



HOWARD MARKLEIN

STATE SENATOR • 17TH SENATE DISTRICT

October 10, 2019

Senate Committee on Agriculture, Revenue and Financial Institutions Testimony on Senate Bill 438

Good Morning!

Thank you committee members for hearing Senate Bill 438 (SB 438) that makes changes to the priority of a mortgage executed to an institution chartered by the federal Farm Credit Administration.

SB 438 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.

I am working with Rep. Ballweg, who has introduced the Assembly companion bill. 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 SB 438, and your timely action on this proposal.

Amend Wisconsin Statute 706.11 Priority of certain mortgages, trust funds

706.11 (1) add

- (i) Any mortgage executed to a Federally Chartered Associations of the Farm Credit System

706.11 Priority of certain mortgages, trust funds.

706.11(1)(1) Except as provided in sub. (4), when any of the following mortgages has been duly recorded, it shall have priority over all liens upon the mortgaged premises and the buildings and improvements thereon, except tax and special assessment liens filed after the recording of such mortgage and except liens under ss. 292.31 (8) (i) and 292.81:

706.11(1)(a) (a) Any mortgage executed to a federal savings and loan association or state or federal savings bank.

706.11(1)(b) (b) Any mortgage executed to the department of veterans affairs under s. 45.352, 1971 stats.

706.11(1)(c) (c) Any mortgage assigned to or executed to any of the following:

706.11(1)(c)1. 1. The United States, this state or a county, city, village or town in this state, or an agency, department or other formally constituted subunit of any of the foregoing.

706.11(1)(c)2. 2. The Wisconsin Health and Educational Facilities Authority created under ch. 231, the Wisconsin Housing and Economic Development Authority created under ch. 234, or any other authority created by state law.

706.11(1)(d) (d) Any mortgage executed to a state or national bank or to a state or federally chartered credit union.

706.11(1)(e) (e) Any mortgage executed under s. 66.1103 to a trustee, as defined in s. 66.1103 (2) (n).

706.11(1)(f) (f) Any mortgage executed to a mortgage banker, as defined in s. 224.71 (3).

706.11(1)(g) (g) Any mortgage executed to an insurer licensed to do business in this state.

706.11(1)(h) (h) Any mortgage executed to a licensee under s. 138.09

706.11(1)(i) (i) Any mortgage executed to a Federally Chartered Associations of the Farm Credit System



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WISCONSIN STATE REPRESENTATIVE

41ST ASSEMBLY DISTRICT

Senate Bill 438: the priority of a mortgage executed to an institution chartered by the federal Farm Credit Administration
Testimony of State Representative Joan Ballweg
Senate Committee on Agriculture, Revenue and Financial Institutions
October 10, 2019

Thank you, Chair Marklein and members of the committee for hearing Senate Bill 438 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.

*Federally
Chartered*

October 10, 2019

To: Members of the Senate Committee on Agriculture, Revenue and Financial Institutions

RE: Senate Bill 438 – Granting lien prior status for mortgages granted to an institution chartered by the federal Farm Credit Administration

This bill is important to Wisconsin's Farm Credit institutions. Farm Credit institutions do not enjoy the lien status on future advances made after the recording of a mortgage granted in favor of a Farm Credit institution. This bill proposes an amendment to the Wisconsin Future Advance Statute, Wis. Stat. §706.11(lm), by adding Farm Credit institutions to the list of other named priority lenders. Under this bill, an advance made under an existing recorded mortgage granted in favor of a federally chartered institution of the Farm Credit System, shall have the same lien priority as of the date of the recording of the mortgage.

Background: As demonstrated by Wisconsin case law as far back as 1885, Wisconsin has long held that a mortgage granted in favor of a lender may be utilized for the purpose of securing future advances. In 1998, Wisconsin adopted Wis. Stat. §706.11(lm), also known as the Wisconsin Future Advance Statute. The statute codified the existing case law addressing the priority of a mortgage lien securing an advance made after the recording of a mortgage. However, as drafted, the Wisconsin Future Advance Statute only applies to mortgages delivered in favor of specific lenders (Priority Lender).

The advantage of being named a Priority Lender is that an advance made by a Priority Lender, after the recording of its mortgage, has the same priority as of the date of the recorded mortgage. That is to say that where a Priority Lender has a mortgage with first lien priority, an advance made thereafter will retain first lien priority status. In enumerating the mortgage holders privy to Priority Lender status, the Wisconsin Future Advance Statute was remiss in including instrumentalities or federally chartered institutions of the Farm Credit System. Consequently, Farm Credit institutions do not qualify as Priority Lenders.

Since its inception in 1916, and through oversight by the Farm Credit Administration, the Farm Credit System through Farm Credit institutions, serves rural communities and supports agriculture by providing reliable, consistent credit and financial services. These services include loans to farmers and ranchers, farmer-owned cooperatives, rural homebuyers, agribusinesses, and rural infrastructure providers. As cooperatives owned by their customers, Farm Credit institutions continuously invest in the future of local families and farm businesses, and strives to meet the continuous, evolving needs of its customers.

The Farm Credit System plays a vital role in rural Wisconsin; serving over 27,000 customers and lending more than \$8 billion in 2018. More importantly, Wisconsin Farm Credit institutions have returned more than \$73 million in patronage to its customers.

Please support this bill. GreenStone Farm Credit Services believes that Farm Credit institutions should reap the same benefit as Priority Lenders under the Wisconsin Future Advance Statute. GreenStone hopes that you will join Senator Marklein, Representative Ballweg and Representative Hebl in supporting Senate Bill 438.

For questions, please contact Jonathan Rene at Jonathan.Rene@greenstonefcs.com or call 517-324-1206
Thank you!



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October 10, 2019

To: Members of the Senate Committee on Agriculture, Revenue and Financial Institutions

RE: Senate Bill 438 – 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. Currently, these 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 scarce and short term, with high interest rates for agriculture. 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.

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. We hope that you will join Senator Marklein, Representative Ballweg and Representative Hebl in supporting SB 438.

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

October 10, 2019

To: Members of the Senate Committee on Agriculture, Revenue and Financial Institutions

RE: Senate Bill 438 – 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 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 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 scarce and short term, with high interest rates for agriculture. 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.

Please support this bill. AgCountry Farm Credit Services believes all mortgage lenders should enjoy equal “priority lien status” and that this bill corrects an unintentional oversight during drafting. We hope that you will join Senator Marklein, Representative Ballweg and Representative Hebl in sponsoring LRB-2494/1 and LRB 3700/1. Please call their offices to sign on as a co-sponsor.

For questions, please contact Jessica Fyre, SVP General Counsel, AgCountry Farm Credit Services at Jessica.fyre@agcountry.com or call 701-261-5515. Thank you for your consideration of this bill.



2600 Jenny Wren Trail
Sun Prairie, WI 53590
compeer.com

October 10, 2019

To: Members of the Senate Committee on Agriculture, Revenue and Financial Institutions
RE: Senate Bill 438 – granting priority status for mortgages executed by an institution chartered by the federal Farm Credit Administration

This bill is important to Compeer Financial and other Farm Credit institutions operating in Wisconsin.

Currently, Compeer Financial and the two other Farm Credit institutions operating in Wisconsin (AgCountry FCS, GreenStone FCS) 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: Compeer Financial is a member of the Farm Credit System. Created by Congress in 1916, the Farm Credit System supports rural communities and agriculture with reliable, consistent credit and financial services. With headquarters in Sun Prairie, Wisconsin, Compeer Financial is a cooperative owned by our farmer customers and focused on championing the hopes and dreams of rural America. Compeer Financial provides loans, leases, risk management and other financial services to farmers and rural communities throughout parts of Wisconsin, Minnesota, and Illinois.

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 Compeer Financial and other Farm Credit Institutions.

Please support this bill. Compeer Financial believes all mortgage lenders should enjoy equal “priority lien status” and that this bill corrects an unintentional oversight during drafting.

For questions, please contact Perry Aasness, VP Legislative Affairs at perry.aasness@compeer.com or call 612-202-4925. Thank you!



2600 Jenny Wren Trail
Sun Prairie, WI 53590
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October 10, 2019

To: Members of the Senate Committee on Agriculture, Revenue and Financial Institutions
RE: Senate Bill 438 – granting priority status for mortgages executed by an institution chartered by the federal Farm Credit Administration

This bill is important to Compeer Financial and other Farm Credit institutions operating in Wisconsin.

Currently, Compeer Financial and the two other Farm Credit institutions operating in Wisconsin (AgCountry FCS, GreenStone FCS) 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.

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Please support this bill. Compeer Financial 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 at jennifer.wickman@cooperativenetwork.coop or call 608-258-4402. Thank you!

We champion
**THE HOPES AND
DREAMS OF
RURAL AMERICA.**



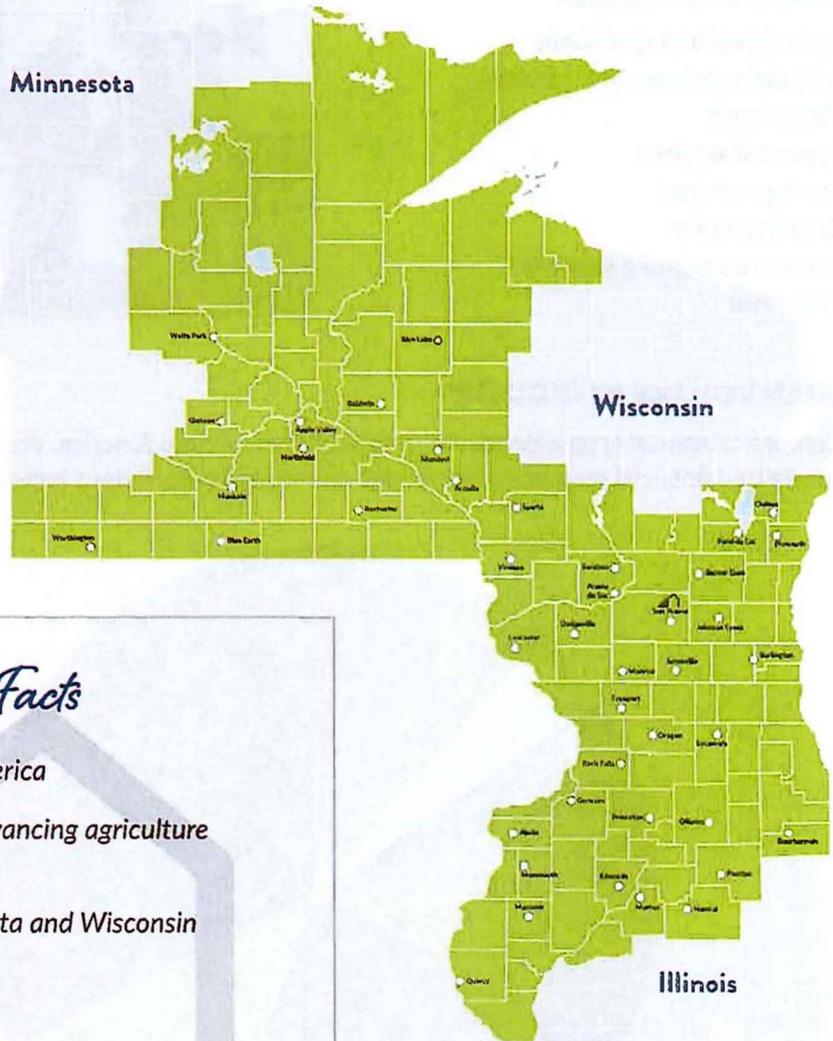
ABOUT COMPEER FINANCIAL®

Compeer Financial is a member-owned Farm Credit cooperative supporting agriculture and rural communities. Based in the Upper Midwest with about \$19 billion in loan and lease assets, **we take a forward-thinking approach to provide innovative, customized financial solutions and expertise to meet the unique needs and dreams of those we serve.**

Compeer Financial is the third largest cooperative in the Farm Credit System, a nationwide network of lending organizations supporting agriculture and rural communities with reliable, consistent credit and financial services.

Updated March 2019

Minnesota



Wisconsin

Illinois

Compeer Financial – Quick Facts

MISSION: Enriching agriculture and rural America

VISION: Trusted financial services partner advancing agriculture and rural America

TERRITORY: 144 counties in Illinois, Minnesota and Wisconsin

STOCKHOLDERS: Approximately 72,000

TEAM MEMBERS: Approximately 1,200

BOARD OF DIRECTORS: Includes 17 individuals. Fourteen directors are clients elected by the cooperative's voting member-owners. Three directors are appointed.



Helping clients to
**ACHIEVE GOALS
AND EXPAND
POSSIBILITIES.**



SCOPE OF BUSINESS

- Agricultural and rural loans
- Agribusiness loans and services
- Home loans
- Appraisal services
- Leasing services
- Crop insurance
- Tax and accounting services
- And more



LOAN VOLUME BY INDUSTRY

Compeer Financial is passionate about agriculture and rural America. We have team members dedicated to providing specialized financial resources, knowledge and expertise to various industries.

