

FEB 21 1986

HOUSE FILE 2353

Place On Calendar

BY COMMITTEE ON AGRICULTURE

(Formerly House Study Bill 679)

Passed House, Date 2-25-86 (p. 442) Passed Senate, Date 3-12-86 (p. 682)

Vote: Ayes 94 Nays 5 Vote: Ayes 40 Nays 8

Approved March 20, 1986 (p. 94)

**A BILL FOR**

1 An Act relating to the Iowa family farm development authority, by  
2 providing for an agricultural loan assistance program,  
3 providing for the adoption of penalties, making an  
4 appropriation, and providing for an effective date.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2353

1 Section 1. Section 175.2, Code Supplement 1985, is amended  
2 by adding the following new subsection:

3 NEW SUBSECTION. 8A. "Lending institution" means a bank,  
4 trust company, mortgage company, national banking association,  
5 savings and loan association, life insurance company, any  
6 state or federal governmental agency or instrumentality,  
7 including without limitation the federal land bank or any of  
8 its local associations, or any other financial institution or  
9 entity authorized to make farm operating loans in this state.

10 Sec. 2. Section 175.3, subsection 1, Code Supplement 1985,  
11 is amended to read as follows:

12 1. The Iowa family farm development authority is  
13 established, and constituted a public instrumentality and  
14 agency of the state exercising public and essential  
15 governmental functions. The authority is established to  
16 undertake programs which assist beginning farmers in  
17 purchasing agricultural land and agricultural improvements and  
18 depreciable agricultural property for the purpose of farming,  
19 and programs which provide financing to farmers for permanent  
20 soil and water conservation practices on agricultural land  
21 within the state or for the acquisition of conservation farm  
22 equipment, and programs to assist farmers within the state in  
23 financing operating expenses and cash flow requirements of  
24 farming. The powers of the authority are vested in and  
25 exercised by a board of eleven members with nine members  
26 appointed by the governor subject to confirmation by the  
27 senate. The treasurer of state or the treasurer's designee  
28 and the secretary of agriculture or the secretary's designee  
29 are ex officio nonvoting members. No more than five appointed  
30 members shall belong to the same political party. As far as  
31 possible the governor shall include within the membership  
32 persons who represent financial institutions experienced in  
33 agricultural lending, the real estate sales industry, farmers,  
34 beginning farmers, average taxpayers, local government, and  
35 other persons specially interested in family farm development.

1     Sec. 3. Section 175.4, Code 1985, is amended by adding the  
2 following new subsections:

3     NEW SUBSECTION. 15. There exists a serious problem in  
4 this state regarding the ability of farmers to obtain  
5 affordable operating loans for reasonable and necessary  
6 expenses and cash flow requirements of farming.

7     NEW SUBSECTION. 16. Farming is one of the principal pur-  
8 suits of the inhabitants of this state. Many other industries  
9 and pursuits, in turn, are wholly dependent upon farming.

10    NEW SUBSECTION. 17. The inability of farmers to obtain  
11 affordable operating loans is conducive to a general decline  
12 of the economy in this state.

13    NEW SUBSECTION. 18. It is necessary to establish an agri-  
14 cultural loan assistance program in this state to assist  
15 farmers in obtaining adequate financing at affordable rates  
16 for operating expenses and thereby assist in the stabilization  
17 of the economic condition of this state.

18    Sec. 4. NEW SECTION. 175.35 AGRICULTURAL LOAN ASSISTANCE  
19 PROGRAM.

20    1. The authority shall establish and develop an agri-  
21 cultural loan assistance program to facilitate the  
22 availability of affordable operating capital to farmers by  
23 providing grants to lending institutions as provided by this  
24 section.

25    2. The authority shall make available to farmers and  
26 lending institutions eligibility application forms for the  
27 agricultural loan assistance program. Applications to the  
28 authority for assistance under this section shall be executed  
29 jointly by the lending institution and the farmer upon  
30 approved forms.

31    3. The authority shall provide in the agricultural loan  
32 assistance program that a grant will be provided in  
33 conjunction with a farmer's operating loan only if the  
34 following criteria are satisfied:

35    a. The farmer is a resident of the state.

1 b. The farmer is an individual, a partnership, or a family  
2 farm corporation, as defined in section 172C.1, subsection 8.

3 c. The farming operation in which the farmer will use the  
4 operating loan is located within the state.

5 d. The operating loan will be used by the farmer for new,  
6 reasonable, and necessary expenses and cash flow requirements  
7 of farming as defined by rules of the authority.

8 e. The farmer has made full disclosure of the farmer's  
9 finances to the lending institution and to the authority, to  
10 the extent required by the authority.

11 f. The operating loan does not exceed a maximum principal  
12 balance of fifty thousand dollars.

13 g. Additional requirements as are prescribed by the  
14 authority by rule, which may include but are not limited to:

15 (1) Participation in federal crop insurance programs,  
16 where available.

17 (2) A consideration of the borrower's agreement to  
18 maintain farm management techniques and standards established  
19 by the authority.

20 (3) Participation in federal farm programs, where ap-  
21 plicable.

22 (4) The maximized use of available loan guarantees where  
23 applicable.

24 (5) A consideration of factors demonstrating the farmer's  
25 need for operating loan assistance and the probability of  
26 success with the assistance in the farming operation in which  
27 the operating loan will be used, including net worth, debt-to-  
28 asset ratio, debt service coverage ratio, projected income,  
29 and projected cash flow.

30 4. The authority may participate in and cooperate with  
31 programs of an agency or instrumentality of the federal  
32 government in the administration of the agricultural loan  
33 assistance program. The authority may provide in the  
34 agricultural loan assistance program that a grant may be  
35 provided in conjunction with a farmer's operating loan only if

1 the farmer and lending institution participate in one or more  
2 operating loan assistance programs of an agency or  
3 instrumentality of the federal government, which are  
4 determined to be appropriate by the authority.

5 5. Upon approval of an eligibility application and a  
6 determination by the board of the authority that assistance  
7 pursuant to the agricultural loan assistance program is needed  
8 to qualify a farmer and lending institution for participation  
9 in an appropriate operating loan assistance program of an  
10 agency or instrumentality of the federal government, the  
11 authority may:

12 a. Enter into an agreement with the lending institution  
13 and the farmer to supplement the assistance to be received  
14 pursuant to the federal program in which agreement the lending  
15 institution shall agree to reduce for one year the interest  
16 rate on the farmer's new operating loan to the rate determined  
17 by the authority to be necessary to qualify the farmer and  
18 lending institution for participation in the federal program  
19 and the farmer shall agree to comply with the rules and  
20 requirements established by the authority.

21 b. Agree to give the lending institution, for the benefit  
22 of the farmer, a grant in an amount to be determined by the  
23 authority to partially reimburse the lending institution for  
24 the reduction of the interest rate on the farmer's operating  
25 loan.

26 6. In determining the rate reduction to be required under  
27 subsection 5, paragraph "a", and the amount of the grant to be  
28 given under subsection 5, paragraph "b", the authority shall:

29 a. Consider the amount of any interest reimbursement to be  
30 received by the farmer or lending institution pursuant to the  
31 federal operating loan assistance program.

5155 32 b. Not require a rate reduction pursuant to subsection 5,  
33 paragraph "a" which is in excess of three percentage points  
34 above the aggregate interest reimbursement rates to be  
35 received pursuant to the federal program and the agricultural

1 loan assistance program.

2 c. Not give a grant pursuant to subsection 5, paragraph  
3 "b" in an amount greater than three percent per annum of the  
4 principal balance of the farmer's operating loan which was  
5 eligible for assistance under this section, for the term of  
6 the loan or for one year, whichever is less.

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7 7. The authority may require a lending institution to  
8 submit evidence satisfactory to the authority that the lending  
9 institution has complied with the reduction in the interest

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10 rate as required by an agreement pursuant to subsection 4.  
11 The authority may inspect any books and records of a lending  
12 institution which are pertinent to the administration of the  
13 agricultural loan assistance program.

14 8. In order to assure compliance with this section and  
15 rules adopted pursuant to this section, the authority may  
16 establish by rule appropriate enforcement provisions,  
17 including but not limited to, the payment of civil penalties  
18 by a lending institution or farmer.

19 Sec. 5. There is appropriated from the general fund of the  
20 state to the Iowa family farm development authority for the  
21 fiscal year beginning July 1, 1985 and ending June 30, 1986,  
22 the amount of five million (5,000,000) dollars or so much  
23 thereof as is necessary, to be used for providing financial  
24 assistance to Iowa farmers under and through the agricultural  
25 loan assistance program, by providing moneys for grants under  
26 agreements subject to section 175.35 entered into on or after  
27 March 1, 1986 but before May 1, 1986. If the grants under the  
28 agreements exceed two million dollars, the excess shall be  
29 transferred from the Iowa plan fund for economic development,  
30 notwithstanding the provisions of 1985 Acts, chapter 33.

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31 Moneys appropriated by this section which are committed for  
32 grants under agreements entered into on or after March 1, 1986  
33 but before May 1, 1986, do not revert to the general fund or  
34 the Iowa plan fund.

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35 Sec. 6. This Act, being deemed of immediate importance,

1 takes effect from and after its publication in The Algona  
2 Upper Des Moines, a newspaper published in Algona, Iowa, and  
3 in The Messenger, a newspaper published in Fort Dodge, Iowa.

4 EXPLANATION

5 This bill enables the Iowa family farm development  
6 authority to establish and operate an agricultural loan  
7 assistance program.

8 The program would provide financing assistance for farm  
9 operating expenses and cash flow requirements.

10 Section 4 sets out the requirements which a farmer must  
11 meet to qualify, and provides for an interest buy-down through  
12 a grant to the lending institution in conjunction with federal  
13 assistance programs. The period for eligible agreements is  
14 between March 1, 1986, and May 1, 1986.

15 Section 5 appropriates \$5,000,000 from the general fund for  
16 the assistance program, but permits moneys over \$2,000,000 to  
17 be transferred from the Iowa plan fund.

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HOUSE FILE 2353

H-5159

- 1 Amend amendment H-5155 to House File 2353 as follows:
- 2 1. Page 1, line 28, by inserting after the word
- 3 "annum" the following: "of up to fifty thousand dollars".

H-5159 FILED FEBRUARY 25, 1986 BY OSTERBERG of Linn

ADOPTED (p. 440)

HOUSE FILE 2353

H-5155

1 Amend House File 2353 as follows:

2 1. By striking page 4, line 34 through page 5,  
3 line 1, and inserting the following: "in addition to  
4 the interest rate reduction required pursuant to the  
5 federal program."

6 2. Page 5, by inserting after line 6 the  
7 following:

8 "6A. Notwithstanding the provisions of subsections  
9 4,5, and 6, upon approval of an eligibility  
10 application and a determination by the board of the  
11 authority that operating loan assistance will not be  
12 available to an individual farmer and lending  
13 institution on a timely basis pursuant to an  
14 appropriate program of the federal government, the  
15 authority may:

16 a. Enter into an agreement with the lending  
17 institution and the farmer in which the lending  
18 institution shall agree to reduce for one year the  
19 interest rate on the farmer's new operating loan to a  
20 rate determined by the authority below the lending  
21 institution's farm operating loan rate as certified to  
22 the authority and the farmer shall agree to comply  
23 with the rules and requirements established by the  
24 authority.

25 b. Agree to give to the lending institution, for  
26 the benefit of the farmer, a grant in the amount, as  
27 determined by the authority, up to three percent per  
28 annum of the principal balance of the farmer's  
29 operating loan outstanding from time to time, for the  
30 term of the loan or for one year, whichever is less,  
31 to partially reimburse the lending institution for the  
32 reduction of the interest rate on the borrower's  
33 operating loan. However, the grant shall not exceed  
34 fifty percent of the amount of interest foregone by  
35 the lending institution pursuant to the rate reduction  
36 under paragraph "a".

37 3. Page 5, line 10, by striking the figure "4"  
38 and inserting the following: "5 or 6A".

39 4. Page 5, line 30, by inserting after the figure  
40 "33." the following: "Not more than one hundred  
41 thousand (100,000) dollars, or so much thereof as is  
42 necessary, shall be used for general administration,  
43 including salaries, support, and miscellaneous  
44 purposes."

45 5. Page 5, line 34, by inserting after the word  
46 "fund." the following: "Moneys appropriated by this  
47 section which are committed for agreements but which  
48 are not utilized for the grants by July 1, 1987 revert  
49 on a pro rata basis to the general fund and the Iowa  
50 plan fund."

BY SKOW of Guthrie  
COCHRAN of Webster  
PELLETT of Cass

H-5155 FILED FEBRUARY 25, 1986

ADOPTED *as amended by 5159 2/25 (p. 44)*

See Ag Amend (5267) & Do Pass 3/6 (p. 573)

Appropriations 3/6 to Pass 3/6 (p. 600)

House File 2353

AGRICULTURE: Soorholtz, Chair; Husak and A. Miller

HOUSE FILE 2353

BY COMMITTEE ON AGRICULTURE

(As Amended and Passed by the House February 25, 1986)

Be Passed House, Date 3-14-86 (p. 737) Passed Senate, Date 3-12-86 (p. 682)

Vote: Ayes 83 Nays 12 Vote: Ayes 40 Nays 8

Approved March 20, 1986 (p. 941)

**A BILL FOR**

1 An Act relating to the Iowa family farm development authority, by  
2 providing for an agricultural loan assistance program,  
3 providing for the adoption of penalties, making an  
4 appropriation, and providing for an effective date.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

SENATE AMENDMENT TO HOUSE FILE 2353

H-5339

- 1 Amend House File 2353 as amended, passed and
- 2 reprinted by the House as follows:
- 3 1. Page 1, line 34, by inserting after the word
- 4 "government," the words "soil conservation district
- 5 officials,".
- 6 2. Page 3, lines 5 and 6, by striking the words
- 7 "new, reasonable," and inserting the word
- 8 "reasonable".
- 9 3. Page 3, by striking lines 11 and 12.
- 10 4. Page 4, line 6, by striking the words "the
- 11 board of".
- 12 5. Page 4, line 16, by striking the word "new".
- 13 6. Page 5, by striking lines 2 through 4 and
- 14 inserting the following: "'b" in an amount greater
- 15 than three percent per annum of up to one hundred
- 16 thousand dollars of the principal balance of the
- 17 farmer's operating loan outstanding from time to time,
- 18 for the term of".
- 19 7. Page 5, line 8, by striking the words "the
- 20 board of".
- 21 8. Page 5, line 15, by striking the word "new".
- 22 9. Page 5, line 22, by striking the word "fifty"
- 23 and inserting the words "one hundred".
- 24 10. Page 6, line 16, by striking the word "May"
- 25 and inserting the word "July".
- 26 11. Page 6, line 25, by striking the word "May"
- 27 and inserting the word "July".
- 28 12. By renumbering, relettering, or redesignating
- 29 and correcting internal references as necessary.

H-5339 FILED MARCH 13, 1986

RECEIVED FROM THE SENATE

House concurred 3/14 (p. 737)

1 Section 1. Section 175.2, Code Supplement 1985, is amended  
2 by adding the following new subsection:

3 NEW SUBSECTION. 8A. "Lending institution" means a bank,  
4 trust company, mortgage company, national banking association,  
5 savings and loan association, life insurance company, any  
6 state or federal governmental agency or instrumentality,  
7 including without limitation the federal land bank or any of  
8 its local associations, or any other financial institution or  
9 entity authorized to make farm operating loans in this state.

10 Sec. 2. Section 175.3, subsection 1, Code Supplement 1985,  
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12 1. The Iowa family farm development authority is  
13 established, and constituted a public instrumentality and  
14 agency of the state exercising public and essential  
15 governmental functions. The authority is established to  
16 undertake programs which assist beginning farmers in  
17 purchasing agricultural land and agricultural improvements and  
18 depreciable agricultural property for the purpose of farming,  
19 and programs which provide financing to farmers for permanent  
20 soil and water conservation practices on agricultural land  
21 within the state or for the acquisition of conservation farm  
22 equipment, and programs to assist farmers within the state in  
23 financing operating expenses and cash flow requirements of  
24 farming. The powers of the authority are vested in and  
25 exercised by a board of eleven members with nine members  
26 appointed by the governor subject to confirmation by the  
27 senate. The treasurer of state or the treasurer's designee  
28 and the secretary of agriculture or the secretary's designee  
29 are ex officio nonvoting members. No more than five appointed  
30 members shall belong to the same political party. As far as  
31 possible the governor shall include within the membership  
32 persons who represent financial institutions experienced in  
33 agricultural lending, the real estate sales industry, farmers,  
532 34 beginning farmers, average taxpayers, local government, and  
35 other persons specially interested in family farm development.

1     Sec. 3. Section 175.4, Code 1985, is amended by adding the  
2 following new subsections:

3     NEW SUBSECTION. 15. There exists a serious problem in  
4 this state regarding the ability of farmers to obtain  
5 affordable operating loans for reasonable and necessary  
6 expenses and cash flow requirements of farming.

7     NEW SUBSECTION. 16. Farming is one of the principal pur-  
8 suits of the inhabitants of this state. Many other industries  
9 and pursuits, in turn, are wholly dependent upon farming.

10    NEW SUBSECTION. 17. The inability of farmers to obtain  
11 affordable operating loans is conducive to a general decline  
12 of the economy in this state.

13    NEW SUBSECTION. 18. It is necessary to establish an agri-  
14 cultural loan assistance program in this state to assist  
15 farmers in obtaining adequate financing at affordable rates  
16 for operating expenses and thereby assist in the stabilization  
17 of the economic condition of this state.

18    Sec. 4. NEW SECTION. 175.35 AGRICULTURAL LOAN ASSISTANCE  
19 PROGRAM.

20    1. The authority shall establish and develop an agri-  
21 cultural loan assistance program to facilitate the  
22 availability of affordable operating capital to farmers by  
23 providing grants to lending institutions as provided by this  
24 section.

25    2. The authority shall make available to farmers and  
26 lending institutions eligibility application forms for the  
27 agricultural loan assistance program. Applications to the  
28 authority for assistance under this section shall be executed  
29 jointly by the lending institution and the farmer upon  
30 approved forms.

31    3. The authority shall provide in the agricultural loan  
32 assistance program that a grant will be provided in  
33 conjunction with a farmer's operating loan only if the  
34 following criteria are satisfied:

35    a. The farmer is a resident of the state.

1 b. The farmer is an individual, a partnership, or a family  
2 farm corporation, as defined in section 172C.1, subsection 8.

3 c. The farming operation in which the farmer will use the  
4 operating loan is located within the state.

526 5 d. The operating loan will be used by the farmer for new,  
6 reasonable, and necessary expenses and cash flow requirements  
7 of farming as defined by rules of the authority.

8 e. The farmer has made full disclosure of the farmer's  
9 finances to the lending institution and to the authority, to  
10 the extent required by the authority.

5267 11 f. The operating loan does not exceed a maximum principal  
12 balance of fifty thousand dollars.

5324 13 g. Additional requirements as are prescribed by the  
14 authority by rule, which may include but are not limited to:

15 (1) Participation in federal crop insurance programs,  
16 where available.

17 (2) A consideration of the borrower's agreement to  
18 maintain farm management techniques and standards established  
19 by the authority.

20 (3) Participation in federal farm programs, where ap-  
21 plicable.

22 (4) The maximized use of available loan guarantees where  
23 applicable.

24 (5) A consideration of factors demonstrating the farmer's  
25 need for operating loan assistance and the probability of  
26 success with the assistance in the farming operation in which  
27 the operating loan will be used, including net worth, debt-to-  
28 asset ratio, debt service coverage ratio, projected income,  
29 and projected cash flow.

30 4. The authority may participate in and cooperate with  
31 programs of an agency or instrumentality of the federal  
32 government in the administration of the agricultural loan  
33 assistance program. The authority may provide in the  
34 agricultural loan assistance program that a grant may be  
35 provided in conjunction with a farmer's operating loan only if

1 the farmer and lending institution participate in one or more  
2 operating loan assistance programs of an agency or  
3 instrumentality of the federal government, which are  
4 determined to be appropriate by the authority.

5 5. Upon approval of an eligibility application and a  
5267 6 determination by the board of the authority that assistance  
7 pursuant to the agricultural loan assistance program is needed  
8 to qualify a farmer and lending institution for participation  
9 in an appropriate operating loan assistance program of an  
10 agency or instrumentality of the federal government, the  
11 authority may:

12 a. Enter into an agreement with the lending institution  
13 and the farmer to supplement the assistance to be received  
14 pursuant to the federal program in which agreement the lending  
15 institution shall agree to reduce for one year the interest  
5267 16 rate on the farmer's new operating loan to the rate determined  
17 by the authority to be necessary to qualify the farmer and  
18 lending institution for participation in the federal program  
19 and the farmer shall agree to comply with the rules and  
20 requirements established by the authority.

21 b. Agree to give the lending institution, for the benefit  
22 of the farmer, a grant in an amount to be determined by the  
23 authority to partially reimburse the lending institution for  
24 the reduction of the interest rate on the farmer's operating  
25 loan.

26 6. In determining the rate reduction to be required under  
27 subsection 5, paragraph "a", and the amount of the grant to be  
28 given under subsection 5, paragraph "b", the authority shall:

29 a. Consider the amount of any interest reimbursement to be  
30 received by the farmer or lending institution pursuant to the  
31 federal operating loan assistance program.

32 b. Not require a rate reduction pursuant to subsection 5,  
33 paragraph "a" which is in excess of three percentage points in  
34 addition to the interest rate reduction required pursuant to  
35 the federal program.

52671 c. Not give a grant pursuant to subsection 5, paragraph  
2 "b" in an amount greater than three percent per annum of the  
3 principal balance of the farmer's operating loan which was  
4 eligible for assistance under this section, for the term of  
5 the loan or for one year, whichever is less.

6 6A. Notwithstanding the provisions of subsections 4, 5,  
7 and 6, upon approval of an eligibility application and a  
52678 determination by the board of the authority that operating  
9 loan assistance will not be available to an individual farmer  
10 and lending institution on a timely basis pursuant to an  
11 appropriate program of the federal government, the authority  
12 may:

13 a. Enter into an agreement with the lending institution  
14 and the farmer in which the lending institution shall agree to  
526715 reduce for one year the interest rate on the farmer's new  
16 operating loan to a rate determined by the authority below the  
17 lending institution's farm operating loan rate as certified to  
18 the authority and the farmer shall agree to comply with the  
19 rules and requirements established by the authority.

20 b. Agree to give to the lending institution, for the  
21 benefit of the farmer, a grant in the amount, as determined by  
526722 the authority, up to three percent per annum of up to fifty  
23 thousand dollars of the principal balance of the farmer's  
24 operating loan outstanding from time to time, for the term of  
25 the loan or for one year, whichever is less, to partially  
26 reimburse the lending institution for the reduction of the  
27 interest rate on the borrower's operating loan. However, the  
28 grant shall not exceed fifty percent of the amount of interest  
29 foregone by the lending institution pursuant to the rate  
30 reduction under paragraph "a".

31 7. The authority may require a lending institution to  
32 submit evidence satisfactory to the authority that the lending  
33 institution has complied with the reduction in the interest  
34 rate as required by an agreement pursuant to subsection 5 or  
35 6A. The authority may inspect any books and records of a

1 lending institution which are pertinent to the administration  
2 of the agricultural loan assistance program.

3 8. In order to assure compliance with this section and  
4 rules adopted pursuant to this section, the authority may  
5 establish by rule appropriate enforcement provisions,  
6 including but not limited to, the payment of civil penalties  
7 by a lending institution or farmer.

8 Sec. 5. There is appropriated from the general fund of the  
9 state to the Iowa family farm development authority for the  
10 fiscal year beginning July 1, 1985 and ending June 30, 1986,  
11 the amount of five million (5,000,000) dollars or so much  
12 thereof as is necessary, to be used for providing financial  
13 assistance to Iowa farmers under and through the agricultural  
14 loan assistance program, by providing moneys for grants under  
15 agreements subject to section 175.35 entered into on or after  
526 16 March 1, 1986 but before May 1, 1986. If the grants under the  
17 agreements exceed two million dollars, the excess shall be  
18 transferred from the Iowa plan fund for economic development,  
19 notwithstanding the provisions of 1985 Acts, chapter 33. Not  
20 more than one hundred thousand (100,000) dollars, or so much  
21 thereof as is necessary, shall be used for general  
22 administration, including salaries, support, and miscellaneous  
23 purposes. Moneys appropriated by this section which are  
24 committed for grants under agreements entered into on or after  
526 25 March 1, 1986 but before May 1, 1986, do not revert to the  
26 general fund or the Iowa plan fund. Moneys appropriated by  
27 this section which are committed for agreements but which are  
28 not utilized for the grants by July 1, 1987 revert on a pro  
29 rata basis to the general fund and the Iowa plan fund.

30 Sec. 6. This Act, being deemed of immediate importance,  
31 takes effect from and after its publication in The Algona  
32 Upper Des Moines, a newspaper published in Algona, Iowa, and  
33 in The Messenger, a newspaper published in Fort Dodge, Iowa.

34  
35

S-5267

- 1 Amend House File 2353 as amended, passed, and  
 2 reprinted by the House as follows:  
 3 1. Page 3, lines 5 and 6, by striking the words  
 4 "new, reasonable," and inserting the word  
 5 "reasonable".  
 6 2. Page 3, by striking lines 11 and 12.  
 7 3. Page 4, line 6, by striking the words "the  
 8 board of".  
 9 4. Page 4, line 16, by striking the word "new".  
 10 5. Page 5, by striking lines 2 through 4 and  
 11 inserting the following: ""b" in an amount greater  
 12 than three percent per annum of up to one hundred  
 13 thousand dollars of the principal balance of the  
 14 farmer's operating loan outstanding from time to time,  
 15 for the term of".  
 16 6. Page 5, line 8, by striking the words "the  
 17 board of".  
 18 7. Page 5, line 15, by striking the word "new".  
 19 8. Page 5, line 22, by striking the word "fifty"  
 20 and inserting the words "one hundred".  
 21 9. Page 6, line 16, by striking the word "May"  
 22 and inserting the word "July".  
 23 10. Page 6, line 25, by striking the word "May"  
 24 and inserting the word "July".

S-5267 Filed March 6, 1986

BY COMM. ON AGRICULTURE, PRIEBE, CHAIR

*Adopted 3/12 (p. 681)*

## HOUSE FILE 2353

S-5324

- 1 Amend House File 2353 as amended, passed and  
 2 reprinted by the House as follows:  
 3 1. Page 1, line 34, by inserting after the word  
 4 "government," the words "soil conservation district  
 5 officials,". **A**  
 6 2. Page 3, by inserting before line 13 the  
 7 following: **B**  
 8 " \_\_\_\_\_. The farmer has received a farm folder from  
 9 the local soil conservation district and has requested  
 10 conservation planning assistance for the farming  
 11 operation in which the farmer will use the operating  
 12 loan."

S-5324 Filed March 12, 1986 Division A adopted, Division B withdrawn (p. 681)  
 BY SCHWENGELS

Skow, Chas  
Blanshan  
Muhlbauer  
Branstad  
Stueland

Now  
HF 2353

NSB 679

MWB

Agriculture

Study Bill 679

Agriculture: Skow, Chair; Blanshan, Branstad, Muhlbauer and Stueland.

SENATE/HOUSE FILE 2353

BY (PROPOSED GOVERNOR'S BILL)

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

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

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

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

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the Iowa family farm development authority, by  
2 providing for an agricultural loan assistance program,  
3 providing for the adoption of penalties, making an  
4 appropriation, and providing for an effective date.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 175.2, Code Supplement 1985, is amended  
2 by adding the following new subsection:

3 NEW SUBSECTION. 8A. "Lending institution" means a bank,  
4 trust company, mortgage company, national banking association,  
5 savings and loan association, life insurance company, any  
6 state or federal governmental agency or instrumentality,  
7 including without limitation the federal land bank or any of  
8 its local associations, or any other financial institution or  
9 entity authorized to make farm operating loans in this state.

10 Sec. 2. Section 175.3, subsection 1, Code Supplement 1985,  
11 is amended to read as follows:

12 1. The Iowa family farm development authority is  
13 established, and constituted a public instrumentality and  
14 agency of the state exercising public and essential  
15 governmental functions. The authority is established to  
16 undertake programs which assist beginning farmers in  
17 purchasing agricultural land and agricultural improvements and  
18 depreciable agricultural property for the purpose of farming,  
19 and programs which provide financing to farmers for permanent  
20 soil and water conservation practices on agricultural land  
21 within the state or for the acquisition of conservation farm  
22 equipment, and programs to assist farmers within the state in  
23 financing operating expenses and cash flow requirements of  
24 farming. The powers of the authority are vested in and  
25 exercised by a board of eleven members with nine members  
26 appointed by the governor subject to confirmation by the  
27 senate. The treasurer of state or the treasurer's designee  
28 and the secretary of agriculture or the secretary's designee  
29 are ex officio nonvoting members. No more than five appointed  
30 members shall belong to the same political party. As far as  
31 possible the governor shall include within the membership  
32 persons who represent financial institutions experienced in  
33 agricultural lending, the real estate sales industry, farmers,  
34 beginning farmers, average taxpayers, local government, and  
35 other persons specially interested in family farm development.

1 Sec. 3. Section 175.4, Code 1985, is amended by adding the  
2 following new subsections:

3 NEW SUBSECTION. 15. There exists a serious problem in  
4 this state regarding the ability of farmers to obtain  
5 affordable operating loans for reasonable and necessary  
6 expenses and cash flow requirements of farming.

7 NEW SUBSECTION. 16. Farming is one of the principal pur-  
8 suits of the inhabitants of this state. Many other industries  
9 and pursuits, in turn, are wholly dependent upon farming.

10 NEW SUBSECTION. 17. The inability of farmers to obtain  
11 affordable operating loans is conducive to a general decline  
12 of the economy in this state.

13 NEW SUBSECTION. 18. It is necessary to establish an agri-  
14 cultural loan assistance program in this state to assist  
15 farmers in obtaining adequate financing at affordable rates  
16 for operating expenses and thereby assist in the stabilization  
17 of the economic condition of this state.

18 Sec. 4. NEW SECTION. 175.35 AGRICULTURAL LOAN ASSISTANCE  
19 PROGRAM.

20 1. The authority shall establish and develop an agri-  
21 cultural loan assistance program to facilitate the  
22 availability of affordable operating capital to farmers by  
23 providing grants to lending institutions as provided by this  
24 section.

25 2. The authority shall make available to farmers and  
26 lending institutions eligibility application forms for the  
27 agricultural loan assistance program. Applications to the  
28 authority for assistance under this section shall be executed  
29 jointly by the lending institution and the farmer upon  
30 approved forms.

31 3. The authority shall provide in the agricultural loan  
32 assistance program that a grant will be provided in  
33 conjunction with a farmer's operating loan only if the  
34 following criteria are satisfied:

35 a. The farmer is a resident of the state.

1 b. The farmer is an individual, a partnership, or a family  
2 farm corporation, as defined in section 172C.1, subsection 8.

3 c. The farming operation in which the farmer will use the  
4 operating loan is located within the state.

5 d. The operating loan will be used by the farmer for new,  
6 reasonable, and necessary expenses and cash flow requirements  
7 of farming as defined by rules of the authority.

8 e. The farmer has made full disclosure of the farmer's  
9 finances to the lending institution and to the authority, to  
10 the extent required by the authority.

11 f. The operating loan does not exceed a maximum principal  
12 balance of fifty thousand dollars.

13 g. Additional requirements as are prescribed by the  
14 authority by rule, which may include but are not limited to:

15 (1) Participation in federal crop insurance programs,  
16 where available.

17 (2) A consideration of the borrower's agreement to  
18 maintain farm management techniques and standards established  
19 by the authority.

20 (3) Participation in federal farm programs, where ap-  
21 plicable.

22 (4) The maximized use of available loan guarantees where  
23 applicable.

24 (5) A consideration of factors demonstrating the farmer's  
25 probability of success in the farming operation in which the  
26 operating loan will be used, including net worth, debt-to-  
27 asset ratio, debt service coverage ratio, projected income,  
28 and projected cash flow.

29 4. Upon approval by the board of authority of an  
30 eligibility application, the authority may:

31 a. Enter into an agreement with the lending institution  
32 and the farmer in which the lending institution shall agree to  
33 reduce for one year the interest rate on the farmer's new  
34 operating loan to a rate that is at least four percent per  
35 annum below the lending institution's farm operating loan rate

1 as certified to the authority and the farmer shall agree to  
2 comply with the rules and requirements established by the  
3 authority.

4 b. Agree to give to the lending institution, for the  
5 benefit of the farmer, a grant in the amount, as determined by  
6 the authority, equal to two percent per annum of the principal  
7 balance of the farmer's operating loan outstanding from time  
8 to time, for the term of the loan or for one year, whichever  
9 is less, to partially reimburse the lending institution for  
10 the reduction of the interest rate on the borrower's operating  
11 loan.

12 5. The authority may participate in and cooperate with  
13 programs of any agency or instrumentality of the federal  
14 government or programs of any other agency or instrumentality  
15 of the state in the administration of the agricultural loan  
16 assistance program. Participation by a farmer in a federal or  
17 state program will not disqualify the farmer from  
18 participation in the agricultural loan assistance program.

19 6. The authority may require a lending institution to  
20 submit evidence satisfactory to the authority that the lending  
21 institution has complied with the reduction in the interest  
22 rate as required by an agreement pursuant to subsection 4.  
23 The authority may inspect any books and records of a lending  
24 institution which are pertinent to the administration of the  
25 agricultural loan assistance program.

26 7. In order to assure compliance with this section and  
27 rules adopted pursuant to this section, the authority may  
28 establish by rule appropriate enforcement provisions,  
29 including but not limited to, the payment of civil penalties  
30 by a lending institution or farmer.

31 Sec. 5. Notwithstanding any provisions of 1985 Iowa Acts,  
32 chapter 33, to the contrary, the first five million  
33 (5,000,000) dollars of the community economic betterment  
34 account as established in 1985 Iowa Acts, chapter 33, section  
35 301, for the fiscal year beginning July 1, 1985 and ending

1 June 30, 1986, is appropriated to the Iowa family farm  
2 development authority to provide financial assistance to Iowa  
3 farmers under and through the agricultural loan assistance  
4 program. Section 8.33 shall not apply to this appropriation.  
5 Of the amount appropriated in this section, not more than one  
6 hundred thousand (100,000) dollars, or so much thereof as is  
7 necessary, shall be used for general administration, including  
8 salaries, support, and miscellaneous purposes.

9 Sec. 6. This Act, being deemed of immediate importance,  
10 takes effect from and after its publication in The Algona  
11 Upper Des Moines, a newspaper published in Algona, Iowa, and  
12 in The Messenger, a newspaper published in Fort Dodge, Iowa.

13 EXPLANATION

14 This bill enables the Iowa family farm development  
15 authority to establish and operate an agricultural loan  
16 assistance program.

17 The program would provide financing assistance for farm  
18 operating expenses and cash flow requirements.

19 Section 4 sets out the requirements which a farmer must  
20 meet to qualify, and provides for an interest buy-down through  
21 a grant to the lending institution.

22 Section 5 allots the first \$5,000,000 of the lottery's  
23 community economic betterment account to the farm authority  
24 for the agricultural loan assistance program.

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HOUSE FILE 2353

AN ACT

RELATING TO THE IOWA FAMILY FARM DEVELOPMENT AUTHORITY, BY PROVIDING FOR AN AGRICULTURAL LOAN ASSISTANCE PROGRAM, PROVIDING FOR THE ADOPTION OF PENALTIES, MAKING AN APPROPRIATION, AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 175.2, Code Supplement 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 8A. "Lending institution" means a bank, trust company, mortgage company, national banking association, savings and loan association, life insurance company, any state or federal governmental agency or instrumentality, including without limitation the federal land bank or any of its local associations, or any other financial institution or entity authorized to make farm operating loans in this state.

Sec. 2. Section 175.3, subsection 1, Code Supplement 1985, is amended to read as follows:

1. The Iowa family farm development authority is established, and constituted a public instrumentality and agency of the state exercising public and essential governmental functions. The authority is established to undertake programs which assist beginning farmers in purchasing agricultural land and agricultural improvements and depreciable agricultural property for the purpose of farming, and programs which provide financing to farmers for permanent soil and water conservation practices on agricultural land within the state or for the acquisition of conservation farm equipment, and programs to assist farmers within the state in financing operating expenses and cash flow requirements of farming. The powers of the authority are vested in and exercised by a board of eleven members with nine members

appointed by the governor subject to confirmation by the senate. The treasurer of state or the treasurer's designee and the secretary of agriculture or the secretary's designee are ex officio nonvoting members. No more than five appointed members shall belong to the same political party. As far as possible the governor shall include within the membership persons who represent financial institutions experienced in agricultural lending, the real estate sales industry, farmers, beginning farmers, average taxpayers, local government, soil conservation district officials, and other persons specially interested in family farm development.

Sec. 3. Section 175.4, Code 1985, is amended by adding the following new subsections:

NEW SUBSECTION. 15. There exists a serious problem in this state regarding the ability of farmers to obtain affordable operating loans for reasonable and necessary expenses and cash flow requirements of farming.

NEW SUBSECTION. 16. Farming is one of the principal pursuits of the inhabitants of this state. Many other industries and pursuits, in turn, are wholly dependent upon farming.

NEW SUBSECTION. 17. The inability of farmers to obtain affordable operating loans is conducive to a general decline of the economy in this state.

NEW SUBSECTION. 18. It is necessary to establish an agricultural loan assistance program in this state to assist farmers in obtaining adequate financing at affordable rates for operating expenses and thereby assist in the stabilization of the economic condition of this state.

Sec. 4. NEW SECTION. 175.35 AGRICULTURAL LOAN ASSISTANCE PROGRAM.

1. The authority shall establish and develop an agricultural loan assistance program to facilitate the availability of affordable operating capital to farmers by providing grants to lending institutions as provided by this section.

2. The authority shall make available to farmers and lending institutions eligibility application forms for the agricultural loan assistance program. Applications to the authority for assistance under this section shall be executed jointly by the lending institution and the farmer upon approved forms.

3. The authority shall provide in the agricultural loan assistance program that a grant will be provided in conjunction with a farmer's operating loan only if the following criteria are satisfied:

- a. The farmer is a resident of the state.
- b. The farmer is an individual, a partnership, or a family farm corporation, as defined in section 172C.1, subsection 8.
- c. The farming operation in which the farmer will use the operating loan is located within the state.
- d. The operating loan will be used by the farmer for reasonable and necessary expenses and cash flow requirements of farming as defined by rules of the authority.
- e. The farmer has made full disclosure of the farmer's finances to the lending institution and to the authority, to the extent required by the authority.
- f. Additional requirements as are prescribed by the authority by rule, which may include but are not limited to:
  - (1) Participation in federal crop insurance programs, where available.
  - (2) A consideration of the borrower's agreement to maintain farm management techniques and standards established by the authority.
  - (3) Participation in federal farm programs, where applicable.
  - (4) The maximized use of available loan guarantees where applicable.
  - (5) A consideration of factors demonstrating the farmer's need for operating loan assistance and the probability of success with the assistance in the farming operation in which

the operating loan will be used, including net worth, debt-to-asset ratio, debt service coverage ratio, projected income, and projected cash flow.

4. The authority may participate in and cooperate with programs of an agency or instrumentality of the federal government in the administration of the agricultural loan assistance program. The authority may provide in the agricultural loan assistance program that a grant may be provided in conjunction with a farmer's operating loan only if the farmer and lending institution participate in one or more operating loan assistance programs of an agency or instrumentality of the federal government, which are determined to be appropriate by the authority.

5. Upon approval of an eligibility application and a determination by the authority that assistance pursuant to the agricultural loan assistance program is needed to qualify a farmer and lending institution for participation in an appropriate operating loan assistance program of an agency or instrumentality of the federal government, the authority may:

- a. Enter into an agreement with the lending institution and the farmer to supplement the assistance to be received pursuant to the federal program in which agreement the lending institution shall agree to reduce for one year the interest rate on the farmer's operating loan to the rate determined by the authority to be necessary to qualify the farmer and lending institution for participation in the federal program and the farmer shall agree to comply with the rules and requirements established by the authority.
- b. Agree to give the lending institution, for the benefit of the farmer, a grant in an amount to be determined by the authority to partially reimburse the lending institution for the reduction of the interest rate on the farmer's operating loan.

6. In determining the rate reduction to be required under subsection 5, paragraph "a", and the amount of the grant to be given under subsection 5, paragraph "b", the authority shall:

a. Consider the amount of any interest reimbursement to be received by the farmer or lending institution pursuant to the federal operating loan assistance program.

b. Not require a rate reduction pursuant to subsection 5, paragraph "a" which is in excess of three percentage points in addition to the interest rate reduction required pursuant to the federal program.

c. Not give a grant pursuant to subsection 5, paragraph "b" in an amount greater than three percent per annum of up to one hundred thousand dollars of the principal balance of the farmer's operating loan outstanding from time to time, for the term of the loan or for one year, whichever is less.

6A. Notwithstanding the provisions of subsections 4, 5, and 6, upon approval of an eligibility application and a determination by the authority that operating loan assistance will not be available to an individual farmer and lending institution on a timely basis pursuant to an appropriate program of the federal government, the authority may:

a. Enter into an agreement with the lending institution and the farmer in which the lending institution shall agree to reduce for one year the interest rate on the farmer's operating loan to a rate determined by the authority below the lending institution's farm operating loan rate as certified to the authority and the farmer shall agree to comply with the rules and requirements established by the authority.

b. Agree to give to the lending institution, for the benefit of the farmer, a grant in the amount, as determined by the authority, up to three percent per annum of up to one hundred thousand dollars of the principal balance of the farmer's operating loan outstanding from time to time, for the term of the loan or for one year, whichever is less, to partially reimburse the lending institution for the reduction of the interest rate on the borrower's operating loan. However, the grant shall not exceed fifty percent of the amount of interest foregone by the lending institution pursuant to the rate reduction under paragraph "a".

7. The authority may require a lending institution to submit evidence satisfactory to the authority that the lending institution has complied with the reduction in the interest rate as required by an agreement pursuant to subsection 5 or 6A. The authority may inspect any books and records of a lending institution which are pertinent to the administration of the agricultural loan assistance program.

8. In order to assure compliance with this section and rules adopted pursuant to this section, the authority may establish by rule appropriate enforcement provisions, including but not limited to, the payment of civil penalties by a lending institution or farmer.

Sec. 5. There is appropriated from the general fund of the state to the Iowa family farm development authority for the fiscal year beginning July 1, 1985 and ending June 30, 1986, the amount of five million (5,000,000) dollars or so much thereof as is necessary, to be used for providing financial assistance to Iowa farmers under and through the agricultural loan assistance program, by providing moneys for grants under agreements subject to section 175.35 entered into on or after March 1, 1986 but before July 1, 1986. If the grants under the agreements exceed two million dollars, the excess shall be transferred from the Iowa plan fund for economic development, notwithstanding the provisions of 1985 Acts, chapter 33. Not more than one hundred thousand (100,000) dollars, or so much thereof as is necessary, shall be used for general administration, including salaries, support, and miscellaneous purposes. Moneys appropriated by this section which are committed for grants under agreements entered into on or after March 1, 1986 but before July 1, 1986, do not revert to the general fund or the Iowa plan fund. Moneys appropriated by this section which are committed for agreements but which are not utilized for the grants by July 1, 1987 revert on a pro rata basis to the general fund and the Iowa plan fund.

Sec. 6. This Act, being deemed of immediate importance, takes effect from and after its publication in The Algona Upper Des Moines, a newspaper published in Algona, Iowa, and in The Messenger, a newspaper published in Fort Dodge, Iowa.

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DONALD D. AVENSON  
Speaker of the House

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ROBERT T. ANDERSON  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2353, Seventy-first General Assembly.

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JOSEPH O'HERN  
Chief Clerk of the House

Approved March 20, 1986

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TERRY E. BRANSTAD  
Governor