

CHAPTER 41

FAMILY FARM SECURITY PROGRAM

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41.55 ELIGIBILITY.

A family farm security loan approval may be granted if the following criteria are satisfied:

- (a) that the applicant is a resident of the state of Minnesota;
- (b) that the applicant has sufficient education, training, or experience in the type of farming for which he wishes the loan and continued participation in a farm management program, approved by the commissioner, for at least the first ten years of the family farm security loan;
- (c) that the applicant, his dependents and spouse have total net worth valued at less than \$75,000 and has demonstrated a need for the loan;
- (d) that the applicant intends to purchase farm land to be used by the applicant for agricultural purposes;
- (e) that the applicant is credit worthy according to standards prescribed by the commissioner.

History: *1Sp1985 c 14 art 1 s 4*

41.56 PROCEDURE.

[For text of subds 1 and 2, see M.S.1984]

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 participant stating that the commissioner must be notified if the default continues for 180 days, and the consequences of that default. The lender and the participant may agree to take any steps reasonable to assure the fulfillment of the loan obligation.

If a participant cannot meet scheduled loan payments because of unique or temporary circumstances and the participant proves sufficiently to the commissioner that the necessary cash flow can be generated in the future, the commissioner may use money in the special account in section 41.61, subdivision 1, to meet the participant's loan obligation for up to two consecutive years. This money must be paid back within eight years with interest at an annual percentage rate four percent below the prevailing Federal Land Bank rate.

A contract for deed participant may enter into an agreement with the commissioner whereby the outstanding principal balance of the loan is reduced by a minimum of ten percent, the loan is reamortized for the years remaining, and the commissioner agrees that the state shall pay the lender 100 percent of the sum due and payable if a default occurs during the remaining term of the reamortized loan.

After 180 days from the initial default, if the participant 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 participant 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 any property is acquired by the state, upon conveyance of title to the state and expiration of the period of redemption, the commissioner shall 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. The notice must describe the lots or tracts to be offered and the terms of sale. Except as further provided, the terms and method of sale shall be determined by the commissioner.

The commissioner shall first attempt to sell the property to a person who is eligible for a family farm security loan. If the commissioner is unable to effect a sale to an eligible person, the commissioner shall attempt to sell the property for cash as provided in subdivision 4a. If the commissioner is unable to effect a sale to an eligible person or for cash, or if the commissioner finds that sale to an eligible person or for cash would not best protect the interests of the state, the commissioner may sell the property on terms which the commissioner finds will best protect the interests of the state. The commissioner may lease any real property which he is unable to sell with reasonable promptness. In any event, any acquired farm property must be sold within three years after the conveyance of title to the state or after the expiration of the period of redemption. The commissioner may contract for the services of a licensed real estate agent or broker to assist in selling any property acquired under this section and may pay for the services from the proceeds of the sale before proceeds are distributed under subdivision 4b.

Subd. 4a. Sale for cash. When the commissioner sells any farm property for cash, he shall follow the procedures provided in this subdivision. The commissioner may sell the property to the highest bidder by taking sealed bids, by bids at public auction, or through negotiation. The commissioner may refuse to accept any or all bids. The successful bidder shall submit bid security in the form of a certified check, money order, or bank draft in the amount of five percent of the bid price on the day of selection and shall remit the balance of the purchase price within 90 days of the date of sale. Upon remittance by the purchaser of the 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 all of the balance within 90 days of the date of sale, the purchaser forfeits all rights to the property and any money paid for the property and the commissioner shall recommence the sale process specified in this subdivision.

[For text of subds 4b to 7, see M.S.1984]

History: 1985 c 276 s 1-3

41.57 TERMS OF THE LOAN.

[For text of subd 1, see M.S.1984]

Subd. 2. Payment adjustment. To be eligible for payment adjustment a family farm security loan shall have a maximum term of 20 years and shall provide for payments at least annually so that the loan shall be amortized over its term with equal annual payments of principal and interest, adjusted for variable interest rates, except that a loan to be amortized over a term of ten years or less need not provide for equal annual payments of principal and interest. During the first ten years of a family farm security loan, the commissioner shall annually pay to the lender four percent of the outstanding balance due at the beginning of that year and the participant shall pay the remainder of the payment due. After the tenth year, the participant shall make payments according to the stated interest rate. The participant may petition the commissioner for one ten-year renewal of the payment adjustment. If a renewal is granted, in the 21st year the participant shall reimburse the commissioner for the sums paid on the participant's behalf under this subdivision. If no renewal is granted, the participant shall reimburse the commissioner in the 11th year for the sums paid on the participant's behalf under this subdivision. The obligation to repay the payment adjustment is a lien against the property. If the participant does not reimburse the state within the required time period, the commissioner may charge interest at the rate of two percent above the prevailing rate charged by the Federal Land Bank of St. Paul on the net amount owed for the period of delinquency. To recover the adjustment payment due in delinquency cases, the commissioner may proceed to foreclose by advertisement on the lien as if it were a real estate mortgage following the procedures in chapter 580.

Subd. 3. Annual review of net worth. The participant, his dependents and spouse shall annually submit to the commissioner a statement of their net worth. If their net worth in any year exceeds the sum of \$135,000, the participant shall be ineligible for a payment adjustment in that year.

History: 1985 c 276 s 4,5

41.58 SELLER-SPONSORED LOANS.

[For text of subds 1 and 2, see M.S.1984]

Subd. 3. [Repealed, 1Sp1985 c 14 art 1 s 59]

41.59 SALE OR CONVEYANCE.

Subdivision 1. Immediate repayment of loan. Any participant who sells or conveys the property for which a family farm security loan was issued shall immediately retire the entire indebtedness still owed to the lender and the commissioner. The new owner may negotiate a family farm security loan in his own right, but under no circumstances may the original loan be assumed by the new owner. If the new owner is granted a family farm security loan, the new owner may agree to assume the original participant's responsibility to reimburse the commissioner for a payment adjustment received, as a portion of the total purchase price. That portion of the purchase price may not be included under the guarantee or considered when calculating the payment adjustment for the new owner. This subdivision is not intended to prohibit the participant from granting a security interest in the property for the purposes of securing an additional loan.

Any participant who fails to personally maintain the land covered by a family farm security loan in active agricultural production for a period of time longer than one year is in default. The default may be waived by the commissioner in the event of a physical disability or other extenuating circumstances.

Subd. 2. [Repealed, 1Sp1985 c 14 art 1 s 59]

Subd. 3. [Repealed, 1Sp1985 c 14 art 1 s 59]

History: 1985 c 276 s 6

41.61 APPROPRIATIONS.

Subdivision 1. **Special account; standing appropriation.** There is created a special account in the state treasury for the purposes of financing the family farm security program.

The amount needed from time to time to pay lenders for defaulted loans and make other payments authorized by this chapter including insurance premiums, taxes, repairs and maintenance costs, advertising, and other sales expenses on defaulted farms is appropriated from the special account to the commissioner. Money is also appropriated to the commissioner from the special account so that the commissioner may purchase the rights of first lienholders at mortgage foreclosure sales and satisfy certain fixture loans. The sum of all outstanding family farm security loans guaranteed by the commissioner at any time may not exceed \$100,000,000.

History: 1985 c 276 s 7