



# TEXAS DEPARTMENT OF AGRICULTURE

COMMISSIONER SID MILLER

## TEXAS AGRICULTURAL FINANCE AUTHORITY AGRICULTURAL LOAN GUARANTEE



Step 1 - Find a lender in your area and let them know about this program. This can be any commercial bank or farm credit system.



Step 2 – Work with the lender to complete the Agricultural Loan Guarantee application.



Step 3 - Lender will submit the application, supporting documentation and applicable fees at the following link. Click [here](#) to apply.



Email: [Grants@TexasAgriculture.gov](mailto:Grants@TexasAgriculture.gov)  
[www.TexasAgriculture.gov/AgLoan](http://www.TexasAgriculture.gov/AgLoan)





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### *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 Through the [Agricultural Loan Guarantee \(ALG\) 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.

### *Who lends the funds and who determines the loan terms?*

Any commercial lending bank or Farm Credit System lender may use this program. The lender and the borrower determine the loan terms, including interest rate, repayment, maturity and collateral. TAFE retains the right to alter any loan terms as necessary to provide the guarantee. TAFE's guarantee shall not exceed a maximum of 10 years or the useful life of the assets being financed.

### *How Can I Use the Funds?*

An ALG recipient may use loan proceeds for any agricultural related purpose, including:

- working capital for operating a farm or ranch;
- working capital to expand and/or diversify an agricultural operation;
- 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 two 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

The duration of a loan guarantee 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. An ALG approved by the Department may be eligible for a rebate of no more than \$500 annually, not to exceed the 1% origination fee over the term of the guarantee. 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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*Does TAFA have any minimum program credit criteria?*

Yes. The minimum criteria are as follows:

- The borrower(s) should have a credit score of 650 or greater
- Equity injection of at least 15% of the loan amount
- Debt to equity of 2:1 or less
- Debt service coverage of 1.25 or better

*How to Apply?*

TDA does not issue loans. A borrower should discuss the program with a lender. The lender will submit the ALG application to the Department on the Borrower's behalf.

**For more information, contact:**  
**(512) 463-2537 or (512) 463-6908**  
[Grants@TexasAgriculture.gov](mailto:Grants@TexasAgriculture.gov)

