

Office of the Revisor of Statutes Administrative Rules

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ADMINISTRATIVE
HEARINGS



TITLE: Adopted Permanent Rules Relating to Rural Finance Authority

AGENCY: Department of Agriculture

MINNESOTA RULES: Chapters 1650, 1651, 1653, 1655, and 1656

RULE APPROVED

OFFICE OF ADMINISTRATIVE HEARINGS

September 13, 2005
DATE

[Signature]
ADMINISTRATIVE LAW JUDGE.

The attached rules are approved for
filing with the Secretary of State

[Signature]
Craig E. Lindeke
Senior Assistant Revisor

0600634

1 **Department of Agriculture**

2 **Adopted Permanent Rules Relating to Rural Finance Authority**

3 **1650.0021 DEFINITIONS.**

4 [For text of subps 1 to 5, see M.R.]

5 Subp. 6. [See repealer.]

6 Subp. 7. **Borrower.** "Borrower" means the person or persons liable on a first mortgage
7 loan participation made under this program.

8 [For text of subps 8 and 9, see M.R.]

9 Subp. 9a. **First mortgage loan or loan.** "First mortgage loan" or "loan" means a loan
10 participation under this program secured by a first mortgage on real property.

11 [For text of subps 10 to 16, see M.R.]

12 **1650.0031 BORROWER ELIGIBILITY.**

13 Subpart 1. **Criteria.** To be eligible for assistance under the basic beginning farmer
14 program, an applicant must meet the criteria in Minnesota Statutes, section 41B.03,
15 subdivisions 1 and 3.

16 Subp. 2. [See repealer.]

17 Subp. 3. [See repealer.]

18 **1650.0046 APPLICATION PROCESS AND OFFER OF PARTICIPATION.**

19 Subpart 1. **Request for a first mortgage loan.** A lender and an applicant must jointly
20 complete and sign an application and prepare all supporting documents identified in
21 the application. Financial statements must be dated within 120 days of the application.

22 [For text of subps 2 and 3, see M.R.]

23 **1650.0056 RFA REVIEW, NOTICE, APPEAL.**

24 [For text of subpart 1, see M.R.]

1 Subp. 2. **RFA acceptance.** The RFA shall accept an offer if:

2 A. the applicant is eligible in accordance with parts 1650.0011 to 1650.0071 and
3 Minnesota Statutes, section 41B.03, subdivisions 1 and 3;

4 [For text of items B to D, see M.R.]

5 [For text of subps 3 to 5, see M.R.]

6 **1650.0066 LOAN CLOSING, PURCHASE OF PARTICIPATION, AND LOAN**
7 **MANAGEMENT.**

8 Subpart 1. **Closing.** Upon receiving notification of RFA acceptance, the lender shall
9 close the first mortgage loan. The lender must record security documents relating to the
10 loan. The lender must notify the RFA that the loan is closed and recorded by completing
11 the lender certification section and returning the original RFA application, a copy of the
12 note and loan agreement, copies of the recorded documents, and the final title opinion
13 to the RFA.

14 [For text of subps 2 to 6, see M.R.]

15 **1650.0511 DEFINITIONS.**

16 [For text of subps 1 to 10, see M.R.]

17 Subp. 11. **Eligible borrower.** "Eligible borrower" means a Minnesota resident or a
18 Minnesota partnership consisting only of individuals who are Minnesota residents, who
19 meets the requirements of Minnesota Statutes, section 41C.05, subdivision 2, and is a
20 first time farmer, as defined in subpart 16, who will be the principal user of the property
21 financed under the code, and will materially and substantially participate in the
22 operation of the farm of which the property is a part or on which the property will be
23 used.

24 [For text of subps 12 to 22, see M.R.]

25 **1650.0601 APPLICABILITY AND PURPOSE.**

1 Subpart 1. **Applicability.** Parts 1650.0601 to 1650.0661 establish the criteria and
2 procedures to be used by the RFA in administering the agricultural improvement loan
3 program authorized by Minnesota Statutes, section 41B.043.

4 [For text of subp 2, see M.R.]

5 **1650.0611 DEFINITIONS.**

6 [For text of subps 1 to 7, see M.R.]

7 Subp. 8. **Borrower.** "Borrower" means the person or persons liable on a mortgage loan
8 made under the program.

9 [For text of subps 9 to 18, see M.R.]

10 **1650.0661 LOAN PARTICIPATION.**

11 Subpart 1. **Borrower eligibility.** To be eligible for assistance through a loan
12 participation under the agricultural improvement loan program, an applicant must
13 meet the criteria in items A to E.

14 A. The applicant must meet the requirements of Minnesota Statutes, section 41B.03,
15 subdivision 1, clause (1).

16 [For text of items B to E, see M.R.]

17 [For text of subp 2, see M.R.]

18 Subp. 3. **Application process and offer of participation.**

19 [For text of items A to E, see M.R.]

20 F. The loan must be for a maximum term of ten years. The maximum participation
21 is the amount established in Minnesota Statutes, section 41B.043, subdivision 1b.

22 [For text of items G and H, see M.R.]

23 Subp. 4. **RFA review, notice, appeal.**

24 [For text of item A, see M.R.]

25 B. The RFA shall accept an application if:

(1) the applicant meets all eligibility criteria of parts 1650.0601 to 1650.0661 and Minnesota Statutes, section 41B.043, subdivision 1a or 1b;

[For text of subitems (2) to (4), see M.R.]

[For text of items C to E, see M.R.]

Subp. 5. Loan closing, purchase of participation, and loan management.

A. Upon receiving notification of authority acceptance, the lender shall close the mortgage loan. The lender must record security documents relating to the loan. The lender must notify the RFA that the loan is closed and recorded by completing the lender certification section and returning the original RFA application and copies of the recorded documents, note and loan agreement, and final title opinion to the RFA.

[For text of items B to F, see M.R.]

[For text of subps 6 and 7, see M.R.]

1651.0021 DEFINITIONS.

[For text of subps 1 to 5, see M.R.]

Subp. 6. **Borrower.** "Borrower" means the person or persons liable on a first mortgage loan made under this program.

[For text of subps 7 and 8, see M.R.]

Subp. 9. **First mortgage loan, mortgage loan, or loan.** "First mortgage loan," "mortgage loan," or "loan" means loan participation under the seller-sponsored program, which is secured by a first mortgage on real property.

[For text of subps 10 to 18, see M.R.]

1651.0031 SELLER ELIGIBILITY.

To qualify as an eligible seller under the program, a seller must meet the following criteria:

A. a seller must be in compliance with Minnesota Statutes, section 500.24, and selling a farm located within Minnesota;

1 B. the seller must complete a seller-assisted loan commitment form certifying that
2 the seller will partially finance the purchase of the farm property by making a loan to
3 the borrower;

4 C. the seller's loan to the borrower must be for the additional required financing
5 necessary to complete the transaction after the down payment, if any;

6 D. the seller's financing made to the borrower must be subordinated to the first
7 mortgage loan of the lender in which the RFA is a participant; and

8 E. the seller must disclose all of the terms and conditions of the seller-assisted sale
9 in a written purchase agreement to be given to the lender at the time of application.

10 **1651.0041 BORROWER ELIGIBILITY.**

11 [For text of subpart 1, see M.R.]

12 Subp. 2. **General eligibility criteria.** Each applicant must:

13 A. meet the requirements of Minnesota Statutes, section 41B.03, subdivision 5;

14 [For text of item B, see M.R.]

15 C. certify that the applicant is eligible for the program according to Minnesota
16 Statutes, chapter 41B; and

17 D. submit the correct fees as established in Minnesota Statutes, section 41B.03,
18 subdivision 6.

19 Subp. 3. **Beginning farmer criteria.** In addition to the requirements of subpart 2, a
20 beginning farmer applicant must meet the requirements of Minnesota Statutes, section
21 41B.03, subdivision 3.

22 Subp. 4. **Reentry farmer criteria.** In addition to the requirements of subpart 2, a
23 reentry farmer applicant must:

24 A. fulfill the criteria in subpart 3;

25 [For text of items B to D, see M.R.]

1 **1651.0061 APPLICATION PROCESS AND OFFER OF PARTICIPATION.**

2 [For text of subpart 1, see M.R.]

3 Subp. 2. **Lender determination.** The lender shall review the proposal and determine
4 the creditworthiness of the applicant and the value of the collateral to be used to secure
5 the loan. If the lender agrees to make a first mortgage loan to the applicant, the lender
6 and the applicant shall jointly prepare an application and the required loan documents
7 described in the application and master participation agreement. Financial statements
8 must be dated within 120 days of the application.

9 [For text of subp 3, see M.R.]

10 **1651.0071 RFA REVIEW, NOTICE, AND APPEAL.**

11 [For text of subpart 1, see M.R.]

12 Subp. 2. **RFA acceptance.** The RFA shall accept an offer if:

13 A. the seller is eligible;

14 B. the applicant is eligible in accordance with this chapter and Minnesota Statutes,
15 section 41B.03, subdivision 5;

16 [For text of items C to E, see M.R.]

17 [For text of subps 3 to 5, see M.R.]

18 **1651.0081 LOAN CLOSING, PURCHASE OF PARTICIPATION, AND LOAN**
19 **MANAGEMENT.**

20 Subpart 1. **Closing.** Upon receiving notification of RFA acceptance, the lender shall
21 close the first mortgage loan. At the time of closing, the sponsoring seller must present
22 all legal documents relating to the sale, including the seller's proposed financing for the
23 seller's loan to the applicant. The lender must record security documents relating to the
24 loan. The lender is not responsible for preparation of the seller's financing, but must
25 record the seller's financing to ensure that it is recorded in a secondary security position.

1 The lender must notify the RFA that the loan is closed and recorded by completing the
2 lender certification section and returning the original RFA application, a copy of the
3 note and loan agreement, and copies of the recorded documents and final title opinion
4 to the RFA.

5 [For text of subps 2 to 7, see M.R.]

6 **1653.0021 DEFINITIONS.**

7 [For text of subps 1 to 9, see M.R.]

8 Subp. 10. **Borrower.** "Borrower" means the person or persons liable on a first
9 mortgage participation made under this program.

10 [For text of subp 11, see M.R.]

11 Subp. 11a. **First mortgage loan, mortgage loan, or loan.** "First mortgage loan,"
12 "mortgage loan," or "loan" means a loan participation under this program which is
13 secured by a first mortgage on real property.

14 [For text of subps 12 to 19, see M.R.]

15 **1653.0031 BORROWER ELIGIBILITY.**

16 Subpart 1. **Criteria.** To be eligible for assistance under the RFA restructure II
17 program, an applicant must meet the criteria in subpart 2.

18 Subp. 2. **General requirements.** Each applicant must:

19 A. meet the requirements of Minnesota Statutes, section 41B.03, subdivisions 1 and
20 2; and

21 B. obtain a signature on the program application from the local soil and water
22 conservation service office in the county where the land is located which verifies if a soil
23 and water conservation plan has been submitted, if needed for the identified farm
24 property.

25 Subp. 3. [See repealer.]

1 **1653.0071 APPLICATION PROCESS AND OFFER OF PARTICIPATION.**

2 Subpart 1. **Request for a first mortgage loan.** A lender and an applicant must jointly
3 complete and sign an application and prepare all supporting documents identified in
4 the application. Financial statements must be dated within 120 days of the application.

5 [For text of subps 2 and 3, see M.R.]

6 **1653.0081 RFA REVIEW, NOTICE, APPEAL.**

7 [For text of subpart 1, see M.R.]

8 Subp. 2. **RFA acceptance.** The RFA shall accept applications if:

9 A. the applicant meets all eligibility criteria in this chapter and Minnesota Statutes,
10 chapter 41B;

11 B. the applicant demonstrates an ability to repay the first mortgage loan and other
12 obligations based on financial information submitted with the application;

13 [For text of items C and D, see M.R.]

14 [For text of subps 3 to 5, see M.R.]

15 **1653.0091 LOAN CLOSING, PURCHASE OF PARTICIPATION, AND LOAN**
16 **MANAGEMENT.**

17 Subpart 1. **Closing.** Upon receiving notification of RFA acceptance, the lender shall
18 close the first mortgage loan. The lender must record security documents relating to the
19 loan. The lender must notify the RFA that the loan is closed and recorded by completing
20 the lender certification section and returning the original RFA application, a copy of the
21 note and loan agreement, copies of recorded documents, and the final title opinion to
22 the RFA.

23 [For text of subps 2 to 6, see M.R.]

24 **1655.0021 DEFINITIONS.**

25 [For text of subps 1 to 4, see M.R.]

1 Subp. 5. **Borrower.** "Borrower" means the person or persons liable on a mortgage loan
2 made under the program.

3 [For text of subps 6 to 16, see M.R.]

4 **1655.0031 BORROWER ELIGIBILITY.**

5 To be eligible for assistance under the livestock expansion loan program, an applicant
6 must meet the criteria in Minnesota Statutes, section 41B.045.

7 **1655.0061 APPLICATION PROCESS AND OFFER OF PARTICIPATION.**

8 Subpart 1. **Request for livestock expansion loan participation.** A lender and an
9 applicant must jointly complete and sign an application and prepare all supporting
10 documents identified in the application. Financial statements must be dated within 120
11 days of the application.

12 [For text of subps 2 to 6, see M.R.]

13 Subp. 7. **Terms and conditions of loan.** The maximum term of a loan participation is
14 ten years. The maximum participation is as stipulated in Minnesota Statutes, section
15 41B.045, subdivision 2. The loan may have a balloon payment.

16 [For text of subp 8, see M.R.]

17 **1655.0071 RFA REVIEW, NOTICE, APPEAL.**

18 [For text of subpart 1, see M.R.]

19 Subp. 2. **RFA acceptance.** The RFA shall accept applications based upon whether:

20 A. the applicant meets all eligibility criteria in this chapter and Minnesota Statutes,
21 section 41B.045, subdivision 2;

22 [For text of items B to E, see M.R.]

23 [For text of subps 3 to 5, see M.R.]

24 **1655.0081 LOAN CLOSING, PURCHASE OF PARTICIPATION, AND LOAN**
25 **MANAGEMENT.**

1 Subpart 1. **Closing.** Upon receiving notification of RFA acceptance, the lender shall
2 close the mortgage loan. The lender must record security documents relating to the loan.
3 The lender must notify the RFA that the loan is closed and recorded by completing the
4 lender certification section and returning the original RFA application, a copy of the
5 note and loan agreement, and copies of the recorded documents and final title opinion
6 to the RFA.

7 [For text of subps 2 to 6, see M.R.]

8 **1656.0011 APPLICABILITY AND PURPOSE.**

9 [For text of subpart 1, see M.R.]

10 Subp. 2. **Purpose.** The purpose of the value-added agricultural product loan program
11 is to foster and maintain a diverse agricultural industry that is economically profitable
12 by providing affordable credit to help farmers finance the purchase of stock in a
13 cooperative proposing to directly or indirectly build or purchase and operate an
14 agricultural product processing facility, located in Minnesota.

15 **1656.0021 DEFINITIONS.**

16 [For text of subps 1 to 7, see M.R.]

17 Subp. 8. **Borrower.** "Borrower" means the person or persons liable on a stock loan
18 made under this program.

19 [For text of subps 9 to 17, see M.R.]

20 Subp. 18. [See repealer.]

21 [For text of subps 19 and 20, see M.R.]

22 **1656.0031 BORROWER ELIGIBILITY.**

23 To be eligible for assistance through a loan participation under the value-added stock
24 loan participation program, an applicant must meet the requirements of Minnesota
25 Statutes, section 41B.046, subdivision 4, and have a total net worth not to exceed the

1 total net worth established for the basic beginning farmer participation program, which
2 is available by calling the RFA office for a current quote.

3 **1656.0051 APPLICATION PROCESS AND OFFER OF PARTICIPATION.**

4 [For text of subps 1 to 3, see M.R.]

5 Subp. 4. **Loan participation.** The maximum RFA participation is defined in
6 Minnesota Statutes, section 41B.046, subdivision 5, paragraph (a). The interest rate on
7 the loan participation must be 4.0 percent or one-half of the lender's effective rate (APR),
8 rounded down to the nearest one-tenth of one percent, at the time of loan closing,
9 whichever rate is lower. This rate shall remain the fixed rate for the duration of the loan
10 participation.

11 Subp. 5. **Terms of loan.** The maximum term of the loan is eight years. Loan payments
12 of interest only are permitted for up to two years, with a amortized repayment schedule
13 of interest and principal calculated for the remaining years. The lender may, for its
14 portion of the loan, use a variable interest rate correlated to a specific index.

15 [For text of subp 6, see M.R.]

16 **1656.0061 RFA REVIEW, NOTICE, AND APPEAL.**

17 [For text of subpart 1, see M.R.]

18 Subp. 2. **RFA acceptance.** The RFA shall accept an application if:

19 A. the applicant meets all eligibility criteria of this chapter and Minnesota Statutes,
20 section 41B.046, subdivision 4;

21 B. the applicant demonstrates an ability to repay the stock loan and other
22 obligations based on the financial information submitted with the application;

23 C. the loan is for the purchase of stock in an agricultural product processing
24 facility as defined in Minnesota Statutes, section 41B.046, subdivision 1;

25 D. no more than 95 percent of the purchase price of the stock purchased will be
26 financed under this program; and

1 E. the RFA has sufficient funds available to purchase a participation in the loan.

2 [For text of subps 3 to 5, see M.R.]

3 **1656.0071 LOAN CLOSING, PURCHASE OF PARTICIPATION, AND LOAN**
4 **MANAGEMENT.**

5 Subpart 1. **Closing.** Upon receiving notification of RFA acceptance, the lender shall
6 close the stock loan. The lender must record needed security instruments relating to the
7 loan. The lender must notify the RFA that the loan is closed and the required security
8 instruments are recorded by completing the lender certification section and returning
9 the original RFA application and copies of the recorded documents and note and loan
10 agreement to the RFA.

11 [For text of subps 2 to 6, see M.R.]

12 **1656.0095 STOCK IN CERTAIN LIVESTOCK PROCESSING FACILITIES ELIGIBLE.**

13 To be eligible for a loan participation under this part, an applicant must meet the
14 criteria of this chapter and Minnesota Statutes, section 41B.046, subdivision 4a.

15 **1656.0100 STOCK IN FARM-GENERATED WIND ENERGY PRODUCTION**
16 **FACILITIES ELIGIBLE.**

17 To be eligible for a loan participation under this part, an applicant must meet the
18 criteria of this chapter and Minnesota Statutes, section 41B.046, subdivision 4b.

19 **REPEALER.** Minnesota Rules, parts 1650.0021, subpart 6; 1650.0031, subparts 2 and 3;
20 1653.0031, subpart 3; 1655.0041; 1656.0021, subpart 18; and 1656.0091, are repealed.