

Drought Loan Guidelines

Loans for drought-affected farm businesses
December 2024



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1. Summary

RIC (Regional Investment Corporation) is offering **Drought Loans** to help eligible farm businesses continue to manage through drought conditions, recover once the season breaks and prepare for future droughts.

Drought Loans are available for:

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

To qualify for a **Drought Loan**, you must meet all eligibility criteria (see sections 3.1 to 3.5 below).

Drought Loans are for up to \$2 million.

The loan term is 10 years with interest-only repayments for the first five (5) years and principal and interest repayments for the final five (5) years. A variable interest rate applies to the loans.

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 info@ric.gov.au or visit ric.gov.au.

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

2. About the Drought Loan

The Australian Government, through the RIC, is providing **Drought Loans** to assist eligible farm businesses improve their long-term strength, resilience and profitability. The loans are available for drought preparedness, management and recovery activities.

Farm businesses must be in need of financial assistance and have sound prospects of long-term financial viability.

The Drought loans complement a range of other support and risk management measures provided by the Australian Government to help farmers and rural communities deal with an array of on and off-farm challenges, so they can pursue a prosperous and sustainable future.

See the Glossary for definitions of key terms.

3. Who can apply

3.1 Eligibility criteria

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

- Farm businesses must have a drought management plan (see section 3.2).
- Farm businesses that are in financial need of a loan (see section 3.3).
- Farm businesses with sound prospects of ongoing financial viability (see section 3.4)
- Additional eligibility criteria (see section 3.5).

3.2 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.

3.3 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: Significant financial impacts resulting from drought conditions

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. Examples 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, 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 [Disaster Recovery Funding 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).

The 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 Disaster Recovery Funding 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, Fisheries and Forestry or your state government primary industry department.

3.4 Farm business 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 that increases long-term productivity.

3.5 Additional eligibility criteria

In addition to the criteria listed in sections 3.2 to 3.4, 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 to the proposed Regional Investment Corporation loan
 - d) be involved within the agricultural, horticultural, pastoral, beekeeping (apicultural) or aquacultural industries. A farm business must be engaged in primary production activities described under the Australia and New Zealand Standard Industrial Classification 2006 (ANZSIC) 1292.0 (Revision 2.0) Codes 01 Agriculture and 02 Aquaculture, with some exceptions. Refer to [Industries eligible for a RIC loan](#)
 - 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 (1) 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 (3) 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, alternative options are outlined in Section 3.6.

3.6 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 3.5.

3.6.1. Alternative option to criterion 3b

At least one (1) member of the farm business is able to provide evidence of at least three (3) years of relevant on-farm experience (for example, experience managing a farm business or experience working closely with the manager of a farm business).

3.6.2. Alternative option to criterion 3c

At least one (1) 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.

3.7 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.

4. Loan uses

4.1 Eligible loan uses

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

- 1) refinancing (restructuring existing debt) (see section 4.5)
- 2) new debt for operating expenses and capital expenditure
- 3) a combination of 1) and 2).

For a list of non-eligible loan uses see section 4.6

4.2 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, but are not limited to:

- 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.

4.3 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:

- purchase of seeds or seedlings
- purchase of chemicals
- purchase of fertiliser
- purchase of fuel/diesel
- payment of labour/contract planting, spraying, harvesting fees
- harvesting.

2) Restocking activities, such as:

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

4.4 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, but are not limited to:

- 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 land.

In very limited circumstances, we will consider allowing loan funding for the purchase of additional 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 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 and this will need to be supported by independent financial advice.

4.5 Refinancing

Drought Loans are available to refinance:

- commercial debt (for the definition of this term – see the Glossary)
- government-funded concessional loans (information for farm businesses wishing to refinance an existing concessional loan is in section 5.5).

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).

4.6 Non-eligible loan uses

Examples of non-eligible loan uses may include, but are not limited to:

- purchase of private and domestic assets
- payment of private and domestic expenses
- purchase of and/or investment in non-farm assets and payment of non-farm expenses
- payment of tax and statutory payments (subject to the exceptions set out in the definition of that term – see the Glossary)
- 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).

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

5. Loan features

5.1 Loan amount

Eligible farm businesses can apply for a loan of up to \$2 million. There is no minimum loan value.

5.1.1. New debt

A farm business may apply for new debt up to \$2 million, or the amount that would result in half the total debt being held in Commonwealth-funded concessional loans – whichever is the lesser.

The ‘total debt’ is the total debt owed in respect of the relevant farm business, including both commercial debt and debt established under Commonwealth- funded concessional loans.

5.1.2. Refinancing

Farm businesses may apply to refinance up to 50 per cent of their total debt (excluding debts which are not in respect of the farm business, such as personal, credit card and home loan debts), provided that the overall amount of the **Drought Loan** does not exceed \$2 million.

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 a **Drought Loan**.

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

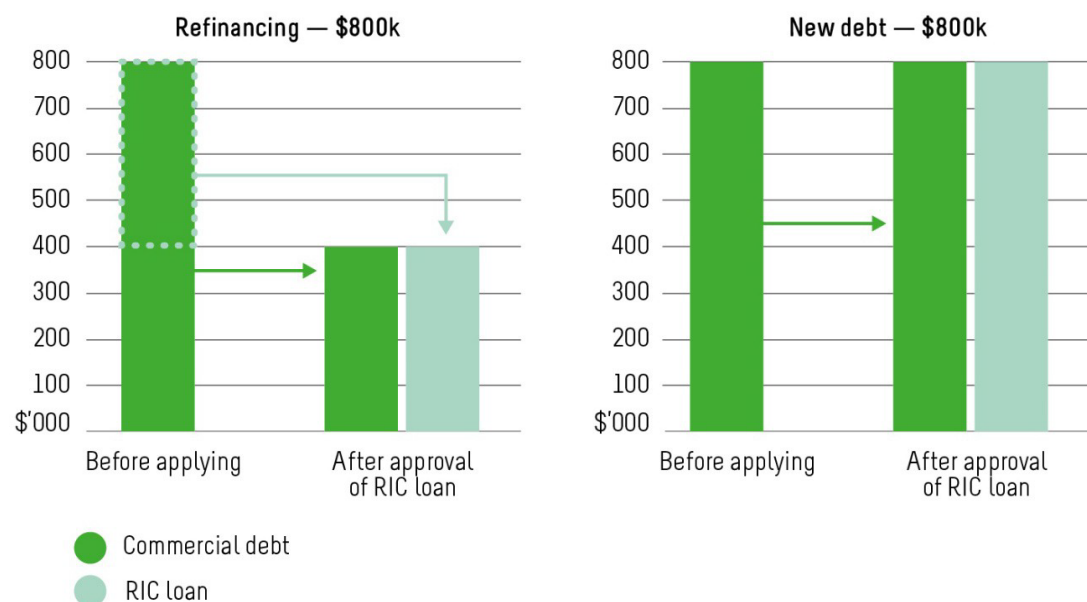
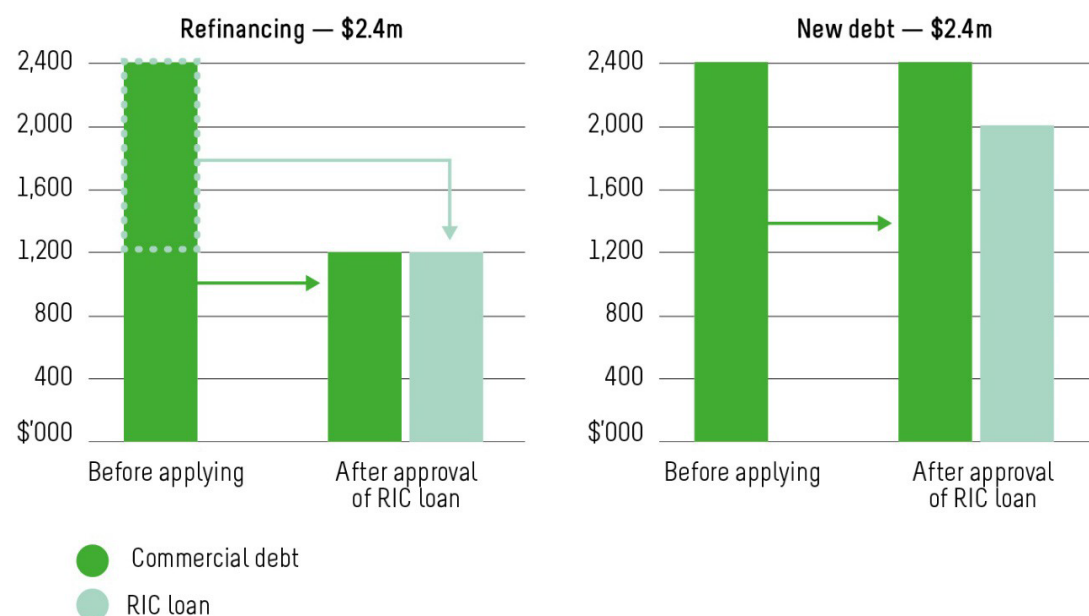


Figure 2 provides examples of the maximum value of a loan for ‘refinancing’ and ‘new debt’ if a farm business held \$2.4 million in commercial debt before applying for a **Drought Loan**.

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.

5.2 Loan term and repayments

The term of a **Drought Loan** is 10 years.

Loan recipients make interest-only repayments for the years 1-5; and principal and interest repayments for years 6-10. 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 loan recipients must repay or refinance any remaining loan balance through commercial finance (or repayment by other means).

The principal of the loan may be repaid (wholly or partly) at any time during the term of the loan without incurring a fee.

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

Under no circumstances can a loan recipient redraw on repaid **Drought Loan** amounts.

5.3 Interest rate

The current variable 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.

5.4 Loan draw-down

Successful applicants must fully draw down their **Drought Loan** from us within six (6) 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 repayment of the loan in the loan agreement.

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

5.5 Relationship with other concessional loans

An eligible 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 eligible farm business must have commercial debt equal to or more than the amount held in government-funded concessional loans (including our loans).

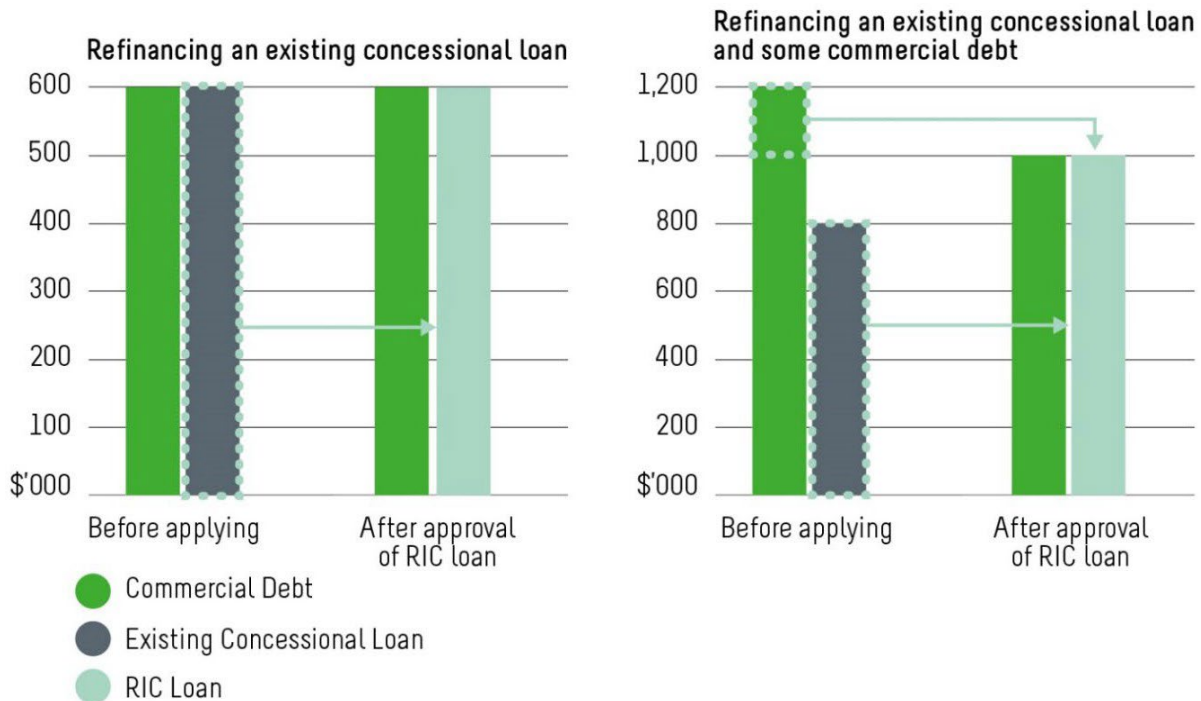
5.5.1. Refinancing a government-funded concessional loan

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 these guidelines. Existing concessional loans can be refinanced either in full or in part and must be drawn in the same name.

The refinanced loan must be drawn in the same name as the existing concessional loan.

Figure 3 shows two (2) 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.

5.5.2. 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 Farm Investment loan or Drought loan (or a combination of the two).

6. Loan security

If your loan application is successful, you must provide us with sufficient and satisfactory security that meets our security requirements. The security you provide can include one (1) or a combination of:

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

We will consider a registered mortgage over livestock, a registered security interest in water rights, and a mortgage or other security interest in other chattels, as possible loan securities on a case-by-case basis. We will settle mortgage priority arrangements through mutual agreement with you and your farm business's commercial lender. We will decide what constitutes sufficient and satisfactory security based on your individual circumstances.

Where applicable, assets you provide as security must be insured to the level we require. For example, against fire or flood.

We reserve the right to enforce our security interests if you do not comply with the terms and conditions of the loan or you default on loan repayments.

7. How to apply

To ensure your application has addressed all the necessary requirements, please:

- read these guidelines
- discuss your individual circumstances with us
- consider discussing your application with, or seeking assistance from, a trusted advisor or your local Rural Financial Counsellor.

When you're ready, there are two (2) ways to apply for a **Drought Loan**:

1. Using our online application form

- complete the on-line [application form](#) and compile all supporting documents identified in the [Drought Loan document checklist](#) in the application form
- submit your application and all required information on-line. We can't start assessing your application until we get all the information we ask for, including attachments.

2. Using our PDF application form

- If using the [PDF application form](#), submit your application and all required information to us at info@ric.gov.au or send to Regional Investment Corporation, PO Box 653, Orange NSW 2800.

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 email info@ric.gov.au

8. How applications are assessed

We will assess applications in accordance with these guidelines, the *Regional Investment Corporation Act 2018* (Cth) and any additional ministerial direction made under the Act. The eligibility and assessment criteria may change from time to time.

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 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 applications, 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 may be declined.

Before applying for a Drought Loan or making a decision about whether to enter into a loan agreement, 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.

9. Loan funding availability

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.

10. Notifying applicants of loan decisions

We will provide formal written notification of the assessment outcome. If your loan application is declined, we will give you the reasons for the decision.

If your application is accepted, you must sign a loan agreement with us in order to receive a **Drought Loan**. This will set out the terms and conditions of the loan, including the requirement for the successful applicant to provide sufficient and satisfactory security. You must pay any actual costs of establishing the loan. Costs might include title searches, mortgage registration, Personal Property Securities Register searches and registrations and personal and corporate background checks.

11. Decision review process

If you disagree with our decision on your loan application, you can request a review of that decision. You must submit the request for a review in writing to us within 30 business days of receipt of the decision notification.

The request should be as specific as possible and you should ensure you provide us with sufficient new information to undertake the review.

Outline the reasons you disagree with the decision and address the issues identified in the decision notification. In your review request, you should:

- explain why you disagree with our assessment that you did not meet the eligibility criteria
- outline the factors you believe may have been overlooked by us in determining your eligibility

- provide additional relevant information not included in your original application that you believe may alter the assessment outcome.

Requests to review a decision can be lodged online at: [Decision Review Request](#)

Or posted to:

Loans Review Officer

Regional Investment Corporation
PO Box 653
Orange NSW 2800

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

A Determination is a final decision. There is no further appeal against the Chief Executive Officer or delegate's Determination. Our Complaints and Feedback procedure cannot be used as a review mechanism.

There is no provision in the *Regional Investment Corporation Act 2018* (Cth) for review by the Administrative Review Tribunal to approve or not approve a loan. Additionally, it is outside the jurisdiction of the Commonwealth Ombudsman, as it is not an Australian Federal Government agency within the meaning of the *Ombudsman Act 1976* (Cth).

12. Loan conditions

12.1 Contracting arrangement

If we accept your application, you will be required to enter into a loan agreement with us before we can give you any loan funds. The loan agreement will be for the term of the loan (10 years unless terminated earlier) and will set out the full details of the individual loan terms and conditions.

If you do not sign your loan agreement within the time frame provided, your loan offer may lapse. No contractual arrangement will exist until you sign a loan agreement with us. However, a loan agreement is binding once entered, and we may take action against you if you breach its terms.

12.2 Loan reviews

Every year we will conduct a loan review to monitor your compliance with the terms and conditions of the loan agreement as well as the ongoing capacity of your farm business to meet those terms and conditions. During the review we may consult with your commercial lender.

We will give you at least two (2) months' notice of a loan review. You must give us evidence of expenditure of the Drought Loan funds when requested. These requirements will be contained in your loan agreement and are not imposed by the guidelines themselves. Evidence of expenditure includes all tax invoices, official receipts, bank statements or other similar records of amounts paid.

When we assess whether an eligible farm business has complied with the terms and conditions of the loan agreement in its expenditure and the activities it has undertaken, we will consider the expenditure and activities

originally identified in the application form. As part of the final loan review, we will assess the business's capacity to refinance the remaining principal with a commercial lender when the loan term expires.

12.3 Reporting requirements

If your application is accepted and you enter into a loan agreement, the loan agreement will require you to provide us with information throughout the term of the loan. Your reporting requirements and the types of information you must give us will be set out in the loan agreement.

13. 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.

14. False or misleading information

If we find that any information you have given us in your application is false or misleading, we may take action to recover any funds advanced. We may also refer the matter to relevant law enforcement authorities of the relevant Australian, state or territory governments.

If you give false or misleading information in your application you may have committed an offence under the *Criminal Code Act 1995* (Cth).

15. Onus on the applicant

When you apply for a **Drought Loan**, you are responsible for ensuring that:

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

You are responsible for ensuring that you have read and understood all aspects of:

- the loan agreement and its terms and conditions
- any other documents that we provide.

You should seek advice from your legal and financial advisors before you apply for a **Drought Loan**. In some circumstances, we may require you to obtain such advice as a condition of approval. If you have questions about business tax, you can contact the Australian Taxation Office call centre on 13 28 66.

16. Privacy

This is a notice about the collection of your personal and credit-related personal information by the Regional Investment Corporation, ABN 99 528 049 038. We can be contacted on 1800 875 675, by email at info@ric.gov.au, or via our online contact form at [Contact us](#).

Our full-length Notice About Collection of Personal and Credit-Related Personal Information is available on our website at [Our commitment to you](#). You can also ask us to give you a copy of the full-length Notice in another format – such as a hard copy – at any time.

The Notice contains information about credit reporting, including the credit reporting bodies to which we are likely to disclose your credit information, and the likely content of that information.

It also sets out:

- The purposes of which we collect your information to carry out our functions and activities under the *Regional Investment Corporation Act 2018*;
- The circumstances in which we usually disclose your information;
- The bodies and organisations we usually make those disclosures to; and
- Your rights in relation to your credit-related personal information.

For more detailed information, see:

- Our Credit Reporting Policy at [Credit reporting - Regional Investment Corporation](#) and
- Our general Privacy Policy, which applies in addition to our Credit Reporting Policy, and can be accessed here: [Privacy - Regional Investment Corporation](#)

17. 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 the loans.

Also, the RIC and the Australian Government will not be liable for any loss or damage regardless of how it is caused. This includes:

- damage that results from the negligence of the RIC and the Australian Government
- damage that applicants suffer or incur in relation to Drought Loans
- damage suffered as a result of any information the RIC and the Australian Government provide about the loans.

18. Evaluation

We may conduct periodic evaluations to determine the contribution Drought Loans makes to Australian Government policy objectives. You may be requested to give us information to help us with those evaluations.

19. Review of the guidelines

We may amend or revoke these guidelines at any time. We will publish revised guidelines on our website.

Glossary

Term	Definition
ABN	means an Australian Business Number issued in accordance with the <i>A New Tax System (Australian Business Number) Act 1999</i> (Cth).
adequate standard of living	<p>A farm business will be assessed as providing an adequate standard of living if it generates a sufficient cash surplus from its 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 adequate based on 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	means the application form and associated documentation that an applicant must complete and lodge with the RIC to apply for a Drought loan.
Australian citizen	<p>A person who:</p> <ul style="list-style-type: none"> • is an Australian citizen under Division 1 or 2 of Part 2 of the <i>Australian Citizenship Act 2007</i> (Cth); or • both: <ul style="list-style-type: none"> (i) was an Australian citizen under the <i>Australian Citizenship Act 1948</i> (Cth) immediately before the commencement day of the new Act; and (ii) has not ceased to be an Australian citizen under the <i>Australian Citizenship Act 2007</i> (Cth).
commercial debt	<p>Debt that has been established upon commercial interest rates, terms and conditions. Examples include financial institutions that take formal security and you hold signed loan agreement documents including mortgage or caveat documents of security provided to secure the debt.</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"> • consumer debt (e.g. home loans; personal loans (for holidays, motor vehicle, medical expenses, home renovations, investment purposes)) • 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>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.
company	means a company that is incorporated in Australia and engages in substantial trading or financial activities
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.
external administration	In respect of a company—the external administration of the company in accordance with the <i>Corporations Act 2001</i> (Cth).
farmer	A person who is seeking to purchase, establish or develop a farm business in which the person holds or will hold the sole or a controlling interest.
government-funded concessional loans	<p>Government-funded concessional loans include:</p> <ul style="list-style-type: none"> • Commonwealth-funded concessional loans (see definition in these guidelines)

	<ul style="list-style-type: none"> State government-funded loans, including the following: <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), White Spot Disease Concessional Loans Tasmania—AgriGrowth Loan Scheme.
GST	Goods and Services tax that is payable under <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth)
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	means a loan agreement between the RIC and a loan recipient in respect of a Drought loan.
member of a farm business	<p>Where the farm business is carried on by:</p> <ul style="list-style-type: none"> a) a sole trader – the sole trader; or b) a partnership – a partner of the partnership; or c) a trust – a beneficiary or unit-holder of the trust; or d) a corporation (within the meaning of the <i>Corporations Act 2001</i> (Cth)) – a member of the corporation.
non-farm assets	Assets that are 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</i> (Cth) are excluded.
official receipt	<p>A receipt that includes:</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	<ul style="list-style-type: none"> a) A permanent resident, for the purpose of the RIC’s Drought Loan, is considered to be a permanent resident as defined by the <i>Australian Citizenship Act 2007</i> (Cth) <p>or</p> <ul style="list-style-type: none"> b) a New Zealand citizen who holds a special category visa.

principal business pursuit of a person	<p>A business pursuit:</p> <p>a) to which the person contributes or plans to contribute at least 50 per cent of their labour; and</p> <p>b) from which the person delivers or plans to develop at least 50 per cent of their income</p>
recent entrant	A farmer who has taken ownership of or an interest in a farm business within the last three (3) years.
tax and statutory payments	<p>means compulsory monetary contributions demanded by a government and levied on incomes, property, goods purchased or other payments prescribed or authorised by legislation. Examples include:</p> <ul style="list-style-type: none"> • Federal taxes • state government taxes • government-imposed fines and penalties • court ordered payments. <p>State government taxes</p> <p>The purchase of agricultural land is an eligible loan purpose. 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> <p>Council rates</p> <p>For the purpose of 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>
trust	<p>means a trust where at least one of the following requirements is satisfied:</p> <p>a) all the trustees of the trust are Companies,</p> <p>b) the law of the trust and the law of the trust's administration are the law of a Territory.</p>