

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 1326

S. P. 470

In Senate, March 17, 1981

Referred to the Committee on Agriculture. Sent down for concurrence and ordered printed.

MAY M. ROSS, Secretary of the Senate

Presented by Senator Wood of York.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

AN ACT to Provide Loans for Family Farms.

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

Sec. 1. 7 MRSA c. 9 is enacted to read:

CHAPTER 9

FAMILY FARM SECURITY PROGRAM

§ 301. Agriculture; Family Farm Security Program; purpose

In order to aid farmers in obtaining credit for the acquisition of farm real estate, there is established a Family Farm Security Program which may provide a guarantee of loans made according to the provisions of this chapter.

§ 302. Definitions

As used in this chapter, unless the context indicates otherwise, the following terms have the following meanings.

1. **Applicant.** "Applicant" means a natural person applying for a family farm security loan.
2. **Commissioner.** "Commissioner" means the Commissioner of Agriculture, Food and Rural Resources.
3. **Council.** "Council" means the Family Farm Advisory Council.

4. **Farm land.** "Farm land" means land in Maine that is capable of supporting the commercial production of agricultural crops, livestock or livestock products, poultry products, milk or dairy products, fruit or other horticultural products.

5. **Lender.** "Lender" means any financial institution or financial institution authorized to do business in the State as defined in Title 9-B, section 131, subsections 17 and 17-A. In case of seller-sponsored loans as authorized in subsection 6, "lender" also means the seller of the property.

6. **Seller-sponsored loan.** "Seller-sponsored loan" means a loan in which part or all of the purchase price of the farm is financed by a loan from the seller of the property who is a natural person, a corporation or partnership and the remainder of the loan, if any, is supplied by a lender as defined in subsection 5. This loan shall be secured by a first real estate mortgage evidenced by one or more notes that may carry different interest rates.

§ 303. Administration

1. **Administration of program.** The Family Farm Security Program shall be administered by the commissioner.

2. **Rules.** The commissioner shall, in accordance with the Maine Administrative Procedure Act, Title 5, chapter 375, promulgate rules necessary for the efficient administration of this chapter.

3. **Report to Legislature.** Before January 2nd of each year the commissioner shall submit a report to the Legislature concerning the actions of the commissioner and the status of loans granted.

§ 304. Family Farm Advisory Council

1. **Membership; composition.** There is established a Family Farm Advisory Council composed of 5 members appointed by the Commissioner of Agriculture, Food and Rural Resources as follows:

- A. One dairy farmer;
- B. One farmer engaged in growing horticultural products;
- C. One poultry farmer;
- D. One public representative; and
- E. One agricultural economist.

2. **Meetings; terms and compensation.** The term of office of members of the council shall be 4 years, except that of those first appointed for 2 shall be appointed for one year, one shall be appointed for 2 years, one shall be appointed for 3 years and one shall be appointed for 4 years, as determined by the commissioner.

The council shall meet at least 4 times during each calendar year and shall, at the first meeting in any calendar year, elect one of its members to serve as chairman.

Members of the council shall serve until their successors are appointed and qualified. Any vacancy in the council shall be filled by appointment for the unexpired term.

Members of the council shall each be allowed the sum of \$40 per day and their necessary expenses for actual attendance at meetings of the council.

The presence at any meeting of at least 3 members of the council shall be necessary to constitute a quorum.

3. **Chairman.** The members of the council shall annually elect a chairman and other officers they deem necessary.

4. **Duties.** The duties of the council shall be as follows:

A. To review and appraise the Family Farm Security Program;

B. To give advice and counsel to the commissioner regarding the Family Farm Security Program;

C. To review all applications for family farm security loans and make recommendations to the commissioner as to their disposition; and

D. To make recommendations to the commissioner, the Legislature and the public on or before December 31st of each year regarding any needed state policy or program changes to foster and promote the economic health and viability of the family farm.

5. **Staff; services.** The commissioner shall provide the council with necessary staff, office space and administrative services.

§ 305. Eligibility

A family farm security loan approval may be granted if the following criteria are satisfied:

1. **Evidence of residency.** That the applicant is a resident of this State or shows sufficient evidence that he intends to become a resident;

2. **Eligible.** That the applicant has sufficient education, training or experience in the type of farming for which he wishes the loan and continued participation in a farm management program, approved by the commissioner, for the duration of the family farm security loan;

3. **Net worth.** That the applicant, his dependents and spouse have total net worth valued at less than \$50,000 and has demonstrated a need for the loan;

4. **Land purchase.** That the applicant intends to purchase farm land to be used by the applicant for agricultural purposes and that the land is suitable for the purpose; and

5. **Credit worthy.** That the applicant is credit worthy according to standards prescribed by the commissioner and established by the financial institution to

which loan application was made and the Maine Guarantee Authority, Title 10, section 752, subsection 11.

§ 306. Procedure

1. **Application for loan; definition.** Any person desiring to acquire farm land may make application with a lender for a family farm security loan. Upon completion of the appropriate forms by the applicant and the lender, the lender shall forward the application to the commissioner for approval. The commissioner shall prescribe a screening process to determine eligibility and he may arrange for local lenders to perform this function for the State. The commissioner may approve the application if the criteria of sections 305 and 307 are satisfied, and shall notify the applicant and the lender of his decision. The commissioner shall establish a unified application for this program which he shall make available upon request of a lender. If the application is denied, the commissioner shall return the application to the lender with a written statement of the reasons for the denial. The applicant shall be given a copy of the reasons for the denial of the loan. If the circumstances of the applicant change so that he becomes eligible, he may reapply.

2. **Approval of loan applications.** If the commissioner approves the loan application, he shall retain a copy of the application for his files and return the original to the lender. If, after review and approval by the commissioner, the lender still considers that a guarantee will be necessary, the commissioner shall then forward the application to the Maine Guarantee Authority for consideration and determination of approval in accordance with its established procedures. No guarantee may be issued under this chapter without the express approval of the Maine Guarantee Authority.

3. **Information confidential.** All information provided by the applicant is confidential and may be used only for purposes of approval or disapproval of the application.

Sec. 2. 10 MRSA § 703, sub-§ 3, ¶ F is enacted to read:

F. Any land to be used as agricultural land which is capable of supporting the commercial production of agricultural crops, livestock or livestock products, poultry products, milk or dairy products, fruit or other horticultural products, provided that the Family Farm Advisory Council has approved the specific project use of the land according to the requirement established by statute and provided that reasonable assurance is given to the authority that the project can gain approval for any environmental or other permits necessary for using the land for the purposes stated in this paragraph.

Sec. 3. 10 MRSA § 752, sub-§ 9, as amended by PL 1975, c. 566, § 7, is further amended to read:

9. **Advisability of eligible project.** In connection with the insuring of payments of any mortgage of industrial or agricultural or recreational real estate, to require for its guidance a finding of the planning board of the

municipality, or if there is no planning board, a finding of the municipal officers of the municipality, in which the eligible project is proposed to be located, or of the regional planning board of which such municipality is a member, as to the expediency and advisability of such project and in connection with insuring of payments of any mortgage of agricultural land as defined in section 703, subsection 3, paragraph F require for its guidance a finding by the Commissioner of Agriculture, Food and Rural Resources that the mortgagor is eligible for a loan under the Family Farm Security Program, Title 7, chapter 9;

Sec. 4. 10 MRSA § 803, 2nd ¶, 2nd sentence, as enacted by PL 1977, c. 489, § 10, is amended to read:

Loan guarantees pursuant to section 703, subsection 3, ~~paragraph~~ paragraphs E and F shall not be greater than 95% of the first mortgage loan and in no event shall the guarantees exceed 100% of the market value of the undeveloped land involved.

STATEMENT OF FACT

This bill establishes a program for "guaranteeing" loans for the purchase of farm land. Each loan must be reviewed by the Family Farm Advisory Council which shall recommend to the Commissioner of Agriculture Food and Rural Resources the disposition of each loan application under this program.