

DEPARTMENT OF AGRICULTURE  
OFFICE OF AGRICULTURAL DEVELOPMENT  
GENERAL RULES

(By authority conferred on the Michigan family farm development authority by section 33 of Act No. 206 of the Public Acts of 1969, as amended, and section 5 of Act No. 220 of the Public Acts of 1982, being SS24.233 and 285.255 of the Michigan Compiled Laws)

PART 1. GENERAL PROVISIONS

R 285.2101 Definitions.

Rule 101. (1) As used in these rules:

(a) "Act" means Act No. 220 of the Public Acts of 1982, being S285.251 et seq. of the Michigan Compiled Laws.

(b) "Applicant" means a beginning farmer.

(c) "Application" means a formal request by a beginning farmer for a loan under the act made on forms furnished by the authority.

(d) "Authority" means the Michigan family farm development authority.

(e) "Eligible applicant" means an applicant who legally can qualify for a loan from the authority and has been approved by the authority. An eligible applicant may receive a loan only upon a determination by the authority in accordance with the act and these rules.

(f) "Executive director" means the chief administrative officer of the authority.

(g) "Farm" means a farming enterprise rather than solely a rural residence.

(2) Terms defined in the act have the same meanings when used in these rules.

History: 1983 AACCS.

R 285.2102 Quorum.

Rule 102. A quorum of the authority shall consist of 4 members for the purpose of conducting the authority's business, for exercising the authority's powers, and for other purposes. Action by the authority shall be by resolution by a majority of the authority.

History: 1983 AACCS.

R 285.2103 Hearings.

Rule 103. To inform itself and the public, the authority may hold public hearings anywhere in the state and may limit the scope of such hearings.

History: 1983 AACCS.

R 285.2104 Right of appeal.

Rule 104. A person, firm, corporation, or public body or agency aggrieved by a decision of the authority or the executive director may request, in writing, that the authority hold a hearing in accordance with Act No. 306 of the Public Acts of 1969, as amended, being S24.201 et. seq. of the Michigan Compiled Laws.

History: 1983 AACCS.

R 285.2105 Bylaws.

Rule 105. The authority may adopt and amend bylaws which shall be public records. The bylaws may include the time and place of regular meetings, the manner of calling special meetings, and such internal procedures as the authority requires.

History: 1983 AACS.

R 285.2106 Contracts and loan documents.

Rule 106. (1) Contracts, agreements, and loan documents shall be authorized by the authority.

(2) The authority may include any conditions authorized by law or within the authority's powers in contract or loan documents.

(3) The applicant shall execute such documents as required by the authority to secure the loan made to the applicant.

History: 1983 AACS.

R 285.2107 Interest rate and payment schedule.

Rule 107. The authority shall set the interest rate and the schedule for payment of interest and principal.

History: 1983 AACS.

R 285.2108 Uses of loan proceeds.

Rule 108. The authority shall prescribe conditions for the use of loan funds, including the manner in which loan proceeds are to be paid over to the eligible applicant.

History: 1983 AACS.

R 285.2109 Additional requirements.

Rule 109. In addition to any other requirements, the state authority, in conjunction with a loan, may require any of the following:

(a) A review or audit of the applicant's financial statements and records while the authority's loan is still outstanding.

(b) Physical inspections of the applicant's farm while the authority's loan is still outstanding.

(c) Evidence of completion of certain percentages of construction before allocation of further funds.

History: 1983 AACS.

R 285.2110 Assumption of loans; substitution of collateral and property.

Rule 110. Authority loans shall not be assumed on the agricultural land, agricultural improvements, or agricultural depreciable property financed by authority loans sold subject to an authority loan without the prior approval of the authority, and then only if the purchaser of the property is an eligible applicant for an authority loan. Equipment and other depreciable property may be exchanged or traded in on similar property, and other property such as breeding livestock may be added or substituted as collateral subject to the prior approval of the authority on loans held by the authority. Agricultural land, agricultural improvements, and depreciable agricultural property purchased with loans from the authority shall not be leased or rented for a period of more than 1 year in lieu of being operated by the borrower without prior approval of the authority.

History: 1983 AACS.

R 285.2111 Executive director; duties.

Rule 111. The executive director's duties are:

- (a) To issue public information relative to the program.
- (b) To design necessary application and other regulatory forms.
- (c) To recommend application procedure to the authority.
- (d) To recommend procedures and terms of collection and repayment of loans to the authority.
- (e) To process loan applications.
- (f) To perform other duties and functions as the authority may prescribe to carry out the purposes of the act.

History: 1983 AACS.

R 285.2112 Land management.

Rule 112. (1) Land acquired through loans administered by the authority shall be managed in accordance with generally accepted practices.

(2) Conservation practices, as recommended by the appropriate soil conservation district, shall be incorporated into land management plans to assure that adequate erosion control and productivity is maintained.

History: 1983 AACS.

R 285.2113 Public information.

Rule 113. The public may obtain information regarding authority programs by writing to the executive director.

History: 1983 AACS.

## PART 2. APPLICANT ELIGIBILITY AND APPLICATIONS

R 285.2201 Eligible applicants.

Rule 201. In addition to the required criteria set forth in section 9(2) of the act, a beginning farmer is eligible to receive a loan upon a determination that all of the following criteria are met:

- (a) The net worth of the beginning farmer exceeds 10% of the amount of the loan requested.
- (b) The loan is not for refinancing debts previously incurred by the beginning farmer.
- (c) The loan is not for the purchase of feed, seed, fertilizer, fuel, feeder cattle, feeder pigs, feeder lambs, or other items generally considered as operating expense.

History: 1983 AACS.

R 285.2202 Application.

Rule 202. (1) The authority staff may provide staff services to assist an applicant in complying with the requirements of the act and these rules.

(2) The authority staff may prepare application forms which shall be approved by the authority. The forms shall specify what information and supporting materials are to be included. A copy of a written lease shall be included with the application when a beginning farmer does not have ownership.

History: 1983 AACS.

R 285.2203 Processing of applications.

Rule 203. (1) The executive director shall process loan applications and forward them to the authority with his or her analysis and recommendations.

(2) The authority may require an applicant to amend the application to meet the availability of funds, approvable costs, or for other purposes which will enhance the authority's ability to borrow funds.

(3) Upon forwarding by the executive director of a loan application to the authority, the authority shall, at the authority's next meeting, place the application on its agenda.

History: 1983 AACS.

R 285.2204 Priorities for funds.

Rule 204. (1) To assure the availability of loans and grants on an equitable basis to eligible applicants in all geographic areas of the state and to assure that the project can be funded on terms satisfactory to the authority, the authority may establish and revise priorities for funds among approved applicants.

(2) Applications and other pertinent program information will be made readily available by the authority in all areas of the state to assure that loans and grants are available to qualified applicants in all geographic areas of the state.

History: 1983 AACS.

R 285.2205 Approval of applications.

Rule 205. The authority's review shall be based on the following criteria:

(a) The applicant is an eligible applicant.

(b) The loan is economically feasible, based on customary and acceptable business and lending standards.

(c) Other criteria that the authority deems necessary to carry out the act.

History: 1983 AACS.

### PART 3. INDIVIDUAL AGRICULTURAL REVENUE BOND PROGRAM

R 285.2301 Program description.

Rule 301. The program described in this part is intended to allow beginning farmers to obtain lower interest rate loans for farming purposes by obtaining loan funds from the proceeds of a tax-exempt revenue bond issued by the authority and purchased by the participating lender. The authority will enter into a loan agreement with the beginning farmer and assign that loan to the participating lender. At the same time, the authority will issue a tax-exempt revenue bond in the amount of the loan and the participating lender will purchase that bond, which is used to fund the loan assigned to the lender. The bond which is issued by the authority and purchased by the lender is a limited obligation. The security for the lender is the underlying security on the assigned loan.

History: 1983 AACS.

R 285.2302 Application procedures.

Rule 302. (1) The beginning farmer may apply, on forms approved by the authority, for an authority loan with any participating lender. Any loan approved will be assigned to that participating lender.

(2) Authority loan eligibility is determined by the requirements of the act and these rules. If a beginning farmer meets the loan eligibility requirements, the decision on whether to enter into the loan agreement is initially between the beginning farmer and the participating lender. They must agree on terms of the loan, such as interest rates, length of loan, down payment, service fees, origination charges, and repayment schedule, which may not be any more onerous than that charged to similar customers for similar loans, but taking into account the tax-exempt nature of interest on the loan.

(3) Following completion of the loan application by the beginning farmer and approval by the participating lender, the loan application shall be submitted to the authority for its review and approval. The authority's review shall be based on the following criteria:

(a) The eligibility of the loan applicant.

(b) Whether the loan proceeds will be used for farming purposes under the act and these rules and the internal revenue code and internal revenue service regulations relating to industrial development revenue bonds.

(c) Whether terms of the loan comply with these rules.

(4) Following approval of the loan and in conjunction with the issuance and sale of the authority's bond to the participating lender, the authority will enter into a loan agreement with the beginning farmer and then assign the loan without recourse to the participating lender.

History: 1983 AACS.

#### R 285.2303 Issuance of bond.

Rule 303. Following approval of the loan, the authority shall issue a bond, to be purchased by the participating lender, in the amount and fitting the terms of the loan to the beginning farmer. The principal and interest on the bond is a limited obligation payable solely out of the revenues derived from the loan to the beginning farmer and the underlying collateral or other security furnished by or on behalf of the beginning farmer. The participating lender shall have no other recourse against the authority. The principal and interest on the bond does not constitute a general obligation of the authority. The state shall not be liable on notes or bonds of the authority, and the notes and bonds shall not be a debt of the state. The notes and bonds shall contain on the face of the notes or bonds a statement to that effect.

History: 1983 AACS.

#### R 285.2304 Participating lenders.

Rule 304. Any mortgage lender may become a participating lender under this program by signing an agreement with the authority to become a participating lender.

History: 1983 AACS.

#### R 285.2305 Minimum loan.

Rule 305. The minimum loan under this program shall be \$25,000.00.

History: 1983 AACS.

#### R 285.2306 Procedures following bond issuance.

Rule 306. Loan proceeds shall not be used for purposes other than those permitted under the act for which the loan was made or by users other than the beginning farmer and his or her family or such users as are permitted in R 285.2212. Following disbursement of the bond proceeds, the participating lender and beginning farmer shall, upon request of the authority, certify that the proceeds are being used by an eligible beginning farmer for purposes authorized by the act.

History: 1983 AACS.