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# 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.

**Eligibility:**

1. For borrowers **documenting tobacco dependency** (*within the previous five years*), maximum KAFCC participation will be **\$150,000 or 50% of the project, whichever is less**. For borrowers **unable to document tobacco dependency** (*within the previous five years*), maximum KAFCC participation will be **\$100,000 or 50% of the project, whichever is less**.
  - a. Tobacco dependency documentation shall be evidenced by the borrower's federal tax returns
  - b. For borrowers with a net worth less than \$500,000, see #4
2. Borrower may have multiple KAFCC Agricultural Infrastructure loans but is limited to an aggregate balance of \$150,000 (with tobacco dependency documentation) or \$100,000 (without tobacco dependency documentation), in this program.
3. Borrowers with a net worth exceeding \$3.5 million and capable of obtaining traditional financing will be required to demonstrate the need for funding under this program.
  - a. Any application submitted where the net worth exceeds \$3.5 million will be immediately referred to the KAFCC Loan Review Committee for evaluation and funding recommendation.
4. For Borrowers with a net worth **less than** \$500,000, KAFCC will loan up to 50% of the outstanding debt held by the participating lender and/or FSA, on behalf of the applicant, at time of loan closing. This amount will be limited to \$150,000 (tobacco dependent) or \$100,000 (non-tobacco dependent), not to exceed the total project cost, as indicated on the signed application. KAFCC will otherwise be limited to 50% of the total project cost.
5. Borrower must receive at least 20% of gross income from farming for previous two years, as evidenced by federal income tax returns.
  - a. For KAFCC purposes, this will be calculated by dividing the Gross Farm Income (GFI) from Schedule F by the Adjusted Gross Income (AGI) from Form 1040.
  - b. For applications dealing with entities other than Sole Proprietorships, staff will review the tax returns and calculate GFI by identifying the most relevant Gross Income amount representing farm income and dividing it by the personal AGI from Form 1040.
4. Borrower must be a Kentucky resident, as evidence by a Kentucky driver's license.
5. Project must be located on property in Kentucky.

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**Terms:**

1. Participating lender must be a financial institution with offices in Kentucky.
2. 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.
3. Interest rate on the K AFC portion of the loan will be fixed at **2% a.p.r.** for the life of the loan. K AFC reserves the right to adjust the rate on any new loans as market conditions change.
4. Lender must agree to service the K AFC participated loan for no more than **0.75% (75 basis points)**, for the life of the loan. This fee will be added to the K AFC rate to determine the blended rate.
5. Maximum K AFC loan term shall not exceed **15 years or useful life** of asset, collateralizing loans. Loans secured by real estate may be amortized over 25 years with a 15 year balloon.
7. Loan must be secured with both fixed assets and the personal guarantee of the borrower.
8. Lender is encouraged to include K AFC as part of any FSA guarantee request or application.
9. K AFC will consider subordinating debt to participating lender. No future debt can be incurred on mortgaged property without notification of K AFC.
10. Borrowers requesting less than \$50,000 will not be required to provide tax returns.
11. Borrower must acquire all relevant permits and the project must meet all required construction codes. Property must be in compliance with all environmental regulations.
12. Construction projects must **commence** within **six months** of loan approval and must be **completed** within **one year** of loan approval.
13. Participating lender and/or borrower will provide interim financing during construction of project. K AFC will transfer loan proceeds upon satisfactory completion of project.
14. 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 shall be **no prepayment penalty** on the K AFC participated loan.
15. Only expenses incurred after the Agricultural Infrastructure Loan Application has been received by K AFC will be eligible for consideration under this loan program.
16. 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.

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