

## CREDIT AND FINANCE – STATION 9

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### **PURPOSE:**

Participants will experience organizing, preparing for, and participating in an actual loan request. This will include learning proper procedures, typical Lender expectations, and how to prepare a loan application request.

### **STRUCTURE:**

Participants will choose from one of three scenarios (attached). While the scenarios are provided, teams will need to consider what clarification they might need to provide the Lender. They will then take part in a mock loan interview where they meet with Financial Officers and present their business plan including completed financial data in support of the loan request. See below for suggestions regarding what a complete business plan might include.

Teams are expected to have a detailed written business plan outlining their project. The judges will review loan application documents and the business plan. On the day of the contest, a mock loan interview will take place with the judges inquiring about the project and evaluating its feasibility based on the information presented.

Teams will be evaluated on the following:

- Written business plan
- Financial documents
- Description of loan request and
- How well the team communicates their knowledge and understanding of the project and loan process both in writing and during the interview

Teams are allowed to bring any supporting documentation to this station. At a minimum, it is required that teams bring a copy of their loan application documents, balance sheet, cash flow, breakeven analysis, and business plan. Bring a minimum of 3 copies to the interview. One for each of the two judges and one for the presenting team.

**\*\*If there is more than one team from a school, please do not use identical information or supporting documentation. Each team should compile their own business plan even if they choose the same scenarios.\*\***

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### AREAS OF STUDY:

A strong business plan and loan application will include the following items. However, you are not limited to the following areas of study and may add other helpful information. You may consider asking yourself, “If someone was asking to borrow money from me personally, what kinds of things would I want to know to feel confident that they would have the willingness and ability to repay me in full?”

- Description of the borrower(s):
  - Borrower(s), other participants, and/or investors including their roles and backgrounds
  - Location
  
- Explanation of what is to be accomplished by the project
  - Project goals
  - Estimated timelines
  - Detailed outline of what the project will entail
  
- Loan application request information
  - Term of loan requested
  - Amount needed and for what purpose
  - Cost of project
  - Any down payment and where those funds will come from
  
- Management of the Project
  - Labor and division of responsibility
  - Environmental issues such as manure hauling, permits, and regulatory compliance
  - Animal Health
    - Standardization of a program
    - Monitoring procedures
  - Marketing Plan
    - Marketing options
    - Risk Management
    - Estimated break evens
  
- Balance Sheet\*
  - Current and Fixed Assets
  - Current and Fixed Liabilities
  
- Income and Expense Information\*
  - Farm Income
  - Farm Expenses
  - Off-Farm Income including a description of the source
  - Non-Farm Expenses

\*A sample balance sheet and cash flow form are attached. You may use the attached forms or ones of your own choice. You may also use forms available on Iowa State’s Ag Decision Maker website. Go to [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm) and click on Decision Tools > Finance.

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### CREDIT SCENARIOS

Choose one of the scenarios below as the basis of your mock loan interview. Complete the areas of study including any requested forms and materials PRIOR to Extravaganza. **Bring these materials with you** for the mock loan interview.

**SCENARIO 1:** To finance the purchase of 150 head of 850 pound steers to finish out. Purchase month will be January 2024. All feed will need to be purchased.

Using the areas of study, compile your loan request and a business plan that supports the repayment of that loan. Be sure to also describe in detail all assumptions made. Assumptions might include but are not limited to: facilities (owned, leased, custom fed, etc), interest rate, terms of the loan request, prices used for feed costs, how rates of gain were estimated, etc.

**SCENARIO 2:** To finance the purchase of 15 bred heifers or cows for a cow/calf enterprise. Assume these females will calve in the Spring of 2024.

Using the areas of study, compile your loan request and a business plan that supports the repayment of that loan. Be sure to also describe in detail all assumptions made. Assumptions might include but are not limited to: source of feed/feed costs, interest rate, terms of the loan request, prices used for feed costs, how calving rates were estimated, etc.

**SCENARIO 3:** To finance the purchase of 75 head of 600 pound heifer or steer calves backgrounding them to 900 pounds. Purchase month will be January 2024.

Using the areas of study, compile your loan request and a business plan that supports the repayment of that loan. Be sure to also describe in detail all assumptions made. Assumptions might include but are not limited to: source of feed/feed costs, facilities (owned, leased, custom fed, etc), interest rate, terms of the loan request, prices used for feed costs, etc.