
Horticulture Incentives Loan Program



Guidelines

Purpose: To assist specialty crop producers with access to working capital.

Eligibility:

1. KAFC will loan **up to 50% of the project cost not to exceed \$250,000**. If applicant has existing agricultural debt with the participating lender and/or FSA, this debt can be used as match such that KAFC can participate up to 100% of the project costs. KAFC will otherwise be limited to 50% of the total project cost.
2. Priority consideration will be given to borrowers with agricultural education and/or experience in agriculture.
3. Borrower must be a Kentucky resident, as evidence by a Kentucky driver's license or other valid documentation.
4. Primary operation must be 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 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. 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.
4. Lender must agree to service the KAFC participated loan for no more than **0.75% (75 basis points)**, for the life of the loan. This fee will be added to the KAFC rate to determine the blended rate.
5. KAFC maturity date will be December 31st of the year the application was submitted.
6. Borrowers are limited to 10-year lifetime eligibility of the program
7. Loan must be secured with real estate, fixed assets or equipment with personal guarantee such that C/LTV is no greater than 85%. Loan should also be secured with the specialty crop.
8. If the operation is an entity, then all partners will need to be listed as Co Applicants.
9. KAFC will consider subordinating debt to participating lender. No future debt can be incurred on mortgaged property without notification of KAFC.

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10. Borrower must submit a business plan (see attached) showing a reasonable return and an ability to retire the KAFC debt.
 - a. The business plan must include:
 - i. History/ Experience to manage a produce operation. (prior tobacco/ crop experience, managing H2A labor force)
 - ii. The requirements for new producers to expand into produce. (Infrastructure or Capital Investments)
 - iii. Responsibilities of the operation. (Planting, Harvesting, Processing)
 - iv. Annual Operating Budget (This must be supported with contract(s) and prior year production reports to establish yield history.)
 - v. Funding Plan
 11. Borrowers that are new vegetable producers must have a contract with a buyer for the produce. If the borrower has been producing vegetables for 3 years, then the contract obligation is waved.
 12. Borrowers are required to have NAP (Noninsured Crop Disaster Assistance Program), Whole-Farm Revenue Protection, Micro Farm insurance, or any other specialty crop insurance approved by the KAFC Board.
 13. Household and/or operation may have multiple KAFC loans but are limited to an aggregate balance of \$250,000 in all programs excluding Agricultural Processing Loan Program (APLP) and the Horticulture Incentives Loan Program (HILP).
 14. Household and/or operation may only have a \$250,000 balance in the Horticulture Incentives Loan Program.
 15. 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.
 16. Only expenses incurred after the HILP Application has been received by KAFC will be eligible for consideration under this loan program.
 17. KAFC shall review each application and supporting documentation; loan approval will be at the discretion of the KAFC board.
 18. The KAFC Loan Review Committee must review applicants with credit scores below 600 or with no credit score for funding recommendation.
 19. All applications will be referred to Loan Review Committee.

Eligible Projects:

- Seasonal working capital
- Other agricultural investments at the discretion of the KAFC Board