



## WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

**2015 Wisconsin Act 316**  
[2015 Senate Bill 549]

**Agricultural Loan Guarantees**

The Act makes changes to the following loan guarantee programs administered by the Wisconsin Housing and Economic Development Association (WHEDA): (1) the Agricultural Production Loan Guarantee Program; (2) the Agricultural Production Disaster Assistance Loan Guarantee Program; (3) the Agricultural Development Loan Guarantee Program; and (4) the Farm Assets Reinvestment Management Loan Guarantee Program.

### **AGRICULTURAL PRODUCTION LOAN GUARANTEE PROGRAM**

The Act makes the following changes to the program:

- Allows WHEDA to extend a guarantee beyond the original term of a guaranteed loan if the loan is part of a loan workout agreement.
- Repeals provisions prohibiting WHEDA from making a guarantee if the total outstanding principal of all loans to a borrower under the program exceeds an amount set annually by WHEDA, and prohibits WHEDA from making a guarantee if the total guarantee of all loans to the borrower exceeds \$250,000.
- Provides that the requirement that a farmer's debt-to-asset ratio be within a specified range applies only to a farmer's debts and assets related to the agricultural assets that are the subject of the guaranteed loan.
- Changes the minimum period during which a farmer must be reasonably likely not to be subject to liquidation, in order to be eligible for a guaranteed loan.
- Repeals provisions requiring WHEDA to make guarantees in specified amounts and grants WHEDA the discretion to determine the amount of a guarantee, up to a maximum of 90% of the amount of the principal of a loan.

---

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.wisconsin.gov>.

- Repeals provisions requiring WHEDA to make certain interest reduction payments and grants WHEDA discretion to make such payment in an amount up to 2% of the principal amount of a guaranteed loan.

### **AGRICULTURAL PRODUCTION DISASTER ASSISTANCE LOAN GUARANTEE PROGRAM**

Until July 1, 1989, WHEDA was required to guarantee certain loans made to farmers to finance drought-related costs through the Agricultural Production Drought Assistance Loan Guarantee Program. The Act renames the program the Agricultural Production Disaster Assistance Loan Guarantee Program, and it makes the following changes to the program:

- Expands eligibility to include loans made to a farmer to finance costs associated with any act of nature for which the Governor issues a state of emergency.
- Repeals a limit on the total of the principal amounts of all guaranteed loans extended to a borrower under the program, and instead limits the total guarantee amount of all loans made to a borrower to a maximum of \$25,000.
- Repeals a limit on the term of a loan, and instead limits the term of a guarantee made under the program to three years, unless the loan is part of a loan workout agreement.
- Provides that the requirement that a farmer's debts must be projected to be 40% or more of the amount of the farmer's assets applies only to debts and assets related to the agricultural production that is the subject of the loan.
- Repeals a requirement that prohibited a lender from extending the term of a loan more than five years after the loan was granted.
- Repeals a requirement specifying the amount of a guarantee and grants WHEDA discretion to determine the amount, up to 90% of the principal of the loan.
- Repeals a provision prohibiting the total principal amounts of all agricultural loans guaranteed under the program from exceeding \$30 million.
- Repeals a provision requiring WHEDA to make interest reduction payments in specified amounts and grants WHEDA discretion to make payments of up to 3.5% of the principal amount of a loan.

### **AGRICULTURAL DEVELOPMENT LOAN GUARANTEE PROGRAM**

The Act makes all of the following changes to the program:

- Repeals a provision requiring WHEDA to make a guarantee for eligible loans and grants WHEDA discretion to determine whether to make a guarantee.
- Repeals limits on the total principal of all loans made to a borrower under the program and instead limits the total amount guaranteed under the program to a borrower.
- Repeals a requirement prohibiting making a guarantee for a loan with a term of more than 15 years and instead prohibits a guarantee from lasting longer than 15 years after the date that a loan is disbursed, unless a loan is part of a loan workout agreement.

## **FARM ASSETS REINVESTMENT MANAGEMENT LOAN GUARANTEE PROGRAM**

The Act makes all of the following changes to the program:

- Expands eligibility to include a person with previous experience operating a specific farm premises who intends to maintain a family farmstead on the premises.
- Repeals a provision requiring WHEDA to charge an origination fee in a specified amount and grants WHEDA discretion to determine whether to charge a fee and to determine the amount, up to 1.5% of the amount of the guaranteed principal.
- Repeals a requirement that origination fee proceeds be used for loan guarantees.
- Repeals a provision requiring WHEDA to guarantee eligible loans and grants WHEDA discretion to determine whether to guarantee an eligible loan.
- Repeals a limit on the amount of the total outstanding principal of all loans to a borrower and instead limit the total guarantee amount of all the loans made to a borrower under the program.
- The Act changes the requirement that a farmer's debt-to-asset ratio be within a specified range, so that it applies only to a farmer's debts and assets related to the agricultural assets that are the subject of the guaranteed loan.
- Provides an exemption from a requirement prohibiting the term of a loan guarantee from exceeding 10 years for loans that are part of a loan workout agreement.

*Effective date:* April 1, 2016

*Prepared by:* Zach Ramirez, Staff Attorney

April 11, 2016

ZR:mcm;jal