COLORADO AGRICULTURAL DEVELOPMENT AUTHORITY
FIRST TIME FARMER PROGRAM

QUESTIONS AND ANSWERS FOR BORROWERS AND LENDERS
REGARDING THE PUBLIC HEARING AND PUBLIC APPROVAL PROCESS

1. What exactly is the purpose of the hearing?

When a bank makes a loan to a borrower, interest payments received by the bank over the term of the loan typically are taxed by the state and federal governments. The bank pays the tax, not the borrower. Loans to first time farmers, however, are special in that interest paid to the bank is not taxed by the state and federal governments. The state and federal governments do not tax interest on first time farmer loans because the state and federal governments want to support first time farmers. Because of this support, banks are willing to provide lower interest rate financing. Effectively, by not taxing interest on first time farmer loans, the American public and citizens of the State of Colorado have decided to subsidize first time farmers. As a condition for this subsidy, however, the public must have a chance to comment (during the hearing) on how the loan is used. Federal law states that the loan may be made only after the hearing has ended. The public hearing allows the public to make sure the subsidy is provided in a proper manner. This is the purpose of the hearing.

2. Why is the hearing public?

The American public is effectively paying for the lower interest rate that is made available to the first time farmer. To ensure there is transparency for how this public subsidy is made available, the hearing must be available to the public.

3. Who would be calling to discuss the bond? And why?

Anyone who is interested in how public subsidies are used or how the farmer's loan will be used may decide to call in and listen to the hearing or provide comments. For example, if the farmer anticipates using the federal subsidy (i.e., the lower interest rate) to finance the acquisition of land to be used for corn, members of the public who oppose the growing of corn might decide to attend the hearing. After all, their taxes (along with taxes by everyone else) effectively pays for the subsidy represented by the lower interest rate. Of course, it is probably unreasonable to think that there are members of the public who oppose the growing of corn. But this is just an example. It is simply the case that, because the loan is subsidized by the American public, anyone should have the ability to comment on how the subsidy is used.

4. If someone did attend the hearing, and disagreed with the bond being approved, what would happen at that point?

The comment would be taken into account by the elected government official approving the loan. In Colorado, the elected government official approving the loan is the Governor – who has delegated the State Treasurer to provide approval. The elected government official should consider the comment but may provide approval regardless of the contents of the comment. The elected government official is accountable to the public and, for that reason, should consider comments before providing approval. In our experience in Colorado, it is not typical for anyone to attend public hearings.

5. What is the next step after a hearing?

After the public hearing, the hearing officer provides a report of the hearing to the elected government official. The official, after considering any comments made during the hearing, is asked to approve the loan. Once the loan is approved, the bank, with the assistance of the Colorado Agricultural Development Authority, may disburse the loan.

6. What personal information of the borrower is made public?

The American public, as a condition to providing the tax subsidy, has determined that it has a right to know the approximate size of the loan, the name of the borrower, and the approximate location of the financed property. No further information is provided to the public as part of the hearing.

If the borrower does not wish to disclose the borrower's name, the approximate size of the loan or the approximate location of the financed property, or does not want a public hearing to occur, the borrower does not need to take advantage of the public tax-exempt loan subsidy. The borrower can look for higher cost taxable financing instead, which does not require this level of disclosure or public hearing.