

CHAPTER 41B

RURAL FINANCE AUTHORITY

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41B.02 DEFINITIONS.

[For text of subd 1, see M.S.1992]

Subd. 1a. **Amortized restructured loan.** "Amortized restructured loan" means a loan after it has been modified pursuant to section 41B.04, subdivision 9, paragraph (d).

[For text of subds 2 to 6, see M.S.1992]

Subd. 7. **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 deferred restructured 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. 7a. **Direct loan.** "Direct loan" means a loan originated and serviced by the authority without involvement of an eligible lender.

Subd. 7b. **Deferred restructured loan.** "Deferred restructured loan" means a loan after it has been modified pursuant to section 41B.04, subdivision 9, paragraph (a).

[For text of subds 8 to 11, see M.S.1992]

Subd. 12. **Primary principal.** "Primary principal" means that portion of the outstanding balance on a loan covered by section 41B.04 that is equal to the current market value of the property secured by the loan or such lesser amount as may be established by the authority by rule.

[For text of subd 13, see M.S.1992]

Subd. 14. **Restructured loan.** "Restructured loan" means both a deferred restructured loan and an amortized restructured loan after it is modified pursuant to section 41B.04.

Subd. 15. **Secondary principal.** "Secondary principal" means that portion of the outstanding balance of a deferred restructured loan covered by section 41B.04 that is in excess of the primary principal.

[For text of subds 16 to 19, see M.S.1992]

Subd. 20. **Ethanol production facility.** "Ethanol production facility" means a facility that ferments, distills, dewateres, or otherwise produces ethanol as defined in section 41A.09, subdivision 2, paragraph (a).

History: 1993 c 298 s 1; 1993 c 342 s 1-7

41B.03 BORROWER ELIGIBILITY CRITERIA.

Subdivision 1. **Eligibility generally.** To be eligible for a program in sections 41B.01 to 41B.23:

- (1) a borrower must be a resident of Minnesota or a domestic family farm corporation, as defined in section 500.24, subdivision 2;
- (2) the borrower or one of the borrowers must be the principal operator of the farm

or, for a prospective homestead redemption borrower, must have at one time been the principal operator of a farm; and

(3) the borrower must not receive assistance under sections 41B.01 to 41B.23 exceeding an aggregate of \$100,000 in loans during the borrower's lifetime.

[For text of subd 2, see M.S.1992]

Subd. 3. Eligibility for beginning farmer loans. In addition to the requirements under subdivision 1, a prospective borrower for a beginning farm loan in which the authority holds an interest, must:

(1) have sufficient education, training, or experience in the type of farming for which the loan is desired;

(2) have a total net worth, including assets and liabilities of the borrower's spouse and dependents, of less than \$200,000 in 1991 and an amount in subsequent years which is adjusted for inflation by multiplying \$200,000 by the cumulative inflation rate as determined by the United States All-Items Consumer Price Index;

(3) demonstrate a need for the loan;

(4) demonstrate an ability to repay the loan;

(5) certify that the agricultural land to be purchased will be used by the borrower for agricultural purposes;

(6) certify that farming will be the principal occupation of the borrower;

(7) agree to participate in a farm management program approved by the commissioner of agriculture for at least the first five years of the loan, if an approved program is available within 45 miles from the borrower's residence. The commissioner may waive this requirement for any of the programs administered by the authority if the participant requests a waiver and has either a four-year degree in an agricultural program or certification as an adult farm management instructor; and

(8) agree to file an approved soil and water conservation plan with the soil conservation service office in the county where the land is located.

[For text of subd 5, see M.S.1992]

Subd. 6. Application fee. The authority may impose a reasonable nonrefundable application fee for each application submitted for a beginning farmer loan or a seller-sponsored loan. The application fee is initially \$50. The authority may review the fee annually and make adjustments as necessary. The fee must be deposited in the state treasury and credited to an account in the special revenue fund.

History: 1993 c 332 s 1,2; 1993 c 342 s 8

41B.039 BEGINNING FARMER PROGRAM.

[For text of subd 1, see M.S.1992]

Subd. 2. State participation. The state may participate in a new real estate loan with an eligible lender to a beginning farmer to the extent of 45 percent of the principal amount of the loan or \$100,000, whichever is less. The interest rates and repayment terms of the authority's participation interest may be different than the interest rates and repayment terms of the lender's retained portion of the loan.

History: 1993 c 332 s 3

41B.04 LOAN RESTRUCTURING PROGRAM.

[For text of subs 1 to 8, see M.S.1992]

Subd. 9. Restructured loan agreement. (a) For a deferred restructured loan, all payments on the primary and secondary principal, 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) Interest on secondary principal must accrue at a below market interest rate.

(c) 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 authority 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 authority 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 authority 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 authority and the lender; and
- (5) accrued but not deferred interest on primary principal.

(d) For an amortized restructured loan, payments must include installments on primary principal and interest on the primary principal. An amortized restructured loan must be amortized over a time period and upon terms to be established by the authority by rule.

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

(f) The authority may not participate in refinancing a restructured loan at the conclusion of the restructured loan.

[For text of subds 10 to 12, see M.S.1992]

Subd. 17. Application and origination fee. The authority may impose a reasonable nonrefundable application fee for each application and an origination fee for each loan issued under the loan restructuring program. The origination fee is 1.5 percent of the authority's participation interest in the loan and the application fee is \$50. The authority may review the fees annually and make adjustments as necessary. The fees must be deposited in the state treasury and credited to an account in the special revenue fund.

History: 1993 c 342 s 9,10

41B.042 SELLER-SPONSORED PROGRAM.

[For text of subds 1 to 3, see M.S.1992]

Subd. 4. Participation limit; interest. The authority may participate in new seller-sponsored loans to the extent of 45 percent of the principal amount of the loan or \$100,000, whichever is less. The interest rates and repayment terms of the authority's participation interest may be different than the interest rates and repayment terms of the seller's retained portion of the loan.

History: 1993 c 332 s 4

41B.043 AGRICULTURAL IMPROVEMENT LOAN PROGRAM.

Subdivision 1. Establishment. The authority may establish, adopt rules for, and implement an agricultural improvement loan program to finance agricultural improvements.

Subd. 1a. Direct loans. Direct loans may be made to borrowers who meet the requirements of section 41B.03, subdivision 1, clauses (1) and (2), and who are actively engaged in farming.

Subd. 1b. Loan participation. The authority may participate in an agricultural improvement loan with an eligible lender to a farmer who meets the requirements of section 41B.03, subdivision 1, clauses (1) and (2), and who are actively engaged in farm-

ing. Participation is limited to 45 percent of the principal amount of the loan or \$50,000, whichever is less. The interest rates and repayment terms of the authority's participation interest may be different than the interest rates and repayment terms of the lender's retained portion of the loan.

Subd. 2. Specifications. No direct loan may exceed \$35,000 or \$50,000 for a loan participation or be made to refinance an existing debt. Each direct loan and participation must be secured by a mortgage on real property and such other security as the authority may require.

Subd. 3. Application and origination fee. The authority may impose a reasonable nonrefundable application fee for each application for a direct loan or participation and an origination fee for each direct loan issued under the agricultural improvement loan program. The origination fee initially shall be set at 1.5 percent and the application fee at \$50. The authority may review the fees annually and make adjustments as necessary. The fees must be deposited in the state treasury and credited to an account in the special revenue fund.

Subd. 4. Interest rate. The interest rate per annum on the agricultural improvement direct loan or participation must be the rate of interest determined by the authority to be necessary to provide for the timely payment of principal and interest when due on bonds or other obligations of the authority issued under chapter 41B to provide financing for direct loans and participations made under the agricultural improvement loan program, and to provide for 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 authority in the implementation of the agricultural improvement loan program.

History: 1993 c 298 s 2

41B.044 ETHANOL DEVELOPMENT PROGRAM.

Subdivision 1. Ethanol production facility loan program. The authority may establish, adopt rules for, and implement an ethanol production facility loan program to provide capital for ethanol production facilities. The program may provide for secured or unsecured loans, loan participations and loan guarantees with respect to real or personal property comprising all or part of an ethanol production facility, and the payment of costs incurred by the authority to establish and administer the program.

Subd. 2. Ethanol development fund. There is established in the state treasury an ethanol development fund. Interest earned on money in the fund accrues to the fund, and money in the fund is appropriated to the commissioner of agriculture for purposes of the ethanol production facility loan program, including costs incurred by the authority to establish and administer the program.

Subd. 3. Revenue bonds. The authority may issue revenue bonds to finance the ethanol production facility loan program in accordance with sections 41B.08 to 41B.15, 41B.17, and 41B.18. Bonds may be refunded by the issuance of refunding bonds in the manner authorized by chapter 475.

Subd. 4. Program requirements. The requirements in this subdivision apply to the ethanol production facility loan program.

(a) Individuals, corporations, cooperatives, partnerships, and joint ventures may participate in the program and are not required to meet the eligibility requirements of section 41B.03, subdivision 1.

(b) Program participants may be required to pay reasonable nonrefundable application fees and origination fees established by the authority by rule under section 41B.07. Application and origination fees received by the authority must be deposited in the ethanol development fund.

(c) Total assistance provided to an ethanol production facility from appropriated funds must not exceed \$500,000 or a lesser amount as provided by rules relating to the program.

(d) The interest payable on loans and loan participations made by the authority

must, if funded by revenue bond proceeds, be at a rate not less than the rate on the revenue bonds, and may be established at a higher rate necessary to pay costs associated with the issuance of the revenue bonds and a proportionate share of the cost of administering the program. The interest payable on loans and loan participations funded from sources other than revenue bond proceeds must be at a rate determined by the authority.

History: 1993 c 342 s 11

41B.14 REVENUE BONDS; NONLIABILITY OF STATE.

The state of Minnesota is not liable on bonds of the authority issued under sections 41B.08 and 41B.044 and those bonds are not a debt of the state. The bonds must contain on their face a statement to that effect.

History: 1993 c 342 s 12