

Innovative Brokerage Provides Cash for Future CRP and PFC Payments

by Jon Setala



Suzann Wallskog,
funding manager
Heatland Capital
Funding Inc.

Looking for a tool that allows you to provide additional capital to a borrower without disturbing existing loan arrangements?

If your borrower will be receiving more than \$4,500 per year in Conservation Reserve Program (CRP) or \$10,000 per year in Production Flexibility Contract (PFC) payments, Heatland Capital Funding, Inc., Prior Lake, MN, can provide a lump sum equal to the discounted present value of a large portion of that future income stream. It's a fast and simple way to put cash into your borrower's hands when he encounters an unexpected need to replace vital equipment or a choice opportunity to acquire property.

"All the lender needs to do," says Suzann Wallskog, funding manager "is provide information to us on how much the producer needs and the annual payment amounts she will be receiving from the government. We will respond that same day with a free, present value quote."

"If the farmer accepts an application form is faxed or mailed," Wallskog explains. "We'll also need to review an operating statement and other financials before purchasing a

farmer's future payments", she says, "because our investors want to feel comfortable that the producer will be stable and able to continue to qualify each year for the annual government payment. Also, we'll only purchase up to 70 percent of the future payments so producers have a strong incentive to continue to qualify for them."

Advantages to the Lender

"Lender tell us they like the fact that they stay in control," Wallskog says. "Everything flows through their staff. We are seen as an alternative, non-threatening source of funds, and we enable the lender to satisfy the needs of his customer promptly, without requiring the borrower to take on more debt and, in some cases without requiring the lender to say 'no' — which might send the customer down the street to another lender."

Heatland provides a quote, application and contract that the lender can review with its customer. If the customer agrees, a USDA assignment form is used and the farmer can expect to receive his lump sum payment within 30 days.

Advantages to Borrowers

"Farmers have told us this is a great tool for a variety of circumstances," Wallskog says. "They often use it to take advantage of special, unexpected opportunities."

"In some cases farmers have combined the lump sum with loans to make major acquisitions at fantastic prices," Wallskog says. "And one enterprising farmer purchased some CRP land,

put the best acres into organic produce and used the up-front cash plus his profits to pay off the land in a very short period of time."

About Heatland

In the past nine months, Heatland has purchased over \$6 million of PFC and CRP payments. Since 1993 it has been providing cash for future payments, specializing in purchasing structured settlements, lottery winnings and large life insurance policies. Heatland is partnered with Metropolitan Mortgage and Securities, CNA Insurance and other major financial institutions.

The firm was established five years ago by Mark and Suzann Wallskog when they discovered their investment opportunities were exceeding their available capital and they began establishing investment brokerage relationships with major insurance companies.

Both principals hold degrees in finance. She served 10 years in the insurance industry as an underwriting operations supervisor, and he was an information systems marketing representative working with major corporate clients.

For more information, write or phone Heatland Capital Funding, Inc., 16165 Hampshie Ave. So., Prior Lake, MN 55372; phone 800/897-9825, fax 612/447-1602.

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CRP EXAMPLE

Famer is to receive:	Heatland buys:	Famer receives:
\$ 20,000 in 1998	\$ 14,000	\$ 58,300 in 1998
\$ 20,000 in 1999	\$ 14,000	\$ 6,000 in 1999
\$ 20,000 in 2000	\$ 14,000	\$ 6,000 in 2000
\$ 20,000 in 2001	\$ 14,000	\$ 6,000 in 2001
\$ 20,000 in 2002	\$ 14,000	\$ 6,000 in 2002
\$ 20,000 in 2003	\$ 0	\$ 20,000 in 2003
\$ 20,000 in 2004	\$ 0	\$ 20,000 in 2004
\$ 20,000 in 2005	\$ 0	\$ 20,000 in 2005
\$ 20,000 in 2006	\$ 0	\$ 20,000 in 2006
\$ 20,000 in 2007	\$ 0	\$ 20,000 in 2007
TOTAL \$200,000	\$ 70,000	\$ 182,300