

CHAPTER 41

FAMILY FARM SECURITY PROGRAM

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41.52 DEFINITIONS.

[For text of subds 1 to 4, see M.S.1980]

Subd. 5. "Family farm security loan", except in the case of a seller-sponsored loan, means a loan secured by a first real estate mortgage. In the case of a seller-sponsored loan, it means a loan secured either by a real estate mortgage evidenced by one or more notes or secured by a contract for deed. It shall be used for acquisition of farm land and shall be approved by the commissioner. This loan shall be guaranteed and may qualify for a payment adjustment as defined in subdivision 10 and may be a seller-sponsored loan as defined in subdivision 8.

[For text of subds 6 and 7, see M.S.1980]

Subd. 8. "Seller-sponsored loan" means a loan in which part or all of the purchase price of the farm is financed by a loan from the seller of the property who is a natural person, a partnership or a family farm corporation as defined in section 500.24, and the remainder of the loan, if any, is supplied by a lender as defined in subdivision 7 or other person. This loan shall be secured by a real estate mortgage evidenced by one or more notes that may carry different interest rates, or by a contract for deed.

Subd. 9. "Family farm loan guarantee" means an agreement that in the event of default the state of Minnesota shall pay the lender 90 percent of the sums due and payable under the first real estate mortgage, or, in the case of a seller-sponsored loan, 90 percent of the sums due and payable under the note and mortgage or contract for deed.

[For text of subd 10, see M.S.1980]

Subd. 11. "Cooperating agency" means any individual, financial institution, state or federal agency, or any other legal entity which executes a memorandum of understanding with the family farm security program.

Subd. 12. "Memorandum of understanding" means an agreement outlining conditions under which a cooperating agency will provide farm real estate loan funds not to be included under a family farm loan guarantee to applicants.

History: 1981 c 261 s 4-8

41.54 ADVISORY COUNCIL.

[For text of subd 1, see M.S.1980]

Subd. 2. **Terms and compensation.** The compensation and removal of members of the council shall be governed by section 15.059. The council shall meet monthly or more often as needed.

The terms of the members serving on January 15, 1981, shall end on the first Monday in April in the year indicated as follows:

(a) The dairy farmer and one officer from a commercial lending institution, 1982;

(b) The cash grain farmer and the officer from a farm credit association, 1983;

(c) The livestock farmer and one officer from a commercial lending institution, 1984; and

(d) The agricultural economist, 1985.

After a term expires as provided in clauses (a) to (d), all successors shall be appointed for four year terms. The terms of the present officers from a commercial lending institution shall be decided by lot subject to clauses (a) and (c).

[For text of subds 3 to 5, see M.S.1980]

History: 1981 c 261 s 9

41.56 PROCEDURE.

Subdivision 1. **Loan application; denial.** Any person desiring to acquire farm land may make application with a lender for a family farm security loan. Upon completion of the appropriate forms by the applicant and the lender, the applicant shall forward the application to the commissioner for approval. The commissioner shall prescribe a screening process to determine eligibility and he may arrange for local lenders to perform this function for the state. The commissioner may approve the application if the criteria of sections 41.55 and 41.57 are satisfied, and shall notify the applicant and the lender of his decision.

If the application is denied, the commissioner shall provide the applicant with a written statement of the reasons for the denial. If the circumstances of the applicant change such that he becomes eligible, he may reapply.

Subd. 2. **Approved loans.** If the commissioner approves the loan application, he shall notify the applicant and lender of his decision. The applicant and the lender may then complete the transaction for the loan.

Subd. 3. **Default, filing claim.** Within 90 days of a default on a guaranteed family farm security loan, the lender shall send notice to the applicant stating that the commissioner must be notified if the default continues for 180 days, and the consequences of that default. The lender and the applicant may agree to take any steps reasonable to assure the fulfillment of the loan obligation.

After 180 days from the initial default, if the applicant has not made arrangements to meet his obligation, the lender shall file a claim with the commissioner, identifying the loan and the nature of the default, and assigning to the state all of the lender's security and interest in the loan in exchange for payment according to the terms of the family farm security loan guarantee. In the case of a seller-sponsored loan, the seller may elect to pay the commissioner all sums owed the commissioner by the applicant and retain title to the property in lieu of payment by the commissioner under the terms of the loan guarantee. If the commissioner determines that the terms of the family farm security loan guarantee have been met, he shall authorize payment of state funds to the lender, and shall notify the defaulting party. The state of Minnesota shall then succeed to the interest of the mortgagee or the vendor of the contract for deed. Taxes shall be levied and paid on the land as though the owner were a natural person and not a political subdivision of the state. The commissioner may, on behalf of the state, commence foreclosure or termination proceedings in the manner provided by law.

Subd. 4. **Sale of defaulted property.** In the event that title to the property is acquired by the state, upon conveyance of title to the state and expiration of the period of redemption, the commissioner shall, within 15 days of the expiration of such period, undertake to sell the property by publishing a notice of the impending

sale at least once each week for four successive weeks in a legal newspaper and also in a newspaper of general distribution in the county in which the property to be sold is situated. Such notice shall specify the time and place in the county at which the sale will commence, a description of the lots or tracts to be offered, and a general statement of the terms of sale. Except as further provided in this subdivision, the terms and method of sale shall be determined by the commissioner. The commissioner shall sell the property to the highest bidder as determined by taking sealed bids or by public auction, provided that in either event he shall select the successful bidder within 15 days of the date of the last published notice of sale. Bidders shall submit bid security in the form of a certified check or bid bond in the amount of two percent of their bid price and the successful bidder shall remit the balance of the purchase price to the commissioner within 90 days of the date of sale. Upon remittance of such balance within 90 days of the date of sale, the commissioner shall transfer title to the property, including any acquired mineral rights, to the purchaser by quitclaim deed. In the event that the purchaser fails to remit any part of such balance within 90 days of the date of sale, the purchaser shall forfeit all rights to the property and any moneys paid thereon and the state shall recommence the sale process as specified in this subdivision. Proceeds from the sale of a parcel of property obtained by the state pursuant to this section shall be paid into the special account authorized in section 41.61, subdivision 1, to the extent that funds from the special account were disbursed according to the terms of the family farm security loan guarantee and into the general fund to the extent that funds were disbursed as payment adjustments by the commissioner. Proceeds in excess of these amounts shall be paid to the lender to the extent that payment to the lender pursuant to the loan guarantee was less than the money due and payable to the lender under the family farm security loan. Proceeds in excess of these amounts shall be paid to cooperating agencies according to the terms of the family farm security memorandum of understanding. Additional proceeds, if any, shall be paid into the general fund.

[For text of subds 5 and 6, see M.S.1980]

History: 1981 c 261 s 10-13

41.58 SELLER-SPONSORED LOANS.

[For text of subd 1, see M.S.1980]

Subd. 2. **Negotiability and marketability.** A seller-sponsored loan shall be secured by a purchase money real estate mortgage evidenced by negotiable note or notes as defined in section 336.3-104 or by a contract for deed. The commissioner must be notified in writing within 30 days after a family farm security loan note is sold or exchanged or vendor's interest in a contract for deed is sold, exchanged, assigned or transferred.

[For text of subd 3, see M.S.1980]

History: 1981 c 261 s 14