



MEMORANDUM TO: Ag Advisory Board

FROM: Roberta Valdez, Ag Loan Specialist

DATE: April 16, 2020

SUBJECT: Rural Rehabilitation Loan Program

As you well know, many farmers and rancher are struggling with the impacts from the COVID-19 pandemic and are in need of assistance during this emergency in our state. We hope that the Rural Rehabilitation Loan Program would not be overlooked in providing assistance for these farmers and ranchers at least in some fashion with today's difficult challenges and uncertainties.

Currently our terms and rates of the Rural Rehab loans set by the Ag Advisory board are:

Interest: 4%

Term: 10 year loan amortized over 20 years; renewable each 10 year period by approval.

Loan to value: 60% of asset value.

Loan Limit: \$350,000

We would like to recommend the proposed changes, which are detailed below would create better cash flow by either re-financing or debt reconciliations. The involved changes in loan pricing and liberalization of loan terms would help make the program more accessible and competitive while continuing to limit risk prudently. These changes can be made for short term or made permanently. Other recommendations by the board will be welcomed.

Interest reduced to 3%

Term: 10 year loan amortized over 30 years; renewable each 10 year period by approval

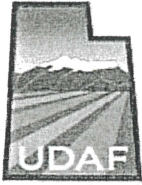
Loan to value: 70% on Debt refinance or Debt consolidation

60% on purchases

Loan Limit: \$600,000

Can use in combination of ARDL emergency loan if necessary.

All other underwriting criteria would remain unchanged. By making these changes, farmers and ranchers would have a smaller payment thereby increasing cash flow.



Utah Department of
Agriculture and Food

MEMORANDUM TO: Agricultural Advisory Board

FROM: Roberta Valdez, Ag Loan Specialist

DATE: April 29, 2020

SUBJECT: Ten year renewal modifications and extension of maturity date

Three rural rehabilitation emergency loans and **five** rural rehabilitation loans will mature during the 2020 year. These loans were amortized over twenty years with a ten year term. State Code, Title 4 Chapter 19 Section 3, states that any such rural rehabilitation loan is renewable on approval by the Ag Advisory Board. If approved by the AAB, the new maturity dates will be extended another ten years to 2030. The emergency loans are paid with monthly milk assignments. The remaining loans are paid annually.

All of these borrowers have had good repayment histories. It is our recommendation to approve the ten year extension on these loans.

There is one state rural rehabilitation loan that will mature after 20 years on July 1, 2020. This borrower who owns a dry farm was given three modifications during drought years and the payments were pushed to the date of maturity, thus leaving a balloon payment of approximately \$58,000. Payments are paid quarterly and as of today all payments are current. Borrower has asked for a four year extension to pay the loan in full if he cannot refinance this amount at another institution. The last modification was completed in 2013 while the payments to date have been paid without incident. I recommend approval for the extension based on payment performance and because our available cash available is adequate for future loans.

RURAL REHAB LOANS
MONTH END REPORT
MARCH 2020

	FEDERAL	STATE
Month End Balance Cash Account (Wells Fargo)	\$ 2,728,564	\$ 5,480,960
Month End Balance Investment Account (State Treasurer)	\$ 1,192,805	\$ 3,838,104
GRAND TOTAL	\$ 3,921,369	\$ 9,319,064

DEDICATED FUNDS

	FEDERAL	STATE	FEDERAL	STATE
Applications in process	0	0	\$ -	\$ -
Undisbursed Loan Funds			\$ -	\$ -
NET CASH POSITION			\$ 3,921,369	\$ 9,319,064

MONTHLY LOANS SUMMARY

	Federal	State	State Emergency Dairy*	State Emergency Other*
Total ACTIVE Loans	20	54	25	6
Principle Balance Active Loans	\$ 1,556,011.78	\$ 8,099,020.89	\$ 2,073,947.11	\$ 1,222,746.48
Loans PAST DUE 61+ Days	0	1	0	0
Principle Balance of PAST DUE	\$ -	\$ 15,758.87	\$ -	\$ -
New Applications this Month	0	0	0	0
Loan PAYOFFS	0	0	0	0
3 Month Projected Payments 5/1/2020 - 7/31/2020	\$ 26,165	\$ 71,351	\$ 16,556	\$ 2,916

FY20 ANNUAL SUMMARY

	Federal	State	State Emergency Dairy*	State Emergency Other*
Principal Repayments	\$ 272,261.63	\$ 529,328.43	\$ 250,563.26	\$ 76,608.47
Interest Payments	\$ 52,983.57	\$ 287,706.48	\$ 36,862.93	\$ 35,917.32
Penalty Payments	\$ -	\$ 1,343.23	\$ 249.55	\$ -
Total Payments Received	\$ 325,245.20	\$ 818,378.14	\$ 287,675.74	\$ 112,525.79
Payoffs	1	3	0	0
New Loans Approved	0	0	0	0
Total \$ of New Loans	\$ -	\$ -	\$ -	\$ -
Average new loan size	\$ -	\$ -	\$ -	\$ -

*State Emergency Dairy and State Emergency Other are managed under the same umbrella as State Rural Rehab but have separate Loan Branch information for tracking purposes.

Rural Rehabilitation Loan Proposal

April 16, 2019

Action:
APPROVAL: AG ADVISORY BOARD
Date: _____

Proposed Borrower: Loan #1
Millard County

Loan Amount \$80,000.00

Rate: 4%

Terms: Ten year loan, 20 year amortization, annual payments of \$5,887 to begin July 1, 2021.

Purpose: To finance the purchase of five parcels totaling 12.84 acres. Applicant has leased five of the purchased acres that border the existing farm for the last four years for hay production. Also, included in the purchase is an one acre orchard of apples, peaches and five acres of pasture near the orchard. There are 15 shares of Oak Creek Irrigation and 12 shares of Deseret Irrigation water stock included in the sale used to irrigate these parcels.

Security: A first lien position will be on the 12.84 acres and the purchased water stock of Oak Creek and Deseret listed above. Applicant also has another 75 shares of Deseret Irrigation and 200 shares of Delta Canal Company water stock. Appraisals from area institutions were provided on the water stock and Tax Notices were provided for land market values. A market value of all assets held by UDAF is \$755,766. This provides UDAF an 11% percent loan to value under the 70% required per policy.

Repayment: Loan will be repaid from hay sales and fruit crops from this property and the existing farm.

Financial: Applicant was raised on a family farm raising crops and cattle. Applicant worked as a farm hand during school years and has owned and operated a working farm part-time until recent retirement. Applicant has retirement income to supplement payment if necessary.

I recommend approval from the board for this loan.

Roberta Valdez 4/21/20
Roberta Valdez, Loan Specialist, Date

RJ. Spencer 4/21/2020
RJ Spencer, Director, Date

Rural Rehabilitation Emergency Loan Proposal

Date: April 29, 2020

Action: APPROVAL BY AG ADVISORY BOARD: Date: _____

- Proposed Borrowers: Loan #2
Utah County
- Loan Amount: \$600,000.00
- Rate: 3% Ten (10) year term loan
- Terms: Ten year loan, 30 year amortization, annual payments of \$30,612 to begin on April 1, 2022.
- Purpose: Request is to re-finance a line of credit augmented by several years of losses market prices and COVID-19 in 2019. This line of credit matured April 1, 2020 and must be paid or re-financed to continue operations for the coming year. This will enable this operation to continue and allow the farm to continue towards profitability.
- Security: UDAF will be secured in 1st lien position on 1/3 proportionate value of 42 acres based on an appraisal completed on December 5, 2019 valued at \$1,995,000. There are three separate parcels that may have to be surveyed for equal value. To meet the \$600,000 loan amount, loan to value would be an exception at 90.2% above the 70% LTV policy. Any percentage less than 90% would not give us enough to clear out existing liens.
- Repayment: Applicant has good repayment history and has been profitable up until 2017 when the challenges of the industry adversely impacted operations. This year again has been a challenge because of Covid-19, but because of Applicant's good management practices and quality of the product Applicant has been able to keep their expenses steady resulting in less substantial losses. Our repayment will come from the sale of mink pelts.
- Comments: While leveraged, Applicant has a significant asset and great operating and management knowledge. Applicant has been unable to sell pelts this year due to COVID-19. Applicant sells to international markets, but this year because of the pandemic, all sales have dropped. Very few sales are happening with online brokers. Processors are holding approximately 9272 pelts valued at \$28 each, totaling \$259,646 in value. The price of a pelt may adjust due to market circumstances. The turnaround for profitability may be two to three years.

This proposal is presented for the Boards consideration.

Roberta Valdez – Loan Officer

RJ Spencer, Director

Rural Rehabilitation Emergency Loan Proposal

Date: April 29, 2020

Action: APPROVAL BY AG ADVISORY BOARD: Date: _____

Proposed Borrowers: Loan #3
Utah County

Loan Amount: \$600,000.00

Rate: 3% Ten (10) year term loan

Terms: Ten year loan, 30 year amortization, annual payments of \$30,612 to begin on April 1, 2022.

Purpose: Request is to re-finance a line of credit augmented by several years of losses market prices and COVID-19 in 2019. This line of credit matured April 1, 2020 and must be paid or re-financed to continue operations for the coming year. This will enable this operation to continue and allow the farm to continue towards profitability.

Security: UDAF will be secured in 1st lien position on 1/3 proportionate value of 42 acres based on an appraisal completed on December 5, 2019 valued at \$1,995,000. There are three separate parcels that may have to be surveyed for equal value. To meet the \$600,000 loan amount, loan to value would be an exception at 90.2% above the 70% LTV policy. Any percentage less than 90% would not give us enough to clear out existing liens.

Repayment: Applicant has good repayment history and has been profitable up until 2017 when the challenges of the industry adversely impacted operations. This year again has been a challenge because of Covid-19, but because of Applicant's good management practices and quality of the product Applicant has been able to keep their expenses steady resulting in less substantial losses. Our repayment will come from the sale of mink pelts.

Comments: While leveraged, Applicant has a significant asset and great operating and management knowledge. Applicant has been unable to sell pelts this year due to COVID-19. Applicant sells to international markets, but this year because of the pandemic, all sales have dropped. Very few sales are happening with online brokers. Processors are holding approximately 9272 pelts valued at \$28 each, totaling \$259,646 in value. The price of a pelt may adjust due to market circumstances. The turnaround for profitability may be two to three years.

This proposal is presented for the Boards consideration.

Roberta Valdez – Loan Officer

RJ Spencer, Director

Rural Rehabilitation Emergency Loan Proposal

Date: April 29, 2020

Action: APPROVAL BY AG ADVISORY BOARD: Date: _____

- Proposed Borrowers: Loan #4
Utah County
- Loan Amount: \$600,000.00
- Rate: 3% Ten (10) year term loan
- Terms: Ten year loan, 30 year amortization, annual payments of \$30,612 to begin on April 1, 2022.
- Purpose: Request is to re-finance a line of credit augmented by several years of losses market prices and COVID-19 in 2019. This line of credit matured April 1, 2020 and must be paid or re-financed to continue operations for the coming year. This will enable this operation to continue and allow the farm to continue towards profitability.
- Security: UDAF will be secured in 1st lien position on 1/3 proportionate value of 42 acres based on an appraisal completed on December 5, 2019 valued at \$1,995,000. There are three separate parcels that may have to be surveyed for equal value. To meet the \$600,000 loan amount, loan to value would be an exception at 90.2% above the 70% LTV policy. Any percentage less than 90% would not give us enough to clear out existing liens.
- Repayment: Applicant has good repayment history and has been profitable up until 2017 when the challenges of the industry adversely impacted operations. This year again has been a challenge because of Covid-19, but because of Applicant's good management practices and quality of the product Applicant has been able to keep their expenses steady resulting in less substantial losses. Our repayment will come from the sale of mink pelts.
- Comments: While leveraged, Applicant has a significant asset and great operating and management knowledge. Applicant has been unable to sell pelts this year due to COVID-19. Applicant sells to international markets, but this year because of the pandemic, all sales have dropped. Very few sales are happening with online brokers. Processors are holding approximately 9272 pelts valued at \$28 each, totaling \$259,646 in value. The price of a pelt may adjust due to market circumstances. The turnaround for profitability may be two to three years.

This proposal is presented for the Boards consideration.

Roberta Valdez – Loan Officer

RJ Spencer, Director