



## 93RD GENERAL ASSEMBLY

### State of Illinois

#### 2003 and 2004

Introduced 02/09/04, by Patricia Reid Lindner - Patricia R. Bellock, Richard P. Myers

#### SYNOPSIS AS INTRODUCED:

20 ILCS 3501/830-30  
20 ILCS 3501/830-35  
20 ILCS 3501/830-45  
20 ILCS 3501/830-50

Amends the Agricultural Assistance Article of the Illinois Finance Authority Act. Provides that to be eligible for certain State guarantees, a farmer must be a principal operator of a farm or land, at least 30% (instead of 50%) of whose annual income is derived from farming and whose debt to asset ratio shall not exceed the maximum limit established by the Illinois Finance Authority (instead of "shall not be less than 40%"). Provides that State guarantees under certain programs shall not exceed \$750,000 (instead of \$500,000). Provides that the collateral acceptable to the Authority must be at least equal to the gross loan amount (instead of "at least equal to the State's portion of the Guarantee to be provided"). Deletes a provision that to be eligible for State guarantees, a farmer's net worth may not exceed \$500,000. Deletes a provision stating that a lender may not withdraw a State guarantee if the loan contract provides for an interest rate that may vary. Changes the name of the "Young Farmer Loan Guarantee Program" to the "Illinois Farmer Loan Guarantee Program". Makes other changes. Effective immediately.

LRB093 17831 SJM 47320 b

FISCAL NOTE ACT  
MAY APPLY

1 AN ACT concerning finance.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Finance Authority Act is amended by  
5 changing Sections 830-30, 830-35, 830-45, and 830-50 as  
6 follows:

7 (20 ILCS 3501/830-30)

8 Sec. 830-30. State Guarantees for existing debt.

9 (a) The Authority is authorized to issue State Guarantees  
10 for farmers' existing debts held by a lender. For the purposes  
11 of this Section, a farmer shall be a resident of Illinois, who  
12 is a principal operator of a farm or land, at least 30% ~~50%~~ of  
13 whose annual gross income is derived from farming and whose  
14 debt to asset ratio shall not exceed the maximum established by  
15 the Authority ~~be less than 40%~~, except in those cases where the  
16 applicant has previously used the guarantee program there shall  
17 be no debt to asset ratio or income restriction. For the  
18 purposes of this Section, debt to asset ratio shall mean the  
19 current outstanding liabilities of the farmer divided by the  
20 current outstanding assets of the farmer. The Authority shall  
21 establish the maximum permissible debt to asset ratio based on  
22 criteria established by the Authority.

23 Lenders shall apply for the State Guarantees on forms  
24 provided by the Authority and certify that the application and  
25 any other documents submitted are true and correct. The lender  
26 or borrower, or both in combination, shall pay an  
27 administrative fee as determined by the Authority. The  
28 applicant shall be responsible for paying any fees or charges  
29 involved in recording mortgages, releases, financing  
30 statements, insurance for secondary market issues and any other  
31 similar fees or charges as the Authority may require. The  
32 application shall at a minimum contain the farmer's name,

1 address, present credit and financial information, including  
2 cash flow statements, financial statements, balance sheets,  
3 and any other information pertinent to the application, and the  
4 collateral to be used to secure the State Guarantee. In  
5 addition, the lender must agree to bring the farmer's debt to a  
6 current status at the time the State Guarantee is provided and  
7 must also agree to charge a fixed or adjustable interest rate  
8 which the Authority determines to be below the market rate of  
9 interest generally available to the borrower. If both the  
10 lender and applicant agree, the interest rate on the State  
11 Guarantee Loan can be converted to a fixed interest rate at any  
12 time during the term of the loan.

13 Any State Guarantees provided under this Section (i) shall  
14 not exceed \$750,000 ~~\$500,000~~ per farmer, (ii) ~~shall be set up~~  
15 ~~on a payment schedule not to exceed 30 years, and~~ shall be no  
16 longer than 30 years in duration, and (iii) shall be subject to  
17 an annual review and renewal by the lender and the Authority;  
18 provided that only one such State Guarantee shall be  
19 outstanding per farmer at any one time. No State Guarantee  
20 shall be revoked by the Authority without a 90-day notice, in  
21 writing, to all parties. ~~In those cases where the borrower has~~  
22 ~~not previously used the guarantee program, the lender shall not~~  
23 ~~call due any loan during the first 3 years for any reason~~  
24 ~~except for lack of performance or insufficient collateral.~~ The  
25 lender can review and withdraw or continue with the State  
26 Guarantee on an annual basis ~~after the first 3 years of the~~  
27 ~~loan~~, provided a 90-day notice, in writing, to all parties has  
28 been given.

29 (b) The Authority shall provide or renew a State Guarantee  
30 to a lender if:

31 (i) A fee equal to 25 basis points on the loan is paid  
32 to the Authority on an annual basis by the lender.

33 (ii) The application provides collateral acceptable to  
34 the Authority that is at least equal to the gross loan  
35 amount ~~State's portion of the Guarantee to be provided.~~

36 (iii) The lender assumes all responsibility and costs

1 for pursuing legal action on collecting any loan that is  
2 delinquent or in default.

3 (iv) The lender is responsible for the first 15% of the  
4 outstanding principal of the note for which the State  
5 Guarantee has been applied.

6 (c) There is hereby created outside of the State treasury a  
7 special fund to be known as the Illinois Agricultural Loan  
8 Guarantee Fund. The State Treasurer shall be custodian of this  
9 Fund. Any amounts in the Illinois Agricultural Loan Guarantee  
10 Fund not currently needed to meet the obligations of the Fund  
11 shall be invested as provided by law, and all interest earned  
12 from these investments shall be deposited into the Fund until  
13 the Fund reaches the maximum amount authorized in this Act;  
14 thereafter, interest earned shall be deposited into the General  
15 Revenue Fund. After September 1, 1989, annual investment  
16 earnings equal to 1.5% of the Fund shall remain in the Fund to  
17 be used for the purposes established in Section 830-40 of this  
18 Act.

19 The Authority is authorized to transfer to the Fund such  
20 amounts as are necessary to satisfy claims during the duration  
21 of the State Guarantee program to secure State Guarantees  
22 issued under this Section. If for any reason the General  
23 Assembly fails to make an appropriation sufficient to meet  
24 these obligations, this Act shall constitute an irrevocable and  
25 continuing appropriation of an amount necessary to secure  
26 guarantees as defaults occur and the irrevocable and continuing  
27 authority for, and direction to, the State Treasurer and the  
28 Comptroller to make the necessary transfers to the Illinois  
29 Agricultural Loan Guarantee Fund, as directed by the Governor,  
30 out of the General Revenue Fund.

31 Within 30 days after November 15, 1985, the Authority may  
32 transfer up to \$7,000,000 from available appropriations into  
33 the Illinois Agricultural Loan Guarantee Fund for the purposes  
34 of this Act. Thereafter, the Authority may transfer additional  
35 amounts into the Illinois Agricultural Loan Guarantee Fund to  
36 secure guarantees for defaults as defaults occur.

1           In the event of default by the farmer, the lender shall be  
2 entitled to, and the Authority shall direct payment on, the  
3 State Guarantee after 90 days of delinquency. All payments by  
4 the Authority shall be made from the Illinois Agricultural Loan  
5 Guarantee Fund to satisfy claims against the State Guarantee.  
6 The Illinois Agricultural Loan Guarantee Fund shall guarantee  
7 receipt of payment of the 85% of the principal and interest  
8 owed on the State Guarantee Loan by the farmer to the guarantee  
9 holder.

10           It shall be the responsibility of the lender to proceed  
11 with the collecting and disposing of collateral on the State  
12 Guarantee within 14 months of the time the State Guarantee is  
13 declared delinquent; provided, however, that the lender shall  
14 not collect or dispose of collateral on the State Guarantee  
15 without the express written prior approval of the Authority. If  
16 the lender does not dispose of the collateral within 14 months,  
17 the lender shall be liable to repay to the State interest on  
18 the State Guarantee equal to the same rate which the lender  
19 charges on the State Guarantee; provided, however, that the  
20 Authority may extend the 14-month period for a lender in the  
21 case of bankruptcy or extenuating circumstances. The Fund shall  
22 be reimbursed for any amounts paid under this Section upon  
23 liquidation of the collateral. The Authority, by resolution of  
24 the Board, may borrow sums from the Fund and provide for  
25 repayment as soon as may be practical upon receipt of payments  
26 of principal and interest by a farmer. Money may be borrowed  
27 from the Fund by the Authority for the sole purpose of paying  
28 certain interest costs for farmers associated with selling a  
29 loan subject to a State Guarantee in a secondary market as may  
30 be deemed reasonable and necessary by the Authority.

31           (d) Notwithstanding the provisions of this Section 830-30  
32 with respect to the farmers and lenders who may obtain State  
33 Guarantees, the Authority may promulgate rules establishing  
34 the eligibility of farmers and lenders to participate in the  
35 State guarantee program and the terms, standards, and  
36 procedures that will apply, when the Authority finds that

1 emergency conditions in Illinois agriculture have created the  
2 need for State Guarantees pursuant to terms, standards, and  
3 procedures other than those specified in this Section.

4 (Source: P.A. 93-205, eff. 1-1-04.)

5 (20 ILCS 3501/830-35)

6 Sec. 830-35. State Guarantees for loans to farmers and  
7 agribusiness; eligibility.

8 (a) The Authority is authorized to issue State Guarantees  
9 to lenders for loans to eligible farmers and agribusinesses for  
10 purposes set forth in this Section. For purposes of this  
11 Section, an eligible farmer shall be a resident of Illinois (i)  
12 who is principal operator of a farm or land, at least 30% ~~50%~~  
13 of whose annual gross income is derived from farming, and (ii)  
14 whose annual total sales of agricultural products,  
15 commodities, or livestock exceeds \$20,000, ~~and (iii) whose net~~  
16 ~~worth does not exceed \$500,000~~. An eligible agribusiness shall  
17 be that as defined in Section 801-10 of this Act.

18 The Authority may approve applications by farmers and  
19 agribusinesses that promote diversification of the farm  
20 economy of this State through the growth and development of new  
21 crops or livestock not customarily grown or produced in this  
22 State or that emphasize a vertical integration of grain or  
23 livestock produced or raised in this State into a finished  
24 agricultural product for consumption or use. "New crops or  
25 livestock not customarily grown or produced in this State"  
26 shall not include corn, soybeans, wheat, swine, or beef or  
27 dairy cattle. "Vertical integration of grain or livestock  
28 produced or raised in this State" shall include any new or  
29 existing grain or livestock grown or produced in this State.

30 Lenders shall apply for the State Guarantees on forms  
31 provided by the Authority, certify that the application and any  
32 other documents submitted are true and correct, and pay an  
33 administrative fee as determined by the Authority. The  
34 applicant shall be responsible for paying any fees or charges  
35 involved in recording mortgages, releases, financing

1 statements, insurance for secondary market issues and any other  
2 similar fees or charges as the Authority may require. The  
3 application shall at a minimum contain the farmer's or  
4 agribusiness' name, address, present credit and financial  
5 information, including cash flow statements, financial  
6 statements, balance sheets, and any other information  
7 pertinent to the application, and the collateral to be used to  
8 secure the State Guarantee. In addition, the lender must agree  
9 to charge an interest rate, which may vary, on the loan that  
10 the Authority determines to be below the market rate of  
11 interest generally available to the borrower. If both the  
12 lender and applicant agree, the interest rate on the State  
13 Guarantee Loan can be converted to a fixed interest rate at any  
14 time during the term of the loan.

15 Any State Guarantees provided under this Section (i) shall  
16 not exceed ~~\$500,000 per farmer or~~ an amount as determined by  
17 the Authority on a case-by-case basis ~~for an agribusiness~~, (ii)  
18 shall not exceed a term of 30 ~~15~~ years, and (iii) shall be  
19 subject to an annual review and renewal by the lender and the  
20 Authority; provided that only one such State Guarantee shall be  
21 made per farmer or agribusiness, except that additional State  
22 Guarantees may be made for purposes of expansion of projects  
23 financed in part by a previously issued State Guarantee. No  
24 State Guarantee shall be revoked by the Authority without a  
25 90-day notice, in writing, to all parties. The lender shall not  
26 call due any loan for any reason except for lack of  
27 performance, insufficient collateral, or maturity. A lender  
28 may review and withdraw or continue with a State Guarantee on  
29 an annual basis ~~after the first 5 years following closing of~~  
30 ~~the loan application if the loan contract provides for an~~  
31 ~~interest rate that shall not vary. A lender shall not withdraw~~  
32 ~~a State Guarantee if the loan contract provides for an interest~~  
33 ~~rate that may vary, except for reasons set forth herein.~~

34 (b) The Authority shall provide or renew a State Guarantee  
35 to a lender if:

36 (i) A fee equal to 25 basis points on the loan is paid

1 to the Authority on an annual basis by the lender.

2 (ii) The application provides collateral acceptable to  
3 the Authority that is at least equal to the gross loan  
4 amount ~~State's portion of the Guarantee to be provided.~~

5 (iii) The lender assumes all responsibility and costs  
6 for pursuing legal action on collecting any loan that is  
7 delinquent or in default.

8 (iv) The lender is responsible for the first 15% of the  
9 outstanding principal of the note for which the State  
10 Guarantee has been applied.

11 (c) There is hereby created outside of the State treasury a  
12 special fund to be known as the Illinois Farmer and  
13 Agribusiness Loan Guarantee Fund. The State Treasurer shall be  
14 custodian of this Fund. Any amounts in the Fund not currently  
15 needed to meet the obligations of the Fund shall be invested as  
16 provided by law, and all interest earned from these investments  
17 shall be deposited into the Fund until the Fund reaches the  
18 maximum amounts authorized in this Act; thereafter, interest  
19 earned shall be deposited into the General Revenue Fund. After  
20 September 1, 1989, annual investment earnings equal to 1.5% of  
21 the Fund shall remain in the Fund to be used for the purposes  
22 established in Section 830-40 of this Act.

23 The Authority is authorized to transfer such amounts as are  
24 necessary to satisfy claims from available appropriations and  
25 from fund balances of the Farm Emergency Assistance Fund as of  
26 June 30 of each year to the Illinois Farmer and Agribusiness  
27 Loan Guarantee Fund to secure State Guarantees issued under  
28 this Section and Sections 830-45 and 830-50. If for any reason  
29 the General Assembly fails to make an appropriation sufficient  
30 to meet these obligations, this Act shall constitute an  
31 irrevocable and continuing appropriation of an amount  
32 necessary to secure guarantees as defaults occur and the  
33 irrevocable and continuing authority for, and direction to, the  
34 State Treasurer and the Comptroller to make the necessary  
35 transfers to the Illinois Farmer and Agribusiness Loan  
36 Guarantee Fund, as directed by the Governor, out of the General



1 Revenue Fund.

2 In the event of default by the borrower on State Guarantee  
3 Loans under this Section, Section 830-45 or Section 830-50, the  
4 lender shall be entitled to, and the Authority shall direct  
5 payment on, the State Guarantee after 90 days of delinquency.  
6 All payments by the Authority shall be made from the Illinois  
7 Farmer and Agribusiness Loan Guarantee Fund to satisfy claims  
8 against the State Guarantee.

9 It shall be the responsibility of the lender to proceed  
10 with the collecting and disposing of collateral on the State  
11 Guarantee under this Section, Section 830-45 or Section 830-50  
12 within 14 months of the time the State Guarantee is declared  
13 delinquent. If the lender does not dispose of the collateral  
14 within 14 months, the lender shall be liable to repay to the  
15 State interest on the State Guarantee equal to the same rate  
16 that the lender charges on the State Guarantee, provided that  
17 the Authority shall have the authority to extend the 14-month  
18 period for a lender in the case of bankruptcy or extenuating  
19 circumstances. The Fund shall be reimbursed for any amounts  
20 paid under this Section, Section 830-45 or Section 830-50 upon  
21 liquidation of the collateral.

22 The Authority, by resolution of the Board, may borrow sums  
23 from the Fund and provide for repayment as soon as may be  
24 practical upon receipt of payments of principal and interest by  
25 a borrower on State Guarantee Loans under this Section, Section  
26 830-45 or Section 830-50. Money may be borrowed from the Fund  
27 by the Authority for the sole purpose of paying certain  
28 interest costs for borrowers associated with selling a loan  
29 subject to a State Guarantee under this Section, Section 830-45  
30 or Section 830-50 in a secondary market as may be deemed  
31 reasonable and necessary by the Authority.

32 (d) Notwithstanding the provisions of this Section 830-35  
33 with respect to the farmers, agribusinesses, and lenders who  
34 may obtain State Guarantees, the Authority may promulgate rules  
35 establishing the eligibility of farmers, agribusinesses, and  
36 lenders to participate in the State Guarantee program and the

1 terms, standards, and procedures that will apply, when the  
2 Authority finds that emergency conditions in Illinois  
3 agriculture have created the need for State Guarantees pursuant  
4 to terms, standards, and procedures other than those specified  
5 in this Section.

6 (Source: P.A. 93-205, eff. 1-1-04.)

7 (20 ILCS 3501/830-45)

8 Sec. 830-45. Illinois ~~Young~~ Farmer Loan Guarantee Program.

9 (a) The Authority is authorized to issue State Guarantees  
10 to lenders for loans to finance or refinance debts of ~~young~~  
11 farmers. For the purposes of this Section, a ~~young~~ farmer is a  
12 resident of Illinois who is at least 18 years of age and who is  
13 a principal operator of a farm or land, who derives at least  
14 30% ~~50%~~ of annual gross income from farming, whose net worth is  
15 not less than \$10,000 and whose debt to asset ratio does not  
16 exceed the maximum limit established by the Authority ~~is not~~  
17 ~~less than 40%~~. For the purposes of this Section, debt to asset  
18 ratio means current outstanding liabilities, including any  
19 debt to be financed or refinanced under this Section 830-45,  
20 divided by current outstanding assets. The Authority shall  
21 establish the maximum permissible debt to asset ratio based on  
22 criteria established by the Authority.

23 Lenders shall apply for the State Guarantees on forms  
24 provided by the Authority and certify that the application and  
25 any other documents submitted are true and correct. The lender  
26 or borrower, or both in combination, shall pay an  
27 administrative fee as determined by the Authority. The  
28 applicant shall be responsible for paying any fee or charge  
29 involved in recording mortgages, releases, financing  
30 statements, insurance for secondary market issues, and any  
31 other similar fee or charge that the Authority may require. The  
32 application shall at a minimum contain the ~~young~~ farmer's name,  
33 address, present credit and financial information, including  
34 cash flow statements, financial statements, balance sheets,  
35 and any other information pertinent to the application, and the

1 collateral to be used to secure the State Guarantee. In  
2 addition, the borrower must certify to the Authority that, at  
3 the time the State Guarantee is provided, the borrower will not  
4 be delinquent in the repayment of any debt. The lender must  
5 agree to charge a fixed or adjustable interest rate that the  
6 Authority determines to be below the market rate of interest  
7 generally available to the borrower. If both the lender and  
8 applicant agree, the interest rate on the State guaranteed loan  
9 can be converted to a fixed interest rate at any time during  
10 the term of the loan.

11 State Guarantees provided under this Section (i) shall not  
12 exceed \$750,000 ~~\$500,000~~ per ~~young~~ farmer, (ii) ~~shall be set up~~  
13 ~~on a payment schedule not to exceed 30 years, but~~ shall be no  
14 longer than 30 ~~15~~ years in duration, and (iii) shall be subject  
15 to an annual review and renewal by the lender and the  
16 Authority. A ~~young~~ farmer may use this program more than once  
17 ~~provided the aggregate principal amount of State Guarantees~~  
18 ~~under this Section to that young farmer does not exceed~~  
19 ~~\$500,000~~. No State Guarantee shall be revoked by the Authority  
20 without a 90-day notice, in writing, to all parties.

21 (b) The Authority shall provide or renew a State Guarantee  
22 to a lender if:

23 (i) The lender pays a fee equal to 25 basis points on  
24 the loan to the Authority on an annual basis.

25 (ii) The application provides collateral acceptable to  
26 the Authority that is at least equal to the gross loan  
27 amount ~~State Guarantee~~.

28 (iii) The lender assumes all responsibility and costs  
29 for pursuing legal action on collecting any loan that is  
30 delinquent or in default.

31 (iv) The lender is at risk for the first 15% of the  
32 outstanding principal of the note for which the State  
33 Guarantee is provided.

34 (c) The Illinois Farmer and Agribusiness Loan Guarantee  
35 Fund may be used to secure State Guarantees issued under this  
36 Section as provided in Section 830-35.

1 (d) Notwithstanding the provisions of this Section 830-45  
2 with respect to the ~~young~~ farmers and lenders who may obtain  
3 State Guarantees, the Authority may promulgate rules  
4 establishing the eligibility of ~~young~~ farmers and lenders to  
5 participate in the State Guarantee program and the terms,  
6 standards, and procedures that will apply, when the Authority  
7 finds that emergency conditions in Illinois agriculture have  
8 created the need for State Guarantees pursuant to terms,  
9 standards, and procedures other than those specified in this  
10 Section.

11 (Source: P.A. 93-205, eff. 1-1-04.)

12 (20 ILCS 3501/830-50)

13 Sec. 830-50. Specialized Livestock Guarantee Program.

14 (a) The Authority is authorized to issue State Guarantees  
15 to lenders for loans to finance or refinance debts for  
16 specialized livestock operations that are or will be located in  
17 Illinois. For purposes of this Section, a "specialized  
18 livestock operation" includes, but is not limited to, dairy,  
19 beef, and swine enterprises.

20 (b) Lenders shall apply for the State Guarantees on forms  
21 provided by the Authority and certify that the application and  
22 any other documents submitted are true and correct. The lender  
23 or borrower, or both in combination, shall pay an  
24 administrative fee as determined by the Authority. The  
25 applicant shall be responsible for paying any fee or charge  
26 involved in recording mortgages, releases, financing  
27 statements, insurance for secondary market issues, and any  
28 other similar fee or charge that the Authority may require. The  
29 application shall, at a minimum, contain the farmer's name,  
30 address, present credit and financial information, including  
31 cash flow statements, financial statements, balance sheets,  
32 and any other information pertinent to the application, and the  
33 collateral to be used to secure the State Guarantee. In  
34 addition, the borrower must certify to the Authority that, at  
35 the time the State Guarantee is provided, the borrower will not

1 be delinquent in the repayment of any debt. The lender must  
2 agree to charge a fixed or adjustable interest rate that the  
3 Authority determines to be below the market rate of interest  
4 generally available to the borrower. If both the lender and  
5 applicant agree, the interest rate on the State guaranteed loan  
6 can be converted to a fixed interest rate at any time during  
7 the term of the loan.

8 (c) State Guarantees provided under this Section (i) shall  
9 not exceed \$1,000,000 per applicant, (ii) shall be no longer  
10 than 30 ~~15~~ years in duration, and (iii) shall be subject to an  
11 annual review and renewal by the lender and the Authority. An  
12 applicant may use this program more than once, ~~provided that~~  
13 ~~the aggregate principal amount of State Guarantees under this~~  
14 ~~Section to that applicant does not exceed \$1,000,000.~~ A State  
15 Guarantee shall not be revoked by the Authority without a  
16 90-day notice, in writing, to all parties.

17 (d) The Authority shall provide or renew a State Guarantee  
18 to a lender if:

19 (i) The lender pays a fee equal to 25 basis points on  
20 the loan to the Authority on an annual basis.

21 (ii) The application provides collateral acceptable to  
22 the Authority that is at least equal to the gross loan  
23 amount ~~State Guarantee~~.

24 (iii) The lender assumes all responsibility and costs  
25 for pursuing legal action on collecting any loan that is  
26 delinquent or in default.

27 (iv) The lender is at risk for the first 15% of the  
28 outstanding principal of the note for which the State  
29 Guarantee is provided.

30 (e) The Illinois Farmer and Agribusiness Loan Guarantee  
31 Fund may be used to secure State Guarantees issued under this  
32 Section as provided in Section 830-35.

33 (f) Notwithstanding the provisions of this Section 830-50  
34 with respect to the specialized livestock operations and  
35 lenders who may obtain State Guarantees, the Authority may  
36 promulgate rules establishing the eligibility of specialized

1 livestock operations and lenders to participate in the State  
2 Guarantee program and the terms, standards, and procedures that  
3 will apply, when the Authority finds that emergency conditions  
4 in Illinois agriculture have created the need for State  
5 Guarantees pursuant to terms, standards, and procedures other  
6 than those specified in this Section.

7 (Source: P.A. 93-205, eff. 1-1-04.)

8 Section 99. Effective date. This Act takes effect upon  
9 becoming law.