

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1100

2007 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1100

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1100

House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: January 15, 2007

Recorder Job Number: 1119

Committee Clerk Signature

*Stephanie N Thomas*

Minutes:

**Chair Keiser** opened the hearing on HB 1100.

**Bob Humann, Bank of ND:** See written testimony #1.

Hearing Closed.

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1100

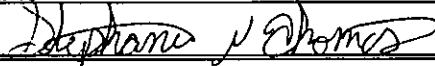
House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: January 15, 2007

Recorder Job Number: 1122

Committee Clerk Signature



Minutes:

**Chair Keiser** opened hearing on HB 1100.

Discussion of HB 1100

**Rep. Boe:** I move a do pass.

**Rep. Nottestad:** Second.

**Roll Call Vote was taken. 11Yeas, 2 Nays, 1 Absent, Carrier: Rep. Boe**

Hearing Closed.

**FISCAL NOTE**  
**Requested by Legislative Council**  
12/27/2006

Bill/Resolution No.: HB 1100

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 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.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Section 1 expands eligibility for BND's Farm Operating loan program. Section 2 increases the total dollar amount of BND's Family Farm loan program.

Section 3 allows for a service fee for lead lenders with the AG PACE loan program.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

None of the sections of this legislation have a fiscal impact to the 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.*

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.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Robert A. Humann	<b>Agency:</b>	Bank Of North Dakota
<b>Phone Number:</b>	328-5703	<b>Date Prepared:</b>	01/08/2007

Date: 1-15-07  
Roll Call Vote #: \_\_\_\_\_

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1100

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Rep. Boe Seconded By Rep. Nottestad

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep. Amerman	X	
Vice Chairman Johnson	X		Rep. Boe	X	
Rep. Clark	X		Rep. Gruchalla		X
Rep. Dietrich	X		Rep. Thorpe	X	
Rep. Dosch	X		Rep. Zaiser		
Rep. Kasper		X			
Rep. Nottestad	X				
Rep. Ruby	X				
Rep. Vigesaa	X				

Total Yes 11 No 2

Absent 1

Floor Assignment Rep. Boe

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

**REPORT OF STANDING COMMITTEE (410)**  
January 15, 2007 3:16 p.m.

**Module No: HR-09-0593**  
**Carrier: Boe**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1100: Industry, Business and Labor Committee (Rep. Keiser, Chairman)**  
recommends **DO PASS** (11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING).  
HB 1100 was placed on the Eleventh order on the calendar.

2007 SENATE AGRICULTURE

HB 1100



## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1100

Senate Agriculture Committee

Check here for Conference Committee

Hearing Date: March 2, 2007

Recorder Job Number: 4260

Committee Clerk Signature

*Cassie Kroh*

Minutes:

**Sen. Klein** opened the hearing on HB 1100, a bill relating to definitions for the family farm survival act, loan restrictions for financial assistance for family farmers and interest rates of loans for the agriculture partnership in assisting community expansion program. Members (6) were present, absent (1)-Sen. Wanzek.

**Bob Humann**, Bank of North Dakota, testified in favor of the bill. See attached testimony.

**Sen. Klein**- the second section was just a good around in the last session so we are fixing that, in section three you have had issues with the lenders and that is why they are coming to you and asking if you can square this away so that way we know where we are at on both of these programs?

**Bob Humann**- exactly.

**Sen. Klein**- and in section one again you want to talk about why it is more beneficial that it is small enough that an interest rate would be beneficial?

**Bob Humann**- really what happens there is that you get out to the eastern part of the state and some of these farmers inherit land or inherit some net worth and they don't necessarily have high leverage position cause they don't have any debt owing their assets, but there net worth is small enough and they are farming enough where an interest rate break would

actually help them on their farm operating loans. A lot of them might have a net worth of less than \$300,000 and that is when they would qualify for this type of a break.

**Sen. Klein** closed the hearing.

**Sen. Flakoll** motioned for a Do Pass and was seconded by **Sen. Taylor**, roll call vote 1: 6 yea, 0 nay, 0 absent. **Sen. Klein** was designated to carry the bill to the floor.



**REPORT OF STANDING COMMITTEE (410)**  
March 2, 2007 9:27 a.m.

**Module No: SR-40-4289**  
**Carrier: Klein**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1100: Agriculture Committee (Sen. Flakoll, Chairman) recommends DO PASS**  
(6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1100 was placed on the  
Fourteenth order on the calendar.

2007 TESTIMONY

HB 1100

TESTIMONY TO THE  
HOUSE INDUSTRY, BUSINESS & LABOR COMMITTEE  
HOUSE BILL 1100  
BOB HUMANN – SVP OF LENDING  
BANK OF NORTH DAKOTA  
JANUARY 15, 2007

Section 1 of House Bill 1100 expands the applicant's eligibility for the Farm Operating Loan Program. Currently a "Farmer" is described as resident of this state who owns or operates an existing farm or ranch operation, and has a debt-to-asset ratio of fifty percent or greater. The proposed change would also add: "or a net worth of less than three hundred thousand." This change would open up eligibility to farmers who have a good leverage position, but are small enough that an interest rate break would be beneficial.

Section 2 increases the maximum loan amount of the Family Farm Loan Program from \$150,000 to \$250,000. This change was approved with House Bill 1131 in the 59<sup>th</sup> Legislative Assembly, but the loan amount in the Century Code was identified in separate sections of the code. Unfortunately, only section 2 of N.D.C.C. 6-09.11-03 was changed.

Section 3 removes the interest rate language on the Ag PACE Loan Program. This language does not allow for a service fee to the lead lender. The PACE century code does not have this same language and is recommended that both programs have the same interest rate flexibility.

Attached is further information on each specific loan program. Your approval of all three amendments is recommended.

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## Farm Operating Loan Program

The North Dakota legislature has established a loan program to assist with farm operating loans.

### Qualifying Requirements

**Borrower** - A borrower is a "farmer" who is a resident of the State, owns or operates an existing farm or ranch, and who is at least eighteen (18) years old.

**Net Worth** - A maximum net worth requirement has not been established. However, legislative action requires that a borrower's debt-to-asset ratio must exceed 50%.

**Local Lender** - A local lender is required to initiate the loan participation and is responsible for servicing the loan.

**Use of Proceeds** - BND may participate in loans for the operation of an existing farm or ranch. These operating expenses include, but are not limited to:

- The current year's cash rent.
- Grassland fees.
- Parts and repairs.
- Fuel and oil.
- Transportation.
- Labor.
- Insurance (casualty, crop and hail).
- Harvesting
- Pasture or feeder cattle.
- Veterinarian fees.

Certain expenses are not qualified for this program. These include, but are not limited to:

- Delinquent bills.
- Interest payments.
- Principal payments.

BND will not participate in an operating loan if the borrower has not paid in full an operating loan under this program from the prior year.

**Collateral** - Loans under this program are generally secured by crops, livestock and equipment liens. A pledge of FSA payments and assignment of crop insurance will also be required, when available. Depending upon the circumstances of a loan, additional security may be requested.

Depending upon the circumstances of a loan, additional security may be requested.

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#### **Application Process**

Application by a lead lender is required for BND's participation. See application for additional documentation required when submitting a request to BND. Lead lender is responsible for servicing the loan.

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#### **Interest Rate**

The interest rate on BND's participation percentage shall be variable at 1% below BND's base rate.

The interest rate charged by the local lender on its percentage may float with BND's base rate but may not exceed BND's base rate by more than 3%.

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#### **Repayment Terms**

The maturity date of an operating loan under this program may not exceed 1 year. No renewal or extension may be approved beyond the initial maturity date of the loan except in the case of a livestock producer retaining ownership. All advances are made and payments received on a pro rate basis.

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#### **Total Loan Amounts**

There is no total loan limitation. BND's participated share is limited to the lesser of \$250,000 or 65% of the total loan amount.

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#### **Fees**

There is no origination fee charged by BND.

For more information about this program or other Bank of North Dakota programs, contact:

Bank of North Dakota  
700 East Main Ave  
PO Box 5509  
Bismarck ND 58502-5509  
**(701) 328-5624**  
**1-800-472-2166 ext. 5624**  
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## Family Farm Loan Program

The North Dakota legislature has developed a program to help family farms. This program allows BND to participate in loans for qualified purposes up to 90% of the loan amount.

### Qualifying Requirements

**Borrower** - A borrower is a "farmer" who is a resident of the State and is at least eighteen (18) years old. The applicant has had the farming experience and training necessary to enable the applicant to operate a family farm and to make proper use of the proceeds of the loan.

**Net Worth** - The net worth of the applicant does not exceed \$300,000.

**Local Lender** - A local lender is required to initiate the loan participation and is responsible for servicing the loan.

**Use of Proceeds** - BND participates in loans in the following categories:

- The purchase or the refinancing of agricultural real estate.
- The purchase of a home-quarter under N.D.C.C. Chapter 6-9.10.
- Permanent improvements to agricultural real estate.
- The purchase or refinancing of farm equipment.
- The purchase or refinancing of livestock.
- The restructure of operating debt carryover.

**Collateral** - The collateral used to secure the loan will depend upon the intended use of the proceeds.

**Real Estate** - A first lien on the real property which is the subject of the loan as well as an assignment of rents is required. In addition, an acceptable appraisal of the property, is required.

**Equipment or Livestock** - A first lien on the equipment or all livestock of like kind. In addition, an acceptable appraisal, is required.

### Application Process

Application by a lead lender is required for BND's participation. See application for additional documentation required when submitting a request to BND. Lead lender is responsible for servicing of loan.

### Interest Rate

The interest rate on BND's percentage will float at 1% below BND's base rate. However, at no time will the interest rate exceed 11%.

The maximum interest rate on the lead lender's percentage shall not exceed BND's base rate plus 3% and may float.

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**Repayment Terms**

## Regular Real Estate Loan

- 20 year maximum loan (amortization schedule may be longer).
- Total loan not to exceed 75% of appraised security value.
- Must be first mortgage.

## Regular Farm Equipment Loan

- 5 year maximum loan.
- Total loan not to exceed 70% of appraised security value.

## Regular Livestock Loan

- 7 year maximum loan.
- Total loan not to exceed 70% of appraised security value.

## Restructure of Operating Debt Carryover

- 5 year maximum loan.
- Total loan not to exceed 85% of appraised security value.
- All available security must be pledged.

## Loan with FmHA Guarantee

- Loan not to exceed term of guarantee.
- Total loan not to exceed 90% of appraised security value.

Loan to a borrower for the purchase of livestock and/or livestock related equipment who is participating in a program of supervised technical and management assistance approved by BND.

- 7 year maximum loan.
- Total loan not to exceed 90% of appraised security value.

---

**Total Loan Amounts**

There is no total loan limitation. BND's participated share is limited to the lesser of \$250,000 or 90% of the total loan amount.

---

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### Ag PACE - (Agriculture Partnership in Assisting Community Expansion)

The Ag PACE program provides low interest financing to on-farm businesses. The program funds are used to buy down the interest rate on loans which have been approved by a local lender and BND. It is available to any business, except traditional production agriculture, which is integrated into the farm operation and is used to supplement farm income.

This program is available to North Dakota farm families for business ventures that are conducted on real estate which is operated and owned or leased by a farmer or other organization permitted to engage in the business of farming. The farmer shall have as his principal occupation, prior to applying for the program, the production of agricultural commodities or livestock.

Qualified businesses include any activity which is conducted by the farmer or the farmer's family and which is integrated into the farm operation. These businesses include nontraditional agriculture, manufacturing, processing, value-added processing, and targeted services industries. Eligible uses also include the purchase of equity shares in a new or expanding value added ag processing facility, the purchase of irrigation equipment, the purchase of capital improvements for retention of livestock, or the purchase of capital improvements for dairy operations. Traditional production agriculture will not qualify for this program.

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#### Program Parameters

The Ag PACE program is an interest rate buy down program. Monies in the fund are used to reduce the borrower's interest rate on loans made by a local lender and BND.

The loan is handled through a local lending institution - bank, savings and loan, credit union, or farm credit services - which will request the participation of BND. Together with the borrower, the lenders establish the terms and conditions of the loan, including the interest rate. The lead lender then requests that the Ag PACE fund be used to buy down the interest rate.

**Application Process** - Application by a lead lender is required for BND's participation. See application for additional documentation required when submitting a request to BND. Lead lender is responsible for servicing the loan.

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#### Interest Rate

If the project qualifies as an Ag PACE project, the borrower receives an interest rate reduction of a maximum of 5% below the yield rate with a minimum rate of 1%. The total buy down amount per borrower from the Ag PACE Fund may not exceed \$20,000 per biennium with a lifetime cap of \$60,000. In order to receive buydown funds in excess of \$20,000, the applicant must have a net worth of less than \$1,000,000. State Water Commission Funds, not exceeding \$20,000 per borrower, may be used to supplement Ag PACE funds for the purchase of irrigation equipment on new irrigated acreage. The lead financial institution and BND set the interest rate to be yielded by the lenders. The difference between the interest charged by the lenders (yield rate) and that paid by the borrower is provided to the lenders by one of the funds.

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TESTIMONY TO THE  
SENATE AGRICULTURE COMMITTEE  
HOUSE BILL 1100  
BOB HUMANN – SVP OF LENDING  
BANK OF NORTH DAKOTA  
MARCH 2, 2007

Section 1 of House Bill 1100 expands the applicant's eligibility for the Farm Operating Loan Program. Currently a "Farmer" is described as a resident of this state who owns or operates an existing farm or ranch operation, and has a debt-to-asset ratio of fifty percent or greater. The proposed change would also add: "or a net worth of less than three hundred thousand." This change would open up eligibility to farmers who have a good leverage position, but are small enough that an interest rate break would be beneficial.

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- Harvesting
- Pasture or feeder cattle.
- Veterinarian fees.

Certain expenses are not qualified for this program. These include, but are not limited to:

- Delinquent bills.
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BND will not participate in an operating loan if the borrower has not paid in full an operating loan under this program from the prior year.

**Collateral** - Loans under this program are generally secured by crops, livestock and equipment liens. A pledge of FSA payments and assignment of crop insurance will also be required, when available. Depending upon the circumstances of a loan, additional security may be requested.

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**Fees**

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**Loan with FmHA Guarantee**

- Loan not to exceed term of guarantee.
- Total loan not to exceed 90% of appraised security value.

Loan to a borrower for the purchase of livestock and/or livestock related equipment who is participating in a program of supervised technical and management assistance approved by BND.

- 7 year maximum loan.
- Total loan not to exceed 90% of appraised security value.

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**Total Loan Amounts**

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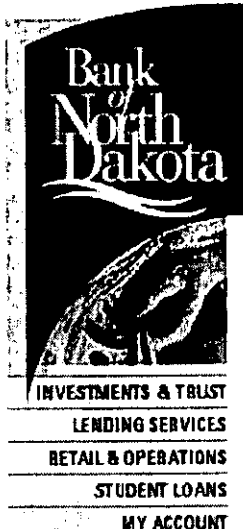


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### Farm Loan Programs

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### Ag PACE - (Agriculture Partnership in Assisting Community Expansion)

The Ag PACE program provides low interest financing to on-farm businesses. The program funds are used to buy down the interest rate on loans which have been approved by a local lender and BND. It is available to any business, except traditional production agriculture, which is integrated into the farm operation and is used to supplement farm income.

This program is available to North Dakota farm families for business ventures that are conducted on real estate which is operated and owned or leased by a farmer or other organization permitted to engage in the business of farming. The farmer shall have as his principal occupation, prior to applying for the program, the production of agricultural commodities or livestock.

Qualified businesses include any activity which is conducted by the farmer or the farmer's family and which is integrated into the farm operation. These businesses include nontraditional agriculture, manufacturing, processing, value-added processing, and targeted services industries. Eligible uses also include the purchase of equity shares in a new or expanding value added ag processing facility, the purchase of irrigation equipment, the purchase of capital improvements for retention of livestock, or the purchase of capital improvements for dairy operations. Traditional production agriculture will not qualify for this program.

#### Program Parameters

The Ag PACE program is an interest rate buy down program. Monies in the fund are used to reduce the borrower's interest rate on loans made by a local lender and BND.

The loan is handled through a local lending institution - bank, savings and loan, credit union, or farm credit services - which will request the participation of BND. Together with the borrower, the lenders establish the terms and conditions of the loan, including the interest rate. The lead lender then requests that the Ag PACE fund be used to buy down the interest rate.

**Application Process** - Application by a lead lender is required for BND's participation. See application for additional documentation required when submitting a request to BND. Lead lender is responsible for servicing the loan.

#### Interest Rate

If the project qualifies as an Ag PACE project, the borrower receives an interest rate reduction of a maximum of 5% below the yield rate with a minimum rate of 1%. The total buy down amount per borrower from the Ag PACE Fund may not exceed \$20,000 per biennium with a lifetime cap of \$60,000. In order to receive buydown funds in excess of \$20,000, the applicant must have a net worth of less than \$1,000,000. State Water Commission Funds, not exceeding \$20,000 per borrower, may be used to supplement Ag PACE funds for the purchase of irrigation equipment on new irrigated acreage. The lead financial institution and BND set the interest rate to be yielded by the lenders. The difference between the interest charged by the lenders (yield rate) and that paid by the borrower is provided to the lenders by one of the funds.