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10/3/03
Date

2003 HOUSE AGRICULTURE

HB 1321

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1321

House Agriculture Committee

Conference Committee

Hearing Date 1---24---03

Tape Number	Side A	Side B	Meter #
ONE	A		0 TO 28.7
Committee Clerk Signature <i>Edward D. Elton</i>			

Minutes:

VICE CHAIRMAN POLLERT: Committee Members, we will open the hearing on HB 1321.

REPRESENTATIVE KOPPELMAN: For the record my name is Kim Koppelman. I am the representative from District 13. I will pass out copies of my testimony. {{PLEASE READ TESTIMONY}} Representative Koppelman added to his testimony at the end. Before I conclude I would just like to mention. Two amendments to the bill have been discussed. It will broaden the definition of financial institution. I want to go on record to having no opposition to the amendments. The second form I don't have in written form but I did have a discussion with the Bank of North Dakota folks and we discussed the idea of putting a sunset on this and coming back in four years and see what the results have been. I urge your consideration of HB 1321.

VICE CHAIRMAN POLLERT: Who else would like to testify in favor of the bill?

CHARLES MCCARY: My name is Charles McCary. I represent Farm Credit Services.

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We are in favor of the Bill. We think using guarantee's is a good way to leverage the resources

Certainly the Bank of North Dakota has expertise to establish proper underwriting results to the requirements to these homes. The sponsor of the Bill had the foresight to allow restructuring of the loans. When we talk about the next Bill 1330 you will see that we restructuring the loans is a good idea. It is very important here. We wish to offer an amendment which I will pass out. All it dose is add the words CREDIT UNIONS.

REP. WRANGHAM: We have kind of generic things here, Banks, Credit Unions. We are adding a specific farm credit system. That seems to me we could get into a little bit of trouble With other loan systems.

CHARALES MC CARY: Representative Wrangham, It should be printed in FARM CREDIT SYSTEM which as a specific legal meaning. Congressional sponsors of FARM CREDIT SYSTEM. They were usually PCA, FEDERAL LAND BANK ASSOCIATIONS, COOPERATIVES and now they are all consolidated to FARM CREDIT BANKS AND AGRICULTURE CREDIT ASSOCIATIONS. They all exist under an act of Congress. The have specific purposes of lending to farmers and to FARM COOPERATIVES. With the capital letters it makes it legal. FARM CREDIT in Mandan would be one.

REPRESENTATIVE WRANGHAM: So this is like an umbrella. It covers many different.

CHARLES MC CARAY: In North Dakota, it covers four institutions. FCS IN MANDAN, FCS IN FARGO, FCS IN GRANFORKS AND FCS IN MINOT.

Those are the only four that have head quarters in North Dakota.

REPRESENTATIVE KREIDT: Would the local Credit Union in New Salem be elgible?

For Agriculture loans. Would they fall under this.

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CHARLES MC CARY: They would be eligible in the original language of the Bill. Banks, Credit Unions and that sort of thing. They would be eligible. A Credit Union is a different Entity then a Farm Credit System Institution.

CHAIRMAN KELSCH: Any further questions. Thank you Mr. Mc Cary. Anyone else wishes to testify in support of HB 1321?

JERRY JONES: I am here in support of HB 1321. I am here on behalf of an Organization called Partners in Progress. I am passing out a brochure and also some printed material. We live here in North Dakota. We help family farmers. My name is Jerry Jones and I am with Partners In Progress. We feel that this Bill would really help family farmers and help them to stay on the land. As you all know our state has strong roots in Agriculture and we feel that it is an area that we can't afford to overlook. We have a unique vehicle here in North Dakota The Bank of North Dakota. It is the only one of it's kind in the nation. It can help various financial institutions. Our organization has worked with hundreds of family farmers, with various local lenders.

CHAIRMAN KELSCH: Anyone else in support of this Bill.

DARREN DUNHAM: I am a farmer from Tower City, N.D. {{{PLEASE SEE ATTACHED TESTIMONY---THERE ARE SEVERAL LETTERS FROM INDIVIDUAL THAT SUPPORT THIS BILL}}}} I support this Bill. I think it would help young farmers stay on the land.

REP. MUELLER : Do you think you could have used this Bill to help you in your own Financial situation had the program been in place at that time.

DARREN DUNHAM: Yes.

VICE CHAIRMAN POLLERT: Any one else in support of the bill?

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LAVONE NELSON: I am the senior lending office at Bank in Binford. Before I started working at the Bank. About four years ago. I was the founders and chief annalist for Partners in Progress. This goes to the very core of saving North Dakota farmers. One family farm at a time. I have worked at this for the last 18 years. I have worked with over three hundred farmers in N.D. These people had financial problem obviously. Out of this group 93 have severe financial problems. They had been served with foreclosure notices. The average of those had \$622,000.00 and \$422,000.00 of debt. They had about 31% equity. {{{PLEASE SEE MATERIAL THAT LAVONE NELSON PASSED OUT}}} This Bill will help the family farmer.

VICE CHAIRMAN POLLET: Any questions. Representative Onstad.

REPRESENTATIVE ONSTAD: How dose Parterres in Progress compare to Agriculture Mediation?

LAVONE NELSON: Agriculture Mediation sits down with conflicting parties and try to resolve there differences. The main differemce is we have the ability to analyze these things and figure out solutions that will work. It has been a successful approach. We are not against Agriculture Mediation.

VICE CHAIRMAN: Any more testimony in favor of HB 1321? Any one want to give nuteral testimony?

BOB HUMMAN: I am Senior Vice President of lending for the Bank of North Dakota. The Bank of North Dakota is neutral on this bill but I am here primarily to answer any questions regarding the Bill.

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REP. MUELLER Mr Humman can you compare a contrast done here as compared to what the Bank is already doing. In terms of young farmers.

BOB HUMMAN: We do not guarantee farm real estate loans. We have programs where we On a direct basis farmers can come to the Bank of North Dakota under our established farmer real estate program. We will lend up to 65% of appraised value. We have short term rates and long term rates with those funds provided to us by the state land department. We also have a beginning Farmer program that is used to purchase farm land also at this time we do not have Any program to guarantee farm real estate loans. The only guarantee program that we have at the Bank of North Dakota right now is called the Beginning Entrepreneurial Loan Guarantee Program where we guarantee loans for start up businesses. We also have sponsored a Bill Called HB 1116 where the Bank of North Dakota is looking for latitude to go out and develop guaranteed programs. With that authority we would be able to put something like this in place.

REPRESENTATIVE KINGSBURY: I was wondering if this was a companion to beginning farmers. It totally separate?

BOB HUMMAN: Totally separate then anything we have offered before. What makes this unique is that a lead lender would put the loan together and the Bank of North Dakota would Come up with the guarantee. We would not have any loan volume on our books at the Bank of North Dakota. We would just be guaranteeing actual loan values. Just in talking to our loan committees and other senior staff of the Bank of North Dakota we probably would be looking at 75% guarantee. Right now FSA provides 90% guarantee's. What we have talked about Is it would be nice if the Banks out there would use the Federal Program first and go to that 90% guarantee. If for some reason that borrower was not eligible with FSA then they can

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Look at using this program. With a cap on there of five million dollars. That is a another reason we would just as soon keep that guarantee percentage down so that we can touch more bureaus out there with out maxing the dollars out. We would like to see Federal Agencies lead loans Before Bank of North Dakota because we max out at \$5,000,000.00 million dollars for all loans. What I assume that Partners in Progress is working towards is that some of the clientele that they are working with are not elgible for FSA guarantees for various reasons. They are looking for an alternative source so that they can get a second chance at the bank. By us coming in with the guarantee's that would give that borrower the second chance. Make that Bank feel a little better About closing on the loan.

VICE CHAIRMAN POLLERT: Any other questions? Are you saying that this Bill would be a program that would work. Take a little bit of administrative work.

BOB HUMMAN: What we would do, similar to what we have been doing with beginning With the entrepreneurial program loan guarantee programs is we still put the loan on our system we just don't fund any dollars. The reason we put it on our system is to keep track of how many guarantee dollars we have out there. We also require the lead lender to send us in information when the payment is made so that we can subtract that from our system so we know what our exposure is. Because as these loans pay down, we will be able to provide more guarantees if we hit that five million limit. There us administrative work but it can be cone with present staff. You might have notices the is no fiscal notes.

VICE CHAIRMAN POLLERT: Representative Mueller.

REP. MUELLER : You have a lead bank out there. Do you trust the lead bank. Do you have a say as to whether the loan will be made. What dose the bank have to say about the

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