ILLINOIS FINANCE AUTHORITY

PROGRAM SUMMARY

Contact: For additional information, contact:

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- An application form may be downloaded from the IFA web site:
  www.il-fa.com

SPECIALIZED LIVESTOCK GUARANTEE

GENERAL INFORMATION

THE DESCRIPTION SET OUT HEREIN IS SUBJECT TO RULES AND REGULATIONS ESTABLISHED BY ILLINOIS FINANCE AUTHORITY (IFA) AS A MEANS OF IMPLEMENTING THE SPECIALIZED LIVESTOCK GUARANTEE PROGRAM.

The Specialized Livestock Guarantee Program (SLP) is a guarantee program designed to enhance the opportunities for many Illinois farmers who want to position themselves for success in the changing livestock industry. This guarantee program targets specialized family sized livestock operations including but not limited to swine, dairy, and beef cattle operations. The primary purpose of loans under this program is for the construction, purchase, and/or remodeling of facilities, and also for purchases of equipment and breeding livestock.

All SLP Loans are made through lenders; IFA provides an up to 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 SLP Loan. The applicant and his lending institution must complete an application, balance sheet, security analysis, 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. Based upon this information, IFA will approve or reject the request for the SLP Loan.

The guarantees are backed in part by the State of Illinois and any losses incurred will be paid from the Illinois Farmer and Agribusiness Loan Guarantee Fund.

APPLICANT REQUIREMENTS

Eligibility: The 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.

D/A Ratio: Generally, the maximum debt to asset ratio (D/A) will be 70% on a pro-forma balance sheet unless market and/or production risk reduction measures have been undertaken. The (D/A) ratio will be defined as total debt including the debt of the new project divided by total assets including the cost basis of the new project.

Loan to Collateral Value: Generally, the loan to collateral value will not exceed 80%. IFA 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.

Loan Size: The maximum loan per applicant is $1,000,000. Credit underwriting standards will be more stringent for larger loans. An eligible applicant may use the program more than once provided that the totals of the original loan amounts do not exceed $1,000,000.

Debt Service: The applicant must also demonstrate the ability to adequately service the proposed debt. 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 SLP 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 SLP Loan.

Uses of Funds: Loan funds may be used for the construction, purchase, and/or remodeling of facilities, and also the purchases of equipment and breeding livestock. 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 IFA loan approval are eligible.

Interest Rate: The interest rate shall not exceed 300 basis points over the corresponding length Treasury Bill yield or Treasury Note. The payment schedule for the loan will be tailored to the applicant's collateral and cash flow. The maximum term for a SLP Loan is fifteen years.

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

Fees: A nonrefundable application fee of $300 must be paid to IFA at the time of application. For guarantees approved by the IFA's Board of Directors prior to July 1, 2007, the applicant pays a fee of 1.0% of the principal amount of the loan at closing. For guarantees approved by the IFA's Board of Directors on or after July 1, 2007, the applicant pays a fee of 1.25% of the principal amount of the loan at closing. This closing fee is net of the $300 application fee; however, the minimum fee is $300. The closing fee may be included in the SLP Loan amount; the $300 application fee may not. No other fees may be charged by the lender.

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.

LENDER REQUIREMENTS

IFA 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.

The lender must agree to complete and certify that to the best of their knowledge all information is true and correct on the application and any other documentation submitted during the application process. Misrepresentations by lender or material misstatement of information on the application or otherwise in connection with the SLP Loan can result in the State Guarantee being revoked or terminated.

The interest rate shall be adjusted annually on the anniversary date unless written with a fixed or longer term variable rate. The interest rate shall not exceed 300 basis points over the corresponding length Treasury Bill yield or Treasury Note. The interest rate term can be changed at any time during the life of the loan at the mutual consent of all parties.

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

SLP LOAN PROCEDURES

Applications must be submitted with a nonrefundable application fee of $300 to IFA. Applications will be processed on a first come, first served basis and will be approved as long as funding permits. All SLP Loan applications will be reviewed by IFA staff, and then presented to the Board of Directors for its review and approval or rejection. The Board of Directors meets on the second Thursday of each month.

Lenders must use the application form provided by IFA or a photocopy thereof. Lenders may use and submit their own forms in addition to the approved IFA application, but must complete the IFA application in full. The security analysis, a multi-year cash flow statement, pro forma balance sheets, and environmental survey must be completed fully and returned with the application. In addition, lender must submit a credit bureau report of the applicant(s). If the proposed project involves a contract, network (or similar) arrangement, the Lender must provide a copy of the proposed contract. IFA may also request financial information on the contract provider.

After IFA has reviewed and approved an application, the lender will be instructed to send necessary lien and title information so that IFA can prepare the loan closing documents. IFA will then mail fully completed loan documents, including the Note, Mortgage, Security Agreement, Financing Statements, and all guarantee documents to the lender. The lender, applicant, and IFA must execute all appropriate forms and documents before the SLP Loan is considered finalized.

At the time of closing, the applicant shall pay 1.25% of the loan amount less the $300 application fee as a closing fee. IFA shall receive 1.00% and the lender shall receive 0.25%. The applicant must certify that all of his/her debts are current at the time of closing the SLP loan.

The SLP Loan can be fully or partially paid at any time while the loan is outstanding as long as the loan is held in the lender's portfolio and not sold into a secondary market. SLP Loans may not be assumed; however, SLP Loans may be transferred between lending institutions with the consent of all parties. Also, collateral may be substituted with the consent of all parties.

The SLP Loan shall be reviewed annually by the lender and IFA 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 SLP loan, additional collateral may be required. If the applicant is unwilling or unable to pledge additional collateral, the SLP Loan may be called due and payable.

THE STATE GUARANTEE

In the event of any default on a SLP Loan, the lender shall serve notice to the borrower that the loan is in default and will become due and payable in full if the default is not cured within ninety days. The lender shall provide IFA with a copy of such notice. At the end of the ninety day cure period, the lender may request payment on the SLP Loan guarantee from IFA. IFA shall have thirty days to make such payment.

The lender agrees to assume all responsibility and costs for collecting any SLP Loan that is delinquent or in default. Collection efforts, including dispositions of collateral, are subject to IFA approval. The lender shall have fourteen months from the date that a loan is declared in default to dispose of the collateral on the SLP 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 SLP Loan guarantee at the same rate which the SLP 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. IFA may extend the fourteen month period for a lender in the case of bankruptcy or other extenuating circumstances.

IFA will have the final approval on the sale of all collateral for the SLP Loan. 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.

The lender understands and agrees that it bears the risk of loss on the first 15% of principal and interest.

TOTAL OBLIGATIONS THROUGH SLP LOANS

The total outstanding loan balance under the Young Farmer Guarantee Program, the State Guarantee Program for Agri-Industries, and the Specialized Livestock Guarantee Program shall not exceed $75,000,000.

RIGHT TO AUDIT

IFA shall have, at any time, the right to audit records of the lender and borrower relating to a particular State Guarantee loan to insure that all information submitted is accurate and complete.

This Loan Program Summary is intended to be informational. In case of any discrepancies between the Loan Closing Documents and the Loan Program Summary, the Loan Closing Documents shall prevail.

Questions: If you have any questions regarding the application process, financial records, appraisals, or other terms and conditions, please call the IFA Ag Team at the Mt. Vernon office at 618.244.2424.

About IFA: Illinois Finance 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 Program, 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

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