

**§ 1923. Purposes of loans****(a) Allowed purposes****(1) Direct loans**

A farmer or rancher may use a direct loan made under this subchapter only for—

- (A) acquiring or enlarging a farm or ranch;
- (B) making capital improvements to a farm or ranch;
- (C) paying loan closing costs related to acquiring, enlarging, or improving a farm or ranch;

(D) paying for activities to promote soil and water conservation and protection described in section 1924 of this title on a farm or ranch; or

(E) refinancing a temporary bridge loan made by a commercial or cooperative lender to a farmer or rancher for the acquisition of land for a farm or ranch, if—

(i) the Secretary approved an application for a direct farm ownership loan to the farmer or rancher for acquisition of the land; and

(ii) funds for direct farm ownership loans under section 1994(b) of this title were not available at the time at which the application was approved.

**(2) Guaranteed loans**

A farmer or rancher may use a loan guaranteed under this subchapter only for—

- (A) acquiring or enlarging a farm or ranch;
- (B) making capital improvements to a farm or ranch;

(C) paying loan closing costs related to acquiring, enlarging, or improving a farm or ranch;

(D) paying for activities to promote soil and water conservation and protection described in section 1924 of this title on a farm or ranch; or

(E) refinancing indebtedness.

**(b) Preferences**

In making or guaranteeing a loan under this subchapter for purchase of a farm or ranch, the Secretary shall give preference to a person who—

- (1) has a dependent family;
- (2) to the extent practicable, is able to make an initial down payment on the farm or ranch; or
- (3) is an owner of livestock or farm or ranch equipment that is necessary to successfully carry out farming or ranching operations.

**(c) Hazard insurance requirement****(1) In general**

After the Secretary makes the determination required by paragraph (2), the Secretary may not make a loan to a farmer or rancher under this subchapter unless the farmer or rancher has, or agrees to obtain, hazard insurance on any real property to be acquired or improved with the loan.

**(2) Determination**

Not later than 180 days after April 4, 1996, the Secretary shall determine the appropriate level of insurance to be required under paragraph (1).

(Pub. L. 87-128, title III, §303, Aug. 8, 1961, 75 Stat. 307; Pub. L. 87-703, title IV, §401(1), Sept. 27, 1962, 76 Stat. 631; Pub. L. 90-488, §1, Aug. 15, 1968, 82 Stat. 770; Pub. L. 95-113, title XIV, §1448(a), Sept. 29, 1977, 91 Stat. 1011; Pub. L. 96-438, §1(1), Oct. 13, 1980, 94 Stat. 1871; Pub. L. 97-98, title XVI, §1602, Dec. 22, 1981, 95 Stat. 1346; Pub. L. 104-127, title VI, §602(a), Apr. 4, 1996, 110 Stat. 1085; Pub. L. 107-171, title V, §5002, May 13, 2002, 116 Stat. 341.)

## AMENDMENTS

2002—Subsec. (a)(1)(E). Pub. L. 107-171 added subpar. (E).

1996—Pub. L. 104-127 amended section generally, substituting present provisions for provisions outlining preferences for loans made or insured under this subchapter and defining terms “improving farms” and “qualified non-fossil energy system”.

1981—Subsec. (a). Pub. L. 97-98 substituted “who have dependent families” for “who are married or have dependent families”.

1980—Subsec. (b)(1). Pub. L. 96-438 substituted “the acquisition, installation, and modification” for “the acquisition and installation” and struck out “in any residential structure” after “energy system”.

1977—Pub. L. 95-113 designated existing provisions as subsec. (a) and added subsec. (b).

1968—Pub. L. 90-488 designated existing provisions as cls. (1), (2), (4), (5), and added cl. (3).

1962—Pub. L. 87-703 authorized loans to be made or insured for recreational uses and facilities.

## EFFECTIVE DATE OF 1996 AMENDMENT

Pub. L. 104-127, title VI, §602(b), Apr. 4, 1996, 110 Stat. 1085, provided that: “Section 303(c)(1) of the Consolidated Farm and Rural Development Act [7 U.S.C. 1923(c)(1)] shall not apply until the Secretary of Agriculture makes the determination required by section 303(c)(2) of the Act.” [The Secretary’s determination relating to hazard insurance under this provision was contained in interim rules published Mar. 3, 1997, and effective Mar. 24, 1997, see 62 F.R. 9351.]

## EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-98 effective Dec. 22, 1981, see section 1801 of Pub. L. 97-98, set out as an Effective Date note under section 4301 of this title.

## EFFECTIVE DATE OF 1977 AMENDMENT

Amendment by Pub. L. 95-113 effective Oct. 1, 1977, see section 1901 of Pub. L. 95-113, set out as a note under section 1307 of this title.

## TRANSFER OF FUNCTIONS

Powers, duties, and assets of agencies, offices, and other entities within Department of Agriculture relating to rural development functions transferred to Rural Development Administration by section 2302(b) of Pub. L. 101-624.

**§ 1924. Conservation loan and loan guarantee program****(a) In general**

The Secretary may make or guarantee qualified conservation loans to eligible borrowers under this section.

**(b) Definitions**

In this section:

**(1) Qualified conservation loan**

The term “qualified conservation loan” means a loan, the proceeds of which are used to cover the costs to the borrower of carrying out a qualified conservation project.

**(2) Qualified conservation project**

The term “qualified conservation project” means conservation measures that address provisions of a conservation plan of the eligible borrower.

**(3) Conservation plan**

The term “conservation plan” means a plan, approved by the Secretary, that, for a farming or ranching operation, identifies the conservation activities that will be addressed with loan funds provided under this section, including—

(A) the installation of conservation structures to address soil, water, and related resources;

(B) the establishment of forest cover for sustained yield timber management, erosion control, or shelter belt purposes;

(C) the installation of water conservation measures;

(D) the installation of waste management systems;

(E) the establishment or improvement of permanent pasture;

(F) compliance with section 3812 of title 16; and

(G) other purposes consistent with the plan, including the adoption of any other emerging or existing conservation practices, techniques, or technologies approved by the Secretary.

**(c) Eligibility****(1) In general**

The Secretary may make or guarantee loans to farmers or ranchers in the United States, farm cooperatives, private domestic corporations, partnerships, joint operations, trusts, or limited liability companies that are controlled by farmers or ranchers and engaged primarily and directly in agricultural production in the United States.

**(2) Requirements**

To be eligible for a loan under this section, applicants shall meet the requirements in paragraphs (1) and (2) of section 1922(a) of this title.

**(d) Priority**

In making or guaranteeing loans under this section, the Secretary shall give priority to—

(1) qualified beginning farmers or ranchers and socially disadvantaged farmers or ranchers;

(2) owners or tenants who use the loans to convert to sustainable or organic agricultural production systems; and

(3) producers who use the loans to build conservation structures or establish conservation practices to comply with section 3812 of title 16.

**(e) Limitations applicable to loan guarantees**

The portion of a loan that the Secretary may guarantee under this section shall be 75 percent of the principal amount of the loan.

**(f) Administrative provisions**

The Secretary shall ensure, to the maximum extent practicable, that loans made or guaranteed under this section are distributed across diverse geographic regions.

**(g) Credit eligibility**

The provisions of paragraphs (1) and (3) of section 1983 of this title shall not apply to loans made or guaranteed under this section.

**(h) Authorization of appropriations**

For each of fiscal years 2008 through 2012, there are authorized to be appropriated to the Secretary such funds as are necessary to carry out this section.

(Pub. L. 87-128, title III, §304, Aug. 8, 1961, 75 Stat. 308; Pub. L. 90-488, §2, Aug. 15, 1968, 82 Stat. 770; Pub. L. 92-419, title I, §102, Aug. 30, 1972, 86 Stat. 657; Pub. L. 95-334, title I, §102, Aug. 4, 1978, 92 Stat. 421; Pub. L. 101-624, title XVIII, §1802(a), Nov. 28, 1990, 104 Stat. 3817; Pub. L. 102-237, title V, §501(a), Dec. 13, 1991, 105 Stat. 1865; Pub. L. 104-127, title VI, §603, Apr. 4, 1996, 110 Stat. 1085; Pub. L. 110-234, title V, §5002, May 22, 2008, 122 Stat. 1142; Pub. L. 110-246, §4(a), title V, §5002, June 18, 2008, 122 Stat. 1664, 1904.)

## CODIFICATION

Pub. L. 110-234 and Pub. L. 110-246 made identical amendments to this section. The amendments by Pub. L. 110-234 were repealed by section 4(a) of Pub. L. 110-246.

## AMENDMENTS

2008—Pub. L. 110-246, §5002, amended section generally, substituting provisions relating to conservation loans and loan guarantee programs for former provisions which related to, in subsec. (a), authority to make or insure loans for soil and water conservation and protection, in subsec. (b), priority of producers who would build conservation structures or establish conservation practices to comply with section 3812 of title 16, and in subsec. (c), maximum amount of a loan.

1996—Pub. L. 104-127, §603(2), inserted section catchline.

Subsec. (a). Pub. L. 104-127, §603(2), (5), redesignated subsec. (a)(1) as (a), inserted heading, and redesignated subpars. (A) to (F) as pars. (1) to (6), respectively. Former pars. (2) and (3) redesignated subsecs. (b) and (c), respectively.

Subsec. (b). Pub. L. 104-127, §603(1), (3), redesignated subsec. (a)(2) as (b), inserted heading, substituted “guaranteeing loans” for “insuring loans”, and struck out former subsec. (b) which read as follows: “Loans may also be made or insured under this subchapter to residents of rural areas without regard to the requirements of clauses (2) and (3) of section 1922 of this title to acquire or establish in rural areas small business enterprises to provide such residents with essential income.”

Subsec. (c). Pub. L. 104-127, §603(1), (4), (6), redesignated subsec. (a)(3) as (c), inserted heading, redesignated subpars. (A) and (B) as pars. (1) and (2), respectively, and struck out former subsec. (c) which read as follows: “Loans may also be made or insured under this subchapter to any farm owners or tenants without regard to the requirements of clauses (1), (2), and (3) of section 1922 of this title for the purposes of meeting Federal, State, or local requirements for agricultural, animal, or poultry waste pollution abatement and control facilities, including the construction, modification, or relocation of farm or other structures necessary to comply with such pollution abatement requirements.”

1991—Subsecs. (a), (d). Pub. L. 102-237 redesignated subsec. (d) as (a) and moved it to appear before subsec. (b) and struck out former subsec. (a) which read as follows: “Loans may also be made or insured under this subchapter to any farmowners or tenants without regard to the requirements of section 1922(1), (2), and (3) of this title for the purposes only of land and water de-

velopment, use and conservation, not including recreational uses and facilities, and without regard to the requirements of section 1922(2) and (3) of this title, to farmowners or tenants to finance outdoor recreational enterprises or to convert to recreational uses their farming or ranching operations, including those heretofore financed under this chapter.”

1990—Subsec. (d). Pub. L. 101-624 added subsec. (d).

1978—Subsec. (a). Pub. L. 95-334, §102(1), struck out “individual” after “title, to”.

Subsec. (c). Pub. L. 95-334, §102(2), added subsec. (c).

1972—Pub. L. 92-419 designated existing provisions as subsec. (a) and struck out item (a) and (b) designations appearing before “to any farmowners” and “without regard to”, respectively, and added subsec. (b).

1968—Pub. L. 90-488 designated existing provisions as cl. (a), excluded recreational uses and facilities, and added cl. (b).

#### EFFECTIVE DATE OF 2008 AMENDMENT

Amendment of this section and repeal of Pub. L. 110-234 by Pub. L. 110-246 effective May 22, 2008, the date of enactment of Pub. L. 110-234, see section 4 of Pub. L. 110-246, set out as an Effective Date note under section 8701 of this title.

#### EFFECTIVE DATE OF 1991 AMENDMENT

Amendment by Pub. L. 102-237 effective as if included in the provision of the Food, Agriculture, Conservation, and Trade Act of 1990, Pub. L. 101-624, to which the amendment relates, see section 1101(b)(3) of Pub. L. 102-237, set out as a note under section 1421 of this title.

### § 1925. Limitations on amount of farm ownership loans

#### (a) In general

The Secretary shall make or insure no loan under sections 1922, 1923, 1924, 1934, and 1935 of this title that would cause the unpaid indebtedness under such sections of any one borrower to exceed the smaller of (1) the value of the farm or other security, or (2) in the case of a loan other than a loan guaranteed by the Secretary, \$300,000, or, in the case of a loan guaranteed by the Secretary, \$700,000 (increased, beginning with fiscal year 2000, by the inflation percentage applicable to the fiscal year in which the loan is guaranteed and reduced by the amount of any unpaid indebtedness of the borrower on loans under subchapter II of this chapter that are guaranteed by the Secretary).

#### (b) Determination of value

In determining the value of the farm, the Secretary shall consider appraisals made by competent appraisers under rules established by the Secretary.

#### (c) Inflation percentage

For purposes of this section, the inflation percentage applicable to a fiscal year is the percentage (if any) by which—

(1) the average of the Prices Paid By Farmers Index (as compiled by the National Agricultural Statistics Service of the Department of Agriculture) for the 12-month period ending on August 31 of the immediately preceding fiscal year; exceeds

(2) the average of such index (as so defined) for the 12-month period ending on August 31, 1996.

(Pub. L. 87-128, title III, §305, Aug. 8, 1961, 75 Stat. 308; Pub. L. 91-620, §1, Dec. 31, 1970, 84 Stat. 1862; Pub. L. 92-419, title I, §103, Aug. 30, 1972, 86

Stat. 658; Pub. L. 91-524, title VIII, §807, as added Pub. L. 93-86, §1(27)(B), Aug. 10, 1973, 87 Stat. 237; Pub. L. 95-334, title I, §103, Aug. 4, 1978, 92 Stat. 421; Pub. L. 102-554, §3, Oct. 28, 1992, 106 Stat. 4142; Pub. L. 105-277, div. A, §101(a) [title VIII, §806(a)], Oct. 21, 1998, 112 Stat. 2681, 2681-39; Pub. L. 110-234, title V, §5003, May 22, 2008, 122 Stat. 1144; Pub. L. 110-246, §4(a), title V, §5003, June 18, 2008, 122 Stat. 1664, 1905.)

#### CODIFICATION

Pub. L. 110-234 and Pub. L. 110-246 made identical amendments to this section. The amendments by Pub. L. 110-234 were repealed by section 4(a) of Pub. L. 110-246.

#### AMENDMENTS

2008—Subsec. (a)(2). Pub. L. 110-246, §5003, substituted “\$300,000” for “\$200,000”.

1998—Pub. L. 105-277 inserted section catchline, designated first sentence as subsec. (a), inserted heading, and substituted “\$700,000 (increased, beginning with fiscal year 2000, by the inflation percentage applicable to the fiscal year in which the loan is guaranteed and reduced by the amount of any unpaid indebtedness of the borrower on loans under subchapter II of this chapter that are guaranteed by the Secretary)” for “\$300,000”, designated second sentence as subsec. (b) and inserted heading, and added subsec. (c).

1992—Pub. L. 102-554 inserted reference to section 1935 of this title.

1978—Pub. L. 95-334 substituted provisions setting forth requirements for loans under sections 1922, 1923, 1924, and 1934 of this title for provisions setting forth requirements for loans under sections 1922, 1923, and 1924 of this title.

1973—Pub. L. 91-524, §807, as added by Pub. L. 93-86, substituted “\$225,000” for “\$100,000” in cl. (a), added cl. (b), and redesignated former cl. (b) as (c).

1972—Pub. L. 92-419 struck out “normal” before “value” in first and second sentences and before “market value” in last sentence.

1970—Pub. L. 91-620 substituted “\$100,000” for “\$60,000”.

#### EFFECTIVE DATE OF 2008 AMENDMENT

Amendment of this section and repeal of Pub. L. 110-234 by Pub. L. 110-246 effective May 22, 2008, the date of enactment of Pub. L. 110-234, see section 4 of Pub. L. 110-246, set out as an Effective Date note under section 8701 of this title.

### § 1926. Water and waste facility loans and grants

#### (a) In general

(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, Indian tribes on Federal and State reservations and other federally recognized Indian tribes, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage or waste disposal facilities, recreational developments, and essential community facilities including necessary related equipment, all primarily serving farmers, ranchers, farm tenants, farm laborers, rural businesses, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes. The Secretary may also make or insure loans to communities that have been designated as rural empowerment zones or rural enterprise commu-