

*Withdrawn 2/29/84*

Agriculture  
Hutchins, Chair  
A. Miller  
Waldstein

FILED FEB 7 1984

SENATE FILE 2147

BY TAYLOR and MILLER of  
Cerro Gordo

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to the exchange of information between  
2 agricultural supply dealers and financial institutions.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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*S. 2147*

1 Section 1. NEW SECTION. FINANCIAL INSTITUTION MEMORANDUM  
2 TO AGRICULTURAL SUPPLY DEALERS.

3 1. Upon the request of an agricultural supply dealer,  
4 prior to or upon a sale on a credit basis of agricultural  
5 supplies to a person who is a farmer, a financial institution  
6 which has an outstanding loan to that person for an  
7 agricultural purpose shall issue a memorandum which states  
8 whether or not that person has a sufficient net worth or line  
9 of credit to assure payment of the purchase price on the terms  
10 of the sale. If the financial institution indicates in its  
11 memorandum that the person has a sufficient net worth or line  
12 of credit to assure payment of the purchase price, the  
13 memorandum is a letter of credit to the benefit of the  
14 agricultural supply dealer for a period of thirty days  
15 following the date on which the final payment is due for the  
16 amount of the person's debt which remains unpaid. If the  
17 financial institution indicates in its memorandum that the  
18 person does not have a sufficient net worth or line of credit  
19 to assure payment of the purchase price, the financial  
20 institution shall include the relevant financial history which  
21 it holds on the person.

22 2. If a financial institution fails to issue a memorandum  
23 upon the request of an agricultural supply dealer, and the  
24 request from the agricultural supply dealer was proper under  
25 subsection 1, the financial institution shall be deemed to  
26 be a surety for the amount on the sale which remains unpaid.

27 3. For the purposes of this section:

28 a. "Agricultural purpose" means a purpose related to the  
29 production, harvest, marketing, or transportation of agricul-  
30 tural products by a person who cultivates, plants, propagates  
31 or nurtures the agricultural products including agricultural,  
32 horticultural, viticultural, and dairy products, livestock,  
33 wildlife, poultry, bees, forest products, fish and shellfish,  
34 and any other products raised or produced on farms.

35 b. "Agricultural supply dealer" means a person engaged

1 in the retail sale of chemicals, seed, feed, or petroleum  
2 products used for an agricultural purpose.

3 c. "Farmer" means a person engaged in a business which  
4 has an agricultural purpose.

5 d. "Financial history" means the records of a person's  
6 loans, credit transactions, repayment record, net worth, and  
7 income commonly used by financial institutions to determine  
8 a person's credit worthiness.

9 e. "Financial institution" means a bank, credit union,  
10 insurance company, mortgage banking company or savings and  
11 loan association, industrial loan company, or like institution  
12 which operates or has a place of business in this state.

13 f. "Letter of credit" means an engagement by a financial  
14 institution to honor drafts or other demands for payment.

15 g. "Sale on a credit basis" means a transaction in which  
16 the purchase price is due on a date after the date of the  
17 sale.

18 EXPLANATION

19 This bill provides that an agricultural supply dealer may  
20 request from the financial institution of a farmer customer  
21 a memorandum which states whether the farmer customer has  
22 a sufficient net worth or line of credit to assure payment  
23 of a debt for agricultural supplies furnished to the farmer  
24 by the dealer. If the financial institution memorandum states  
25 there is a sufficient line of credit or net worth to cover  
26 purchases, the memorandum will function as a letter of credit  
27 for a period of thirty days following the payment due date.  
28 If the memorandum indicates there is not sufficient credit  
29 or net worth to cover purchases, the financial institution  
30 shall furnish the financial history it holds on the farmer  
31 customer. If the financial institution fails to issue a  
32 memorandum upon a proper request the financial institution  
33 shall be deemed a surety for the amount on the sale which  
34 remains unpaid.

35 This bill takes effect July 1 following enactment.

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