

CHAPTER 41B

MINNESOTA RURAL FINANCE ADMINISTRATION

41B.01	Citation; purpose.	41B.12	Revenue bonds; nonliability of individuals.
41B.02	Definitions.	41B.13	Revenue bonds; purchase and cancellation by administration.
41B.03	Borrower eligibility criteria.	41B.14	Revenue bonds; nonliability of state.
41B.035	Rural finance administration.	41B.15	State pledge against impairment of contracts.
41B.04	Loan restructuring program.	41B.16	Security account.
41B.05	General powers of the administration.	41B.17	Powers and duties of trustee.
41B.07	Rules.	41B.18	Revenue bond fund; reports.
41B.08	Revenue bonds; purposes, terms, approval.	41B.19	General obligation bonds.
41B.09	Revenue bonds; resolutions authorizing, additional terms, sale.	41B.20	Exemption from taxes.
41B.10	Revenue bonds; optional resolution and contract provisions.	41B.21	Certain actions.
41B.11	Pledges.	41B.22	Construction.
		41B.23	Severability; actions.

41B.01 CITATION; PURPOSE.

Subdivision 1. **Citation.** Sections 41B.01 to 41B.23 shall be known as and may be cited as the "Minnesota rural finance administration act of 1986."

Subd. 2. **Purpose.** Sections 41B.01 to 41B.23 create and establish the Minnesota rural finance administration and establish a program under which state bonds are authorized to be issued and proceeds of their sale are appropriated under the authority of article XI, section 5, clause (h) of the Minnesota Constitution, to develop the state's agricultural resources by extending credit on real estate security. The purpose of the program and of the bonds issued to finance or provide security for the program is to purchase participation interests in loans to be made available by agricultural lenders to farmers in order to restructure existing debt and to make available additional credit to farmers who own or purchase agricultural properties on terms and conditions not otherwise available from other credit sources. It is hereby found and declared that there presently exist in the state economic conditions which have severely adversely affected the economic viability of farms to the detriment of the rural economy and to the detriment of the economy of the state of Minnesota as a whole. It is further found and declared that as a result of public agricultural policies, agricultural market conditions, and other causes, the condition of the farm economy of the state of Minnesota is such as to jeopardize the continued existence and successful operation of farms in this state, necessitating the establishment of the program in sections 41B.01 to 41B.23 to provide new sources of credit on favorable terms and conditions. It is further found and declared that providing credit for farmers on favorable terms and conditions will serve and promote the public welfare by assuring the viability of farm operations, by preventing erosion of the tax base in rural areas, by reducing foreclosures on farm property, and by enhancing the financial stability of farmers and of the businesses which depend on farmers as customers. It is further found and declared that in establishing a Minnesota rural finance administration and in authorizing the programs in sections 41B.01 to 41B.23, the legislature is acting in all respects for the benefit of the people of the state of Minnesota to serve the public purpose of improving and otherwise promoting their health, welfare, and prosperity and that the Minnesota rural finance administration, as created and established, is empowered to act on behalf of the people of the state of Minnesota in serving this public purpose for the benefit of the general public.

History: 1986 c 398 art 6 s 1

41B.02 DEFINITIONS.

Subdivision 1. **Scope.** For the purposes of sections 41B.01 to 41B.23, the terms defined in this section have the meanings given them.

Subd. 2. **Administration.** "Administration" means the Minnesota rural finance administration created in section 41B.035.

Subd. 3. **Farm.** "Farm" means a family farm as defined in section 500.24, located in Minnesota.

Subd. 4. **Eligible agricultural lender; eligible lender.** "Eligible agricultural lender" or "eligible lender" means an entity of the kind described in section 41B.04, subdivision 6, which enters into an agreement with the administration providing for the purchase by the administration of participation interests in eligible agricultural loans originated and serviced by the qualified agricultural lender.

Subd. 5. **Eligible borrower.** "Eligible borrower" means a borrower who meets the eligibility criteria in section 41B.03.

Subd. 6. **Qualified agricultural loan.** "Qualified agricultural loan" means a loan to an eligible borrower made by an eligible agricultural lender which the administration purchases or in which the administration purchases a participation interest.

Subd. 7. **Bonds.** "Bonds" means bonds, notes, or other obligations issued by the administration. For the purposes of section 41B.19, "bonds" also includes bonds or other obligations issued by the state.

Subd. 8. **Security account.** "Security account" means the rural finance administration security account established in section 41B.19, subdivision 5.

Subd. 9. **Primary principal.** "Primary principal" means that portion of the principal outstanding on a loan covered by sections 41B.01 to 41B.23 that is equal to the current market value of the property secured by the loan.

Subd. 10. **Secondary principal.** "Secondary principal" means that portion of the principal outstanding on a loan covered by sections 41B.01 to 41B.23 that is in excess of the current market value of the property secured by the loan.

Subd. 11. **Basic interest.** "Basic interest" means that part of interest on primary principal that is payable annually.

Subd. 12. **Deferred interest.** "Deferred interest" means that portion of the interest on primary principal and secondary principal the payment of which is deferred for the term of the loan. The deferred interest on primary principal may accrue at a different rate from the deferred interest on secondary principal as described in section 41B.04.

Subd. 13. **Current market value.** "Current market value" means the value determined by an appraisal considering comparable sales in the area where the real estate is located and the reasonable productive value of the property based on past production history. The state and the eligible agricultural lender must mutually agree on the current market value.

Subd. 14. **Borrower.** "Borrower" means the person or persons liable on a restructured note.

Subd. 15. **Original loan.** "Original loan" means a loan prior to restructuring.

Subd. 16. **Restructured loan.** "Restructured loan" means a loan after it is modified pursuant to section 41B.04.

Subd. 17. **Market rate.** "Market rate" means an interest rate based on a formula established in rule and certified each month by the commissioner of finance.

History: 1986 c 398 art 6 s 2; 1Sp1986 c 3 art 2 s 45

41B.03 BORROWER ELIGIBILITY CRITERIA.

To be eligible for a program in sections 41B.01 to 41B.23:

(a) A borrower must be a resident of Minnesota or a domestic family farm corporation, as defined in section 500.24, subdivision 2.

(b) The borrower or one of the borrowers must be the principal operator of the farm.

(c) The borrower or one of the borrowers must have received at least 50 percent of annual gross income from farming, and farming must be the principal occupation of the borrower.

(d) The borrower must have a debt-to-asset ratio equal to or greater than 50 percent. In determining this ratio, the assets must be determined by the current market value of the assets.

(e) The borrower's projected annual expenses, including operating expenses, family living, and interest expenses after the restructuring, must not exceed 95 percent of the borrower's projected annual income considering prior production history and projected prices for farm production.

(f) The borrower must be unable to meet projected annual expenses without restructuring the loan.

(g) The borrower must not previously have received restructuring assistance pursuant to sections 41B.01 to 41B.23.

History: 1986 c 398 art 6 s 3; 1986 c 444

41B.035 RURAL FINANCE ADMINISTRATION.

Subdivision 1. Establishment. There is created a public body corporate and politic to be known as the "Minnesota rural finance administration," which shall perform the governmental functions and exercise the sovereign powers delegated to it in sections 41B.01 to 41B.23 in furtherance of the public policies and purposes declared in section 41B.01. The board of the administration consists of the commissioners of agriculture, commerce, and finance, the state auditor, and three public members appointed by the governor with the advice and consent of the senate. No public member may reside within the metropolitan area, as defined in section 473.02, subdivision 5. Each member shall hold office until a successor has been appointed and has qualified. A certificate of appointment or reappointment of any member is conclusive evidence of the proper appointment of the member.

Subd. 2. Terms; compensation; removal; vacancies. The membership terms, compensation, removal of members, and filling of vacancies for the public members of the administration are as provided in section 15.0575.

Subd. 3. Chair. The commissioner of finance is the chair of the board. The commissioner of agriculture is the vice-chair of the board.

Subd. 4. Management and control. The management and control of the administration is vested solely in the board in accordance with sections 41B.01 to 41B.23.

Subd. 5. Board actions. The powers of the board are vested in the members in office from time to time. A majority of the members of the board, excluding vacancies, constitutes a quorum for the purpose of conducting its business and exercising its powers and for all other purposes. Action may be taken by the board upon a vote of a majority of a quorum present.

Subd. 6. Administrative control. The administration is under the administrative control of the commissioner of finance.

Subd. 7. Personal liability. The members and officers of the administration are not liable personally, either jointly or severally, for any debt or obligation created or incurred by the administration.

History: 1986 c 398 art 6 s 4; 1986 c 444

41B.04 LOAN RESTRUCTURING PROGRAM.

Subdivision 1. Restructuring authority. The administration may enter into agreements or programs with eligible agricultural lenders for the restructuring of mortgage loans on real property located in Minnesota which is farmed by Minnesota residents, on such terms and conditions as the administration determines are not

inconsistent with sections 41B.01 to 41B.23. This section governs the programs of the administration.

Subd. 2. Implementation of program. The administration may implement a program to restructure agricultural loans and to purchase loan participation interests in qualified restructuring loans made by eligible agricultural lenders to eligible borrowers. Each such purchase shall be made only upon determination by or on behalf of the administration that the loan is a qualified restructuring loan as provided in this section.

Subd. 3. Criteria. Loans must comply with the following criteria:

(a) Each loan must be for the purpose of developing the state's agricultural resources and must be an extension of credit on real estate security. The loan may be secured by eligible security in addition to real estate. The security interests granted by the eligible borrower must be senior and prior to any other security interest in the pledged assets.

(b) No loan may be made to finance activities of the borrower which are not an agricultural use as defined in section 40A.02, subdivision 3.

(c) A participation interest in a restructuring loan may be purchased by the administration only if the eligible agricultural lender has determined and has certified to the administration that the borrower is an eligible borrower who has the reasonable ability to make timely payment of principal and interest on the loan when due over the term of the loan. The eligible agricultural lender shall further certify to the administration that the loan is a qualified agricultural loan.

Subd. 4. Program availability. The administration shall exercise its best efforts to assure that credit made available through the loan restructuring program is made available throughout the agricultural areas of the state, and that the number or amount of loans are not unduly concentrated in any one area of the state.

Subd. 5. Benefits. The administration shall exercise its best efforts to assure that the program provides the maximum feasible benefits to as many eligible borrowers as is reasonably possible.

Subd. 6. Types of lenders. Any bank, credit union, savings and loan association chartered by the state or federal government, unit of the farm credit system, the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, and any insurance company, fund, or other financial institution doing business as an agricultural lender within the state is eligible for consideration as an eligible agricultural lender if the administration determines that the lender has sufficient personnel and other resources to efficiently and properly originate and service the qualified agricultural loans. Each such eligible agricultural lender shall enter into one or more agreements with the administration providing for the origination and servicing of qualified restructuring loans on the terms and conditions the administration determines to be appropriate.

Subd. 7. Restructuring procedure. The eligible agricultural lender or borrower shall propose restructuring a loan to the administration. Within 30 days of receiving adequate information concerning a proposal, the administration and the eligible lender shall notify the borrower of their determination of eligibility. An eligible agricultural lender shall then expeditiously conduct necessary appraisals and draft the loan restructuring agreement which must be consistent with this section and documents previously approved by the administration and eligible lenders. The loan restructuring agreement must be approved by the eligible lender, the administration, and the borrower.

An eligible borrower may participate in the restructured loan or the homestead redemption loan, but not both loans.

Subd. 8. State's participation. With respect to loans that are eligible for restructuring under sections 41B.01 to 41B.23 and upon acceptance by the administration, the administration shall enter into a participation agreement or other financial arrangement whereby it shall participate in a restructured loan to the extent of one-quarter of the primary principal or \$50,000, whichever is less, except that the administration may participate in restructured loans made for the redemption of homesteads to the extent

of one-half of the primary principal or \$25,000, whichever is less. The administration's portion of the loan must thereafter be protected by the first mortgage held by the eligible lender to the extent of its participation in the loan.

Subd. 9. Restructured loan agreement. (a) All payments on the primary and secondary principal of the restructured loan, all payments of interest on the secondary principal, and an agreed portion of the interest payable to the eligible agricultural lender on the primary principal must be deferred to the end of the term of the loan.

(b) A borrower may prepay the restructured loan, with all primary and secondary principal and interest and deferred interest at any time without prepayment penalty.

(c) Interest on secondary principal must accrue at a below market interest rate.

(d) At the conclusion of the term of the restructured loan, the borrower owes primary principal, secondary principal, and deferred interest on primary and secondary principal. However, part of this balloon payment may be forgiven following an appraisal by the lender and the administration to determine the current market value of the real estate subject to the mortgage. If the current market value of the land after appraisal is less than the amount of debt owed by the borrower to the lender and administration on this obligation, that portion of the obligation that exceeds the current market value of the real property must be forgiven by the lender and the administration in the following order:

(1) deferred interest on secondary principal;

(2) secondary principal;

(3) deferred interest on primary principal;

(4) primary principal as provided in an agreement between the administration and the lender; and

(5) accrued but not deferred interest on primary principal.

The debt forgiveness may be combined with a renegotiated loan on the unforgiven balance due if the borrower is able to establish that there are reasonable prospects of repayment on a debt equal to the current market value of real estate at then existing interest rates. If so, the loan must be reamortized on terms and conditions acceptable to the lender, the administration, and the farmer.

Subd. 10. Interest rate. The interest rate per annum on the portion of the restructuring loan represented by the participation interest purchased by the administration must be that rate of interest determined by the administration to be necessary to provide for the timely payment of principal and interest when due on bonds or other obligations issued by the administration, and to provide for the reasonable and necessary costs of issuing, carrying, administering, and securing the bonds or notes and to pay the costs incurred and to be incurred by the administration in the implementation of the program. The interest rate per annum borne by the primary principal portion of the restructuring loan retained by the eligible agricultural lender must be a rate of interest approved by the administration. The administration may specify the points, fees, and other charges which the eligible agricultural lender may charge to the eligible borrower.

Subd. 11. Administration. The eligible lender shall administer the loans and shall bear all costs of the loan administration. Ordinary costs of administration include appraisals, litigation, abstracts of title, and similar costs. The administration agrees to share in any other responsibilities common to a loan participation agreement.

Subd. 12. Assignability. Loans restructured under this section may not be assigned to anyone other than a direct descendant of the original borrower and the assignee must intend to engage in the direct operation and management of the farm which is subject to the mortgage. If such an assignment is contemplated, the borrower must obtain prior written approval of the eligible lender and the administration and the assignee shall thereafter be subject to the same terms and conditions and events of default as the original borrower. If assigned to some other party, the eligible agricultural lender may exercise its foreclosure remedies as provided by its contracts and by law.

Subd. 13. **Default.** In addition to default caused by nonpayment of the basic interest on the primary principal, it is intended that the documents establishing the restructured loans will include the following conditions, which, if violated, constitute default.

(a) The borrower must submit an annual operating budget to the eligible agricultural lender at a time specified by the lender.

(b) The borrower must submit quarterly, semiannual, and annual financial statements which must include balance sheets and income and expense records maintained pursuant to an acceptable farm record system as specified by the eligible agricultural lender.

(c) The borrower must comply with capital expenditure limitations imposed by the eligible agricultural lender.

(d) The borrower must obtain an annual commitment for an operating loan or assured sources of operating expenses sufficient to adequately operate the farm.

(e) The eligible agricultural lender may impose other reasonable requirements to reduce overall risk such as requiring purchase of crop insurance.

The lender may not waive any default specified in this subdivision without the consent of the administration.

Subd. 14. **Guaranteed payment.** The administration may enter into agreements with qualified agricultural lenders, insurance companies, or others insuring or guaranteeing to the state the payment of all or a portion of qualified agricultural loans.

Subd. 15. **Advance reservations.** The administration may enter into agreements with eligible agricultural lenders providing for advance reservations of purchases of participation interests in restructuring loans, if the agreements provide that the administration may only purchase participation interests in restructuring loans pursuant to normal procedure. The administration may provide in an agreement for special procedures or requirements designed to meet specific conditions or requirements.

Subd. 16. **Data privacy.** Financial information, including but not limited to credit reports, financial statements, and net worth calculations, received or prepared by the administration regarding any administration loan or grant and the name of each individual who is the recipient of a loan are private data on individuals, pursuant to section 13.02, subdivision 12.

History: 1986 c 398 art 6 s 5

41B.05 GENERAL POWERS OF THE ADMINISTRATION.

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

(a) It may sue and be sued.

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

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

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

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

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

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

(h) It may provide general consultative assistance services related to rural finance, and shall make available technical assistance to potential lenders and applicants to encourage applications for loans.

- (i) It may promote research and development in matters related to rural finance.
- (j) It may enter into agreements with lenders, borrowers, or the issuers of securities for the purpose of regulating the development and management of farms financed in whole or in part by the proceeds of qualified agricultural loans.
- (k) It may enter into agreements with other appropriate federal, state, or local governmental units to foster rural finance. It may give advance reservations of loan financing as part of the agreements, with the understanding that the administration will only approve the loans pursuant to normal procedures, and may adopt special procedures designed to meet problems inherent in such programs.
- (l) It may undertake and carry out studies and analyses of rural financing needs within the state and ways of meeting such needs including: data with respect to geographical distribution; farm size; the distribution of farm credit needs according to debt ratios and similar factors; the amount and quality of available financing and its distribution according to factors affecting rural financing needs and the meeting thereof; and may make the results of such studies and analyses available to the public and may engage in research and disseminate information on rural finance.
- (m) It may survey and investigate the rural financing needs throughout the state and make recommendations to the governor and the legislature as to legislation and other measures necessary or advisable to alleviate any existing shortage in the state.
- (n) It may establish cooperative relationships with such county and multicounty authorities as may be established and may develop priorities for the utilization of administration resources and assistance within a region in cooperation with county and multicounty authorities.
- (o) It may contract with, use, or employ any federal, state, regional, or local public or private agency or organization, legal counsel, financial advisors, investment bankers or others, upon terms it deems necessary or desirable, to assist in the exercise of any of the powers granted in sections 41B.01 to 41B.23 and to carry out the objectives of sections 41B.01 to 41B.23 and may pay for the services from administration funds.
- (p) It may establish cooperative relationships with counties to develop priorities for the use of administration resources and assistance within counties and to consider county plans and programs in the process of setting the priorities.

History: 1986 c 398 art 6 s 6

41B.07 RULES.

The administration may adopt rules for the efficient administration of sections 41B.01 to 41B.23. The rules need not be adopted in compliance with chapter 14.

History: 1986 c 398 art 6 s 7

41B.08 REVENUE BONDS; PURPOSES, TERMS, APPROVAL.

Subdivision 1. Bonds for program. The administration from time to time may issue its negotiable bonds in a principal amount which, in the opinion of the administration, is necessary to provide sufficient funds for achieving its purposes including the making of qualified agricultural loans or the purchase of interests in those loans, the payment of interest on bonds of the administration, the establishment of reserves to secure the bonds, and the payment of all other expenditures of the administration incident to and necessary or convenient to carry out its corporate purposes and powers. Bonds of the administration may be issued as bonds or notes or in any other form authorized by law.

Subd. 2. Refunding of bonds. The administration from time to time may issue bonds for the purpose of refunding any bonds of the administration then outstanding, including the payment of any redemption premiums thereon and any interest accrued or to accrue to the redemption date next succeeding the date of delivery of those refunding bonds. The proceeds of any refunding bonds may, in the discretion of the administration, be applied to the purchase or payment at maturity of the bonds to be refunded, or to the redemption of such outstanding bonds on the redemption date next

succeeding the date of delivery of such refunding bonds and may, pending such application, be placed in escrow to be applied to such purchase, retirement, or redemption. Any such escrowed proceeds, pending such use, may be invested and reinvested in obligations issued or guaranteed by the state or the United States or by any agency or instrumentality thereof, or in certificates of deposit or time deposits secured in a manner determined by the administration, maturing at a time or times appropriate to assure the prompt payment of the principal of and interest and redemption premiums, if any, on the bonds to be refunded. The income earned or realized on any such investment may also be applied to the payment of the bonds to be refunded. After the terms of the escrow have been fully satisfied, any balance of such proceeds and any investment income may be returned to the administration for use by it in any lawful manner. All refunding bonds issued under the provisions of this subdivision must be issued and secured in the manner provided by resolution of the administration.

Subd. 3. Kind of bonds. All bonds issued under this section must be negotiable investment securities within the meaning and for all purposes of the uniform commercial code, subject only to any provisions of the bonds and notes for registration. All bonds so issued may be either general obligations of the administration, secured by its full faith and credit, and payable out of any money, assets, or revenues of the administration, subject to the provisions of resolutions or indentures pledging and appropriating particular money, assets, or revenues to particular bonds, or limited obligations of the administration not secured by its full faith and credit, and payable solely from specified sources or assets.

Subd. 4. Required rating. No bonds may be issued unless a rating of "A" or better has been awarded to the bonds by a national bond rating agency.

History: 1986 c 398 art 6 s 8

41B.09 REVENUE BONDS; RESOLUTIONS AUTHORIZING, ADDITIONAL TERMS, SALE.

The bonds of the administration must be authorized by a resolution or resolutions adopted by the administration, bear such date or dates, mature at such time or times, bear interest at such rate or rates, be in such denominations, be in such form, carry such registration privileges, be executed in such manner, be payable in lawful money of the United States, at such place or places within or without the state, and be subject to such terms of redemption or purchase prior to maturity as the resolutions or certificates may provide. If, for any reason, whether existing at the date of issue of any bonds or at the date of making or purchasing any loan or securities from the proceeds or after that date, the interest on any bonds is or becomes subject to federal income taxation, this shall not impair or affect the validity or the provisions made for the security of the bonds. The administration may make covenants and take or cause to be taken actions which are in its judgment necessary or desirable and possible to comply with conditions established by federal law or regulations for the exemption of interest on its obligations. The administration may refrain from compliance with those conditions if in its judgment this would serve the purposes and policies set forth in sections 41B.01 to 41B.23 with respect to any particular issue of bonds, unless this would violate covenants made by the administration. The bonds of the administration may be sold at public or private sale at a price or prices determined by the administration. The underwriting discount, spread, or commission paid or allowed to the underwriters of the bonds, however, must be an amount not in excess of the amount determined by the administration to be reasonable in the light of the risk assumed and the expenses of issuance, if any, required to be paid by the underwriters.

History: 1986 c 398 art 6 s 9

41B.10 REVENUE BONDS; OPTIONAL RESOLUTION AND CONTRACT PROVISIONS.

Any resolution authorizing any bonds or any issue of bonds may contain provisions, which must be a part of the contract with the holders of the bonds, as to the matters referred to in this section.

(a) It may pledge or create a lien on all or any part of the money or property of the administration and any money held in trust or otherwise by others to secure the payment of the bonds or of any issue of bonds, subject to any agreements with bondholders which exist.

(b) It may provide for the custody, collection, securing, investment, and payment of any money of the administration.

(c) It may set aside reserves or sinking funds and provide for their regulation and disposition and may create other special funds into which any money of the administration may be deposited.

(d) It may limit the loans and securities to which the proceeds of sale of bonds may be applied and may pledge repayments thereon to secure the payment of the notes or bonds or of any issue of notes or bonds.

(e) It may limit the issuance of additional bonds, the terms upon which additional bonds may be issued and secured, and the refunding of outstanding or other bonds.

(f) It may prescribe the procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, the amount of bonds the holders of which must consent to the amendment or abrogation, and the manner in which that consent may be given.

(g) It may vest in a trustee or trustees property, rights, powers, and duties in trust determined by the administration, which may include any or all of the rights, powers, and duties of the bondholders, or may limit the rights, powers, and duties of the trustee.

(h) It may define the acts or omissions to act which constitute a default in the obligations and duties of the administration and may provide for the rights and remedies of the holders of bonds in the event of a default, and provide any other matters of like or different character, consistent with the general laws of the state and other provisions of sections 41B.01 to 41B.23, which in any way affect the security or protection of the bonds and the rights of the bondholders.

History: 1986 c 398 art 6 s 10

41B.11 PLEDGES.

Any pledge made by the administration is valid and binding from the time the pledge is made. The money or property pledged and later received by the administration is immediately subject to the lien of the pledge without any physical delivery of the property or money or further act, and the lien of any pledge is valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the administration, whether or not those parties have notice of the lien or pledge. Neither the resolution nor any other instrument by which a pledge is created need be recorded.

History: 1986 c 398 art 6 s 11

41B.12 REVENUE BONDS; NONLIABILITY OF INDIVIDUALS.

Neither the members of the administration nor any person executing the bonds is liable personally on the bonds or subject to any personal liability or accountability by reason of their issuance.

History: 1986 c 398 art 6 s 12

41B.13 REVENUE BONDS; PURCHASE AND CANCELLATION BY ADMINISTRATION.

The administration, subject to agreements with bondholders which may then exist, has power out of any funds available for the purpose to purchase bonds of the administration at a price not exceeding (a) if the bonds are then redeemable, the redemption price then applicable plus accrued interest to the next interest payment date thereon, or (b) if the bonds are not redeemable, the redemption price applicable on the first date after the purchase upon which the bonds become subject to redemption plus accrued interest to that date.

History: 1986 c 398 art 6 s 13

41B.14 REVENUE BONDS; NONLIABILITY OF STATE.

The state of Minnesota is not liable on bonds of the administration issued under section 41B.08 and those bonds are not a debt of the state. The bonds must contain on their face a statement to that effect.

History: 1986 c 398 art 6 s 14

41B.15 STATE PLEDGE AGAINST IMPAIRMENT OF CONTRACTS.

The state pledges and agrees with the holders of any bonds issued under section 41B.08, that the state will not limit or alter the rights vested in the administration to fulfill the terms of any agreements made with the bondholders, or in any way impair the rights and remedies of the holders until the bonds, together with interest on them, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the bondholders, are fully met and discharged. The administration may include this pledge and agreement of the state in any agreement with the holders of bonds issued under section 41B.08.

History: 1986 c 398 art 6 s 15

41B.16 SECURITY ACCOUNT.

Upon determining that a default may occur in the payment of principal or interest on any issue of bonds issued under section 41B.08, or if any debt service reserve fund established in connection with those bonds is drawn upon because the revenues of the program are not then sufficient to make any payment of the principal or interest on them, the administration shall certify those facts to the commissioner of finance and shall request that the commissioner of finance transfer from the security account established under section 41B.19, subdivision 5, to accounts or funds designated by the administration an amount required to cure the deficiency.

History: 1986 c 398 art 6 s 16

41B.17 POWERS AND DUTIES OF TRUSTEE.

Subdivision 1. **General.** The trustee designated in any indenture or resolution securing an issue of bonds may, and upon written request of the holders of 25 percent in principal amount of the notes or bonds then outstanding shall, in the trustee's own name, subject to the provisions of the indenture or resolution:

(1) enforce all rights of the bondholders, including the right to require the administration to collect fees, charges, interest, and payments on loans or interests therein held by the administration and eligible securities purchased by it adequate to carry out any agreement as to, or pledge of, those fees, charges, and payments, and to require the administration to carry out any other agreements with the holders of the notes or bonds and to perform its duties under sections 41B.01 to 41B.23;

(2) bring suit upon the bonds;

(3) require the administration to account as if it were the trustee of any express trust for the holders of the bonds;

(4) enjoin any acts or things which may be unlawful or in violation of the rights of holders of the bonds; or

(5) declare all the bonds due and payable, and if all defaults are made good, then, with the consent of the holders of 25 percent of the principal amount of the bonds then outstanding, the trustee may annul the declaration and consequences.

Subd. 2. **Additional powers.** In addition to the powers in subdivision 1, the trustee has all of the powers necessary or appropriate for the exercise of any functions specifically set forth in this section or incident to the general representation of bondholders or noteholders in the enforcement and protection of their rights.

Subd. 3. **Venue; notice.** The venue of any action or proceedings brought by a trustee under sections 41B.01 to 41B.23, is in Ramsey county. Before declaring the principal of bonds due and payable, the trustee shall first give 30 days' notice in writing to the governor, the administration, and the state treasurer.

History: 1986 c 398 art 6 s 17

41B.18 REVENUE BOND FUND; REPORTS.

Subdivision 1. **Authority.** The administration may create and establish a special fund or funds for the security of one or more or all series of its bonds, which funds are known as debt service reserve funds. The administration may pay into each debt service reserve fund:

- (1) any money appropriated by the state only for the purposes of that fund;
- (2) any money transferred from the security fund for the purposes of that fund;
- (3) any proceeds of sale of bonds to the extent provided in the resolution or indenture authorizing their issuance;
- (4) any funds directed to be transferred by the administration to that debt service reserve fund; and
- (5) any other money made available to the administration only for the purpose of that fund from any other source..

Subd. 2. **Use of money.** The money held in or credited to each debt service reserve fund, except as provided in this section, must be used solely for the payment of the principal of bonds of the administration as the bonds mature, the purchase of the bonds, the payment of interest on the bonds, or the payment of any premium required when the bonds or notes are redeemed before maturity; provided, that money in a debt service reserve fund may not be withdrawn at any time in an amount which would reduce the amount of the fund to less than the amount which the administration determines to be reasonably necessary for the purposes of the fund, except for the purpose of paying principal or interest due on bonds secured by the fund, for the payment of which other money of the administration is not available.

Subd. 3. **Limitation.** If the administration creates a debt service reserve fund for the security of any series of bonds, it shall not issue any additional bonds which are similarly secured if the amount of any of the debt service reserve funds at the time of issuance does not equal or exceed the minimum amount, if any, required by the resolution creating that fund, unless the administration deposits in each fund at the time of issuance, from the proceeds of the bonds or otherwise, an amount which, together with the amount then in the fund, will not be less than the minimum amount required.

Subd. 4. **Excess funds.** To the extent consistent with the resolutions and indentures securing outstanding bonds, the administration may, at the close of any fiscal year, transfer to any other fund or account from any debt service reserve fund, any excess in that fund over the amount deemed by the administration to be reasonably necessary for the purpose of the fund. Any excess must be transferred first to the security fund to the extent of any prior withdrawals from the security fund which have not previously been restored to the security fund.

Subd. 5. **Construction.** Nothing in this section may be construed to limit the right of the administration to create and establish by resolution or indenture other funds or security in addition to debt service reserve funds which are necessary or desirable in connection with any bonds or programs.

Subd. 6. **Report.** The administration shall submit a biennial report of its activities, projected activities, receipts, and expenditures for the next biennium, to the governor and the legislature on or before January 15 in each odd-numbered year. The report must include the distribution of money under each administration program by county. In addition, the report must include the cost to the administration of the issuance of its bonds for each issue in the biennium.

Subd. 7. **Audit.** The books and records of the administration are subject to audit by the legislative auditor in the manner prescribed for other state agencies. The administration may also employ and contract in its resolutions and indentures for the employment of public accountants for the audit of books and records pertaining to any fund.

History: 1986 c 398 art 6 s 18

41B.19 GENERAL OBLIGATION BONDS.

Subdivision 1. Procedure. For the purpose of developing the state's agricultural resources by providing for the extension of credit on real estate security and to assure the timely payment of the principal of and interest on the bonds or other obligations issued by the rural finance administration, and upon request of the rural finance administration under section 41B.08, the commissioner of finance may at the direction of the administration, issue general obligation bonds of the state in a principal amount not exceeding \$50,000,000. The bonds must be secured as provided in the Minnesota Constitution, article XI, section 7, and, except as provided in this section, must be issued and secured as provided in section 16A.641. The proceeds of the bonds, except any premium and accrued interest, must be deposited in the security account established by this section and used solely for the purposes specified in this section. The premium and accrued interest, if any, must be deposited in the the rural renewal bond account in the state bond fund.

Subd. 2. Terms of bonds. Notwithstanding any provision of section 16A.641 to the contrary, the commissioner of finance may fix the terms of the bonds as provided in sections 475.54, subdivision 5a, and 475.56, paragraph (b), and may enter into, on behalf of the state all agreements deemed necessary for this purpose, including those authorized to be entered into by municipalities by that section. The proceeds of the general obligation bonds may be used to reimburse the commissioner of finance for the costs of issuance of the bonds and the costs of development of programs authorized in sections 41B.01 to 41B.23.

Subd. 3. Sale of bonds. If determined by the commissioner of finance to be necessary in order to reduce costs of issuance, to secure a favorable prevailing interest rate, or to receive the bond proceeds by a specified date, or if the terms of the bonds are fixed as provided in sections 475.54, subdivision 5a, and 475.56, paragraph (b), the bonds may be sold by negotiation and without solicitation of sealed bids.

Subd. 4. Bond fund account. The commissioner of finance shall maintain in the state bond fund a separate bookkeeping account designated as the rural renewal bond account, to record receipts and disbursements of money transferred to the account to pay bonds issued under this section and to record income from the investment of the money in the account. The income must be credited to the account in each fiscal year in an amount equal to the approximate average return that year on all funds invested by the commissioner of finance, as determined by the commissioner of finance, times the average balance in the account that year.

Subd. 5. Rural finance administration security account. The commissioner of finance shall maintain a separate state building fund account designated as the rural finance administration security account, into which must be deposited the proceeds of the rural renewal general obligation bonds issued as provided in this section. The commissioner of finance shall maintain a separate bookkeeping account to record receipts and disbursements of money transferred to or from the security account and to record income from the investment of money in the account. Upon the written request of the administration, the commissioner of finance shall transfer from the security account to an account or accounts the administration shall designate, a sum of money sufficient in amount, if available, when added to the balances then on hand in the designated accounts, to pay bonds issued by the administration under sections 41B.01 to 41B.23 and the interest on them due and to become due on the next succeeding date for the payment of the principal of and interest on the bonds of the administration or to restore to any debt service reserve fund established in connection with the bonds any amount withdrawn from the debt service reserve account to pay the bonds. The commissioner of finance shall further transfer from the security account on or before the date on which any installment of the principal of and interest on bonds authorized by this section is due, a sum sufficient in amount, when added to the balance then on hand in the rural renewal bond account, to pay all bonds issued under this section and the interest on them due and to become due on the next succeeding date for payment of the bonds.

Subd. 6. **Investment of security account.** Money from time to time on deposit in the security account must be invested by the state board of investment at the request of the administration in any investment authorized by this subdivision. Money on deposit in the security account may be invested in (1) certificates of deposit insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation; (2) certificates of deposit issued by eligible agricultural lenders, whether or not fully insured or secured; (3) deposits secured by obligations of the United States or of the state of a market value equal at all times to the amount of the deposit and all banks and trust companies are authorized to give security for those deposits; (4) in qualified agricultural loans or in participation interests in qualified agricultural loans; or (5) qualified restructured loans. If and to the extent money has been transferred from the security account to provide for the timely payment of the principal of and interest on bonds issued by the administration, or to transfer money to a debt service reserve fund established in connection with the bonds, the administration shall transfer to the security account on or before December 1 of each succeeding year an amount equal to that previously transferred from the security account, provided that the administration's obligation to transfer money to the security account is limited to money then on hand in funds or accounts of the administration in excess of those appropriated to other purposes or required to provide for the payment of the principal of and interest on bonds issued by the administration and to pay the costs of issuing, carrying, administering, and securing the bonds of the administration and of administering and implementing the programs of the administration financed by the bonds.

Subd. 7. **Transfers, appropriation.** In addition to the money required to be transferred to the rural renewal bond account under subdivision 5, and in order to reduce the amount of taxes otherwise required by the Minnesota Constitution to be levied for the state bond fund, the commissioner of finance shall transfer from the general fund to the rural renewal bond account, on December 1 in each year, a sum of money sufficient in amount, when added to the balance then on hand in that account, to pay all bonds issued under this section and the interest on them due and to become due to and including July 1 in the second ensuing year. All money to be so credited and all income from its investment is annually appropriated for the payment of the bonds and interest on them, and shall be available in the rural renewal bond account before the levy of the tax in any year required by the Minnesota Constitution, article XI, section 7. The legislature may also appropriate to the rural renewal bond account any other money in the state treasury not otherwise appropriated, for the security of bonds issued under this section in the event that sufficient money is not available in the account from the appropriation in this section, before the levy of the tax in any year. The commissioner of finance shall make the appropriate entries in the accounts of the respective funds.

Subd. 8. **Constitutional levy.** On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then in the rural renewal bond account, to pay the entire amount of principal and interest due on or before July 1 in the second year thereafter on bonds issued under this section. This tax must be levied upon all real property used for a homestead, as well as other taxable property, notwithstanding section 273.13, subdivision 22. The tax must not be limited in rate or amount until all the bonds and interest on them are fully paid. The proceeds of this tax are appropriated and must be credited to the state bond fund, and the principal and interest on the bonds are payable from all the proceeds. As much of the proceeds as is necessary is appropriated for the payments. If at any time there is insufficient money from the proceeds of the taxes to pay the principal and interest when due on the bonds, the principal and interest must be paid out of the general fund in the state treasury, and the amount necessary for the payment is hereby appropriated.

Subd. 9. **Compliance with federal law.** The commissioner of finance may covenant and agree with the holders of the bonds issued under this section that the state will comply, insofar as possible, with the provisions of the United States Internal Revenue Code now or hereafter enacted that are applicable to the bonds and that establish

conditions under which the interest to be paid on the bonds will not be includable in gross income for federal tax purposes.

Subd. 10. **Taxability of interest.** Interest on the bonds authorized by this section may be issued without regard to whether the interest to be paid on them is includable in gross income for federal tax purposes.

History: 1986 c 398 art 6 s 19

41B.20 EXEMPTION FROM TAXES.

The property of the administration and its income and operation shall be exempt from all taxation by the state or any of its political subdivisions.

History: 1986 c 398 art 6 s 20

41B.21 CERTAIN ACTIONS.

Any action brought by any person with respect to the rights or powers of the administration or calling into question the validity or enforceability of bonds or obligations authorized by sections 41B.01 to 41B.23 is a remedial case of which the supreme court has original jurisdiction pursuant to article VI, section 2 of the constitution. The action may be commenced solely by service upon the state auditor, the commissioner of agriculture, or the executive director of the administration and by filing of the summons and complaint with the supreme court. Upon filing of an answer to the complaint, the court shall order a hearing which must be held not later than 30 days from the date of filing of the answer. At the hearing, the court shall establish an expedited schedule for the action.

History: 1986 c 398 art 6 s 21

41B.22 CONSTRUCTION.

Sections 41B.01 to 41B.23 are necessary for the welfare of the state of Minnesota and its inhabitants; therefore, they shall be liberally construed to effect their purpose.

History: 1986 c 398 art 6 s 22

41B.23 SEVERABILITY; ACTIONS.

Each of the provisions of sections 41B.01 to 41B.23, and each application thereof to particular circumstances, is severable. If any provision or application is found to be unconstitutional and void, it is the intention that the remaining provisions and applications shall be valid and enforceable to the full extent possible under section 645.20. The supreme court shall have original jurisdiction, pursuant to article VI, section 2 of the constitution, in all cases seeking a remedy based upon an issue raised as to the validity of any such provision or application.

History: 1986 c 398 art 6 s 23