

# IDAHO RURAL REHABILITATION LOAN PROGRAM

## OPERATING GUIDELINES

IDAHO DEPARTMENT OF AGRICULTURE  
DIVISION OF MARKETING & ADMINISTRATION  
REVISED: 1/23/2018

### ELIGIBILITY

The Idaho Rural Rehabilitation Loan Program is administered by the Idaho Department of Agriculture to offer financing and assistance to individuals and organizations in Idaho whose agricultural pursuits will provide for rural economic development in Idaho and who cannot obtain credit from conventional sources.

Applications will be reviewed and approved or disapproved based on:

- The ability of the project for rural economic development.
- Analysis of proposed project in terms of risk, business/market planning, financial soundness and credit-worthiness.
- Special consideration will be given to those projects which meet the above requirements and show a high level of innovation and initiative.

Loan applicants will receive equal consideration without regard to race, color, religion, sex or national origin.

### APPLICATION

Application forms for the Rural Rehabilitation Loan Program are available from the Idaho Department of Agriculture. The application must be accompanied with a letter outlining the purpose of the loan before consideration will be given.

Upon receipt of the application and related documents, the Program Manager will determine the initial eligibility. Upon initial approval of eligibility, additional documentation may be required to determine final loan approval. The final approval, including loan amount, interest rates and repayment terms shall be the sole decision of the rural Rehabilitation Loan Committee. The Rural Rehabilitation Loan Committee will be comprised of the following department personnel: Director, Fiscal Officer, Deputy Attorney General, Marketing Bureau Chief and Administrator of Administration.

All applicants will be advised of the disposition of their request and those declined shall have the opportunity to reapply as often as desired.

## APPLICATION DOCUMENTS

The following documents must accompany the application:

1. Completed application.
2. Current, confirmed financial statements.
3. A copy of latest federal tax return.
4. Reference letters.
5. Proof of credit denial with supporting documents, if applicable (no more than six months old upon receipt of application).
4. Loan purpose letter.
5. Budget.
6. Business plan.

No loan proceed shall be issued until all relevant documentation is in place and required security instruments are filed.

Department staff will maintain a running record of all contacts, correspondence, transactions and shall review each loan regularly to audit compliance to loan agreements.

## REPAYMENT

Repayment terms will be determined on a case-by-case basis and will be specified on the Promissory Note. Loan repayment schedules shall not exceed eight (8) years.

## DELINQUENCY

When a loan payment becomes delinquent, Rural Rehabilitation staff will contact the borrower to obtain essential information concerning his/her financial condition. If satisfactory arrangements for payment cannot be arranged within 90 days of loan payment date, the loan may be called due and payable or turned over for credit collection.

The recommended collection schedule involves:

- (1) Letter within 7 days (friendly reminder)
- (2) Second letter within 15 days
- (3) Telephone call within 20 days

The letters are to be sent as "Certified and Registered;" no reply will be necessary for action.

## BANKRUPTCY

Upon notice that a borrower has filed for protection under the federal bankruptcy law, the borrower's loan will be referred to the office of the Idaho Attorney General.

The following steps will be taken to write-off loans:

- (a) The client will be notified of account default
- (b) If a satisfactory agreement is not reached within 90 days, the loan will be presented to the contracted collection agency
- (c) After notification of a non-collectable account by the collection agency and approval from the loan committee, the loan will be written off.

## LOAN RESTRUCTURING

If a loan is delinquent and the borrower makes a good faith effort to restructure his/her loan, the following options may be considered:

1. Reschedule payment by extending term up to an additional three (3) years [original term limit is eight (8) years] and/or adjust interest rate. If a feasible plan is not possible, then second option is considered.
2. Net recovery value of collateral is calculated as the fair market value of the collateral pledged as security on the loan minus all of the expenses such as sale costs, attorney fees, taxes and payment of prior liens on the collateral that the department would have to pay if it foreclosed on and sold the collateral. If net recovery value is greater than the present value of the loan repayment terms then the borrower would have the opportunity to buy out his/her loan at this net present value. If this option is not invoked, the loan is turned over for collection.

If net recovery value is less than the present value of the loan repayment then the loan is restructured using new repayment terms. These terms may include write-downs of principal and interest only if the loan is in default. The department will never write down more of the debt than is necessary for borrower to show a feasible repayment plan.

## SECOND LOANS AND LOANS TO OTHER FAMILY MEMBERS

It is the purpose of the Idaho Rural Rehabilitation program to help as many different individuals as possible; therefore, second loans to approved borrowers shall be avoided. In cases where additional funds necessary to protect the integrity of the project or when it appears that additional funding may be required to protect the collateral, second loans may be issued upon approval of the Rural Rehabilitation Loan Committee.

The Department does not loan funds to family members in the same economic unit. This does not preclude the possibilities of approving loans to a relative in a separate family unit.

INTEREST RATES

Interest rates will be set quarterly based on the prime rate at the beginning of each quarter. Quarters will begin on the following schedule:

|           |                |
|-----------|----------------|
| January 1 | First Quarter  |
| April 1   | Second Quarter |
| July 1    | Third Quarter  |
| October 1 | Fourth Quarter |

Loan rates will be set at:

Prime plus 1%.

Current set rate set by committee is 6 percent.

LOAN AMOUNT/TYPES

Loans shall not exceed \$100,000 unless approved by unanimous consent of the loan committee. However, every effort should be made to keep loan amounts at a level that will assure adequate program funds are available for future requests. Keeping operating loans to a minimum is also preferred. Operating loans should not represent more than one-third (1/3) of the projected capital in any one year. The loan committee will strive to maintain a minimum cash balance of \$15,000.

Rural Rehabilitation Loan Committee:

|                      |                             |
|----------------------|-----------------------------|
| Celia Gould          | <u>Celia Gould</u>          |
| Laura Johnson        | <u>Laura M Johnson</u>      |
| Tonya March          | <u>Tonya March</u>          |
| Kelly Nielsen        | <u>Kelly Nielsen</u>        |
| W. Dallas Burkhalter | <u>W. Dallas Burkhalter</u> |