



PROGRAM SUMMARY

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www.il-fa.com

WORKING CAPITAL GUARANTEE

GENERAL INFORMATION

The Working Capital Guarantee Program (WCG) is a guarantee program designed to enhance credit availability for a farmer, producer or agribusiness for needed input costs related to and in connection with planting and raising agricultural crops and commodities in the State of Illinois. Eligible input costs include, but may not be limited to, fertilizer, chemicals, feed, seed, fuel, parts, and repairs. Generally, the farmer, producer or agri-business must be able to provide the originating lender with a first lien on the proposed crop or commodity to be raised, and an assignment of Federal Crop Insurance sufficient to secure the WCG Loan. Additional collateral may be required as deemed necessary by the lender and the IFA.

All WCG Loans are made through conventional lenders. IFA will provide up to 85% guarantee of principal and interest on the loan made to a qualified borrower. The applicant must be able to demonstrate the loan will cash flow on a projected cash flow statement and provide sufficient collateral for the loan. The WCG Loan shall be repaid annually and may be renewed annually at the discretion of the IFA for a period not to exceed three (3) years.

APPLICANT REQUIREMENTS

Each eligible applicant must:

- be a resident of the State of Illinois;
- be at least eighteen years of age;
- be the principal operator of a farm who derives or will derive at least 50% of annual gross income from farming (i.e., gross farm revenues must exceed nonfarm income);
- have a debt to asset ratio of between 40% and 70%; and
- have adequate cash flow and collateral.

D/A Ratio: The Debt to Asset Ratio (D/A) is defined as the total outstanding liabilities (including debt being requested by applicant) divided by the total outstanding assets of an applicant using appraised values on a market value balance sheet.

Collateral and Cash Flow: 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 projected cash flow statement. If the applicant has insufficient collateral or if his/her ability to service the debt is not adequately demonstrated, he/she can have a guarantor co-sign the note and/or pledge additional collateral for the loan.

Appraisals: All real estate and depreciable property that is to be used as collateral on a WCG Loan must be evaluated by a qualified appraiser. 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 WCG Loan.

Loan Size: The maximum loan per applicant is \$250,000. An eligible applicant may use the WCG program more than once provided that the aggregate loan amounts does not exceed \$250,000.

Interest Rate: The interest rate must be less than the market rate of interest generally available to the borrower as determined by IFA. The interest rate may be fixed or variable.



Uses of Funds: Loan funds may be used for needed input costs related to and in connection with planting and raising agricultural crops and commodities in the State of Illinois. Eligible input costs include, but may not be limited to, fertilizer, chemicals, feed, seed, fuel, parts, and repairs. Also, the applicant must certify that all of his/her debts are current at the time the WCG loan is closed.

LENDER REQUIREMENTS

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.

LOAN PROCEDURES

All WCG Loan applications will be reviewed by IFA staff, and then presented to the Members of the Board for its review and action. The Board usually meets on a monthly basis and posts notices of its meetings as required under the Illinois Open Meetings Act. Currently, the Board meets on the second Thursday of each month. If IFA has approved an application, the lender will be contacted regarding closing instructions. WCG Loans may not be assumed; however, WCG Loans may be transferred between lending institutions with the consent of all parties or pursuant to the IFA's Agriculture Secondary Market Program. Also, collateral may be substituted with the consent of all parties. If the lender subsequently sells all or a portion of a State Guarantee pursuant to the IFA's Agriculture Secondary Market Program, the lender agrees to pay the IFA those fees charged, from time to time, by the IFA for participation in the program.

RENEWAL REQUIREMENTS

Originating lenders for WCG loans will be required to submit an annual balance sheet for the borrower, prepared as of fiscal year end. A year-end profit and loss statement, a detailed cash flow projection for the next crop year, and the borrower's balance sheet must also be submitted within 90 Days of fiscal year end. Lenders must also submit a copy of borrower's current credit bureau report.

Lenders must also complete and submit an IFA Extension of Working Capital Guarantee Application. IFA staff will review the application and accompanying financial statements to determine if the borrower's WCG loan will be extended for the following year, and upon concurrence with Lender's request, provide written concurrence to the Lender approving the extension of the WCG loan.

Crop Insurance Requirements: Borrowers must obtain satisfactory crop insurance to secure the proposed WCG loan and provide the lender with a copy of the crop insurance policy. The originating lender must obtain and provide proof of Assignment of Indemnity on the borrower's crop insurance policy to the IFA prior to receipt of the IFA guarantee. Any waiver of this requirement is at the discretion of the IFA.



Determination and Resolution of Carryover Debt: Prior to IFA's approval of extending a borrower's WCG loan, the lender must determine and certify that the borrower does not have any carryover debt as a result of a shortfall from the previous operating year. If it is determined that the borrower has Carryover Debt from the previous year, the lender must submit a plan to refinance the Carryover Debt in a separate loan transaction in order to remove the Carryover Debt from the borrower's WCG loan. The IFA must approve the lender's refinancing plan and determine that the borrower can still provide adequate cash flow and collateral for the WCG loan, including the new debt service requirements for the Carryover Debt.

RIGHT TO AUDIT

The WCG 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 WCG loan, additional collateral may be required. If the applicant is unwilling or unable to pledge additional collateral, the WCG Loan may be called due and payable. If a WCG Loan is going to be called for any reason other than default, written notice must be served to all parties (IFA and borrower) not less than ninety days prior to the anniversary date.

FEES

Applicant Fees: A nonrefundable application fee of \$300 must be paid to IFA at the time of application. Applicant shall pay IFA a fee of 1.25% of the principal amount of the loan at closing. The minimum fee is \$300. The closing fee may be included in the WCG 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.

Lender Fees: The lender may charge up to an additional .25% fee in addition to the IFA's fee received at closing, with no renewals fees if the WCG is extended by the IFA for subsequent years.

Collection Costs: The lender agrees to assume all responsibility and costs for collecting any WCG 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 WCG 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 WCG Loan guarantee at the same rate which the WCG 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.

THE STATE GUARANTEE

Loan losses are paid from the Illinois Agricultural Loan Guarantee Fund and the Illinois Farmer and Agribusiness Loan Guarantee Fund. IFA will have the final approval on the sale of all collateral for the WCG Loan. Proceeds from collateral sales after the date of default shall be applied as follows:

1. State recovers the guaranteed portion of principal of the loan (i.e., up to 85%);
2. Lender recovers the unguaranteed portion of principal of the loan (i.e., at least 15%);
3. State and lender share additional funds on a guaranteed portion/unguaranteed portion basis (i.e., 85%/15%) until all interest (excluding any default rate of interest) is recovered; and
4. lender recovers legal expenses and costs of sale.

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

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, Working Capital Loan Program and/or the Value-Added Stock Purchase Loan Guarantee Program.

Serving Illinois Agriculture One Family at a Time Since 1982

Offices of the Illinois Finance Authority

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