

HOUSE RESEARCH

Bill Summary

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Overview

This bill would increase the maximum state share of loans issued by private lenders to eligible farmers. The Rural Finance Authority (RFA) is the state's main agricultural lending arm. The RFA has official agreements with private lenders. The private lenders actually issue and administer the loans. The RFA "participates" in these loans, or purchases a minority interest from the lender and charges the farmer a lower interest rate on RFA's portion of the debt. As a result, the farmer pays a blended interest rate that is lower than the market rate charged by the private lender alone. The RFA's loan programs have specific purposes and eligibility criteria as established in state statutes and rules. RFA's participation is limited to either 45 percent of the loan or the statutory cap, whichever is less.

Although RFA is a separate public body with its own statutory powers and duties, it is administered by the Minnesota Department of Agriculture.

Section

- 1 State participation.** Increases RFA's participation in Beginning Farmer Loan Program loans to \$400,000 per loan.
- 2 State participation.** Increases RFA's participation in Loan Restructuring Program loans to \$525,000 per loan.
- 3 Participation limit; interest.** Increases RFA's participation in Seller-Sponsored Loan Program loans to \$400,000 per loan.

Section

- 4** **Loan participation.** Increases RFA's participation in Agricultural Improvement Loan Program loans to \$400,000 per loan.
- 5** **Loan participation.** Increases RFA's participation in Livestock Expansion Loan Program loans to \$525,000 per loan.