loan is funded and based on matching the loan maturity date to the closest U.S. Treasury bill or note maturity date, or the end of the state's fiscal biennium (Aug. 31 of each odd numbered year). Typically, IRR loans offer interest rates lower than current market rates. The Comptroller of Public Accounts sets the minimum interest rate on a linked deposit based on the current rate of a U.S. Treasury bill or note of comparable maturity minus 2% with a minimum rate of 1.5%. The eligible borrower's loan interest rate shall not exceed the linked deposit rate plus 4%.

What are the Terms?

The lender and the borrower determine repayment, maturity and collateral for the loan.

What is the Loan Limit?

The maximum amount of a loan under the IRR Program is \$500,000.

Program Liability

The IRR Program is an interest rate reduction program and not a guaranteed loan program. The Texas Agricultural Finance Authority, the Texas Department of Agriculture and the State of Texas are *not* liable to lending institutions for default by the borrower.

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