

(ii) have a proven track record of successfully assisting agricultural borrowers; and

(iii) have the services of a staff with appropriate loan making and servicing expertise.

#### (D) Oversight

Not less often than annually, on a date determined by the Secretary, an institution that has a loan under this paragraph shall provide to the Secretary such information as the Secretary may require to ensure that the services provided by the institution are serving the purposes of this subsection.

#### (E) Limitation

The Secretary shall not make more than \$10,000,000 in loans under this paragraph in any fiscal year.

(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; Pub. L. 113-79, title V, §5106(a), Feb. 7, 2014, 128 Stat. 837; Pub. L. 115-334, title V, §§5201-5203, Dec. 20, 2018, 132 Stat. 4671.)

#### 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 L. 110-234 were repealed by section 4(a) of Pub.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

2018—Subsec. (a)(1). Pub. L. 115-334, §5201(1), substituted “\$400,000” for “\$300,000”, “\$1,750,000” for “\$700,000”, and “2019” for “2000”.

Subsec. (b)(1). Pub. L. 115-334, §5201(2)(A), substituted “July” for “August”.

Subsec. (b)(2). Pub. L. 115-334, §5201(2)(B), substituted “that immediately precedes the 12-month period described in paragraph (1)” for “ending on August 31, 1996”.

Subsec. (c)(2). Pub. L. 115-334, §5202, substituted “subsection to any 1 borrower” for “chapter to any 1 borrower”.

Subsec. (c)(4)(A). Pub. L. 115-334, §5203, substituted “2023” for “2018” in introductory provisions.

2014—Subsec. (c). Pub. L. 113-79 added subsec. (c).

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 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” 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 cri-

teria 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),<sup>1</sup> 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 a microloan to a beginning farmer or rancher or veteran farmer or rancher (as defined in section 2279(e)<sup>1</sup> of this title), or any loan (other than a guaranteed loan) to a low income, limited resource 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

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

(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; Pub. L. 113-79, title V, §5106(b)(3), Feb. 7, 2014, 128 Stat. 838.)

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.

Section 2279(e) of this title, referred to in subsec. (a)(2), was redesignated section 2279(a) of this title by section 12301(b)(3) of Pub. L. 115-334.

AMENDMENTS

2014—Subsec. (a)(2). Pub. L. 113-79 inserted “a microloan to a beginning farmer or rancher or veteran farmer or rancher (as defined in section 2279(e) of this title), or” after “The interest rate on”.

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**

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.

(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; Pub. L. 113-79, title V, §5107, Feb. 7, 2014, 128 Stat. 838.)

AMENDMENTS

2014—Pub. L. 113-79 struck out subsec. (a) designation and heading before “The Secretary” and struck out subsec. (b) which related to limitation on period borrowers were eligible for guaranteed assistance under this subchapter and contained transition rule.

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 for the suspension of former 7 U.S.C. 1949(b) limitation on period borrowers were eligible for guaranteed assistance, beginning Jan. 1, 2002, and ending Dec. 31, 2010.

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 (in the case of farm ownership loans in accordance with subchapter I) owner-operators or operators, or (in the case of loans for a purpose under subchapter II) operators of not larger than family farms, and (2) farm cooperatives, private domestic corporations, partnerships, joint operations, trusts, or limited liability companies, or such other legal entities as the Secretary considers appropriate (A) that are engaged primarily in farming or ranching (including equine farming or ranching) or aquaculture, and (B) in which a majority interest is held by individuals who are citizens of the United States and who are (in the case of farm ownership loans in accordance with subchapter I) owner-operators or operators, or (in the case of loans for a purpose under subchapter II) operators of not larger than family farms (or in the case of such cooperatives, corporations, partnerships, joint operations, trusts,