



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

HB2702

by Rep. C.D. Davidsmeyer

SYNOPSIS AS INTRODUCED:

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

Amends the Illinois Finance Authority Act. In Sections concerning State guarantees for loans to farmers, provides that the total amount of the guarantees shall not exceed \$2,000,000 per farmer (instead of \$500,000). Provides that guarantees may be made if the farmer's net worth does not exceed \$2,000,000 (instead of \$500,000). In a Section concerning guarantees for existing debt, provides that the Illinois Agricultural Loan Guarantee Fund shall guarantee receipt of payment of 90% (instead of 85%) of the principal and interest owed on the State Guarantee Loan by the farmer to the guarantee holder. Effective immediately.

LRB099 10045 HLH 30268 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

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 830-20, 830-30, 830-35, and 830-45 as
6 follows:

7 (20 ILCS 3501/830-20)

8 Sec. 830-20. The Authority may not pass a resolution
9 authorizing the issuance of any notes or bonds in excess of
10 \$2,000,000 ~~\$450,000~~ for any one agricultural real estate
11 borrower. ~~In any calendar year after 2007, the \$450,000 amount~~
12 ~~shall be increased by an amount equal to such dollar amount~~
13 ~~multiplied by the inflation percentage determined under~~
14 ~~Section 305(c) of the federal Consolidated Farm and Rural~~
15 ~~Development Act (7 U.S.C. 1925) as of June 18, 2008. Any~~
16 ~~increase determined under the preceding sentence shall be~~
17 ~~rounded to the nearest multiple of \$100.~~ No proceeds from any
18 bonds issued by the Authority shall be loaned to any natural
19 person who has a net worth in excess of \$2,000,000 ~~\$500,000~~ for
20 the purchase of new depreciable agricultural property or to any
21 agribusiness that, including all affiliates and subsidiaries,
22 has more than 100 employees and a gross income exceeding
23 \$2,000,000 for the preceding calendar year; provided, however,

1 that the employee size and gross income limitations shall not
2 apply to any loans to agribusinesses for research and
3 development purposes, and provided further that the Authority
4 shall retain the power to waive such limitations for any
5 agribusiness that, at the time of application, does not operate
6 a facility within this State.

7 (Source: P.A. 96-531, eff. 8-14-09.)

8 (20 ILCS 3501/830-30)

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

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

1 borrower, or both in combination, shall pay an administrative
2 fee as determined by the Authority. The applicant shall be
3 responsible for paying any fees or charges involved in
4 recording mortgages, releases, financing statements, insurance
5 for secondary market issues and any other similar fees or
6 charges as the Authority may require. The application shall at
7 a minimum contain the farmer's name, address, present credit
8 and financial information, including cash flow statements,
9 financial statements, balance sheets, and any other
10 information pertinent to the application, and the collateral to
11 be used to secure the State Guarantee. In addition, the lender
12 must agree to bring the farmer's debt to a current status at
13 the time the State Guarantee is provided and must also agree to
14 charge a fixed or adjustable interest rate which the Authority
15 determines to be below the market rate of interest generally
16 available to the borrower. If both the lender and applicant
17 agree, the interest rate on the State Guarantee Loan can be
18 converted to a fixed interest rate at any time during the term
19 of the loan. Any State Guarantees provided under this Section
20 (i) shall not exceed \$2,000,000 ~~\$500,000~~ per farmer, (ii) shall
21 be set up on a payment schedule not to exceed 30 years, and
22 shall be no longer than 30 years in duration, and (iii) shall
23 be subject to an annual review and renewal by the lender and
24 the Authority; provided that only one such State Guarantee
25 shall be outstanding per farmer at any one time. No State
26 Guarantee shall be revoked by the Authority without a 90-day

1 notice, in writing, to all parties. In those cases where the
2 borrower has not previously used the guarantee program, the
3 lender shall not call due any loan during the first 3 years for
4 any reason except for lack of performance or insufficient
5 collateral. The lender can review and withdraw or continue with
6 the State Guarantee on an annual basis after the first 3 years
7 of the loan, provided a 90-day notice, in writing, to all
8 parties has been given.

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

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

13 (ii) The application provides collateral acceptable to
14 the Authority that is at least equal to the State's portion
15 of the Guarantee to be provided.

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

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

22 (c) There is hereby created outside of the State treasury a
23 special fund to be known as the Illinois Agricultural Loan
24 Guarantee Fund. The State Treasurer shall be custodian of this
25 Fund. Any amounts in the Illinois Agricultural Loan Guarantee
26 Fund not currently needed to meet the obligations of the Fund

1 shall be invested as provided by law, and all interest earned
2 from these investments shall be deposited into the Fund until
3 the Fund reaches the maximum amount authorized in this Act;
4 thereafter, interest earned shall be deposited into the General
5 Revenue Fund. After September 1, 1989, annual investment
6 earnings equal to 1.5% of the Fund shall remain in the Fund to
7 be used for the purposes established in Section 830-40 of this
8 Act. The Authority is authorized to transfer to the Fund such
9 amounts as are necessary to satisfy claims during the duration
10 of the State Guarantee program to secure State Guarantees
11 issued under this Section. If for any reason the General
12 Assembly fails to make an appropriation sufficient to meet
13 these obligations, this Act shall constitute an irrevocable and
14 continuing appropriation of an amount necessary to secure
15 guarantees as defaults occur and the irrevocable and continuing
16 authority for, and direction to, the State Treasurer and the
17 Comptroller to make the necessary transfers to the Illinois
18 Agricultural Loan Guarantee Fund, as directed by the Governor,
19 out of the General Revenue Fund. Within 30 days after November
20 15, 1985, the Authority may transfer up to \$7,000,000 from
21 available appropriations into the Illinois Agricultural Loan
22 Guarantee Fund for the purposes of this Act. Thereafter, the
23 Authority may transfer additional amounts into the Illinois
24 Agricultural Loan Guarantee Fund to secure guarantees for
25 defaults as defaults occur. In the event of default by the
26 farmer, the lender shall be entitled to, and the Authority

1 shall direct payment on, the State Guarantee after 90 days of
2 delinquency. All payments by the Authority shall be made from
3 the Illinois Agricultural Loan Guarantee Fund to satisfy claims
4 against the State Guarantee. The Illinois Agricultural Loan
5 Guarantee Fund shall guarantee receipt of payment of 90% ~~the~~
6 ~~85%~~ of the principal and interest owed on the State Guarantee
7 Loan by the farmer to the guarantee holder. It shall be the
8 responsibility of the lender to proceed with the collecting and
9 disposing of collateral on the State Guarantee within 14 months
10 of the time the State Guarantee is declared delinquent;
11 provided, however, that the lender shall not collect or dispose
12 of collateral on the State Guarantee without the express
13 written prior approval of the Authority. If the lender does not
14 dispose of the collateral within 14 months, the lender shall be
15 liable to repay to the State interest on the State Guarantee
16 equal to the same rate which the lender charges on the State
17 Guarantee; provided, however, that the Authority may extend the
18 14-month period for a lender in the case of bankruptcy or
19 extenuating circumstances. The Fund shall be reimbursed for any
20 amounts paid under this Section upon liquidation of the
21 collateral. The Authority, by resolution of the Board, may
22 borrow sums from the Fund and provide for repayment as soon as
23 may be practical upon receipt of payments of principal and
24 interest by a farmer. Money may be borrowed from the Fund by
25 the Authority for the sole purpose of paying certain interest
26 costs for farmers associated with selling a loan subject to a

1 State Guarantee in a secondary market as may be deemed
2 reasonable and necessary by the Authority.

3 (d) Notwithstanding the provisions of this Section 830-30
4 with respect to the farmers and lenders who may obtain State
5 Guarantees, the Authority may promulgate rules establishing
6 the eligibility of farmers and lenders to participate in the
7 State guarantee program and the terms, standards, and
8 procedures that will apply, when the Authority finds that
9 emergency conditions in Illinois agriculture have created the
10 need for State Guarantees pursuant to terms, standards, and
11 procedures other than those specified in this Section.

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

13 (20 ILCS 3501/830-35)

14 Sec. 830-35. State Guarantees for loans to farmers and
15 agribusiness; eligibility.

16 (a) The Authority is authorized to issue State Guarantees
17 to lenders for loans to eligible farmers and agribusinesses for
18 purposes set forth in this Section. For purposes of this
19 Section, an eligible farmer shall be a resident of Illinois (i)
20 who is principal operator of a farm or land, at least 50% of
21 whose annual gross income is derived from farming, (ii) whose
22 annual total sales of agricultural products, commodities, or
23 livestock exceeds \$20,000, and (iii) whose net worth does not
24 exceed \$2,000,000 ~~\$500,000~~. An eligible agribusiness shall be
25 that as defined in Section 801-10 of this Act. The Authority

1 may approve applications by farmers and agribusinesses that
2 promote diversification of the farm economy of this State
3 through the growth and development of new crops or livestock
4 not customarily grown or produced in this State or that
5 emphasize a vertical integration of grain or livestock produced
6 or raised in this State into a finished agricultural product
7 for consumption or use. "New crops or livestock not customarily
8 grown or produced in this State" shall not include corn,
9 soybeans, wheat, swine, or beef or dairy cattle. "Vertical
10 integration of grain or livestock produced or raised in this
11 State" shall include any new or existing grain or livestock
12 grown or produced in this State. Lenders shall apply for the
13 State Guarantees on forms provided by the Authority, certify
14 that the application and any other documents submitted are true
15 and correct, and pay an administrative fee as determined by the
16 Authority. The applicant shall be responsible for paying any
17 fees or charges involved in recording mortgages, releases,
18 financing statements, insurance for secondary market issues
19 and any other similar fees or charges as the Authority may
20 require. The application shall at a minimum contain the
21 farmer's or agribusiness' name, address, present credit and
22 financial information, including cash flow statements,
23 financial statements, balance sheets, and any other
24 information pertinent to the application, and the collateral to
25 be used to secure the State Guarantee. In addition, the lender
26 must agree to charge an interest rate, which may vary, on the

1 loan that the Authority determines to be below the market rate
2 of interest generally available to the borrower. If both the
3 lender and applicant agree, the interest rate on the State
4 Guarantee Loan can be converted to a fixed interest rate at any
5 time during the term of the loan. Any State Guarantees provided
6 under this Section (i) shall not exceed \$2,000,000 ~~\$500,000~~ per
7 farmer or an amount as determined by the Authority on a
8 case-by-case basis for an agribusiness, (ii) shall not exceed a
9 term of 15 years, and (iii) shall be subject to an annual
10 review and renewal by the lender and the Authority; provided
11 that only one such State Guarantee shall be made per farmer or
12 agribusiness, except that additional State Guarantees may be
13 made for purposes of expansion of projects financed in part by
14 a previously issued State Guarantee. No State Guarantee shall
15 be revoked by the Authority without a 90-day notice, in
16 writing, to all parties. The lender shall not call due any loan
17 for any reason except for lack of performance, insufficient
18 collateral, or maturity. A lender may review and withdraw or
19 continue with a State Guarantee on an annual basis after the
20 first 5 years following closing of the loan application if the
21 loan contract provides for an interest rate that shall not
22 vary. A lender shall not withdraw a State Guarantee if the loan
23 contract provides for an interest rate that may vary, except
24 for reasons set forth herein.

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

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

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

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

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

12 (c) There is hereby created outside of the State treasury a
13 special fund to be known as the Illinois Farmer and
14 Agribusiness Loan Guarantee Fund. The State Treasurer shall be
15 custodian of this Fund. Any amounts in the Fund not currently
16 needed to meet the obligations of the Fund shall be invested as
17 provided by law, and all interest earned from these investments
18 shall be deposited into the Fund until the Fund reaches the
19 maximum amounts authorized in this Act; thereafter, interest
20 earned shall be deposited into the General Revenue Fund. After
21 September 1, 1989, annual investment earnings equal to 1.5% of
22 the Fund shall remain in the Fund to be used for the purposes
23 established in Section 830-40 of this Act. The Authority is
24 authorized to transfer such amounts as are necessary to satisfy
25 claims from available appropriations and from fund balances of
26 the Farm Emergency Assistance Fund as of June 30 of each year

1 to the Illinois Farmer and Agribusiness Loan Guarantee Fund to
2 secure State Guarantees issued under this Section and Sections
3 830-45, 830-50, and 830-55. If for any reason the General
4 Assembly fails to make an appropriation sufficient to meet
5 these obligations, this Act shall constitute an irrevocable and
6 continuing appropriation of an amount necessary to secure
7 guarantees as defaults occur and the irrevocable and continuing
8 authority for, and direction to, the State Treasurer and the
9 Comptroller to make the necessary transfers to the Illinois
10 Farmer and Agribusiness Loan Guarantee Fund, as directed by the
11 Governor, out of the General Revenue Fund. In the event of
12 default by the borrower on State Guarantee Loans under this
13 Section, Section 830-45, Section 830-50, or Section 830-55, the
14 lender shall be entitled to, and the Authority shall direct
15 payment on, the State Guarantee after 90 days of delinquency.
16 All payments by the Authority shall be made from the Illinois
17 Farmer and Agribusiness Loan Guarantee Fund to satisfy claims
18 against the State Guarantee. It shall be the responsibility of
19 the lender to proceed with the collecting and disposing of
20 collateral on the State Guarantee under this Section, Section
21 830-45, Section 830-50, or Section 830-55 within 14 months of
22 the time the State Guarantee is declared delinquent. If the
23 lender does not dispose of the collateral within 14 months, the
24 lender shall be liable to repay to the State interest on the
25 State Guarantee equal to the same rate that the lender charges
26 on the State Guarantee, provided that the Authority shall have

1 the authority to extend the 14-month period for a lender in the
2 case of bankruptcy or extenuating circumstances. The Fund shall
3 be reimbursed for any amounts paid under this Section, Section
4 830-45, Section 830-50, or Section 830-55 upon liquidation of
5 the collateral. The Authority, by resolution of the Board, may
6 borrow sums from the Fund and provide for repayment as soon as
7 may be practical upon receipt of payments of principal and
8 interest by a borrower on State Guarantee Loans under this
9 Section, Section 830-45, Section 830-50, or Section 830-55.
10 Money may be borrowed from the Fund by the Authority for the
11 sole purpose of paying certain interest costs for borrowers
12 associated with selling a loan subject to a State Guarantee
13 under this Section, Section 830-45, Section 830-50, or Section
14 830-55 in a secondary market as may be deemed reasonable and
15 necessary by the Authority.

16 (d) Notwithstanding the provisions of this Section 830-35
17 with respect to the farmers, agribusinesses, and lenders who
18 may obtain State Guarantees, the Authority may promulgate rules
19 establishing the eligibility of farmers, agribusinesses, and
20 lenders to participate in the State Guarantee program and the
21 terms, standards, and procedures that will apply, when the
22 Authority finds that emergency conditions in Illinois
23 agriculture have created the need for State Guarantees pursuant
24 to terms, standards, and procedures other than those specified
25 in this Section.

26 (Source: P.A. 96-897, eff. 5-24-10.)

1 (20 ILCS 3501/830-45)

2 Sec. 830-45. Young Farmer Loan Guarantee Program.

3 (a) The Authority is authorized to issue State Guarantees
4 to lenders for loans to finance or refinance debts of young
5 farmers. For the purposes of this Section, a young farmer is a
6 resident of Illinois who is at least 18 years of age and who is
7 a principal operator of a farm or land, who derives at least
8 50% of annual gross income from farming, whose net worth is not
9 less than \$10,000 and whose debt to asset ratio is not less
10 than 40%. For the purposes of this Section, debt to asset ratio
11 means current outstanding liabilities, including any debt to be
12 financed or refinanced under this Section 830-45, divided by
13 current outstanding assets. The Authority shall establish the
14 maximum permissible debt to asset ratio based on criteria
15 established by the Authority. Lenders shall apply for the State
16 Guarantees on forms provided by the Authority and certify that
17 the application and any other documents submitted are true and
18 correct. The lender or borrower, or both in combination, shall
19 pay an administrative fee as determined by the Authority. The
20 applicant shall be responsible for paying any fee or charge
21 involved in recording mortgages, releases, financing
22 statements, insurance for secondary market issues, and any
23 other similar fee or charge that the Authority may require. The
24 application shall at a minimum contain the young farmer's name,
25 address, present credit and financial information, including

1 cash flow statements, financial statements, balance sheets,
2 and any other information pertinent to the application, and the
3 collateral to be used to secure the State Guarantee. In
4 addition, the borrower must certify to the Authority that, at
5 the time the State Guarantee is provided, the borrower will not
6 be delinquent in the repayment of any debt. The lender must
7 agree to charge a fixed or adjustable interest rate that the
8 Authority determines to be below the market rate of interest
9 generally available to the borrower. If both the lender and
10 applicant agree, the interest rate on the State guaranteed loan
11 can be converted to a fixed interest rate at any time during
12 the term of the loan. State Guarantees provided under this
13 Section (i) shall not exceed \$2,000,000 ~~\$500,000~~ per young
14 farmer, (ii) shall be set up on a payment schedule not to
15 exceed 30 years, but shall be no longer than 15 years in
16 duration, and (iii) shall be subject to an annual review and
17 renewal by the lender and the Authority. A young farmer may use
18 this program more than once provided the aggregate principal
19 amount of State Guarantees under this Section to that young
20 farmer does not exceed \$2,000,000 ~~\$500,000~~. No State Guarantee
21 shall be revoked by the Authority without a 90-day notice, in
22 writing, to all parties.

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

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

1 (ii) The application provides collateral acceptable to
2 the Authority that is at least equal to the State
3 Guarantee.

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

7 (iv) The lender is at risk for the first 10% ~~15%~~ of the
8 outstanding principal of the note for which the State
9 Guarantee is provided.

10 (c) The Illinois Agricultural Loan Guarantee Fund and the
11 Illinois Farmer and Agribusiness Loan Guarantee Fund may be
12 used to secure State Guarantees issued under this Section as
13 provided in Section 830-30 and Section 830-35, respectively.

14 (d) Notwithstanding the provisions of this Section 830-45
15 with respect to the young farmers and lenders who may obtain
16 State Guarantees, the Authority may promulgate rules
17 establishing the eligibility of young farmers and lenders to
18 participate in the State Guarantee program and the terms,
19 standards, and procedures that will apply, when the Authority
20 finds that emergency conditions in Illinois agriculture have
21 created the need for State Guarantees pursuant to terms,
22 standards, and procedures other than those specified in this
23 Section.

24 (Source: P.A. 96-897, eff. 5-24-10.)

25 Section 99. Effective date. This Act takes effect upon
26 becoming law.