

Texas Department of Agriculture
Texas Agricultural Finance Authority
Agricultural Loan Guarantee (ALG) Program

What are TAFE and the ALG Program?

The Texas Agricultural Finance Authority (TAFE) was created in 1987 as a Public Authority within the Texas Department of Agriculture. In 2009, significant improvements were made to the program to increase its value and use by Texas agriculture. Through the Agricultural Loan Guarantee program, TAFE provides loan guarantees to lenders for eligible applicants who wish to establish or enhance their farm and/or ranch operation or an agriculture-related business.

Who is Eligible?

An applicant who desires to establish or enhance a farming or ranching operation or an agriculture-related business and complies with the application procedures prescribed by the program rules.

How Can I Use the Funds?

A loan guarantee recipient may use loan proceeds for any agricultural related purpose, including:

- working capital for operating a farm or ranch;
- lease of facilities;
- purchase of machinery and equipment; and/or
- purchase of real estate, as identified in recipient's documentation submitted in support of the application.

What is My Maximum Guarantee?

There are three options depending on the terms of the loan:

- \$250,000 or 90% of the loan amount, whichever is less
- \$500,000 or 80% of the loan amount, whichever is less
- \$750,000 or 70% of the loan amount, whichever is less

The duration of a loan guarantee approved by TAFE must not exceed the useful life of the assets being financed or 10 years, whichever is less.

What is the Interest Rate?

- Must be a fixed interest rate for long or intermediate term loans (maturity exceeds one year).
- Variable interest rate is permissible for annual operating loans with a maturity of one year or less.

Can I Get an Interest Rebate?

Borrowers under the ALG program may be eligible for a rebate of a portion of the interest they pay on the loan. The rebate per eligible borrower shall not result in an interest rate reduction of more than three percentage points in any one year, may not lower the effective interest rate below current WSJ prime, or result in a payment of more than \$5,000 to an applicant in any one year. The board may adjust the interest rebate within statutory limits.

How Much Does This Cost?

A nonrefundable application fee of \$100 is due upon filing the application. An origination fee of no less than 1% of the loan guarantee amount will be due within 10 days of the initial funding of each loan.

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