

**Rules of**  
**Department of Agriculture**  
**Division 100—Missouri Agricultural and Small Business**  
**Development Authority**  
**Chapter 7—Missouri Value-Added Loan Guarantee**  
**Program (MoVAP)**

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## Title 2—DEPARTMENT OF AGRICULTURE

### Division 100—Missouri Agricultural and Small Business Development Authority Chapter 7—Missouri Value-Added Loan Guarantee Program (MoVAP)

#### 2 CSR 100-7.010 Description of Operation, Definitions, Borrower Requirements, Pro- cedures for Making and Collecting Loans and Amending the Rules for the Missouri Value-Added Loan Guarantee Program

*PURPOSE: This rule describes the operation of the program; defines terms; and establishes criteria for borrowers, procedures for loan approval and collections, and conditions under which amendments will be made.*

##### (1) General Organization.

(A) The Missouri Agricultural and Small Business Development Authority is authorized to borrow money and issue bonds, procure insurance or guarantees from any public or private entities, receive and accept from any source aid or contributions of money, property, labor, or other things of value to be used to carry out its purposes, enter into agreements with any department, agency, or instrumentality of the United States or this state for the purpose of providing for the financing and refinancing of any agricultural property and pollution control facilities or general property for small businesses, and to make agricultural development loans, small business development loans, small business pollution control facility loans, and agricultural products utilization grants.

(B) The authority will issue certificates of guaranty covering a first loss guarantee up to twenty-five percent (25%) of the loan on a declining principal basis made by lenders to eligible borrowers for the purpose of financing an agricultural business development loan.

(C) All submissions or requests for information regarding this authority should be directed to the Missouri Department of Agriculture, Agricultural and Small Business Development Authority, P.O. Box 630, Jefferson City, MO 65102.

(2) Definitions. As used in this rule, the following terms shall mean:

(A) "Certificate of guaranty," evidence of obligation of the authority to guarantee up to but no more than twenty-five percent (25%) of the loan on a declining principal basis made by lenders to eligible borrowers for the purpose of financing an agricultural business development loan;

(B) "Missouri Value-Added Loan Guarantee Program," the agricultural business development loan guarantee program authorized in section 348.403, RSMo; and

(C) Other terms used within 2 CSR 100-7 shall have the same meaning as those defined in section 348.400, RSMo.

(3) Criteria Relating to Participating Borrowers and Missouri Value-Added Loan Guarantee Program.

(A) Eligibility requirements for securing guaranteed agricultural business development loans include:

1. An individual borrower must be at least eighteen (18) years of age in order to execute a note or other evidence of an agricultural business development loan;

2. Any agricultural property being financed must be located in Missouri and used by residents of the state or by Missouri based businesses for intended purposes and meet requirements as outlined in sections 348.400 to 348.415, RSMo;

3. An eligible borrower must provide the following:

A. Favorable lender and authority loan analysis of borrower's ability to repay the loan and the prospect of the project's success;

B. Viable business plan;

C. Appropriate security provided for the loan;

D. Appropriate risk retained by borrower for project;

E. Appropriate risk retained by lender for project;

F. Business compatibility with and evidence of support by community;

G. Managerial and business experience;

H. Compliance with federal, state, and local requirements;

I. Benefit to the general economic conditions of the area in which the agricultural property will be located; and

J. Appropriate term of the loan guarantee requested in relation to the expected life of assets being guaranteed; and

4. The eligibility of any person for a loan guarantee under the program shall not be determined or otherwise affected by any consideration of that person's race, religion, sex, creed, color, or location of residence, other than an individual borrower must be a resident of the state of Missouri at the time the loan is closed and other borrowers must be an eligible borrower as defined in section 348.015, RSMo.

(B) The term for a certificate of guaranty may not exceed the expected life of assets

being guaranteed and may not exceed a period of ten (10) years.

(C) Loan guarantees made under the program may not apply to refinancing of loans. The authority may make an exception in the case of an expansion of an existing business operation when a significant portion of the loan is new debt.

(D) Loans made under the program may not be assumed by another person(s) or entity or be assigned by the lender without prior approval of the authority.

(E) Loans made under the program may not be extended beyond the original time established for the loan without prior approval of the authority.

(F) The rate of interest to be charged to a borrower will be negotiated between the lender and the borrower, but cannot exceed the rate normally charged by the lender for similar loans.

(G) The loan amortization schedule will be negotiated between the lender and the borrower. Payments may be repaid monthly, quarterly, semiannually, annually or in installments that coincide with payments as they are normally received for the products being sold or delivered.

(H) Borrowers may accelerate payments, including early pay-off of the loan without incurring a prepayment penalty.

##### (4) Procedure for Making Eligible Loans.

(A) Borrowers wishing to secure a loan through the program must apply for a loan from a participating eligible lender.

(B) A participating lender must make its own determination of whether a prospective borrower meets its requirements for a loan for which the lender will be applying for a loan guarantee.

(C) A lender seeking a guarantee through the program must submit to the authority an application and any supporting documents required by the authority.

(D) Upon receipt of the application and supporting documents, the authority will determine whether the loan constitutes an agricultural business development loan guarantee program loan and whether the borrower is an eligible borrower. The authority may reject any application for guaranty.

(E) Each application will be considered individually by the authority. A decision to accept, modify or deny each will be released.

(F) The decision by the authority is binding and not subject to review or appeal.

(G) Upon approval and determining that all requirements for the loan guarantee are met, the authority will issue to the lender a certificate of guaranty for up to twenty-five percent (25%) of any loss of the loan amount on a



declining principal basis, and for a period not to exceed ten (10) years.

(5) Procedure for Collecting Loans.

(A) Eligible lenders must apply normal due diligence procedures in the collection of loans guaranteed through the program.

(B) Eligible lenders making the original loan shall use its regular collection procedures prior to requesting the authority to pay the guarantee on the outstanding principal.

(C) After a lender has foreclosed upon a borrower who has defaulted on a loan made through the program, the authority will reimburse the lender for any loss up to twenty-five percent (25%) of the principal outstanding.

(D) When the authority makes payment to a lender for losses on a defaulted loan, the authority shall be subrogated to all rights of the eligible lender.

(E) After making a loan loss payment, the authority may institute action, including the use of private collection agencies, to recover any amount due the state.

(F) All moneys received by the authority for payments made on previously defaulted guaranteed loans shall be paid promptly into the state treasury and deposited in the agricultural product utilization and business development loan guarantee fund.

(6) Amendments.

(A) Subject to the provisions of the Act and the program, these guidelines may be amended from time-to-time in order to make them conform to the provisions of the Act or the program or to facilitate the making of agricultural business development loan guarantee program loans.

*AUTHORITY: section 348.403, RSMo Supp. 1997.\* Original rule filed Oct. 28, 1997, effective May 30, 1998.*

*\*Original authority 1997.*