STATEMENT OF POLICY #10

LIVESTOCK LOANS

The Nebraska Department of Banking and Finance (“Department”) sets forth Statement of Policy #10 regarding loans secured by livestock. Neb. Rev. Stat. § 8‑141(1) of the Nebraska Banking Act prohibits a bank from making a loan to a single borrower in excess of twenty‑five percent (25%) of the paid‑up capital, surplus, and capital notes and debentures or fifteen percent (15%) of the unimpaired capital and unimpaired surplus of the bank, whichever is greater.

Section 8‑141(1)(a) provides an exception to the lending limit when the loan is secured by livestock. Under the Section 8-141(1)(a) livestock loan exception, a bank may lend up to an additional ten percent (10%) of its paid-up capital, surplus and capital notes or unimpaired capital and unimpaired surplus of the bank to a single borrower when the loan is secured by livestock.

Where livestock is used to secure a loan, the market value of the livestock only needs to be sufficient to secure the additional (10%) over the bank’s Section 8-141(1)(a) lending authority. The livestock does not need to secure the entire loan. The loan file must clearly reflect the valuations on any livestock and their relation to loans over the bank's lending limit.

The market value of the livestock cannot be less than one hundred fifteen percent (115%) of the face amount of the notes or documents that cover title or liens on the livestock in question.

Livestock inspection reports are required by the Department’s rules and regulations to be completed at least annually. However, if there is, or suspected to be, a significant change in the content of the herd, a new inspection report must be completed, even if the report follows the original report by less than a year. This is due to the underlying purpose of the statute which is to insure there is adequate value to justify extension of the loan.

"Significant change" can only be determined on a case‑by‑case basis. A new livestock report must also be filed at the time of the extension or renewal of the note.

45 NAC 19, “Livestock Loans,” states in part, “The inspection is to be made within thirty days of the origination of the loan and additional inspections made at least annually thereafter, or more often as prescribed by the Department of Banking.”

In the case of livestock feeding operations, the Department’s position is that the inspections should be performed every ninety (90) days or more frequently depending on the turnover of the inventory.

This policy statement does not replace any of the Department's rules and regulations concerning the contents of inspection and appraisal reports on livestock.

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