

NEBRASKA ADMINISTRATIVE CODE

Title 45 - DEPARTMENT OF BANKING AND FINANCE

Chapter ~~49~~ 14 LIVESTOCK LOANS

001 EXCEPTION TO LENDING LIMIT.

~~001.01 Section Neb. Rev. Stat. § 8-141, as amended, and the requirements of the Uniform Commercial Code, indicate provides~~ that a bank ~~must not only~~ may directly or indirectly loan twenty-five percent of the total of its capital, surplus, capital notes, and debentures or fifteen percent of its unimpaired capital and unimpaired surplus, whichever is greater, to any person. When the obligation is secured by livestock, a bank may loan an additional ten percent of such capital, surplus, capital notes, and debentures or of such unimpaired capital and unimpaired surplus.

001.02 To qualify for the additional ten percent advancement, a bank must:

~~001.02A~~ Have a secured interest in any livestock upon which a loan is to be made, ~~but also the bank must~~ and

~~001.02B~~ Show the value of livestock securing the additional ten percent advancement ~~in order to determine whether the market value of the livestock equals one hundred fifteen per cent of the face value of the note.~~

001.03 For purposes of this Rule, the term "unimpaired capital" is as defined in Neb. Rev. Stat. § 8-141.

003 REPORTS.

~~002.01 To assist in setting forth the information required, each~~
A bank ~~shall~~ must establish and use an inspection and appraisal report, ~~similar to Form 8-141-02. Form 8-141-02 is an example and each bank may determine its own form and content. Provided however,~~ The report shall contain the following minimum information:

~~001A~~ 002.01A Date of inspection and appraisal.

~~001B~~ 002.01B Name, address, and signature of the borrower.

~~001C~~ 002.01C Date and amount of original note secured by the livestock.

~~001D~~ 002.01D Total obligation of borrower to the bank.

~~001E~~ 002.01E Date of security agreement and financing statement.

~~001F~~ 002.01F Inventory of the livestock by actual count.

~~001G~~ 002.01G Value of livestock per head.

~~001H~~ 002.01H Total value of livestock.

~~004~~ 002.01 Name, title, and signature of individual making the inspection.

002.02 The inspection and appraisal report is to must be ~~made~~ completed within thirty days of ~~the~~ origination of the loan and additional inspections ~~made~~ completed at least annually thereafter, or more often as prescribed by the Department ~~of~~ Banking.

002.03 In the case of livestock feeding operations, the inspections and appraisals should be performed every ninety days or more frequently depending on the turnover of the inventory.

004 INDEPENDENCE.

004.01 The inspection and appraisal must be administered independently from the loan production function whenever possible.

004.02 If absolute lines of independence cannot be achieved, a bank must be able to demonstrate clearly that it has prudent safeguards to isolate its inspection and appraisal program from influence or interference from the loan production process. In such cases, another loan officer, other officer, or a director of the bank may be the only person qualified to perform the inspection and appraisal. To ensure independence, such persons must abstain from any vote or approval process involving loans on which they performed the inspection and appraisal.

Form 8-141-02

Revised Date: 02/07/89 _____

SAMPLE COPY

LIVESTOCK LOANS

Inspection and Appraisal Report

_____ Inspection Date

BORROWER: _____ ADDRESS: _____

Total Line \$ _____ Livestock Line \$ _____ Placed Portion \$ _____

Original Note Date _____ Amount \$ _____

Financing Statement Date _____ Security Agreement Date _____

Livestock Inventory:

No.	Description	Est. Weight	Per Head Value	TOTAL VALUE
_____	_____	_____	_____	_____

TOTAL _____

_____ \$

Remarks, Including Feed Inventory:

_____ The undersigned represents and warrants that the property described in the foregoing report is owned by the undersigned, free and clear of all encumbrances except indebtedness to in the sum of \$ _____

_____ which indebtedness is either unsecured or secured by a financing statement and security agreement on the livestock described. This statement is made to the for the purpose of inducing said bank to advance money on notes executed by the undersigned.

Signature of the Owner

Inspector's Name:

Inspector's Title:

Inspector's Signature: