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10/3/03
Date

2003 HOUSE AGRICULTURE

HB 1321

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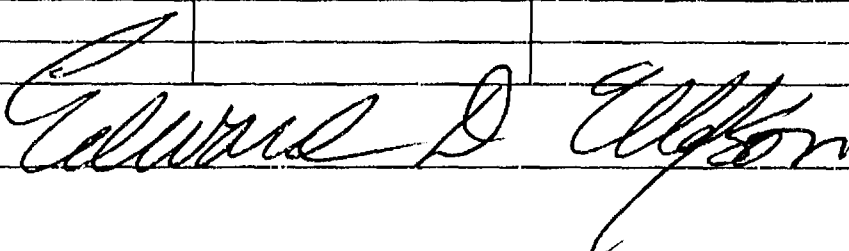
2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1321

House Agriculture Committee

☐ Conference Committee

Hearing Date 1---24---03

Tape Number	Side A	Side B	Meter #
ONE	A		0 TO 28.7
Committee Clerk Signature 			

Minutes:

VICE CHAIRMAN POLLERT: Committee Members, we will open the hearing on HB 1321.

REPRESENTATIVE KOPPELMAN: For the record my name is Kim Koppelman. I am the representative from District 13. I will pass out copies of my testimony. {{PLEASE READ TESTIMONY}} Representative Koppelman added to his testimony at the end. Before I conclude I would just like to mention. Two amendments to the bill have been discussed. It will broaden the definition of financial institution. I want to go on record to having no opposition to the amendments. The second form I don't have in written form but I did have a discussion with the Bank of North Dakota folks and we discussed the idea of putting a sunset on this and coming back in four years and see what the results have been. I urge your consideration of HB 1321.

VICE CHAIRMAN POLLERT: Who else would like to testify in favor of the bill?

CHARLES MCCARY: My name is Charles McCary. I represent Farm Credit Services.

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10/3/03
Date

Page 2
House Agriculture Committee
Bill/Resolution Number HB 1321
Hearing Date 1---24---03

We are in favor of the Bill. We think using guarantee's is a good way to leverage the resources

Certainly the Bank of North Dakota has expertise to establish proper underwriting results to the requirements to these homes. The sponsor of the Bill had the foresight to allow restructuring of the loans. When we talk about the next Bill 1330 you will see that we restructuring the loans is a good idea. It is very important here. We wish to offer an amendment which I will pass out. All it dose is add the words CREDIT UNIONS.

REP. WRANGHAM: We have kind of generic things here, Banks, Credit Unions. We are adding a specific farm credit system. That seems to me we could get into a little bit of trouble With other loan systems.

CHARALES MC CARY: Representative Wrangham, It should be printed in FARM CREDIT SYSTEM which as a specific legal meaning. Congressional sponsors of FARM CREDIT SYSTEM. They were usually PCA, FEDERAL LAND BANK ASSOCIATIONS, COOPERATIVES and now they are all consolidated to FARM CREDIT BANKS AND AGRICULTURE CREDIT ASSOCIATIONS. They all exist under an act of Congress. The have specific purposes of lending to farmers and to FARM COOPERATIVES. With the capital letters it makes it legal. FARM CREDIT in Mandan would be one.

REPRESENTATIVE WRANGHAM: So this is like an umbrella. It covers many different.

CHARLES MC CARAY: In North Dakota, it covers four institutions. FCS IN MANDAN, FCS IN FARGO, FCS IN GRANFORKS AND FCS IN MINOT.

Those are the only four that have head quarters in North Dakota.

REPRESENTATIVE KREIDT: Would the local Credit Union in New Salem be eligible?

For Agriculture loans. Would they fall under this.

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10/3/03
Date

Page 3
House Agriculture Committee
Bill/Resolution Number HB 1321
Hearing Date 1---24---03

CHARLES MC CARY: They would be eligible in the original language of the Bill. Banks, Credit Unions and that sort of thing. They would be eligible. A Credit Union is a different Entity then a Farm Credit System Institution.

CHAIRMAN KELSCH: Any further questions. Thank you Mr. Mc Cary. Anyone else wishes to testify in support of HB 1321?

JERRY JONES: I am here in support of HB 1321. I am here on behalf of an Organization called Partners in Progress. I am passing out a brochure and also some printed material. We live here in North Dakota. We help family farmers. My name is Jerry Jones and I am with Partners In Progress. We feel that this Bill would really help family farmers and help them to stay on the land. As you all know our state has strong roots in Agriculture and we feel that it is an area that we can't afford to overlook. We have a unique vehicle here in North Dakota The Bank of North Dakota. It is the only one of it's kind in the nation. It can help various financial institutions. Our organization has worked with hundreds of family farmers, with various local lenders.

CHAIRMAN KELSCH: Anyone else in support of this Bill.

DARREN DUNHAM: I am a farmer from Tower City, N.D. {{{PLEASE SEE ATTACHED TESTIMONY---THERE ARE SEVERAL LETTERS FROM INDIVIDUAL THAT SUPPORT THIS BILL}}}} I support this Bill. I think it would help young farmers stay on the land.

REP. MUELLER : Do you think you could have used this Bill to help you in your own Financial situation had the program been in place at that time.

DARREN DUNHAM: Yes.

VICE CHAIRMAN POLLERT: Any one else in support of the bill?

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10/3/03
Date

Page 4
House Agriculture Committee
Bill/Resolution Number HB 1321
Hearing Date 1---24---03

LAVONE NELSON: I am the senior lending office at Bank in Binford. Before I started working at the Bank. About four years ago. I was the founders and chief annalist for Partners in Progress. This goes to the very core of saving North Dakota farmers. One family farm at a time. I have worked at this for the last 18 years. I have worked with over three hundred farmers in N.D. These people had financial problem obviously. Out of this group 93 have severe financial problems. They had been served with foreclosure notices. The average of those had \$622,000.00 and \$422,000.00 of debt. They had about 31% equity. {{{PLEASE SEE MATERIAL THAT LAVONE NELSON PASSED OUT}}} This Bill will help the family farmer.

VICE CHAIRMAN POLLET: Any questions. Representative Onstad.

REPRESENTATIVE ONSTAD: How dose Parterres in Progress compare to Agriculture Mediation?

LAVONE NELSON: Agriculture Mediation sits down with conflicting parties and try to resolve there differences. The main differemce is we have the ability to analyze these things and figure out solutions that will work. It has been a successful approach. We are not against Agriculture Mediation.

VICE CHAIRMAN: Any more testimony in favor of HB 1321? Any one want to give nuteral testimony?

BOB HUMMAN: I am Senior Vice President of lending for the Bank of North Dakota. The Bank of North Dakota is neutral on this bill but I am here primarily to answer any questions regarding the Bill.

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10/3/03
Date

Page 5
House Agriculture Committee
Bill/Resolution Number HB 1321
Hearing Date 1---24---03

REP. MUELLER Mr Humman can you compare a contrast done here as compared to what the Bank is already doing. In terms of young farmers.

BOB HUMMAN: We do not guarantee farm real estate loans. We have programs where we On a direct basis farmers can come to the Bank of North Dakota under our established farmer real estate program. We will lend up to 65% of appraised value. We have short term rates and long term rates with those funds provided to us by the state land department. We also have a beginning Farmer program that is used to purchase farm land also at this time we do not have Any program to guarantee farm real estate loans. The only guarantee program that we have at the Bank of North Dakota right now is called the Beginning Entrepreneurial Loan Guarantee Program where we guarantee loans for start up businesses. We also have sponsored a Bill Called HB 1116 where the Bank of North Dakota is looking for latitude to go out and develop guaranteed programs. With that authority we would be able to put something like this in place.

REPRESENTATIVE KINGSBURY: I was wondering if this was a companion to beginning farmers. It totally separate?

BOB HUMMAN: Totally separate then anything we have offered before. What makes this unique is that a lead lender would put the loan together and the Bank of North Dakota would Come up with the guarantee. We would not have any loan volume on our books at the Bank of North Dakota. We would just be guaranteeing actual loan values. Just in talking to our loan committees and other senior staff of the Bank of North Dakota we probably would be looking at 75% guarantee. Right now FSA provides 90% guarantee's. What we have talked about Is it would be nice if the Banks out there would use the Federal Program first and go to that 90% guarantee. If for some reason that borrower was not eligible with FSA then they can

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10/3/03
Date

Page 6
House Agriculture Committee
Bill/Resolution Number HB 1321
Hearing Date 1---24---03

Look at using this program. With a cap on there of five million dollars. That is a another reason we would just as soon keep that guarantee percentage down so that we can touch more bureaus out there with out maxing the dollars out. We would like to see Federal Agencies lead loans Before Bank of North Dakota because we max out at \$5,000,000.00 million dollars for all loans. What I assume that Partners in Progress is working towards is that some of the clientele that they are working with are not eligible for FSA guarantees for various reasons. They are looking for an alternative source so that they can get a second chance at the bank. By us coming in with the guarantee's that would give that borrower the second chance. Make that Bank feel a little better About closing on the loan.

VICE CHAIRMAN POLLERT: Any other questions? Are you saying that this Bill would be a program that would work. Take a little bit of administrative work.

BOB HUMMAN: What we would do, similar to what we have been doing with beginning With the entrepreneurial program loan guarantee programs is we still put the loan on our system we just don't fund any dollars. The reason we put it on our system is to keep track of how many guarantee dollars we have out there. We also require the lead lender to send us in information when the payment is made so that we can subtract that from our system so we know what our exposure is. Because as these loans pay down, we will be able to provide more guarantees if we hit that five million limit. There us administrative work but it can be cone with present staff. You might have notices the is no fiscal notes.

VICE CHAIRMAN POLLERT: Representative Mueller.

REP. MUELLER : You have a lead bank out there. Do you trust the lead bank. Do you have a say as to whether the loan will be made. What dose the bank have to say about the


Operator's Signature

10/3/03
Date

Page 7
House Agriculture Committee
Bill/Resolution Number HB 1321
Hearing Date 1---24---03

Legitimacy of that loan?

BOB HUMMAN: The Bank of North Dakota will have a say as to whether this guarantee get approved or not. That is another reason when we talk about percentage at the Bank that we would prefer to be at 75% guarantee percentage because if we bump that up to 90% there is less work the lead lender is going to do on that loan. If they have a little more exposure it is going to be on there books. If the lead lender is going to have more exposure they will keep there eye on the loan. As to have all the risk shifted to the Bank of North Dakota. It will also make the underwriting a lot easier for the Bank of North Dakota. Having that lead lender exposure on the books. Otherwise this program is going to end up being a high risk program for he Bank of North Dakota.

REPRESENTATIVE KREIDT: When it comes to participation loans, would the Bank of North Dakota carry the second on this or would carry the first mortgage? Or would the lead bank have the first mortgage?

BOB HUMMAN: The Bank of North Dakota would provide a guarantee. The lead lender Would have first mortgage. We will put perimeters in place that the lead lender to be able to qualify for a guarantee through the Bank of North Dakota will have to be on a first mortgage Position. We will not allow second. It just increases the risk that much future. We don't want going to be taking a second mortgagee position. We will enter into a agreement with that Bank that says we are providing a 75% guarantee on this borrower and they need to get a first mortgagee position. They will need to provide annual financial states to the Bank of North Dakota.

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10/3/03
Date

Page 8
House Agriculture Committee
Bill/Resolution Number HB 1321
Hearing Date 1---24---03

VICE CHAIRMAN POLLERT: Mr Humman are you saying that then that if HB 1321 was you expressed a concern about the 80%, if it was 75% it would be more palatable.?

BOB HUMMAN: There is really two things that as I read the Bill. We are talking in the loan values. What we would allow lead lenders to go as far as loans to appraised value. If they were looking at land appraisal of \$100,000.00 thousand dollars with this bill the way it is structured right now the maximum loan could put together is \$80,000.00, What I am talking about is of that \$80,000.00 loan how much is the Bank of North Dakota to going to guarantee?

That percentage is not part of this Bill. That will be determined by the Bank of North Dakota.

Loan policy which is reviewed and approved by the Bank of North Dakotas executive committee and advisory board and the Industrial Commission. So that is where our percentage will be looked at. It is not built into the Bill. We would like the flexibility to look at the percentage and see where the risk should be and try to identify it. I am just using those numbers for example. Another thing we should look at is the length of the loan. The Bank of North Dakota is not interested in providing guaranteed loans for 25 years. Five years would be better. After five years the lead lender may want to take on the loan with out the Bank of North Dakota.
WE WILL CLOSE ON HB 1321.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1321

House Agriculture Committee

☐ Conference Committee

Hearing Date 1--30--03

Tape Number	Side A	Side B	Meter #
ONE	A		
Committee Clerk Signature <i>Edward D. Elbert</i>			

Minutes:

CHAIRMAN NICHOLAS: Committee Members, we will open on HB 1321

I will entertain a motion on HB 1321. Representative Belter made a motion for a do pass

As amended. The motion was seconded by Representative Kelsch. The roll was taken for a

DO PASS. THERE WERE 13 YES, 0 NO 0 ABSENT

CHAIRMAN NICHOLAS: WE CLOSE THE HEARING ON HB 1321.

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30510.0102
Title.0200

Adopted by the Agriculture Committee
January 31, 2003

VR
2/4/03

HOUSE AMENDMENTS TO HOUSE BILL NO. 1321 Agr 2-04-03

Page 1, line 7, after "unions" insert ", lending institutions that are part of the farm credit system"

Renumber accordingly

Page No. 1

30510.0102

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HB 1321

Date: 1-30-03
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House AGRICULTURE COMMITTEE

☐ Check here for Conference Committee

Legislative Council Amendment Number

AS Amendment

Action Taken

DO PASS

Motion Made By

BELTER

Seconded By

KELCH

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN NICHOLAS	✓				
VICE CHAIRMAN POLLERT	✓				
REPRESENTATIVE BELTER	✓				
REPRESENTATIVE BOEHNING	✓				
REPRESENTATIVE KELSCH	✓				
REPRESENTATIVE KINGSBURY	✓				
REPRESENTATIVE KREIDT	✓				
REPRESENTATIVE UGLEM	✓				
REPRESENTATIVE WRANGHAM	✓				
REPRESENTATIVE BOE	✓				
REPRESENTATIVE FROELICH	✓				
REPRESENTATIVE MELLER	✓				
REPRESENTATIVE ONSTAD	✓				

Total (Yes)

13

No

0

Absent

0

Floor Assignment

REP BOE

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REPORT OF STANDING COMMITTEE (410)
February 5, 2003 2:23 p.m.

Module No: HR-22-1765
Carrier: Boe
Insert LC: 30510.0102 Title: .0200

REPORT OF STANDING COMMITTEE
HB 1321: Agriculture Committee (Rep. Nicholas, Chairman) recommends AMENDMENTS
AS FOLLOWS and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS,
0 ABSENT AND NOT VOTING). HB 1321 was placed on the Sixth order on the
calendar.

Page 1, line 7, after "unions" insert ", lending institutions that are part of the farm credit system"

Renumber accordingly

(2) DESK, (3) COMM

Page No. 1

HR-22-1765

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2003 SENATE AGRICULTURE

HB 1321

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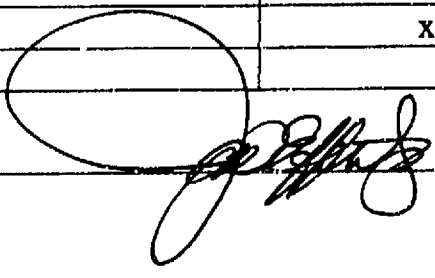
2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1321

Senate Agriculture Committee

☐ Conference Committee

Hearing Date 03/13/03

Tape Number	Side A	Side B	Meter #
1		x	563 - 3959
1		x	5175 - 5665
Committee Clerk Signature 			

Minutes:

Chairman Flakoll opened the hearing on HB 1321. All members were present.

Representative Koppelman introduced and testified in favor of the bill. (written testimony)

Senator Nichols asked what percentage of the loan is guaranteed by the Bank of North Dakota?

Representative Koppelman said they would loan up to 80% of the value at the maximum. It is up to the bank and the Bank of North Dakota to decide what risk level was appropriate.

Senator Nichols asked if the guarantee would be for up to 80% of the value?

Representative Koppelman said the Bank of North Dakota will comment on this during their testimony. The loan to asset ratio recommendations came from the Bank of North Dakota.

Senator Flakoll asked what is the basis for the \$400,000 maximum loan amount?

Representative Koppelman said the numbers came from the Bank of North Dakota. Since it is a limited pool of dollars to be loaned, they wanted to spread the risk and potential benefit.

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10/3/03
Date

Page 2
Senate Agriculture Committee
Bill/Resolution Number HB 1321
Hearing Date 03/13/03

Senator Urlacher said he assumes Representative Koppelman realizes agriculture is high risk and he appreciates an urban legislator's assistance.

Jerry Jones from Partners in Progress, a non profit organization that works with struggling farmers, testified in favor of the bill. He also submitted written testimony from several independent bankers in favor of the bill. (meter # 1098)

He said in their 11 year history, they have worked with 400 farmers. Sometimes the agriculture sector is slighted. He is from Fargo but he realizes our area has strong roots in agriculture and there are many families struggling to stay on the land. For every 7 family farms that are lost, you lose a retail business. Eventually you lose the banks and communities.

The Bank of North Dakota is a unique entity, the only state with a state bank. He realizes they contribute \$30 million to the state economy. With the \$5 million cap and the \$400,000 loan limit, this would be a unique tool to salvage operations. He appreciates the leadership of the Bank of North Dakota.

He said the LaVonne Nelson from the 1st State Bank of Aneta could not attend but supports the bill. Also unable to attend was a young farmer, Darren Dunham. Mr. Jones read a paragraph aloud from Mr. Dunham's house testimony. He submitted a written copy as well.

Senator Klein asked if any farm is not a family farm? (meter # 1563)

Mr. Jones said they don't have a strict definition.

Senator Klein said in North Dakota, who is not a family farm? Would you help everyone?

Mr. Jones said yes, in a state without corporate farming, the typical farm is a family farm.

Senator Urlacher pointed out that a family farm in the valley is different from a family farm in the west.

Donna Hallmark
Operator's Signature

10/3/03
Date

Page 3
Senate Agriculture Committee
Bill/Resolution Number HB 1321
Hearing Date 03/13/03

Mr. Jones agreed.

Rod Anheluk from the Bank of North Dakota said they are neutral on the bill. (meter # 1877) He stood to answer questions.

Senator Flakoll asked if this bill is bullet proof. Farm land on the fringes of Fargo couldn't be purchased by an investor for development under this program?

Mr. Anheluk said nothing would preclude it but the Bank of North Dakota could keep that in mind as procedures and policies are drafted.

Senator Erbele asked if there would be a blended rate of interest?

Mr. Anheluk said the Bank of North Dakota would have no influence on the interest rate, just guaranteeing a percentage of the loan balance.

Senator Erbele asked if that would be 80%?

Mr. Anheluk said he thought in the area of 75% of the loan balance.

Senator Erbele asked if the local bank, in the case of a default, would then be liable for 25% of the loan?

Mr. Anheluk said that is one possibility. After liquidation of the land, the Bank of North Dakota could guarantee the local bank would not be liable for more than 25% of the loss.

Senator Nichols said he is familiar with FSA guarantees. Would the proposed program cover interest losses as well as principal losses? (meter # 2243)

Mr. Anheluk said they haven't thought it out. That could be done, it would probably cover principal and outstanding accrued interest.

Senator Nichols said most FSA loans are 90%. Would you be looking at 75% of the loan if its a 80% loan or 75% of appraised value for the guarantee?

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10/3/03
Date

Page 4
Senate Agriculture Committee
Bill/Resolution Number HB 1321
Hearing Date 03/13/03

Mr. Anheluk said they would establish some parameters for the lender. The Bank of North Dakota would have some requirements that they could not exceed a certain level of appraised value, say 80%. Normal lending at Bank of North Dakota is 65% of appraised value. Then the Bank of North Dakota would guarantee 75% of the loan amount. To take it one step further, to execute the guarantee, the Bank of North Dakota might require the land be sold. If the land sold near appraised value and if the loan had been serviced properly, there might not be any loss to guarantee. Real estate should provide strong security.

Senator Nichols asked if this program would be primarily for lenders who don't use FSA loans? In most cases, they would prefer the 90% FSA guarantee.

Mr. Anheluk said it would probably would be used by people not qualified for FSA loans, if they were getting out of farming for instance.

Senator Urlacher asked if the local lenders apply to the Bank of North Dakota for the guarantee?

Mr. Anheluk said yes.

Senator Erbele asked if the Bank of North Dakota already has participation loans in real estate?

Mr. Anheluk said yes, they do farm real estate loans, direct or through participation loans. The only direct loans they do with farmers are on real estate. Operating and chattel loans are through the local lenders.

Senator Erbele asked what is the benefit of this program vs. what the Bank of North Dakota is already doing?

Mr. Anheluk said it is the bank's position that they have most everyone covered one way or another. If they don't meet the eligibility requirements of one of the Bank of North Dakota

Donna Hall
Operator's Signature

10/3/03
Date

Page 5
Senate Agriculture Committee
Bill/Resolution Number HB 1321
Hearing Date 03/13/03

programs, the Bank of North Dakota can participate in a negotiated real estate loan. This may be another tool to help someone.

Senator Urlacher said under normal criteria you cover 65% on real estate and this program would be 75 - 80% of appraised value?

Mr. Anheluk said a regular real estate loan with an established farmer would be at 65% of appraised value. The beginning farmer program goes to 75%. They have a family farm program that is a participation loan with local lenders and they go to 75% with those lower equity borrowers. 75% loan to appraised value is about as far as they go. They are a large market in buying FSA loans.

Senator Erbele said he is struggling to see who we are catching in this bill?

Mr. Anheluk said he is not real sure. This may entice some lenders to continue with a borrower rather than going through a foreclosure. Maybe Mr. Jones would have some specific instances.

Senator Erbele asked what is the cost of implementing the program for the Bank of North Dakota?

Mr. Anheluk said there will be a cost. They would do the same credit tests that the local lender would do.

Senator Flakoll said the intent is for this program to be for farmers. Please add this to your procedures and policies.

Representative Koppelman returned for questions. (meter # 3230) He said there is nothing in the law that permits the Bank of North Dakota to make loans like this. They could possibly do it without the bill but this is more clear-cut. The proposed amendment with a four year sunset would allow the legislature to reevaluate this program in four years.

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Operator's Signature

10/3/03
Date

Page 6

Senate Agriculture Committee

Bill/Resolution Number HB 1321

Hearing Date 03/13/03

Senator Flakoll asked if he was comfortable with the procedures requiring the real estate to be actual farm property, not investment property.

Representative Koppelman said he agrees. The loans are discretionary. The entire impetus of the bill is for farmers.

Senator Erbele said he would like to ask Mr. Jones a question. In working with struggling farmers, can you see benefit vs. steering someone to an FSA loan?

Mr. Jones said LaVonne Nelson says he has two parties right now that would benefit. The Bank of North Dakota was involved in this bill early on and said local banks steer away from real estate loans. This could make them more inclined. This is all subject to the credit policies of the Bank of North Dakota.

Senator Nichols said his is still struggling with the guarantee. From a lenders perspective, how is it going to help them when you are actually looking at a 60% guarantee?

Mr. Jones said they think it might help make a difference. (meter # 3865)

Mr. Anheluk said there is one more point that has not been brought up. Each local bank has their own lending limits. FSA guaranteed loans do not count against these limits. In a case where a lender is doing the operating and chattels financing and they get the real estate guaranteed by Bank of North Dakota, it wouldn't count against their lending limit.

Chairman Flakoll closed the hearing on HB 1321. (meter # 3959)

Senator Seymour moved the committee adopt the amendments .0201. The motion was seconded by Senator Erbele and passed on a roll call vote. Voting yes were Senator Flakoll, Senator Erbele, Senator Klein, Senator Urlacher, Senator Nichols and Senator Seymour. There were no negative votes cast.

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Operator's Signature

10/3/03
Date

Page 7
Senate Agriculture Committee
Bill/Resolution Number HB 1321
Hearing Date 03/13/03

It was moved by Senator Seymour and seconded by Senator Erbele that the Senate Agriculture Committee take a Do Pass As Amended action on HB 1321.

Senator Erbele said he has struggles with the bill and it wasn't until the final statement that he felt there might be someone "in the gap" that this bill will help. With the amendments, we can see if anyone uses it.

Senator Nichols said its a stretch to believe this will be used very much if at all but with the sunset, even if the bank spends some time preparing for the program, if its not used it will sunset.

The motion passed 4 - 2 on a roll call vote. Voting yes were Senator Flakoll, Senator Erbele, Senator Urlacher and Senator Seymour. Voting no were Senator Klein and Senator Nichols.

Senator Seymour will carry the bill to the floor.

Chairman Flakoll said the committee will meet again this afternoon and then adjourned the meeting until the call of the chair.

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Deanna Hall
Operator's Signature

10/3/03
Date

30510.0201
Title.0300

Prepared by the Legislative Council staff for
Representative Koppelman
February 27, 2003

JB
3-13-03

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1321

Page 1, line 2, after "guarantees" insert "; and to provide an expiration date"

Page 1, after line 14, insert:

"SECTION 2. EXPIRATION DATE. This Act is effective through July 31, 2007,
and after that date is ineffective."

Renumber accordingly

Page No. 1

30510.0201

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Deanna Hall
Operator's Signature

10/3/03
Date

Date: 3/13/03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1321

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt Amendments 0201

Motion Made By Sen Seymour Seconded By Sen Erbele

Senators	Yes	No	Senators	Yes	No
Senator Flakoll, Chairman	✓		Senator Nichols	✓	
Senator Erbele, Vice Chairman	✓		Senator Seymour	✓	
Senator Klein	✓				
Senator Urlacher	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

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

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Dennis Hall
Operator's Signature

10/3/03
Date

Date: 3/17
Roll Call Vote #: 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1321

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass As Amended

Motion Made By Sen Seymour Seconded By Sen Erbele

Senators	Yes	No	Senators	Yes	No
Senator Tim Flakoll, Chair	✓		Senator Ronald Nichols	✓	✓
Senator Robert S. Erbele, V. Chair	✓		Senator Tom Seymour	✓	
Senator Jerry Klein		✓			
Senator Herb Urlacher	✓				

Total (Yes) 4 No 2

Absent 0

Floor Assignment Sen Seymour

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

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Donna Hall
Operator's Signature

10/3/03
Date

REPORT OF STANDING COMMITTEE (410)
March 13, 2003 4:06 p.m.

Module No: SR-45-4756
Carrier: Seymour
Insert LC: 30510.0201 Title: .0300

REPORT OF STANDING COMMITTEE

HB 1321, as engrossed: Agriculture Committee (Sen. Flakoll, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1321 was placed on the Sixth order on the calendar.

Page 1, line 2, after "guarantees" Insert "; and to provide an expiration date"

Page 1, after line 14, Insert:

"SECTION 2. EXPIRATION DATE. This Act is effective through July 31, 2007, and after that date is ineffective."

Renumber accordingly

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Deanna Hall
Operator's Signature

10/3/03
Date

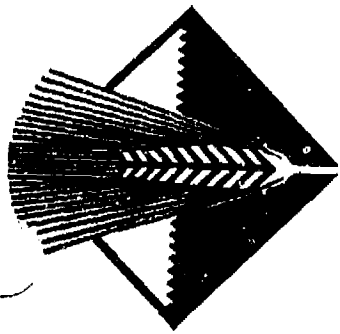
2003 TESTIMONY

HB 1321

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Deanna Halliwell
Operator's Signature

10/3/03
Date



Since *Partners in Progress* organized in 1991, there have been 51 partners who have participated in loaning money or signing mortgages or co-signing loans to 33 recipients. The total of these activities as of 12-31-00 is \$2,744,266.84. Of this, \$2,040,866.84 was short-term revolving loans. These were unsecured and there has been \$1,930,582.85 repaid with the balance to be paid by April 1, 2001. Five *Partners in Progress* members co-signed a \$75,000 operating loan for one farmer. This was paid. Two partners purchased a farmer's land that was in foreclosure for \$340,000 and then leased it back for \$50 per acre. Two other partners signed a note and mortgage for \$0,000 to refinance another farmer's land that was in foreclosure. All payments are current. Another purchased a quarter from a farmer that needed immediate funds, for \$45,000 and immediately sold it back on a contract for deed at 8% interest on monthly payments. All of the above transactions are current and there have been zero losses.

PARTNERS IN PROGRESS CONTACTS

Steve Hanson, Sharon, ND
(701) 524-1810

Wayne Trotter, Northwood, ND
(701) 543-3336

Arnold Woodbury, Wyndmere, ND
(701) 439-2531

Grady Thorsgard, Northwood, ND
(701) 587-6084

Don Swenson, Sharon, ND
(701) 524-2400

Ken Hove, Fosston, MN
(218) 435-6431

Levon Nelson, Mayville, ND
(701) 786-3455

Bill Lamb, Grand Forks, ND
(701) 775-8817

Partners in Progress



*"Trust in the Lord,
and do good;
dwell in the land
and cultivate
faithfulness."*

Psalms 37:3

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Operator's Signature

Dorinda Hallmark

Date

10/3/03

Partners in Progress

Partners In Progress is an organization of concerned people who are seeking to encourage, enable and restore farm families to the land, communities, and their God.

Partners in Progress:

- * is a group of caring people who have walked in this difficult and wonderful area of life.
- * is a practical, restorative program that can help keep family farmers competitive and on the land.
- * provides personal services that actively involve farm families in becoming the best they can be—productive and proud in their chosen occupation.

WHY WE EXIST

Over the past several years, farmers in the heartland have suffered financial hardship as the result of the natural disasters and poor economic conditions, driving many farmers deeper into debt and jeopardizing their ability to continue farming. The number of farms in the Midwest has decreased dramatically, affecting not only the farmer and the lender, but also the rural community. New types of management analysis techniques have become vital in exploring cost efficiency of the various production areas of the farm.

In the spring of 1991, a group of 10 concerned farmers met at a prayer breakfast to discuss the critical financial needs of four area farmers. These 10 farmers met the needs and informally referred to themselves as Partners in Progress. In 1995, Partners in Progress was established as a non-profit corporation with a 5-member board of directors.

WHAT CAN PARTNERS IN PROGRESS DO FOR YOU

- Provide consulting services which
 - * Through accurate data and analysis, instill confidence in the farmer, lenders, and landlords.
 - * Help the farmer and the family cope with the stress of an uncertain financial future.
 - * Enable farm families to achieve increased profits allowing them to secure necessary credit.
 - * Provide personal counseling with spiritual emphasis.
2. Provide a source of funds which will be available to share costs with the client on consulting fees.
 3. Provide funds for revolving loans which will be directly administered by the board of directors at interest rates dependent upon circumstances.

LISTENING TO YOU

Everyone needs to talk to someone about worries and concerns. These area pastors are available to talk to you:

Pastor Paul Magelssen (218) 435-1484 or 6765
Pastor Darrel Olson (701) 524-1904 or 2467
Pastor Don Swenson (701) 524-1949 or 2400

FINANCIAL SERVICES

Levon Nelson
RR2 Box 102
Mayville, ND 58257
(701) 786-3455

Rick Loll
RT 1 Box 51
Campbell, MN 56522
(218) 630-5825

Partners in Progress assists farmers to develop profitable farm plans and strategies that work for both the farm operator and lender. A full analysis of a farmer's financial situation, existing operation, targeted markets, government programs and other relevant factors is initially conducted. Partners in Progress will then assist the farmer in preparing a complete financial package in order to obtain financing and in most cases assist with lender negotiations. Partners in Progress is not a loan broker and receives no commission for obtaining financing for its clients. When the consulting service alone cannot achieve financial stability for the farmer, the help of generous neighbors is enlisted through personal loans. This short-term financing, along with the financial analysis and planning provided the impetus for Partners in Progress. The organization has worked with about 280 farmers. Of these, 67 were in deep financial distress; 58 of these now have adequate financing.

Dear Sirs,

My name is Darren Dunham, I was raised on a grain farm near Tower City, ND. I attended NDSU and graduated in 1993 with a BS degree in Agronomy. It was always a priority for me to stay in North Dakota. I worked as a crop consultant with Centrol, from 1993-1996 in the Wahpeton area. In 1996 My parents who were still farming decided to retire and offered me the opportunity to come and take over the operation. So in the fall of 1996 my wife Debbie and our new daughter Adair, moved into the house I grew up in. With a lot of optimism, and limited financial resources, we set out on this new venture.

In our first season we had poor production and even poorer quality. So we found ourselves trying to dig out of a hole almost from the outset. Over the next four years we continued to struggle and despite our best efforts continued to go backward financially. We found ourselves in early 2002 with our equity gone, a high debt load and a bank that was understandably no longer willing to extend operating credit. We had made changes in our operation and had some opportunities that we believed could put our operation on the right track, but were without financial backing to make it happen. It was then that a good friend directed us to Partners in Progress.

In summary Partners in Progress helped us to develop a viable business plan that worked for us and for our bank.

1. Identifying ways to reduce debt, primarily selling some land
2. Helped us restructure our debt by selling Our FSA guaranteed loans to the Bank of North Dakota.
3. Helping us to identify and concentrate on the areas of our operation that were profitable and eliminate those that were not. Primarily, we rented out land that was not in commercial hay production.
4. Liquidated unnecessary machinery and used the proceeds to pay down other machinery debt.

One year later we are meeting our financial obligations and it looks like we will be able to continue in business successfully.

Throughout this experience I have held fast to the belief that North Dakota is a land of many opportunities. I believe the future of North Dakota rests on the shoulders of those who are able to recognize opportunity and take advantage of them when they appear. HB1321 could give farmers and lenders an important tool to help them seize the opportunities before them. We have the opportunity to put North Dakota resources to work for North Dakota farmers and the local banks of rural North Dakota in a way that will help keep young people like myself on the farm and in the state.

I thank you for your time and efforts, and ask that you recommend passing HB1231.

Sincerely,



Darren R. Dunham


Operator's Signature

10/3/03
Date

First State Bank

Chuck Youells, President
Main St. - P.O. Box 226
Aneta, ND 58212-0226
PH: (701) 326-4545
FAX: (701) 326-4546

January 22, 2003

To Whom It May Concern:

I am writing this letter in regards to House Bill 1321 concerning Bank of North Dakota Ag Loan Guarantees. We at the First State Bank of Sharon have been involved heavily with the Bank of North Dakota and truly appreciate all they have done for our ag producers in this area. We feel the BND is excellent to work with and have helped our area producers tremendously. I understand this bill would permit the Bank of North Dakota to guarantee Ag loans made by State Financial Institutions under certain guidelines. We feel this would be extremely valuable to some of our clients and would in many cases help keep some of the farmers on the land.

I also understand that Partners in Progress is in total support of the program and we have worked with them on numerous occasions. Many times, we have seen through the help of Partners in Progress, many producers have been able to stay on the farm and stay active in Agriculture. Partners in Progress seems to have a unique outlook on the financial situation and many times, has been able to come up with a continuing program that not only keeps the farmer on the land, but is able to pay creditors, financial institutions and others without any write downs. It appears that one of their goals is to pay people in full and not ask for any handouts or write downs. Whereas, in some mediation programs, creditors are asked to forgive some of the loans to keep the farm going.

I personally have been involved with some of the people that have been helped through Partners in Progress and they are extremely grateful for what has been done for them and what they have been able to get through. I believe this program would work well with them and help to continue with their program as well as many other financial institutions. I sincerely hope that this bill will be passed as it is part of the philosophy of "Saving North Dakota."

Respectfully yours,

Wayne A. Trottier
Wayne A. Trottier
Loan Officer
First State Bank of Sharon
Aneta, ND 58212

10/3/03

**LINCOLN STATE BANK**

January 22, 2003

To Whom It May Concern:

I am writing this letter to express my support of North Dakota HB 1321, which establishes a guaranteed loan fund administered by the Bank of North Dakota. The establishment of this program will hopefully provide a valuable source of funds that can be targeted to benefit small, beginning, and/or young farmers around the state.

Our bank currently uses several of the loan programs available through the Bank of North Dakota. We have found that those programs benefit our customers through lower interest rates and also have allowed us to manage the credit risk of our bank. The programs have been easy to use and the staff at BND has been very helpful.

We have also used Farm Service Agency guaranteed loan programs in the past. However, their programs have proved to be cumbersome and the availability of funding has been limited in some cases. The BND program could provide an alternative that would be more user-friendly.

I would also like to take this opportunity to recognize the efforts of the Partners in Progress organization. Partners in Progress has been successful in assisting farmers across the state that are experiencing financial problems. Their faith-based approach to assisting those in need has been very effective in addressing their financial problems, while giving them the emotional and spiritual support to guide them through the difficult times.

Thank you for considering my views and I again ask for your support of HB 1321. If you wish to visit with me regarding this letter, feel free to contact me at your convenience.

Yours truly,

Jeffrey A. Stein
Vice President

302 SOUTH MAIN • BOX 250 • HANKINSON, ND 58041-0250

701-242-7292 • 800-541-0809 • FAX 701-242-7451

www.lsbhank.com

FDIC

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Operator's Signature

Date

10/3/03

To Whom It May Concern:

I am writing to you today because I would like to see Bill 1321 pass, which would allow the Bank of North Dakota to guarantee loans for struggling farmers. I think it is something that is needed for the farmers and ranchers in the western 1/4 of the state that have experienced drought. There will be some that will go out of business if they can't get a guarantee for an operating loan.

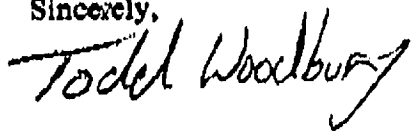
I started farming in 1997 at the age of 18 when my father was experiencing financial problems, which started from the high interest and poor farm economy of the early eighties combined with many years of crop failures in the early nineties. He was foreclosed upon by Farm Credit. It was Levon Nelson with Partners in Progress that came up with a plan to allow my father to continue farming and to help get me started farming. The plan consisted of me buying one quarter of land from my father and one quarter from my grandparents. The Bank of North Dakota gave me a beginning farmer loan to purchase the land, but they could only borrow me one half of what the land was worth. The only way I could buy this land was if my grandparents would contract for deed the quarter of land that they owned. My grandparents were in favor of this, but it caused a feud in the family. I had two uncles that thought my father and I should just give up and quit and get jobs in town. If the Bank of North Dakota had a guarantee program, then I could have applied for that and possibly borrowed the balance of the money from a local bank.

My father was helped by Partners in Progress to get back on his feet again. We are now farming together and things are going good. The Bank of North Dakota recently borrowed my dad money to refinance debt to take advantage of the lower interest with one of their participation programs.

I am currently farming 700 acres of land and have 50 cows. I make most of my living on the farm and also have a part time job preparing taxes at H&R Block.

If it weren't for the Bank of North Dakota and Partners in Progress, I wouldn't have had the opportunity to start farming. I think to keep more farmers on the land in ND and to give the next generation a chance to start farming, we need to pass this bill today. Thanks.

Sincerely,



Todd Woodbury
6917 158th Ave. SE
Wyndmere, ND 58081
(701) 439-0058


Operator's Signature

10/3/03
Date

June 19, 1998

To whom it may concern:

There is a saying that I always find to be true, "You'll never know how good you can feel until you have felt bad first." This is a statement that has been very true for my family this past year. If it weren't for Lavon Nelson and Partners in Progress, today our family would not have a farm. Today, altho, not without problems, we feel very good.

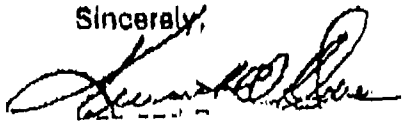
My family and I farm about 2300 acres and background about 2-250 calves each winter. Our crops are corn, soybeans, wheat, canola, sunflowers and alfalfa. Our 10 year average April-October rainfall prior to 1992-3 was 13.85 inches. Our soils support excellent crops during times of less instead of more rain. Our ASCS proven yield average for corn was 106 bushels per acre, the range during the 10 years of the yearly average was 97-132 bushels. Rainfall amounts changed in the fall of 1992 and in the next four years (1993-96) we received 123.7 inches of rain (April-Oct average of 30.93 inches per year). One can handle one or two years of excess but we couldn't handle 4 years in a row and consequently couldn't keep up with our operating and land payments with less than half crops. All our financing was with [REDACTED], and after not making the full payments they foreclosed on us. We went with advice from a good friend to hire an attorney he uses from the Twin Cities and in our negotiations with [REDACTED] it was suggested by a representative of [REDACTED] that more options would be available if we filed a Chapter 12. We found out the hard way that in farm finance matters, one needs an attorney who is versed in farm finance. To make a very long and frustrating story short, the Chapter 12 was dismissed, and we were back to square one and on 12/30/96 a sheriff's sale was held on our real estate. We were referred to Lavon Nelson and Partners in Progress in February of 1997. After many, many hours and 8 months of trying almost every option that could be thought of, (the situation of finding credit for Roxann and myself was next to impossible because of the Chapter 12 filing even tho no Bankruptcy has ever been in place on us) our son Chris, with the help of Lavon, was able to buy most of our farm, but not without hitches. (because of some releases not being in hard copy in time for the redemption deadline 12/30/97, we had to use the only legal method to get 60 days added to the redemption deadline, file a Chapter 12 again.) This was done with just over \$40,000 from total strangers in the Partners in Progress and over \$60,000 from friends and relatives in short term (mostly 90-120 days) unsecured loans to make everything work in time for the deadline.

Partners in Progress needs a fund to draw upon, where in tough situations that are shown to be warranted by records, for short term payoffs until the final financing can be finished. In our case, if \$310,000 could have been available before the sheriff's sale, the final total cost of the whole situation would have been, just over \$38,000 less and I would not have had to have an auction sale.

The success of farmers, businessmen, and others in Partners in Progress responsible for keeping many in farming who were in dire financial situations, not of their own doing, that required short term help has brought more demand for this type of help. We need to keep this organization going. But, it can't be done without an outside fund upon which to draw with the increased number of those needing the service.

As I stated at the beginning of this letter, my family and I owe this second chance to have our farm intact to Lavon Nelson and the Partners in Progress. We know of no other organization or group that works successfully like this one. Something that works needs to be kept and strengthened.

Sincerely,



Partners in Progress' ***"Restoration Lending" Program***

The PURPOSE of Partners in Progress is to RESTORE distressed farmers to their families, their lenders and their God.

Partners in Progress is ACHIEVING this by gathering and analyzing accurate information, preparing workable options . . . and when needed, providing the short term funds needed to enable the best option to work.

This RESULTS in the RESTORATION of strained or broken relationships and a new level of confidence by the farmer and his creditors.

We call this "RESTORATION LENDING."

We have learned from experience that by giving all the honor and glory to God, He continues to bless our efforts.

"It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, and comes short again and again, because there is not effort without error and shortcoming; but who does actually strive to do the deeds; who knows the great enthusiasms, the great devotions; who spends himself in a worthy cause; who at best knows in the end the triumphs of which achievement and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who know neither victory nor defeat."

Citation: Theodore Roosevelt Leadership, Vol. 15, no

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Donna Halliwell
Operator's Signature

10/3/03
Date

Helping Save North Dakota

One Family Farm at a Time

Partners in Progress

For the past 18 years, our farm financial consultant, Levon Nelson, has worked with over 300 North Dakota farmers, with financial problems. Of this group, 93 had severe problems, averaging \$622,260 in assets, \$422,070 of debts and had a net worth of \$200,910 or 32% of equity.

These 93 operations had total debts of \$39,252,510, of which, \$6,280,402 was open account, unsecured debt.

Of these 93, farming operations, 2 that declared bankruptcy, 7 left the farm, 3 retired and 1 passed away, leaving 80 that made the necessary changes to be able to continue farming.

Of this 80, there were 7 that averaged \$<36,570> negative net worth and carried an average debt load of \$477,010. These are now operating profitably and are making scheduled payments on their debts.

In addition to the financial counseling, Partners in Progress has made short term, interim loans to 47 operations for \$2,989,000, of which, \$852,000 is presently outstanding to farmers.

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Deanna Hall
Operator's Signature

10/3/03
Date

Case B

These farmer/clients, from the Jamestown, ND area, suffered, from crop failures, due to weather, for three consecutive years. They didn't have durum insurance, resulting in huge losses. The lender agreed to set up \$280,000 of debt on 25 years, with an FSA guarantee. We felt this plan would work, and it is working. The farmer also agreed to have a farm auction to sell machinery and equipment, in March of 2002. They are renting out their land and he is working for a neighbor. They continue to maintain their own herd of livestock. Without this arrangement, and support, the client/borrower would have lost everything and still be left with a large remaining debt that could not be repaid. The lender would have had large losses and in addition, to these large losses, on the part of both parties, the borrowers would have been left with a huge, \$65,000 tax bill plus penalties and interest, that they would have been unable to pay. Lastly, but at least as importantly, this family's life would have been disrupted, as displaced farmers, would have had to retrain for another vocation, most likely not able to earn a living wage. In this case, and others like it, they would probably have to relocate to another city or town. This would have resulted in another farm casualty, one less farmer to contribute to the local community, schools, businesses and financial institutions, ultimately adding to the deterioration of the entire area.

*This is an actual Partners in Progress case. The names, of the farmer/clients have been left out or changed for the sake of confidentiality.

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Dennis Hall
Operator's Signature

10/3/03
Date

Case D

In 1996 this Southeastern ND farm family was losing their farm to the lender, through foreclosure. They were losing it to a lender they had worked with through the mid 1980's. They had been to ag mediation with no success. They were referred to Levon Nelson and Partner in Progress. Levon and Partners could tell these farmers were survivors and given a creative and workable solution, they could survive. Partners had started working with them, on a plan for turnaround and the primary lender had promised not to publish a foreclosure notice in the local paper. This was critical to the turnaround plan, as they sold purebred bulls and any lack of confidence in them as seller's would dramatically and negatively impact the selling price of their cattle, making their cash flow, even more, impossible. (This publicity would harm the client, as potential buyer's would be wary of purchasing due to the seller's inability to warrant the cattle). The lender, mistakenly, published the foreclosure notice in the local paper. Partners interceded on their behalf, and asked them to quit this type of advertising, however, the damage had already been done.

Partners in Progress helped, through a combination of ag and cash flow consulting, creating financing, bridge loans and mentoring this farmer/rancher. Partners also helped his son get started in farming (see below). One private investor that PIP lined up loaned the farmer \$50,000 on one quarter-section of land, holding that quarter as security. Upon hearing that a stranger was helping them, the farmer's father, loaned them \$100K on the primary quarter of land. The other private investor increased his loan from \$50,000 to \$100,000 on two quarters of land. This farmer also had extensive legal bills, due to trying to redeem his land from the foreclosure process, etc. Partners helped with this, approximately \$50,000 in legal bills. He has been keeping up each of these payments, monthly, for the past five years. Through these efforts the farmer's son was able to purchase one quarter of land from the Dad and a quarter-section of land from his grandfather, and get started with loans Partners helped structure, through the Bank of North Dakota, "Beginning Farmer program."

The original farmer we were dealing with was put on a monthly payment program for all of his debts, to encourage him to keep his cash flow "turning", through the combination of cattle sales, small grain sales, government crop payments, etc. He has made every one of those monthly payments, over the past five years, having gone from approximately, a negative hundred thousand dollar net worth, to an approximate positive net worth, re-established credit, to the point that his lender has now offered to completely refinance him and take out the short term interim lenders, through Partners in Progress. The son is also doing well in his farming operation, as the father and son are working together, to some extent, in their respective farming and cattle operations. Without the help of Partners in Progress, neither the father or his son, would be farming today.

Lastly, but at least as importantly, this family's life would have been disrupted, as displaced farmers, would have had to retrain for another vocation, most likely not able to earn a living wage. In this case, and others like it, they would probably have to relocate to another city or town. This would have resulted in another farm casualty, one less farmer to contribute to the local community, schools, businesses and financial institutions, ultimately adding to the deterioration of the entire area and their son, the next generation of farmer/rancher would not be on the farm today.

*This is an actual Partners in Progress case. The names, of the farmer/clients have been left out or changed for the sake of confidentiality.

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Date

You can, **R-E-A-L-L-Y**, make a difference in the continuing family farm crisis, in our region, today!

R-ural areas in our region are slowing dying, due to the continued decline and consolidation of family farms.

We've gotten use to this slow, steady, three decade long, decline
Bigger farming organizations trade further and further away
from home, increasing the harm to local business and economy

E-veryone of us are ultimately affected; the retailer, grocer, farm oriented business, utility and financial institutions

Every rural business and individual and even metropolitan area businesses and people are ultimately affected (business, employment, tax base), by this continued decline.

A-ll of us need to help make a difference, by doing what we can do, to "slow or stop the bleeding"

Every one of us can and need to make a difference, for the sake of our rural areas, our state and the entire region.

un-L-ike any other opportunity . . . Partners in Progress/Family Farms Fund

Partners in Progress and The Family Farms Fund are helping family farmers and our rural areas in ways that no other organization has or can, through their technical assistance, mentoring and "Restoration Lending".

un-L-ike any other time . . . the timing could not be better, to make a difference, through a proven organization, with a proven track record

The timing couldn't be better, for empowering Partners in Progress and The Family Farms Fund, to better serve, than they ever have been able to, before.

Interest rates are low

Inflation rates are low

There is a more favorable and longer term farm bill, affording us opportunity, to turn more, struggling, family farm operations around.

Partners in Progress is a proven, 11 year old, non-profit, organization, with proven methods. The Family Farm Fund provides opportunity to increase, that good work.

The Family Farms Fund, along with Partners in Progress, affords opportunity to expand on that good work, already done . . . to affect more family farmers and ultimately, the rural areas in our state and region

Y-ou can . . . **R-E-A-L-L-Y** make a difference, through your, vitally needed, participation with Partners in Progress/The Family Farms Fund, today!

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INETA BANK

PAGE 03



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Immediate Past Chairman
KENNETH A. GUCHMAN
President and CEO

November 1, 2002


Mr. Levon Nelson
RR 2, Box 102
Mayville, ND 58257

Dear Mr. Nelson:

Enclosed you will find a copy of the September issue of *Independent Banker* magazine. The *Independent Banker* is committed to telling the story of the role community bankers' play in our nation, and we are grateful for your involvement in the industry.

You are mentioned on page 73. I hope you enjoy the coverage.

Yours sincerely,


Nicole Swann
Senior Editor
Independent Banker

Enclosure

WASHINGTON OFFICE ■ One Thomas Circle, NW, Suite 400, Washington, DC 20005
800-422-8439 ■ 202-659-8111 ■ Fax 202-659-1413 ■ Email: info@icba.org ■ Web site: www.icba.org

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Deanna Hallmark
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Counseling for Farmers

Nonprofit organization helps put farmers back on their feet

by Raylene F. Nickel

Early on in his professional career, loan officer Levon Nelson discovered he had "a God-given gift" for helping farmers in deep financial trouble. His gift has grown to encompass a full-fledged nonprofit organization, Partners in Progress, which has a sole aim to help farmers in financial crisis.

Recently, Nelson's vision has caught hold among bankers in North Dakota. Nelson is a farmer who also works as a senior loan officer for First State Bank of Sharon, N.D. He discovered his gift while working as a farm credit counselor for the North Dakota Extension Service during the ag crisis of the mid-1980s. "Because it takes a lot of time and effort to work out financial difficulties, the people I helped kept calling me back."

As he continued working with people, it became increasingly apparent to Nelson that many farmers in financial crisis needed more than counseling. In some cases they needed emergency loans. There were those, too, who seemed extremely depressed. Nelson, a devout Christian, believed these farmers needed prayer and encouragement.

Then in 1991 one farmer's need caused Nelson to share his concerns with the strapped farmer at a prayer breakfast at his church in Mayville, N.D. As a result, five men from the



Counseling Others—Farmer and Senior Loan Officer Levon Nelson of First State Bank of Sharon, N.D., works through the nonprofit Partners in Progress to help rescue family farmers in financial crisis.

town of 1,800 co-signed a bank loan for the troubled farmer, committing \$3 million in equity for an emergency loan of \$75,000.

Nelson influenced a growing circle of individuals concerned about family farmers who were having financial problems. In 1992 these people formed Partners in Progress, a nondenominational faith-based organization.

Strength in Numbers

The regional group now numbers about 40 members from all walks of life, including farmers and business

people from small communities in eastern North Dakota. Some members are farmers who have received help from the group. Some members contribute money for emergency loans; others provide free services such as legal services. Some, especially farmers, give personal encouragement, while still other members pray.

During the 10-year period the group has been operating, about 350 farmers have received financial counseling through Partners in Progress. Of these, 95 percent have been able "to get turned around and adequately financed," Nelson says.

On top of the counseling, the group has loaned more than \$4 million to 74 farmers in crisis. The loans have ranged in size from \$900 to \$486,000. All of these short-term loans are current or have been repaid—except for a \$5,000 loan the group forgave a widow whose husband died.

Why are farmers able to repay loans to Partners in Progress when they were previously having trouble repaying loans to lending institutions? One reason is because Nelson's innovative refinancing plans are workable, which offer farmers renewed hope and motivation. "When we discover a way that farmers can make their finances work, they have energy that you can't believe," Nelson says. "They come up

Independent Banker

November 2002 73

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Lender Life

with more ideas on how to do things than you can shake a stick at."

Arnie Woodbury, who farms near Wyndmere, N.D., is one of the farmers Partners in Progress has assisted. Woodbury also received a short-term interim loan from the nonprofit group to help him through a particularly difficult period six years ago, when his cattle and grain farm was close to being foreclosed upon. His debt load had mounted to a level that outstripped his net worth, and income from the farm could no longer service his operating

"These loans are designed to restore broken relationships that might have occurred between a banker and a farmer—and make the farmer a healthy borrower again."

—Jerry Jones,
Partners in Progress

costs and his loan payments.

Nelson came to Woodbury's farm, sat down at the kitchen table with him, poured over his financial statements, and asked Woodbury a host of questions relating to the overall economics of his operation.

After analyzing Woodbury's situation, Nelson laid out a financial plan. The plan included his selling some of his land to his son Todd, and refinancing the remaining property. The plan brought financial solvency back to the farm and enabled Woodbury to get an operating loan from his local bank. "We may have expanded our operation too quickly," says Woodbury, of how the operation initially got into trouble. "But that's all hind-

sight. We came away from this experience with a different point of view. We became more conservative."

Not only is Woodbury's farming operation back on track financially, but he now serves as the president of Partners in Progress. Like some other farmers who have been helped, he contributes funds to the group when he can, and he tries to take time to visit and encourage farmers having financial difficulties.

In the beginning, the short-term loans Partners in Progress made to farmers came from individuals. Indeed, some single individual loans totaled as much as \$500,000 dollars. Nelson, too, makes personal loans. Though he owes "a pile of money" himself, he sometimes writes hefty checks to farmers in crisis just so they'll have immediate cash. To come up with the money, he borrows against his own lines of credit or gets personal loans.

Meeting Demand

But demand for longer-term agricultural loans is outstripping the ability of farmers to respond. That's why local lenders are now stepping in to help. Recently, a number of banks in North Dakota have pooled their efforts in making low-interest loans to Partners in Progress. The bank loans vary from \$25,000 to \$35,000 and up and are set for a three- to five-year term at 5 percent interest, says Jerry Jones, executive secretary for Partners in Progress.

The bank funding is used to provide emergency loans to farmers at interest rates of 8 to 9 percent. Partners in Progress uses the interest earnings to pay its own operating expenses as well as to contribute to the revolving low-interest loan pool. "These loans are designed to restore broken relationships that might have occurred between a banker and a farmer—and make the farmer a healthy borrower again," Jones says.

Paul Marchell, president of First

State Bank at Buxton, N.D., contributed a low-interest loan to Partners in Progress because he saw it as a way of returning help to an organization that had helped some of his clients. "The customers of ours who were helped by Partners in Progress got back on track and are still customers," he says. "Especially during [the financial difficulties] of the early 1990s, there was sometimes animosity among farmers toward bankers. If we suggested they needed to sell assets to make a financial situation work, they resented us. But if a third party—like Partners in Progress—told them the same thing, they'd listen."

To expand its ability to help farmers from the entire tri-state region—including Minnesota and South Dakota as well as North Dakota—Partners in Progress is working to secure a U.S. Treasury designation as a Community Development Financial Institution, according to Jones. As such, the group would qualify for federal funds earmarked for rural development.

While the core group of Partners in Progress does not aspire to operate beyond its tri-state region, its work could be replicated by other groups operating in other parts of the country and in other economic realms, such as in the small-business world. "Forming a similar group just requires the development of a network of people who are familiar with financing and who know how to access resources," Jones says. ■

Raylene F. Nickel is a free-lance writer in Kief, N.D.

To Learn More



For more information about Partners in Progress, contact Jerry Jones at (701) 281-9924 or by e-mail at jerryjones123@juno.com.

Donna Hall
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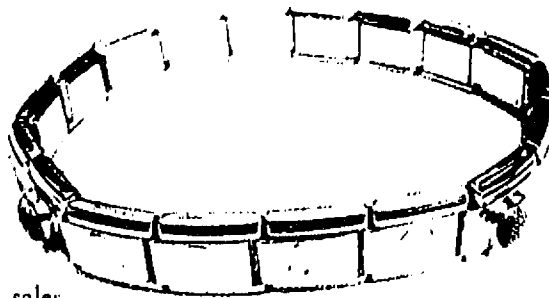
10/3/03
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A version of this story is also currently in the September 2002 issue of Reader's Digest

Only In America

How Charming

ASHIONS COME and go, and now even schoolgirls want something shiny on their wrists. Instead of baubles on a chain, teens are snapping up Nomination charm bracelets. U.S. sales have tripled each year since the Italian makers introduced them in 1998. Of the 700 links available (\$17 to \$150 apiece), hearts and soccer balls are hip, though grown-up girls may prefer the cell phone, dollar sign or martini glass.



Saving the Farm

EVON NELSON sat at the woman's kitchen table and read down a long list of figures. He barely knew Lynn Cavett, a hog farmer in Enderlin, N.D., but in short order he was privy to every detail about her finances. She owed the vet. And the seed salesman. Worse, she faced foreclosure.

Nelson, a fifth-generation farmer and financial consultant, was there to help. His group, Partners in Progress, creates bailout plans for farms in trouble and recruits other farmers to give small loans. Since 1991, it has loaned \$4 million to nearly 85 Midwestern farmers.

Many loans are short-term and interest-free with no red tape,

just a handwritten pledge to repay. "It's the way business should be done," says Nelson. It's worked: More than 90% of the recipients have kept their farms, and so far every loan has been repaid, except one, for \$5000, to a man who died of cancer.

For Cavett, Nelson crunched numbers and made calls. Within three weeks, friends and strangers had loaned her \$168,000 to pay off some of the debts. There are financial pressures ahead, but for now Cavett feels like her neighbors threw her a potluck dinner, with cash instead of bean salad and

rhubarb pies. "Everybody brings what they can to the table," she says. "It saves your farm. And it saves your life."

— SHARON COHEN,
Associated Press



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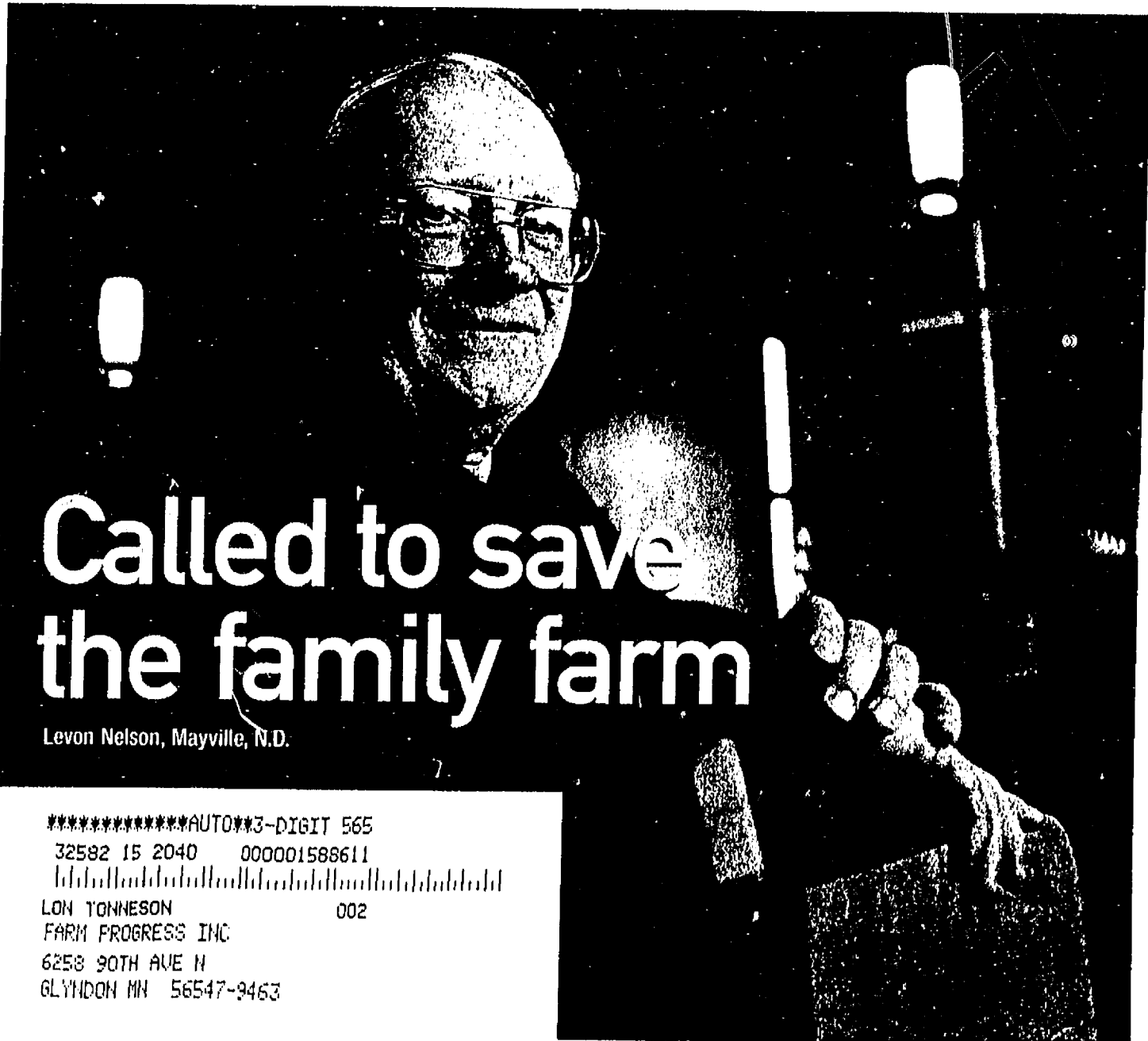
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DECEMBER 2002

BE SOIL TEST
SAVVY / 24

THREE EASY STEPS
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NEW PUBLIC VARIETIES
FOR 2003 / 44



Called to save
the family farm

Levon Nelson, Mayville, N.D.

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Dennis H. Hall
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COVER STORY

Darren and Debbie Dunham were on the brink of losing their farm last spring. The young couple had been losing money on their Tower City, N.D., farm for three years. Scabby wheat and barley, hail and poor prices were responsible for most of the loss. In an attempt to find a more profitable enterprise, the Dunhams had been converting fields to alfalfa. High first-year seed costs and markets that were slow to develop contributed to the drain on their equity.

"We weren't going to be able to get operating money," Darren says. "We had to do something."

So they called Levon Nelson.

Nelson, Mayville, N.D., is the point man for a group called Partners In Progress.

Started 10 years ago by North Dakota and Minnesota farmers, Partners In Progress comes to the aid of farmers in financial trouble. Members try to help farmers figure out how to turn their operations around. Sometimes they personally lend families money to stave off foreclosure.

Partners In Progress has an extraordinary record of success. None of the families it has helped has had to quit farming involuntarily. It has loaned out \$5 million, but only \$5,000 has not been repaid. (The \$5,000 is from a case where the husband died and the group decided not to ask the widow for the money.) Some farmers who have received help are back on their feet and contributing to Partners In Progress themselves.

The 61-year-old Nelson is one of the founders of Partners In Progress and is the group's chief financial counselor and fund-raiser.

Both a farmer and a banker, Nelson is uniquely qualified to help farmers who are in trouble. But he brings more than an understanding of agricultural financing to the table. He almost lost his own farm in the 1980s. "I know what people are going through," he says.

Levon Nelson relies on his faith for inspiration as he works to help farmers stay on the land.

Called to save family farms

Once, he nearly lost his farm. Now, he helps families find ways to stay on the land. ■ By Lon Tonneson

FINDING SOLUTIONS

Nelson meets the Dunhams one night in late May to discuss what they might do to continue farming. In front of them on the dining room table are balance sheets, ledgers, grain and machinery inventories, household bills and bank notes.

"Before we begin," Nelson says, "let's pray."

Jerry Jones, executive director of Partners In Progress, says nearly losing his farm had a profound effect on Nelson.

"Helping others save their farms is his calling now," Jones says.

Divine providence certainly appears to play a role in many of Partners In Progress' cases.

"We had a farmer who needed \$480,000 to buy the land so a lender wouldn't take it," Nelson recalls. "We didn't have that kind of money, but I told a church congregation about the situation. Afterwards a farmer came up to me and said he'd like to make a donation. I thought he was going to contribute to the fund. He said, 'No, I want to do the whole thing.'"

HARD CHOICES

"What if you sold that quarter of land that you bought the year you came back to farm?" Nelson asks the Dunhams.

It will be hard to part with the land, he says, but it is a way to get back on solid financial ground.

Nelson outlines a way the couple

could pay down on their debt and refinance their loan. The Bank of North Dakota might provide loan guarantees and low interest rates, too.

The Dunhams nod. It might work.

About 10 p.m., Nelson and the Dunhams finish. The Dunhams' three children, all under the age of 6, emerge from the living room where they have been watching television. The 2-year-old boy hugs "Grandpa Levon." Nelson and the family linger a little longer in the

driveway.

Nelson has to drive 40 miles to get home and Jones worries about how hard Nelson works for Partners In Progress. The group needs more members, and hopes to train several people to serve as counselors.

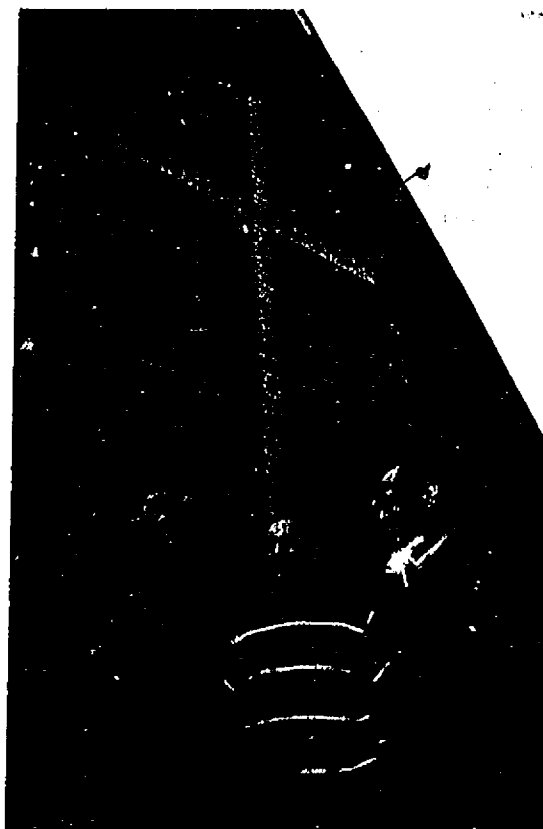
"We need to clone Levon," Jones says, laughing.

Darren and Debbie thank Nelson again. They don't know how the year will turn out, but they say they are happy to have a plan. And they are grateful for Nelson's help.

"Our future," Darren says, "is in God's and Levon's hands."

Editor's note: The Dunhams had a good summer. They successfully restructured their debt. Partners In Progress provided \$10,000 in bridge financing, which the Dunhams have paid back. They found a new hay buyer through a Partners In Progress contact. Yields were good. Hay prices are up. "We should make it now," Darren says.

For information about joining Partners In Progress or seeking aid from the group, write to Jerry Jones, Partners In Progress, P.O. Box 9393, Fargo, ND 58106. ♦



Levon Nelson (left) talks with Bob Joerger (right), and Nathan Richman, members of Partners In Progress, a group that has helped more than 300 farmers keep their farms.

North Dakota's best-read publication!

JANUARY 2003

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wintertime
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page 13


This publication is for the members of
Dakota Valley Electric Co-op

See page C1: your local co-op news

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A helping hand for farmers!

Farmers experiencing a financial crisis may get help from an organization called Partners in Progress, a faith-based group providing strapped farmers with financial counseling, emergency loans and prayer support.

Formed in 1992, Partners in Progress is a nonprofit, non-denominational organization based in eastern North Dakota. Since its inception, some 350 farmers have received financial counseling through Partners in Progress. In addition, the group has loaned more than \$4 million to 74 farmers in crisis.

The loans have ranged from \$900 to \$486,000. All of these short-term loans are current or have been repaid—except for a \$5,000 loan the group forgave a widow.

Partners in Progress is made up of 40 members, including farmers and business people. Some members are farmers who received help from the group in the past. Some members contribute money for loans, while others provide volunteer services or prayer support.

Levon Nelson, a farmer and

senior bank loan officer from Mayville, provides most of the financial counseling. While working as a farm credit counselor for the North Dakota Extension Service during the ag crisis of the mid-'80s, Nelson discovered he had "a God-given gift" for helping farmers figure out workable solutions to financial difficulties.

Indeed, he said, of the several hundred farmers he has counseled, 95 percent have been able "to get turned around and adequately financed." When farmers see the workability of the refinancing plan, they regain hope and are usually able to get back on track with their payments.

"When we discover a way that farmers can make their finances work, they have energy that you can't believe," Nelson said. "They come up with more ideas on how to do things than you can shake a stick at."

Partners in Progress got its start in 1991, after Nelson shared his concern for a financially troubled farmer at a prayer breakfast of his church in Mayville. Five men respond-



Levon Nelson, a farmer and senior bank loan officer from Mayville, provides most of the financial counseling for Partners in Progress.

ed, co-signing a bank loan for the troubled farmer. Together, the men committed \$3 million in equity for an emergency loan of \$75,000.

Most of the earlier short-term loans Partners in Progress made to farmers came from individuals. But demand for longer-term loans is outstripping the ability of individuals to respond. To help out, local lenders are stepping in. Recently, a number of banks in North Dakota have made low-interest loans to Partners in Progress.

"We make what are called

restoration loans to farmers for a period of two to three years," said Jerry Jones, executive secretary for Partners in Progress. "These loans are designed to restore broken relationships that might have occurred between a banker and a farmer—and make the farmer a healthy borrower again."

For more information about Partners in Progress, write to Partners in Progress, PO Box 9393, Fargo, ND 58106, or contact Jerry Jones at (701) 281-9924 or jerryjones123@juno.com. ■

Community Venture program forming poverty plan

The Northwest Venture Communities Inc. (NVC) has been formed in North Dakota to pursue a Community Ventures program that the Northwest Area Foundation is making available. NVC is seeking to establish itself as a Community Venture program, creating and carrying out a strategic plan to reduce poverty. The NVC program is called "Dakota Dreams: Partnering for Prosperity."

Bruce Carlson, general manager of Verendrye Electric Cooperative, Velva, has spearheaded the launch of the Venture Communities effort. Bill Patrie, rural development director for the North Dakota Association of Rural Electric

The Northwest Community Venture program is one of three poverty fighting programs.

Cooperatives, has been tapped to be a poverty researcher in the creation of the plan.

"We think this is a highly valuable poverty assessment and remediation project," Patrie said.

The Northwest Area Foundation is a private philanthropic organization located in St. Paul, Minn. It was established in 1934 by Louis J. Hill, son of James J. Hill, founder of the Great Northern Railway. The foundation's mission, spread over an eight-state region (including North Dakota), is to help com-

munities in the region reduce poverty.

The Community Venture program is one of three of the foundation's poverty fighting programs. The foundation's total investment in the Community Ventures program across the eight-state region is expected to be approximately \$150 million.

In addition to the North Dakota-based NVC, the Northwest Area Foundation is exploring long-term partnerships with three other regional communities. The NVC effort

is headquartered in Minot. Included in the NVC effort are Burke, Bottineau, McHenry, McLean, Mountrail, Pierce, Renville and Ward counties, as well as the Three Affiliated Tribes of Fort Berthold.

The foundation will provide substantial support to each of the four communities to participate in an 18-month long process to create strategic plans that will move the region toward its envisioned future. The final draft of each community plan must be submitted to the Northwest Area Foundation by June 30, 2003.

More information on the NVC-Dakota Dreams project is available by calling (701) 837-6102. ■

PROPOSED AMENDMENT

HOUSE BILL 1321

On line 7 of the bill, after the words "credit unions," insert the words "institutions in the Farm Credit System."

LaVonne Nelson / Bank of LaVonne / Sharon + Anita / Support
Says this bill will help people who fall between
the cracks. This bill helps by taking more of a
risk.

Bob Hamann / Bank of N. Dak. is N. Dak.
Bank lends up to 65%
He is proper to guarantee equity loans

This bill would be totally separate from beginning farmer program

FSA does 90% guarantee

BND does 75% guarantee

Would have to set system up to do HB 1321. They wouldn't provide
dollars.

Wouldn't take extra staff.

Bank of N.D. said this would be a high risk program
Because local banks aren't taking up enough risk. They
would rather see 75%.

? They're refinancing a farmer's debt.

Needs a % of loan much BND would

How long is guarantee of loan? Not in bill. They don't want 25 year
guarantee they would want 5 or 7 year BND would want that location

This Bill is remissive. IT gives BND authority but they don't have to.



Representative Kim Koppelman
District 13
513 First Avenue NW
West Fargo, ND 58078-1101
kkoppelm@state.nd.us

NORTH DAKOTA HOUSE

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



COMMITTEES:
Appropriations

Testimony on House Bill 1321

Good Morning, Mr. Chairman and Members of the House Agriculture Committee. For your record, I am Representative Kim Koppelman and I represent District 13, which consists of most of the city of West Fargo and a small surrounding rural area.

We talk a lot in North Dakota about Economic Development. Most of us, in the legislature, have been very supportive, in the past, of measures designed to accomplish greater economic development in our state. Two criticisms of past efforts are that they sometimes ignore existing businesses and focus only on new ones and that they sometimes ignore our economic base, which continues to be agriculture.

You may find it strange that a legislator who represents essentially a suburban district is here proposing an agricultural bill.

I'm here because I recognize that, despite dynamic growth in many of our state's major cities, including excellent growth in my own district, we cannot ignore agriculture and the family farms and small towns which have built our state and remain its backbone today.

House Bill 1321 allows the Bank of North Dakota to guarantee loans on agricultural real estate, in other words, farm land. It contains specifications, including debt to asset ratio, maximum loan guarantee amounts and maximum pool size, but leaves discretion to the Bank of North Dakota and the lead lender, which would be a local financial institution, on which loans, if any, to make, what their terms should be, etc.

Many of you are rural legislators and are keenly aware of the declining number of farmers staying on the land, the number of family farms which are not being taken over by the next generation, and the resulting impact on rural communities in North Dakota. This bill would create another tool to encourage local lenders to help farmers, who are not necessarily bad operators, but may have fallen on lean times or may represent a greater risk than the lender is comfortable with, to stay on the land.

It is certainly not a cure all for the farm crises, but could be an important building block in bridging the gap. For some, it may mean the difference between continuing in farming or being forced off the land.

Mr. Chairman and members of the committee, I urge your favorable consideration of House Bill 1321. I am not an ag expert, but will certainly attempt to answer or find the answers to any questions you may have.

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Donna Hallmark
Operator's Signature

10/3/03
Date



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NORTH DAKOTA HOUSE

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



COMMITTEES:
Appropriations

Testimony on House Bill 1321

Good Morning, Mr. Chairman and Members of the Senate Agriculture Committee. For your record, I am Representative Kim Koppelman and I represent District 13, which consists of most of the city of West Fargo and a small surrounding rural area.

We talk a lot in North Dakota about Economic Development. Most of us, in the legislature, have been very supportive, in the past, of measures designed to accomplish greater economic development in our state. Two criticisms of past efforts are that they sometimes ignore existing businesses and focus only on new ones and that they sometimes ignore our economic base, which continues to be agriculture.

You may find it strange that a legislator who represents essentially a suburban district is here proposing an agricultural bill.

I'm here because I recognize that, despite dynamic growth in many of our state's major cities, including excellent growth in my own district, we cannot ignore agriculture and the family farms and small towns which have built our state and remain its backbone today.

House Bill 1321 allows the Bank of North Dakota to guarantee loans on agricultural real estate, in other words, farm land. It contains specifications, including debt to asset ratio, maximum loan guarantee amounts and maximum pool size, but leaves discretion to the Bank of North Dakota and the lead lender, which would be a local financial institution, on which loans, if any, to make, what their terms should be, etc.

Many of you are rural legislators and are keenly aware of the declining number of farmers staying on the land, the number of family farms which are not being taken over by the next generation, and the resulting impact on rural communities in North Dakota. This bill would create another tool to encourage local lenders to help farmers, who are not necessarily bad operators, but may have fallen on lean times or may represent a greater risk than the lender is comfortable with, to stay on the land.

It is certainly not a cure all for the farm crises, but could be an important building block in bridging the gap. For some, it may mean the difference between continuing in farming or being forced off the land. I am also offering an amendment placing a sunset clause on this bill, so we can reevaluate how well it's working four years from now.

Mr. Chairman and members of the committee, I urge your favorable consideration of House Bill 1321. I am not an ag expert, but will certainly attempt to answer or find the answers to any questions you may have.

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