

Pipestone Soil & Water Conservation District

# Agricultural Best Management Practices Loan Program (AgBMP)

## Low Interest Financing For Water Quality Improvement



### ***The AgBMP Loan Program***

- Provides low interest financing to **farmers, rural landowners, and agriculture supply businesses** to implement practices that prevent water pollution
- Provides loans for projects that reduce existing water quality problems caused by agricultural activities or failing septic systems
- Helps landowners comply with water related laws or rules
- Can be used with state and federal cost share or other sources of funding
- Has funds available in most counties

### **Who May Apply for Loans**

- Farmers
- Rural Landowners
- Agriculture Supply Businesses

### **What are Eligible Activities**

- Feedlot improvements
- Upgrading manure storage basins and odor control
- Improved manure handling, spreading and incorporation equipment
- Terraces, waterways, streambank protection, sedimentation basins, and other practices that prevent erosion
- Conservation tillage equipment
- Repair of septic treatment systems
- Most any practice that prevents water pollution

## **What are Ineligible Activities**

- Financing projects already completed
- Improvement for feedlots with more than 1,000 animal units
- Most new construction projects

## **Where to Apply**

The program is run locally through the **Pipestone Soil & Water Conservation District**. Call your local county offices to find out the local contact person for the loan program and their local application procedures.

## **Approval Process**

The borrower proposes a project to the **Pipestone Soil & Water Conservation District**. If the project addresses local water quality priorities and the borrower meets eligibility requirements, the county may approve the project and refer it to a participating lender. The local lender evaluates the financial aspects of the project, decides whether to offer a loan, and if so, negotiates the final terms of the loan. The borrower can then complete the project. When completed, the borrower provides receipts or invoices for the cost of the project to the lender.



## ***Local Decision Making***

The AgBMP Loan Program allows local governments the flexibility needed to address specific local water quality concerns. The local loan fund is jointly administered by a local government and a cooperating local banks or financial institutions.

**The Local Government** helps farmers, agriculture supply business, and landowners identify problems and find solutions to water quality issues related to the agricultural industry or failing septic systems.

**The Local Banker** is responsible for assessing the economics of the proposed project and determining if a loan is financially feasible for the individual. The banker makes lending decisions, administers the loans, and collects payments from borrowers. Because the money is a loan and must be repaid, only those projects that are financially feasible and provide environmental benefits will be funded.

## ***Amount of Funding Available:***

Since 1995, a total of **\$52 million** has been made available through the federal Clean Water Act and the Minnesota Legislature. Over **7000** loans have been issued and about **\$10 million is available each year** for eligible pollution prevention practices. Please contact **Pipestone Soil & Water Conservation District** if you are interested in this program.

## **Terms of Loans**

- Loan amounts are limited to **\$50,000** for most projects; **\$100,000** for ISTS Cluster systems.
- Maximum Loan Length:
  - Animal Waste Storage - 10 years
  - Equipment - 5 years
  - Septic systems - 10 years
  - Well sealing - 10 years
- The maximum interest rate is 3%, interest plus usual and customary fees charged by the lender.
- The county and local banker may set additional terms and requirements for eligibility of projects.
- These loans are meant to encourage water quality protection and may only be used to solve existing water quality problems.

## **Comparison of Typical Interest Paid on 3% and 9% loans for 2 to 10 years.**



Length of Loan (years)	Loan Amount	Total Interest Paid at 3%	Total Interest Paid at 9%	Cost Savings
2	\$5,000	\$226	\$685	\$459
5	\$5,000	\$459	\$1,427	\$968
10	\$30,000	\$5169	\$16,746	\$11,577
10	\$50,000	\$8,615	\$27,910	\$19,295

### ***For More Information***

Potential borrowers should contact the **Pipestone Soil & Water Conservation District** shown below for more information about loan availability.

#### **Local Contacts:**

**Pipestone Soil & Water Conservation District**  
**Angie (507) 825-4268**

#### **Local Lenders:**

First Farmers & Merchants  
Mike Hanson (507) 825-3301

First National Bank  
Kevin Paulson (507) 825-3344

First State Bank  
Steve Werner (507) 825-0055

*This program is administered in cooperation with the **AgBMP Loan Program** of the Minnesota Department of Agriculture. [Dwight.Wilcox@state.mn.us](mailto:Dwight.Wilcox@state.mn.us) (651-201-6618)*