

**TRANSMITTAL SHEET FOR
NOTICE OF INTENDED ACTION**

Control: 108

Department or Agency Alabama Agricultural Development Agency

Rule No. 108-1-3

Rule Title: Loan Programs

New Amend Repeal Adopt by Reference

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety? No

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare? Yes

Is there another, less restrictive method of regulation available that could adequately protect the public? No

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree? No

Is the increase in cost, if any, more harmful to the public than the harm that might result from the absence of the proposed rule? N/A

Are all facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public? Yes

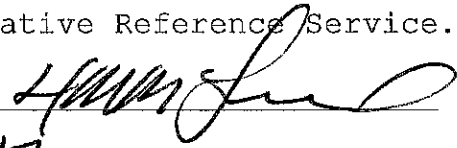
Does the proposed rule have an economic impact? Yes

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

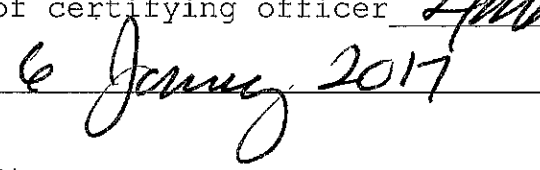
Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Chapter 22, Title 41, Code of Alabama 1975, and that it conforms to all applicable filing requirements of the Administrative Procedure Division of the Legislative Reference Service.

Signature of certifying officer

A handwritten signature in black ink, appearing to be "H. M. Jones", written over a horizontal line.

Date

A handwritten date "6 January 2017" written in black ink over a horizontal line.

(DATE FILED)

(STAMP)

ALABAMA AGRICULTURAL DEVELOPMENT AUTHORITY

NOTICE OF INTENDED ACTION

AGENCY NAME: Alabama Agricultural Development Authority
("Authority")

RULE NO. & TITLE: 108-1-3 - Loan Programs

INTENDED ACTION: New Rule

SUBSTANCE OF PROPOSED ACTION: Set out operating rules, terms, and conditions of the Authority's available loan programs.

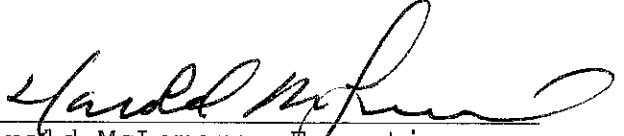
TIME, PLACE, MANNER OF PRESENTING VIEWS: Comments can be presented at the public hearing scheduled for 9:00 a.m., on March 28, 2017 at 445 Federal Drive, Montgomery, Alabama 36107. Additionally, written comments may be addressed to the contact person listed below. The contact person must receive written comments by 9:00 a.m., on March 28, 2017.

FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:

March 28, 2017

CONTACT PERSON AT AGENCY:

Harold McLemore, Executive Director
445 Federal Drive
Montgomery, AL 36107
334-240-7245


Harold McLemore, Executive
Director Alabama Agricultural
Development Authority

NEW

Alabama Agricultural Development
Authority

Chapter 108-1-3

ALABAMA AGRICULTURAL DEVELOPMENT AUTHORITY
ADMINISTRATIVE CODE

CHAPTER 108-1-3
LOAN PROGRAMS

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108-1-3-.01 Cattle Working Facilities Loan Program.

Funds may be loaned by the authority to a borrower under the Cattle Working Loan Program if the borrower is engaged in agricultural operations in this state and the borrowed funds will be used for construction of improved cattle working facilities for use on farms and ranches in this state; enables increased efficiency in handling cattle, along with better monitoring of cattle herd health; and improves production practices.

- (a) Applicants are subject to a \$50 loan application fee for each application submitted.
- (b) All borrowers seeking loans under this rule are subject to credit checks by the authority.
- (c) All structures proposed to be built with funds loaned under this rule must meet certain standard criteria as determined by the authority and all building plans for any proposed project must be approved by an authority representative prior to award of a loan pursuant to this program.
- (d) \$20,000 is the maximum amount that will be loaned under this rule.
- (e) An inspection of applicant's agricultural operation by an authority representative is required prior to loan approval.

- (f) All amounts borrowed under this rule shall be repaid to the authority, plus interest at the applicable rate, no later than 3 years from the date loan proceeds are issued to the borrower.
- (g) Interest charged on funds borrowed under this rule is 3%.
- (g) All borrowed amounts must be full collateralized.
- (h) All loans issued pursuant to this rule require personal guaranty by an individual with sufficient assets to fully satisfy the borrowed amount in the event of default.
- (i) All borrowed amounts must be fully collateralized.
- (j) The authority reserves the right to deny any loan application.

Author: Alabama Agricultural Development Authority

Statutory Authority: Code of Ala. 1975, §2-3A-7

History: New Rule: Filed January 20, 2017, effective

108-1-3-.02 Commodity Barn Loan Program. Funds may be loaned by the authority to a borrower under the Commodity Barn Loan Program if the borrower is engaged in agricultural operations in this state and will use the borrowed funds to purchase agricultural commodities in bulk to realize savings in the purchase of those agricultural commodities and those agricultural commodities will be used by the borrower for borrower's agricultural operations in this state.

- (a) Applicants are subject to a \$50 loan application fee for each application submitted.
- (b) All borrowers seeking loans under this rule are subject to credit checks by the authority.
- (c) Loans issued pursuant to this rule are made in the following amounts:
 - (i) \$7,500;
 - (ii) \$15,000; or

- (iii) \$22,500
- (d) An inspection of applicant's agricultural operation by an authority representative is required prior to loan approval.
- (e) All amounts borrowed under this rule shall be repaid to the authority, plus interest at the applicable rate, no later than 3 years from the date loan proceeds are issued to the borrower.
- (f) Interest charged on funds borrowed under this rule is 3%.
- (g) All borrowed amounts must be fully collateralized.
- (h) All loans issued pursuant to this rule require personal guaranty by an individual with sufficient assets to fully satisfy the borrowed amount in the event of default.
- (i) The authority reserves the right to deny any loan application.

Author: Alabama Agricultural Development Authority

Statutory Authority: Code of Ala. 1975, §2-3A-7

History: New Rule: Filed January 20, 2017, effective

108-1-3-.03 Equipment Shed Loan Program. Funds may be loaned by the authority to a borrower under the Equipment Shed Loan Program if the borrower is engaged in agricultural operations in this state and will use the borrowed funds for construction of a new structure on a farm in this state to protect the borrower's equipment resulting in borrower receiving substantial economic benefits and improved operational efficiencies.

- (a) Applicants are subject to a \$50 loan application fee for each application submitted.
- (b) All borrowers seeking loans under this rule are subject to credit checks by the authority.
- (c) All structures proposed to be built with funds loaned under this rule must meet certain standard criteria as determined by the authority and all

building plans for any proposed project must be approved by an authority representative prior to award of a loan pursuant to this program.

- (d) \$35,000 is the maximum amount that will be loaned under this rule.
- (e) An inspection of applicant's agricultural operation by an authority representative is required prior to loan approval.
- (f) All amounts borrowed under this rule shall be repaid to the authority, plus interest at the applicable rate, no later than 5 years from the date loan proceeds are issued to the borrower.
- (g) Interest charged on funds borrowed under this rule is 3.5%.
- (h) All borrowed amounts must be full collateralized.
- (i) All loans issued pursuant to this rule require personal guaranty by an individual with sufficient assets to fully satisfy the borrowed amount in the event of default.
- (j) The authority reserves the right to deny any loan application.

Author: Alabama Agricultural Development Authority

Statutory Authority: Code of Ala. 1975, §2-3A-7

History: New Rule: Filed January 20, 2017, effective

108-1-3-.04 Hay Barn Loan Program. Funds may be loaned by the authority to a borrower under the Hay Barn Loan Program if the borrower is engaged in agricultural operations in this state and will use the borrowed funds for construction of a new structure on a farm in Alabama to protect the borrower's hay, resulting in borrower receiving substantial economic benefits and improved hay quality.

- (a) Applicants are subject to a \$50 loan application fee for each application submitted.
- (b) All borrowers seeking loans under this rule are subject to credit checks by the authority.
- (c) All structures proposed to be built with funds

loaned under this rule must meet certain standard criteria as determined by the authority and all building plans for any proposed project must be approved by an authority representative prior to award of a loan pursuant to this program.

- (d) The maximum loan amounts available under this rule are as follows:
 - (i) \$12,500 (40' x 60' barn), or
 - (ii) \$25,000 (50' x 100' barn).
- (e) An inspection of applicant's agricultural operation by an authority representative is required prior to loan approval.
- (f) All amounts borrowed under this rule shall be repaid to the authority, plus interest at the applicable rate, no later than 4 years from the date loan proceeds are issued to the borrower.
- (g) Interest charged on funds borrowed under this rule is 4%.
- (h) All borrowed amounts must be fully collateralized.
- (i) All loans issued pursuant to this rule require personal guaranty by an individual with sufficient assets to fully satisfy the borrowed amount in the event of default.
- (j) The authority reserves the right to deny any loan application.

Author: Alabama Agricultural Development Authority

Statutory Authority: Code of Ala. 1975, §2-3A-7

History: New Rule: Filed January 20, 2017, effective

108-1-3-.05 Irrigation Loan Program. The authority may loan funds to a borrower under the Irrigation Loan Program if the borrower's agricultural operations include production of Alabama fruits, vegetables, or nuts, and the borrowed funds will be used to aid with the cost of irrigating those crops.

- (a) Applicants are subject to a \$50 loan application fee for each application submitted.

- (b) All borrowers seeking loans under this rule are subject to credit checks by the authority.
- (c) Irrigation systems proposed to be installed with the funds borrowed pursuant to this rule must meet certain criteria as determined by the authority and all building or construction plans must be approved by an authority representative prior to award of a loan under this rule.
- (d) The amount of a loan made under this rule is an amount negotiated and mutually agreed to by the authority and a borrower.
- (e) An inspection of applicant's agricultural operation by an authority representative is required prior to loan approval.
- (f) All amounts borrowed under this rule shall be repaid to the authority, plus interest at the applicable rate, no later than 4 years from the date loan proceeds are issued to the borrower.
- (g) Interest charged on funds borrowed under this rule is 3.5%.
- (h) All borrowed amounts must be fully collateralized.
- (i) All loans issued pursuant to this rule require personal guaranty by an individual with sufficient assets to fully satisfy the borrowed amount in the event of default.
- (j) The authority reserves the right to deny any loan application.

Author: Alabama Agricultural Development Authority

Statutory Authority: Code of Ala. 1975, §2-3A-7

History: New Rule: Filed January 20, 2017, effective

108-1-3-.06 **Special Loan Program.** The authority may loan funds to a borrower under the Special Loan Program if the borrower's engages in an agricultural operation in this state.

- (a) The authority has the sole discretion determine if a borrower's proposed project may be financed with funds from the Special Loan Program.
- (b) Applicants are subject to a \$50 loan application fee for each application submitted.
- (c) All borrowers seeking loans under this rule are subject to credit checks by the authority.
- (d) All structures proposed to be built with funds loaned under this rule must meet certain standard criteria as determined by the authority and all building plans for any proposed project must be approved by an authority representative prior to award of a loan pursuant to this program.
- (d) The amount of a loan made under this rule is an amount negotiated and mutually agreed to by the authority and a borrower.
- (e) An inspection of applicant's agricultural operation by an authority representative is required prior to loan approval.
- (f) The terms of a loan made pursuant to this rule (i.e., the interest rate on borrowed funds, the loan repayment period, and the amount of the loan) vary on a project-by-project basis. The authority reserves the right to determine the terms of a loan made under this rule.
- (g) All borrowed amounts must be fully collateralized.
- (i) All loans issued pursuant to this rule require personal guaranty by an individual with sufficient assets to fully satisfy the borrowed amount in the event of default.
- (j) The authority reserves the right to deny any loan application.

Author: Alabama Agricultural Development Authority

Statutory Authority: Code of Ala. 1975, §2-3A-7

History: New Rule: Filed January 20, 2017, effective

**ECONOMIC IMPACT STATEMENT
FOR APA RULE
(Section 41-22-23(f))**

Control No: 108 Department or Agency: Alabama Agricultural
Development Authority

Rule No: 108-1-3

Rule Title: Loan Programs

New Amend Repeal Adopt by Reference

This rule has not economic impact

This rule has an economic benefit, as explained below:

1. NEED/EXPECTED BENEFIT OF RULE:

Response: The rule provides potential borrowers of funds available from the Alabama Agricultural Development Authority ("Authority") with information as to the what loan programs are available from the Authority, the process by which one must apply for a loan, how a determination of whether a loan is awarded to a potential borrower, and the terms and conditions of a loan made by the Authority. It is needed because potential borrowers are not aware of the factors listed above and promulgation of this rule will inform them.

2. COSTS/BENEFITS OF RULE AND WHY RULE IS THE MOST EFFECTIVE, EFFICIENT, AND FEASIBLE MEANS FOR ALLOCATING RESOURCES AND ACHIEVING STATED PURPOSE:

Response: There are no costs associated with promulgating the rule other than those incurred to have it adopted under the Alabama Administrative Procedure Act. The benefits of the rule will be that it is an effective reference for those interested in seeking a loan from the Authority, the available loan programs, the process by which one must apply for a loan, how a determination of whether a loan application is granted, and the terms and conditions of a loan made by the Authority. Additionally, promulgating this rule is the most efficient means of achieving its purpose because potential borrowers have access to the rule by way of the Alabama Administrative

Code. Additionally, the rule will be available on-line. Promulgating the rule is the most feasible way to provide information to potential borrowers because of on-line availability and the specific terms, conditions, requirements, and processes of an Authority loan.

3. EFFECT OF THIS RULE ON COMPETITION:

Response: Adoption of the rule promotes competition in the market of borrowers for funds needed for agricultural operations. The rule provides information to potential borrowers so he or she can determine whether he or she wants to go through the process of obtaining a loan through more traditional means, such as bank, or to pursue a loan through the Authority as intended by the state legislature. Accordingly, lenders will be forced to compete more for potential borrowers' business resulting in more options for a potential borrower with greater value to the potential borrower.

4. EFFECT OF THIS RULE ON COST-OF-LIVING AND DOING BUSINESS IN THE GEOGRAPHICAL AREA WHERE THE RULE IS TO BE IMPOSED:

Response: Adopting the rule will have no impact on the cost-of-living and doing business in the geographical area where the rule will be imposed. The rule will be an effective reference for those interested in seeking a loan from the Authority, the available loan programs, the process by which one must apply for a loan, how a determination of whether a loan application is granted, and the terms and conditions of a loan made by the Authority. The rule is for informational purposes only.

5. EFFECT OF THIS RULE ON EMPLOYMENT IN THE GEOGRAPHICAL AREA WHERE THE RULE IS TO BE IMPLEMENTED:

Response: Borrowers starting new businesses in the agriculture sector, growing an existing business, or expanding a business into a different business lines of existing agricultural operations through the benefit of less expensive capital, are in a position to create new jobs with the new business, growth, or expansion. Thus, employment should increase in the geographical area where the rule is implemented.

6. SOURCE OF REVENUE TO BE USED FOR IMPLEMENTING AND ENFORCING THIS RULE:

Response: The only revenue needed for implementing this rule is to pay for the costs incurred to have the rule adopted under the Administrative Procedure Act. That cost is being paid out of capital the Authority already has. If new rules are needed, or an existing rule(s) needs to be amend or repealed, the Authority will pay the related costs out of capital it has on hand. There will be no "enforcement" of this rule because it is only for informational purposes for potential borrowers.

7. THE SHORT-TERM/LONG-TERM ECONOMIC IMPACT OF THIS RULE ON AFFECTED PERSONS, INCLUDING ANALYSIS OF PERSONS WHO WILL BEAR THE COST AND THOSE WHO WILL BENEFIT FROM THE RULE:

Response: The "affected persons" consist of those who will be borrowing funds from the Authority and those lenders who may issue loans in the same business sector as the Authority. For the borrowers, the short-term and long-term economic impact, assuming the borrowers business venture is successful, is positive. Use of funds from the Authority will enable borrowers to create new business, grow existing business, or expand into different business lines resulting in greater revenue for the borrower and job creation for the geographical area of the borrower. Lenders competing with Authority loans may suffer a negative economic impact because of greater competition in the market. However, the market for Authority loans is so narrow and for such nominal amounts, traditional lenders likely will not want the business. Please note the Authority has been authorized to make loans since its creation in 1980. The funds it lends were generated from the Authority securing "subscription bond issues," one in 1980 for \$35 million and 2 other issues for lesser amounts. Those are the funds the Authority has issued loans from and continues to issue loans from. Therefore, no person or group of persons will "bear the cost" of the rule and those who benefit are those who can create, grow, or expand businesses with capital made available through Authority loans.

8. UNCERTANTIES ASSOCIATED WITH THE ESTIMATED BENEFITS AND BURDENS OF THE RULE, INCLUDING QUALITATIVE/QUANTITATIVE BENEFITS AND BURDEN COMPARISONS:

Response: There does not appear to be any uncertainties associated with the benefits of the rule. The purpose of the rule is to make known to potential borrowers the process, terms, and conditions of obtaining and servicing a loan from the Authority. There does not appear to be any burdens associated with the rule because of the purpose the rule serves and what it does (i.e., to inform potential borrowers about Authority Loan Programs).

9. THE EFFECT OF THIS RULE ON THE ENVIRONMENT AND PUBLIC HEALTH:

Response: This rule will not have any effect on the environment or the public health. This rule is for informational purposes only in that it establishes written operational rules for loan consideration, which the Authority has used internally since its creation by the state legislature.

10. DETERMENTAL EFFECT ON THE ENVIRONMENT AND PUBLIC HEALTH IF THE RULE IS NOT IMPLEMENTED:

Response: There will not be a detrimental effect on the environment and public health if the rule is not implemented. See response to Question 9 above.