

The **VALU LOAN GUARANTY PROGRAM** is designed to enable farmers and ranchers of limited equity to procure livestock loans and thereby utilize their available feed, facilities, labor, and management skills. The VALU Guaranty Program is not a direct loan, but a guarantee of up to 50% on a livestock purchase loan through a local lender.

Listed below is a brief summary, closing procedure outline for the VALU Guaranty Program, a sample copy of the Loan Certificate of Guaranty, and South Dakota Disclaimer.

I. Eligibility:

- A. Borrower – Farmer/Rancher & Farm/Ranch Laborer who derives 60% of all **GROSS** income from production agriculture in the last tax year.
 - 1. 18 years of age or older;
 - 2. Is a South Dakota resident prior to closing;
 - 3. Maintains a farming/ranching operation in South Dakota;
 - 4. Has available feed and facilities; and
 - 5. Is unable to obtain a livestock purchase loan from own resources or from a commercial source at rates and terms, which he/she can reasonably meet without a VALU Guaranty.

- B. The Borrower is a member of a corporation, partnership or other such entity which is directly engaged in the borrower's farming/ranching operation, such entity must:
 - 1. Be comprised of a majority membership of farmers/ranchers, meet the farm/ranch income criteria; and
 - 2. Be willing to subordinate or waive interest in the required feed, facilities and labor necessary for the success of the loan (i.e. feed in exchange for contributed labor).

- C. Lender – A Federal or State chartered bank, Federal Farm Credit System, Savings and Loan Association, Credit Union or an insurance company, who:
 - 1. Makes loans in or near the region or community where the financed project will be located;
 - 2. Has experience in making livestock loans;
 - 3. Is subject to credit examination and supervision by an agency of the United States or the State of South Dakota.

II. Eligible Loan Activities:

- A. Livestock purchases only.

III. Restrictions:

- A. **VALU** Guaranties will not be issued for a loan:
 - 1. Other than to finance livestock purchase;
 - 2. To refinance existing or antecedent debt; or
 - 3. With a maturity beyond twenty-six (26) months of the original date.

- B. Borrower may not have more than one outstanding **VALU** Guaranty at any one time.

- C. Only one **VALU** Guaranty will be issued per:
 - 1. Household; or
 - 2. One Principal per corporation, partnership or other such entity.

IV. Security:

- A. The loan will be secured by an Effective Financing Statement and Security Agreement on the Livestock purchase(s). These instruments will give a valid lien to the Lender. The livestock must be properly identified by brands, tattoos, ear tags, notching or other means.

V. Loan & Guaranty Amount:

- A. The guaranty amount may not exceed \$100,000. The guaranty amount may not exceed 50 percent of the outstanding principal balance amount.

VI. Payments:

- A. Payments are due as agreed upon in the Promissory Note and in accordance with your cash flow.

VII. Application Procedure:

- A. Lender receives the application form.

- B. Lender and Borrower execute application documents.

- C. Lender sends application and supporting information to the Department of Agriculture.
 - 1. Supporting information shall include, at minimum:
 - a. Borrower's current financial statement;
 - b. Borrower's most recent year 1040 and 1040F Federal Income Tax Returns; and
 - c. Twelve-month cash flow projections on enterprise loan request and cash of borrower's entire operation.

- D. Department of Agriculture reviews the application and approves or disapproves.
- E. If application is approved, a signed "Conditional Commitment for Guaranty" is sent to the Lender. If disapproved the Lender will be notified. The applicant has 30 days to purchase the livestock with an additional 30 days extension if Lenders request it. After the livestock is purchased the Lender executes the loan documentation, disburses the funds for the purchase of the livestock and submits copies of the executed loan documentation to the Department of Agriculture.
- F. Loan documentation shall include, at minimum, copies of:
 - 1. Signed "Conditional Commitment for Guaranty";
 - 2. Promissory note showing; inception date, maturity date, principal amount, interest rate;
 - 3. Security agreement with sales receipt/bill of sale of livestock purchased;
 - 4. UCC/Effective Financing Statement; and
 - 5. The UCC/EFS lien search on Borrower.
- G. Upon receipt and review of the loan documents, a signed VALU Certificate of Guaranty is sent to the Lender and is now in place for the established dollar amount. (Guaranty amount is 50% of the outstanding principal balance up to \$100,000).
- H. Lender will service the loan in accordance to the program provisions which will include, but may not be limited to:
 - 1. Annual inspections;
 - 2. At minimum, borrower will submit annual financial statements to Lender; and
 - 3. Assurances that all purchased livestock are identified by brands, tattoos, ear tags, ear notches or other methods of identification.
- I. If application is disapproved, a new application may be submitted thirty (30) days after the initial one was received by the State.

VIII. Record Keeping:

- A. The borrower will be encouraged to use and maintain accurate records. Record keeping, financial planning and analysis are essential to the success of this loan program and your business.

NOTE: The provisions for loan servicing and, if necessary, defaults are specified in the copy of the "Certificate of Guaranty". Please review this prior to application process.

If you have any questions contact the South Dakota Department of Agriculture, Division of Ag Development (605) 773-5436.