

**§ 1487. Rural Housing Insurance Fund**

**(a) Authority to make and insure loans for housing and buildings on adequate farms; amounts**

The Secretary may insure loans meeting the requirements of section 1472 of this title, and may make loans in accordance with the requirements of such section to be sold and insured. The amount of such a loan to a low income person or family shall not exceed the amount necessary to provide adequate housing which is modest in size, design, and cost (as determined by the Secretary).

**(b) Authority to make and insure loans for housing and related facilities for domestic farm labor and elderly persons; transfer of notes, contracts, and mortgages from Agricultural Credit Insurance Fund; compensation**

The Secretary may insure loans in accordance with the requirements of section 1484 of this title (exclusive of subsections (a)(3), (a)(5), and (b) thereof), 1485 of this title (exclusive of subsections (a) and (b)(3) thereof), 1490d, and 1490f of this title, and may make loans meeting such requirements to be sold and insured. Upon the expiration of ninety days after the original capitalization of the Rural Housing Insurance Fund, created by subsection (e) of this section, no new loans shall be made or insured under section 1484 or 1485(b) of this title, except in conformity with this section. The notes held in the Agricultural Credit Insurance Fund (section 1929 of title 7) which evidence loans made or insured by the Secretary under section 1484 or 1485(b) of this title, the rights and liabilities of that Fund under insurance contracts relating to such loans held by insured investors, the mortgages securing the obligations of the borrowers under such loans held in the Fund or by insured investors, and all rights to subsequent collections on and proceeds of such notes, contracts, and mortgages, are hereby transferred to the Rural Housing Insurance Fund and for the purposes of this subchapter and any other Act shall be subject to the provisions of this section as if created pursuant thereto. The Rural Housing Insurance Fund shall compensate the Agricultural Credit Insurance Fund for the aggregate unpaid principal balance plus accrued interest of the notes so transferred.

**(c) Use of funds from Rural Housing Insurance Fund for loans; sale of insured and guaranteed loans to public**

The Secretary may use the Rural Housing Insurance Fund for the purpose of making loans to be sold and insured under this section. Any loan made and sold by the Secretary under this section after April 7, 1986 (and any loan made by other lenders under this subchapter that is insured or guaranteed in accordance with this section, is purchased by the Secretary, and is sold by the Secretary under this section after such date) shall be sold to the public and may not be sold to the Federal Financing Bank, unless such sale to the Federal Financing Bank is required to service transactions under this subchapter between the Secretary and the Federal Financing Bank occurring on or before such date.

**(d) Authority to insure payment of interest and principal; liens; assignability of notes evidencing loans; interest subsidy on insured and guaranteed loans offered for sale to public; protection of borrowers under loans sold to public**

(1) The Secretary may, in conformity with subsections (a), (b), and (m) of this section, insure the payment of principal and interest on loans made by lenders other than the United States, and on loans made from or otherwise acquired by the Rural Housing Insurance Fund which are sold by the Secretary. Any contract of insurance executed by the Secretary hereunder shall be an obligation supported by the full faith and credit of the United States, and shall be incontestable except for fraud or material misrepresentation of which the holder has actual knowledge. In connection with loans insured under this section, the Secretary may take liens running to the United States notwithstanding the fact that the notes evidencing such loans may be held by lenders other than the United States. Notes evidencing such loans shall be freely assignable, but the Secretary shall not be bound by any such assignment until notice thereof is given to and acknowledged by him.

(2) Each loan made by the Secretary or other lenders under this subchapter that is insured or guaranteed in accordance with this subsection shall, when offered for sale to the public, be accompanied by an agreement by the Secretary to pay to the holder of such loan (through an agreement to purchase such loan or through such other means as the Secretary determines to be appropriate) the difference between the rate of interest paid by the borrower of such loan and the market rate of interest (as determined by the Secretary) on obligations having comparable periods to maturity on the date of such sale.

(3) Each loan made by the Secretary or other lenders under this subchapter that is insured or guaranteed in accordance with this subsection shall, when offered for sale to the public, be accompanied by agreements for the benefit of the borrower under the loan that provide that—

(A) the purchaser or any assignee of the loan shall not diminish any substantive or procedural right of the borrower arising under this subchapter;

(B) upon any substantial default of the borrower, but prior to foreclosure, the loan shall be assigned to the Secretary for the purpose of avoiding foreclosure; and

(C) following any assignment under subparagraph (B) and before commencing any action to foreclose or otherwise dispossess the borrower, the Secretary shall afford the borrower all substantive and procedural rights arising under this subchapter, including consideration for interest subsidy, moratorium, reamortization, refinancing, and appeal of any adverse decision to an impartial officer.

(4) From the proceeds of loan sales under paragraph (2), the Secretary shall set aside as a reserve against future losses not less than 5 percent of the outstanding face amount of the loans held by the public at any time.

**(e) Rural Housing Insurance Fund; creation; authorization of appropriations; separate operation of guaranteed and insured loan programs; transfer of funds**

There is hereby created the Rural Housing Insurance Fund (hereinafter referred to as the "Fund") which shall be used by the Secretary as a revolving fund for carrying out the provisions of this section. There are authorized to be appropriated to the Secretary such sums as may be necessary for the purposes of the Fund. The guaranteed loan program under this subchapter shall be operated separately from the insured loan program operated under this subchapter and no funds designated for one program may be transferred to another program.

**(f) Investment of excess Fund moneys**

Money in the Fund not needed for current operations shall be invested in direct obligations of the United States or obligations guaranteed by the United States.

**(g) Fund assets and liabilities; sale of loans; agreements for servicing and purchasing loans**

All funds, claims, notes, mortgages, contracts, and property acquired by the Secretary under this section, and all collections and proceeds therefrom, shall constitute assets of the Fund; and all liabilities and obligations of such assets shall be liabilities and obligations of the Fund. Loans may be held in the Fund and collected in accordance with their terms or may be sold by the Secretary with or without agreements for insurance thereof. The Secretary is authorized to make agreements with respect to servicing loans held or insured by him under this section and purchasing such insured loans on such terms and conditions as he may prescribe.

**(h) Issuance of notes; form and denominations; interest rate; purchase by Secretary of the Treasury; debt transactions**

The Secretary is authorized to issue notes to the Secretary of the Treasury to obtain funds necessary for discharging obligations under this section and for authorized expenditures out of the Fund, but, except as may be authorized in appropriation Acts, not for the original or any additional capital of the Fund. Such notes shall be in such form and denominations and have such maturities and be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Each note shall bear interest at the average rate, as determined by the Secretary of the Treasury, payable by the Treasury upon its marketable public obligations outstanding at the beginning of the fiscal year in which such note is issued, which are neither due nor callable for redemption for fifteen years from their date of issue. The Secretary of the Treasury is authorized and directed to purchase any notes of the Secretary issued hereunder, and for that purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, and the purposes for which such securities may be issued under such chapter are extended to include purchases of notes issued by the Secretary. All redemption,

purchases, and sales by the Secretary of the Treasury of such notes shall be treated as public debt transactions of the United States. The notes issued by the Secretary to the Secretary of the Treasury shall constitute obligations of the Fund.

**(i) Retention of annual charge; administrative expenses; merger of funds**

The Secretary may retain out of interest payments by the borrower an annual charge in an amount specified in the insurance or sale agreement applicable to the loan. Of the charges retained by the Secretary, if any, not to exceed 1 per centum per annum of the unpaid balance of the loan shall be deposited in the Fund. Any retained charges not deposited in the Fund shall be available for administrative expenses in carrying out the provisions of this subchapter, to be transferred annually, and become merged with any appropriation for administrative expenses of the Farmers Home Administration, when and in such amounts as may be authorized in appropriation Acts.

**(j) Additional uses of Fund moneys**

The Secretary may also utilize the Fund—

(1) to pay amounts to which the holder of the note is entitled in accordance with an insurance or sale agreement under this section accruing between the date of any payment by the borrower to the Secretary and the date of transmittal of any such payments to the holder of the note; and in the discretion of the Secretary, payments other than final payments need not be remitted to the holder until due or until the next agreed annual or semiannual remittance date;

(2) to pay the holder of any note insured under this section any defaulted installment or, upon assignment of the note to the Secretary at the Secretary's request, or pursuant to a purchase agreement, the entire balance outstanding on the note;

(3) to pay taxes, insurance, prior liens, expenses necessary to make fiscal adjustments in connection with the application and transmittal of collections or necessary to obtain credit reports on applicants or borrowers, and other services customary in the industry, independent audits of project expenses, construction inspections, commercial appraisals, servicing of loans, and other related program services and expenses, and other expenses and advances to protect the security for loans which are insured under this section or held in the Fund, and to acquire such security property at foreclosure sale or otherwise;

(4) to make assistance payments authorized by section 1490a(a) of this title;

(5) after October 1, 1977, and as approved in appropriations Acts, to make advances authorized by section 1471(e) of this title;

(6) to make payments and take other actions in accordance with agreements entered into under paragraphs (2) and (3) of subsection (d) of this section; and

(7) to provide advances and assistance required to carry out paragraphs (4) and (5) of section 1472(c) of this title.

**(k) Sale of loans as sale of assets**

Any sale by the Secretary of loans individually or in blocks, pursuant to subsections (c)

and (g) of this section, shall be treated as a sale of assets for the purposes of chapter 11 of title 31, notwithstanding the fact that the Secretary, under an agreement with the purchaser, holds the debt instruments evidencing the loans and holds or reinvests payments thereon as trustee and custodian for the purchaser.

**(l) Commitments to make or insure loans to lenders, builders, or sellers; terms and conditions**

The Secretary may also, upon the application of lenders, builders, or sellers and upon compliance with requirements specified by him, make commitments upon such terms and conditions as he shall prescribe to make or insure loans under this section to eligible applicants.

**(m) Transfer of assets, liabilities, and authorizations of Rural Housing Direct Loan Account to Fund; abolition of Account; applicability of provisions**

The assets and liabilities of, and authorizations applicable to, the Rural Housing Direct Loan Account are hereby transferred to the Fund, and such Account is hereby abolished. Such assets and their proceeds, including loans made out of the Fund pursuant to this section, shall be subject to all of the provisions of this section.

**(n) Purchase of eligible residential properties**

The Secretary may guarantee and service loans made for the purchase of eligible residential properties under section 1441a(c)<sup>1</sup> of title 12 in accordance with subsection (d) of this section and the last sentence of section 1490a(a)(1)(A) of this title.

**(o) Rules to encourage rehabilitation or purchase of existing buildings; regulations to facilitate marketability of insured or guaranteed loans in secondary mortgage market**

(1) The Secretary shall promulgate rules which encourage the rehabilitation or purchase of existing buildings for the purpose of providing housing which is economical in cost and operation.

(2) Not later than the expiration of the 90-day period following April 7, 1986, the Secretary shall issue regulations to facilitate the marketability in the secondary mortgage market of loans insured or guaranteed under this section. Such regulations shall ensure that such loans are competitive with other loans and mortgages insured or guaranteed by the Federal Government.

(July 15, 1949, ch. 338, title V, § 517, as added Pub. L. 89-117, title X, § 1003(a), Aug. 10, 1965, 79 Stat. 498; amended Pub. L. 89-754, title VIII, § 806, Nov. 3, 1966, 80 Stat. 1282; Pub. L. 91-78, § 1, Sept. 30, 1969, 83 Stat. 125; Pub. L. 91-152, title IV, § 413(a)-(e)(2), (f)(2), Dec. 24, 1969, 83 Stat. 398-400; Pub. L. 91-609, title VIII, § 803(d), Dec. 31, 1970, 84 Stat. 1807; Pub. L. 93-117, § 13(c), Oct. 2, 1973, 87 Stat. 423; Pub. L. 93-383, title V, §§ 505(c), 509(b), 514(c), 516(b), 517, 519(b), Aug. 22, 1974, 88 Stat. 694-696, 698, 699; Pub. L. 95-60, § 4(c), June 30, 1977, 91 Stat. 258; Pub. L. 95-80, § 4(c), July 31, 1977, 91 Stat. 340; Pub. L. 95-128, title V, §§ 501(c), 502(b), (c), 506, 509, Oct. 12, 1977, 91 Stat. 1139-1141; Pub.

L. 95-406, § 7(c), Sept. 30, 1978, 92 Stat. 881; Pub. L. 95-557, title V, §§ 501(f), 506(b), Oct. 31, 1978, 92 Stat. 2111, 2113; Pub. L. 96-71, § 5(c), Sept. 28, 1979, 93 Stat. 502; Pub. L. 96-105, § 5(c), Nov. 8, 1979, 93 Stat. 795; Pub. L. 96-153, title V, §§ 501(g), 511, Dec. 21, 1979, 93 Stat. 1134, 1137; Pub. L. 96-372, § 6(c), Oct. 3, 1980, 94 Stat. 1364; Pub. L. 96-399, title V, §§ 501(c), 511, Oct. 8, 1980, 94 Stat. 1668, 1671; Pub. L. 97-35, title III, § 351(c), Aug. 13, 1981, 95 Stat. 421; Pub. L. 97-289, § 3(b), Oct. 6, 1982, 96 Stat. 1231; Pub. L. 98-35, § 3(b), May 26, 1983, 97 Stat. 198; Pub. L. 98-109, § 4(b), Oct. 1, 1983, 97 Stat. 746; Pub. L. 98-181, title I [title V, §§ 511(c), 514], Nov. 30, 1983, 97 Stat. 1244, 1247; Pub. L. 98-479, title I, § 105(f), title II, § 203(d)(5), (6), Oct. 17, 1984, 98 Stat. 2227, 2230; Pub. L. 99-272, title III, § 3006, Apr. 7, 1986, 100 Stat. 103; Pub. L. 100-242, title II, § 243, Feb. 5, 1988, 101 Stat. 1890; Pub. L. 101-73, title V, § 501(e)(2), Aug. 9, 1989, 103 Stat. 394; Pub. L. 102-550, title VII, § 707(g), Oct. 28, 1992, 106 Stat. 3839.)

REFERENCES IN TEXT

Section 1441a(c) of title 12, referred to in subsec. (n), was repealed by Pub. L. 111-203, title III, § 364(b), July 21, 2010, 124 Stat. 1555.

AMENDMENTS

1992—Subsec. (j)(3). Pub. L. 102-550 inserted “independent audits of project expenses,” after “customary in the industry.”

1989—Subsec. (n). Pub. L. 101-73 added subsec. (n).

1988—Subsec. (j)(7). Pub. L. 100-242 added par. (7).

1986—Subsec. (c). Pub. L. 99-272, § 3006(a), inserted provision requiring any loan made and sold after Apr. 7, 1986, to be sold to the public and not to Federal Financing Bank unless required to service transactions between Secretary and Bank occurring on or before such date.

Subsec. (d). Pub. L. 99-272, § 3006(b), (c), designated existing provisions as par. (1), and added pars. (2) to (4).

Subsec. (j)(6). Pub. L. 99-272, § 3006(d), added par. (6).

Subsec. (n). Pub. L. 99-272, § 3006(e), struck out subsec. (n) which restricted loans guaranteed under this section to borrowers with moderate or above-moderate incomes.

Subsec. (o). Pub. L. 99-272, § 3006(f), designated existing provisions as par. (1), and added par. (2).

1984—Subsec. (h). Pub. L. 98-479, § 203(d)(5), substituted “chapter 31 of title 31” for “the Second Liberty Bond Act, as amended” and “such chapter” for “such Act”.

Subsec. (j)(4). Pub. L. 98-479, § 105(f), inserted “and” after the semicolon at the end.

Subsec. (k). Pub. L. 98-479, § 203(d)(6), substituted “chapter 11 of title 31” for “the Budget and Accounting Act, 1921”.

1983—Subsec. (a). Pub. L. 98-181, § 514(a)(1), substituted provisions relating to amount of loan to low income person or family, for provisions designated as pars. (1) and (2) relating to restrictions on loans with respect to amounts, interest, etc., where the borrowers are persons of low or moderate income, and similar restrictions where the borrowers are other persons.

Subsec. (a)(1). Pub. L. 98-181, § 511(c), substituted “September 30, 1985” for “November 30, 1983”.

Pub. L. 98-109 substituted “November 30, 1983” for “September 30, 1983”.

Pub. L. 98-35 substituted “September 30, 1983” for “May 20, 1983”.

Subsec. (b). Pub. L. 98-181, § 514(a)(2), substituted “(b)(3)” for “(b)(4)”.

Subsec. (j)(6). Pub. L. 98-181, § 514(b), struck out par. (6) which related to making expenditures under section 1479(c) of this title after Oct. 1, 1977.

Subsec. (o). Pub. L. 98-181, § 514(c), (d), added subsec. (o), and struck out former subsec. (o) which related to

<sup>1</sup> See References in Text note below.

loans to persons of low income and to the minimum amounts available to such persons.

1982—Subsec. (a)(1). Pub. L. 97-289 substituted “May 20, 1983” for “September 30, 1982”.

1981—Subsec. (a)(1). Pub. L. 97-35 substituted “1982” for “1981”.

1980—Subsec. (a)(1). Pub. L. 96-399, § 501(c), substituted “September 30, 1981” for “October 15, 1980”.

Pub. L. 96-372 substituted “October 15, 1980” for “September 30, 1980”.

Subsec. (n). Pub. L. 96-399, § 511, inserted reference to moderate income borrowers.

1979—Subsec. (a)(1). Pub. L. 96-153, § 501(g), substituted “September 30, 1980” for “November 30, 1979”.

Pub. L. 96-105 substituted “November 30, 1979” for “October 31, 1979”.

Pub. L. 96-71 substituted “October 31, 1979” for “September 30, 1979”.

Subsec. (o). Pub. L. 96-153, § 511, redesignated existing provisions as par. (1) and added par. (2).

1978—Subsec. (a)(1). Pub. L. 95-557, § 501(f), substituted “September 30, 1979” for “October 31, 1978”.

Pub. L. 95-406 substituted “October 31, 1978” for “September 30, 1978”.

Subsec. (j)(4). Pub. L. 95-557, § 506(b), substituted “1490a(a)” for “1490a(a)(2)”.

1977—Subsec. (a)(1). Pub. L. 95-128, § 501(c), substituted “September 30, 1978” for “September 30, 1977”.

Pub. L. 95-80 substituted “September 30, 1977” for “July 31, 1977”.

Pub. L. 95-60 substituted “July 31, 1977” for “June 30, 1977”.

Subsec. (e). Pub. L. 95-128, § 502(b), required separate operation of guaranteed loan program and insured loan program and prohibited transfer of funds from one program to the other.

Subsec. (j)(5), (6). Pub. L. 95-128, § 506, added pars. (5) and (6).

Subsec. (n). Pub. L. 95-128, § 502(c), added subsec. (n).

Subsec. (o). Pub. L. 95-128, § 509, added subsec. (o).

1974—Subsec. (a)(1). Pub. L. 93-383, § 509(b), substituted “June 30, 1977” for “October 1, 1974”.

Subsec. (b). Pub. L. 93-383, §§ 516(b), 517, inserted reference to section 1490f of this title and provisions relating to transfer of notes from and compensation for the Agricultural Credit Insurance Fund.

Subsec. (d). Pub. L. 93-383, § 505(c)(1), struck out “as it becomes due” after “principal and interest”.

Subsec. (j). Pub. L. 93-383, §§ 505(c)(2), (3), 514(c), 519(b), in cl. (1) substituted “any payment” for “any prepayment” and “such payments” for “such prepayments” and inserted provision relating to next agreed annual or semiannual remittance date, in cl. (3) inserted provisions authorizing other services customary in the industry, etc., and added cl. (4).

1973—Subsec. (a)(1). Pub. L. 93-117 substituted “October 1, 1974” for “October 1, 1973”.

1970—Subsec. (j)(3). Pub. L. 91-609 authorized use of Fund moneys for expenses necessary to obtain credit reports on applicants or borrowers.

1969—Subsec. (a)(1). Pub. L. 91-152, § 413(a), substituted “October 1, 1973” for “January 1, 1970”.

Pub. L. 91-78 substituted “January 1, 1970” for “October 1, 1969”.

Subsec. (b). Pub. L. 91-152, § 413(f)(2), inserted reference to section 1490d of this title.

Subsec. (c). Pub. L. 91-152, § 413(b), struck out provision which imposed a limit of not to exceed \$100,000,000 on the aggregate amount of loans held by the Secretary at any one time.

Subsec. (d). Pub. L. 91-152, § 413(e)(2), inserted reference to subsec. (m) of this section and inserted “or otherwise acquired by” after “loans made from”.

Subsecs. (k) to (m). Pub. L. 91-152, § 413(c)-(e)(1), added subsecs. (k) to (m).

1966—Subsec. (a)(1). Pub. L. 89-754 substituted restriction against insurance or making of a loan under this par. after Oct. 1, 1969, except pursuant to a commitment entered into before that date for former clause (C) which provided that such loans shall not exceed in

the aggregate of \$300,000,000 of new loans made or insured in any one fiscal year.

#### SALE OF RURAL HOUSING LOANS

Pub. L. 99-509, title II, § 2001, Oct. 21, 1986, 100 Stat. 1879, directed Secretary of Agriculture to take such actions as necessary to ensure that loans made under this subchapter are sold to public in amounts sufficient to provide a net reduction in outlays of not less than \$1,715,000,000 in fiscal year 1987 from proceeds of such sales, specified procedures and terms of sales, required Secretary to report to specified Congressional committees not later than 20 days before initial sale estimating amount of discount at which loans will be sold at such initial sale and estimating such amount at each subsequent sale during fiscal year 1987 and periodic reports to such committees, the first not later than 60 days after Oct. 21, 1986, and subsequent reports each 60 days thereafter, on Secretary's activities regarding such sales, authorized audits and evaluations of Secretary's activities by Comptroller General and reports on such audits and evaluations to Congressional committees, and excluded applicability of subsec. (d)(2) and (3) of this section to sale of loans.

#### EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-35 effective Oct. 1, 1981, see section 371 of Pub. L. 97-35, set out as an Effective Date note under section 3701 of Title 12, Banks and Banking.

#### § 1488. Repealed. Pub. L. 91-152, title IV, § 413(e)(3), Dec. 24, 1969, 83 Stat. 399

Section, act July 15, 1949, ch. 338, title V, § 518, as added Aug. 10, 1965, Pub. L. 89-117, title X, § 1003(a), 79 Stat. 500, created the Rural Housing Direct Loan Account, set forth the composition of such Account, and authorized the issuance of notes to the Secretary of the Treasury.

#### § 1489. Transfer of excess funds out of Rural Housing Insurance Fund

Any sums in the Rural Housing Insurance Fund which the Secretary determines are in excess of amounts needed to meet the obligations and carry out the purposes of such Fund shall be returned to miscellaneous receipts of the Treasury.

(July 15, 1949, ch. 338, title V, § 519, as added Pub. L. 89-117, title X, § 1006, Aug. 10, 1965, 79 Stat. 501; amended Pub. L. 91-152, title IV, § 413(e)(4), Dec. 24, 1969, 83 Stat. 399.)

#### AMENDMENTS

1969—Pub. L. 91-152 struck out applicability of provisions to Rural Housing Direct Loan Account.

#### § 1490. “Rural” and “rural area” defined

As used in this subchapter, the terms “rural” and “rural area” mean any open country, or any place, town, village, or city which is not (except in the cases of Pajaro, in the State of California, and Guadalupe, in the State of Arizona) part of or associated with an urban area and which (1) has a population not in excess of 2,500 inhabitants, or (2) has a population in excess of 2,500 but not in excess of 10,000 if it is rural in character, or (3) has a population in excess of 10,000 but not in excess of 20,000, and (A) is not contained within a standard metropolitan statistical area, and (B) has a serious lack of mortgage credit for lower and moderate-income families, as determined by the Secretary and the Secretary of Housing and Urban Development.