
Wisconsin Legislative Council

ACT MEMO



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2019 Wisconsin Act 62
[2019 Senate Bill 219]

**Agricultural Development Loan
Guarantees**

AGRICULTURAL DEVELOPMENT LOAN GUARANTEE PROGRAM

The agricultural development loan guarantee program allows the Wisconsin Housing and Economic Development Authority (WHEDA) to guarantee certain loans made by a participating lender¹ for working capital or to finance physical plant, machinery or equipment, or marketing expenses. For a loan to be eligible for WHEDA's guarantee, the working capital or item being financed must be necessary to, or used to, process or market a product from a raw agricultural commodity produced in Wisconsin or to commercially harvest whitefish from Lake Superior.

By statute, WHEDA may guarantee collection of up to 90 percent of the principal of any eligible loan. In practice, WHEDA has set a maximum guarantee of 50 percent of the unpaid principal of an eligible loan. WHEDA may guarantee up to \$750,000 per borrower, except that it may guarantee only up to \$100,000 per borrower for working capital or for an item necessary to, or used to, commercially harvest whitefish.²

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The act makes modifications to the agricultural development loan guarantee program and requires WHEDA to implement a new agricultural development loan guarantee pilot program. Specifically, the act does the following:

- Provides that the loan guarantee generally may not exceed 10 years for land and buildings, five years for inventory, equipment, and machinery, and two years for working capital and marketing expenses. Under prior law, the term of a loan guarantee program could not exceed 15 years. The act retains an exception to these length requirements that applies to a loan that is part of a loan workout agreement.
- Caps the closing fee for WHEDA's loan guarantee at 1.5 percent. The guarantee origination fee must be collected by the lender and WHEDA must deposit the fees received in the Wisconsin development reserve fund.
- Specifies that the amount WHEDA may guarantee is only the "disbursed" principal of an eligible loan.

¹ "Participating lender" is defined to mean "a bank, credit union, savings bank, savings and loan association or other person, who makes loans for working capital or to finance physical plant needs, equipment or machinery and who has entered into an agreement with the authority under s. 234.93 (2) (a)." [s. 234.907 (1) (e), Stats.]

² Section 234.907 (2), Stats., specifies numerous other conditions – unaffected by the act – that must be satisfied for a loan to be eligible for guarantee of collection by WHEDA.

- Creates a new agricultural development loan guarantee pilot program. Under this pilot program:
 - WHEDA may guarantee collection of the lesser of \$750,000 or 25 percent of the disbursed principal of any loan eligible under the agricultural development loan guarantee program.
 - In the event of a default on a loan guaranteed by WHEDA under the pilot program, the amount guaranteed must be payable in full to the authorized lender regardless of the amount due after all available collateral securing the loan has been liquidated and applied to the loan. However, the act provides an exception for instances where the amount due is less than the amount guaranteed; in those cases, the amount due is payable to the authorized lender.
 - Guaranteed loans are otherwise subject to the eligibility requirements of the existing program, as modified by the act.
 - WHEDA must allocate at least \$3 million for loan guarantees under the new pilot program.
- Sunsets the pilot program as of July 1, 2024; WHEDA may not guarantee a loan under the pilot program on or after that date.

Effective date: The act took effect on November 27, 2019, and first applies to an application for a loan guarantee received by WHEDA on that date.

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