

(A) be secured by the farm or ranch;

(B) be junior only to such interests in the farm or ranch as may be conveyed at the time of acquisition to the person (including a lender) from whom the borrower obtained a loan used to acquire the farm or ranch; and

(C) require the borrower to obtain the permission of the Secretary before the borrower may grant an additional security interest in the farm or ranch.

**(c) Limitations**

**(1) Borrowers required to make minimum down payment**

The Secretary shall not make a loan under this section to any borrower with respect to a farm or ranch if the contribution of the borrower to the down payment on the farm or ranch will be less than 5 percent of the purchase price of the farm or ranch.

**(2) Prohibited types of financing**

The Secretary shall not make a loan under this section with respect to a farm or ranch if the farm or ranch is to be acquired with other financing that contains any of the following conditions:

(A) The financing is to be amortized over a period of less than 30 years.

(B) A balloon payment will be due on the financing during the 20-year period beginning on the date the loan is to be made by the Secretary.

**(d) Administration**

In carrying out this section, the Secretary shall, to the maximum extent practicable—

(1) facilitate the transfer of farms and ranches from retiring farmers and ranchers to persons eligible for insured loans under this subchapter;

(2) make efforts to widely publicize the availability of loans under this section among—

(A) potentially eligible recipients of the loans;

(B) retiring farmers and ranchers; and

(C) applicants for farm ownership loans under this subchapter;

(3) encourage retiring farmers and ranchers to assist in the sale of their farms and ranches to qualified beginning farmers and ranchers and socially disadvantaged farmers or ranchers by providing seller financing;

(4) coordinate the loan program established by this section with State programs that provide farm ownership or operating loans for beginning farmers or ranchers or socially disadvantaged farmers or ranchers; and

(5) establish annual performance goals to promote the use of the down payment loan program and other joint financing arrangements as the preferred choice for direct real estate loans made by any lender to a qualified beginning farmer or rancher or socially disadvantaged farmer or rancher.

**(e) Socially disadvantaged farmer or rancher defined**

In this section, the term “socially disadvantaged farmer or rancher” has the meaning given that term in section 2003(e)(2) of this title.

(Pub. L. 87–128, title III, §310E, as added Pub. L. 102–554, §7(a), Oct. 28, 1992, 106 Stat. 4144; amended Pub. L. 107–171, title V, §5005, May 13, 2002, 116 Stat. 342; Pub. L. 110–234, title V, §5004, May 22, 2008, 122 Stat. 1144; Pub. L. 110–246, §4(a), title V, §5004, 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)(1). Pub. L. 110–246, §5004(1), substituted “or ranchers and socially disadvantaged farmers or ranchers” for “and ranchers”.

Subsec. (b)(1), (2). Pub. L. 110–246, §5004(2)(A), added par. (1) and par. (2) consisting of subpars. (A) and (B) and struck out former par. (1). Prior to amendment, text of par. (1) read as follows: “Each loan made under this section shall be in an amount equal to 40 percent of the purchase price or appraisal value, whichever is lower, of the farm or ranch to be acquired, unless the borrower requests a lesser amount.”

Subsec. (b)(3). Pub. L. 110–246, §5004(2)(B), substituted “20” for “15”.

Subsec. (c)(1). Pub. L. 110–246, §5004(3)(A), substituted “5” for “10”.

Subsec. (c)(2), (3). Pub. L. 110–246, §5004(3)(B), (C), re-designated par. (3) as (2), in subpar. (B), substituted “20-year” for “15-year”, and struck out former par. (2). Prior to amendment, text read as follows: “The Secretary shall not make a loan under this section with respect to a farm or ranch for which the purchase price or appraisal value, whichever is lower, exceeds \$250,000.”

Subsec. (d)(3). Pub. L. 110–246, §5004(4)(A)(ii), struck out “and” at end.

Pub. L. 110–246, §5004(4)(A)(i), which directed the insertion of “and socially disadvantaged farmers or ranchers” after “ranchers”, was executed by making the insertion after “ranchers” the second place it appeared to reflect the probable intent of Congress.

Subsec. (d)(4). Pub. L. 110–246, §5004(4)(B), substituted “or ranchers or socially disadvantaged farmers or ranchers; and” for “and ranchers.”

Subsec. (d)(5). Pub. L. 110–246, §5004(4)(C), added par. (5).

Subsec. (e). Pub. L. 110–246, §5004(5), added subsec. (e). 2002—Subsec. (b)(1). Pub. L. 107–171, §5005(1)(A), substituted “40 percent” for “30 percent”.

Subsec. (b)(3). Pub. L. 107–171, §5005(1)(B), substituted “15 years” for “10 years”.

Subsec. (c)(3)(B). Pub. L. 107–171, §5005(2), substituted “15-year” for “10-year”.

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.

**§ 1936. Beginning farmer or rancher and socially disadvantaged farmer or rancher contract land sales program**

**(a) In general**

The Secretary shall, in accordance with this section, guarantee a loan made by a private seller of a farm or ranch to a qualified beginning farmer or rancher or socially disadvantaged farmer or rancher (as defined in section 2003(e)(2) of this title) on a contract land sales basis.

**(b) Eligibility**

In order to be eligible for a loan guarantee under subsection (a)—

(1) the qualified beginning farmer or rancher or socially disadvantaged farmer or rancher shall—

(A) on the date the contract land sale that is subject of the loan is complete, own and operate the farm or ranch that is the subject of the contract land sale;

(B) have a credit history that—

(i) includes a record of satisfactory debt repayment, as determined by the Secretary; and

(ii) is acceptable to the Secretary; and

(C) demonstrate to the Secretary that the farmer or rancher, as the case may be, is unable to obtain sufficient credit without a guarantee to finance any actual need of the farmer or rancher, as the case may be, at a reasonable rate or term; and

(2) the loan shall meet applicable underwriting criteria, as determined by the Secretary.

**(c) Limitations**

**(1) Down payment**

The Secretary shall not provide a loan guarantee under subsection (a) if the contribution of the qualified beginning farmer or rancher or socially disadvantaged farmer or rancher to the down payment for the farm or ranch that is the subject of the contract land sale would be less than 5 percent of the purchase price of the farm or ranch.

**(2) Maximum purchase price**

The Secretary shall not provide a loan guarantee under subsection (a) if the purchase price or the appraisal value of the farm or ranch that is the subject of the contract land sale is greater than \$500,000.

**(d) Period of guarantee**

The period during which a loan guarantee under this section is in effect shall be the 10-year period beginning with the date the guarantee is provided.

**(e) Guarantee plan**

**(1) Selection of plan**

A private seller of a farm or ranch who makes a loan that is guaranteed by the Secretary under subsection (a) may select—

(A) a prompt payment guarantee plan, which shall cover—

(i) 3 amortized annual installments; or

(ii) an amount equal to 3 annual installments (including an amount equal to the total cost of any tax and insurance incurred during the period covered by the annual installments); or

(B) a standard guarantee plan, which shall cover an amount equal to 90 percent of the outstanding principal of the loan.

**(2) Eligibility<sup>1</sup> for standard guarantee plan**

In order for a private seller to be eligible for a standard guarantee plan referred to in paragraph (1)(B), the private seller shall—

(A) secure a commercial lending institution or similar entity, as determined by the Secretary, to serve as an escrow agent; or

(B) in cooperation with the farmer or rancher, use an appropriate alternate arrangement, as determined by the Secretary.

**(f) Transition from pilot program**

**(1) In general**

The Secretary may phase-in the implementation of the changes to the Beginning Farmer and Rancher and Socially Disadvantaged Farmer or Rancher Contract Land Sales Program provided for in this section.

**(2) Limitation**

All changes to the Beginning Farmer and Rancher and Socially Disadvantaged Farmer or Rancher Contract Land Sales Program must be implemented for the 2011 Fiscal Year.

(Pub. L. 87-128, title III, §310F, as added Pub. L. 107-171, title V, §5006, May 13, 2002, 116 Stat. 342; amended Pub. L. 110-234, title V, §5005, May 22, 2008, 122 Stat. 1145; Pub. L. 110-246, §4(a), title V, §5005, June 18, 2008, 122 Stat. 1664, 1906.)

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.

PRIOR PROVISIONS

A prior section 1936, Pub. L. 87-128, title III, §310F, as added Pub. L. 102-554, §7(b), Oct. 28, 1992, 106 Stat. 4146, related to availability of farm ownership loans and loan guarantees for certain qualified beginning farmers and ranchers, prior to repeal by Pub. L. 104-127, title VI, §616(b), Apr. 4, 1996, 110 Stat. 1090.

AMENDMENTS

2008—Pub. L. 110-246, §5005, amended section generally, substituting provisions relating to guarantee of a loan made by a private seller of a farm or ranch to a qualified beginning farmer or rancher or socially disadvantaged farmer or rancher on a contract land sales basis, for similar provisions relating to a pilot program in fiscal years 2003 through 2007.

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.

**§ 1936a. Use of rural development loans and grants for other purposes**

If, after making a loan or a grant described in section 2009d(d) of this title, the Secretary determines that the circumstances under which the loan or grant was made have sufficiently changed to make the project or activity for which the loan or grant was made available no longer appropriate, the Secretary may allow the loan borrower or grant recipient to use property (real and personal) purchased or improved with the loan or grant funds, or proceeds from the sale of property (real and personal) purchased with such funds, for another project or activity that (as determined by the Secretary)—

(1) will be carried out in the same area as the original project or activity;

(2) meets the criteria for a loan or a grant described in section 2009d(d) of this title; and

(3) satisfies such additional requirements as are established by the Secretary.

<sup>1</sup> So in original. Probably should be "Eligibility".