



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-2445/2
MPG:ahe/amn/cjs

2019 BILL

1 **AN ACT to amend** 234.907 (1) (d), 234.907 (1) (f), 234.907 (2) (cm) and 234.907
2 (2) (f); and **to create** 234.907 (2) (L) and 234.907 (4) of the statutes; **relating**
3 **to:** agricultural development loan guarantee program administered by the
4 Wisconsin Housing and Economic Development Authority.

Analysis by the Legislative Reference Bureau

This bill makes several changes to the agricultural development loan guarantee program administered by the Wisconsin Housing and Economic Development Authority and establishes a pilot loan guarantee program within the agricultural development loan guarantee program.

Under WHEDA's existing program, WHEDA may guarantee certain loans made by private lenders for working capital or to finance a physical plant, machinery or equipment, or marketing expenses, used to process or market a product from a raw agricultural commodity produced in this state or to commercially harvest whitefish from Lake Superior. WHEDA may guarantee any amount up to 90 percent of the principal of an eligible loan and may establish a single guarantee percentage for all guaranteed loans or establish different percentages for different eligible loans. However, WHEDA is prohibited from guaranteeing a loan if the total guaranteed principal of all loans to the borrower under the program would exceed \$750,000, or \$100,000 if the loan is for working capital or an item used to commercially harvest whitefish from Lake Superior. Generally, the term of a loan guarantee under the program may not exceed 15 years.

BILL

This bill makes the following changes to WHEDA's existing agricultural development loan guarantee program:

1. The term of a loan guarantee may not exceed ten years for land and buildings; five years for inventory, equipment, and machinery; and two years for permanent working capital and marketing expenses.

2. The closing fee for a loan guarantee under the program may not exceed 1.5 percent. Current law does not address closing fees.

Additionally, the bill requires WHEDA to allocate \$3,000,000 to a pilot program under which WHEDA may guarantee collection of 25 percent of the principal of an eligible loan or \$750,000, whichever is less. The fixed amount guaranteed is payable to the lender for the entire term of the guarantee regardless of when a default occurs, if a default occurs. In all other respects, a loan guarantee under the pilot program is subject to the requirements of the existing program, as affected by the bill. The pilot program sunsets as of July 1, 2024.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 234.907 (1) (d) of the statutes is amended to read:

2 234.907 (1) (d) "Guaranteed loan" means a loan on which the authority
3 guarantees collection under sub. (3) or (4).

4 **SECTION 2.** 234.907 (1) (f) of the statutes is amended to read:

5 234.907 (1) (f) "Percentage of guarantee" means the percentage established by
6 the authority under sub. (3) or (4).

7 **SECTION 3.** 234.907 (2) (cm) of the statutes is amended to read:

8 234.907 (2) (cm) The total guarantee amount of all loans to the borrower that
9 are guaranteed under this section and that are made for working capital or an item
10 necessary to, or used to, commercially harvest whitefish from Lake Superior will not
11 exceed \$100,000. This subsection does not apply to a loan guaranteed under sub. (4).

12 **SECTION 4.** 234.907 (2) (f) of the statutes is amended to read:

BILL

1 234.907 (2) (f) The term of the authority’s guarantee under this section is not
2 longer than ~~15~~ 10 years for land and buildings, 5 years for inventory, equipment, and
3 machinery, and 2 years for permanent working capital and marketing expenses.

4 This paragraph does not apply to a loan that is part of a loan workout agreement.

5 **SECTION 5.** 234.907 (2) (L) of the statutes is created to read:

6 234.907 (2) (L) The closing fee for the authority’s guarantee under this section
7 is not more than 1.5 percent.

8 **SECTION 6.** 234.907 (4) of the statutes is created to read:

9 234.907 (4) ALTERNATIVE GUARANTEE OF COLLECTION PILOT PROGRAM. (a)
10 Notwithstanding sub. (3), the authority shall implement a pilot program under
11 which it may guarantee collection of 25 percent of the principal of any loan eligible
12 for a guarantee under sub. (2) or \$750,000, whichever is less.

13 (b) The amount guaranteed under par. (a) shall be payable in full to the
14 authorized lender for the entire term of the guarantee regardless of the amount of
15 unpaid principal due at the time of default, if a default occurs.

16 (c) The authority shall allocate at least \$3,000,000 for loan guarantees under
17 par. (a).

18 (d) The authority may not guarantee a loan under par. (a) after June 30, 2024.

19 **SECTION 7. Initial applicability.**

20 (1) This act first applies to an application for a loan guarantee received by the
21 Wisconsin Housing and Economic Development Authority on the effective date of
22 this subsection.

23 (END)