

Editorial Notes

REFERENCES IN TEXT

This chapter, referred to in subsecs. (a)(9)(B)(i) and (d)(1), was in the original “this title”, meaning title III of Pub. L. 87–128, Aug. 8, 1961, 75 Stat. 307, known as the Consolidated Farm and Rural Development Act, which is classified principally to this chapter. For complete classification of title III to the Code, see Short Title note set out under section 1921 of this title and Tables.

The Robert T. Stafford Disaster Relief and Emergency Assistance Act, referred to in subsec. (a)(9)(B)(i), is Pub. L. 93–288, May 22, 1974, 88 Stat. 143, as amended, which is classified principally to chapter 68 (§5121 et seq.) of Title 42, The Public Health and Welfare. For complete classification of this Act to the Code, see Short Title note set out under section 5121 of Title 42 and Tables.

AMENDMENTS

2014—Subsec. (a). Pub. L. 113–79, §5106(b)(2), inserted “(including a microloan, as defined by the Secretary)” after “A direct loan” in introductory provisions.

Subsec. (e). Pub. L. 113–79, §5105, added subsec. (e).

1996—Pub. L. 104–127 amended section generally, substituting present provisions for provisions outlining purposes of loans made under this subchapter, authorizing loans to rural area residents to operate small business enterprises, authorizing loans for pollution abatement and control projects in rural areas and providing for limitations on such loans, and authorizing creation, from loan funds, of nonsupervised bank accounts to be used at discretion of borrower for necessary family living expenses.

1992—Subsec. (a). Pub. L. 102–552, §516(f)(2), repealed amendment by Pub. L. 102–237, §501(b). See 1991 Amendment note below.

Pub. L. 102–552, §516(f)(1)(A), made technical correction to directory language of Pub. L. 101–624, §1818(b). See 1990 Amendment note below.

1991—Subsec. (a). Pub. L. 102–237, §501(b), which directed the substitution of “systems (for purposes of this subchapter, the term ‘solar energy’ means energy derived from sources (other than fossil fuels) and technologies included in the Federal Nonnuclear Energy Research and Development Act of 1974) (42 U.S.C. 5901 et seq.), (12) training in maintaining records of farming and ranching operations for limited resource borrowers receiving loans under section 1934 of this title, and (13) borrower training under section 2006a of this title.” for “‘systems.’ and all that follows”, could not be executed because “systems.” does not appear in subsec. (a) was repealed by Pub. L. 102–552, §516(f)(2). See Construction of 1991 Amendment note below.

1990—Subsec. (a). Pub. L. 101–624, §1818(b), as amended by Pub. L. 102–552, §516(f)(1)(A), added cl. (13).

1985—Subsec. (a). Pub. L. 99–198, §1306, added cl. (12).

Subsec. (e). Pub. L. 99–198, §1307, added subsec. (e).

1980—Subsec. (a). Pub. L. 96–438 added cl. (11).

1978—Subsec. (a). Pub. L. 95–334, struck out “individual” after “title, to”.

1977—Subsec. (a). Pub. L. 95–113 inserted parenthetical provision extending the section to include farm equipment which utilizes solar energy and inserted definition of “solar energy”.

1972—Subsec. (a). Pub. L. 92–419, §§120(b), 121(1), (2), substituted “section 1941(a) for “section 1941”, designated existing provisions as subsec. (a), and added cl. (10).

Subsecs. (b) to (d). Pub. L. 92–419, §121(3), added subsecs. (b) to (d).

1968—Pub. L. 90–488 struck out from cl. (4) the concluding phrase, “including recreational uses and facilities”, added cls. (5) and (6), and redesignated former cls. (5) to (7) as (7) to (9), respectively.

1962—Pub. L. 87–703 authorized, in cl. (4), loans to be made for recreational uses and facilities.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 1996 AMENDMENT

Pub. L. 104–127, title VI, §612(b), Apr. 4, 1996, 110 Stat. 1089, provided that: “Section 312(c)(1) of the Consolidated Farm and Rural Development Act [7 U.S.C. 1942(c)(1)] shall not apply until the Secretary of Agriculture makes the determination required by section 312(c)(2) of the Act.” [The Secretary’s determination relating to hazard insurance under this provision was contained in interim rules published Mar. 3, 1997, and effective Mar. 24, 1997, see 62 F.R. 9351.]

Amendment by Pub. L. 104–127 effective 90 days after Apr. 4, 1996, see section 663(b) of Pub. L. 104–127, set out as a note under section 1922 of this title.

EFFECTIVE DATE OF 1992 AMENDMENT

Pub. L. 102–552, title V, §516(f)(1)(B), Oct. 28, 1992, 106 Stat. 4137, provided that: “The amendment made by subparagraph (A) [amending this section] shall take effect as if included in the Food, Agriculture, Conservation, and Trade Act of 1990 [Pub. L. 101–624] at the time such Act became law.”

EFFECTIVE DATE OF 1977 AMENDMENT

Amendment by Pub. L. 95–113 effective Oct. 1, 1977, see section 1901 of Pub. L. 95–113, set out as a note under section 1307 of this title.

TRANSFER OF FUNCTIONS

Powers, duties, and assets of agencies, offices, and other entities within Department of Agriculture relating to rural development functions transferred to Rural Development Administration by section 2302(b) of Pub. L. 101–624.

CONSTRUCTION OF 1991 AMENDMENT

Pub. L. 102–552, title V, §516(f)(2), Oct. 28, 1992, 106 Stat. 4138, provided that: “Subsection (b) of section 501 of the Food, Agriculture, Conservation, and Trade Act Amendments of 1991 (Public Law 102–237; 105 Stat. 1866) [amending this section] is repealed. The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) shall be applied and administered as if such subsection had never become law.”

§ 1943. Limitations on amount of operating loans**(a) In general**

The Secretary shall make or insure no loan under this subchapter—

(1) that would cause the total principal indebtedness outstanding at any one time for loans made under this subchapter to any one borrower to exceed, in the case of a loan other than a loan guaranteed by the Secretary, \$400,000, or, in the case of a loan guaranteed by the Secretary, \$1,750,000 (increased, beginning with fiscal year 2019, 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

(2) for the purchasing or leasing of land other than for cash rent, or for carrying on any land leasing or land purchasing program.

(b) Inflation percentage

For purposes of this section, the inflation percentage applicable to a fiscal year is the percentage (if any) by which—

(1) the average of the Prices Paid By Farmers Index (as compiled by the National Agricultural Statistics Service of the Department of Agriculture) for the 12-month period ending

on July 31 of the immediately preceding fiscal year; exceeds

(2) the average of such index (as so defined) for the 12-month period that immediately precedes the 12-month period described in paragraph (1).

(c) Microloans

(1) In general

Subject to paragraph (2), the Secretary may establish a program to make or guarantee microloans.

(2) Limitations

The Secretary shall not make or guarantee a microloan under this subsection that would cause the total principal indebtedness outstanding at any 1 time for microloans made under this subsection to any 1 borrower to exceed \$50,000.

(3) Applications

To the maximum extent practicable, the Secretary shall limit the administrative burdens and streamline the application and approval process for microloans under this subsection.

(4) Cooperative lending pilot projects

(A) In general

Subject to subparagraph (B), during each of the 2014 through 2023 fiscal years, the Secretary may carry out a pilot project to make loans to community development financial institutions, as the Secretary determines appropriate—

- (i) to make or guarantee microloans consistent with the terms provided under this subsection; and
- (ii) to provide business, financial, marketing, and credit management services to microloan borrowers.

(B) Requirements

Prior to making a loan to an institution described in subparagraph (A), the Secretary shall—

- (i) review and approve—
 - (I) the loan loss reserve fund for microloans established by the institution; and
 - (II) the underwriting standards for microloans of the institution; and
- (ii) establish such other requirements for making a loan to the institution as the Secretary determines necessary.

(C) Eligibility

To be eligible for a loan under subparagraph (A), an institution described in subparagraph (A) shall, as determined by the Secretary—

- (i) have the legal authority necessary to carry out the actions described in subparagraph (A);
- (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.)

Editorial Notes

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 criteria 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.

Statutory Notes and Related Subsidiaries**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),¹ 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)¹ 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

(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.

¹ See References in Text note below.