

2d 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: 4/27/99

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to loans from the agricultural revolving loan fund; and
2 providing for an effective date."

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

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

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

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

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

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

13 (4) shall bear interest at a rate that may not be less than five [EIGHT]
14 percent or more than the commercial rate, unless the commercial rate is five [EIGHT]

1 percent or less; in this paragraph, "commercial rate" means the prevailing rate of
 2 interest at private lending institutions in the state for loans similar to those referred to
 3 in this subsection.

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

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

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

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

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

26 (a) To increase the return to the state, the Agricultural Revolving Loan Fund
 27 Board may restructure loans **(1)** in existence on January 1, 1987, made by the board
 28 or by the Alaska Agricultural Action Council based upon guidelines approved by the
 29 board; **or (2) of a borrower in an area that has been declared a farm disaster area**
 30 **under AS 03.10.058 during three of the five years preceding the restructuring.**

31 The restructuring may only include reduction of interest [TO RATES BELOW THOSE

1 SPECIFIED BY AS 03.10.030], an extension of the term of the loan, and an
2 improvement to the security interest of the state. It may not reduce the amount of
3 principal and interest owed before the loan is restructured.

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

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

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