



# State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

## **RESEARCH APPENDIX -** **PLEASE DO NOT REMOVE FROM DRAFTING FILE**

Date Added To File: 05/07/2003 (Per: RCT)



☞ The drafting file for 2001 LRB -4923

has been transferred to the drafting file for

# **2003 LRB -1624**

☞ This cover sheet, the final request sheet, and the final version of the 2001 draft were copied on yellow paper, and returned to the original 2001 drafting file.

☞ The attached 2001 draft was incorporated into the new 2003 draft listed above. For research purposes, this cover sheet and the complete drafting file were transferred, as a separate appendix, to the 2003 drafting file. If introduced this section will be scanned and added, as a separate appendix, to the electronic drafting file folder.

**2001 DRAFTING REQUEST**

**Bill**

Received: **02/12/2002**

Received By: **kahlepj**

Wanted: **Soon**

Identical to LRB:

For: **Alvin Ott (608) 266-5831**

By/Representing: **Beata Kalies**

This file may be shown to any legislator: **NO**

Drafter: **kahlepj**

May Contact:

Addl. Drafters: **traderc**

Subject: **Agriculture - miscellaneous  
Econ. Development - misc.**

Extra Copies:

Submit via email: **YES**

Requester's email: **Rep.Ott@legis.state.wi.us**

Carbon copy (CC:) to:

---

**Pre Topic:**

No specific pre topic given

---

**Topic:**

Agricultural loan programs

---

**Instructions:**

See Attached

---

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	kahlepj 02/18/2002 traderc 02/18/2002	gilfokm 02/18/2002		_____			
/P1			pgreensl 02/19/2002	_____	lrb_docadmin 02/19/2002		

Vers.    Drafted    Reviewed    Typed    Proofed    Submitted    Jacketed    Required

FE Sent For:

<END>

2001 DRAFTING REQUEST

Bill

Received: 02/12/2002

Received By: kahlepj

Wanted: Soon

Identical to LRB:

For: Alvin Ott (608) 266-5831

By/Representing: Beata Kalies

This file may be shown to any legislator: NO

Drafter: kahlepj

May Contact:

Addl. Drafters: traderc

Subject: Agriculture - miscellaneous  
Econ. Development - misc.

Extra Copies:

Submit via email: YES

Requester's email: Rep.Ott@legis.state.wi.us

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Agricultural loan programs

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
1?	kahlepj	1/11-2/18 Kmg	2/18 p8	2/19 PS/15			

FE Sent For:

<END>



# State of Wisconsin

## LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET  
P. O. BOX 2037  
MADISON, WI 53701-2037

STEPHEN R. MILLER  
CHIEF

LEGAL SECTION: (608) 266-3561  
LEGAL FAX: (608) 264-6948

REFERENCE SECTION: (608) 266-0341  
REFERENCE FAX: (608) 266-5648

Feb 11, 2002

## MEMORANDUM

**To:** RCT, PJK, RAC

**From:** RJM

**Subject:** Wisconsin Rural Finance Authority (urgent)

---

I have spoken to Beata in Rep. Ott's office regarding the creation of a Wisconsin Rural Finance Authority (see photocopy of attached instructions and additional information). Representative Ott has chosen to include the duties of this proposed authority within WHEDA. We are instructed to use the Minnesota Rural Finance Authority as a model. Generally, WHEDA will issue bonds which will generate revenue for the purpose of the rural finance authority purchasing an interest in certain loans to eligible farmers. Even after reviewing the attached materials, I am not sure how this works. I suggest we make liberal use of the authority we have been given to contact Bill Oemichen of the Wisconsin Federation of Co-ops. The Fiscal Bureau has informed Beata that WHEDA has money in a reserve fund currently used for loan guarantees that could be tapped in order to get this program started. We are to eliminate all current ag loan guarantee programs in WHEDA.

The following instructions supplement the instructions noted above and in the attached materials:

1. Two employees should be provided to WHEDA, funded from a fee collected each time a financial institution makes a loan under the program. From the Minnesota materials, it looks like there is a \$50 application fee.
2. A board should oversee the program. See Minnesota.
3. Three types of loans will be offered that are funded by bonding and one by federal money. Again, these are based on Minnesota, where they are called Aggie bond loans (currently exists in WHEDA but is not used, funded by federal money); Seller assisted loans; Agricultural improvement loans, and Value added stock loans.

The Representative has the go-ahead to place this in the budget adjustment bill. The primary contact is Bill Oemichen of the Wisconsin Federation of Co-ops, who knows the idea like the back of his hand (258-4400).

This draft is not primarily mine, but I am loathe to try to "assign" it to one of you. Please contact me by the end of the day tomorrow to either claim the draft or tell me whose you think it is and we will go from there. Thanks.

Bob Marchant

**B I L L**  
**REQUEST FORM**

**LEGISLATIVE REFERENCE BUREAU**  
**Legal Section Telephone: 266-3561**  
**5th Floor, 100 N. Hamilton Street**

Use of this form is optional. It is often better to talk directly with the LRB attorney who will draft the bill.

Use this form only for **BILL** drafts. Attach more pages if necessary.

Legislator, agency or other body requesting this draft: REP. OTT

Date: 1/3/02 Person submitting request (name, phone number): BETA KALIES 6-5831  
Rep. Ott 266-5831

Persons to contact for questions about this draft (names, phone numbers): ABOUE OR  
BILL UEMICHEN, WISC. FED. OF CO-OPS 258-4400

Describe the problem, including any helpful examples.

How do you want to solve the problem?

CREATE A WISCONSIN AGRICULTURAL DEVELOPMENT AUTHORITY (WADA) SIMILAR TO MINNESOTA'S RURAL FINANCE AUTHORITY AND PROVIDE NEW SOURCES OF CREDIT VIA LOAN PROGRAMS NOT CURRENTLY AVAILABLE.  
MOST FARM RELATED LOANS THROUGH WHEFA, COMMENCE + DATCP ARE GRANTS OR LOAN GUARANTEES. THIS WOULD BE MORE LIKE THE STATE PROVIDING PARTS OF A LOAN TO LOWER INTEREST RATES.

OR DIVISION IN CURRENT AGRICULTURE

→  
MORE:

Please attach a copy of any correspondence or other material that may help us.  
If you know of any statute sections that might be affected, list them or provide a marked-up (not retyped) copy.

You may attach a marked-up (not retyped) copy of any LRB draft, or provide its number (e.g., 1999 LRB-2345/1 or 1997 AB-67):

Requests are confidential unless stated otherwise.

- May we tell others that we are working on this for you?  Yes  No
- If yes: Anyone who asks?  Yes  No Any legislator?  Yes  No Only the following persons: \_\_\_\_\_

Do you consider this request urgent?  Yes  No If yes, please indicate why: CRISIS IN WISCONSIN AGRICULTURE AND BUDGET DEFICIT MAKE THIS LEGISLATION NEEDED.

Should we give this request priority over any other pending request of this legislator, agency or body?  Yes  No If yes, sign your name here: [Signature]

want to include in budget report 5/4

IOWA AND MINNESOTA HAVE SIMILAR PROGRAMS.

GPR MONEY IS USED FOR STATE ONLY AND MOST LIKELY THAT  
COULD BE LOAN OFFICERS FROM COMMERCE/DATER THAT ALREADY  
WOULD BE WORKING ON LOANS AND RECEIVE REVENUE THROUGH  
EXISTING PROGRAMS.

THESE LOANS OFFER LOWER INTEREST THAN CONVENTIONAL LOANS,  
ALSO USE TAX EXEMP BONDS.

IN MINNESOTA, THE DEPT. OF AG. WORKS WITH THEIR BANKS SO  
THERE IS NO COMPETITION AND BANKERS SUPPORT IT.

THIS PROPOSAL HAS BIPARTISAN SUPPORT IN MINNESOTA AND ALSO  
WOULD HERE.

CAN MAKE MORE INFORMATION AVAILABLE ABOUT THE DETAILS.

LOANS HAVE LOW DEFAULT RATES. THE RFA IS THE 2ND  
LARGEST AG LENDER IN MINNESOTA. MOST WISCONSIN  
BANKERS ARE CREARY OF (ESPECIALLY 1ST TIME) AG LOANS.

WISCONSIN LACKS LOAN AVAILABILITY AND HAS LIMITED  
COOPERATIVES.

BILL HAS SPOKEN WITH COMMERCE & WHERA PEOPLE.

THIS MOST LIKELY WOULD FALL UNDER <sup>COMMERCE</sup> ~~WHERA~~ JURISDICTION  
OR DATER

MATERIALS ENCLOSED:

- 1) LOAN COMPARISON CHART - MINNESOTA RURAL FINANCE AUTHORITY
- 2) AG FINANCE INFO
- 3) DESCRIPTIONS OF LOAN PROGRAMS
- 4) MN STATUTES
- 5) STANDARD RFA LOAN AGREEMENT
- 6) MN GOV. BUDGET ITEM.

- 7) WISCONSIN Rural Finance Authority, <sup>or</sup> Wisconsin Ag Dev. Authority summary
- 8) 6 page Annual Report for 2001 for Minnesota program

*red of crops present since 11/11/02*

# WISCONSIN RURAL FINANCE AUTHORITY

## - Potential Legislation -

- Consolidate Wisconsin agricultural loan and guarantee programs and create a Wisconsin Rural Finance Authority similar to the Minnesota Rural Finance Authority
  - Current Wisconsin agricultural finance guarantee programs are underutilized
  - Minnesota has issued more than \$116 million in participation loans to nearly 2,000 Minnesota farmers
  - Financing would be through state of Wisconsin revenue and general obligation bonds; not dependent upon GPR
  - State bond financing (state tax exempt) allows loans to be issued at "below market" interest rates
  - Six Minnesota agricultural loan programs with more than 350 participating lenders
    - Basic Farm and Seller Assisted Program (aimed at beginning farmers)
    - Aggie Bond Beginning Farmer Program
    - Agricultural Improvement Program (finances farm improvements)
    - Farm Restructure Program (finances debt reorganization)
    - Livestock Modernization Program (finances state-of-the-art improvements)
    - Value Added Stock Loan Program (finances farmer stock purchases in cooperatives)
- WFC is working with Department of Commerce, DATCP and WHEDA to determine best means of creating the proposed Wisconsin Rural Finance Authority
  - Emphasis on ability to promote programs
  - Emphasis on ability to administer loans at lowest possible cost and greatest efficiency

*18.04(2) - valid reason for public debt?*

<b>RURAL FINANCE AUTHORITY Loan Comparison Chart</b>			
<b>Requirements</b>	<b>Basic Farm and Seller Assisted**** Loan Programs</b>	<b>Aggie Bond Beginning Farmer Program</b>	<b>Agricultural Improvement Program</b>
Residency:	Minnesota only	Minnesota only	Minnesota only
Location of property:	Minnesota only	Minnesota only	Minnesota only
Maximum net worth:	\$258,000	\$258,000, also can never have owned more than 30% of the county median size farm	\$258,000
Loan purposes:	Real estate	Purchase animals, machinery, real estate or to make an improvement. (No refinancing)	Any physical improvement to farm operation. (Limited refinancing)
Financing allowed:	First real estate mortgage filed by local lender. Additional \$\$ help by the seller.****	Secured as lending entity requires.	Provide a first real mortgage as collateral for improvement. Mortgage does not need to cover the entire farm.
Equity required:	10% minimum. Lender may require higher down payment. Seller may help.****	Negotiated with lending entity.	Negotiated with Lender and RFA.
Interest rate:	RFA - Call for current quote. Lender-negotiate. Seller-negotiate.****	Reduced interest rate for buyer and tax benefit for lender.	RFA - Call for current quote. Lender-negotiate.
Loan amounts:	No limits - but RFA participation 45% of first mortgage to a max of \$125,000.	\$250,000 max. but only \$62,500 max. for used depreciable assets. (The RFA does not participate.)	No limits - but RFA participation 45% of first mortgage to a max of \$125,000.
Sales between related persons?	Yes	Yes, bank financing only.	N/A
Off-farm income okay?	Yes	Yes	Yes
Must show adequate management skills?	Yes	Yes	Yes
Must be or become a full-time farmer?	Yes	Yes	Yes
Must farm unit?	Yes	Yes	Yes
Must contact local SWCD office?	Yes	Yes	Yes Permits required?
Must purchase insurance?	Yes	Recommended	Recommended
Must attend farm management classes?	Yes	Yes	N/A
RFA Fees:	\$50 application fee (non-refundable)	\$50 application fee (non-refundable) plus the following: \$20 / 40 / 60 allo. fee	\$50 application fee (non-refundable)

<b>RURAL FINANCE AUTHORITY Loan Comparison Chart</b>			
<b>Requirements</b>	<b><u>Restructure II</u> Program</b>	<b><u>Livestock</u> <u>Expansion</u> Program</b>	<b><u>Value Added</u> <u>Stock Loan</u> Program</b>
Residency:	Minnesota only	Same	Same
Location of property:	Minnesota only	Same	Same
Maximum net worth:	\$422,000	\$422,000	\$258,000
Income requirements:	50% avg annual gross income from farming. Positive cash flow.	Demonstrate ability to repay the loan.	Same
Loan purposes:	Restructure existing ag debt only caused by unpredictable events.	NEW state-of-the-art improvements to farm operation. (No refinancing.)	Purchase stock in a Minnesota value added cooperative. (No refinancing.)
Security required:	1st real estate mortgage.	Same	Stock purchased, security agreement.
Equity required:	Negotiated per RFA guidelines.	Same	Negotiated per RFA guidelines.
Interest rate:	RFA - Call for current quote. Lender-negotiate.	Same	Same
Loan amounts:	No limits - but RFA participation 45% of 1st mortgage to a max of \$150,000.	No limits - but RFA participation 45% of mortgage to a max of \$250,000.	No limits - but RFA participation 45% of stock loan to a max of \$24,000.
Off-farm income okay?	Yes	Yes	Yes
Must show adequate management skills?	Yes	Yes	Yes
Must farm full-time?	Yes	Yes	Yes
Must farm unit?	Yes	Yes	Yes
Must contact local SWCD office?	Yes	Yes. Permits required?	N/A
RFA Fees:	\$50 application fee (non-refundable)  20 year or less amortization req'd.	\$50 application fee (non-refundable)	\$50 application fee (non-refundable)

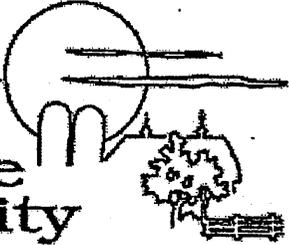
**The RFA staff may be contacted by e-mail:**

Curtis Pietz, Director • [Curtis.Pietz@state.mn.us](mailto:Curtis.Pietz@state.mn.us)

Wayne Marzolf, Assistant Director • [Wayne.Marzolf@state.mn.us](mailto:Wayne.Marzolf@state.mn.us)

Gary Blahosky, Sr. Loan Officer • [Gary.Blahosky@state.mn.us](mailto:Gary.Blahosky@state.mn.us)

Patrick Yutrzenka, Loan Administrator • [Patrick.Yutrzenka@state.mn.us](mailto:Patrick.Yutrzenka@state.mn.us)



**Rural  
Finance  
Authority**

Minnesota Department of Agriculture

## Agricultural Finance

[Loan Comparison Chart](#) | [Ag Finance Update](#) | [Staff Directory](#) | [Approved Farm Management Instructors List](#)

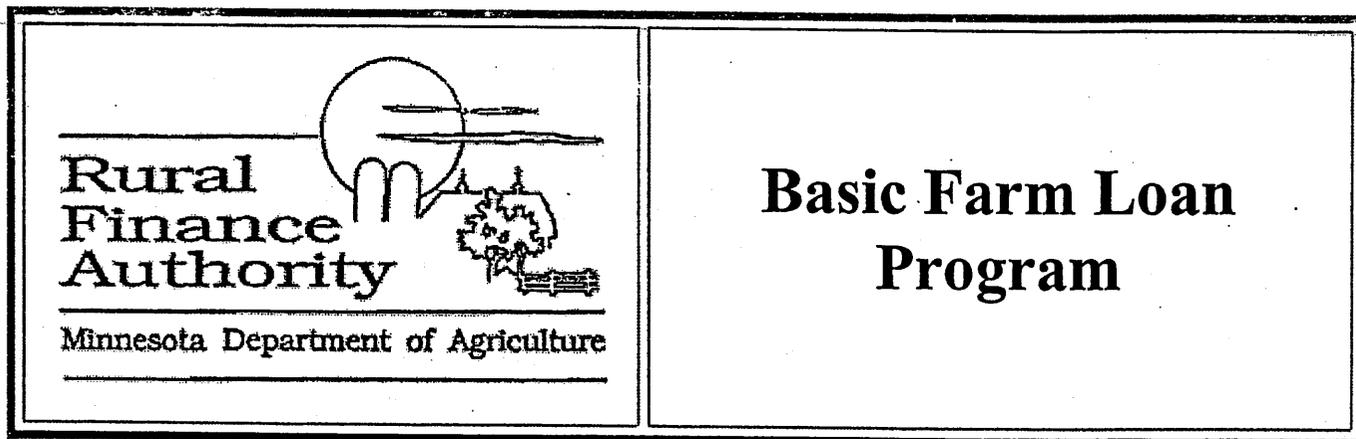
Loan programs offered by the department are located in this division. The Rural Finance Authority offers a variety of loan programs through participating lenders: Basic Farm and Seller Assisted to help new farmers purchase ag land; Aggie Bond for ag land, ag improvements, breeding livestock, and machinery; Livestock Expansion for state-of-the-art improvements in livestock production; Agricultural Improvement for any farm-related purpose; Restructured Loans to help farmers reorganize their debt; Value-Added Stock Loans for those who want to buy stock in an agricultural processing facility. Rural Finance Authority loan applications must be submitted through participating lenders.

Loan Programs	Interest Rate	Origination Fee	Application Fee
Basic Farm	5.0%	None	\$50
Seller Assisted	5.0%	None	\$50
Agricultural Improvement	5.5%	None	\$50
Livestock Expansion	7.0%	None	\$50
Restructure II	7.0%	None	\$50
Value-Added Stock	4.0%	None	\$50

**For more information, please contact:**  
 Gary Blahosky, [gary.blahosky@state.mn.us](mailto:gary.blahosky@state.mn.us)  
 651-296-4985

Agricultural Finance Division  
 Minnesota Department of Agriculture  
 90 West Plato Boulevard  
 Saint Paul, Minnesota 55107

[MDA Home](#)



[Rules](#) | [Loan Submission Checklist](#) | [Loan Application](#) | [Loan Agreement](#)

### What is the Basic Farm Loan Program

The Basic Farm Loan Program was established to help people who want to farm in Minnesota. The program offers affordable financing, a reasonable down payment and built-in safeguards, such as farm management training and financial planning to help minimize the risk all farmers face. This is a partnership approach backed by the State's financial participation. You may finance a purchase or possibly refinance an existing farm debt. Funding an improvement may be possible if done in conjunction with the requested financing package.

### Eligibility Requirements

A basic farmer is a person who intends, over time, to become a full time farmer. This definition may exclude some established farmers who are expanding their operations. Land speculators and investors looking for tax advantages are not eligible. The farmer candidate must also meet the following eligibility tests which were established to protect them as well as the lender and the state. A farmer must:

1. Be an individual who is a resident of Minnesota or a domestic family farm corporation.
2. Have sufficient education, training or experience to succeed in the type of farming that they intend to practice.
3. Have a total net worth of less than \$258,000, (indexed for inflation; please call the RFA for current limitation) including the assets and liabilities of their spouse and dependents.
4. Have the financial need for a loan and the ability to repay the loan.
5. Agree to be the principal operator of the farm to be purchased and intend to make farming their principal future occupation.
6. Agree to consult with a local adult farm management instructor and enroll in a farm business management program approved by the Minnesota Commissioner of Agriculture for at least the first five years of the loan, if an approved program is available within 45 miles from the borrower's residence.
7. Agree to consult with a local Board of Water and Soil Resources office or the county Natural Resources Conservation Service.
8. Agree to obtain credit life insurance for the amount of the debt incurred to purchase the property.

Additional income may be earned off the farm by an eligible family member. The RFA recognizes that many farm families will need non-farm incomes to supplement farm earnings, especially in the early years of farm operations.

These eligibility tests allow people who currently farm rented land and those who have very limited ownership to be eligible for RFA loan participation and work toward becoming full time farmers.

Consultation with a Farm Business Management Instructor will help you determine if the farming operation you are planning can be profitable and self supporting.

### Participating Lenders

While all lending institutions are eligible to be part of the program, they are not required to do so. Their decision to join the RFA program is voluntary.

The number of local community banks participating in RFA programs is growing. Once they agree to join, each lender must enter into an agreement with the RFA and offer basic farm loans based upon certain pre-established rules in order to qualify for RFA participation.

Interest rates and other specific terms will vary from lender to lender depending upon the conditions of its agreement with the RFA. The RFA suggests that applicants contact more than one lender to determine the best available terms.

### Loan Terms

Under the program currently being offered by the RFA, each loan will require a minimum down payment of 10% of the purchase price. In many cases the down payment will be more than 10% at the option of the lender and based upon the borrower's financial situation. Loan amortization will be scheduled on a flexible term of 15, 20, 25 or 30 years negotiated between the lender, applicant, and the RFA. However, loans will mature and require full payment in 10 years from the effective date of the loan. At maturity the RFA participation will end, and the borrower will either repay the loan with cash or refinance at market rate financing. Loans may contain prepayment penalties under limited circumstances. There is no maximum on the size of loan that a participating lender may make under the program. However, the RFA participation in a qualifying loan is limited to 45% of the lender's loan up to a maximum of \$125,000.

The RFA will charge a reduced interest rate (call for a quote) on its portion of each loan. Each buyer should confirm the RFA's current rate when making application with the lender. The RFA interest rate is basically fixed for 10 years. However, the RFA rate may be increased at any time for failure to remain in compliance with the rules or statutes that govern the program.

The originating lender will retain the balance of each loan. The borrower must satisfy the local lender's guidelines. The local lender will control the day to day operation of the loan. Participating lenders are allowed to charge either fixed or adjustable interest rates consistent with their normal farm real estate lending practices and their agreement with the RFA. Therefore the actual interest rate paid by the farmer will be an average of the RFA and lender rates.

For example, if the loan to purchase a farm was \$140,000 after down payment, the RFA could purchase a \$63,000 participation interest (45%) in the loan.

A borrower may use the program more than one time to an aggregate amount of \$125,000. For example, a borrower could have one loan of \$75,000 and one of \$50,000.

A borrower would have to make a new application for each loan. Approval would be determined by the

current guidelines in effect at the time of the application.

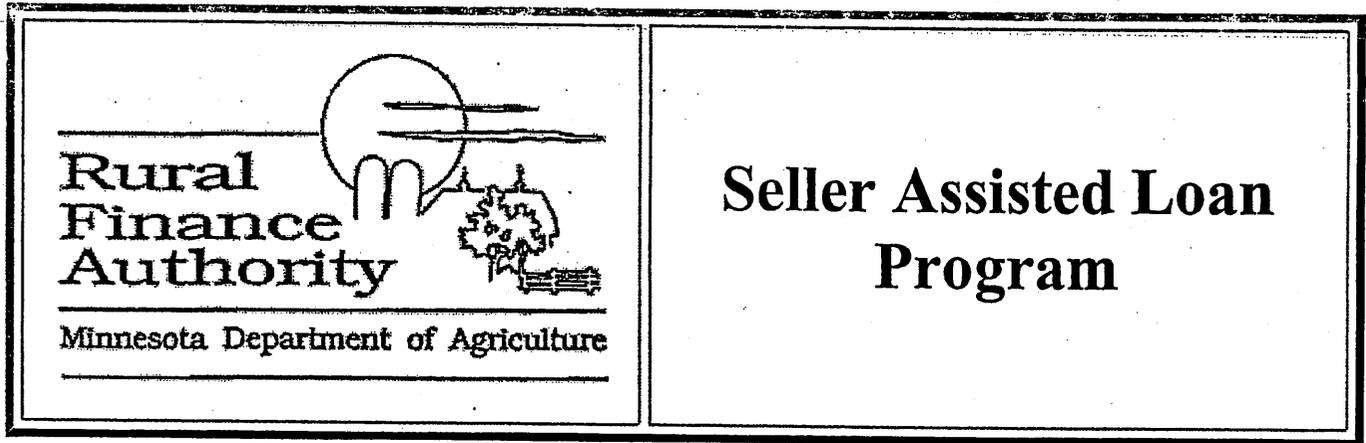
---

**For additional information contact:**

Minnesota Rural Finance Authority • 90 West Plato Boulevard • St. Paul, MN 55107  
Phone 651-297-3557

---

[Loan Comparison Chart](#) | [Ag Finance](#) | [MDA Home](#)



[Rules](#) | [Loan Submission Checklist](#) | [Loan Application](#) | [Loan Agreement](#) | [Loan Commitment Form](#)

### What is the Seller Assisted Program

The Seller Assisted farm ownership program is a cooperative financing effort involving a buyer, a seller, a local lender, and the Minnesota Rural Finance Authority (RFA).

Under this program, each seller actively participates in financing the sale of their farm by providing a portion of the financing. (The seller agrees to subordinate their financing to the lender/RFA). The lender and the RFA provide the balance of the funds with a first mortgage. The RFA portion of the total financing is provided at an affordable interest rate which helps the buyer by reducing the total interest expense of the entire financing. In addition to the affordable rate financing, the program has built in safeguards such as farm management training and financial planning.

### Participating Lenders

While all lending institutions are eligible to be part of the program, they are not required to do so. Their decision to join the RFA program is voluntary. Once they agree to join, they enter into an agreement with the RFA and offer beginning farmers loans based upon certain pre-established rules in order to qualify for RFA participation. Lender's interest rates and other specific terms will vary from lender to lender depending upon the conditions of its agreement with the RFA. The RFA suggests that buyers contact more than one lender to determine the best available terms.

### Eligibility Requirements

To be eligible for assistance under the Seller Assisted Program, *all* applicants must:

*both seller & buyer?*

1. Be residents of Minnesota as evidenced by their federal tax returns or other acceptable evidence.
2. Certify that they will be the principal operator of the farm, that they will make farming their principal future occupation, and the farm will be used for agricultural purposes only.
3. Not be a current or previous participant in the Minnesota Family Farm Security program. *how long?*
4. Have sufficient education, training or experience to succeed in the type of farming to be undertaken.
5. Have a financial need and the ability to repay their loans.
6. Agree to enroll and continue in an approved farm business management program for the first five years of the loan, if an approved program is available within 45 miles of the borrower's residence. *approved by whom?*
7. Agree to consult with a local Board of Water and Soil Resources office or the county Natural

Resources Conservation Service.

- 8. Agree to obtain credit life insurance for the amount of the debt incurred to purchase the property.

In addition to the above, beginning farmer applicants must:

- 1. Have a total net worth of less than \$258,000. (Indexed for inflation. Please call the RFA for current limitation).

**Seller Participation**

This program is designed to permit the sellers of a farm to fund a portion of the financing essential to the completion of the sale. To qualify as an eligible seller under this program, the seller must:

- 1. Be a person, a partnership, or a family farm corporation selling a farm located within the state of Minnesota.
- 2. Not be a current or previous seller or participant in the Minnesota Family Farm Security program.
- 3. Complete a seller assisted loan commitment form certifying that they will partially finance the purchase of the farm property by making a loan to the buyer.
- 4. Make a loan to the buyer in an amount necessary to complete the transaction.

**Loan Terms**

A down payment is negotiable. The program rules do not, however, require one to be made. There is also no maximum on the size of the loan that the lender may make under the program. Each lender shall determine their own requirements based on the buyer's ability to repay the required financing. The RFA participation in a qualifying loan is limited to 45% of the lender's loan up to a maximum of \$125,000.

Loan amortization of the lender/RFA loan will be scheduled on a flexible term of 15, 20, 25 or 30 years negotiated between the lender, applicant, and the RFA. However, loans will mature and require full payments at the end of 10 years, at which time the RFA participation will end. The borrower will either repay the loan with cash or refinance. Loans may carry prepayment penalties under limited circumstances.

**Example:**

Sale price: .....\$160,000  
 10% down payment ..... 16,000

Required financing: ..... 144,000  
 Seller's 20% (example): ..... 28,800

Lender financing ..... 115,200

Lender's 55%: .....63,360  
 RFA's 45% .....51,840

While in effect there are three loans, the borrower would only make two payments - one payment to the lender and a second payment to the seller.

The interest rate and certain conditions of the seller's loan are negotiated between the seller and the buyer.

The RFA will charge a reduced interest rate (call for a quote) on its portion of each loan. Each buyer should confirm the RFA's current rate when making application with the lender. The RFA interest rate is basically fixed for 10 years. However, the RFA rate may be increased at any time for failure to remain in compliance with the rules or statutes that govern the program.

The RFA program allows participating lenders to charge either fixed or adjustable interest rates consistent with their normal farm real estate lending practices and their agreement with the RFA. Therefore the actual interest rate paid by a beginning farmer will be a blended rate of all three portions of the loan.

A borrower may use the program more than one time to an aggregate amount of \$100,000. For example, a borrower could have two \$50,000 loans or four \$25,000 loans from the RFA.

A borrower would have to make a new application for each loan. Approval would be determined by the current guidelines in effect at the time of the application.

---

**For additional information contact:**

Minnesota Rural Finance Authority • 90 West Plato Boulevard • St. Paul, MN 55107  
Phone 651-297-3557

---

[Loan Comparison Chart](#) | [Ag Finance](#) | [MDA Home](#)



Rural  
Finance  
Authority

Minnesota Department of Agriculture

## Aggie Bond Beginning Farmer Loan Program

[Rules](#) | [Program Summary & Instructions](#) | [Loan Application](#) | [Loan Application Instructions](#) | [First Time Farmer Eligibility](#)

### What is the Aggie Bond Loan Program?

The Aggie Bond Loan Program is a federal bonding program administered by the State through its Rural Finance Authority. The program offers affordable financing for a qualified beginning farmer. This is accomplished by securing for the applicant a reduced interest rate on the loan they are submitting for approval under the program.

### Eligibility Requirements

A beginning farmer is a person who intends, over time, to become a full time farmer. This definition will exclude established farmers who already own farmland and are expanding their operations. Land speculators and investors looking for tax advantages are also not eligible.

The beginning farmer candidate must also meet the following eligibility tests. A beginning farmer must:

1. Be an individual who is a resident of Minnesota.
2. Must have a net worth of less than \$258,000 (indexed for inflation; please call the RFA for current limitation), including assets and liabilities of their spouse and dependents.
3. Must never have owned more than 30% of the county median size farm where they reside or that had a market value any time in excess of \$125,000.
4. Have a financial need for a loan and the ability to repay the loan.
5. Have sufficient education, training or experience to succeed in the type of farming that they intend to practice.
6. Be purchasing land, animals or machinery that will be located in Minnesota.
7. Must intend to be the principal operator of the type of operation involved in the application.
8. Agree to enroll in a farm business management program approved by the Minnesota Commissioner of Agriculture for at least the first five years of the loan, if an approved program is available within 45 miles of the borrower's residence.
9. Agree to consult with a local Board of Water and Soil Resources office or the county Natural Resources Conservation Service.
10. May wish to obtain credit life insurance for the amount of the debt incurred to purchase the security.

Additional income may be earned off the farm by an eligible family member. The RFA recognizes that

many farm families will need non-farm income to supplement farm earnings, especially in the early years of farm operations.

These eligibility tests also allow people who currently rent farm land and those who have very limited ownership to be eligible for the Aggie Bond Program.

Consultation with a Farm Business Management Instructor may help you determine if the farming operation you are planning can be profitable and self supporting.

### **Eligible Purposes**

Qualified beginning farmers may purchase productive agricultural farmland; new or used depreciable agricultural property such as livestock used for breeding purposes or dairy products (feeder cattle, feeder pigs or feeder lambs do not qualify), and farm machinery including trucks. Making an improvement to a farm is also an eligible purpose.

### **Who Finances an Aggie Bond Loan**

This program may be financed by your local commercial lender. The program also allows for private financing from an individual or an estate (neither of which can be a close relation).

The financing entity is required to give a reduced interest rate on the type of loan being made. While there is no set discount required by program rules, the RFA will generally expect that the interest rate being offered is a minimum of two to two and one-half percent below the current rate being charged for said type of loan.

You may borrow up to an aggregate of \$250,000 under this program. In other words, you may have more than one loan under this program as long as each time that you apply, you remain eligible under the current rules.

For example, you could have borrowed \$40,000 to buy some equipment, another \$25,000 to purchase some animals, and still have \$185,000 remaining to purchase other things such as farmland.

Note, that when purchasing used depreciable property you are limited to a total of only \$62,500.

### **Other Loan Terms**

All other terms of the loan are negotiated between the beginning farmer and the lending entity. While not practical in most lending situations, zero down is acceptable to the program, if someone is willing to finance a loan in that manner.

Real estate loans may be made for up to forty years. However, the average for real estate loans, is generally around 20 years. Usually for depreciable property the loan will not be made for more than 10 years and is subject to the Internal Revenue Code. Again, this is a negotiable item between parties.

The same can be said for the frequency of the payment. Monthly, annual, semi-annual and quarterly are all negotiable.

### **Fees**

The RFA collects an application fee, an allocation fee and a loan origination fee.

---

**For additional information contact:**

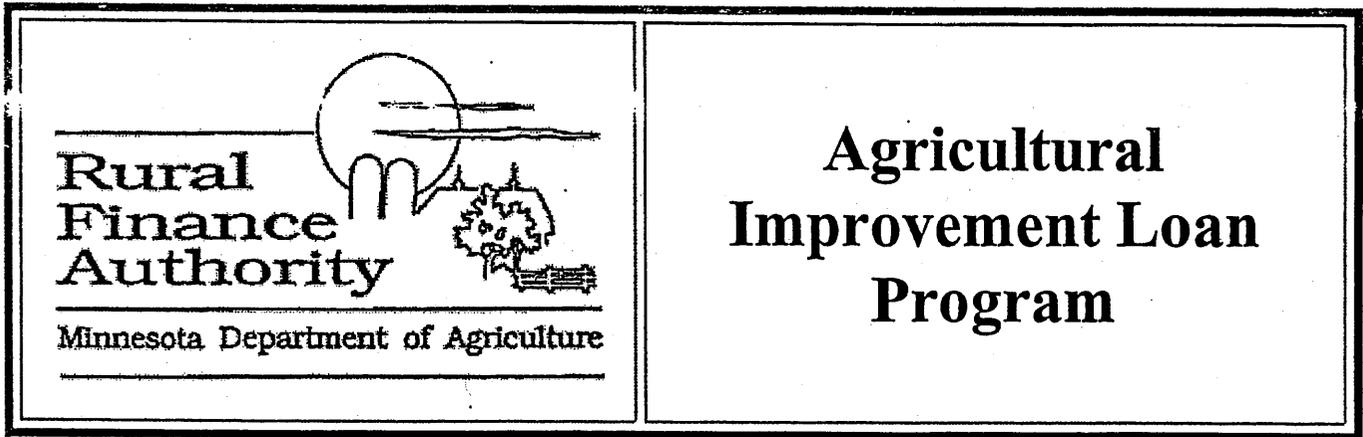
Pat Yutrzenka (utrinka)

Minnesota Rural Finance Authority • 90 West Plato Boulevard • St. Paul, MN 55107

Phone 651-297-2175

---

[Loan Comparison Chart](#) | [Ag Finance](#) | [MDA Home](#)



[Loan Submission Checklist](#) | [Loan Application](#) | [Loan Agreement](#)

The Rural Finance Authority (RFA) in the Minnesota Department of Agriculture is offering a loan participation program to assist eligible farmers to finance capital improvements to their farming operation. The program may help to improve production, efficiency, and increase farm income.

Agricultural improvements means improvements to a farm, including the purchase and construction or installation of improvements to land, buildings and other permanent structures. This includes 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. For this program, agricultural improvements also includes wind energy conversion facilities with an output capacity of one megawatt or less.

The farmer will work through their local lender. If the lender agrees to make a mortgage loan to the applicant, the lender and applicant will jointly complete an application for a RFA participation. The RFA may participate on a loan up to 45% of the loan principal to a maximum of \$125,000. The loan proceeds can be used for some limited refinancing of existing debt.

The participation term may be up to a maximum of 10 years. The loan may have a balloon depending on the amount borrowed. Collateral for the loan must include a first mortgage on farm real estate, but this does not have to include the farmstead.

The incentive to use the RFA program will be an affordable fixed interest rate for a fixed period of time. Call the RFA for a quote. There is a \$50.00 non-refundable application fee on all loans. The borrower must also pay all filing and abstract fees.

The borrower must be a Minnesota resident or a Minnesota domestic family farm corporation. The borrower or one of the borrowers must be the principal operator of the farm. The borrower may not have a total net worth which exceeds \$258,000 (indexed for inflation).

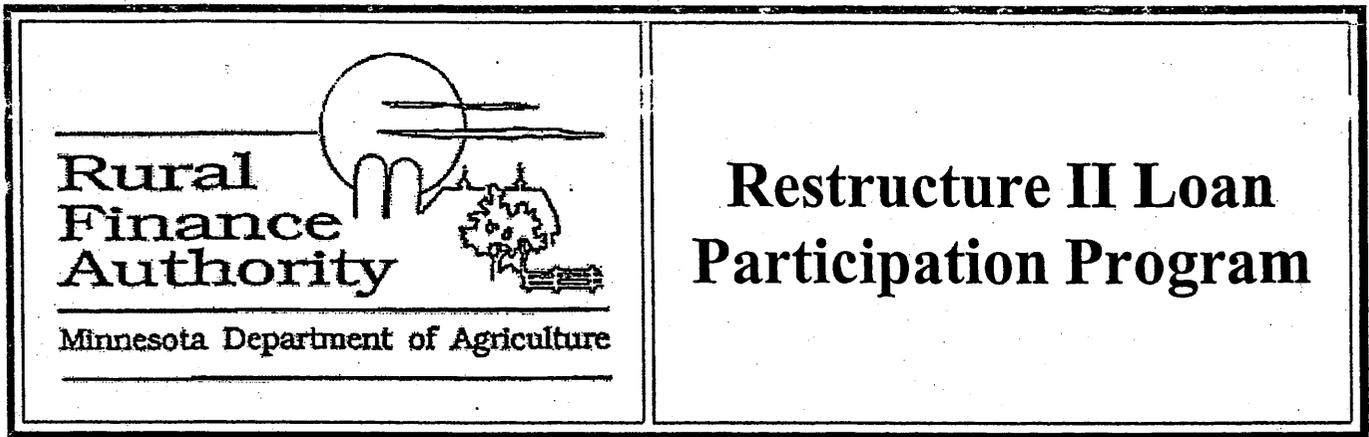
---

**For additional information contact:**

Gary Blahosky at 651-296-4985 or 651-297-3557

Minnesota Rural Finance Authority • 90 West Plato Boulevard • St. Paul, MN 55107

---



[Rules](#) | [Loan Submission Checklist](#) | [Loan Application](#) | [Loan Agreement](#)

A Restructure Program for agricultural debt is available through the Rural Finance Authority (RFA) in the Minnesota Department of Agriculture. The Restructure II loan program is designed to help farmers who remain in good credit standing with their local agricultural lender, but are having trouble with cash flow due to adverse events. Only debt of an agricultural nature is eligible for refinancing.

The farmer will work through their local lender. If the lender agrees to make a mortgage loan to the applicant, the lender will jointly complete an application for an RFA participation. Participation is restricted to loans that do not exceed 80 percent of the appraised value of real estate comprising the collateral. Borrower net worth must not exceed \$422,000 (indexed for inflation, please call RFA for current limitation) including the assets and liabilities of their spouse and dependents.

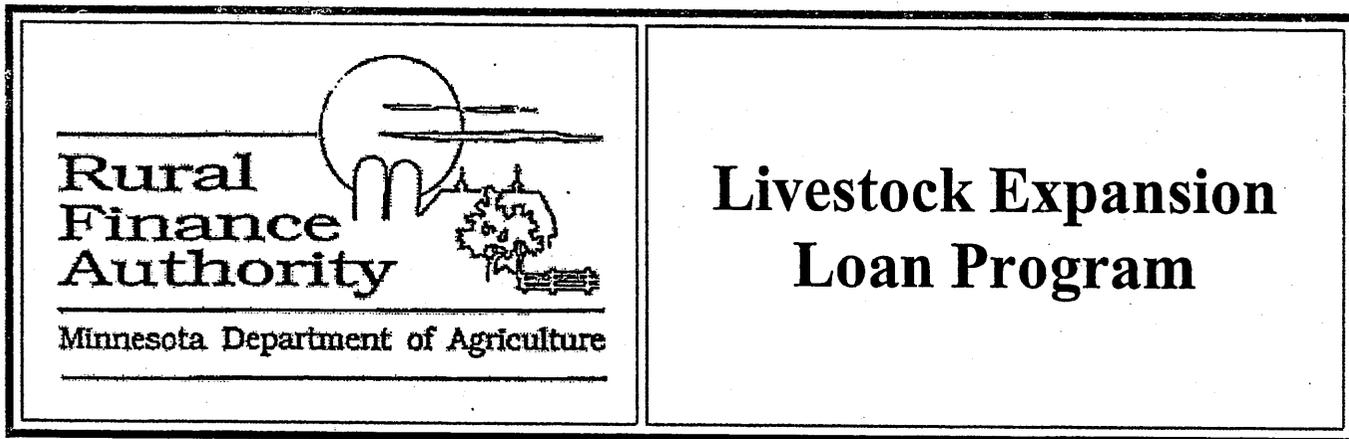
The RFA will participate on 45 percent of a qualifying loan up to a maximum of \$150,000. The agricultural lender will retain the balance of the loan. Participating lenders are allowed to charge either a fixed or adjustable rate. The interest rate on the RFA portion of the loan is fixed. Call the RFA for a quote.

The participation term may be up to a maximum of 10 years. Collateral for the loan must include a first mortgage on farm real estate. Terms of the loan will be determined by the type of debt being restructured. The loan may have a balloon depending on the amount borrowed.

There will be a \$50.00 non-refundable application fee on all loans. The lender will collect normal closing costs.

An applicant must meet the following requirements:

1. Be a resident of Minnesota or a Minnesota domestic family farm corporation.
2. Be the principal operator of the farm.
3. Not be a current or previous participant in an RFA farm debt reorganization program.
4. Have a total net worth that does not exceed \$422,000 (indexed for inflation).
5. Have received 50% of their gross income farm farming over the past three years.
6. Have expenses that do not exceed 95% of income.
7. Meet with local SWCD official.



[Rules](#) | [Loan Submission Checklist](#) | [Loan Application](#) | [Loan Agreement](#)

A loan program to assist livestock and dairy producers finance the construction of state-of-the-art facilities is offered through the Rural Finance Authority (RFA) in the Minnesota Department of Agriculture.

Livestock expansion means 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. The purchase of livestock is NOT an eligible purpose for this program.

The livestock producer will work through their local lender. If the lender agrees to make a mortgage loan to the applicant, the lender and applicant will jointly complete an application for a RFA participation. The RFA may participate on a loan up to 45% of the loan principal to a maximum of \$250,000. The loan proceeds cannot be used to refinance an existing debt.

The participation term may be up to a maximum of 10 years. The loan may have a balloon. Collateral for the loan must include a first mortgage on farm real estate, but this does not have to include the farmstead.

The incentive to use the RFA program will be an affordable fixed interest rate for a certain period of time. Call the RFA for a quote. There is a \$50 non-refundable application fee on all loans. The borrower must also pay all filing and abstract fees.

The borrower must be a Minnesota resident or a Minnesota domestic family farm corporation. The borrower or one of the borrowers must be the principal operator of the farm and be actively engaged in a livestock operation. The borrower may not have a total net worth which exceeds \$422,000 (indexed for inflation, please call the RFA for current limitation) including the assets and liabilities of their spouse and dependents.

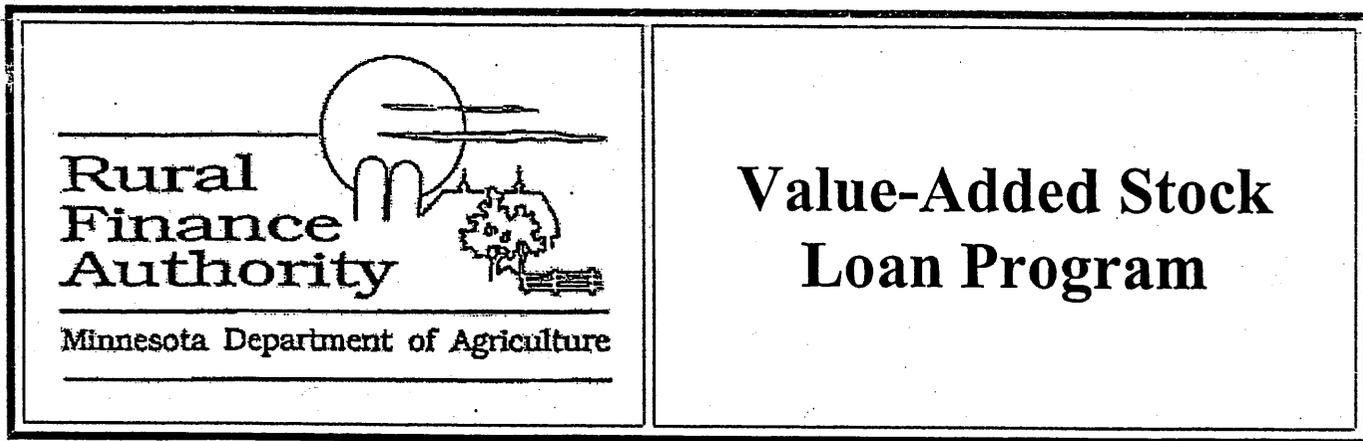
---

**For additional information contact:**

Gary Blahosky at 651-296-4985 or 651-297-3557

Minnesota Rural Finance Authority • 90 West Plato Boulevard • St. Paul, MN 55107

---



[Rules](#) | [Loan Submission Checklist](#) | [Loan Application](#) | [Loan Agreement](#)

The 1994 Legislature passed a bill that established a value-added agricultural product loan program to help farmers finance the purchase of stock in a cooperative proposing to build or purchase and operate a facility located in Minnesota to process or produce marketable products from agriculture crops. Stock in existing value added cooperatives as well as those preparing to own and operate livestock processing facilities or farm-generated wind energy production facilities may also be eligible.

This is a loan participation program available through the Rural Finance Authority (RFA). The farmer will work through their local lender. Upon completion of an application, the lender will apply for a RFA participation. The RFA must have a completed Master Participation Agreement with the lender on file.

### **Eligibility Requirements**

Applicants must meet the following criteria:

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;
4. Have a total net worth of less than \$258,000 (indexed for inflation), including the assets and liabilities of their spouse and dependents.

### **Application Process**

A lender and an applicant must jointly complete and sign an application form and prepare all supporting documents. Application may not be made until stock is actually available for issuance from the cooperative. Only new issue stock is eligible to be financed.

A \$50 application fee must be submitted with each application.

Loan must be closed within 30 days after the date RFA accepts application. Security for the loan must be the stock purchased, a personal note signed by the borrower and other security as required by the lender or the RFA.

### **Loan Terms and Conditions**

The RFA may participate on a loan up to 45% of the loan principal to a maximum of \$24,000. The loan will be for a maximum of eight years. Loan payments of interest only are permitted for up to two years, with a fully amortized repayment schedule of interest and principal calculated for the remaining years. The lender may use a variable interest rate. Interest rate on the RFA portion will be a fixed rate of 4.0 percent or one-half of the lender's effective rate (APR) at time of closing, whichever is lower.

No more than 95 percent of the purchase price of the first unit of stock purchased, 80 percent of the second unit, or portion thereof, and 50 percent of any additional shares purchased will be financed under this program. A unit of stock is defined as the minimum number of shares of common stock applicant must purchase to become a member of the cooperative.

Completed applications from eligible lenders will be accepted on a first-come, first-served basis while funds are available.

---

**For additional information contact:**

Gary Blahosky at 651-296-4985 or 651-297-3557  
Minnesota Rural Finance Authority • 90 West Plato Boulevard • St. Paul, MN 55107

---

[Loan Comparison Chart](#) | [Ag Finance](#) | [MDA Home](#)

 <p><b>Rural Finance Authority</b></p> <p>Minnesota Department of Agriculture</p>	<h1>Agricultural Finance Update</h1> <h2>October 19, 2001</h2>
--	--

## RFA Reduces Interest Rates

The Rural Finance Authority recently lowered interest rates by 75 basis points (3/4%) on loan participation programs effective for applications approved after October 1, 2001. With this reduction, the following rates are applicable:

Beginning Farmer and Seller Assisted	5.0%
Agricultural Improvement	5.5%
Livestock Expansion	7.0%
Restructure II	7.0%

Recent State of Minnesota bond sales have reflected the nationwide trend of lower rates and as a result, RFA is able to pass on those reductions to new participation loans. The 4% rate for the Value-Added Stock Loan participation program remains the same.

## Web Site

The RFA web site is one of the more utilized sites in the Minnesota Department of Agriculture based on the number of "hits" recorded. RFA would appreciate any ideas or suggestions on making the site more user friendly. There have been some questions in regard to accessing the site - two routes may be used: [www.mda.state.mn.us/AgFinance](http://www.mda.state.mn.us/AgFinance) or [www.mda.state.mn.us](http://www.mda.state.mn.us), hit the enter key and the MDA home page will come up. Then with your mouse, click on Divisions & Programs, then click on Agricultural Finance. We hope that helps those that may have some difficulty in accessing the RFA web page. All of the RFA loan application forms may be downloaded from this site.

## E-Mail

Since e-mail is fast becoming the "communicating mode" for much of the business world, RFA is compiling an e-mail directory of participating lenders, farm management faculty, extension educators and others who desire RFA information. RFA would use e-mail for disseminating general information and communicating non-sensitive financial information. With the expected increases in postage it should be a way of reducing costs and increase time efficiency; however, we are still a long way from using digital signatures at this time.

## Electronic Fund Transfer

An increasing number of participating lenders in the past year have been using electronic fund transfer to receive their participation payments from RFA. Our goal is to have all of our participating lenders on this program in the coming year. If your firm desires to participate, please let the RFA know of your decision to use this means of fund transfer and we'll mail out a Direct Deposit Authorization form for your completion.

## **Aggie Bond**

During the past month, Pat Yutrzenka has been engaged in a special effort to inform eligible lenders of the practical uses and benefits of Aggie Bonds to both the bondholder and borrower. This effort will continue in the coming weeks and Pat looks forward to communicating with all of the eligible lenders about the use of Aggie Bonds. Recent proposed Federal Legislation may have the USDA guarantee Aggie Bond loans. However, if this becomes reality, there will have to be a corresponding change in the tax code also.

## **Dairy Business Planning Grants**

David Weinand, Project Consultant for Dairy Diagnostics, has recently been assigned to the Ag Finance Division. David is working with the Dairy Development Profitability and Enhancement (formerly known as Dairy Diagnostics), which helps producers to improve their productivity, profitability and efficiency. This program works through a team approach to assist the producer in directing attention to those areas within their operation that are inhibiting them from greater profit/cow. The other program that David works with is the Minnesota Dairy Business Planning Grant Program that subsidizes the development of a business plan for a dairy that is exploring making certain changes to their operation. This grant program will cover 50% of the expense of formulating the five-year comprehensive business plan up to \$5000 per dairy producer. If you have questions or have producers who would be interested in either of these programs, contact David at 651-215-3946.

Curtis Pietz, Director

---

**For more information, please contact:**  
Gary Blahosky, [gary.blahosky@state.mn.us](mailto:gary.blahosky@state.mn.us)  
651-296-4985  
Agricultural Finance Division  
Minnesota Department of Agriculture  
90 West Plato Boulevard  
Saint Paul, Minnesota 55107

---

[MDA Home](#)

*Last Modified November 16, 2001*

Minnesota Statutes 2001, Table of ChaptersTable of contents for Chapter 41B

## 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.

HIST: 1986 c 398 art 6 s 1; 1987 c 396 art 1 s 3,31; 1988 c 688 art 10 s 1

Copyright 2001 by the Office of Revisor of Statutes, State of Minnesota.

Minnesota Statutes 2001, Table of ChaptersTable of contents for Chapter 41B**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).

HIST: 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

*Copyright 2001 by the Office of Revisor of Statutes, State of Minnesota.*

Minnesota Statutes 2001, Table of ChaptersTable of contents for Chapter 41B**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.

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

*Copyright 2001 by the Office of Revisor of Statutes, State of Minnesota.*



- 1.4 **REPAYMENT SCHEDULE.** I agree to repay the borrowed amount plus interest on a \_\_\_\_\_ year amortization schedule. However, the participation loan will be due and payable in full (principal balance+accrued interest) on \_\_\_\_\_.

The first payment shall be due \_\_\_\_\_, with an additional \_\_\_\_\_ (#) payments due \_\_\_\_\_ (type in annually/monthly/quarterly/semi-annually) thereafter on the \_\_\_\_\_ day of the corresponding month.

Unless I am in default, all repayments shall be applied first to interest and then to principal. If I am in default, you may apply the repayments in any manner you choose. Payments received by the lender or the RFA more than fifteen (15) days after the due date shall incur a late fee penalty.

I may make an additional annual principal payment (not to exceed 10% of my outstanding principal balance of my loan) without any penalty. Any additional principal payments which you receive by the terms of this note securing this participation will not reduce the amount of the scheduled repayments, but will operate to repay the entire indebtedness at an earlier date by reducing the number of future principal installments. However, you or the RFA may charge me a pre-payment penalty (equal to 10% of my outstanding principal balance) when paying my loan in full, without prior written consent, during the first five years of the loan (the prepayment penalty will be reduced annually by 2.0%).

- 1.5 **RECORDS.** Your records on what I owe are binding upon me and may be admitted in a legal proceeding against me.
- 1.6 **FINANCIAL INFORMATION.** Annually, upon the anniversary of this loan, I agree to mail to you signed and updated financial statements as agreed upon. Further, at any other time requested, with 30 days written notice, I will sign and deliver to you current financial statements (not to exceed 60 days in age).
- 1.7 **CERTIFICATION.** I understand that if the RFA participates in my loan there are certain specific eligibility requirements which must be met by me and certified by me in the application to the RFA. If I fail to remain in compliance with any state statute or rules governing my specific program, you or the RFA may declare my participation to be in default (see section 1.9 below).\
- 1.8 **MORTGAGE.** As security for the debt and any other obligations to you under this agreement or the covenants of the mortgage, I am signing today and granting to you a 1st Mortgage lien on real property approved by you and the RFA.
- 1.9 **DEFAULT.** You or the RFA may declare that I am in default if:
- A. I fail to pay any of the principal or interest on the debt when properly demanded by you, in accordance with my repayment obligations.
  - B. Any statement made by me in connection with the loan proves to have been misleading when it was made.
  - C. I fail to perform any promise contained in this Agreement including section 1.7 above; the Mortgage I am signing today; or any other agreement relating to this debt or the program in which I am taking part.
    - a. Failure to bring this participation into compliance within 30 days upon receiving a written notice from the RFA shall result in the forfeiture of the initial RFA participation interest rate. The new RFA penalty rate shall be equal to the highest interest rate currently being charged on its participations plus 0.5% (also see section 2.0).

- 2.0 **PAYMENT DUE UPON DEFAULT.** If you or the RFA declare that I am in default, the entire balance of the debt may become immediately due and payable, at either's option. No written notice to me is required of you or the RFA. I agree to pay any and all expenses, including reasonable attorneys' fees, incurred in enforcing this Agreement, plus accrued interest at the penalty rate (see section 1.9 above).
- 2.1 **FAILURE TO PERFORM.** If I fail to perform any of my promises in this Agreement or the Mortgage, you may perform for me if you choose. I will pay you upon demand all reasonable expenses you incur in performing for me, plus interest at the same rate applied to the principal I owe you.
- 2.2 **NO WAIVER.** Any failure or delay on your part in exercising any of your rights will not prohibit you from exercising them at a later time or exercising any other right or remedy. You may extend the time for payment of my debt or release any security (including security pledged by any guarantor of my debt) without affecting your rights under this Agreement or the Mortgage.
- 2.3 **INTERPRETATION OF OUR UNDERSTANDING.** This Agreement expresses our entire understanding. I have read this Agreement and rules for my program fully and am not relying on any oral or other written statements by you or your agents. Any previous statements, whether oral or in writing, are superseded by this Agreement. Any amendment to this Agreement must be done in writing. If there are two or more borrowers named in this Agreement, obligations of this Agreement are joint and several (which means you may enforce all the obligations against any one of the borrowers or against all of them).
- 2.4 **SHARING OF INFORMATION.** I acknowledge that the RFA may become a participant in my loan and I hereby consent to you sharing information about me (including but not limited to my financial statements) and about my loan with its authorized employees or agents. I understand that the RFA's authorized employees or agents are required by law to keep information about me confidential.
- 2.5 **HEADINGS.** The headings contained in this Agreement are for convenience only and shall not affect the interpretation of any provisions of this Agreement.
- 2.6 **EFFECTIVENESS.** This Agreement will continue until I pay the full amount of this debt and all other amounts secured by the Mortgage. If any part of this Agreement is declared invalid, the rest of the Agreement will remain in effect.
- 2.7 **LAW OF MINNESOTA TO GOVERN.** This Agreement and the rights and duties described in this Agreement will be governed by, and interpreted in accordance with the laws of Minnesota.

This note is secured by a mortgage dated: \_\_\_\_\_, 20 \_\_\_\_\_

I sign certifying that I understand and agree to all the provisions of this Agreement.

Dated: \_\_\_\_\_, 20 \_\_\_\_\_

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Address

\_\_\_\_\_  
City/State/Zip

\_\_\_\_\_  
Co-signer

(if required) Co-signer