

# MAINE STATE LEGISLATURE

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ONE HUNDRED AND EIGHTH LEGISLATURE

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Legislative Document

No. 1652

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H. P. 1340

House of Representatives, April 13, 1977

On Motion of Mr. Mahany of Easton, referred to the Committee on Agriculture. Sent up for concurrence and 1,800 ordered printed.

EDWIN H. PERT, Clerk

Presented by Mr. Wood of Sanford.

Cosponsors: Mr. Spencer of Standish and Mr. Wyman of Pittsfield.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-SEVEN

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**AN ACT Establishing Farmers Homestead Loans.**

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Be it enacted by the People of the State of Maine, as follows:

7 MRSA c. 9 is enacted to read:

**CHAPTER 9**

**FARMERS HOMESTEAD**

**LOANS**

§ 251. Definitions

For the purposes of this chapter, the following words shall have the following meanings.

1. Administration. "Administration" means Federal Farmers Home Administration.

2. Commissioner. "Commissioner" means the Commissioner of Agriculture for the State.

3. Director. "Director" means the Director of the Federal Farmers Home Administration for Maine.

4. Family farm. "Family farm" means a farm owned and operated by a person or family with the assistance of no more than 2 employees.

5. Farm. "Farm" means real estate in the State capable of supporting the commercial production of agricultural commodities indigenous to the State.

6. Person. "Person" means a natural person.

§ 252. Authorization

The commissioner is authorized to grant a loan to any person for use in conjunction with a previously authorized administration loan for the purchase of a family farm; the purchase of a family farm and chattels for use in the operation of that farm; or the purchase of chattels for use in the operation of a newly leased family farm.

The commissioner's authority under this section, is subject to the limitations of section 253 and the requirements of sections 254 to 259.

§ 253. Limitations

No loan shall be granted under section 252 which :

1. Dollar limits.

A. Exceeds the sum of \$125,000 when granted for the purchase of a family farm; and

B. Exceeds the sum of \$50,000 when granted for the purchase of chattels;

2. Interest rate limit. Bears an interest rate greater than 5% per year; or

3. Term of repayment limit. Has a term of repayment longer than 40 years.

§ 254. Eligibility

A loan may be granted to any person who satisfies the following criteria :

1. Inhabitant of the State. He is an inhabitant of the State;

2. Eligible. He has been found eligible for an administration loan;

3. Granted an administration loan. He has been granted an administration loan, subject to the grant of a loan by the State in accordance with this chapter; and

4. Intent to use loan for authorized purposes. He intends to use the loan for one of the purposes specified in section 252.

§ 255. Procedure

1. Application for loan. Any person desiring to procure a loan under this chapter :

A. Apply for an administration loan for one of the purposes specified in section 252; and

B. Upon receiving approval of his application for an administration loan, make application to the commissioner by :

(1) Completing the appropriate forms provided by the commissioner;

(2) Providing sufficient proof that he is an inhabitant of the State; and

(3) Providing a letter from the administration certifying that the administration has granted him a loan, subject to the grant of a loan by the State in accordance with this chapter.

2. **Approval or disapproval.** The commissioner :

A. Before approving or disapproving any application, shall consult with the director, or his agent, as to the advisability of granting the loan;

B. May approve the application, but only if the eligibility requirements of section 254 have been met;

C. If he approves the application, shall set an interest rate and repayment schedule which he deems appropriate, subject to the limitations of section 253;

D. If he approves the application, shall, within a reasonable period of time, enter into all necessary agreements and execute all necessary documents in connection with the granting of the loan;

E. Shall obtain a mortgage, designating the State as primary mortgagee, on any property purchased with the proceeds of the loan; and

F. If he disapproves the application, shall promptly notify the applicant in writing of the denial and the reasons for the denial.

§ 256. **Refinancing**

If, at any time, the commissioner receives notice from the director that, in his opinion, the borrower may be able to obtain a loan from a responsible private or cooperative credit source at reasonable rates and terms, the commissioner may demand that the borrower apply for and accept such a loan in sufficient amount to repay the State.

§ 257. **Default**

Upon default by the borrower, the commissioner shall give him written notice that foreclosure proceedings will be commenced if the default continues for 90 days beyond the date of default. If the default continues for 90 days, the commissioner shall commence foreclosure proceedings under Title 14, section 6151.

§ 258. **Acceleration**

If, at any time, the borrower ceases to meet the eligibility requirements of section 254, subsections 1 and 2; or refuses to comply with a demand by the commissioner under section 256; or fails to use the loan for one of the purposes specified in section 252, the commissioner shall require the borrower to repay to the State the full amount of the loan within 90 days. Failure to repay within 90 days shall be deemed a default under section 257.

§ 259. **Funding**

1. **Fund size limitation.** The commissioner shall establish a Farmers Homestead Loan Fund not exceeding \$5,000,000 in amount to be used as a nonlapsing revolving fund for carrying out the purposes of this chapter.

2. Fund established through Bond Issue. The fund shall be established through a bond issue approved in accordance with the Constitution of Maine, Article IX, section 14.

3. Issuance of bonds. After approval of the bond issue, the bonds shall be issued by the Treasurer of State upon request of the commissioner.

4. Reimbursement. Against the fund shall be charged any expenses or obligations incurred by the commissioner in connection with the administration of this chapter.

5. Repayment credit. To the fund shall be credited any repayments on loans granted under this chapter.

6. Deposit or investment of unneeded funds. Moneys in the fund not currently needed to meet the obligations or expenses incurred by the commissioner in connection with the administration of this chapter, shall be deposited with the Treasurer of State to the credit of the fund, or may be invested in any manner provided for by statute.

#### STATEMENT OF FACT

The intent of this bill is to provide financing for young people of ordinary means desiring to acquire and operate family farms in the State of Maine. Presently, the escalating cost of farm land, equipment, livestock and supplies, coupled with the inability or unwillingness of the private financial sector to supply the necessary capital, has made it virtually impossible for them to do so. The number of family farms in the State has been declining for more than a century. By establishing a program of financial assistance through public loans to those who, but for lack of sufficient credit, would be willing and able to embark upon a career in commercial agriculture, the Legislature will create the means to help stabilize or reverse this trend.