

First Industries Fund Loan Guarantees

SUMMARY

First Industries Fund loan guarantees provide private lenders, including Farm Credit System institutions under the Farm Credit Act of 1971, with a risk management tool, and agricultural borrowers access to private credit sources at potentially lower-risk rates and terms. Once the lender and the loan are approved by the Commonwealth Financing Authority (CFA), lenders receive a certificate from the CFA promising to repay the loan if it turns out that the borrower's sources have been depleted. The total pay-off cannot exceed \$2.5 million.

ELIGIBLE APPLICANTS

Lenders may either enroll in the First Industries Fund program in advance or receive approval from the CFA with their first application. Advance enrollments allow faster processing for individual loans, since the lender's track record has already been examined by the CFA.

- Any individual or company eligible for First Industries Fund can apply to the CFA for a loan guarantee, or a private lender can apply to the CFA on its borrower's behalf.
- Any lender that is a commercial bank or savings & loan association or Farm Credit System institution can enroll in the loan guarantee program.

LOAN GUARANTEE CONDITIONS

The total amount of the guarantee may range from 50 to 90 percent of the outstanding principal amount of the lending institution's loan, or \$2.5 million, whichever is less.

Guarantees of 50 percent are available with no fees. Guarantees of 51 to 90 percent have a one-time fee of 2 percent of the amount of the loan multiplied by the percentage of the guarantee.

The CFA shall review the application to determine all of the following:

1. The project must meet one of the following criteria to proceed:
 - That the borrower previously had been awarded a planning grant under the First Industries Fund program for the same project; or
 - That the project is an agriculture or agriculture-related project and at least \$500,000 of private funds will be invested in the project.
2. The value of the proposed collateral for the loan is sufficient to cover the full amount of the loan.

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