

Drought loan guidelines

Loans for farm businesses

February 2019



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1 Summary

1.1 Who can apply

To be eligible for a Regional Investment Corporation (RIC) drought loan, your farm business must:

- be located in an [eligible area](#)
- have a drought management plan
- be in financial need of a loan
- be financially viable in the long term
- have existing commercial debt
- meet the eligibility criteria in these guidelines.

1.2 Loan amount and terms

Loans are for up to \$2 million.

The loan term is 10 years, with interest-only repayments for the first 5 years and principal and interest repayments for the final 5 years.

The rate of repayment is structured so that the farm business does not have to repay the full principal in the final 5 years. At the end of the loan term, your farm business will need to refinance the remaining loan balance.

The variable interest rate is reviewed every six months and new rates (should there be any changes) come into effect in February and August each year. Current rates are available on our website.

1.3 Loan uses

Our loans aim to help eligible farm businesses improve their long-term strength, resilience and profitability. Drought loans are available for drought preparedness, management and recovery activities, including through:

- refinancing (restructuring existing debt)
- accessing new debt for operating expenses and capital expenditure.

1.4 Applying for a loan

Consider whether a [drought loan](#) or [farm investment loan](#) best meets your needs.

After reading the guidelines, you may wish to contact us to discuss your individual circumstances before deciding whether to apply. You can contact us on 1800 875 675, via email to loans@service.ric.gov.au or visit ric.gov.au.

When you are ready to apply, complete the [application form](#).

2 Overview

The Australian Government, through the Regional Investment Corporation, is providing concessional loans to eligible farm businesses. Farm businesses must be in need of financial assistance and have sound prospects of long-term financial viability.

Our new farm business loans replace and build on previous Commonwealth-funded concessional loans, including the Farm Finance, Drought, Drought Recovery, Drought Assistance, Dairy Recovery and Business Improvement Concessional Loans.

Our new loans also complement a range of other support and risk management measures provided by the Australian Government.

We offer two types of loans—drought loans and farm investment loans. These guidelines address the requirements for drought loans.

See the [glossary](#) for definitions of key terms. Key terms are identified in these guidelines in bold.

3 Objectives

Our loans aim to support the long-term strength, resilience and profitability of Australian farm businesses.

Drought loans

These loans are available to help eligible farm businesses continue to manage through drought conditions, recover once the season breaks and prepare for future droughts.

Farm investment loans

These loans are available to help eligible farm businesses build and maintain diversity in the markets they supply and take advantage of new and emerging opportunities across Australia and overseas. Refer to the [Farm investment loan guidelines](#) for information on eligibility criteria and loan uses.

4 Who can apply

You can apply for a drought loan if your **farm business** meets all of the following eligibility criteria:

- Farm businesses must be located in an **eligible area** (see section 4.1).
- Farm businesses must have a **drought management plan** (see section 4.2).
- Farm businesses that are in financial need of a loan (see section 4.3).
- Farm businesses with sound prospects of ongoing financial viability (see section 4.4).
- Additional eligibility criteria (see section 4.5).

4.1 Farm businesses must be located in an eligible area

Your **farm business** must be located in an **eligible area**. Check your eligibility by entering your address or GPS coordinates into the [eligible area map](#).

Your farm business does not need to be wholly located within an eligible area to meet this criteria. However, a farm business will generally only be considered to meet this criterion if most of the farm business is located in an eligible area, and only a relatively small part of the farm business is located outside an eligible area. To determine whether your farm business meets this criterion, we may take into account whether your farm business's principal place of business is within an eligible area or whether you can demonstrate that the majority of your farm business's work is undertaken within an eligible area. The activities to be funded by the loan will need to be predominantly carried out in an eligible area.

4.2 Farm businesses must have a drought management plan

Applicants must provide a **drought management plan**. The plan should outline the activities to be funded with the loan, as well as the **farm business's** drought preparedness, management and recovery strategies.

In particular, if you are accessing a loan for drought management or recovery activities, your drought management plan should outline the strategies, steps or activities that you have undertaken to prepare for drought. For example, these may include:

- the use of weather and seasonal climate forecasting products or tools to inform production decisions
- proactive water management measures, such as increasing dam capacity, investment in water reticulation and groundwater infrastructure
- the adoption of water-efficient cropping techniques
- reduction or agistment of stock
- a change to more water-efficient crop type
- accumulation of feed reserves for stock or sale
- the adoption of early weaning practices.

If you already have a drought management plan, you should submit this with your application (noting it needs to include the information outlined above). Alternatively, you may complete the drought management plan template in the application form or the stand-alone template available on our website.

4.3 Farm businesses that are in financial need of a loan

You will need to demonstrate that your **farm business** is in financial need of a loan and provide evidence to support this. Option 1 outlines requirements if you are seeking a loan for drought

management and recovery activities. Option 2 outlines requirements if you are seeking a loan for drought preparedness activities.

Option 1 Loans for drought management and recovery activities

If your **farm business** is currently affected by or recovering from drought, you must demonstrate a significant financial impact over a two-year period. While you can forecast an impact over the forthcoming season, you must have already managed through at least 12 months of drought. When assessing eligibility under this criterion, we will consider three aspects:

- evidence that your farm business is experiencing a significant financial impact may include:
 - large reductions in the farm business's net cash flow
 - large reductions in production and/or yields
 - large reductions in operating margins (the percentage margin of farm receipts over farm operating expenses)
 - increases in drought-related operating expenses, particularly fodder and agistment expenditure
 - large reductions in livestock numbers through forced sales or losses.
- evidence that the financial impacts are directly related to drought conditions. Examples may include the following:
 - forced destocking through forced sales and movement of stock to agistment or feedlots
 - feeding purchased fodder to drought-affected stock
 - expenditure related to a reduction in water allocations
 - purchasing water supplies for drought-affected stock and/or crops
 - crop failure or reduced yields as a result of drought
 - a significant increase in the price of purchased feed as a result of drought conditions
 - expenditure related to helping the business recover from drought conditions (for example, restocking, de-silting of dams or replanting)
 - other drought management strategies adopted to manage the farm business for the duration of the drought and during the recovery phase.

These impacts should be evident in the farm business's financial statements, taxation returns and **drought management plan** provided with the application. If you are forecasting the continuation of a significant financial impact, you will need to provide the farm business's budget for the relevant period.
- evidence that you have not contributed to the significant financial impact being experienced by your farm business, for example, by adopting poor management practices such as overstocking. In this context, 'you' and 'your' refer to **members**, managers, employees and any other persons involved in the oversight, management or day-to-day operations of the farm business.

Option 2 Loans for drought preparedness activities

Drought preparedness loans are available to **farm businesses** at all times, including when not affected by or recovering from drought conditions. Your farm business may or may not currently be experiencing drought and may have been impacted by some other event outside your farm business's control.

If your farm business has experienced a significant financial impact as a result of drought, you will need to provide the same evidence as for loans for drought management or recovery activities (see Option 1).

If your farm business has experienced a significant financial impact due to some other cause, this criterion will be assessed based on four key factors, while taking into account the individual circumstances of each farm business:

- Cause of impact outside the control of the farm business
- Significant financial impact
- Duration of the impact
- Cumulative impacts.

Cause of impact outside the control of the farm business

The cause of the significant financial impact must be substantially outside the farm business's control. For example, it may be as a result of a natural disaster, pest or disease outbreak, unexpected market closure or other unexpected, sudden and/or significant events that are outside the control of the farm business.

You must be able to demonstrate that the significant financial impacts are directly related to a cause or causes outside the farm business's control.

Evidence that the financial impacts are directly related to events outside the farm business's control may include, but are not limited to:

- notifications of natural disasters declared under [Natural Disaster Relief and Recovery Arrangements](#)
- documentation from federal, state or local government agencies, or industry bodies, relating to:
- disease outbreaks
- pest or weed incursions
- sudden and unexpected biosecurity restrictions
- market closures or significant restrictions
- photographic evidence (for example, related to a localised, but significant, frost or hail event).

Significant financial impact

You must be able to demonstrate that your farm business has experienced a significant financial impact.

Examples of evidence to support a significant financial impact may include documents demonstrating:

- large reductions in the farm business's net cash flow
- large reductions in production and/or yields
- large reductions in operating margins (the percentage margin of farm receipts over farm operating expenses)
- large increases in operating expenses
- large reductions in livestock numbers through forced sales or losses.

Where the financial impact has already occurred, you will need to provide the farm business's financial statements and taxation returns to support assessment of this criterion. If you are forecasting the continuation of a significant financial impact, you will need to provide the farm business's budget for the relevant period.

Duration of the significant financial impact

If the financial impact is the result of an event other than drought, including cumulative events outlined here, you will be asked to demonstrate that your farm business:

- has experienced a significant financial impact over the past two years (historical financial records)
or
- is likely to experience a significant financial impact over the coming two years (forecast financial performance as a result of an adverse event)
or
- has experienced or will experience a significant financial impact over at least a consecutive two-year period (for example, the past 12 months and the coming 12 months).

The event or events causing the significant financial impact should have occurred within the last five years.

Cumulative impacts

The significant financial impact on your **farm business** may be the result of a single event or cumulative events. An example of cumulative impacts is drought conditions followed by an unexpected market closure. If your farm business has experienced cumulative impacts, you should outline this in your application. The first event should have occurred within the last five years.

You can also outline related matters or contributing factors you think are relevant to the assessment of this criterion. While these matters may not constitute an 'event' as described in the 'cause of impact' section above, they should still be substantially outside the control of your farm business (for example, significantly low commodity prices).

These examples in this box have been included as guidance only. You may wish to contact us to discuss your individual circumstances.

Immediate financial assistance in emergencies

Our loans are available to help eligible **farm businesses** achieve their business goals and return to viability over the long term. If you need immediate help with household expenses or emergency assistance following a natural disaster, other forms of government assistance are available.

Your local Rural Financial Counselling Service can provide information on the full range of government assistance programs for farmers and farm businesses.

For information on the Farm Household Allowance or other social security payments, call the Department of Human Services' Farmer Assistance Hotline on 13 23 16.

For Information on Natural Disaster Relief and Recovery Arrangements, call the Australian Government Information Hotline on 180 22 66 or your relevant state government emergency management department.

Information on other government assistance measures for farmers and farm businesses is available from the Australian Government Department of Agriculture and Water Resources or your state government primary industry department.

4.4 Farm businesses with sound prospects of ongoing financial viability

To be eligible for a drought loan, your **farm business** must have sound prospects of ongoing financial viability within the term of the loan.

A **farm business** is considered financially viable when the business generates sufficient net profit after fixed and variable expenses to:

- service borrowings at commercial interest rates
- provide an **adequate standard of living** for relevant **members** of the farm business
- allow investment on farm to maintain the farm's productive assets
- provide funds for investment to increase long-term productivity.

4.5 Additional eligibility criteria

In addition to the criteria listed in sections 4.1 to 4.4, to be eligible for a drought loan:

1) Your **farm business** must:

- a) have the capacity to repay the loan
- b) be able to provide sufficient and satisfactory security acceptable to us
- c) have existing **commercial debt** and secure the support of its commercial lender for the proposed Regional Investment Corporation loan
- d) be involved within the agricultural, horticultural, pastoral, apicultural or aquacultural industries
- e) undertake all primary production aspects of the business wholly within Australia
- f) operate as a sole trader, partnership, trust or private company
- g) be registered for tax purposes in Australia with an ABN and be registered for GST
- h) not be under **external administration** or bankruptcy.

- 2) All **members** of your farm business must not have more **non-farm assets** and **liquid assets** than the amount needed for prudent risk management.

Threshold for non-farm assets and liquid assets

To determine the appropriate threshold for **non-farm assets** and **liquid assets** needed for prudent risk management, we will take into account the individual circumstances of each **farm business**, including farm type, scale of operations and structure.

- 3) At least one member of your farm business must:
- a) be an Australian citizen or a **permanent resident**
 - b) have owned and operated the farm business for at least the past three consecutive years
 - c) be a **farmer** who, under normal circumstances, contributes at least 75 per cent of their labour and derives at least 50 per cent of their income from the farm business.

Recent entrants

If you are a **recent entrant** to farming and are unable to meet criteria 3b and the labour threshold of 3c outlined in section 4.5, alternative options are outlined in section 4.6.

4.6 Recent entrants

We provide an option to support **farmers** who have recently taken ownership (including part-ownership) of a **farm business**. The following alternatives are available for **recent entrants** unable to meet criteria 3b and the labour threshold of 3c outlined in section 4.5.

4.6.1 Alternative option to criterion 3b

At least one **member** of the **farm business** is able to provide evidence of at least three years of relevant on-farm experience (for example, experience managing a farm business or experience working closely with the manager of a farm business).

4.6.2 Alternative option to criterion 3c

At least one **member** of the **farm business** must be a **farmer** who has the farm business as their principal business pursuit (contributes at least 50 per cent of their labour and derives at least 50 per cent of their income from the farm business). This member must be seeking to move to the 75 per cent labour threshold of criterion 3c in the short to medium term.

If one member cannot meet both of these requirements

If different **members** of the **farm business** meet the two **recent entrants** criteria (but no one member meets both), the member with at least three years of relevant on-farm experience must be actively involved in the day-to-day management decisions of the farm business. This member may contribute less than 50 per cent of their labour to the running of the farm business and derive less than 50 per cent of their income from the farm business.

4.7 Gathering evidence and supporting documentation

As part of your application process, you may be asked to provide evidence that your **farm business** meets the eligibility criteria. The types of evidence required will depend on the individual circumstances of your farm business. Contact us if you would like to discuss your application before compiling supporting documentation.

5 Loan uses

5.1 Eligible loan uses

Drought loans are available for drought management, recovery and preparedness activities. This may include:

- 1) refinancing (restructuring existing debt)
- 2) new debt for operating expenses and capital expenditure
- 3) a combination of 1) and 2).

Non-eligible loan uses are listed at section 5.6.

5.2 Drought management activities

Drought loans can be used to fund operating expenses that are necessary to continue the normal operations of the **farm business**.

Examples of eligible operating expenses may include:

- paying outstanding bills
- paying salaries or wages of employees
- paying creditors
- paying farm rent or rates
- buying consumables that are essential to carry on the farm business, for example, fuel and other farm inputs
- buying fodder or carting of water for livestock or produce
- transporting livestock or produce
- succession planning activities.

5.3 Drought-recovery activities

Drought loans are available to contribute to the cost of drought-recovery activities, including the cost of planting and/or restocking (when seasonal conditions allow) and associated expenses.

Examples of eligible drought-recovery activities may include:

1) Planting activities, such as:

- a) purchase of seeds or seedlings
- b) purchase of chemicals
- c) purchase of fertiliser
- d) purchase of fuel/diesel
- e) payment of labour/contract planting, spraying, harvesting fees
- f) harvesting.

2) Restocking activities, such as:

- a) purchase of stock (including agent fees)
- b) purchase of provisions and associated labour costs for initial care (for example, drench, vaccination, ear tags and branding for the new stock)
- c) purchase of usual feed/fodder and/or supplements (for example, salt licks)
- d) purchase of fuel/diesel to transport stock.

For planting and restocking activities, you will need to provide evidence to demonstrate that seasonal conditions allow planting and/or restocking activities to commence. If this information is not currently available, we will still assess your application against the other eligibility criteria. If all other criteria are met, applications will be approved in principle. Final approval will be granted when you provide satisfactory evidence to demonstrate that seasonal conditions allow for eligible planting and/or restocking activities to commence. Final approval is also conditional on loan funding being available and all other criteria being met.

5.4 Drought preparedness activities

Drought loans are available to contribute to the cost of activities to prepare for future droughts.

Examples of eligible drought preparedness activities may include:

- use of weather and seasonal climate forecasting products or tools to inform production decisions
- proactive water management measures, such as increasing dam capacity, investment in water reticulation and installing groundwater infrastructure
- water-efficient cropping techniques
- change to more water-efficient crop type
- reduction or agistment of stock
- accumulation of feed reserves for stock or sale

- adoption of early weaning practices
- purchase of additional farm land.

In very limited circumstances, we will consider allowing loan funding for the purchase of additional farm land where it clearly supports the **farm business** to prepare for drought and achieve long-term viability. We will not approve a loan for the purchase of additional farm land if we are concerned that it may negatively impact the long term viability of the farm business. You will need to outline a business case for the purchase of land in your **application form** and this will need to be supported by independent financial advice.

5.5 Refinancing

Drought loans are available to refinance:

- **commercial debt**
- **government-funded concessional loans** (information for **farm businesses** wishing to refinance an existing concessional loan is in section 6.5).

If you are seeking a loan to refinance existing debt, but you are not currently affected by drought conditions, the terms of the loan will require you to undertake (or continue to undertake) drought preparedness activities as detailed in your **drought management plan** (which may change from time to time).

5.6 Non-eligible loan uses

Some examples of non-eligible loan uses are:

- purchase of private and domestic assets
- payment of private and domestic expenses
- purchase of and/or investment in **non-farm assets** and expenses
- payment of **tax and statutory payments**
- your own labour costs
- reimbursement for depreciation of assets
- payment of dividends or other distributions of equity to owners
- activities funded under other Commonwealth and state or territory government programs (except for debt that is refinanced from other concessional loans).

Contact us if you are not sure whether the activities you would like to undertake are eligible.

6 Loan features

6.1 Loan amount

Eligible **farm businesses** can apply for a loan of up to \$2 million.

Refinancing—farm businesses may apply to refinance up to 50 per cent of their **commercial debt**.

New debt—farm businesses may apply for new debt up to the amount already held as commercial debt.

Figure 1 provides examples of the maximum value of a loan for ‘refinancing’ and ‘new debt’ if a farm business held \$800,000 in commercial debt before applying for one of our loans.

Figure 1 Maximum value of RIC loan if commercial debt of \$800,000

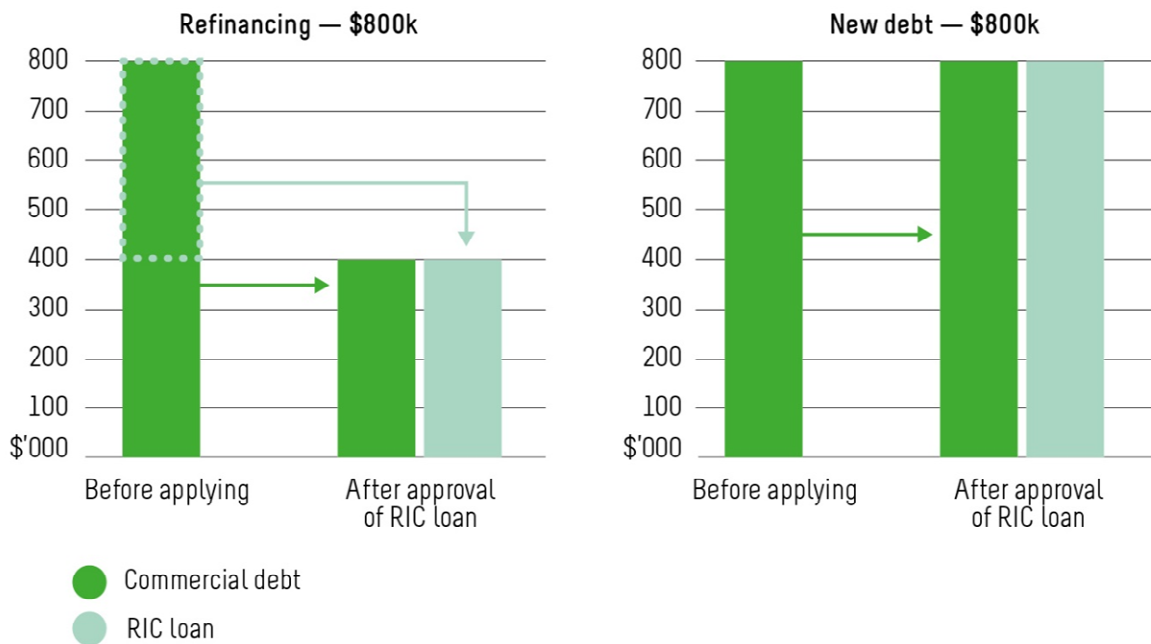
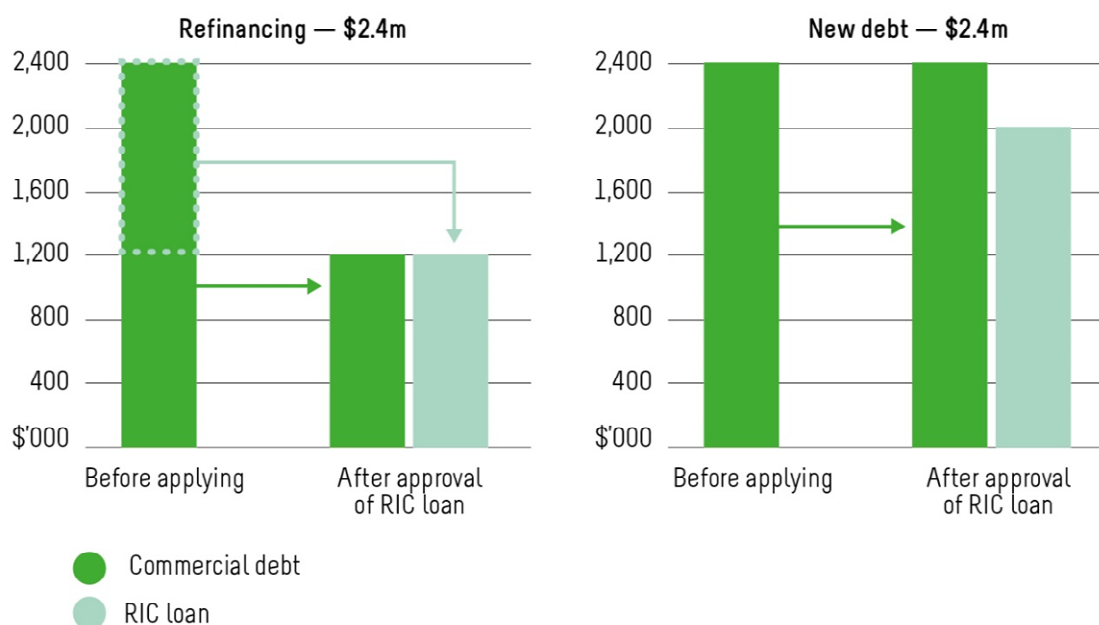


Figure 2 provides examples of the maximum value of a loan for ‘refinancing’ and ‘new debt’ if a farm business held \$2.4 million in commercial debt before applying for one of our loans.

Figure 2 Maximum value of RIC loan if commercial debt of \$2.4 million



Note: Under a new debt of \$2.4 million, the loan amount does not match the amount held in commercial debt because the maximum amount of a loan is capped at \$2 million.

Maximum value of loans across multiple schemes

A **farm business** may only hold up to \$3 million in concessional loans across previous and existing **government-funded concessional loans** (including our loans), with the exception of Dairy Recovery Concessional Loans. Farm businesses that hold a Dairy Recovery Concessional Loan may hold up to \$4 million in total. For information on refinancing debt from existing government-funded concessional loans, see section 6.5.

6.2 Loan term and repayments

The term of a drought loan is 10 years.

We will determine the repayment amounts and frequency offered to successful **applicants** and this will be detailed in the **loan agreement**.

The minimum repayment over the first 5 years of the loan term is the interest component, with interest and principal repayments required for years 6 to 10. Principal repayments will be calculated on the basis of a longer loan term, meaning that only a proportion of the principal will be repaid during the life of the loan. At the end of the loan term, the **farm business** must repay or refinance any remaining loan balance through commercial finance (or repayment by other means).

We will detail loan repayment conditions in the loan agreement. At any time during the loan term, you can prepay the whole or any part of the loan, without incurring a fee.

Under no circumstances can a farm business redraw on repaid drought loan amounts.

6.3 Interest rate

A variable interest rate will apply to all loans for the 10-year loan term. The current interest rate is published on our website. We will review and revise the interest rate if necessary in accordance with material changes to the Commonwealth 10-year bond rate, where a material change is a movement of more than 10 basis points (0.1 per cent).

Any interest rate change will be effective from 1 February and/or 1 August each year as applicable. We will give loan recipients advance notice of any changes in writing and on our website.

We will determine how interest is calculated and charged and outline this in the **loan agreement**.

6.4 Loan draw-down

Successful **applicants** must fully draw down their drought loan from us within six months of signing the loan agreement or as otherwise agreed with us.

We will pay loans for refinancing directly to the **farm business's** existing commercial loan with their bank or financial institution. We will specify details for payment of the loan in the **loan agreement**.

We will pay loans for new debt to the Australian bank account owned by the farm business and nominated by the applicant or relevant third parties at the time of settlement.

6.5 Relationship with other concessional loans

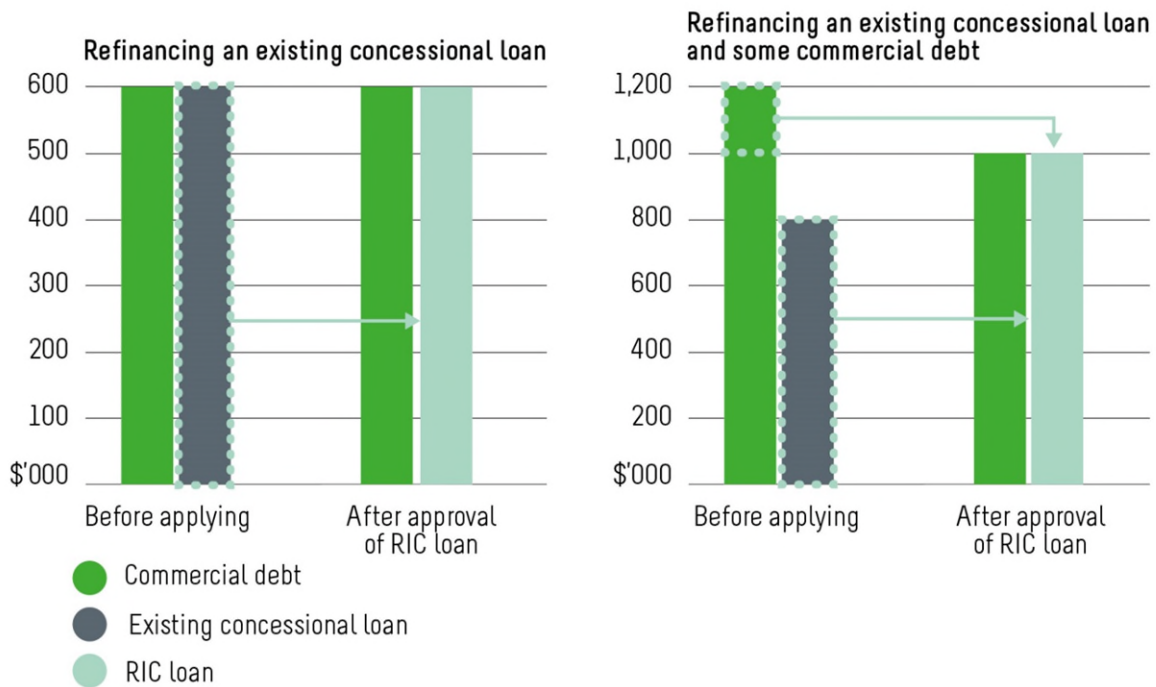
6.5.1 Refinancing a government-funded concessional loan

If you hold a **government-funded concessional loan**, you may be eligible to refinance some or all of the loan with us. This is subject to meeting the eligibility criteria listed in either these guidelines or our [Farm investment loan guidelines](#). Existing concessional loans can be refinanced either in full or in part and must be drawn in the same name.

A **farm business** may only hold up to \$3 million in concessional loans across previous and existing government-funded concessional loans (including our loans), with the exception of the Commonwealth's Dairy Recovery Concessional Loans. Farm businesses that hold a Dairy Recovery Concessional Loan may hold up to \$4 million in total. At the time a RIC loan is approved, the farm business must have **commercial debt** equal to or more than the amount held in government-funded concessional loans (including our loans).

Figure 3 shows two scenarios. The first scenario shows how a farm business might refinance a previous government-funded concessional loan with the RIC in full. The second shows how a farm business might refinance some commercial debt as well as a previous government-funded concessional loan with the RIC. In all cases, after draw-down, the total amount of the RIC loan must be equal to or less than the amount held in commercial debt.

Figure 3 Refinancing an existing concessional loan and/or commercial debt



These are examples only. There are many different ways to refinance existing debt. You should discuss the best option for you with your accountant or financial advisor.

6.5.2 Applying for more than one loan with us

If you have applied for and received a loan from us, you may still be eligible to apply again. This will be subject to meeting the eligibility criteria at the time of application. The maximum amount that can be held across multiple loans with us at any one time is \$2 million.

Applicants can apply for more than one drought loan or farm investment loan (or a combination of the two).

7 Loan security

Successful **applicants** must provide us with sufficient and satisfactory security that meet our security requirements.

The security provided can include one or a combination of the following:

- a registered mortgage over land or other assets satisfactory to the RIC
- any other security that we consider necessary.

We will consider livestock, water allocations and other chattels as possible loan securities on a case-by-case basis. We will settle mortgage priority arrangements through mutual agreement with the applicant and the **farm business's** commercial lender. Decisions on what constitutes sufficient and satisfactory security will consider the individual circumstances of an applicant and the farm business.

Where applicable, we will require that assets provided as security are insured (for example, against fire or flood) to the satisfaction of the RIC.

Applicants are advised that we reserve the right to act under our securities where terms and conditions are not met or default occurs.

8 How to apply

To ensure your **application** has addressed all the requirements:

- 1) Read these guidelines.
- 2) Discuss your individual circumstances with us.
- 3) Consider discussing your application with, or seeking assistance from, a trusted advisor or your local Rural Financial Counsellor.
- 4) Complete the [application form](#) and compile supporting documents.
- 5) Submit your application and supporting documents by post, email or fax.

Further information on how to address each of the eligibility criteria can be found in the application form.

If you require assistance, contact us on 1800 875 675 or via email at loans@service.RIC.gov.au.

9 How applications are assessed

We will assess loan applications in accordance with these guidelines, the *Regional Investment Corporation Act 2018* and any additional ministerial direction made under the Act. In conducting our loan assessments, we will refer to information provided by the **applicant** as well as information gathered following our own independent investigations and background checks, such as inquiries about the applicant's credit history from credit reporting agencies, as required.

We will assess applications against the eligibility and loan assessment criteria in place at the time a completed application is lodged. These criteria may be reviewed and amended in the future.

We will assess applications through a non-competitive priority process based on the order of receipt. To be eligible applicants and their **farm businesses** must meet the requirements of the program as specified in these guidelines.

Loan offers will be subject to the availability of funds and will be made at our discretion. Lodging an application does not guarantee that an applicant will receive a drought loan.

When assessing application forms, we will verify the information provided by applicants. We may liaise with the applicant, their bankers and professional advisors as required to confirm and verify documentary evidence and information provided.

If an incomplete application is lodged, we will contact the applicant to advise of any required information. Applicants can submit the missing information without lodging a new application

provided it is received within the timeframe that we specify. If the applicant is unable to meet this requirement, their application will be declined.

Before applying for a drought loan or making any decision, applicants should seek advice from their legal, business and financial advisors. Applicants are responsible for all costs incurred in the preparation and lodgement of their application.

10 Loan funding availability

We will make \$250 million available each financial year for **farm business** loans until 30 June 2026. On 19 August 2018, the government announced it is increasing the total amount available for these loans to \$500 million in any one year.

The availability of loans is subject to the availability of funds. If the funding allocation is fully committed, no further applications will be considered. If this happens, notification of the early closure will be published on our website and those who have already lodged an application will be advised in writing.

11 Notifying applicants of loan decisions

We will provide formal written notification of the assessment outcome to each **applicant**. Unsuccessful applicants will be informed about the reasons for the decision.

Successful applicants must sign a **loan agreement** with us. This will set out the terms and conditions of the loan, including the requirement for the successful applicant to provide sufficient and satisfactory security.

Successful applicants will be required to pay any actual costs associated with establishing the loan. Costs might include title searches, mortgage registrations, personal property securities register searches and registrations and personal and corporate background checks.

12 Decision review process

If you are not satisfied with our decision on your loan **application**, you can request a review of the loan decision. You must submit the request for a review in writing to us within 30 business days of receipt of the decision notification.

You should ensure you provide us with sufficient information to undertake a review. Outline the reasons for your dissatisfaction with the decision and address the issues identified in the decision notification. In your review request, you could consider:

- explaining why you disagree with our assessment that you did not meet the eligibility criteria

- outlining the factors you believe may have been overlooked by us in determining your eligibility
- providing additional relevant information not included in your original application and that you believe may alter the assessment outcome.

Within 30 business days of receiving a request for a review, the Chief Executive Officer or a delegate not involved in the original decision will review the decision, make a determination and advise you of the outcome.

Written requests to review a decision should be sent to:

Email: info@ric.gov.au

Or post to:

Loans Review Officer
Regional Investment Corporation
PO Box 653
Orange NSW 2800

Each **applicant** can lodge one request to review a decision. If you are not satisfied with the outcome, you can lodge a complaint to the Commonwealth Ombudsman. The applicant is responsible for any costs associated with a decision review or a complaint.

Commonwealth Ombudsman
GPO Box 442
Canberra ACT 2601
Telephone: 1300 362 072 (calls from mobile phones are charged at mobile phone rates)
Online ombudsman.gov.au/making-a-complaint.

13 Loan conditions

13.1 Contracting arrangement

Successful **applicants** will be required to enter into a **loan agreement** with us before any loan funds can be advanced. The loan agreement will be for the term of the loan and sets out the full details of the individual loan terms and conditions.

The drought loan offer may lapse if the loan agreement is not signed in the timeframe that we specify. Applicants should note that no contractual arrangement will exist until the applicant signs a loan agreement with us.

By signing the loan agreement, the applicant agrees that they are subject to compliance requirements specified in the loan agreement.

If a **farm business's** circumstances change significantly during the term of the loan, they are required to advise us.

If a farm business's financial position changes significantly, or there are any breaches of the terms and conditions of the loan as specified in these guidelines and in the loan agreement, we may initiate recovery or remedial actions as specified under the loan agreement.

13.2 Loan reviews

We will request review information annually to monitor compliance and the ongoing capacity of the **farm business** to meet the terms and conditions of the **loan agreement**. During the review we may consult with a farm business's commercial lender.

We will provide at least two months' notice of a loan review. As part of the final loan review, we will assess the farm business's capacity to refinance the remaining principal with a commercial lender when the loan term expires.

Successful **applicants** must provide evidence of expenditure of drought loan funds on request. Evidence of expenditure includes all tax invoices, **official receipts**, bank statements or other similar records of amounts paid.

In assessing a farm business's compliance with the terms and conditions of the loan agreement with respect to expenditure and activities undertaken, we will consider the expenditure and activities originally identified in the **application form**.

13.3 Reporting requirements

Successful **applicants** will be required to provide information throughout the term of the loan, in line with the reporting requirements stipulated in the **loan agreement**.

14 Conflict of interest

We will take all reasonable measures to ensure that those involved in assessing and making decisions about applications do not have any conflicts of interest.

15 False or misleading information

If any information provided in the **application form** is found to be untrue, false or misleading, we may take action to recover the loan. We may also apply penalties or refer the matter to the law enforcement authorities of the relevant Australian, state or territory governments.

Applicants should be aware that giving false or misleading information is a serious offence under the *Criminal Code Act 1995 (Cth)*.

16 Onus on the applicant

Applicants are responsible for ensuring that:

- they have read and understood these guidelines and all the documents referred to in these guidelines
- all information submitted in the application is true and correct to the best of their knowledge.

Successful applicants are responsible for ensuring that they have read and understood all aspects of:

- the **loan agreement** and associated terms and conditions
- any other documents that we provided.

Applicants are encouraged to seek advice from their legal and financial advisors. This may be a condition of approval in some instances. Applicants can contact the Australian Taxation Office call centre to discuss business tax inquiries on 13 28 66.

17 Privacy

The Regional Investment Corporation (RIC) and the Australian Government may use an **applicant's** personal information to assess an application and administer drought loans.

By completing and submitting the application, applicants consent to the RIC and the Australian Government collecting, using and disclosing their personal information to assess an application and administer drought loans and for any other incidental or related purpose.

The RIC and the Australian Government may disclose an applicant's personal information to any party engaged in the assessment or evaluation of the drought loans. Disclosure of information may also occur where authorised or required by law, or where the information is already in the public domain.

The RIC and the Australian Government will store personal information collected through the **application form**, supporting documents, the **loan agreement** and any monitoring and evaluation activities in compliance with the *Privacy Act 1988 (Cth)*.

An applicant's personal information will not be disclosed overseas.

See our privacy policy and the Australian Government's privacy policy to learn more about accessing and correcting personal information or making a complaint. Alternatively, call us on 1800 875 675.

18 Disclaimer

Neither the RIC nor the Australian Government accept any common law duty of care towards **applicants** in relation to drought loans or any information provided about drought loans.

Nor will the RIC or the Australian Government be liable for any loss or damage however caused. This includes damage that results from the negligence of the RIC and the Australian Government, and damage suffered or incurred by applicants in relation to drought loans or any information provided by the RIC and the Australian Government about drought loans.

19 Evaluation

We may conduct periodic evaluations to determine the contribution drought loans are making to Australian Government policy objectives. Loan recipients may be requested to provide information to assist with evaluations.

20 Review of the guidelines

We reserve the right to review, revoke or vary these guidelines at any time. We will publish revised guidelines on our website.

Glossary

Term	Definition
adequate standard of living	<p>Farm businesses will be assessed as to whether there is sufficient cash surplus from operations (and off-farm income if any) to provide adequate living expenses for members who are dependent on the farm business (including their relevant family members).</p> <p>Adequate living expenses will be determined based on information provided by the loan applicant. We will consider whether living expenses are reasonable given the particular circumstances of individual households with reference to the Household Expenditure Measure (as a guide), plus adjustments for other expenses as relevant, including housing costs (for example, rent).</p> <p>The Household Expenditure Measure is developed by the Melbourne Institute.</p>
applicant	The member/s of the farm business who lodged an application for a drought loan.
application form	The application form and associated documentation that an applicant must complete and lodge with the Regional Investment Corporation (RIC) to apply for a drought loan.
approved in principle	Means conditional approval from the RIC for a drought loan. Final approval will be subject to the applicant satisfactorily demonstrating that seasonal conditions allow for eligible drought recovery activities to commence. We may seek to confirm the seasonal conditions information before loan payments are made. Final approval is also conditional on loan funding being available and all other eligibility criteria being met.
commercial debt	<p>Debt that has been established upon commercial interest rates, terms and conditions.</p> <p>Examples of debt that is not considered to be commercial debt include, but are not limited to:</p> <ul style="list-style-type: none"> • private debt or family debt not provided at arm’s length and at commercial interest rates and terms and conditions • non-balance sheet loans • equipment finance facilities • funding of normal or additional working capital • debt that was not established upon commercial interest rates, terms and conditions (such as debt established at a concessional interest rate under Commonwealth and state or territory government schemes).
Commonwealth-funded concessional loans	<p>For the purpose of this program, Commonwealth-funded concessional loans include loans provided under the following schemes:</p> <ul style="list-style-type: none"> • Farm Finance Concessional Loans Scheme • Drought Concessional Loans Scheme • Drought Recovery Concessional Loans Scheme • Farm Business Concessional Loans Scheme, including: <ul style="list-style-type: none"> – Drought Assistance Concessional Loans – Dairy Recovery Concessional Loans – Business Improvement Concessional Loans.
drought loans	Loans offered by the RIC to help eligible farm businesses to continue to manage through drought conditions, recover once the season breaks and prepare for future droughts.
drought management plan	A document that outlines the drought preparedness, management and recovery strategies and activities that have been and will be undertaken by the Farm Business, including the activities to be funded with the RIC loan.
eligible area	‘Affected areas’ as defined in the <i>United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification</i> , done at Paris on 17 June 1994, as shown on the eligible area map .
external administration	Means, in respect of a body corporate, that an administrator has been appointed in accordance with the <i>Corporations Act 2001 (Cth)</i> .

Drought loan guidelines: loans for farm businesses

Term	Definition
farm business	<p>A business that:</p> <ul style="list-style-type: none"> • operates as a sole trader, trust, partnership or private company • is involved within the agricultural, horticultural, pastoral, apicultural or aquacultural industries • undertakes all primary production aspects of the business wholly within Australia • is registered for tax purposes in Australia with an Australian Business Number (ABN) and is registered for Goods and Services Tax (GST) • is not a public company under the meaning of the <i>Corporations Act 2001 (Cth)</i>.
farmer	<p>An individual who has a right or interest in land and uses the land wholly or mainly for the purposes of the farm business.</p> <p>A right or interest in land can include share farming or lease arrangements. The RIC reserves the right to consider eligibility of farm businesses conducted under these arrangements on a case by case basis.</p>
farm investment loans	Loans offered by the RIC to help eligible farm businesses build and maintain diversity in the markets they supply and take advantage of new and emerging opportunities across Australia and overseas.
government-funded concessional loans	<p>For the purpose of these guidelines, government-funded concessional loans include:</p> <ul style="list-style-type: none"> • Commonwealth-funded concessional loans (see definition in these guidelines) • State government-funded loans. State government funded farm business loans that can be refinanced with the RIC include: <ul style="list-style-type: none"> – New South Wales—Farm Innovation Fund – Victoria—Young Farmer’s Finance Scheme – Queensland—Productivity Loans (including Sustainability Loans and First Start Loans) – Tasmania—AgriGrowth Loan Scheme.
liquid assets	Immediate funds, including cash immediately available in personal and business bank accounts, term deposits, shares, Farm Management Deposits and other financial accounts.
loan agreement	A loan agreement between the RIC and a loan recipient in respect of a drought loan.
member(s) of the farm business	A person who has a right or interest in a farm business.
non-farm assets	The net value of any asset not essential to the effective running of the farm business, including land or property, residential (not used as the primary place of residence) or business, for the Applicant or any member of the farm business (as applicable). Life insurance policies and superannuation, provided the superannuation is in a complying superannuation fund for the purposes of the <i>Superannuation Industry (Supervision) Act 1993 (Cth)</i> are excluded.
official receipt	<p>A receipt including:</p> <ul style="list-style-type: none"> • the name and address of the entity that issued the receipt • the entity’s ABN • a description of each item covered by the receipt.
permanent resident	<p>A permanent resident, for the purpose of the RIC’s farm business loans, is considered to be:</p> <ul style="list-style-type: none"> • a permanent resident as defined by the <i>Australian Citizenship Act 2007 (Cth)</i> or • a New Zealand Citizen who holds a special category visa.
recent entrant	A farmer who has taken ownership of or an interest in a farm business within the last three years.
tax and statutory payments	<p>Compulsory monetary contributions demanded by a government and levied on incomes, property, goods purchased or other payments prescribed or authorised by legislation.</p> <p>Examples include:</p> <ul style="list-style-type: none"> • federal taxes

Term	Definition
	<ul style="list-style-type: none">• state government taxes• government imposed fines and penalties• court ordered payments.
	State government taxes
	<p>Purchase of agricultural land may be considered an eligible loan purpose in certain circumstances. In such cases, loan funding may be applied to the payment of state government stamp duty (subject to the terms and conditions of individual loan agreements).</p>
	<p>For the purpose of drought loans, 'state government payroll tax' is excluded from the definition of tax and statutory payments. Loan funding may be applied to the payment of state government payroll tax as an operating expense (subject to the terms and conditions of individual loan agreements).</p>
	Council rates
	<p>For the purpose of the drought loans, 'council rates' are excluded from the definition of tax and statutory payments. Loan funding may be applied to the payment of council rates as an operating expense (subject to the terms and conditions of individual loan agreements).</p>
