Ag Decision Maker

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Financial Terms

Acceleration clause – A common provision of a mortgage or note providing the lender with the right to demand that the entire outstanding balance be immediately due and payable in the event of default.

Administrative costs – A lender's operating and fixed costs charged for completing and servicing a loan.

Amortized loan – A loan with a series of regularly scheduled payments that include both interest and partial repayment of principal.

- **Equal payments** – Payments are of equal size with declining principal and increasing interest.
- **Equal principal payments** – Equal principal payments with declining interest payments. Interest decreases because the unpaid balance decreases. Because the interest payment decreases, the total payment also decreases over the term of the loan.
- **Reverse amortization** – The annual payment is less than the interest obligation during the early years of the debt obligation so that the outstanding balance on the debt actually increases rather than decreases over the term of the loan.

Assets – The items and property owned or controlled by an individual or business that have commercial or exchange value. Items may also include claims against others. All assets are reported on a balance sheet at market or cost value less accumulated depreciation. Assets are normally divided into categories based on their useful life.

- **Current assets** – Assets that will be used or converted into cash within one year. Also called liquid assets.
- **Intermediate assets -** Assets with useful lives of more than one year but not more than ten years. Their sale will affect the future income potential of the business.
- **Long-term assets** – Assets with useful lives of more than ten years. Long-term assets include real estate. Sometimes both intermediate and long term assets are combined and called fixed assets.
- **Financial assets** – Intangible assets such as cash and savings.
- **Real assets** – Asset that are tangible or physical in nature such as land, machinery and livestock.

Assignment of loan – The transfer of title, property, rights or other interests from one person or entity to another.

Average cost of funds – A method of determining a lending institution's cost of funds. It uses an average cost of existing funds. In contrast, the marginal cost of funds uses the cost of new funds only.

Balance sheet – A listing of all assets and liabilities at a given point in time. The amount by which assets exceed liabilities is called net worth or owner's equity. Also called a net worth statement or financial statement.

- **Comparative balance sheet** – A listing of the current balance sheet along with those of previous years so financial trends over time can be identified.
- **Statement of change in financial position**– A listing of the amount by which various items on the balance sheet change from one time period to the next.

Bankruptcy – The federal court proceeding by which a debtor (individual or corporation) may obtain protection from creditors. The two general types of bankruptcy are voluntary and involuntary. A voluntary bankruptcy is initiated when the debtor voluntarily files a petition. In an involuntary bankruptcy, the creditor forces the debtor into bankruptcy. Debtors qualifying as farmers may not

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be involuntarily forced into bankruptcy. Bankruptcy proceedings involving farmers are declared under one of the several chapters of the federal bankruptcy code: Chapter 7, liquidation; Chapters 11 and 12, reorganizations; Chapter 13, adjustment and workouts of debt.

Bond – Long-term promissory note for money borrowed by a firm from investors.

- **Bearer bond** – No record of ownership exists. Possession shows proof of ownership.
- **Registered bond** – The owner's name is recorded and interest payments are sent directly to the owner.
- **Callable bonds** – Refers to the ability to pay off a debt obligation prior to its maturity at the option of the issuer of debt.
- **Convertible bonds** – Debt instruments that can be exchanged for shares of common stock or an equity interest in the company.
- **Debentures** – Bonds that are not secured by the assets of a firm.
- **Mortgage bond** – A bond that is secured by a lien against the property of the firm.
- ***"Zero Coupon"* bonds** – A special kind of debt instrument where the interest payments are not made on a regular basis but instead are accumulated and paid at the date of bond or debt maturity.

Capital – Used with terms like capital assets, capital investments and capital improvements. It describes money invested in anticipation of a return over a long period of time.

- **Human capital** – Human assets consisting of items such as skilled workers.
- **Physical capital** – Consists of financial assets and real assets.

Capital market – Includes all financial transactions between users of funds and suppliers of funds.

- **Primary market** – Trading in new financial instruments where the funds received are invested in the firm. A market for new securities.
- **Secondary market** -– Trading in previously issued financial instruments. An organized market for used securities. Examples are the New York Stock Exchange, bond markets, over-the-counter markets, residential mortgage loans and governmental guaranteed loans.

Cash flow – Cash money flowing in and out of the business. Cash flow is not the same as profitability.

- **Cash flow budget** – A projection of all cash income and expenditures for a given period of time, normally one year. It shows when additional funds will need to be borrowed, and when funds will be available for repayment of debt.
- **Working capital** – The amount of funds available for use in operating the business. Commonly calculated as the amount by which current assets exceed current liabilities.

Chattel – Tangible personal property (e.g., tractors, grain, livestock, vehicles).

Closing – Process by which all fees and documents required by a lender prior to disbursing loan proceeds are executed and filed. Usually used in reference to the completion of a real estate transaction that transfers rights of ownership in exchange for monetary considerations.

Closing costs – The costs incurred by borrowers and sellers in completing a loan transaction. Included are origination fees, inspections, title insurance, appraisals, attorney's and realtor's fees and other costs of closing a loan.

Collateral – Property pledged to assure repayment of debt.

Commercial paper – Short term promissory note issued by a corporation.

Commitment – A formal agreement between a lender and borrower to lend up to a specified amount of money at a specified future date subject to specific performance criteria and repayment terms.

Commitment fee – The fee associated with the establishment of a loan commitment. The fee is usually expressed as a percentage of the loan commitment.

Common size statement – A financial statement expressed in percentages of the total rather than dollar amounts. It shows the relative amount that each component contributes to the total. It allows for the comparison of firms of different sizes.

Compensating balance – A minimum account balance that a borrower is required to maintain as a requirement of obtaining a loan. It raises the effective interest rate on the loan.

Co-signer – An individual, in addition to the borrower, who signs a note and thus assumes responsibility and liability for repayment.

Cost of funds – Refers to the interest and non-interest cost of obtaining equity and debt funds.

Correspondent bank – A bank that performs specific functions for another bank (respondent bank). Functions may include loan participation, check clearing, data processing, cash management and consulting services.

Covenant – A legal promise in a note, loan agreement, security agreement or mortgage to do or not to do specific acts; or a promise that certain conditions do or do not exist. A breach (breaking) of a covenant can lead to the injured party pursuing legal remedies and can be a basis for foreclosure.

Credit – Money borrowed with the understanding that it will be repaid.

- **Creditworthiness** – The ability, willingness and financial capability of a borrower to repay debt.
- **Credit verification** – The process involved in confirming the creditworthiness of a borrower.
- **Credit scoring** – A quantitative approach used to measure and evaluate the creditworthiness of a loan applicant. Measurements of profitability, solvency, management ability and liquidity are commonly included in a credit scoring model.
- **Line of credit** – Commitment by a lender to provide up to a set amount of funds during a specific period of time. Funds are drawn against this commitment as they are needed. Also called a budget loan.
- **Non-revolving line of credit** – A line-of-credit in which the maximum amount of a loan is the total of loan disbursements. Repayments do not make loan funds available again as in a revolving line-of-credit.
- **Revolving line of credit** – A loan in which a maximum loan balance is set. As a borrower repays during the term of the loan, he/she can again borrow up to the loan limit without applying for a new loan.
- **Split line of credit** – Using a number of lenders to finance various enterprises within a business. Normally refers to short and intermediate term credit.

Creditor – The party providing or lending the money.

- **Credit rating** – A judgment of a borrower's ability to handle credit based on past performance.
- **Credit risk** – The risk assumed for the possible nonpayment of credit extended.
- **Unsecured creditor** – A creditor that does not have a lien on any particular property is unsecured.

Current ratio – A liquidity ratio calculated as current assets divided by current liabilities.

Debt – A financial obligation owed to another.

Debt-to-asset ratio – A solvency ratio calculated as total liabilities divided by total assets.

Debtor – The person who either owes payment or other performance on an obligation such as a contract or note.

Default – The failure of a borrower to meet the financial obligations of a loan or a breach of any of the other terms or covenants of a loan.

Delinquency – The status of principal and/or interest payments on a loan that are overdue.

Down payment – The amount of equity funds invested in the purchase of an asset. The down payment plus the amount borrowed generally equals the total value of the asset purchased.

Draft – An order for the payment of money drawn by one person or bank on another. Often used in the dispersal of an operating loan to a borrower for payment of bills.

Encumbrance – A claim against property or an interest in property that limits the ownership right of the property. Examples include liens, mortgages and leases.

Escrow – The process by which an agent provides safe keeping of cash, securities, documents and the handling of the paperwork and transfer of funds for the parties (e.g. borrower and seller).

Equity – The owner's capital invested in a business. The amount by which assets exceed liabilities. For example, equity in a farm is the value of the farm less the amount owed against it. Also called owner's equity or net worth.

Fees – A fixed charge or payment for services associated with a loan transaction.

Filing – Giving public notice or disclosure of a lender's security interest or assignment in collateral.

Financial statement – A statement or report of the financial condition of a firm. Financial statements include the balance sheet, income statement, statement of changes in net worth and statement of cash flow.

Financing statement – A statement filed by a lender with a public official. The statement reports the lender's security interest or lien on the borrower's assets.

Foreclosure – The legal process by which a lien against property is enforced through the taking and selling of the property.

Income statement – A summary of income and expenses over a given time period. In addition to cash income and expenses, it takes into account non-cash expenses like depreciation.

- **Accrual income statement -** An income statement that, in addition to including cash incomes and expenses, takes into account all changes in the value of inventories and capital to arrive at net farm income
- **Net farm income -** The profit or loss from the year's operation. It is calculated through the use of an income statement. It considers not only cash income and expenses, but also depreciation. Accrual net farm income adjusts for inventory changes and the value of farm products consumed in the farm home.
- **Net cash farm income -** The profit or loss calculated by using only cash income and cash expenses.
- **Statement of retained earnings -** A financial statement that reconciles the balance in the retained earnings account at the beginning of the income statement period to the balance at the end of the period.

Interest – A charge paid for the use of someone else’s money. It includes three things:

1) A return to the lender for the use of the money.

2) A return to the lender for the devaluation of the money over the repayment period due to inflation.

3) A return to the lender as compensation for the possibility that the loan may not be repaid (risk).

- **Basis points** – Usually used in describing interest rate movements or interest costs. One basis point is 1/100 of 1 percent. For example, 50 basis points is 0.5 percent.
- **Nominal interest rate** – The actual interest rate quoted by financial lenders and others.
- **Effective interest rate** – The effective interest rate includes the nominal or actual interest rate plus the additional interest due to compounding.

- **Prime rate** – A nationally quoted rate believed to represent the interest rate charged by U.S. money-center banks to their most creditworthy corporate borrowers. Prime rate may also refer to an individual lender's interest rate charged to its most creditworthy borrowers, although the term “base rate” is more commonly used.
- **Real interest rate** – An interest rate for which the effects of inflation have been removed. Usually calculated as the nominal interest rate less the inflation rate. (i.e., 12%-5%=7%)
- **Usury laws** – Laws that establish legal limits on the interest rates that can be charged for various types of loans. Most usury limits are well above market interest rates and often are indexed to changes in market interest rates or other leading rate indicators.

Interest calculations – There are a number of methods for calculating interest charges. Several of the more commonly used methods are discussed below.

- **Add-on interest** – May be used on installment loans. Interest is calculated on the full amount of the loan for the entire loan period as though there were no periodic payments. This amount of interest is then added to the amount borrowed. The total is divided by the number of payments to determine the size of each payment. Since the borrower is paying interest on the full amount but has use of the full amount for only part of the loan period, the effective (actual) interest rate is higher than the rate that is stated. Also called a flat-rate loan.
- **Annual Percentage Rate (APR)** – A disclosure of all costs (loan fee, discount rates, etc.) involved with a loan to show the actual percentage interest paid on an annual basis.
- **Base rate** – A base interest rate used as a basis to establish interest rates for loans. An interest rate margin reflecting the riskiness of the borrower is added to or subtracted from the base rate to determine the borrower’s loan rate. The bank's funding, operating cost and required return are reflected in the base rate.
- **Compound interest** – Compound interest means that each time interest is received on an interest bearing investment, it is added to or compounded into the investment principal and thereafter also earns interest. For example, a bank deposit balance is estimated each day for daily compounding. Common compounding periods are daily, monthly, quarterly, annually and continuously. The more frequent the compounding period, the higher the effective rate of interest.
- **Discount interest** – A loan requiring the interest to be paid in advance. The interest is calculated in advance and deducted from the loan amount that is disbursed to the borrower. Since the borrower receives less funds than the amount on which he/she is paying interest, the effective (actual) rate is higher than the stated rate. Also called a front-end loan.
- **Remaining balance** – Interest is calculated only on the remaining or unpaid balance of the loan. As a result, interest payments decline as the unpaid loan balance declines. The effective rate is the same as the stated rate.
- **Simple interest** – Used on loans with a single payment. Interest is calculated on the amount of the loan during the time period for which the money is borrowed. The effective rate is the same as the stated rate.
- **Variable interest** – The interest rate may be adjusted up or down during the term of the loan depending on the interest rates in major money markets or the prime interest rate.

Leverage – The use of borrowed money to enlarge the size of a business. Because the return to borrowed money is fixed (interest rate), the rate of return (profit or loss) to equity capital is magnified. It is used when the returns from using additional money is expected to be greater than the cost of borrowing it.

Legal lending limit – A legal limit on the total amount of loans and commitments a financial institution can have outstanding to any one borrower.

The limit usually is determined as a specified percentage of the financial institution's own net worth or equity capital. Its purpose is to avoid excessive exposure to credit risk of an individual borrower.

Lien – A claim by a creditor on property or assets of a debtor in which the property may be held as security or sold in satisfaction (full or partial) of a debt. Liens may arise through borrowing transactions where the lender is granted a lien on the borrower's property. Other examples of liens include tax liens against real estate with delinquent taxes, a mechanic's lien against property on which work has been performed, and a landlord's lien against crops grown by a tenant.

Liabilities – Financial obligations of a business. There are several categories of liabilities frequently used in agricultural finance. The liability will normally be secured by assets in a similar category. For example, current liabilities are normally secured by current assets.

- **Contingent liability** – Financial obligations that become due only under specific circumstances. An example is income taxes due on capital gains if farmland is sold.
- **Current liability** – A financial obligation which will become due and payable within a one year period. It includes the current principal payment and accrued interest on intermediate and long term debts. Current assets may be used as collateral for current liabilities.
- **Intermediate liability** – Liabilities whose repayment schedule is spread over a two to ten year period. Intermediate assets may be used as collateral for intermediate liabilities. To provide adequate collateral over the life of the loan, the life of the asset should be longer than the term of the loan.
- **Long-term liability** – Liabilities whose repayment schedule is spread over a 10 to 40 year period. Long-term or real estate loans (mortgages) are usually secured by long-term assets. To provide adequate collateral over the life of the loan, the life of the asset should be longer than the term of the loan.

Liquidation – The sale of assets to generate cash needed to meet financial obligations, transactions or investment opportunities.

Liquidity – The ability of a business to generate cash to meet its financial obligations.

- **Liquid asset** – Cash or an asset that can easily be converted to cash.

Loan agreement – Typically refers to a written agreement between a lender and borrower stipulating the terms and conditions associated with a financing transaction and in addition to those included to accompanying note, security agreement and other loan documents. The agreement may indicate the obligations of each party, reporting requirements, possible sanctions for lack of borrower performance and any restrictions placed on a borrower.

Loan commitment – A formal agreement to lend up to a specified dollar amount during a specified time period.

Loan committee – A committee of loan officers, executive personnel and/or directors of a financial institution who establish lending policies and/or approve loan requests that exceed the lending authority of individual loan officers.

Loan guarantee – An option provided by a lender to a borrower to change loan terms at a future date. For example, at loan origination a lender may provide a borrower with an option to convert from a variable- to a fixed-rate loan. Usually, the lender charges the borrower a fee for this option.

Loan participation – A loan where loan funds provided to a borrower are shared by two or more lenders. For example, a loan participation between a local bank and a correspondent bank where the loan request exceeds the local bank's legal lending limit. Generally, one of the participating lenders originates, services and documents the loan.

Loan-to-asset value – The ratio of the amount of the loan to the value of the assets pledged as collateral to secure the loan.

Loan types – Loans can be classified in various ways based on the length of the loan, the security requirements of the loan and the repayment schedule of the loan.

- **Adjustable rate loan** – An adjustable rate loan has provisions to change the interest rate at pre-specified points in time based on changes in a market index, a lender's cost of funds or other factors as determined by the lender.
- **Balloon loan** – Loans with periodic payments during the term of the loan, with the remaining balance due at maturity (end of the loan). Payments during the life of the loan may consist of just interest or interest plus some portion of the principal. The balloon payment is the final payment of a balloon loan and contains the unpaid balance, which may amount to most of the original loan amount.
- **Blended rate loan** – A refinanced loan where the lender blends the interest rate of the existing loan with the lenders current interest rate for new loans.
- **Bridge loan** – A temporary, single-payment loan used by creditors to abridge the time period between the need for funds and the subsequent availability of funds. It may involve the retirement of one loan and the issuance of another.
- **Construction loan** – A loan where money is advanced as construction takes place and money is needed to pay for suppliers and contractors.
- **Demand loan** – A loan with no specific maturity date. The lender may demand payment on the loan at any time.
- **Fixed rate loan** – A loan that bears the same interest rate until loan maturity.
- **Intermediate term loan** – A loan to be repaid (or amortized) over a period of two to ten years. Three to five years is most common. Intermediate-term loans typically are used to finance machinery, equipment, trucks, breeding livestock, improvements and other depreciable assets.
- **Long-term loan** – A loan to be repaid (or amortized) over a period of time exceeding ten years, with 20- to 30-year loans being common when financing real estate.
- **Non-recourse loan** – A loan obligation that can be collected by the secured party (lender) only by taking the property used as collateral. The borrower has no obligation to repay other than what was used as collateral and the secured party (lender) cannot collect more than the collateral even if the remaining loan amount is more than the value of the collateral.
- **Overline loan** – A loan amount in excess of a financial institution's legal lending limit to any one borrower in which the institution has enlisted the services of another lender to participate in the loan.
- **Operating loan** – A short-term loan (i.e., less than one year) to finance crop production, livestock production, inventories, accounts receivable and other operating or short-term liquidity needs of a business.
- **Participation loan** – A loan that requires interest plus a portion of the profits as payment.
- **Purchase money loan** – A loan used to purchase property where the property serves as collateral for the loan.
- **Recourse loan** – A loan obligation where the borrower is liable for the full amount of the loan, even if the collateral value is less than the remaining balance.
- **Rollover loans** – Short-term loans obtained with the anticipation that the loan will be renewed at its due date, rather than repaid.
- **Secured loan** – A loan that has property pledged as collateral to ensure payment of the loan.
- **Self-liquidating loans** – A loan that will be repaid from the sale of the assets originally purchased with the loan funds. An example is a loan to purchase feeder cattle where the sale of the finished cattle is used to repay the loan.

- **Short term loan** – A loan scheduled to be repaid in less than a year.
- **Signature loan** – A loan for which no collateral is pledged.
- **Single payment loan** – A loan in which the entire amount owed is due in one payment at maturity.
- **Take-out loan** – A long-term loan created to replace a loan used just during the construction phase to finance construction. Normally a long-term loan is implemented when the construction of a facility is completed. The facility may serve as collateral for the new loan.
- **Term loan** – A loan that requires only interest payments until the last day of its life, at which time the full amount borrowed is due.
- **Tiered loans** – Loans grouped according to the risk characteristics of borrowers. Higher risk classes generally are charged higher interest rates to compensate the lender for carrying the credit risk.
- **Unsecured loan** – A loan for which there is no collateral required. The loan is backed up only by the promise of the borrower to repay.

Marginal cost of funds – A loan pricing policy where interest rates on new loans are based on the cost of new funds acquired in financial markets to fund the loans. This pricing policy contrasts with loan pricing based on the average cost of funds already acquired by a lending institution.

Master note – A note (promise to repay) often used in combination with line-of-credit financing to cover present and future borrowing needs through periodic disbursements and repayments of loan funds.

Maturity – Amount of time until the loan is fully due and payable. For example, a 5-year intermediate-term loan has a maturity of five years.

Mortgage – A legal instrument (document) that conveys a security interest in real estate property to the mortgagee (i.e., a lender) as an assurance that a loan will be repaid.

- **Blanket mortgage** – A lien on more than one parcel of real estate.
- **First mortgage** – A real estate mortgage that has priority over all other mortgages on a specified piece of real estate.
- **Graduated payment mortgage** – A type of delayed payment mortgage where the payments increase over time.
- **Second mortgage** – The use of two lenders in a real estate mortgage in which one lender holds a first mortgage on the real estate and another lender holds a second mortgage. The first mortgage holder has first claim on the borrower’s mortgaged property and assets in the event of loan default and foreclosure or bankruptcy.
- **Shared appreciation mortgage** – A financing arrangement for real estate in which the lender reduces the interest rate on the loan in return for a stipulated share of the appreciated value of the real estate being financed at a designated time in the future. The potential reward of land value appreciation is shared between lender and borrower, and the lender's compensation from value appreciation generally occurs through refinancing in which the loan balance is increased by the amount of the shared appreciation.

Net worth – The financial claim by owners on the total assets of a business. It is the amount of the value of the assets remaining after the financial claims against the business by outsiders (liabilities) has been deducted. It is calculated as total assets minus total liabilities equals net worth. Also called equity capital and owner’s equity.

Note – A written document in which a borrower promises to repay a loan to a lender at a stipulated interest rate within a specified time period or upon demand. Also called a promissory note.

Origination fee – A fee charged by a lender to a borrower at the time a loan is originated to cover the costs of administering the loan, evaluating credit, checking legal records, verifying collateral and other administrative activities.

Prepayment penalty – An amount charged by a lender on a loan paid prior to its maturity.

Pro forma statements – Financial statements that are projected for future time periods. Balance sheets, cash flow statements and income statements are often projected to determine the expected future financial status of a business.

Principal – The dollar amount of a loan outstanding at a specific point in time (unpaid balance), or the portion of a loan payment that represents a reduction in the loan unpaid balance. Principal is distinguished from interest due on a loan or the interest portion of a loan payment. A loan payment is made up of interest (charge for the use of the money) and principal (a repayment of a portion of the unpaid debt balance).

Refinancing – A change in an existing loan designed to extend and/or restructure the repayment obligation or to achieve more favorable loan terms by transferring the financing arrangement to another lender or loan type.

Renewal – A form of extending an unpaid loan in which the borrower's remaining unpaid loan balance is carried over (renewed) into a new loan at the beginning of the next financing period.

Repayment ability – The anticipated ability of a borrower to generate sufficient cash to repay a loan plus interest according to the terms established in the loan contract.

Repayment capacity – The ability of a business to repay borrowed money.

Right of recision – A provision of the Truth in Lending Act which gives a borrower the right to rescind a borrowing transaction (i.e., change his or her mind) within three business days on any transaction in which the principal residence is used to secure the loan.

Risk assessment – The procedures a lender follows in evaluating a borrower's creditworthiness, repayment ability, and collateral position relative to the borrower's intended use of the loan proceeds. Risk assessment is similar to credit scoring and risk rating.

Risk premium – The adjustment of a lender's base interest rate in response to the anticipated level of a borrower's credit risk. Higher risk loans will require a larger adjustment with the rate differential representing the risk premium.

Risk rating – The relative amount of credit risk associated with a loan transaction. The lender may use credit scoring or risk assessment procedures to evaluate loan requests and group borrowers into various risk classes for purposes of loan acceptance or rejection, loan pricing, loan control, degree of monitoring and level of loan documentation.

Risk tolerance – The degree of safety an investor wished to have. Also called risk aversion or risk attitude.

Security agreement – A legal instrument signed by a debtor granting a security interest to a lender in specified personal property pledged as collateral to secure a loan.

- **Blanket security agreement** – A security interest in favor of the lender covering all chattels.

Solvency – A measure of the relative size of a business's assets and liabilities.

- **Insolvent -** Liabilities are greater than the value of the assets.
- **Solvent -** The value of the assets are greater than liabilities.

Stock requirement – A method of capitalizing lending institutions such as the cooperative Farm Credit System. The borrower is required to purchase stock in the lending association to obtain a loan. The stock requirement generally is specified as a percentage of the loan or as a dollar amount. The stock requirement may be a low as 2 percent of the value of the loan or a maximum of $1,000. The purchase of stock is a financial investment in the issuing institution which is typically paid back at loan maturity, but the lender is not obligated to do so.

Trend analysis – The use of financial measures or ratios over several time periods to evaluate business performance.

Truth in lending – The federal Truth in Lending Act is intended to assure a meaningful disclosure of credit terms to borrowers, especially on consumer loans. Lenders are required to inform borrowers precisely and explicitly of the total amount of the finance charge which they must pay and the annual percentage interest rate to the nearest .01 percent. Excluded transactions include loans for commercial or business purposes, including agricultural loans; loans to partnerships, corporation, cooperatives and organization; and loans greater than $25,000 except for owner-occupied, residential real estate mortgages where compliance is required regardless of the amount.

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