

<u>116J.67</u>	<u>116M.05</u>
<u>116J.88</u>	<u>116M.02</u>
<u>116J.89</u>	<u>116M.06</u>
<u>116J.90</u>	<u>116M.07</u>
<u>116J.91</u>	<u>116M.08</u>
<u>116J.921</u>	<u>116M.09</u>
<u>116J.923</u>	<u>116M.10</u>
<u>116J.924</u>	<u>116M.11</u>
<u>116J.925</u>	<u>116M.12</u>
<u>116J.926</u>	<u>116M.13</u>

Sec. 37. **REPEALER.**

Minnesota Statutes 1983 Supplement, sections 116J.922; 116J.923, subdivisions 2 and 12; and 116J.924, subdivision 1, are repealed.

Approved April 26, 1984

CHAPTER 584 — H.F.No. 2051

An act relating to agriculture; authorizing the energy and economic development authority to purchase, make, or participate in farm loans and to issue bonds or notes for this purpose; authorizing a loan-to-lender program; allocating bonding authority pursuant to a federal limitation act; amending Minnesota Statutes 1982, sections 116J.88, by adding subdivisions; 116J.90, by adding subdivisions; Minnesota Statutes 1983 Supplement, sections 116J.88, subdivisions 7 and 7a; and 116J.90, subdivisions 1 and 3; proposing new law coded in Minnesota Statutes, chapter 474.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1982, section 116J.88, is amended by adding a subdivision to read:

Subd. 4b. LENDER. "Lender" means a financial institution that participates in a loan-to-lender program of the authority.

Sec. 2. Minnesota Statutes 1982, section 116J.88, is amended by adding a subdivision to read:

Subd. 4c. LOAN-TO-LENDER. "Loan-to-lender" means a loan of money to a financial institution.

Sec. 3. Minnesota Statutes 1983 Supplement, section 116J.90, subdivision 1, is amended to read:

Subdivision 1. **GENERALLY.** The authority may make or purchase or participate with financial institutions in making or purchasing business loans, small business loans, energy loans, pollution control loans, and farm loans upon

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the conditions described in this section, and may enter into commitments therefor. In addition, the authority may engage in loans-to lenders programs with respect to farm loans to the extent set forth in this section.

Sec. 4. Minnesota Statutes 1983 Supplement, section 116J.88, subdivision 7, is amended to read:

Subd. 7. **BUSINESS LOAN.** "Business loan" means a loan, other than a pollution control loan or farm loan, to the owner of an eligible small business for the financing of (a) capital expenditures, on an interim or long-term basis, for the acquisition or improvement of land, acquisition, construction, removal, or improvement of buildings, or acquisition and installation of fixtures and equipment useful for the conduct of the business; or (b) short-term costs of conducting an eligible small business.

Sec. 5. Minnesota Statutes 1983 Supplement, section 116J.88, subdivision 7a, is amended to read:

Subd. 7a. **FARM LOAN.** "Farm loan" means a loan to a farm business for the acquisition, installation, improvement, construction, rehabilitation, or removal of buildings, or acquisition and installation of fixtures or equipment, useful for the conduct of a farm business, or for the acquisition of livestock for breeding purposes.

Sec. 6. Minnesota Statutes 1982, section 116J.88, is amended by adding a subdivision to read:

Subd. 7b. **FARM BUSINESS.** "Farm business" means a person, partnership, corporation, or other entity that is engaged or will engage in farming or livestock or agricultural production which qualifies as an eligible small business.

Sec. 7. Minnesota Statutes 1983 Supplement, section 116J.90, subdivision 3, is amended to read:

Subd. 3. **DIRECT BUSINESS AND FARM LOANS; LIMITATIONS.** The authority may make ~~business loans or~~ farm loans not exceeding \$100,000 in principal amount, at interest rates and subject to terms determined by the authority, provided that each loan shall be made only from the proceeds of a bond or note payable in whole or part from the repayments of principal and interest on the loan. The loans may also be guaranteed or insured by money on deposit in the economic development fund or any special account of it, and may be secured by reserve funds and other collateral and available money as determined by the authority. The authority may enter into all necessary contracts and security instruments in connection with them. The limitation on loan amounts in this subdivision does not apply to energy loans and loans insured under sections 93 and 94.

Sec. 8. Minnesota Statutes 1982, section 116J.90, is amended by adding a subdivision to read:

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Subd. 3a. FARM LOANS; PUBLIC PURPOSE. The encouragement of the investment of private capital in the agricultural sector through the use of financing to provide farm loans at interest rates lower than those available in conventional farm credit markets is a public purpose and is necessary to protect the health, safety, and general welfare of the people of this state.

Sec. 9. Minnesota Statutes 1982, section 116J.90, is amended by adding a subdivision to read:

Subd. 3b. FARM LOANS; AUTHORITY. The authority may make or purchase or participate with financial institutions in making or purchasing farm loans not exceeding \$100,000 in principal amount, upon the conditions described in this section, and may enter into commitments for farm loans, on the terms and conditions and with the security determined by the authority. The loans may be made or purchased only from the proceeds of bonds or notes issued pursuant to subdivision 3c. For this purpose, the authority may exercise all powers conferred on it by sections 116J.88 to 116J.91 with respect to business loans. Loans and loan commitments must be originated and serviced by one or more financial institutions authorized to transact that business in this state. The authority shall make or participate in farm loans only when the authority determines that financing is not otherwise available, in whole or in part, from private lenders on equivalent terms and conditions.

Sec. 10. Minnesota Statutes 1982, section 116J.90, is amended by adding a subdivision to read:

Subd. 3c. FARM LOANS; BONDS AND NOTES. The authority may issue its bonds or notes to provide money for the purposes specified in subdivision 3b, which are payable in whole or in part from repayments of principal and interest on farm loans. For this purpose, the authority may exercise all powers conferred upon it by sections 116J.88 to 116J.91 with respect to bonds or notes to be issued to provide money for business loans. The principal amount of bonds and notes issued and outstanding under this subdivision at any time, computed as specified in section 116J.91, subdivision 11, may not exceed \$30,000,000. This authorization is in addition to the authorization contained in section 116J.91, subdivision 11. Sections 116J.88 to 116J.91 are applicable to bonds and notes covered by this subdivision and the application of the proceeds from the bonds and notes.

Sec. 11. Minnesota Statutes 1982, section 116J.90, is amended by adding a subdivision to read:

Subd. 7. The authority may make to financial institutions loans-to-lenders to provide funds to lenders to make or participate in making, or to reimburse lenders for having made or participating in having made, farm loans of a nature and for purposes as may be approved by the authority. In connection with a loan to a lender, the authority may adopt a plan for the various

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loan-to-lender programs it may determine to pursue. In connection with a loan-to-lender program, in addition to any other powers the authority has, the authority has the following powers:

(a) The authority may limit the type of loan to be included within a loan-to-lender program and may specify the necessary characteristics of loans to be included in the program.

(b) The authority may specify the type of lenders that may participate in a loan-to-lender program.

(c) The authority may invest in, purchase, participate in the purchase, make commitments for the purchase or participation in the purchase, and take assignments from lenders of loans.

(d) The authority may make loans and commitments for loans-to-lenders.

(e) The authority may require that no loan or interest in a loan purchased from a lender is eligible for purchase or commitment to purchase by the authority unless, at or before the time of transfer of the loan to the authority, the lender certifies that in its judgment the loan would in all respects be a prudent investment at the purchase price paid.

(f) The authority may require, as a condition of a loan to a lender, that the lender invests the proceeds of the loan to a lender in loans of a given type, nature, and purpose and upon the terms and conditions and secured as the authority may require.

(g) The authority may require, as a condition of purchase or commitment to purchase loans or interest in loans, that these loans are made upon the terms and conditions and secured as the authority may require, and that the proceeds of the purchase, or their equivalent, be invested in loans upon the terms and conditions and secured as the authority may require.

(h) In conjunction with the purchase of these loans or interest in these loans from lenders, the authority may require the lender to furnish collateral security in an amount as the authority shall determine to be necessary to assure the payment of these loans and interest in these loans as the loans become due. This collateral security may consist of obligations, mortgages, or security interests satisfactory to the authority.

(i) The authority may require that each loan to a lender is a general obligation of the lender and may be additionally secured as to payment of both principal and interest by a pledge of and lien upon collateral security in an amount and of the types as the authority determines to be necessary to assure the payment of these loans and the interest on these loans as the loans become due and payable.

(j) Subject to any agreement with holders of bonds, the authority may collect, enforce the collection of, and foreclose on any collateral required by (h)

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and (i) of this subdivision and acquire or take possession of the collateral and sell it at public or private sale, with or without public bidding, and otherwise deal with the collateral as may be necessary to protect the interest of the authority in the collateral.

(k) In addition to the other powers granted by (j), the authority may, with respect to loan purchases and loans-to-lenders, collect and pay reasonable fees and charges and establish the terms and conditions of loan purchases and loans-to-lenders, including, without limitation, terms and conditions as to:

(1) reinvestment and commitments to reinvest by lenders of the proceeds of loan purchase or loans;

(2) the type, term, interest rate, purchase price, and conditions of loans to be purchased by the authority and of loans to be made by lenders;

(3) the warranties, representations, and services of lenders;

(4) restrictions as to the interest rates of loans or the return realized from loans to protect against the realization by lenders of excessive financial returns or benefits as determined by prevailing market conditions;

(5) consent to the modification of the rate of interest, time of payment of an installment of principal or interest, or other terms of a loan, loan-to-lender, or agreement of any kind to which the authority is a party;

(6) include in a loan or loan-to-lender the amounts necessary to pay financing charges, consultant, advisory, and legal fees, and other expenses, including interest charges, as are necessary or incidental to the loan or loan-to-lender;

(7) make and execute agreements, contracts, and other instruments necessary or convenient in accordance with the provisions of this subdivision, including contracts with any person, firm, public corporation, governmental agency, or other entity; and

(8) other matters related to the purchases of loans and loans-to-lenders deemed necessary by the authority to accomplish the purposes of this subdivision.

(l) The authority may require in the case of a lender that any required collateral is lodged with a bank or trust company, located either within or outside the state, designated by the authority as custodian for the collateral. In the absence of this requirement, the authority may require that each lender enters into an agreement with the authority, that contains provisions as the authority deems necessary to identify, maintain, and service the collateral, and that provides that the lender holds the collateral as trustee for the benefit of the authority and is held accountable as the trustee of an express trust for the application and disposition of the collateral, including the income and proceeds from the collateral, solely for the uses and purposes as provided in the agreement. A copy of the agreement and any revisions or supplements to it, which revisions or supplements may, among other things, add to, delete from, or substitute items

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of collateral pledged by the agreement, must be filed with the secretary of state to perfect the security interest of the authority in the collateral. No filing, recording, possession, or other action under article 9 of the uniform commercial code, or any other law of this state may be required to perfect the security interest of the authority in the collateral. The security interest of the authority in the collateral is deemed perfected, and the trust for the benefit of the authority so created is binding on and after the time of the filing with the secretary of state against all parties having prior unperfected or subsequent security interests or claims of any kind in tort, in contract, or otherwise against the lender. The authority may also establish additional requirements as it deems necessary with respect to the pledging, assigning, setting aside, or holding of collateral and the making of substitutions for the collateral or additions to the collateral and the disposition of income and receipts from the collateral.

Sec. 12. [474.25] FEDERAL LIMITATION ACT.

The allocation of bonding authority provided by chapter 474 to the iron range resources and rehabilitation commissioner with respect to a federal limitation act is reduced by \$1,250,000 for calendar year 1984 and is reduced by \$500,000 for calendar year 1985. The allocation of bonding authority provided by chapter 474 for entitlement issuers with respect to a federal limitation act is reduced by \$1,250,000 for calendar year 1984 and is reduced by \$500,000 for calendar year 1985. The allocation of bonding authority provided by chapter 474 to local issuers who are not entitlement issuers with respect to a federal limitation act is reduced by \$1,250,000 for calendar year 1984 and is reduced by \$500,000 for calendar year 1985. The allocation of bonding authority provided by chapter 474 to the department of energy and economic development with respect to a federal limitation act is increased by \$3,750,000 for calendar year 1984 and \$1,500,000 for calendar year 1985. Until August 31 the department of energy and economic development shall make available at least \$5,000,000 for 1984 and \$6,000,000 for 1985 of its allocation of bonding authority for farm loans authorized by section 116J.90. For the November allocation in each year the commissioner shall approve applications from the department for farm loans to be made pursuant to section 116J.90 in an amount up to \$1,000,000 or the amount remaining to be allocated, whichever is less, prior to approving other applications.

Approved April 26, 1984

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