

HOUSE RESEARCH

Bill Summary

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Overview

This bill creates a new, public-private Rural Finance Authority (RFA) loan program. The RFA would purchase a portion of a loan made by a private lender to a Minnesota producer for the purchase of dairy heifers or cows.

Section

1 Dairy animal revolving loan program. Establishes the loan program and states program parameters.

Subd. 1. Establishment. Require the RFA to receive at least \$2 million in nonstate funds before beginning the new loan program. This amount would match state funding dollar for dollar (see section 3).

Subd. 2. Eligibility. Exempts the program from the RFA's standard eligibility requirements and creates four criteria for program eligibility.

Subd. 3. Loans. Authorizes the RFA to purchase up to 45 percent of the principal or \$100,000, whichever is less, of a loan from an eligible lender to a person eligible under subdivision 2. Allows the RFA's terms to differ from that of the initial lender. Requires the RFA to make a good faith effort to award at least 60 percent of the loans each year to borrowers with a net worth less than a certain, inflation-adjusted threshold (\$382,000 in 2007). Specifies terms on the RFA's portion of the loan: seven years, no payments in the first year, only interest payments in the second year, equal payments on the outstanding balance for the final five years. Allows the RFA to set

Section

an appropriate interest rate and requires a good faith effort to set the rate at no more than 3 percent. Establishes other standard RFA loan provisions. Allows the RFA to disband the program and return nonstate funds to their contributors should there be a persistent lack of interest in the program on the part of Minnesota producers.

Subd. 4. Deposit of repayments. Requires the RFA to deposit all repayments in the RFA's multi-program revolving loan fund.

- 2 **Rural finance authority revolving loan account.** Adds the new dairy loan program in section 1 to the list of RFA programs using this account.
- 3 **Appropriation.** Appropriates \$2 million upon final enactment and requires the RFA to return the money to the general fund if \$2 million in nonstate funds are not received by the end of the next biennium.
- 4 **Effective date.** Sections 1 to 3 are effective following final enactment.