

CONSTRUCTION OF 1991 AMENDMENT

Pub. L. 102-552, title V, §516(f)(2), Oct. 28, 1992, 106 Stat. 4138, provided that: "Subsection (b) of section 501 of the Food, Agriculture, Conservation, and Trade Act Amendments of 1991 (Public Law 102-237; 105 Stat. 1866) [amending this section] is repealed. The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) shall be applied and administered as if such subsection had never become law."

§ 1943. Limitations on amount of operating loans**(a) In general**

The Secretary shall make or insure no loan under this subchapter—

(1) that would cause the total principal indebtedness outstanding at any one time for loans made under this subchapter to any one borrower to exceed, 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 unpaid indebtedness of the borrower on loans under the sections specified in section 1925 of this title that are guaranteed by the Secretary); or

(2) for the purchasing or leasing of land other than for cash rent, or for carrying on any land leasing or land purchasing program.

(b) 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, §313, Aug. 8, 1961, 75 Stat. 310; Pub. L. 90-488, §9, Aug. 15, 1968, 82 Stat. 771; Pub. L. 92-419, title I, §122, Aug. 30, 1972, 86 Stat. 665; Pub. L. 95-334, title I, §116, Aug. 4, 1978, 92 Stat. 426; Pub. L. 98-258, title VI, §604(a), Apr. 10, 1984, 98 Stat. 139; Pub. L. 105-277, div. A, §101(a) [title VIII, §806(b)], Oct. 21, 1998, 112 Stat. 2681, 2681-39; Pub. L. 110-234, title V, §5102, May 22, 2008, 122 Stat. 1146; Pub. L. 110-246, §4(a), title V, §5102, June 18, 2008, 122 Stat. 1664, 1908.)

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 L. 110-234 were repealed by section 4(a) of Pub.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, §5102, substituted "\$300,000" for "\$200,000".

1998—Pub. L. 105-277 inserted section catchline, designated existing provisions as subsec. (a), inserted heading, substituted "this subchapter—" for "this subchapter", in introductory provisions, realigned margin of par. (1) and substituted "\$700,000 (increased, beginning with fiscal year 2000, by the inflation percentage applicable to the fiscal year in which the loan is guar-

anteed and reduced by the unpaid indebtedness of the borrower on loans under the sections specified in section 1925 of this title that are guaranteed by the Secretary); or" for "\$400,000; or", realigned margin of par. (2), and added subsec. (b).

1984—Pub. L. 98-258 substituted "\$200,000" and "\$400,000" for "\$100,000" and "\$200,000", respectively.

1978—Pub. L. 95-334 substituted provisions setting forth criteria for Secretary to make or insure loans under this subchapter for provisions setting forth criteria for Secretary to make loans under this subchapter.

1972—Pub. L. 92-419 substituted "\$50,000" for "\$35,000".

1968—Pub. L. 90-488 struck out from item (1) the proviso which limited the amount to be used for loans which would cause the indebtedness of any borrower to exceed \$15,000 to 25 per centum of the sums made available for loans.

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.

§ 1944. Soil conservation district loans; limitation; purchase of conservation equipment

Loans aggregating not more than \$500,000 in any one year may also be made to soil conservation districts which cannot obtain necessary credit elsewhere upon reasonable terms and conditions for the purchase of equipment customarily used for soil conservation purposes.

(Pub. L. 87-128, title III, §314, Aug. 8, 1961, 75 Stat. 311.)

§ 1945. Repealed. Pub. L. 104-127, title VI, §613, Apr. 4, 1996, 110 Stat. 1089

Section, Pub. L. 87-128, title III, §315, Aug. 8, 1961, 75 Stat. 311, authorized Secretary to participate in certain loans made under this subchapter.

§ 1946. Liability of borrower**(a) Determination of interest rates**

(1) The Secretary shall make all loans under this subchapter upon the full personal liability of the borrower and upon such security as the Secretary may prescribe. The interest rates on such loans, except for guaranteed loans and loans as provided in paragraphs (2) and (3),¹ shall be as determined by the Secretary, but not in excess of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, plus an additional charge not to exceed 1 per centum as determined by the Secretary, which charge shall be deposited in the Rural Development Insurance Fund or the Agricultural Credit Insurance Fund, as appropriate, and adjusted to the nearest one-eighth of 1 per centum. The interest rate on any guaranteed loan made under this subchapter shall be such rate as may be agreed upon by the borrower and lender, but not in excess of a rate as may be determined by the Secretary.

(2) The interest rate on any loan (other than a guaranteed loan) to a low income, limited re-

¹ See References in Text note below.

source borrower under this subchapter shall not be—

(A) greater than the sum of—

(i) an amount that does not exceed one-half of the current average market yield on outstanding marketable obligations of the United States with maturities of 5 years; and

(ii) an amount not exceeding 1 percent per year, as the Secretary determines is appropriate; or

(B) less than 5 percent per year.

(b) Payment period; consolidation and rescheduling of loans

Loans made under this subchapter shall be payable in not to exceed seven years. The Secretary may consolidate or reschedule outstanding loans for payment over a period not to exceed seven years (or, in the case of loans for farm operating purposes, fifteen years) from the date of such consolidation or rescheduling, and the amount of unpaid principal and interest of the prior loans so consolidated or rescheduled shall not create a new charge against any loan levels authorized by law. A new loan may be included in a consolidation. Such new loan shall be charged against any loan level authorized by law. Except as otherwise provided for farm loans under section 1981b of this title, the interest rate on such consolidated or rescheduled loans, other than guaranteed loans, may be changed by the Secretary to a rate not to exceed the rate being charged for loans made under this subchapter at the time of the consolidation or rescheduling. The interest rate on any guaranteed loan under this subchapter that may be consolidated or rescheduled for payment shall be such rate as may be agreed upon by the borrower and the lender, but not in excess of a rate as may be determined by the Secretary.

(c) Line-of-credit loans

(1) In general

A loan made or guaranteed by the Secretary under this subchapter may be in the form of a line-of-credit loan.

(2) Term

A line-of-credit loan under paragraph (1) shall terminate not later than 5 years after the date that the loan is made or guaranteed.

(3) Eligibility

For purposes of determining eligibility for a farm operating loan under this subchapter, each year during which a farmer or rancher takes an advance or draws on a line-of-credit loan the farmer or rancher shall be considered to have received an operating loan for 1 year.

(4) Termination of delinquent loans

If a borrower does not pay an installment on a line-of-credit loan on schedule, the borrower may not take an advance or draw on the line-of-credit, unless the Secretary determines that—

(A) the borrower's failure to pay on schedule was due to unusual conditions that the borrower could not control; and

(B) the borrower will reduce the line-of-credit balance to the scheduled level at the end of—

(i) the production cycle; or

(ii) the marketing of the borrower's agricultural products.

(5) Agricultural commodities

A line-of-credit loan may be used to finance the production or marketing of an agricultural commodity that—

(A) is eligible for a price support program of the Department of Agriculture; or

(B) was eligible for a price support program of the Department of Agriculture on the day before April 4, 1996.

(Pub. L. 87-128, title III, §316, Aug. 8, 1961, 75 Stat. 311; Pub. L. 90-488, §10, Aug. 15, 1968, 82 Stat. 771; Pub. L. 95-334, title I, §117, Aug. 4, 1978, 92 Stat. 426; Pub. L. 97-35, title I, §160(b), Aug. 13, 1981, 95 Stat. 377; Pub. L. 98-258, title VI, §604(b), Apr. 10, 1984, 98 Stat. 139; Pub. L. 101-624, title XVIII, §1803(b), Nov. 28, 1990, 104 Stat. 3818; Pub. L. 104-127, title VI, §§614, 661(g), Apr. 4, 1996, 110 Stat. 1089, 1107.)

REFERENCES IN TEXT

Paragraph (3), referred to in subsec. (a)(1), was repealed by Pub. L. 104-127, title VI, §661(g), Apr. 4, 1996, 110 Stat. 1107.

AMENDMENTS

1996—Subsec. (a)(3). Pub. L. 104-127, §661(g), struck out par. (3) which read as follows: "The interest rate on any loan (other than a guaranteed loan) made or insured under clause (5) of section 1942(a) of this title for activities that involve the use of prime farmland as defined in section 1927(a)(6)(C) of this title shall be the interest rate otherwise applicable under this section increased by 2 per centum per annum."

Subsec. (c). Pub. L. 104-127, §614, added subsec. (c).

1990—Subsec. (a)(2). Pub. L. 101-624 amended par. (2) generally. Prior to amendment, par. (2) read as follows: "The interest rate on any loan (other than a guaranteed loan) to a low-income, limited resource borrower under this subchapter shall be the interest rate otherwise applicable under this section reduced by 3 per centum per annum."

1984—Subsec. (b). Pub. L. 98-258 inserted "(or, in the case of loans for farm operating purposes, fifteen years)" and substituted "Except as otherwise provided for farm loans under section 1981b of this title, the interest rate" for "The interest rate".

1981—Subsec. (a). Pub. L. 97-35 redesignated existing provisions as par. (1), inserted reference to loans guaranteed under pars. (2) and (3), and added pars. (2) and (3).

1978—Pub. L. 95-334 designated existing provisions as subsec. (a), inserted provisions relating to depositing of charges and provisions relating to interest rates on guaranteed loans, struck out provisions relating to payment and renewal of loans, and added subsec. (b).

1968—Pub. L. 90-488 substituted provisions for determination of interest rate by taking into consideration current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of the loans, adjusted to the nearest one-eighth of 1 per centum, plus not to exceed 1 per centum per annum as determined by the Secretary, for former prohibition of an interest rate exceeding 5 per centum per annum.

EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-35 applicable to loans made after Sept. 30, 1981, see section 160(c) of Pub. L. 97-35, set out as a note under section 1927 of this title.

§§ 1947, 1948. Repealed. Pub. L. 104-127, title VI, §§ 615, 616(a), Apr. 4, 1996, 110 Stat. 1090

Section 1947, Pub. L. 87-128, title III, §317, as added Pub. L. 92-419, title I, §123, Aug. 30, 1972, 86 Stat. 665, related to insured operating loans.

Section 1948, Pub. L. 87-128, title III, §318, as added Pub. L. 102-554, §8, Oct. 28, 1992, 106 Stat. 4146, related to special assistance to certain qualified beginning farmers and ranchers.

§ 1949. Graduation of borrowers with operating loans or guarantees to private commercial credit

(a) Graduation plan

The Secretary shall establish a plan, in coordination with activities under sections 2006a, 2006b, 2006c, and 2006d of this title, to encourage each borrower with an outstanding loan under this subchapter or with respect to whom there is an outstanding guarantee under this subchapter to graduate to private commercial or other sources of credit.

(b) Limitation on period borrowers are eligible for guaranteed assistance

(1) General rule

Subject to paragraph (2), the Secretary shall not guarantee a loan under this subchapter for a borrower for any year after the 15th year that a loan is made to, or a guarantee is provided with respect to, the borrower under this subchapter.

(2) Transition rule

If, as of October 28, 1992, a farmer or rancher has received a direct or guaranteed operating loan under this subchapter during each of 10 or more previous years, the borrower shall be eligible to receive a guaranteed operating loan under this subchapter during 5 additional years after October 28, 1992.

(Pub. L. 87-128, title III, §319, as added Pub. L. 102-554, §9, Oct. 28, 1992, 106 Stat. 4150; amended Pub. L. 104-127, title VI, §617, Apr. 4, 1996, 110 Stat. 1090.)

AMENDMENTS

1996—Subsec. (b). Pub. L. 104-127 added subsec. (b) and struck out former subsec. (b) which provided for limitation on period for which borrowers were eligible for assistance under this subchapter and contained transition rule.

SUSPENSION OF LIMITATION ON PERIOD FOR WHICH BORROWERS ARE ELIGIBLE FOR GUARANTEED ASSISTANCE

Pub. L. 107-171, title V, §5102, May 13, 2002, 116 Stat. 343, as amended by Pub. L. 109-467, §1, Dec. 22, 2006, 120 Stat. 3485; Pub. L. 110-234, title V, §5103, May 22, 2008, 122 Stat. 1146; Pub. L. 110-246, §4(a), title V, §5103, June 18, 2008, 122 Stat. 1664, 1908, provided that: "During the period beginning January 1, 2002, and ending December 31, 2010, section 319(b) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1949(b)) shall have no force or effect."

SUBCHAPTER III—EMERGENCY LOANS

EMERGENCY AGRICULTURAL CREDIT

Pub. L. 95-334, title II, §§201-211, Aug. 4, 1978, 92 Stat. 429-433, as amended by Pub. L. 96-220, §1, Mar. 30, 1980, 94 Stat. 129; Pub. L. 97-98, title XVI, §1605, Dec. 22, 1981, 95 Stat. 1346; Pub. L. 98-258, title VI, §603, Apr. 10, 1984, 98 Stat. 139; Pub. L. 99-198, title XIII, §1310(b), Dec. 23,

1985, 99 Stat. 1523, which authorized the Secretary of Agriculture to insure or guarantee loans to (1) bona fide farmers and ranchers who were primarily and directly engaged in agricultural production and who were citizens of the United States and (2) farm cooperatives and private domestic corporations and partnerships that were primarily and directly engaged in agricultural production and in which a majority interest was held by members, stockholders, or partners, as applicable, who themselves were citizens of the United States and were primarily and directly engaged in agricultural production, if the applicant for such loan: (A) had the experience or training and resources necessary to assure a reasonable prospect for successful operation with the assistance of such loan; (B) needed such credit in order to maintain a viable agricultural production operation; and (C) was not able to obtain sufficient credit elsewhere due to economic stresses, such as a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities; and which provided requirements as to purposes of loans, loan limits, interest rates, repayment period, loan certifications and conditions, loan security, funding, maximum amount of outstanding loans, full faith and credit of the United States, issuance of certificates of beneficial ownership, assignment of contracts of guarantee, geographical availability, the conduct of a study and report on the program, and termination of authority to make new contracts of insurance or guarantee on Sept. 30, 1982, except with respect to the economic emergency loan program operated from Dec. 22, 1983, to Sept. 30, 1984, was repealed by Pub. L. 101-624, title XVIII, §1851, Nov. 28, 1990, 104 Stat. 3837.

EMERGENCY LIVESTOCK CREDIT

Pub. L. 93-357, July 25, 1974, 88 Stat. 391, as amended by Pub. L. 94-35, §1, June 16, 1975, 89 Stat. 213; Pub. L. 94-517, Oct. 15, 1976, 90 Stat. 2446; Pub. L. 95-334, title III, §301, Aug. 4, 1978, 92 Stat. 433; Pub. L. 96-470, title I, §102(d), Oct. 19, 1980, 94 Stat. 2237, authorized the Secretary of Agriculture to provide financial assistance to bona fide farmers and ranchers, including bona fide farmers or ranchers owning livestock that were fed in custom feedyards, who were primarily and directly engaged in agricultural production and who had substantial operations in breeding, raising, fattening, or marketing livestock, and to corporations or partnerships when a majority interest in such corporations or partnerships was held by stockholders or partners who themselves were primarily and directly engaged in such agricultural production and required the Secretary to guarantee loans, including both principal and interest, made by any legally organized lending agency. The provisions also provided requirements as to loan limits, fees or charges, interest rates, repayment period, loan certifications and conditions, loan security, maximum amount of outstanding loans, exclusion from budget totals, full faith and credit of the United States, issuance of certificates of beneficial ownership, assignment of contracts of guarantee, rules and regulations, and termination of authority to make new guarantees on Sept. 30, 1979.

§ 1961. Eligibility for loans

(a) Persons eligible

The Secretary shall make and insure loans under this subchapter only to the extent and in such amounts as provided in advance in appropriation Acts to (1) established farmers or ranchers (including equine farmers or ranchers), or persons engaged in aquaculture, who are citizens of the United States and who are owner-operators (in the case of loans for a purpose under subchapter I of this chapter) or operators (in the case of loans for a purpose under subchapter II of this chapter) of not larger than family farms,