

## Sec. 7. APPROPRIATION.

(a) \$100,000 in fiscal year 1994 and \$118,500 in fiscal year 1995 is appropriated from the petroleum tank release cleanup account in the environmental fund to the commissioner of the pollution control agency for the purposes of Minnesota Statutes, chapter 115E.

(b) Of the amounts appropriated from the environmental fund to the commissioner of the pollution control agency for the biennium ending June 30, 1995, \$195,000 in fiscal year 1994 and \$235,000 in fiscal year 1995 is available for the purposes of Minnesota Statutes, chapter 115E.

Presented to the governor May 20, 1993

Signed by the governor May 24, 1993, 5:50 p.m.

## CHAPTER 342—H.F.No. 1060

*An act relating to agriculture; making technical changes in eligibility for certain rural finance authority loan programs; authorizing an ethanol development program; appropriating money; amending Minnesota Statutes 1992, sections 41B.02, subdivisions 7, 12, 14, 15, and by adding subdivisions; 41B.03, subdivision 3; 41B.04, subdivision 9, and by adding a subdivision; 41B.14; and 41C.05, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 41B.*

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

Section 1. Minnesota Statutes 1992, section 41B.02, is amended by adding a subdivision to read:

Subd. 1a. AMORTIZED RESTRUCTURED LOAN. "Amortized restructured loan" means a loan after it has been modified pursuant to section 41B.04, subdivision 9, paragraph (d).

Sec. 2. Minnesota Statutes 1992, section 41B.02, subdivision 7, is amended to read:

Subd. 7. **DEFERRED INTEREST.** "Deferred interest" means that portion of the interest on primary principal and secondary principal the payment of which is deferred for the term of the deferred restructured loan. The deferred interest on primary principal may accrue at a different rate from the deferred interest on secondary principal as described in section 41B.04.

Sec. 3. Minnesota Statutes 1992, section 41B.02, is amended by adding a subdivision to read:

Subd. 7b. DEFERRED RESTRUCTURED LOAN. "Deferred restructured

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loan" means a loan after it has been modified pursuant to section 41B.04, subdivision 9, paragraph (a).

Sec. 4. Minnesota Statutes 1992, section 41B.02, subdivision 12, is amended to read:

Subd. 12. **PRIMARY PRINCIPAL.** "Primary principal" means that portion of the outstanding balance on a loan covered by section 41B.04 that is equal to the current market value of the property secured by the loan or such lesser amount as may be established by the authority by rule.

Sec. 5. Minnesota Statutes 1992, section 41B.02, subdivision 14, is amended to read:

Subd. 14. **RESTRUCTURED LOAN.** "Restructured loan" means both a deferred restructured loan and an amortized restructured loan after it is modified pursuant to section 41B.04.

Sec. 6. Minnesota Statutes 1992, section 41B.02, subdivision 15, is amended to read:

Subd. 15. **SECONDARY PRINCIPAL.** "Secondary principal" means that portion of the outstanding balance of a deferred restructured loan covered by section 41B.04 that is in excess of the current market value of the property secured by the loan primary principal.

Sec. 7. Minnesota Statutes 1992, section 41B.02, is amended by adding a subdivision to read:

Subd. 20. **ETHANOL PRODUCTION FACILITY.** "Ethanol production facility" means a facility that ferments, distills, dewateres, or otherwise produces ethanol as defined in section 41A.09, subdivision 2, paragraph (a).

Sec. 8. Minnesota Statutes 1992, section 41B.03, subdivision 3, is amended to read:

Subd. 3. **ELIGIBILITY FOR BEGINNING FARMER LOANS.** In addition to the requirements under subdivision 1, a prospective borrower for a beginning farm loan in which the authority holds an interest, must:

(1) have sufficient education, training, or experience in the type of farming for which the loan is desired;

(2) have a total net worth, including assets and liabilities of the borrower's spouse and dependents, of less than \$200,000 in 1991 and an amount in subsequent years determined which is adjusted for inflation by multiplying \$200,000 by the cumulative inflation rate ~~in years subsequent to 1991~~ as determined by the United States All-Items Consumer Price Index;

(3) demonstrate a need for the loan;

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(4) demonstrate an ability to repay the loan;

(5) certify that the agricultural land to be purchased will be used by the borrower for agricultural purposes;

(6) certify that farming will be the principal occupation of the borrower;

(7) agree to participate in a farm management program approved by the commissioner of agriculture for at least the first five years of the loan, if an approved program is available within 45 miles from the borrower's residence. The commissioner may waive this requirement for any of the programs administered by the authority if the participant requests a waiver and has either a four year degree in an agricultural program or certification as an adult farm management instructor; and

(8) agree to file an approved soil and water conservation plan with the soil conservation service office in the county where the land is located.

Sec. 9. Minnesota Statutes 1992, section 41B.04, subdivision 9, is amended to read:

Subd. 9. **RESTRUCTURED LOAN AGREEMENT.** (a) For a deferred restructured loan, all payments on the primary and secondary principal ~~of the restructured loan,~~ all payments of interest on the secondary principal, and an agreed portion of the interest payable to the eligible agricultural lender on the primary principal must be deferred to the end of the term of the loan.

~~(b) A borrower may prepay the restructured loan, with all primary and secondary principal and interest and deferred interest at any time without prepayment penalty.~~

~~(c)~~ Interest on secondary principal must accrue at a below market interest rate.

~~(d)~~ (c) At the conclusion of the term of the restructured loan, the borrower owes primary principal, secondary principal, and deferred interest on primary and secondary principal. However, part of this balloon payment may be forgiven following an appraisal by the lender and the authority to determine the current market value of the real estate subject to the mortgage. If the current market value of the land after appraisal is less than the amount of debt owed by the borrower to the lender and authority on this obligation, that portion of the obligation that exceeds the current market value of the real property must be forgiven by the lender and the authority in the following order:

(1) deferred interest on secondary principal;

(2) secondary principal;

(3) deferred interest on primary principal;

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(4) primary principal as provided in an agreement between the authority and the lender; and

(5) accrued but not deferred interest on primary principal.

(d) For an amortized restructured loan, payments must include installments on primary principal and interest on the primary principal. An amortized restructured loan must be amortized over a time period and upon terms to be established by the authority by rule.

(e) A borrower may prepay the restructured loan, with all primary and secondary principal and interest and deferred interest at any time without prepayment penalty.

(e) (f) The authority may not participate in refinancing a restructured loan at the conclusion of the restructured loan.

Sec. 10. Minnesota Statutes 1992, section 41B.04, is amended by adding a subdivision to read:

Subd. 17. APPLICATION AND ORIGINATION FEE. The authority may impose a reasonable nonrefundable application fee for each application and an origination fee for each loan issued under the loan restructuring program. The origination fee is 1.5 percent of the authority's participation interest in the loan and the application fee is \$50. The authority may review the fees annually and make adjustments as necessary. The fees must be deposited in the state treasury and credited to an account in the special revenue fund.

Sec. 11. **[41B.044] ETHANOL DEVELOPMENT PROGRAM.**

Subdivision 1. ETHANOL PRODUCTION FACILITY LOAN PROGRAM. The authority may establish, adopt rules for, and implement an ethanol production facility loan program to provide capital for ethanol production facilities. The program may provide for secured or unsecured loans, loan participations and loan guarantees with respect to real or personal property comprising all or part of an ethanol production facility, and the payment of costs incurred by the authority to establish and administer the program.

Subd. 2. ETHANOL DEVELOPMENT FUND. There is established in the state treasury an ethanol development fund. Interest earned on money in the fund accrues to the fund, and money in the fund is appropriated to the commissioner of agriculture for purposes of the ethanol production facility loan program, including costs incurred by the authority to establish and administer the program.

Subd. 3. REVENUE BONDS. The authority may issue revenue bonds to finance the ethanol production facility loan program in accordance with sections 41B.08 to 41B.15, 41B.17, and 41B.18. Bonds may be refunded by the issuance of refunding bonds in the manner authorized by chapter 475.

New language is indicated by underline, deletions by ~~strikeout~~.

**Subd. 4. PROGRAM REQUIREMENTS.** The requirements in this subdivision apply to the ethanol production facility loan program.

(a) Individuals, corporations, cooperatives, partnerships, and joint ventures may participate in the program and are not required to meet the eligibility requirements of section 41B.03, subdivision 1.

(b) Program participants may be required to pay reasonable nonrefundable application fees and origination fees established by the authority by rule under section 41B.07. Application and origination fees received by the authority must be deposited in the ethanol development fund.

(c) Total assistance provided to an ethanol production facility from appropriated funds must not exceed \$500,000 or a lesser amount as provided by rules relating to the program.

(d) The interest payable on loans and loan participations made by the authority must, if funded by revenue bond proceeds, be at a rate not less than the rate on the revenue bonds, and may be established at a higher rate necessary to pay costs associated with the issuance of the revenue bonds and a proportionate share of the cost of administering the program. The interest payable on loans and loan participations funded from sources other than revenue bond proceeds must be at a rate determined by the authority.

Sec. 12. Minnesota Statutes 1992, section 41B.14, is amended to read:

**41B.14 REVENUE BONDS; NONLIABILITY OF STATE.**

The state of Minnesota is not liable on bonds of the authority issued under ~~section~~ sections 41B.08 and 41B.044 and those bonds are not a debt of the state. The bonds must contain on their face a statement to that effect.

Sec. 13. Minnesota Statutes 1992, section 41C.05, subdivision 2, is amended to read:

**Subd. 2. ELIGIBILITY; BEGINNING FARMERS.** The authority shall provide in the agricultural development bond beginning farmer and agricultural business enterprise loan program that a mortgage or a contract on behalf of a beginning farmer may be provided if the borrower qualifies under ~~section 41B.03~~ and authority rules and under federal tax law governing qualified small issue bonds; and must:

(1) be a resident of Minnesota;

(2) have sufficient education, training, or experience in the type of farming for which the loan is desired;

(3) have a low or moderate net worth, as defined in section 41C.02, subdivision 12;

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(4) certify that the agricultural land to be purchased will be used by the borrower for agricultural purposes;

(5) certify that farming will be the principal occupation of an individual borrower;

(6) agree to participate in a farm management program approved by the commissioner of agriculture for at least the first five years of the loan, if an approved program is available within 45 miles from the borrower's residence. The commissioner may waive this requirement for any of the programs administered by the authority if the participant requests a waiver and provides justification; and

(7) agree to file an approved soil and water conservation plan with the soil conservation service office in the county where the land is located.

#### Sec. 14. APPROPRIATION.

\$17,000 in fiscal year 1994 and \$17,000 in fiscal year 1995 is appropriated from the special revenue fund to the commissioner of agriculture for administrative expenses for the loan restructuring program.

Presented to the governor May 20, 1993

Signed by the governor May 24, 1993, 12:15 p.m.

### CHAPTER 343—H.F.No. 555

*An act relating to insurance; credit; permitting the sale of credit involuntary unemployment insurance; appropriating money; amending Minnesota Statutes 1992, sections 47.016, subdivision 1; 48.185, subdivision 4; 52.04, subdivision 1; 56.125, subdivision 3; 56.155, subdivision 1; 60K.03, subdivision 7; 60K.19, subdivision 3; 62B.01; 62B.02, by adding a subdivision; 62B.03; 62B.04, by adding a subdivision; 62B.05; 62B.06, subdivisions 1, 2, and 4; 62B.07, subdivisions 2 and 6; 62B.08, subdivisions 1, 3, 4, and by adding subdivisions; 62B.09, subdivision 3; 62B.11; 62B.12; and 72A.20, subdivision 27.*

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

Section 1. Minnesota Statutes 1992, section 47.016, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** (a) For the purpose of this section, the following terms have the meanings given them.

(b) "Credit insurance" means credit life ~~and~~, accident and health insurance, and credit involuntary unemployment insurance as defined in section 62B.02.

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