

**TITLE 385. DEPARTMENT OF THE COMMISSIONERS OF THE LAND OFFICE
CHAPTER 10. FIRST MORTGAGE AGRICULTURAL LOAN**

385:10-1-1. Purpose [REVOKED]

~~The rules of this chapter have been adopted to establish the requirements and procedures for obtaining a farm loan. They cover basically matters pertaining to fees, title requirements, encumbrances, appraisals, interest rates, releases and subordination agreements. These rules are designed to advise the farming community of the progressive steps that are required to obtain a farm loan.~~

385:10-1-2. Applicant qualifications; title requirements [REVOKED]

~~The applicant for a farm loan must be a resident and citizen of the State of Oklahoma. He must own legal or equitable title to the land offered as security, as determined by the Marketable Record Title Act.~~

385:10-1-3. Application fees [REVOKED]

~~Applicants for farm loans shall deposit with their application loan processing fee specified in Schedule of Fees adopted by the Commissioners and in use on date application is filed with the Land Office.~~

385:10-1-4. Affidavit of possession [REVOKED]

~~Affidavit of possession of any person other than the applicant, who rents, leases or otherwise has possession of any part of the land or improvements thereon, must accompany each application for a farm loan. Form will be furnished with the application.~~

385:10-1-5. Order of processing [REVOKED]

~~The necessary services incident to the making and closing of loans shall be rendered as nearly as practicable in the chronological order in which farm loan applications are filed.~~

385:10-1-6. Conservancy districts [REVOKED]

~~Farm loan applicants whose land lies within an organized conservation district must agree to comply with the soil conservation program of the district and submit with his application the certificate of such agreement of compliance signed by an officer of the local soil conservation district. Form will be furnished with the application.~~

~~(1)—**Assessment of taxes.** The fact that lands are located within a conservancy district will have no effect on the eligibility of the lands for a loan from the Commissioners, provided the abstractor certifies that there has been no assessment of taxes by the district on such lands.~~

~~(2)—**Assessments released.** If assessments have been made on the lands by the district and the assessments have been paid and the lien for such assessments has been released, the lands will be acceptable as security for a school land loan.~~

~~(3)—**Assessments not released.** If assessments have been made on the lands by the district and have not been paid but no bonds have been issued, the lands will be eligible for a loan, since the assessment can be paid in full from the proceeds of the loan and the lien released.~~

385:10-1-7. Security for loan [REVOKED]

The security for a farm loan must be good and improved farm or grazing lands, located within the State. The amount of the loan cannot exceed fifty percent of departmental appraiser's value of the land, without the improvements.

385:10-1-8. Appraisals [REVOKED]

~~Prior to any application for a farm loan being submitted to the Commissioners for approval, the land being offered as security for the loan shall be appraised by an appraiser of the Land Office. All appraisals, using forms provided by the Commissioners of the Land Office, will be made in accordance with accepted methods and techniques of national appraisal societies, such as: Appraisers Institute, Farm managers and Rural Appraisers, Independent Fee Appraisers Society; or other recognized appraisal societies.~~

- ~~(1) **Appraisal qualifications.** In making appraisal, the appraiser shall determine:
 - ~~(A) Physical characteristics of the farm;~~
 - ~~(B) Buildings and other improvements;~~
 - ~~(C) Neighborhood data;~~
 - ~~(D) Production, income, and expense data; and~~
 - ~~(E) Comparative sales data.~~~~
- ~~(2) **Physical characteristics of appraised property.** The appraiser shall conduct a personal examination of the actual physical characteristics of the property as they appear on the date of the appraisal and shall consider the following:
 - ~~(A) Quality of the soil and its productivity;~~
 - ~~(B) Amount and availability of soil moisture;~~
 - ~~(C) Timber or crops on the property;~~
 - ~~(D) Quantity, quality and durability of supply of water for residential use, farm use or irrigation;~~
 - ~~(E) Slope of land;~~
 - ~~(F) Quality, extent and adequacy of drainage and condition of drainage tile;~~
 - ~~(G) Degree of erosion;~~
 - ~~(H) Location of property in relation to towns, other similar properties and to hazardous weather areas;~~
 - ~~(I) Location, quality and condition of boundary and inside fences;~~
 - ~~(J) Acreage of each field in cultivation and crops grown, pasture or waste; and~~
 - ~~(K) Buildings on the land; and other structural improvements including roads.~~~~
- ~~(3) **Market value of property.** Appraisers shall determine market value" of the property, defined as the highest price in terms of money which a property will bring in a competitive and open market under all conditions requisite to a fair sale: buyer and seller, each acting prudently, knowledgeable and assuming price is not affected by undue stimulus. "Market value" presumes that on date of appraisal there exists the following conditions:
 - ~~(A) Buyer and seller are typically motivated;~~
 - ~~(B) Both parties are knowledgeable about all uses of the property and each acting in his own best interest;~~
 - ~~(C) A reasonable time is allowed for exposure in the open market;~~
 - ~~(D) Payment is made in cash or its equivalent;~~
 - ~~(E) Financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale; and~~~~

~~(F) The price represents a consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs or credits incurred in the transaction.~~

~~(4) **Methods to determine market value of property.** For purposes of determining "market value" the appraiser shall utilize three approaches: Direct Sales Comparison, Capitalization of Income, and Cost methods, if applicable, and shall reconcile the three on the basis of which data appearing to be most reliable, provided, that a weighted preference shall be given to the Direct Sales Comparison method.~~

~~(A) **Direct sales comparison.** The appraisers shall compile as much data as possible under the circumstances for the most recent sales of comparable properties in the general area of property being appraised in recent period. Properties used for comparable sales analysis shall be evaluated on basis of similarity of such properties to the property being appraised, and the market value of the property being appraised shall be adjusted, up or down, depending upon dissimilarities between comparable properties. Principle points of comparison for determining similarities of properties are:~~

- ~~(i) Location;~~
- ~~(ii) Soil and topography;~~
- ~~(iii) Water resources;~~
- ~~(iv) Dwelling;~~
- ~~(v) Other essential buildings;~~
- ~~(vi) Allotments;~~
- ~~(vii) Proportion of cropland to total land;~~
- ~~(viii) Farm layout and arrangement;~~
- ~~(ix) General appearance;~~
- ~~(x) Accessibility to services and facilities;~~
- ~~(xi) State of cultivation;~~
- ~~(xii) Woodland;~~
- ~~(xiii) Pasture;~~
- ~~(xiv) Urban or rural orientation; and~~
- ~~(xvi) Alternative uses.~~

~~(B) **Capitalization of income.** The appraiser shall estimate average yearly earnings of appraised property and divide the estimated annual earnings by a capitalization rate of general application in the area.~~

~~(C) **Cost Approach.**~~

~~(i) An indication of value under the Cost Approach is obtained by adding the value of essential buildings to the market value of the land. Depreciation must recognize functional and economic obsolescence as well as physical deterioration in building value. Non-essential and extremely old buildings may have insurance value but would not add to overall building value.~~

~~(ii) Market value of the land will be value of the land without buildings. It will include land development of a permanent nature. A value per acre for land resources will be determined by analyzing sale price of comparable land.~~

~~(5) **Appraisal report.** A written report of appraisal, on form provided by Commissioners of the Land Office, setting forth the estimated value, shall be prepared and presented to the Commissioners of the Land Office. Appraisals are public record and are available to the~~

~~general public in accordance with 64 Okl.St. Ann. 1981, §61(A). The report shall conform with the guidelines in 4(A) through 4(C) of this subsection.~~

385:10-1-9. Loan limits [REVOKED]

~~No farm loan shall be made on any tract of land of less than 20 acres, nor for an amount less than \$1,000.00. All loans shall be in multiples of \$100.00.~~

385:10-1-10. Loans to state officials [REVOKED]

~~No farm loan can be made to any elected or appointed State Official, whether legislative, executive or judicial, during the term of his office or during his candidacy for elective Office.~~

385:10-1-11. Title through heirship [REVOKED]

~~Title to the farm land coming to heirs or devisees of deceased persons will not be accepted unless there has been a legal determination of heirship by a court of competent jurisdiction.~~

385:10-1-12. Increased loans [REVOKED]

~~An increased farm loan must take the status of a new loan and will be subject to the same rules, except as to the application fee, when identical lands are offered as security.~~

385:10-1-13. Interest rate [REVOKED]

~~(a) — It is the policy of the Commissioners to charge the maximum competitive interest rate on first mortgage farm loans.~~

~~(b) — First Mortgage farm loans entered into by the Commissioners will bear a variable rate of interest subject to change monthly.~~

~~(c) — Review of interest rate charged by the Commissioners on first mortgage agricultural land loans shall be a permanent item of business on the agenda for each regular meeting of the Commissioners. Upon recommendation of Staff, interested parties, or any Commissioner, the Commissioners may consider adjusting the interest rate as they, in the exercise of their authority, may deem to be in the best interest of the trust estates. Any change in rate will be effective on date as established by the Commissioners.~~

~~(d) — The Commissioners may adopt as an interest rate, that which is published in the "Wall Street Journal" as "Prime Rate" under the heading "Money Rates" and defined as the base rate on corporate loans at large U.S. Money Center Commercial Banks. If two, or more, rates are published in the same paper, then the higher rate shall be used.~~

385:10-1-14. Loan terms [REVOKED]

~~(a) — **Term.** No first mortgage agricultural land loan shall be made for a period of greater than thirty three (33) years. Loans shall provide for annual or semi-annual installments of principal and interest sufficient to amortize the loan over the loan term.~~

~~(b) — **Payment.** The Commissioners shall permit payment of a loan in part or in whole as provided in 64 Okl.St. Ann. §52.~~

~~(c) — **Information provided.** Applicant shall provide such information as shall be deemed necessary by the Commissioners of the Land Office.~~

~~(d) — **Releases.**~~

~~(1) — A release of a part of the land mortgaged as security for a loan which bears a variable rate of interest may be given at the discretion of the Commissioners; provided, that~~

- ~~(A) repayment is made of money loaned on that tract to be released;~~
 - ~~(B) payments are current and the loan is in good standing;~~
 - ~~(C) appraised value of remainder of land is sufficient to meet legal requirements to secure loan balance; and~~
 - ~~(D) the Commissioners may at their discretion release up to a total of ten (10) acres without payment, if loan principal has been reduced a sufficient amount for loan to meet legal requirements.~~
- ~~(2) Release of a part of the land mortgaged as security for a loan which does not bear a variable rate of interest will not be given. Except, the Commissioners, at their discretion, may release not to exceed a total of ten (10) acres as provided. Provided, further, the Commissioners may, at their discretion, honor a commitment to release more than ten (10) acres of security from a fixed rate loan where commitment was made prior to adoption of these rules and regulations upon repayment of amount loaned on tract to be released.~~
- ~~(e) **Initiation and origination fees and points.** The Commission may in their discretion charge initiation and/or origination fee and/or points in order to obtain a farm loan from the School Land Commission.~~

385:10-1-15. Cancellation of application [REVOKED]

~~Failure of the applicant for a farm loan to comply with any departmental requirements within a reasonable time will be grounds for cancellation of application. If any loan is not completed within 12 months subsequent to date of departmental appraiser's report, through fault of the applicant, the application will become automatically cancel led and can only be reinstated by written application and reappraisal of the land and payment of cost thereof.~~

385:10-1-16. Application preparation fee exemption [REVOKED]

~~No fees or commissions are to be paid for filling out the application or to secure a farm loan, except as maybe required by statute or permitted by the Schedule of Fees adopted by the Commissioners.~~

385:10-1-17. Subordination agreements [REVOKED]

~~Subordination of mortgage to an oil and gas lease may be granted at the option of the Commissioners to allow the payment of bonuses, rentals and royalties to the oil and gas lessor, who is mortgagor to the State. If such mortgagor has executed an assignment which provides for payment of rentals, royalties, or bonuses under the oil and gas lease to the Department, the Commissioners at their option may give notice in writing to the oil and gas lessee of the State's desire to receive payment of the bonus, rentals and/or royalties.~~

385:10-1-18. Improvements and insurance exclusion [REVOKED]

~~Farm loans are made upon value of the land exclusive of improvements. The Commissioners will not require insurance on buildings upon the mortgaged premises.~~