



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB0753

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.

LRB100 07365 HLH 17429 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, provided that amounts to be paid
12 from the Industrial Project Insurance Fund created under
13 Article 805 of this Act may be paid by the Authority directly
14 to satisfy claims and need not be deposited first into the
15 Illinois Agricultural Loan Guarantee Fund. If for any reason
16 the General Assembly fails to make an appropriation sufficient
17 to meet these obligations, this Act shall constitute an
18 irrevocable and continuing appropriation of an amount
19 necessary to secure guarantees as defaults occur and the
20 irrevocable and continuing authority for, and direction to, the
21 State Treasurer and the Comptroller to make the necessary
22 transfers to the Illinois Agricultural Loan Guarantee Fund, as
23 directed by the Governor, out of the General Revenue Fund.
24 Within 30 days after November 15, 1985, the Authority may
25 transfer up to \$7,000,000 from available appropriations into
26 the Illinois Agricultural Loan Guarantee Fund for the purposes

1 of this Act. Thereafter, the Authority may transfer additional
2 amounts into the Illinois Agricultural Loan Guarantee Fund to
3 secure guarantees for defaults as defaults occur. In the event
4 of default by the farmer, the lender shall be entitled to, and
5 the Authority shall direct payment on, the State Guarantee
6 after 90 days of delinquency. All payments by the Authority to
7 satisfy claims against the State Guarantee shall be made, in
8 whole or in part, from any of the following funds in such order
9 and in such amounts as the Authority shall determine: (1) the
10 Industrial Project Insurance Fund created under Article 805 of
11 this Act (if the Authority exercises its discretion under
12 subsection (j) of Section 805-20); (2) the Illinois
13 Agricultural Loan Guarantee Fund; or (3) the Illinois Farmer
14 and Agribusiness Loan Guarantee Fund. The Illinois
15 Agricultural Loan Guarantee Fund shall guarantee receipt of
16 payment of 90% ~~the 85%~~ of the principal and interest owed on
17 the State Guarantee Loan by the farmer to the guarantee holder,
18 provided that payments by the Authority to satisfy claims
19 against the State Guarantee shall be made in accordance with
20 the preceding sentence. It shall be the responsibility of the
21 lender to proceed with the collecting and disposing of
22 collateral on the State Guarantee under this Section, Section
23 830-35, Section 830-45, Section 830-50, Section 830-55, or
24 Article 835 within 14 months of the time the State Guarantee is
25 declared delinquent; provided, however, that the lender shall
26 not collect or dispose of collateral on the State Guarantee

1 without the express written prior approval of the Authority. If
2 the lender does not dispose of the collateral within 14 months,
3 the lender shall be liable to repay to the State interest on
4 the State Guarantee equal to the same rate which the lender
5 charges on the State Guarantee; provided, however, that the
6 Authority may extend the 14-month period for a lender in the
7 case of bankruptcy or extenuating circumstances. The Fund from
8 which a payment is made shall be reimbursed for any amounts
9 paid from that Fund under this Section, Section 830-35, Section
10 830-45, Section 830-50, Section 830-55, or Article 835 upon
11 liquidation of the collateral. The Authority, by resolution of
12 the Board, may borrow sums from the Fund and provide for
13 repayment as soon as may be practical upon receipt of payments
14 of principal and interest by a farmer. Money may be borrowed
15 from the Fund by the Authority for the sole purpose of paying
16 certain interest costs for farmers associated with selling a
17 loan subject to a State Guarantee in a secondary market as may
18 be deemed reasonable and necessary by the Authority.

19 (d) Notwithstanding the provisions of this Section 830-30
20 with respect to the farmers and lenders who may obtain State
21 Guarantees, the Authority may promulgate rules establishing
22 the eligibility of farmers and lenders to participate in the
23 State guarantee program and the terms, standards, and
24 procedures that will apply, when the Authority finds that
25 emergency conditions in Illinois agriculture have created the
26 need for State Guarantees pursuant to terms, standards, and

1 procedures other than those specified in this Section.

2 (Source: P.A. 99-509, eff. 6-24-16.)

3 (20 ILCS 3501/830-35)

4 Sec. 830-35. State Guarantees for loans to farmers and
5 agribusiness; eligibility.

6 (a) The Authority is authorized to issue State Guarantees
7 to lenders for loans to eligible farmers and agribusinesses for
8 purposes set forth in this Section. For purposes of this
9 Section, an eligible farmer shall be a resident of Illinois (i)
10 who is principal operator of a farm or land, at least 50% of
11 whose annual gross income is derived from farming, (ii) whose
12 annual total sales of agricultural products, commodities, or
13 livestock exceeds \$20,000, and (iii) whose net worth does not
14 exceed \$2,000,000 ~~\$500,000~~. An eligible agribusiness shall be
15 that as defined in Section 801-10 of this Act. The Authority
16 may approve applications by farmers and agribusinesses that
17 promote diversification of the farm economy of this State
18 through the growth and development of new crops or livestock
19 not customarily grown or produced in this State or that
20 emphasize a vertical integration of grain or livestock produced
21 or raised in this State into a finished agricultural product
22 for consumption or use. "New crops or livestock not customarily
23 grown or produced in this State" shall not include corn,
24 soybeans, wheat, swine, or beef or dairy cattle. "Vertical
25 integration of grain or livestock produced or raised in this

1 State" shall include any new or existing grain or livestock
2 grown or produced in this State. Lenders shall apply for the
3 State Guarantees on forms provided by the Authority, certify
4 that the application and any other documents submitted are true
5 and correct, and pay an administrative fee as determined by the
6 Authority. The applicant shall be responsible for paying any
7 fees or charges involved in recording mortgages, releases,
8 financing statements, insurance for secondary market issues
9 and any other similar fees or charges as the Authority may
10 require. The application shall at a minimum contain the
11 farmer's or agribusiness' name, address, present credit and
12 financial information, including cash flow statements,
13 financial statements, balance sheets, and any other
14 information pertinent to the application, and the collateral to
15 be used to secure the State Guarantee. In addition, the lender
16 must agree to charge an interest rate, which may vary, on the
17 loan that the Authority determines to be below the market rate
18 of interest generally available to the borrower. If both the
19 lender and applicant agree, the interest rate on the State
20 Guarantee Loan can be converted to a fixed interest rate at any
21 time during the term of the loan. Any State Guarantees provided
22 under this Section (i) shall not exceed \$2,000,000 ~~\$500,000~~ per
23 farmer or an amount as determined by the Authority on a
24 case-by-case basis for an agribusiness, (ii) shall not exceed a
25 term of 15 years, and (iii) shall be subject to an annual
26 review and renewal by the lender and the Authority; provided

1 that only one such State Guarantee shall be made per farmer or
2 agribusiness, except that additional State Guarantees may be
3 made for purposes of expansion of projects financed in part by
4 a previously issued State Guarantee. No State Guarantee shall
5 be revoked by the Authority without a 90-day notice, in
6 writing, to all parties. The lender shall not call due any loan
7 for any reason except for lack of performance, insufficient
8 collateral, or maturity. A lender may review and withdraw or
9 continue with a State Guarantee on an annual basis after the
10 first 5 years following closing of the loan application if the
11 loan contract provides for an interest rate that shall not
12 vary. A lender shall not withdraw a State Guarantee if the loan
13 contract provides for an interest rate that may vary, except
14 for reasons set forth herein.

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

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

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

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

25 (iv) The lender is responsible for the first 10% ~~15%~~ of
26 the outstanding principal of the note for which the State

1 Guarantee has been applied.

2 (c) There is hereby created outside of the State treasury a
3 special fund to be known as the Illinois Farmer and
4 Agribusiness Loan Guarantee Fund. The State Treasurer shall be
5 custodian of this Fund. Any amounts in the Fund not currently
6 needed to meet the obligations of the Fund shall be invested as
7 provided by law, and all interest earned from these investments
8 shall be deposited into the Fund until the Fund reaches the
9 maximum amounts authorized in this Act; thereafter, interest
10 earned shall be deposited into the General Revenue Fund. After
11 September 1, 1989, annual investment earnings equal to 1.5% of
12 the Fund shall remain in the Fund to be used for the purposes
13 established in Section 830-40 of this Act. The Authority is
14 authorized to transfer such amounts as are necessary to satisfy
15 claims from available appropriations and from fund balances of
16 the Farm Emergency Assistance Fund as of June 30 of each year
17 to the Illinois Farmer and Agribusiness Loan Guarantee Fund to
18 secure State Guarantees issued under this Section, Sections
19 830-30, 830-45, 830-50, and 830-55, and Article 835 of this
20 Act. Amounts to be paid from the Industrial Project Insurance
21 Fund created under Article 805 of this Act may be paid by the
22 Authority directly to satisfy claims and need not be deposited
23 first into the Illinois Farmer and Agribusiness Loan Guarantee
24 Fund. If for any reason the General Assembly fails to make an
25 appropriation sufficient to meet these obligations, this Act
26 shall constitute an irrevocable and continuing appropriation

1 of an amount necessary to secure guarantees as defaults occur
2 and the irrevocable and continuing authority for, and direction
3 to, the State Treasurer and the Comptroller to make the
4 necessary transfers to the Illinois Farmer and Agribusiness
5 Loan Guarantee Fund, as directed by the Governor, out of the
6 General Revenue Fund. In the event of default by the borrower
7 on State Guarantee Loans under this Section, Section 830-45,
8 Section 830-50, or Section 830-55, the lender shall be entitled
9 to, and the Authority shall direct payment on, the State
10 Guarantee after 90 days of delinquency. All payments by the
11 Authority to satisfy claims against the State Guarantee shall
12 be made, in whole or in part, from any of the following funds
13 in such order and in such amounts as the Authority shall
14 determine: (1) the Industrial Project Insurance Fund created
15 under Article 805 of this Act (if the Authority exercises its
16 discretion under subsection (j) of Section 805-20); (2) the
17 Illinois Farmer and Agribusiness Loan Guarantee Fund; or (3)
18 the Illinois Farmer and Agribusiness Loan Guarantee Fund. It
19 shall be the responsibility of the lender to proceed with the
20 collecting and disposing of collateral on the State Guarantee
21 under this Section, Section 830-45, Section 830-50, or Section
22 830-55 within 14 months of the time the State Guarantee is
23 declared delinquent. If the lender does not dispose of the
24 collateral within 14 months, the lender shall be liable to
25 repay to the State interest on the State Guarantee equal to the
26 same rate that the lender charges on the State Guarantee,

1 provided that the Authority shall have the authority to extend
2 the 14-month period for a lender in the case of bankruptcy or
3 extenuating circumstances. The Fund shall be reimbursed for any
4 amounts paid under this Section, Section 830-30, Section
5 830-45, Section 830-50, Section 830-55, or Article 835 upon
6 liquidation of the collateral. The Authority, by resolution of
7 the Board, may borrow sums from the Fund and provide for
8 repayment as soon as may be practical upon receipt of payments
9 of principal and interest by a borrower on State Guarantee
10 Loans under this Section, Section 830-30, Section 830-45,
11 Section 830-50, Section 830-55, or Article 835. Money may be
12 borrowed from the Fund by the Authority for the sole purpose of
13 paying certain interest costs for borrowers associated with
14 selling a loan subject to a State Guarantee under this Section,
15 Section 830-30, Section 830-45, Section 830-50, Section
16 830-55, or Article 835 in a secondary market as may be deemed
17 reasonable and necessary by the Authority.

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

1 in this Section.

2 (Source: P.A. 99-509, eff. 6-24-16.)

3 (20 ILCS 3501/830-45)

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

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

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

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

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

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

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 at risk for the first 10% ~~15%~~ of the
10 outstanding principal of the note for which the State
11 Guarantee is provided.

12 (c) The Illinois Agricultural Loan Guarantee Fund, the
13 Illinois Farmer and Agribusiness Loan Guarantee Fund, and the
14 Industrial Project Insurance Fund may be used to secure State
15 Guarantees issued under this Section as provided in Section
16 830-30, Section 830-35, and subsection (j) of Section 805-20,
17 respectively. All payments by the Authority to satisfy claims
18 against the State Guarantee shall be made, in whole or in part,
19 from any of the following funds in such order and in such
20 amounts as the Authority shall determine: (1) the Industrial
21 Project Insurance Fund (if the Authority exercises its
22 discretion under subsection (j) of Section 805-20); (2) the
23 Illinois Agricultural Loan Guarantee Fund; or (3) the Illinois
24 Farmer and Agribusiness Loan Guarantee Fund.

25 (d) Notwithstanding the provisions of this Section 830-45
26 with respect to the young farmers and lenders who may obtain

1 State Guarantees, the Authority may promulgate rules
2 establishing the eligibility of young farmers and lenders to
3 participate in the State Guarantee program and the terms,
4 standards, and procedures that will apply, when the Authority
5 finds that emergency conditions in Illinois agriculture have
6 created the need for State Guarantees pursuant to terms,
7 standards, and procedures other than those specified in this
8 Section.

9 (Source: P.A. 99-509, eff. 6-24-16.)

10 Section 99. Effective date. This Act takes effect upon
11 becoming law.