

**1650.0621 DIRECT LOANS.**

Subpart 1. **Borrower eligibility.** To receive a direct loan under the agricultural improvement loan program, an applicant must meet the criteria in items A to G.

A. The applicant must be a resident of Minnesota or a domestic family farm corporation as defined in Minnesota Statutes, section 500.24, subdivision 2.

B. At least one of the applicants must be the principal operator of the farm upon which the agricultural improvements will be located.

C. At least one of the applicants must be actively engaged in farming.

D. The applicant must show the ability to repay the loan.

E. The applicant must show an inability to make the proposed improvements without the availability of financing under parts 1650.0601 to 1650.0651.

F. The applicant's total net worth must not exceed the total net worth established for the basic beginning farmer loan participation program.

G. The applicant must not be a current or previous participant in the RFA Restructure II Program.

**Subp. 2. Application and procedures.**

A. An applicant shall complete an application form provided by the RFA and submit it to the RFA along with other information required by the RFA. Financial statements must be dated within 90 days of the application.

B. A personal history letter may be submitted with the application to explain the type of project for which funds will be used, the applicant's background, and the type of farming unit.

C. The applicant must submit with the application the nonrefundable application fee as established in Minnesota Statutes, section 41B.043, subdivision 3. The loan origination fee as established in Minnesota Statutes, section 41B.043, subdivision 3, must be submitted by the applicant at the closing of the loan. The loan origination fee and other loan closing expenses may be financed with proceeds of the loan. The applicant must also pay all other out-of-pocket costs required to complete the closing of the loan, such as filing fees, mortgage registration, taxes, and appraisal fees. The RFA shall pay its own legal fees.

D. The maximum term of a loan is ten years. The applicant must agree on the loan terms such as interest rate, length of loan, repayment schedule, and prepayment options. The maximum loan amount is \$35,000 and the loan may not have a balloon.

E. The collateral securing the loan must have a value of at least 150 percent of the loan.

F. The applicant shall not begin acquisition or construction of any part of the agricultural improvements before the RFA approves the application. If the application is approved, upon notice to and approval by the RFA, the applicant may move forward with acquisition or construction of the agricultural improvements. A lender may provide interim financing for the agricultural improvements until the closing of the loan. The principal of the interim financing must be paid with the proceeds of the loan.

G. If a change occurs in the information provided by the applicant to the RFA, the applicant shall immediately update and correct that information. Misrepresentation in the application or failure to update any required information is grounds to reject an application, revoke a notice of approval, or refuse to close the loan.

**Subp. 3. RFA review, notice, appeal.**

A. The RFA shall accept or reject applications within 45 working days of their receipt. If the documentation is not sufficient to make a determination, the RFA may request additional information to establish creditworthiness and eligibility of the applicant.

B. The RFA shall accept an application if:

- (1) the applicant meets all eligibility criteria;
- (2) the proposed agricultural improvements meet specifications set by statute and rule;
- (3) the applicant demonstrates an ability to repay the mortgage loan and other obligations, based on the financial information submitted with the application; and
- (4) the RFA has sufficient funds available to make the loan.

C. The RFA shall promptly notify the applicant in writing whether or not the application is approved. If the application is rejected, the notice must state the reasons. For accepted applications, the notice shall delineate any conditions related to the acceptance of the application.

D. If the application is rejected, the applicant may petition the executive director for reconsideration. The petition must be in writing and must be sent within 15 working days of the RFA's mailing of its notice of rejection. The petition must state the grounds for the appeal and may include additional relevant information. Within 15 working days of receiving the petition, the executive director shall send a written response to the petitioner upholding or reversing the original decision and giving reasons for the decision.

E. After appeal to the executive director, a petitioner may appeal the executive director's decision directly to the RFA board by written notice to the executive director within 15 working days of the executive director's mailing of its notice of rejection. The decision of the board is final.

**Subp. 4. Loan administration, enforcement, inspection.**

A. The RFA shall perform all tasks and functions customarily performed in administering the loans with the degree of care and diligence usually maintained by agricultural real estate lenders. The RFA has custody and control of all loan documents.

B. The RFA shall manage, administer, and enforce the loan, including, without limitation, the right to accelerate the loan on default and to foreclose or otherwise enforce remedies against the borrower.

C. At any time during the term of a loan, the RFA or the state legislative auditor may inspect the collateral during normal business hours.

**Statutory Authority:** *MS s 41B.07*

**History:** *20 SR 2427*

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