

USDA Farm Service Agency – Fixed Rate

FSA makes loans to farmers and ranchers to promote, build, and sustain family farms to support an agricultural economy. FSA provides loans to individuals ineligible for loans from other sources, with some program loan funds specifically targeted for disasters, beginning farms, and socially disadvantaged farmers. Their chattel loan and real estate loan maximums are \$300,000.00. Alaska is appropriated \$2 million annually however FSA is loaning approximately \$1 million annually. In 2012, FSA lent a total of \$1,226,320 in direct operating and farm ownership loans. Their rates on operating loans are currently 1.875% and their farm ownership interest rates are 4.125%.

Farm Credit Services- Variable Rate

Farm Credit Services offers conservative financing with FSA guarantees and has only made a few agricultural loans in Alaska over the years. They do not have an Alaskan office and process Alaskan requests out of Washington or Oregon. Their interest rates are variable rates with a cap and presently range from 3.40% - 5.85% with loan fees of 0- 2% for a maximum 20 year term. Borrowers may be eligible for .50%- .70% annual interest refund. There may be prepayment penalties.

Commercial Fishing & Agriculture Bank- Variable Rate

CFAB has had very minimal agricultural activity and focuses primarily on Alaska's commercial fishing industry. This is mainly due to competition from ARRC, ARLF, and FSA who offer lower interest rates on agricultural loans. Interest rates offered by CFAB vary depending on the borrower's credit risk plus the "base rate." The base rate is established annually by their board. The current base rate is 4%. CFAB has a 1% loan fee in addition to loan closing expenses. Based on the borrower's credit and collateral offered, they can finance up to 100% loan to value.

Agricultural Revolving Loan Fund- Fixed Rate

ARLF is Alaska's major agricultural lender with emphasis on promoting agricultural development within the state. Based on ARLF's financial statement for fiscal year ending June 30, 2013, ARLF is valued at approximately \$22.3 million in fund equity with \$6.3 million cash available. The ARLF currently offers 3.00% short term one year operating loans, 4.00% chattel loans with a maximum seven year term, and 4.50% long term loans with a maximum thirty year term.

AS 03.10.010 Declaration of policy. 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 03.10.030 Limitations on loans. (4) Shall bear interest at a fixed rate comparable to that charged by other agricultural lending institutions in the state for loans similar to those referred to in this subsection.

The ARLF FY2013 interest revenue was \$619,311. Adjustments to the ARLF loan interest rates may cause some degree of impact over the long term. However, increasing the interest rates would have very little immediate impact for the ARLF. Attached is a bar chart illustrating examples of the varying results based on interest revenue for one year only.

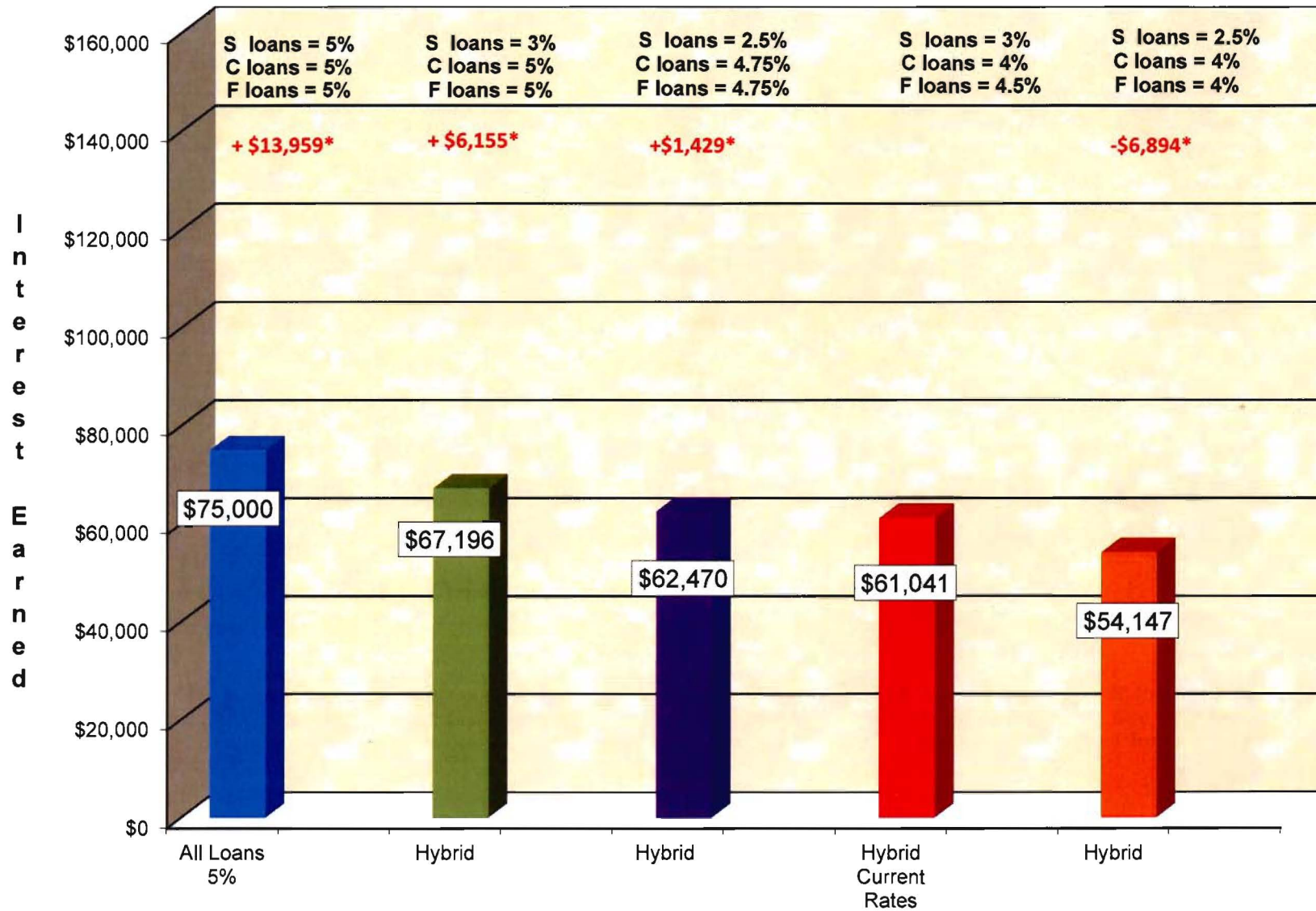
ARLF Good Borrower Credit Rate

11 AAC.39.511. Interest credit for borrowers who maintain good financial standing. (a) At least annually the board will establish an interest rate credit rate to encourage the prompt payment of loans under AS 03.10.50. Unless precluded by AS 03.10.050 (f), the board may approve interest credit on a loan granted under this chapter. The interest credit granted may not reduce the fixed rate to less than five percent a year.

Interest credit may not reduce the fixed rate to less than 5%. The majority of the ARLF portfolio has been refinanced to a 5% interest rate or less. Loans with interest rates greater than 5% may not have refinanced because of standard non-qualifying reasons, low payoff balances, or they are unwilling to apply.

Recommend “0.00%” Good Borrower Credits be approved for 2014.

ARLF One Year Interest Earnings Analysis



\$1,500,000 Estimated Loan Amounts:
 C - \$121,174 F - \$988,605 S - \$390,221

Note: This chart represents 12 months estimated earnings only

***Difference in revenue compared with current interest rates**

Alaska Agricultural Loan Interest Rates January 23, 2014

Lender	Short Term	Chattel	Development/ Construction	Irrigation System	Product Processing	Land Clearing	Real Estate	Comments
ARLF								Fees - \$50
Interest - Fixed	3%	4%	4.50%	4.50%	4.50%	4.50%	4.50%	Loans limited to 75% CLTV
Term	1 year	7 years	30 years	30 years	30 years	20 years	30 years	Alaskan residents only

Good Borrower Credit may not reduce rate to less than 5%

ARRC								Fees - \$100 new borrower, \$50 existing borrower
Interest - Variable	5.00-9.00%	5.00-9.00%	5.00-9.00%	5.00-9.00%	5.00-9.00%	5.00-9.00%	5.00-9.00%	Loans limited to 70% CLTV
Term	1 year	7 years	20 years	20 years	20 years	20 years	20 years	Rate & Terms determined by collateral & credit

Interest rate adjustment every 2 years with no interest rate cap. Last reviewed November, 2013.

FSA								Credit Report \$13.50 individual & \$20.25 joint, \$75 Entity
Interest - Fixed	1.875%	1.875%	4.125%	4.125%	4.125%	4.125%	4.125%	Loans limited to 100% CLTV
Term	1.5 years	7 years	40 years	40 years	40 years	40 years	40 years	Terms available 'up to' maximum period listed

FSA Emergency Loan Rate 2.875%

Other credit must not be available

Farm Credit								Fees - 0 to 2%
Interest - Variable	3.40-4.00%	3.30-4.60%	4.25- 5.85%	4.25- 5.85%	4.25- 5.85%	4.25- 5.85%	4.25- 5.85%	Loans limited to 75% CLTV
Term	1 year	7 years	30 years	30 years	30 years	30 years	30 years	Rate & terms determined by collateral & credit

Interest rate adjustment varies daily with interest rate cap.

May have prepayment fees. Fixed & ARM rates are also available.

May be eligible for .50% - .70% annual interest refund

CFAB								Fees-1% loan fee + \$200 - \$400 expenses
Interest - Variable	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	Loans limited to 100% CLTV, 70% to 80% standard
Term	1 year	7 years	12 years	12 years	12 years	12 years	20 years	Rate & LTV determined by collateral & credit

Alaskan residents only

Loan interest rate dependent on borrower's risk plus the base rate established by the board.

