

HOUSE RESEARCH

Bill Summary

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Subject: Dairy Upgrade Loan Program

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Overview

House file 2894 creates an additional loan program administered by the Rural Finance Authority. This program is based on 45 percent participation loans (the balance of each loan would be held by a local lender) from a revolving loan account. Also, a new revolving loan account is established and the several existing loan programs based on revolving loan funds (loans for the purchase of stock shares and manure digester loans) are pooled into the new account.

Section

- 1 General Powers of the Rural Finance Authority.** Authorizes the Rural Finance Authority (RFA) to transfer available money from its security account to a special revenue account to make agricultural loans through arrangements with local units of government.
- 2 Dairy upgrade pilot loan program.** Establishes within the RFA a new pilot program to help dairy farmers purchase breeding stock and equipment and make environmental and facility improvements.

Eligibility standards for the loan program are specified.

Participation loans made by the RFA are limited to a maximum of \$50,000 and must represent no more than 45 percent of the total loan principal. The RFA can adjust the interest rate on its portion of the loans on an annual basis.

The maximum term of the loan is ten years, and the loan is secured by a personal note of the

Section

borrower.

Money for the dairy upgrade loans comes from a revolving fund managed by the RFA.

3 Loans. The existing loan program for purchase of stock in value-added agricultural processing plants is amended to require that money loaned and repayments on loans will be handled within a new revolving loan account.

4 Deposit of repayments. The existing program for methane digester loans is amended to allow deposit of repayments to the new RFA account for revolving loan programs.

5 Rural Finance Authority revolving loan account. A new revolving account is set up under the control of the RFA to receive general fund appropriations and by which the RFA can administer the several loan programs based on revolving funds.

6 Transfer of funds; deposit of repayments. Any remaining balances in the revolving fund accounts for existing RFA programs are transferred to the newly created revolving fund. Repayments on outstanding loans in the several revolving fund loan programs are redirected to the new account.

7 Repealer. Enabling legislation for the dedicated revolving loan fund for RFA's value-added agricultural production stock loan program is repealed (this program is now pooled with other programs in the newly created umbrella revolving loan account).

8 Effective date. Sections 1 to 7 are effective the day after final enactment.