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SENATE COMMITTEE REPORT

FURTHER

1/27/88

DATE TURNED INTO OFFICE _____

Mr. President:

FINANCE Committee considered SB 340

moratoriums on agricultural loan payments.

and recommended

[] replace with _____ CS _____) [] same title
[] or adopt _____ CS _____) [] new title

[] attached amendment(s) and

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [] attached or [] adopted fiscal note(s)

[] new [] updated or [] previous

[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

[] Committee Backup attached

3/14/88

Hold-

Pending review of
fiscal notes for
agriculture bills and
arrival of final bill
comprising agriculture
package.

kh

3/24/88

Action reporting out SB340(RIS)
rescinded this date.

SENATE COMMITTEE REPORT

FURTHER

1/27/88

DATE TURNED INTO OFFICE 3/16/88

Mr. President:

Finance Committee considered SB 340

moratoriums on agricultural loan payments

and recommended

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[] letter of intent adopted _____

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[] new [] updated or [] previous

[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

John Bailey
Frank Duncan
Earl Griffith
Rich Kelly
Willie Kunkle

Rich Halford do pass
Chairman signature and recommendation

[] Committee Backup attached

FISCAL NOTE

REQUEST:

Revision Date: 3/22/88
Title: Moratoriums on Ag Loan Payments
Sponsor: Sen. Kerttula, Szvanski
Requestor: Senate Finance Committee

Agency Affected: Natural Resources
BRU: Land & Water Management
Agricultural Management
Components: Public Use
Agriculture

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The moratorium extension will not result in additional operating expenses for DNR, But could result in a delay of payments to the State for agricultural land. This would delay revenue collection but not reduce it.

Prepared by: Hal Ward Janet Burlison Phone: 465-2400
Division: Agriculture Land & Water Date: 3/22/88

Approved by Commissioner: by Tom Hawkins Date: 3/23/88
Agency: Natural Resources

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

New, updated

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: Finance

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

1/13/88 DATE TURNED INTO OFFICE _____
Mr. President: _____
Resources _____ Committee considered SB 340

moratoriums on agricultural loan payments

and recommended:

- replace with CS SB 340 (res) same title
- attached amendment(s) and new title
- do pass *+ maj do pass*
- do not pass
- no recommendation
- individual recommendations
- further referral to _____
- letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Jim Duncan
Paul Fisher

W. Ganning No Rec

[Signature]
Chairman signature and recommendation
 Committee Backup Attached

Offered: 1/27/88
Referred: Finance

5-1577B

Original sponsors: Kerttula and
Szymanski

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 340 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to moratoriums on agricultural land
7 payments."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 38.05.065(h) is amended to read:

10 (h) The commissioner may declare a moratorium of up to six
11 [FIVE] years on payments on a sale of agricultural land under this
12 section if (1) the commissioner determines that the moratorium is in
13 the best interest of the state; (2) the commissioner certifies and the
14 contract purchaser agrees to perform farm development, crop produc-
15 tion, and harvesting, not including land clearing or related activity,
16 requiring the expenditure of amounts equivalent to the payments that
17 would otherwise be made during the moratorium; (3) the sale of the
18 agricultural land takes place after July 1, 1979; and (4) the contract
19 purchaser is in compliance with the development plan specified in the
20 purchase contract at the time the purchaser applies for a moratorium
21 under this subsection and remains in compliance with the development
22 plan during the moratorium. Interest payments are subject to the
23 moratorium but interest continues to accrue during the moratorium.

1 IN THE SENATE

BY KERTTULA, SZYMANSKI

2 SENATE BILL NO. 340

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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21 under this subsection and remains in compliance with the development
22 plan during the moratorium. Interest payments are subject to the
23 moratorium but interest continues to accrue during the moratorium.
24
25
26
27
28
29
S

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: SB 310
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: 1/21/88
Title: Moratoriums on Ag Loan Payments
Sponsor: Sen. Kerttula, Szymanski
Requestor: Senate Resources Committee

Agency Affected: Natural Resources
BRU: Land & Water Management
Agricultural Management
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	*	*	*	*	*	*

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* The moratorium extension will not result in additional operating expenses for DNR, but could result in a delay of payments to the state for agricultural land.

Prepared by: Carol Wilson Phone: 465-2 400
Division: Commissioner's Office Date: 1/21/88

Approved by Commissioner: *Janet M. Brady* Date: 1/21/88
Agency: Department of Natural Resources

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400

January 21, 1988

The Honorable Jack Coghill
Chairman, Senate Resources Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Senator Coghill:

Subject

SB 340, which is entitled, "An Act relating to moratoriums on agricultural loan payments," but which actually extends the land payment moratorium period on agricultural land to six years from the current five.

Position

The Department of Natural Resources opposes this bill as it is currently titled because we oppose moratoriums on agricultural loan payments. We do not, however, object to a one year extension of the existing agricultural land payment moratorium period.

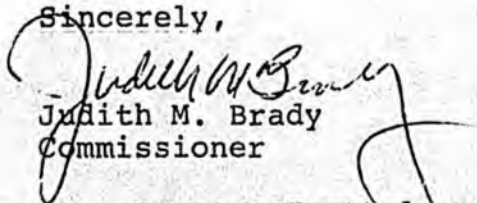
Recommendation

Because the state enters into contractual agreements with land purchasers and does not provide agricultural land loans, we recommend that the title of this bill be changed to more accurately reflect the bill's contents and avoid any confusion about its relation to Agricultural Revolving Loan Fund programs.

We suggest the following new title for SB 340: "An Act extending the moratorium period on agricultural land payments."

Please let me know if you would like additional information.

Sincerely,


Judith M. Brady
Commissioner

cc: Senator Kerttula
Senator Szymanski
Rod Swope
Bob Evans

ALASKA STATE LEGISLATURE

... 15th Legislature 2nd ... Session

SENATE ... BILL ... NO. 340...

By ... KERTTULA, SZYMANSKI

"An Act relating to moratoriums on agricultural loan payments."

Introduced in the Senate ... 1/13 ... 19 88...

HISTORY IN THE SENATE

19 88

Read first time and referred to Committee on

1 13

Resources, Finance

Reported back with recommendation that

1 27

Res replace w CS new title, 3 do pass, 1 vote given to Fin

Read second time and

Read third time and

PASSED Effective Date
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reconsideration
Reconsideration not taken up

PASSED Effective Date
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reported correctly engrossed
Signed by President
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASSED Effective Date
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reconsideration
Reconsideration not taken up

PASSED Effective Date
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reported correctly engrossed
Signed by Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Chapter No.

Filed with Lt. Governor



Alaska State Legislature

SENATE

Committee on Finance

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

March 23, 1988

MEMORANDUM

TO: Senate Finance Committee Members

FROM: Senator Rick Halford, Co-Chairman
Senate Finance Committee *Rick*

SUBJECT: Background Information on Agriculture Bills

Attached is historical and background information on issues related to the Agricultural Revolving Loan Fund which Senator Coghill has provided the committee.

Attachment A: A 1981 Policies and Procedure Manual developed on contract by Price Waterhouse & Company for the Division of Agriculture under a \$15,000 contract;

Attachment B: A 1982 DNR analysis of the ARLF;

Attachment C: A 1987 request from the Division of Agriculture to the Attorney General regarding debt restructuring guidelines;

Attachment D: A list of the properties which have been relinquished and then leased back from the state;

Attachment E: An update on loan restructuring as of February 10, 1988.

3/24/88

Attachment A

AGRICULTURAL REVOLVING LOAN FUND

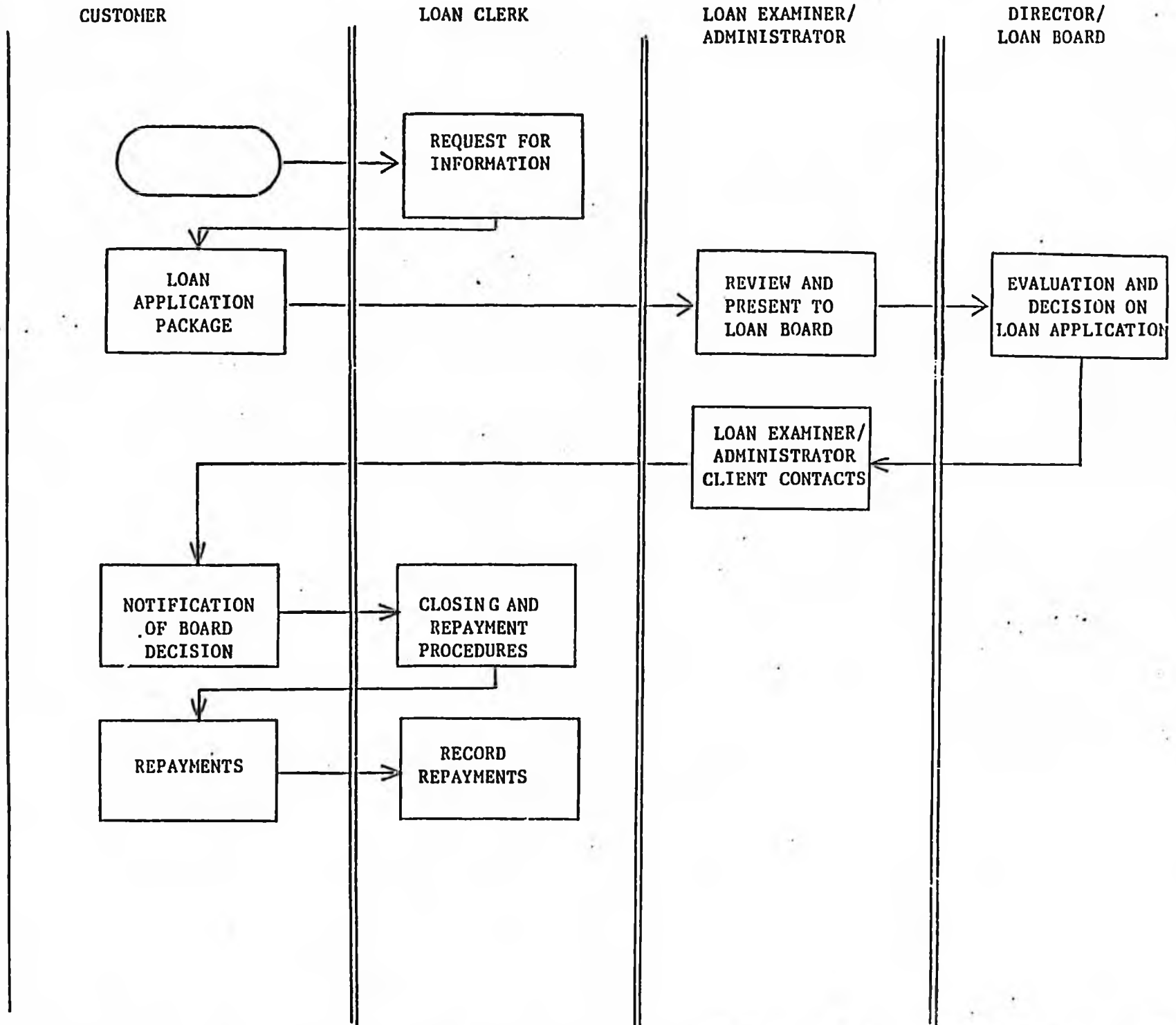
PROCEDURES MANUAL

AUGUST 1981

AGRICULTURAL REVOLVING
LOAN FUND

PROCEDURES MANUAL

		<u>Page</u>
SECTION I	REQUEST FOR INFORMATION OR APPLICATION	I - 1 - I - 6
SECTION II	LOAN APPLICATIONS RECEIVED	II - 1 - II - 7
SECTION III	ADDITIONAL DOCUMENTS OR INFORMATION RECEIVED	III - 1 - III - 5
SECTION IV	LOAN EXAMINER REVIEW	IV - 1 - IV - 26
SECTION V	LOAN EXAMINER DOCUMENTATION OF REVIEW AND ANALYSIS OF APPLICATION	V - 1 - V - 7
SECTION VI	PREPARATION FOR LOAN BOARD MEETING	VI - 1 - VI - 12
SECTION VII	LOAN BOARD MEETING AND REVIEW	VII - 1 - VII - 12
SECTION VIII	PRE-LOAN CLOSING	VIII - 1 - VIII - 9
SECTION IX	LOAN CLOSING	IX - 1 - IX - 12
SECTION X	LOAN REPAYMENT	X - 1 - X - 43



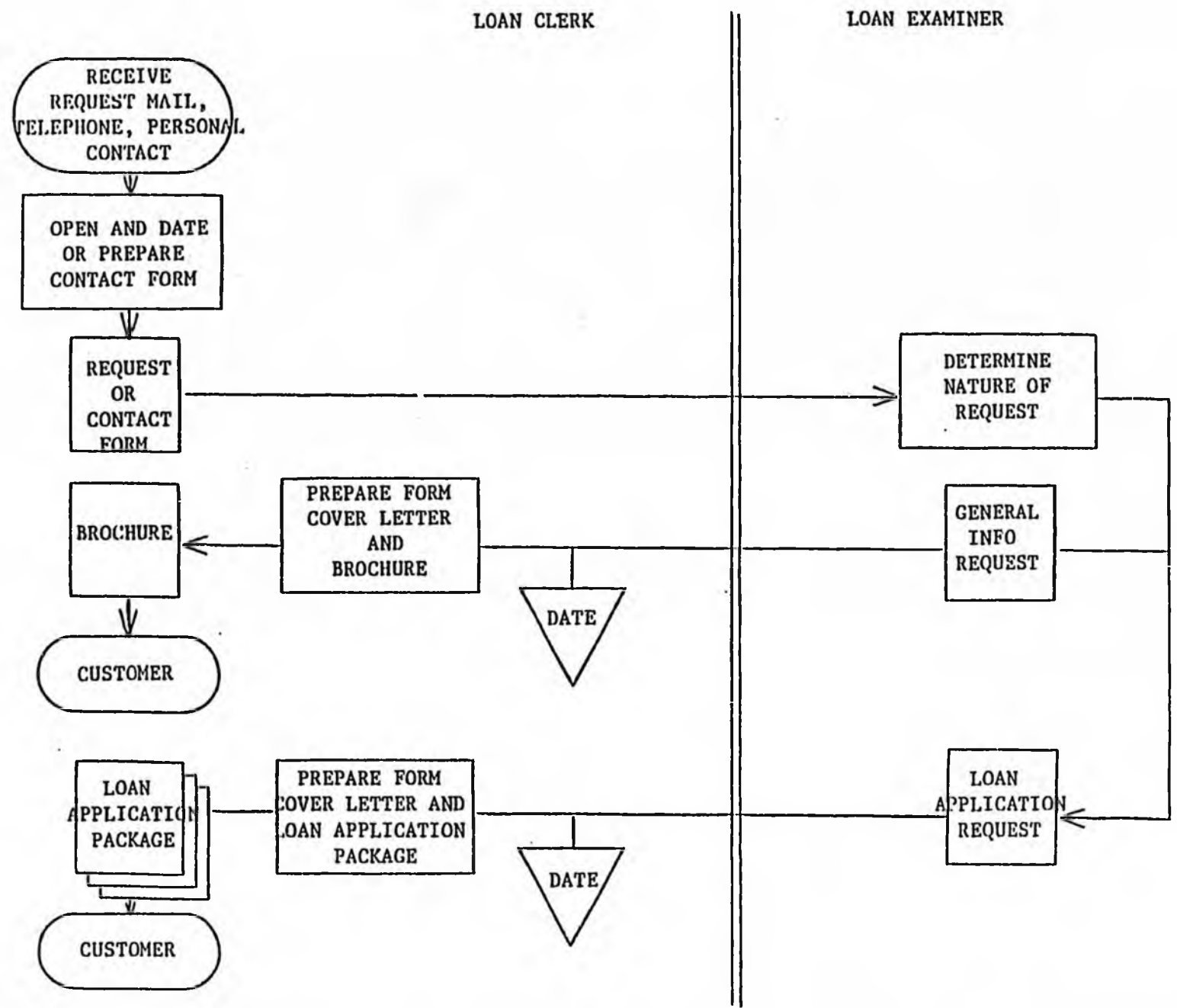
SECTION I REQUEST FOR INFORMATION OR APPLICATIONOVERVIEW

The purpose of this Section is to specify the procedures to be applied to contacts with the public regarding general requests for information about the Agricultural Revolving Loan Fund as well as specific requests for Loan Application packages.

The purpose of the procedures is to ensure a uniform response to all public contact of these types, to provide the information and documents requested, and to gather information for Loan Fund use.

Outputs of this Section include an initial client contact form and possible initial screening of prospective applicants.

REQUEST FOR INFORMATION OR LOAN APPLICATION



PROCEDURE

Interested individual or prospective borrower solicits information from ARLF regarding loans.

Request for information may be through one of three means:

mail
telephone
personal contact

Mail -

- clerk opens mail requests for information, date stamps, and routes to appropriate loan examiner: Wasilla area or Delta area
- loan examiner reviews request to determine nature:

Request For General Information

- loan examiner instructs clerk to forward general ARLF brochure
- clerk forwards general ARLF brochure to individual
- clerk files request in general information file, and notes date brochure sent on form and files by date file by date

Request For Loan Application

- loan examiner instructs clerk to forward general ARLF brochure and loan application package
- clerk prepares form letter for loan examiner to accompany package
- clerk indicates date documents forwarded on form copy and files by date

Telephone -

- clerk determines nature of caller request:

Request For General Information

- clerk obtains information from caller: use contact form
 - Name
 - Mailing Address
 - Nature and Interest
- clerk routes contact form to loan examiner
- loan examiner initials and instructs clerk to forward general ARLF brochure
- clerk forwards general ARLF brochure to caller
- clerk files request in general information file and notes date brochure sent on form and files by date

Request For Loan Application

- clerk forwards caller to loan examiner or loan administrator, or takes name and phone number of caller on message form if both unavailable
- loan examiner briefly interviews caller to determine:
 - Name
 - Mailing Address
 - Nature of Interest - Type of Loan
 - Basic Background Information
- loan examiner instructs clerk to forward general ARLF brochure and loan application package
- clerk prepares form letter for loan examiner to accompany package
- clerk indicates date documents forwarded on form copy and files by date

Personal Contact -

- clerk determines nature of interest

Request For General Information

- clerk prepares basic information form -
 - Name
 - Mailing Address
 - Nature of Interest
- clerk provides caller with general ARLF brochure
- clerk routes form to loan examiner for review and return
- clerk files form by date

Request For Loan Application

- clerk prepares basic information form
- if available, loan examiner briefly interviews individual and notes on form -
 - Basic Background Information
- loan examiner provides caller with brochure and loan application package
- loan examiner notes date package provided, initials, forwards to clerk
- clerk files form by date

SECTION I

RECORDS RETENTION SCHEDULE

<u>Document</u>	<u>Period Held</u>	<u>Disposition</u>
Initial Contact Form		
Initial Contact Form Letter		

SECTION II LOAN APPLICATIONS RECEIVEDOVERVIEW

The purpose of this Section is to specify the procedures to be used subsequent to receipt of a Loan Application Package from an applicant by the Agricultural Revolving Loan Fund.

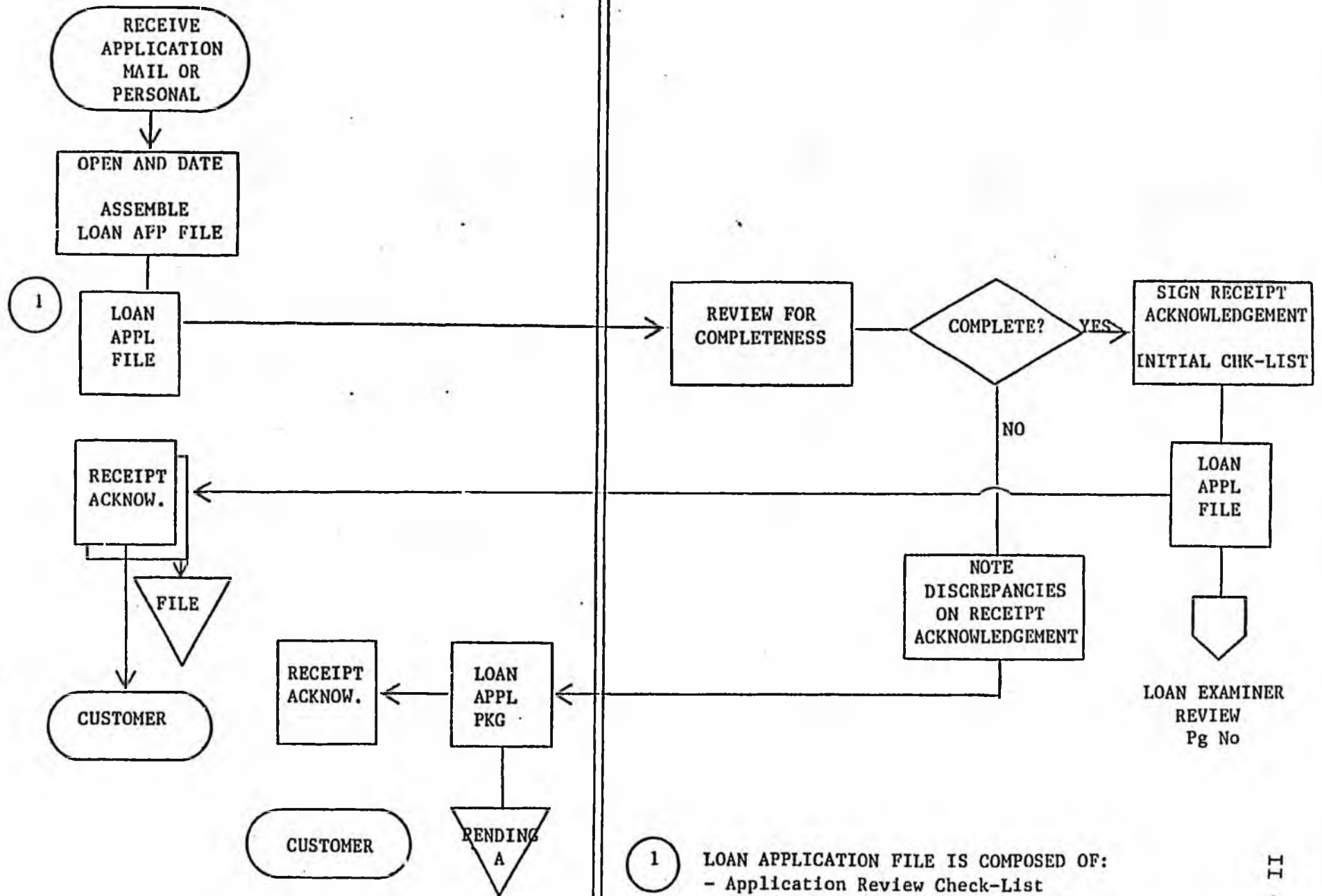
The purpose of the procedures is to specify the steps in receipt of documents, initial review of the application Package for completeness, and notifications to the applicant.

Outputs of this Section include an application review check-list, Application Package, and Notification to Applicant Forms.

LOAN APPLICATION RECEIPT

CLERK

LOAN EXAMINER



- ① LOAN APPLICATION FILE IS COMPOSED OF:
- Application Review Check-List
 - Initial Inquiry
 - Loan Application
 - Receipt Acknowledgement Form Letter

PROCEDURE

Prospective borrower returns loan application package to ARLF for processing.

Application may be returned to ARLF in two ways:

Mail -

- clerk opens mail and date stamps application package on top of cover page if attached
- clerk prepares loan application file
- clerk pulls initial applicant inquiry form from file if applicable
- clerk prepares form letter for loan examiner to acknowledge receipt of application to individual
- clerk initiates application review check-list and attaches to top of package
- clerk assigns loan application tracking number
- clerk prepares document OUT cards for items removed from files
- clerk retrieves files of any current or previous loan applications (approved or disapproved) and current or previous loan documents
- clerk forwards all documents to loan examiner
- loan examiner performs initial review of loan package to verify completeness - brief review is to ensure the presence (but not necessarily the content) of all documents
- loan examiner initials check-list to show initial review for completeness performed

If all documents required are included:

loan officer signs form letter provided to
acknowledge receipt and returns to clerk

clerk copies form letter and notes date
mailed to applicant

clerk mails original letter to applicant

If all documents requires are NOT included:

loan examiner notes discrepancy or missing
items or incomplete items and returns to
clerk with form letter

loan examiner indicates what is required of
applicant to complete the loan package
properly

clerk copies form letter and notes date
mailed to applicant

clerk mails original form letter to applicant

clerk files incomplete loan package with copy
of form letter in PENDING file alpha by
applicant name

In Person -

- clerk meets applicant and accepts loan package
- clerk stamps application package on top of cover page, if attached, with date
- clerk prepares loan application file
- clerk pulls initial applicant inquiry form from file if applicable
- clerk prepares form letter for loan examiner to acknowledge receipt of application to individual
- clerk initiates application review check-list and attaches to top of package
- clerk assigns loan application tracking number

- clerk prepares document OUT cards for items removed from files
- clerk retrieves from files any current or previous loan applications (approved or disapproved) and current or previous loan documents
- clerk forwards all documents to loan examiner
- if applicant desires to speak with loan examiner, clerk determines if loan examiner or loan administrator is available
- if loan examiner or loan administrator is available, either one conducts preliminary loan applicant interview
- if loan examiner/administrator not available, clerk establishes appointment date/time for preliminary interview
- loan examiner performs initial review of loan package to verify completeness - brief review is to insure the presence (but not necessarily the content) of all documents
- loan examiner initials check-list to show initial review for completeness performed

If all documents required are included:

loan officer signs form letter provided to acknowledge receipt and returns to clerk

clerk copies form letter and notes date mailed to applicant

clerk mails original letter to applicant

If all documents required are NOT included:

loan examiner notes discrepancy or missing items or incomplete items and returns to clerk with form letter

loan examiner indicates what is required of applicant to complete the loan package properly

clerk copies form letter and notes date
mailed to applicant

clerk mails original form letter to
applicant

clerk files incomplete loan package with copy
of form letter in PENDING file alpha by
applicant name

(NOTE:)

All completed applications received and processed by the Delta Loan Examiner are copied. The original loan application is forwarded to the loan administrator in Wasilla. The copy is maintained in the files in Delta for subsequent processing by the loan examiner.

Subsequent completed documents received in Delta are copied. The original document is forwarded to Wasilla and filed with the original Loan Application. The copy is filed with the copy of the Loan Application in Delta.

Complete loan files for Delta are maintained in both office locations.

Original documents received in Wasilla or generated at Wasilla for Delta loans are copied, and copies are forwarded to Delta files.

SECTION II

RECORDS RETENTION SCHEDULE

<u>Document</u>	<u>Period Held</u>	<u>Disposition</u>
Loan Application		
- complete		
- incomplete		

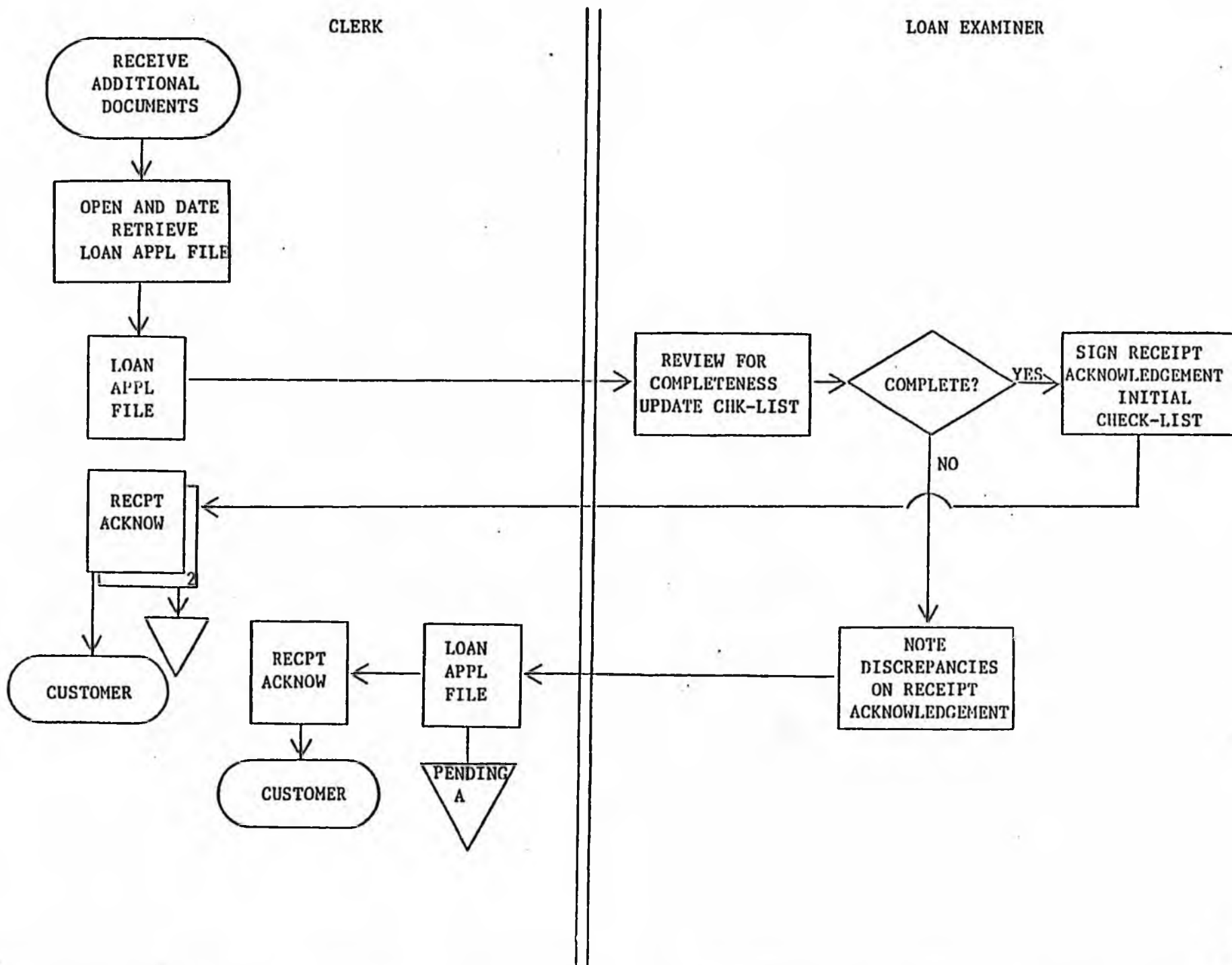
SECTION III ADDITIONAL DOCUMENTS OR INFORMATION RECEIVEDOVERVIEW

The purpose of this Section is to specify the procedures to be applied when additional documents or information has been required of the applicant to complete the Loan Application Package.

The purpose of the procedures is to specify the steps in receipt of additional documents from the applicant, to ensure that a complete application is received, and to notify applicant of receipt.

Outputs of this Section include a complete Application Package, an updated Application Check-list, and notification to Applicant forms.

ADDITIONAL DOCUMENT RECEIPT



PROCEDURE

If the initial review determines that the loan application package is incomplete and applicant is notified by form letter, the applicant may respond by:

Request For Additional Information

- Telephone or personal contact to ARLF for additional explanation of form letter and incomplete status.
 - applicant file is pulled from PENDING file by clerk and OUT card inserted
 - if loan examiner/administrator who initiated form letter is available, clerk routes call or applicant to him and provides loan package
 - loan examiner provides information and notes contact on loan officer check-list with date

Provides Required Document(s)

- Applicant mails or personally delivers additional information/documents requested.
 - applicant file is pulled from PENDING file by clerk and OUT card inserted
 - clerk date stamps documents provided as received and routes to loan examiner
 - clerk initiates form letter to applicant to document receipt of items
 - loan examiner reviews documents provided to insure that they are those requested and are complete

- loan examiner notes/updates check-list to indicate items received and verify if application now complete
- loan examiner initials form letter and routes to clerk for processing indicating status of application
- clerk copies form letter and notes date mailed to applicant
- clerk mails original form letter to applicant
- if applicable, clerk files incomplete loan package with copy of form letter in PENDING file alpha by applicant name

SECTION IIIRECORDS RETENTION SCHEDULE

<u>Document</u>	<u>Period Held</u>	<u>Disposition</u>
Loan Application - incomplete		

SECTION IV LOAN EXAMINER REVIEW

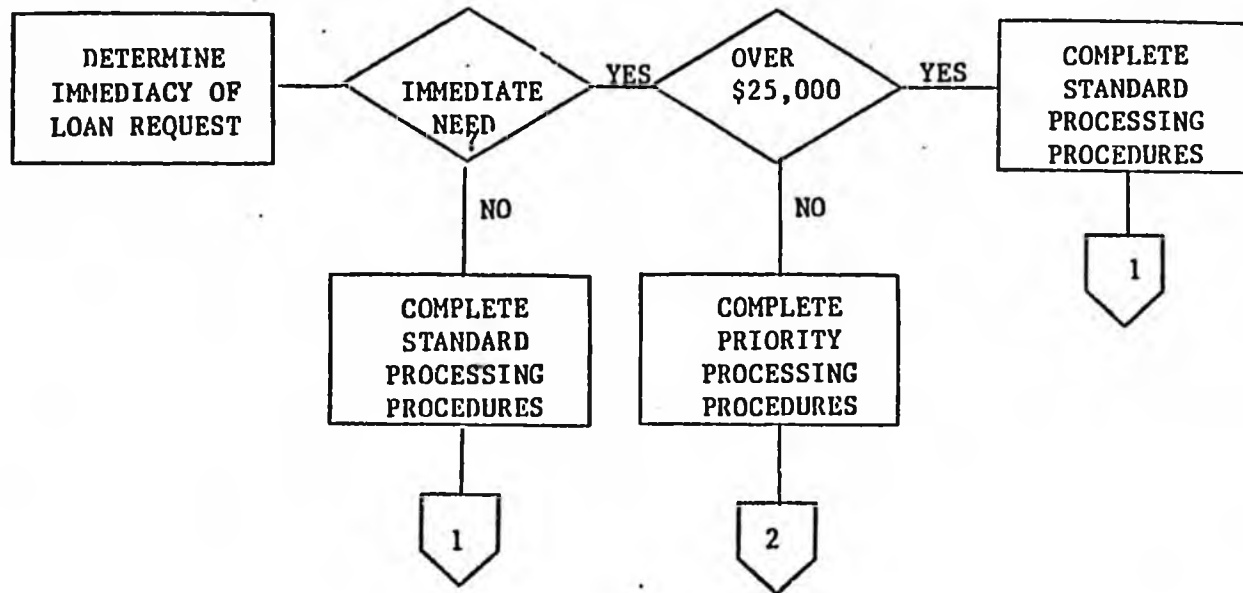
OVERVIEW

The purpose of this Section is to specify the procedures to be applied to the review and analysis of the Loan Application Package by the Loan Examiners or Loan Administrator and to ensure that review is conducted in a uniform and consistent manner among all applications.

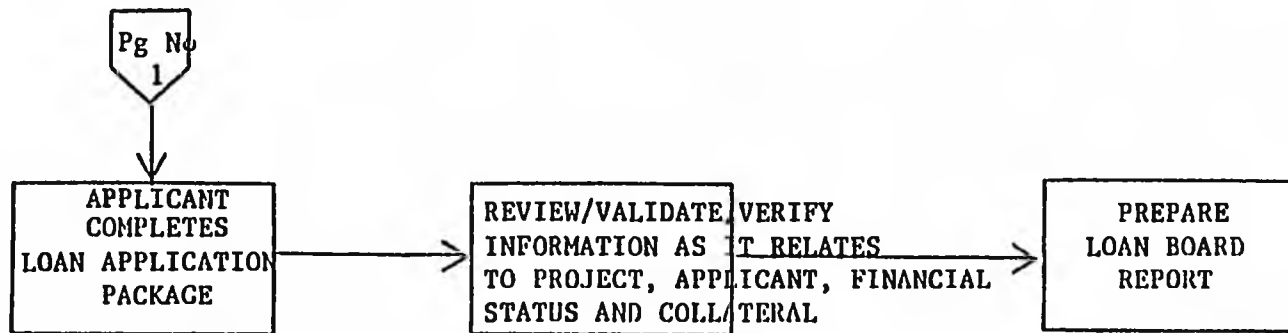
The purpose of the procedures is to ensure that an application for loan is analyzed in a manner to produce a loan portfolio consistent with the goals and objectives of the Agricultural Revolving Loan Fund as well as consistent with good lending principles.

Outputs of this Section include a review of the Loan Application in all areas, completed forms for Financial Verification and Credit Checks, completed forms for Valuation of Collateral, and an updated application check-list.

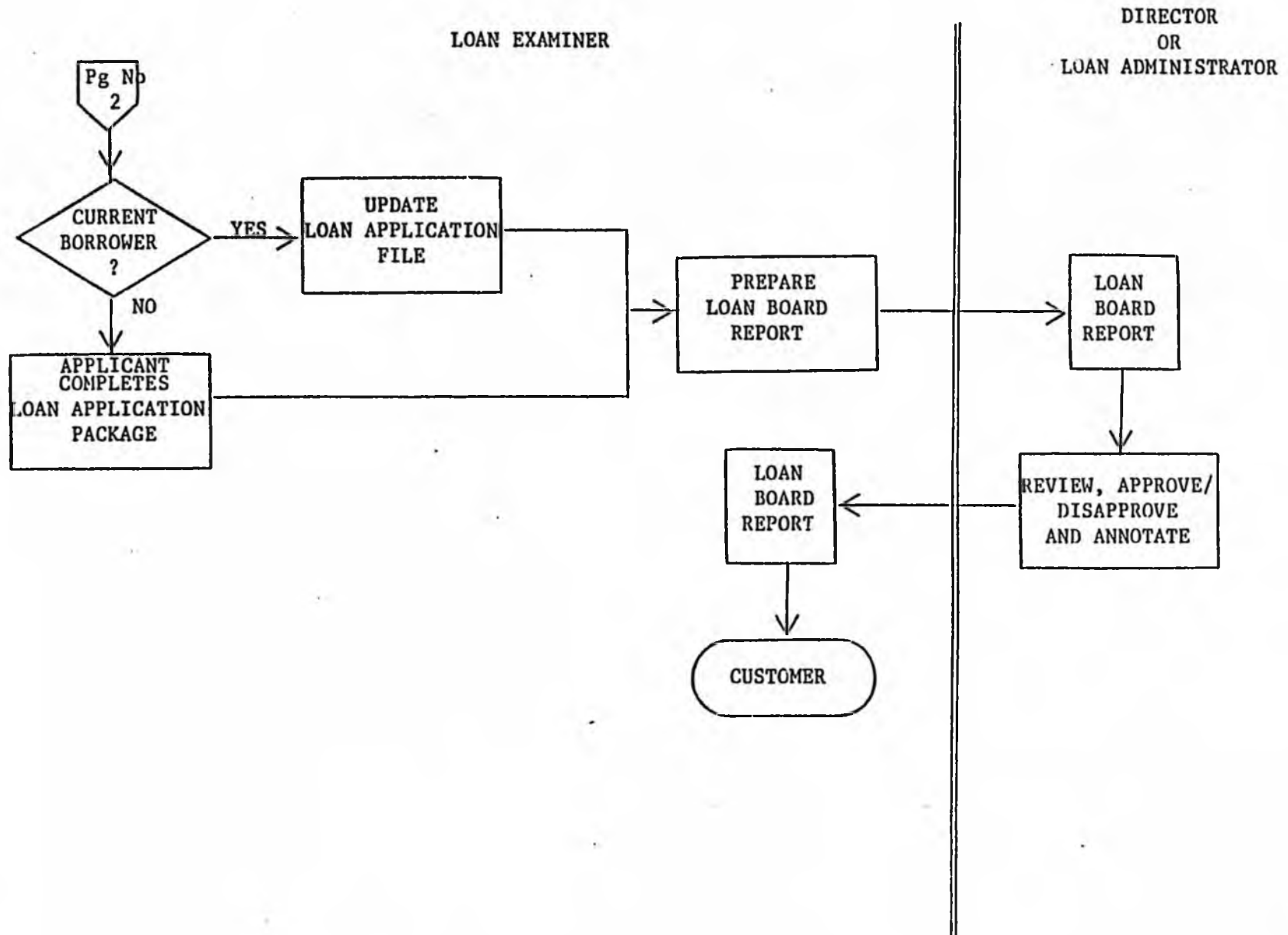
LOAN EXAMINER REVIEW



LOAN EXAMINER REVIEW
(CONTINUED)
STANDARD LOAN APPLICATION
PROCESSING PROCEDURES



LOAN EXAMINER REVIEW
(CONTINUED)
PRIORITY LOAN APPLICATION
PROCESSING PROCEDURES



PROCEDURE

- Loan examiner initially screens applications by reviewing section summarizing request for funds and timing of receipts requested, or in initial screening interview process.
- Loan examiner separates applicants:

Immediate need for funds?

Yes

No

Request for Over
\$25,000?

Complete Standard Processing
Procedures

Yes

No

Standard
Processing Procedures

Priority Processing Procedures

Process B Borrower?

Yes

No

Complete Reduced
Loan Application
Package

Complete Standard Loan
Application Package
In Full

(NOTE:)

At this stage of review, the loan examiner has determined if funds are needed immediately or if the funds are needed with routine/standard timing and has determined type of processing procedure to use.

PRIORITY PROCESSING PROCEDURES

- if initial review has indicated an immediate need for funds, loan examiner scans request to determine if amount requested is \$25,000 or less
- loan examiner determines if applicant is a Process A borrower or a Process B borrower

(NOTE:)

Process A borrowers are:

- 1) applicants who have never had a loan with ARLF
- 2) applicants who have paid off a loan from ARLF more than 1 year before
- 3) borrowers who currently have a loan outstanding from ARLF and whose application package is greater than one year old

Process B borrowers are:

- 1) individuals or groups with a loan currently outstanding with ARLF and also have a loan application package on file less than one year old

- loan examiner insures that Process A borrowers have completed the loan application package in full
- loan examiner processes Process A borrowers using standard procedures except:
 - loan approval authorization is made by the director or delegated to the loan administrator and NOT held for review by full Loan Board
- loan examiner ensures that Process B borrowers have updated their current loan application on file as appropriate
- loan examiner processes Process B borrowers using the priority processing procedures

Loan examiner ensures that loan package requirements of Process B borrowers requesting immediate funds, \$25,000 or less, are completed as follows:

<u>APPLICATION SECTION</u>	<u>TITLE</u>	<u>REQUIREMENT</u>
Section 2	Loan Documents Checklist	Complete in Full
Section 3	Loan Application and Funds Request	Complete in Full
Section 4	Letter of Intent and Loan Use	Complete in Full
Section 5	Long-Term Borrowing Plan	Up-Date Only
Section 6	Cash Flow Projections	Up-Date Only
Section 7	Loan Repayment Plan	Complete in Full
Section 8	List of Collateral	Complete in Full
Section 9	Product Market Statement	N/A
Section 10	Personal Resume and Production Records	History Up-Date Only References, Trade - Up-Date Only - Personal - N/A
Section 11	Current Financial Statements	Up-Date Only
Section 12	Income Tax Returns	Up-Date Only
Section 13	Authorization Forms to Verify Financial Information	Complete in Full
Section 14	Authorization Forms to Verify Credit Background	Complete in Full

- loan examiner reviews the status of current loan(s) for repayment history:
 - Loan payments current
 - Payments made on time
 - Number made late
 - Number made on time
 - Any collection action required by ARLF on previous loans
- loan examiner reviews the Loan Application and Funds Request in the same manner as the Standard Loan Application Processing Procedures
- loan examiner reviews changes made in Loan Application package to assess the impact on ability to service new debt
- loan examiner/directs loan clerk to update credit history and credit bureau verifications including creditors previously identified and previously contacted
- loan examiner ensures up-date verification of financial information in areas of change since most recent loan review/approval

(NOTE:)

these steps may be completed by telephone if:

- potential borrower agrees
 - creditors and financial
 - institutions agree to release
 - information
 - loan examiner completes appropriate
 - forms
-
- loan examiner reviews collateral to secure current short-term loan (Standard Processing Procedures - Collateral) (Section IV - (4))

- loan examiner documents all review and analysis according to procedures in Section 5: Loan Examiner Documentation of Review and Analysis of Application
- loan examiner prepares a Loan Board Report Form for each application package handled by the priority processing procedures
- loan examiner forwards complete loan application package and completed loan board report to loan administrator for review and approval
- loan administrator reviews documentation with loan examiner in the same areas as covered by the loan board review and analysis and recommends to director

If loan is NOT approved by the director:

loan clerk files application package in the DISAPPROVED file

loan administrator returns Application Package to loan examiner for additional contact with the applicant(s) to improve the application package

(NOTE:)

if appropriate, loan administrator may prepare for presentation to the full loan board for review, analysis, and decision

- loan administrator ensures that in all cases, applicant(s) is notified in writing of decision within (5 working days) days using the same form letter and in the same manner as specified in Section 6: Loan Board Meeting and Review, Documentation

If loan is approved by the director:

loan administrator signs the loan board
report form to indicate approval of the loan

- loan administrator ensures that additional
processing is handled as with the standard
processing procedures, starting with Section 7:
Pre-Loan Closing

STANDARD LOAN APPLICATION PROCESSING PROCEDURESLOAN APPLICATION AND FUNDS REQUEST

- Loan examiner/administrator first reviews Loan Application and Funds Request so basic information is within required policy prior to continuing the review process.

Personal Data -

- Loan examiner verifies that form is fully completed: applicant answers all questions as applicable.

- Loan examiner verifies applicant is an Alaskan resident and initials application block.

Loan Request -

- Loan examiner reviews type of loan requested to insure:
 - amount requested is not over category limit in dollars
 - time to repay does not exceed allowable limits
 - purpose of loan coincides with type of loan requested

If any of above requirements/conditions are not met:

loan examiner rejects loan applications and returns to applicant with form letter specifying reasons

loan clerk updates file with copy of form letter, notes date sent, files in PENDING files

REVIEW PROCESS

- Loan examiner reviews four (4) areas of the application as follows:

- 1) the project

The intent of this review section is to determine the feasibility of the project or purpose for which funds are being requested in terms of production of revenues; ability of project to repay loan; how the current loan request fits into the applicant's long-term borrowing plan.

- 2) the applicant(s)

The intent of this review section is to investigate and analyze the individual applicant(s) in the following areas:

agricultural experience and skills

knowledge of agriculture as a commercial venture

other business experience and abilities

potential for success in the venture for which funds are requested based on the individual(s)

verification of information on application

- 3) financial status of the applicant(s)

The intent of this section review is to ascertain the financial and credit stability of the applicant(s), and their capacity to sustain an on-going commercial venture both from the perspective of financial and personal commitments. The review and analysis in this section focuses on two major areas:

verification/validation of information provided by the application package

analysis of the information provided and decision on credit stability.

4) collateral

The intent of this section is to review the collateral offered by the applicant(s) for purposes of securing the loan, including:

proof of ownership

status/condition of title

appraisal/valuation

maximum loan available against collateral

Documentation of proof of ownership and status/condition of the title usually is accomplished at the same time.

(1) THE PROJECT

Letter of Intent and Loan Use (source - application package)

- Loan examiner reviews to verify that applicant has requested the proper type of loan based on stated use.

- Loan examiner reviews intended use of loan proceeds to determine if applicant has a well planned use/project proposed; has the timing of the need for funds been adequately planned in advance; is there sufficient slack in the plan to allow for unexpected delays in any part of the project/operation?

Long-Term Borrowing Plan (source - application package)

- Loan examiner reviews the long-term borrowing plan to evaluate:
 - does applicant have a reasonably well conceived plan with funding requirements included?
 - how well does the current loan request fit into the long range planning?
 - a part of the plan
 - outside the plan
 - does the long range planning logically progress toward some goal?
 - will applicant be able to borrow future funds required from ARLF in terms of the type of loans required and amounts?

Cash Flow Projections (source - application package)

- Loan examiner reviews schedule projecting cash flow for one year and Income and Expenses for the term of the loan to evaluate:
 - are the amounts valid or reasonable?
 - can the debt from this loan be serviced by the farm or project/operation
- Loan examiner compares the projected cash flow and income statements to the income statement for the current period provided in Section II of the Application Loan Package.

- Loan examiner compares revenues of previous periods to projected period.
 - do they appear to be reasonable in light of changes in operations expected from this loan or other conditions
 - what conditions can be expected reasonably to increase revenues?
 - what conditions can be reasonably expected to decrease revenues? if applicable

- loan examiner compares expenses of previous period to projected period
 - are projected expenses reasonable by comparison to actual expenses from previous period?
 - are expenses by category/in total reduced in the projection?
 - how do expenses by category in total as a percent of revenues compare between projected and actual income statements? increase, decreased about the same?

- Loan examiner reviews ability to repay loan based on cash flows from the project/operation provided by applicant:
 - are cash flows adequate to make loan payments as requested/required?
 - if not immediately, how long (years) before project/operation cash flows are adequate to service loan?
 - what other sources of income/revenues will be available/used to service debt on interim basis?

Loan Repayment Plan (source - application package)

- Loan examiner reviews this summary to determine if the ability of the applicant to repay the loan coincides with the timing of the loan payments requested.
 - will applicant realistically be able to make loan payments as they are due?
 - are there any slack/excess funds available after loan payment to cushion against unforeseen circumstances or changing conditions?

(2) THE APPLICANT(S)Personal Resume and Production Records

(source - application package)

- Loan examiner reviews the loan application to determine the form of business making the loan request: (e.g. sole proprietorship; partnership; joint venture, or corporation).
- Loan examiner ensures that a business history is included for all persons owning 10 percent or more of the business entity.
- Loan examiner reviews/analyzes the following for each individual involved and ascertains if adequate for purposes of the loan:

Agricultural SkillsCurrent Experience -

background in same or similar operation as that for which funds requested?

- products
- size of operation
- area of operation (Alaska or other)
- owner or operator or manager

Previous Experience -

review in all areas as with current experience review, as well as:

- length of period since last agricultural experience, if applicable
- has applicant(s) used agriculture as the sole or primary means of support?

Experience of the Business Entity, If Applicable -

if the application is from a group, (e.g. corporation, partnership, etc.) identify from application information:

- the individual(s) with agricultural experience and their participation in the project/operation (e.g. financial and time commitments, etc.)
- the individual(s) with other business experience and their participation in the project/operation (e.g. financial and time commitments, etc.)

Other Business Experience -

identify other business experience and specify how it would impact the success/failure of the current project/operations

References - Trade and Personal (source - application package)

- Loan examiner reviews trade and personal references to verify and validate information provided on the application concerning the applicant(s), as well as other information provided to the loan examiner, if applicable, including:
 - agricultural experience
 - business experience
 - character of the individual(s) as it impacts loan repayment and success of the project/operation

(NOTE:)

Depending upon the timing required for the information, loan examiner telephones personal and trade references or contacts those provided in the application using the form letter.

- Loan examiner contacts references by telephone, and completes the telephone contact form to document the information provided, ensuring that the name and title of the individual contacted is obtained.

- Loan examiner ensures that the following steps are completed if form letter is to be mailed to trade and/or personal references:
 - loan examiner request forms to be sent by clerk
 - clerk prepares form letters for loan examiner signature
 - loan examiner reviews/signs/and returns to clerk
 - clerk mails original, forwards a copy to loan examiner noting the date mailed
 - clerk files copy in applicant(s) file until original or other response is returned from reference
 - clerk date stamps response
 - clerk replaces copy in file with original if returned or attaches response to copy if original is NOT returned
 - loan examiner maintains a tickler system to track status of requests and assures response within 30 days

(3) FINANCIAL STATUS OF THE APPLICANT(S)Verification of Information

- Loan examiner verifies information provided by the applicant(s) on the financial statement (Section 11, Loan Application) and appropriate Schedules as follows:
 - clerk verifies addition on the financial statement and schedules
 - add all schedules and check mark if accurate
 - verify transfer of data from schedules to financial statement and check mark on the statement
 - add financial statement to verify totals and check mark if accurate
 - notify loan examiner of any discrepancies noted
 - verification of liabilities:
 - notes, mortgages, and trade accounts payable are verified by contacting creditors
 - loan examiner verifies that an Authorization Form was provided by the applicant(s) for each major creditor on the financial statement and schedules
 - clerk mails appropriate Authorization Forms, and files a copy in application package noting date mailed
 - when returned to ARLF clerk date stamps and forwards to loan examiner
 - copy is replaced by original document or if another document is returned, it is attached to the copy

- verification of assets:
 - . cash and similar assets are verified by contacting banks or other institutions using the Authorization Forms to verify financial information
 - loan examiner verifies that an Authorization Form was provided by the applicant(s) for each major institutions shown on supporting schedules
 - clerk mails appropriate Authorization Forms, and files a copy in application package noting date mailed
 - when returned to ARLF, clerk date stamps document and forwards to loan examiner
 - copy is replaced by original document or if another document is returned, it is attached to the copy
 - fixed and intermediate assets are verified and valued by visual inspection by the loan examiner

(NOTE:)

This verification and valuation of assets (e.g. machinery, equipment, livestock, crops, real estate, etc.) can be accomplished in conjunction with the review required in the section on collateral valuation.

The same methods of verification/valuation are used in the financial statements and collateral review sections (see collateral review Section).

- Income Statement:
 - the current year income statement and income tax return are compared by the loan examiner to verify the data on the income statement
 - revenue, expenses and net operating profit (loss) are compared considering taxes paid if appropriate

Analysis of Information

- Loan officer analyzes the financial statement from two perspectives as follows:
 - the ability of the applicant(s) to cover the loan in case of default/liquidation (see collateral section)
 - the financial progress of the applicant(s) in investment of funds in the business as shown by the financial statement, and the management ability of the applicant(s) in producing revenues and profits as shown by the financial statements
 - loan examiner compares net worth to total liabilities
 - loan examiner compares the total of current and intermediate assets to the total liabilities
- Loan examiner reviews income tax returns to ensure required filings were made

(4) COLLATERAL

- Loan examiner inspects collateral offered as follows:

Real Estate

Mortgage(s) on real estate are verified by contacting mortgage holder using the Authorization Forms to verify financial information.

Otherwise applicant(s) must produce an unencumbered title to real estate. Applicant must pay for title insurance at closing and a title search, if appropriate.

Buildings, Machinery, Equipment

Notes are verified using the Authorization Forms to verify financial information. Otherwise applicant must produce an unencumbered title to buildings, machinery, or equipment.

Appraisal/Valuation

Loan examiner will review the independent appraisal submitted by the applicant or will visually inspect major items of collateral and complete an appraisal form (See Forms):

take pictures for visual record

indicate age, condition, make, model, size, serial number, location of items as appropriate and note on form

note on inspection form date and initials visually inspected

- Loan examiner verifies or determines a fair market value, minimum and maximum if possible. Consideration should be given and value should be based on the liquidated value of the collateral.

- Loan examiner documents the method(s) used for assessing value on an item of collateral.

- Loan examiner documents the percent of collateral value permitted to secure a loan for each item and calculates the total maximum loan allowable based on collateral pledged.

SECTION IVRECORDS RETENTION SCHEDULE

<u>Document</u>	<u>Period Held</u>	<u>Disposition</u>
Loan Application File		
- processed		
- disapproved		

SECTION V LOAN EXAMINER DOCUMENTATION OF REVIEW AND ANALYSIS
OF APPLICATION

OVERVIEW

The purpose of this Section is to specify documentation required during the review and analysis of the application by the loan examiner or loan administrator, and to provide the proper forms.

The purpose of the procedures is to ultimately provide a record of the type of review and analysis conducted, the steps and methodologies employed and the basis for subsequent recommendations. The goal of the procedures is to produce a review package capable of providing the Director or Deputy Director with information concerning application processing which is adequate without further inputs, as well as assisting the loan examiners and administrator ensure that all processing requirements are fulfilled.

Outputs of this Section include completion of Loan Documents Checklist (application package) and forms for loan examiner documentation of review and analysis.

LOAN EXAMINER DOCUMENTATION OF REVIEW AND ANALYSIS



PROCEDURE

- Loan examiner prepares written comments in all phases of review and analysis to document:
 - specific areas reviewed
 - analysis performed
 - results of analysis
 - impact of results on loan recommendations

- Loan examiner initials check list (Section 2 Loan Application Package) as each step of review, analysis, documentation is completed.

(NOTE:)

checklist is used to summarize progress of the loan processing stages and to assist the loan examiner in tracking the status of processing as well as documenting the review process.

- Loan examiner maintains a written record of each major section on the checklist (See Example Form)

LOAN EXAMINER DOCUMENTATION
OF REVIEW AND ANALYSIS

Applicant(s) Name

Loan Tracking Number

Analysis Performed

Procedures

Results

Impact on Loan Request:

(Signed)

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
AGRICULTURAL REVOLVING LOAN FUND

LOAN INSPECTION

Date _____
By _____

NAME _____
ADDRESS _____
PHONE _____

Farm Location & Size: Acreage Deeded _____
Acreage Cleared _____
Acreage Leased _____
Acreage Ag Rights _____

I. Size of Building & Improvements

	Excellent	Good	Fair	Poor
1. Location & general appearance _____				
2. Home _____				
3. Barn, Grainery, Shop _____				
4. Electric, Phone _____				
5. Fences _____				

II. Crop Ground; Total Acres _____

1. Number of fields _____				
2. Size of fields _____				
3. Type of soil _____				
4. Crops raised _____				
5. Yields _____				
6. Length of production _____				

III. Machinery

	Year	Make	Type-Model	Serial No.	Condition
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					

Comments: _____

IV. Livestock Numbers - Total Head Count

1. Dairy - Breed _____

- A. Milking cows _____
- B. Dry cows _____
- C. Springer heifers _____
- D. Yearling stock _____
 - (1) heifers _____
 - (2) steers _____
 - (3) bulls _____
- E. Calves below 1 year _____
 - (1) heifers _____
 - (2) steers _____
 - (3) bulls _____

2. Beef - Breed _____

- A. Cows - pairs _____
- B. Pregnant cows _____
- C. Open cows _____
- D. 2-year-old stock _____
 - (1) heifers _____
 - (2) steers _____
 - (3) bulls _____
- E. Yearlings _____
 - (1) heifers _____
 - (2) steers _____
 - (3) bulls _____
- F. Weaner calves _____

3. Hogs - Breed _____

- A. Sows _____
- B. Gilts _____
- C. Boars _____
- D. Weaner pigs _____

4. Chickens - Breed _____

A. Hens _____

V. Feed on Hand

- 1. Hay _____
- 2. Grains _____
- 3. Straw _____
- 4. Other _____

VI. Seed on Hand

- 1. _____
- 2. _____
- 3. _____
- 4. _____

SECTION V

RECORDS RETENTION SCHEDULE

<u>Document</u>	<u>Period Held</u>	<u>Disposition</u>
Loan Examiner Documentation of Review and Analysis		
Appraisal Forms		

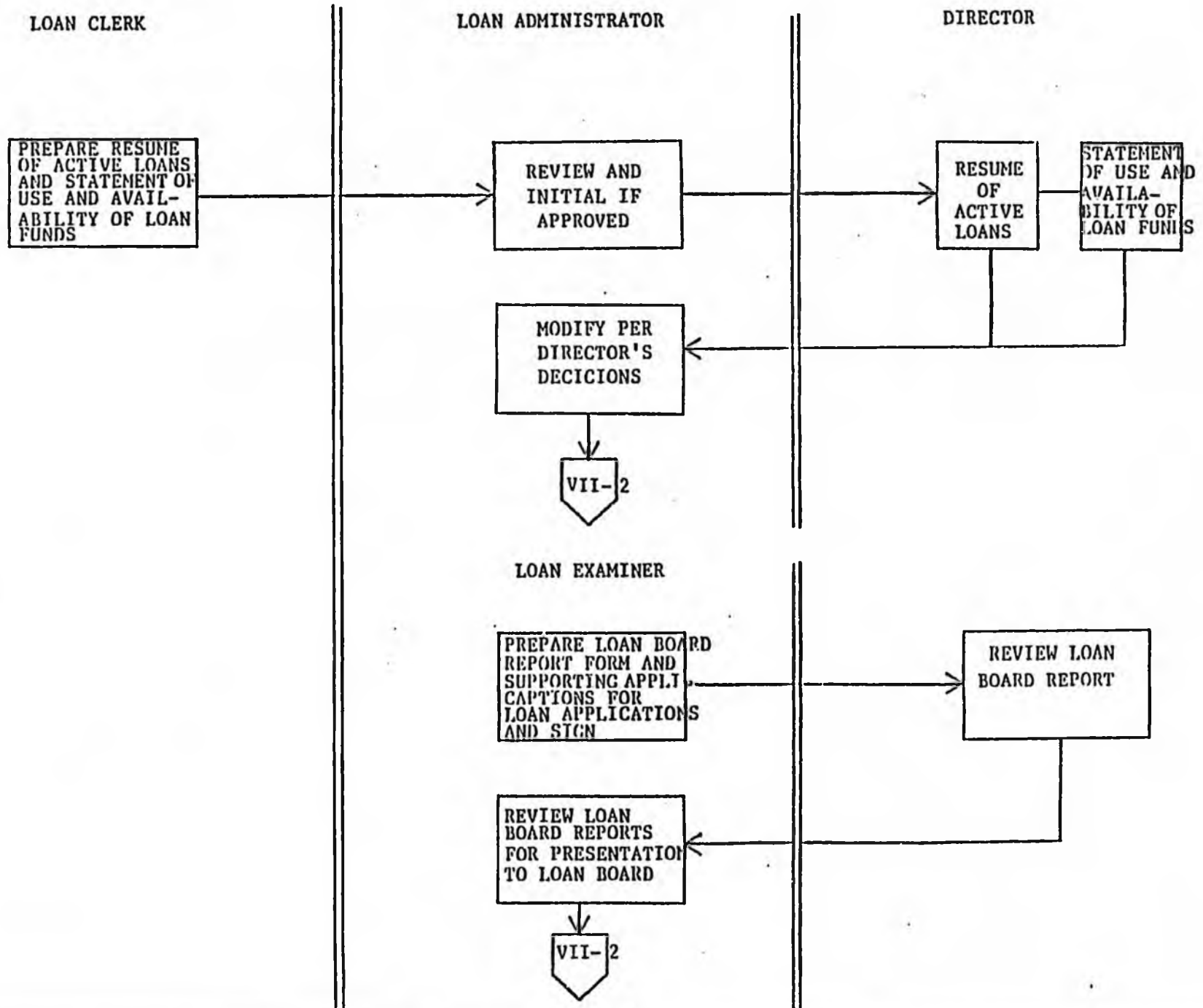
SECTION VI PREPARATION FOR LOAN BOARD MEETINGOVERVIEW

The purpose of this Section is to specify the procedures for ARLF staff in preparation of documents and information required for the Loan Board meetings.

The purpose of the procedures is to assist ARLF personnel in providing documents and information to the Loan Board which will support Board members in their functions by providing standard and complete reporting.

Outputs of this Section include a resume of active loans, a recap of use and availability of loan funds, and a loan board report form for applications presented to the board.

PREPARATION FOR LOAN BOARD MEETING



PROCEDURE

ARLF personnel prepare information and documents for the Loan Board meeting in two major areas:

- information concerning the status of the Loan Fund to date:
 - resume of active loans use and availability of loan funds
- packages of current and resubmitted loan requests

STATUS OF LOAN FUNDResume of Active Loans

- Loan clerk prepares resume of active loans from borrower ledger cards at the end of each month.
- resume lists in separate sections all active loans by borrower name, alphabetically by area:
 - Matanuska Area
 - Tanana Area
 - Kenai Area
 - Other Areas (indicate area)
 - Special Loans
- information listed on resume includes (see copy of blank form)

Borrower Name
 Loan Number and Rate
 Amount of Loan
 Amount of Balance
 Amount over 30 days Delinquent
 Date Last Receipt
 Amount Received Year-to-Date
 Date Interest Paid to
 Date of Note
 Maturity Date
 Repayment Schedule

- resume lists all loans in the litigation process alphabetically by borrower names, by area with the same information as other active loans
- resume lists any special loans made or administered by ARLF in the same manner as the other active loans
- Loan clerk totals each area list separately for each loan category (active, litigation, special).
- Loan clerk prepares a resume summary sheet showing totals for each areas, including active and loans in litigation:

Area
 Number of Borrowers
 Number of Loans
 Loan Balance
 Accrued Interest
 Delinquencies Over 30 days
 Amount
 % of Area
 % of Total
 Type of Loans
 Special Appropriations Administered by ARLF

- Loan clerk balances resume totals:

total loans outstanding for each area and grand total all areas

prepare a calculator tape of the balance column of the Borrowers Ledger Cards

compare to the grand total on the loan resume

identify the source of any discrepancies noted and correct

compare total active and litigation balances on resume with Loan Accounts Receipts Journal extension totals

identify the source of any discrepancies noted and correct

- Loan clerk forwards resume to loan administrator for review and initials if approved.
- Loan clerk prepares adequate copies for distribution as follows:
 - copy for each Loan Board Member
 - copy for Division Director
 - copy for Division Deputy Director
 - copy for each Loan Examiner
 - two copies to Loan Administrator
 - original (master) to loan file
- Loan administrator returns annotated copy to loan clerk after the Loan Board meeting, for filing and retains copy for personal use.

Use and Availability of Loan Funds -

- Loan clerk prepares a statement of use and availability of loan funds within (3) working days of the end of each month. (See Blank Form)
 - information for preparation is provided by the Loan Administrator:
 - appropriations made to increase loan fund
 - changes in the Reserve for Operating Loans
 - changes in the Reserve for Contingencies
 - loan clerk obtains and includes the following information:
 - balance of cash in fund as of the end of the month
 - amount of loans approved without disbursement vouchers issued

- Loan clerk routes original to Loan Administrator for review and approval by initials.

- Loan clerk copies form in the same quantity and same distribution as the loan resume

- Loan clerk files original of Use and Availability Form.

AGRICULTURAL REVOLVING LOAN FUNDCASH AVAILABLE TO LOANAS OF

Cash in Fund	\$ _____
<u>Less</u> Loans Approved (Disbursements Vouchers Not Issued)	_____
<u>Less</u> Reserve For Contingencies	_____
<u>Less</u> Reserve For Operating Loans	_____
 Cash Available For Loans	 \$ _____
 <u>Plus</u> Anticipated Loan Payments Period Of	 \$ _____
 Total Funds Available For Loan	 \$ _____

CURRENT AND RESUBMITTED LOAN REQUESTS

- Loan examiner prepares a Loan Board Report Form for each loan application package under review (See Blank Form).

(NOTE:)

All required processing of the Loan Application must be completed at a minimum of (3) working days prior to the scheduled Loan Board meeting to give ARLF staff sufficient time for presentation preparation.

- Loan examiner prepares a Loan Board Report Form for all new and resubmitted loan packages, including all loans under \$25,000 not specifically requiring Loan Board review.
 - the report is intended to summarize the important aspects of the loan application package, the loan examiner/administrator review and analysis, the loan examiner/administrator recommendations, and the actions of the Board
 - the report is signed by the loan examiner/administrator after preparation
 - the report is signed by the Chairman of the Loan Board after Board action
 - loan examiner indicates if the request is being resubmitted after previous Loan Board action in the Comments Section

AGRICULTURAL REVOLVING LOAN FUND
Loan Board Report

Date _____

Time _____

Applicant _____

Area _____

Loans Requested S _____ Terms _____

C _____ Terms _____

F _____ Terms _____

Other _____ Terms _____

New Borrower _____ Old Borrower _____ Net Worth _____

Total Liabilities _____

Total ARLF Debt _____

Prior Loan History _____

Summary of Use of Loan Proceeds _____

Security Offered _____

Staff Recommendation and Comments _____

Board Action and Comments _____

Loan Examiner/Loan Administrator

Chairman, ARLF Board

MATANUSKA AREA - ACTIVE, JUNE 30, 1981

Sheet 1

LOAN NO. - RATE %	\$ LOANED	\$ BALANCE	OVER 30 DAYS \$ DELINQUENT	DATE LAST RECEIPT	FY \$ RECEIVED	INTEREST PAID TO	NOTE DATE	MATURITY DATE	REPAYMENT SCHEDULE
----------------------	-----------	------------	-------------------------------	----------------------	-------------------	---------------------	--------------	------------------	-----------------------

LOAN RESUME AS OF JUNE 30, 1981

<u>AREA/LOANS</u>	<u>LOAN BALANCE</u>	<u>ACCRUED INTEREST</u>	<u>DELINQUENCIES - OVER 30 DAYS</u>			<u>TYPE OF LOANS</u>
			<u>AMOUNT</u>	<u>% OF AREA</u>	<u>% OF TOTAL</u>	

SECTION VIRECORDS RETENTION SCHEDULE

<u>Document</u>	<u>Period Held</u>	<u>Disposition</u>
Resume of Active Loans		
Loan Funds Available Recap		
Loan Board Report Form		

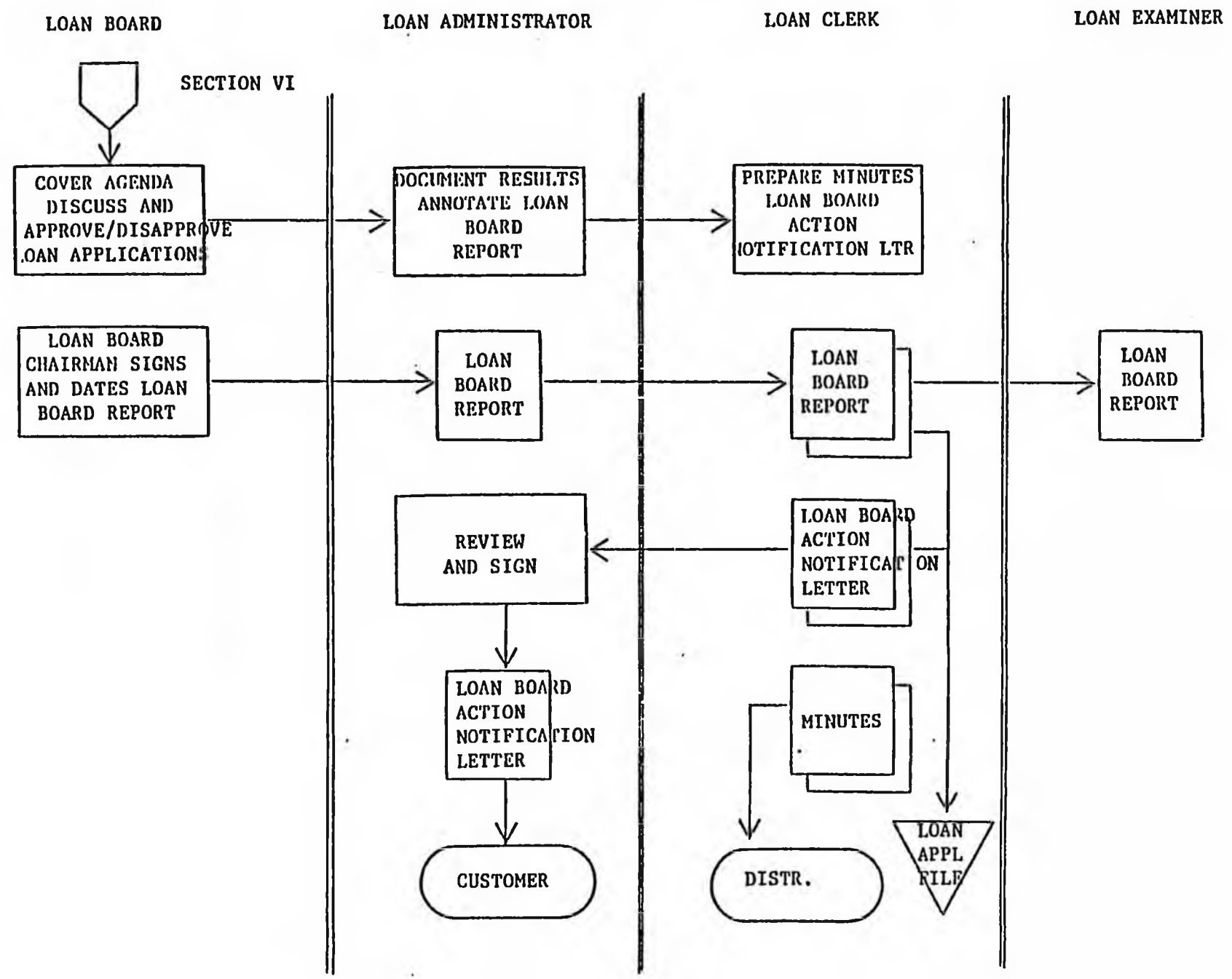
SECTION VII LOAN BOARD MEETING AND REVIEWOVERVIEW

The purpose of this section is to provide the Loan Board with a framework of procedures within which it conducts monthly meetings in order to maintain objectivity, flexibility, and uniformity of processes regardless of the composition of its individual members.

This section also specifies required information inputs and information/documents outputs of the Board to assist ARLF personnel in the support function.

Outputs of this Section include minutes of loan board meetings, documentation of loan board decisions, and notification of applicants of loan board decisions regarding their loan requests.

LOAN BOARD MEETING AND REVIEW DOCUMENTATION



PROCEDURE

This Section specifies procedures for the loan board meetings in the following areas:

- agenda
- loan examiners(s)
presentation(s)
- review, analysis,
discussion
- decision
- documentation

AGENDA

- Chairman of the Board calls to order Loan Board meetings with a quorum of 3 to 5 members present.
- Loan administrator ensures the meeting is recorded and subsequently transcribed within (10) working days by ARLF personnel.
- Members and other persons present identify themselves by name and title, if any.
- Chairman addresses any old business from previous Board meetings, regarding any issues other than loan applications held over.

- Chairman addresses any new issues/business other than loan applications, including:
 - policy issues
 - procedural issues
 - general financial information, fund growth, problems or opportunities facing ARLF

- Chairman addresses loan applications for presentation, discussion, decision.

- Chairman notes decision of the Board regarding each loan application.

- Chairman establishes date, time, and location of next Loan Board meeting.

- Chairman adjourns meeting.

LOAN EXAMINER(S) PRESENTATION(S)

- Loan examiners present loan applications to the Board in the order established by ARLF policy.
- Loan examiners briefly summarize information on the Report to the Board form as follows:
 - the loan requested
 - type
 - amount
 - purpose
 - repayment plan
 - the applicant
 - objective review, skills and training
 - subjective review, potential for success
 - the project
 - use of funds
 - potential for success
 - the capacity for borrowing
 - objective review
 - credit and financial history
 - subjective review
 - the collateral
 - ability to secure the loan/coverage
 - recommendation
 - based on review/analysis, loan examiner/administrator recommends
 - approval as requested
 - approval with changes
 - table for more information or additional action
 - disapprove
- Loan examiners present separately to the Board
 - requests for funds under \$25,000 not requiring Board approval prior to release of funds
 - requests for funds over \$25,000 requiring Board review/approval

4. LOAN BOARD DECISION -

- Subsequent to discussion of the loan application, one Board member motions for actions to be taken, and a different Board member must second the motion.
- Board members vote on the motion by signifying AYE for yes, and NAY for no.
- The Board Chairman indicates whether motion carries/passes or not.
- The motion must be carried by a majority of the Board members, a minimum of three (3) at all times.
- If the motion does not carry, another motion shall be made, with or without subsequent discussion.
- This process is continued until one motion is made, seconded, and passed by a minimum of three (3) Board members.
- Motions for action will be acknowledged for the following only:
 - approve loan request without change
authorization for release of funds requested, with the purpose, terms, and collateral as outlined in the loan application package
 - approve loan request with change
approval of the basic loan request, and authorization to release funds contingent upon changes in some area of the loan application package or addition of conditions.

Examples Include:

- requirement for additional collateral
- purchase of term life policy with ARLF as beneficiary
- reduction in loan amount requested or authorization for only partial release
- reject loan application for more information or additional action on the part of the applicant or ARLF personnel.

Examples Include:

- additional marketing information or study
- disapproval
 - Board members must cite the reasons to support disapproval of loan request based on:
 - loan examiner/administrator review and recommendations
 - loan Board review of -
 - the loan requested
 - the applicant
 - the capacity for borrowing
 - the project
 - the collateral

DOCUMENTATION

- The loan administrator is responsible for documenting:
 - the Loan Board meeting by ensuring that the meeting is recorded, that minutes of the meeting are transcribed, and that minutes are properly distributed

- Loan administrator ensures that a copy of minutes is forwarded to the Director, ARLF and the Loan Administrator, and to file.
 - the decisions of the Loan Board in meetings regarding loan applications
 - loan administrator ensures that in each case the original of Loan Board Action Reports annotated with the Board decision
 - that the Chairman of the Loan Board signs and dates the original document
 - the loan clerk files the original document in the applicant loan file
 - a copy of the document is routed to the responsible loan examiner

If the loan application is approved by the Loan Board:

loan administrator ensures that applicant(s) are notified in writing by clerk within (3) working days of the Board meeting using the appropriate form letter

- loan clerk prepares form letter
- loan clerk routes original to loan administrator
- loan administrator signs and returns to loan clerk

- loan clerk copies original, files copy in applicant(s) loan file noting date original letter is mailed
- loan clerk mails original letter

If the loan application is approved by the Loan Board contingent upon some change(s):

loan administrator ensures that applicant(s) is notified in writing within (5 working days) days of the Board meeting using the appropriate letter

- loan administrator identifies requirements for loan to the loan clerk who prepares the letter
- loan clerk routes letter to loan administrator for review/signature
- loan clerk copies original, files copy in applicant(s) loan file noting date original letter is mailed
- loan clerk mails original letter

If the loan application is rejected by the Loan Board:

loan administrator ensures that applicant is notified in writing within (5) working days of the Board meeting using the appropriate letter.

- loan administrator identifies the actions required by the Loan Board of the applicant or of ARLF personnel
- loan clerk prepares letter to applicant(s) identifying specifically the additional information, steps, or processes required before the loan application will be reconsidered

- loan clerk routes form letter to loan administrator for review/signature
- loan clerk copies original, files copy in applicant(s) loan file noting date original letter is mailed
- loan clerk mails original letter

If loan application is disapproved by the Loan Board:

loan administrator ensures that applicant is notified in writing within (5) working days of the Board meeting using the appropriate form letter

- loan clerk prepares form letter to applicant(s) and routes to loan administrator for review/signature
- loan clerk copies original, files copy in applicant(s) loan file noting date original letter is mailed
- loan clerk mails original letter

SECTION VII

RECORDS RETENTION SCHEDULE

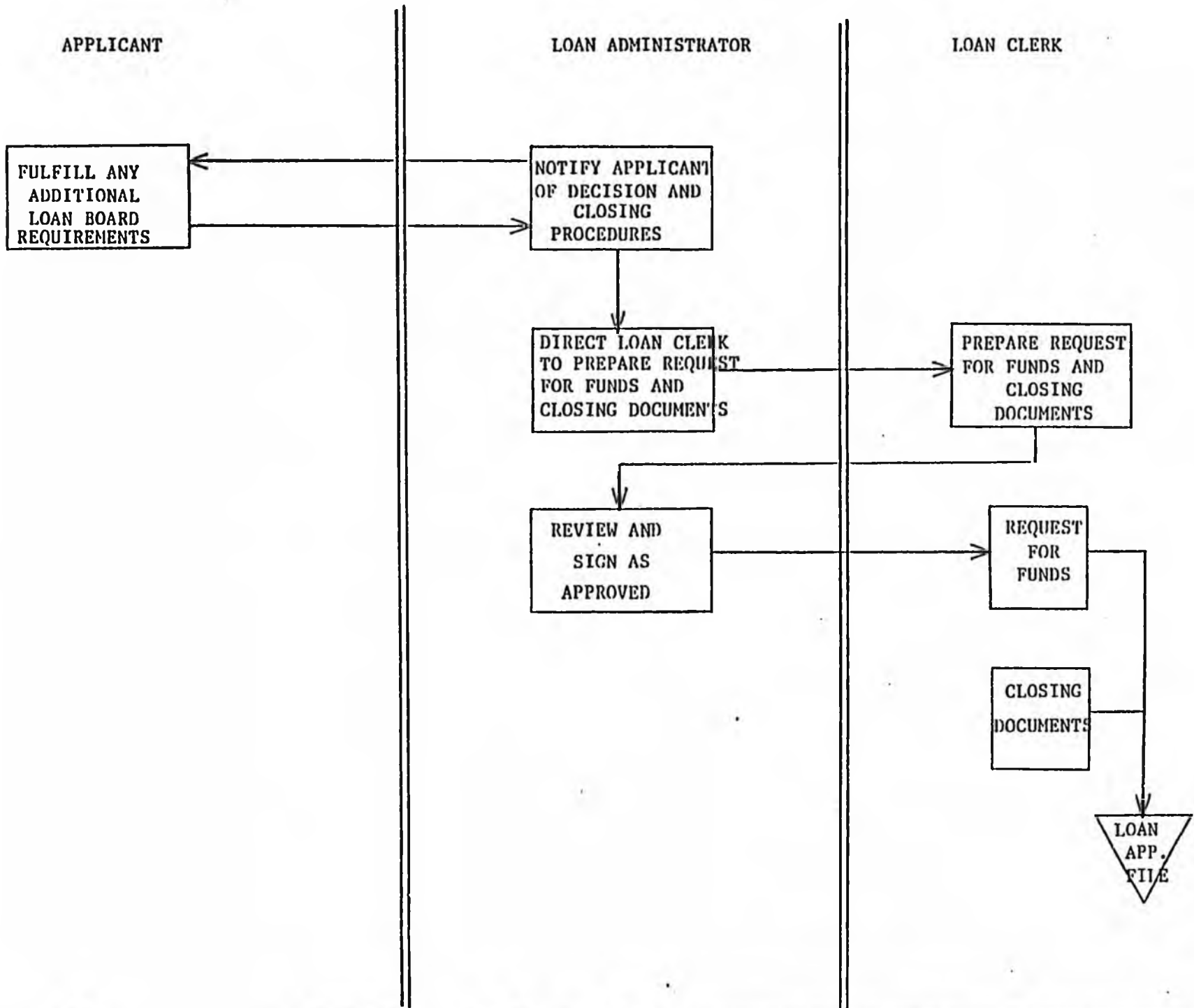
<u>Document</u>	<u>Period Held</u>
Minutes of Loan Board Meetings	
Application Notifications	
Loan Board Report Form	

SECTION VIII PRE-LOAN CLOSINGOVERVIEW

The purpose of this section is to specify the procedures to be used by the loan administrator to ensure that all necessary documents and information are prepared by both ARLF personnel and the applicant(s) prior to loan closing.

Outputs of this Section include notification of applicants of required closing documents, preparation of a request for funds, and initial preparation of loan closing documents.

PRE-LOAN CLOSING



PROCEDURE

This section addresses two major areas of the Pre-Loan Closing process:

preparation by the applicant(s)

preparation by ARLF personnel

APPLICANT

- Loan administrator ensures successful applicant(s) have been notified of the decision(s) of the Loan Board and any additional requirements specified by the Loan Board to be completed at or prior to closing.
 - if additional requirements have been specified to be completed prior to closing by the applicant(s), loan administrator ensures that the requirements are fulfilled prior to continuing this section
- Loan administrator ensures that prior to Loan Closing, all applicants are notified in writing of the closing process and the items required of them at closing.
 - for successful applicants with no additional Loan Board requirements, the Closing process and requirements are specified at the same time the applicant is notified of the Board decision
 - for applicants who have been required to provide some additional data, information, documents, etc., notification of the Loan Closing process occurs after the loan administrator verifies that all requirements are met

- notification of the closing process also includes indication that a closing time and date will need to be established, and provides a range of possibilities
- if title insurance is required, applicant(s) is notified that payment will be required at the time of closing
- loan administrator identifies other items documents required of applicant(s) at closing and prepares a list to be included in notification of closing
- loan administrator determines method of disbursement of loan funds to be used and notifies borrower(s) of requirements for closing

Total release of funds

borrower(s) is notified of procedure used to release funds to vendor(s) after closing (Section IX)

Staged release of funds

borrower(s) is notified of procedure relating to the use of controlled accounts by ARLF (Section IX)

borrower(s) are directed to open a checking account at the bank of their choice, requiring two signatures, including one borrower and one ARLF representative

borrower(s) provide signature cards at closing for the account

borrower(s) loan administrator, and loan examiner provide signature specimens on signature card at closing

- for chattel loans, applicant(s) produces a vendor proposal or commitment on livestock, equipment or machinery to be purchased identifying exact specifications

applicant(s) makes down-payment, if appropriate, prior to closing

applicant(s) provides model numbers, make, type of chattel, identification numbers, etc., at time of closing.

applicant(s) provides vendor invoice at closing showing balance due on item(s) being purchased

- for short-term operating and other loans, applicant(s) produces title to collateral, if appropriate
- applicant(s) produces proof of any insurance required by loan administrator or Loan Board at time of closing, including term life policy or property insurance, fire/collision comprehensive or all-risk floater policy on equipment/machinery, or other

ARLF

- Loan administrator ensures that procedures are followed to:
 - request funds
 - prepare closing documents
 - funds are requested as soon as the loan administrator has determined that all required documents and information have been supplied by applicant(s), in order to avoid delay in closing.

REQUEST FOR FUNDS

- Loan administrator directs loan clerk to prepare documents necessary to request loan funds.
 - loan clerk obtains Loan Number from Loan Register, using the next number in sequence for the proper loan category
 - loan clerk notes name of Borrower and amount vouchered in Loan Register opposite loan number used
 - loan clerk prepares Request for Issuance of Warrant (Form 10-006) and inserts loan number
 - loan clerk prepares Disbursement Voucher (Form 02-050)
 - loan clerk routes Forms 10-006 and 02-050 to loan administrator for review and signature approval, as delegated by the Director in writing
 - loan clerk copies approved Form 02-050 and files in disbursement voucher file

- loan clerk mails original and three (3) copies of the top only of Form 10-006 and all of Form 02-050 to:
 - Accounts Payable
 - Department of Natural Resources
 - Pouch M
 - Juneau, Alaska 99811

- title insurance documents received from title company are filed by loan clerk in applicant(s) loan file and date of receipt noted

- documents received from the fiscal officer, Department of Natural Resources, are processed by the loan clerk:
 - goldenrod copy of Form 02-050 is date stamped and filed in disbursement voucher file the temporary copy is replaced and destroyed
 - the warrant is date stamped on the back
 - the applicant(s) loan file is annotated with the date of receipt of the warrant
 - warrants are held in the loan office safe until date of closing for Wasilla area loans
 - warrants are forwarded to Delta office as appropriate

- loan clerk orders title insurance, if applicable, in the name of the borrower, and in-care of (c/o) ARLF

PREPARE CLOSING DOCUMENTS

- Loan clerk prepares notes, assignments, and agreements based upon the type(s) of loan(s) and type of collateral pledged.
 - Real Estate

prepare DEED OF TRUST and DEED OF TRUST NOTE in full, leaving dates blank for completion at time of closing.
 - Assignment of Real Estate Contract

prepare an ASSIGNMENT OF REAL ESTATE CONTRACT and NOTE SECURED BY REAL ESTATE in full, leaving dates blank for completion at time of closing.
 - Assignment of Agricultural Product(s)

Prepare ASSIGNMENT (Form 10-359) in full, leaving dates blank for completion at time of closing.
 - Collateral Other Than Real Estate

prepare FINANCING STATEMENT (Form 02-534) SECURITY AGREEMENT, DISCLOSURE STATEMENT OF LOAN (Form 10-367) in full, leaving dates blank for completion at time of closing

Chattel Loan - prepare PROMISSORY NOTE (Form 10-361) (pink)

Short-Term Loan - prepare PROMISSORY NOTE (Form 10-360) (green)
- Loan clerk prepares loan amortization schedule (schedule of repayment) from information provided by loan administrator on terms of repayment.
- Loan clerk files all documents prepared for closing in applicant(s) loan file.

SECTION VIIIRECORDS RETENTION SCHEDULE

<u>Document</u>	<u>Period Held</u>	<u>Disposition</u>
Request for Issuance of Warrant		
Disbursement Voucher		
Loan Register		

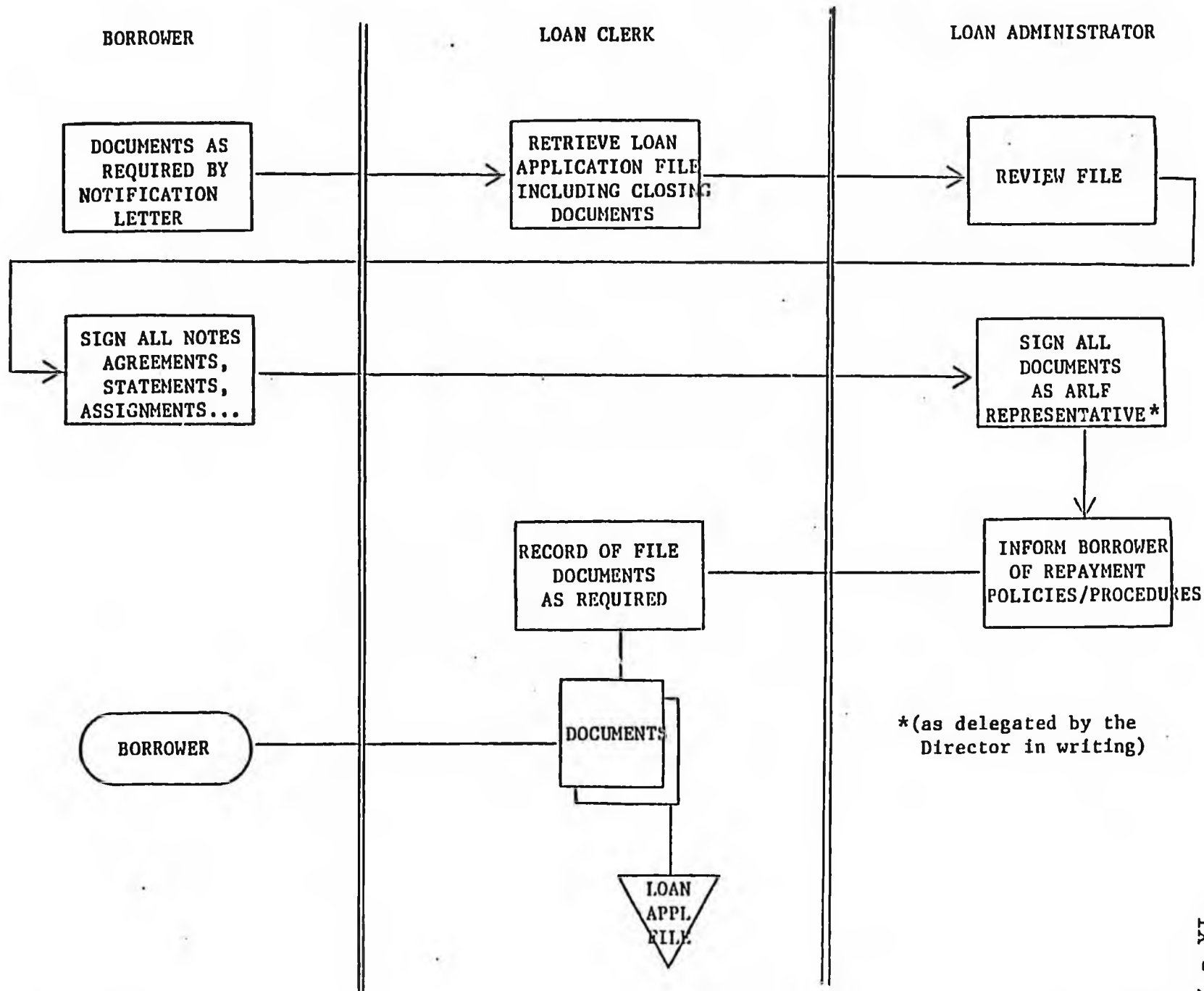
SECTION IX LOAN CLOSINGOVERVIEW

The purpose of this section is to specify the procedures to be applied during the process of closing the loan with the borrower(s).

The purpose of the procedures is to ensure that proper documentation is received from the borrower as required, that the necessary signatures on binding agreements are obtained, that borrowers are uniformly informed of their repayment obligations, and that documents are subsequently filed or recorded as appropriate to establish position of security.

Outputs of the section include original signed and notarized notes, agreements, and assignments as well as recorded documents.

LOAN CLOSING



PROCEDURE

This section specifies procedures for ARLF to follow in two major areas: Process of closing with the borrower(s) and process of subsequent documentation by staff.

CLOSING PROCESSScheduling

- Loan clerk maintains a log of loan closing appointments as they are established; information includes:
 - Borrower(s) name
 - Location of closing
(e.g. ARLF offices, bank, etc.)
 - Date and time of appointment

- Loan administrator/loan examiner (Delta) retains Closing Log and reviews for scheduling purposes.

- Loan administrator/loan examiner (Delta) ensures that loan clerk designated for the closing process is notified each week of the loan closings scheduled for the subsequent week period.

- Loan examiner (Delta) ensures that if closing is to be completed by a commercial bank, that both the bank and ARLF are kept informed of loan closing schedules in advance.

- Loan examiner (Delta) forwards an advance copy of the Closing Log for Delta to the loan administrator (Wasilla).

- Loan administrator initials receipt on each page of Closing Log as received from Delta.

- Loan clerk maintains a separate file for the Delta Closing Log in loan administrator files.

Closing

- Loan clerk obtains borrower(s) loan file and all previously prepared documents for closing.

- Loan clerk prepares OUT card for file and inserts in file.

- Loan clerk routes documents to loan administrator/loan examiner (Delta).

- Loan administrator/loan examiner (Delta) briefly reviews loan file to:
 - ensure that all documents necessary for closing were prepared by ARLF staff (Section: Pre-Loan Closing)
 - identify conditions/requirements to be fulfilled by the borrower(s) at closing (copy of borrower notification letter)

- Loan administrator/loan examiner (Delta) and loan clerk meet borrower(s) at appointment times and ensure that:
 - loan clerk inserts proper date of closing on all documents previously prepared
 - borrower(s) produces all required documents as specified in notification letter (e.g. proof of insurance)

- Borrower(s) pays premium on title insurance if applicable.
 - loan clerk orders title insurance on real property used as collateral as required by loan administrator/examiner or loan board from appropriate title company
 - loan clerk directs title company to prepare invoice for insurance premium in name of borrower(s) and in-care-of (c/o) ARLF
 - loan clerk directs title company to forward invoice to ARLF
 - loan clerk files insurance invoice in borrower(s) loan file for closing
 - loan clerk accepts personal check from borrower(s) in amount of the insurance invoice and made payable to the title company issuing insurance
 - loan clerk prepares hand-receipt for borrower(s)
 - loan clerk forwards check and a copy of invoice to the title company within () days of closing
 - loan clerk files a copy of the check and the original invoice in borrower(s) loan file

- Loan administrator ensures that:
 - borrower(s) signs all required documents prepared in Pre-Loan Closing (e.g. notes, assignments, statements, agreements, etc.)
 - borrower(s) signs documents in a manner to properly obligate the business entity:

<u>Business Type</u>	<u>Signators</u>
Sole Proprietorship	Husband Wife
Partnership	Major Partners
Corporation	Corporate Officer including corporate resolution and corporate seal
Joint Venture	Authorized representa- tives of the venture

- Loan administrator/loan examiner (Delta) signs documents as authorized representative of ARLF as appropriate:
 - Assignment Agreement (Form 10-359)
 - Security Agreement
 - Financing Statement

- Loan administrator ensures that all signatures of the parties are witnessed and attested to by a Notary Public of the State of Alaska, with a current commission.

- Loan clerk copies all signed notes, agreements, assignments, and other documents.

- Loan clerk provides one copy of all signed documents to borrower(s).

- Loan clerk files one copy of all signed documents in borrower(s) loan file.

- Loan clerk files originals of all signed notes, agreements and assignments, etc., in a fire-proofed safe, alpha by borrower(s) name.

- Loan examiner (Delta) is responsible for ensuring that:
 - all original copies of signed notes, agreements, assignments, etc., are forwarded to loan administrator (Wasilla)
 - copies of all signed documents are maintained in Delta in borrower(s) loan file

- Loan administrator ensures that borrower(s) are informed about the policies and procedures of ARLF regarding loan repayment.

- borrower(s) is obligated to make payments directly to ARLF on the dates and in the amounts agreed and specified in the agreement(s)
- borrower(s) is informed that interest is calculated on the unpaid balance of the loan to the day payment is received
- borrower(s) is informed that payments not postmarked on or before the 15th day after the date specified for payment are delinquent and a seven (7) percent penalty is assessed on the delinquent payment, as appropriate
- borrower(s) is informed of requirement to file up-dated information/documents annually with ARLF:
 - financial statements
 - Federal Tax Returns
 - proof of valid/current insurance, if required
 - copies of paid insurance premiums, etc.
- borrower(s) is informed that loan examiner will conduct unscheduled field inspections of agricultural operations as they related to the loan, the collateral, or other aspects affecting the loan
- Loan administrator releases loan funds to borrower(s) and ensures that proper documents are received by ARLF to control use of funds.

Vendor Invoices

- loan administrator ensures that warrants is endorsed to vendor by borrower(s)
- loan administrator ensures that vendor invoice(s) marked paid are received by ARLF
- loan administrator ensures that amount of paid vendor invoice(s) agrees with loan funds released, and with Section 4 (Loan Application) Letter of Intent and Loan Use
- loan administrator when appropriate, may require borrower(s) to endorse warrant "for deposit only" to borrower(s) checking account at Closing

loan administrator requires borrower(s) check to be prepared at Closing and made payable to vendor(s) in amount of invoice(s) in Loan File (from Section VIII Procedures Manual) subsequently produced

- loan administrator follows-up with vendor(s) to ensure proper payment(s) received, and documents contact

Controlled Bank Accounts

- loan administrator establishes a controlled account with loan funds for situations of release of funds to vendor(s) over a period of time, is planned in Section IV (Loan Application) Letter of Intent and Loan Use
- borrower(s) endorse warrant "for deposit only to account _____" for control accounts previously established in Pre-Loan Closing, Section VIII, Procedures Manual
- loan administrator ensures that warrant(s) is deposited into controlled account
- loan administrator ensures that funds are released to vendor(s) against valid invoices and according to fund requirements over time as specified in Section IV (Loan Application) Letter of Intent and Loan Use
- loan administrator ensures that funds from controlled accounts are released to vendor(s) only by dual signature check(s) drawn on account

dual signature check requires signature of either loan administrator or loan examiner assigned to loan

loan clerk maintains a record of deposits and disbursements against controlled account (Form 10-356)

loan clerk updates Form 10-356 with date, amount, purpose of each transaction

loan clerk maintains a continuous balance for the controlled account on Form 10-356

loan clerk maintains record of transactions
in borrower(s) loan file

loan clerk maintains a copy of vendor invoice
or record of payment and purpose for payment
in borrower(s) loan file

POST CLOSING

- Loan administrator ensures that the loan clerk takes steps required to file or record signed documents as required to perfect security position.

- loan clerk stamps "State Business" on documents and sends to appropriate recorder, place of filing

Record Assignment of Real Estate Contract
Deed of Trust

File State of Alaska
Uniform Commercial Code
Financing Statement

- loan clerk records documents with the appropriate recorder in the area where real property is located (e.g. Homer, Kenai, Anchorage, Fairbanks, Glenallen, etc.) in accordance with the Uniform Commercial Code

- loan clerk copies documents for recording, Assignment of Real Estate Contract and Deed of Trust, and files in borrower(s) Loan File

- loan clerk forwards original document(s) to appropriate recorder

- loan clerk replaces copy of document with recorded copy in Loan File when received

- loan clerk records State Land Sale or Lease Assignments used as collateral with the contract officer, Division of Forest, Land, and Water Management (reference UCC filing requirements necessary)

- loan clerk forwards Financing Statement to appropriate place of filing based on type of collateral as specified in the Uniform Commercial Code
- loan clerk replaces copy of Financing Statement in Loan File with validated copy when returned
- loan administrator ensures that a Continuation Statement is filed prior to expiration of filing of Financing Statement (5 years from date of filing)

SECTION IX

RECORDS RETENTION SCHEDULE

<u>Document</u>	<u>Period Held</u>	<u>Disposition</u>
Loan Closing Log		

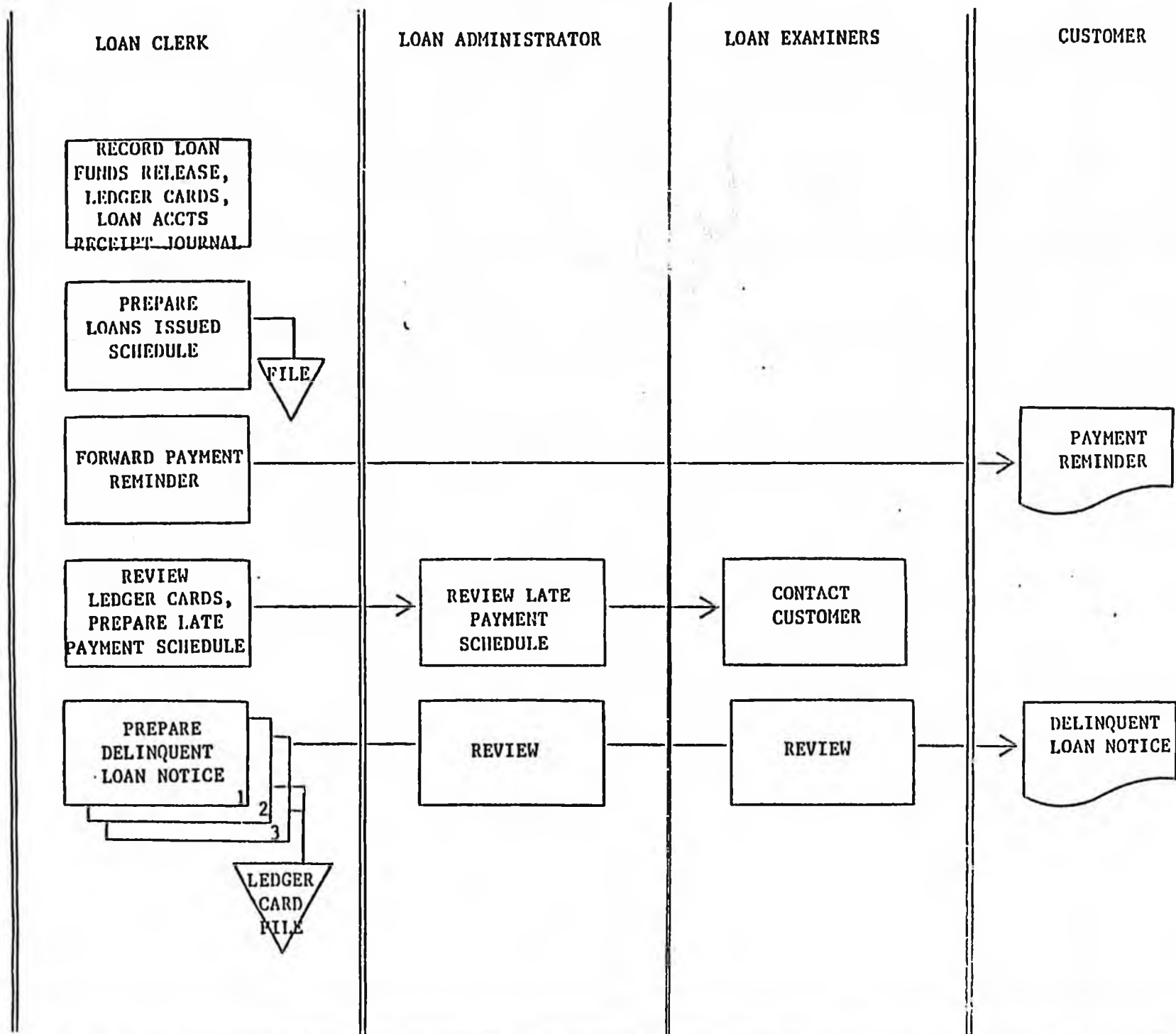
SECTION X LOAN REPAYMENTOVERVIEW

The purpose of this Section is to specify the procedures to be applied to collect, record, and account for payments made on loans and to reconcile certain records maintained by the Loan Fund and reported by the Department of Administration.

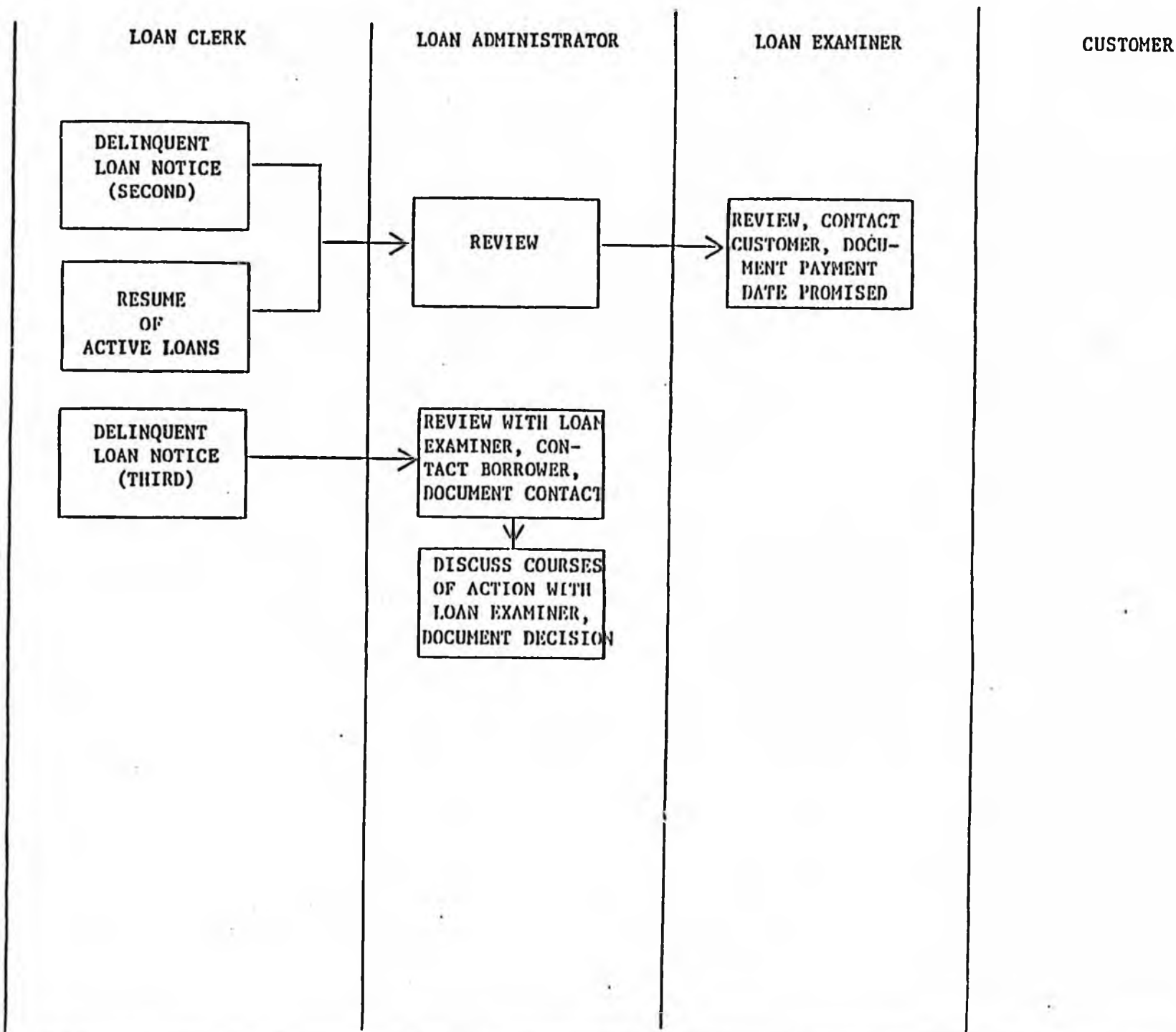
The purpose of the procedures is to specify the steps required to collect loan payments in a manner to ensure proper control of funds and uniform and accurate documentation.

Outputs of the Section include documents to record receipt and deposit of funds, transmittals to capture data and information for internal and external reporting, and management reports for internal purposes.

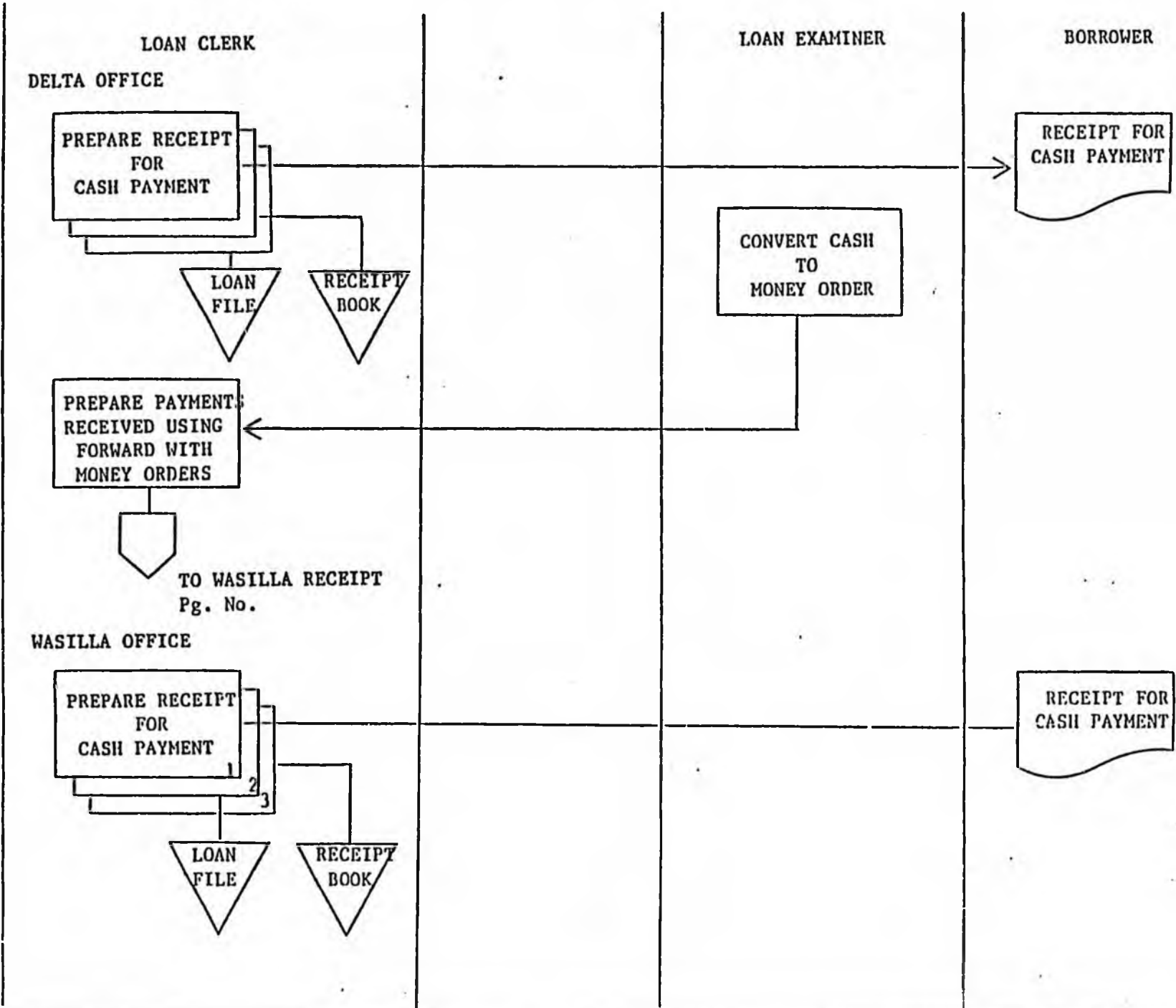
LOAN REPAYMENT
BILLING AND DELINQUENCY ADVICE



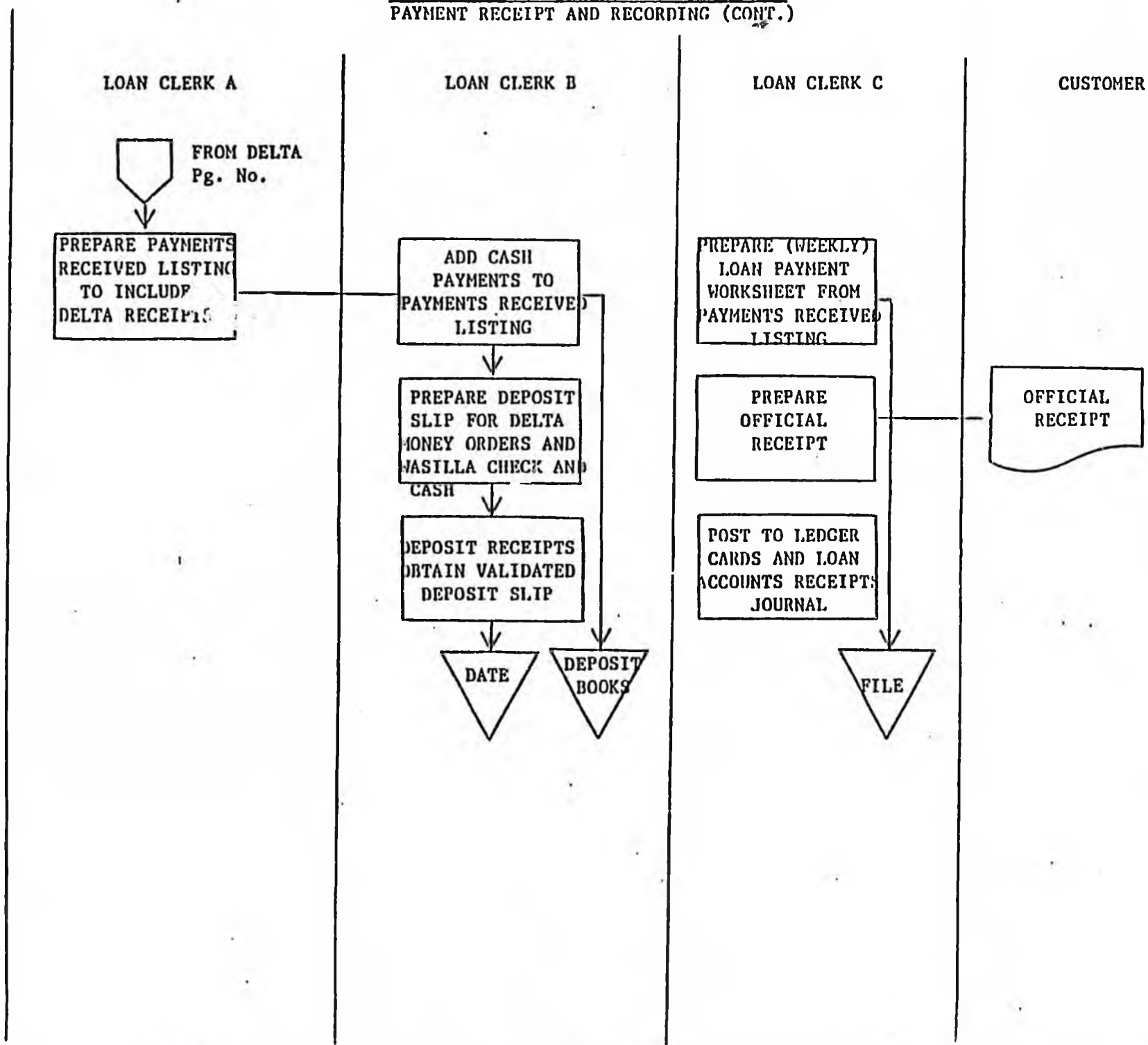
LOAN REPAYMENT
BILLING AND DELINQUENCY ADVICE (CONT.)



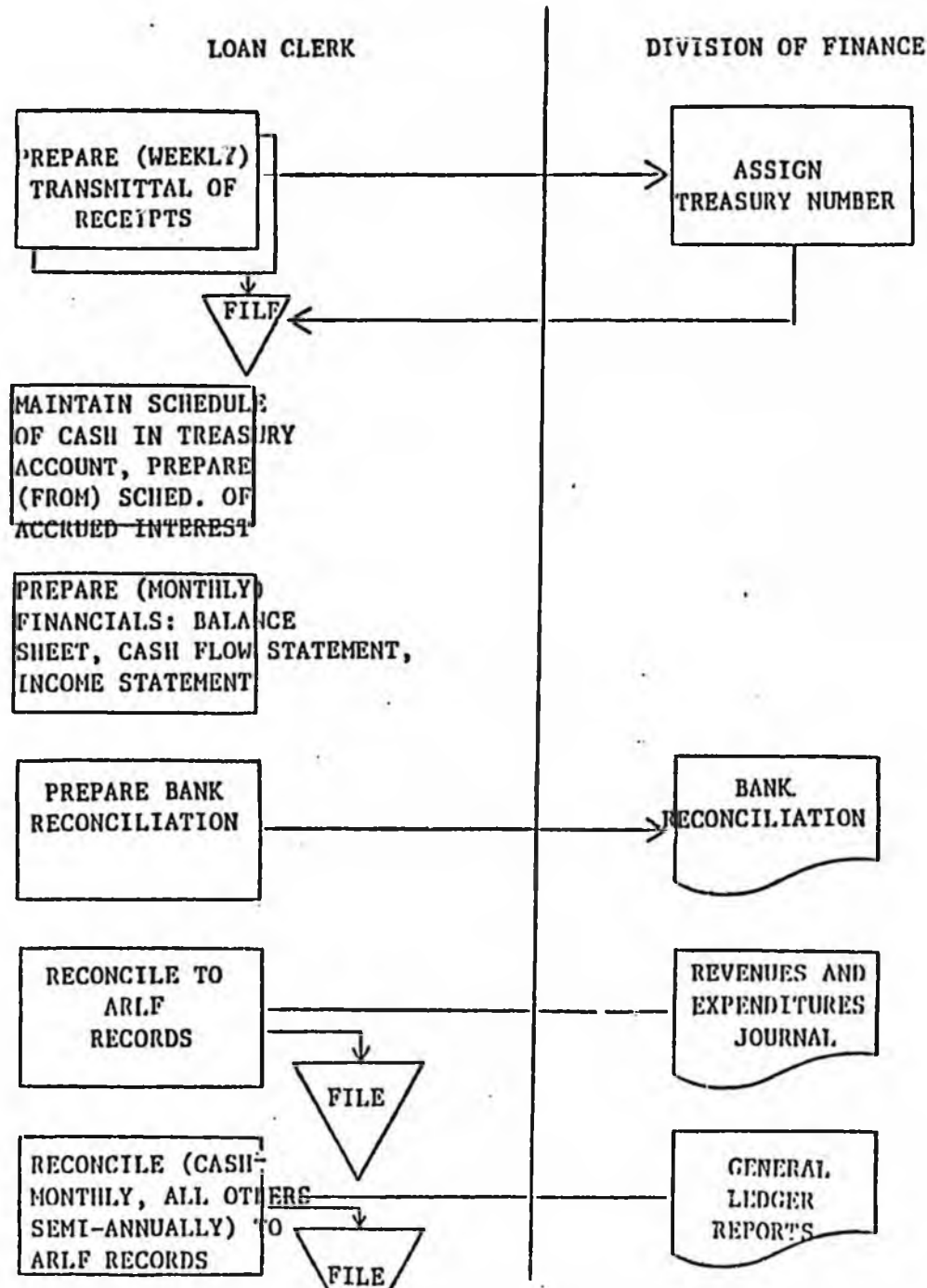
LOAN REPAYMENT (CONT.)
PAYMENT RECEIPT AND RECORDING



LOAN REPAYMENT
PAYMENT RECEIPT AND RECORDING (CONT.)



LOAN REPAYMENT (CONT.)
REPORTING AND RECONCILIATION



PROCEDURE

This Section addresses three major areas of the Loan Application Process:

billing and delinquency advice
 payment receipt and recording
 reporting and reconciliation

Billing and Delinquency Advice

- Loan administrator ensures that documents are prepared by loan clerk to record loan funds released.
 - loan clerk prepares heading on borrower's ledger card (Form 10-352)
 - loan clerk posts full amount of loan/warrant funds released to borrower (including full amount of controlled accounts)
 - loan clerk uses one-write system to post ledger card and Loan Accounts Receipt Journal (Form 10-353) simultaneously
 - loan clerk prepares a Loans Issued Schedule from ledger cards after posting
 - loan clerk files ledger card in ledger tray in alphabetical order by borrower(s) name
 - loan clerk maintains ledger tray in loan office safe

- Loan clerk prepares and forwards a payment reminder to borrower(s) based on repayment schedule:

monthly payment schedule	forward prior to date first payment is due
other payment schedule (annual, quarterly, etc.)	forward prior to due date for each payment

- Loan clerk reviews ledger cards on the 15th, approximately, of each month to identify loan accounts for which payments have not been received.
 - loan clerk prepares a Late Payment Schedule listing accounts for which payment was due (by the first of the month) and not received currently
 - Late Payment Schedule lists loan account number, borrower(s) name, amount of payment due, and date payment was due
 - loan clerk initials and dates Late Payment Schedule when completed
 - loan clerk routes three (3) copies of Late Payment Schedule to loan administrator

- Loan administrator reviews Late Payment Schedule and routes:
 - 1 copy Loan Administrator
 - 1 copy Loan Examiner - Wasilla
 - 1 copy Loan Examiner - Delta

- Loan examiners (Delta/Wasilla) contact borrowers from their respective areas as appropriate to determine cause of account non-payment.

- Loan clerk prepares Delinquent Loan Notice Form for each loan account listed on the Late Payment Schedule.

- Loan clerk routes all original copies of Delinquent Loan Notices to loan administrator.
 - loan clerk files copies 2 (yellow) and 3 (pink) with borrower ledger card

- Loan administrator reviews Notices and routes to appropriate loan examiner(s) (Delta/Wasilla).

- Loan examiners ensure that Notices are forwarded to delinquent borrowers as appropriate.

- Loan clerk removes copy 2 (yellow) from borrower ledger card and routes to loan administrator at the end of each month when preparing resume of active loans.
 - loan clerk verifies that a yellow copy of Delinquent Loan Notice is included for each loan listed over 30 days delinquent on the resume

- Loan administrator reviews yellow copy of form and routes to appropriate loan examiner.

- Loan examiner makes personal contact with borrower(s) and determines cause of non-payment and proposed timing for payment.

- Loan examiner documents contact with borrower(s), indicating date payment is promised.

- Loan clerk routes pink copy of Delinquent Loan Notice to loan administrator if payment is still not received about the 15th of the month following when active loans are reviewed and the Late Payment Schedule is prepared.

- Loan administrator reviews Delinquent Notices and status of loans delinquent with appropriate loan examiner.

- Loan administrator makes personal contact with delinquent borrower(s) and determines:
 - reason(s) for non-payment
 - payment date commitment
 - future status/viability of loan

- Loan administrator documents conversation and findings with borrower(s).
- Loan administrator discusses findings with loan examiner and potential need for further action to collect loan, refinance loan, or other steps.
- Loan administrator documents decisions regarding the steps to be taken by ARLF to collect the loan payment, loan balance, or other.

PAYMENT RECEIPT AND RECORDING

Delta Office

- Loan clerk or loan examiner prepares a hand-receipt for all cash received as loan payments.
 - original receipt is given to individual making payment
 - copy of receipt is retained in Delta office file in borrower(s) loan file
 - copy is retained in receipt book
- Loan examiner converts cash received to bank or postal money order made payable to ARLF on a daily basis.
- Loan clerk prepares a Payments Received Listing on a daily basis from all cash received, money orders, personal checks, or other means of payment.
 - loan clerk date stamps all checks and money orders on the reverse side, on the day received

- Loan clerk (A) prepares a Payments Received Listing immediately after stamping checks and money orders, listing:
 - Name of Payee/Borrower(s)
 - Date Payment Received
 - Amount Received
 - Loan Account Number (if indicated with payment)

- Loan clerk (A) routes on a daily basis, stamped and endorsed payments and Payments Received Listing to loan clerk (B).

- Loan clerk (B) prepares bank deposit slip (in duplicate) from checks and money orders.
 - loan clerk (B) prepares a calculator tape of checks, and indicates total on deposit slip
 - loan clerk (B) prepares a calculator tape of Payments Received Listing, and indicates total on the form
 - loan clerk (B) verifies that tape totals are the same, and initials form beside total, to indicate verification and reconciliation

- Loan clerk (B) obtains all cash envelopes from office safe and includes on deposit slip as a total amount.
 - loan clerk (B) lists all cash payments received on Payments Received Listing from receipts
 - loan clerk (B) prepares calculator tape of cash on Payments Received Listing and notes total on form
 - loan clerk (B) prepares a calculator tape of receipts attached to envelopes
 - loan clerk (B) counts cash, notes total on deposit slip, and compares to calculator tapes
 - loan clerk (B) verifies that tape totals are the same, and initials deposit slip copy beside cash total to indicate verification and reconciliation

- Loan clerk (B) maintains copy of deposit slip in deposit book as temporary file copy.
 - loan clerk (B) reconciles all discrepancies in (wo) tape totals, or informs loan administrator if unable to reconcile
 - loan clerk (B) files Payments Received Listing in loan office file by date
 - loan clerk or loan administrator take checks, cash, etc., and deposit slips to bank and obtains validated deposit slips (Wasilla and Delta payments)
 - loan clerk staples validated deposit slips to second copy of deposit slip-listing retained in deposit books (Wasilla and Delta)

- Loan administrator verifies cash handling procedures on a monthly basis.
 - verify that total on tape of cash receipts equals the total on the deposit slip and on the Payments Received Listing
 - verify that total on tape of checks and money orders equals the total on the deposit slip and on the Payments Received Listing
 - initial deposit slip beside cash total or check totals if amounts are equal
 - initial Payments Received Listing beside cash total or check total if totals are equal
 - obtain explanation of any discrepancies from loan clerk (B) and reconcile

- Loan clerk (C) prepares Loan Payment Worksheet and allocates borrower(s) loan payments amounts to principal and interest.
 - on a weekly basis, loan clerk (C) obtains Payments Received Listing from file
 - loan clerk (C) obtains individual borrower ledger cards (Form 10-352) from ledger tray for each borrower on Payments Received Listing

- from the Payments Received Listing obtain information and insert on Loan Payment Worksheet
 - Name of Borrower(s).
 - Date Payment Received (Day Number)
 - Amount Received
 - Loan Account Number (if available)
- for borrower(s) making payment on more than one loan, list borrower(s) name and gross payment amount once on a single line
- separate gross amount on subsequent lines of worksheet
- balance the total of worksheet payment amounts of total of Payments Received Listing, and check-mark to indicate verification from individual borrower ledger cards, obtain loan account number and insert on worksheet
- also obtain and insert on worksheet
 - Date (Day Number) of Last Payment
 - Interest Rate of Loan
 - Principal Balance Forward
- calculate for each payment the days between payments by subtracting day number of previous from day number of current payment, and apply to worksheet
- divide annual interest rate by 365 days to obtain daily interest rate
- multiply daily interest rate by number of days between payments
- multiply by principal balance outstanding to equal interest application amount, and insert on worksheet
- determine if payment was mailed or received later than 15 days after due date
- for late payments on loans made after July 1, 1979, loan clerk calculates a delinquency penalty
- penalty amount is calculated as 7% of the delinquent payment amount due, and is charged to loan payment prior to allocating payment amount to principal in accordance with AS 03.10.030(e)

- subtract interest application and penalty application amounts from total loan payment to obtain application to principal amount
- subtract application to principal amount from principal balance forward to obtain new principal balance and insert amount on worksheet
- after all loan payments have been allocated and worksheet is complete, loan clerk (C) prints POSTED on top of Loan Payments Received Listing and initials
- loan clerk (C) files Loan Payments Received Listing in loan office files in dedicated folder

- Loan clerk (C) prepares official receipt for payments and records payments on individual borrower ledger cards (Form 10-352) and on Loan Accounts Receipts Journal simultaneously using "one-write" system
 - information recorded from worksheet includes receipt number, amount received, days calculated between payments, interest applied, principal applied, penalty applied, balance of loan
 - loan clerk (C) prepares calculator tape of loan balances of borrower ledger cards posted above
 - loan clerk (C) prepares a calculator tape of worksheet principal balances calculated
 - loan clerk (C) compares calculator tape and ensures equal amounts
 - loan clerk (C) reconciles any differences in amounts encountered
 - when ledger cards and worksheet balance, loan clerk (C) writes POSTED at top of worksheet and initials
 - loan clerk (C) files worksheet in dedicated loan office folder
 - loan clerk (C) files ledger cards in ledger tray alphabetically by borrower name

- Loan clerk (C) subtotals (in pencil) all categories posted on the Accounts Receipts Journal for each period posted.
 - loan clerk mails official receipts to borrower(s)
- Page totals are calculated for each completed page and are reconciled across total amount received equals total interest and total principal applied.
- Loan clerk (C) check-marks each page below number for these categories when verified.

Final Payments

- Loan clerk notifies loan administrator when loan payments are made which complete the obligation of borrower(s) and pay-off the loan.
- Loan clerk completes the steps necessary to make necessary notification of loan repayment.
 - loan clerk prepares a Release Form for loans secured by Real Estate Mortgage
 - information to complete form is obtained from borrower(s). loan file
 - loan clerk attaches original loan note to Release Form and routes to loan administrator
- Loan administrator executes Release Form, and ensures signature is witnessed and notarized.
- Loan clerk stamps original notes PAID, and copies original note and Release Form.

- Loan clerk forwards stamped original note and signed Release Form to borrower(s).

- Loan administrator ensures that a Termination Statement is forwarded to the appropriate filing office for loans with a recorded financial statement (standard form UCC-3 is used)

Extension of Existing Note

- Loan administrator directs loan clerk to prepare a Loan Extension Form.
 - loan clerk prepares form with borrower(s) name as on the original note and the note number in the upper right hand corner
 - loan club includes information from loan administrator as to the terms of the extension:
 - outstanding principal balance
 - date interest it to be paid from
 - interest rate
 - new maturity date

- Loan clerk copies original note and attaches completed Extension Form.

- Loan clerk routes original form and note copy to loan administrator for signature.

- Loan administrator reviews with Director and upon approval by Director directs loan clerk to forward to borrower(s) or to contact for signatures.

- Loan administrator signs form for ARLF after borrower(s) executes.

- Loan clerk makes appropriate distribution.
 - make three copies of signed Extension Form and original note copy
 - file a copy in borrower(s) loan file
 - forward one copy to borrower(s)
 - attach original of signed Extension Form to original note and file in note box in loan office safe
- Loan clerk changes borrower(s) ledger card to agree with the terms of the approved extension.
- Loan club changes resume information on loan terms and status.

Refinancing Existing Loan

- Loan administrator reviews with Director and upon approval by Director directs loan clerk to prepare necessary documents to record refinancing of an existing loan, and provides required information.
- Loan clerk identifies a new loan number from Loan Register.
- Loan club prepares in Adjustment Voucher (Form 02-049) to record a transfer of principal and interest obligations from the old to the new loan number.
 - new loan funds may be added to the new loan number
 - adjustment voucher (AV) is forwarded to Juneau, Division of Finance on a weekly basis

- Loan clerk files a copy of the A in borrower(s) loan file.

- Loan clerk files an Amendment of Financing Statement, standard Form UCC-3 as appropriate for loans with recorded Financing Statements.

- Loan clerk amends refinanced loan documents with new loan number, new loan terms, additional funds disbursed, etc., including:
 - borrower(s) ledger card
 - loan resume
 - original note

REPORTING AND RECONCILIATION

Transmittal of Receipts

- Loan clerk prepares Transmittal of Receipts (Form 02-037) on pre-numbered, four-part form on a weekly basis, as a minimum.
 - loan clerk summarizes information from Loan Accounts Receipt Journal for the periods since last transmittal
 - loan clerk copies applicable Receipt Journal pages
 - loan clerk copies bank receipts for deposits made, and any bank collection notices received for the period
 - loan clerk ensures that the total of Transmittal of Receipts equals the Receipt Journal pages and the bank receipts or bank notices enclosed as support
 - loan clerk copies completed transmittal and maintains as a temporary file copy in loan office files
 - loan clerk forwards all copies of transmittal and support documents to Juneau, Division of Finance

- Loan clerk replaces temporary copy of transmittal with goldenrod copy returned from Juneau and files by DT number.
- Juneau applies Treasury Number (TR) and date entered on transmittal and returns goldenrod copy

Schedule of Cash in Treasury

- Loan clerk maintains on a current basis a record and balance amount of cash in the treasury account.
 - transactions are reflected as processed by ARLF
 - bank deposits are reflected as they are made, from the validated bank deposit slips
 - requests for warrants are reflected when the disbursement voucher (Form 02-050) is processed
 - additional expenditures, other receipts, and adjustments are reflected as processed, and are obtained from monthly Receipts and Expenditures Journals

Schedule of Accrued Interest

- Loan clerk prepares a Schedule of Accrued Interest at the end of each month.
 - loan clerk reviews each active loan in ledger tray and calculates accrued interest on each loan to the end of the month
 - schedule identifies for each active loan
 - Name of Borrower
 - Principal Balance
 - Accrued Interest
 - accrued interest is calculated from the principal loan balance based on the number of days in the period and the loan interest rate, in the same manner as allocation of a loan payment

- total balance of loans outstanding on the schedule is verified to ledger cards by preparing calculator tape of ledger cards and comparing
- any discrepancies are resolved by loan clerk

Periodic Financial Reports

- Loan clerk prepares monthly financial reports including balance sheet, cash flow statement, and income statement from ARLF records.

Income Statement

- income information for the Income Statement is obtained from the total of interest paid on loan balances for the month from the Loan Accounts Receipt Journal
- expense items are obtained from the Monthly Expenditure Journal from Juneau, reflecting administrative and operating expenditures
- operating income is calculated by subtracting the total of administrative and operating expenses from the total of all income

Balance Sheet

- current asset amounts are obtained as follows:

Cash in Treasury	-	from the General Ledger provided by Juneau
Cash in Treasury	-	from the total of all Transmittal of Receipts not posted by Juneau
Loans in Process	-	ARLF loan office listing total of previous period plus additions from loan administrator records
Repossessed Property-		
Loans Outstanding	-	from ARLF resume

- liabilities amounts are obtained as follows:
 - Due to Accounts - total of previous period plus additions/subtractions from ARLF records
 - Retained Earnings - total from previous period plus amount calculated on income statement for the period
 - Capitalization - total amount from previous period plus additional appropriations to ARLF
- total assets and total liabilities and capitalization are calculated and compared
- total amounts are balanced and discrepancies are resolved by the loan clerk as necessary

Cash Flow Statement

- opening balance of cash in account is obtained from previous period cash flow statement
- additional general fund appropriations amount is obtained from the loan administrator
- cash received from operations is obtained from the Loan Accounts Receipt Journal for the period
- for disbursements, the total of loans issued is obtained from the Loan Accounts Receipt Journal for the period
- administrative costs paid during the period from the ARLF account is obtained from the monthly Expenditures Journal from Juneau
- the total of disbursements against the ARLF account for the period is subtracted from the total of the funds available
- at the beginning of the period plus additions to the account due to operations for the period
- the net cash amount calculated is balanced to actual account balance in the bank reconciliation process

- discrepancies are resolved by loan clerk by review of ARLF records and Juneau reports

Bank Reconciliations

- Loan clerk (C) receives bank statement in mail from bank on a monthly basis and reconciles to ARLF records.
- loan clerk (C) verifies deposits on bank statement to validated bank deposit slips maintained in deposit book
- loan clerk (C) verifies that all deposits in the period are reflected
- loan clerk (C) resolves discrepancies with the bank for deposits not reflected
- loan clerk (C) resolves with bank or appropriate authority any deposits reflected on the statement for which ARLF does not have a validated deposit slip
- loan clerk compares checks reflected on the bank statement to the record of checks drawn against the account by the Department of Revenue, Division of Treasury and listed on monthly Expenditures Journal
- loan clerk lists and totals all checks drawn against the account and not reflected on the bank statement
- bank account is reconciled by starting with the account balance reflected on the statement, adding deposits not reflected and subtracting outstanding checks
- calculated balance is compared to the cash account balance maintained by ARLF loan clerk
- discrepancies are resolved by loan clerk
- a copy is made of the bank statement, reconciliation schedules, and appropriate documents and forwarded to the Division of Treasury, Juneau

Monthly Revenue and Expenditures Journals

- Loan clerk obtains on a monthly basis from Division of Treasury, Juneau, monthly Revenue and Expenditures Journals.

- Loan clerk balances total revenues on Journal to the transmittal of receipts forwarded for the period.
 - revenues that are not reflected on the Journal but which have been forwarded by transmittal of receipts are either in-transit or require further follow-up
 - in-transit revenues are those forwarded by ARLF on a transmittal of receipts dated after the journal cut-off date
 - revenues forwarded on a transmittal of receipts within the cut-off period for the journal but not listed, are discrepancies and are identified by the loan clerk through contact with Juneau or appropriate authority

- Loan clerk balances total expenditures for warrants on Journal to total of warrants requested from Disbursement Vouchers (Form 02-050).
 - amount reflected on Journal for warrants drawn are compared to warrants requested from Disbursement Vouchers
 - warrant amounts not reflected on Journal are identified as either outside the Journal period and thus in-transit, or are within the period and are discrepancies
 - discrepancies are resolved with Juneau or ARLF by loan clerk

- Loan clerk balances administrative and other expenditures to amounts shown on the Journal.

- Loan clerk initials and dates Journals when revenues and expenditures are verified to ARLF records.
- Loan clerk files Journals in loan office records files.

State of Alaska
General Ledger

- Loan clerk receives month end General Ledger reports from Juneau on a monthly basis.
- Loan clerk reconciles amount reflected on General Ledger to ARLF records for the account total of loans outstanding.
 - balance in loans outstanding account is verified by taking balance from the resume and subtracting loan principal payments reflected on transmittal of receipts (Form 02-037) forwarded to Juneau, but not yet posted
 - adjustments made to loan accounts on adjustment vouchers (Form 02-049) are reflected as required
 - discrepancies are resolved with ARLF records or Juneau as required
 - discrepancies not resolved are brought to the attention of the loan administrator
- Loan clerk initials and dates balance amount in loans outstanding account on general ledger when verified.
- Loan clerk reconciles amount reflected on general ledger to ARLF records for the account cash with treasury.

- ARLF record of cash on hand in the Treasury maintained by loan clerk is compared to amount reflected on general ledger
 - cash receipts not reflected in the general ledger balance are added to this amount and are obtained from Transmittal of Receipts forwarded to Juneau
 - cash expenditures not reflected on the general ledger are subtracted from the amount shown, and are obtained from Disbursement Vouchers (Form 02-050) processed and not reflected, administrative and operating expenses paid and not reflected, and any adjustments to the account
 - discrepancies between ARLF records of cash and the general ledger are resolved with appropriate authority
 - discrepancies not resolved are brought to the attention of the loan administrator
-
- Loan clerk initials and dates cash balance amount on the general ledger when verified.
 - Loan clerk files general ledger in loan office files.
 - Loan clerk reconciles all other accounts on the general ledger report provided by Juneau to ARLF records on a semi-annual basis.
 - Loan administrator and loan clerk prepare calculations to support an allowance for uncollectible accounts on an annual basis at year end.
 - information prepared in forwarded to the Division of Finance, in Juneau

LOAN CLERK B:

- Receives from Loan Clerk A -
 - transmittals from Delta office
 - endorsed payments and Payments Received Listing from Wasilla

- Prepares a bank deposit slip (in duplicate) from checks and money orders from Delta office.
 - prepares a calculator tape of checks and money orders and indicates total on deposit slip
 - verifies that tape total and total on Payments Received Listing provided by Delta are the same
 - reconciles any differences with Delta office
 - informs loan administrator of any differences not reconciled
 - maintains a separate deposit book with duplicate copies of deposit slips for Delta payments

- Prepares bank deposit slip (in duplicate) from checks and money orders from Wasilla office.
 - prepares a calculator tape of checks, and indicates total on deposit slip
 - prepares a calculator tape of Payments Received Listing, and indicates total on the form
 - verifies that tape totals are the same, and initials form beside total, to indicate verification and reconciliation

- Obtains all cash envelopes from Wasilla office safe and includes on deposit slip as a total amount.
 - lists all cash payments received on Payments Received Listing from receipts

- prepares calculator tape of cash on Payments Received Listing and notes total on form
 - prepares a calculator tape of receipts attached to envelopes
 - counts cash, notes total on deposit slip, and compares to calculator tapes
 - verifies that tape totals are the same, and initials deposit slip copy beside cash total to indicate verification and reconciliation
- Maintains copy of deposit slip in deposit book as temporary file copy.
- reconciles all discrepancies in two tape totals, or informs loan administrator if unable to reconcile
 - files Payments Received Listing in loan office file by date
 - loan clerk or loan administrator takes checks, cash, etc., and deposit slips to bank and obtains validated deposit slips (Wasilla and Delta payments)
 - staples validated deposit slips to second copy of deposit slip-listing retained in deposit books (Wasilla and Delta)

LOAN CLERK C:

- Prepares Loan Payment Worksheet and allocates borrower(s) loan payments amounts to principal and interest.
 - on a weekly basis, obtains Payments Received Listing from file
 - obtains individual borrower ledger cards (Form 10-352) from ledger tray for each borrower on Payments Received Listing
 - from the Payments Received Listing obtain information and insert on Loan Payment Worksheet
 - Name of Borrower(s)
 - Date Payment Received (Day Number)
 - Amount Received
 - Loan Account Number (if available)
 - for borrower(s) making payment on more than one loan, list borrower(s) name and gross payment amount once on a single line
 - separate gross amount on subsequent lines of worksheet
 - balance the total of worksheet payment amounts of total of Payments Received Listing, and check-mark to indicate verification from individual borrower ledger cards, obtain loan account number and insert on worksheet
 - also obtain and insert on worksheet
 - Date (Day Number) on Last Payment
 - Interest Rate of Loan
 - Principal Balance Forward
 - calculate for each payment the days between payments by subtracting day number of previous from day number of current payment, and apply to worksheet
 - divide annual interest rate by 365 days to obtain daily interest rate
 - multiply daily interest rate by number of days between payments

- multiply by principal balance outstanding to equal interest application amount, and insert on worksheet
 - determine if payment was mailed or received later than 15 days after due date
 - for late payments on loans made after July 1, 1979, loan clerk calculates a delinquency penalty
 - penalty amount is calculated as 7% of the delinquent payment amount due, and is charged to loan payment prior to allocating payment amount to principal in accordance with AS 03.10.030(e)
 - subtract interest application and penalty application amounts from total loan payment to obtain application to principal amount
 - subtract application to principal amount from principal balance forward to obtain new principal balance and insert amount on worksheet
 - after all loan payments have been allocated and worksheet is complete, prints POSTED on top of Loan Payments Received Listing and initials
 - files Loan Payments Received Listing in loan office files in dedicated folder
- Prepares official receipt for payments and records payments on individual borrower ledger cards (Form 10-352) and on Loan Accounts Receipts Journal simultaneously using "one-write" system
- information recorded from worksheet includes receipt number, amount received, days calculated between payments, interest applied, principal applied, penalty applied, balance of loan
 - prepares calculator tape of loan balances of borrower ledger cards posted above
 - prepares a calculator tape of worksheet principal balances calculated
 - compares calculator tape and ensures equal amounts
 - reconciles any differences in amounts encountered

- when ledger cards and worksheet balance, writes POSTED at top of worksheet and initials
- files worksheet in dedicated loan office folder
- files ledger cards in ledger tray alphabetically by borrower name

- Subtotals (in pencil) all categories posted on the Accounts Receipts Journal for each period posted.
 - mails official receipts to borrower(s)

- Calculates page totals for each completed page and reconciles across: total amount received equals total interest and total principal applied.

- Check-marks each page below number for these categories when verified.

LOAN ADMINISTRATOR:

- Verifies cash handling procedures on a monthly basis.
 - verifies that total on tape of cash receipts equals the total on the deposit slip and on the Payments Received Listing
 - verifies that total on tape of checks and money orders equals the total on the deposit slip and on the Payments Received Listing
 - initials deposit slip beside cash total or check totals if amounts are equal
 - initials Payments Received Listing beside cash total or check total if totals are equal
 - obtains explanation of any discrepancies from loan clerk (B) and reconciles.

SECTION XRECORDS RETENTION SCHEDULE

<u>Document</u>	<u>Period Held</u>	<u>Disposition</u>
Borrower Ledger Cards		
Loan Accounts Receipt Journal		
Late Payment Schedule		
Payments Received Listings		
Receipt Books		
Deposit Books		
Loan Payment Worksheet		
Borrower Loan Files Closed		
Transmittal of Receipts		
Schedule of Cash in Treasury		
Schedule of Accrued Interest		
Periodic Financial Reports		

SECTION X (continued)RECORDS RETENTION SCHEDULE (continued)

<u>Document</u>	<u>Period Held</u>	<u>Disposition</u>
Bank Reconciliations		
Revenue and Expenditures Journals		
General Ledger Reports		

AGRICULTURAL REVOLVING LOAN FUND

Date

Re:

Name
Address

Dear

Thank you for your interest in the Agricultural Revolving Loan Fund and the services we provide to Alaskans.

I have enclosed some general information about the Agricultural Revolving Loan Fund and our activities.

Please feel free to contact me or loan fund personnel if you have any questions or would like more information about us.

Sincerely,

Enclosures

AGRICULTURAL REVOLVING LOAN FUND

Date

Re:

Name
Address

Dear

Thank you for your interest in the Agricultural Revolving Loan Fund and your request for a Loan Application Package.

I have enclosed the following:

* Loan Application Package

*

*

Please feel free to contact loan examiners in these locations if you have any questions:

* Harley G. Olberg, P.O. Box 268, Delta Junction, Alaska
99737 895-4921

* David E. Owen, P.O. Box 1256, Wasilla, Alaska 99687
376-3276

* Douglas L. Jacobson, P.O. Box 1256, Wasilla, Alaska 99687
376-3276

Sincerely,

Enclosures

AGRICULTURAL REVOLVING LOAN FUND

INITIAL PERSONAL CONTACT FORM

Name of Individual _____

Mailing Address _____

Telephone Number _____

Method of Contact:

Telephone _____ In Person _____

Date of Contact: _____

Nature of Interest/Inquiry _____

Disposition:

Route to Loan Examiner/Administrator Check/Initial

Form Letter/Brochures/Loan App. Date Sent

Loan Clerk Initials _____

Loan Examiner/Administrator Follow-Up:

Date: _____

AGRICULTURAL REVOLVING LOAN FUND

Date

Re: Loan Application Package

Name
Address

Dear

This is to confirm that we have received your

Loan Application Package on _____
Date

Loan Documents _____
Date

Review of your Application Package indicates that:

_____ the Package appears to be complete and has been assigned to the following loan examiner for further review:

Name _____ Location _____

_____ the Package appears to be incomplete for the following reasons:

Missing Documents _____

Form Not Signed _____

Non-Alaskan Resident _____

Your application package is being maintained in our PENDING files awaiting the necessary documents.

If you have any questions regarding your Application Package or our review process, please feel free to contact:

Name

Location

Telephone

Mailing Address

Sincerely,

AGRICULTURAL REVOLVING LOAN FUND

Date

Re: Notification of Loan Board Decision

Name
Address

Dear

This is to inform you that your request for loan was reviewed by the Loan Board of the Agricultural Revolving Loan Fund at its meeting on _____.

The decision of the Loan Board was to:

- _____ Approve your loan request. Contact your loan examiner for instructions for Closing.
- _____ Approve your loan request with the following changes or additional requirements:

- _____ Hold your loan request in our PENDING file until additional conditions are met or information is provided.

Contact your loan examiner for more information

_____ Disapprove your loan request. Contact your loan
examiner for more information.

If you have any questions regarding your loan application or the
decision of the Loan Board, you may contact your local Loan
Examiner.

Sincerely,

AGRICULTURAL REVOLVING LOAN FUND

Date

Re:

Name
Address

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Enclosures

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Name of Individual _____

Mailing Address _____

Telephone Number _____

Method of Contact:

Telephone _____ In Person _____

Date of Contact: _____

Nature of Interest/Inquiry _____

Disposition:

Route to Loan Examiner/Administrator Check/Initial

Form Letter/Borchures/Loan App. Date Sent

Loan Clerk Initials _____

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Date: _____

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------------	----------------

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Name

Location

Telephone

Mailing Address

Sincerely,

AGRICULTURAL REVOLVING LOAN FUND

Date

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Name
Address

Dear

This is to inform you that your request for loan was reviewed by the Loan Board of the Agricultural Revolving Loan Fund at its meeting on _____.

The decision of the Loan Board was to:

_____ Approve your loan request. Contact your loan examiner for instructions for Closing.

_____ Approve your loan request with the following changes or additional requirements:

_____ Hold your loan request in our PENDING file until additional conditions are met or information is provided.

Contact your loan examiner for more information

— Disapprove your loan request. Contact your loan
examiner for more information.

If you have any questions regarding your loan application or the
decision of the Loan Board, you may contact your local Loan
Examiner.

Sincerely,

AGRICULTURAL REVOLVING LOAN FUND

LOAN APPLICATION PACKAGE

INDEX

1. POLICIES AND PROCEDURES FOR LOANS
2. LOAN DOCUMENTS CHECK LIST
3. LOAN APPLICATION AND FUNDS REQUEST
4. LETTER OF INTENT AND LOAN USE
5. LONG-TERM BORROWING PLAN
6. CASH FLOW PROJECTIONS
7. LOAN REPAYMENT PLAN
8. LIST OF COLLATERAL
9. PRODUCT MARKET STATEMENT
10. PERSONAL RESUME AND PRODUCTION RECORDS
11. CURRENT FINANCIAL STATEMENTS
12. INCOME TAX RETURNS
13. AUTHORIZATION FORMS TO VERIFY FINANCIAL INFORMATION
14. AUTHORIZATION FORMS TO VERIFY CREDIT BACKGROUND

SECTION 1 POLICIES AND PROCEDURES FOR LOANS

LOAN PURPOSES

The Alaska Agricultural Loan Act (AS03.10), established in 1953, is designed to promote the more rapid development of agriculture as an industry throughout the State by means of long-term , low-interest loans.

Five types of loans are available to qualified individuals and groups for agricultural purposes:

1. Farm Development Loans for the purchase of land, land clearing, construction of farm buildings, and processing plants.
2. Chattel Loans for the purchase of livestock and equipment.
3. Short-term loans for seed, feed, fertilizer, harvesting, planting, and other general farm operations.
4. Irrigation loans for irrigation systems equipment only.
5. Farm product processing loans.

ELIGIBILITY

Loans may be made to individual farmers, homesteaders, partnerships or corporations composed of farmers and/or homesteaders.

To qualify for funds, applicants must provide proof of current Alaska residency.

A borrower must provide a statement of farm and other business experience with evidence of necessary related skills and training.

A borrower may not use farm land for a non-farm use or sell, lease or otherwise dispose of farm land if that land is encumbered by a mortgage given to secure the payment of a loan.

INTEREST RATES

Interest rates on all loans will be calculated on the unpaid loan balance at or not to exceed the maximum legal limit as prescribed in Alaska Statutes.

TERMS

<u>Loan Type</u>	<u>Maximum Loan</u>	<u>Maximum Life</u>
Farm Development Loan	\$500,000	Up to 30 years
Chattel Loan	\$300,000	Up to 7 years or useful life of chattel
Short Term Loan	\$200,000	Up to 1 year
Irrigation Loan	Negotiated	Up to 10 years
Farm Product Processing Loan	\$2,500,000	Up to 30 years

COLLATERAL

All loans must be secured by adequate collateral, which is subject to appraisal by the Agricultural Revolving Loan Fund (ARLF) or an outside appraiser. Eligible collateral may include land, buildings, machinery, equipment, crops or livestock.

Fire and collision coverage is required on machinery, equipment, and buildings used as collateral on ARLF loans naming ARLF as loss payee.

APPLICATION PROCEDURES

Application for loans must be made on forms prescribed by ARLF and must include submission of items required as listed on the Loan Documents Checklist.

Completed applications will be submitted to the Loan Board for review. All applicants will be notified in writing of the decisions of the Board.

SECTION 3 LOAN APPLICATION AND FUNDS REQUEST

Date _____

1. Personal Data

Name _____

Address _____

Birth Date _____

Telephone: Bus. _____

 Res. _____

Form of Business: Sole Proprietorship _____

 Partnership _____

 Joint Venture _____

 Corporation _____

If Partnership, List Partners

If Joint-Venture, List Those Involved

If Corporation, List Officers

Date Incorporated: _____ Location: _____

Social Security or
IRS Employer Identification Number:

Alaskan Resident: Yes _____ No _____ Years _____

Spouse Name _____ Birth Date _____

Children Names Birth Dates

2. Summary of Loan Requests

Type	Short Term	Chattel	Farm Development	Irrigation	Product Processing
------	---------------	---------	---------------------	------------	-----------------------

Purpose _____

Amount of Each _____

Total Time to Repay _____

SECTION 4 LETTER OF INTENT AND LOAN USE

Describe in detail how you plan to use the borrowed funds
and the required timing for receipt of funds:

Use:

Timing of Use:

SECTION 5

LONG-TERM BORROWING PLAN

Provide a detailed plan of your long-term borrowing needs, indicating:

- Current borrowing request.

- Future borrowing needs.
 - * Type of Loan Request
 - * Projected Date Funds Needed
 - * Amount of Funds Required
 - * Purpose of Loan Funds

SECTION 6

CASH FLOW PROJECTIONS

Each applicant must provide a detailed projection of the cash flow from the farm or project for the following year using the form supplied.

In addition, the applicant must prepare an Income Statement projecting income and expenses for the total years of the loan.

ANNUAL
OPERATING BUDGET
AND
CREDIT PLAN

Name_____

19__

SECTION I—FERTILIZER AND OTHER CROP COSTS

	Crop to be grown	Field		Yield	Total Production	Fertilizer			Seed		Chemicals		
		No.	Acres			Analysis	Rate/Acre	Total	Variety	Quantity	Kind	Rate/Acre	Total
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													

Summary—Fertilizer and Other Crop Costs

Fertilizer				Seed			Chemicals			Power and Machinery	
Analysis	Requirement	When Needed	Cost	Requirement	When Needed	Cost	Requirement	When Needed	Cost	Requirement	Cost
11			\$			\$			\$		\$
12											
13											
14											
15											
16											
17											
18			Total \$			Total \$			Total \$		Total \$

COMMENTS:

SECTION II—CROP USAGE AND FEED REQUIREMENTS

	Crop	Beginning Inventory	Production	Purchases		Total	Farm Use (Feed and Seed)	Sales		Ending Inventory
				Quantity	Mo.			Quantity	Mo.	
1										
2										
3										
4										
5										
6										
7										
8										
	Livestock Kind	Livestock Inventory		Corn bu.			Supp. Tons	Hay Tons		
		Beginning	Ending	Old	New					
9										
10										
11										
12										
13										
14										
15										
16	Total Feed Requirements									

COMMENTS:

SECTION III—LIVESTOCK PLAN

	Kind	Begin. Inventory		Purchases			Raised No.	Sales			Ending Inventory		
		No.	Value	Cap. or Op.	No.	Cost		Mo.	Cap. or Op.	No.	Value	Mo.	No.
1			\$			\$				\$			\$
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													
12													
13													
14													
15													
16													
17													
18													
19													
20													

COMMENTS:

SECTION VII—PROJECTED PROFIT AND LOSS STATEMENT

Period Covered: _____ 19____ Through _____ 19____

Gross Income from Sale of Livestock and Livestock Products (Section IV, line 2)	\$ _____
Gross Income from Sale of Crops (Section IV, line 1)	\$ _____
Other Income from Farming (Section IV, line 3)	\$ _____
Total Gross Receipts from Farming (Section IV, line 4)	\$ _____
Total Cash Operating Expenses (Section IV, line 24, plus interest expense, Section VI, lines 52 and 58.)	\$ _____
Net Cash Income from Operation	\$ _____
Adjustment for Net Change in Inventory	±\$ _____
Net Operating Profit	\$ _____
Adjustment for Net Change in Capital Items	±\$ _____
Projected Profit (Loss) from Operation	\$ _____

DISTRIBUTION OF PROFITS (ESTIMATED)	
Family Living \$ _____	Income Tax \$ _____
Debt Reduction	
Business Reinvestment and Savings	\$ _____

SECTION 7

LOAN REPAYMENT PLAN

Each application must prepare a detailed plan showing repayment of loan funds from the projected farm or project cash flow.

Data for this form is from the cash flow projection in Section 7 using the same time frame as requested in the Repayment Plan and Total Time to Repay, Section 3.2.

FOR EXAMPLE: If Time to Repay is requested for 1 year, and Repayment Plan requests equal monthly payments, the Loan Repayment Plan should be based on monthly revenues, expenses, and payments. If the Repayment Plan requests equal quarterly payments, the Loan Repayment Plan would appear as follows:

	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Net Cash Income Projected from Operations (Budget Summary lines 48-53)	\$ _____	_____	_____	_____
Less: Loan Payments	_____	_____	_____	_____
Cash Available from Operations	\$ _____	_____	_____	_____

SECTION 8 LIST OF COLLATERAL

All loans must be secured by adequate collateral; list property to be used to secure loan funds.

REAL ESTATE Is this property owned? Yes _____ No _____

Legal Description _____

Location _____

Acres _____ Appraised Value _____

Date Last Appraised _____

Liens _____

Equity Value _____

Mortgage Holder _____

BUILDINGS

Description _____

Location _____

Appraised Value _____ Date Last Appraised _____

Liens _____

Equity Value _____

Mortgage Holder _____

MACHINERY - EQUIPMENT

Description _____

Location _____

Condition - Age _____

Appraised Value _____ Date Last Appraised _____

Liens _____

Equity Value _____

Note Holder _____

OTHER SECURITY

Item

Equity Value

SECTION 10 PERSONAL RESUME AND PRODUCTION RECORDS

Each applicant must possess previous farm or business experience and provide a business history as evidence of the necessary skills and training. A business history must be provided for all persons owning 10 percent or more of the business entity.

PERSONAL RESUME

Outline your personal agricultural experience (total equal to years in Section 3.3).

CURRENT:

Years Current Farm/Facility Operated _____

Location _____

Acres Total _____

Tillable _____

Other (Specify) _____

Owned _____

Mortgage Holder _____

Annual Payments _____

Leased _____

Landlord: Name _____

Address _____

Lease Expires _____

Annual Rent _____

Major Projects Sold _____

Contracts for Sale of Products _____

Previous Other Farming or Agricultural Experience -

<u>Name</u>	<u>Years</u>	<u>Product</u>	<u>Size</u>
-------------	--------------	----------------	-------------

Briefly outline any other previous business experience.

REFERENCES

Trade _____
(Name)

(Address)

(Telephone)

Trade _____
(Name)

(Address)

(Telephone)

Personal (3) (other than relatives)

(Name)

(Address)

(Telephone)

(Relationship)

(Name)

(Address)

(Telephone)

(Relationship)

(Name)

(Address)

(Telephone)

(Relationship)

SECTION 11 CURRENT FINANCIAL STATEMENTS

Each applicant will provide financial statements, including balance sheet and profit and loss statement, for the preceding year of operation.

The following Financial Statement form is to be used for this purpose.

SECTION II—FINANCIAL STATEMENT

Financial Statement of:

Name _____
Address _____

Major Enterprise(s) _____
Statement Date _____ 19__

TO:

ASSETS

CURRENT

Cash on Hand		\$ _____
Cash on Deposit (Bank _____)		_____
Notes Receivable	(Sched. A)	_____
Accounts Receivable	(Sched. A)	_____
Livestock Held for Sale	(Sched. B)	_____
Crops Held for Sale and Feed	(Sched. C)	_____
Cash Investment in Growing Crops	(Sched. C)	_____
Securities (Marketable)	(Sched. D)	_____
Cash Surrender Value of Life Insurance	(Sched. E)	_____
Other (Specify) _____		_____
TOTAL CURRENT		\$ _____

INTERMEDIATE

Autos and Trucks (Net)	(Sched. F)	\$ _____
Machinery and Equipment (Net)	(Sched. F)	_____
Breeding and Dairy Livestock	(Sched. B)	_____
Securities (Not readily marketable)	(Sched. D)	_____
Other (Specify) _____		_____
TOTAL INTERMEDIATE		\$ _____

FIXED

Farmland	(Sched. G)	\$ _____
Farm Improvements (Net)	(Sched. G)	_____
Nonfarm Real Estate	(Sched. H)	_____
Household Furnishings		_____
Other (Specify) _____		_____
TOTAL FIXED		\$ _____

TOTAL ASSETS \$ _____

LIABILITIES

CURRENT

Notes Payable to Our Bank	(Sched. I)	\$ _____
Notes Payable to Relatives	(Sched. I)	_____
Notes Payable to Others	(Sched. I)	_____
Accounts Payable	(Sched. I)	_____
Portion of Intermediate-Term Debt Due Within 12 Months	(Sched. J)	_____
Portion of Long-Term Debt Due Within 12 Months	(Sched. K)	_____
Rent, Taxes, and Interest Due and Unpaid		_____
Loans Against Cash Surrender Value of Life Insurance		_____
Other Debt Due Within 12 Months		_____
TOTAL CURRENT		\$ _____

INTERMEDIATE-TERM

Notes Payable to Our Bank	(Sched. J)	\$ _____
Notes Payable to Others	(Sched. J)	_____
Maturities of over 1 but under 10 years for other than seasonal needs—less portion applied to current liabilities.		
TOTAL INTERMEDIATE-TERM		\$ _____

LONG-TERM

Mortgages on Farm Real Estate (Less portion applied to current liabilities)	(Sched. K)	\$ _____
Mortgages on Other Real Estate (Less portion applied to current liabilities)	(Sched. K)	_____
Other (Specify) _____		_____

TOTAL LONG-TERM \$ _____

TOTAL LIABILITIES \$ _____

NET WORTH* \$ _____

TOTAL LIABILITIES & NET WORTH \$ _____

* Net worth resulting from upward revaluation of fixed assets (\$ _____)

GENERAL INFORMATION

1. Insurance

a. Real and Personal Property _____

 b. Liability _____

 c. Workmen's Compensation _____
 Other _____

2. Taxes

a. Personal Property _____
 b. Real Estate _____
 c. Income _____
 d. Other _____

For the purpose of procuring and maintaining credit from time to time in any form whatsoever with the above-named bank, the undersigned submit(s) the above Financial Statement as being a true, complete, and accurate statement of my (our) financial condition on the above date, and agree(s) that if any change occurs that materially reduces the means or ability of the undersigned to pay all claims or demands against me (us), the undersigned will immediately notify the bank in writing; and unless the bank is so notified, it may continue to rely upon the statement herein as a true, complete, and accurate statement of the financial condition of the undersigned.

Signed _____ Date: _____ 19__

Certified by: _____

SECTION IV—PROFIT AND LOSS STATEMENT

Statement of: _____

Period Covered:

Address: _____

Prepared for: _____

_____ 19____ through _____ 19____

RECEIPTS

Gross from Sale of Livestock and Livestock Products (describe):

	Units	
_____	(_____)	\$ _____
_____	(_____)	_____
_____	(_____)	_____
_____	(_____)	_____
Subtotal Livestock		\$ _____

Gross from Sale of Crops (describe):

_____	(_____)	\$ _____
_____	(_____)	_____
_____	(_____)	_____
_____	(_____)	_____
Subtotal Crops		\$ _____

Other from Farming (describe):

_____	\$ _____	
_____	_____	
_____	_____	
Subtotal Other		\$ _____

Gross Receipts From Farming \$ _____

OPERATING EXPENSES

Feeder Livestock Purchased	\$ _____
Feed Purchased	_____
Hired Labor	_____
Fertilizer and Lime	_____
Pesticides	_____
Seeds and Plants Purchased	_____
Machine Hire	_____
Machinery Maintenance and Repairs	_____
Fuel and Oil	_____
Livestock Expenses (breeding, veterinary, medicine)	_____
Maintenance and Repairs (other than machinery)	_____
Rent and Leases	_____
Utilities (farm share)	_____
Taxes and Insurance (farm share)	_____
Farm Interest	_____
Other Cash Expenses (specify):	_____
_____	_____
_____	_____
_____	_____
Total Cash Operating Expenses	\$ _____

Net Cash Income From Operation \$ _____

Adjustments for Change in Inventory:

	Feed	Market Livestock	Supplies	
Beginning Inventory	\$ _____	\$ _____	\$ _____	
Ending Inventory	_____	_____	_____	
Net Change (±)	\$ _____	\$ _____	\$ _____	= (±)\$ _____
(Plus if increased, minus if decreased)				

Net Operating Profit \$ _____

Adjustments for Capital Items:

	Machinery and Equipment	Breeding Livestock	Improvements	
Beginning Inventory	\$ _____	\$ _____	\$ _____	
Plus: Purchases	_____	_____	_____	
Less: Ending Inventory	_____	_____	_____	
Sales	_____	_____	_____	
Net Change (±)	\$ _____	\$ _____	\$ _____	= (±)\$ _____

Profit (Loss) From Operation \$ _____

Information Only

Depreciation taken this year:

Machinery and Equipment	\$ _____
Breeding Livestock	_____
Improvements	_____
Total	\$ _____
Annual Nonfarm Income:	\$ _____

I (we) hereby certify that the above is a complete and accurate statement of my (our) profit and loss record during the period shown to the best of my (our) knowledge and belief.

Signature(s) _____

Date _____ 19____

SECTION III—SUPPORTING SCHEDULES

A. RECEIVABLES

	Type	From Whom	Amount		Date Due	Collateral
			\$ Original	\$ Present		
Notes						
.....		TOTAL	\$	\$		
Accounts						
		TOTAL	\$	\$		

B. LIVESTOCK

	No.	Description	Value Per Unit	Total Value
Held for Sale			\$	\$
			Total	\$
.....			\$	\$
Held for Breeding (Including Dairy)				
			Total	\$

C. CROPS

	Units	Description	Value Per Unit	Total Value
Held for Sale or Feed			\$	\$
			Total	\$
.....	Acres			Investment to Date
Growing				\$
			Total	\$

D. SECURITIES

	Description	Present Total Value	Pledged	Amount Owed
Marketable		\$		\$
		Total	\$	\$
.....				
Nonmarketable				
		Total	\$	\$

E. LIFE INSURANCE (OWNED)

Face Value	Company	Insured	Present Cash Surrender Value	Annual Premium	Pledged	Amount Owed
\$			\$	\$		\$
\$	Total		\$	\$		\$

Section III—Supporting Schedules (continued)

F. MACHINERY AND EQUIPMENT (MAJOR ITEMS)

	Article	Year Purchased	Cost	Accumulated Depreciation	Present Value
			\$	\$	\$
Auto and Truck					
		Total	\$	\$	\$
			\$	\$	\$
All Other					
			Total	\$	\$

G. FARMLAND AND IMPROVEMENTS

	Date Purchased	Description	Purchase Cost	Present Value	Title
			\$	\$	
Land					
		Total	\$	\$	
Improvements (Farm Structures)			Cost of Improvements	Accumulated Depreciation	Present Value
			\$	\$	\$
			Total	\$	\$

H. NONFARM REAL ESTATE

	Date Purchased	Description	Purchase Cost	Present Value	Title
			\$	\$	
		Total	\$	\$	

I. NOTES AND ACCOUNTS PAYABLE

	Date Originated	Original Amount	Balance Due	Holder	Collateral	Terms Repayment
		\$	\$			
Notes						
	Total	\$	\$			
Accounts	Amount Due	To Whom		Repayment Arrangements		
	\$					
	Total	\$	\$			

J. INTERMEDIATE-TERM LIABILITIES

	Date Originated	Original Amount	Balance Due	Holder	Purpose
		\$	\$		
	Total	\$	\$		

K. LONG-TERM LIABILITIES

	Date Originated	Original Amount	Balance Due	Holder	Repayment Arrangements
Farm		\$	\$		
	Total	\$	\$		
Other					
	Total	\$	\$		

SECTION 12 INCOME TAX RETURNS

Each applicant will provide copies of all federal and state income tax returns for the three preceding fiscal years, including Schedule C.

SECTION 13 AUTHORIZATION FORMS TO VERIFY FINANCIAL
INFORMATION

Two authorization forms are provided in this package for ARLF verification of certain financial and banking information supplied by the applicant in the financial statement section.

Complete, sign, and date an authorization form for each major checking account, savings account, and loan shown on the financial statement. Include these forms with your completed loan application package.

AGRICULTURAL REVOLVING LOAN FUND
AUTHORIZATION TO VERIFY FINANCIAL INFORMATION
AND
VERIFICATION OF BANK FINANCIAL INFORMATION

Authorization to verify financial information:

Name of Applicant _____

Address _____

Name of Bank _____

Address _____

<u>Type of Account</u>	<u>Account Number</u>	<u>Date Opened</u>	<u>Balance</u>
Checking			
Savings			
Other			

Loans:

<u>Type</u>	<u>Original Date</u>	<u>Original Balance</u>	<u>Payments</u>	<u>Current Balance</u>	<u>Status</u>
-------------	----------------------	-------------------------	-----------------	------------------------	---------------

I have provided ARLF the financial information above in an application for funds. I authorize the above named bank to verify the accuracy of these statements directly to ARLF.

Signature of Applicant

Date

BANK VERIFICATION OF FINANCIAL INFORMATION

The information provided above is essentially correct as of this date and accurately reflects the applicant's financial position with this institution.

Signature

Title

Date

The information provided above is correct with the following exceptions:

Signature

Title

Date

SECTION 14

AUTHORIZATION FORMS TO VERIFY CREDIT BACKGROUND

Three authorization forms are provided in this package for ARLF verification of the credit standing of the applicant. Include a form for trade or business vendors, banks, or other institutions with which you now have or have had previous open accounts, loans, mortgages, or other credit relationships.

Provide a completed authorization form for each creditor with the completed loan application package.

One form is provided for ARLF to verify applicant credit history with the appropriate credit bureau(s). Complete the personal information requested and sign and date the form provided.

CREDIT AUTHORIZATION

I authorize the creditor named below to release information to the Agricultural Revolving Loans Fund concerning the nature of my credit transactions, including:

NATURE OF TRANSACTIONS

AMOUNT OF CREDIT EXTENDED

TERMS AND CONDITIONS OF CREDIT EXTENDED

CURRENT BALANCE

REPAYMENT RECORD

COMMENTS

Signature of Creditor

Title

Date

The information provided to ARLF by the above creditor is confidential and will be used by the agency for the sole purpose of evaluating a loan application.

Name of Creditor _____

Account Number _____

Address _____

Signature of Applicant

Date

CREDIT AUTHORIZATION

I authorize the creditor named below to release information to the Agricultural Revolving Loans Fund concerning the nature of my credit transactions, including:

NATURE OF TRANSACTIONS

AMOUNT OF CREDIT EXTENDED

TERMS AND CONDITIONS OF CREDIT EXTENDED

CURRENT BALANCE

REPAYMENT RECORD

COMMENTS

Signature of Creditor

Title

Date

The information provided to ARLF by the above creditor is confidential and will be used by the agency for the sole purpose of evaluating a loan application.

Name of Creditor _____

Account Number _____

Address _____

Signature of Applicant

Date

CREDIT AUTHORIZATION

I authorize the creditor named below to release information to the Agricultural Revolving Loans Fund concerning the nature of my credit transactions, including:

NATURE OF TRANSACTIONS

AMOUNT OF CREDIT EXTENDED

TERMS AND CONDITIONS OF CREDIT EXTENDED

CURRENT BALANCE

REPAYMENT RECORD

COMMENTS

Signature of Creditor Title Date

The information provided to ARLF by the above creditor is confidential and will be used by the agency for the sole purpose of evaluating a loan application.

Name of Creditor _____

Account Number _____

Address _____

Signature of Applicant

Date

CREDIT AUTHORIZATION

I authorize the creditor named below to release information to the Agricultural Revolving Loans Fund concerning the nature of my credit transactions, including:

NATURE OF TRANSACTIONS

AMOUNT OF CREDIT EXTENDED

TERMS AND CONDITIONS OF CREDIT EXTENDED

CURRENT BALANCE

REPAYMENT RECORD

COMMENTS

Signature of Creditor

Title

Date

The information provided to ARLF by the above creditor is confidential and will be used by the agency for the sole purpose of evaluating a loan application.

Name of Creditor _____

Account Number _____

Address _____

Signature of Applicant

Date

CREDIT BUREAU AUTHORIZATION

The undersigned authorizes the named credit bureau,

Name _____

Address _____

to release, in writing, such credit history as it may have in its files on the following individual(s):

Name _____

Date of Birth _____

Current Mailing Address _____

Previous Address(es) _____

Social Security Account Number _____

Marital Status _____

Spouse's Name _____

Please return information promptly to:

Agricultural Revolving Loan Fund (ARLF)
P.O. Box 1256
Wasilla, Alaska 99687
ATTN: Loan Examiner

The information provided to ARLF is confidential and will be used by the agency for the sole purpose of evaluating a loan application.

Printed Name of Applicant

Date

Signature of Applicant



STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
STANDARD AGREEMENT FORM
FOR PROFESSIONAL SERVICES CONTRACT

This contract, which is effective only if it is approved by the Department of Administration, is between the State of Alaska,

Department of Natural Resources - Division of Agriculture				<i>hereafter, The State, and</i>
Contractor Price Waterhouse & Co				<i>hereafter, the Contractor</i>
Mailing Address	Street or P. O. Box	City	State	Zip Code
	101 West Benson Blvd,	Anchorage	Alaska	99503
Alaska Business License Number 010942		Internal Revenue Service Number 13-5326270		

This is a contract for professional services. AS 44.37.020 authorizes the State to make this contract. The parties to the contract agree as follows:

ARTICLE 1. Appendices. Appendices referred to in this contract and attached to it are considered part of it.

ARTICLE 2. Performance of Services.

- 2.1 Appendix A, Articles 1 through 16, governs the performance of services under this contract.
- 2.2 Appendix B sets forth the services to be performed by the contractor.

ARTICLE 3. Period of Performance. The period of performance under this contract begins July 20, 1981 and ends September 30, 1981. Performance may be extended for additional periods by the written agreement of the parties.

ARTICLE 4. Consideration.

- 4.1 In full consideration of the Contractor's performance under this contract, the State shall pay the Contractor in accordance with the provisions of Appendix C.
- 4.2 When billing the State, the Contractor shall refer to the State Contract Number and send the billing to:

Department of Natural Resources	Attn: Division of Agriculture - Domonic Carney
Mailing Address Pouch A, Wasilla, AK 99687	
C CONTRACTOR	STATE
Name of Firm: Price Waterhouse & Co	Department or Agency Natural Resources
Signature of Authorized Representative	Signature of Certifying Officer
Typed or Printed Name of Authorized Representative William C. Smart	Typed or Printed Name of Certifying Officer Geoffrey Haynes
Title Partner-In-Charge	Title Deputy Commissioner

APPROVAL BY THE DEPARTMENT OF ADMINISTRATION

NOTICE! This contract has no effect except as an offer by the Contractor until it is approved by the Department of Administration.

Signature of Authorized Official of the Department of Administration	Date
Typed or Printed Name of Authorizing Official	Title

APPENDIX A

Article 1. Definitions.

- 1.1 In this contract and appendices, "Certifying Officer" means the person who signs this contract on behalf of the Department and includes a successor or authorized representative.
- 1.2 "Department" means the agency for which this contract is to be performed and for which the Certifying Officer acted in signing this contract.

Article 2. Inspection and Reports.

- 2.1 The Department may inspect, in the manner and at reasonable times it considers appropriate, all the Contractor's facilities and activities under this contract.
- 2.2 The Contractor shall make progress and other reports in the manner and at the times the Department reasonably requires.

Article 3. State Saved Harmless.

The Contractor shall indemnify and hold and save the State, its officers, agents and employees harmless from liability of any nature or kind, including costs and expenses, for or on account of any and all legal actions or claims of any character whatsoever resulting from injuries or damages sustained by any person or persons or property arising from its performance of this contract in any way whatsoever.

(OVER)

Article 4. Disputes.

4.1. Any dispute concerning a question of fact arising under this contract which is not disposed of by mutual agreement shall be decided without bias by the Director of the Department's Division of Administrative Services (or, if none, the Department's Administrative Officer), who shall reduce his decision to writing and mail or otherwise furnish a copy of it to the Contractor. The decision of the Director is final and conclusive unless, within 30 days from the date of receipt of that copy, the Contractor mails or otherwise furnishes to the Certifying Officer a written appeal addressed to the Commissioner of the Department. The Commissioner shall appoint a three-person board from the Department to hear the appeal, none of whom may be from the Division of Administrative Services. The decision of the board is final and conclusive, unless it is fraudulent or not supported by substantial evidence. In any proceeding under this article, the Contractor has a right to be heard by an unbiased panel and to offer evidence in support of his appeal. Pending final decision of a dispute, the Contractor shall proceed diligently with the performance of the contract and in accordance with the Director of the Division of Administrative Services decision.

4.2 This disputes article does not preclude consideration of questions of law in connection with decisions provided for in paragraph 4.1 above. However, this article does not make the decision of any administrative official, representative or board on a question of law final or conclusive.

Article 5. Equal Employment Opportunity.

5.1. The Contractor may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, or because of age, physical handicap, sex, or marital status, change in marital status, pregnancy or parenthood when the reasonable demands of the position do not require distinction on the basis of age, physical handicap, sex, or marital status, changes in marital status, pregnancy, or parenthood. The Contractor shall take affirmative action to insure that the applicants are employed and that employees are treated during employment without regard to their race, color, religion, national origin, ancestry, age, sex, or marital status. This action must include, but need not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. The Contractor shall post in conspicuous places, available to employees and applicants for employment, notices setting out the provisions of this paragraph.

5.2. The Contractor shall state, in all solicitations or advertisements for employees to work on State of Alaska contract jobs, that it is an equal opportunity employer and that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, or marital status.

5.3 The Contractor shall send to each labor union or representative of workers with which the Contractor has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' representative of the Contractor's commitments under this article and post copies of the notice in conspicuous places available to all employees and applicants for employment.

5.4. The Contractor shall include the provisions of this article in every contract, and shall require the inclusion of these provisions in every contract entered into by any of its subcontractors, so that those provisions will be binding upon each subcontractor. For the purpose of including those provisions in any construction, maintenance, or service contract or subcontract, as required by this contract, "contractor" and "subcontractor" may be changed to reflect appropriately the name or designation of the parties of the contract or subcontract.

5.5. The Contractor shall cooperate fully with the office or agency of the State of Alaska which seeks to deal with the problem of unlawful discrimination, and with all other State efforts to guarantee fair employment practices under this contract, and promptly comply with all requests and directions from the State Commission for Human Rights or any of its officers or agents relating to prevention of discriminatory employment practices.

5.6. Full cooperation in paragraph 5.5 includes, but is not limited to, being a witness in any proceeding involving questions of unlawful discrimination if that is requested by any official or agency of the State of Alaska; permitting employees of the Contractor to be witnesses or complainants in any proceeding involving questions of unlawful discrimination, if that is requested by any official or agency of the State of Alaska; participating in meetings; submitting periodic reports on the equal employment aspects of present and future employment; assisting in inspection of the Contractor's facilities; and promptly complying with all state directives considered essential by any office or agency of the State of Alaska to insure compliance with all federal and state laws, regulations, and policies pertaining to the prevention of discriminatory employment practices.

5.7 Failure to perform under this article constitutes a material breach of the contract.

Article 6. Termination.

The Certifying Officer, by written notice, may terminate this contract, in whole or in part, when it is in the best interest of the State. The State is liable only for payment in accordance with the payment provisions of this contract for services rendered before the effective date of termination.

Article 7. No Assignment or Delegation

This contract is personal and the Contractor may not assign or delegate this contract, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Certifying Officer.

Article 8. No Additional Work or Material

No claim for additional services, not specifically provided in this contract, performed or furnished by the Contractor, will be allowed, nor may the Contractor do any work or furnish any material covered by the contract unless the work or material is ordered in writing by the Certifying Officer and approved by the Department of Administration.

Article 9. Independent Contractor.

The Contractor and any agents and employees of the Contractor act in an independent capacity and are not officers or employees or agents of the State in the performance of this contract.

Article 10. Payment of Taxes.

As a condition of performance of this contract, the Contractor shall pay all federal, state, and local taxes incurred by the Contractor and shall require their payment by any subcontractor or any other persons in the performance of this contract. Satisfactory performance of this paragraph is a condition precedent to payment by the State under this contract.

Article 11. Workmen's Compensation Insurance.

During the life of this contract, the Contractor shall provide and maintain, for all employees of the Contractor engaged in work under this contract, workmen's compensation insurance as required by AS 23.30. The Contractor shall require any subcontractor to provide and maintain for its employees workmen's compensation insurance as required by AS 23.30. That coverage must remain in force from the day services begin under this contract and shall provide for written notice to the Certifying Officer at least 30 days before cancellation or non-renewal. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach and grounds for termination of the Contractor's services. Before performing under this contract, the Contractor shall furnish the Certifying Officer with certificates of insurance as proof of compliance with this article. The certificates of insurance must include an All States' Broad Form Endorsement.

Article 12. Insurance.

Before this contract may be approved, the Contractor shall furnish a certificate of liability insurance evidencing coverage satisfactory to the Risk Manager of the Department of Administration.

Article 13. Ownership of Documents.

All designs, drawings, specifications, notes, and other work developed in the performance of this agreement are and remain the sole property of the State of Alaska and may be used by the State for any other purpose without additional compensation to the Contractor. The Contractor agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. The Contractor, for a period of three years after final payment under this contract, agrees to furnish and provide access to all retained materials at the request of the Certifying Officer. Unless otherwise directed by the Certifying Officer, the Contractor may retain copies of all the materials.

Article 14. Governing Law.

This contract is governed by the laws of the State of Alaska.

Article 15. Officials not to Benefit.*

No member of or delegate to Congress, United States Commissioner, or officials of the state or federal government may be admitted to any share or part of this contract or to any benefit to arise therefrom.

Article 16. Covenant Against Contingent Fees.

The Contractor warrants that no person or agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, contingent fee, or brokerage except employees or agencies maintained by the Contractor for the purpose of securing business. For the breach or violation of this warranty, the State may terminate this contract without liability or in its discretion deduct from the contract price or consideration the full amount of the commission, percentage, brokerage, or contingent fee.

* Articles 15 and 16 are to be used only if the professional services contract is federally funded.

Appendix B

The Contractor shall develop a Policies and Procedure Manual for use in management of the Alaska Agricultural Revolving Loan Fund. Manual contents shall include definition of terms and detailed procedures for:

- 1) Providing information to interested parties and prospective borrowers.
- 2) Receiving loan applications.
- 3) Processing applications, including methods of review of materials submitted, staff analysis needed and assistance to potential applicants in providing needed materials.
- 4) Staff preparation for Loan Fund board meeting, including:
 - a) Method of presentation of loan applications.
 - b) Order of presentation of loan applications.
 - c) Materials other than applications to be presented.
 - d) Items to be included in Board agenda.
- 5) Conduct of Board Meetings, guidelines for ARLF board use in judging loan applications and the resulting record of board decisions.
- 6) Notification of applicants of board or staff action.
- 7) Completion of Loan requirements and request for warrants.
- 8) Distribution of Loan proceeds to borrowers.
- 9) Loan billing, collection and accounting.
- 10) Receiving, recording and depositing payments.
- 11) Formulation of Management reports.

PES/pb

COPY TO:	
Comm. For	_____
Audit W/P's	_____
Tax W/P's	_____
Audit PTR	_____
Audit Mgr	_____
Tax Mgr	_____
Others	_____

July 15, 1981

Mr. Nick Carney
Director, Agricultural Revolving
Loan Fund
Department of Natural Resources
Division of Agriculture
Box 1256
Wasilla, Alaska 99687

Dear Mr. Carney:

Thank you for the opportunity for Bob Shafer to meet with Ed Kramer, Doug and you concerning the development of an operating manual for the Agricultural Revolving Loan Fund. This letter defines the scope of the engagement and describes the approach we will use during the course of this engagement.

Background

Nick, based on our recent conversations, it is our understanding that the Agricultural Revolving Loan Fund (Fund) was established by the State of Alaska with the purpose of promoting a more rapid development of agriculture as an industry in the state. This was to be accomplished by making available long-term, low interest loans for development costs to certain qualifying individual farmers and farming groups. These loans were to be funded from appropriations approved by the state legislature, and to be administered by the Agricultural Revolving Loan Fund, as a part of the Department of Natural Resources.

As a result of the increasing responsibilities of loan administration and the authorization in Alaska statutes to promulgate rules and regulations necessary for carrying out its duties, the Loan Fund has determined the need for written policies and procedures. These are to be contained in a written operating manual which will be the formal, working guides for the daily and continuing conduct of Fund loan administration.

Scope of the Engagement

The scope of this engagement consists of preparing an operating manual with direct input from and assistance of Fund

July 15, 1981

management personnel. The operating manual will contain detailed procedures where applicable or otherwise address the following areas as indicated:

Prepared by Price Waterhouse Staff -

1. Receipt of loan applications -
 - * defining a method for loan file initiation and tracking
 - * process loan applications
2. Verify the adequate, proper and timely submission of loan documents.
 - * identify areas of support to potential borrowers by Fund personnel in terms of information, assistance with materials and provision of necessary forms, documents or materials
 - * identify methods of review of materials submitted as required to support the loan application
 - * specify the level and frequency of staff analyses of documents required to be submitted with the loan application
3. Identify areas required for staff preparation for Loan Fund Board meetings, including:
 - * proper method of presentation of loan applications and documents to ensure an adequate information flow
 - * order of presentation of loan applications
 - * support documents, reports and other information to be presented as directly pertaining to applications
4. Identify appropriate and uniform methods for the notification of applicants of the action of the Board regarding loan applications or any prior or subsequent Fund staff action including the status of the loan application.
5. Specify the steps necessary subsequent to Board approval to complete the loan requirements,

July 15, 1981

- including the request for funds (warrants) from the appropriate state body or authority.
6. Identify the method for distribution of loan proceeds to borrowers, including control procedures such as required authorizations and verifications, etc.
 7. Identify the steps and assign the responsibilities for loan billing, collection of loan payments and the proper accounting for loan payments and individual loan balances.
 8. Prepare proper procedures for the receiving, recording and depositing of loan payments to ensure proper accountability and internal control.
 9. Identify reporting requirements necessary to ensure that accurate, timely and appropriate information is provided to Fund management and Board members regarding, but not limited to:
 - * volume of outstanding loans
 - * status of outstanding loans
 - * types and mixes of loans
 - * fund balance

 - * items to be included on the Board agenda as pertains to loans, applications for loans or their direct administration
 10. Establish criteria to be used by the Fund Board and staff in evaluating applications and determining appropriate loan recipients:
 - * establish quantifiable guidelines and ranges, where appropriate, for the uniform and non-biased review and analysis of applicants and applications

 - * establish guidelines for Board members and staff personnel to identify and reduce potential conflicts of interest to applicants or specific loan applications.

Prepared by Fund Personnel -

1. Define terms -

- * inclusion of a glossary of applicable speciality or trade terms requiring clarification, using

July 15, 1981

Alaska statutes as reference where specified by management

2. Specify methods for information dissemination to interested parties and prospective borrowers.
3. Delineate the interpretation of Alaska State statutes and regulations by the Division of Agriculture.
 - * this step requires certain management decisions to be made regarding the legal status and position of the Division
 - * these decisions must be made by Division management
 - * Price Waterhouse involvement in this step will be limited to the documentation of decisions made regarding the status of the Division by Division management and the necessary statute interpretations made
4. Document policies required to meet the statutory and regulatory responsibilities required of the Fund.
 - * a closely coordinated effort between Price Waterhouse and Fund personnel will be necessary to identify proper and adequate guiding Fund policies from legal documents and requirements
5. Assist Fund management in identifying required or recommended statutory or regulatory changes to more clearly define program goals.

Description of Approach

The approach we will use has been developed by Price Waterhouse & Co. during several years of experience with design, implementation and documentation of financial and operational systems. It is a structured technique which can be tailored to the Fund's specific requirements. The Congressional Record recently cited our proprietary approach to documentation as the basis for awarding a major federal government consulting engagement on a sole source basis. The approach recognizes that to be successful, procedure documentation must be user-oriented. And, it must be easily updated, thus ensuring that the documentation remains current.

We document systems by emphasizing three major sections for each system. First, the Overview Section contains key facts

July 15, 1981

about a system for management and supervisory personnel. The next section is the Functional Procedures Section. A function is defined as a combination of tasks comprising a major operation of a system, e.g. loan file preparation. Detailed instructions for each person involved with the system are contained in this section. The Exhibit Section includes copies of all the forms, reports, printouts and other documents used in the system. The exhibits are categorized as input, processing or output-related. Thus making it easy for Fund personnel to understand the system's operations. The sections are placed in a three-ring binder to permit easy systems procedure update. And, distribution of the procedures are controlled so that Fund employees have access only to the procedures necessary for their specific jobs. For example, loan officers have only the procedures related to their spheres of responsibility. Other Fund managers, such as the Fund Director and Fund Deputy Director, have a complete set of procedures. A sample of the documentation of an accounts receivable system is attached.

During the course of system documentation engagements we are in a unique position to objectively evaluate the effectiveness of systems operations. If we identify opportunities for improvement, we will suggest changing the procedures of the system accordingly. The changes can often result in cost savings or perhaps prevention of additional personnel required to operate the system.

Staffing

It is our usual practice to assure the highest quality of service by assigning ultimate engagement responsibility to a senior partner. Accordingly, Mr. Robert M. Mathis, audit partner, will review the program and the results of this engagement. As manager-in-charge of our Anchorage Management Advisory Services (MAS) staff, I will direct the engagement. Mr. Robert E. Shafer will complete much of the field work with other staff assigned as needed. Their resumes are enclosed.

Timing and Fees

Nick, based upon our scope of work, the availability of Fund personnel, and the timing requirements of the engagement, we estimate that the professional fees necessary to complete the engagement should not exceed \$15,000 plus minimal travel and other out-of-pocket expenses. Progress billings will be made monthly for the engagement, and travel and out-of-pocket expenses will be invoiced separately. If during the course of the engagement we determine that unforeseen circumstances will cause us to significantly exceed our estimate, we will discuss the matter

July 15, 1981

with you before proceeding. Conversely, if our fees are less than anticipated, you will, of course, be invoiced only for the actual fees incurred.

We will be prepared to begin immediately on this engagement and will produce a working draft of the operating manual by the required August 15, 1981 deadline, including those sections defined in the Scope of the Engagement section. Due to the short time frame of this engagement, we have based our fee calculations on receipt of authorization to proceed by no later than July 20, 1981. Also in order to fulfill our task obligations by the date specified, we will require a ready access to certain Fund personnel and Loan Board members for interviewing and answering questions.

Why Price Waterhouse Should be Chosen

There are several reasons that Price Waterhouse should be chosen to assist the Fund in this important undertaking. Some of the major reasons are outlined below:

- * We have specific banking experience in Alaska directly related to this engagement, including assisting the Commercial Fishing and Agriculture Bank.
- * Our approach to this type of engagement is unique and proven in application to numerous similar clients.
- * We have an Anchorage based MAS staff consisting of several specialized disciplines, including Financial Planning and Control as well as Electronic Data Processing (EDP) specialists. We are therefore able to provide continuing support during any EDP subsequent automation process.
- * Price Waterhouse is currently engaged in a complete review, rewrite and automation effort of the accounting system for the State of Alaska.
- * The Anchorage based MAS staff is experienced and readily available on a continuing basis for support in public hearings, and with assistance in manual enhancement and up-date processes to ensure a current status.
- * Price Waterhouse has a staff of specialists in tax, audit and MAS areas and is able to provide a wide range of services, including assistance with any requirements for future financial audits. An ongoing relationship with Price Waterhouse reduces the amount of time spent in engagement start-up.

Mr. Nick Carney
Agricultural Revolving Loan Fund -7-

July 15, 1981

Our Firm

The Price Waterhouse organization is one of the world's largest, most widespread and deeply rooted professional organizations with the most comprehensive service record in the field of accountancy. Auditing, accounting and management advisory services are provided throughout the free world by personnel in some 300 offices, of which 70 are in the United States alone. To more fully describe our firm we have enclosed a copy of Prominent Professionally and Price Waterhouse in Anchorage, Alaska for your reference.


* * * * *

We appreciate the opportunity to assist the Fund in this matter. If you have any questions or comments, please contact me at 279-1424.

Yours very truly,

Dorrell 7/15/81

Darrell D. Dorrell



Appendix C

In full consideration of the Contractor's performance hereunder, the State shall pay the Contractor a fee not to exceed \$15,000 including any travel and out-of-pocket expenses.

Partial payments may be made on a monthly basis as work progresses. Final payment will be made upon acceptance by the ARLF of the manuals to be developed.

Appendix D.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE

BY: _____
Director
Division of Agriculture

DATE: _____

FISCAL DATE:

Amount of this Contract: \$15,000.00
Program Activity: Alaska Agricultural
Revolving Loan Fund
Account Code: 10-71-3-516

Budgeted funds are available for the period and purpose of this expenditure.

Certifying Officer

(If Contractor is a corporation, the following certificate shall be executed by the Secretary or assistant Secretary.)

I, _____, certify that I am the Secretary of the Corporation named as Contractor in the attached contract; that _____, who signed said contract on behalf of the Contractor, was then _____ of said Corporation; that said contract was duly signed for and in behalf of said Corporation by authority of its governing body, and is within the scope of its Corporate powers.

(Corporate Seal)

MEMORANDUM

State of Alaska
Attachment B

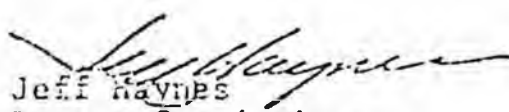
TO: John W. Katz
Commissioner

DATE: August 23, 1982

FILE NO. 1351

TELEPHONE NO. 465-2400

FROM:


Jeff Hayes
Deputy Commissioner

SUBJECT: Report/Agricultural
Revolving Loan Fund

The Agricultural Revolving Loan Fund (ARLF), established under the Territory of Alaska, served for many years as a source of modest loans for an equally modest agricultural industry. Authorized capitalization remained constant at \$5,000,000 through the 1970s.

In 1978, the State inaugurated the Delta agricultural project as the beginning of an attempt to elevate agriculture to a large scale, integrated Alaskan industry. Proponents of agricultural development contended that comprehensive State financial assistance was a prerequisite for agriculture to become a substantial and eventually self-sustaining industry in Alaska.

Direct financial and other assistance advanced by the State in support of agriculture commencing with the Delta Project has taken a number of forms, including (1) sale of agricultural land under limited title at approximately 15% of fee simple appraised value, (2) application of residency discounts to agricultural land sales, (3) special appraisal methodology for agricultural project sales, (4) favorable terms and conditions in sale contracts for agricultural land, (5) appropriations for capital improvements for agricultural infrastructure, (5) State funded research, data collection, test marketing, and field management studies, and (7) special loan programs with liberal terms for agricultural land clearing. The largest State contribution, however, has been through low interest loans from the ARLF; capitalization of the ARLF has increased 1000% since 1978 to a current level of over \$50,000,000.

Controversy over administration of the ARLF has risen in direct proportion to augmentation of the Fund's capitalization, as might be expected. Because of the persistence of this controversy, you requested that I conduct an inquiry into the operation of the ARLF and supply you with findings and recommendations. I have interviewed Loan Board members, the Division of Agriculture Director and staff, ARLF borrowers, opinionmakers in the agriculture community, legislative auditors, and legislators interested in the ARLF; examined file documents generated from ARLF transactions; and observed proceedings of the Agricultural Revolving Loan Fund Board. While this cannot qualify as a

full scale audit, I have reached a number of conclusions which are set out below.

1. The State has not developed detailed marketing information and assumptions upon which to base its agricultural development objectives, leaving uncertainty over the expected viability of particular agricultural industries as well as the direction and accomplishments expected of the AKLF.

The State has determined that it must provide front-end assistance if Alaskan agricultural industries are to reach the critical mass which will allow them to become self-sustaining. For that reason, development plans and schedules are required to determine the most promising targets for that assistance.

Long term planning by the State for agricultural development has improved over the last two years through initiatives by the Alaska Agricultural Action Council, the Department of Natural Resources, and the University of Alaska. Moreover, there has been extensive research on the necessary components of various potential and existing agricultural industries in the State and the opportunities which may exist for those industries. However, this research has not reached the level of detail constituting a genuine product market analysis such as would be performed by competent businesses in the private sector before committing to production.

Obviously, it is not sufficient to assume that assisting any given Alaskan agricultural industry to reach optimum scale and infrastructure development insures that products emanating from that industry may be sold profitably when State assistance ends. That assumption can only be made after careful comparison of anticipated production and transportation costs and price ranges at optimum scale against those for similar commodities in specific identified markets. Unless these factors are approximately equivalent or there are strategic market advantages not available to producers elsewhere, it is unlikely that Alaskan products can compete successfully without a continuous State subsidy.

A considerable volume of information on markets for various agricultural commodities has been collected by the State, the University, and other sources. However, that information has not been translated into a product-by-product breakdown containing cost and price assumptions determined by the State to be most probable under foreseeable market conditions. Without this level of information, it is extremely difficult for the Agricultural Revolving Loan Fund Board to (1) judge the long term viability of the operations of prospective borrowers, (2)

determine the types of operations and products it should be favoring with available credit, (3) calculate the amount of subsidized capital which will be required by particular agricultural industries until they become self-sustaining, and (4) identify appropriate terms and conditions under which loans should be issued. Moreover, until this market information is formulated and linked to the State's agricultural development objectives, there will not be an adequate mechanism to insure that ARLF lending policies are in consonance with those objectives. 1/

Understandably, this deficiency has created uncertainty among existing and prospective ARLF borrowers, since many do not clearly understand which agricultural pursuits will be financially assisted by the State, which will be expected to exist on their own as ancillary or spinoff industries, and what economic criteria will be applied in the adjudication of loan applications.

An equally important matter receiving inadequate attention to date is the regulatory framework and philosophy which the State intends to employ as the Alaskan agricultural industry develops. Agriculture is one of the most heavily regulated industries in the lower 48 States, largely as an outgrowth of remedial measures instituted during the Great Depression; there is virtually no feature left in the production and marketing of agricultural products which has not been pervaded by government regulations and controls. While some of these regulations are restrictive, others are protective measures designed to insulate the farmer from destructive

1/ One of the best efforts to date is a document entitled Financing Agricultural Projects in Alaska, prepared by the House Research Agency in January 1982. It includes a comparison of production costs and transportation to tidewater under eight different levels of State assistance, and the expected level of profitability depending upon yield per acre and world grain prices (pp. 32-37).

Ideally, the ARLF should have a similar breakdown for each of the major agricultural commodities under production in Alaska (including projections for ranges of destination market prices in specific markets) which represents a consensus among State agricultural officials. The Board would then have a means of determining which agricultural enterprises are most likely to be successful, and a standard against which to compare the circumstances of individual borrowers. That same market information could be provided to farmers through extension agents to assist them in designing an optimum credit package which enhances their chances of Board approval and, concurrently, further Alaska's agricultural development objectives.

economic conditions. Most, however, have a considerable impact on the economic circumstances under which agricultural products are produced and marketed. By comparison, Alaskan agriculture is largely unregulated except for Federal and State standards on inspections and grading. As part of its agricultural development program, it is advisable for the State to decide to what extent it will follow the lower 48 example and in what instances agriculture will be left to the forces of free and unregulated competition. There appear to be opinions on both sides within the Alaskan agricultural community. Some view the State's involvement as declining once the industry and associated infrastructure reach optimum scale; others appear to believe that various levels of protective regulation and subsidization must become permanent features of the agricultural industry. Regardless of the approach which may best meet the public interest, it is advisable for the selection to be made early so that the State's development assistance programs and its regulatory philosophy are complimentary, and the relationship between them is well understood by entities such as the ARLF Board.

The State's marketing assumptions and its intended regulatory approach to agriculture are two of the most critical factors in its agriculture development program. The absence of a clear understanding on these factors means that Loan Board decisions on individual credit applications are often being made in a vacuum. This necessarily creates controversy when credit applications are turned down on grounds relating to the type of operation or the long term viability of the operation, since it is extremely difficult for the Board to give a truly comprehensive reason for its decision in the context of the State's overall agricultural development program. As the number of large project-size agricultural tracts increase and with them the size of loan applications and potential adverse financial consequences to the applicant, the level of controversy will increase accordingly if remedial action is not taken.

Recommendation: . The State must resolve differences of approach to agricultural development caused by divided authority and develop justifiable assumptions on the marketability of individual agricultural products, as well as determine the regulatory framework which the State intends to pursue over the long term. This will necessarily yield relatively specific objectives for the ARLF, which should be followed by the Board and the Department in the

administration of the fund and the adjudication of individual credit applications. 2/

2. There has been resistance to the imposition of formal administrative procedures necessitated by the elevation of ARLF to one of the State's largest professional lending institutions.

For most of its existence, the ARLF has operated in a climate of relative informality compared to many other state agency programs, a practice which could be afforded given the small volume and amounts of loans and the modest size of the agriculture industry. Since 1978, however, the character of Alaskan agriculture and of the mission of ARLF have expanded; ARLF now has about 570 loans outstanding in amounts up to \$2,800,000 apiece.

In early 1981, three events convinced the Commissioner and Director of Agriculture Carney that the procedures governing administration of the ARLF must be substantially upgraded. First, there were an increasing number of complaints from borrowers regarding inconsistent handling of credit applications, failure to adequately inform the borrower of the process by which the application would be adjudicated, and lack of proper documentation as to the actions taken by the loan staff and the Loan Board on credit applications; a number of these complaints were determined to be valid. Second, the steadily increasing capitalization of the ARLF (which appeared likely to continue) meant that operation of the Fund was becoming vastly more complex; absent more formalized administrative procedures, the Fund could not be managed properly and enjoy public confidence in the exercise of its functions. Third, the prequalifications process for the initial Pt. McKenzie sale (which included ARLF applications as part of the application package and resulted in more than 30 appeals to the Commissioner) made it evident that more specific standards and procedures were necessary if ARLF actions were to meet the requirements of procedural due process of law.

Director Carney selected the firm of Price, Waterhouse to draft a procedures manual for the ARLF, which was subse-

2/ There is not intended any suggestion here that agriculture in general or any specific type of agricultural enterprise is economically unsound. In fact, there appear to be a number of situations where strategic market advantages exist favoring Alaskan production. For example, one of the credit applications recently approved by the Board was for a vacuum cooling unit for lettuce; using proven technology, this unit would extend the shelf life of Alaskan lettuce from 4 to 25 days, and likely permit local lettuce producers to recapture interior markets now supplied by exports from California.

quently reviewed and adopted by the Director. [This manual deals with the handling and processing of ARLF credit applications, but does not contain grading standards for adjudication of the applications.] It is fair to say that the procedures manual has met with resistance from some Loan Board members, loan examiners, and ARLF borrowers who prefer the prior highly informal and flexible approach. A substantial amount of the friction emanating from the ARLF can be traced to the adoption of the procedures manual and actions taken by Director Carney to obtain compliance with the procedures.

Recommendation: While it is unfortunate that the size of the ARLF now requires that it become a more formalized institution, it is a necessity in order to protect both the borrower and the ARLF. The increase in the volume and complexity of credit applications between 1979 and 1981 was accompanied by a decline in the quality of handling applications to the point that some were done very poorly; most of the problems could be attributed to the absence of an administrative system geared to the workload being experienced by the ARLF. Therefore, while the manual may need to be revised from time to time to modify or eliminate those requirements not accomplishing their purpose, it is a reasonable document and must be enforced. The alternative would be a justifiable lack of public confidence in the ARLF which would in turn damage the State's agricultural development program.

3. The Loan Board and Department of Natural Resources Loan Examiners do not have a complete set of grading standards for the adjudication of ARLF credit applications.

Although the Board appears to be meeting minimum legal requirements in the adjudication of ARLF credit applications, there does not exist a detailed system of grading standards against which applications can be compared. There are two reasons why this is lacking.

The first is the absence of agreed upon marketing assumptions and regulatory approaches governing the State's agricultural development program, described in Paragraph 1 above.

Second, there has not been undertaken an analysis of the loan history of various types of credit packages granted by the ARLF to determine the relative success ratios of each and the factors contributing to success or failure. This has been virtually impossible to date because many components of Alaska's agricultural industry are in their earliest stages and their long term success is not yet proven.

The Loan Board and Director Carney have made an effort in the last several months to adopt formal policy statements on the types of agricultural loans which the ARLF will consider or not consider. In addition, Director Carney contracted with John Penson, a professor of agricultural economics with a number of major publications on agricultural financing, to evaluate the possibility of developing a credit scoring model to be used in the adjudication of agricultural loan applications. 3/

Recommendation: The Director and the Loan Board should continue to develop as many written policy statements and guidelines as necessary to fully express the Board's approach to agricultural financing. These policy statements should be adopted by the Director as Division Policies to properly reflect the consensus of the Board and the Department on this subject. In addition, the Board and the Division should have the benefit of continuous representation and advice from the Attorney General's Office on the development of policy statements, revision of regulations to contain standards and procedures used in ARLF adjudications, and to assist the Board in the handling of difficult applications, which to date has been lacking.

The Director correctly concluded (as did Mr. Penson) that an automated credit scoring model for judging ARLF applications would over-mechanize agricultural financing decisions to the detriment of the agricultural development program, particularly given the inadequate track record on many types of agricultural enterprises in Alaska. However, it was recommended that the ARLF organize its loan history data and develop an automated system for storing and retrieving that data to assist the Loan Board and loan staff in a more

3/ To place the situation in perspective, it is doubtful that many private lending institutions leave the outcome of determinations or credit applications entirely to a formal point system or other arithmetical grading system. All loan requests necessarily require a substantial amount of personal judgement, which is the reason for the creation of a Loan Board. However, some borrowers have expressed uncertainty over the policies of the Board on specific types of loans; greater specificity on loan policy and the factors deemed important to the Board and the Loan Examiners in evaluating loan applications would generally improve relations with prospective borrowers.

thorough comparison of loan types. DNR should begin this effort during FY 1983. 4/.

4. There does not exist a clear understanding of the respective roles and relationships of the Loan Board, Division of Agriculture Loan Examiners, the Director of Agriculture, and the Commissioner and Department of Natural Resources.

AS 03.10.050 states only the "[t]he commissioner shall administer the loan fund in conjunction with the agricultural revolving loan fund board;" no guidance is given as to the respective responsibilities of the Board and the Department. There are, in fact, four elements of the ARLF system: (a) the Loan Board, composed presently of five members from the private sector, (b) the Director of the Division of Agriculture, (c) the loan administrator and subordinate loan examiners, who handle credit applications before and after Board action and are employees of the Division, and (d) the Commissioner of the Department of Natural Resources, to whom the Director reports. Loan Board appointments are made by the Governor, but do not require legislative confirmation. 5/

The coexistence of these elements has not been entirely harmonious, particularly as the ARLF has grown and the credit application decisions have become more difficult. Some Loan Board members felt that the loan examiners should report directly to the Board without any interference or participation by the Director, and some loan examiners had a similar opinion. The friction reached a peak when the Director adopted the procedures manual, took disciplinary action to obtain compliance therewith by Division employees, requested the Board to place its policies in writing, overturned three Board actions granting loans on the grounds that they were inconsistent with governing regulations, and revised the ARLF application form.

4/ It should be noted that in past years the Board has financed operations at levels in excess of 90%, recently reduced to an average debt/equity ratio in the neighborhood of 75%-25%. Frequently, state land sale contracts constitute part of the collateral offered by the borrower. While relatively high debt/equity ratios are necessary in order to permit borrowers to meet development schedules for agricultural lands, this circumstance highlights the risk capital nature of the ARLF and the importance of developing accurate loan history data to aid the Board in its deliberations.

5/ It should be noted that Loan Board members receive no compensation other than travel and per diem, and their duties are demanding.

In retrospect, none of the parties are entirely faultless. The Board should have given more attention to written policies and procedures and recognized that they are being assisted by the Division of Agriculture, which consists of loan examiners and the Director. Loan examiners should have willingly participated in the development of the procedures manual for the sake of professionalism as well as their own protection, and recognized that they are employees of the Division rather than the Board. The Director, while his actions to upgrade ARLF policies and procedures were fully correct as were his efforts to obtain compliance therewith, should have worked more directly with the Board members during the development stages of the procedures manual and application form revision; nevertheless, his decisions in overturning the three loan actions were proper. Finally, the Commissioner's Office (within which I include myself) should have paid some attention to the Loan Board over the past several years instead of leaving the entire burden on the Director.

It should be emphasized that most of the impetus for upgrading the policies and procedures of the ARLF came from the Director, and he was therefore visited with substantial criticism from a number of quarters for what he did and how he handled it. From my standpoint, with a few minor exceptions, that criticism was unjustified.

Recommendation: A Department Order on the respective responsibilities of the parties involved in the ARLF (a draft of which as been prepared) should be adopted by the Commissioner. General policies on the objectives of the ARLF and the types of loans which will be granted should be agreed upon between the Board and the Department. The loan examiners, under the supervision of the Director, should evaluate credit applications in the context of applicable policies and procedures and make recommendations to the Board. The Board should adjudicate individual credit applications in accordance with their policies.

The Director should not overturn a Board decision unless he believes that it violates state policy or applicable laws and regulations; before formally overturning a loan decision by the Board, he should check with the Commissioner and review the matter with the Board. The Commissioner should entertain appeals of Board actions only in the context of alleged violations of stated policy or applicable laws and regulations. Board decisions should be faithfully carried out by the loan staff recognizing fully the intent behind them. In addition, the Department should develop the best possible working relationship with the Board.

5. The State does not have an adequate extension services system for agriculture which includes assistance to

prospective borrowers in the preparation of their application.

Much of agricultural development in Alaska is at an early stage, and a number of persons who have elected to engage in agriculture do not have extensive experience, particularly with the unique soils, climate, and marketing conditions in Alaska. Moreover, many prospective borrowers from the ARLF are uncertain as to the extent the State will guide and support particular agricultural industries as opposed to letting them exist entirely on their own.

While some extension services are provided by the University of Alaska and by the U.S. Department of Agriculture, they have not risen to the level of the county extension agent concept which is an important and familiar element in lower 48 agricultural communities. Furthermore, because of the relative absence of Production Credit Associations and other financing infrastructure in Alaska, an Alaskan extension service should fully incorporate assistance in obtaining ARLF financing as part of its program.

Recommendation: DNR should include a project in its FY 1984 budget submission for a county agent extension service system for both agriculture and forestry, including assistance in the preparation of ARLF financing requests. This service should be oriented towards maximizing exchange of information within the agricultural community, assisting the farmer in developing optimum types of operations and products (with advice from the Experiment Station and Plant Materials Centers), and aiding the farmer in developing the best possible loan package for consideration by the ARLF Board based on marketing information described in Paragraph one above. This approach should minimize misunderstandings between the Board and ARLF applicants and maximize the success rate of ARLF loans.

6. The Board and the Department do not have a regular program of inspections of operations financed by the ARLF.

Presently, the Board and the Department do not have a comprehensive system for inspecting operations financed by ARLF loans to determine compliance with loan conditions or the relative success of the operation. Inspections conducted to date have revealed important information on the types of farming enterprises which are succeeding and failing as well as borrowers who have not fully complied with the conditions imposed in conjunction with their ARLF loans.

Recommendation: The FY 1984 budget submission by DNR should include increased funding for loan inspections. Inspections should increase to the extent possible in FY 1983.

7. Consideration should be given to altering the structure of the Loan Board or the types of appointments made to the Board to minimize occasions of actual or perceived conflicts of interest.

Traditional practice has been for at least four of the five members of the Loan Board to be from the agricultural business community. As the relatively small agricultural community becomes more integrated, members of the Board are experiencing increasing instances where borrowers are persons with whom they have done business or are otherwise economically related to their own interests. The Board has recently adopted detailed policy guidelines on conflicts of interest; nevertheless, the Board may soon face a situation where enough of the members have excused themselves that a quorum cannot be obtained to act on an application.

Several suggestions have been made to rectify this situation, including moving the ARLF function to the Department of Commerce & Economic Development and integrating it with their business loans program, altering the structure of the Board, and changing the types of appointments made to the Board.

Recommendation: Moving the ARLF to the Department of Commerce would not solve the problem, but merely remove it to another arm of the bureaucracy. Given the size of the ARLF, which is larger than the existing business loans program, it would likely cause a major disruption in the Department of Commerce as well. Moreover, the Department would be abdicating its responsibility over this important area of agricultural development, and it is extremely important that agricultural lending benefit from specialized knowledge and understanding of the agricultural development situation in Alaska.

Another suggestion proffered was to have credit applications adjudicated by a committee of government officials, with the Agricultural Revolving Loan Fund Board acting in an advisory capacity. This would require a statutory change, and it is doubtful if it would be received with enthusiasm by the agricultural community.

A third possibility would be to increase the membership of the Board and/or make additional appointments from the financial and business community or from other government agencies, providing for an assured quorum of persons unlikely to have any conflicts while retaining the agricultural expertise to insure that ARLF remains a practical service to farmers. Appointments from the financial community might be especially desirable; that community has been reluctant to date to engage in financing agricultural ventures, and a greater understanding of the risks and opportunities characteristic in various Alaskan

agricultural enterprises among its members might advance the date at which larger volumes of private financing might be made available. This approach also would require statutory change.

The fourth, and perhaps most promising option, would involve using a concept similar to that presently employed in State government for the approval of contracts. Under this system, the Loan Board would operate as it does now, but all credit applications approved by the Board would have to receive final approval from a committee of state officials reviewing each application for any procedural irregularities, deviation from customary agricultural lending practice, problems with conflicts of interest, and similar matters. The committee would not be empowered to finally disapprove a loan, but only to remand the application to the Loan Board with instructions for further action if they did not believe they could approve it. Procedural problems with loans disapproved by the Board or special questions referred to the committee, which would then direct the Board as to the proper procedural course of action. Under this approach, the Board would continue to perform its intended role and apply agricultural expertise to ARLF loans, while the committee would provide a safeguard against procedural improprieties or serious deviations from acceptable business practices.

8. The ARLF must develop a system for charging of interest rates which avoids permanent dependency by individual enterprises on the Fund and the attraction of applicants whose businesses are predicated on low interest ARLF loans.

For many years, the statutory interest rate for ARLF loans was 6%. As of this legislative session, the interest rate is now a minimum of 8%, and the Board is currently using the 8% figure for its loans.

It must be understood that the ARLF in fact provides two financial advantages to borrowers. First, it offers what amounts to venture capital in that the private financial community has not been inclined to underwrite many Alaskan agricultural enterprises even at market rates of interest (and certainly not in the volume loaned out by the ARLF). Second, the ARLF offers venture capital at substantially less than market rates.

The gap between ARLF interest rates and market interest rates has increased considerably in the past few years. As a result, there is evidence that some enterprises are becoming increasingly dependent on the ARLF and, further that the ARLF has become an extremely attractive source of money upon which businesses may themselves be predicated.

Recommendation: The ARLF statutes now provide that interest rates on Fund loans be at a minimum of 8%; consequently, it is possible for the ARLF to charge greater rates where warranted. It is advisable for the ARLF to develop an interest rate system which preserves the advantages of favorable financing while avoiding the problems described above.

Suggestions have been made that the interest rate for all loans be increased steadily until market rates are reached, or that the rate for individual borrowers increase over time until it equals the market rate. The problem with the first approach is that it does not reflect the differing viability of different types of agricultural enterprises. The second approach risks financing competitors at different interest rates, giving one a government created advantage.

Perhaps the most practical concept would be to establish different interest rates according to the estimated viability of various products or enterprises. For example, loans for operations for a product just getting started in Alaska might be at 8%; as the general efficiency and economies of scale for that product improve, interest rates could be increased accordingly until they reach market rates (coinciding with that product becoming a self-sustaining industry).

In any event, a firm policy on interest rates for ARLF loans must be developed in FY 1983.

9. The ARLF Board has not been regularly consulted by the Department during the planning stages for State agricultural land disposals.

The State has sold well in excess of 100,000 acres of agricultural land in the past four years in the form of both major agricultural project sales and through DNR's annual land disposal program. These lands have been sold under agricultural title to encourage purchasers to commit the land to agricultural pursuits, and some sales have included a development plan as a condition of sale.

Obviously, a substantial percentage of purchasers of State agricultural land will eventually become applicants for ARLF credit. Presently, however, the ARLF board is often not formally consulted in the course of developing agricultural lands sales policy. As a result, their expertise in assisting in the design of such sales to maximize the viability of potential operations (and therefore the likelihood of ARLF financing) is not available.

Recommendation: The Agricultural Revolving Loan Fund Board should be formally consulted by DNR in conjunction with formulation of agricultural land disposal policy.

MEMORANDUM

Attachment
State of Alaska

DEPARTMENT OF LAW

RECEIVED
DEC 09 1987

TO: Mark Weaver
Director
Division of Agriculture

DATE: December 7, 1987

FILE NO: 661-87-0376

TELEPHONE NO: 276-3550

THRU:

SUBJECT:

ARLF Board
lines

RECEIVED
DEC 09 1987
Agriculture - ARLF

FROM:

Joan Travostino
Joan Travostino
Assistant Attorney General
Commercial Section-Anchorage

You have inquired whether ARLF can institute debt restructuring as contained in ARLF Board Guidelines for Restructuring, June 25, 1987, without revision of AS 3.10.

Specifically, you inquire whether ARLF has the authority to expend funds to maintain assets and investment which have been acquired through loan servicing, to expend funds for other loan servicing expense, and to change the terms and conditions of current loans. Changing the terms and conditions of current loans would involve an exchange of assets in return for forgiveness of accrued interest and penalties, obtaining additional collateral, setting aside a portion of the loan to accrue no interest for a certain time, and consolidating different types of loans into one repayment schedule. In addition, you inquire whether ARLF may suspend the requirement for repayment of clearing loans, provided the land to which the clearing loan attaches is used only for agricultural purposes.

You indicate a number of reasons for the June 25, 1987 guidelines including:

1. an average delinquency rate as of December 31, 1986 of 58 percent;
2. an average delinquency rate as of December 31, 1986 of 75 percent if current loan payment moratoriums did not exist;
3. high debt loads of ARLF borrowers, in many cases debt/asset ratios exceeding 75%; and
4. depressed agricultural economics in Alaska and in the nation.

The types of questions you raise fall into the category of loan servicing, and are commonly understood in the banking industry as loan servicing functions, except for the treatment of clearing loans. A review of the federal regulations covering the Farmer's Home Administration (hereafter FmHA) and the Farm Credit System confirm this. Chapter XVIII of 7 C.F.R. covers the Farmer's Home Administration. Part 1951 covers loan servicing. 7 C.F.R. 1951.25 covers servicing actions "such as consolidation, rescheduling, reamortization or deferral . . ." for loans. 7 C.F.R. 1951.33 covers consolidation and rescheduling for "existing loans." Rescheduling is defined as "rewriting rates and/or terms". 7 C.F.R. 1951.40 covers reamortization, which is defined as rearranging "the installments of a loan which may include changing the interest rate and terms of the loan." 7 C.F.R. § 1951.41 covers set asides, which is postponing a portion of principal repayment for a number of years at zero percent rate of interest. 7 C.F.R. 1951.44 covers payment deferrals. There is an understanding by the FmHA that consolidation, rescheduling, reamortization, set asides, and deferrals are loan servicing functions.

Subpart N of Chapter VI of Title 12 covers Loan Servicing Requirements for the Farm Credit Administration. Subpart N, beginning with 12 C.F.R. § 614.4510 considers extensions, deferments, reamortization, and forbearance as loan servicing functions.

The FmHA also considers expending funds for collection litigation, taxes, appraisals, and similar expenses as part of loan servicing. The payment of delinquent taxes is covered by 7 C.F.R. § 1863. 7 C.F.R. § 1872 covers servicing for real estate loans. Section 1872.4 covers the cost of appraisals when needed to make servicing decisions. Section 1872.2 covers the ability of the FmHA to manage, care for, and maintain real estate which is security for FmHA loans. A review of the Farm Home Administration and the Farm Credit Administration indicate that expending funds to collect loans, locate and gather collateral, keep assets in good working order, and operate businesses (if necessary to preserve asset value) are considered part of the loan servicing function.

ARLF has implied powers from AS 3.10 to perform loan servicing functions.

The next question is whether ARLF has authority to use the June 25 loan servicing options. Generally, state agencies have the authority to perform those functions that are necessary and helpful to carrying out specific legislative program, even

though the legislation may not specifically provide specific authority for these functions. Dickey v. Raisin Production Zone, 151 P.2d 305, 313 (Cal. 1944), Crawford v. Imperial Irrigation Dist., 253 P. 726, (Cal. 1927), Island-Gentry Joint Venture v. State, 554 P.2d 761, 765 (Hawaii 1976); State v. Fin & Feather Club, 316 A.2d 351, 355 (Ma. 1974), Adams County Golf, Inc. v. Colorado Dept. of Rev., 610 P.2d 97,99 (Colo. 1980).

AS 3.10.010 states that it is the

policy of this chapter to promote the more rapid development of agriculture as an industry throughout the state by means of long-term low-interest loans.

AS 03.10.020 provides three methods for carrying out the policy in AS 3.10.010. The methods are to make loans, establish amortization plans, and enter into agreements with private lenders, state agencies, and federal agencies.

AS 3.10 sets out some terms and conditions for the initial loan transaction, for example, farm development loans cannot exceed 30 years and have specific interest rates. AS 3.10.030(a)(1), (4). AS 3.10 covers no form of loan servicing, except for a reference to a three-year extension of a short term loan. AS 3.10.030(c). The ability to perform loan servicing functions is essential to a loan program, because loan servicing provides modifications to improve the potential for loan repayment. Under some circumstances, changing loan terms and conditions allow the lender to obtain a greater income stream than selling the collateral after enforcing loan terms as they were written originally. In addition, loan servicing allows the lender to realize the full value of collateral through programs for upkeep and maintenance of assets.

For example, the loan servicing program contained in the ARLF Board Guidelines allows a portion of past due loans to accrue no interest but allows recovery of all principal. ARLF will realize some recovery on the defaulted loan through reduced borrower payments. The alternative for ARLF would be foreclosure and repossession. ARLF would have equipment, livestock or land to sell before receiving income. Because the Alaska agricultural industry is small, the market for equipment, livestock and agricultural land is limited, thereby significantly reducing the potential income from assets. This is particularly true in the current economic climate in Alaska which exacerbates the limited market. In conclusion, without loan servicing functions, a loan program would be limited to collection and asset maintenance

Mark Weaver

December 7, 1987

Page 4

options that would not necessarily be in the best interest of the State of Alaska.

As a revolving loan fund, money received on loans and through loan servicing efforts is returned to the fund. Loan servicing options can provide a greater income stream, thereby enhancing the revolving nature of the fund. ~~The financial integrity of the fund can be improved by the use of the full range of loan servicing options. A financially sound revolving fund is in a better position to make long term loans as required by AS 3.10.010.~~

The loan servicing program that was outlined in the June 25, 1987 memo, including expanding ARLF money to maintain assets, and changing terms and conditions of current loans is within the implied powers of AS 3.10.010.

The need for farm-oriented banks and government agencies across the nation to devise new loan servicing programs for farms became critical in 1985. The guidelines contained in the June 25, 1987 memorandum are based on a proposal by the American Farm Bureau dated March 6, 1986 and the standards for troubled debt restructuring as affected by Financial Accounting Standard Board Rule 15 approved by the Comptroller of Currency for the United States Treasury in March 1986. The Comptroller of currency issued banking circular on March 23, 1986 allowing significant modification of interest rates and other loan terms when the modifications allowed improvement of the overall portfolio performance. (Comptroller of the Currency, Banking Circular: Capital Forbearance Policies, Mar. 28, 1986, pp. 1, 7). These programs and their justifications were not available when John A. McDonagh wrote his January 31, 1986 memorandum to Jerry Brossia. Therefore, this memorandum supersedes the January 31, 1986 memorandum because of the changes in national accounting rules and banking procedures regarding loan servicing through work outs.

The June 25, 1987 memo also includes a suspension of clearing payments, provided the land is devoted to agricultural use. The suspension, as stated, does not enhance the repayment possibility of the clearing loan.

The suspension significantly alters the clearing loan transaction between ARLF and the borrower. A loan of money is defined as a contract by which one delivers money to another and the latter agrees to repay the money at a later date. United States v. Neifert-White Co., 247 F. Supp. 573 (1965), affirmed 372- F.2d 372 (9th Cir. 1967), reversed and remanded on other

grounds, 390 U.S. 229 (1968). Because payment is suspended indefinitely, the transaction is not longer a loan. The question becomes whether ARLF has the authority to alter a loan transaction to another type of transaction.

The June 25, 1987 guidelines identify two types of clearing loans, those funded directly from ARLF and those funded by the Agricultural Action Council and administered by ARLF. ARLF has the authority to make clearing loans under AS 03.10.030(g). However, there is no legislative authority for a transaction other than a loan. Therefore, ARLF generally lacks authority to institute a program that changes a loan into another type of transaction. The exception is ARLF funded clearing loans on the Delta Projects, which can be forgiven under the provisions of SLA 1986, Chap. 109.

The legislation for the AAC clearing loans provided more flexibility. SLA 1979, Ch. 80, sec. 25, p. 67, l. 34 to p. 68 l. 7 appropriated \$4.736 million to "final clearing" for the Delta I project. SLA 1981, ch. 82, sec. 30, p. 156, l. 24 to p. 157, l. 10 appropriate \$4 million for Delta II project "clearing loans". SLA 1982, ch. 25, sec. 4, p. 11, ll 7-11 appropriated \$402,000 for Delta I "clearing loans". The legislative authority was for some funds for loans, for other funds, the legislation does not specify the type of clearing transaction. SLA 1986 chap. 109, requires that the commissioner of natural resources forgive clearing loans on the Delta Projects if forgiveness is requested as part of relinquishment.

If a Delta clearing loan is involved as a part of a restructuring request under the June 25, 19887 guidelines that does not include a relinquishment request, then the source of funds must be determined. For those loans made with funds which were appropriated for loans, there is no legislative authority for suspension. For those loans made with funds which were appropriated for clearing, a suspension program is within the intention of the legislation.

SLA 1980, chap. 70, sec. 1, grants \$3.6 million to the AAC for Point MacKenzie "land clearing". The AAC chose to use the money for clearing loans. DNR assumed the administration of the AAC loans in 1984. SLA 1984, Chap. 171, sec. 49. By the June 25 guidelines, DNR, through ARLF, has chosen to change the clearing loans to a conditional grant. Since grants are one way of accomplishing land clearing, the change is permissible under the legislation.

Mark Weaver

December 7, 1987
Page 6

In summary, if the clearing loan is attached to land that is part of the Delta projects, the loan must be forgiven of part of a relinquishment request. If the loan is not part of a relinquishment request, the source of funds must be discovered to determine whether the changing a loan to a conditional grant program by payment suspension is permitted by legislation.

JMT:cmh
memo.jmt

B-Rule \$122,007/399,714

attempting to cure.
Repurchased opted for eligible to repurchase @ \$92,439.

C-Bannun \$163,007/422,183

Applied; has not selected options.

D-Giese \$104,000/335,845

Applied; has opted to repurchase

E-Hright \$175,159/219,916

Did not apply; development default; Bankruptcy.

F-Green \$128,093/590,971

Repurchased for \$107,039 - DONE.

G-Olson \$142,244/407,983

Applied/development default; attempting to cure.

H-Engellant \$159,778/412,153

Applied, has not selected option.

I-Karr \$144,177/436,089

Repurchased for \$108,388

J-Emery \$131,756/517,963

Applied; has not selected option.

K-Kelley \$144,303/452,354

Applied/development default/has appealed.

L-Fett \$160,954/446,599

Applied/Eligibility uncertain.

M-Mitchell \$168,253/535,530

Applied; has not selected option.

N-Brehmer \$103,867/370,910

Applied; Contract amendment sent, repurchase @ \$97,765.

O-Hollenbaek/

Buck

Applied; have not selected option.

P-Carlyle, Inc \$135,674/390,150

Repurchased for \$97,348.83 DONE.

Q-Strung \$132,535/363,773

Repurchased for \$101,500.11 DONE.

R-Helken \$128,487/406,710

Applied; has not selected option.

S-Green \$177,425/574,828

Applied; has not selected option.

T-Rutt \$144,629/389,883

Applied; has not selected option.

U-Dodson \$142,434/346,138

Applied, has not selected option.

V-Nelson \$117,871/246,858

Repurchased for \$77,811 DONE.

1-Magee \$252,000/198,128

Relinquished in total.

2-Brown \$226,000/142,610

Applied/Development default, foreclosure initiated.

3-Magee \$234,000/280,958

Relinquished in total.

4-Trowbridge \$266,000/245,649

Applied; has not selected option.

5-Schultz \$300,000/309,860

Repurchased for \$88,015 DONE.

6-Nelson \$287,000/294,295

Repurchased for \$74,248 DONE.

7-Holcomb \$216,000/162,625

Has selected option to repurchase. Relinquished in total. \$31,

8-Cho \$394,000/70,182

Relinquished in total.

9-Kim \$398,000/51,116

Relinquished in total.

10-Chu \$390,000/132,860

Relinquished in total.

11-Kraus \$273,000/222,162

Applied, documents being prepared, repurchase for \$61,543.

12-Orcutt \$410,000/312,161

Applied, ineligible, Bankruptcy.

13-Kraus \$286,000/268,272

Documents being prepared to r. for \$82,214

14-Rouse \$213,000/32,460

Has not applied; ineligible development, foreclosure.

15-Green \$268,000/158,031

Relinquished in total.

P. Nelson \$43,691/89,820

Repurchased for \$15,780 DONE.

Attachment D

Attachment E

RESTRUCTURE LOAN UPDATE As of February 10, 1988

DATE	BORROWERS	LOANS	DOLLAR AMOUNT
7/87 - 10/31/87	6	34	\$ 2,351,468.96
11/1/87 - 2/10/88	<u>30</u>	<u>112</u>	<u>\$ 9,546,930.87</u>
TOTAL	<u>36</u>	<u>146</u>	<u>\$ 11,898,399.83</u>

ABOVE INFORMATION BROKEN DOWN AS FOLLOWS:

RESTRUCTURES CLOSED:			
Approved PRIOR to 11/87	3	25	\$ 924,620.00
Approved AFTER 11/87	<u>1</u>	<u>4</u>	<u>\$ 434,679.00</u>
TOTAL	<u>4</u>	<u>29</u>	<u>\$ 1,359,299.00</u>

APPLICATIONS APPROVED:			
Approved PRIOR to 11/87	3	9	\$ 1,426,848.96
Approved AFTER 11/87	<u>14</u>	<u>67</u>	<u>\$ 4,265,418.52</u>
TOTAL	<u>17</u>	<u>76</u>	<u>\$ 5,692,267.48</u>

APPLICATIONS DECLINED:			
Approved PRIOR to 11/87	0	0	-0-
Approved AFTER 11/87	<u>15</u>	<u>41</u>	<u>\$ 4,846,833.35</u>
TOTAL	<u>15</u>	<u>41</u>	<u>\$ 4,846,833.35</u>

TOTAL	36	146	\$ 11,898,399.83
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**DIVISION OF LAND AND
WATER MANAGEMENT
AGRICULTURAL CONTRACT
PRESENTATION**

AGREEMENT STATUS REPORT
 SUMMARY From REVENUE and BILLING PRINTOUT 3-21-88
 Number of Case Files

<u>Agricultural Sale Contracts</u>		
Executed	176	
In Process of Execution	6	
Bankruptcy	6	
On Appeal	1	
In Default	9	
Moratorium in Effect	60	
Closed - relinquished	6	
Closed - Terminated	4	
Total	268	268
Paid Off	39	
 <u>Land Sale Contracts</u>		
Executed	5,629	
Bankruptcy	18	
In Default	56	
Relinquished	167	
Closed - Expired	8	
Closed - Terminated	113	
Closed - Foreclosed	69	
Total	6,060	6,060
Paid Off	39	
 <u>Land Leases</u>		
Executed	5,182	
In Default	7	
Relinquished	168	
Closed - Expired	493	
Closed - Terminated	532	
Transferred	52	
Total	6,434	6,434
Converted to Sale	284	
Paid Off	5	
 <u>Tideland Leases</u>		
Executed	204	
In Default	1	
Relinquished	1	
Closed - Expired	44	
Closed - Terminated	1	
Total	261	261
Grand Total		13,023

Agricultural Sale Contracts represent approximately 2% of the total number of case files.

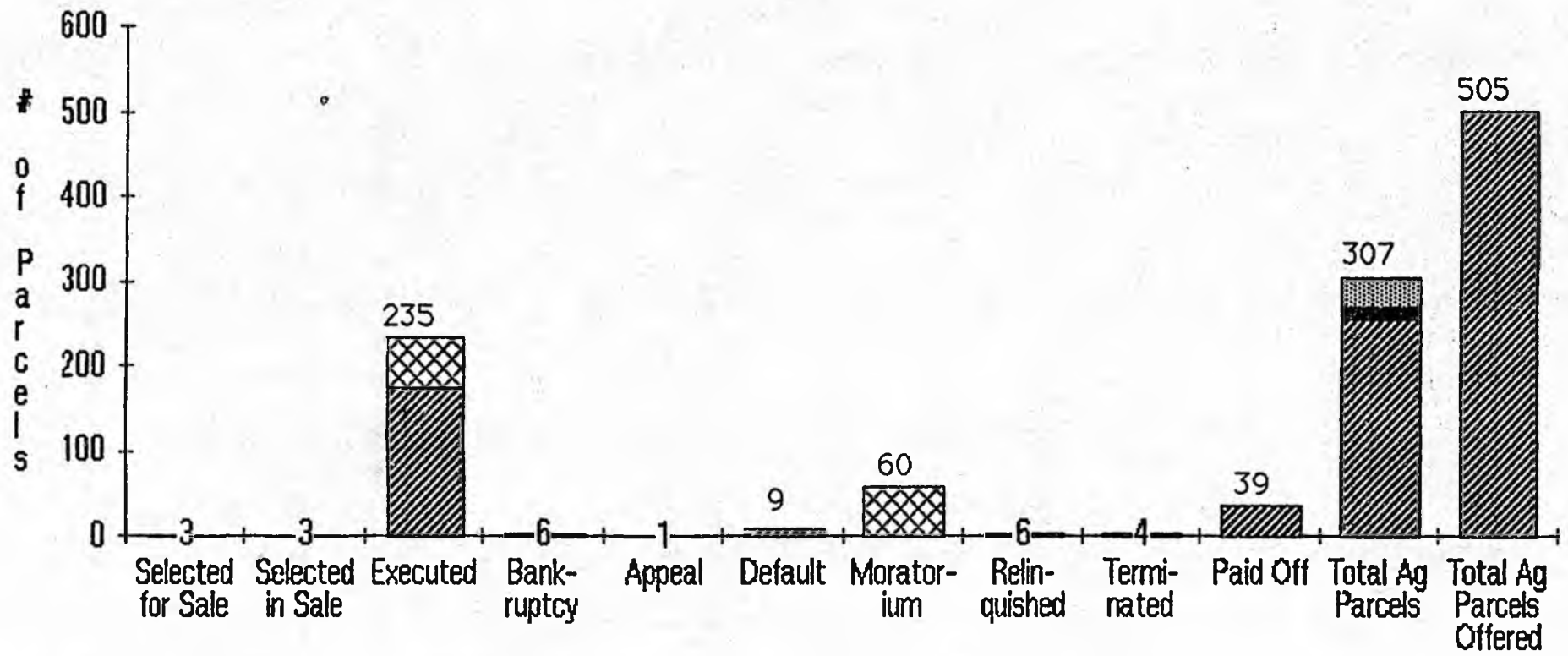
DNR AGRICULTURAL OFFERINGS

<u>Sale</u>	<u>Date</u>	<u>No. of Parcels</u>
Tanana Loop (Delta)	4/29/78	60
Homer	7/15/78	14
Delta Ag. Project I	8/5/78	22
Buffalo (Delta)	12/15/79	6
Bartlett Hills (Talkeetna)	12/15/79	27
Six Creeks (Delta)	12/15/79	12
Gustavus (SE)	12/15/79	6
Warren (Delta)	12/15/79	3
Two Rivers	7/19/80	29
Four Mile Hill (Delta)	11/3/80	36
Copper Center	6/80	2
Potlach Ponds (Fairbanks)	12/19/80	61
Pt. MacKenzie (Wasilla)	3/6/81	29
Rosie Creek (Fairbanks)	6/29/81	3
Talkeetna	6/29/81	1
Scotty Lake (Talkeetna)	6/29/81	4
Salcha	6/29/81	16
Delta II	3/82	15
Eielson (Fairbanks)	6/82	14
Buffalo (Delta)	6/82	3
Pt. MacKenzie (Wasilla)	9/82	29
23 Mile Slough (Fairbanks)	12/82	17
Two Mile Lake I (Nenana)	12/82	17
Little Susitna (Houston)	12/82	3
Nancy Lake (Willow)	12/82	2
Goose Creek (Willow)	12/82	4
Delta Island (Willow)	6/83	4
Moose Creek (Talkeetna)	6/83	4
Browns Court (Nenana)	6/83	9
Clearwater (Delta)	11/83	10
Radieux (Talkeetna)	6/84	7
Two Mile Lake II (Nenana)	6/85	8
Homer	5/86	5
Kobe (Fairbanks)	5/86	23
	Total	505

CURRENT EXISTING LEGISLATION APPLICABLE TO
AGRICULTURAL SALES

Agricultural Sales	AS 38.05.065(h) Payment Moratorium	Ch. 109, SLA 1986 Delta Debt Relief	AS 03.05.015 Production Credits
Tanana Loop (Delta)			X
Homer			X
Delta Ag. Project I		X	X
Buffalo (Delta)	X		X
Bartlett Hills (Talkeetna)	X		X
Six Creeks (Delta)	X		X
Gustavus (SE)	X		X
Warren (Delta)	X		X
Two Rivers	X		X
Four Mile Hill (Delta)	X		X
Copper Center	X		X
Potlach Ponds (Fairbanks)	X		X
Pt. MacKenzie (Wasilla)	X		X
Rosie Creek (Fairbanks)	X		X
Talkeetna	X		X
Scotty Lake (Talkeetna)	X		X
Salcha	X		X
Delta II		X	X
Eielson (Fairbanks)	X		X
Buffalo (Delta)	X		X
Pt. MacKenzie (Wasilla)	X		X
23 Mile Slough (Fairbanks)	X		X
Two Mile Lake I (Nenana)	X		X
Little Susitna (Houston)	X		X
Nancy Lake (Willow)	X		X
Goose Creek (Willow)	X		X
Delta Island (Willow)	X		X
Moose Creek (Talkeetna)	X		X
Browns Court (Nenana)	X		X
Clearwater (Delta)	X		X
Radieux (Talkeetna)	X		X
Two Mile Lake II (Nenana)	X		X
Homer	X		X
Kobe (Fairbanks)	X		X

Agricultural Contracts

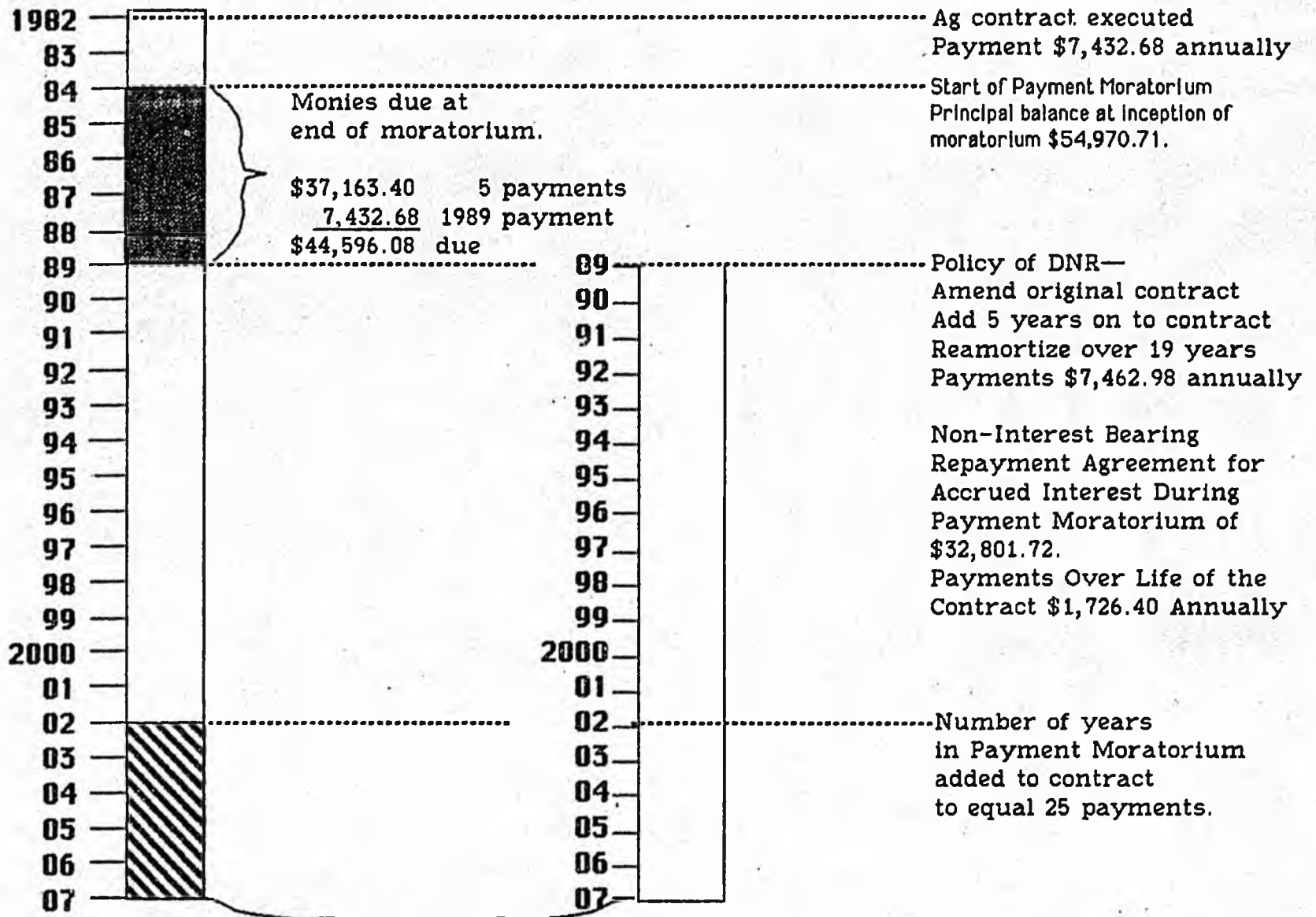


Delta Debt Relief 36	Production Credits 14	Moratorium 60	Ag Parcels
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Lifecycle Of an Agricultural Contract

No Payments Made During Moratorium

Normal
Agricultural
Contract

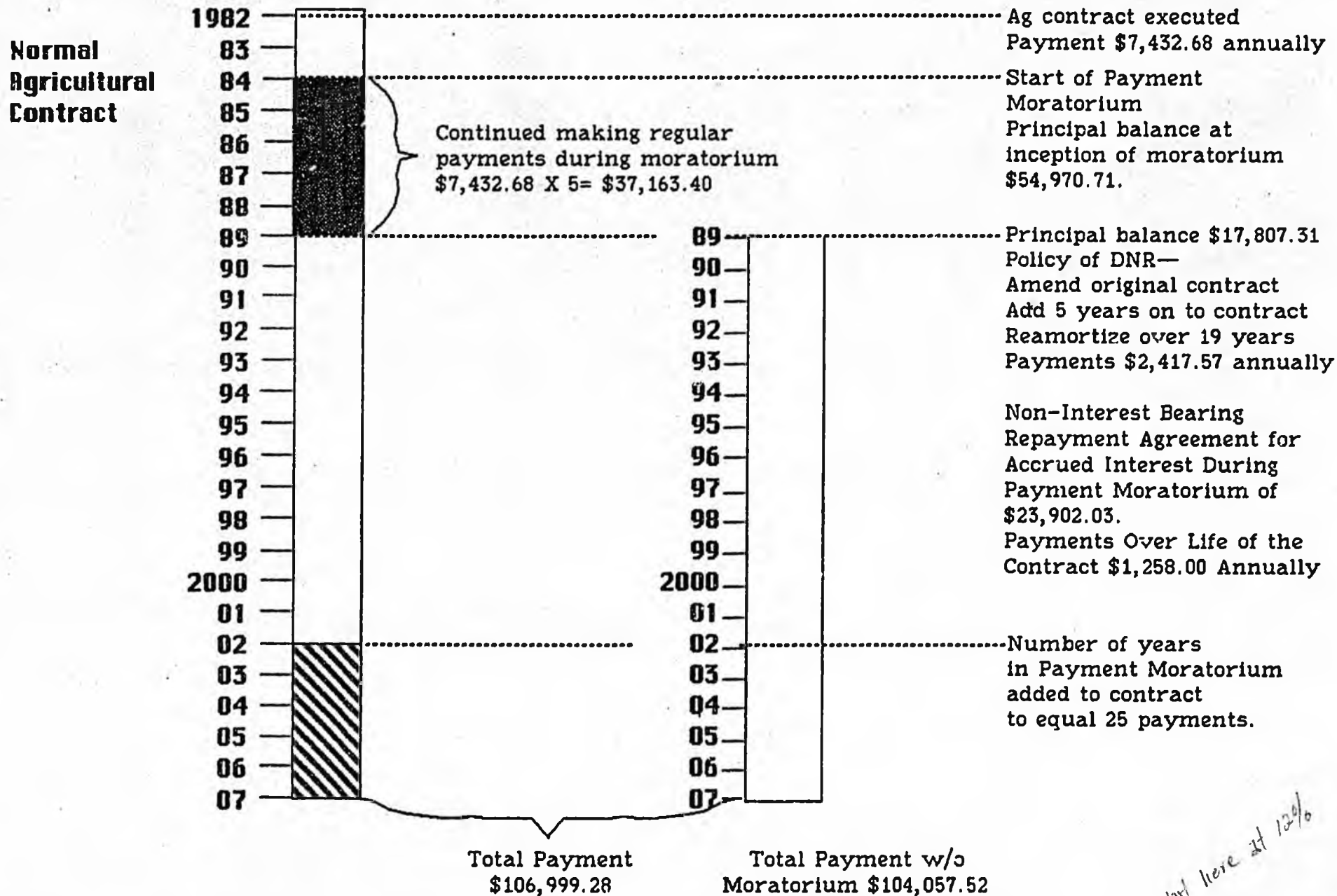


Total Payment
\$174,598.41

Total Payment w/o
Moratorium \$104,057.52

Lifecycle Of an Agricultural Contract

Continued Making Regular Payments



Bills Pending Before the Legislature
Affecting Agricultural Contracts

Bill #	What It Does	Potential Impact	Fiscal Note
CS For SB #340	Extends agricultural payment moratorium 1 additional year for a total of 6 years.	60 applicants have participated in the 5 year moratorium to date. Approx. 112 Ag contracts could participate.	-0-
SB #353	Extends the agricultural production credit law for 2 additional years (1986 through 1991).	14 applicants have participated in this program paying interest on Ag sale contracts. Approx. 230 Ag contracts could participate.	-0-
SB #359	Extends opportunity for reorganization of private debt at a Delta Project for 2 years, until July 1, 1990	36 of the original 38 purchasers have applied 7 completed 6 in process 6 not eligible at this because of development schedules (may be later). Extra 2 years beneficial to complete all who applied.	114.1 NRM I 52.7 DLWM CT II 27.7 DLWM CT II 27.7 DOA
SB #484	Restructuring the debt of certain dairy farmers, applicable to ARLF loans.	None to Contract Administration	-0-

DIVISION OF AGRICULTURE
SERVICES, POLICY ISSUES AND STRATEGIES FOR THE FUTURE

February, 1988

Mark Weaver, Director
Division of Agriculture
Department of Natural Resources
Palmer, Alaska

3/24/88

DIVISION OF AGRICULTURE

APPLIED RESEARCH

SERVICES

Cost effective testing, production and distribution of north latitude vegetable varieties, landscape and revegetation materials, and other crops utilized by arctic and sub-arctic resource industries (agriculture, petroleum, mining, forestry, tourism) to meet environmental requirements and production objectives.

The Division of Agriculture operates the statutorily created Alaska Plant Materials Center (PMC). The Division works with the private sector to identify and respond to the plant material needs of Alaskan industries, and coordinates the applied research and production efforts of the PMC with the more basic research efforts undertaken by the University of Alaska Agriculture and Forestry Experiment Station.

KEY POLICY ISSUES

All issues are long term:

- 1. Increasing demand by agriculture, petroleum, mining, timber, tourism and related land-using industries for revegetation materials and methods suitable for sub-arctic and arctic development sites. In many cases these are unavailable from other sources due to unique conditions of the northern environment, and are required by regulation (both Federal and State) as conditions of industry land use or development.**
- 2. Continuing demand by Alaskan horticulture industry (nursery, greenhouse, and row crop operations; \$17 million in crop receipts during 1986) for landscaping, berry, vegetable and potato varieties adapted to Alaskan conditions, and for testing of new varieties and cultivation practices.**
- 3. Continuing demand by Alaskan and other north latitude grain, forage and specialty seed producers (\$2 million in 1986 crop receipts in Alaska) for quality seed stocks of locally adapted varieties not usually available elsewhere, and testing of varieties and cultivation practices adapted to northern conditions.**

STRATEGY

In all cases, abandonment of on-going projects would lead to inadequate supplies of required materials and new technology. This would limit growth potential of industries and also reduce cost-effectiveness of many of those industries, leading ultimately to loss of competitive advantage in the market place, accompanying reduction in local economic activity, and increased reliance on imports poorly adapted to Alaskan conditions. Although difficult to quantify the impact of reduction or increase of project activity, current levels of spending in potato and seed crops appear appropriate to the size of the industry now served in relation to its growth potential. Work with other vegetables and with landscape and revegetation materials, on the other hand, has been chronically underfunded, with the result that industry cost-competitiveness and growth potential have been limited to less than optimal levels.

DIVISION OF AGRICULTURE
INSPECTION AND MARKETING

SERVICES

1. **Provide inspection services** of vegetables, potatoes, eggs and other raw food products for Alaskan producers and retailers as needed to comply with state and federal quality and quarantine regulations, and to enable agricultural products to be sold commercially.
2. **Assist industry in promoting local agricultural products** through advertising and personal contacts with large purchasers so as to increase market share and maximize substitution of cost-competitive Alaska grown products for imported product.
3. **Undertake feasibility studies to aid the private sector** in identifying new market opportunities; investigate agricultural products which Alaskans can produce at a competitive advantage for local and export markets.

KEY POLICY ISSUES/STRATEGY

The Alaska economy is shrinking; increased substitution of cost-competitive local products for imports is therefore highly desirable. Success depends upon the ability of industry to identify and influence demand and to respond with appropriate increases in production.

Caution:

Sustainable, unsubsidized development is usually slow, and is in part dependent on uncontrollable factors such as weather and on the availability of capital, of land base, and of transportation systems that require long term commitment and coordination. Efforts to promote agricultural products must therefore be crafted to reflect immediately available supplies and realistic expectations of market share and capacity of the industry to expand. This requires intimate familiarity with producers and consumers of Alaska grown produce and with developments and limitations of production/technology. Failure to heed this principle is the direct cause of the failure of the Delta project to prosper. **The appropriate goal is incremental expansion, not rapid growth.**

Targets:

1. **Vegetable industry** - Alaskan conditions favor production of potatoes, carrots, peas, cole crops and some other vegetables of unique quality. Current fresh market share held by local producers ranges from 10-50% and probably could be doubled. Cash receipts to industry totalled \$2.4 million in 1986. Additionally, processing (freeze pack) deserves study as a means to significantly expand both local and export markets.

2. Alaskan berry industry, which has potential to produce unique fresh and processed products (jams) because of favorable Alaskan climate; also specialty grain and grass seed production, which benefits from the disease free northern environment.
3. Dairy - Despite financial difficulties, local producers are generating \$6 million of high quality milk per year, with an additional \$6 million in value added at processing level. This supplies only 25% of local market demand; potential expansion to 50% appears possible with coordinated industry/Division of Agricultural effort.
4. Meat - Alaskan farmers supply \$1.8 million worth of red meat annually, less than 5% of the total in-state needs. This is due primarily to lack of reliable slaughter and processing facilities in the past. If the Mt. McKinley meat plan remains open and the lessor-operator (Division of Corrections) remain willing to sell meat to private wholesalers, simple promotional efforts could generate significant expansion and several million dollars worth of additional import replacement in this commodity each year.

DIVISION OF AGRICULTURE

LAND CONSERVATION

SERVICES

1. Make available to the private sector lands suitable for agricultural production, in sufficient amounts so as to permit and encourage development of viable agricultural enterprises that contribute positively to the state economy and quality of life.
2. Conserve the soil and water resources on all agricultural lands so as to optimize their long term economic value.

The Division of Land and Water Management has the lead in classifying public lands for agricultural use and providing sale and lease documentation. The Division of Agriculture has the lead in:

1. developing the land distribution and conservation policies that are applied to these lands through purchase contract requirements,
2. selling/leasing and conserving private lands that are acquired by the Agricultural Revolving Loan Fund, and
3. promoting conservation practices on private lands generally. The Division of Agriculture performs all field inspections that are required on agricultural and homestead parcels — more than 1100 total in 1987.

KEY POLICY ISSUES

Administration of ⁴⁷⁰~~560~~ agricultural land development contracts (inherited from previous administrations) will confront three central issues.

1. Demand for renegotiation of development requirements, some of which are needlessly restrictive and tend to promote economic inefficiency. Legislative authority to modify these contracts is needed; enabling legislation (SB23) is pending, with approval likely. Modification will require balancing of long term conservation interests (protection of the land resource) with short term economic concerns of the private sector.
2. Demand for settlement of relinquishment requests by Delta project farmers. Relinquishment and reconveyance of Delta lands was mandated by legislation passed in 1986 (SB 349), and complicated by the fact that lands eligible for relinquishment are collateral for ARLF loans. The Division of Agriculture provides field inspection service support to Division of Land and Water Management and protects ARLF collateral interests throughout the transfer process.
3. Release of land patents to those who have met contract development requirements. This is mandated by contract terms and requires field inspection of parcels, approval/denial of requests for patent, and forwarding of recommendations to Division of Land and Water Management for paperwork completion.

DIVISION OF AGRICULTURE

AGRICULTURAL REVOLVING LOAN FUND AND OTHER ASSETS

SERVICES

1. **Manage the Agricultural Revolving Loan Fund (ARLF) like an agricultural bank to provide a continuing source of credit and capital to the agriculture sector with the following criteria: Loans to be made at stable rates of interest, with credit extended to borrowers based upon their ability to repay, and terms established so as to permit continued operation of the fund without decline of the portfolio.**
2. **Manage investments made by previous administrations in agricultural assets and farm development projects so as to facilitate privatization of assets where possible, maximize return to the state and maintain stability and encourage subsidized development in the agricultural sector.**

KEY POLICY ISSUES

Short Term:

1. Implementation of a troubled debt restructuring program, which consists of a refinancing package for borrowers who are currently delinquent but appear able to repay principle if terms are adjusted.

Alternative:

Foreclosure on approximately ¹⁵⁰~~14=50~~ farm operators, leading to resale of most agricultural properties at depressed prices, yielding a net loss to the loan fund and limiting the ability of some viable operations to contribute to the state economy.

Long Term:

1. The need for improved credit analysis and collateral requirements and documentation so that non-performing loans are avoided and collections can be implemented efficiently.
2. The need to promptly collect and/or foreclose on delinquent accounts that are not restructured and do not otherwise appear viable.
3. The need to provide management oversight to operating business assets including the Matanuska Maid Creamery and Feed Mill, two meat processing plants, and a grain handling terminal (total market value approximately \$6 million).

Alternatives:

None. Recommended approach will provide sound financial management consistent with the legislative mandate to the loan fund to promote viable agricultural enterprise in Alaska. Although some assets could be sold, this is not advisable during the short term, (1-2 years) due to anticipated low return because of the current recession.

The state must view agriculture as a business

BY MARK WEAVER

Does Alaska have an agricultural policy?

When money was easy, we had agricultural policies by the dozen. We had a policy to promote the grain industry; we had a policy to promote dairying; we had a policy of promoting a whole slew of agricultural commodities by lending money to people who had little capital of their own and little history of management.

As long as money was easy, the wisdom of these policies was not tested. Now the well is drying up. Their legacies are coming to haunt us: Delinquent farm debt. Processing facilities that are empty or unprofitable. Angry farmers. A disenchanting public.

Where do we go from here? Some say, "Do nothing." In fact, doing nothing will cause more waste.

I propose a different strategy. The first step is to recognize the valuable lessons that Delta, Point Mackenzie and



other recent experiences can teach us.

• Lesson No. 1: Easy farm credit too often rewards bad management. It does not produce private sector growth that is sustainable and unsubsidized.

• Lesson No. 2: To encourage agricultural production for its own sake is foolishness. Supply must be driven by demand.

• Lesson No. 3: Farmers must be required to bear the ordinary risks of doing business. Farming may be different from other businesses, but it is not special.

In every sector of the agriculture industry in Alaska there are successful farmers — those who profitably grow and market their crops and are in control of their debt. Horticultural crops — vegetables and potatoes from tradi-

tional farms, bedding plants, shrubs and other ornamentals from nursery and greenhouse producers — accounted for \$17 million in gross sales last year, along with 1,600 jobs. But even in depressed sectors such as livestock and grain there are producers who are making it — without need of a bailout. There is nothing wrong with agriculture in this state, only with what we have tried to do to it.

• What is the future of farming in Alaska? What role should state government play?

To my way of thinking, government involvement of any kind is inappropriate, unless basic criteria are met:

Can government provide a service that the private sector cannot provide? Is there a public interest at stake that justifies expenditure of public funds?

If the answer to either of these queries is "No," then government probably should stay out!

I can identify only four kinds of government services to agriculture that seem to meet this test. They are:

• Inspection of food and farm products destined for public use or consumption. A quality inspection program is the key that opens the door to the market place for the local farmer. It is mandated by federal law in some instances, and helps to promote a healthy competition for product quality. At the same time it protects retailers and the public from those who would use Alaska as a dumping ground for poor quality import.

• Research. Innovation on the farm depends upon scientific research applied to real world problems. Our farmers sacrifice time and money in an effort to identify new crops or methods that can give Alaska a competitive advantage. They cannot do this efficiently, nor take advantage of what they learn without scientific support. Gov-

ernment should fill this void.

• Credit. Private banks do not like to deal with agriculture, here or anywhere. Farmers do not need free money. They do need a bank they can rely on and, this is most important, a banker who knows farming and who knows a potentially profitable operation from a losing one. Nobody deserves a loan just because he is a farmer. But farmers, like other businessmen, deserve loans when their credit is good.

• Access to Land. In virtually every state, local governments have acted to protect their best agricultural lands from erosion and incompatible development. For this reason, the Hammond administration initiated an agricultural title system that offered farmers ownership, subject to a condition that the land not be abused nor diverted to uses inconsistent with agriculture. This system is without doubt the most valuable legacy of the big project

era. It is the tool that preserves the raw material of the farmer's trade at a price compatible with the long term nature of his investment.

Inspection, research, credit and land access pass the acid test for government involvement in agriculture. With few exceptions, if a service is outside the scope of these four areas, the government of this state probably should not be providing it.

When money was easy, we could afford to pursue agriculture as one more Alaskan lifestyle. Now we have no choice but to view agriculture as a business. If we stick to basics, it will grow at its own pace, and require no subsidy. It will provide jobs, and quality produce for all of us. And, by the way, those who succeed in it will enjoy a rewarding lifestyle.

□ Mark Weaver is Director of the Division of Agriculture.

3/24/88

FY 89 OPERATING BUDGET

	FY 87 ACTUAL	FY 88 AUTH	FY 89 ADJ BASE	FY 89 INC/DEC	GOV APPL GOV	FY 89 BDGT	FUNDING GF	ARLF	OTHER	%ARLF		
AG MGMT COMPONENT												
DIRECTOR'S OFFICE	243.5	179.2	210.2	50.0	GF	N		210.2	78.7	131.5	62.6%	
FOOD & FARM PROD INSP	110.7	98.1	100.0					100.0	94.0	6.0	FED 0.0%	
GRAIN RESERVE	42.1	48.0	48.6					48.6		48.6	GR 0.0%	
AG LAND CONS & CRT MGMT	286.8	319.5	271.1					271.1	177.7	93.4	34.5%	
AK GROWN PROD PROMOTION	145.2	163.4	166.5	82.1	LF	Y		248.6	7.1	226.5	15.0	FED 91.1%
FOUNDATION SEED	165.8	164.5						0.0				
HORTICULTURAL DEV	165.8	164.5						0.0				
VEG & SEED PRODUCTS	190.3	144.2	204.2	40.0	GF	N					0.0%	
REVEGETATION LANDSCAPE	70.0	70.0	70.0								0.0%	
ARLF - ACCT. Credit. Coll	520.3	848.4	860.4	150.4	LF	Y		1010.8		1010.8	100.0%	
UNBUDGETED RSA's	32.9											
STATE FAIRS		59.6										
AG MGMT COMPONENT TOTAL	2005.2	2261.9	2212.9	406.7				2445.4	913.6	1462.2	69.6	59.8%

DEP COMPONENT	219.4	217.4	221.0	0.0				221.0		221.0	CIP 0.0%	
=====												
AG MGMT BRU TOTAL	2224.6	2479.3	2433.9	406.7				2666.4	913.6	1462.2	290.6	54.8%

3/24/88

DIVISION OF AGRICULTURE

SUMMARY OF 1987 SERVICES

February, 1988

Mark Weaver, Director
Division of Agriculture
Department of Natural Resources
Palmer, Alaska

3/24/88

DIVISION OF AGRICULTURE

ALASKA PLANT MATERIALS CENTER

Summary of 1987 Services

EVALUATED for Alaskan conditions:

- 57 berry varieties.
- 30 rose varieties.
- 6 varieties each of lettuce, cabbage, cauliflower and broccoli.
- 30 varieties of potatoes.
- 5 salt tolerant grasses and forbs for North Slope revegetation.
- 15 species of trees, shrubs, forbs and grasses for other revegetation uses.

PRODUCED AND DISTRIBUTED to commercial growers:

- 10,000 disease free potato plantlets.
- 1.7 tons disease free seed potatoes.
- 2600 berry plants for fruit and landscaping.
- 75 willows for revegetation, moose habitat and windbreak.
- 7 tons foundation barley seed for livestock feed.
- 3 tons foundation oats for livestock feed.
- 5 tons foundation wheat for livestock feed.
- 500 pounds grass seed for forage, revegetation, and landscape.

TECHNICAL ASSISTANCE:

- Inspected 100 lots of seed potatoes for certification.
- Developed revegetation specification for highway erosion control.
- Evaluated 17 remote revegetation, food and landscape plots from Kodiak to North Slope.
- Developed revegetation technology for ARCO, COMINCO and Air Force.
- Prepared 5 reports on revegetation technology.
- Presented 7 papers on revegetation technology and horticulture.
- Sponsored Greenhouse and Nursery Conference attended by half the growers in the state.
- Sponsored 2 horticulture industry tours in Palmer and Kenai.
- Participated in 41 horticultural industry related meetings.

DIVISION OF AGRICULTURE
FOOD & FARM PRODUCT INSPECTION
AND ALASKA GROWN PROMOTION

Summary of 1987 Services

- 500 produce quality grade inspections at farm and packing shed sites.
- 650 acres of grains and grasses inspected for certification at 54 locations.
- 500 retail and wholesale site inspections for product quality.
- 50 seed samples tested for label compliance.
- 300 measurements on grain storage bins for Grain Reserve Loan compliance.
- 52 issues of Market News Report published for 850 subscribers.
- 100 meat plant visits to grade carcasses for value determination.
- 7 directories and statistical reports published for distribution to agricultural industry, consumers and government agencies.
- 300 contacts with producers, wholesalers and retailers to provide marketing liaison.
- 5 economic analyses published: veal, baking potatoes, beef, barley and canola (rapeseed).
- 5 Alaska grown promotion events organized in stores, and advertised in radio announcements and press releases.

DIVISION OF AGRICULTURE
LAND CONSERVATION/CONTRACT MANAGEMENT

Summary of 1987 Services

- 185 farm conservation plan inspections and revisions.
- 56 homestead parcel inspections.
- 806 farm development plan inspections and adjustments.
- 35 Homestead Credit inspections.
- 83 clearing loan inspections.
- 159 applications for patent, moratoriums, assignments or relinquishments reviewed.
- 1778 visits, telephone and office contacts, discussions with farmers, homesteaders, etc.

Organized 2 state-wide Association of Soil and Water Conservation Districts meetings and attended 27 District meetings.

Organized quarterly meetings of the Alaska Soil & Water Conservation Board and provided executive services to the Board.

DIVISION OF AGRICULTURE

AGRICULTURAL REVOLVING LOAN FUND (ARLF) AND OTHER RELATED LOAN SERVICES

Summary of 1987 Services

Twenty-seven board meetings were held including 12 regular meetings, 12 teleconference meetings, and 3 public hearings. 148 loan applications were considered. The cost for the meetings totaled \$17,026.36.

Support to the Fairbanks and Delta areas was provided by frequent visits by Loan Examiners. A total of 18 visits were made to these areas representing 55 man days. Appointments are scheduled in advance to meet the needs of borrowers in the area.

Loans by area are as follows:

AREA	BORROWERS	LOANS	LOAN BALANCE
Matanuska Area	85 Borrowers	199 Loans	\$ 17,957,042.29
Delta Area	75 Borrowers	252 Loans	\$ 17,376,351.28
Tanana Area	37 Borrowers	083 Loans	\$ 1,818,732.37
Kenai Ara	19 Borrowers	039 Loans	\$ 1,380,597.78
Other Areas	09 Borrowers	020 Loans	\$ 1,299,510.94
Totals	225	593 Loans	\$ 39,832,234.66
Other ARLF Assets			\$ 10,466,036.76
Loans Serviced for Others (AAAC, etc.)			\$ 14,014,860.00
Total			<u>\$ 64,313,131.42</u>

The Loan Fund is in the process of restructuring some nonperforming loans. The cut off date of November 1, 1987 resulted in receiving approximately 84 applications totaling over \$29 million. During the January 1988 board meeting the ARLF Board approved \$3.1 million for restructure and declined \$1.33 million. The overall delinquency rate has improved from the previous point of 78% in 1987 to a current level of 64%. We are forecasting continued improvement in the delinquency rate as more loans are restructured to provide realistic repayment schedules.

The ARLF received \$2,346,152 in revenue during FY 87, including interest totaling \$560,129.

To date, production credits have reduced the interest income to the Loan Fund by approximately 50%. 1986 Production Credits equalled \$346,055; 1987 production credits equalled \$539,997. Extension of this program will prevent the fund from revolving.

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
FARM LOAN PROGRAM
ANNUAL REPORT
JANUARY 1, 1988

PREPARED BY

Hal K. Ward
ARLF Staff

Under the Direction of
Mark Weaver
Director, Division of Agriculture

TABLE OF CONTENTS

I. HISTORY AND ORGANIZATION	
a. Current Status - operations, loans	2
b. Accomplishments	2
c. Operating Plan 12 months	4
II. LOAN ACTIVITY	
a. Board and Loan Activity	5
b. Loans by Area	6
c. Loan Fund Staff - Delta and Fairbanks Office Schedule.	7
d. Loan System - Revenue and Billing	8
III. GOALS IN MANAGEMENT OF LOAN FUND	
a. Intermediate Goals - Three to Five Years	9
b. Long Range Goals - Five to Eight Years	9
IV. ARLF ASSETS	
a. Matanuska Maid Creamery and Feed Mill.	10
b. Fairbanks Meat Plant	11
c. Palmer Meat Plant	12
V. FINANCIAL REVIEW AND STATEMENT	
a. Revenue Forecast	13
b. Loans Receivable	14
c. Assets for Sale and Investments	15
d. Production Credits	16
e. Revenue - Interest, Penalties, Application Fees	17
f. Funds Disbursed	18
g. Restructure, Rewrites	18
h. Repossessed Property and Recovery of Loans	19

SECTION I HISTORY AND ORGANIZATION

The Agricultural Revolving Loan Fund (ARLF) is the largest of the farm loan programs administered by the Division of Agriculture. It was established by statute in 1953 with initial appropriations of \$200,000. This fund has grown through major appropriations from 1979 through 1985; it also has been supplemented by other agricultural loan programs that the legislature has initiated or relocated within the Division of Agriculture.

As a result, the Division of Agriculture is now responsible for the administration of \$40 million in ARLF loans; \$1.5 million in Grain Reserve loans; and \$15.5 million in land clearing loans and miscellaneous loans made by former Agricultural Action Council. In addition, the ARLF has acquired three major agricultural assets as a result of programs initiated by former Agricultural Action Council: The Fairbanks meat processing plant (currently unoccupied); the Matanuska Maid creamery and feed mill; and the Palmer meat processing facility. The Palmer meat processing facility is run by the Department of Corrections through an interagency agreement with the Department of Natural Resources. The Matanuska Maid creamery is operated under the temporary oversight of the Division Director and the ARLF Board.

Most credit, collection and accounting services for loan programs are provided by ARLF staff that include a loan manager, four loan examiner positions and five loan accounting and clerical positions.

The director of the Division of Agriculture, with the assistance of other Division staff, is responsible for development of policy for loan programs and assets. Non-ARLF staff also assist loan examiners with land inspection problems.

Total responsibilities include \$55.5 million in active loans and \$9.8 million in ARLF-State owned assets. The Matanuska Maid creamery alone contributes more than \$12 million in processed products and \$1 million in operating expenditures to the Anchorage area economy each year.

Most credit approvals, credit declines and collection actions for loan programs must be authorized by the ARLF Board. The current Board consists of two public members, both of whom are attorneys with commercial experience, and three members with agricultural expertise - a Professor of Horticulture who operates a Palmer nursery, a livestock producer from Kenai and a hay farmer from Delta Junction. The Board collects per diem for meetings but is otherwise unpaid.

Farm loan programs are an integral part of the services provided by the Division of Agriculture in that they make capital available for development and operation of Alaska farms, nurseries and greenhouses. The Division also provides other basic services: assistance in promoting and marketing farm products; inspection of fresh market produce for retail sales; land conservation and contract management

**SECTION I
HISTORY AND ORGANIZATION**

services; and introduction of new plant materials to Alaskan industries through production, testing and distribution of crops, revegetation and landscaping materials suited to Alaska growing conditions and local markets.

a. Current Status

During 1986 efforts were made to improve the overall operation of Division loan programs. New detailed operating and accounting procedures were established to correct deficiencies noted by Legislative Audit. 9.8 million dollars in loan losses from 1978 through 1985 were recognized through charge-off and recoveries started through three separate sales of repossessed collateral held during the first half of FY 87.

Lending policy has become more conservative with emphasis on ability of borrower to service loan debt, verified management experience, and realistic budgets of income and expense in operations.

b. Accomplishments

Loan Fund staff were involved in major projects this year while working with a 50% vacancy level in the Loan Examiner positions due to lack of qualified candidates available for hire from the register. We accomplished the following activities:

- Negotiated transfer of Fairbanks meat plant back to the State without bankruptcy or foreclosure.
- Prepared policy and procedure to implement Production Credit Legislation.
- Developed new accounting procedures due to Production Credit Legislation.
- Designed and adopted new application forms for ARLF.
- Designed and adopted new loan collateral documentation forms for ARLF.
- Established loan servicing and collection policy and procedure.
- Provided the first forecast of income from all sources to Office of Management and Budget.
- Amended Loan Board presentation procedures and adopted more detailed financial analysis requirements for Loan Examiners.
- Replaced the Fund Accountant with a new employee with higher level of experience and trained the new employee.

SECTION I
HISTORY AND ORGANIZATION

b. Accomplishments - continued

- ° Closed the Fairbanks and Delta offices of ARLF with transfer of Loan Examiner positions to Palmer.
- ° Successfully challenged OMB budget transfer of all ARLF funds to general funds and retained two thirds of the ARLF balances for continued use in ag credit.
- ° Held Quarterly equipment sales of repossessed property and realized over \$100,000 in additional income.
- ° Adopted new bid and sale policy and procedure for sale of repossessed property.
- ° Modified the accounting system and produced year end financial information for Division of Management to begin Revenue and Billing System.
- ° Charged-off and began collection process on \$9,800,000 in non-performing loans.
- ° Requested and received approvals from two administrations and ARLF Board to purchase the Mt. McKinley Meats & Sausage plant at foreclosure sale in December 1986.
- ° Negotiated lease agreement with Department of Corrections for the operation of the Meat Plant by prison industries.
- ° Developed a Debt Restructuring policy for the Agricultural Industry.
- ° Participated in preparing the ARLF portion of Department Order 123 referring to SLA-86 Ch. 109.
- ° Hired and trained two new Loan Examiners in July 1987 to fill vacancies.
- ° Revised the internal operation of the ARLF assigning to the Loan Closer, activities similar to operations manager with supervisory authority over operations staff.
- ° Held statewide Public Hearings to develop the Troubled Debt Restructuring Policy.
- ° Drafted contract for Management Services for Matanuska Maid Plant Manager.
- ° Drafted contract for Management over site of Matanuska Maid by Alaska Dairy Inc.

**SECTION I
HISTORY AND ORGANIZATION**

b. Accomplishments - continued

- ° Prepared bid waivers for sale of Matanuska Maid products to state agencies in Anchorage Bowl and Seward.

These activities were carried on while handling the normal flow of loan requests, preparing for and conducting board meetings and handling normal activities in credit and collections.

During this period, a new administration was elected, a new Commissioner appointed, a new Director appointed, and the ARLF Board resigned and was replaced by new members assuming responsibilities for a large program with many difficulties needing resolution.

The ARLF has made considerable progress during the past year and the recent adoption of the Troubled Debt Restructure Policy and completion of procedures to comply with SB 349 jointly with the Division of Land and Water Management will provide for the completion of this process.

c. Operating Plan - 12 Months

	COMPLETION
° Purchase and Install Computer Hardware and Software for Loan Analysis and Financial Management.	3/1/88
° Provide operating and Development credit for Agriculture.	Continuous
° Proceed with Recovery on Chargeoff loans	Continuous
° Continue with Restructure of Marginal Non-Performing Loans.	Continuous
° Complete Legislative Audit for FY86 and FY87.	7/1/88
° Revise and Evaluate Revenue and Billing Accounting System.	Continuous
° Complete Delta Debt Relief SLA-86, CH 109.	7/1/88

SECTION II
LOAN ACTIVITY

a. Board and Loan Activity

<u>1987</u>		<u>Type of Meeting</u>	<u>Loan Applications Considered</u>	<u>Cost</u>
January	21/22	Regular Meeting	18	1,121.00
January	27	Teleconference	0	193.30
February	18	Regular Meeting	7	528.75
March	5	Teleconference	0	260.21
March	11	Hearing - Leg. Affairs		182.50
March	18	Regular Mt. Anch.	3	279.00
April	10/11	Regular Meeting	17	360.50
April	13	Teleconference	0	180.27
May	5	Regular Meeting	6	943.83
May	13/19	Regular Meeting	13	1,806.84
May	22	Teleconference	0	583.32
June	16	Regular Meeting	19	880.59
July	13/27	Regular Meeting	9	1,770.00
July	20	Teleconference	1	363.13
August	5	Teleconference		44.89
August	25	Regular Meeting	6	510.00
September	15	Regular Meeting	1	185.00
September	22	Teleconference	7	650.74
September	29	Teleconference	5	400.07
October	7	Teleconference		363.07
October	9	Public Meeting Delta		555.00
October	12	Meeting - Anchorage		576.65
October	13	Teleconference	6	774.45
October	20	Teleconference	4	482.18
November	9	Regular Meeting		686.94
November	18/19	Regular Meeting	16	1,278.13
November	30	Teleconference	1	320.00
December	8	Regular Meeting	9	746.00
			<u>148</u>	<u>\$ 17,026.36</u>

7 Director loans were approved this year to borrowers in good standing.

In addition to loan applications considered, there were Board actions concerning proposed policies, procedures, asset management decisions, emergency actions and other loan related activities.

SECTION II
LOAN ACTIVITY

b. Loans By Area

Loans by Area and Election District Covered by this Area As of 12/31/87

Area	Borrowers	% Borrower	Loans	%Loans
Matanuska Area SD E,H,I HD 6,7,12,13,15,16	85	37.79	199	33.56
Delta Area SD J	75	33.33	252	42.50 HD 17
Tanana Area SD J,K	37	16.44	83	14.00 HD 17,19,20,21
Kenai Area SD D	19	8.44	39	6.58 HD 5
Other Areas SD J,N HD 17,27	<u>9</u>	<u>4.00</u>	<u>20</u>	<u>3.36</u>
Grain Reserve Loans	13			14
Land Clearing Loans	42			50
Kodiak Slaughterhouse	1			2
Alaska Farmers Co-op	1			4
TOTALS	<u>*235</u>	<u>100.00</u>	<u>663</u>	<u>100.00</u>

* Borrowers with Grain Reserve and Land Clearing loans are counted only one time for Total.

SECTION II
LOAN ACTIVITY

c. Loan Fund Staff Delta and Fairbanks Office Schedule

<u>Date</u>	<u>Staff Attending</u>
January 14-15	1
February 5-6	1
25-27	1
March 11-12	2
26-28	1
May 6-8	1
June 11-15	1
July 1-2	1
6-7	1
30-31	2
August 1	2
20-21	2
September 10-11	2
24-25	2
October 8-9	1
15-16	2
29-30	2
December 16-18	2

Total 52 man days on site in Delta Junction and/or Fairbanks for direct client service.

SECTION II
LOAN ACTIVITY

d. Loan System - Revenue and Billing

In January 1987 the ARLF Staff provided input data to establish ARLF borrowers and loans on the new Revenue and Billing data base. The staff worked with the Division of Management and loaded data available through December 31, 1986 on the computer system. System modifications delayed bringing the Division of Agriculture up on the system and a new testing program of data was run to determine compliance with design and to check results of inputting entries into the system and the effects on loan balances and loan servicing reports. The testing was completed in June, 1987 and the Division was prepared to begin the system when Legislative Audit began a review of operations for FY 86 and FY 87. Because of the ongoing audit and proposed changes to financial reporting requirements and format, the Division of Agriculture requested a delay of time to begin Revenue and Billing.

A new Fund Accountant was hired during the last week of 1986 and an Accounting Clerk was replaced in August 1987 and the resulting improvement in personnel in these positions revealed significant discrepancies in the loans receivable balances for the ARLF with a major impact on the accuracy of existing financial records.

A review of the financial situation with Legislative Audit combined with proposed changes in financial reporting requirements according to General Accepted Accounting Principles resulted in the Division of Agriculture requesting additional time to correct errors and omissions prior to beginning with the Revenue and Billing system.

We have provided a new schedule for the implementation of Revenue and Billing as outlined below:

- The Division of Agriculture will complete the loan accruals and audit information by February 1, 1988.
- The Division of Agriculture will provide a new ARLF chart of accounts and descriptions to Division of Management by March 1, 1988.
- Division of Management to provide program for testing by May 1, 1988.
- ARLF to run test program during May and complete by June 1, 1988.
- Division of Management to make required program changes by July 1, 1988.
- Provided the system operates correctly the Division of Agriculture will load data onto Revenue and Billing system by August 1, 1988 effective July 1, 1988.

SECTION III
GOALS IN MANAGEMENT OF THE LOAN FUND

We are currently concentrating efforts in five areas:

- ° Correcting deficiencies in previous lending policy and practice by creating standard loan documentation and applying financial standards to all loan requests based on borrowers ability to repay the loan.
- ° Continue loan charge-off and recoveries on those non performing credits, borrowers who are no longer involved in viable agricultural production.
- ° Provide for the maintenance of ARLF investments acquired through bankruptcy, foreclosure, and relinquishment until it is economically practical to sell or lease these assets into the private sector.
- ° Continue to review and consider opportunities to sell ARLF acquired assets into the private sector to provide financial recovery for prior loan losses.
- ° Revise and implement accounting and financial reporting procedures including revenue and billing.

a. Intermediate Goals - Three to Five Years

- ° Develop a quality loan portfolio of performing loans totalling 20 to 25 million dollars which can provide sufficient income to fund the operation of the ARLF. This revolving portfolio could maintain 3.2 million dollars in revolving principal payments for annual loan requests.

b. Long Range Goals - Five to Eight Years

- ° Continue to manage a quality portfolio of agricultural related loans.
- ° Consider the establishment of a loan guarantee program sponsored by the State and administered by commercial banking thus removing the State from direct credit administration. A loan guarantee program might be beneficial for the following reasons:
 1. Provide continued source of agriculture credit in a period of declining state oil revenues.
 2. Move credit from the public to the private sector.
 3. Reduce operating expense to the Department and State.
 4. Reduce direct risk because funding would be required only for losses after direct bank collection efforts.

SECTION IV
ARLF ASSETS

a. Matanuska Maid Creamery and Feed Mill

Date Acquired:

November 29, 1985 at foreclosure sale by offset bid.

Description:

An operational dairy processing facility located at 814 Northern Lights Blvd., Anchorage, Alaska on a commercial lot, 62,813 sq. ft. in size. The plant and equipment are housed in a concrete block building totaling 48,529 sq. ft. The building was constructed in 1965 and there has been limited modernization since that time.

A feed mill and wholesale/retail store located at 313 Dahlia St., Palmer, Alaska. The improvements are comprised of milling and processing equipment and storage facilities on a five acre lot in central Palmer with rail siding access for bulk shipping and storage.

Current Status:

The plant is owned by the Agricultural Revolving Loan Fund and operated by a manager and employees of the creamery. The plant is considered to be a short term asset of the Loan Fund to be offered for sale or lease within two years.

Value:

Cost Approach:

\$5,332,674, total investment to date by the ARLF in loans and working capital.

Fair Market Value

\$2,750,000 based on estimates of income from sales with production levels of 2.5 million pounds of milk per month.

Options:

1. Offer the plant for sale at fair market value during 1988 to remove the State from exposure to further operating losses.
2. Offer to lease the facilities to a Farm Cooperative group for \$1.00 per cwt per month of milk purchased from Alaska producers and processed at the plant. At the 2.5 million pounds per month level, the State would recover the original funds invested in approximately 18 years. A lease of accounts receivable and inventory is not practical. An ARLF financed purchase of inventory and accounts is a likely alternative.
3. Retain ownership of the plant with management participation from a farm cooperative group such as Alaska Dairy Inc. for a period of one year with a review of operations at the close of 1988 business for Matanuska Maid. This option risks continued financial obligations to the State, however, it provides a training period for the co-op to assume full ownership through purchase at a later time.

SECTION IV
ARLF ASSETS

b. Fairbanks Meat Plant

Date Acquired:

September 30, 1986 through a foreclosure settlement agreement from the original borrower, McKee Meats Inc. of Fairbanks, Don McKee, principal.

Description:

A modern 8,845 square foot slaughterhouse and meat processing facility located on a 75,000 square foot site leased from the Northstar Borough in Fairbanks, Alaska.

Current Status:

This facility is approximately 92 percent complete with the installation of the final processing equipment and exterior paving to be accomplished. The plant, having never been operated is in "new" condition.

Value:

Cost Approach:

\$1,335,240.00

This value represents the construction costs of the improvements without final installation of equipment or incomplete paving.

Fair Market Value:

There is no basis to establish a fair market value as the plant does not generate income nor is there a comparable meat processing plant in the area for comparison.

Options:

1. Offer the plant for sale at cost to attempt recovery of the investment by the State by contract with real estate firm or business development firm. The success of this alternative is questionable as the economy of the Fairbanks area is experiencing a recession which limits investments of high risk venture capital in a non-operating business.
2. Offer the plant for lease as a completed facility with stipulations requiring slaughter of Alaska grown livestock and payment of market price based on Omaha price levels which represent competitive national market prices. This alternative requires an additional investment of approximately \$40,000 for paving and \$85,000 in equipment and installation. This should be contracted out to a consulting or business development firm.
3. Offer the plant for lease as is and where is without requirements for operating as a red meat processing facility. This option will relieve the State of compliance monitoring other than normally expected in a tenant-landlord relationship and possibly eliminates expectations of subsidy or financial support from the State by the tenant.
4. Surplus the property to DOA for sale.

**SECTION IV
ARLF ASSETS**

c. Palmer Meat Plant

Date Acquired:

December 26, 1986 purchased at a foreclosure sale held by First National Bank of Anchorage to protect the original investment by the State and provide an operational meat processing facility with DEC permits for operation.

Description:

An operating livestock slaughter plant and meat processing facility located at 385 Springer Inner Loop, Palmer, Alaska on a commercial lot, 152,573 square feet in size. The principal improvements are housed in a concrete tilt-up structure of approximately 10,206 square feet.

Current Status:

The plant has been leased to the Department of Corrections for an eleven year period. Lease payments are made to the ARLF providing recovery for expenditures made to purchase the plant and start operations. This plant is the only facility in the state with DEC permits which allow livestock to be slaughtered and processed for resale. This plant is a long term investment of the ARLF due to the lease agreement with the Department of Corrections.

Value:

Cost Approach:

\$3,550,000 based on construction costs and additional funds used to purchase and begin plant operations after the foreclosure sale.

Fair Market Value

\$1,500,000. This value is based on a modified income approach using estimated revenue from the Department of Corrections for the lease of the plant.

Options:

1. Retain the plant under the current operating status as a prison industry as it provides the only DEC approved plant of this type in the state. Based on lease payment the estimated return on the investment will approximate \$750,000 over eleven years.
2. Offer the plant for sale to divest the State from this function. This alternative is not in the best interest of the State, both from return to the ARLF of funds expended and from the market approach as it was not previously successful in the private sector due to limited supply of quality livestock available to the plant.

SECTION V
FINANCIAL REVIEW AND STATEMENT

a. Revenue Forecast

This forecast represents estimates of very general income and expense categories. Performance may vary significantly depending on the cooperation of the borrowers who have entered into loan restructure negotiations with the Agricultural Revolving Loan Fund.

The effects of loan restructuring will impact the loan portfolio performance in FY 89 and FY 90 with FY 88 as the low period of income and high period in expense.

ARLF INCOME FORECAST FY 88
Revised December 7, 1987

INCOME	
Interest on Loans	450.0
Fees and Sale of Repo Property	85.0
Principal Repaid	900.2
	<hr/>
TOTAL INCOME	1,435.2
EXPENSE	
Administrative Costs	1,212.1
Investments in Matanuska Maid	785.0
Investments in Palmer Meat Plant	120.0
	<hr/>
TOTAL EXPENSES	2,117.1
OPERATING PROFIT (LOSS)	(681.9)

SECTION V
FINANCIAL REVIEW AND STATEMENT

b. Loans Receivable

AREA	LOAN BALANCE
MATANUSKA AREA	
Active	16,043,314.69
AG Referral	<u>1,913,727.60</u>
Total	17,957,042.29
DELTA AREA	
Active	15,577,393.96
AG Referral	<u>1,798,957.32</u>
Total	17,376,351.28
TANANA AREA	
Active	1,701,047.79
AG Referral	<u>117,684.58</u>
Total	1,818,732.37
KENAI AREA	
Active	452,046.80
AG Referral	<u>928,550.98</u>
Total	1,380,597.78
OTHER AREAS	
Active	1,299,510.94
AG Referral	<u>.00</u>
Total	1,299,510.94
TOTALS	
Active	35,073,314.18
AG Referral	<u>4,758,920.48</u>
TOTAL	<u>39,832,234.66</u>
GRAIN RESERVE LOANS	376,046.81
LAND CLEARING LOANS	6,869,859.14
KODIAK SLAUGHTERHSE	94,605.84
ALASKA FARMERS COOP	<u>1,350,000.00</u>
TOTAL LOANS	<u>48,522,746.45</u>
ARLF ASSETS	10,466,036.76

SECTION V
FINANCIAL REVIEW AND STATEMENT

d. Production Credits

Legislation passed in 1986 (SLA 86, CH 110) provided for credits on agriculture loans to be earned by borrowers based on Income earned from sales of products grown or to be grown or raised in Alaska. The credit authorized is equal to 10% of the Income shown on the IRS Farm Income Schedule "F". A farmer with \$100,000 in gross income receives \$10,000 in production credits. The results are outlined below:

Fiscal Year	87	88
Period	7/1/86 to 6/30/87	7/1/87 to 1/26/88
Crop Year	85	86
Number of Applicants	62	60
Credits Authorized	\$ 802,911.56	\$ 789,401.96
Credits Applied by ARLF	\$ 543,127.82	\$ 486,178.10
Credits Applied by ADL	\$ 16,763.28	\$ 59,117.49
Credits Unused/Expired	\$ 243,020.46	\$ 244,106.37
Physical Year Shown	7/1/86 - 6/30/87	7/1/87 - 1/26/88

SECTION V
FINANCIAL REVIEW AND STATEMENT

e. Revenue - Interest, Penalties and Application Fees

MONTH	TOTAL PAYMENTS	INTEREST	PRINCIPAL	PENALTY	OTHER	
JAN 1987	\$ 162,510.18	\$ 58,041.64	\$ 103,801.37	\$ 5.74	\$ 531.43 \$ 130.00	POC Reimbursements Application Fees COL \$ 22,584.63
FEB 1987	\$ 120,888.22	\$ 32,118.72	\$ 86,718.63	\$ 1,409.44	\$ 531.43 \$ 110.00	POC Reimbursements Application Fees COL \$ 2,887.50
MAR 1987	\$ 139,426.67	\$ 28,472.54	\$ 110,261.79	\$ -0-	\$ 65.91 \$ 295.00 \$ 331.43	POC Reimbursements Application Fees ARLF Owned Assets COL \$ 2,276.51
APR 1987	\$ 172,846.67	\$ 17,812.29	\$ 66,47 .50	\$ -0-	\$ 88,055.45 \$ 170.00 \$ 331.43	POC Reimbursements Application Fees ARLF Owned Assets COL \$ 2,276.51
MAY 1987	\$ 199,435.25	\$ 46,777.60	\$ 151,236.41	\$ 644.81	\$ 45.00 \$ 731.43	Application Fees ARLF Owned Assets COL \$ 3,305.84
JUN 1987	\$ 126,039.32	\$ 29,044.11	\$ 96,950.21	\$ -0-	\$ 45.00	Application Fees COL \$ 2,442.50
JUL 1987	\$ 210,284.90	\$ 43,350.43 PC 120,316.54	\$ 161,918.98	\$ 100.73	\$ 4,583.33 \$ 331.43	POC Reimbursements ARLF Owned Assets COL \$ 2,276.42
AUG 1987	\$ 118,552.92	\$ 34,357.69 PC 75,519.98	\$ 78,152.45	\$ 1.75	\$ 210.00 \$ 5,831.03	Application Fees ARLF Owned Assets COL \$ 28,284.07
SEPT 1987	\$ 138,567.98	\$ 19,875.03 PC 40,569.06	\$ 116,137.70	\$ 1,884.25	\$ 195.00 476.00	Application Fees COL \$ 7,049.51 ARLF Owned Assets
OCT 1987	\$ 218,487.86	\$ 55,103.65 PC 85,232.00	\$ 162,230.93	\$ 98.28	\$ 330.00 \$ 725.00	POC Reimbursements Application Fees COL \$ 41,854.15
NOV. 1987	\$ 105,744.22	\$ 37,092.48 PC 497.19	\$ 54,474.28	\$13,837.46	\$ 340.00	Application Fee COL \$ 4,930.91
DEC. 1987	\$ 219,759.15	\$ 52,561.62 PC 10,632.04	\$ 166,835.00	\$ 252.53	\$ 110.00	Application Fee COL \$ 600.00
YTD	\$ 1,932,543.34	\$ 454,607.80 PC 332,776.81	\$1,355,195.25	\$18,234.99	\$ 94,097.55 \$ 8,032.75 \$ 2,375.00	POC Reimbursements ARLF Owned Application Fees COL \$120,768.55

* COL - Charged Off Loans - Recovery

SECTION V
FINANCIAL REVIEW AND STATEMENT

f. Funds Disbursed

There was approximately \$3,115,000.00 in new money disbursed from the Agricultural Revolving Loan Fund and the Grain Reserve Loan Fund in FY 87. Funds disbursed for the former Alaska Agricultural Action Council clearing loans was approximately \$306,251.00 .

g. Restructure Rewrites

Approximately \$597,469.67 in principal, interest and penalties were rewritten or restructured in FY 87. We expect this figure to increase dramatically once the majority of the restructure applications are processed which will occur in FY 88.

SECTION V
FINANCIAL REVIEW AND STATEMENT

h. Repossessed Property and Recovery of Loans

<u>Repossessed Property/Equipment Held for Sale</u>		<u>Minimum Acceptable Bid</u>
1.	1 each Disc, J.D. Tandem Model 220 approximately 19'	\$ 1,500.00
2.	1 each Baler, Massey Ferguson Twine Tie, PTO	\$ 1,800.00
3.	1 each Forage Harvester, New Holland 770	\$ 500.00
4.	1 each Swather, New Holland 12'	\$ 300.00
5.	1 each 1973 Ford Van, Yellow SN F37YRR09362	\$ 1,200.00
6.	1 each 1975 Dodge Pickup 4X4 SN W14BF55100806	\$ 550.00
7.	1 each Packer Flex Coil	\$ 800.00
8.	1 each Truck w/Grain Box w/Dump Chev. 1961	\$ 2,250.00
9.	1 each Truck w/Grain Box Chev.	\$ 2,000.00
10.	1 each Truck w/Grain Box GMC	\$ 2,000.00
TOTAL		\$ 12,900.00

Recovery of Loans

<u>Sale Date</u>	<u>Recovery Amount</u>
July 1986	\$ 8,500.00
August 1986	\$ 54,918.00
December 1986	\$ 42,682.00
January 1987	\$ 10,500.00
July 1987	\$ 36,447.45
October 1987	<u>\$ 7,052.07</u>
TOTAL RECOVERED	\$ 160,099.52

TRACT	NAME	ORIGINAL ACREAGE	ORIGINAL CONTRACT AMT	CLEARING LN AMOUNT	REMARKS	TOTAL CASH PAID TO DLWM	ARLF DEBT AMT. LOANED	ARLF DEBT CURRENT BALANCE	CRP ACRES	'1986 CRP RECEIPTS	1987 CRP RECEIPTS	ESTIMATED 10 YR. PAYMENT	
A	WALSKY	2176.04	111,794.25	306,976	APPLIED, ATTEMPT CUR	5,588.96	296239.31	243780.6	1377.5	0	0	0	
B	RULE	2820.08	122,006.50	399,714	APPLIED, CONTRACT IN	18,605.32	2403512.74	2285175.57	1394	70,100	120,665	484,010	
C	BANNON	3299.89	163,667.00	502,182	APPLIED, OPTIONS NOT	8,183.35	411267	372853	766				
D	GIESE	2080.07	104,000.00	335,844	APPLIED, CONTRACT IN	12,113.69			0	0	189,400	500,000	
E	WRIGHT, S	1924.70	175,158.50	219,917	DID NOT APPLY, IN DEF	18,273.16	961320.83	823613.61	228	0	104,242	283,420	
F	GREEN	2011.04	128,083.00	390,971	TRANSACTION COMPLETE	26,976.38	587000	528960.06	1427	0	0	0	
G	OLSON	2834.95	142,244.00	407,983	APPLIED, DEV. DEFAULT	17,824.28	636643.63	603599.23	1427	0	30,102	73,020	
H	ENGELLANT	2635.53	159,777.75	412,153	APPLIED, OPTION NOT	7,988.89	267500	180017.75	2116.8	0	50,142	500,000	
I	KARR	2713.22	144,177.00	436,098	REPURCHASED FOR 108,	23,129.33	161750	157726.06	1356	0	142,700	500,000	
J	EMERY	3378.98	131,788.50	517,962	APPLIED, OPTION NOT	15,572.30	273469	133226.78	0	48,900	148,700	640,170	
K	KELLEY	3145.47	144,383.00	452,354	APPLIED, DEV. DEFAULT	16,869.15	531027.38	214038.77	921	0	185,600	500,000	
L	FETT	3095.78	160,457.50		APPLIED, ELIGIBILITY	8,047.67	468750	459686.46	0	0	0	0	
M	MITCHELL	3386.36	168,252.50	535,530	APPLIED, OPTION NOT	8,412.62	675913.4	633645.18	1322	0	126,177	340,770	
N	BREHMER	2354.30	103,866.75	370,909	APPLIED, CNTRCT AMEN	5,219.28	1152889.83	994420.29	598	0	0	0	
O	HOLLEMBAEK/BUCK	2744.52	138,552.00	429,703	APPLIED, OPTION NOT	17,065.12	297375	228530.06	1614	0	133,200	492,190	
P	CARLSON/THEURINGER	2485.99	135,674.00	390,150	TRANSACTION COMPLETE	43,878.57			1200	0	81,926	221,260	
Q	STRONG	2701.96	132,535.00	363,733	TRANSACTION COMPLETE	117,377.16	721913.95	686088.65	1147	0	69,720	612,480	
R	HELKENN	2616.76	128,487.00	406,710	APPLIED, OPTION NOT	6,424.35			0	0	0	442,800	
S	GREEN	2670.85	177,425.25	574,827	APPLIED, OPTION NOT	21,548.72	807695.86	690396.65	1071.3	0	154,856	401,560	
T	RUTT	2612.96	144,628.75	389,833	APPLIED, OPTION NOT	19,487.20	1000000	667700	0	0	0	0	
U	DODSON	2368.64	142,433.75	354,139	APPLIED, OPTION NOT	7,327.78	260000	223510.23	0	0	0	396,380	
V	NELSON	2117.57	117,871.00	246,857	TRANSACTION COMPLETE	25,933.27			0	0	0	0	
1	MAGEE	2020.00	252,000.00	198,127	RELINQUISHED	11,350.00	122975.27	101412.94	108	0	0	0	
2	BROWN	1112.00	226,000.00	142,610	APPLIED, DEV. DEFAULT	8,284.14			0	0	0	0	
3	MAGEE	1455.00	234,000.00	280,957	RELINQUISHED	10,450.00	526145.37	431327.19	81	0	14,742	39,420	
4	TROWBRIDGE	1588.00	266,000.00	230,090	APPLIED, LEASE PREP	13,300.00	415828.88	400767.13	972	0	0	0	
5	SCHULTZ	1882.00	300,000.00	309,860	REPURCHASED 88015	19,400.77			0	0	120,697	325,970	
6	NELSON	1699.99	283,000.00	294,295	REPURCHASED 74,248	16,187.39	991935.43	941335.56	0	0	45,000	359,640	
7	HOLCOMB	1038.00	216,000.00	162,635	SELECTED REPUR OPTIO	9,550.00			0	0	0	0	
8	CJO, KJ	2353.00	394,000.00	70,182	RELINQUISHED	18,450.00			0	0	0	0	
9	KIM	2019.00	388,000.00	51,116	RELINQUISHED	18,150.00			0	0	0	0	
10	CHO, SS	1714.00	390,000.00	132,860	RELINQUISHED	16,510.00	585379	557629	710	0	0	0	
11	KRAUS	1420.00	273,000.00	214,007	DOCUMENTS PREPARED F	13,650.00	515625.5	455587.22	0	0	0	0	
12	ORCUTT	2035.00	916,000.00	312,161	APPLIED, NOT ELIGIBL	43,925.00			477	0	96,560	255,600	
13	KRAUS	1669.00	286,000.00	158,690	DOCUMENTS PREPARED F	14,300.00			0	0	0	0	
14	ROUSE	855.00	213,000.00	32,460	NOT ELIGIBLE, FORECLO	41,476.06			0	14,751	147,510	147,510	
15	GREEN	1386.00	269,000.00	158,031	RELINQUISHED	11,525.00			0	0	0	0	
Pref.	NELSON	511.88	43,690.67	89,820	REPURCHASED 15,780	2,973.55			0	0	0	0	
TOTAL		83933.53	8,026,953.67	11,282,444		721,328.46	15072157.38	13015027.99	20313.6	0	0	0	
32,324,426 TOTAL LNS AND LAND CONTRACTS								2057129.39 AMT PD ON ARLF LNS			133,751	1,961,939	7,516,200
										CRP INCOME	1986 THRU 19	9,611,890	

Bills Pending Before the Legislature Affecting
Agricultural Land Sale Contracts and ARLF

SB	FY88	89	90	91	92	93
340 Op. Cost	0	0	0	0	0	0
Revenue	(1.2-5.0) @5% to 10% participation	0	0	0	0	0
353 Op Cost	0	0	0	0	0	0
Revenue	506.4 80.0 <hr/> 586.4	450.0 79.3 <hr/> 529.3	510.0 100.0 <hr/> 610.0	540.0 100.0 <hr/> 640.0	550.0 100.0 <hr/> 650.0	
359 Op Cost		114.1	114.1			
Net loan writeoffs	5.6 2.1 <hr/> 7.7	5.6 2.1 <hr/> 7.7	(Clearing loss) Contract loss			
			ARLF loss			
484 Op Cost	0	33.0	33.0	0	0	0
Revenue	183.6	183.6	183.6	183.6	183.6	183.6
472 Op Cost	0	0	0	0	0	0
Revenue	0	5757.8	222.2	222.2	222.2	222.2
Total Op Cost		147.1	147.1			
Total Revenue	16175.0	6470.7	1015.8	1045.8	1055.8	405.8

FISCAL NOTE

REQUEST:

Revision Date: 1/21/88
Title: Moratoriums on Ag Loan Payments
Sponsor: Sen. Kerttula, Szymanski
Requestor: Senate Resources Committee

Agency Affected: Natural Resources
BRU: Land & Water Management
Agricultural Management
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	*	*	*	*	*	*
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* The moratorium extension will not result in additional operating expenses for DNR, but could result in a delay of payments to the state for agricultural land.

Prepared by: Carol Wilson
Division: Commissioner's Office

Phone: 465-2 400
Date: 1/21/88

Approved by Commissioner: *Janet M. Burch*
Agency: Department of Natural Resources

Date: 1/21/88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1798
PHONE: (907) 465-2400

January 21, 1988

The Honorable Jack Coghill
Chairman, Senate Resources Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Senator Coghill:

Subject

SB 340, which is entitled, "An Act relating to moratoriums on agricultural loan payments," but which actually extends the land payment moratorium period on agricultural land to six years from the current five.

Position

The Department of Natural Resources opposes this bill as it is currently titled because we oppose moratoriums on agricultural loan payments. We do not, however, object to a one year extension of the existing agricultural land payment moratorium period.

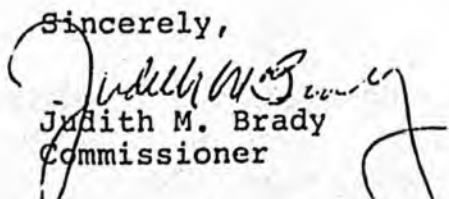
Recommendation

Because the state enters into contractual agreements with land purchasers and does not provide agricultural land loans, we recommend that the title of this bill be changed to more accurately reflect the bill's contents and avoid any confusion about its relation to Agricultural Revolving Loan Fund programs.

We suggest the following new title for SB 340: "An Act extending the moratorium period on agricultural land payments."

Please let me know if you would like additional information.

Sincerely,


Judith M. Brady
Commissioner

cc: Senator Kerttula
Senator Szymanski
Rod Swope
Bob Evans