**Section 1100.730 Rules and Guidelines Applicable to the Specialized Livestock Guarantee Program**

a) General Description of Program. The Specialized Livestock Guarantee Program (SLP) is designed to enhance opportunities for many Illinois farmers who want to position themselves for success in the changing livestock industry. This program targets specialized, family sized livestock operations, including swine and dairy and beef cattle operations. Loan funds may be used primarily for construction, purchase, and/or remodeling of facilities, and also for purchases of equipment, breeding livestock or other capital assets. In some cases, loan proceeds may be used to refinance existing debt as needed to improve lien positions or improve financial structure. The provisions of this Section are applicable only to the SLP.

b) Definitions

Words defined in the Illinois Finance Authority Act and in Section 1100.50 have the same meaning when used in this Subpart unless a more specific definition is prescribed in this Section. This Section establishes additional definitions for use in this Subpart only.

"Applicant" means a farmer whose application for a Specialized Livestock Guarantee has been submitted to the Authority by a lender.

"Asset" includes, but is not limited to, the following: crops or feed on hand; livestock held for sale; breeding stock; cash; marketable bonds and securities; securities not readily marketable; accounts receivable; notes receivable; cash invested in growing crops; net cash value of life insurance; machinery and equipment; cars and trucks; farm and other real estate including life estates and personal residence; value of beneficial interest in trusts; government payments or grants; capitalized leases; retirement accounts; and any other assets.

"Debt to Asset Ratio" means total outstanding liabilities, including any debt to be financed or refinanced under this Section, divided by total assets.

"Fund" means the Illinois Farmer and Agribusiness Loan Guarantee Fund, which is the State's fund to cover losses resulting from defaults on Specialized Livestock Guarantee loans.

"Liability" includes, but is not limited to, the following: accounts payable; notes or other indebtedness owed to any source; taxes; rent; amounts owed on real estate contracts or real estate mortgages; judgments accrued; interest payable; indebtedness under capitalized leases; and any other liability.

"SLP Loan" means an installment note for which the State of Illinois shall be liable for 85% of the total principal and interest as determined by the Authority.

c) Eligible Farmers. To qualify for participation in the SLP, the applicant must:

1) be a resident of the State of Illinois. In the case of entities other than sole proprietorships, the owners of such entity must be Illinois residents.

2) be the principal operator and/or materially involved in the operation.

3) have adequate cash flow and collateral.

4) *certify to the Authority that, at the time the State Guarantee is provided, the borrower will not be delinquent in the repayment of any debt.* [20 ILCS 3501/830-50]

d) Limitations

1) SLP loans *shall not exceed $1,000,000 per applicant. An applicant may use this program more than once, provided the aggregated principal of* SLP loans *to that applicant does not exceed $1,000,000.* [20 ILCS 3501/830-50]

2) *Each SLP loan shall be no longer than 15 years in duration.* [20 ILCS 3501/830-50] The payment schedule for the loan will be tailored to the applicant's collateral and cash flow.

3) 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.

e) Application Procedures and Review

1) *Lenders shall apply for the State Guarantees on forms provided by the Authority and certify that the application and any other documents submitted are true and correct. The application shall, at a minimum, contain the farmer's name, address, present credit and financial information, including cash flow statements, financial statements, balance sheets, and any other information pertinent to the application, and the collateral to be used to secure the State Guarantee.* [20 ILCS 3501/830-50] Applications shall be processed by the Authority on a first-come, first-served basis, based upon the receipt of all completed documents by the Authority.

2) Each applicant shall pay a $300 application fee which will be submitted to the Authority at the time of the application. At the time the loan is closed, the applicant will be required to pay a closing fee of 1% of the SLP Loan amount less the $300 application fee. Of this 1% closing fee, the Authority shall receive ¾% and the lender shall receive ¼% to cover administrative expenses in completing the application packet and closing documents. The 1% closing fee may be included in the State Guarantee Loan amount. The lender shall charge no fees or points in addition to those outlined herein. *The applicant shall be responsible for paying any fee or charge involved in recording mortgages, releases, financing statements, insurance for secondary market issues, and any other similar fee or charge that the Authority may require.* [20 ILCS 3501/830-50]

3) *The* *lender* *must agree to charge a fixed or adjustable interest rate that the Authority determines to be below the market rate of interest generally available to the borrower. If both the lender and applicant agree, the interest rate on the State guaranteed loan can be converted to a fixed interest rate at any time during the term of the loan.* [20 ILCS 3501/830-50]

4) When a State Guarantee application is submitted to the Authority, the Authority shall review the application to determine whether it is complete and whether it meets the criteria established by the Act and this Section. When the Authority has completed the review of the Guarantee application, the application shall be presented, along with a statement of recommended action, to the Board for review at its next regularly scheduled meeting. The review shall include whether the applicant and lender are in compliance with the requirements of the program. The review shall also include an evaluation of collateral, percentage of loan, debt to asset ratio, cash flow, etc.

5) The Board shall approve the application and provide the Guarantee, pursuant to the Act and this Section; or, deny the application and serve upon the lender and applicant a written statement of the grounds for the denial.

6) If the application is denied, the applicant and the lender may request reconsideration stating reasons why the Board should withdraw its denial of the application and approve the State Guarantee. The request should be accompanied by supporting documents and/or information not previously considered by the Board. The Board shall review the request at its next scheduled meeting, and shall either approve or deny the application. A denial of a request for reconsideration shall be final.

7) Upon approval of an application and receipt of the documentation necessary to prepare loan closing documents, an SLP Loan Closing Documents package, which contains all the appropriate forms and documents to execute, shall be prepared by the Authority and sent to the lender. Upon completion of all such forms and documents by the applicant, lender and Authority and after satisfaction of all loan closing requirements, the SLP Loan guarantee will be considered in force.

f) Provision of Renewal of State Guarantees. *The Authority shall provide or renew a State Guarantee to any* *lender* *if:*

1) *the lender pays a fee equal to 25 basis points on the loan to the Authority on an annual basis* [20 ILCS 3501/830-50];

2) *the* applicant *provides collateral acceptable to the Authority that is at least equal to the State Guarantee* [20 ILCS 3501/830-50];

3) the lender certifies that, to the best of the lender's knowledge, all information is true and correct on the application, balance sheets, security analysis, cash flow projection and any other documents submitted;

4) *the* *lender* *assumes all responsibility and costs for pursuing legal action on collecting any loan that is delinquent or in default* [20 ILCS 3501/830-50];

5) *the* *lender* *is at risk for the first 15% of the outstanding principal of the note for which the State Guarantee is provided* [20 ILCS 3501/830-50];

6) the lender assumes responsibility for the timely collection and disposition of collateral on an SLP Loan that is in default; provided, however, that the lender shall not collect or dispose of collateral on the SLP loan without the express written prior approval of the Authority. Approval shall be granted if the collateral is disposed of in a commercial manner, which nets an amount closely approximating the value of the collateral;

7) the lender agrees that the Authority has final approval on the sale of all collateral for the SLP loan. After the sale of collateral, the State shall be reimbursed its 85% guaranteed portion of the principal balance at default. If funds from the sale of collateral remain after this payment, the lender shall be reimbursed its 15% of the principal balance at default. If excess funds remain after paying the principal to the State and lender, then the State and lender shall be repaid interest on a prorated basis; 85% of such excess funds shall be allocated to the State's portion and 15% shall be allocated to the lender's portion.

g) 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 financial statement annually.

1) 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.

2) If an SLP Loan is going to be called for any reason, written notice which specifies the reasons for said action must be served to all parties (IFA, lender, and borrower) not less than 90 days prior to call of the loan.

3) Failure of the applicant to make any payment on or before its due date shall render the loan delinquent. Notice of this delinquency shall immediately be sent to all parties. If the loan remains delinquent for a period of 90 days, the total outstanding principal and interest shall become due and payable immediately on the entire SLP Loan. The SLP Loan cannot be reinstated after the 90-day delinquency period.

h) In the event of default that is not cured within 90 days or in the event a loan is called for any reason, the Authority shall make payment of the guaranteed portion of the SLP Loan to the holder of the guarantee. This payment shall be equal to the sum of:

1) 85% of the principal balance as of the date of default or date of call less any proceeds received from sales of collateral;

2) 85% of the interest balance as of the date of default or call; and

3) 85% of the interest accrued from the date of default or call until the date payment is made, up to a maximum of 120 days.

i) *The Illinois Farmer and Agribusiness Loan Guarantee Fund* shall *be used to secure State Guarantees* on SLP Loans. [20 ILCS 3501/830-50]

1) The Authority shall guarantee up to $50,000,000 in loans through the SLP, YFG and SGPAI. The Illinois Farmer and Agribusiness Loan Guarantee Fund shall be funded with $15,000,000 to cover any losses under these programs.

2) The Authority shall direct payments from this fund to guarantee holders as described in subsection (h).

3) Monies returned to the State on the disposition of collateral as described in subsection (f) shall be deposited to this fund.

(Source: Amended at 25 Ill. Reg. 6886, effective May 30, 2001; recodified from 8 Ill. Adm. Code 1400.148 at 31 Ill. Reg. 12104)