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WISCONSIN STATE REPRESENTATIVE

41ST ASSEMBLY DISTRICT

**Assembly Bill 489: the priority of a mortgage executed to an institution
chartered by the federal Farm Credit Administration
Testimony of State Representative Joan Ballweg
Assembly Committee on Financial Institutions
October 30, 2019**

Thank you, Chair Duchow and members of the committee for hearing Assembly Bill 489 today. This legislation was introduced at the request of Cooperative Network on behalf of Farm Credit associations across Wisconsin.

Farm Credit associations are part of a national network of independently operated and cooperatively owned lenders. As a legislator from a rural district, these institutions meet the needs of agriculture and rural Wisconsin by providing credit and other financial services to farmers, rural businesses, and those living in rural areas. Farm Credit retailers provide the majority of agricultural lending services for farmers.

Under current law, Wis. Stats. 706.11(1) provides priority for certain classes of mortgage lenders over hidden construction liens. Farm Credit associations, which are federally chartered associations, are not included in that class of lenders. This legislation adds the federal Farm Credit Administration to the list of mortgages that have priority.

Thank you again for holding this public hearing. I'm happy to answer any questions.



HOWARD MARKLEIN

STATE SENATOR • 17TH SENATE DISTRICT

October 30, 2019

**Assembly Committee on Financial Institutions
Testimony on Assembly Bill 489**

Good Afternoon!

Thank you Chair Duchow and committee members for hearing Assembly Bill 489 (AB 489) that makes changes to the priority of a mortgage executed to an institution chartered by the federal Farm Credit Administration.

AB 489 adds the Farm Credit Administration to the list of priority lenders for certain classes of mortgage lenders. It adds to the list of mortgages that have priority, a mortgage executed to an institution chartered by the federal Farm Credit Administration that is part of the federal Farm Credit System.

This issue was brought to my attention on behalf of Farm Credit by Cooperative Network. Farm Credit supports our rural communities and agriculture. They offer loans and related financial services to support farmers, farmer-owned cooperatives, agribusiness and rural homebuyers.

The advantage of being named a Priority Lender is that it affords the mortgage holder a future advance first lien priority, for certain advances, as of the date of the recording of the mortgage - even where there is an intervening lien between each advance. We view this change as a technical correction that extends Priority Lender status to Farm Credit Associations, treating them the same as banks, credit unions, and WHEDA.

Thank you again for hearing AB 489, and your timely action on this proposal.



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October 29, 2019

To: Members of the Assembly Committee on Financial Institutions

RE: Assembly Bill 489 – granting priority status for mortgages executed by an institution chartered by the federal Farm Credit Administration

This bill is important to Wisconsin's Farm Credit institutions and the Cooperative Network. Currently, Farm Credit institutions do not enjoy priority lien status on any mortgages they execute.

This bill makes a technical fix to the Wisconsin Priority Lien Law, Wisconsin Statute 706.11, by adding Farm Credit institutions to the list of other protected mortgage lenders. Under this bill, any mortgage executed by a Federally Chartered Association of the Farm Credit System shall have priority over all liens upon the mortgaged premises and the buildings and improvements thereon, except tax and special assessment liens.

Background: The Farm Credit System was established in 1916 by an act of congress and given the mandate to support rural communities. At the time, credit from commercial banks was readily available for business and industry. But for rural and agricultural use credit was scarce and short term, with high interest rates. As land values increased, the need for long-term fixed-rate credit became acute.

Since inception, the Farm Credit System has supported agriculture by supplying reliable, consistent credit and financial services. These services include loans to farmers and ranchers, farmer-owned cooperatives, rural homebuyers, agribusinesses and rural infrastructure providers.

The Farm Credit System plays a vital role in rural Wisconsin, serving over 27,000 customers and loaning more than \$8 billion in 2018. Equally important, as customer-owned cooperatives, the Farm Credit institutions in Wisconsin have returned more than \$73 million in patronage (cooperative dividends) or re-investments to ensure future loans. Federal oversight by the Farm Credit Administration provides for the safety and soundness of the Farm Credit Institutions.

Please support this bill. Cooperative Network believes all mortgage lenders should enjoy equal "priority lien status" and that this bill corrects an unintentional oversight during drafting.

For questions, please contact Jennifer Wickman, Director of Government Affairs at jennifer.wickman@cooperativenetwork.coop or call 608-258-4402. Thank you!

**STATEMENT OF AGCOUNTRY FARM CREDIT SERVICES BOARD DIRECTOR
BILL OEMICHEN**

DATE: October 30, 2019

TO: Members of the Assembly Committee on Financial Institutions

RE: Assembly Bill 489 – granting priority status for mortgages executed by an institution chartered by the federal Farm Credit Administration

Thank you Chairperson Duchow and Committee Members. I am Bill Oemichen, a member of the board of directors of AgCountry Farm Credit Services. Our cooperatively-owned Farm Credit association serves agricultural producers in North Central Wisconsin, as well as producers in Western Minnesota and Eastern North Dakota.

AB 489 is important to Wisconsin's Farm Credit institutions, including AgCountry Farm Credit Services, ACA. AgCountry Farm Credit Services has six offices and serves twelve counties in North Central Wisconsin. Currently, Farm Credit institutions, like AgCountry, do not enjoy priority lien status on any mortgages they execute.

This bill makes a technical fix to the Wisconsin Priority Lien Law, Wisconsin Statutes Section 706.11, by adding Farm Credit institutions to the list of other protected mortgage lenders. Under this bill, any mortgage executed by a federally chartered Farm Credit association shall have priority over all liens upon the mortgaged premises and the buildings and improvements thereon, except tax and special assessment liens.

Congress established the cooperatively-owned Farm Credit System in 1916 to support rural communities. At that time, commercial bank credit was readily available for business and industry. Unfortunately, agriculture, by contrast, only had access to short term credit at comparatively high interest rates. With land values rising, the need for long-term fixed-rate credit became acute.

Since inception, the Farm Credit System has supported agriculture by supplying reliable, consistent credit and financial services. These services include loans to farmers and ranchers, farmer-owned cooperatives, rural homebuyers, agribusinesses and rural infrastructure providers. The Farm Credit System plays a vital role in rural Wisconsin, serving over 27,000 customers and loaning more than \$8 billion in 2018. Equally important, as customer-owned cooperatives, the Farm Credit institutions in Wisconsin have returned more than \$73 million in patronage (cooperative dividends) or re-investments to ensure future loans. Federal oversight by the Farm Credit Administration provides for the safety and soundness of the Farm Credit Institutions.

AgCountry Farm Credit Services believes all mortgage lenders should enjoy equal “priority lien status” and this bill corrects an unintentional oversight during drafting. Therefore, we ask you to please support AB 489.

Thank you for the opportunity to testify and I would be happy to answer any questions you may have today. Moreover, AgCountry General Counsel Jessica Fyre is available to respond to any questions you may have following the hearing. She may be reached at Jessica.fyre@agcountry.com or 701-261-5515.