

Agricultural Infrastructure Loan Program



Guidelines

Purpose: To assist Kentucky agricultural producers by providing them access to below market financing for the acquisition, renovation, and construction of agricultural structures that enhance the profitability of their farming operations.

Terms:

1. Maximum KAFC participation will be limited to **\$150,000 or 50% of the project, which ever is less, for producers documenting tobacco involvement and \$100,000 or 50% of the project, which ever is less, for those with no tobacco involvement documentation.** *(For borrowers with a net worth of less than \$500,000 see #4.)*
2. Documentation of tobacco involvement will consist of one of the following:
 - a. Evidence of a past Phase II payment
 - b. Evidence of enrollment in the Tobacco Transition Payment Program
 - c. An executed current marketing contract for tobacco production.
3. Borrower may have multiple KAFC Agricultural Infrastructure loans but is limited to a total outstanding balance of \$150,000 (with documentation of tobacco involvement) or \$100,000 (without tobacco involvement documentation) per household in this program.
4. Borrowers with a net worth of less than \$500,000 will be limited to \$150,000, for producers documenting tobacco involvement and \$100,000 for those with no tobacco involvement documentation. KAFC will loan up to 50% of the outstanding debt held by the participating lender and/or FSA on behalf of the applicant at the time of closing this loan not to exceed total cost of the project. Otherwise, KAFC is limited to 50% of the project.
5. Interest rate on the KAFC portion of the loan will be fixed at **2% a.p.r.** for the life of the loan. KAFC reserves the right to adjust the rate on any new loans as market conditions change.
6. Lender must agree to service the loan for no more than **0.75% (75 basis points)** on the KAFC portion of the loan for the life of the loan. The fee will be added to the KAFC rate to determine the blended rate.
7. Maximum term of KAFC portion cannot exceed **15 years or useful life** of asset, as determined by the lender.
8. Lead lender is required to prepare and submit the loan application. Lender must be committed to provide additional financing as outlined in the completed application.
9. Participating lender must be a financial institution with offices in Kentucky.

10. Lender is encouraged to include K AFC as part of any FSA guarantee request or application.
11. K AFC will consider subordinating debt to participating lender. No future debt can be incurred on mortgaged property without notification of K AFC.
12. Loan must be secured with both fixed assets and the personal guarantee of the borrower.
13. Applicant must receive at least 20% of gross income from farming for previous two years, as evidenced by federal income tax returns.
 - a. For K AFC purposes this will be calculated by dividing the Gross Farm Income (GFI) amount found on the Schedule F by the Adjusted Gross Income amount found on the Form 1040.
 - b. For applications dealing with entities other than Sole Proprietorships, staff will review the applicant's tax returns and calculate GFI by identifying the most relevant Gross Income amount representing farm income and dividing it by the applicant's personal Adjusted Gross Income from their 1040 return.
14. Applicants requesting less than \$50,000 will not be required to provide tax returns.
15. Project must be located on property in Kentucky.
16. Applicants must acquire all relevant permits and the project must meet all required construction codes. Property must be in compliance with all environmental regulations.
17. Construction projects must begin within 6 months of loan approval and must be completed within 1 year of loan approval.
18. Participating lender and/or borrower will provide interim financing during construction of project. K AFC will transfer loan proceeds upon satisfactory completion of project.
19. Any principal and interest payments made by borrower will be shared pro-rata by lender and K AFC unless both parties agree to modified terms. There is no penalty for early repayment of the loan.
20. Only expenses incurred after the Agricultural Infrastructure Loan Application has been received by K AFC will be eligible for consideration under this loan program.
21. K AFC shall review each application and supporting documentation, loan approval will be at the discretion of the K AFC board, unless it meets the criteria for staff approval.

Eligible Projects: Agricultural facilities including structures and permanently attached equipment with plan to improve profitability of farming operation will include but not be limited to:

Aquaculture Structures: including pond construction, indoor production facilities, water systems, etc.

Beef facilities: including permanent working facilities, commodity storage, etc.

Dairy facilities: including freestall barns, milking parlors, waste storage, etc.

Equine facilities: including stables, arenas, etc. for business activities only

Grain facilities: including storage and drying bins, chemical storage, etc.

Poultry facilities: including broiler houses, compost barns, etc.

Swine facilities: including gestation, farrowing, finishing, etc.

Tobacco facilities: including greenhouses, barns, migrant housing, etc.

Other long term structures at the discretion of the KAFC board

Other items: including tiling, water irrigation systems/pivot systems, etc.

Not Eligible: Operating or refinancing loans