

## CHAPTER 186

## S.B. No. 1333

## AN ACT

relating to the Farm and Ranch Finance Program and the Family Farm and Ranch Security Program.

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

SECTION 1. Section 163.001, Natural Resources Code, is amended to read as follows:

Sec. 163.001. *DEFINITIONS* [~~DEFINITION~~]. In this chapter:

(1) "Board" [~~,"board"~~] means the Veterans Land Board.

(2) "Program" means the Farm and Ranch Finance Program.

SECTION 2. Subchapter A, Chapter 163, Natural Resources Code, is amended by adding Section 163.003 to read as follows:

*Sec. 163.003. FINDINGS. The legislature finds that the board can finance the purchase of land under this chapter at a cost below that which purchasers eligible to participate in the program would otherwise be able to obtain through private financing. The legislature further finds that the board may serve the best interests of the program by issuing taxable bonds through the authority provided by the Texas Constitution and this chapter.*

SECTION 3. Subsection (c), Section 163.011, Natural Resources Code, is amended to read as follows:

(c) If the aggregate principal amount of a series or issue of bonds being issued and sold for the purpose of financing the farm and ranch finance program fund is less than or equal to \$20 million, the board may exercise the powers granted to the governing body of an issuer as provided by [~~provisions of~~] Chapter 656, Acts of the 68th Legislature, Regular Session, 1983 (Article 717q, Vernon's Texas Civil Statutes), in connection with the issuance of those bonds [~~apply~~].

SECTION 4. Section 163.012, Natural Resources Code, is amended by amending Subsection (a) and by adding Subsection (c) to read as follows:

(a) Except as provided by *Subsections* [~~Subsection~~] (b) and (c) 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.

(c) *The board may appropriate from the proceeds of the sale of bonds an amount that it considers reasonable and necessary to cover the costs of administering the program. This amount shall be deposited in the state treasury to the credit of a special fund to be known as the farm and ranch administrative expense fund.*

SECTION 5. Section 163.015, Natural Resources Code, is amended to read as follows:

Sec. 163.015. *USE OF FUND* [~~LEGISLATIVE APPROPRIATIONS~~]. (a) Sections 161.175, 161.176, and 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.

(b) *Section 162.050 of this code, relating to the procedures for the transfer of the constitutional appropriations to the veterans housing assistance fund, applies to the procedures for the transfer of the constitutional appropriations to the farm and ranch finance program fund.*

SECTION 6. Subsections (c) and (d), Section 163.024, Natural Resources Code, are amended to read as follows:

(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 set the interest rate to provide a margin over the rate paid by the board on its bonds issued under this chapter. The difference between the cost of the money to the board and the interest rate charged the purchaser may be used in whole or in part to defray the expense of administering the program* [~~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, together with any premium that may be required by the board in connection with the early payment of an installment under authority of this section, on any [~~installment~~] date that the board provides.

SECTION 7. Section 163.037, Natural Resources Code, is amended to read as follows:

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

(b) *The board may set and collect fees it considers reasonable and necessary to cover the expenses of administering the program, and these fees shall be deposited in the state treasury to the credit of a special fund to be known as the farm and ranch fee fund.*

SECTION 8. Subchapter D, Chapter 163, Natural Resources Code, is amended by adding Section 163.0411 to read as follows:

Sec. 163.0411. PURCHASES BY VETERANS LAND BOARD. *Any land forfeited by a purchaser under the program may be purchased by the board for the benefit of the veterans land fund for use in accordance with Chapter 161 of this code.*

SECTION 9. Section 252.001, Agriculture Code, is amended by amending Subdivision (1) and by adding Subdivisions (7), (8), and (9) to read as follows:

(1) "Advisory council" means the Family Farm and Ranch Advisory Council created under Section 252.013 [252.01] of this chapter.

(7) "Fund" means the farm and ranch loan security fund.

(8) "Program" means the family farm and ranch security program.

(9) "Special review board" means the special review board created under Section 252.0231 of this code.

SECTION 10. Section 252.002, Agriculture Code, is amended to read as follows:

Sec. 252.002. FAMILY FARM AND RANCH SECURITY PROGRAM. (a) A family farm and ranch security program is established. Subject to the provisions of this chapter and the rules adopted under this chapter, the commissioner may guarantee to eligible lenders that, in the event of default on a family farm and ranch security loan, the state will pay the lender either:

(1) 90 percent of the sum due and payable under the first real estate mortgage or deed of trust; or

(2) if the borrower makes a down payment of 10 percent or more of the purchase price, all of the sum due and payable under the first real estate mortgage or deed of trust.

(b) *The commissioner shall guarantee to the Veterans Land Board that, in the event the Veterans Land Board shall forfeit under the provisions of Subchapter D, Chapter 163, Natural Resources Code, any loan that has been designated a family farm and ranch security loan as provided by Section 252.0231 of this code, the Veterans Land Board shall be paid from the fund either:*

(1) 95 percent of the amount due and payable under the contract of sale and purchase; or

(2) if the borrower makes a down payment of five percent or more of the purchase price, all of the amount due and payable under the contract of sale and purchase.

SECTION 11. Section 252.013, Agriculture Code, is amended by adding Subsection (i) to read as follows:

*(i) Notwithstanding the provisions of Subsection (f) of this section, the advisory council may not review loans made by the Veterans Land Board pursuant to Chapter 163, Natural Resources Code, and Section 252.0231 of this code.*

SECTION 12. Section 252.021, Agriculture Code, is amended by adding Subsection (c) to read as follows:

*(c) Notwithstanding the provisions of Subsection (a) of this section, any applicant whom the Veterans Land Board approves for a loan pursuant to Chapter 163, Natural Resources Code, shall be eligible for a family farm and ranch security loan, subject to the provisions of Section 252.0231 of this chapter.*

SECTION 13. Section 252.022, Agriculture Code, is amended to read as follows:

Sec. 252.022. ELIGIBLE LENDERS. *(a)* To qualify as an eligible lender under this chapter, a lender must be:

- (1) an individual, or a family partnership or corporation as defined by rule of the commissioner, who is the seller in a seller-sponsored loan transaction;
- (2) a bank, savings bank, mutual savings bank, credit union, farm credit institution, or savings and loan association organized under the law of this state or the United States;
- (3) a financial institution, including a trust company, subject to the supervision of the banking commissioner; or
- (4) a corporation engaged in the business of insurance that is subject to the supervision of the State Board of Insurance under the Insurance Code.

*(b) The Veterans Land Board is eligible to make loans guaranteed by the state under this chapter, in connection with any loan made pursuant to Chapter 163, Natural Resources Code.*

SECTION 14. Subchapter C, Chapter 252, Agriculture Code, is amended by adding Section 252.0231 to read as follows:

Sec. 252.0231. *PROCEDURE FOR GUARANTEE OF VETERANS LAND BOARD LOANS. (a) A special review board composed of the commissioner or his representative, the chairman of the Veterans Land Board or his representative, and the two appointed members of the Veterans Land Board is created. Three members constitute a quorum.*

*(b) Applications for the guarantee of loans made by the Veterans Land Board pursuant to Chapter 163, Natural Resources Code, are subject only to the procedures of this section.*

*(c) The staff of the Veterans Land Board shall identify all loans submitted to the Veterans Land Board pursuant to Chapter 163, Natural Resources Code, that are intended to be designated family farm and ranch security loans.*

*(d) All identified loans shall be reviewed in a public meeting by the special review board and the minutes of the meeting shall be kept and made a part of the records of the Veterans Land Board and the Department of Agriculture.*

*(e) The special review board is the sole judge of whether each loan application satisfies the requirements of Sections 252.021 and 252.024 of this code and Chapter 163 of the Natural Resources Code.*

*(f) Loans may not be guaranteed under the Family Farm and Ranch Security Program if the loans would jeopardize any tax-exempt status of the bonds issued pursuant to this chapter.*

*(g) The minutes of the meetings of the special review board shall record the deliberations of the special review board and all decisions made regarding approval or disapproval of each application, including the votes of each member.*

*(h) If in the opinion of two or more members of the special review board any loan fails to satisfy the requirements of this chapter and Chapter 163, Natural Resources*

*Code, or fails to be in the best interest of the program, the application shall be denied, and the special review board shall notify the applicant of its decision and the reason.*

*(i) Applications approved by the special review board are not subject to further review by the advisory council.*

*(j) In reviewing any loan under the procedure set forth in this section, the commissioner shall determine if sufficient proceeds remain available for the program. At any time the commissioner determines that remaining proceeds are insufficient for the program, the commissioner shall notify the chairman of the Veterans Land Board.*

SECTION 15. Section 252.024, Agriculture Code, is amended by adding Subsection (e) to read as follows:

*(e) Notwithstanding Subsections (a) through (d) of this section, the commissioner shall accept the appraisal performed by the Veterans Land Board pursuant to Chapter 163, Natural Resources Code, in full satisfaction of this section.*

SECTION 16. Section 252.028, Agriculture Code, is amended by adding Subsection (g) to read as follows:

*(g) Notwithstanding Subsections (a) through (f) of this section, the Veterans Land Board is the sole judge in all matters relating to defaults and forfeitures for any loan made pursuant to Chapter 163, Natural Resources Code.*

SECTION 17. 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, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed the Senate on April 23, 1987, by the following vote: Yeas 31, Nays 0; and that the Senate concurred in House amendment on May 14, 1987, by the following vote: Yeas 30, Nays 0. Passed the House, with amendment, on May 5, 1987, by the following votes on a division of the question: the last sentence of Section 7 passed by the following vote: Yeas 141, Nays 0, one present not voting; the remainder of the bill passed by the following vote: Yeas 140, Nays 0, one present not voting.

Approved May 26, 1987.

Effective May 26, 1987.