

Assembly Hearing Slip

(Please print plainly)

Date: B-17-98

Bill No. AB 843

Or
Subject _____

(Name) John Manske

(Street Address or Route Number) 30 W. M. Pk.

(City & Zip Code) Madison, VT 53703

(Representing) VT Federation of Co-ops

Speaking In favor:

Speaking against:

Registering In favor:

Registering against:

Speaking for Information only:

Neither for nor against:

Please return this slip to a messenger promptly.
Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, VT 53702

Assembly Hearing Slip

(Please print plainly)

Date: March 17, 1998

Bill No. AB 843

Or
Subject _____

(Name) John Dinworth

(Street Address or Route Number) _____

(City & Zip Code) _____

(Representing) _____

Speaking In favor:

Speaking against:

Registering In favor:

Registering against:

Speaking for Information only:

Neither for nor against:

Please return this slip to a messenger promptly.
Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, VT 53702

Assembly Hearing Slip

(Please print plainly)

Date: 3-17-98

Bill No. AB 843

Or
Subject _____

(Name) Michael Miller

(Street Address or Route Number) 511040 Wylson Dr.

(City & Zip Code) Barre, VT 53913

(Representing) Farm Credit Services

Speaking In favor:

Speaking against:

Registering In favor:

Registering against:

Speaking for Information only:

Neither for nor against:

Please return this slip to a messenger promptly.
Assembly Sergeant at Arms
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State Capitol
Madison, VT 53702

Vote Record

Assembly Committee on Agriculture

Date: 3/17/98
 Moved by: Ainsworth Seconded by: Plouff
 AB: 843 Clearinghouse Rule: _____
 AB: _____ SB: _____ Appointment: _____
 AJR: _____ SJR: _____ Other: _____
 A: _____ SR: _____

A/S Amdt: _____
 A/S Amdt: _____ to A/S Amdt: _____
 A/S Sub Amdt: _____
 A/S Amdt: _____ to A/S Sub Amdt: _____
 A/S Amdt: _____ to A/S Amdt: _____ to A/S Sub Amdt: _____

Be recommended for:

- Passage
- Introduction
- Adoption
- Rejection

- Indefinite Postponement
- Tabling
- Concurrence
- Nonconcurrence
- Confirmation

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Rep. Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Tom Sykora	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Eugene Hahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Clifford Otte	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. David Ward <u>Spillner</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Robert Zukowski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Rick Skindrud	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Barbara Gronemus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Marty Reynolds	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Tom Springer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Robert Dueholm	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. John Steinbrink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Joe Plouff	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 14 0 _____

Motion Carried

Motion Failed



WISCONSIN FEDERATION OF COOPERATIVES • 30 West Mifflin Street, Suite 401 • Madison, WI 53703 • Phone (608) 258-4400

Memorandum

DATE: **March 17, 1998**

TO: **Members, Assembly Committee on
Agriculture**

FROM: **John Manske, Director of Government
Relations**

RE: **Support for AB 843**

Among the members of the Wisconsin Federation of Cooperatives (WFC) are the Farm Credit Services (FCS) of Wisconsin and AgriBank. AB 843 is a simple proposal supported by these members that will lessen cost and potential error in certain agricultural credit applications by deleting an out-of-date requirement that a detailed legal location must be included on security agreements and financing statements when crops are the collateral pledged as security. As a result, rural credit lenders and their customers will stand to benefit from this proposal. Less extensive descriptions can mean fewer pages, reduced filing fees, and less opportunity for error, regardless of lender.

Including detailed legal description would still be allowed under the legislation, but would not be mandated. In the event of a financial failure on the part of a borrower, the proposal would have no impact on the position of creditors or their ability to obtain information about the location of the crop pledged as security.

Recent enactment of similar legislation has occurred in Illinois, Missouri and North Dakota. The attached document provides answers to questions that have been posed about this simple proposal. In addition, Mike Miller, Senior Vice-President - Operations of Harvestland FCS, with headquarters in Baraboo, is here to respond to any questions members have today.

We urge you to give this proposal a favorable vote.

SOME QUESTIONS AND ANSWERS REGARDING THE PROPOSAL TO REPEAL REAL ESTATE DESCRIPTION REQUIREMENTS FOR CROP LIENS

U.C.C. AGREEMENTS AND FINANCING STATEMENTS

Farm Credit Services is asking the legislature to repeal the existing Uniform Commercial Code requirement that security agreements and financing statements contain a "description of the real estate concerned" when security interest is taken in "crops growing or to be grown."

In short, the requirement is no longer necessary. It creates needless hassles and expenses for lenders and farmers, alike. And, it creates the potential for legal disputes. Lawyers, lenders, and lawmakers in other states have reached the same conclusion and acted to repeal the requirement. Removing the requirement from state statutes will **NOT** undermine the rights of farmers and will **NOT** encumber the ability of other lenders/suppliers to take a security position in crops, just as they do today.

Please consider the following:

Why was the real estate description required in the first place?

Financing statements, filed either locally or centrally, give notice to the public that someone has security interest in a particular piece of property or goods. In essence, a financing statement says to the world that there is an agreement - i.e. a "security agreement" - between the parties involved that covers the property or goods in question. The security agreement, in turn, spells out the rights and remedies of the parties. When the U.C.C. was adopted local officials indexed financing statements by property descriptions. A description of the real estate was required so that someone reviewing the recorder's records could find notice of the security interest. Later, however, indexing of security interests by borrower name was implemented. This continues to be the practice, today. **Therefore, land descriptions are no longer a necessary filing requirement.**

It is common practice for lenders who provide operating credit to take a security interest in "all crops growing or to be grown" on the borrower's farm or the land that he/she rents. State law requires that the underlying "security agreement" between the borrower and the lender contain a "description of the real estate concerned" when the collateral is crops. Likewise, the "financing statement" filed by the lender with the local official must contain this same land description. Borrowers are usually asked to provide their lender with a legal description of their farm or rented land for incorporation into the security agreement and financing statement.

If the borrower rents different land, sells off a portion of his property, adds to his/her farm, or makes other changes in the "description of the real estate concerned," a new

legal description is required and new security agreements and financing statement must be drafted and signed, and filed and paid for by the borrower. All this is done simply because of an antiquated requirement in state statute.

The change we are proposing is simply designed to reduce delay, needless paperwork, and costs that get passed along to producers. It is **NOT** designed to create some new advantage for lenders. And, except for cutting costs and hassles, it won't change the way borrowers, producers, and lenders do business today.

What happens if the borrower does not want to give a security interest in his/her entire crop or in future crops?

This is seldom the case. However, some producers may wish to give a security interest in only a portion of their crop. Under the change FCS is proposing, any producer will still have this right. Deleting this language will not change anything in a borrowers' ability to limit the amount of collateral offered for a loan.

What happens if a second lender wants to extend credit and take an interest in a crop that is now used as security on an earlier loan?

Deleting the real estate description requirement will not change current practice. The second lender must either take a subordinate position in the crop or get a release of a portion of the crop from the primary lender.

What's the bottom line?

This is a simple and straightforward change in state statute that will have little impact on anyone other than farmers who will save the cost of otherwise unnecessary U.C.C. filings and the hassle of locating legal descriptions of their farms or rented real estate. Farm Credit is simply trying to reduce the paperwork and cost that our borrowers incur when taking out a production loan.

If you have any questions please call John O'Day, AgriBank, FCB at (612) 282-8499.

This document has been provided by:

FARM CREDIT SERVICES

February, 97