

Title 45 - DEPARTMENT OF BANKING AND FINANCE

Chapter 14 - LIVESTOCK LOANS

001 EXCEPTION TO LENDING LIMIT.

001.01 Neb. Rev. Stat. § 8-141 provides that a bank 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, and

001.02B Show the value of livestock securing the additional ten percent advancement equals one hundred fifteen percent 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.

002 REPORTS.

002.01 A bank must establish and use an inspection and appraisal report. The report must contain the following minimum information:

002.01A Date of inspection and appraisal.

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

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

002.01D Total obligation of borrower to the bank.

002.01E Date of security agreement and financing statement.

002.01F Inventory of the livestock by actual count.

002.01G Value of livestock per head.

002.01H Total value of livestock.

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

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

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.

003 INDEPENDENCE.

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

003.02 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.

