

*NORTH CAROLINA
AGRICULTURAL
FINANCE AUTHORITY*

Mission Statement

The North Carolina Agricultural Finance Authority (NCAFA) was established by the North Carolina General Assembly to provide credit to agriculture in local areas where it is not available at reasonable rates and terms. This mission applies to all aspects of agriculture; farming, processing, manufacturing and exporting.

Operating Procedure

Essentially operating as the North Carolina 'Agricultural Bank' the Authority originates, finances, and services loans in the agricultural sector that would otherwise not be made. Using federal guarantees and secondary markets, state funds are leveraged with minimal risk of loss.

PROGRAMS OFFERED

- Farm Loans
- Agribusiness Loans
- Agricultural Facilities Disaster Loans
- Tax-Exempt Agricultural Development Bonds (ADB)
- Qualified Energy Conservation Bonds (QECCB)
- Green Community Program (renewable energy)

NO STATE APPROPRIATION

Since FY02 the Authority has not received any State appropriations. Since that time, the Authority has been entirely self-sufficient; using interest and earnings from all programs for operating purposes. Utilization of these funds have improved farm ownership by helping small farmers obtain loans that they would not be able to qualify for in the normal lending environment.

Why would farmers not qualify?

Many Small Farmers Can't Come Up With The Money for a Down Payment and Closing Costs such as:

- **Origination Fee** – AFA only charges a \$75.00 application fee. Most lenders charge at least a 1% origination fee. AFA does not.
- **Closing Costs** – AFA pays for appraisals and the FSA Guarantee Fee. Costs are not passed on to borrower. Other lenders charge the borrower for these fees.
- **Loan to Value** – AFA will lend 95% of loan to value. Other lenders will only lend 75% to 80% loan to value.

TAX EXEMPT AGRICULTURAL DEVELOPMENT BONDS (ADB)

- First bond issued in 1995, to date a total of \$46,810,000 has been issued

QUALIFIED ENERGY CONSERVATION BONDS (QECB)

- First bond issued in 2012, to date a total of \$7,512,711 has been issued

Net Profit/Loss: FY13, FY14, FY15 and FY16

FY13	\$(356,938)
FY14	\$(301,196)
FY15	\$ (95,434)
FY16	\$ 114,191 projected profit*

*After 1% fee received from bond closing in March 2016.

Cash Management

As of February 2016

NCRRC (restricted federal funds)

- \$7,025,000 cash available for new loans
- \$3,566,600 total cash needed to buy back sold loans

NCAFA

- \$1,816,346 cash available for new loans and operating purposes
- \$423,902 for Agricultural Facilities Disaster (AFD) loans (included in AFA available cash)
- \$1,304,564 total cash needed to buy back sold loans

Agency Activity FY14, FY15 and FY16

Loan Activity

- 56 requests for loan applications have been sent to prospective borrowers (FY14, 12; FY15, 18; and FY16, 26)
- **16 loans have been made totaling \$6,092,000**
- Currently we have 4 loans in process totaling **\$1,644,000** - loans projected to close by the end of FY16
- February 2016 - \$1,380,318 of new Federal guaranteed loans were sold in the secondary market – premium received \$125,215
- Second quarter of FY16, there are additional new Federal guaranteed loans to be sold in the secondary market - guaranteed portion totaling \$935,500

Bond Activity

Qualified Energy Conservation Bonds (QECCBs)

- 2 renewable energy bond projects totaling **\$19,638,000**; scheduled to close the 1st week of March 2016, AFA will receive a 1% fee of **\$196,380**
- Increasing the total QECCBs issued to **\$27,150,711**
- February 2016 an Inducement Agreement signed with Optima KV, LLC - for 5 renewable energy bond projects totaling **\$7,500,000** (completion expected in the 3rd quarter of 2016 - these projects in Duplin County will produce renewable energy from hog waste)
- NCAFA is the only NC State government agency with statutory authority to issue these types of bonds (QECCBs and ADBs)

Future Growth

- Reintroduced ourselves across the State to the Farm Service Agency (FSA) and Ag Extension offices
- Advertising in the Agricultural Review, created a website, on social media and sending brochures to poultry integrators and ag related facilities
- Advertising and attending agricultural venues across the State

In our nearly 30 years of existence, NCAFA has helped numerous farmers, agribusinesses and public bodies obtain capital through loans and bonds. We have assisted some ethnic groups that we felt were underserved in the agricultural lending community. Our mission going forward is to continue to serve North Carolina farmers and agribusinesses with our unique programs.

NC Agricultural Finance Authority

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