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Assembly Bill 3

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1985 Wisconsin Act 9

AN ACT to create 20.490 (3), 234.90 and 234.91 of the statutes, relating to providing agricultural production loan guarantees and interest reductions on guaranteed agricultural loans and making appropriations.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. Purpose. (1) The legislature recognizes that the current depressed farm economy, resulting from a combination of low prices for agricultural commodities and falling land values, has created

undue stress on the farm credit system. The legislature further recognizes that a significant number of farmers in this state are in such serious financial straits that they are ineligible for additional credit under normal agricultural lending standards. Many of these farm-

ers, therefore, will not be able to borrow operating capital necessary to plant and harvest a crop in 1985.

(2) The legislature finds that it is necessary to take extraordinary steps to assure that farmers may plant and harvest a crop in 1985, since this is the only means for many of these farmers to sustain the flow of income they need to continue operating. Because of the central role of agriculture in the state's economy and the dependence of rural communities on the continued operation of family farms, it is in the public interest to assist farmers who cannot otherwise obtain credit to operate their farms.

(3) The legislature finds that the most efficient and cost-effective means of providing operating credit for farmers planting and harvesting a crop in 1985 is through cooperation between the private and public sectors. Further, the legislature finds that the farm credit system can provide necessary funds if the public sector assumes a portion of the risk attendant at all times in such lending, and acutely in evidence at this time.

(4) The legislature concludes that it is in the public interest to guarantee extensions of credit to farmers who cannot secure operating loans under usual agricultural lending standards because of an excess of

debts in relation to assets, but who are otherwise suitable credit risks. Further, the legislature recognizes that the state cannot provide these guarantees due to the constraints of article VIII, section 3, of the Wisconsin constitution. The legislature therefore concludes that it is necessary to empower the independent Wisconsin housing and economic development authority to guarantee agricultural production loans.

(5) It is the intent of the legislature that the Wisconsin housing and economic development authority, on the basis of the appropriation made in this act, guarantee farm operating loans of a limited amount for the purposes of financing the planting and harvesting of a crop in 1985. It is the intent of the legislature that these guaranteed loans be available only to farmers who do not otherwise qualify for operating loans but who, with the aid of a loan guaranteed under this act, are likely to be able to continue farming. The legislature further believes that it can determine the portion of farmers receiving these guaranteed loans who will default, and that based on this determination it desires the Wisconsin housing and economic development authority to guarantee loans in an amount 5 times greater than the amount of the guarantee fund.

SECTION 2. 20.005 (3) (schedule) of the statutes: at the appropriate place, insert the following amounts for the purposes indicated:

		<u>1983-84</u>	<u>1984-85</u>
20.490	Wisconsin housing and economic development authority		
(3)	AGRICULTURAL PRODUCTION LOAN GUARANTEE		
(a)	Agricultural production loan fund	GPR C	-0- 10,000,000
(b)	Agricultural production loan interest reduction	GPR C	-0- 1,000,000

SECTION 3. 20.490 (3) of the statutes is created to read:

20.490 (3) AGRICULTURAL PRODUCTION LOAN GUARANTEE. (a) *Agricultural production loan fund*. 1. As a continuing appropriation, the amounts in the schedule to be transferred, within 3 days of the effective date of this subdivision [revisor inserts date], to the agricultural production loan fund under s. 234.91.

2. Subdivision 1 does not apply after December 31, 1986.

(b) *Agricultural production loan interest reduction*. 1. As a continuing appropriation, the amounts in the schedule to fund payments to participating lenders under s. 234.90 (5).

2. Subdivision 1 does not apply after December 31, 1986.

SECTION 4. 234.90 of the statutes is created to read:

234.90 Agricultural production loan guarantees. (1) DEFINITIONS. In this section and in s. 234.91:

(a) "Agricultural production loan" means a loan to a farmer to finance the purchase of fertilizer, seed, fuel, pesticides, tillage services, crop insurance or any other service or consumable good necessary to plant a crop or harvest a crop or both.

(am) "Deficiency" means that portion of the unpaid principal amount of a defaulted agricultural production loan guaranteed under sub. (4) which exceeds 10% of the unpaid principal amount of the guaranteed loan. "Deficiency" does not include any interest, any origination fees or other charges relating to the guaranteed loan or any expenses incurred by the lender in enforcing the security interest taken in the crop resulting from the proceeds of the guaranteed loan.

(b) "Farmer" has the meaning given under s. 102.04 (3).

(c) "Guaranteed loan" means an agricultural production loan which is guaranteed by the authority.

(d) "Participating lender" means a bank, production credit association, credit union, savings and loan association or other person who makes agricultural

production loans and who has entered into an agreement with the authority under sub. (7).

(2) **ELIGIBLE LOANS.** An agricultural production loan made by a participating lender is eligible for guarantee by the authority if all of the following apply:

(a) The loan is to finance planting a crop or harvesting a crop, or both, in 1985.

(b) The principal amount of the loan does not exceed \$20,000.

(c) The rate of interest on the loan, including any origination fees or other charges relating to the loan, does not exceed 11% annually.

(d) The rate of interest on the loan for which the borrower is obligated, including any origination fees or other charges relating to the loan, does not exceed 9% annually.

(e) The participating lender shall pay directly any supplier of fertilizer, seed, fuel, pesticides, tillage services, crop insurance or other service or consumable good necessary to plant a crop or harvest a crop or both, if the borrower obtains the loan to pay that supplier.

(f) The participating lender obtains a security interest for repayment of the loan in the crop resulting from use of the loan proceeds.

(g) The borrower procures a crop insurance policy which protects the crop to be financed with the proceeds of the loan against risk of loss, and the proceeds of which are payable to the participating lender.

(h) The term of the loan does not extend after March 31, 1986.

(i) The proceeds of the loan may not be applied to the outstanding balance of any other loan.

(3) **ELIGIBLE FARMERS.** A farmer is eligible for a guaranteed loan if all of the following apply:

(a) The farmer does not meet the participating lender's minimum standards of creditworthiness to receive an agricultural production loan in the normal course of the participating lender's business.

(b) The amount of the farmer's debts totals at least 40% of the amount of the farmer's assets.

(c) In the judgment of the participating lender, it is reasonably likely that if the farmer receives a guaranteed loan the farmer's assets, cash flow and managerial ability are sufficient to preclude voluntary or involuntary liquidation before April 1, 1986.

(d) The farmer has not obtained any other loan under this section.

(4) **GUARANTEE.** (a) Except as provided in par. (b), the authority shall guarantee repayment of 90% of the principal of any agricultural production loan eligible for guarantee under sub. (2) made to a farmer eligible for a guaranteed loan under sub. (3).

(b) The total principal amounts of all loans which the authority may guarantee under par. (a) may not exceed \$50,000,000.

(5) **INTEREST REDUCTION.** The authority shall pay, from the moneys appropriated under s. 20.490 (3) (b), to each participating lender an amount equal to 2% of the principal amount of any agricultural production loan guaranteed under sub. (4).

(6) **DEFAULT.** (a) A participating lender shall determine when a guaranteed loan is in default, except that any guaranteed loan not repaid in full on or before March 31, 1986, is in default. Upon default, if there is any deficiency remaining after the participating lender has enforced to the fullest extent possible the security interest taken in the crop resulting from use of the loan proceeds and has collected any proceeds payable from the crop insurance policy protecting the crop resulting from use of the loan proceeds, the participating lender may so notify the authority. The authority may not accept notice of enforcement and deficiency after July 1, 1986.

(b) On or after November 1, 1985, the authority shall pay to a participating lender the amount of any deficiency of which the authority accepted notice under par. (a), from the agricultural production loan fund under s. 234.91.

(7) **ADMINISTRATION.** (a) The authority shall enter into a guarantee agreement with any bank, production credit association, credit union, savings and loan association or other person who makes agricultural production loans and who wishes to have those loans guaranteed under this section. The authority may determine all of the following, consistent with this section:

1. The form of the agreement.
2. Any conditions upon which the authority may refuse to enter into such an agreement.
3. Any procedures required to carry out the agreement.

(b) The authority may not use any moneys other than those in the agricultural production loan fund to guarantee a guaranteed loan under this section.

(c) No later than December 31, 1986, after deducting an amount sufficient to pay any outstanding claims unresolved on that date, the authority shall transfer to the general fund any balance remaining in the agricultural production loan fund on that date. If the authority deducts an amount sufficient to pay outstanding claims, the authority shall transfer moneys to the general fund each calendar quarter as claims are resolved, until no balance remains in the agricultural production loan fund.

(8) **MORAL OBLIGATION.** Recognizing its moral obligation to do so, the legislature expresses its expectation and aspiration that, if ever called upon to do so, it shall make an appropriation to meet all demands for funds under this section.

(9) **PROGRAM TERMINATION.** After December 31, 1986, subs. (1) to (8) apply only to outstanding claims unresolved as of that date.

SECTION 5. 234.91 of the statutes is created to read:

234.91 Agricultural production loan fund. There is established under the jurisdiction and control of the authority an agricultural production loan fund, consisting of both of the following:

(1) Any moneys appropriated to the authority under s. 20.490 (3) (a) or received by the authority for

the agricultural production loan fund from any other source.

(2) Any income from investment of moneys in the agricultural production loan fund by the authority under s. 234.03 (18).
