

2019 SENATE AGRICULTURE

SB 2197

2019 SENATE STANDING COMMITTEE MINUTES

Agriculture Committee
Roosevelt Park Room, State Capitol

SB 2197
1/18/2019
31056

- Subcommittee
 Conference Committee

Committee Clerk: Dan Johnston II

Explanation or reason for introduction of bill/resolution:

Relating to loans for family farmers.

Minutes:

3 Attachments

Chairman Luick: Opened hearing on SB 2197.

Senator Unruh, District 33: See Attachment #1 for testimony in support of SB 2197.

Todd Steinwand, Chief Business Development Officer, Bank of North Dakota: See Attachment #2 for testimony in support of SB 2197.

Senator Klein: Isn't that ten years still a bit short? We do home loans for a lot longer than that- and I mean certainly we're using the home as equity, just as we would the land I assume. Why would we only go ten years at a fixed rate?

Todd Steinwand: That is an excellent question. When you look at residential real estate or you talk about long term fixed interest rate, the private industry sets those rates; those are the terms that are out there that can be served on the secondary market. We also have student loans that we've done for longer term; that market has longer term fixed rates also. When you look at a farmer's loan- most of those are done by a community bank, and the source of funding of those community banks; they don't have long term sources of funds. That is the reason for which this legislation is really mirrored. The other reason is when we looked at the portfolios of these loans over the past two years, the average length of time those are in there is 8 years. So we looked at this we thought it made sense to offer a ten year fixed rate option. If we were to eventually offer a twenty year fixed rate option, we would have to ask for some real buy down because we would have to buy down for the additional years, and we'd have to look at our hedging strategy. So really what we've done with all our programs is try and have them mirror the private market, while at the same time try and offer some help to these young farmers.

Vice Chair Myrdal: I know there is an FSA loan out there for young farmers; if a young farm were to receive an FSA loan, would he still be eligible for your loan program?

Todd Steinwand: Yes, there is an FSA loan program, it offers financing to borrowers. We use it in conjunction with our beginning farmer program a lot. Normally they will go in and try to structure to where they get a loan where they get a loan from FSA. I believe the maximum loan amount is

\$325,000; that is a 1.5% fixed rate for twenty years. They normally use that as a part of their down payment and then we finish up the gap using the Beginning Farm Loan Program. So with this addition what we're really doing is if the borrower chooses to do that, they could have a portion of theirs fixed for twenty years and a portion of theirs fixed for ten years.

Senator Hogan: How many of these laws are out there and are there any problems with this program?

Todd Steinwand: We currently have about \$133,000,000 in our Beginning Farmer Program; as far as the portfolio goes, I don't have it broken down exactly. But if you're asking about credit quality, it actually preformed fairly well.

Senator Osland: Would you repeat the maximum loan amount?

Todd Steinwand: I believe it to be \$325,000

Senator Osland: Going back to Senator Klein's question on length of time; if it went from ten years to 15 years, the last five years of hedging would change?

Todd Steinwand: That is correct. When we looked at this language, this is one of the few programs where the interest rate is actually in statute. With all our other programs there is discretion that we leave up to the bank to make those decisions.

Senator Larsen: What is the profits of the state bank now, and then what is the projected profits for the future?

Todd Steinwand: Though the end of last year we showed a net profit of about \$158,500,000- \$159,000,000, our projections going in to the next biennium are showing about \$300,000,000; so \$150 million every year for the next two years.

Senator Klein: Is that profit to come; do we have to have that money in before we spent it?

Eric Hardmeyer, President of the Bank of North Dakota: As Todd Steinwand was mentioning, we did set a record profit this year of nearly \$159 million, as we look forward we look for profits of about \$300 million over the next two years. Within our appropriation budget, \$140 million is coming out to balance the general fund, whereas another \$56 million is coming out for various other programs, plus another \$10 million is coming out for the scholarship program. So as we see it today, there is \$206 million that we'll use of our projected \$300 million.

Senator Klein: You are not the main lender. They have to go through their local lender because you're just supplemental, correct?

Eric Hardmeyer: Correct, and there is another part of this program we have not talked about; and that's where a young farmer can use the loan to buy equipment. So, we cover the whole spectrum of needs that a farmer might need. The other part that we should mention, we talk about interest rates, your question about why we can't go out twenty years or thirty years. I think you are all familiar with the interest rate curve; the shorter the term you go out, the smaller your interest rate is. So if you go out twenty or thirty years you are going to be paid at a higher rate than you would at five or ten years. Most of these farmers' refinance anyway within eight to ten years, they are leveraging their property, they are buying more property. So I think we are offering what the market demands, and I think extending it from five to ten years is a good move on our part. But it's very likely they are

going to refinance that loan within ten years anyway. The benefit is they are going to pay a lower rate than if they used a twenty or thirty-year program.

Senator Larsen: As we're talking about the money that we're spending here and it seems like there is an appetite to continue that- Where does the Bank feel comfortable about make sure there is enough money coming in, because it does not seem like \$159 million is enough; where do you as a bank in see yourself in five- ten years? Do we need \$200 million to feel comfortable, know that the spending appetite that we are currently feeling about?

Eric Hardmeyer: As we look at the Bank of North Dakota and we look out towards the future, what can the Bank of North Dakota continue to provide a dividend back to the state? So we're very comfortable with the projected \$200 million. Our capital level is at \$860 million dollars today, about 12.25%, very strong healthy capital position. So even with the \$200 million going out, retaining \$100 million allows us to grow capital over the next two years. As far as we can see, we think that this \$150,000,000-\$200,000,000 is a number that we are comfortable with. Now if we start getting into some growth like we saw in 2011, 2012, 2013 while the Bank of North Dakota was growing at a Billion dollars a year, then we are going to have to come back to and talk about to dividend we can afford for the general fund. But, for now, I think that is a comfortable number for us.

Senator Osland: From the reality standpoint, when you make these loans to farmers, how long would they have those loans before they started to refinance it, and can they then refinance their portion?

Todd Steinwand: The average time these loans stay on our books is about 8 years; so we do see these being refinanced. They cannot go back in and use the Beginning Farmer Program, because that has a limit of \$750,000 and does not allow refinance. The other program does allow refinance, but that take a little bit longer. And to be honest, most of these loans get paid and refinanced through the community banks; we may be asked to help participate in that, but most of the time after the first few years the private sector comes in and takes over that relationship. Even though these are direct farm loans, most of the time those are referrals from the lead bank asking us to help these farmers out; they provide the operating, they do the rest of it and it is just a great way for these young farmers to get started.

Senator Osland: So after 8 or 9 years they do not refinance through this same program?

Todd Steinwand: That is correct.

Senator Hogan: Do you want us to take the interest rates and time frames out of this law?

Todd Steinwand: We probably would, because it would allow us to be agile and flexible. At the same time, we understand that this has been around a long time; so yes we would like that, but we feel this fixed rate is a good way to start.

Senator Hogan: Projecting the income and the banks health depends on the Agriculture economy; with what is happening on the international market and the instability in the Agriculture world today, have you anticipated what those implications might mean for you?

Eric Hardmeyer: Certainly we look at that, we stress test our portfolios constantly. And with the issues today in Agriculture, with the trade issues, certainly we have followed the pattern of Agriculture for many years. We rode a high of Agriculture prices five years ago, we are back down to a normal level. We understand the ebbs and flows of Agriculture work and I don't believe we have ever lost any money on our farm real estate lending in decades.

Senator Hogan: Do you have strong feels on whether we should set the loan?

Eric Hardmeyer: I agree with Todd Steinwand here. If we had our wish, we would take it out of law, but we understand our mission. It is not just about profit; it is about the transition to the next generation of farmers.

Barry Haugen, President, ICBND: We strongly support this bill.

Rick Clayburgh, NDBA: We are in favor of this legislation as well.

Senator Klein: The idea is to provide a low interest loan to these individuals who are out there trying to get rolling; by removing the fixed rate, does that cause angst among the community?

Barry Haugen: If you look back at the history of how the bank has operated since 1919, they have always been a partner of the finance institutions of North Dakota and one of the main pillars of the bank is to help the Agriculture economy; it is an important part of the state. The leadership of the Bank of North Dakota understands that, I don't think that if that interest rate were to be removed, I don't think that you would see the bank going crazy. They work with their customer base.

Senator Klein: When you go with a variable rate, the bank won't feel any heartburn because they're in a position to go with the market. I am concerned with the producer out there who has \$2 corn so he is not following the market, in the finance world where interest rate go up, this would force him to begin paying more on his loan.

Barry Haugen: Interest rate go up and down but we are talking about fixing a rate and at the start of that loan that beginning farmer will know what that rate is.

Senator Osland: I have a question for Todd Steinwand, is there a penalty for prepayment on these loans?

Todd Steinwand: No there is not.

Dan Wogsland, Executive Director, NDGGA: See attachment #3 for testimony in support of SB 2197.

North Dakota Farmer Union: We support this bill.

Julie Ellingson: We too support this bill.

Chairman Luick: Closes hearing on SB 2197.

Meeting Adjourned

2019 SENATE STANDING COMMITTEE MINUTES

Agriculture Committee
Roosevelt Park Room, State Capitol

SB 2197
1/24/2019
31391

- Subcommittee
 Conference Committee

Committee Clerk Signature Dan Johnston II

Explanation or reason for introduction of bill/resolution:

Relating to loans for family farmers.

Minutes:

0

Chairman Luick: Opens hearing on SB 2197.

Senator Klein: Presents an amendment to SB 2197.

Senator Klein: Moves a Do Pass on amendment 19.0853.01001.

Senator Larsen: Seconds.

**A Roll Call was taken: 6 yeas, 0 nays, 0 absent.
Motion carries.**

Senator Klein: Moves a Do Pass on SB 2197 as amended.

Vice Chair Myrdal: Seconds.

**A Roll Call was taken: 6 yeas, 0 nays, 0 absent.
Motion carries.
Senator Klein will carry the bill.**

19.0853.01001
Title.02000

Prepared by the Legislative Council staff for
Senator Klein

January 22, 2019

SK
1201

PROPOSED AMENDMENTS TO SENATE BILL NO. 2197

Page 1, line 6, after "at" insert "one percent below"

Renumber accordingly

**2019 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2197**

Senate Agriculture Committee

Subcommittee

Amendment LC# or Description: 19.0853.01001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Senator Klein Seconded By Senator Larsen

Senators	Yes	No	Senators	Yes	No
Senator Luick- Chairman	X		Senator Hogan	X	
Senator Myrdal- Vice Chair	X				
Senator Klein	X				
Senator Larsen	X				
Senator Osland	x				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent: Page 1, line 6, after "at" insert "one percent below"

**2019 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2197**

Senate Agriculture Committee

Subcommittee

Amendment LC# or Description: 19.0853.01001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Senator Klein Seconded By Vice Chair Myrdal

Senators	Yes	No	Senators	Yes	No
Senator Luick- Chairman	X		Senator Hogan	X	
Senator Myrdal- Vice Chair	X				
Senator Klein	X				
Senator Larsen	X				
Senator Osland	x				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Senator Klein

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2197: Agriculture Committee (Sen. Luick, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2197 was placed on the Sixth order on the calendar.

Page 1, line 6, after "at" insert "one percent below"

Renumber accordingly

2019 HOUSE AGRICULTURE

SB 2197

2019 HOUSE STANDING COMMITTEE MINUTES

Agriculture Committee
Peace Garden Room, State Capitol

SB 2197
3/21/2019
Job #34121

- Subcommittee
 Conference Committee

Committee Clerk: ReMae Kuehn

Explanation or reason for introduction of bill/resolution:

Relating to loans for family farmers

Minutes:

Attachments #1 & 2

Todd Steinwand, Chief Business Development Officer, Bank of North Dakota:
(Attachment #1)

(4:40)

Representative Tveit: On line 2 it refers to loans for family farmers. You referred to loans for beginning farmers. Are they the same? Is it restricted to beginning farmers or family farmers?

Todd Steinwand: They are both loans to family farmers to finance real estate. The two programs are restricted to beginning farmers. They have to have a net worth of less than \$1.5 million. Also the farm size can be 30% above the average size. The loan is limited to \$750,000. These are programs in statute.

Representative Satrom: What if a person is transitioning to farming from working in town?

Todd Steinwand: There is a definition of a farmer. You have to have 50% of the income coming from the farm. They have to show that they would be actively engaged in farming.

Representative Satrom: Is there a limit to the amount of farmers that could be serviced through this?

Todd Steinwand: It is only limited by the net worth requirements and the total dollar amount.

Representative Schreiber-Beck: How many loans are on the books for either of these programs?

Todd Steinwand: There is about \$100 million outstanding between the two programs.

In 2016 we did 77 loans for \$19.7 million. In 2017 we had 62 loans for \$16.4 million. In 2018 we did 95 loans for \$26.1 million. We are starting to see a transfer from the farmers planning retirement to the children.

Representative Schreiber-Beck: Why is it called a family farm loan?

Todd Steinwand: I am not sure. It has been in statute for years.

Representative Satrom: What is the bank's base rate?

Todd Steinwand: Our base rate is equal to prime rate. Currently that is at 5.5%. The rate could be fixed for up to ten years at 4.5%

Vice Chair Wayne Trottier: What is the maximum length of farming to be qualified as a beginning farmer?

Todd Steinwand: It is about 15 years. The lifetime maximum loan amount that can be borrowed is \$750,000.

Representative McWilliams: The 5.5% base rate, does the Bank of North Dakota lose money?

Todd Steinwand: No, we do not because programs are included in our buy-down program such as PACE. There is a beginning farmer revolving loan program. In our appropriations bill you will see that we are asking for \$6 million of our bank profits to be set aside to be put into this program.

Representative McWilliams: How does this program compare to the private sector?

Todd Steinwand: Their rates would be on a ten-year fixed rate at 6.5% up to 7.5%.

Representative McWilliams: If this program comes into effect, we would be putting the other banks at a disadvantage?

Todd Steinwand: You will hear from the Bankers Association that we get our referrals from the private banks. They love this program. A beginning farmer will get a loan from Farm Service Agency up to 45%. They will come to us for the other part. They graduate out and then the private institutions take them over.

Chairman Dennis Johnson: The program is a help in participation with the local bank.

Senator Unruh, Co-Sponsor: (Attachment #2)

(14:33)

Rick Clayburgh, CEO of North Dakota Bankers Association: These customers will have local banks work with them. When on stronger footing, they will transition away from these programs. It has been a good relationship between the private sector and the Bank of North Dakota.

Jack McDonald, Independent Community Banks of North Dakota: In support.

Jessie Pfaff, North Dakota Department of Agriculture: In support.

Pete Hanebutt, North Dakota Farm Bureau: (Read from policy book) We encourage the development of more beginner and young farmer programs with low interest rates. In support.

Dan Wogsland, North Dakota Grain Growers Association: In support.

Representative Richter: (Question for Todd Steinwand) If a young farmer goes in and gets a 10-year fixed rate and then the rates go down, can they renegotiate?

Todd Steinwand: We would go back to our normal market rates. If the rates drop low enough, we allow them to refinance.

Opposition: None

Representative Headland: Moved Do Pass

Representative Richter: Seconded the motion

A Roll Call vote was taken: Yes 14, No 0, Absent 0.

Do Pass carries.

Representative Satrom will carry the bill.

Date: 3/21/2019

Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2197**

House **Agriculture** Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Refer to Appropriations
- Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Rep. Headland Seconded By Rep. Richter

Representatives	Yes	No	Representatives	Yes	No
Chairman Dennis Johnson	X		Rep. Ruth Buffalo	X	
Vice Chairman Wayne Trottier	X		Rep. Gretchen Dobervich	X	
Rep. Jake Blum	X				
Rep. Jay Fisher	X				
Rep. Craig Headland	X				
Rep. Dwight Kiefert	X				
Rep. Aaron McWilliams	X				
Rep. David Richter	X				
Rep. Bernie Satrom	X				
Rep. Cynthia Schreiber Beck	X				
Rep. Kathy Skroch	X				
Rep. Bill Tveit	X				

Total **Yes** 14 **No** 0

Absent 0

Floor Assignment Representative Satrom

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2197, as engrossed: Agriculture Committee (Rep. D. Johnson, Chairman)
recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed SB 2197 was placed on the Fourteenth order on the calendar.

2019 TESTIMONY

SB 2197

Senator Jessica Unruh, District 33

1-18-19

SB2197

Members of the Committee, I am here today to introduce Senate Bill 2197. As we all know, Agriculture is a major component of the North Dakota Economy with 90% of our land area or over 39,000,000 acres of our state producing crops. A key challenge for our state, according to USDA, is that the average age of a farmer in North Dakota is between 57 and 60, and the percentage of new farmers continues to decline. In 2012, North Dakota was home to over 35,000 farms. Today, that number has declined to 29,900.

The good news is that as a percentage, North Dakota is declining at a less rapid pace than other states and family farming remains a viable occupation in the state. A key component in supporting family farms in North Dakota is the Bank of North Dakota. As the Bank reaches its 100th Anniversary this year, the mission of BND remains constant...to deliver quality, sound financial services that promote agriculture, commerce and industry in North Dakota.

The bank, in cooperation with community banks across the state, deliver a variety of programs to support farmers and ranchers. The bill I am introducing today seeks to strengthen our state's ability to support beginning and family farms in North Dakota with extension of a financing option. This request was brought forward to me by BND because community banks in North Dakota are requesting this alternative.

The intent of the Beginning Farmer Real Estate Loan Program is to give individuals starting out in agriculture a way to access lower cost capital. The program requires the person have a net worth of less than \$1,500,000 and to have not previously owned any substantial amount of farm ground. This is one of the few direct lending programs that BND is authorized to conduct.

The Family Farm Loan Program has similar parameters except it allows for purchase or refinance of real estate, farm equipment or livestock and to restructure debt carry over. This program requires a lead lender with a portion of the loan participated to BND.

The amendment being proposed to these programs is simple. It provides a fixed rate financing option for 10-years. The bill does not make any changes to existing interest rates, maximum loans, or servicing of the loans.

I will be happy to answer any questions, in addition, BND is here to testify along with a variety of organizations in support of the bill.

TESTIMONY, SENATE AGRICULTURE COMMITTEE

JANUARY 18, 2019

SENATE BILL 2197

Mr. Chairman and members of the committee, my name is Todd Steinwand and I am the Chief Business Development Officer for the Bank of North Dakota (BND). I am here today to ask to support SB 2197 which allows the Bank of North Dakota to offer a 10-year fixed rate option on two of our programs that finance agriculture real estate. No other changes are made to the programs. The two programs are the **Beginning Farmer Real Estate Program** and the **Family Farm Loan Program**. This change will allow farmers another option when they finance ag real estate. The current legislation has the interest rate on these programs fixed for the first 5 years of the loan at 1% below BND's base rate and then converts to a variable rate that is adjusted annually at 1% below BND's base rate. If this legislation passes the farmer will also have the option of a 10-year fixed rate at the BND's base rate.

The agriculture industry by its nature has many uncertainties such as weather, commodity price, amount of production, tariffs etc. A 10-year fixed rate option allows the farmer to take the uncertainty of a change in payments when financing a long-term asset like farm real estate. This is especially important for our Beginning Farmer Real Estate program that helps young farmers that are starting out their farming careers. Our partner financial institutions have been asking for this option for several years to help their customers. This legislation is supported by the Independent and North Dakota Banking Associations.

The first amendment is under Subsection 4 of 06-09-15.5 which is known as BND's **Beginning Farmer Real Estate Loan Program**. To be eligible for this program the borrower needs to be a ND farmer who has not owned any substantial farmland greater than 30% of the average county farm size and have a net worth of less than \$1.5 million. The maximum loan amount is \$750,000 and the proceeds need to be used to purchase agricultural real estate. This is one of the few programs that is a direct loan from BND. The current rate and proposed addition is as follows:

NDCC

4. A loan made from the fund must have either a fixed rate at the Bank's then current base for ten years or the interest rate fixed at one percent below the Bank's then current base rate for the first five years with a maximum rate of six percent per year and variable at one percent below the Bank's then current base rate for the second five years. During and during the second five years, the variable rate must be adjusted annually on the anniversary date. The rate during the remaining term of the loan floats at the Bank's base rate as in effect from time to time.

The second amendment is under Subsection 1 of 06-09. 11-03 which is known as BND's **Family Farm Loan Program**. To be eligible for this program the borrower need to be a ND farmer or rancher with a net worth of less than \$1.5 million. Proceeds can be used for purchase or refinance of ag real estate, farm equipment or livestock, or to restructure operating debt carryover. The maximum loan amount is \$750,000. This loan requires a lead lender with a portion of the loan participated with BND. The current rate on this loan is as follows:

NDCC

1.a. Interest charged on a participation interest purchased by the Bank under this section may not be greater than one percent less than the Bank's base rate as in effect from time to time and may float.

The proposed added language is:

b. A loan may be a fixed rate at the Bank's then current base rate for up to ten years. The rate during the remaining term of the loan floats at the Bank's base rate as in effect from time to time.

Mr. Chairman and members of the committee thank you for your consideration and I would be happy to answer any questions you may have.



You Raise. We Represent. www.ndgga.com

**North Dakota Grain Growers Association
Testimony on SB 2197
Senate Agriculture Committee
January 18, 2019**

Chairman Luick, members of the Senate Agriculture Committee, for the record my name is Dan Wogsland, Executive Director of the North Dakota Grain Growers Association (NDGGA). Through our contracts with the North Dakota Wheat Commission and the North Dakota Barley Council NDGGA engages in domestic policy issues on behalf of North Dakota wheat and barley farmers. I appear before you today on behalf of NDGGA in support of SB 2197.

Affordable and flexible financing is essential to the success of North Dakota agriculture. No two agricultural operations are the same nor are their financial needs. Providing the flexibility in financing as proposed in SB 2197 is one more step in providing for the financial health of North Dakota agriculture. NDGGA applauds the sponsors of SB 2197 as well as the Bank of North Dakota for authoring the legislation that you have before you today.

Therefore, the North Dakota Grain Growers Association respectfully requests the Senate Agriculture Committee's favorable recommendation of SB 2197.

TESTIMONY, HOUSE AGRICULTURE COMMITTEE

March 21, 2019

ENGROSSED SENATE BILL 2197

H1
SB2197
3/21/19

Mr. Chairman and members of the committee, my name is Todd Steinwand and I am the Chief Business Development Officer for the Bank of North Dakota (BND). I am here today to ask to support SB 2197 which allows the Bank of North Dakota to offer a 10-year fixed rate option on two of our programs that finance agriculture real estate. No other changes are made to the programs. The two programs are the **Beginning Farmer Real Estate Program** and the **Family Farm Loan Program**. This change will allow farmers another option when they finance ag real estate. The current legislation has the interest rate on these programs fixed for the first 5 years of the loan at 1% below BND's base rate and then converts to a variable rate that is adjusted annually at 1% below BND's base rate. If this legislation passes the farmer will also have the option of a 10-year fixed rate at 1% below BND's base rate.

The agriculture industry by its nature has many uncertainties such as weather, commodity price, amount of production, tariffs etc. A 10-year fixed rate option allows the farmer to take the uncertainty of a change in payments when financing a long-term asset like farm real estate. This is especially important for our Beginning Farmer Real Estate program that helps young farmers that are starting out their farming careers. Our partner financial institutions have been asking for this option for several years to help their customers. This legislation is supported by the Independent and North Dakota Banking Associations.

The first addition is under Subsection 4 of 06-09-15.5 which is known as BND's **Beginning Farmer Real Estate Loan Program**. To be eligible for this program the borrower needs to be a ND farmer who has not owned any substantial farmland greater than 30% of the average county farm size and have a net worth of less than \$1.5 million. The maximum loan amount is \$750,000 and the proceeds need to be used to purchase agricultural real estate. This is one of the few programs that is a direct loan from BND. The current rate and proposed addition is as follows:

NDCC

4. A loan made from the fund must have either a fixed rate at one percent below the Bank's then current base for ten years or the interest rate fixed at one percent below the Bank's then current base rate for the first five years with a maximum rate of six percent per year and variable at one percent below the Bank's then current base rate for the second five years. During and during the second five years, the variable rate must be adjusted annually on the anniversary date. The rate during the remaining term of the loan floats at the Bank's base rate as in effect from time to time.

The second addition is under Subsection 1 of 06-09. 11-03 which is known as BND's **Family Farm Loan Program**. To be eligible for this program the borrower need to be a ND farmer or rancher with a net worth of less than \$1.5 million. Proceeds can be used for purchase or refinance of ag real estate, farm equipment or livestock, or to restructure operating debt carryover. The maximum loan amount is \$750,000. This loan requires a lead lender with a portion of the loan participated with BND. The current rate on this loan is as follows:

NDCC

1.a. Interest charged on a participation interest purchased by the Bank under this section may not be greater than one percent less than the Bank's base rate as in effect from time to time and may float.

The proposed added language is:

b. A loan may be a fixed rate at the Bank's then current base rate for up to ten years. The rate during the remaining term of the loan floats at the Bank's base rate as in effect from time to time.

Mr. Chairman and members of the committee thank you for your consideration and I would be happy to answer any questions you may have.

Senator Jessica Unruh, District 33

SB2197

#2
SB 2197
3/21/19

Members of the Committee, I am here today to introduce Senate Bill 2197. As we all know, Agriculture is a major component of the North Dakota Economy with 90% of our land area or over 39,000,000 acres of our state producing crops. A key challenge for our state, according to USDA, is that the average age of a farmer in North Dakota is between 57 and 60, and the percentage of new farmers continues to decline. In 2012, North Dakota was home to over 35,000 farms. Today, that number has declined to 29,900.

The good news is that as a percentage, North Dakota is declining at a less rapid pace than other states and family farming remains a viable occupation in the state. A key component in supporting family farms in North Dakota is the Bank of North Dakota. As the Bank reaches its 100th Anniversary this year, the mission of BND remains constant...to deliver quality, sound financial services that promote agriculture, commerce and industry in North Dakota.

The bank, in cooperation with community banks across the state, deliver a variety of programs to support farmers and ranchers. The bill I am introducing today seeks to strengthen our state's ability to support beginning and family farms in North Dakota with extension of a financing option. This request was brought forward to me by BND because community banks in North Dakota are requesting this alternative.

The intent of the Beginning Farmer Real Estate Loan Program is to give individuals starting out in agriculture a way to access lower cost capital. The program requires the person have a net worth of less than \$1,500,000 and to have not previously owned any substantial amount of farm ground. This is one of the few direct lending programs that BND is authorized to conduct.

The Family Farm Loan Program has similar parameters except it allows for purchase or refinance of real estate, farm equipment or livestock and to restructure debt carry over. This program requires a lead lender with a portion of the loan participated to BND.

The amendment being proposed to these programs is simple. It provides a fixed rate financing option for 10-years. The bill does not make any changes to existing interest rates, maximum loans, or servicing of the loans.

I will be happy to answer any questions, in addition, BND is here to testify along with a variety of organizations in support of the bill.