
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 showing eligibility, maximum KAFCC participation will be **\$250,000 or 50% of the project**, whichever is less.
2. Household and/or operation may have multiple KAFCC loans but is limited to an aggregate balance of \$250,000 in all programs, excluding the Agriculture Processing Loan Program.
3. 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 or other valid documentation.
5. Project must be located on property in Kentucky.

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 KAFCC portion of the loan will be fixed at **2% a.p.r.** for the life of the loan. KAFCC reserves the right to adjust the rate on any new loans as market conditions change.
4. Lender must agree to service the KAFCC participated loan for no more than **0.75% (75 basis points)**, for the life of the loan. This fee will be added to the KAFCC rate to determine the blended rate.
5. Maximum KAFCC 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.

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6. Loan must be secured with both fixed assets and the personal guarantee of the borrower.
 7. Lender is encouraged to include KAFC as part of any FSA guarantee request or application.
 - a. An FSA guarantee may be required when the credit risk exceeds acceptable levels. **The decision is not solely based on an 85% LTV.**
 - i. A guarantee may be requested when:
 - Collateral coverage is limited.
 - Repayment capacity is marginal or highly variable.
 - The operation shows elevated risk (Ex: start-up, expansion, inconsistent earnings).
 - Borrower financial strength is weak (liquidity, leverage, working capital).
 - Loan structure increases exposure (long terms, seasonal risk, commodity concentration).
 - Global cash flow shows vulnerability under stress.
 - ii. In addition, if a loan is submitted and approved by KAFC subject to an FSA guarantee, it has been assumed KAFC will approve a modification if the LTV is 85% or below. That is no longer the case and a full credit package would need to be submitted to reconsider approval without the guarantee.
 8. KAFC will consider subordinating debt to participating lender. No future debt can be incurred on mortgaged property without notification of KAFC.
 9. Borrower must acquire all relevant permits and the project must meet all required construction codes. Property must be in compliance with all environmental regulations.
 10. Construction projects must **commence** within **six months** of loan approval and must be **completed** within **eighteen months** of loan approval.
 11. Participating lender and/or borrower will provide interim financing during construction of project. KAFC will transfer loan proceeds upon satisfactory completion of project.
 12. Any principal and interest payments made by borrower will be shared pro-rata by lender and KAFC unless both parties agree to modified terms. There shall be **no prepayment penalty** on the KAFC participated loan.
 13. Only expenses incurred after the Agricultural Infrastructure Loan Application has been received by KAFC will be eligible for consideration under this loan program.
 14. KAFC shall review each application and supporting documentation, loan approval will be at the discretion of the KAFC board.

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15. The KAFC Loan Review Committee must review applicants with credit scores below 600 or with no credit score for funding recommendation.
 16. Applications with a combined loan-to-value up to 85% may have a government guarantee, but it is not required.
 17. Applications with the approval and obligation of a government guarantee, shall not have a combined loan-to-value greater than 100%.
 18. Any application with a combined loan-to-value greater than 85% without a government guarantee will be referred to the KAFC Loan Review Committee for evaluation and recommendation.

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