

for use by members of socially disadvantaged groups identified under target participation rates established under subsection (a) of this section.

**(2) Allocation**

The Secretary shall allocate such loans on the basis of the proportion of members of socially disadvantaged groups in a county and the availability of inventory farmland, with the greatest amount of loan funds being distributed in the county with the greatest proportion of socially disadvantaged group members and the greatest amount of available inventory farmland.

**(3) Indian reservations**

In distributing loan funds in counties within the boundaries of an Indian reservation, the Secretary shall allocate the funds on a reservation-wide basis.

**(c) Operating loans**

**(1) Establishment**

The Secretary shall establish annual target participation rates, that shall ensure that socially disadvantaged farmers or ranchers will receive loans made or insured under subchapter II of this chapter. In establishing such target rates, the Secretary shall consider the number of socially disadvantaged farmers and ranchers in a State in proportion to the total number of farmers and ranchers in that State.

**(2) Reservation and allocation**

The Secretary shall, to the greatest extent practicable, reserve and allocate the proportion of each State's loan funds made available under subchapter II of this chapter that is equal to that State's target participation rate for use by the socially disadvantaged farmers or ranchers in that State. The Secretary shall, to the extent practicable, distribute the total so derived on a county by county basis according to the number of socially disadvantaged farmers or ranchers in the county. Any funds reserved and allocated under this paragraph but not used within a State shall, to the extent necessary to satisfy pending applications under this chapter, be available for use by socially disadvantaged farmers and ranchers in other States, as determined by the Secretary, and any remaining funds shall be reallocated within the State.

**(d) Report**

The Secretary shall prepare and submit, to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, a report that describes the annual target participation rates and the success in meeting such rates.

**(e) Definitions**

**(1) Socially disadvantaged group**

As used in this section, the term "socially disadvantaged group" means a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities.

**(2) Socially disadvantaged farmer or rancher**

As used in this section, the term "socially disadvantaged farmer or rancher" means a

farmer or rancher who is a member of a socially disadvantaged group.

**(f) Implementation consistent with Supreme Court holding**

Not later than 180 days after April 4, 1996, the Secretary shall ensure that the implementation of this section is consistent with the holding of the Supreme Court in *Adarand Constructors, Inc. v. Federico Pena*, Secretary of Transportation, 115 S. Ct. 2097 (1995).

(Pub. L. 87-128, title III, §355, as added Pub. L. 100-233, title VI, §617, Jan. 6, 1988, 101 Stat. 1682; amended Pub. L. 101-624, title XVIII, §1817, title XXV, §2501(f), Nov. 28, 1990, 104 Stat. 3829, 4065; Pub. L. 102-554, §21(a), (b), Oct. 28, 1992, 106 Stat. 4161; Pub. L. 104-127, title VI, §647, Apr. 4, 1996, 110 Stat. 1104; Pub. L. 107-171, title V, §5315, May 13, 2002, 116 Stat. 348.)

REFERENCES IN TEXT

For definition of "this chapter", referred to in subsecs. (c)(2), see note set out under section 1921 of this title.

AMENDMENTS

2002—Subsec. (c)(2). Pub. L. 107-171 substituted "Any funds reserved and allocated under this paragraph but not used within a State shall, to the extent necessary to satisfy pending applications under this chapter, be available for use by socially disadvantaged farmers and ranchers in other States, as determined by the Secretary, and any remaining funds shall be reallocated within the State." for "Any funds reserved and allocated for purposes of this paragraph, but not used shall be reallocated within such State."

1996—Subsec. (f). Pub. L. 104-127 added subsec. (f).

1992—Subsec. (a)(2). Pub. L. 102-554, §21(a)(1), substituted "Except as provided in paragraph (3), in establishing" for "In establishing".

Subsec. (a)(3). Pub. L. 102-554, §21(a)(2), added par. (3).

Subsec. (e)(1). Pub. L. 102-554, §21(b), substituted "ethnic, or gender" for "or ethnic".

1990—Subsec. (b)(3). Pub. L. 101-624, §1817, added par. (3).

Subsecs. (c), (d). Pub. L. 101-624, §2501(f)(1)-(3), added subsec. (c), redesignated former subsec. (c) as (d), and struck out former subsec. (d) which read as follows: "As used in this section, the term 'socially disadvantaged group' means a group whose members have been subjected to racial or ethnic prejudice because of their identity as members of a group without regard to their individual qualities."

Subsec. (e). Pub. L. 101-624, §2501(f)(4), added subsec. (e).

TERMINATION OF REPORTING REQUIREMENTS

For termination, effective May 15, 2000, of provisions of law requiring submittal to Congress of any annual, semiannual, or other regular periodic report listed in House Document No. 103-7 (in which the report required by subsec. (d) of this section is listed on page 44), see section 3003 of Pub. L. 104-66, as amended, set out as a note under section 1113 of Title 31, Money and Finance.

**§2004. Expedited clearing of title to inventory property**

The Farmers Home Administration may employ local attorneys, on a case-by-case basis, to process all legal procedures necessary to clear the title to foreclosed properties in the inventory of the Farmers Home Administration. Such attorneys shall be compensated at not more than their usual and customary charges for such work.

(Pub. L. 87-128, title III, §356, as added Pub. L. 100-233, title VI, §618, Jan. 6, 1988, 101 Stat. 1683.)

### § 2005. Payment of losses on guaranteed loans

#### (a) Payments to lenders

##### (1) Requirement

Within 3 months after a court of competent jurisdiction confirms a plan of reorganization under chapter 12 of title 11, for any borrower to whom a lender has made a loan guaranteed under this chapter, the Secretary shall pay the lender an amount estimated by the Secretary to be equal to the loss incurred by the lender for purposes of the guarantee.

##### (2) Payment toward loan guarantee

Any amount paid to a lender under this subsection with respect to a loan guaranteed under this chapter shall be treated as payment towards satisfaction of the loan guarantee.

#### (b) Administration

##### (1) Loss by lender

If the lender of a guaranteed farmer program loan takes any action described in section 1981(b)(4) of this title with respect to the loan and the Secretary approves such action, then, for purposes of the guarantee, the lender shall be treated as having sustained a loss equal to the amount by which—

(A) the outstanding balance of the loan immediately before such action, exceeds

(B) the outstanding balance of the loan immediately after such action.

##### (2) Net present value of loan

The Secretary shall approve the taking of an action described in section 1981(b)(4) of this title by the lender of a guaranteed farmer program loan with respect to the loan if such action reduces the net present value of the loan to an amount equal to not less than the greater of—

(A) the greatest net present value of a loan the borrower could reasonably be expected to repay; and

(B) the greatest amount that the lender of the loan could reasonably expect to recover from the borrower through bankruptcy, or liquidation of the property securing the loan, less all reasonable and necessary costs and expenses that the lender of the loan could reasonably expect to incur to preserve or dispose of such property (including all associated legal and property management costs) in the course of such a bankruptcy or liquidation.

##### (3) Construction of subsection

This subsection shall not be construed to limit the authority of the Secretary to enter into a shared appreciation arrangement with a borrower, or the terms and conditions which shall be required of a borrower, under section 2001(e) of this title.

(Pub. L. 87-128, title III, §357, as added Pub. L. 100-233, title VI, §619, Jan. 6, 1988, 101 Stat. 1683; amended Pub. L. 101-624, title XXIII, §2388(d)(2), Nov. 28, 1990, 104 Stat. 4053.)

#### REFERENCES IN TEXT

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

#### AMENDMENTS

1990—Subsec. (b)(1), (2). Pub. L. 101-624 substituted “1981(b)(4)” for “1981(d)”.

### § 2006. Waiver of mediation rights by borrowers

The Secretary may not make, insure, or guarantee any farmer program loan to a farm borrower on the condition that the borrower waive any right under the mediation program of any State.

(Pub. L. 87-128, title III, §358, as added Pub. L. 100-233, title V, §512, Jan. 6, 1988, 101 Stat. 1664; amended Pub. L. 103-354, title II, §282(f)(3), Oct. 13, 1994, 108 Stat. 3235.)

#### AMENDMENTS

1994—Pub. L. 103-354 struck out “agricultural loan” before “mediation program”.

### § 2006a. Borrower training

#### (a) In general

The Secretary shall enter into contracts to provide educational training to all borrowers of farmer program direct loans made under this chapter in financial and farm management concepts associated with commercial farming.

#### (b) Contract

##### (1) In general

The Secretary may contract with State or private providers of farm management and credit counseling services (including a community college, the extension service of a State, a State department of agriculture, or a nonprofit organization) to carry out this section.

##### (2) Consultation

The Secretary may consult with the chief executive officer of a State concerning the identity of the contracting organization and the process for contracting.

#### (c) Eligibility for loans

##### (1) In general

Subject to paragraph (2), to be eligible to obtain a direct loan under this chapter, a borrower must obtain management assistance under this section, appropriate to the management ability of the borrower (as determined by the appropriate county committee during the determination of eligibility for the loan).

##### (2) Loan conditions

The need of a borrower who satisfies the criteria set out in section 1922(a)(2) or 1941(a)(2) of this title for management assistance under this section shall not be cause for denial of eligibility of the borrower for a direct loan under this chapter.

#### (d) Guidelines and curriculum

The Secretary shall issue regulations establishing guidelines and curriculum for the borrower training program established under this section.

#### (e) Payment

A borrower shall pay for training received under this section, and may use funds from operating loans made under subchapter II of this chapter to pay for the training.