

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 203

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES HARRIS, James

Introduced: 4/20/99

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to loans from the agriculture revolving loan fund and to
2 contracts for the sale of state agriculture land; and providing for an effective
3 date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** AS 03.10.030(a) is amended to read:

6 (a) The farm development, chattel, or irrigation loan made under this chapter

7 (1) may not exceed a term of 30 years, except that a chattel loan may
8 not exceed a term of seven years;

9 (2) may not, when added to the outstanding balance of other loans
10 made under this chapter, exceed a total outstanding balance of \$1,000,000;

11 (3) shall be secured by a real estate or chattel mortgage of any priority,
12 except that the portion of a loan that exceeds \$500,000, when added to prior
13 indebtedness that is secured by the same property, must be secured by a first mortgage;

14 (4) shall bear interest at a rate that may not be less than **five** [EIGHT]

1 percent or more than the commercial rate, unless the commercial rate is **five** [EIGHT]
 2 percent or less; in this paragraph, "commercial rate" means the prevailing rate of
 3 interest at private lending institutions in the state for loans similar to those referred to
 4 in this subsection.

5 * **Sec. 2.** AS 03.10.030(f) is amended to read:

6 (f) A farm product processing loan may not exceed \$250,000. A mortgage
 7 that secures a farm product processing loan may be of any priority if the total
 8 indebtedness on the real estate, including the secured farm product processing loan,
 9 does not exceed \$250,000. A farm product processing loan that, if made, would raise
 10 the existing indebtedness on the real estate securing the loan above \$250,000, or a
 11 farm product processing loan on real estate that has a prior indebtedness of \$250,000
 12 or more, may be made only if all prior mortgagees agree to subordinate their
 13 mortgages to that of the state for the amount of the farm product processing loan that
 14 exceeds the \$250,000 indebtedness limit on the real estate. A farm product processing
 15 loan may not exceed a term of 30 years or bear interest that is less than **five** [EIGHT]
 16 percent a year and shall be secured by a real estate or chattel mortgage or both.

17 * **Sec. 3.** AS 03.10.030(g) is amended to read:

18 (g) A loan for clearing land may not
 19 (1) exceed \$250,000;
 20 (2) bear interest that is less than **five** [EIGHT] percent;
 21 (3) have a term in excess of 20 years; or
 22 (4) be made for clearing land other than land that has been classified
 23 by the United States Department of Agriculture, Soil Conservation Service, under the
 24 Land Capability Classification System as having agricultural potential for the
 25 production of annual crops or [,] hay, or for pasture.

26 * **Sec. 4.** AS 03.10.033(a) is amended to read:

27 (a) To increase the return to the state, the Agricultural Revolving Loan Fund
 28 Board may restructure loans **(1)** in existence on January 1, 1987, made by the board
 29 or by the Alaska Agricultural Action Council based upon guidelines approved by the
 30 board; **or (2) of a borrower who has experienced three years of agricultural**
 31 **disaster during the last five years as defined by regulations adopted by the board.**

1 The restructuring may only include reduction of interest [TO RATES BELOW THOSE
 2 SPECIFIED BY AS 03.10.030], an extension of the term of the loan, and an
 3 improvement to the security interest of the state. It may not reduce the amount of
 4 principal and interest owed before the loan is restructured.

5 * **Sec. 5.** AS 03.10.050(a) is amended to read:

6 (a) The commissioner shall administer the **agricultural revolving** loan fund
 7 in conjunction with the Agricultural Revolving Loan Fund Board. A [NO] loan [IN
 8 EXCESS OF \$25,000] may **not** be made by the commissioner without the approval of
 9 a majority of the board, **except that emergency loans not to exceed \$50,000 may be**
 10 **made upon the approval, by majority vote, of a committee composed of the chair**
 11 **of the board, the director of agriculture, and an employee of the board who is a**
 12 **loan officer selected by the board to serve on the committee.**

13 * **Sec. 6.** AS 38.05.065(h) is amended to read:

14 (h) The commissioner

15 (1) shall provide that, notwithstanding (a) and (b) of this section, in a
 16 contract for the sale of land classified under AS 38.05.020(b)(6) for agricultural uses,
 17 the interest rate to be charged on installment payments may not exceed 5 [9.5] percent;
 18 and

19 (2) may declare a moratorium of up to five years on payments on land
 20 sold under this section for land classified under AS 38.05.020(b)(6) for agricultural
 21 uses if

22 (A) the commissioner determines that the moratorium is in the
 23 best interest of the state;

24 (B) the commissioner certifies and the contract purchaser agrees
 25 to perform farm development, crop production, and harvesting, not including
 26 land clearing or related activity, requiring the expenditure of amounts
 27 equivalent to the payments that would otherwise be made during the
 28 moratorium;

29 (C) the sale of the agricultural land takes place after July 1,
 30 1979; and

31 (D) the contract purchaser is in compliance with the

1 development plan specified in the purchase contract at the time the purchaser
2 applies for a moratorium under this subsection and remains in compliance with
3 the development plan during the moratorium; for the payments subject to the
4 moratorium declared under this paragraph, interest payments are subject to the
5 moratorium but interest continues to accrue during the moratorium.

6 * **Sec. 7.** This Act takes effect July 1, 1999.