

"My wife and I were thinking about a drain tile project for the last couple years. We were skeptical, so we met with our banker. He told us we could use the BND Ag PACE program to finance drain tile. Well, that sealed the deal for us."

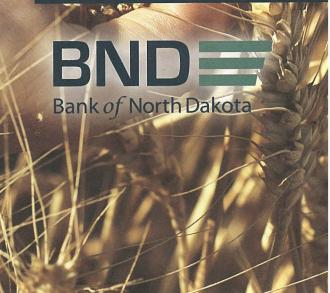
- Lane Christianson



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APPENDIX B



Direct & Guarantee Lending Programs

	Beginning Farmer Real Estate Loans	Established Farmer Real Estate Loans	FSA Guaranteed Loan Purchase Program	Farm Real Estate Loan Guarantee Program	
Borrower	A resident of North Dakota whose principal occupation is farming or ranching	A resident of North Dakota	Borrower must meet FSA requirements	A resident of North Dakota	
BND Funding Limit	75% of appraised value of farm real estate- \$500,000 maximum to any one borrower	65% of appraised value of farm real estate. \$2 million maximum loan to any one borrower	BND will purchase only the FSA guaranteed portion of the loan	Maximum guarantee cannot exceed \$400,000 BND may guarantee up to 80% of the amount of principle due the lender	
Use of Proceeds	To purchase farm real estate	For agricultural purposes	To purchase or refinance farm real estate, farm equipment, or livestock	To purchase farm real estate or restructure farm real estate loans	
Interest Rate	First five years fixed at 1% below BND base, 6% max; next five years variable at 1% below BND base, adjusted annually; then floats at BND base	Variable or fixed rate options posted at banknd.nd.gov	Variable or fixed rate options posted at banknd.nd.gov	The maximum amount the lender may charge may not exceed 2% above BND base rate if variable or FHLB + 3.5% if fixed	
Term	30 year maximum	25 year maximum	Term is based upon loan purpose and FSA Guarantee	The guarantee term may not exceed 5 years	
Collateral	First mortgage on farm real estate	First mortgage on farm real estate	Assignment of FSA Guarantee	First mortgage on farm real estate	
Equity or Net Worth	\$750,000 or less	Loan reviewed on its own merits	No minimum	Loan reviewed on its own merits	
Credit Criteria	Entire operation must demonstrate repayment ability	Entire operation must demonstrate repayment ability	Must meet FSA requirements	Farm real estate loan must demonstrate repayment ability	
Special Program Requirements	May not have previously owned farm real estate greater than 30% of the average farm size in the county where the parcel is located	Max interest rate during loan term not more than 6% over initial rate	The borrower must meet FSA Guarantee requirements	Maximum loan to appraised value may not exceed 80%	
Other Funding Sources	No lead lender is required	No lead lender is required	The lead lender must originate the loan and participate in the loan a minimum of 10%		
Appraisal Requirements	A certified appraisal	A certified appraisal	Appraisal per FSA requirements	A certified appraisal	
Costs and Fees	All loan costs	\$500 origination fee plus all loan costs	Origination fee	.5% per year or a one-time fee of 1.5% of the guaranteed portion may be included in loan amount or rate	
Contact	Bank of North Dakota 800.472.2166, ext.328.5854	Bank of North Dakota 800.472.2166, ext.328.5854	Local lender	Local lender	

Direct Lending

BND works directly with the borrower and all funds are advanced by BND to the borrower.

Guarantee Issuer

The local lender requests a guarantee based on a percentage of the loan balance.

Participation Lending

The borrower works with a local lender to develop a loan package. The local lender requests the participation of BND.

Program Parameters:

Trade Area

BND's primary trade area is the State of North Dakota.

Loan Review

All loans require an identifiable purpose and are reviewed on an individual basis to ensure the general credit standards of BND are met. A specific source of repayment is necessary to assure payment of the loan. An application for a participation loan generally takes about two weeks to process. Direct loans may take longer depending upon the information provided by the borrower.

Approval Process:

- All Loans are reviewed by the Loan Department.
- Loans between \$3 million and \$10 million are reviewed by BND's Investment Committee.
- Loans in excess of \$10 million are reviewed by BND's Investment Committee and Advisory Board and then presented to the Industrial Commission for final review.



Participation Lending Programs

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	Beginning Farmer Chattel Loans	Family Farm Loan Program	Farm Operating Loan Program	Ag PACE	Envest	Regular BND Loan Participation	Livestock Waste Management System Loan Program	BioFuels PACE Programs		
Borrower	A resident of North Dakota whose principal occupation is farming or ranching	A resident of North Dakota whose principal occupation is farming or ranching	A resident of North Dakota owning or operating a farm or ranch	A resident of North Dakota whose principal occupation is farming or ranching	A North Dakota resident who may not own more than 25% of the project	Any farm or ranch operation	A livestock producer in North Dakota	Livestock operations located in ND		
BND Funding Limit	\$500,000 total loan. BND to fund no less than 50% or greater than 80% of total loan.	Lesser of \$500,000 or 90% of the total loan	Lesser of \$500,000 or 65% of the total loan	Not less than 50% nor greater than 80% of the total loan (Lead lender required)	Up to 70% of the total loan (Lead lender required)	No maximum BND participation level, but is generally 90% of the total loan or less	Up to \$100,000 per borrower.	BND's share - up to BND lending limit Lead lender required - BND must participate in 50%-80% of total loan		
Use of Proceeds	To purchase equipment or livestock	To purchase or refinance land, equipment or livestock, or restructure operating debt	Operating expenses only - no loan payments or capital purchases. May be used for livestock retention.	Purchase of equipment and facilities, equity shares of an ag processing business, irrigation equipment, capital improvements to feedlots and dairy operations, and financing of subsurface field tiling projects	Purchase shares in start up or expansion of ag processing business intended to process ND grown product. Feedlot or dairy operations must feed a byproduct of ethanol or biodiesel facility.	All ag related activities including real estate, equipment, livestock and operating	Loan proceeds may be used for the construction, renovation or relocation of an approved waste management system	Real property, equipment, facility expansion		
Interest Rate	BND - rate fixed for five years at 1% below BND base, max 6%, then adjusted annually at 1% below BND base Lead lender - Not to exceed BND base + 2% if variable or FHLB rate + 3.5% if fixed	BND - variable at 1% below BND base, max is 11% Lead lender - Not to exceed BND base + 2% if variable or FHLB rate + 3.5% if fixed	BND - variable at BND base less 1% Lead lender - Not to exceed BND base + 2% if variable or fixed	Market interest rate	BND - BND base rate less 1%, variable Lead lender - Not to exceed BND base plus 2%	Variable or fixed, depending upon risk, collateral, repayment and terms	The Borrower's interest rate is fixed at 5% for ten years. BND will net 4.75% with the lead lender receiving a .25% service fee.	Up to 5% below yield rate - and not less than 5% below Prime with floor 1%		
Term	7 year maximum	Maximum: land 30 years, equipment and livestock 7 years, restructured operating debt 5 - 7 years	1 year maximum	Equipment 5 - 7 years Real estate up to 25 years	5-7 years	Working capital 3 - 5 years Equipment 5 - 7 years Real estate up to 25 years	10 year maximum	Equipment 5 - 7 years Real estate 12- 15 years		
Collateral	First security interest on the chattels, 80% maximum loan to value	Adequate collateral will be required	Adequate collateral will be required	Adequate collateral will be required	Adequate collateral will be required	Adequate collateral will be required	Adequate collateral will be required	Adequate collateral will be required		
Equity or Net Worth	\$750,000 or less	\$750,000 or less	Debt-to-asset ratio must exceed 50% or a net worth of less than \$750,000	Each loan reviewed on its own merits	Each loan reviewed on its own merits	Each loan reviewed on its own merits	Each loan reviewed on its own merits	Each loan reviewed on its own merits		
Credit Criteria	Entire operation must demonstrate repayment ability	Entire operation must demonstrate repayment ability	Entire operation must demonstrate repayment ability	Entire operation must demonstrate repayment ability	Entire operation must demonstrate repayment ability	Entire operation must demonstrate repayment ability	Entire operation must demonstrate repayment ability	Entire operation must demonstrate repayment ability		
Special Program Requirements	May not have previously farmed for more than 15 years determined by receipt of federal farm program payments	Maximum loan to value: land 75%, chattel 75%, debt settlement 85%. Lenders may require insurance.	Prior farm operating program loan must be paid in full	A borrower may not receive funds under Envest and Ag PACE for the same project	A borrower may not receive funds under Envest and Ag PACE for the same project	No special requirements	For small or medium sized animal feeding operations approved by the ND Department of Health	Operation must feed, handle, milk, or hold livestock max interest buydown \$250,000.		
Other Funding Sources	Beginning Farmer Revolving Fund provides the interest rate buydown Rate reduced by up to 4% no less than 1%	Lead lender must originate the loan and participate in the loan a minimum of 10%	Lead lender must originate the loan and participate in the loan a minimum of 35%	4% below yield rate - and not less than 1%, maximum buydown of \$20,000 per project or biennium. Lifetime cap of \$60,000 if net worth less than \$1,000,000.	If feedlot or dairy investment, 4% below yield rate - no less than 1%, max buydown of \$20,000 lifetime cap	Lead lender must originate the loan and participate in the loan	Lead lender must originate the loan	Additional \$250,000 buydown for biodigester system		
Appraisal Requirements	BND must be provided with an acceptable appraisal	BND must be provided with an acceptable appraisal	Appraisal requirements will be evaluated on a case-by-case basis	Appraisal requirements evaluated on a case-by-case basis	Appraisal requirements evaluated on a case-by-case basis	Appraisal requirements evaluated on a case-by-case basis	Appraisal requirements evaluated on a case-by-case basis	Appraisal requirements evaluated on a case-by-case basis		
Costs and Fees	None to BND	None to BND	None to BND	Origination fee	Origination fee	Fees assessed on a loan-by-loan basis	Origination fee	Origination fee		
Contact	Local lender	Local lender	Local lender	Local lender	Local lender	Local lender	Local lender	Local lender		