CHAPTER 41B

RURAL FINANCE AUTHORITY

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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 Authority Act of 1986."

Subd. 2. **Purpose.** Sections 41B.01 to 41B.23 create and establish the Minnesota Rural Finance Authority 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 Rural Finance Authority's programs and of the bonds issued to finance or provide security for the programs is to purchase participation interests in loans, including seller-sponsored loans to be made available by agricultural lenders to farmers 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 programs 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 Authority 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 Authority, 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; 1987 c 396 art 1 s 3,31; 1988 c 688 art 10 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. 1a. **Amortized restructured loan.** "Amortized restructured loan" means a loan after it has been modified pursuant to section 41B.04, subdivision 9, paragraph (d).

Subd. 2. **Authority.** "Authority" means the Minnesota Rural Finance Authority created in section 41B.025.

Subd. 3. MS 1986 [Renumbered subd 10]

Subd. 3. **Basic interest.** "Basic interest" means that part of interest on primary principal that is payable while the loan is in effect.

Subd. 4. MS 1987 Supp [Renumbered subd 8]

Subd. 4. **Bonds.** "Bonds" means bonds, notes, or other obligations issued by the authority. For the purposes of section 41B.19, "bonds" also includes bonds or other obligations issued by the state.

Subd. 5. MS 1987 Supp [Renumbered subd 9]

Subd. 5. **Borrower.** "Borrower" means the person or persons liable on a qualified agricultural loan.

Subd. 6. MS 1987 Supp [Renumbered subd 13]

Subd. 6. **Current market value.** "Current market value" means, for the purposes of section 41B.04, 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. 7. MS 1986 [Renumbered subd 4]

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).

Subd. 8. MS 1986 [Renumbered subd 16]

Subd. 8. **Eligible agricultural lender; eligible lender.** "Eligible agricultural lender" or "eligible lender" means a bank, credit union, or savings association chartered by the state or federal government, a subdivision of the Farm Credit System, the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or any insurance company, fund, or other financial institution doing business as an agricultural lender within the state, if the authority determines that the agricultural lender has sufficient personnel and other resources to efficiently and properly originate and service qualified agricultural loans. An eligible agricultural lender must enter into one or more agreements with the authority providing for the origination and servicing of qualified agricultural loans on the terms and conditions the authority determines to be appropriate.

Subd. 9. **Eligible borrower.** "Eligible borrower" means a borrower who meets the eligibility criteria for a program in section 41B.03.

Subd. 10. MS 1986 [Renumbered subd 15]

Subd. 10. **Farm.** "Farm" means a family farm as defined in section 500.24, located in Minnesota.

Subd. 10a. **Livestock expansion and modernization.** "Livestock expansion and modernization" means the purchase of a livestock farm or improvements to a livestock operation, including the purchase and construction or installation of improvements to land, buildings, and other permanent structures, including equipment incorporated in or permanently affixed to the land, buildings, or structures, which are useful for and intended to be used for the purpose of raising livestock.

Subd. 11. MS 1987 Supp [Renumbered subd 3]

Subd. 11. **Original loan.** "Original loan" means a loan prior to restructuring as provided in section 41B.04.

Subd. 12. MS 1986 [Renumbered subd 7]

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.

Subd. 13. MS 1987 Supp [Renumbered subd 6]

Subd. 13. **Qualified agricultural loan.** "Qualified agricultural loan" means a loan to an eligible borrower made under agricultural programs established and implemented by the authority.

Subd. 14. MS 1987 Supp [Renumbered subd 5]

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. MS 1987 Supp [Renumbered subd 11]

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.

Subd. 16. MS 1986 [Renumbered subd 14]

Subd. 16. **Security account.** "Security account" means the Rural Finance Authority security account established in section 41B.19, subdivision 5.

Subd. 17. MS 1986 [Repealed, 1987 c 396 art 1 s 32]

Subd. 18. **Seller-sponsored loan.** "Seller-sponsored loan" means a loan in which part or all of the price of a farm is financed by a loan from the seller of the farm who is a natural person, a partnership, or a family farm corporation as defined in section 500.24, located in Minnesota.

Subd. 19. **Agricultural improvements.** "Agricultural improvements" means improvements to a farm, including the purchase and construction or installation of improvements to land, buildings, and other permanent structures, including equipment incorporated in or permanently affixed to the land, buildings, or structures, which are useful for and intended to be used for the purpose of farming. "Agricultural improvements" includes wind energy conversion facilities, as defined in section 216C.06, subdivision 19, each with an output capacity of one megawatt or less, as determined by the nameplate capacity. "Agricultural improvements" does not include equipment not affixed to real estate or improvements or additions to that equipment.

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

History: *1986 c 398 art 6 s 2; 1Sp1986 c 3 art 2 s 45; 1987 c 396 art 1 s 4-11,31; 1988 c 688 art 10 s 2; 1989 c 273 s 1-3; 1992 c 602 s 8; 1993 c 298 s 1; 1993 c 342 s 1-7; 1994 c 619 s 5; 1995 c 202 art 1 s 25; 1995 c 220 s 49; 1995 c 245 s 1; 2019 c 38 s 21; 1Sp2019 c 1 art 2 s 13*

41B.025 RURAL FINANCE AUTHORITY.

Subdivision 1. **Establishment.** There is created a public body corporate and politic to be known as the "Minnesota Rural Finance Authority," which shall perform the governmental functions and exercise the sovereign powers delegated to it in sections 41B.01 to 41B.23 and chapter 41C in furtherance of the public policies and purposes declared in section 41B.01. The board of the authority consists of the commissioners of agriculture, commerce, employment and economic development, and management and budget, the state auditor, and six public members appointed by the governor with the advice and consent of the senate. The state auditor may designate one staff member to serve in the auditor's place. No public member may reside within the metropolitan area, as defined in section 473.121, subdivision 2. 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 authority are as provided in section 15.0575.

Subd. 3. **Chair.** The commissioner of agriculture is the chair of the board. The commissioner of management and budget is the vice-chair of the board.

Subd. 4. [Repealed, 1987 c 396 art 1 s 32]

Subd. 5. **Actions of the authority.** A majority of the members of the authority, 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 authority upon a vote of a majority of a quorum present.

Subd. 6. **Administrative control.** The authority is under the administrative control of the commissioner of agriculture.

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

Subd. 8. **Technical assistance.** The authority must make technical assistance available to potential lenders and applicants to encourage applications for loans.

Subd. 9. **Report.** The authority shall submit quarterly reports to the governor and the legislative committees and divisions with jurisdiction over agriculture and capital investment that provide an estimate of when funding for the authority's state bond-financed loan programs is projected to be exhausted.

Subd. 10. **Timely decisions.** When feasible, the authority must make a decision on a completed loan application submitted by a borrower or eligible agricultural lender within ten business days.

History: *1986 c 398 art 6 s 4; 1986 c 444; 1987 c 384 art 2 s 1; 1987 c 396 art 1 s 13,14,31; 1991 c 332 s 1-3; 1Sp2001 c 2 s 67; 1Sp2003 c 4 s 1; 2009 c 101 art 2 s 109; 5Sp2020 c 3 art 5 s 3; 2022 c 95 art 2 s 25*

41B.026 TELEPHONE OR ELECTRONIC MEETING.

(a) Notwithstanding section 13D.01, the Rural Finance Authority may conduct a meeting of its members by telephone or other electronic means so long as the following conditions are met:

(1) all members of the authority participating in the meeting, wherever their physical location, can hear one another and can hear all discussion and testimony;

(2) members of the public present at the regular meeting location of the authority can hear all discussion and testimony and all votes of members of the authority;

(3) at least one member of the authority is physically present at the regular meeting location; and

(4) all votes are conducted by roll call, so each member's vote on each issue can be identified and recorded.

(b) Each member of the authority participating in a meeting by telephone or other electronic means is considered present at the meeting for purposes of determining a quorum and participating in all proceedings.

(c) If telephone or other electronic means is used to conduct a meeting, the authority, to the extent practical, shall allow a person to monitor the meeting electronically from a remote location. The authority may require the person making such a connection to pay for documented marginal costs that the authority incurs as a result of the additional connection.

(d) If telephone or other electronic means is used to conduct a regular, special, or emergency meeting, the authority shall provide notice of the regular meeting location, of the fact that some members may participate by telephone or other electronic means, and of the provisions of paragraph (c). The timing and method of providing notice is governed by section 13D.04.

History: *1997 c 154 s 3*

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 or family farm partnership, as defined in section 500.24, subdivision 2; and

(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.

Subd. 2. **Eligibility for restructured loan.** In addition to the eligibility requirements of subdivision 1, a prospective borrower for a restructured loan must:

(1) have received at least 50 percent of average annual gross income from farming for the past three years or, for homesteaded property, received at least 40 percent of average gross income from farming in the past three years, and farming must be the principal occupation of the borrower;

(2) have projected annual expenses, including operating expenses, family living, and interest expenses after the restructuring, that do not exceed 95 percent of the borrower's projected annual income considering prior production history and projected prices for farm production, except that the authority may reduce the 95 percent requirement if it finds that other significant factors in the loan application support the making of the loan;

(3) demonstrate substantial difficulty in meeting projected annual expenses without restructuring the loan; and

(4) have a total net worth, including assets and liabilities of the borrower's spouse and dependents, of less than $1,700,000 in 2017 and an amount in subsequent years which is adjusted for inflation by multiplying that amount by the cumulative inflation rate as determined by the United States All-Items Consumer Price Index.

Subd. 3. **Eligibility for beginning farmer loans.** (a) 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 $800,000 in 2017 and an amount in subsequent years which is adjusted for inflation by multiplying that amount 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 three years of the loan, if an approved program is available within 45 miles from the borrower's residence. The authority may waive this requirement for any of the programs administered by the authority if the participant requests a waiver and has a four-year degree in an agricultural program or

related field, reasonable agricultural job-related experience, or certification as an adult farm management instructor; and

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

(b) If a borrower fails to participate under paragraph (a), clause (7), the borrower is subject to penalty as determined by the authority.

Subd. 4. [Repealed, 1989 c 273 s 8]

Subd. 5. **Eligibility for seller-sponsored loans.** In addition to the requirements under subdivision 1, a prospective borrower under the seller-sponsored loan program must either meet the conditions of subdivision 3 if the person is a beginning farmer, or other conditions the authority prescribes if the person is reentering farming through the seller-sponsored loan program.

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 the Rural Finance Authority administrative account established in subdivision 7.

Subd. 7. **Rural Finance Authority administrative account.** There is established in the agricultural fund a Rural Finance Authority administrative account. Money in the account, including interest, is appropriated to the commissioner of agriculture for the administrative expenses of the loan programs administered by the Rural Finance Authority.

History: *1986 c 398 art 6 s 3; 1986 c 444; 1987 c 396 art 1 s 12; 1988 c 688 art 10 s 3; 1989 c 273 s 4,5; 1991 c 332 s 4; 1993 c 332 s 1,2; 1993 c 342 s 8; 1994 c 619 s 6; 1995 c 220 s 50; 2000 c 477 s 53,54; 2000 c 488 art 3 s 12,13; 1Sp2001 c 2 s 68; 2002 c 373 s 24,25; 2004 c 254 s 14,15; 2015 c 21 art 1 s 109; 1Sp2015 c 4 art 2 s 62,63; 2017 c 88 art 2 s 60,61; 2019 c 38 s 22*

41B.035 [Renumbered 41B.025]

41B.036 GENERAL POWERS OF THE AUTHORITY.

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 authority 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 real or 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.

(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 authority 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 authority 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 authority funds.

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

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

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

(s) It 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 authority may only purchase participation interests in restructuring loans under the normal procedure. The authority may provide in an agreement for special procedures or requirements designed to meet specific conditions or requirements.

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

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

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

History: *1986 c 398 art 6 s 6; 1987 c 396 art 1 s 24,31; 1988 c 688 art 10 s 7; 1992 c 381 s 5; 2012 c 244 art 1 s 45*

41B.037 HOMESTEAD REDEMPTION PROGRAM.

The authority may establish and implement a homestead redemption program under sections 41B.01 to 41B.23. The purpose of the program is to assist persons who have lost their farms due to foreclosure, granting a deed in lieu of foreclosure, or other actions necessary to settle their agricultural debts, and who are otherwise unable to secure the credit necessary to repurchase their farm homestead. The authority may enter into agreements with an eligible lender for the purposes of the program. The authority may, by rule, establish eligibility standards for the program that are different from those established for other programs of the authority. The authority's interest in a homestead redemption loan may not exceed one-half of the loan amount or $25,000, whichever is less.

History: *1987 c 396 art 1 s 15*

41B.038 PROGRAMS FOR COMMITMENTS TO OTHER ENTITIES.

The authority may establish programs to make or purchase and enter into commitments to make or purchase qualified agricultural loans or portions of the loans issued to persons described in section 41B.03, subdivision 1. The agricultural loans must be insured or guaranteed by the United States Department of Agriculture, Farmers Home Administration, Farm Credit System, a subdivision of the Farm Credit System, or any similar federal agency or federally chartered institution whose obligations are directly or indirectly guaranteed or insured by the United States. The commissioner of management and budget may not issue general obligation bonds pursuant to section 41B.19 or 41B.195 to finance any programs established under this section.

History: *1987 c 396 art 1 s 16; 2009 c 101 art 2 s 109*

41B.039 BEGINNING FARMER PROGRAM.

Subdivision 1. **Establishment.** The authority may establish, develop criteria, and implement a beginning farmer program.

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. Individual loans must be no less than $20,000 and no more than $500,000. 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. 3. [Repealed, 1989 c 273 s 8]

Subd. 4. [Repealed, 1989 c 273 s 8]

Subd. 5. [Repealed, 1989 c 273 s 8]

History: *1987 c 396 art 1 s 17; 1988 c 688 art 10 s 4-6; 1989 c 273 s 6; 1992 c 381 s 6; 1992 c 532 s 1; 1993 c 332 s 3; 2000 c 477 s 55; 2000 c 488 art 3 s 14; 2004 c 254 s 16; 2009 c 94 art 1 s 84; 2015 c 44 s 22; 2024 c 126 art 2 s 56; 2024 c 127 art 38 s 56; 2025 c 34 art 3 s 20*

41B.0391 BEGINNING FARMER PROGRAM; TAX CREDITS.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Agricultural assets" means agricultural land, livestock, facilities, buildings, and machinery used for farming in Minnesota.

(c) "Beginning farmer" means an individual who:

(1) is a resident of Minnesota;

(2) is seeking entry, or has entered within the last ten years, into farming;

(3) intends to farm land located within the state borders of Minnesota;

(4) except as provided in subdivision 2, paragraph (f), is not and whose spouse is not a family member of the owner of the agricultural assets from whom the beginning farmer is seeking to purchase or rent agricultural assets;

(5) except as provided in subdivision 2, paragraph (f), is not and whose spouse is not a family member of a partner, member, shareholder, or trustee of the owner of agricultural assets from whom the beginning farmer is seeking to purchase or rent agricultural assets; and

(6) meets the following eligibility requirements as determined by the authority:

(i) has a net worth that does not exceed the limit provided under section 41B.03, subdivision 3, paragraph (a), clause (2);

(ii) provides the majority of the day-to-day physical labor and management of the farm;

(iii) has, by the judgment of the authority, adequate farming experience or demonstrates knowledge in the type of farming for which the beginning farmer seeks assistance from the authority;

(iv) demonstrates to the authority a profit potential by submitting projected earnings statements;

(v) asserts to the satisfaction of the authority that farming will be a significant source of income for the beginning farmer;

(vi) is enrolled in or has completed within ten years of their first year of farming a financial management program approved by the authority or the commissioner of agriculture;

(vii) agrees to notify the authority if the beginning farmer no longer meets the eligibility requirements within the three-year certification period, in which case the beginning farmer is no longer eligible for credits under this section; and

(viii) has other qualifications as specified by the authority.

The authority may waive the requirement in item (vi) if the participant requests a waiver and has a four-year degree in an agricultural program or related field, reasonable agricultural job-related experience, or certification as an adult farm management instructor.

(d) "Family member" means a family member within the meaning of the Internal Revenue Code, section 267(c)(4).

(e) "Farm product" means plants and animals useful to humans and includes, but is not limited to, forage and sod crops, oilseeds, grain and feed crops, dairy and dairy products, poultry and poultry products, livestock, fruits, and vegetables.

(f) "Farming" means the active use, management, and operation of real and personal property for the production of a farm product.

(g) "Limited land access farmer" means a farmer experiencing limited land access as defined in section 17.133, subdivision 1.

(h) "Owner of agricultural assets" means an individual, trust, or pass-through entity that is the owner in fee of agricultural land or has legal title to any other agricultural asset. Owner of agricultural assets does not mean an equipment dealer, livestock dealer defined in section 17A.03, subdivision 7, or comparable entity that is engaged in the business of selling agricultural assets for profit and that is not engaged in farming as its primary business activity. An owner of agricultural assets approved and certified by the authority under subdivision 4 must notify the authority if the owner no longer meets the definition in this paragraph within the three year certification period and is then no longer eligible for credits under this section.

(i) "Resident" has the meaning given in section 290.01, subdivision 7.

(j) "Share rent agreement" means a rental agreement in which the principal consideration given to the owner of agricultural assets is a predetermined portion of the production of farm products produced from the rented agricultural assets and which provides for sharing production costs or risk of loss, or both.

Subd. 2. **Tax credit for owners of agricultural assets.** (a) An owner of agricultural assets may take a credit against the tax due under chapter 290 for the sale or rental of agricultural assets to a beginning farmer in the amount allocated by the authority under subdivision 4. An owner of agricultural assets is eligible for allocation of a credit equal to:

(1) eight percent of the lesser of the sale price or the fair market value of the agricultural asset, up to a maximum of $50,000;

(2) ten percent of the gross rental income in each of the first, second, and third years of a rental agreement, up to a maximum of $7,000 per year; or

(3) 15 percent of the cash equivalent of the gross rental income in each of the first, second, and third years of a share rent agreement, up to a maximum of $10,000 per year.

(b) A qualifying rental agreement includes cash rent of agricultural assets or a share rent agreement. The agricultural asset must be rented at prevailing community rates as determined by the authority.

(c) The credit may be claimed only after approval and certification by the authority, and is limited to the amount stated on the certificate issued under subdivision 4. An owner of agricultural assets must apply to the authority for certification and allocation of a credit, in a form and manner prescribed by the authority.

(d) An owner of agricultural assets or beginning farmer may terminate a rental agreement, including a share rent agreement, for reasonable cause upon approval of the authority. If a rental agreement is terminated without the fault of the owner of agricultural assets, the tax credits shall not be retroactively disallowed. In determining reasonable cause, the authority must look at which party was at fault in the termination of the agreement. If the authority determines the owner of agricultural assets did not have reasonable cause, the owner of agricultural assets must repay all credits received as a result of the rental agreement to the commissioner of revenue. The repayment is additional income tax for the taxable year in which the authority makes its decision or when a final adjudication under subdivision 5, paragraph (a), is made, whichever is later.

(e) The credit is limited to the liability for tax as computed under chapter 290 for the taxable year. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a beginning farmer incentive credit carryover according to section 290.06, subdivision 37.

(f) For purposes of the credit for the sale of agricultural land only, the family member definitional exclusions in subdivision 1, paragraph (c), clauses (4) and (5), do not apply. For a sale to a family member to qualify for the credit, the sales price of the agricultural land must equal or exceed the assessed value of the land as of the date of the sale. For purposes of this paragraph, "sale to a family member" means a sale to a beginning farmer in which the beginning farmer or the beginning farmer's spouse is a family member of:

(1) the owner of the agricultural land; or

(2) a partner, member, shareholder, or trustee of the owner of the agricultural land.

(g) For a sale to a limited land access farmer, the credit rate under paragraph (a), clause (1), is 12 percent rather than eight percent.

Subd. 3. **Beginning farmer management tax credit.** (a) A beginning farmer may take a credit against the tax due under chapter 290 for participating in a financial management program approved by the authority. A beginning farmer is eligible for allocation of a credit equal to 100 percent of the amount paid for participating in the program, not to exceed $1,500 per year. The credit is available for up to three years while the farmer is in the program. The authority shall maintain a list of approved financial management programs and establish a procedure for approving equivalent programs that are not on the list.

(b) The credit may be claimed only after approval and certification by the authority.

(c) The credit is limited to the liability for tax as computed under chapter 290 for the taxable year. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a beginning farmer management credit carryover according to section 290.06, subdivision 38.

Subd. 4. **Authority duties.** (a) The authority shall:

(1) approve and certify or recertify beginning farmers as eligible for the program under this section;

(2) approve and certify or recertify owners of agricultural assets as eligible for the tax credit under subdivision 2 subject to the allocation limits in paragraph (c);

(3) provide necessary and reasonable assistance and support to beginning farmers for qualification and participation in financial management programs approved by the authority;

(4) refer beginning farmers to agencies and organizations that may provide additional pertinent information and assistance; and

(5) notwithstanding section 41B.211, the Rural Finance Authority must share information with the commissioner of revenue to the extent necessary to administer provisions under this subdivision and section 290.06, subdivisions 37 and 38. The Rural Finance Authority must annually notify the commissioner of revenue of approval and certification or recertification of beginning farmers and owners of agricultural assets under this section. For credits under subdivision 2, the notification must include the amount of credit approved by the authority and stated on the credit certificate.

(b) The certification of a beginning farmer or an owner of agricultural assets under this section is valid for the year of the certification and the two following years, after which time the beginning farmer or owner of agricultural assets must apply to the authority for recertification.

(c) For credits for owners of agricultural assets allowed under subdivision 2, the authority must not allocate more than $6,500,000 for taxable years beginning after December 31, 2022, and before January 1, 2024, and $4,000,000 for taxable years beginning after December 31, 2023. The authority must allocate credits on a first-come, first-served basis beginning on January 1 of each year, except that recertifications for the second and third years of credits under subdivision 2, paragraph (a), clauses (1) and (2), have first priority. Any amount authorized but not allocated for taxable years ending before January 1, 2023, is canceled and is not allocated for future taxable years. For taxable years beginning after December 31, 2022, any amount authorized but not allocated in any taxable year does not cancel and is added to the allocation for the next taxable year. For each taxable year, 50 percent of newly allocated credits must be allocated to limited land access farmers. Any portion of a taxable year's newly allocated credits that is reserved for limited land access farmers that is not allocated by September 30 of the taxable year is available for allocation to other credit allocations beginning on October 1.

Subd. 5. **Appeals of authority determinations.** (a) Any decision of the authority under this section may be challenged as a contested case under chapter 14. The contested case proceeding must be initiated within 60 days of the date of written notification by the office.

(b) If a taxpayer challenges a decision of the authority under this subdivision, upon perfection of the appeal the authority must notify the commissioner of revenue of the challenge within five days.

(c) Nothing in this subdivision affects the commissioner of revenue's authority to audit, review, correct, or adjust returns claiming the credit.

Subd. 6. MS 2024 [Repealed, 2025 c 20 s 294]

Subd. 6a. **Report to legislature.** (a) No later than February 1 each year the Rural Finance Authority, in consultation with the commissioner of revenue, must provide a report to the chairs and ranking minority members of the legislative committees having jurisdiction over agriculture, economic development, rural development, and taxes, in compliance with sections 3.195 and 3.197, on the beginning farmer tax credits under this section.

(b) The report must include background information on beginning farmers in Minnesota and any other information the commissioner and authority find relevant to evaluating the effect of the credits on increasing opportunities for and the number of beginning farmers.

(c) For credits issued under subdivision 2, paragraph (a), clauses (1) to (3), the report must include:

(1) the number and amount of credits issued under each clause;

(2) the geographic distribution of credits issued under each clause;

(3) the type of agricultural assets for which credits were issued under clause (1);

(4) the number and geographic distribution of beginning farmers whose purchase or rental of assets resulted in credits for the seller or owner of the asset;

(5) the number and amount of credits disallowed under subdivision 2, paragraph (d);

(6) data on the number of beginning farmers by geographic region, including:

(i) the number of beginning farmers by race and ethnicity, as those terms are applied in the 2020 United States Census; and

(ii) to the extent available, the number of beginning farmers who are limited land access farmers; and

(7) the number and amount of credit applications that exceeded the allocation available in each year.

(d) For credits issued under subdivision 3, the report must include:

(1) the number and amount of credits issued;

(2) the geographic distribution of credits;

(3) a listing and description of each approved financial management program for which credits were issued; and

(4) a description of the approval procedure for financial management programs not on the list maintained by the authority, as provided in subdivision 3, paragraph (a).

Subd. 7. **Sunset.** This section expires for taxable years beginning after December 31, 2030.

History: *1Sp2017 c 1 art 1 s 1; 2019 c 38 s 23; 2023 c 64 art 1 s 1-5; 2025 c 34 art 3 s 21-24*

41B.04 LOAN RESTRUCTURING PROGRAM.

Subdivision 1. **Restructuring authority.** The authority 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 authority determines are not inconsistent with sections 41B.01 to 41B.23. This section governs the programs of the authority.

Subd. 2. **Implementation of program.** The authority 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 authority 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 authority only if the eligible agricultural lender has determined and has certified to the authority 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 authority that the loan is a qualified agricultural loan.

Subd. 3a. **Debt-to-asset ratio.** Notwithstanding Minnesota Rules, part 1653.0031, and other law to the contrary, a person who farms land located in a county that has been the subject of a state or federal disaster declaration may participate in a loan restructuring program under this section even if the person has a debt-to-asset ratio under 50 percent. The person must apply to participate in the program within 18 months of the disaster declaration.

Subd. 4. **Program availability.** The authority 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 authority 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. [Repealed, 1987 c 396 art 1 s 32]

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

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

Subd. 8. **State participation.** With respect to loans that are eligible for restructuring under sections 41B.01 to 41B.23 and upon acceptance by the authority, the authority shall enter into a participation agreement or other financial arrangement whereby it shall participate in a restructured loan to the extent of 45 percent of the primary principal. Individual loans must be no less than $20,000 and no more than $625,000. The authority's portion of the loan must be protected during the authority's participation by the first mortgage held by the eligible lender to the extent of its participation in the loan.

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.

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

Subd. 10. **Interest rate.** Unless the authority determines that it is not in the best interests of the restructured loan program, the interest rate per annum on the portion of the restructured loan represented by the participation interest purchased by the authority must be that 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 issued by the authority, 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 authority 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 authority. The authority 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.

Subd. 12. **Assignability.** Loans restructured under this section may not be assigned to anyone other than a borrower meeting the eligibility requirements of section 41B.03, subdivision 1, and any other requirements imposed or approved by the authority. 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. [Repealed, 1987 c 396 art 1 s 32]

Subd. 14. [Repealed, 1987 c 396 art 1 s 32]

Subd. 15. [Repealed, 1987 c 396 art 1 s 32]

Subd. 16. [Repealed, 1987 c 396 art 1 s 32]

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 the Rural Finance Authority administrative account established in section 41B.03.

History: *1986 c 398 art 6 s 5; 1987 c 396 art 1 s 18-23,31; 1993 c 342 s 9,10; 1994 c 514 s 1; 1995 c 220 s 51; 2Sp1997 c 2 s 15; 2000 c 477 s 56; 2000 c 488 art 3 s 15; 2004 c 254 s 17; 2009 c 94 art 1 s 85; 2013 c 114 art 2 s 51; 2015 c 44 s 23; 1Sp2015 c 4 art 2 s 64; 2024 c 126 art 2 s 57; 2024 c 127 art 38 s 57; 2025 c 34 art 3 s 25*

41B.042 SELLER-SPONSORED PROGRAM.

Subdivision 1. **Establishment.** The authority must, within 120 days after August 1, 1989, establish, develop criteria, and implement a seller-sponsored loan participation program to assist persons entering or reentering farming. The authority must conduct a study on the feasibility of implementing a program for assistance to persons entering or reentering farming through seller-participation contracts for deed and report to the legislature by January 15, 1990.

Subd. 2. **Security.** Seller-sponsored loans in which the authority holds an interest must be secured by a real estate mortgage evidenced by one or more notes that may carry different interest rates.

Subd. 3. **Prohibited participation.** The authority may not participate in seller-sponsored loans if the buyer or seller has previously participated in a family farm security loan or a seller-sponsored loan under chapter 41. Unless the loan is partially financed by an eligible lender, the authority may not participate in loans between persons that are related to each other as parent and child, brother and sister, grandparent and grandchild, uncle or aunt and niece or nephew, or first cousins.

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. Individual loans must be no less than $20,000 and no more than $500,000. 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: *1989 c 273 s 7; 1992 c 532 s 2; 1993 c 332 s 4; 2000 c 477 s 57; 2000 c 488 art 3 s 16; 2004 c 254 s 18; 2009 c 94 art 1 s 86; 2015 c 44 s 24; 2024 c 126 art 2 s 58; 2024 c 127 art 38 s 58; 2025 c 34 art 3 s 26*

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. [Repealed, 2007 c 45 art 1 s 66]

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 is actively engaged in farming. Participation is limited to 45 percent of the principal amount of the loan. Individual loans must be no less than $20,000 and no more than $500,000. 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.** Each loan participation must be secured by a mortgage on real property and such other security as the authority may require.

Subd. 2a. **Snow, flood, or other naturally caused damage.** A prospective borrower applying for a loan participation through an eligible lender may refinance an existing debt in order to repair or replace farm driveways, drainage ditches and tile lines, grassed waterways, or agricultural buildings damaged due to snow, flooding, or other weather-related causes.

Subd. 3. **Application and origination fee.** The authority may impose a reasonable nonrefundable application fee for each application submitted for a participation issued under the agricultural improvement loan program. The application fee is initially $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 the Rural Finance Authority administrative account established in section 41B.03.

Subd. 4. **Interest rate.** The interest rate per annum on the agricultural improvement 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 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.

Subd. 5. **Total net worth limit.** A prospective borrower for an agricultural improvement loan in which the authority holds an interest must have a total net worth, including assets and liabilities of the borrower's spouse and dependents, of less than $800,000 in 2017 and an amount in subsequent years which is adjusted for inflation by multiplying that amount by the cumulative inflation rate as determined by the United States All-Items Consumer Price Index.

History: *1992 c 602 s 9; 1993 c 298 s 2; 1995 c 220 s 52-54; 2Sp1997 c 2 s 16; 1998 c 383 s 31; 2000 c 477 s 58; 2000 c 488 art 3 s 17; 1Sp2001 c 2 s 69,70; 2004 c 254 s 19,20; 2007 c 45 art 1 s 49-51; 2009 c 94 art 1 s 87; 2015 c 44 s 25; 1Sp2015 c 4 art 2 s 65; 2017 c 88 art 2 s 62; 2024 c 126 art 2 s 59; 2024 c 127 art 38 s 59; 2025 c 34 art 3 s 27*

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. All repayments of financial assistance granted under subdivision 1, including principal and interest, must be deposited into the general fund.

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; 1994 c 642 s 3; 1999 c 231 s 82*

41B.045 LIVESTOCK EXPANSION AND MODERNIZATION LOAN PROGRAM.

Subdivision 1. **Establishment.** The authority may establish, adopt rules for, and implement a loan program to finance livestock expansions and modernizations in the state.

Subd. 2. **Loan participation.** The authority may participate in a livestock expansion and modernization loan with an eligible lender to a livestock farmer who meets the requirements of section 41B.03, subdivision 1, clauses (1) and (2), and who are actively engaged in a livestock operation. A prospective borrower must have a total net worth, including assets and liabilities of the borrower's spouse and dependents, of less than $1,700,000 in 2017 and an amount in subsequent years which is adjusted for inflation by multiplying that amount by the cumulative inflation rate as determined by the United States All-Items Consumer Price Index.

Participation is limited to 45 percent of the principal amount of the loan. Individual loans must be no less than $20,000 and no more than $625,000. The interest rates and repayment terms of the authority's participation interest may be different from the interest rates and repayment terms of the lender's retained portion of the loan.

Subd. 3. **Specifications.** Each loan participation must be secured by a mortgage on real property and such other security as the authority may require.

Subd. 4. **Application and origination fee.** The authority may impose a reasonable nonrefundable application fee for each application for a loan participation and an origination fee for each loan issued under the livestock expansion and modernization 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 the Rural Finance Authority administrative account established in section 41B.03.

Subd. 5. **Interest rate.** The interest rate per annum on the livestock expansion and modernization loan participation must be at 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 this chapter, to provide financing for loan participations made under the livestock expansion and modernization 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 livestock expansion and modernization loan program.

History: *1994 c 619 s 7; 1995 c 220 s 55; 2000 c 477 s 59; 2000 c 488 art 3 s 18; 2002 c 379 art 1 s 15; 2004 c 254 s 21; 2009 c 94 art 1 s 88; 2015 c 44 s 26; 1Sp2015 c 4 art 2 s 66,67; 2017 c 88 art 2 s 63; 1Sp2019 c 1 art 2 s 14; 2024 c 126 art 2 s 60; 2024 c 127 art 38 s 60; 2025 c 34 art 3 s 28*

41B.046 VALUE-ADDED AGRICULTURAL PRODUCT LOAN PROGRAM.

Subdivision 1. **Definitions.** For purposes of this section:

(1) "Agricultural commodity" has the meaning given in section 17.90.

(2) "Agricultural product processing facility" means land, buildings, structures, fixtures, and improvements located or to be located in Minnesota and used or operated primarily for the processing or production of marketable products from agricultural commodities or agricultural energy resources, including waste and residues from agricultural commodities, but, except as provided in subdivision 4a, not including livestock or livestock products, poultry or poultry products, or wood or wood products.

(3) "Value-added agricultural product" means a product derived from agricultural commodities or agricultural energy resources, including waste and residues from agricultural commodities, but, except as provided in subdivision 4a, not including livestock or livestock products, poultry or poultry products, or wood or wood products, which are processed by an agricultural product processing facility.

(4) "Agricultural energy resources" means energy products and resources available on and around agricultural land including wind, solar, and biomass energy.

(5) "Farm-generated wind energy production facility" means a wind energy conversion facility for the generation of electricity and its support structure, base, switch gear, and associated equipment installed on agricultural land.

Subd. 2. **Establishment.** The authority shall establish and implement a value-added agricultural product loan program to help farmers finance the purchase of stock in a cooperative, limited liability company, or limited liability partnership that is proposing to build or purchase and operate an agricultural product processing facility or already owns and operates an agricultural product processing facility.

Subd. 3. [Repealed, 1Sp2005 c 1 art 1 s 98]

Subd. 4. **Eligibility.** To be eligible for this program a borrower must:

(1) be a resident of Minnesota or a domestic family farm corporation as defined in section 500.24, subdivision 2;

(2) be a grower of the agricultural product which is to be processed by an agricultural product processing facility;

(3) demonstrate an ability to repay the loan; and

(4) meet any other requirements which the authority may impose by rule.

Subd. 4a. **Certain livestock processing facilities eligible.** An applicant may be eligible for a loan under this section if:

(1) the facility is owned and operated by a cooperative organized under chapter 308A. For purposes of this subdivision, "owned and operated" includes a contractual arrangement with another entity to provide management and operations services for a facility owned by the cooperative; and

(2) its agricultural product processing facility is located in Minnesota and operated primarily for the processing of livestock.

Subd. 4b. **Farm-generated wind energy production facilities eligible.** An applicant is eligible for a loan for a farm-generated wind energy production facility under this section if:

(1) the facility is owned and operated by a cooperative organized under chapter 308A. For purposes of this subdivision, "owned and operated" includes a contractual arrangement with another entity to provide management and operations services for a facility owned by the cooperative;

(2) all shares and membership in the cooperative are held by natural persons or estates, at least 51 percent of whom reside in a county or contiguous to a county where farm-generated wind energy production facilities of the cooperative are located; and

(3) its farm-generated wind energy production facilities are located entirely on agricultural property in Minnesota principally used for farming as defined in section 500.24, subdivision 2, paragraph (a), owned by the shareholders of the cooperative, with no more than two megawatts of nameplate capacity located on any one shareholder's agricultural property.

Subd. 5. **Loans.** (a) The authority may participate in a stock loan with an eligible lender to a farmer who is eligible under subdivision 4. Participation is limited to 45 percent of the principal amount of the loan or $40,000, whichever is less. The interest rates and repayment terms of the authority's participation interest may differ from the interest rates and repayment terms of the lender's retained portion of the loan, but the authority's interest rate must not exceed 50 percent of the lender's interest rate.

(b) No more than 95 percent of the purchase price of the stock may be financed under this program.

(c) Security for stock loans must be the stock purchased, a personal note executed by the borrower, and whatever other security is required by the eligible lender or the authority.

(d) The authority may impose a reasonable nonrefundable application fee for each application for a stock loan. The authority may review the fee annually and make adjustments as necessary. The application fee is initially $50. Application fees received by the authority must be deposited in the Rural Finance Authority administrative account established in section 41B.03.

(e) Stock loans under this program will be made using money in the revolving loan account established in section 41B.06.

(f) The authority may not grant stock loans in a cumulative amount exceeding $2,000,000 for the financing of stock purchases in any one cooperative.

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

Subd. 6. **Rules.** The authority may adopt rules necessary for the administration of the program including rules which establish a minimum cost of any agricultural product processing facility for which financial assistance may be given to any farmer to help finance the purchase of stock in a cooperative.

History: *1994 c 642 s 4; 1995 c 220 s 56,57; 1995 c 245 s 2,3; 1Sp2001 c 2 s 71; 2002 c 373 s 26; 2002 c 379 art 1 s 16; 2004 c 254 s 22; 1Sp2005 c 1 art 1 s 73; 1Sp2015 c 4 art 2 s 68*

41B.047 DISASTER RECOVERY LOAN PROGRAM.

Subdivision 1. **Establishment.** The authority shall establish and implement a disaster recovery loan program to help farmers:

(1) clean up, repair, or replace farm structures and septic and water systems, as well as replace seed, other crop inputs, feed, and livestock;

(2) purchase watering systems, irrigation systems, other drought mitigation systems and practices, and feed when drought is the cause of the purchase;

(3) restore farmland;

(4) replace flocks or livestock, make building improvements, or cover the loss of revenue when the replacement, improvements, or loss of revenue is due to the confirmed presence of a highly contagious animal disease in a commercial poultry or game flock, or a commercial livestock operation, located in Minnesota; or

(5) cover the loss of revenue when the revenue loss is due to an infectious human disease for which the governor has declared a peacetime emergency under section 12.31.

Subd. 2. [Repealed, 2002 c 220 art 9 s 8]

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

(1) meet the requirements of section 41B.03, subdivision 1;

(2) certify that the damage or loss was: (i) sustained within a county that was the subject of a state or federal disaster declaration; (ii) due to the confirmed presence of a highly contagious animal disease in Minnesota; (iii) due to an infectious human disease for which the governor has declared a peacetime emergency; or (iv) due to an emergency as determined by the authority;

(3) demonstrate an ability to repay the loan;

(4) have received at least 25 percent of annual gross income from farming in the past year; and

(5) have a total net worth, including assets and liabilities of the borrower's spouse and dependents, of less than $10,000,000.

Subd. 4. **Loans.** (a) The authority may participate in a disaster recovery loan with an eligible lender to a farmer who is eligible under subdivision 3. Participation is limited to 45 percent of the principal amount of the loan or $200,000, whichever is less. The interest rates and repayment terms of the authority's participation interest may differ from the interest rates and repayment terms of the lender's retained portion of the loan, but the authority's interest rate must not exceed four percent.

(b) Standards for loan amortization shall be set by the Rural Finance Authority not to exceed ten years.

(c) Security for the disaster recovery loans must be a personal note executed by the borrower and whatever other security is required by the eligible lender or the authority.

(d) The authority may impose a reasonable nonrefundable application fee for a disaster recovery loan. The authority may review the fee annually and make adjustments as necessary. The application fee is initially $50. Application fees received by the authority must be deposited in the Rural Finance Authority administrative account established in section 41B.03.

(e) Disaster recovery loans under this program will be made using money in the revolving loan account established under section 41B.06.

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

History: *1998 c 383 s 32; 2002 c 379 art 1 s 17; 2007 c 45 art 1 s 52; 2015 c 44 s 27-29; 1Sp2015 c 4 art 2 s 69-71; 2019 c 4 s 1,2; 2020 c 71 art 2 s 1,2; 2022 c 95 art 3 s 1; 2024 c 126 art 2 s 61; 2024 c 127 art 38 s 61; 2025 c 34 art 3 s 29*

41B.048 AGROFORESTRY LOAN PROGRAM.

Subdivision 1. **Purpose.** The purpose of the agroforestry loan program is to provide low-interest financing to farmers during the growing period required to convert agricultural land to agroforestry.

Subd. 2. **Establishment.** The authority shall establish and implement an agroforestry loan program to help finance the production of short rotation woody crops.

Subd. 3. **Rules.** The authority may adopt rules necessary for administration of the program established under subdivision 2.

Subd. 4. **Definitions.** (a) The definitions in this subdivision apply to this section.

(b) "Growing cycle" means the number of years from planting to harvest.

(c) "Harvest" means the day that the crop arrives at the scale of the buyer of the crop.

(d) "Short rotation woody crops" or "crop" means hybrid poplar and other woody plants that are harvested for their fiber within 15 years of planting.

Subd. 5. **Eligibility.** To be eligible for this program a borrower must:

(1) be a resident of Minnesota or any entity eligible to own farm land under section 500.24;

(2) be or plan to become a grower of short rotation woody crops on agricultural land that is suitable for the profitable production of short rotation woody crops;

(3) be a member of a producer-owned cooperative that will contract to market the short rotation woody crop to be planted by the borrower;

(4) demonstrate an ability to repay the loan;

(5) not receive assistance under this program for more than $150,000 in the producer's lifetime;

(6) agree to work with appropriate local, state, and federal agencies, and the marketing cooperative, to develop an acceptable establishment and maintenance plan;

(7) agree not to plant short-rotation woody crops within one-quarter of a mile of state or federally protected prairie; and

(8) meet any other requirements the authority may impose by administrative procedure or by rule.

Subd. 6. **Loans.** (a) The authority may participate with eligible lenders in agroforestry loans to farmers and agricultural landowners who are eligible under subdivision 5. The authority's participation is limited to 45 percent or $75,000 of total accumulative principal per loan.

(b) The interest rates and repayment terms of the authority's participation interest may differ from those of the lender's retained portion of the loan.

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

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

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

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

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

(e) Security for the loan must be the crop, a personal note executed by the borrower, and whatever other security is required by the eligible lender or the authority.

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

(g) The authority may impose a reasonable, nonrefundable application fee for each application for a loan under this program. The application fee is initially $50. Application fees received by the authority must be deposited in the Rural Finance Authority administrative account established in section 41B.03.

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

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

(j) The interest payable on loans for the agroforestry loan program must be at a rate determined by the authority.

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

Subd. 7. [Repealed, 2012 c 244 art 1 s 83]

Subd. 8. MS 2020 [Repealed, 2021 c 28 s 26]

History: *2000 c 488 art 3 s 19; 2012 c 244 art 1 s 46; 1Sp2015 c 4 art 2 s 72; 2021 c 28 s 20-22*

41B.049 METHANE DIGESTER LOAN PROGRAM.

Subdivision 1. **Establishment.** The authority shall establish and implement a methane digester loan program to help finance the purchase of necessary equipment and the construction or improvement of a system that utilizes manure to produce electricity.

Subd. 2. **Deposit of repayments.** All repayments of financial assistance granted under subdivision 1, including principal and interest, must be deposited into the revolving loan account established in section 41B.06.

Subd. 3. **Eligibility.** Notwithstanding section 41B.03, to be eligible for a loan under this section a borrower must:

(1) locate the projects and utilize the equipment and practices on land located in Minnesota;

(2) provide evidence of financial stability;

(3) demonstrate an ability to repay the loan; and

(4) provide evidence that the practices implemented and capital assets purchased will be properly managed and maintained.

Subd. 4. **Loans.** (a) The authority may make a direct loan or participate in a loan with an eligible lender to a farmer who is eligible under subdivision 3. Repayment terms of the authority's participation interest may differ from repayment terms of the lender's retained portion of the loan. Loans made under this section must be no-interest loans.

(b) Application for a direct loan or a loan participation must be made on forms prescribed by the authority.

(c) Standards for loan amortization shall be set by the Rural Finance Authority not to exceed ten years.

(d) Security for the loans must be a personal note executed by the borrower and whatever other security is required by the eligible lender or the authority.

(e) No loan proceeds may be used to refinance a debt existing prior to application.

(f) The authority may impose a reasonable nonrefundable application fee for each application for a direct loan or a loan participation. The authority may review the application fees annually and make adjustments as necessary. The application fee is initially set at $100 for a loan under subdivision 1. The fees received by the authority must be deposited in the Rural Finance Authority administrative account established in section 41B.03.

Subd. 5. **Loan criteria.** (a) To be eligible, a borrower must be a resident of Minnesota or an entity that is not prohibited from owning agricultural land under section 500.24.

(b) State participation in a participation loan is limited to 45 percent of the principal amount of the loan. A direct loan or loan participation may not exceed $250,000.

(c) Loans under this program may be used as a match for federal loans or grants.

(d) A borrower who has previously received a loan under subdivision 1 may receive another methane digester loan under subdivision 1 if the previous loan has been repaid in full.

History: *2002 c 373 s 27; 1Sp2005 c 1 art 1 s 74,75; 1Sp2015 c 4 art 2 s 73; 2019 c 38 s 24,25*

41B.05 [Renumbered 41B.036]

41B.055 LIVESTOCK EQUIPMENT LOAN PROGRAM.

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

Subd. 2. **Eligibility.** Notwithstanding section 41B.03, to be eligible for this program a borrower must:

(1) be a resident of Minnesota or general partnership or a family farm corporation, authorized farm corporation, family farm partnership, or authorized farm partnership as defined in section 500.24, subdivision 2;

(2) be the principal operator of a livestock farm;

(3) have a total net worth, including assets and liabilities of the borrower's spouse and dependents, no greater than the amount stipulated in section 41B.03, subdivision 3;

(4) demonstrate an ability to repay the loan; and

(5) hold an appropriate feedlot registration or be using the loan under this program to meet registration requirements.

Subd. 3. **Loans.** (a) The authority may participate in a livestock equipment loan equal to 90 percent of the purchased equipment value with an eligible lender to a farmer who is eligible under subdivision 2. Participation is limited to 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 differ from the interest rates and repayment terms of the lender's retained portion of the loan, but the authority's interest rate must not exceed three percent. The authority may review the interest annually and make adjustments as necessary.

(b) Standards for loan amortization must be set by the Rural Finance Authority and must not exceed ten years.

(c) Security for a livestock equipment loan must be a personal note executed by the borrower and whatever other security is required by the eligible lender or the authority.

(d) Refinancing of existing debt is not an eligible purpose.

(e) The authority may impose a reasonable, nonrefundable application fee for a livestock equipment loan. The authority may review the fee annually and make adjustments as necessary. The initial application fee is $50. Application fees received by the authority must be deposited in the Rural Finance Authority administrative account established in section 41B.03.

(f) Loans under this program must be made using money in the revolving loan account established in section 41B.06.

Subd. 4. **Eligible expenditures.** Money may be used for loans for the acquisition of equipment for animal housing, confinement, animal feeding, milk production, and waste management, including the following, if related to animal husbandry:

(1) fences;

(2) watering facilities;

(3) feed storage and handling equipment;

(4) milking parlors;

(5) milking equipment, including robotic equipment;

(6) scales;

(7) milk storage and cooling facilities;

(8) manure pumping and storage facilities;

(9) capital investment in pasture;

(10) hoop barns;

(11) portable structures;

(12) hay and forage equipment; and

(13) related structural work for the installation of equipment.

History: *1Sp2005 c 1 art 1 s 76; 2007 c 45 art 1 s 53; 2012 c 244 art 1 s 47; 1Sp2015 c 4 art 2 s 74; 2019 c 38 s 26; 1Sp2019 c 1 art 2 s 15*

41B.056 AGRICULTURAL MICROLOAN PROGRAM.

Subdivision 1. **Establishment.** The authority shall establish and implement an agricultural microloan program to help finance the purchase of agricultural land or the production of specialty crops or eligible livestock. The authority may contract with an intermediary to provide an efficient delivery system for this program.

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

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

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

(d) "Eligible livestock" means beef cattle, dairy cattle, swine, poultry, goats, mules, farmed Cervidae, Ratitae, bison, sheep, horses, and llamas.

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

(1) be a legal resident of Minnesota;

(2) either:

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

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

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

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

(5) demonstrate an ability to repay the loan.

Subd. 4. **Loans.** (a) The authority may disburse loans through an intermediary to farmers who are eligible under subdivision 3. The total accumulative loan principal must not exceed $20,000 per loan.

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

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

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

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

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

(g) The interest payable on loans for the pilot agricultural microloan program must be at a rate determined by the authority.

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

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

History: *2012 c 244 art 1 s 48; 1Sp2015 c 4 art 2 s 75; 2020 c 89 art 4 s 25; 2025 c 34 art 3 s 30*

41B.057 FARM OPPORTUNITY LOAN PROGRAM.

Subdivision 1. **Establishment.** The authority shall establish a farm opportunity loan program to provide loans that enable farmers to:

(1) add value to crops or livestock produced in Minnesota; or

(2) increase production of on-farm energy.

Subd. 2. **Loan criteria.** (a) The farm opportunity loan program shall provide loans for purchase of new or used equipment and installation of equipment for projects that make environmental improvements and enhance farm profitability. The loan program shall also be used to add value to crops or livestock produced in Minnesota by, but not limited to, initiating or expanding livestock product processing; purchasing equipment to initiate, upgrade, or modernize value-added agricultural businesses; or increasing farmers' processing and aggregating capacity facilitating entry into farm-to-institution and other markets. Eligible loan uses do not include expenses related to seeds, fertilizer, fuel, or other operating expenses.

(b) The authority may impose a reasonable, nonrefundable application fee for a farm opportunity loan. The authority may review the fee annually and make adjustments as necessary. The initial application fee is $50. Application fees received by the authority must be deposited in the Rural Finance Authority administrative account established in section 41B.03.

(c) Loans may only be made to Minnesota residents engaged in farming. Standards for loan amortization must be set by the Rural Finance Authority and must not exceed ten years.

(d) The borrower must show the ability to repay the loan.

(e) Refinancing of existing debt is not an eligible expense.

(f) Loans under this program must be made using money in the revolving loan account established in section 41B.06.

Subd. 3. **Loan participation.** The authority may participate in a farm opportunity loan with an eligible lender, as defined in section 41B.02, subdivision 8, to a farmer or a group of farmers on joint projects who are eligible under subdivision 2, paragraph (c), and who are actively engaged in farming. Participation is limited to 45 percent of the principal amount of the loan or $100,000 per individual, whichever is less. For loans to a group made up of four or more individuals, participation is limited to 45 percent of the principal amount of the loan or $250,000, whichever is less. The interest rate on the loans must not exceed six percent. A borrower must have a total net worth, including assets and liabilities of the borrower's spouse and dependents, of less than $1,700,000 in 2017 and an amount in subsequent years that is adjusted for inflation by multiplying that amount by the cumulative inflation rate as determined by the United States All-Items Consumer Price Index.

History: *1Sp2015 c 4 art 2 s 76; 2019 c 38 s 27; 2025 c 34 art 3 s 31,32*

41B.06 RURAL FINANCE AUTHORITY REVOLVING LOAN ACCOUNT.

There is established in the rural finance administration fund a Rural Finance Authority revolving loan account that is eligible to receive appropriations and the transfer of loan funds from other programs. All repayments of financial assistance granted from this account, including principal and interest, must be deposited into this account. Interest earned on money in the account accrues to the account, and the money in the account is appropriated to the commissioner of agriculture for purposes of the Rural Finance Authority livestock equipment, methane digester, disaster recovery, value-added agricultural product, agroforestry, agricultural microloan, and farm opportunity loan programs, including costs incurred by the authority to establish and administer the programs.

History: *1Sp2005 c 1 art 1 s 77; 2007 c 45 art 1 s 54; 2012 c 244 art 1 s 49; 1Sp2015 c 4 art 2 s 77*

41B.07 RULES.

The authority may adopt rules for the efficient administration of sections 41B.01 to 41B.23.

History: *1986 c 398 art 6 s 7; 1987 c 396 art 1 s 31; 1997 c 187 art 1 s 2*

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

Subdivision 1. **Bonds for program.** The authority from time to time may issue its negotiable bonds in a principal amount which, in the opinion of the authority, 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 authority, the establishment of reserves to secure the bonds, and the payment of all other expenditures of the authority 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 authority from time to time may issue bonds for the purpose of refunding any bonds of the authority 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 authority, 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 authority, 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 authority 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 authority.

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 authority, secured by its full faith and credit, and payable out of any money, assets, or revenues of the authority, subject to the provisions of resolutions or indentures pledging and appropriating particular money, assets, or revenues to particular bonds, or limited obligations of the authority 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. The "A" rating is not required if the bonds are initially sold to corporations or financial institutions for investment purposes and not for the purpose of remarketing the bonds to the public.

History: *1986 c 398 art 6 s 8; 1987 c 396 art 1 s 25,31*

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

The bonds of the authority must be authorized by a resolution or resolutions adopted by the authority, 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 authority 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 authority 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 authority. The bonds of the authority may be sold at public or private sale at a price or prices determined by the authority. 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 authority 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; 1987 c 396 art 1 s 31*

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 authority 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 authority.

(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 authority 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 authority, 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 authority 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; 1987 c 396 art 1 s 31*

41B.11 PLEDGES.

Any pledge made by the authority is valid and binding from the time the pledge is made. The money or property pledged and later received by the authority 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 authority, 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; 1987 c 396 art 1 s 31*

41B.12 REVENUE BONDS; NONLIABILITY OF INDIVIDUALS.

The members of the authority and its staff and any person executing the bonds are not personally liable on the bonds or subject to any personal liability or accountability by reason of their issuance.

History: *1986 c 398 art 6 s 12; 1987 c 396 art 1 s 26*

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

The authority, subject to agreements with bondholders which may then exist, has power out of any funds available for the purpose to purchase bonds of the authority 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; 1987 c 396 art 1 s 31*

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: *1986 c 398 art 6 s 14; 1987 c 396 art 1 s 31; 1993 c 342 s 12*

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 authority 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 authority 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; 1987 c 396 art 1 s 31*

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 authority shall certify those facts to the commissioner of management and budget and shall request that the commissioner of management and budget transfer from the security account established under section 41B.19, subdivision 5, to accounts or funds designated by the authority an amount required to cure the deficiency.

History: *1986 c 398 art 6 s 16; 1987 c 396 art 1 s 31; 2009 c 101 art 2 s 109*

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 authority to collect fees, charges, interest, and payments on loans or interests therein held by the authority 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 authority 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 authority 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 authority, and the commissioner of management and budget.

History: *1986 c 398 art 6 s 17; 1987 c 396 art 1 s 31; 2003 c 112 art 2 s 50; 2009 c 101 art 2 s 109*

41B.18 REVENUE BOND FUND; REPORTS.

Subdivision 1. **Authority.** The authority 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 authority 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 authority to that debt service reserve fund; and

(5) any other money made available to the authority 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 authority 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 authority 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 authority is not available.

Subd. 3. **Limitation.** If the authority 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 authority 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 authority 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 authority 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 authority 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 authority 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 authority program by county. In addition, the report must include the cost to the authority of the issuance of its bonds for each issue in the biennium.

Subd. 7. **Audit.** The books and records of the authority are subject to audit by the legislative auditor in the manner prescribed for other state agencies. The authority 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; 1987 c 396 art 1 s 31*

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 Authority, and upon request of the Rural Finance Authority under section 41B.08, the commissioner of management and budget may at the direction of the authority, issue general obligation bonds of the state in a principal amount not exceeding $50,000,000. Additional amounts for the same purpose may be authorized from time to time by law. 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 and held in, and disbursed from, a separate account in the bond proceeds fund and used solely for the purposes specified in this section. The authority may use the proceeds of the bonds to make direct loans or to purchase participations in qualified agricultural loans as provided in this chapter. The participations purchased with the bond proceeds must be held as assets of the rural renewal bond account established by subdivision 4 in the state bond fund. The premium and accrued interest, if any, must be deposited in 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 management and budget 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 management

and budget 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 management and budget 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 management and budget 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 management and budget, as determined by the commissioner of management and budget, times the average balance in the account that year.

Subd. 5. **Rural Finance Authority security account.** The commissioner of management and budget shall maintain a separate account designated as the Rural Finance Authority 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 management and budget 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 authority, the commissioner of management and budget shall transfer from the security account to an account or accounts the authority 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 authority 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 authority 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. When no revenue bonds secured by the security account are outstanding under the resolution authorizing their issuance, the commissioner of management and budget shall transfer all money and securities on hand in the security account to the state bond fund.

Subd. 6. **Investment of security account.** (a) 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 authority in any investment authorized by this subdivision. Money on deposit in the security account may be invested in:

(1) certificates of deposit issued by or interest-bearing time deposits with a national banking association or a bank and trust company organized under the laws of any state;

(2) 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;

(3) qualified agricultural loans or in participation interests in qualified agricultural loans; or

(4) qualified restructured loans.

(b) The principal amount of the investment under paragraph (a), clause (1), must be fully insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation; or if not fully insured, the institution issuing the certificate of deposit or accepting the time deposit must be rated in the

AA or a higher category as defined by a nationally recognized bond rating agency or in an equivalent or higher rating category based on any later redefinition.

(c) 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 authority, or to transfer money to a debt service reserve fund established in connection with the bonds, the authority 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 authority's obligation to transfer money to the security account is limited to money then on hand in funds or accounts of the authority 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 authority and to pay the costs of issuing, carrying, administering, and securing the bonds of the authority and of administering and implementing the programs of the authority 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 management and budget 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 management and budget 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 management and budget 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; 1987 c 396 art 1 s 27,28,31; 1989 c 271 s 9; 1996 c 463 s 36; 2009 c 101 art 2 s 109*

41B.195 ADDITIONAL USE OF GENERAL OBLIGATION BONDS.

If the Rural Finance Authority determines to issue revenue bonds under section 41B.08 for the purposes specified in section 41B.04, the commissioner may by order provide for the transfer of all or a portion of the remaining general obligation bond proceeds and interest on them, and all or a portion of the participations purchased with the bond proceeds and proceeds of them, to be transferred to the security account established in section 41B.19, subdivision 5, and used for the purposes specified in section 41B.19, subdivisions 1 and 5.

History: *1987 c 396 art 1 s 29,31; 1989 c 271 s 10; 1996 c 463 s 37*

41B.20 EXEMPTION FROM TAXES.

The property of the authority 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; 1987 c 396 art 1 s 31*

41B.21 CERTAIN ACTIONS.

Any action brought by any person with respect to the rights or powers of the authority 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 authority 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; 1987 c 396 art 1 s 31*

41B.211 DATA PRIVACY.

Subdivision 1. **Data on individuals.** Financial information, including credit reports, financial statements, and net worth calculations, received or prepared by the authority regarding any authority loan and the name of each individual who is the recipient of a loan are private data on individuals, under chapter 13, except that information obtained under the agricultural development bond program in sections 41C.01 to 41C.13 may be released as required by federal tax law.

Subd. 2. **Data not on individuals.** The following data submitted to the authority by businesses that are requesting financial assistance are nonpublic data as defined in section 13.02: financial information about the applicant, including credit reports, financial statements, net worth calculations, business plans, income and expense projections, customer lists, market and feasibility studies not paid for with public funds, tax returns, and financial reports provided to the authority after closing of the financial assistance.

History: *1987 c 396 art 1 s 30; 1991 c 332 s 5; 1995 c 259 art 1 s 29*

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*