

**§ 1988. Appropriations****(a) Authorization**

There is authorized to be appropriated to the Secretary such sums as the Congress may from time to time determine to be necessary to enable the Secretary to carry out the purposes of this chapter and for the administration of assets transferred to the Farmers Home Administration or the Rural Development Administration.

**(b) Sale by lender and any holder of guaranteed portion of loan pursuant to regulations governing such sales; limitations; issuance of pool certificates representing ownership of guaranteed portion of guaranteed loan; terms and conditions, etc.; reporting requirements**

(1)(A) The guaranteed portion of any loan made under this chapter may be sold by the lender, and by any subsequent holder, in accordance with regulations governing such sales as the Secretary shall establish, subject to the following limitations:

(i) All fees due the Secretary with respect to a guaranteed loan are to be paid in full before any sale.

(ii) The loan is to have been fully disbursed to the borrower before the sale.

(B) After a loan is sold in the secondary market, the lender shall remain obligated under its guarantee agreement with the Secretary, and shall continue to service the loan in accordance with the terms and conditions of such agreement.

(C) The Secretary shall develop such procedures as are necessary for the facilitation, administration, and promotion of secondary market operations, and for determining the increase of farmers' access to capital at reasonable rates and terms as a result of secondary market operations.

(D) This subsection shall not be interpreted to impede or extinguish the right of the borrower or the successor in interest to such borrower to prepay (in whole or in part) any loan made under this chapter, or to impede or extinguish the rights of any party under any provision of this chapter.

(2)(A) The Secretary may, directly or through a market maker approved by the Secretary, issue pool certificates representing ownership of part or all of the guaranteed portion of any loan guaranteed by the Secretary under this chapter. Such certificates shall be based on and backed by a pool established or approved by the Secretary and composed solely of the entire guaranteed portion of such loans.

(B) The Secretary may, on such terms and conditions as the Secretary deems appropriate, guarantee the timely payment of the principal and interest on pool certificates issued on behalf of the Secretary by approved market makers for purposes of this subsection. Such guarantee shall be limited to the extent of principal and interest on the guaranteed portions of loans that compose the pool. If a loan in such pool is prepaid, either voluntarily or by reason of default, the guarantee of timely payment of principal and interest on the pool certificates shall be reduced in proportion to the amount of prin-

cipal and interest such prepaid loan represents in the pool. Interest on prepaid or defaulted loans shall accrue and be guaranteed by the Secretary only through the date of payment on the guarantee. During the term of the pool certificate, the certificate may be called for redemption due to prepayment or default of all loans constituting the pool.

(C) The full faith and credit of the United States is pledged to the payment of all amounts that may be required to be paid under any guarantee of such pool certificates issued by approved market makers under this subsection. The Secretary may expend amounts in the Agricultural Credit Insurance Fund to make payments on such guarantees.

(D) The Secretary shall not collect any fee for any guarantee under this subsection. The preceding sentence shall not preclude the Secretary from collecting a fee for the functions described in paragraph (3).

(E) Within 30 days after a borrower of a guaranteed loan is in default of any principal or interest payment due for 60 days or more, the Secretary shall—

(i) purchase the pool certificates representing ownership of the guaranteed portion of the loan; and

(ii) pay the registered holder of the certificates an amount equal to the guaranteed portion of the loan represented by the certificate.

(F)(i) If the Secretary pays a claim under a guarantee issued under this subsection, the claim shall be subrogated fully to the rights satisfied by such payment, as may be provided by the Secretary.

(ii) No State or local law, and no Federal law, shall preclude or limit the exercise by the Secretary of the Secretary's ownership rights in the portions of loans constituting the pool against which the certificates are issued.

(3) On the adoption of final rules and regulations, the Secretary shall do the following:

(A) Provide for the central collection of registration information from all participating market makers for all loans and pool certificates sold under paragraphs (1) and (2). Such information shall include, with respect to each original sale and any subsequent sale, identification of the interest rate paid by the borrower to the lender, the lender's servicing fee, whether interest on the loan is at a fixed or variable rate, identification of each purchaser of a pool certificate, the interest rate paid on the certificate, and such other information as the Secretary deems appropriate.

(B) Before any sale, require the seller to disclose to each prospective purchaser of the portion of a loan guaranteed under this chapter and to each prospective purchaser of a pool certificate issued under paragraph (2), information on the terms, conditions, and yield of such instrument. As used in this subparagraph, if the instrument being sold is a loan, the term "seller" does not include (i) the person who made the loan or (ii) any person who sells three or fewer guaranteed loans per year.

(C) Provide for adequate custody of any pooled guaranteed loans.

(D) Take such actions as are necessary, in restructuring pools of the guaranteed portion

of loans, to minimize the estimated costs of paying claims under guarantees issued under this subsection.

(E) Require each market maker—

(i) to service all pools formed, and participations sold, by the market maker; and

(ii) to provide the Secretary with information relating to the collection and disbursement of all periodic payments, prepayments, and default funds from lenders, to or from the reserve fund that the Secretary shall establish to enable the timely payment guarantee to be self-funding, and from all beneficial holders.

(F) Regulate market makers in pool certificates sold under this subsection.

(4) The Secretary may contract for goods and services to be used for the purposes of this subsection without regard to the provisions of titles 5, 40, and 41, and any regulations issued thereunder.

(Pub. L. 87-128, title III, § 338, Aug. 8, 1961, 75 Stat. 316; Pub. L. 89-429, § 5, May 24, 1966, 80 Stat. 167; Pub. L. 100-233, title VII, § 711(a), Jan. 6, 1988, 101 Stat. 1707; Pub. L. 100-399, title VI, § 605, Aug. 17, 1988, 102 Stat. 1006; Pub. L. 101-624, title XXIII, § 2303(d), Nov. 28, 1990, 104 Stat. 3981; Pub. L. 104-127, title VII, § 749(a), Apr. 4, 1996, 110 Stat. 1129; Pub. L. 105-362, title I, § 101(a), Nov. 10, 1998, 112 Stat. 3281.)

#### REFERENCES IN TEXT

For definition of “this chapter”, referred to in text, see note set out under section 1921 of this title.

#### AMENDMENTS

1998—Subsec. (b)(4), (5). Pub. L. 105-362 redesignated par. (5) as (4) and struck out former par. (4) which provided that not later than March 31 of each year, Secretary was to transmit to Congress a report on secondary market operations under subsec. (b) during preceding calendar year, and described contents of reports.

1996—Subsecs. (b) to (f). Pub. L. 104-127 redesignated subsec. (f) as (b) and struck out former subsecs. (b) to (e) which provided for: in subsec. (b), form and denomination of notes to obtain funds for making direct loans under this chapter as well as maturities, terms and conditions, interest rate, purchase by Treasury, and public debt transaction; in subsec. (c), establishment of Farmers Home Administration direct loan account as well as deposits into account, liabilities, obligations, expenditures, and net expenditure basis of budgeting; in subsec. (d), sale of notes and mortgages; and in subsec. (e), distribution of real estate loans among States.

1990—Subsec. (a). Pub. L. 101-624 inserted “or the Rural Development Administration” after “Farmers Home Administration”.

1988—Subsec. (f)(5). Pub. L. 100-399 added par. (5).

Subsec. (f). Pub. L. 100-233 added subsec. (f).

1966—Subsec. (c). Pub. L. 89-429 inserted references to section 8 of the Watershed Protection and Flood Prevention Act, as amended, and section 32(e) of the Bankhead-Jones Farm Tenant Act, as amended.

#### EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-399 effective as if enacted immediately after enactment of Pub. L. 100-233, which was approved Jan. 6, 1988, see section 1001(a) of Pub. L. 100-399, set out as a note under section 2002 of Title 12, Banks and Banking.

#### REGULATIONS

Section 711(b) of Pub. L. 100-233 provided that: “Within 180 days after the date of the enactment of this Act

[Jan. 6, 1988], the Secretary shall develop and promulgate final regulations to implement this section and the amendment made by this section [amending this section and enacting provisions set out below].”

#### POOL CERTIFICATES NOT TO BE ISSUED UNTIL FINAL REGULATIONS TAKE EFFECT

Section 711(c) of Pub. L. 100-233 provided that: “The Secretary of Agriculture shall not implement paragraph (2) of section 338(f) [now 338(b)] of the Consolidated Farm and Rural Development Act [7 U.S.C. 1988(f) [now 1988(b)]], as added by subsection (a), until the final regulations governing the administration of such paragraph take effect.”

#### LOANS TO INDIANS

Authority of the Secretary of Agriculture to make loans to Indian tribes and tribal corporations to acquire land within reservations, see sections 488 to 492 of Title 25, Indians.

### § 1989. Rules and regulations

#### (a) In general

The Secretary is authorized to make such rules and regulations, prescribe the terms and conditions for making or insuring loans, security instruments and agreements, except as otherwise specified herein, and make such delegations of authority as he deems necessary to carry out this chapter.

#### (b) Debt service margin requirements

Notwithstanding subsection (a) of this section, in providing farmer program loan guarantees under this chapter, the Secretary shall consider the income of the borrower adequate if the income is equal to or greater than the income necessary—

(1) to make principal and interest payments on all debt obligations of the borrower, in a timely manner;

(2) to cover the necessary living expenses of the family of the borrower; and

(3) to pay all other obligations and expenses of the borrower not financed through debt obligations referred to in paragraph (1).

#### (c) Certified Lenders Program

##### (1) In general

The Secretary shall establish a program under which the Secretary shall guarantee loans for any purpose specified in subchapter II of this chapter that are made by lending institutions certified by the Secretary.

##### (2) Certification requirements

The Secretary shall certify a lending institution that meets such criteria as the Secretary may prescribe in regulations, including the ability of the institution to properly make, service, and liquidate the loans of the institution.

##### (3) Condition of certification

As a condition of the certification, the Secretary shall require the institution to undertake to service the loans guaranteed by the Secretary under this subsection, using standards that are not less stringent than generally accepted banking standards concerning loan servicing employed by prudent commercial or cooperative lenders. The Secretary shall, at least annually, monitor the performance of