

(C) Provide for adequate custody of any pooled guaranteed loans.

(D) Take such actions as are necessary, in restructuring pools of the guaranteed portion of loans, to minimize the estimated costs of paying claims under guarantees issued under this subsection.

(E) Require each market maker—

(i) to service all pools formed, and participations sold, by the market maker; and

(ii) to provide the Secretary with information relating to the collection and disbursement of all periodic payments, prepayments, and default funds from lenders, to or from the reserve fund that the Secretary shall establish to enable the timely payment guarantee to be self-funding, and from all beneficial holders.

(F) Regulate market makers in pool certificates sold under this subsection.

(4) The Secretary may contract for goods and services to be used for the purposes of this subsection without regard to the provisions of titles 5, 40, and 41, and any regulations issued thereunder.

(Pub. L. 87-128, title III, § 338, Aug. 8, 1961, 75 Stat. 316; Pub. L. 89-429, § 5, May 24, 1966, 80 Stat. 167; Pub. L. 100-233, title VII, § 711(a), Jan. 6, 1988, 101 Stat. 1707; Pub. L. 100-399, title VI, § 605, Aug. 17, 1988, 102 Stat. 1006; Pub. L. 101-624, title XXIII, § 2303(d), Nov. 28, 1990, 104 Stat. 3981; Pub. L. 104-127, title VII, § 749(a), Apr. 4, 1996, 110 Stat. 1129; Pub. L. 105-362, title I, § 101(a), Nov. 10, 1998, 112 Stat. 3281.)

#### REFERENCES IN TEXT

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

#### AMENDMENTS

1998—Subsec. (b)(4), (5). Pub. L. 105-362 redesignated par. (5) as (4) and struck out former par. (4) which provided that not later than March 31 of each year, Secretary was to transmit to Congress a report on secondary market operations under subsec. (b) during preceding calendar year, and described contents of reports.

1996—Subsecs. (b) to (f). Pub. L. 104-127 redesignated subsec. (f) as (b) and struck out former subsecs. (b) to (e) which provided for: in subsec. (b), form and denomination of notes to obtain funds for making direct loans under this chapter as well as maturities, terms and conditions, interest rate, purchase by Treasury, and public debt transaction; in subsec. (c), establishment of Farmers Home Administration direct loan account as well as deposits into account, liabilities, obligations, expenditures, and net expenditure basis of budgeting; in subsec. (d), sale of notes and mortgages; and in subsec. (e), distribution of real estate loans among States.

1990—Subsec. (a). Pub. L. 101-624 inserted “or the Rural Development Administration” after “Farmers Home Administration”.

1988—Subsec. (f)(5). Pub. L. 100-399 added par. (5).

Subsec. (f). Pub. L. 100-233 added subsec. (f).

1966—Subsec. (c). Pub. L. 89-429 inserted references to section 8 of the Watershed Protection and Flood Prevention Act, as amended, and section 32(e) of the Bankhead-Jones Farm Tenant Act, as amended.

#### EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-399 effective as if enacted immediately after enactment of Pub. L. 100-233, which was approved Jan. 6, 1988, see section 1001(a) of Pub. L. 100-399, set out as a note under section 2002 of Title 12, Banks and Banking.

#### REGULATIONS

Pub. L. 100-233, title VII, § 711(b), Jan. 6, 1988, 101 Stat. 1709, provided that: “Within 180 days after the date of the enactment of this Act [Jan. 6, 1988], the Secretary shall develop and promulgate final regulations to implement this section and the amendment made by this section [amending this section and enacting provisions set out below].”

#### POOL CERTIFICATES NOT TO BE ISSUED UNTIL FINAL REGULATIONS TAKE EFFECT

Pub. L. 100-233, title VII, § 711(c), Jan. 6, 1988, 101 Stat. 1709, provided that: “The Secretary of Agriculture shall not implement paragraph (2) of section 338(f) [now 338(b)] of the Consolidated Farm and Rural Development Act [7 U.S.C. 1988(f) [now 1988(b)]], as added by subsection (a), until the final regulations governing the administration of such paragraph take effect.”

#### LOANS TO INDIANS

Authority of the Secretary of Agriculture to make loans to Indian tribes and tribal corporations to acquire land within reservations, see sections 488 to 492 of Title 25, Indians.

### § 1989. Rules and regulations

#### (a) In general

The Secretary is authorized to make such rules and regulations, prescribe the terms and conditions for making or insuring loans, security instruments and agreements, except as otherwise specified herein, and make such delegations of authority as he deems necessary to carry out this chapter.

#### (b) Debt service margin requirements

Notwithstanding subsection (a) of this section, in providing farmer program loan guarantees under this chapter, the Secretary shall consider the income of the borrower adequate if the income is equal to or greater than the income necessary—

(1) to make principal and interest payments on all debt obligations of the borrower, in a timely manner;

(2) to cover the necessary living expenses of the family of the borrower; and

(3) to pay all other obligations and expenses of the borrower not financed through debt obligations referred to in paragraph (1).

#### (c) Certified Lenders Program

##### (1) In general

The Secretary shall establish a program under which the Secretary shall guarantee loans for any purpose specified in subchapter II of this chapter that are made by lending institutions certified by the Secretary.

##### (2) Certification requirements

The Secretary shall certify a lending institution that meets such criteria as the Secretary may prescribe in regulations, including the ability of the institution to properly make, service, and liquidate the loans of the institution.

##### (3) Condition of certification

As a condition of the certification, the Secretary shall require the institution to undertake to service the loans guaranteed by the Secretary under this subsection, using standards that are not less stringent than generally

accepted banking standards concerning loan servicing employed by prudent commercial or cooperative lenders. The Secretary shall, at least annually, monitor the performance of each certified lender to ensure that the conditions of the certification are being met.

**(4) Effect of certification**

Notwithstanding any other provision of law:

(A) The Secretary shall guarantee 80 percent of a loan made under this subsection by a certified lending institution as described in paragraph (1), subject to county committee certification that the borrower of the loan meets the eligibility requirements and such other criteria as may be applicable to loans guaranteed by the Secretary under other provisions of this chapter.

(B) With respect to loans to be guaranteed by the Secretary under this subsection, the Secretary shall permit certified lending institutions to make appropriate certifications (as provided by regulations issued by the Secretary)—

(i) relating to issues such as creditworthiness, repayment ability, adequacy of collateral, and feasibility of farm operation; and

(ii) that the borrower is in compliance with all requirements of law, including regulations issued by the Secretary.

(C) The Secretary shall approve or disapprove a guarantee not later than 14 calendar days after the date that the lending institution applied to the Secretary for the guarantee. If the Secretary rejects the loan application within the 14-day period, the Secretary shall state, in writing, all of the reasons the application was rejected.

**(5) Relationship to other requirements**

Neither this subsection nor subsection (d) of this section shall affect the responsibility of the Secretary to certify eligibility, review financial information, and otherwise assess an application.

**(d) Preferred Certified Lenders Program**

**(1) In general**

Commencing not later than two years after October 28, 1992, the Secretary shall establish a Preferred Certified Lenders Program for lenders who establish their—

(A) knowledge of, and experience under, the program established under subsection (c) of this section;

(B) knowledge of the regulations concerning the guaranteed loan program; and

(C) proficiency related to the certified lender program requirements.

The Secretary shall certify any lending institution as a Preferred Certified Lender that meets such criteria as the Secretary may prescribe by regulation.

**(2) Revocation of designation**

The designation of a lender as a Preferred Certified Lender shall be revoked at any time that the Secretary determines that such lender is not adhering to the rules and regulations applicable to the program or if the loss experi-

ences of a Preferred Certified Lender are excessive as compared to other Preferred Certified Lenders, except that such suspension or revocation shall not affect any outstanding guarantee.

**(3) Condition of certification**

As a condition of such preferred certification, the Secretary shall require the institution to undertake to service the loans guaranteed by the Secretary under this subsection using generally accepted banking standards concerning loan servicing employed by prudent commercial or cooperative lenders. The Secretary shall, at least annually, monitor the performance of each preferred certified lender to ensure that the conditions of such certification are being met.

**(4) Effect of preferred lender certification**

Notwithstanding any other provision of law, the Secretary shall—

(A) guarantee 80 percent of an approved loan made by a certified lending institution as described in this subsection, subject to county committee certification that the borrower meets the eligibility requirements or such other criteria as may be applicable to loans guaranteed by the Secretary under other provisions of this chapter;

(B) permit certified lending institutions to make all decisions, with respect to loans to be guaranteed by the Secretary under this subsection relating to credit worthiness, the closing, monitoring, collection and liquidation of loans, and to accept appropriate certifications, as provided by regulations issued by the Secretary, that the borrower is in compliance with all requirements of law or regulations promulgated by the Secretary; and

(C) be deemed to have guaranteed 80 percent of a loan made by a preferred certified lending institution as described in paragraph (1), if the Secretary fails to approve or reject the application of such institution within 14 calendar days after the date that the lending institution presented the application to the Secretary. If the Secretary rejects the application within the 14-day period, the Secretary shall state, in writing, the reasons the application was rejected.

**(e) Administration of Certified Lenders and Preferred Certified Lenders programs**

The Secretary may administer the loan guarantee programs under subsections (c) and (d) of this section through central offices established in States or in multi-State areas.

(Pub. L. 87-128, title III, §339, Aug. 8, 1961, 75 Stat. 318; Pub. L. 102-554, §18, Oct. 28, 1992, 106 Stat. 4155; Pub. L. 106-31, title III, §3019(a), May 21, 1999, 113 Stat. 99; Pub. L. 107-171, title V, §5309, May 13, 2002, 116 Stat. 346.)

REFERENCES IN TEXT

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

AMENDMENTS

2002—Subsec. (e). Pub. L. 107-171 added subsec. (e).  
1999—Subsec. (b)(3). Pub. L. 106-31 struck out “, including expenses of replacing capital items (deter-

mined after taking into account depreciation of the items)" after "paragraph (1)".

1992—Pub. L. 102-554, inserted section catchline, designated existing provisions as subsec. (a), inserted heading, and added subsecs. (b) to (d).

#### REGULATIONS

Pub. L. 102-554, §23, Oct. 28, 1992, 106 Stat. 4161, provided that:

"(a) INTERIM REGULATIONS.—Not later than 180 days after the date of enactment of this Act [Oct. 28, 1992], the Secretary of Agriculture shall issue such interim regulations as are necessary to implement this Act [see Short Title of 1992 Amendment note set out under section 1921 of this title] and the amendments made by this Act.

"(b) FINAL REGULATIONS.—Not later than October 1, 1993, the Secretary of Agriculture shall issue such final regulations as are necessary to implement this Act and the amendments made by this Act."

Pub. L. 100-233, title VI, §624, Jan. 6, 1988, 101 Stat. 1685, provided that: "Within 150 days after the date of the enactment of this title [Jan. 6, 1988], and after considering public comment obtained under section 553 of title 5, United States Code, the Secretary shall issue final regulations to carry out the amendments made by this title [enacting sections 1981d, 1981e, 1983c, and 2001 to 2005 of this title, amending sections 1927, 1927a, 1981, 1982, 1983b, 1985, 1991, 1997, 1999, and 2000 of this title, and amending provisions set out as a note under section 1999 of this title]."

#### STUDY AND REPORT TO CONGRESS BEFORE ISSUANCE OF CERTAIN FINAL REGULATIONS

Pub. L. 100-233, title VI, §621, Jan. 6, 1988, 101 Stat. 1684, provided that: "Not later than 60 days before the Secretary of Agriculture issues final regulations providing for the use of ratios and standards as part of loan applications or preapplications, for determining the degree of potential loan risk on loans insured or guaranteed under the Consolidated Farm and Rural Development Act [7 U.S.C. 1921 et seq.], the Secretary shall complete a study and report to the Committee on Agriculture, Nutrition, and Forestry of the Senate and the Committee on Agriculture of the House of Representatives on the effects of such regulations on a representative sample of persons who, as of the date of the enactment of this Act [Jan. 6, 1988], are borrowers or potential borrowers of such loans, and shall demonstrate in such study that the implementation of such final regulations will not result in a portfolio of borrowers that is inconsistent with the purposes of the Consolidated Farm and Rural Development Act."

#### AVAILABILITY OF FUNDS FOR CONTINUING ASSISTANCE TO DELINQUENT BORROWERS; PROHIBITION ON USE OF FUNDS

Pub. L. 100-71, title I, July 11, 1987, 101 Stat. 429, provided in part that:

"Hereafter, funds appropriated or available to the Farmers Home Administration under this or any other Act to make or to service farm loans shall be available for continuing assistance to delinquent borrowers on the basis of the policies contained in Farmers Home Administration Announcement Number 1113-1960, dated November 30, 1984.

"Hereafter, none of the funds appropriated or made available by this or any other Act, or otherwise made available to the Secretary of Agriculture or the Farmers Home Administration, may be used to implement section 1944.16(c)(1) of title 7, Code of Federal Regulations, as published in 52 Federal Register 11983 (April 14, 1987) or any other regulation that would have the same effect as such regulation."

#### COORDINATED FINANCIAL STATEMENTS; USE OF SUBMISSION REQUIREMENT PROHIBITED

Pub. L. 99-198, title XIII, §1325, Dec. 23, 1985, 99 Stat. 1540, provided that: "The Secretary of Agriculture shall

not use or require the submission of the coordinated financial statement referred to in the proposed regulations of the Farmers Home Administration published in the Federal Register of November 8, 1983 (48 F.R. 51312-51317) in connection with an application submitted on or after the date of the enactment of this Act [Dec. 23, 1985] for any loan under any program of the Department of Agriculture carried out by the Farmers Home Administration."

#### § 1990. Transfer of lands to Secretary

The President may at any time in his discretion transfer to the Secretary any right, interest, or title held by the United States in any lands acquired in the program of national defense and no longer needed therefor, which the President shall find suitable for the purposes of this chapter, and the Secretary shall dispose of such lands in the manner and subject to the terms and conditions of the chapter.

(Pub. L. 87-128, title III, §340, Aug. 8, 1961, 75 Stat. 318.)

#### REFERENCES IN TEXT

For definition of "this chapter", referred to in text, see note set out under section 1921 of this title.

#### DELEGATION OF FUNCTIONS

Authority of President under this section in his discretion to transfer to Secretary of Agriculture any right, interest or title held by United States in any lands acquired in program of national defense and no longer needed for that program, and to determine suitability of lands to be transferred, for purposes referred to in this section, delegated to Administrator of General Services, provided, that exercise by Administrator of authority delegated to him herein shall require concurrence of Secretary of Defense as to absence of further need of lands for national defense program, see section 1(15) of Ex. Ord. No. 11609, July 22, 1971, 36 F.R. 13747, set out as a note under section 301 of Title 3, The President.

#### § 1991. Definitions

(a) As used in this chapter:

(1) The term "farmer" includes a person who is engaged in, or who, with assistance afforded under this chapter, intends to engage in, fish farming.

(2) The term "farming" shall be deemed to include fish farming.

(3) The term "owner-operator" shall include in the State of Hawaii the lessee-operator of real property in any case in which the Secretary determines that such real property cannot be acquired in fee simple by such lessee-operator, that adequate security is provided for the loan with respect to such real property for which such lessee-operator applies under this chapter, and that there is a reasonable probability of accomplishing the objectives and repayment of such loan.

(4) The word "insure" as used in this chapter includes guarantee, which means to guarantee the payment of a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary.

(5) The term "contract of insurance" includes a contract of guarantee.

(6) The terms "United States" and "State" shall include each of the several States, the Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American