

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1132

2005 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1132

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1132


House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1-10-05

Tape Number	Side A	Side B	Meter #
2	x		11.8-23.2

Committee Clerk Signature



Minutes:

Chairman Keiser: Called the hearing to order on HB 1132. All committee members were present.

Don Humann, SVP, Lending, Bank of ND: appeared in support of HB 1132. (SEE ATTACHED TESTIMONY.)

Chairman Keiser: What is the difference between this bill and HB 1131?

Don Humann: The reason we have separate bills, is because there are two different areas of the Century Code that we are talking about. One is a family farm loan program, which just finances cattle, and then we have the farm operating program, which is just for financing operating debt. That is why we have two separate bill.

Representative Froseth: Do these correlate with the beginning farmer loan program?

Don Humann: No, this is a separate program.

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House Industry, Business and Labor Committee

Bill/Resolution Number HB 1132

Hearing Date 1-10-05

Woody Barth, Chairperson, Credit Review Board: Appeared in support of HB1132 and provided written testimony. (SEE ATTACHED TESTIMONY.)

Woody Barth, ND Farmers Union: Appeared in support of HB 1132.

Jim Schlosser, ND Bankers Association: Appeared in support of HB 1132. We do support of increase, it should be a partnership, not a competition between the Bank of ND

Don Forsberg, Executive VP Independent Community Banks of ND: We also encourage a Do Pass recommendation on this bill, one of the things I would like to point out to you is this bill does allow community bankers to provide additional amounts borrowed for this particular purpose or service additional customers.

No opposition.

Hearing closed.

Representative Nottestad: I Move a **DO PASS** on HB 1132.

Representative Vigesaa: **SECOND** the motion on HB 1132.

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

Meeting adjourned.

FISCAL NOTE
 Requested by Legislative Council
 01/03/2005

Bill/Resolution No.: HB 1132

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

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

Date: 1-10-05

Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1132

House

INDUSTRY, BUSINESS AND LABOR

Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Do PASS

Motion Made By

Rep. Nottestad

Seconded By

Rep. Vigesaa

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. Thorpe

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

REPORT OF STANDING COMMITTEE (410)
January 10, 2005 3:16 p.m.

Module No: HR-05-0239
Carrier: Thorpe
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1132: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
HB 1132 was placed on the Eleventh order on the calendar.

2005 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1132

2005 SENATE STANDING COMMITTEE MINUTES


BILL/RESOLUTION NO. HB 1132

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date 2-23-05

Tape Number	Side A	Side B	Meter #
1	xxx		3000-5009

Committee Clerk Signature 

Minutes: **Chairman Mutch opened the hearing on HB 1132. All Senators were present.**

HB 1132 relates to participation interest purchased by the Bank of North Dakota in Family Farm Survival Act operating loans to farmers.

Bob Humann, Bank of North Dakota, introduced the bill. See attached written testimony.

Senator Klein: How many loans do you have on that particular program?

Bob: The second page of testimony shows close to six million dollars.

Senator Klein: These loans vary in value.

Bob: Correct.

Senator Nething: What's magic about the 250k, why don't you say 500k, and you still wouldn't loan the amount?

Bob: What we did is we surveyed the ag bankers at the North Dakota Bankers Ag Conference.

The reason we did that is because, we can put the cap as high as we want to and still make the

credit decision in house, but if we make that cap higher, that puts the pressure on the local banks.

If we do that it takes business away from all of the local lenders in the state. It's a balancing act.

Chairman Mutch: Is there a limited amount of money that you have set aside in the bank for these types of lending?

Bob: No, we don't have a limitation for the dollars available. We set it per borrower.

Chairman Mutch: So if you raise it now, you will have more money to lend out to farm operating loans? Do these people ever go to the FHA?

Bob: It's a riskier credit, this is your middle of the road borrower. Not strong enough that the bank would want to book them on their own, but not weak enough where they would want to get an FHA guarantee.

Chairman Mutch: Do the banks then sell part of the loan to the Bank of North Dakota?

Bob: Yes, in some cases.

Senator Klein: Do we have any more write-offs on these loans as we did on the Family Farm loans?

Bob: Our losses have been very minimal.

Senator Krebsbach: Do people use a combination of the two loans?

Bob: Yes, they do. To qualify for both, they would have to have a networth of less than 200k.

Senator Nething: Who determines your participation rate?

Bob: We can lend up to sixty-five percent under this program.

Senator Nething moved a DO PASS. Senator Klein seconded.

Roll Call Vote: 6 yes. 0 no. 1 absent. Carrier: Senator Klein

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

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1132

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	Yes	No	Senators	Yes	No
Chairman Mutch	X		Senator Fairfield	X	
Senator Klein	X		Senator Heitkamp	X	
Senator Krebsbach	X				
Senator Espegard	X				
Senator Nething	X				

Total (Yes)

6

No

0

Absent

1

Floor Assignment

Klein

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

REPORT OF STANDING COMMITTEE (410)
February 23, 2005 3:16 p.m.

Module No: SR-33-3523
Carrier: Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1132: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1132 was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

HB 1132

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 1132
BOB HUMANN – SVP OF LENDING
BANK OF NORTH DAKOTA

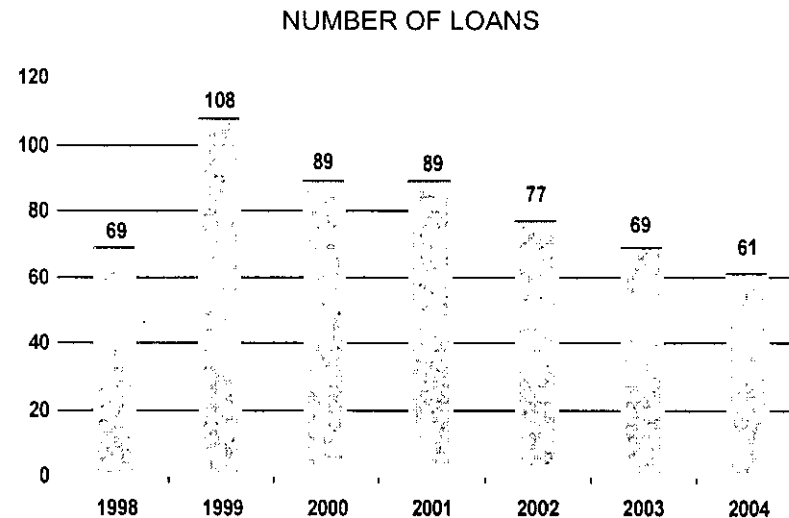
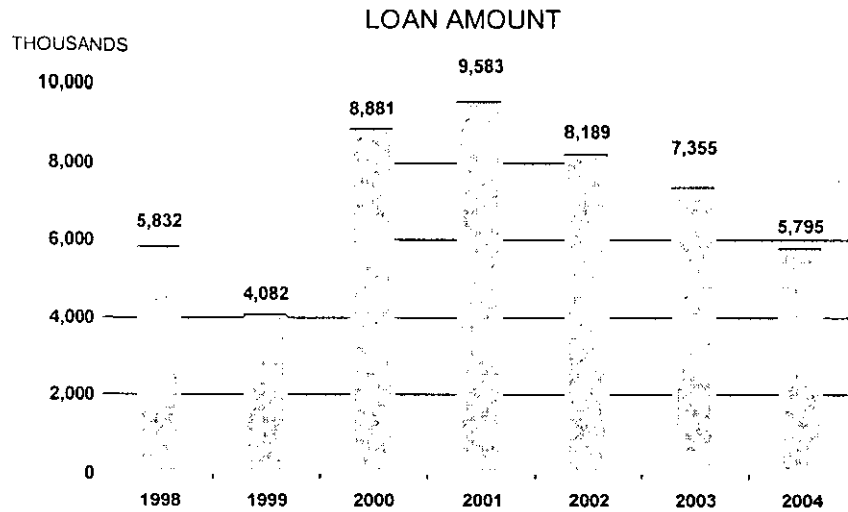
The Bank of North Dakota supports House Bill 1132. This bill will expand BND's existing Farm Operating Loan program by increasing the maximum loan amount from \$200,000 to \$250,000. As operating costs for farmers has risen, the need for an increase is overdue as the maximum loan amount has not been changed since the program was implemented in 1987. Further information on the Farm Operating Loan program is attached to this testimony.

Since the Farm Operating 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 proposed increase in the loan amount was the recommendation from the survey results. BND has received favorable responses on this change 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 change.

With the increases in operating costs for farmers, expansion of the Farm Operating Loan program is needed. Your approval is recommended.

FARM OPERATING LOAN PROGRAM RECAP

COMMITTED AND FUNDED LOANS YE 1998 – 2004



- Participation Loan
- BND will lend up to the lesser of \$200,000 or 65% of the total loan.
- Need to be a North Dakota resident owning or operating a farm or ranch.
- Debt to asset ratio of 50% or greater or have a net worth of less than \$200,000.
- Use of the proceeds is to provide funding for operating expenses only. No loan payments or capital purchases.
- May be used for livestock retention.
- BND's Interest Rate – Variable at BND Base Rate less 1%.
- Lead Lender's Interest Rate – Not to exceed BND Base Rate plus 3% and may be variable.
- Term – 1 year
- Collateral – Current crop mortgage and lien on chattels. Other collateral where required.

TESTIMONY TO THE
SENATE INDUSTRY, BUSINESS & LABOR COMMITTEE
HOUSE BILL 1132
BOB HUMANN – SVP OF LENDING
BANK OF NORTH DAKOTA

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