

**SENATE BILL NO. 367**

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY SENATORS KERTTULA, Menard, Shultz

Introduced: 1/22/92

Referred: L&amp;C, Resources, Finance

**A BILL****FOR AN ACT ENTITLED**

1 "An Act reducing the minimum rate of interest on loans of the agricultural revolving loan  
2 fund, and amending the loan restructuring program for agricultural loans; and providing  
3 for an effective 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 not exceed  
8 a term of seven years;

9 (2) may not, when added to the outstanding balance of other loans made under  
10 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, except  
12 that the portion of a loan that exceeds \$500,000, when added to prior indebtedness that is secured  
13 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 six [EIGHT] percent or

1 more than the commercial rate, unless the commercial rate is six [EIGHT] percent or less; in this  
2 paragraph, "commercial rate" means the prevailing rate of interest at private lending institutions  
3 in the state for loans similar to those referred to 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 that  
6 [WHICH] secures a farm product processing loan may be of any priority if the total indebtedness  
7 on the real estate, including the secured farm product processing loan, does not exceed \$250,000.  
8 A farm product processing loan that [WHICH], if made, would raise the existing indebtedness  
9 on the real estate securing the loan above \$250,000, or a farm product processing loan on real  
10 estate that [WHICH] has a prior indebtedness of \$250,000 or more, may be made only if all  
11 prior mortgagees agree to subordinate their mortgages to that of the state for the amount of the  
12 farm product processing loan that [WHICH] exceeds the \$250,000 indebtedness limit on the real  
13 estate. A farm product processing loan may not exceed a term of 30 years or bear interest that  
14 is less than six [EIGHT] percent a year and shall be secured by a real estate or chattel mortgage  
15 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 six [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 by the

22 United States Department of Agriculture, Soil Conservation Service under the Land Capability  
23 Classification System as having agricultural potential for the production of annual crops, hay, or  
24 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 Board may  
27 restructure loans [IN EXISTENCE ON JANUARY 1, 1987,] made by the board or by the Alaska  
28 Agricultural Action Council based upon guidelines approved by the board. The restructuring may  
29 only include reduction of interest to rates below those specified by AS 03.10.030, an extension  
30 of the term of the loan, and an improvement to the security interest of the state. It may not  
31 reduce the amount of principal and interest owed before the loan is restructured.

1 \* **Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).