



HOUSE BILL No. 5312

October 25, 1995, Introduced by Rep. Byl and referred to the Committee on Conservation, Environment and Great Lakes.

A bill to amend section 9 of Act No. 220 of the Public Acts of 1982, entitled "Michigan family farm development act," being section 285.259 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 9 of Act No. 220 of the Public Acts of
2 1982, being section 285.259 of the Michigan Compiled Laws, is
3 amended to read as follows:

4 Sec. 9. (1) The authority shall develop a beginning farmer
5 loan program to facilitate the acquisition of agricultural land,
6 agricultural improvements, and depreciable agricultural property
7 by beginning farmers. The authority shall exercise the powers
8 granted to it in this act to fulfill the goal of providing
9 financial assistance to beginning farmers in the acquisition of
10 agricultural land, agricultural improvements, and depreciable

1 agricultural property. The authority may participate in and
2 cooperate with programs of the farmers home administration, fed-
3 eral land bank, or other agency or instrumentality of the federal
4 government, or with any program of another state agency in the
5 administration of the beginning farmer loan program and in the
6 making or purchasing of mortgage or secured loans pursuant to
7 this act.

8 (2) The authority shall provide in a beginning farmer loan
9 program that a mortgage or secured loan to or on behalf of a
10 beginning farmer shall be provided only if all of the following
11 are satisfied:

12 (a) The beginning farmer is a resident of this state.

13 (b) The agricultural land, agricultural improvements, or
14 depreciable agricultural property the beginning farmer proposes
15 to purchase will be located in this state.

16 (c) The beginning farmer has sufficient education, training,
17 ability, or experience in the type of farming for which the
18 beginning farmer requests the mortgage or secured loan. The
19 authority shall give preference to beginning farmers that have
20 on-farm experience.

21 (d) The authority is financing the acquisition by that
22 beginning farmer of agricultural land and agricultural improve-
23 ments totaling not more than \$400,000.00 in value or of deprecia-
24 ble agricultural property totaling not more than \$125,000.00 in
25 value.

26 (e) If the loan is for the acquisition of agricultural land,
27 the beginning farmer has or will have access to adequate working

1 capital, farm equipment, machinery, or livestock to commence or
2 continue farming. If the loan is for the acquisition of depre-
3 ciable agricultural property, the beginning farmer has or will
4 have access to adequate working capital or agricultural land to
5 commence or continue farming.

6 (f) The beginning farmer has a low or moderate net worth.

7 (g) If the loan is for the acquisition of agricultural land,
8 the beginning farmer executes, at the time of closing on the
9 loan, an application for enrollment of the land in ~~the farmland~~
10 ~~and open space preservation act, Act No. 116 of the Public Acts~~
11 ~~of 1974, as amended, being sections 554.701 to 554.719~~ PART 361
12 (FARMLAND AND OPEN SPACE PRESERVATION) OF THE NATURAL RESOURCES
13 AND ENVIRONMENTAL PROTECTION ACT, ACT NO. 451 OF THE PUBLIC ACTS
14 OF 1994, BEING SECTIONS 324.36101 TO 324.36117 of the Michigan
15 Compiled Laws.

16 (h) The agricultural land and agricultural improvements will
17 only be used for farming by the beginning farmer or his or her
18 family.

19 (i) The beginning farmer has not previously received financ-
20 ing under the program for the acquisition of property similar in
21 nature to the property for which the loan is sought, except that
22 this restriction shall not apply if the amount previously
23 received plus the amount of the loan sought does not exceed
24 \$400,000.00 in the case of agricultural land and improvements or
25 \$125,000.00 in the case of depreciable agricultural property.

26 (j) Other criteria as the authority prescribes by rule.

1 (3) The authority may include in a mortgage or secured loan
2 made or purchased pursuant to this act a provision that allows
3 the authority, at its option, to accelerate and declare immedi-
4 ately due and payable all sums secured by the authority's lien or
5 security interest if all or a part of the agricultural land,
6 agricultural improvements, or depreciable agricultural property
7 securing the loan is leased, sold, or otherwise transferred. The
8 authority may provide by rule the standards for permitted assump-
9 tions of a mortgage or for the lease, sale, or other transfer of
10 an interest in the agricultural land, agricultural improvement,
11 or depreciable agricultural property. However, the authority
12 shall include in a mortgage or secured loan a provision that
13 allows the authority to raise the interest rate of the loan to
14 the prevailing market rate if the mortgage or secured loan is
15 assumed by a farmer who is already established in that field at
16 the time of the assumption of the loan.

17 (4) The authority may participate in any interest in a mort-
18 gage loan made or purchased pursuant to this act with a mortgage
19 lender. The participation interest may be on a parity with the
20 interest in the mortgage loan retained by the authority, equally
21 and ratably secured by the mortgage securing the mortgage loan.