



PROGRAM SUMMARY FOR

THE STATE OF ILLINOIS

STATE GUARANTEE PROGRAM
FOR AGRI-INDUSTRIES

Illinois Farm Development Authority

427 East Monroe Street, Suite 201

Springfield, Illinois 62701

Phone: (217) 782-5792
(800) 406-IFDA

Fax: (217) 782-3989
www.state.il.us/ifda

State Guarantee Program for Agri-Industries

The State Guarantee Program for Agri-Industries (SGPAI) is a guarantee program designed to assist and encourage diversification of Illinois agriculture and to promote the value-added processing of Illinois agricultural products. IFDA seeks requests that promote diversification of the farm economy of Illinois through the growth and development of new crops or livestock not customarily grown or produced in the State. Also, IDFA encourages loan requests that process or add value to grain or livestock commodities already produced or raised in the State into a finished product for consumer consumption or usage. New crops or livestock not customarily grown or produced in the State shall not include corn, soybeans, wheat, swine, beef, or dairy cattle.

All SGPAI Loans are made through lenders; IFDA provides an 85% guarantee of principal and interest on loans made to qualified borrowers. The applicant must be able to cash flow the proposed project and provide sufficient collateral to adequately secure the SGPAI Loan. The applicant and his lending institution must complete an application, balance sheet, environmental survey, and a multi-year cash flow projection. The repayment schedule must be commensurate with the cash flow and the collateral. The interest rate may be a variable or fixed rate.

Applicant Eligibility: Each eligible applicant must:

- be a resident of the State of Illinois;
- be the principal operator and/or materially involved in the operation;
- have adequate cash flow and collateral; and
- the project must be located in Illinois.

Business Plan and Proposal: If the applicants are starting a new business, please submit a comprehensive multi-year business plan outlining the proposed costs and structure of the business. The plan should address feasibility studies, market research, niche markets, and competition. Revenue projections, production costs, and loan payments should be detailed. Biographical information should be included on the business partners.

Collateral and Cash Flow: Generally, the loan to collateral value will not exceed 80%. IFDA will take into consideration the cost basis of the project to calculate this percentage. The applicant must provide collateral sufficient to secure the loan and keep the loan collateralized throughout its term. The applicant must also demonstrate the ability to adequately service the proposed debt with a multi-year cash flow statement. If the applicant has insufficient collateral or if his/her ability to service the debt is not adequately demonstrated, they can have a guarantor sign the note with them and/or pledge additional collateral for the loan.

Appraisals: All real estate and depreciable property which is to be used as collateral on a loan must be evaluated by a qualified appraiser although some exceptions may be allowed for new constructions.

All real estate appraisals must meet Federal regulatory requirements and meet the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation. Auctioneers and machinery and equipment dealers are qualified to appraise depreciable property. The applicant is responsible for all appraisal fees connected with the SGPAI Loan.

Loan Size: Generally, the maximum loan per applicant is \$1,000,000; however, the loan amount may be higher under certain circumstances. Credit underwriting standards will be more stringent for larger

loans. An eligible applicant may use the program more than once.

Interest Rate: The interest rate must be less than the market rate of interest generally available to the borrower as determined by IFDA. The interest rate may be fixed or variable. The payment schedule for the loan will be tailored to the applicant's collateral and cash flow. The maximum term for a SGPAI Loan is fifteen years.

Uses of Funds: Loan funds may be used for the construction, purchase, and/or remodeling of facilities, and also the purchase of equipment, livestock and perennial crops. Refinancing is only allowed in conjunction with loans for purchases or construction to improve collateral, lien position, and/or financial structure as needed. Capital purchases made or construction projects completed not more than six months prior to IFDA loan approval are eligible. Also, the applicant must certify that all of his/her debts are current at the time of closing the SGPAI loan.

Environmental Survey: The applicant must complete the Environmental Survey regarding the site of the new business. All Illinois livestock operations must meet regulations established by the Livestock Management Facilities Act. IFDA may request additional information regarding site preparation, building plans, and manure disposal. IFDA may require a manure easement on a sufficient amount of acreage to ensure proper manure disposal.

Applicant Fees: A nonrefundable application fee of \$300 must be paid to IFDA at the time of application. The applicant pays a fee of 0.75% of the loan amount at closing. IFDA shall receive 0.50% and the lender shall receive 0.25%. This closing fee is net of the \$300 application fee. The minimum fee is \$300. The closing fee may be included in the SGPAI Loan amount. The applicant is liable for normal and customary attorney's fees, title work, lien searches, credit reports, filing fees, appraisal fees, and other costs of the loan.

Other Entities: This program is available only to Illinois entities. In the case of entities other than sole proprietorships (e.g. corporations, partnerships, cooperatives, etc.), the owners of such entity must be Illinois residents.

Eligible Lenders: IFDA makes its loans available through private lenders. A lender may be any Federal or State chartered bank, savings and loan association, or building and loan association; Farm Credit Service; small business investment company; or any other institution qualified with the State of Illinois to originate and service loans, including but not limited to insurance companies, credit unions, and mortgage loan companies. A lender may also be a wholly owned subsidiary of a manufacturer, seller or distributor of goods or services that makes loans to businesses or individuals.

Lender Fees: The lender may charge no additional fees or points in addition to the fee received at closing. The lender agrees to pay IFDA an annual administrative fee equal to one-fourth of one percent of the outstanding balance of the SGPAI Loan on the anniversary date. This fee may not be passed on to the borrower.

Loan Procedures: All SGPAI Loan applications will be reviewed by IFDA staff, and then presented to the Board of Directors for its review and action. The Board of Directors usually meets on the second Wednesday of each month. If IFDA has approved the application, the lender will be contacted regarding closing instructions. SGPAI Loans may not be assumed; however, SGPAI Loans may be transferred between lending institutions with the consent of all parties. Also, collateral may be substituted with the consent of all parties.

Annual Review: The SGPAI Loan shall be reviewed annually by the lender and IFDA for adequacy of collateral and performance by the applicant. The applicant is required to provide the lender with a current balance sheet annually. If it is determined that there is not sufficient collateral to adequately secure the SGPAI loan, additional collateral may be required. If the applicant is unwilling or unable to pledge additional collateral, the SGPAI Loan may be called due and payable. If a SGPAI Loan is going to be called for whatever reason other than default, written notice must be served to all parties (IFDA and applicant) not less than 90 days prior to the anniversary date.

Collection Costs: The lender agrees to assume all responsibility and costs for collecting any SGPAI Loan that is delinquent or in default. Collection efforts, including dispositions of collateral, are subject to IFDA approval. The lender shall have fourteen months from the date that a loan is declared in default to dispose of the collateral on the SGPAI Loan and reimburse the State of Illinois for any payments made from the fund. If the lender does not dispose of the collateral within the fourteen month period, the lender shall be liable to pay the State of Illinois interest on the SGPAI Loan guarantee at the same rate which the SGPAI Loan would be accruing at that time if it were still in force.

The lender shall pay this interest until the collateral has been liquidated and the State reimbursed. IFDA may extend the fourteen month period for a lender in the case of bankruptcy or other extenuating circumstances.

State Guarantee: Loan losses are paid from the Illinois Farmer and Agribusiness Loan Guarantee Fund. IFDA will have the final approval on the sale of all collateral for the SGPAI Loan. The lender agrees to absorb the first 15% of principal and interest. Proceeds from collateral sales after the date of default shall be applied as follows:

- (1) State recovers the 85% guaranteed portion of principal,
- (2) Lender recovers its 15% of principal,
- (3) State and lender share additional funds 85%/15% until all interest is recovered,
- (4) Lender recovers legal expenses and costs of sale.

Questions: If you have any questions regarding the application process, financial records, appraisals, or other loan terms and conditions, please call us at 217.782.5792 or 800.406.IFDA. Illinois Farm Development Authority is an independent, self-funded state agency offering a variety of loan programs mutually beneficial to farmers and lenders. Contact us for more information on the Beginning Farmer Bond Programs, Beginning Farmer Contract Bond Program, Debt Restructuring Loan Guarantee Program, Young Farmer Guarantee Program, Specialized Livestock Guarantee Program, Agri-Industries Loan Guarantee Program, and/or the Value-Added Stock Purchase Loan Guarantee Program.

Serving Illinois Agriculture One Family at a Time Since 1982