

declination of credit, from a legally organized lending institution within reasonable proximity to the applicant, that specifies the reasons for the declination: *Provided*, That for loans in excess of \$300,000, the Secretary shall require at least two such written declinations: *Provided further*, That for loans of \$100,000 or less, the Secretary may waive the requirement of this subsection if the Secretary determines that it would impose an undue burden on the applicant.

(Pub. L. 87-128, title III, §322, Aug. 8, 1961, 75 Stat. 311; Pub. L. 94-68, §4, Aug. 5, 1975, 89 Stat. 381; Pub. L. 96-438, §3(b)(1), Oct. 13, 1980, 94 Stat. 1873; Pub. L. 104-127, title VI, §622, Apr. 4, 1996, 110 Stat. 1091.)

#### Editorial Notes

##### AMENDMENTS

1996—Subsec. (b). Pub. L. 104-127 substituted “loans of \$100,000 or less” for “loans of \$300,000 or less”.

1980—Pub. L. 96-438 substituted provisions prescribing factors to be considered in determining whether to make or insure a loan and relating to the need for applicants unable to obtain sufficient credit elsewhere to provide written credit declinations for provisions relating to the purpose and extent of loans under this subchapter.

1975—Pub. L. 94-68 extended authority to finance crop or livestock changes deemed desirable as a result of changes in market demand, and to make emergency loans in excess of the actual loss sustained as a result of the natural disaster.

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF 1996 AMENDMENT

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 1980 AMENDMENT

Amendment by Pub. L. 96-438 effective with respect to loans approved after Oct. 13, 1980, except for certain subsequent emergency loans, see section 3(d) of Pub. L. 96-438, set out as a note under section 1961 of this title.

#### § 1963. Purpose and extent of loans

Loans may be made or insured under this subchapter for any purpose authorized for loans under subchapter I or II of this chapter and for crop or livestock changes that are necessitated by a quarantine, natural disaster, major disaster, or emergency and that are deemed desirable by the applicant, subject to the limitations on the amounts of loans provided in section 1964(a) of this title.

(Pub. L. 87-128, title III, §323, Aug. 8, 1961, 75 Stat. 311; Pub. L. 96-438, §3(b)(1), Oct. 13, 1980, 94 Stat. 1873; Pub. L. 104-127, title VI, §623, Apr. 4, 1996, 110 Stat. 1091; Pub. L. 107-171, title V, §5201(b), May 13, 2002, 116 Stat. 344.)

#### Editorial Notes

##### REFERENCES IN TEXT

This chapter, referred to in text, 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.

#### AMENDMENTS

2002—Pub. L. 107-171 inserted “quarantine,” before “natural disaster”.

1996—Pub. L. 104-127 inserted “that are necessitated by a natural disaster, major disaster, or emergency and that are” after “livestock changes”.

1980—Pub. L. 96-438 substituted provisions relating to the purposes and extent of loans made or insured under this subchapter for provisions limiting loans to amounts certified by the county committee.

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF 1996 AMENDMENT

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 1980 AMENDMENT

Amendment by Pub. L. 96-438 effective with respect to loans approved after Oct. 13, 1980, except for certain subsequent emergency loans, see section 3(d) of Pub. L. 96-438, set out as a note under section 1961 of this title.

#### § 1964. Terms of loans

##### (a) Maximum amount of loan

The Secretary may not make a loan under this subchapter to a borrower who has suffered a loss in an amount that—

(1) exceeds the actual loss caused by a disaster; or

(2) would cause the total indebtedness of the borrower under this subchapter to exceed \$500,000.

##### (b) Interest rates

Loans under this subchapter shall be at rates of interest as follows:

(1) For loans or portions of loans up to the amount of the applicant's actual loss caused by the disaster, as limited under subsection (a)(1) of this section, the interest shall be at rates prescribed by the Secretary, but not in excess of 8 percent per annum; and

(2) For loans or portions of loans in excess of the amount of the applicant's actual loss caused by the disaster, as limited under subsection (a)(1) of this section, (A) the interest for insured loans shall be at rates prevailing in the private market for similar loans, as determined by the Secretary, and (B) the interest for guaranteed loans shall be at rates agreed on by the borrower and lender, but not in excess of such rates as may be determined by the Secretary.

##### (c) Interest subsidies

For guaranteed loans under this subchapter, the Secretary may pay interest subsidies to the lenders for those portions of the loans up to the amount of the actual loss caused by the disaster, as limited under subsection (a)(1) of this section. Any such subsidy shall not exceed the difference between the interest rate being charged for loans up to the amount of the actual loss, as established under subsection (b)(1) of this section, and the maximum interest rate for guaranteed loans, as established under subsection (b)(2) of this section.

##### (d) Repayment

###### (1) In general

All loans under this subchapter shall be repayable at such times as the Secretary may

determine, taking into account the purposes of the loan and the nature and effect of the disaster, but not later than as provided for loans for similar purposes under subchapters I and II of this chapter, and upon the full personal liability of the borrower and upon the best security available, as the Secretary may prescribe: *Provided*, That the security is adequate to assure repayment of the loans, except that if such security is not available because of the disaster, the Secretary shall (1) accept as security such collateral as is available, a portion or all of which may have depreciated in value due to the disaster and which in the opinion of the Secretary, together with the Secretary's confidence in the repayment ability of the applicant, is adequate security for the loan, and (2) make such loan repayable at such times as the Secretary may determine, not later than as provided under subchapters I and II of this chapter, as justified by the needs of the applicant: *Provided further*, That for any disaster occurring after January 1, 1975, the Secretary, if the loan is for a purpose described in subchapter II of this chapter, may make the loan repayable at the end of a period of more than seven years, but not more than twenty years, if the Secretary determines that the need of the loan applicant justifies such a longer repayment period: *Provided further*, That for any direct or insured loan (other than a guaranteed loan) approved under section 1961(b) of this title, three years after the loan is made or insured, and every two years thereafter for the term of the loan, the Secretary shall review the loan; and if, based on such review, the Secretary determines that the borrower is able to obtain a loan from non-Federal sources at reasonable rates and terms for loans for similar purposes and periods of time, the borrower shall on request by the Secretary, apply for and accept such non-Federal loan in sufficient amount to repay the Secretary. If farm assets (including land, livestock, and equipment) are used as collateral to secure a loan made under this subchapter, the Secretary shall establish the value of the assets as of the day before the occurrence of the natural disaster, major disaster, or emergency that is the basis for a request for assistance under this subchapter or the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.).

**(2) No basis for denial of loan**

**(A) In general**

Subject to subparagraph (B), the Secretary shall not deny a loan under this subchapter to a borrower by reason of the fact that the borrower lacks a particular amount of collateral for the loan if the Secretary is reasonably certain that the borrower will be able to repay the loan.

**(B) Refusal to pledge available collateral**

The Secretary may deny or cancel a loan under this subchapter if a borrower refuses to pledge available collateral on request by the Secretary.

**(e) Grant eligibility**

Any political subdivision of a State with a population of less than ten thousand inhabitants

that, if such subdivision had a population of ten thousand or more inhabitants, would be eligible for a grant under the first title of the Community Emergency Drought Relief Act of 1977 shall be eligible for a grant under this chapter during any period in which the Community Emergency Drought Relief Act of 1977 is or has been in effect.

(Pub. L. 87-128, title III, §324, Aug. 8, 1961, 75 Stat. 311; Pub. L. 93-24, §4, Apr. 20, 1973, 87 Stat. 25; Pub. L. 94-68, §5, Aug. 5, 1975, 89 Stat. 381; Pub. L. 95-89, title IV, §406, Aug. 4, 1977, 91 Stat. 561; Pub. L. 95-334, title I, §119, Aug. 4, 1978, 92 Stat. 427; Pub. L. 96-302, title I, §120(b), July 2, 1980, 94 Stat. 841; Pub. L. 96-438, §3(a), (b)(1), Oct. 13, 1980, 94 Stat. 1872, 1873; Pub. L. 97-35, title I, §162(a), Aug. 13, 1981, 95 Stat. 378; Pub. L. 98-258, title VI, §602(b), Apr. 10, 1984, 98 Stat. 138; Pub. L. 99-198, title XIII, §1308(b)(3), (c), Dec. 23, 1985, 99 Stat. 1523; Pub. L. 100-707, title I, §109(c)(2), Nov. 23, 1988, 102 Stat. 4708; Pub. L. 104-127, title VI, §§624, 625, Apr. 4, 1996, 110 Stat. 1091; Pub. L. 105-277, div. A, §101(a) [title VIII, §802], Oct. 21, 1998, 112 Stat. 2681, 2681-38.)

**Editorial Notes**

REFERENCES IN TEXT

This chapter, referred to in subsecs. (d) and (e), 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. (d), is Pub. L. 93-288, May 22, 1974, 88 Stat. 143, 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.

The Community Emergency Drought Relief Act of 1977, referred to in subsec. (e), is Pub. L. 95-31, May 23, 1977, 91 Stat. 169. Title I of the Community Emergency Drought Relief Act of 1977 is set out as a note under section 5184 of Title 42. For complete classification of this Act to the Code, see Tables.

AMENDMENTS

1998—Subsec. (d). Pub. L. 105-277 inserted heading, designated existing provisions as par. (1) and inserted heading, and added par. (2).

1996—Pub. L. 104-127, §624, inserted section catchline.

Subsec. (a). Pub. L. 104-127, §624, added subsec. (a) and struck out former subsec. (a) which read as follows: "No loan made or insured under this subchapter may exceed the amount of the actual loss caused by the disaster or \$500,000, whichever is less, for each disaster."

Subsec. (d). Pub. L. 104-127, §625, in last sentence, substituted "establish the value of the assets as of the day before the occurrence of the natural disaster, major disaster, or emergency that is the basis for a request for assistance under this subchapter or the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.)." for "value the assets based on the higher of (A) the value of the assets on the day before the date the governor of the State in which the farm is located requests assistance under this subchapter or the Disaster Relief and Emergency Assistance Act for any portion of such State affected by the disaster with respect to which the application for the loan is made, or (B) the value of the assets one year before such day."

1988—Subsec. (d). Pub. L. 100-707 substituted "and Emergency Assistance Act" for "Act of 1974".

1985—Subsec. (a). Pub. L. 99-198, §1308(c), in amending subsec. (a) generally, struck out par. (1) designation, substituted “No loan” for “Except as otherwise provided in paragraph (2) of this subsection, no loan”, and struck out par. (2) authorization of loans through Sept. 30, 1982 for applicants unable to obtain sufficient credit elsewhere, limited to an amount that would not cause the total unpaid principal indebtedness of the loan applicant to exceed: \$1,500,000 through end of fiscal year 1980; \$1,000,000 during fiscal year 1981; and \$500,000 during fiscal year 1982; and restricted loans in excess of amount of actual loss that were for more than \$300,000 without a prior determination of the Secretary of applicant’s inability to obtain loans to finance actual needs at reasonable rates and terms in the residential community of the applicant for loans for similar purposes and periods of time.

Subsec. (b)(1). Pub. L. 99-198, §1308(b)(3), substituted provision for interest rates prescribed by the Secretary but “not in excess of 8 percent per annum” for former such provision but “(A) if the applicant is not able to obtain sufficient credit elsewhere, not in excess of 8 percent per annum, and (B) if the applicant is able to obtain sufficient credit elsewhere, not in excess of the rate prevailing in the private market for similar loans, as determined by the Secretary”.

1984—Subsec. (d). Pub. L. 98-258 inserted provision that, if farm assets (including land, livestock, and equipment) are used as collateral to secure a loan made under this subchapter, the Secretary shall value the assets based on the higher of (A) the value of the assets on the day before the date the governor of the State in which the farm is located requests assistance under this subchapter or the Disaster Relief Act of 1974 for any portion of such State affected by the disaster with respect to which the application for the loan is made, or (B) the value of the assets one year before such day.

1981—Subsec. (b)(1). Pub. L. 97-35 in cl. (A) increased amount from 5 to 8 per centum, and in cl. (B) substituted provisions relating to a rate not in excess of the rate prevailing in the private market for similar loans, for provisions relating to a rate not in excess of current average market yield on outstanding United States marketable obligations, plus additional charges and adjustments.

1980—Subsec. (a). Pub. L. 96-348, §3(a), (b)(1), repealed section 120 of Pub. L. 96-302 (see par. below) and amended subsec. (a) generally, substituting provisions relating to the limitation on loans made or insured under this subchapter and authorizing excess loan amounts for provisions relating to the interest rates, maturity and security of loans made or insured under this chapter.

Pub. L. 96-302, §120(b) (see par. above), substituted interest rate provisions of first sentence for prior provision for loans “(1) at a rate of interest not in excess of 5 per centum per annum on loans up to the amount of the actual loss caused by the disaster, and (2) for any loans or portions of loans in excess of that amount, the interest rate will be that prevailing in the private market for similar loans, as determined by the Secretary” and inserted proviso in second sentence for repayment of subsec. (a)(1)(B) loans.

Subsec. (b). Pub. L. 96-438, §3(b)(1), substituted provisions relating to interest rates on loans made or insured under this subchapter for provisions relating to eligibility of political subdivisions of states for grants under this chapter.

Subsecs. (c) to (e). Pub. L. 96-438, §3(b)(1), added subsecs. (c) to (e).

1978—Subsecs. (b), (c). Pub. L. 95-334 redesignated subsec. (c) as (b). Former subsec. (b), which related to reductions in the interest rate based on interest rate of the Small Business Administration, was struck out.

1977—Subsec. (a). Pub. L. 95-89 designated existing provisions as subsec. (a) and struck out last proviso prescribing for any loan made by the Small Business Administration in connection with a disaster occurring on or after Aug. 5, 1975, under section 636(b)(1), (2), or (4) of title 15 a rate of interest determined in the first

paragraph following section 636(b)(8) of title 15 for loans under paragraphs (3), (5), (6), (7), or (8) of section 636(b) of title 15, now covered in subsec. (b) of this section.

Subsecs. (b), (c). Pub. L. 95-89 added subsecs. (b) and (c).

1975—Pub. L. 94-68 made the existing rate of 5 percent applicable to loans up to the amount of the actual loss caused by the disaster, inserted provisions that for loans or portions of loans in excess of that amount the interest rate will be that prevailing in the private market for similar loans, as determined by the Secretary, and inserted provisos relating to security, disasters occurring after Jan. 1, 1975, and loans made by Small Business Administration.

1973—Pub. L. 93-24 substituted “5” for “3” per centum.

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF 1996 AMENDMENT

Amendment by section 624 of Pub. L. 104-127 effective Apr. 4, 1996, and amendment by section 625 of Pub. L. 104-127 effective 90 days after Apr. 4, 1996, see section 663(a), (b) of Pub. L. 104-127, set out as a note under section 1922 of this title.

##### EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-258 applicable to disasters occurring after May 30, 1983, see section 602(c) of Pub. L. 98-258, set out as a note under section 1961 of this title.

##### EFFECTIVE DATE OF 1981 AMENDMENT

Section 162(b) of Pub. L. 97-35 provided that: “The amendments made by this section [amending this section] shall apply to loans made with respect to disasters occurring after September 30, 1981”.

##### EFFECTIVE DATE OF 1980 AMENDMENTS

Amendment by section 3(b)(1) of Pub. L. 96-438 effective with respect to loans approved after Oct. 13, 1980, except for certain subsequent emergency loans, see section 3(d) of Pub. L. 96-438, set out as a note under section 1961 of this title.

Amendment by Pub. L. 96-302 effective Oct. 1, 1980, see section 507 of Pub. L. 96-302, set out as a note under section 631 of Title 15, Commerce and Trade.

##### EFFECTIVE DATE OF 1978 AMENDMENT

Pub. L. 95-334, title I, §119, Aug. 4, 1978, 92 Stat. 427, provided that the amendment made by that section is effective Oct. 1, 1978.

##### SMALL BUSINESS DISASTER LOANS; INTEREST RATE; CANCELLATION OF LOANS

Loans by Small Business Administration in connection with any disaster occurring on or after Apr. 20, 1973 made under section 636(b)(1), (2), or (4) of Title 15, as subject to interest rate determined under this section and prohibition against cancellation of such loan under any provision of law, see section 9 of Pub. L. 93-24, set out as a note under section 636 of Title 15, Commerce and Trade.

#### § 1965. Repealed. Pub. L. 95-334, title I, § 120, Aug. 4, 1978, 92 Stat. 427

Section, Pub. L. 87-128, title III, §325, Aug. 8, 1961, 75 Stat. 311; Pub. L. 94-68, §6, Aug. 5, 1975, 89 Stat. 382, authorized delegation of authority to State Directors of Farmers Home Administration for making emergency loans.

#### § 1966. Emergency Credit Revolving Fund utilization

The Secretary is authorized to utilize the revolving fund created by section 1148a<sup>1</sup> of title 12

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