

CS FOR 2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 203(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 2/7/00

Referred: Rules

Sponsor(s): REPRESENTATIVES HARRIS, James

SENATOR Lincoln

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 **fixed** rate **comparable to that charged by**
14 **other agricultural** [THAT MAY NOT BE LESS THAN EIGHT PERCENT OR

1 MORE THAN THE COMMERCIAL RATE, UNLESS THE COMMERCIAL RATE
 2 IS EIGHT PERCENT OR LESS; IN THIS PARAGRAPH, "COMMERCIAL RATE"
 3 MEANS THE PREVAILING RATE OF INTEREST AT PRIVATE] lending
 4 institutions in the state for loans similar to those referred to in this subsection.

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

6 (c) A short term loan, to be amortized within one year, not to exceed \$350,000
 7 to any one borrower, may be made for operating purposes, except that a loan made
 8 under this subsection may not exceed \$200,000 unless the loan is made to a borrower
 9 in a farm disaster area declared under AS 03.10.058. **The loan shall bear interest at**
 10 **a fixed rate comparable to that charged by other agricultural lending institutions**
 11 **in the state for loans similar to those referred to in this subsection.** An applicant
 12 for a short term loan may be required to purchase insurance through the Federal Crop
 13 Insurance Act (7 U.S.C. 1501 - 1520) as a condition of the loan. The term of a loan
 14 made under this subsection may be extended for up to three years by the agricultural
 15 revolving loan fund board, in the discretion of the board, upon application by the
 16 borrower.

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

18 (f) A farm product processing loan may not exceed \$250,000. A mortgage
 19 that secures a farm product processing loan may be of any priority if the total
 20 indebtedness on the real estate, including the secured farm product processing loan,
 21 does not exceed \$250,000. A farm product processing loan that, if made, would raise
 22 the existing indebtedness on the real estate securing the loan above \$250,000, or a
 23 farm product processing loan on real estate that has a prior indebtedness of \$250,000
 24 or more, may be made only if all prior mortgagees agree to subordinate their
 25 mortgages to that of the state for the amount of the farm product processing loan that
 26 exceeds the \$250,000 indebtedness limit on the real estate. A farm product processing
 27 loan may not exceed a term of 30 years or bear interest **at a rate** that is less than **a**
 28 **fixed rate comparable to that charged by other agricultural lending institutions**
 29 **in the state for similar loans** [EIGHT PERCENT A YEAR] and shall be secured by
 30 a real estate or chattel mortgage or both.

31 * **Sec. 4.** AS 03.10.030(g) is amended to read:

- 1 (g) A loan for clearing land may not
 2 (1) exceed \$250,000;
 3 (2) bear interest **at a rate** that is less than **a fixed rate comparable to**
 4 **that charged by other agricultural lending institutions in the state for similar**
 5 **loans** [EIGHT PERCENT];
 6 (3) have a term in excess of 20 years; or
 7 (4) be made for clearing land other than land that has been classified
 8 by the United States Department of Agriculture, Soil Conservation Service, under the
 9 Land Capability Classification System as having agricultural potential for the
 10 production of annual crops **or** [,] hay, or for pasture.

11 * **Sec. 5.** AS 03.10.033(a) is amended to read:

12 (a) To increase the return to the state, the Agricultural Revolving Loan Fund
 13 Board may restructure loans **(1)** in existence on January 1, 1987, made by the board
 14 or by the Alaska Agricultural Action Council based upon guidelines approved by the
 15 board; **(2) of a borrower in an area that has been declared a farm disaster area**
 16 **under AS 03.10.058; or (3) of a borrower who has experienced an agricultural**
 17 **disaster based upon regulations adopted by the department. Notwithstanding any**
 18 **other provision of law that relates to loan terms, the** [THE] restructuring may only
 19 include reduction of interest **to a fixed rate not less than five percent a year** [TO
 20 RATES BELOW THOSE SPECIFIED BY AS 03.10.030], an extension of the term
 21 of the loan, and an improvement to the security interest of the state. It may not reduce
 22 the amount of principal and interest owed before the loan is restructured.

23 * **Sec. 6.** AS 03.10.050(a) is amended to read:

24 (a) The commissioner shall administer the **agricultural revolving** loan fund
 25 in conjunction with the Agricultural Revolving Loan Fund Board. **A** [NO] loan [IN
 26 EXCESS OF \$25,000] may **not** be made by the commissioner without the approval of
 27 a majority of the board, **except that emergency loans based upon regulations**
 28 **adopted by the department and not to exceed \$50,000 may be made upon the**
 29 **approval, by majority vote, of a committee composed of the director of**
 30 **agriculture, a board member selected by the board to serve on the committee,**
 31 **and the chair of the board or the chair's designee.**

1 * **Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).