

CHAPTER 290

H.B. No. 196

An Act relating to the creation of a farm and ranch finance program.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Title 7, Natural Resources Code, is amended by adding Chapter 163 to read as follows:

CHAPTER 163. FARM AND RANCH FINANCE PROGRAM

SUBCHAPTER A. ADMINISTRATION

Sec. 163.001. DEFINITION. In this chapter, "board" means the Veterans Land Board.

Sec. 163.002. ADMINISTRATION. The board shall administer the Farm and Ranch Finance Program.

[Sections 163.003-163.010 reserved for expansion]

SUBCHAPTER B. BONDS

Sec. 163.011. BONDS. (a) By appropriate action, the board may provide by resolution for the issuance and sale of negotiable bonds authorized by the constitution, and the proceeds shall constitute the farm and ranch finance program fund.

(b) The provisions of Subchapter D, Chapter 161, of this code, relating to the issuance and sale of bonds for the purpose of financing the veterans land fund apply to the issuance and sale of bonds for the purpose of financing the farm and ranch finance program fund.

Sec. 163.012. DISPOSITION OF BOND PROCEEDS. (a) Except as provided by Subsection (b) of this section, proceeds derived from the sale of the bonds, less the administrative costs of issuing the bonds, shall be deposited with the state treasurer to the credit of the farm and ranch finance program fund.

(b) The board may appropriate to the interest and sinking fund from the farm and ranch finance program fund an amount that, together with the accrued interest received, is sufficient to pay interest coupons becoming due during the fiscal year in which the bonds are sold and to establish appropriate reserves.

Sec. 163.013. PAYMENT OF PRINCIPAL AND INTEREST. The state treasurer shall pay the principal on bonds as they mature and the interest as it becomes payable.

Sec. 163.014. PURCHASE AND DESTRUCTION OF BONDS. Section 161.177 of this code, relating to the purchase and destruction of bonds sold to finance the veterans land fund, applies to the purchase and destruction of bonds sold to finance the farm and ranch finance program fund.

Sec. 163.015. USE OF FUND; LEGISLATIVE APPROPRIATIONS. Sections 161.175, 161.176, 161.178, and 161.179 of this code, relating to the use of and legislative appropriations to

the veterans land fund, apply to the use of and legislative appropriations to the farm and ranch finance program fund.

[Sections 163.016-163.020 reserved for expansion]

SUBCHAPTER C. PURCHASE, SALE, AND OTHER DISTRIBUTION OF LAND

Sec. 163.021. ELIGIBILITY. (a) The board may not sell a tract of land under this chapter that is less than 50 acres in size.

(b) To be eligible to purchase land under this section, a person, at the time he applies, must:

(1) be a United States citizen;

(2) have been a Texas resident for not less than five years immediately preceding the application; and

(3) be a member of a household which has derived at least 35 percent of its gross income from a farm or ranch for the preceding three years; and

(4) have a net worth of less than \$250,000.

Sec. 163.022. LOCAL COMMITTEE. The county judge shall appoint a local committee consisting of two resident agricultural producers and an officer of a financial institution located in the county. The county judge shall designate the chairman of the local committee.

Sec. 163.023. APPLICATION. (a) A person desiring to purchase land under this chapter shall apply to the board.

(b) The board shall refer the application to the local committee in the county in which the land is located and in the county in which the applicant resides.

(c) The local committee shall review the application and determine the eligibility of the applicant and the value of the land. The eligibility of the applicant shall be determined without regard to the race, color, religion, or national origin of the applicant. The local committee shall make a recommendation to the board regarding the applicant's eligibility and the land's value.

(d) As soon as practicable after a recommendation is received by the board, the board shall approve or deny the application and shall notify the applicant of its decision.

Sec. 163.024. PURCHASE PAYMENTS. (a) If the purchase price for a tract of land to be purchased under this chapter is \$100,000 or less, the purchaser shall make an initial payment of at least five percent of the purchase price.

(b) If the purchase price for a tract of land to be purchased under this chapter exceeds \$100,000, the purchaser shall make an initial payment of the difference between the purchase price and \$100,000, plus five percent of \$100,000.

(c) The balance of the purchase price shall be amortized over a period determined by the board not to exceed 40 years, at a rate of interest set by the board. The board may not include in the interest rate more than one percentage point to defray the costs of administration.

(d) The purchaser is entitled to pay any or all installments still remaining unpaid on any installment date.

(e) In an individual case, the board may postpone for good cause the payment of the whole or any part of an installment of the purchase price or interest on the purchase price on terms the board considers proper.

Sec. 163.025. DOWN PAYMENT. (a) A tract of land may not be sold by the board unless the purchaser makes a cash down payment as required by this chapter.

(b) If the sale is not consummated, the down payment shall be refunded to the purchaser.

Sec. 163.026. NONTRANSFERABILITY. (a) The purchase contract must provide that transferring ownership of the land before the entire principal and interest due have been paid constitutes an act of forfeiture of the contract.

(b) This section does not apply to a transfer made to the surviving spouse or heirs of a deceased participant in the program.

Sec. 163.027. CHANGES IN USE. (a) Before a purchaser may use land acquired under this chapter for a purpose other than farming or ranching, the purchaser must submit to the board an application for approval of change of use.

(b) As soon as practicable after an application is received, the board shall approve or deny the application and shall notify the borrower of its decision.

(c) The purchase contract must provide that using land acquired under this chapter for a purpose other than farming or ranching without the approval of the board constitutes an act of forfeiture of the contract.

Sec. 163.028. APPRAISAL. (a) Before purchasing land under this chapter, the board shall have an appraisal of the property made to determine its value.

(b) *An appraiser representing the board shall be reasonably qualified to give competent appraisals of land.*

(c) *The appraiser shall make a written report to the board in affidavit form, duly sworn to before a notary public or other official authorized to administer oaths, that states:*

- (1) *the appraised value of the land;*
- (2) *the name and address of any person contacted relative to the valuation of the land;*
- (3) *that the appraiser has examined the records of the county clerk's office relative to the amount paid by the vendor for the land;*
- (4) *that the appraiser has checked past sales of adjacent land to aid in determining valuation; and*
- (5) *that neither the appraiser nor a member of the appraiser's family has received a personal benefit from the transaction and does not expect to receive a future personal benefit from the transaction.*

Sec. 163.029. SWORN REPORT. Before purchasing land under this chapter, the board shall require the seller to execute a sworn report to the board that states:

- (1) *the date the seller purchased the land;*
- (2) *the amount the seller paid for the land;*
- (3) *from whom the seller purchased the land; and*
- (4) *the improvements made on the land since the seller purchased it and the cost of the improvements.*

Sec. 163.030. CONDITIONS OF LEASES. While a person is indebted to the board for land purchased under this chapter, if the person executes or there exists a lease or contract of sale of oil, gas, or other minerals, chemicals, hard metals, timber, sand, gravel, or other materials that covers all or part of the land and that would result in the depletion of the corpus of the tract, not less than one-half of all bonus money, delay rentals, and royalties received as consideration for or payment under the oil, gas, and mineral lease and not less than one-half of all money received under a lease or contract of sale of other minerals, chemicals, hard metals, timber, sand, gravel, and other materials or as much as is required, shall be paid to the board by the owner of the lease or contract of sale and applied by the board to the satisfaction of the indebtedness.

Sec. 163.031. DEEDS. (a) When the entire indebtedness due the state under the contract of sale is paid, the chairman of the board shall execute a deed under seal to the purchaser of the land or, if the purchaser is deceased, the purchaser's surviving spouse or heirs.

(b) None of the provisions of this chapter shall be construed to prohibit the board from accepting full payment for a portion of a tract and issuing a deed to the land according to the rules of the board.

(c) A deed issued by the board and executed by the chairman under seal is ratified, confirmed, and validated whether the deed conveys all or only a part of the land contracted to be sold to the purchaser.

Sec. 163.032. CONDITIONS FOR SALE OF LAND. Land acquired and subdivided under this chapter shall be offered for sale according to rules adopted by the board and shall be sold by the board to persons qualified to participate in the program in conformity with this chapter.

Sec. 163.033. RIGHTS OF SURVIVING SPOUSE. If an eligible applicant dies after the applicant has filed with the board an application and contract of sale to purchase through the board the tract selected by the applicant and before the purchase is completed, the surviving spouse of the applicant may complete the transaction.

Sec. 163.034. NUMBER OF TRACTS PURCHASED. A person may not purchase more than one tract of land under this chapter.

Sec. 163.035. OTHER PROVISIONS FOR SALE OF LAND. Sections 161.211, 161.214-161.216, 161.221, 161.223, 161.226, 161.227, 161.230, and 161.231 of this code, relating to the purchase, sale, and other disposition of land under the Veterans Land Program, apply to the purchase, sale, and other disposition of land under the Farm and Ranch Finance Program.

Sec. 163.036. TITLE FOR HOMESTEAD. The board may establish a procedure by which a borrower acquiring land with a loan under this chapter may obtain title clear of encumbrances to one acre of the tract for use as a homestead.

Sec. 163.037. RULES; FEES. The board may adopt rules and charge reasonable fees it considers necessary to administer the Farm and Ranch Finance Program.

[Sections 163.038-163.040 reserved for expansion]

SUBCHAPTER D. FORFEITURE AND INSURANCE

Sec. 163.041. FORFEITURE. Except for Section 161.323, Subchapter H, Chapter 161, of this code, relating to the forfeiture of a purchase contract by a veteran under the Veterans Land

Program, applies to the forfeiture of a purchase contract by a purchaser under the Farm and Ranch Finance Program.

Sec. 163.042. INSURANCE REQUIREMENT. (a) Each purchaser shall carry insurance on the improvements on the property under contract of purchase that the board considers necessary, and failure to do so will subject the contract to forfeiture under Section 163.041 of this code.

(b) The board may adopt rules it considers necessary to enforce this section.

(c) If the board desires, it may require each applicant to make additional semiannual payments to be held in trust to pay premiums that may become due and unpaid on the contracted insurance covering the improvements. The payments shall be deposited in a trust fund with the state treasurer and shall be used to make the premium payments. The unused balance of the applicant's deposit shall be held by the board until the time that maintenance of the account is unnecessary and then shall be refunded to the applicant.

Sec. 163.043. OTHER INSURANCE PROVISIONS. Except for Section 161.362, Subchapter I, Chapter 161, of this code, relating to insurance for land purchased under the Veterans Land Program, applies to insurance for land purchased under the Farm and Ranch Finance Program.

SECTION 2. This Act takes effect September 1, 1986, if the amendment proposed by H.J.R. No. 19, 69th Legislature, Regular Session, 1985, is approved by the voters. If that amendment is not approved, this Act has no effect.

SECTION 3. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

Passed by the House on May 6, 1985, by a non-record vote; House concurred in Senate amendments to H.B. No. 196 on May 27, 1985, by a non-record vote.; passed by the Senate, with amendments, on May 26, 1985, by a viva-voce vote.

Approved: June 6, 1985

Effective: September 1, 1986 if H.J.R. 19 approved in November 1985.