

**Title 7**  
**AGRICULTURE AND ANIMALS**  
**Part III. Agricultural Finance**

**Chapter 1. General Provisions**

**§101. Definitions**

A. The words and terms defined in R.S. 3:263 are applicable to this Part.

B. The following words and terms are defined for the purposes of this Part and are applicable to this Part.

*Act*—the Louisiana Agricultural Finance Act found in Chapter 3-B of Title 3 of the Louisiana Revised Statutes of 1950, (R.S. 3:261 et seq.).

*Agricultural*—the adjective form of *agriculture* as defined in R.S. 3:263(6).

*Farm*—the total of all areas of land, water, or both in Louisiana, used by an agricultural producer to produce or harvest one or more agricultural products, regardless of whether the area or areas are located in more than one parish.

*LAFAs*—the Louisiana Agricultural Finance Authority.

C. The following words and terms are defined for the purposes of the Louisiana Direct Placement Agricultural Revenue Bond Program (§§105-141) only.

*Bond* or *Bonds*—LAFAs Direct Placement Agricultural Revenue Bonds which are exempt from federal taxation. Such bonds are issued from time to time throughout the year, and each issue will be identified by a letter designation, e.g., Series 1984-A, Series 1984-B, etc. The letter designation merely identifies the date of issue of each series of bonds. The proceeds of such bonds are used to purchase loans and pay the costs of issuance of the bonds.

*Bond Resolution*—the resolution adopted by LAFAs to authorize the issuance of a bond to be sold to a lender.

*Borrower*—an individual, partnership, firm, corporation, company, cooperative, association, society, trust or any other business unit or entity, including any state or federal agency, which uses proceeds of a loan for any project which meets the requirements of these regulations.

*Borrower's Certificate*—the certified statement which each borrower must execute, prior to submission of the offer, setting forth the borrower's eligibility to participate in the program.

*Closing*—the date on which a loan is originated by a lender, which shall be mutually agreed upon between lender and borrower and sold to LAFAs.

*Code*—the Federal Internal Revenue Code of 1954 as amended. In these regulations, the term Code may have specific reference to section 103(b)(6) of the Internal

Revenue Code and/or to regulations enacted by the Internal Revenue Service pursuant thereunder.

*Default* or *In Default*—with respect to any loan, any payment of principal or interest which is more than 30 days in arrears.

*Farm*—includes stock, dairy, poultry, fruit, fur-bearing animal and truck farms; plantations; ranches; nurseries; ranges; greenhouses or similar structures used primarily for the raising of agricultural or horticultural commodities; and orchards.

*Fee* or *Fees*—any and all of the following:

a. *Application Fee*—a set fee based on the total value of the loan which is paid by the borrower and transmitted by the lender to LAFAs for LAFAs processing of the application for a loan.

b. *Commitment Fee*—a percentage of the total value of the loan which is paid by the borrower to the lender prior to submission of the offer to cover the costs of issuing the bond to support the loan granted to the borrower. This fee is refundable to the borrower under the conditions set forth in §121.B hereof.

c. *Cost of Issue Fee*—a percentage of the total value of the loan which is paid by the borrower to cover the costs of issuing the bond to support the loan granted to the borrower. The fee is paid in the form of a discount from the original principal amount of the loan when purchased by a LAFAs from lender.

d. *Origination Fee*—a percentage of the total value of the loan which is paid by the borrower to the lender to cover the costs of processing, originating, and disbursing the proceeds of the loan granted to the borrower.

e. *Program Participation Fee*—a percentage of the remaining principal balance of the loan granted to borrower which is paid by the borrower to the lender on the due date of the annual payment directed by trustee. The lender transmits to the trustee along with the loan payment, and the proceeds thereof are used to cover the administrative costs of trustee and LAFAs.

*First-Time Farmer*—an individual who has never had any direct or indirect ownership interest in substantial farmland in the operation of which such individual materially participated. Ownership or participation by a spouse or child is treated as ownership or participation by the individual. Substantial farmland means any parcel of land unless:

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a. such parcel is smaller than 15 percent of the median farm size in the parish in which such parcel is located; and

b. the fair market value of the land does not at any time while held by the individual exceed \$125,000.

*Intent Resolution*—the resolution adopted by LAFA stating its intent to accept the offer and to issue a bond, the proceeds of which will be used to purchase an agricultural loan originated by the lender and accepting the offer.

*Interest Rate*—one of the following when applied to a loan:

a. *Fixed Interest Rate*—a rate of interest which does not change throughout the term of the loan.

b. *Variable Interest Rate*—a rate of interest which may change from time to time at stated intervals throughout the term of the loan.

c. *Prime Interest Rate*—the base rate on corporate loans at large U.S. money center commercial banks as published in The Wall Street Journal as the prime rate. When the prime rate is published in The Wall Street Journal as a range in the form of a low and high rate, then in that event, LAFA may designate a rate within the published range which shall be the prime interest rate. When LAFA does not designate a rate within the published range the prime interest rate shall be the high of the range.

*IRS*—the Internal Revenue Service of the United States.

*LAFA*—the Louisiana Agricultural Finance Authority, an agency of state government under the jurisdiction of the Department of Agriculture and Forestry, and any of its duly authorized agents; the term also means the issuer of Direct Placement Agricultural Revenue Bonds.

*Lender*—any of the following, when participating in the program: a bank, bank or trust company, federal land bank, production credit association, bank for cooperatives, building and loan association, homestead, insurance company, investing banker, mortgage banker or company, pension or retirement fund, savings bank or savings and loan association, small business investment company, credit union, any other financial institution authorized to do business in Louisiana or operating under the supervision of any federal agency or any Edge Act Corporation or agreement, or a corporation organized or operating pursuant to Section 25 of the Federal Reserve Act.

*Loan or Loans*—an interest-bearing agricultural loan, described by an offer, originated by a lender participating in the LAFA Program to an eligible borrower, and evidenced by a loan note.

*Loan File*—the loan documents pertaining to a particular loan, which consist of the following, all in the form provided by LAFA:

- a. loan purchase agreement;
- b. loan submission voucher;
- c. opinion of lender's counsel;

d. officer's closing certificate;

e. loan note;

f. mortgage or any other evidence of security securing the borrower's obligations under the loan note;

g. certificate of economic life; and

h. assignment of loan note.

*Loan Note*—a promissory note or other evidence of indebtedness executed by a borrower to evidence the borrower's obligation to repay the loan.

*Loan Purchase Agreement*—an agreement between LAFA and a lender under which, among other required provisions, LAFA agrees to purchase a loan after it is originated by the lender and the lender agrees to repurchase the loan in the event of default by the borrower.

*Loan Submission Voucher*—a document provided by LAFA and submitted by the lender to the trustee requesting the purchase of the loan by LAFA at a price equal to a specified percentage of the principal amount of the loan and which also contains substantially the same terms and conditions set forth in the loan terms schedule contained in the offer.

*Loan Terms Schedule*—a loan description form, to be attached to the offer, which describes the terms and conditions of the proposed loan and the project to be financed with loan proceeds.

*Offer*—the written document entitled Offer to Originate and Sell Agricultural Loans executed by a lender setting forth the terms and conditions whereby the lender agrees to originate and sell a loan to LAFA and to purchase a bond in the same principal amount as the loan.

*Origination Period*—a six-month period beginning with the date of issuance of a bond by LAFA.

*Principal User*—a person or company who uses more than 10 percent of a project, measured by the value paid by such user for the project. All capital expenditures for the project, must be taken into account to determine which are principal users of the project. For example, A, B, and C own Farm X in Parish X, each owning individually and not as a partner, respectively, 55 percent, 40 percent, and 5 percent by value, of the farm. A and B are principal users of Farm X (i.e., each owns more than 10 percent, by value), but C is not a principal user of Farm X because C only owns 5 percent by value. If A or B seek to acquire another Farm Y in Parish X, to be financed by a bond, the capital expenditures of A or B on Farm X will be deducted from the maximum principal amount of the bond (either \$1,000,000 or \$10,000,000; see §111). Since C is not a principal user of Farm X, if he acquired Farm Y with bond financing, he would not be required to deduct his capital expenditures on Farm X from the loan proceeds for the purchase of Farm Y.

*Program*—the Direct Placement Agricultural Revenue Bond Program administered by LAFA.

*Project*—the property to be financed with loan proceeds, pursuant to the terms and conditions contained in the offer and in the loan purchase agreement.

*Rehabilitation Expenditures*—any costs associated with renovation or modernization of an existing building or the equipment located within an existing building which can be properly charged to a capital account; the term does not include expenditures for enlargement of an existing building.

*Related Person*—

a. the following are related persons if borrower is an individual:

- i. borrower's spouse or a spouse's ancestors or lineal descendants;
- ii. borrower's siblings (i.e., brothers and sisters);
- iii. borrower's ancestors and/or lineal descendants;
- iv. a corporation in which more than 50 percent in value of the outstanding stock is owned, directly or indirectly, by or for borrower;
- v. a trust of which borrower is the grantor or the beneficiary; and
- vi. a partnership of which borrower owns, directly or indirectly, more than 50 percent of the capital or profits interest;

b. the following are related persons if borrower is a corporation:

- i. an individual who owns, directly or indirectly, more than 50 percent in value of the outstanding stock of the corporation;
- ii. a trust which owns, directly or indirectly, more than 50 percent in value of the outstanding stock of the corporation;
- iii. a corporation that is a member of the same parent-subsidiary controlled group, a brother-sister controlled group, or a combined group of corporations;
- iv. a partnership which owns, directly or indirectly, more than 50 percent of the outstanding stock of the corporation; and
- v. for purposes of these regulations, stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust is considered to be owned proportionately by or for its shareholders, partners or beneficiaries. In addition, an individual is considered to be the owner of stock owned, directly or indirectly, by or for his family;

c. the following are related persons if borrower is a partnership:

- i. a partner who owns, directly or indirectly, more than 50 percent of the capital or profits interest of the partnership;
- ii. another partnership in which the same persons own, directly or indirectly, more than 50 percent of the capital or profits interest;

iii. if an individual owns stock in a corporation, other than constructively through his family, he is considered as owning the stock owned, directly or indirectly, by or for his partner; and

iv. a partner is considered as the owner of partnership interests:

(a). owned by a corporation, partnership, estate or trust, proportionately, if he is a shareholder, partner, or beneficiary; and

(b). owned by his brothers, sisters, spouse, ancestors or lineal descendants;

d. the following are related persons if borrower is a trust:

- i. its grantor;
- ii. another trust, if the same person is the grantor of both trusts;
- iii. a beneficiary of the trust;
- iv. a beneficiary of another trust, if the same person is the grantor of both trusts; and
- v. a corporation of which more than 50 percent in value of the outstanding stock is owned, directly or indirectly, by or for the trust or by or for a grantor of the trust.

*TEFRA*—the Tax Equity and Fiscal Responsibility Act of 1982 (federal).

*Trustee*—Capital Bank and Trust Company of Baton Rouge, Louisiana.

D. The following words and terms are defined for the purposes of the 2016 Louisiana Farm Recovery Grant Program.

*Expected Gross Crop Revenue* (for 2016)—the level of revenue that would have been expected to have been generated in 2016 under normal weather conditions and is calculated using the applicant's response to the number of acres harvested in 2016, a 5-year parish average for crop yields and the estimated average market price in 2016.

*Gross Crop Revenue* (for 2016)—calculated by multiplying total acres harvested times the total average yield times an estimated average selling price. The estimated average selling price is calculated by dividing the applicant's share of crop revenue by the amount of the crop marketed by the applicant.

*Increases in either Harvest or Production Costs*—the costs of having to replant crops that were ruined due to high levels of rainfall and flooding; costs associated with harvesting crops under excessively wet field conditions causing reduced harvest speeds and efficiency; and costs associated with increased tillage and land preparation due to damage caused to land resulting from either having to harvest under excessively wet conditions or resulting from the impact of pounding rainfall and flooding.

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*Loss of Stored Hay*—calculated by using the number of bales destroyed and then converting them into tons of hay assuming an average bale weight of 1,200 pounds. A market value for hay lost due to flooding is then calculated using the average 2016 market price as defined by the 2016 *Louisiana Summary* publication.

*Lost or Dead Cattle*—cattle that were lost or killed and calculated on a value per head by for the two classes of cattle using average 2016 market prices obtained from the 2016 *Louisiana Summary* publication and assuming an average weight for calves of 500 pounds and breeding animals of 1,200 pounds.

*Net Estimated Losses*—the amount of losses eligible for assistance under the 2016 Louisiana Farm Recovery Grant Program calculated by the difference between the total estimated losses and any assistance received by the applicant from other sources.

*Producer*—one who engages, as an occupation, in farming operations as a distinct activity for the purpose of producing a farm crop and assumes the production and market risks associated with the agricultural production of those crops. A corporation or farmer's cooperative may be a "producer" if engaged in actual farming of the nature and extent there indicated.

*Reductions in Grazing Availability*—the economic loss associated with pastures that were flooded making grazing unavailable to cattle which is calculated using a hay equivalent methodology. The methodology assumes the economic loss is equal to the value of the amount of hay that would be needed to compensate for the lost grazing. The methodology assumes that each mature cow weighs 1,200 pounds and eats 2 percent of her body weight per day. With this information, the total amount of hay needed for the number of days grazing was unavailable is calculated. The value of that hay is then estimated using the average 2016 market price for hay as defined by the 2016 *Louisiana Summary* publication.

*Total Estimated Losses* (suffered by the farming operation)—a summation of the estimated economic losses associated with each crop produced and any cattle related losses.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 3:266.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:866 (November 1984), amended LR 36:464 (March 2010), amended by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 44:437 (March 2018).

### §103. Administration of LAFA's Affairs

A. LAFA officers shall be a chairman, vice-chairman, and secretary who shall serve terms of one year but may be elected for an indefinite number of terms.

B. After the initial election of officers, the officers shall be elected at LAFA's regular meeting during the first quarter of the year.

C. In the absence of the chairman at any LAFA meeting, the vice-chairman shall preside.

D. LAFA shall hold at least one meeting during each quarter of the year but may meet more frequently upon the call of the chairman.

E. LAFA meetings shall normally be held at its domicile but may be held at other locations upon the determination of the chairman or the will of the members.

F. There shall be no voting by proxy.

G. The chairman shall designate a hearing officer, who may or may not be a LAFA member, to preside at all adjudicatory proceedings. The chairman may, if he so desires, serve as hearing officer at any such proceeding. All adjudicatory proceedings held by LAFA shall be conducted in accordance with the Administrative Procedure Act.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 3:266.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:867 (November 1984), amended LR 36:466 (March 2010).

### §105. Program Authorization; Applicability of Federal Law

A. State Statutes. The Louisiana Direct Placement Agricultural Revenue Bond Program is authorized by Louisiana Revised Statutes of 1950, Title 3, Chapter 3-B, Sections 261-283. These statutes permit funding by Agricultural Revenue Bonds of a wide range of agricultural loans.

B. Federal Statutes. However, Federal income tax law contains provisions which restrict the type of projects which may be financed through the Louisiana program. In order for LAFA's bonds to qualify as tax-exempt bonds under the code, each bond and each loan is subject to the restrictions contained in the code, particularly the provisions of Section 103(b)(6) and regulations promulgated by IRS pursuant thereto.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 3:262, R.S. 3:266, R.S. 3:270 and Section 103(b)(6) of the Internal Revenue Code of 1954, as amended.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:868 (November 1984).

### §107. Projects Eligible for Loans Funded with LAFA Bond Proceeds

A. Loan proceeds may be used for acquisition, construction, reconstruction, equipping or installation of any property which, under the code, is eligible for a depreciation allowance or chargeable, for federal income tax purposes, to a capital account (or that would be chargeable to a capital account either with a proper election by the borrower or but for a proper election by the borrower), including but not limited to the following.

1. Improvements to real estate such as land clearing, fencing, land forming, land leveling, terracing, wells and

water impoundment, subject to an approving opinion of nationally recognized bond counsel.

2. Acquisition of depreciable personal property used in:

a. a farmer's or rancher's trade or business, including but not limited to:

i. new equipment, such as tractors, combines, plows, rakes, cultivators and related equipment; trucks and pickups;

ii. irrigation systems, including center pivot operations and equipment for ditch operations;

iii. buildings used to shelter livestock, store equipment, store and preserve grain, such as cribs, bins; and equipment used to dry grain, such as grain dryers and seed cleaners; and

iv. breeding stock, such as bulls, heifers, dairy cows, boars and sows;

b. an individual's or company's agribusiness, including but not limited to cotton gins, grain elevators, sugar mills and equipment contained therein; meat or crawfish processing plants; and related equipment.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266, R.S. 3:270 and Section 103(b)(6) of the Internal Revenue Code of 1954, as amended.

HISTORICAL NOTE: Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:868 (November 1984).

**§109. Projects Ineligible for Loans Funded with LAFA Bond Proceeds; Exceptions**

A. LAFA bonds may not be used for the following purposes, except as provided under this rule:

1. land acquisition, except that:

a. 25 percent of a loan may be used to acquire non-farm land; and

b. first-time farmers may utilize a maximum of \$250,000 in loan proceeds to purchase land to be used for farming; if

i. the borrower meets the definition of *first-time farmers* contained in §101;

ii. the borrower will be the *principal user* (as defined in §101) of the land; and

iii. the borrower will materially and substantially participate in the operation of the farm of which the land is a part;

2. acquisition of existing agribusiness facilities (used buildings or equipment), except that, the restriction against use of loan proceeds to purchase existing facilities does not apply to any building, and the equipment therein if at least 15 percent of the cost of acquiring the building and equipment are used for rehabilitation expenditures;

3. working capital;

4. production expenses;

5. refinancing of existing indebtedness;

6. financing of residential housing;

7. purchase of any property from any *related person* (as defined in §101 of these regulations); or

8. purchase of property from a partner of the borrower, when the borrower is a partnership, regardless of the degree of the partner's interest in the borrower.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266, R.S. 3:270 and Section 103(b)(6) of the Internal Revenue Code of 1954, as amended.

HISTORICAL NOTE: Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:868 (November 1984).

**§111. Maximum Amount of Agricultural Loans for Capital Expenditures**

A. Section 103(b)(6) of the code restricts use of tax-exempt bonds to small issues, which thereby limits the principal amount of the corresponding loans. To determine whether a bond is eligible under the established limits, the code requires that certain sums be added to the principal amount of the bond. Therefore, the following amounts must be subtracted from the established limit to determine the maximum principal amount of bonds and corresponding loans:

1. \$1,000,000 Limit. If:

a. the facilities to be financed with proceeds of LAFA bonds are located in the same incorporated municipality or in unincorporated areas of the same parish (i.e., the same political subdivision); and

b. the *principal user* as defined in §101 of the property financed by a prior bond issue was the borrower or a related person, the sum of the following may not exceed \$1,000,000 (but see also §111.A.2):

i. the face amount of the bond to be issued; plus

ii. the remaining principal balance(s) of any loan(s) granted to the borrower or a related person of the borrower with proceeds of earlier bond issues (regardless of the issuer) which were exempt from taxation under Section 103(b)(6) of the code.

2. \$10,000,000 Limit. If LAFA files the proper election with IRS, the maximum amount of LAFA bonds and corresponding loans may be increased to \$10,000,000. In such event, the same qualifying factors (i.e., location of the property to be financed and identity of the principal user of bond proceeds) will apply, and the sum of the following may not exceed \$10,000,000:

a. the face amount of the bond to be issued; plus

b. the remaining principal balance(s) of any loan(s) granted to the borrower or a related person of the borrower with proceeds of earlier bond issues (regardless of the issuer) which were exempt from taxation under Section 103(b)(6) of the code; plus

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c. all capital expenditures on the property to be financed with bond proceeds which were paid or incurred during the six-year period beginning three years before and ending three years after the date of issuance of the bond, as follows:

i. capital expenditures which were financed other than out of the proceeds of a tax-exempt bond; and

ii. capital expenditures which are properly chargeable to the capital account of any person or state or local government unit (whether or not such person is the principal user or a related person), in which event capital expenditures are determined without regard to any rule of the code which permits expenditures properly chargeable to capital accounts to be treated as current expenses; plus

d. all other capital expenditures of any principal user in the political subdivision for which the bonds were issued.

3. The requirements of the code, as effective on the date of issuance of the bond and/or origination of the loan, shall determine the procedures to be followed with respect to all loans exceeding \$1,000,000 in principal amount. If the requirements of the code are different from the requirements stated in this rule, the requirements of the code shall supersede this rule.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 3:266, R.S. 3:270 and Section 103(b)(6) of the Internal Revenue Code of 1954, as amended.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:868 (November 1984).

### §113. Minimum Amount of Bonds/Agricultural Loans

A. The minimum amount of loans originated by any one lender shall be \$10,000.

B. The minimum amount of a loan shall be \$10,000.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 3:266, R.S. 3:270 and Section 103(b)(6) of the Internal Revenue Code of 1954, as amended.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:869 (November 1984).

### §115. Lenders

A. Eligibility Requirements

1. The lender must be an entity listed in §101 and must be experienced in originating and servicing agricultural loans.

2. The lender must be qualified and in good standing under all state and federal laws applicable to lenders.

3. Within the past three years, the lender cannot have been listed on the federal comptroller's Supervised or Watch List, or any substantially similar listing of any state or federal regulatory agency responsible for regulating banks and financial institutions.

4. Each lender must be approved by LAFA prior to participating in the program; LAFA retains the right to reject

any lender, even though that lender meets the minimum requirements established by these regulations, or to accept a lender which does not meet these minimum requirements.

B. The lender must collect all payments required under the terms and conditions of a loan note and pay such amounts to the trustee. All such payments must be accompanied by a certification of the lending officer, in a form acceptable to trustee, stating that the computation of interest on the loan is in accordance with terms as approved by LAFA, and affirming correctness of the amount being submitted.

C. The lender must notify the trustee in no more than five days after any default in any loan and upon LAFA's request, declare all payments on such loan to be due and owing and take such action as may be required by LAFA to obtain the amounts owed thereunder, which amounts shall be paid to the trustee.

D. Whenever any loan is in default (see §101), the lender shall, on or before the twenty-fifth day of each month (or, if such day is not a business day, the next business day thereafter), submit a report to the trustee, containing, as of the twentieth day of the month (or, if such day is not a business day, the next business day after the twentieth of the month), the following information:

1. the principal balance due under the loan note;

2. a statement of the procedures undertaken by the lender to collect such amount and the result of such procedures; and

3. a statement as to the overall status of the loan. This report is not due in any month when there are no delinquencies or defaults in any loan serviced by the lender.

E. Each lender must administer and service loans originated by the lender and must maintain the loan file for each loan for three years following the date when the loan is fully paid or otherwise terminated.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 3:266, R.S. 3:270 and Section 103(b)(6) of the Internal Revenue Code of 1954, as amended.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:869 (November 1984).

### §117. Borrowers

A. Each borrower must be eligible to receive a loan with proceeds of LAFA bonds. See in particular definitions of principal user and related person contained in §101 hereof in order to make a determination as to each borrower's eligibility.

B. Each borrower must be approved by the lender to whom the borrower makes application for a loan; lenders shall apply the same criteria for approval of borrowers applying for loans to be funded with proceeds of LAFA bonds as they apply to borrowers in the lenders' conventional agricultural loan program.

C. The borrower must expend the proceeds of loan solely to finance the project described in the offer and the loan terms schedule and not for any other purpose.

D. The borrower or a related person of the borrower must be the *principal user* (as defined in §101 hereof) of the project.

E. A borrower will not be eligible for a loan if prior to LAFA's written acceptance of the offer and adoption of an intent resolution, the borrower or any related person of the borrower has taken any of the following actions:

1. commenced acquisition or construction to be financed with loan proceeds;
2. entered into any building agreement or purchase agreement covering the facilities to be constructed with loan proceeds;
3. commenced the installation or acquisition of any property to be acquired with loan proceeds;
4. commenced any on-site work in connection with construction of the project to be financed with loan proceeds; or
5. commenced any off-site fabrication or acquisition of any portion of the project to be financed with loan proceeds.

F. Each borrower must execute a borrower's certificate, in the form required by LAFA, setting forth the borrower's compliance with the requirements of Section 103(b)(6) of the code. When the original principal amount of a loan exceeds \$1,000,000, the principal amount of the bond must be aggregated with certain capital expenditures of the borrower in accordance with regulations applicable under Section 103(b)(6) of the code to determine the total loan proceeds for which the borrower is eligible. In such circumstances, the borrower must execute, in addition to the borrower's certificate required in the first sentence of this rule, an additional borrower's certificate setting forth the assurances required under the code.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266, R.S. 3:270 and Section 103(b)(6) of the Internal Revenue Code of 1954, as amended.

HISTORICAL NOTE: Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:869 (November 1984).

**§119. Required Terms and Conditions for Loans Funded with Proceeds of LAFA Bonds**

A. The terms and conditions of each loan, except as required under this rule, shall be determined by the lender and the borrower, but are subject to LAFA approval prior to acceptance of the offer.

B. Each loan must be secured by a promissory note (the loan note) in the full principal amount of the loan and such other security as may be required by the lender.

C. The maximum loan term shall be the lesser of 30 years or 100 percent of the average reasonably expected economic life of personal property to be financed with the

proceeds of the LAFA bond, using IRS Asset Depreciation Guidelines provided by LAFA in the loan terms schedule. The minimum average life of the bonds shall not be less than five years.

D. The agreement between lender and borrower must require payments sufficient to meet the debt service requirements of the bond (i.e., in principal and interest). The loan repayment schedule (amount and due date of each payment) must be approved by LAFA prior to acceptance of the offer.

E. The lender and the borrower will determine the rate of interest to be charged on the agricultural loan subject to §119.F, but such rate of interest must be approved by LAFA prior to acceptance of the offer. The interest rate agreed on by the lender and the borrower must be stated in the offer.

F. Interest rates on loans may be either fixed or variable.

1. A variable interest rate may not exceed 85 percent of the prime *interest rate*, as defined in §101:

- a. on the date of disbursement of loan proceeds; or
- b. on any subsequent date when the interest rate for the loan is established for a subsequent period.

2. Loans with fixed interest rates are subject to LAFA review and approval on a case-by-case basis and must comply with the goals of the program.

3. If a borrower defaults on a loan and the loan is repurchased by the lender, the interest rate for the loan may be increased in accordance with the terms and provisions of the loan note executed at origination of the loan.

4. The lender may impose interest on payments which are not timely made by the borrower, but only if the loan note provides therefor and only in accordance with provisions relative to late payments expressed in the loan note.

G. All loans must be prepayable in whole, without a prepayment penalty.

H. Loans may be assumed by a third party, with the prior approval of the lender, if:

1. in the opinion of nationally recognized bond counsel or special tax counsel, such assumption does not adversely affect the tax-exempt status of the LAFA bond; and

2. the third party assuming the loan meets the qualifications of a borrower as set forth in these regulations.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266, R.S. 3:270 and Section 103(b)(6) of the Internal Revenue Code of 1954, as amended.

HISTORICAL NOTE: Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:870 (November 1984).

**§121. Fees Required**

A. Application Fee

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1. Each borrower must pay an application fee to cover LAFA's cost of processing the loan application. The application fee is non-refundable.

2. The application fee shall be paid by the borrower to the lender and transmitted to LAFA by the lender when the offer is submitted.

3. The amount of the application fee is determined by the total principal amount of the loan requested, as follows.

- |                                   |       |
|-----------------------------------|-------|
| a. Loans of \$25,000 or less      | \$ 50 |
| b. Loans of \$25,001 to \$200,000 | \$100 |
| c. Loans of more than \$200,001   | \$200 |

### B. Fees Imposed by Lender

#### 1. Commitment Fee

a. The lender may impose a borrower commitment fee in an amount not to exceed 2 1/2 percent of the original principal amount of the loan which the lender intends to originate to cover the cost of issuing the bond.

b. The commitment fee is paid by the borrower to the lender on or before the loan closing.

c. The commitment fee will be refunded by the lender as follows:

i. in whole if the bonds are not issued by LAFA within one year after acceptance of an offer;

ii. in whole if the loan is not closed during the origination period specified in the offer and accepted by LAFA, if the failure to close the loan is due to any action or inaction by the lender for which the borrower is not responsible;

iii. in whole if the lender cannot finance the loan without exceeding the lender's aggregate authorization for sale and repurchase of loans under the program; and

iv. in whole when the loan is funded by the lender.

#### 2. Origination Fee

a. The lender may impose an origination fee to defray expenses incurred by the lender in processing, originating, and disbursing the proceeds of the loan granted to the borrower in an amount not to exceed 1 percent of the original principal amount of the loan.

b. The origination fee is paid by the borrower to the lender at the loan closing.

3. The lender may impose lender's reasonable and customary charges for insurance premiums, surveys, and other similar closing costs.

### C. Fees Imposed by LAFA

#### 1. Cost of Issue Fee

a. LAFA will impose a cost of issue fee to defray expenses incurred in issuance of the bond in an amount not to exceed 2 1/2 percent of the original principal amount of the loan.

b. The cost of issue fee is paid by the borrower to LAFA in the form of a discount of 2 1/2 percent from the original principal amount of the loan when the loan is purchased by LAFA from the lender.

### 2. Program Participation Fee

a. LAFA shall charge a program participation fee in an amount not to exceed 1/8 of 1 percent per annum on the outstanding principal amount of the loan.

b. The program participation fee shall be paid by the borrower to the lender on each required loan payment date and transmitted by the lender to the trustee to be used to cover the administrative costs of the trustee and LAFA.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 3:266, R.S. 3:270 and Section 103(b)(6) of the Internal Revenue Code of 1954, as amended.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:870 (November 1984).

### §123. Program Description; Procedures Required for Funding of Loans with LAFA Bond Proceeds

A. Loan applicants (i.e., borrowers) will initially apply for a loan to a participating lender and must be approved by the lender. Borrowers must meet all eligibility criteria established by these regulations and by individual lenders for conventional agricultural loans.

B. After a lender approves a borrower for a loan, the lender will apply to LAFA for a determination of the project's eligibility for tax-exempt bond proceeds and, if the project is approved by LAFA, for issuance of a bond. To apply for LAFA approval of a loan, the lender shall submit the following documents to LAFA, each to be submitted on the form provided by LAFA in fully-executed form:

1. the offer, to be executed by the lender, which must contain the lender's commitment to originate a loan to each eligible borrower;

2. the loan terms schedule, which must specify the principal amount, the interest rate, and the amortization schedule of the loan to be funded;

3. the borrower's certificate, to be executed by the borrower;

4. a letter from lender's credit or loan committee or an authorized officer that lender has completed a satisfactory review of each borrower's credit-worthiness; and

5. the borrower's application fee, payable to LAFA.

C. After submission of the above documents to LAFA, the lender may issue a commitment to fund the loan, but lender's commitment shall in no way represent a commitment by LAFA to issue bonds or cause any specific loan to be funded.

D. Upon receipt of the lender's offer, LAFA will officially accept or reject the offer. Upon acceptance of the offer, LAFA will adopt a resolution stating its intention to issue the bond (the intent resolution), a copy of which shall



be provided to lender and conduct the hearing required under TEFRA prior to issuing the bond.

E. No lender may permit interim financing prior to receipt of written notification of LAFA's acceptance of the offer and adoption of the intent resolution. Funding a loan prior to LAFA approval of the offer and adoption of the intent resolution may disqualify the borrower and jeopardize the tax-exempt status of the bonds.

F. LAFA will signify acceptance of the offer by signature of an authorized LAFA representative in the acceptance section of the offer. Upon receipt of written notification of LAFA's approval of the offer and adoption of the intent resolution, the lender may originate the loan. However, any funding of a loan by a lender prior to delivery of the bond is strictly at lender's risk, there being no assurance by LAFA that bond proceeds will be sufficient to fund any or all such loans.

G. From time to time, as the demand warrants and at LAFA's sole discretion, LAFA will issue and deliver bonds, pursuant to a bond resolution, to the lender. The proceeds from sale of the bond will be deposited with and invested by the trustee in accordance with the bond resolution prior to the purchase of the loan from the lender.

H. During the origination period after delivery of the bond, the lender shall:

1. originate the loan; and

2. sell the loan to LAFA. To help defray the costs of issuing the bonds, each loan will be funded to the borrower and purchased by LAFA in an amount equal to 97.5 percent of the original principal amount of the loan (i.e., principal amount less the cost of issue fee). If the lender fails to originate and sell the loan prior to expiration of the origination period, LAFA will redeem the bond held by lender at 97.5 percent of the outstanding principal amount of the bond plus any accrued interest thereon.

I. Prior to the loan closing, the lender must enter into a loan purchase agreement with LAFA, whereby the lender must agree in addition to other provisions to repurchase the loan in the event of default on the loan by the borrower.

J. No later than 15 days prior to the date scheduled for each loan closing, the lender must deliver the loan file to the trustee consisting of the following instruments in the form required by LAFA:

1. the loan purchase agreement, executed by the lender;

2. a copy of the executed loan submission voucher (Exhibit A attached to agreement), which shall request the purchase of the loan by LAFA at a price equal to 97.5 percent of the principal amount of the loan;

3. an executed opinion of lender's counsel (Exhibit B attached to the agreement), to be dated the date of the bond closing;

4. a copy of the executed officer's closing certificate (Exhibit C attached to agreement), to be dated the date of the loan closing;

5. a copy of the executed loan note, post-dated to loan closing date;

6. a certified or other copy of the mortgage or other evidence of security (the mortgage) securing the borrower's obligations under the loan note, if any, showing recordation information;

7. an executed certificate of economic life; and

8. an executed assignment of loan note (Exhibit D attached to the agreement), to be dated the date of loan closing.

K. The trustee shall review the loan file solely to determine:

1. whether the loan file contains all required documents; and

2. whether such documents relate to the loan identified in the offer. The trustee is not required to make any further examination of any document in any loan file. The trustee shall notify LAFA and the lender of its approval of the documents in the loan file prior to the date scheduled for closing the loan.

L. Subsequent to issuance of a bond, the loan purchase agreement may not be amended, changed, modified, altered, or terminated without the written consent of LAFA and the bondholder.

M. If any provisions of the loan purchase agreement is breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other provisions of the loan purchase agreement.

N. Simultaneously with the closing of the loan, or at such other time as the trustee and the lender may mutually agree upon, the lender shall sell and LAFA shall purchase the loan. Under the required loan purchase agreement, the lender will service the loan.

O. If a lender fails to maintain its eligibility under the program after the issue and delivery of the bond, but before sale of the loan to LAFA, LAFA will redeem the bond held by the lender in an amount equal to 97.5 percent of the aggregate principal amount of the bond plus any accrued interest thereon.

P. Upon default on a loan and repurchase of the loan pursuant to the provisions of the loan purchase agreement, the corresponding bond shall be redeemed by LAFA at 100 percent of the outstanding principal amount thereof together with any accrued interest thereon.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266, R.S. 3:270 and Section 103(b)(6) of the Internal Revenue Code of 1954, as amended.

HISTORICAL NOTE: Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:870 (November 1984).

**§125. Causes for Termination of Loan Purchase Agreement**

A. LAFA may terminate a loan purchase agreement with any lender in any of the following circumstances:

1. lenders failure to pay loan note repayments over to the trustee if such failure continues for a period of five days;

2. lenders failure to observe or perform in any material respect any other covenant or condition of a loan purchase agreement for more than 30 days after receipt of written notice thereof from LAFA or the trustee. Prior to the expiration of such period, LAFA may extend the period by written authorization. If the failure stated in the notice cannot be corrected within 30 days, LAFA will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the lender within the applicable period;

3. if any representation of or warranty by lender to LAFA is false in any material respect and LAFA has notice thereof;

4. the issuance of an order against the lender by any court or other supervisory authority having jurisdiction in the premises for the appointment of a conservator, receiver, or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or liquidation of lender's affairs which remains in force undischarged or unstated for a period of 60 days;

5. lender's consent to the appointment of a conservator, receiver, or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities, or similar proceedings relating to lender or all or substantially all of its property;

6. lender's admission, in writing, of its inability to pay its debts generally as they become due, filing of a petition to take advantage of any applicable insolvency or reorganization statute, making an assignment for the benefit of its creditors, or voluntarily suspending payment of its obligations.

B. In any of the circumstances enumerated in §125.A, LAFA or the trustee, on LAFA's behalf, may take one or both of the following steps:

1. make written demand on the lender for lender's repurchase of the unpaid portion of the loan note at a price equal to the unpaid principal plus any interest which has accrued and is unpaid as of the date of repurchase. Such demand shall be made when the lender fails for more than five days to pay over to the trustee the proceeds of loan note repayments;

2. take whatever other action at law or in equity may appear necessary or desirable to collect any amounts due or to become due under the loan purchase agreement or to enforce performance and observance of a loan purchase agreement, including actions for costs of legal fees and other expenses incurred in such actions. Any amounts collected pursuant to action taken under this rule shall be deposited in the bond fund.

C. No delay or omission in exercising the remedies set forth above shall impair any right or be construed to be a waiver thereof; such remedies may be exercised from time to time, as often as may be deemed expedient, without any notice other than the notice required by this rule.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 3:266, R.S. 3:270 and Section 103(b)(6) of the Internal Revenue Code of 1954, as amended.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture, Agricultural Finance Authority, LR 10:871 (November 1984).

**§127. Definitions**

A. The following definitions shall apply to §§127-137, which are sections pertaining to the Louisiana Agricultural Finance Authority Securitized Agricultural Revenue Bond Program.

*Act*—the Louisiana Agricultural Finance Act, Chapter 3-B of Title 3 of the Louisiana Revised Statutes of 1950, as amended (R.S. 3:261-R.S. 3:284).

*Agreements*—agreements by which the issuer agrees to purchase from lenders certain agricultural loans.

*Agricultural Loan*—a loan made by a lender to any person for the purpose of financing land acquisition or improvement, soil conservation; irrigation; construction, renovation, or expansion of buildings and facilities; purchase of farm fixtures, livestock, poultry and fish of any kind; seeds; fertilizers; pesticides; feeds; machinery; equipment; containers or supplies employed in the production, cultivation, harvesting, storage, marketing, distribution, or export of agricultural products.

*Borrower*—any person engaged in agricultural production or exportation who has entered into an agricultural loan with a lender.

*Co-Trustee*—Premier Bank, formerly known as the Louisiana National Bank of Baton Rouge.

*Indenture*—the Trust Indenture and its exhibits by and among the Louisiana Agricultural Finance Authority and Capitol Bank and Trust Company now known as Sunburst Bank, as Trustee and Louisiana National Bank of Baton Rouge, now known as Premier Bank, as Co-Trustee dated as of September 15, 1986. This document is identified as Exhibit A and may be obtained in its entirety from the Department of Agriculture and Forestry, Agriculture Finance Authority, 5825 Florida Boulevard, Baton Rouge, LA 70806.

*Issuer*—the Louisiana Agricultural Finance Authority (LAFA).

*Lenders*—any leading institution as defined in the Act which institution either:

- a. sells an agricultural loan to the trustee; or
- b. enters into a repurchase obligation with the trustee.

*Trustee*—Sunburst Bank, formerly known as Capitol Bank and Trust Company.

B. All capitalized, undefined terms used herein shall have the meanings ascribed thereto in the *indenture* and its exhibits.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266(4).

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 17:165 (February 1991).

**§129. Definition of Program**

A. Under the Act, the issuer is authorized to issue revenue bonds to alleviate the serious shortage of capital and credit available for investment in agriculture, for domestic and export purposes, at interest rates within the financial means of persons engaged in agricultural production and agricultural exports. The Act also authorizes the issuer:

1. to purchase or make contracts to purchase agricultural loans made by lenders to borrowers; and

2. to make loans or contract to make loans to and deposits with certain lending institutions, who will in turn make agricultural loans to borrowers with the proceeds.

B. The issuer, pursuant to its powers under the Act has authorized the issuance of bonds and intends to use a portion of the proceeds of the bonds:

1. to purchase without recourse from lenders certain agricultural loans, which are to be originated by the lenders and purchased by the issuer pursuant to agreements and which shall be secured by mortgages and with either a letter of credit or a guaranty; and

2. to enter into repurchase obligations with certain banks to enable such banks to in turn make agricultural loans to borrowers. Under the Act, the issuer, prior to the purchase or contract to purchase agricultural loans from lenders, and prior to making or contracting to make agricultural loans to certain national banks who will in turn make loans to borrowers, is required to promulgate certain rules and regulations with regard to its loan program. These rules and regulations are intended to comply with this requirement of the Act and with the Administrative Procedure Act, Louisiana Revised Statutes of 1950, as amended, Section 49:950 et seq.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266(4).

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 17:165 (February 1991).

**§131. Types of Loans to be Purchased or Made**

A. The issuer shall only purchase agricultural loans made by lenders or enter into repurchase obligations with certain national banks who will in turn make agricultural loans to borrowers.

**B. Acquisition of Eligible Loans**

1. Moneys in the loan fund shall be used only for the acquisition of eligible loans pursuant to agreements or to enter into repurchase obligations, as described below. No eligible loan shall be purchased unless such eligible loan

bears interest, payable semiannually on April 1 and October 1 of each year, at a rate no less than 9.10 percent, and matures no later than October 1, 1996. No repurchase obligation shall be entered into unless such repurchase obligation carries with it an interest component as a part of the resale price of 9.10 percent, and matures no later than October 1, 1996. No eligible loan or repurchase obligation shall be purchased unless it requires that any principal amounts prepaid under such eligible loan or repurchase obligation, for whatever reason, shall be paid to the trustee in accordance with Section 4.14 of the Indenture, and in no event shall any prepayment (including prepayments due to casualty or condemnation) be in an amount less than \$100,000. Prior to the disbursement of any funds from the loan fund to acquire an eligible loan or enter into a repurchase obligation, the trustee shall complete a program checklist and submit the same to the issuer and to Standard and Poor's Corporation.

2. Moneys in the loan fund shall be used to acquire any eligible loans presented to the issuer and the trustee by a lender in accordance with the provisions set forth herein, pursuant to an agreement at a price described below upon receipt by the trustee of all documents, opinions and certificates required in the agreement and the program checklist. Each eligible loan shall be purchased at a purchase price of 99.78 percent of the outstanding principal amount of such eligible loan, less a surrender charge (as that term is defined in the investment agreement and which shall be payable to the insurance company), in the amount determined by the investment agreement provided that the purchase price of an eligible loan shall not be in an amount less than \$100,000 and shall not exceed \$5,000,000. The average principal amount of eligible loans must be at least \$500,000. Eligible loans may not be acquired after September 30, 1991, and the total amount of withdrawals (as such term is defined in the investment agreement) at any point in time shall not exceed the applicable maximum cumulative withdrawal amounts (as defined in the investment agreement). Payments made by a credit provider under a letter of credit or guaranty shall be applied as a credit against amounts owing by a borrower under a financed eligible loan with respect to which such letter of credit or guaranty was issued.

3. The issuer will cooperate with each lender, and shall require each lender to cooperate with the issuer, such that all accrued interest through the date on which the eligible loan is acquired by the issuer is paid directly or reimbursed to each lender.

4. Each eligible loan shall be secured by an irrevocable letter of credit, a guaranty, or a comparable instrument which shall effectively guarantee payment of all principal and interest on such eligible loan, such letter of credit, guaranty or comparable instrument being issued by a credit provider whose long-term unsecured debt rating is rated at least as high as the initial rating on the bonds, as confirmed in writing by Standard and Poor's Corporation, or, if not so rated (and then only in the case of a letter of credit delivered by a savings and loan association insured by

FSLIC or a state-chartered banking association insured by FDIC such credit provider shall pledge securities sufficient to maintain the initial rating on the bonds; the types of eligible collateral securities, and the level of collateralization required for each type of collateral security in order to obtain such a rating from Standard and Poor's Corporation, are set forth in Exhibit F; provided that if any such securities to be pledged consist of FHA/VA Mortgage Notes, Conventional Mortgage Notes, FHA/VA Mortgage Notes—ARMS and Conventional Mortgage Notes—ARMS (as those terms are used in the Collateral Pledge Agreement FSLIC), then prior to the acquisition of the eligible loan the trustee shall receive notice from Standard and Poor's Corporation (at the expense of the respective borrower) to the effect that the delivery of FHA/VA Mortgage Notes, Conventional Mortgage Notes, FHA/VA Mortgage Notes—ARMS and Conventional Mortgage Notes—ARMS by such credit provider will not adversely affect the rating on the bonds. In the event that an eligible loan is to be secured by an instrument other than a letter of credit or a guaranty in precisely the forms attached to the Indenture, such eligible loan shall not be purchased with bond proceeds until such time as the trustee receives written confirmation from Standard and Poor's Corporation (at the expense of the respective borrower) that such purchase will not adversely affect the rating of the bonds.

C. Repurchase Obligations. Moneys in the loan fund shall also be used by the issuer to enter into any repurchase obligation presented to it by a credit provider in accordance with the provisions set forth herein (to enable such credit provider to in turn finance an eligible loan). Securities purchased under a repurchase obligation shall be purchased at a price of 99.78 percent of the purchase price, less a surrender charge (as that term is defined in the investment agreement and which shall be payable to the insurance company) in the amount determined by the investment agreement. The purchase price of a repurchase obligation shall not be in an amount less than \$100,000 and shall not exceed \$5,000,000. The average principal amount of repurchase obligations must be at least \$500,000. Repurchase obligations may not be acquired after September 30, 1991, and the total amount of withdrawals (as such term is defined in the investment agreement) at any point in time shall not exceed the applicable maximum cumulative withdrawal amounts (as defined in the investment agreement).

D. There shall be included as a provision to every loan note, the agreement of the maker thereof to the effect that the loan note shall continue to bear interest until such time as the trustee has on deposit available moneys representing sufficient funds for the payment of such loan note.

E. No eligible loan shall be purchased by the trustee, and no repurchase obligation shall be entered into by the trustee, during any period commencing with the date which would (if such eligible loan were otherwise purchased) constitute a draw date for such eligible loan and ending on the immediately succeeding interest payment date.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266(4).

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 17:165 (February 1991).

**§133. The Credit Provider**

A. The following financial institutions shall qualify as credit providers and shall meet the following conditions.

1. A savings and loan association insured by FSLIC may act as credit provider and shall deliver a letter of credit and in the event such savings and loan association does not have a long-term unsecured debt rating by Standard and Poor's Corporation at least equal to the initial rating on the bonds, such letter of credit shall be collateralized in accordance with a Collateral Pledge Agreement (FSLIC) which shall be delivered to the Trustee.

2. A national bank may act as a credit provider and if it does not have a long-term credit rating at least equal to the initial rating on the bonds, shall enter into a repurchase obligation which shall be delivered to the trustee.

3. Any national bank which has an unsecured long-term debt rating by Standard and Poor's Corporation at least equal to the initial rating on the bonds may act as a credit provider and shall deliver an unsecured letter of credit.

4. A state chartered bank insured by FDIC may act as a credit provider and shall deliver a letter of credit, and in the event such state-chartered bank does not have a long-term unsecured debt rating by Standard and Poor's Corporation at least equal to the initial rating on the bonds, such letter of credit shall be collateralized in accordance with a Collateral Pledge Agreement (FDIC) which shall be delivered to the trustee.

5. Any other legal entity may act as a credit provider which has a long-term unsecured debt rating (or, in the case of an insurance company, a claims-paying ability rating) by Standard and Poor's Corporation at least equal to the initial rating on the bonds and may only deliver a guaranty.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266(4).

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 17:166 (February 1991).

**§135. Procedure Required for Funding Agricultural Loans with Proceeds of the Bonds**

A. Initiation of Eligible Loan Purchase. A lender may submit to the issuer, the trustee and the co-trustee a proposal to sell agricultural loans in substantially the form attached as Exhibit B hereto. Such form shall include a description of the rates, fees and terms of the loans made by the lender to the borrower and a description of the project financed, including its location and characteristics. The lender shall also describe the security for the loan. Upon receipt of a proposal to sell agricultural loans, the issuer, the trustee and the co-trustee, on behalf of the issuer, shall review such proposal. If the issuer determines that the loans to be purchased are agricultural loans and that the loans to be purchased are eligible loans meeting the requirements of the Act, the issuer shall be empowered to send a conditional approval, in substantially the form attached as Exhibit C

hereto, to the lender. The form of agreement shall be enclosed with the conditional approval.

B. Initiation of Repurchase Obligation. A national bank may submit to the issuer, the trustee and the co-trustee a proposal to enter into repurchase obligation in substantially the form attached as Exhibit D hereto. Such form shall include a description of the rates, fees, and terms of the loans to be made by the national bank to the borrower and a description of the project financed, including its location and characteristics. The national bank shall also describe the security for the loan. Upon receipt of a proposal to enter into repurchase obligation, the issuer, the trustee and the co-trustee, on behalf of the issuer, shall review such proposal. If the issuer determines that the loans to be made by the national bank are agricultural loans and determines that the loans to be made by the national bank are eligible loans meeting the requirements of the Act, the issuer shall be empowered to send a conditional approval, in substantially the form attached as Exhibit E hereto, to the national bank. The form of the repurchase obligation shall be enclosed with the conditional approval.

C. Procedure to Purchase Eligible Loan. Upon execution of the agricultural loan purchase agreement by the lender, the lender shall return and the trustee, on behalf of the issuer, shall receive the agreement, which must be signed by the lender within 14 days of postmark date of the conditional approval. The issuer shall then sign the agreement and notify the trustee. The trustee shall establish a loan closing date. The trustee shall, by date telephonic notice, inform the issuer and the lender of such date. Such date is referred to herein as the "Loan Purchase Date". On the loan purchase date, and upon completion of the program checklist by the trustee, which shall be forwarded to the issuer and Standard and Poor's Corporation, the issuer shall direct the trustee to disburse moneys from the loan fund for loan purchase.

D. Procedure to Enter into Repurchase Obligation. Upon execution of the repurchase obligation by the national bank, the national bank shall return and the trustee, on behalf of the issuer, shall receive the repurchase obligation which must be signed by the national bank with 14 days of postmark date of the conditional approval. The issuer shall then sign the repurchase obligation and notify trustee. The trustee shall establish a loan closing date. The trustee shall, by telephonic notice, inform the issuer and the national bank of such purchase date, and upon completion of the program checklist by the trustee, which shall be forwarded to the issuer and Standard and Poor's Corporation, the issuer shall direct the trustee to disburse moneys from the loan fund for the purpose of making a loan to the national bank.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266(4).

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 17:166 (February 1991).

**§137. Amendment to Program Guidelines**

A. The Program Guidelines, Exhibit B of the indenture, may not be amended by the issuer, trustee, or co-trustee at any time.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266(4).

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 17:167 (February 1991).

**§138. Funding Forms**

**Exhibit A**

**TRUST INDENTURE**

EDITOR'S NOTE: This exhibit may be obtained in its entirety from the Department of Agriculture and Forestry, Agricultural Finance Authority, 5825 Florida Boulevard, Baton Rouge, LA 70806.

**Exhibit B**

**FORM OF PROPOSAL TO SELL**

**AGRICULTURAL LOANS**

**LOUISIANA AGRICULTURAL  
FINANCE AUTHORITY**

**SECURITIZED AGRICULTURAL  
REVENUEBOND PROGRAM**

Louisiana Agricultural Finance Authority  
12055 Airline Highway  
Baton Rouge, Louisiana 70816

Sir:

The (Name of Lender) (the "Lender") hereby requests to participate in the Securitized Agricultural Revenue Bond Program of the Louisiana Agricultural Finance Authority (the "Authority").

1. Name of Lender
2. Jurisdiction of Organization and Date of Incorporation
3. Address and Telephone Number of Principal Officer
4. Name and Title of Person to whom correspondence with regard to this Program should be addressed.
5. Description of Loans. Please provide the following information with respect to each existing or proposed loan which the lender desires to sell.
  - a. Total amount of loan
  - b. Date of loan
  - c. Eligible loan
    - i. When does the loan mature?
    - ii. How is principal payable (e.g., monthly, quarterly, semiannually, annually, at maturity)?
    - iii. How is interest payable (e.g., monthly, quarterly, semiannually, annually, at maturity)?
    - iv. What is the interest rate on the loan?
  - d. Please attach the amortization schedule of the loan, showing when principal is payable (e.g., monthly, quarterly, semiannually, annually, at maturity), when the principal comes due and on what dates.
- e. Project financed
  - i. location
  - ii. description of project
6. Dollar amount of loan to be financed by the Authority.
7. If existing, does lender wish to refinance loans to be sold?
8. If yes, please give desired length and terms of refinanced loans.

AGRICULTURE AND ANIMALS

**Exhibit C**  
**CONDITIONAL APPROVAL**

(Lender)

Sir:

You are hereby notified that your proposal to sell agricultural loans to the Louisiana Agricultural Finance Authority ("Authority") has been tentatively approved pending completion of and signing an agricultural loan purchase agreement, a form of which is enclosed. This approval is based upon the information and representations provided by you in your proposal to sell agricultural loans application and is expressly conditional upon the accuracy of such information and timely completion of the agricultural loan purchase agreement.

Pursuant to our earlier correspondence, the terms of the loan following the purchase by the authority shall be as follows:

(Terms of Refinanced Loan)

Please execute and return the enclosed agricultural loan purchase agreement within fourteen days of the postmark of this conditional approval to the offices of the Louisiana Agricultural Finance Authority, Department of Agriculture, 12055 Airline Highway, Baton Rouge, LA 70816, Attention: Director. If the agricultural loan purchase agreement is not received by the authority within fourteen days of the postmark on the letter delivering the conditional approval, the authority may discontinue consideration of the applicant's loan purchase.

Sincerely,

LOUISIANA AGRICULTURAL  
 FINANCE AUTHORITY

**Exhibit D**

**FORM OF PROPOSAL TO ENTER INTO  
 REPURCHASE OBLIGATION**

LOUISIANA AGRICULTURAL  
 FINANCE AUTHORITY

SECURITIZED AGRICULTURAL  
 REVENUE BOND PROGRAM

Louisiana Agricultural Finance Authority  
 12055 Airline Highway  
 Baton Rouge, LA 70816

Sir:

The (Name of National Bank), a national banking association organized and existing under the laws of the United States, (the "Bank") hereby requests to participate in the securitized agricultural revenue bond program of the Louisiana Agricultural Finance Authority (the "Authority").

1. Name of bank.
2. Date of incorporation.
3. Address and telephone number of principal office.
4. Name and title of person to whom correspondence with regard to this program should be addressed.
5. Description of loans. Please provide the following information with respect to each proposed loan which the bank desires to make.
  - a. Total amount of loan
  - b. Date of loan
  - c. Eligible loan
    - i. When will the loan mature?
    - ii. How is principal payable (e.g. monthly, quarterly, semiannually, annually, at maturity)?

iii. How is interest payable (e.g. monthly, quarterly, semiannually, annually, at maturity)?

d. Please attach the amortization schedule of the loan, showing when principal is payable (e.g. monthly, quarterly, semiannually, annually, at maturity), when the principal comes due and on what dates.

e. Project financed

i. Location

ii. Description of project

6. Dollar amount of loan to be financed by the authority

**Exhibit E**

**CONDITIONAL APPROVAL**

(National Bank)

Sir:

You are hereby notified that your proposal to enter into repurchase obligation to the Louisiana Agricultural Finance Authority ("Authority") has been tentatively approved pending completion of and signing a repurchase obligation, a form of which is enclosed. This approval is based upon the information and representations provided by you in your proposal to enter into repurchase obligation application and is expressly conditioned upon the accuracy of such information and timely completion of the repurchase obligation.

Pursuant to our earlier correspondence, the terms of the loan shall be as follows:

(Terms of Refinanced Loan)

Please execute and return the enclosed repurchase obligation within fourteen days of the postmark of this conditional approval to the offices of the Louisiana Agricultural Finance Authority, Department of Agriculture, 12055 Airline Highway, Baton Rouge, LA 70816, Attention: Director. If the Repurchase Obligation is not received by the Authority within fourteen days of the postmark on the letter delivering this Conditional Approval, the Authority may discontinue consideration of the applicant's loan.

Sincerely,

LOUISIANA AGRICULTURAL FINANCE AUTHORITY

**Exhibit F**

**ELIGIBLE COLLATERAL AND  
 COLLATERAL LEVELS**

**REPURCHASE OBLIGATIONS**

Type of Collateral Security	Percentage of Market Value to be Sold
FHLMC Participation Certificates <sup>1</sup>	158.0%
GNMA Pass-Through Certificates <sup>1</sup>	147.0%
FNMA Pass-Through Certificates <sup>1</sup>	158.0%
Cash and Federal Funds	100.0%
Government Securities <sup>2</sup> with a remaining term to Maturity of up to and including:	
one year	108.0%
five years	128.0%
ten years	135.0%
fifteen years	140.0%
thirty years	150.0%

**LETTERS OF CREDIT/GUARANTIES**

Type of Collateral Security	Percentage of Market Value to be Pledged
FHLMC Participation Certificates <sup>1</sup>	158.0%
GNMA Pass-Through Certificates <sup>1</sup>	147.0%

Type of Collateral Security	Percentage of Market Value to be Pledged
FNMA Pass-Through Certificates <sup>1</sup>	158.0%
Cash and Federal Funds	100.0%
Government Securities <sup>2</sup> with a remaining term to Maturity of up to and including:	
one year	108.0%
five years	128.0%
ten years	135.0%
fifteen years	140.0%
thirty years	150.0%
FHA/VA Mortgage Notes <sup>3</sup>	150.0%
Conventional Mortgage Notes <sup>3</sup>	150.0%
Conventional Mortgage Notes—ARMS <sup>3</sup>	170.0%
FHA/VA Mortgage Notes—ARMS <sup>3</sup>	170.0%

<sup>1</sup>Assumptions:

1. Certificates represent undivided interest in pool of fixed-rate single family mortgage loans with no further negative amortization.
2. Registered in name of, and held by, bond trustee.
3. Collateral cash flow released to collateral provider so long as requisite collateral level maintained.
4. Collateral levels assume collateral proceeds will cover up to six months of accrued interest at maximum rate of 12 percent/annum.
5. Collateral securities marked to market on a monthly basis.
6. Collateral provider has two business days to cause any deficiency in collateral level requirement.
7. Collateral cannot be valued in an amount greater than the lesser of
  - a. 100 percent of its redemption value of
  - b. 100 percent of its maturity value.

<sup>2</sup>Assumptions:

1. "Government Securities" are obligations which are direct obligations or which are fully guaranteed by the full faith and credit, of the United States of America which pay periodic interest and pay principal at maturity or call.
2. The assumptions in 3, 4, 5, 6, and 7 in Footnote 1 above apply to Government Securities.

<sup>3</sup>Assumptions:

1. Mortgage loans meet the requirements of a prime collateral pool.
2. The assumptions in 3, 4, 5, 6, and 7 in Footnote 1 above apply to Conventional/FHA/VA Mortgages.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266(4).

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 17:167 (February 1991).

**§139. Meaning of National Bank**

A. For any and all programs and regulations that Louisiana Agricultural Finance Authority (LAFA) has implemented or will implement, LAFA hereby deems the term "national bank" to include banks of foreign nations which are national in scope of operations in their domicile nation.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266(4).

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 17:249 (March 1991).

**§141. Construction of Maximum Amounts of Loans**

A. Wherever regulations adopted or to be adopted by Louisiana Agricultural Finance Authority (LAFA) establish a maximum dollar amount of a transaction or loan that LAFA may purchase or sell or contract to purchase or sell but do not expressly place a restriction on the number of transactions or loans that any one borrower may receive or be involved with, the maximum dollar amount shall apply only to each transactions or loan and shall not restrict the number of transactions or loans per borrower. Accordingly, all regulations that are intended to prohibit multiple transactions or loans to or with borrowers shall expressly limit the number of transactions or loans per borrower.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266(4).

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 17:249 (March 1991).

**Chapter 3. Farm and Agribusiness Recovery and Loan Program**

**§301. Farm and Agribusiness Recovery and Loan Program; Establishment of; Purpose; Limitations; Terms**

A. The Farm and Agribusiness Recovery and Loan Program is hereby established.

B. The Farm and Agribusiness Recovery and Loan Program provides loans, grants, or a combination thereof to agricultural producers or agribusinesses for the purpose of aiding in the recovery from the 2008 hurricanes, Gustav and Ike, and to subsequently provide Louisiana agricultural producers and agribusinesses additional financial resources for recovery from any future disasters and for the maintenance and growth of agriculture in Louisiana.

C. The limits on loans and grants from the Farm and Agribusiness Recovery and Loan Program are as follows:

1. Agricultural producers may receive a minimum of \$10,000 and up to a maximum of \$100,000. The amount provided shall be a combination of an 80 percent loan and 20 percent grant.

2. Agribusinesses may receive a minimum of \$10,000 and up to a maximum of \$250,000 in the form of a direct loan.

D. The general terms under which disbursements will be made are as follows.

1. Interest at the rate of 1 ½ percent interest per annum will be charged on the unpaid balance of all loans made under this program.

2. The maximum term of any loan shall be 10 years.

3. Any grant given in combination with a loan shall be subject to being repaid if the loan plus interest is not paid in full or if the loan goes into default.

4. Normal and customary terms of loans regarding notices, defaults, late fees, attorney fees, and other matters customarily spelled out in a promissory note or other negotiable instrument. Such terms, as authorized by LAFA, shall be in the negotiable instrument approved by LAFA.

AUTHORITY NOTE: Promulgated in accordance with R. S. 3:266.

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 36:466 (March 2010).

**§303. Eligibility of Applicant**

A. An agricultural producer experiencing a 2008 storm related loss shall be eligible to receive money from the Farm and Agribusiness Recovery and Loan Program upon meeting the following requirements:

1. the farm upon which a loss occurred must be located in Louisiana;
2. active agricultural operations must have been ongoing before the 2008 storms occurred and continue to be ongoing thereafter;
3. a minimum annual gross revenue of \$25,000 from the agricultural operations must have been received in 2007 or in 2008 prior to the storms;
4. suffered a minimum storm related loss of \$10,000;
5. employed one or more person (including owner) full time during the previous year.

B. An agribusiness experiencing a 2008 storm related loss shall be eligible to receive money from the Louisiana Farm and Agribusiness Recovery and Loan Program upon meeting the following requirements.

1. The agribusiness must be physically located in Louisiana.
2. Active agribusiness operations must have been ongoing before the 2008 storms occurred and continue to be ongoing from the time active agribusiness operations could resume after the storms up to the date of application.
3. A minimum annual gross revenue of \$25,000 from the agribusiness operations must have been received in 2007 or in 2008 prior to the storms.
4. Employed at least 2 full time employees (including owner) in 2008, prior to the storms and support at least two other indirect jobs in this state.
5. Experienced a 20 percent decline in gross agribusiness revenue for the period of time in 2008 after the storms occurred as compared to gross agribusiness revenue for the same time period in 2007 or experienced a combined tangible property loss and revenue loss of \$10,000 or more.

AUTHORITY NOTE: Promulgated in accordance with R. S. 3:266.

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 36:467 (March 2010).

**§305. Application Procedure and Forms**

A. The application period shall be publicly announced or published in a manner that will fairly put agricultural producers and agribusinesses on notice of the Farm and Agribusiness Recovery and Loan Program and the start and end of the application period.

B. Only application forms prepared by LAFA for this purpose may be used.

C. Every applicant for a loan or grant shall submit the following documents to LAFA.

1. The completed application form signed by the agricultural producer or agribusiness, if a sole proprietorship. If the agricultural producer or agribusiness is not a sole proprietorship then the application form must be signed by all owners or by a duly authorized representative. The authorization of a representative to sign on behalf of an agricultural producer or agribusiness must be shown by a power of attorney, corporate resolution or other expression of authority that is consistent with the legal form of the agricultural producer or agribusiness.

2. Proof of identity of the signer of the application. One or more of the following may be used as proof of identity:

- a. birth certificate;
- b. government issued photo identification or other documentation acceptable to the agricultural loan committee.

3. Proof of address of the farm or agribusiness. One or more of the following may be used as proof of address: copy of utility bill, Louisiana tax return from the previous year, lease agreement, business license, USDA Farm Service Administration (FSA) certification, or other documentation acceptable to the agricultural loan committee.

4. Proof of Ownership of the Farm or Agribusiness. One or more of the following may be used as proof of ownership: tax returns with appropriate schedules, stock certificates with proof of total number of shares, or other documentation acceptable to the agricultural loan committee.

5. Proof of Employees. One or more of the following may be used as proof of employees: Federal form 941, Louisiana unemployment tax records, internal payroll register, or other documentation acceptable to the agricultural loan committee.

6. Proof of Revenue. One or more of the following may be used as proof of gross revenues: Federal tax returns with appropriate schedules, actual revenue receipts, or other documentation acceptable to the agricultural loan committee.

7. The agricultural loan committee may require an applicant to supply; tax returns with appropriate schedules, insurance claim forms, settlement sheets, FSA declarations, receipts for replacement, or other documentation when such documentation is needed by the agricultural loan committee in deciding whether to approve or deny an application.



**AUTHORITY NOTE:** Promulgated in accordance with R. S. 3:266.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 36:467 (March 2010).

**§307. Approval of Application**

A. The applicant must provide all required information at least 10 working days prior to the meeting of the agricultural loan committee where the application will be considered, unless partial submission is allowed by LAFA's staff or the agricultural loan committee.

B. The agricultural loan committee may require terms and conditions that are not included in other loan/grants to be in a particular loan/grant based on the circumstances of each individual loan/grant so long as such terms and conditions are consistent with these regulations.

C. The agricultural loan committee may authorize LAFA's director to negotiate additional terms and conditions for a specific loan/grant within the parameters established by these regulations and the instructions of the agricultural loan committee.

D. The agricultural loan committee shall review each loan application and approve or deny the application, after consideration of the application, supporting documentation, comments of the applicant, and staff recommendations. However, the agricultural loan committee may defer action on an application to obtain additional information.

E. Within three business days after an application has been acted upon by the agricultural loan committee notice of the decision shall be sent to the applicant. Notification may be by U.S. mail, private commercial courier, hand delivery by an employee of the department, fax, e-mail, or other electronic means. However, whatever the means of notification used must be designed to verify receipt of the notification by the applicant.

**AUTHORITY NOTE:** Promulgated in accordance with R. S. 3:266.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 36:467 (March 2010).

**§309. Agricultural Loan Committee; Establishment of; Purpose; Membership; Quorum**

A. The agricultural loan committee is hereby established to consider and act on applications for loans or grants, or a combination of both made pursuant to this Part.

B. The agricultural loan committee shall consist of the following seven members:

1. the Commissioner of Agriculture and Forestry or his designee;

2. the Chancellor of the LSU AgCenter or his designee;

3. the Chancellor of the Southern University AgCenter or his designee;

4. the President of the Louisiana Farm Bureau Federation or his designee;

5. the Assistant Commissioner of Agriculture and Forestry, Office of Management and Finance or his designee;

6. one member at large appointed by the Commissioner of Agriculture and Forestry;

7. the Director of LAFA or his designee.

C. Four members of the agriculture loan committee shall constitute a quorum.

**AUTHORITY NOTE:** Promulgated in accordance with R. S. 3:266.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 36:468 (March 2010).

**§311. Disbursement of Funds**

A. After the agricultural loan committee has approved an application the proceeds of the loan/grant shall be disbursed by LAFA's staff upon the signing of the loan or grant documents by the applicant and LAFA's director.

B. If the total amount of proceeds to be disbursed under the Louisiana Farm and Agribusiness Recovery and Loan Program exceeds the amount of money available for the program then the amount received by each approved applicant shall be reduced on a pro-rata basis.

**AUTHORITY NOTE:** Promulgated in accordance with R. S. 3:266.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 36:468 (March 2010).

**§313. Use of Loan and Grant Proceeds**

A. Loan and grant proceeds may be used to:

1. pay current year expenses that are related to the preparation, planting, management and harvesting the current year crop as specified;

2. pay down or pay off existing crop production loans, if a financial institution has committed itself to furnish sufficient funding for preparing, planting, managing and harvesting the current year crop;

3. pay operating expenses (rent, insurance, utilities, etc.);

4. purchase inventory;

5. pay or refinance more expensive business-related debt to improve cash flow.

B. Loan and grant proceeds may not be used for:

1. acquisition of buildings or land;

2. new construction or reconstruction;

3. refinancing of State Bridge Loans or Community Development Block Grant loans;

4. payments of tax arrearages, government fines or penalties;
5. political or religious activities;
6. buying out any stockholder or equity holder in a business;
7. buying out or reimbursing any family member;
8. investing in instruments or investments for the sole purpose of a return on Investment; or
9. a loss or expense for which insurance benefits has been or is to be paid or for which financial assistance has been or is to be provided from any other source, whether public or private.

AUTHORITY NOTE: Promulgated in accordance with R. S. 3:266.

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 36:468 (March 2010).

**§315. Delinquencies and Defaults**

A. A loan shall become delinquent if the full monthly or periodic payment is not received within 10 calendar days following the due date or the loan is otherwise in default for non-compliance with any other provision of the loan.

1. Written notification of a delinquency shall be sent to the borrower giving the borrower the opportunity to cure the cause for the delinquency within 30 days from the date of the notice plus payment of any late fee .

2. If the delinquency is due to late payment, the director of LAFA, when he determines that such payment arrangements are justified by the circumstances, may make payment arrangements with the borrower to cure the delinquency before reporting the loan to the LAFA Board as a delinquent loan.

3. If the delinquency is not timely cured, the delinquent loan shall be reported to the LAFA Board, which may review and take action on the delinquent loan at any meeting of the board.

B. Upon review, the LAFA Board may direct that the loan be maintained in delinquent status and set the terms and time by which the borrower may bring the payments up to date or otherwise cure the delinquency or the board may declare the loan to be in default and that the entire amount due on the loan accelerated in accordance with the terms of the loan.

1. If a loan is continued as delinquent the LAFA Board shall establish the terms and time by which the borrower may bring the loan out of delinquency and into good standing and the borrower shall be notified of such terms and time.

2. If a loan is declared to be in default, notice of the default and a demand for full payment of all sums due, including the amount of any portion of the loan that may be forgiven as a grant, shall be sent to the borrower along with

a request for full payment within 10 business days from the sending of the notice.

C. If a loan is continued as delinquent and the borrower does not accept the terms and time set by the board of if the borrower does not timely comply with the terms, the loan shall automatically go into default without further action of the board. Upon default, a demand for payment shall be made and if payment is not timely made the loan shall be turned over for collection, as provided for in these regulations.

D. If full payment is not received by the deadline given in the notice of default the loan, including the amount of any portion of the loan that may be forgiven as a grant, shall be turned over to an attorney for collection in accordance with the terms of the loan.

E. Any notice required by these regulations or by the terms of any loan may be sent by certified United States mail, return receipt requested; by any commercial courier who requires a receipt of delivery; or by hand delivery.

AUTHORITY NOTE: Promulgated in accordance with R. S. 3:266.

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 36:468 (March 2010).

**Chapter 5.2016 Louisiana Farm Recovery Grant Program**

**§501. 2016 Louisiana Farm Recovery Grant Program; Establishment; Purpose; Limitations**

A. The 2016 Louisiana Farm Recovery Grant Program is hereby established.

B. The 2016 Louisiana Farm Recovery Grant Program provides a 100 percent grant to agricultural producers for working capital expenses related to the 2017 planting year for the purpose of aiding in the recovery from the 2016 floods.

C. The limits on the grants from the 2016 Louisiana Farm Recovery Grant Program are as follows.

1. Agricultural producers may receive a maximum grant of \$100,000.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266.

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 44:438 (March 2018).

**§503. Eligibility of Applicant**

A. An agricultural producer experiencing a 2016 flood related loss shall be eligible to receive money from the 2016 Louisiana Farm Recovery Grant Program upon meeting all of the following requirements.

1. The farm upon which a loss occurred must be located in one of the following parishes: Acadia, Allen, Ascension, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Catahoula, Claiborne, DeSoto,

East Baton Rouge, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson Davis, Lafayette, LaSalle, Lincoln, Livingston, Madison, Morehouse, Natchitoches, Ouachita, Point Coupee, Rapides, Red River, Richland, Sabine, St. Helena, St. James, St. Landry, St. Martin, St. Tammany, Tangipahoa, Union, Vermilion, Vernon, Washington, Webster, West Baton Rouge, West Carroll, West Feliciana or Winn.

2. Active agricultural operations must have been ongoing before March 1, 2016 and continue to be ongoing in 2017.

3. The applicant must have annual gross farm revenue of \$25,000 in 2014, 2015 or 2016.

4. The applicant must have suffered a minimum storm related loss of \$10,000 as determined by the crop loss calculator.

5. The applicant must have grown one of the following crops in 2016: cattle, corn, cotton, crawfish, grain sorghum, hay, rice, soybeans, strawberries, sugarcane, sweet potatoes or wheat.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266.

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 44:438 (March 2018).

**§505. Application Procedure and Forms**

A. The application period shall be publicly announced or published in a manner that fairly puts agricultural producers on notice of the 2016 Louisiana Farm Recovery Grant Program and the start and end of the application period.

B. Only application forms prepared by LAFA for this purpose may be used.

C. Each applicant for a grant shall submit all of the following documents to LAFA.

1. The completed application form signed by the agricultural producer, if a sole proprietorship. If the agricultural producer is not a sole proprietorship then the application form must be signed by all owners, unless an applicant has more than 10 owners.

2. Proof of Identity of the Signer of the Application. A government issued photo identification must be presented.

3. Proof of Address of the Farm. One or more of the following may be used as proof of address:

- a. a copy of utility bill;
- b. Louisiana tax return from the previous year;
- c. lease agreement;
- d. map;
- e. title to land; or
- f. a USDA Farm Service Administration (FSA) certification.

4. Proof of Ownership of the Farm. Tax returns with appropriate schedules must be presented.

5. Proof of National Objective. One or more of the following may be used as proof of employees:

- a. federal Form 941;
- b. LMI form;
- c. Louisiana unemployment tax records; or
- d. internal payroll register.

6. Proof of Revenue. Tax returns with appropriate schedules must be presented.

7. Proof of Crop Loss. A completed crop loss calculator must be presented.

8. Proof of Harvesting an Eligible Crop in 2016. Tax returns with appropriate schedules must be presented in calendar year 2017.

9. Proof of Planting or Harvesting an Eligible Crop in 2017. Paid receipts, invoices, copies of checks or other evidence must be presented for expenses in calendar year 2017.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266.

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 44:438 (March 2018).

**§507. Disbursement of Funds**

A. After the LAFA staff has approved an application, the proceeds of the grant shall be disbursed by LAFA's staff upon the signing of the grant documents by the applicant and LDAF's director of grant recovery programs.

B. If the total amount of proceeds to be disbursed under the 2016 Louisiana Farm Recovery Grant Program exceeds the amount of available money then the amount received by each approved applicant shall be reduced on a pro-rata basis.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266.

HISTORICAL NOTE: Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 44:438 (March 2018).

**§509. Use of Grant Proceeds**

A. Grant proceeds may be used to pay current year working capital expenses that are related to the preparation, planting, management and harvesting the current year crop including, but limited to feed, bait, seed, fertilizer, fuel, chemicals, herbicides, crawfish traps, office supplies, insurance, utilities, labor/payroll, veterinarian services and supplies, custom harvester, custom aerial applicator, and written land leases for crawfish producers.

B. Grant proceeds may not be used for any of the following:

- 1. acquisition of buildings or land;
- 2. new construction or reconstruction;

3. repayment or refinancing loans;
4. payments of tax arrearages, government fines or penalties;
5. political or religious activities;
6. buying out any stockholder or equity holder in a business;
7. buying out or reimbursing any family member;
8. investing in instruments or investments for the sole purpose of a return on investment;
9. a loss or expense for which insurance benefits has been or will be paid or financial assistance that has been or will be provided from federal, state or any other source;
10. purchasing or repairing of equipment;
11. placing new land into production.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 3:266.

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture and Forestry, Agricultural Finance Authority, LR 44:439 (March 2018).

## Chapter 7. Louisiana Agricultural Workforce Development Program

### §701. Purpose

A. The purpose of these rules is to:

1. establish eligibility requirements of the Louisiana Agricultural Workforce Development program;
2. establish eligibility requirements for agricultural businesses and interns for participation in the program;
3. establish application processes for agricultural businesses and intern candidates seeking approval to become program participants;
4. establish qualification requirements for reimbursement of internship costs within the program; and
5. establish processes for reimbursement of internship costs to participating agricultural businesses.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 3:266 and 3:285

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture, Agriculture Finance Authority, LR 47:850 (July 2021).

### §703. Definitions

A. The words and terms defined in R.S. 3:285 are applicable to this Chapter.

B. The following words and terms are defined for purposes of this Chapter and are applicable to this Chapter.

*Actual Cost*—the wages paid to an intern, reasonable allocation of fixed overhead expenses, and all incidental costs directly related to the internship.

*Agricultural Business*—an agricultural producer, or a person or legal entity who engages in agriculture or provides

support activities, products, or services to an agricultural producer and such products or services that are directly related to the planting, growing, production, harvesting, or processing of Louisiana products.

*Beginning Farmer*—a farmer, rancher, or operator of non-industrial private forestland who is in the first 10 years of operation or a person intending or aspiring to begin such an operation.

*Commissioner*—the commissioner of the Department of Agriculture and Forestry.

*Department*—the Department of Agriculture and Forestry.

*Director*—the director of the Louisiana Agricultural Finance Authority (LAFA).

*Immediate Family Member*—the spouse, parent, sibling, or child of the owner, manager, chief executive officer, or president of an agricultural business; a person to whom the owner, manager, chief executive officer, or president stands as legal guardian or tutor; or any other person living in the household of the owner, manager, chief executive office, or president of an agricultural business by blood or marriage.

*Intern*—an individual who is a student enrolled at a Louisiana secondary or postsecondary institution or a young and beginning farmer or rancher employed by an agricultural business pursuant to the program.

*LAFA*—the Louisiana Agricultural Finance Authority which is within the Department of Agriculture and Forestry.

*Program*—the Louisiana Agricultural Workforce Development Program created with passage of House Bill 69/ Act 23 of the 2020 Second Extraordinary Session, which enacted R.S. 3:285.

*Qualifying Internship*—an internship meeting the requirements as necessary for the partial reimbursement of costs to employ intern(s).

*Student*—an individual who is enrolled in a Louisiana secondary or postsecondary institution.

**AUTHORITY NOTE:** Promulgated in accordance with R.S. 3:266 and 3:285

**HISTORICAL NOTE:** Promulgated by the Department of Agriculture, Agriculture Finance Authority, LR 47:850 (July 2021).

### §705. Eligibility Requirements of Applicants

A. Agricultural businesses must meet the following eligibility requirements in order to be considered for the program. Agricultural business applicants shall:

1. be physically located within the State of Louisiana;
2. provide an internship with a place of work located within the state of Louisiana;
3. have the ability to effectively supervise an intern;
4. offer the intern an opportunity to obtain meaningful work experience, including, but not limited to:

- a. at least one hundred thirty hours of work experience;
- b. not to exceed one year in duration; and
- c. an hourly wage rate that is no less than the state's prevailing minimum wage rate.

5. Ensure compliance with all federal, state, and local laws including, but not limited to, the Fair Labor Standards Act as well as any other applicable labor and /or occupational safety laws and regulations. In such instances when both federal and state laws apply, the more stringent standard must be observed.

B. Intern applicants must meet the following eligibility requirements in order to be considered for the program.

1. Intern applicants shall be:

- a. be a student enrolled in a Louisiana secondary or postsecondary institution; or
- b. be a beginning farmer or rancher, as defined by this Chapter, employed by an agricultural business.

2. Intern applicants shall not be:

- a. a current or past employee of the participating agricultural business for which he or she will be an intern; or
- b. an immediate family member of the participating business applicant as defined in this Chapter.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266 and 3:285

HISTORICAL NOTE: Promulgated by the Department of Agriculture, Agriculture Finance Authority, LR 47:850 (July 2021).

#### §707. Internship Requirements

A. A qualifying internship shall be considered eligible for reimbursement from LDAF upon meeting each of the following requirements. The internship must:

- 1. include an educational focus preparing interns for a career in one or more occupational areas including, but not limited to:
  - a. agribusiness;
  - b. animal husbandry;
  - c. crop production;
  - d. farm management;
  - e. agronomy;
  - f. natural resources;
  - g. forestry;
  - h. research and development;
  - i. marketing and sales;
  - j. food safety and/or maintenance; or
  - k. repair of machinery and equipment.

2. provide an educational experience of at least 130 hours per intern and not exceed one year in duration per intern;

3. pay intern(s) at a rate no less than the state's prevailing minimum wage to be paid in accordance with the participating business' normal payroll processes, but paid at least monthly;

4. provide a supervisor for intern(s);

5. provide worker's compensation insurance coverage for intern(s);

6. commence within 30 days of the projected start date identified in the business application; and

7. ensure that intern(s) do not displace current employee(s) of the participating business.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266 and 3:285

HISTORICAL NOTE: Promulgated by the Department of Agriculture, Agriculture Finance Authority, LR 47:851 (July 2021).

#### §709. Application Process

A. Participating businesses and prospective intern(s) must receive approval by the LAFA director in order for a qualifying internship to be eligible for reimbursement.

1. Agricultural businesses interested in participating may apply for the program during the open application period from July 1 through September 1 of every year. Eligible applications will be reviewed and funded on a first-come, first-serve basis. An agricultural business must complete and submit the necessary application to LAFA within the application period. Only application forms prepared by LAFA for this purpose may be used. If funds remain, the director of LAFA will consider business applications on a rolling basis after the close of the open application period.

a. Eligible business applications will be reviewed upon receipt by LAFA staff. Decisions will be based on the needs of the program, legislative intent, applicable statute, and these rules.

b. Acceptance and rejection notifications will be sent via email within 30 days of completion of application review.

c. An agricultural business applicant shall submit a separate application for every internship position that it is requesting.

2. Upon approval of the agricultural business applicant, the intern candidate(s) selected by a participating business must complete and submit an intern application to the LAFA Director. Only application forms prepared by LAFA for this purpose may be used.

a. In addition to the internship application, intern candidates must also submit a statement of career goals to the LAFA director.

b. Intern applications will be reviewed by LAFA staff and a determination of approval will be sent via email

## AGRICULTURE AND ANIMALS

to the participating business within 10 business days of receipt of a fully completed intern application and statement.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266 and 3:285

HISTORICAL NOTE: Promulgated by the Department of Agriculture, Agriculture Finance Authority, LR 47:851 (July 2021).

### §711. Reimbursement

A. Participating agricultural businesses will be reimbursed up to the agreed upon amount at the conclusion of the internship upon presentation of an invoice and supporting documentation. Reimbursement will not exceed 50 percent of the actual cost to the business. The maximum amount a business may be reimbursed per internship is \$5,000.

1. An invoice requesting reimbursement shall be submitted to LAFA within 30 business days of the conclusion of the internship. The invoice must include the

reimbursement amount requested and the actual costs incurred by the business to employ the intern.

2. The participating agricultural business shall submit copies of time sheets and pay stubs verifying the total amount paid to the intern during the internship. If the invoice includes costs for incidental expenses, those costs must be supported with proof of payment by the participating business.

3. The participating agricultural business shall also, as a requirement of reimbursement, complete a post-internship evaluation form, to be provided by LAFA staff.

4. In the event an internship ends prior to its scheduled completion, participating businesses may still be partially reimbursed for costs incurred.

AUTHORITY NOTE: Promulgated in accordance with R.S. 3:266 and 3:285

HISTORICAL NOTE: Promulgated by the Department of Agriculture, Agriculture Finance Authority, LR 47:851 (July 2021).