

THIRD SESSION
THIRTY-FIRST LEGISLATURE

ASSEMBLÉE NATIONALE DU QUÉBEC

Bill 10

**An Act to promote long term farm credit by
private institutions**

First reading
Second reading
Third reading

M. JEAN GARON
Ministre de l'agriculture

L'ÉDITEUR OFFICIEL DU QUÉBEC

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EXPLANATORY NOTES

The purpose of this bill is to set up a programme of long term farm credit that includes provisions for intermediate credit, whereby, from the coming into force of this act, private institutions such as chartered banks and savings and credit unions are to provide the capital and see to the recovery of the loans they have granted in accordance with generally accepted standards. The Office du crédit agricole, which is responsible for the administration of the act, is to furnish the expertise necessary to appraise loan applications or to recommend that certain measures be taken during the term of a loan, such as authorizations or releases. The bill also provides that in the event of a debtor's default, the lender will be entitled to entrust the Office with the mandate to act on his behalf and in his name to recover the sums due and, if necessary, to realize on the moveable and immoveable securities.

The new credit programme will be similar to that administered by the Office under the Farm Credit Act. However, the bill provides, in favour of the borrower, for a contribution of the Office to the payment of the interest in cases determined by regulation. The extent and the terms and conditions of such contribution will also be determined by regulation. The bill provides, in addition, that any loss incurred by lenders as a result of loans they have granted is to be reimbursed under a loan insurance scheme which is to be established by the bill on farm-loan insurance and forestry-loan insurance.

Division I of the bill contains the definitions concerning, in particular, the borrowers who may be eligible to benefit by the provisions of the bill, and the private institutions which are to be authorized to grant loans.

Division II deals with the various loans which may be granted, namely, loans secured by hypothec, loans secured by pledge of agricultural property and additional loans. It also establishes the maximum amount of a loan to a farmer or an aspiring farmer at \$250,000 and the maximum amount of a loan to a group opera-

tion at \$450,000, such limits including, however, a possible loan secured by pledge of agricultural property of up to \$100,000 in the case of an individual and of up to \$200,000 in the case of a group. In addition, Division II sets out the purposes for which loans may be obtained, and the requirement that borrowers obtain a certificate issued by the Office to benefit by the provisions of the act, together with the conditions for obtaining such certificate. Furthermore, Division II establishes thirty years as the maximum term for loans secured by hypothec and fifteen years as the maximum term for loans secured by pledge of agricultural property. Finally, Division II provides for the interest rates that lenders will be entitled to charge and deals with certain terms and secondary or accessory conditions regarding loans.

Division III establishes the powers of the Office in respect of the application for loans, the issuing of the certificate mentioned above, and its ability to act as mandatary of a lender and to acquire any immoveable hypothecated to secure a loan.

Division IV authorizes the Office to contribute to the payment of the interest on a loan.

Division V provides for the creation of a loan insurance scheme which is to guarantee lenders the repayment of losses resulting from loans they have granted.

Division VI provides various measures to be taken by the lender or by the Office to ensure the maintenance or the preservation of the immoveable or moveable property serving as security for a loan.

Division VII enables the Office to realize on the security of a loan in conformity with the provisions of the Farm Credit Act when it is acting as mandatary of a lender.

Division VIII establishes the various regulatory powers conferred on the Office for the carrying out of the act.

Division IX sets out the general provisions dealing, in particular, with the establishment of a working-capital fund.

Division X contains special provisions concerning the power of the lender to dispose of debts resulting from loans.

Division XI deals with the final provisions.

Bill 10

An Act to promote long term farm credit by private institutions

HER MAJESTY, with the advice and consent of the Assemblée
nationale du Québec, enacts as follows:

DIVISION I

DEFINITIONS

1. In this act, unless the context indicates a different meaning, Interpretation:

(a) "agriculture" means the cultivation of the soil or the raising of livestock; "agriculture";

(b) "farm" means any immoveable operated or to be operated within a reasonable delay for agricultural purposes; it also designates any other immoveable which, in the opinion of Office, may be considered as forming part of a farm in respect of which a loan may be granted; "farm";

(c) "economic farm" means any farm which, taking into account all of its resources, is capable of producing a revenue which enables the operator thereof to pay the operating costs thereof, including maintenance and depreciation, to fulfil his obligations and to support his family adequately; "economic farm";

(d) "farm operator" means any natural person whose principal occupation is agriculture; "farm operator";

(e) "farmer" means a farm operator who is the owner or lessee of a farm; it also designates, in the case of undivided ownership of a farm, several natural persons provided that among them there are one or more farm operators holding at least sixty per cent of the rights of ownership in such farm; "farmer";

"aspiring farmer";

(f) "aspiring farmer" means any natural person not less than eighteen nor more than forty years of age who, being the owner or lessee of a farm, practises farming without making it his principal occupation and undertakes to make it his principal occupation within the delays and according to the conditions fixed by regulation;

"agricultural operations corporation";

(g) "agricultural operations corporation" means a corporation constituted under the Companies Act (Revised Statutes, 1964, chapter 271), whose principal object and principal activity is the operation of an economic farm which it owns or leases, provided that all of its shareholders are natural persons, and that not less than sixty per cent of the issued shares of each class are owned by farm operators among whom the principal occupation of the majority is the operation of such farm;

"agricultural operations cooperative";

"(h) "agricultural operations cooperative" means a cooperative agricultural association established under the Cooperative Agricultural Associations Act (Revised Statutes, 1964, chapter 124) or a cooperative association established under the Cooperative Associations Act (Revised Statutes, 1964, chapter 292) whose main object and principal activity is the operation of an economic farm of which it is the owner or lessee, provided that all of its shareholder-producers or all of its members, as the case may be, are natural persons, that at least sixty per cent of the issued ordinary shares or of the common shares, as the case may be, are owned by farm operators and that the majority of its shareholder-producers or of its members, as the case may be, are farm operators among whom the principal occupation of the majority is the operation of such farm;

"agricultural operations partnership";

(i) "agricultural operations partnership" means,
i. a partnership within the meaning of the Civil Code whose principal object is the joint operation of an economic farm of which it is the owner or the lessee, which is constituted by a written contract in accordance with the regulations, which is composed of natural persons and in which at least sixty per cent of the interests are owned by farm operators among whom the principal occupation of the majority is the operation of such farm; or

ii. several natural persons who are the undivided owners of an economic farm, when not less than sixty per cent of the rights of ownership in such farm are held by farm operators among whom the principal occupation of the majority is the operation of such farm, each of such persons being considered as a partner for the purposes of this act;

"joint borrowers";

(j) "joint borrowers" means several natural persons to whom a loan is granted jointly, who jointly operate an economic farm constituted of the aggregate of the farms of which they are the owners or lessees, while sharing, according to the proportions

determined among them, the income from the aggregate of such farms, provided that not less than sixty per cent of the aggregate of the interests in such farm are owned by one or a number of farmers;

(k) "borrower" means a farmer, an aspiring farmer, an agricultural operations corporation, an agricultural operations cooperative or an agricultural operations partnership to whom a loan is granted, and joint borrowers; ^{"borrower";}

(l) "credit union" means any savings and credit union governed by the Savings and Credit Unions Act (Revised Statutes, 1964, chapter 293); ^{"credit union";}

(m) "bank" means any bank governed by the Bank Act (Revised Statutes of Canada, 1970, chapter B-1) or by the Québec Savings Banks Act (Revised Statutes of Canada, 1970, chapter B-4) and by any act amending or replacing either of the said acts; ^{"bank";}

(n) "lender" means a credit union or a bank which grants a loan under this act, or any other institution designated by regulation which grants a loan under this act; ^{"lender";}

(o) "pledged property" means the property determined by regulation which is the object of a pledge of agricultural property provided for in sections 3 and 4; ^{"pledged property";}

(p) "loan" (*prêt*) means any loan granted in accordance with this act; ^{"loan" (*prêt*);}

(q) "loan" (*emprunt*) means any loan obtained in accordance with this act; ^{"loan" (*emprunt*);}

(r) "deed of loan" means a deed of hypothecary loan or of loan on pledged property; ^{"deed of loan";}

(s) "Office" means the Office du crédit agricole du Québec established under the Farm Credit Act (Revised Statutes, 1964, chapter 108); ^{"Office";}

(t) "regulation" means any regulation made by the Government under this act; ^{"regulation";}

(u) "Fonds" means the Fonds d'assurance-prêts agricoles et forestiers established under the Act respecting farm-loan insurance and forestry-loan insurance (1978, chapter *insert here the chapter number of Bill 11*). ^{"Fonds".}

DIVISION II

LOANS

2. A lender may grant to any borrower a loan secured by first hypothec on all or part of the farm of such borrower of up to eighty per cent of the value established by the Office. ^{Hypothecary loan granted to borrower.}

Loan to
farmer,
aspiring
farmer,
etc.

Such a loan may be granted, of up to ninety per cent of such value, to a farmer who is not less than eighteen nor more than forty years of age who operates an economic farm, to an aspiring-farmer who operates an economic farm or to joint borrowers one of whom is not less than eighteen nor more than forty years of age, provided that his interests in the economic farm operated by them represent, in the opinion of the Office, not less than twenty per cent of all the interests in such farm.

Id., to agri-
cultural
operations
corpora-
tion, etc.

Such a loan may also be granted, of up to ninety per cent of such value, to an agricultural operations corporation, an agricultural operations cooperative or an agricultural operations partnership which has among its shareholders or members, as the case may be, or its partners, a farmer who is not less than eighteen nor more than forty years of age who owns not less than twenty per cent of the shares of each class issued by the corporation, or of the ordinary shares or, as the case may be, common shares issued by the cooperative, or whose interests in the partnership represent, in the opinion of the Office, not less than twenty per cent of all the interests in such partnership.

Loans to
other
borrowers.

Such a loan may also be granted, of up to ninety per cent of such value, to a borrower who does not qualify for the benefits contemplated in the two preceding paragraphs and who, to make his farm economic or to increase the yield thereof,

(1) carries out a programme of improvement of land and buildings in accordance with the regulations;

(2) increases the area of his farm by acquiring additional land or has so increased it during the three years preceding the date on which the Office received the application for a loan; or

(3) carries out a programme of conversion of his agricultural operations in accordance with the regulations.

Payment
for addi-
tional land,
etc.

The amount lent under the preceding paragraph which exceeds the amount that would have been lent under the first paragraph shall be used exclusively to pay for the additional land acquired or for the carrying out of the programme of improvement of land and farm buildings or the conversion of the agricultural operations.

Loan
secured
by pledge.

3. A lender may also

(a) grant a loan secured by pledge of agricultural property in favour of the lender, of up to eighty per cent of the value of the property pledged, established by the Office, to any borrower who owns an economic farm and who is a debtor of the lender under this act, or of the Office under the Farm Credit Act or any other act administered by the latter, following or on the occasion of a hypothecary loan granted by the lender under this act or by the Office

under the Farm Credit Act, following or on the occasion of the transfer of a debt arising from a hypothecary loan granted under this act or the Farm Credit Act, or following or on the occasion of the sale of a farm to the borrower by the Office under this act, the Farm Credit Act or any other act administered by the latter;

(b) grant to any borrower who leases an economic farm under a lease which conforms to the standards provided by regulation, a loan secured by pledge of agricultural property in favour of the lender, of up to eighty per cent of the value of the pledged property, established by the Office.

The loan contemplated in subparagraph *a* of the first paragraph may include, in addition to the security of the pledged property, a hypothec in favour of the lender on the farm of the borrower. Hypothec on borrower's farm.

4. Besides the loans granted under sections 2 and 3, a lender may grant to any borrower, Additional loans.

(a) an additional loan for a term not exceeding that provided for in the first paragraph of section 14, secured by a hypothec ranking immediately after any hypothec held by a lender under this act or by the Office under the Farm Credit Act and on such other conditions as may be determined by the Office;

(b) an additional loan for a term not exceeding that provided for in the second paragraph of section 14, secured by pledge of agricultural property, which may include, if the office considers it expedient, a hypothec in favour of the lender, and which is granted on such other conditions as may be determined by the Office.

However, the amount of the additional loan provided for in this section, added to the balance owing on the principal of a loan made under sections 2 and 3, must in no case exceed the limits provided for in the said sections, nor the maxima provided for in sections 5 and 6, nor shall it exceed the maximum limit to the obligations of a borrower towards a lender or towards the Office as fixed by section 7. Limits of additional loan.

5. The total amount of a loan, including the amount of a loan secured by pledge of agricultural property and the amount of an additional loan shall in no case exceed Total amount of loan.

(a) two hundred and fifty thousand dollars, in the case of a farmer or an aspiring-farmer;

(b) four hundred and fifty thousand dollars, in the case of an agricultural operations corporation, an agricultural operations cooperative, an agricultural operations partnership or joint borrowers.

Total
amount
of loan.

6. Subject to section 5, the total amount of a loan secured by pledge of agricultural property, including the amount of an additional loan secured by pledge of agricultural property, must in no case exceed

(a) one hundred thousand dollars, in the case of a farmer or an aspiring-farmer;

(b) two hundred thousand dollars, in the case of an agricultural operations corporation, an agricultural operations cooperative, an agricultural operations partnership or joint borrowers.

Maximum
amount
owing from
a borrower.

7. The total amount owing under this act and the Farm Credit Act from a borrower or from a person who assumes or has assumed payment of a loan must in no case exceed \$250,000 in principal in the case of a farmer or aspiring-farmer and \$450,000 in principal in the case of an agricultural operations corporation, an agricultural operations cooperative, an agricultural operations partnership or joint borrowers, except with respect to debts which devolve to them by succession or which they have contracted for the acquisition of a property of which the Office has disposed under paragraph *c* of section 8 of the Farm Credit Act or under paragraph *g* or paragraph *h* of section 23 of this act.

Computa-
tion of
maximum
amount.

To establish the amount of \$250,000 mentioned in the preceding paragraph, account shall be taken of

(a) the balance owing personally from a farmer or an aspiring-farmer on any loan previously obtained or of which he has assumed payment under either of the aforementioned acts; and

(b) his relative share in the balance of every similar loan previously obtained jointly with any other person or of which he has assumed payment jointly with any other person.

Id., for ag-
ricultural
operations
corpora-
tion.

To establish the amount of \$450,000 mentioned in the first paragraph, in the case of an agricultural operations corporation, an agricultural operations cooperative or an agricultural operations partnership, account shall be taken of the balance owing from it on any loan previously obtained or of which it has assumed payment under either of the aforementioned acts.

Id., for
joint
borrowers.

To establish the amount of \$450,000 mentioned in the first paragraph, in the case of joint borrowers or natural persons considered as an agricultural operations partnership under subparagraph *ii* of paragraph *i*, account shall be taken of

(a) the balance owing from them in that capacity on every loan previously obtained or of which they have assumed payment under either of the aforementioned acts;

(b) the balance owing from each of them on every similar loan previously obtained by him personally or of which he has assumed payment personally;

(c) the relative share owing on every similar loan obtained by each of them jointly with any other person or of which he has assumed payment jointly with any other person.

The total amount owing under this act and the Farm Credit Act from a borrower on any loan secured by pledge of agricultural property or from a person who assumes or has assumed payment of such a loan must in no case exceed \$100,000 in principal in the case of a farmer or aspiring-farmer, or \$200,000 in principal in the case of an agricultural operations corporation, an agricultural operations cooperative, an agricultural operations partnership or joint borrowers, except with respect to debts which devolve to them by succession.

Maximum amount owing on loan secured by pledge.

The second, third or fourth paragraph, as the case may be, applies *mutatis mutandis* to establish the amount of \$100,000 or \$200,000, as the case may be, referred to in the fifth paragraph.

Provisions to apply.

8. A hypothecary loan granted to a borrower may, in addition to being secured by a first hypothec on all or part of the farm of such borrower, be secured at the same time by a hypothec on all or part of another farm. In such case, the Office, to determine the maximum amount of the loan, shall take into account the value of all the farms or parts of farms to be hypothecated to secure the said loan.

Loan secured by hypothec on another farm.

9. A loan may be granted for one or more of the following purposes:

Loan purposes.

(a) purchase of farms or parts of farms;

(b) purchase of livestock, farm implements, agricultural tools or machinery, farm equipment, farm tractors, bulldozers, trucks, pick-ups and any motor vehicle habitually used on a farm, appropriate for the agricultural operations of the borrower, except any motor vehicle intended as a pleasure vehicle, passenger transport vehicle or recreation vehicle;

(c) construction or repair of farm buildings;

(d) clearing of land, drainage or any other permanent improvement designed to increase the productivity of the farm;

(e) consolidation of debts incurred for any agricultural purpose which, in the opinion of the Office, is consistent with the agricultural operations of the borrower;

(f) any other purpose which, in the opinion of the Office, may render the operation of the farm more efficient.

Emphy-
teutic
lease.

10. Where the ownership of a farm or part of a farm which is to be hypothecated as security for a loan is based on an emphyteutic lease, that lease must conform to the standards provided by regulation. In such a case, the hypothec granted to the lender may rank after the hypothec securing the annual rent stipulated in the said lease, notwithstanding section 2.

Joint oper-
ation of
economic
farm.

11. Where farmers actually jointly operate an economic farm formed by the aggregate of their farms, they cannot obtain a loan except as joint borrowers.

Location
ticket.

12. The occupant of a farm under a location ticket is considered to be a lessee for the purposes of this act.

Certificate.

13. To benefit by this act, an applicant, before making a loan, must obtain a certificate, the tenor and conditions of which are determined by regulation.

Conditions
of issue.

No such certificate may be issued by the Office to the applicant unless, to the satisfaction of the Office, he meets the conditions required by the act to qualify for a loan and the criteria of need established by regulation, and has the financial and moral capacity to repay the loan applied for, and unless the titles concerning the property offered as security for the loan have been verified and accepted by the Office.

Repay-
ment of
hypoth-
ecary loan.

14. Every hypothecary loan is repayable within a delay of not more than thirty years on an amortization basis and according to the terms and conditions determined by regulation.

Id., loan on
pledge of
agricul-
tural
property.

Every loan secured by pledge of agricultural property is repayable within a delay of not more than fifteen years on an amortization basis and according to the terms and conditions determined by regulation.

Deed of
loan.

Every loan referred to in the two preceding paragraphs must be evidenced by a deed of loan.

Repayment
of balance
owing.

Where the delay for repayment exceeds five years, the lender, on the expiration of each five year period, the first of which is computed from the date of the deed of loan, may require full repayment of the balance owing on the loan, on prior notice of not less than 90 days forwarded to the borrower and to the Office.

Service of
prior
notice.

Service of the prior notice referred to in the fourth paragraph must be made by mail in accordance with article 140 of the Code of Civil Procedure.

Maximum
interest
rate.

15. The maximum rate of interest on any loan is fixed by regulation and, during the term of the loan, must be adjusted at

such times and according to such criteria as are provided in the regulation.

16. Any instalment of principal or interest unpaid at maturity shall itself, *pleno jure* and without a putting in default, bear interest at the annual rate established in accordance with section 15 and stipulated in the deed of loan, to be computed from the date of maturity of the instalment. Interest on unpaid instalment.

17. The borrower or his representatives may repay the loan in advance, in whole or in part. Advanced repayment.

Any payment made at maturity or in advance by the borrower or his representatives under the terms of a deed of loan must be applied as provided in the regulations. Allocation.

18. The Office may fix the accessory or secondary conditions to which loans are subject as to the borrower's titles, the deeds of loan, the protection of the securities and other similar matters. Accessory conditions.

19. In addition to the security provided for the loan, the Office, in the cases specified by regulation, may require from the borrower an insurance policy on his life to secure the repayment of the loan in the case of his death. Life insurance.

20. The Office may also, in the cases and in accordance with the terms and conditions defined by regulation, require any person who applies for a loan to submit, before or after his application, a programme of financial operations acceptable to the Office, fix the supervision fees for such a loan and determine the obligations that the borrower must submit to in regard to such programme. Programme of financial operations.

21. Where a borrower declares himself unable to meet his obligations on maturity, the lender may agree with him on new conditions for the repayment of the loan provided that he obtains prior authorization therefor from the Office, that the delay granted does not prolong the term of the loan beyond the term provided for in section 14 and that the loan remains payable by periodic and consecutive instalments. New conditions for repayment.

22. If a borrower obtains a loan as a result of false declarations or false pretences, if he disposes in any manner, without the authorization required under section 32, of part or all of the hypothecated property or of the pledged property, if he causes or allows abnormal deterioration of the property serving as security, or a diminishing of the security, if he ceases to meet the requirements to qualify for a loan or if he uses the proceeds or a part of the proceeds of such loan for purposes other than those for which the Loan cancelled.

said loan was granted, the lender or, as the case may be, the Office as mandatary of the lender may, by mere notice sent by registered or certified letter to the borrower at his last address known to the lender or to the Office, declare the borrower forfeited of the benefit of the term granted, cancel the loan, claim repayment thereof with interest and, failing such repayment, exercise any recourse provided by law.

DIVISION III

POWERS OF THE OFFICE

Powers of
Office.

23. In addition to the powers conferred on it by the Farm Credit Act, the Office may

- (a) receive and examine any application for a loan;
- (b) appraise, in accordance with the bases fixed by regulation, the property offered as security for a loan applied for and establish the maximum amount of the loan;
- (c) indicate, in each case, the conditions of the loan and the purposes for which the sum lent is to serve, and fix or prolong, in each case, the delay during which a loan may be contracted;
- (d) examine the titles of ownership of the property serving as security for the loan, revise any examination report concerning the real securities and verify the charges against the moveable securities;
- (e) issue the certificate provided for in section 13;
- (f) determine, in cases where a natural person has several important occupations or activities, including farming, which occupation or activity constitutes his principal occupation or his principal activity for the purposes of this act;
- (g) act as the mandatary of a lender, at his request, to claim from any debtor in default the sums owing to such lender or that have become payable on a loan, to make or bring, for such purpose, any request, action or other proceeding and to acquire any hypothecated immoveable or pledged property, and administer, sell or lease such immoveable or property or otherwise dispose of it by onerous title;
- (h) acquire any immoveable hypothecated to secure a loan, either at a sheriff's sale or directly from the lender following his acquisition of it at a sheriff's sale or pursuant to a giving in payment clause, and administer, sell or lease that immoveable or otherwise dispose of it by onerous title.

DIVISION IV

CONTRIBUTION TO PAYMENT OF INTEREST

24. The Office is authorized to contribute to the payment of the interest on any loan in the cases fixed by the regulations which shall determine the extent, the terms and conditions and the dates of payment of such contribution. Contribution to the payment of interest by the Office.

Such a contribution shall not be applied in respect of the interest borne, pursuant to section 16, by any instalment in principal or interest not paid at maturity. Exception.

25. Any borrower who benefits by the contribution to the payment of interest contemplated in section 24 pursuant to false declarations or false pretences or who uses the proceeds or part of the proceeds for purposes other than those for which the loan was obtained is deprived *pleno jure* of the right to such contribution and must remit to the Office any amount paid by it as a contribution to the payment of interest on the said loan, but the lender does not thereby lose the benefit of the loan insurance provided for in Division V. Right to contribution by Office forfeited, etc.

DIVISION V

LOAN INSURANCE

26. The Fonds shall guarantee the lender, in accordance with the Act respecting farm-loan insurance and forestry-loan insurance (1978, chapter *insert here the chapter number of Bill 11*) the repayment of losses in principal and interest resulting from a loan as well as expenditures incurred by the lender to protect his securities or to claim or obtain from the debtor in default the sums owing to him or that have become payable on the loan. Repayment of losses in principal, etc.

In the cases provided for in the same act, an insurance charge fixed in accordance with the regulations made under the said act is payable to the Fonds out of the proceeds of the loan on its disbursement. Insurance charge.

27. The payment of a claim made under the Act respecting farm-loan insurance and forestry-loan insurance in connection with a loss suffered by a lender and the expenditures contemplated in section 26 shall be made by the Fonds on the recommendation of the Office which shall, beforehand, examine the claim and assess its merit. Payment of a claim.

28. Where the Fonds reimburses the losses and expenditures contemplated in section 26, the Office is subrogated in all the rights Subrogation.

the lender may have in respect of the loan from which such losses result.

Surplus of a
giving in
payment.

29. Where a lender acquires, by a giving in payment, an immoveable securing a loan following the default of the borrower or of the debtor of the lender, any amount by which the net revenue earned or deficit incurred by the lender in connection with such immoveable during the time he remains the owner thereof, increased by the sale price of that immoveable where he disposes of it or, as the case may be, decreased by the said price, whatever the mode of payment, exceeds the total of the sums owing to him on the loan in principal, interest, costs and accessory expenses at the time of the said acquisition, the expenses allowable by regulation under the Act respecting farm-loan insurance and forestry-loan insurance and the interest accrued on the said sums and expenses, at a rate not exceeding that fixed in the deed of loan and, as the case may be, adjustable as prescribed in the said deed, must be paid into the Fonds in conformity with the said act.

DIVISION VI

PROTECTION OF SECURITIES

Inspection.

30. The lender or the Office, through his or its representatives or employees, may, at any time, inspect the immoveable or moveable property securing a loan, enter or pass on any immoveable, inspect and appraise such immoveable, any livestock and any other moveable property and conduct any investigation it considers necessary.

Work,
repairs,
etc.

31. In case of default of maintenance or in case of deterioration entailing the decrease in value of the securities, the lender may, at the borrower's expense, do any work and repairs and take any step he considers necessary to ensure their maintenance in good condition and the keeping of the borrower's agricultural operations functioning.

Powers
exercised
by Office.

If the lender, in either of the cases mentioned in the first paragraph, omits to exercise the powers conferred on him under the first paragraph or does not exercise them to the satisfaction of the Office, the latter, if it considers it appropriate in order to ensure protection of the securities for the loan, is authorized of right to exercise them itself on behalf of the lender and at the expense of the borrower, as if it were acting as the mandatary of the lender, but it must notify the lender as soon as possible.

Voluntary
transfer.

32. The authorization of the Office, unless it determines otherwise, and that of the lender, must be obtained in order to

validate the voluntary transfer of pledged property or of an immoveable securing a loan.

The authorization of the Office must be obtained in order to validate: Authorization required.

(a) the lease for more than one year of an immoveable securing a loan or the lease of pledged property;

(b) any issue, allotment or transfer of shares of an agricultural operations corporation that is a borrower, or any redemption or reimbursement of preferred shares of such a corporation;

(c) any amendment to the contract constituting an agricultural operations partnership that is a borrower;

(d) any issue, allotment, transfer or reimbursement of common shares of an agricultural operations cooperative that is a borrower, or any issue, allotment or transfer of ordinary shares of such a cooperative.

The authorization of the Office contemplated in the preceding paragraphs is granted by any person designated for such purpose Designated person. by the Office.

33. Where a borrower or a person who has assumed payment of the balance of a loan collects a sum of money on or pursuant to the transfer, expropriation or lease for more than one year of an immoveable securing a loan owing from such borrower or such person, the said sum, subject to the second paragraph of section 17, must be applied to the repayment in full or in part of the loan, unless otherwise decided by the Office. Allocation.

34. Where a loan is secured by a pledge of agricultural property, the lender may, in such cases and on such conditions as are determined by regulation and notwithstanding section 32, grant a total or partial release of the moveable securities and agree on any alteration in the moveable securities without requiring full or partial repayment of the balance of the loan. Release of moveable securities, etc.

35. To insure protection of the securities for a loan or to ascertain whether a borrower is fulfilling the obligations he has contracted under the deed of loan, the Office, in the place and stead of the lender, may request from the borrower any information and any document it deems necessary. Information.

DIVISION VII

REALIZING UPON SECURITY

36. When the Office, as mandatory of a lender, is entitled to realize on its security or to recover from a borrower or from Realizing on security by Office.

a debtor of the lender under this act, sums owing or that have become payable or any other debt, and in any case of default on the part of such borrower or debtor, it may, notwithstanding any inconsistent legislative provision and subject to any other recourse, proceed in accordance with sections 25 to 31 of the Farm Credit Act.

DIVISION VIII

REGULATIONS

Government
regulations.

37. The Government may make any regulation

(a) defining the expressions “principal occupation”, “principal activity”, “cultivation of the soil”, “raising of livestock”, “programme of improvement of land and buildings” and “conversion of operations”;

(b) fixing the delays within which and the conditions according to which a natural person must undertake to make farming his principal occupation to be considered an aspiring-farmer;

(c) determining what is to be stipulated in a partnership contract in order for such partnership to be an agricultural operations partnership within the meaning of subparagraph i of paragraph 1 of section 1;

(d) determining the property mentioned in article 1979a of the Civil Code which may be the object of a pledge of agricultural property in favour of the lender under sections 3 and 4, and that which may constitute the basis of a loan on pledge of agricultural property;

(e) designate any institution entitled to grant a loan under this act, in addition to those already authorized to do so;

(f) prescribing that the programme of improvement of land and buildings and the programme of conversion of operations contemplated in section 2 must be submitted to the Office and determining the object and the major particulars thereof;

(g) determining the particulars that must be contained in the lease of a borrower who is the lessee of a farm and in the emphyteutic lease of a borrower who occupies a farm under such a lease, as well as the formalities which must apply to each such lease;

(h) determining the tenor of the certificate contemplated in section 13 and the conditions for obtaining it;

(i) fixing the amortization basis and the terms and conditions relating to the repayment of loans;

(j) fixing the maximum rate of interest on loans and the periods and criteria for the readjustment of the rate of interest;

(k) fixing for the purposes of section 17, the mode of allocation of the payments made under the terms of a deed of loan;

(l) defining the cases where insurance on the life of the borrower may be required;

(m) defining the cases where a loan must be accompanied with a mandatory programme of financial operations and the terms and conditions to which such a loan must be subject, particularly with regard to the application for it, the supervision fees, the obligations of the borrower and any other accessory conditions;

(n) fixing the general basis of appraisal of farms and moveable property to be used to secure a loan and also fixing the criteria of need for anyone who applies therefor;

(o) fixing the cases where the Office is authorized to contribute to the payment of the interest on a loan and determining the extent, the terms and conditions and the date of payment of such contribution;

(p) determining, for the purposes of section 34, in which cases and on which conditions a lender may grant total or partial release of moveable securities or agree on any alteration thereto;

(q) fixing the proportion of the cost of appraisal of the property offered as security, payable by the Office and by the borrowers, respectively;

(r) prescribing the documents, reports and information to be made or filed and the delay for their production;

(s) prescribing any other measure necessary or advisable for the carrying out and proper operation of this act.

Every regulation made under this act comes into force from its publication in the *Gazette officielle du Québec* or on any later date fixed therein. Coming into force.

DIVISION IX

GENERAL PROVISIONS

38. The Government may exercise, for the purposes of this act, the powers conferred on it by sections 36 and 37 of the Farm Credit Act. Powers exercised by Office.

[39. The Government may establish, in favour of the Office, a working-capital fund not exceeding five hundred thousand dollars for the disbursements necessary for the protection of loans, namely, to pay insurance premiums, taxes and assessments on, exercise the right of redemption of and acquire, maintain, repair and resell property serving as loan security. As soon as they are recovered, the sums so disbursed must be paid into such working-capital fund. Working-capital fund.

Sums
required.

The sums required to establish the working-capital fund contemplated in the first paragraph are drawn from the consolidated revenue fund.]]

Idem.

[[**40.** The sums required for the application of this act are drawn, for the 1978/1979 fiscal year, from the consolidated revenue fund and, for subsequent fiscal years, from the moneys granted annually for that purpose by the Legislature.]]

DIVISION X

SPECIAL PROVISIONS

Transfer,
assign-
ment, etc.,
of debts.

41. Subject to all the powers of the Office under this act and to every restriction provided in any act that is applicable to the lender, the latter may, after an agreement with the Office, assign or transfer to any person as security for a loan, all or part of the debts owing to him from loans, or sell to any person all or part of the said debts, provided that the person to whom the assignment, transfer or sale is made gives the lender the mandate of administering the loans that are the subject of such assignment, transfer or sale and that, to that end, the lender and the Office may continue to exercise, in respect of such loans, all the powers conferred on them by this act.

DIVISION XI

FINAL PROVISIONS

Adminis-
tration.

42. The Office is entrusted with the administration of this act.

Audit.

43. The books and accounts of the Office relating to the administration of this act shall be audited by the Vérificateur général.

Annual
report.

44. Not later than 30 June each year, the Office must make, to the Ministre de l'agriculture, a report of its administration of this act for the preceding fiscal year. Such report must also contain all the information that may be prescribed by the Minister.

Tabling.

The Minister shall table such report in the Assemblée nationale if he receives it during a session; if he receives it while the Assemblée is not sitting or after an adjournment, he shall table it within thirty days of the next session or of resumption.

Minister
responsi-
ble.

45. The Ministre de l'agriculture is entrusted with the carrying out of this act.

46. This act will come into force on the date to be fixed by proclamation of the Government, except the provisions excluded by such proclamation, which will come into force on such later date as may be fixed by the Government. ^{Coming into force.}