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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2159

02/09/2012 Authored by Swedzinski, Hamilton, Norton, Gunther, Torkelson and others
The bill was read for the first time and referred to the Committee on Agriculture and Rural Development Policy and Finance
02/27/2012 Adoption of Report: Pass and re-referred to the Committee on Commerce and Regulatory Reform

1.1 A bill for an act
1.2 relating to agriculture; establishing an immigrant and minority microloan
1.3 program; modifying provisions related to the Rural Finance Authority; amending
1.4 Minnesota Statutes 2010, sections 41B.036; 41B.048, subdivision 6; 41B.055,
1.5 subdivision 1; 41B.06; proposing coding for new law in Minnesota Statutes,
1.6 chapter 41B; repealing Minnesota Statutes 2010, section 41B.048, subdivision 7.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2010, section 41B.036, is amended to read:

1.9 **41B.036 GENERAL POWERS OF THE AUTHORITY.**

1.10 For the purpose of exercising the specific powers granted in section 41B.04 and
1.11 effectuating the other purposes of sections 41B.01 to 41B.23 the authority has the general
1.12 powers granted in this section.

1.13 (a) It may sue and be sued.

1.14 (b) It may have a seal and alter the seal.

1.15 (c) It may make, and from time to time, amend and repeal rules consistent with
1.16 sections 41B.01 to 41B.23.

1.17 (d) It may acquire, hold, and dispose of real or personal property for its corporate
1.18 purposes.

1.19 (e) It may enter into agreements, contracts, or other transactions with any federal or
1.20 state agency, any person and any domestic or foreign partnership, corporation, association,
1.21 or organization, including contracts or agreements for administration and implementation
1.22 of all or part of sections 41B.01 to 41B.23.

1.23 (f) It may acquire real property, or an interest therein, in its own name, by purchase
1.24 or foreclosure, where such acquisition is necessary or appropriate.

1.25 (g) It may provide general technical services related to rural finance.

2.1 (h) It may provide general consultative assistance services related to rural finance.

2.2 (i) It may promote research and development in matters related to rural finance.

2.3 (j) It may enter into agreements with lenders, borrowers, or the issuers of securities
2.4 for the purpose of regulating the development and management of farms financed in whole
2.5 or in part by the proceeds of qualified agricultural loans.

2.6 (k) It may enter into agreements with other appropriate federal, state, or local
2.7 governmental units to foster rural finance. It may give advance reservations of loan
2.8 financing as part of the agreements, with the understanding that the authority will only
2.9 approve the loans pursuant to normal procedures, and may adopt special procedures
2.10 designed to meet problems inherent in such programs.

2.11 (l) It may undertake and carry out studies and analyses of rural financing needs
2.12 within the state and ways of meeting such needs including: data with respect to
2.13 geographical distribution; farm size; the distribution of farm credit needs according to
2.14 debt ratios and similar factors; the amount and quality of available financing and its
2.15 distribution according to factors affecting rural financing needs and the meeting thereof;
2.16 and may make the results of such studies and analyses available to the public and may
2.17 engage in research and disseminate information on rural finance.

2.18 (m) It may survey and investigate the rural financing needs throughout the state and
2.19 make recommendations to the governor and the legislature as to legislation and other
2.20 measures necessary or advisable to alleviate any existing shortage in the state.

2.21 (n) It may establish cooperative relationships with such county and multicounty
2.22 authorities as may be established and may develop priorities for the utilization of authority
2.23 resources and assistance within a region in cooperation with county and multicounty
2.24 authorities.

2.25 (o) It may contract with, use, or employ any federal, state, regional, or local public
2.26 or private agency or organization, legal counsel, financial advisors, investment bankers or
2.27 others, upon terms it deems necessary or desirable, to assist in the exercise of any of the
2.28 powers granted in sections 41B.01 to 41B.23 and to carry out the objectives of sections
2.29 41B.01 to 41B.23 and may pay for the services from authority funds.

2.30 (p) It may establish cooperative relationships with counties to develop priorities for
2.31 the use of authority resources and assistance within counties and to consider county plans
2.32 and programs in the process of setting the priorities.

2.33 (q) It may delegate any of its powers to its officers or staff.

2.34 (r) It may enter into agreements with qualified agricultural lenders or others insuring
2.35 or guaranteeing to the state the payment of all or a portion of qualified agricultural loans.

3.1 (s) It may enter into agreements with eligible agricultural lenders providing for
 3.2 advance reservations of purchases of participation interests in restructuring loans, if
 3.3 the agreements provide that the authority may only purchase participation interests
 3.4 in restructuring loans under the normal procedure. The authority may provide in an
 3.5 agreement for special procedures or requirements designed to meet specific conditions or
 3.6 requirements.

3.7 (t) It may allow farmers who are natural persons to combine programs of the federal
 3.8 Agriculture Credit Act of 1987 with programs of the Rural Finance Authority.

3.9 (u) From within available funds generated by program fees, it may provide partial
 3.10 or full tuition assistance for farm management programs required under section 41B.03,
 3.11 subdivision 3, clause (7).

3.12 (v) It may accept for and on behalf of the state any gift, bequest, devise, grant, or
 3.13 interest in money or personal property of any kind tendered to the state for any purpose
 3.14 pertaining to the activities of the authority.

3.15 Sec. 2. Minnesota Statutes 2010, section 41B.048, subdivision 6, is amended to read:

3.16 Subd. 6. **Loans.** (a) The authority may disburse loans through a fiscal agent to
 3.17 farmers and agricultural landowners who are eligible under subdivision 5. The total
 3.18 accumulative loan principal must not exceed \$75,000 per loan.

3.19 (b) The fiscal agent may impose a loan origination fee in the amount of one percent
 3.20 of the total approved loan. This fee is to be paid by the borrower to the fiscal agent at
 3.21 the time of loan closing.

3.22 (c) The loan may be disbursed over a period not to exceed 12 years.

3.23 (d) A borrower may receive loans, depending on the availability of funds, for planted
 3.24 areas up to 160 acres for up to:

3.25 (1) the total amount necessary for establishment of the crop;

3.26 (2) the total amount of maintenance costs, including weed control, during the first
 3.27 three years; and

3.28 (3) 70 percent of the estimated value of one year's growth of the crop for years
 3.29 four through 12.

3.30 (e) Security for the loan must be the crop, a personal note executed by the borrower,
 3.31 an interest in the land upon which the crop is growing, and whatever other security is
 3.32 required by the fiscal agent or the authority. All recording fees must be paid by the
 3.33 borrower.

3.34 (f) The authority may prescribe forms and establish an application process for
 3.35 applicants to apply for a loan.

4.1 (g) The authority may impose a reasonable, nonrefundable application fee for each
 4.2 application for a loan under this program. The application fee is initially \$50. Application
 4.3 fees received by the authority must be deposited in the ~~agroforestry loan program revolving~~
 4.4 ~~fund established in subdivision 7~~ revolving loan account established under section 41B.06.

4.5 (h) Loans under the program must be made using money in the ~~agroforestry loan~~
 4.6 ~~program revolving fund established in subdivision 7~~ revolving loan account established
 4.7 under section 41B.06.

4.8 (i) All repayments of financial assistance granted under this section, including
 4.9 principal and interest, must be deposited into the revolving loan account established
 4.10 under section 41B.06.

4.11 ~~(j)~~ (j) The interest payable on loans made by the authority for the agroforestry
 4.12 loan program must, if funded by revenue bond proceeds, be at a rate not less than the
 4.13 rate on the revenue bonds, and may be established at a higher rate necessary to pay
 4.14 costs associated with the issuance of the revenue bonds and a proportionate share of the
 4.15 cost of administering the program. The interest payable on loans for the agroforestry
 4.16 loan program funded from sources other than revenue bond proceeds must be at a rate
 4.17 determined by the authority.

4.18 ~~(k)~~ (k) Loan principal balance outstanding plus all assessed interest must be repaid
 4.19 within 120 days of harvest, but no later than 15 years from planting.

4.20 Sec. 3. Minnesota Statutes 2010, section 41B.055, subdivision 1, is amended to read:

4.21 Subdivision 1. **Establishment.** The authority must establish and implement a
 4.22 livestock equipment ~~pilot~~ loan program to help finance the purchase of livestock-related
 4.23 equipment and make livestock facilities improvements.

4.24 Sec. 4. **[41B.056] IMMIGRANT AND MINORITY PILOT MICROLOAN**
 4.25 **PROGRAM.**

4.26 Subdivision 1. **Establishment.** The authority shall establish and implement an
 4.27 immigrant and minority pilot microloan program to help finance the production of
 4.28 specialty crops or eligible livestock. The authority may contract with an intermediary to
 4.29 provide an efficient delivery system for this program.

4.30 Subd. 2. **Definitions.** (a) The definitions in this subdivision apply to this section.

4.31 (b) "Intermediary" means any lending institution or other organization of a for-profit
 4.32 or nonprofit nature that is in good standing with the state of Minnesota that has the
 4.33 appropriate business structure and trained personnel suitable to providing efficient
 4.34 disbursement of loan funds and the servicing and collection of loans.

5.1 (c) "Specialty crops" means agricultural crops, such as annuals, flowers, perennials,
 5.2 and other horticultural products, that are intensively cultivated.

5.3 (d) "Eligible livestock" means poultry that has been allowed access to the outside,
 5.4 sheep, or goats.

5.5 Subd. 3. **Eligibility.** To be eligible for this program a borrower must:

5.6 (1) be a legal resident of Minnesota;

5.7 (2) either:

5.8 (i) be a member of a protected group as defined in section 43A.02, subdivision 33; or

5.9 (ii) be a qualified noncitizen as defined in section 256B.06, subdivision 4, paragraph

5.10 (b);

5.11 (3) be or plan to become a grower of specialty crops or eligible livestock;

5.12 (4) market or contract to market the specialty crops or eligible livestock; and

5.13 (5) demonstrate an ability to repay the loan.

5.14 Subd. 4. **Loans.** (a) The authority may disburse loans through an intermediary
 5.15 to farmers who are eligible under subdivision 3. The total accumulative loan principal
 5.16 must not exceed \$10,000 per loan.

5.17 (b) Refinancing an existing debt is not an eligible purpose.

5.18 (c) The loan may be disbursed over a period not to exceed six years.

5.19 (d) A borrower may receive loans, depending on the availability of funds, up to 70
 5.20 percent of the estimated value of the crop or livestock.

5.21 (e) Security for the loan must be a personal note executed by the borrower and any
 5.22 other security required by the intermediary or the authority.

5.23 (f) The authority may prescribe forms and establish an application process for
 5.24 applicants to apply for a loan.

5.25 (g) The interest payable on loans for the immigrant and minority pilot microloan
 5.26 program must be at a rate determined by the authority.

5.27 (h) Loans under this program will be made using money in the revolving loan
 5.28 account established under section 41B.06.

5.29 (i) Repayments of financial assistance under this section, including principal and
 5.30 interest, must be deposited into the revolving loan account established under section
 5.31 41B.06.

5.32 Sec. 5. Minnesota Statutes 2010, section 41B.06, is amended to read:

5.33 **41B.06 RURAL FINANCE AUTHORITY REVOLVING LOAN ACCOUNT.**

5.34 There is established in the rural finance administration fund a Rural Finance
 5.35 Authority revolving loan account that is eligible to receive appropriations and the transfer

6.1 of loan funds from other programs. All repayments of financial assistance granted from
6.2 this account, including principal and interest, must be deposited into this account. Interest
6.3 earned on money in the account accrues to the account, and the money in the account
6.4 is appropriated to the commissioner of agriculture for purposes of the Rural Finance
6.5 Authority livestock equipment, methane digester, disaster recovery, ~~and~~ value-added
6.6 agricultural product, agroforestry, and immigrant and minority loan programs, including
6.7 costs incurred by the authority to establish and administer the programs.

6.8 Sec. 6. **BALANCE TRANSFER.**

6.9 The balance in the agroforestry loan program revolving fund established under
6.10 Minnesota Statutes, section 41B.048, is transferred to the revolving loan account
6.11 established under Minnesota Statutes, section 41B.06, and the agroforestry loan program
6.12 revolving fund is abolished.

6.13 Sec. 7. **REPEALER.**

6.14 Minnesota Statutes 2010, section 41B.048, subdivision 7, is repealed.