

---

# Agricultural Processing Loan Program



## Guidelines

**Purpose:** To provide loan opportunities to companies and individuals interested in adding value to Kentucky grown agricultural commodities through further processing.

**Eligibility:**

1. For borrowers with eligible projects, **maximum KAFCC participation will be \$250,000 or 50% of the project**, whichever is less.
2. 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. There must be a commitment by a participating lender who will work with the borrower to capitalize the initial investments outlined in the three-year business plan. The lender will continue to evaluate additional credit needs, however, any additional credit will be at the discretion of the lender and according to their normal underwriting policies.
3. 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.
4. 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.
5. 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.
6. 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.
7. Loan must be secured with both fixed assets and the personal guarantee of the borrower.
8. Equipment will be calculated at 85% contributory value of purchase price for purposes of calculating combined loan-to-value of the total project.
9. KAFCC will consider subordinating debt to participating lender. No future debt can be incurred on mortgaged property without notification of KAFCC.
10. Borrower must submit a three-year business plan showing an emphasis on serving the agricultural community, a reasonable return and an ability to retire the KAFCC debt.

- 
11. Start up ventures may be required to submit a feasibility study documenting that this business does not unduly compete with other existing businesses providing similar products or services.
  12. Borrower must acquire all relevant permits and the project must meet all required construction codes. Property must be in compliance with all environmental regulations.
  13. Construction projects must **commence** within **six months** of loan approval and must be **completed** within **eighteen months** of loan approval.
  14. Real estate purchases must be closed within **3 months** of loan approval, unless an extension has been requested and approved by the KAFC Board.
  15. Participating lender and/or borrower will provide interim financing during construction of project. KAFC will transfer loan proceeds upon satisfactory completion of project.
  16. 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.
  17. Only expenses incurred after the Agricultural Processing Loan Application has been received by KAFC will be eligible for consideration under the loan program.
  18. KAFC shall review each application and supporting documentation; loan approval will be at the discretion of the KAFC board.
  19. The KAFC Loan Review & Compliance Committee must review applicants with credit scores below 600 for evaluation and funding recommendation.
  20. Household and/or operation may have multiple KAFC loans but are limited to an aggregate balance of \$250,000 in all programs, excluding the Agricultural Processing Loan Program (APLP).
  21. Applications with a combined loan-to-value up to 85% may have a government guarantee, but it is not required.
  22. Applications with the approval and obligation of a government guarantee, shall not have a combined loan-to-value greater than 100%.
  23. Any application with a combined loan-to-value greater than 85% without a government guarantee will be referred to the KAFC Loan Review & Compliance Committee for evaluation and recommendation.

**Eligible Projects:**

- Acquisition of equipment
- Construction of new facilities
- Expansion of existing facilities
- Renovation of existing facilities
- Permanent working capital

**Not Eligible:** Operating or refinancing loans