

loan, or loan guarantee", "proceeds of the loan" for "proceeds of the grant, contract, or loan", and "with which the loan was given" for "with which such assistance was given".

Subsecs. (a)(2), (b). Pub. L. 99-660, §803(b)(2)(A), substituted "loan or loan guarantee" for "grant, contract, loan, or loan guarantee".

Subsec. (c). Pub. L. 99-660, §803(a), struck out subsec. (c) which read as follows: "If in any fiscal year the funds appropriated under section 300e-8 of this title are insufficient to fund all applications approved under this subchapter for that fiscal year, the Secretary shall, after applying the applicable priorities under sections 300e-2 and 300e-3 of this title, give priority to the funding of applications for projects which the Secretary determines are the most likely to be economically viable."

1981—Subsec. (e). Pub. L. 97-35 struck out subsec. (e) which related to limitation on cumulative total of loan guarantees in any fiscal year.

1976—Subsec. (d). Pub. L. 94-460, §112, inserted sentence at end setting conditions upon which an entity providing health services to a defined population on a prepaid basis may be considered as a health maintenance organization for purposes of receiving assistance under this subchapter.

Subsec. (e). Pub. L. 94-460, §109(b)(1), inserted "for a private health maintenance organization (other than a private nonprofit health maintenance organization)" after "may be made", and "for private health maintenance organizations (other than private nonprofit health maintenance organizations)" after "guaranteed".

#### EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-660 not applicable to any grant made or contract entered into under this subchapter before Oct. 1, 1985, see section 803(c) of Pub. L. 99-660, set out as a note under section 300e-5 of this title.

Amendment by Pub. L. 99-660 effective Oct. 1, 1985, see section 815(a) of Pub. L. 99-660, set out as an Effective and Termination Dates of 1986 Amendment note under section 300e-1 of this title.

#### EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by Pub. L. 94-460 effective Oct. 8, 1976, see section 118 of Pub. L. 94-460, set out as a note under section 300e of this title.

### § 300e-7. General provisions relating to loan guarantees and loans

#### (a) Conditions

(1) The Secretary may not approve an application for a loan guarantee under this subchapter unless he determines that (A) the terms, conditions, security (if any), and schedule and amount of repayments with respect to the loan are sufficient to protect the financial interests of the United States and are otherwise reasonable, including a determination that the rate of interest does not exceed such per centum per annum on the principal obligation outstanding as the Secretary determines to be reasonable, taking into account the range of interest rates prevailing in the private market for loans with similar maturities, terms, conditions, and security and the risks assumed by the United States, and (B) the loan would not be available on reasonable terms and conditions without the guarantee under this subchapter.

(2)(A) The United States shall be entitled to recover from the applicant for a loan guarantee under this subchapter the amount of any payment made pursuant to such guarantee, unless

the Secretary for good cause waives such right of recovery; and, upon making any such payment, the United States shall be subrogated to all of the rights of the recipient of the payments with respect to which the guarantee was made.

(B) To the extent permitted by subparagraph (C), any terms and conditions applicable to a loan guarantee under this subchapter (including terms and conditions imposed under subparagraph (D)) may be modified by the Secretary to the extent he determines it to be consistent with the financial interest of the United States.

(C) Any loan guarantee made by the Secretary under this subchapter shall be incontestable (i) in the hands of an applicant on whose behalf such guarantee is made unless the applicant engaged in fraud or misrepresentation in securing such guarantee, and (ii) as to any person (or his successor in interest) who makes or contracts to make a loan to such applicant in reliance thereon unless such person (or his successor in interest) engaged in fraud or misrepresentation in making or contracting to make such loan.

(D) Guarantees of loans under this subchapter shall be subject to such further terms and conditions as the Secretary determines to be necessary to assure that the purposes of this subchapter will be achieved.

#### (b) Application requirements

(1) The Secretary may not approve an application for a loan under this subchapter unless—

(A) the Secretary is reasonably satisfied that the applicant therefor will be able to make payments of principal and interest thereon when due, and

(B) the applicant provides the Secretary with reasonable assurances that there will be available to it such additional funds as may be necessary to complete the project or undertaking with respect to which such loan is requested.

(2) Any loan made under this subchapter shall (A) have such security, (B) have such maturity date, (C) be repayable in such installments, (D) on the date the loan is made, bear interest at a rate comparable to the rate of interest prevailing on such date with respect to marketable obligations of the United States of comparable maturities, adjusted to provide for appropriate administrative charges, and (E) be subject to such other terms and conditions (including provisions for recovery in case of default) as the Secretary determines to be necessary to carry out the purposes of this subchapter while adequately protecting the financial interests of the United States. On the date disbursements are made under a loan after the initial disbursement under the loan, the Secretary may change the rate of interest on the amount of the loan disbursed on that date to a rate which is comparable to the rate of interest prevailing on the date the subsequent disbursement is made with respect to marketable obligations of the United States of comparable maturities, adjusted to provide for appropriate administrative charges.

(3) The Secretary may, for good cause but with due regard to the financial interests of the United States, waive any right of recovery which he has by reason of the failure of a borrower to make payments of principal of and in-

terest on a loan made under this subchapter, except that if such loan is sold and guaranteed, any such waiver shall have no effect upon the Secretary's guarantee of timely payment of principal and interest.

**(c) Sale of loans**

(1) The Secretary may from time to time, but with due regard to the financial interests of the United States, sell loans made by him under this subchapter.

(2) The Secretary may agree, prior to his sale of any such loan, to guarantee to the purchaser (and any successor in interest of the purchaser) compliance by the borrower with the terms and conditions of such loan. Any such agreement shall contain such terms and conditions as the Secretary considers necessary to protect the financial interests of the United States or as otherwise appropriate. Any such agreement may (A) provide that the Secretary shall act as agent of any such purchaser for the purpose of collecting from the borrower to which such loan was made and paying over to such purchaser, any payments of principal and interest payable by such organization under such loan; and (B) provide for the repurchase by the Secretary of any such loan on such terms and conditions as may be specified in the agreement. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guarantee under this paragraph.

(3) After any loan under this subchapter to a public health maintenance organization has been sold and guaranteed under this subsection, interest paid on such loan which is received by the purchaser thereof (or his successor in interest) shall be included in the gross income of the purchaser of the loan (or his successor in interest) for the purpose of chapter 1 of title 26.

(4) Amounts received by the Secretary as proceeds from the sale of loans under this subsection shall be deposited in the loan fund established under subsection (e) of this section.

(5) Any reference in this subchapter (other than in this subsection and in subsection (d) of this section) to a loan guarantee under this subchapter does not include a loan guarantee made under this subsection.

**(d) Loan guarantee fund**

(1) There is established in the Treasury a loan guarantee fund (hereinafter in this subsection referred to as the "fund") which shall be available to the Secretary without fiscal year limitation, in such amounts as may be specified from time to time in appropriation Acts, to enable him to discharge his responsibilities under loan guarantees issued by him under this subchapter and to take the action authorized by subsection (f) of this section. There are authorized to be appropriated from time to time such amounts as may be necessary to provide the sums required for the fund. To the extent authorized in appropriation Acts, there shall also be deposited in the fund amounts received by the Secretary in connection with loan guarantees under this subchapter and other property or assets derived by him from his operations respecting such loan guarantees, including any money derived from the sale of assets.

(2) If at any time the sums in the funds are insufficient to enable the Secretary to discharge his responsibilities under guarantees issued by him before October 1, 1986, under this subchapter and to take the action authorized by subsection (f) of this section, he is authorized to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions, as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury shall purchase any notes and other obligations issued under this paragraph and for that purpose he may 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 the securities may be issued under that chapter are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this paragraph. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Sums borrowed under this paragraph shall be deposited in the fund and redemption of such notes and obligations shall be made by the Secretary from the fund.

**(e) Loan fund**

There is established in the Treasury a loan fund (hereinafter in this subsection referred to as the "fund") which shall be available to the Secretary without fiscal year limitation, in such amounts as may be specified from time to time in appropriation Acts, to enable him to make loans under this subchapter and to take the action authorized by subsection (f) of this section. There shall also be deposited in the fund amounts received by the Secretary as interest payments and repayment of principal on loans made under this subchapter and other property or assets derived by him from his operations respecting such loans, from the sale of loans under subsection (c) of this section, or from the sale of assets.

**(f) Actions to protect interest of United States in event of default**

The Secretary may take such action as he deems appropriate to protect the interest of the United States in the event of a default on a loan made or guaranteed under this subchapter, including taking possession of, holding, and using real property pledged as security for such a loan or loan guarantee.

(July 1, 1944, ch. 373, title XIII, §1308, as added Pub. L. 93-222, §2, Dec. 29, 1973, 87 Stat. 927; amended Pub. L. 94-460, title I, §109(b)(2), (c), Oct. 8, 1976, 90 Stat. 1950; Pub. L. 95-559, §4(c), Nov. 1, 1978, 92 Stat. 2132; Pub. L. 97-35, title IX, §945, Aug. 13, 1981, 95 Stat. 577; Pub. L. 99-514, §2,

Oct. 22, 1986, 100 Stat. 2095; Pub. L. 99-660, title VIII, § 807, Nov. 14, 1986, 100 Stat. 3800.)

#### CODIFICATION

In subsec. (d)(2), “chapter 31 of title 31” and “that chapter” substituted for “the Second Liberty Bond Act” and “that Act”, respectively, on authority of Pub. L. 97-258, § 4(b), Sept. 13, 1982, 96 Stat. 1067, the first section of which enacted Title 31, Money and Finance.

#### AMENDMENTS

1986—Subsec. (c)(3). Pub. L. 99-514 substituted “Internal Revenue Code of 1986” for “Internal Revenue Code of 1954”, which for purposes of codification was translated as “title 26” thus requiring no change in text.

Subsec. (d)(2). Pub. L. 99-660 inserted “before October 1, 1986,” after “guarantees issued by him”.

1981—Subsec. (b)(2). Pub. L. 97-35 inserted provisions relating to changes in the rate of interest by the Secretary, and in cl. (D) made changes in nomenclature.

1978—Subsec. (d). Pub. L. 95-559, § 4(c)(2)(A), in pars. (1) and (2) inserted “and to take the action authorized by subsection (f) of this section” after “by him under this subchapter”.

Subsec. (e). Pub. L. 95-559, § 4(c)(2)(B), inserted “and to take the action authorized by subsection (f) of this section” after “loans under this subchapter”.

Subsec. (f). Pub. L. 95-559, § 4(c)(1), added subsec. (f). 1976—Subsec. (a)(1)(A). Pub. L. 94-460, § 109(c)(1), substituted “for loans with similar maturities, terms, conditions, and security” for “for similar loans”.

Subsec. (b)(2)(D). Pub. L. 94-460, § 109(c)(2), substituted “marketable obligations of the United States of comparable maturities, adjusted to provide for appropriate administrative charges” for “loans guaranteed under this subchapter”.

Subsec. (c)(5). Pub. L. 94-460, § 109(b)(2), added par. (5).

#### EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-660 effective Oct. 1, 1985, see section 815(a) of Pub. L. 99-660, set out as an Effective and Termination Dates of 1986 Amendment note under section 300e-1 of this title.

#### EFFECTIVE DATE OF 1978 AMENDMENT

Amendment by Pub. L. 95-559 effective only for fiscal years beginning on or after October 1, 1978, see section 4(d) of Pub. L. 95-559, set out as a note under section 300e-4 of this title.

#### EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by Pub. L. 94-460 effective Oct. 8, 1976, except that the amendment by section 109(c) of Pub. L. 94-460 applicable with respect to loan guarantees made under section 300e-4 of this title after Sept. 30, 1976, see section 118 of Pub. L. 94-460, set out as a note under section 300e of this title.

### § 300e-8. Authorization of appropriations

(a) For grants under section 300e-16 of this title there is authorized to be appropriated \$1,000,000 for each of the fiscal years 1982, 1983, and 1984.

(b) To meet the obligations of the loan fund established under section 300e-7(e) of this title resulting from defaults on loans made from the fund and to meet the other obligations of the fund, there is authorized to be appropriated to the loan fund for fiscal years 1987, 1988, and 1989, such sums as may be necessary.

(July 1, 1944, ch. 373, title XIII, § 1309, as added Pub. L. 93-222, § 2, Dec. 29, 1973, 87 Stat. 930; amended Pub. L. 94-460, title I, § 113(c), Oct. 8, 1976, 90 Stat. 1954; Pub. L. 95-83, title I, § 105(b), Aug. 1, 1977, 91 Stat. 384; Pub. L. 95-559, §§ 2(c),

7(b), Nov. 1, 1978, 92 Stat. 2131, 2135; Pub. L. 97-35, title IX, § 941(a), (b), Aug. 13, 1981, 95 Stat. 572; Pub. L. 99-660, title VIII, §§ 803(b)(3), 811, Nov. 14, 1986, 100 Stat. 3800, 3801.)

#### AMENDMENTS

1986—Subsec. (a). Pub. L. 99-660, § 803(b)(3), struck out par. (2) designation and struck out par. (1) which read as follows: “For grants and contracts under sections 300e-2 and 300e-3 of this title there is authorized to be appropriated \$20,000,000 for the fiscal years 1982, 1983, and 1984. No funds appropriated under this paragraph may be expended or obligated for a grant or contract unless the entity received a grant or contract under section 242a or 242b of this title during or before the fiscal year 1981.”

Subsec. (b). Pub. L. 99-660, § 811, amended subsec. (b) generally. Prior to amendment, subsec. (b) read as follows: “To maintain in the loan fund established under section 300e-7(e) of this title for the purpose of making new loans a balance of at least \$5,000,000 at the end of each fiscal year and to meet the obligations of the loan fund resulting from defaults on loans made from the fund and to meet the other obligations of the fund, there is authorized to be appropriated to the loan fund for fiscal years 1982, 1983, and 1984, such sums as may be necessary to assure such balance and meet such obligations.”

1981—Subsec. (a). Pub. L. 97-35, § 941(a), substituted provisions authorizing appropriations for fiscal years 1982, 1983, and 1984, and provisions respecting prior receipt of funds, for provisions authorizing appropriations for fiscal years ending June 30, 1974, 1975, and 1976, and Sept. 30, 1977, 1978, 1979, 1980, and 1981.

Subsec. (b). Pub. L. 97-35, § 941(b), substituted provisions relating to maintenance of the loan fund for fiscal years 1982, 1983, and 1984, for provisions relating to maintenance of the loan fund for fiscal years ending June 30, 1974, and 1975.

1978—Subsec. (a). Pub. L. 95-559 substituted “300e-3(b) and 300e-16 of this title” for “and 300e-3(b) of this title” and “, \$31,000,000 for the fiscal year ending September 30, 1979, \$65,000,000 for the fiscal year ending September 30, 1980, and \$68,000,000 for the fiscal year ending September 30, 1981” for “; and for the purpose of making payments under grants and contracts under section 300e-3(b) of this title for the fiscal year ending September 30, 1979, there is authorized to be appropriated \$50,000,000”.

1977—Subsec. (a). Pub. L. 95-83 substituted, where appearing the second time, “September 30, 1979” for “September 30, 1977”.

1976—Subsec. (a). Pub. L. 94-460 substituted “\$40,000,000 for the fiscal year ending June 30, 1976, \$45,000,000 for the fiscal year ending September 30, 1977, and \$45,000,000 for the fiscal year ending September 30, 1978;” for “and \$85,000,000 for the fiscal year ending June 30, 1976;” and “for the fiscal year ending September 30, 1977, there is authorized to be appropriated \$50,000,000” for “for the fiscal year ending June 30, 1977, there is authorized to be appropriated \$85,000,000”.

#### EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by section 803(b)(3) of Pub. L. 99-660 not applicable to any grant made or contract entered into under this subchapter before Oct. 1, 1985, see section 803(c) of Pub. L. 99-660, set out as a note under section 300e-5 of this title.

Amendment by Pub. L. 99-660 effective Oct. 1, 1985, see section 815(a) of Pub. L. 99-660, set out as an Effective and Termination Dates of 1986 Amendment note under section 300e-1 of this title.

#### EFFECTIVE DATE OF 1978 AMENDMENT

Amendment by section 7(b) of Pub. L. 95-559 effective only for fiscal years beginning on or after Oct. 1, 1978, see section 7(c) of Pub. L. 95-559, set out as an Effective Date note under section 300e-16 of this title.