

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1131

2005 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1131

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1131

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1-10-05

Tape Number	Side A	Side B	Meter #
2	x		0-10.3

Committee Clerk Signature



Minutes:

**Chairman Keiser:** Opened the hearing on HB 1131. All committee members were present.

**Bob Humann, SVP, Lending, Bank of ND:** Appeared in support of HB 1131. (SEE ATTACHED TESTIMONY.)

**Don Forsberg, Executive VP, Independent Community Banks of ND:** appeared in support of HB 1131. We look at the changes to this program as being positive, more of our banks are noticing that the number of borrowers are down but also their requirements are up, and make this program fit, this seems like a positive change for all of our Ag lenders, we strongly encourage a do pass on this bill.

**Chairman Keiser:** Does this provide an opportunity for someone to buy hunting land and doesn't have a lot of net worth, and claims to be a first time farmer?

**Bob Humann:** When a application comes in we want to make sure that a farmer is actually a farmer, make sure they have farm assets, livestock, the second thing we look at is where they

make their income from, what are they making off the farm in comparison to what they are making on the farm, and the last thing we look at is where they spend their time.

And only for ND residents.

**Jim Schlosser, ND Bankers Association:** On behalf of our organization we would like to add our support to the bill.

**Woody Barth, Chairperson, ND Credit Review Board:** Appeared in support of HB 1131 and provided written testimony. (SEE ATTACHED TESTIMONY.)

**Woody Barth, N.D. Farmers Union:** Appeared in support of HB 1131.

No opposition.

**Representative Boe:** Made a **DO PASS** motion on HB 1131.

**Representative Dietrich:** **SECOND** the **DO PASS MOTION** on HB 1131.

Motion carried. **VOTE** **14-YES** **0-NO** **0-Absent.**

Meeting adjourned.

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/03/2005

Bill/Resolution No.: HB 1131

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

No fiscal impact to Bank of North Dakota or State of North Dakota

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

No fiscal impact to Bank of North Dakota or State of North Dakota

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

No fiscal impact to Bank of North Dakota or State of North Dakota

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

No fiscal impact to Bank of North Dakota or State of North Dakota

<b>Name:</b>	Bob Humann	<b>Agency:</b>	Bank of North Dakota
<b>Phone Number:</b>	328-5703	<b>Date Prepared:</b>	01/06/2005

Date: 1-10-05

Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1131

House **INDUSTRY, BUSINESS AND LABOR** Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken *Do Pass*

Motion Made By *Rep. Boe* Seconded By *Rep. Dietrich*

Representatives	Yes	No	Representatives	Yes	No
G. Keiser-Chairman	X		Rep. B. Amerman	X	
N. Johnson-Vice Chairman	X		Rep. T. Boe	X	
Rep. D. Clark	X		Rep. M. Ekstrom	X	
Rep. D. Dietrich	X		Rep. E. Thorpe	X	
Rep. M. Dosch	X				
Rep. G. Froseth	X				
Rep. J. Kasper	X				
Rep. D. Nottestad	X				
Rep. D. Ruby	X				
Rep. D. Vigesaa	X				

Total (Yes) *14* No *0*

Absent *-0-*

Floor Assignment *Rep. Boe*

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
January 10, 2005 3:17 p.m.

**Module No: HR-05-0241**  
**Carrier: Boe**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1131: Industry, Business and Labor Committee (Rep. Keiser, Chairman)**  
recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
HB 1131 was placed on the Eleventh order on the calendar.

2005 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1131



2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1131

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date 2-23-05

Tape Number	Side A	Side B	Meter #
1	xxx		1280-2750

Committee Clerk Signature

*Tricia Ann Berkson*

Minutes: **Chairman Mutch** opened the hearing on HB 1131. All Senators were present.

**HB 1131** relates to the participation interest purchased by the Bank of North Dakota and the maximum net worth of an applicant for a Financial Assistance for Family Farmers Act loan.

**Bob Humann, Senior Vice President of Lending for the Bank of North Dakota**, introduced the bill. See written.

**Chairman Mutch:** Who is the lead lender? What position are they in the loan?

**Bob:** Any bank, credit union, farm credit services, in the state of North Dakota. They would be the lead lender on the loan and we actually share in the loan on a pro rata basis. We don't actually take a subordinate position in the collateral.

**Senator Klein:** Most of these loans have been good, haven't they?

**Bob:** Yes. They have strong collateral.

**Chairman Mutch:** Primarily real estate loans, or cattle mortgages?

**Bob:** The majority of the loans are for the purchase of equipment and livestock.

**Senator Nething:** You indicate in your testimony that going from two hundred to three hundred is going to increase the number of eligible applicants. Is that because the two hundred were ceilings?

**Bob:** That's correct. The maximum net worth that a farm applicant could have on their balance sheet was \$200,000, now we are looking at moving that up to \$300,000, to make it so there will be more applicants eligible.

**Chairman Mutch:** These would be primary referrals that would come to you from a bank wanting you to participate in the loan?

**Bob:** That is correct.

**Senator Nething:** This doesn't change that, does it?

**Chairman Mutch:** No.

**Senator Nething:** At first blush I thought it meant it was going to raise the limit from 200k to 300k, but it is the cap.

**Bob:** It is the cap that actually increases the net worth maximum.

**Chairman Mutch:** Do you get a lot of requests for these types of loans?

**Bob:** The chart on the second page of my testimony explains that.

**Senator Nething:** I suppose the land value has an impact.

**Bob:** Yes, that is correct.

**Senator Nething:** What kind of collateral would it take on 100k real estate loan?

**Bob:** Seventy five percent of the land value.

**Senator Klein:** How much do we currently have out in loans?

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Senate Industry, Business and Labor Committee

Bill/Resolution Number HB 1131

Hearing Date 2-23-05

**Bob:** With the Family Farm Program? Right now about six million.

**Senator Krebsbach:** When was this Family Farm Program enacted?

**Bob:** In the 1980's.

**The hearing was closed. There was no opposition.**

**Senator Nething moved a DO PASS.**

**Senator Klein seconded.**

**Roll Call Vote: 6 yes. 0 no. 1 absent.**

**Carrier: Senator Nething**

Date: 2-23-05  
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1131

Senate Industry, Business, and Labor

Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken *Do Pass*

Motion Made By *Nothing*

Seconded By *Klein*

Senators  
Chairman Mutch  
Senator Klein  
Senator Krebsbach  
Senator Espegard  
Senator Nething

Yes No  
*X* *X*  
*X*  
*X*  
*X*  
*X*

Senators  
Senator Fairfield  
Senator Heitkamp

Yes No  
*X*  
*X*

Total (Yes) *6* No *0*

Absent *1*

Floor Assignment *Nothing*

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
February 23, 2005 3:19 p.m.

**Module No: SR-33-3524**  
**Carrier: Nothing**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1131: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1131 was placed on the Fourteenth order on the calendar.**

2005 TESTIMONY

HB 1131

January 10, 2005  
House Industry, Business and Labor Committee  
Peace Garden Room  
House Bill Numbers  
1131 and 1132

Good Afternoon,

Chairman Keiser and members of the Industry, Business and Labor Committee. My name is Elwood "Woody" Barth, a rancher from Solen, North Dakota. I, currently, serve as chairperson of the North Dakota Credit Review Board.

See Attachment I.

One of the Credit Review Board duties as prescribed by law, is to recommend policies and procedures to the Industrial Commission, regarding farm loan programs at the Bank of North Dakota.

The Board reviewed and approved the proposed changes to the Century Code on the Financial Assistance for Family Farmers and the Family Farm Survival Acts.

Our Board felt the requirements to qualify for these loan programs needed to be updated after a number of years at the same level. North Dakota's family farmers and ranchers are always facing changing weather conditions, a volatility in prices and uncertain agricultural policies from our Federal Government.

I believe the Credit Review Board Members always ask three basic questions when reviewing the Bank of North Dakota's agricultural loan policies:

1. Why is the Bank recommending these changes in policy?
2. How will these new policies benefit North Dakota Family Farmers and Ranchers?
3. Will these policies be helpful or a hindrance to our Agricultural Lending Community?

Once again, the Credit Review Board supports these changes.

I would stand for any questions. Thank you.

## Attachment I

**6-09.10-02. Credit review board.** The board consists of six members. The governor, the attorney general, and the agriculture commissioner shall each appoint two members to the board. The governor and attorney general shall each appoint one member with experience as a director or officer of a financial institution and one member actively engaged in farming in the state. The agriculture commissioner shall appoint two members who are actively engaged in farming in the state. No member of the board may hold state office or serve in state office or serve in state government in any capacity at any time of appointment or during service on the board. The credit review board members shall serve terms of two years.

**6-09.10-02.1. Additional duties of board.** In addition to other powers and duties enumerated in this chapter, the board shall:

1. Establish policy for the North Dakota agricultural mediation service.
2. Recommend policies and procedures to the industrial commission regarding farm loan programs of the Bank of North Dakota.
3. Recommend policies and procedures regarding the adult farm management program to the state board for career and technical education.
4. Participate in a farm management delivery system coordinated by the state board for career and technical education among the adult farm management program, agricultural mediation service, and North Dakota state university. The system must be available to any farmer and may be funded from moneys available in the fund described in this chapter, fees paid by farmers, or other sources.

**6-09.10-03. North Dakota agricultural mediation service - Powers - Compensation and expenses - Fees.** The board shall meet at the call of the chair, as is necessary to fulfill its duties under this chapter. The agriculture commissioner shall administer the agricultural mediation service. The commissioner shall establish an agricultural mediation service to disseminate information to farmers concerning farm credit problems and to provide assistance to seek to resolve farm credit problems. The commissioner shall appoint an administrator of the agricultural mediation service. The commissioner shall hire staff, negotiators, and mediators who may mediate disputes involving farmers and others, either of whom may request assistance.

The board may charge the farmer and others a reasonable fee for any assistance, provided the fees are used to continue the service. Fees charged to the farmer's creditors are limited to twenty-five dollars per hour, each, for the time spent in mediation sessions. The board shall adopt policies governing the negotiators, staff, and mediators hired under this section. Board members are entitled to receive sixty-five dollars for each day of official service, as directed by the board. The board members are entitled to expenses as provided in sections 44-08-04 and 54-06-09. The expenses provided under this section may be paid from any funds available in the home-quarter purchase fund.



TESTIMONY TO THE  
HOUSE INDUSTRY, BUSINESS & LABOR COMMITTEE  
HOUSE BILL 1131  
BOB HUMANN – SVP OF LENDING  
BANK OF NORTH DAKOTA

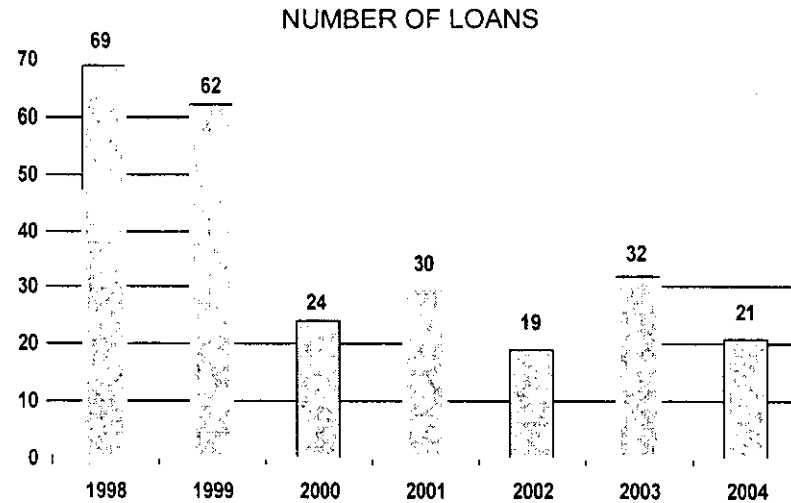
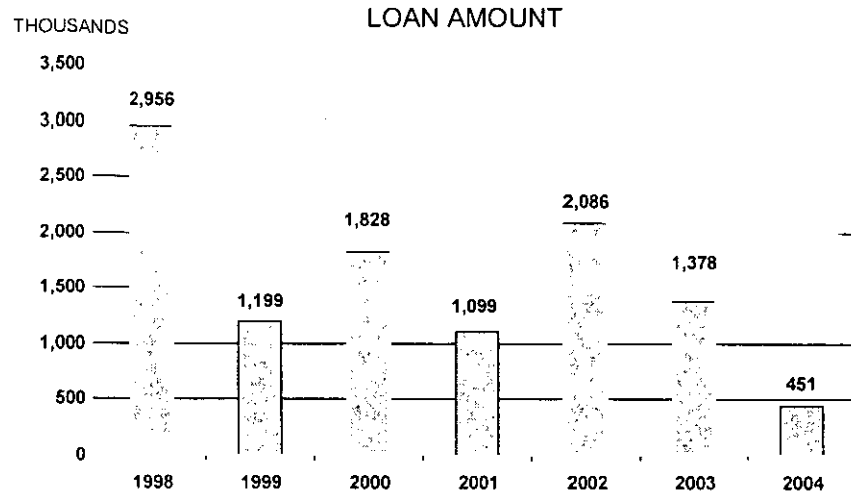
The Bank of North Dakota supports House Bill 1131. This bill will expand BND's existing Family Farm Loan program in two areas: The proposed language in Section 1 will increase BND's loan amount from \$150,000 to \$250,000. The loan amount was changed from \$75,000 to \$150,000 in 1999. BND feels this increase is necessary as the credit needs of farmers has risen. The proposed language in Section 2 will expand the number of eligible applicants by increasing the net worth maximum from \$200,000 to \$300,000. The net worth requirement was increased from \$150,000 to \$200,000 in 1999. Further information on the Family Farm Loan program is attached to this testimony.

Since the Family Farm Loan program, is a participation program that requires a lead lender, BND surveyed 60 ag bankers at the 2004 North Dakota Bankers Ag Conference to gather their input on the program parameters. The two changes being proposed were recommendations from the survey results. BND has received favorable responses from legislative review sessions held with the North Dakota Bankers Association and Independent Community Bankers of North Dakota. In addition, the North Dakota Ag Credit Review Board has approved the proposed changes.

With the numerous challenges facing farmers and agricultural in general, expansion of the Family Farm Loan program will provide another financing option for lenders to help their farm borrowers. Your approval is recommended.

# FAMILY FARM LOAN PROGRAM RECAP

## COMMITTED AND FUNDED LOANS YE 2000 - 2004



- Participation Loan
- BND will lend up to the lesser of \$150,000 or 90% of the total loan.
- Need to be a North Dakota resident whose principal occupation is or will be farming or ranching.
- Net worth of less than \$200,000.
- Use of the proceeds is to purchase or refinance real estate, equipment or livestock, or restructure operating debt.
- May be used for livestock retention.
- BND's Interest Rate - Variable at BND Base Rate less 1%; maximum of 11%.
- Lead Lender's Interest Rate - Not to exceed BND Base Rate plus 3% and may be variable.
- Term -
  - Real Estate - 20 years
  - Livestock - 7 years
  - Equipment - 5 years
  - Restructured Operating Debt - 5 years
- Collateral -
  - 75% on Real Estate
  - 70% on Equipment and Livestock
  - 85% on Debt Settlement

TESTIMONY TO THE  
SENATE INDUSTRY, BUSINESS & LABOR COMMITTEE  
HOUSE BILL 1131  
BOB HUMANN – SVP OF LENDING  
BANK OF NORTH DAKOTA

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