



**Maryland**  
Department of  
the Environment

## **Maryland's Linked Deposit Program**

### **Low Interest Loans for Agricultural Conservation (LILAC) Program**

### **Water Infrastructure Financing Administration**

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# Maryland's Linked Deposit Program

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## Program Purpose

- Provide below market rate financing for water quality non-point source capital improvements.
- Make the SRF loan program more accessible to private entities by utilizing the existing commercial lending community.

## Types of Projects Funded

- Agricultural best management practices
- Correction of failing septic systems
- Repairs/enhancements to existing storm water management facilities
- Nonstructural shoreline erosion control and structural shoreline erosion control where nonstructural techniques will not provide adequate protection
- Wetland creation/enhancement/restoration
- Stream restoration to control erosion and stabilize stream banks (nonstructural techniques are preferred to structural solutions)



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# LILAC Program - Background

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- Low Interest Loans for Agricultural Conservation (LILAC) are available to help farmers install best management practices on their farms, purchase conservation equipment and adopt new technologies that help protect natural resources and safeguard water quality in streams, rivers and the Chesapeake Bay.
- Although federal and state cost-share programs are available to farmers who want to install protective BMPs on their farms, most do not cover 100% of the installation costs. Moreover, equipment purchases, new technologies and start-up costs for major projects are not usually covered. That's where LILAC can help. LILAC loans provide farmers with up-front funds needed to bridge the cost-share gap and get a project up and running



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# LILAC Background – continued

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- Many farmers use LILAC loans to supplement cost-share payments for high dollar BMPs such as animal waste management systems or stream protection practices.
- LILAC loans may also be used to purchase certain types of equipment to control soil erosion, inject manure into the soil or manage crop nutrients.
- In addition, farmers may use LILAC loans to adopt new technologies such as integrated optical sensing equipment, nutrient application equipment, and global positioning systems that manage agricultural nutrient applications.
- Guaranteed by the Maryland Water Quality Revolving Loan Fund, LILAC loans are offered at below market rates and are available at lending institutions statewide.



# LILAC - What's Covered?

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- All of the BMPs cost-shared by the Maryland Agricultural Water Quality Cost-Share (MACS) Program are eligible for LILAC loans. In addition, certain types of conservation equipment used to store, handle, transport or apply animal manure may be eligible. Following are examples of BMPs and equipment commonly financed through LILAC:
  - Animal waste storage or management systems
  - Heavy use areas
  - Manure spreaders, loaders, pumps, agitators and related hardware
  - Equipment needed to inject or incorporate manure into the soil
  - Conservation tillage equipment such as deep no till rippers and no-till planters or drills
  - Technical equipment used for the precision application of nutrients
  - Erosion control structures
  - Sediment control ponds
  - Composting facilities
  - Stream protection practices
  - Grazing land management
  - Wetland creation and enhancement



# LILAC - Eligibility Requirements

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- Qualifying projects must be located on a farm and designed to address nonpoint source pollution related to agricultural sources.
- Individuals, partnerships, corporations, trusts or other business enterprises may qualify for a LILAC loan if an owner, landlord or tenant participates in the operation of a farm.
- Applicants must have an existing or potentially critical condition on agricultural land with a high potential for movement of nutrients, sediment, wastes or agricultural chemicals into State waters.
- The proposed BMP(s) must comply with standards and specifications established by the USDA Natural Resources Conservation Service (NRCS) or the Maryland Department of Agriculture's Conservation Grants Program



# New Eligibility - CAFOs

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- LILAC loans previously could not be used to finance BMPs or other capital improvements on farms defined as Concentrated Animal Feeding Operations (CAFOs).
- This prohibition has been recently removed and the LILAC program can now finance BMPs and capital improvements on CAFOs.



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# LILAC - How To Apply

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- Contact the local soil conservation district (SCD) for free technical assistance in designing or verifying eligible BMPs or equipment needed to address water quality issues.
- The SCD can help apply for cost-share grants and obtain a certification from the Maryland Departments of Agriculture and Environment confirming that the BMPs or equipment meet all technical criteria for LILAC.
- This certificate must be presented to a participating bank when applying for a LILAC-supported loan.





# Certification of Qualification - Project Eligibility Determination

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
LINKED DEPOSIT CERTIFICATE OF QUALIFICATION  
Project Eligibility Determination  
LOW INTEREST LOANS FOR AGRICULTURAL CONSERVATION PROJECTS**

Name of Borrower:	Telephone Number:
Social Security or Federal ID Number:	Estimated Project Completion Date:
Mailing Address of Borrower:	Address of Project Site:
Total Project Cost:	Requested Loan Amount:
Eligible Bank/Lending Institution (If known): Name: Address:	Contact Person: Phone #:
Project Description (including list of equipment to be purchased using loan funds):	
Borrower Certification: The borrower certifies that the Linked Deposit Program loan proceeds shall be used for the sole purpose of the project as approved by the Administration. The Administration reserves the right to demand the loan be repaid in full upon written notification, if it is determined that the funds were not used for the approved project or the project construction was unreasonably delayed. The borrower also agrees to allow access to the project site.	
Borrower's Signature _____	Date _____

1. The \_\_\_\_\_ Soil Conservation District (SCD) certifies the above is an approved project and is eligible to apply for a loan through the Maryland Water Quality Revolving Loan Fund Linked Deposit Program.
2. The project is included in a Soil Conservation and Water Quality Plan and/or Waste Management System Plan developed and approved by the \_\_\_\_\_ SCD and the applicant.
3. The \_\_\_\_\_ SCD will:
  - inspect and monitor proper installation of these eligible components and others related to the implementation of the project; or
  - accept in lieu a set of certified as-built drawings.

Signature (Soil Conservation District Official) \_\_\_\_\_ Date \_\_\_\_\_

Name (Soil Conservation District Official) \_\_\_\_\_ Title \_\_\_\_\_ Phone Number \_\_\_\_\_

**MARYLAND WATER QUALITY FINANCING ADMINISTRATION  
LINKED DEPOSIT CERTIFICATE OF QUALIFICATION  
Project Eligibility Determination  
LOW INTEREST LOANS FOR AGRICULTURAL CONSERVATION PROJECTS**

**The Maryland Department of Agriculture certifies that:**

1. Under the LILAC Program this project is consistent with project types eligible for loans from the Maryland Water Quality Revolving Loan Fund as noted in the Maryland Non-point Source Management Program (CWA Section 319) and identified on an LILAC Project Form
2. Components of this project have been approved for MACS program
3. Components of this project are needed as defined in the waste management system plan

Signature (Maryland Department of Agriculture Official) \_\_\_\_\_ Date \_\_\_\_\_

Name (Dept. of Agriculture Official) \_\_\_\_\_ Title \_\_\_\_\_ Phone Number \_\_\_\_\_

**The Maryland Department of the Environment certifies that:**

This project is eligible for loan from the Maryland WQRLF as noted in the Maryland Non-point Source Management Program (CWA Section 319) and the approved Intended Use Plan.

Signature (Maryland Department of the Environment Official) \_\_\_\_\_ Date \_\_\_\_\_

Name (MDE Official) \_\_\_\_\_ Title \_\_\_\_\_ Phone Number \_\_\_\_\_

*Issuance of this Certificate of Qualification: a. shall not be deemed to be included in, or imply, an evaluation of credit worthiness of this applicant, or to constitute a recommendation that a loan be made, b. shall in no way be deemed to be a guarantee of any payment due from any eligible applicant to any participating bank, and c. does not relieve the applicant from acquiring all necessary federal, state, and local permits for the project.*

*Lender should contact the Maryland Water Quality Financing Administration,  
Maryland Department of the Environment, at 410-537-3119 for additional information.*

**▶▶ THIS IS NOT A FUNDING COMMITMENT ◀◀**  
<http://www.mde.state.md.us/wqfa>

# Terms and Conditions

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- Loan application is made directly to an eligible lending institution, which determines the credit worthiness of the applicant, and sets loan terms and conditions.
- Upon determination that a project is qualified and the loan is approved, MDE enters into an investment contract with the lending institution who provides a below market rate of interest loan to the borrower.
- The interest rate is discounted below the lender's normal cost of funds.
- These loans are guaranteed by the Maryland Water Quality Revolving Loan Fund and administered by MDE in coordination with the MDA and the state's 24 soil conservation districts.
- WQFA investment made with lender in an interest bearing account.
  - Investment interest reduction used to lower borrower's loan rate.
  - Currently WQFA only takes 0.01%
  - Example: Bank lending rate is 8% and CD rate 4%, WQFA will take a 0.01% rate on investment and borrower's rate will be reduced by 3.99% while borrower's subsidized rate will be 4.01%
  - The lender receives the same return without laying out their funds.
- Loan repayments are made by the borrower directly out to the lending institution.



# Participating Agricultural Lending Institutions

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Any financial institution that meets the following lender qualifications is eligible to participate in the program :

- Is eligible to make commercial loans
- Is a State Treasurer's Office approved depository of state funds
- Agrees to receive linked deposits
- Is insured by the Federal Deposit Insurance Corporation

Participating lending institutions:

- Eastern Shore & Central Maryland – Mid Atlantic Farm Credit
- Southern Maryland – Colonial Farm Credit
- Western Maryland – Farm Credit of the Virginias
- Additional Lenders – numerous private banks -- 1800 Bank; Bank of America; BB&T; Capital One; Citibank; The Columbia Bank; Community Bank of the Chesapeake; Eagle Bank; First United Bank and Trust; Frederick County Bank; Maryland Partners Bank; Old Line Bank; PNC Bank; Provident State Bank; Sandy Spring Bank; Shore United Bank; TD Bank; Wells Fargo Bank
- Farmers may apply to any branch office of a participating lender and are encouraged to shop for the best rate/terms. Certain bank branches may be unaware of program details. Work with your soil conservation district to identify lenders familiar with LILAC.



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# Example Project 1:

## Manure Handling Equipment

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- Project: Manure Handling Equipment – Tractor with front end loader for poultry manure
- Location: Queen Anne's County
- Lender: Mid-Atlantic Farm Credit
- Total Financed: \$36,812.98 out of \$46,500 total cost; LILAC is primary source of financing
- Loan Term : 7 years
- Savings: Market rate = 4.0 %  
Borrower's Interest rate = 2.0 %



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# Example Project 2:

## Agricultural Waste Storage & BMPs

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- Project: Dairy farm - Ag waste structures (liquid and dry), heavy use areas, watering facilities, roof runoff system, access road, animal trails and walkways, fencing, underground outlets



# Example Project 2:

## Agricultural Waste Storage & BMPs - continued

- Location: Harford County
- Lender: Mid-Atlantic Farm Credit
- Total Financed: \$100,000 out of \$515,000 total cost; federal and state cost share programs were primary source of funding; LILAC provided bridge and gap funding
- Loan Term: 5 years
- Savings: Market Rate = 4.54%  
Borrower's Interest Rate = 2.53%



# Contact Info

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Jeff Fretwell

Water Infrastructure Financing Administration  
Maryland Department of the Environment

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Linked Deposit Website:

[https://mde.maryland.gov/programs/water/wqfa/  
pages/linked\\_deposit.aspx](https://mde.maryland.gov/programs/water/wqfa/pages/linked_deposit.aspx)

LILAC brochure:

[https://mda.maryland.gov/resource\\_conservation  
/counties/LILAC.pdf](https://mda.maryland.gov/resource_conservation/counties/LILAC.pdf)



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