

Public Law 95-334
95th Congress

An Act

Aug. 4, 1978
[H.R. 11504]

To amend the Consolidated Farm and Rural Development Act, provide an economic emergency loan program for farmers and ranchers, extend the Emergency Livestock Credit Act of 1974, and for other purposes.

Agricultural
Credit Act of
1978.
7 USC 1921
note.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Credit Act of 1978".

TITLE I—AMENDMENTS TO THE CONSOLIDATED FARM
AND RURAL DEVELOPMENT ACT

ELIGIBILITY FOR FARM OWNERSHIP AND OTHER LOANS UNDER SUBTITLE A

7 USC 1922.

SEC. 101. Section 302 of the Consolidated Farm and Rural Development Act is amended to read as follows:

"SEC. 302. The Secretary is authorized to make and insure loans under this subtitle to farmers and ranchers in the United States, and to farm cooperatives and private domestic corporations and partnerships that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States, subject to the conditions specified in this section. To be eligible for such loans, applicants who are individuals, or, in the case of cooperatives, corporations, and partnerships, members, stockholders, or partners, as applicable, holding a majority interest in such entity, must (1) be citizens of the United States, (2) have either training or farming experience that the Secretary determines is sufficient to assure reasonable prospects of success in the proposed farming operations, (3) be or will become owner-operators of not larger than family farms (or in the case of cooperatives, corporations, and partnerships in which a majority interest is held by members, stockholders, or partners, as applicable, who are related by blood or marriage, as defined by the Secretary, such individuals must be or will become either owners or operators of not larger than a family farm and at least one such individual must be or will become an operator of not larger than a family farm), and (4) be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. In addition to the foregoing requirements of this section, in the case of cooperatives, corporations, and partnerships, the family farm requirement of clause (3) of the preceding sentence shall apply as well to the farm or farms in which the entity has an ownership and operator interest and the requirement of clause (4) of the preceding sentence shall apply as well to the entity."

LOANS FOR RECREATIONAL AND POLLUTION ABATEMENT FACILITIES

SEC. 102. Section 304 of the Consolidated Farm and Rural Development Act is amended by—

7 USC 1924.

- (1) in subsection (a), striking out the word "individual"; and
- (2) adding at the end thereof a new subsection (c) as follows:

"(c) Loans may also be made or insured under this subtitle to any farm owners or tenants without regard to the requirements of clauses (1), (2), and (3) of section 302 of this title for the purposes of meeting Federal, State, or local requirements for agricultural, animal, or poultry waste pollution abatement and control facilities, including the construction, modification, or relocation of farm or other structures necessary to comply with such pollution abatement requirements."

7 USC 1922.

LIMITATIONS ON LOANS UNDER SECTIONS 302, 303, 304, AND 310D OF THE ACT

SEC. 103. Section 305 of the Consolidated Farm and Rural Development Act is amended by striking out the first sentence and inserting in lieu thereof the following: "The Secretary shall make or insure no loan under sections 302, 303, 304, and 310D of this title that would cause the unpaid indebtedness under such sections of any one borrower to exceed the smaller of (1) the value of the farm or other security, or (2) in the case of a loan other than a loan guaranteed by the Secretary, \$200,000, or, in the case of a loan guaranteed by the Secretary, \$300,000."

7 USC 1925.

7 USC 1922,
1923, 1924.
Post, p. 424.

ELIMINATION OF REQUIREMENT FOR BOND COUNSEL FOR CERTAIN WATER AND WASTE DISPOSAL FACILITY LOANS

SEC. 104. Section 306(a)(1) of the Consolidated Farm and Rural Development Act is amended by adding at the end thereof the following: "With respect to loans of less than \$500,000 made or insured under this paragraph that are evidenced by notes and mortgages, as distinguished from bond issues, borrowers shall not be required to appoint bond counsel to review the legal validity of the loan whenever the Secretary has available legal counsel to perform such review."

7 USC 1926.

WATER AND WASTE DISPOSAL FACILITY GRANTS

SEC. 105. Effective October 1, 1978, section 306(a)(2) of the Consolidated Farm and Rural Development Act is amended by—

- (1) striking out "\$300,000,000" and inserting in lieu thereof "\$500,000,000"; and
- (2) striking out "50 per centum" and inserting in lieu thereof "75 per centum".

RURAL AREAS

SEC. 106. Section 306(a)(7) of the Consolidated Farm and Rural Development Act is amended by striking out "the Commonwealth of Puerto Rico and the Virgin Islands,".

LOANS FOR POWER TRANSMISSION FACILITIES

7 USC 1926.

SEC. 107. (a) Section 306(a) of the Consolidated Farm and Rural Development Act is amended by adding at the end thereof a new paragraph (14) as follows:

“(14) (A) The Secretary may make or insure loans in the full amount thereof, but not to exceed \$1,000,000 for any such loan, to associations, including corporations not operated for profit, Indian tribes on Federal and State reservations and other federally recognized Indian tribes, and public and quasi-public agencies, for the purpose of financing the construction, acquisition, and operation of transmission facilities for any electric system that is owned and operated by a public body located in a rural area and as of October 1, 1976, was receiving bulk power from any of the following agencies of the Department of the Interior:

- “(i) the Southwestern Power Administration,
- “(ii) the Southeastern Power Administration,
- “(iii) the Bonneville Power Administration,
- “(iv) the Bureau of Reclamation, or
- “(v) the Alaska Power Administration.

A loan may not be made or insured under this paragraph unless the Secretary determines that the applicant for the loan cannot obtain sufficient credit elsewhere from reliable sources at reasonable rates and terms for financing the construction, acquisition, and operation of such facilities.

26 USC 1 *et seq.*

“(B) Interest or other income from obligations evidencing loans guaranteed under this paragraph shall be included in gross income for the purposes of chapter 1 of the Internal Revenue Code of 1954.

“(C) The Administrator of the Rural Electrification Administration shall administer loans made or insured under this paragraph.

“(D) The authority provided to the Secretary by subparagraph (A) of this paragraph shall terminate September 30, 2006.”

7 USC 1929a.

(b) Section 309A(a) of the Consolidated Farm and Rural Development Act is amended by inserting “306(a) (14),” immediately after “sections 304(b), 306(a) (1),”.

INTEREST RATES FOR LOANS UNDER SUBTITLE A; DELETION OF ESCROW AGENT PROVISION

7 USC 1927.

SEC. 108. Section 307 of the Consolidated Farm and Rural Development Act is amended by—

(1) amending subsection (a) to read as follows:

“(a) (1) The period for repayment of loans under this subtitle shall not exceed forty years.

“(2) Except as otherwise provided in paragraphs (3), (4), and (5) of this subsection, the interest rates on loans under this subtitle 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 not to exceed 1 per centum, as determined by the Secretary, and adjusted to the nearest one-eighth of 1 per centum.

Post, p. 424.

“(3) The interest rates on loans (other than guaranteed loans) under section 310D of this title, and loans (other than guaranteed loans) to public bodies or nonprofit associations (including Indian tribes on Federal and State reservations and other federally recog-

nized Indian tribal groups) for water and waste disposal facilities and essential community facilities shall be as determined by the Secretary, but not in excess of 5 per centum per annum.

"(4) The interest rates on loans under sections 304(b), 306(a)(1), and 310B of this title (other than guaranteed loans and loans as described in paragraph (3) of this subsection) shall be as determined by the Secretary, but not less than such rates as determined by the Secretary of the Treasury taking into consideration 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, adjusted in the judgment of the Secretary of the Treasury to provide for rates comparable to the rates prevailing in the private market for similar loans and considering the Secretary's insurance of the loans, plus an additional charge, prescribed by the Secretary, to cover the Secretary's losses and cost of administration, which charge shall be deposited in the Rural Development Insurance Fund, and further adjusted to the nearest one-eighth of 1 per centum.

7 USC 1924,
1926, 1932.

"(5) The interest rate on any loan made under this subtitle as a guaranteed loan 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;"

(2) redesignating subsection (b) as subsection (c); and

(3) inserting a new subsection (b) as follows:

"(b) The borrower shall pay such fees and other charges as the Secretary may require, and borrowers under this title shall prepay to the Secretary such taxes and insurance as the Secretary may require, on such terms and conditions as the Secretary may prescribe."

REPEAL OF LIMITATION ON AMOUNT OF OUTSTANDING LOANS UNDER THE AGRICULTURAL CREDIT INSURANCE FUND; USE OF THE AGRICULTURAL CREDIT INSURANCE FUND FOR PAYMENT OF COSTS OF ADMINISTRATION

SEC. 109. (a) Section 309(f) of the Consolidated Farm and Rural Development Act is amended by—

7 USC 1929.

(1) in paragraph (1), changing the period at the end of the first sentence to a semicolon and striking out the second sentence therein which reads: "The aggregate of the principal of such loans made and not disposed of shall not exceed \$500,000,000 at any one time;"

(2) striking out "and" at the end of paragraph (4), and changing the period at the end of paragraph (5) to a semicolon; and

(3) adding at the end thereof new paragraph (6) as follows: "(6) to pay the Secretary's costs of administration necessary to insure, make grants, service, and otherwise carry out the programs under this title not specifically covered by the Rural Development Insurance Fund of section 309A, including costs of the Secretary incidental to guaranteeing loans under this title, either directly from the Fund or by transfers from the Fund to, and merger with, any appropriations for administrative expenses."

7 USC 1929a.

(b) Section 328 of the Consolidated Farm and Rural Development Act is amended by striking out "Provided, That loans made under this section shall not be included in applying the \$500,000,000 limitation in section 309(f)(1)".

7 USC 1968.

7 USC 1929.

TRANSFER OF ADMINISTRATIVE FUNDS

7 USC 1929a. SEC. 110. Section 309A(g)(8) of the Consolidated Farm and Rural Development Act is amended to read as follows:

7 USC 1926, 1932. “(8) to pay the Secretary’s costs of administration necessary to insure loans under the programs referred to in subsection (a) of this section, make grants under sections 306(a) and 310B of this title, service, and otherwise carry out such programs, including costs of the Secretary incidental to guaranteeing rural development loans under this title, either directly from the Insurance Fund or by transfers from the Fund to, and merger with, any appropriations for administrative expenses.”.

PURCHASE BY THE SECRETARY OF GUARANTEED PORTIONS OF LOANS

SEC. 111. The Consolidated Farm and Rural Development Act is amended by adding immediately after section 309A a new section 309B as follows:

7 USC 1929b. “SEC. 309B. The Secretary may purchase, on such terms and conditions as the Secretary deems appropriate, the guaranteed portion of any loan guaranteed under this title: *Provided*, That the Secretary may not pay for any such guaranteed portion of a loan in excess of an amount equal to the unpaid principal balance and accrued interest on the guaranteed portion of the loan. The Secretary may use for such purchases funds from the Rural Development Insurance Fund with respect to rural development loans as defined in section 309A(a) of this title and funds from the Agricultural Credit Insurance Fund with respect to all other loans under this title. This authority may be exercised only if the Secretary determines that an adequate secondary market is not available in the private sector.”.

EXEMPTION OF SMALL BUSINESS PROJECTS FROM RESTRICTIONS ON RURAL INDUSTRIAL ASSISTANCE AND OTHER LOANS

7 USC 1932. SEC. 112. Section 310B of the Consolidated Farm and Rural Development Act is amended by—

(1) inserting in paragraphs (1), (2), and (3) (that follow subsection (d)) immediately after “312(b)”, wherever that term appears therein, the following: “, except for cases in which such assistance does not exceed \$1,000,000 or for cases in which direct employment will not be increased by more than fifty employees,”; and

(2) in paragraph (3) (that follows subsection (d)), striking out “60” and inserting in lieu thereof “30”.

LOW-INCOME FARM OWNERSHIP LOAN PROGRAM

SEC. 113. The Consolidated Farm and Rural Development Act is amended by adding immediately after section 310C a new section as follows:

7 USC 1934. “SEC. 310D. (a) The Secretary is authorized to make and insure loans for any of the purposes referred to in clauses (1) through (5) of section 303(a) of this title to farmers and ranchers in the United States who (1) are citizens of the United States, (2) meet the requirements of clauses (2) through (4) of section 302, (3) are unable to obtain sufficient credit under section 302 of this title to finance their actual needs, (4) are owners or operators of small or family farms (including new owners or operators), (5) are farmers or ranchers with

7 USC 1923.

7 USC 1922.

a low income, and (6) demonstrate a need to maximize their income from farming or ranching operations. The Secretary is also authorized to make such loans to any farm cooperative or private domestic corporation or partnership that is controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States if all of its members, stockholders, or partners, as applicable, are citizens of the United States and the entity and all such members, stockholders, or partners meet the requirements of clauses (2) through (6) of the preceding sentence.

“(b) Each loan made or insured under this section shall be repayable in such installments as the Secretary determines will provide for reduced payments during the initial repayment period of the loan and larger payments during the remainder of the repayment period of the loan.”.

ELIGIBILITY FOR OPERATING LOANS

SEC. 114. Section 311(a) of the Consolidated Farm and Rural Development Act is amended to read as follows:

7 USC 1941.

“(a) The Secretary is authorized to make and insure loans under this subtitle to farmers and ranchers in the United States, and to farm cooperatives and private domestic corporations and partnerships that are controlled by farmers and ranchers and engaged primarily and directly in farming or ranching in the United States, subject to the conditions specified in this section. To be eligible for such loans, applicants who are individuals, or, in the case of cooperatives, corporations, and partnerships, members, stockholders, or partners, as applicable, holding a majority interest in such entity, must (1) be citizens of the United States, (2) have either training or farming experience that the Secretary determines is sufficient to assure reasonable prospects of success in the proposed farming operations, (3) be or will become operators of not larger than family farms (or in the case of cooperatives, corporations, and partnerships in which a majority interest is held by members, stockholders, or partners, as applicable, who are related by blood or marriage, as defined by the Secretary, such individuals must be or will become either owners or operators of not larger than a family farm and at least one such individual must be or will become an operator of not larger than a family farm), and (4) be unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. In addition to the foregoing requirements of this subsection, in the case of cooperatives, corporations, and partnerships, the family farm requirement of clause (3) of the preceding sentence shall apply as well to the farm or farms in which the entity has an operator interest and the requirement of clause (4) of the preceding sentence shall apply as well to the entity.”.

OPERATING LOANS FOR RECREATIONAL FACILITIES

SEC. 115. Section 312(a) of the Consolidated Farm and Rural Development Act is amended by striking out “individual”.

7 USC 1942.

LIMITATIONS ON FARM OPERATING LOANS

7 USC 1943.

SEC. 116. Section 313 of the Consolidated Farm and Rural Development Act is amended to read as follows:

"SEC. 313. The Secretary shall make or insure no loan under this subtitle (1) that would cause the total principal indebtedness outstanding at any one time for loans made under this subtitle to any one borrower to exceed, in the case of a loan other than a loan guaranteed by the Secretary, \$100,000, or, in the case of a loan guaranteed by the Secretary, \$200,000; 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."

FARM OPERATING LOAN INTEREST RATES; CONSOLIDATION AND RESCHEDULING OF LOANS

7 USC 1946.

SEC. 117. Section 316 of the Consolidated Farm and Rural Development Act is amended to read as follows:

"SEC. 316. (a) The Secretary shall make all loans under this subtitle 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, 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 subtitle 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.

"(b) Loans made under this subtitle 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 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. 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 subtitle at the time of the consolidation or rescheduling. The interest rate on any guaranteed loan under this subtitle 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."

EMERGENCY LOAN ELIGIBILITY

7 USC 1961.

SEC. 118. Section 321 of the Consolidated Farm and Rural Development Act is amended to read as follows:

"SEC. 321. The Secretary shall make and insure loans under this subtitle to (1) established farmers, ranchers, or persons engaged in aquaculture, who are citizens of the United States, and (2) to farm cooperatives or private domestic corporations or partnerships in which a majority interest is held by members, stockholders, or partners who

are citizens of the United States if the cooperative, corporation, or partnership is engaged primarily in farming, ranching, or aquaculture, where the Secretary finds that the applicants' farming, ranching, or aquaculture operations have been substantially affected by a natural disaster in the United States or by a major disaster or emergency designated by the President pursuant to the provisions of the Disaster Relief Act of 1974: *Provided*, That they have experience and resources necessary to assure a reasonable prospect for successful operation with the assistance of such loan and are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which they reside for loans for similar purposes and periods of time. For the purposes of this subtitle 'aquaculture' means husbandry of aquatic organisms under a controlled or selected environment."

42 USC 5121
note.

"Aquaculture."

DELETION OF REQUIREMENT FOR EMERGENCY LOAN INTEREST RATES TO BE
BASED ON SMALL BUSINESS ADMINISTRATION LOAN RATES

SEC. 119. Section 324 of the Consolidated Farm and Rural Development Act is amended, effective October 1, 1978, by striking out subsection (b) and redesignating subsection (c) as subsection (b).

7 USC 1964.

CONFORMING AMENDMENT

SEC. 120. The Consolidated Farm and Rural Development Act is amended by repealing section 325.

Repeal.
7 USC 1965.

DELEGATION OF AUTHORITY TO COMPROMISE CLAIMS; AUTHORITY IN AREAS
THAT HAVE CEASED TO BE RURAL

SEC. 121. Section 331 of the Consolidated Farm and Rural Development Act is amended by—

7 USC 1981.

(1) in clause (a), striking out "and in Puerto Rico and the Virgin Islands";

(2) in clause (d), striking out "\$15,000" and inserting in lieu thereof "\$25,000";

(3) at the end of clause (i), striking out the period and inserting in lieu thereof "; and"; and

(4) adding at the end thereof a new clause (j) to read as follows:

"(j) notwithstanding that an area ceases, or has ceased, to be 'rural', in a 'rural area', or an eligible area, make loans and grants, and approve transfers and assumptions, under this title on the same basis as though the area still was rural in connection with property securing any loan made, insured, or held by the Secretary under this title or in connection with any property held by the Secretary under this title."

LOAN MORATORIUM AND POLICY ON FORECLOSURES

SEC. 122. The Consolidated Farm and Rural Development Act is amended by adding after section 331 a new section 331A as follows:

"SEC. 331A. In addition to any other authority that the Secretary may have to defer principal and interest and forego foreclosure, the Secretary may permit, at the request of the borrower, the deferral of principal and interest on any outstanding loan made, insured, or held by the Secretary under this title, or under the provisions of any other

7 USC 1981a.

law administered by the Farmers Home Administration, and may forego foreclosure of any such loan, for such period as the Secretary deems necessary upon a showing by the borrower that due to circumstances beyond the borrower's control, the borrower is temporarily unable to continue making payments of such principal and interest when due without unduly impairing the standard of living of the borrower. The Secretary may permit interest that accrues during the deferral period on any loan deferred under this section to bear no interest during or after such period: *Provided*, That if the security instrument securing such loan is foreclosed such interest as is included in the purchase price at such foreclosure shall become part of the principal and draw interest from the date of foreclosure at the rate prescribed by law."

APPEAL AND REVIEW OF COUNTY COMMITTEE DETERMINATIONS; EXEMPTION OF GUARANTEED LOANS FROM "GRADUATION" REQUIREMENT

7 USC 1983.

SEC. 123. Section 333 of the Consolidated Farm and Rural Development Act is amended by—

(1) at the end of subsection (b), striking out the semicolon and inserting in lieu thereof the following: "": *Provided*, That the Secretary may provide a procedure for appeal and review of any determination relating to a certification or recommendation required to be made by the county committee, and for reversal or modification thereof should the facts warrant such action;";

(2) in subsection (c), inserting "except for guaranteed loans," immediately before "an agreement by the borrower"; and

(3) in subsection (c), inserting after "private credit source" the following: "(or, in the case of a borrower under section 310D of this title, the borrower may be able to obtain a loan under section 302 of this title)".

Ante, p. 424.

7 USC 1922.

DEFINITION OF "UNITED STATES" AND "STATE"

7 USC 1991.

SEC. 124. Section 343 of the Consolidated Farm and Rural Development Act is amended by striking out "and" immediately before "(5)" and inserting immediately before the period at the end of the section the following: ", and (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 Samoa, the Commonwealth of the Northern Mariana Islands, and, to the extent the Secretary determines it to be feasible and appropriate, the Trust Territory of the Pacific Islands".

AUTHORIZATION OF INSURED AND GUARANTEED LOANS AMOUNTS; PARTICIPATION BY OTHER DEPARTMENTS AND AGENCIES

SEC. 125. The Consolidated Farm and Rural Development Act is amended by adding at the end thereof new sections 346 and 347 as follows:

7 USC 1994.

"SEC. 346. Effective October 1, 1979, the aggregate principal amount of loans under the programs authorized under each subtitle of this title during each three-year period thereafter shall not exceed such amounts as may be authorized by law after the date of enactment of this section. There shall be two amounts so established for each of such programs and for any maximum levels provided in appropriation Acts for the programs authorized under this title, one against which direct and insured loans shall be charged and the other against which

guaranteed loans shall be charged, with or without authority for the Secretary to transfer amounts between such categories within a given program for more effective administration.

“SEC. 347. Notwithstanding any other provision of law, other departments, agencies, and executive establishments of the Federal Government may participate and provide financial and technical assistance jointly with the Secretary to any applicant to whom assistance is being provided under any program administered by the Farmers Home Administration. Participation by any other department, agency, or executive establishment shall be only to the extent authorized for, and subject to the authorities of, such other department, agency, or executive establishment, except that any limitation on joint participation is superseded by this section.”.

7 USC 1995.

USE OF QUALIFIED PERSONNEL BY THE DEPARTMENT OF AGRICULTURE

SEC. 126. It is the sense of Congress that, in carrying out the provisions of the Consolidated Farm and Rural Development Act, the Secretary of Agriculture should ensure that—

7 USC 1921 note.

(1) only officers and employees of the Department of Agriculture who are adequately prepared to understand the particular needs and problems of farmers in an area are assigned to such area; and

(2) a high priority is placed on keeping existing farm operations operating.

TITLE II—EMERGENCY AGRICULTURAL CREDIT ADJUSTMENT ACT OF 1978

SHORT TITLE

SEC. 201. This title may be cited as the “Emergency Agricultural Credit Adjustment Act of 1978”.

7 USC prec. 1961 note.

AUTHORITY TO INSURE OR GUARANTEE LOANS

SEC. 202. The Secretary of Agriculture may insure or guarantee loans to (1) bona fide farmers and ranchers who are primarily and directly engaged in agricultural production and who are citizens of the United States and (2) farm cooperatives and private domestic corporations and partnerships that are primarily and directly engaged in agricultural production and in which a majority interest is held by members, stockholders, or partners, as applicable, who themselves are citizens of the United States and are primarily and directly engaged in agricultural production, if the applicant for such loan—

7 USC prec. 1961 note.

(A) has the experience or training and resources necessary to assure a reasonable prospect for successful operation with the assistance of such loan;

(B) needs such credit in order to maintain a viable agricultural production operation; and

(C) is unable at the time the loan application is filed to obtain sufficient credit from normal credit sources to finance actual needs at reasonable rates and terms due to national or areawide economic stresses, such as a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities.

"Agricultural production."

As used in this title, the term "agricultural production" shall include aquaculture; and the term "Secretary" shall mean the Secretary of Agriculture.

PURPOSES OF LOANS

7 USC prec. 1961 note.

SEC. 203. (a) Loans may be insured or guaranteed under this title for (1) refinancing outstanding indebtedness, including the making of installment payments of principal and interest, on farm or home real estate and other farm and essential home debts that cannot be paid unless assistance is provided under this title to provide adequate terms within the applicant's repayment ability and assure continuation of the applicant's farming, ranching, or aquaculture operation, (2) reorganization of the farming, ranching, or aquaculture operation, including changes in the nature or method of operation, necessary to provide an economically sound operating unit, (3) purchase of essential water rights, supplies, and irrigation facilities, (4) purchase of essential livestock, poultry, and farm equipment, (5) purchase of feed, seed, fertilizer, insecticides, and farm supplies and other essential farm operating expenses, including cash rent, (6) financing essential land and water development, use, and conservation, (7) other essential farm, ranch, and aquaculture needs, including, but not limited to, family subsistence, and (8) loan closing costs. No loan may be insured or guaranteed under this title the purpose of which is to purchase or lease additional land.

(b) In making loans under this title, preference shall be given to owners or operators of not larger than family farms. In the case of farm cooperatives, corporations, and partnerships, the family farm preference shall apply to the farm or farms in which both the entity and its principal members, stockholders, or partners, as applicable, have an ownership or operator interest and are primarily and directly engaged in agricultural production.

GUARANTEED LOAN LIMITS; RATES OF INTEREST; REPAYMENT PERIOD; RESTRICTIONS

7 USC prec. 1961 note.

SEC. 204. (a) The Secretary may guarantee under this title the principal and interest on any loan that is made by a legally organized lending agency, and that otherwise meets the purposes and conditions of this title, except that such guarantee shall not exceed 90 per centum of the principal and interest of the loan.

(b) Loans guaranteed under this title shall bear interest at rates to be agreed upon by the lender and borrower. Loans insured under this title shall bear interest at rates determined by the Secretary taking into consideration 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 not to exceed 1 per centum, as determined by the Secretary, and adjusted to the nearest one-eighth of 1 per centum.

(c) Loans insured and guaranteed under this title shall be repayable at such times as the Secretary may determine, taking into account the purpose of, and need for, the loan, but not later than provided for loans for similar purposes under the Consolidated Farm and Rural Development Act: *Provided*, That, if the loan is for a purpose described in subtitle B of such Act, the Secretary may make the loan repayable at the end of a period not exceeding twenty years if the Secretary determines that the need of the applicant justifies a longer repayment period.

7 USC 1921 note.
7 USC 1941.

(d) No fees or charges shall be assessed by the Secretary for any loan insured or for any guarantee provided under this title.

LOAN CERTIFICATIONS AND CONDITIONS

SEC. 205. (a) As a condition of the Secretary's guaranteeing any loan under this title, the lender shall certify that— 7 USC prec. 1961 note.

(1) the lender is unwilling to provide credit to, or continue with, the loan applicant in the absence of the guarantee authorized by this title;

(2) the loan applicant is directly and in good faith engaged in agricultural production; and

(3) the financing to be furnished the loan applicant is to be used for one or more of the purposes set forth in section 203 of this title.

(b) As a condition of the Secretary's insuring any loan under this title, the loan applicant shall certify that—

(1) the loan applicant will be unable to obtain financing in the absence of the assistance authorized by this title;

(2) the loan applicant is directly and in good faith engaged in agricultural production; and

(3) the financing to be furnished the loan applicant is to be used for one or more of the purposes set forth in section 203 of this title.

(c) As a condition of insuring or guaranteeing any loan under this title, the Secretary must find that there is reasonable probability of accomplishing the objectives of this title and repayment of the loan.

(d) The Secretary shall require—

(1) the county committee authorized under section 332 of the Consolidated Farm and Rural Development Act to certify in writing that the applicant for a loan under this title meets the eligibility requirements for the loan, has the character, industry, and ability to carry out the proposed operations, and will, in the opinion of the committee, honestly endeavor to carry out the applicant's undertakings and obligations; and 7 USC 1982.

(2) except for guaranteed loans, an agreement by the applicant for a loan under this title that if at any time it shall appear to the Secretary that the applicant may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, the applicant will, upon request by the Secretary, apply for and accept such loan in an amount sufficient to repay the Secretary or the insured lender, or both, and pay for any stock in a cooperative lending agency that must be purchased in connection with such loan.

LOAN SECURITY

SEC. 206. Loans shall be insured or guaranteed under this title upon the full personal liability of the borrower secured by such collateral as is available that, together with the confidence of the Secretary, and, for guaranteed loans, the confidence of the lender, in the repayment ability of the loan applicant, is deemed by the Secretary adequate to protect the Government's interest. The collateral may be subject to a prior lien or may be collateral that has depreciated in value owing to temporary economic conditions. 7 USC prec. 1961 note.

FUNDING; LIMITATION ON OUTSTANDING LOANS

7 USC prec. 1961
note.
7 USC 1929.

SEC. 207. (a) The fund created in section 309 of the Consolidated Farm and Rural Development Act shall be used by the Secretary for the operation of the loan program, and for the discharge of the obligations incurred by the Secretary, under this title. The Secretary may use such fund to (1) pay administrative expenses of the Secretary necessary to insure, guarantee, and service loans, and otherwise carry out the provisions of this title, and (2) purchase, on such terms and conditions as the Secretary may deem appropriate, all or any portion of any loan insured or guaranteed under this title, or to defer payments of principal and interest with respect to such loan and pay expenses and fees incident to such purchase or deferral. There shall be reimbursed to such fund by appropriations annually an amount equal to the costs incurred in the operation and administration of the program created by this title.

7 USC 1922,
1941.

(b) The total principal balance outstanding at any time on loans insured or guaranteed under this title for any borrower shall not exceed \$400,000: *Provided*, That no loan may be insured or guaranteed under this title to a borrower who has any loans outstanding under subtitle A or B of the Consolidated Farm and Rural Development Act that would cause the total outstanding principal indebtedness under this title and subtitles A and B of the Consolidated Farm and Rural Development Act to exceed \$650,000, and no loan may be made, insured, or guaranteed under subtitle A or B of the Consolidated Farm and Rural Development Act to any borrower who has any loans outstanding under this title that would cause the total outstanding principal indebtedness under subtitles A and B of the Consolidated Farm and Rural Development Act and this title to exceed \$650,000.

(c) The total principal balance outstanding at any time on loans insured or guaranteed under this title shall not exceed \$4,000,000,000.

FULL FAITH AND CREDIT

7 USC prec. 1961
note.

SEC. 208. Any contract of guarantee or insurance executed by the Secretary under this title shall be an obligation supported by the full faith and credit of the United States and incontestable except for fraud or misrepresentation of which the holder has actual knowledge at the time it becomes a holder.

ISSUANCE OF CERTIFICATES OF BENEFICIAL OWNERSHIP; CONTRACTS OF GUARANTEE ASSIGNABLE; REGULATIONS

7 USC prec. 1961
note.
7 USC 1932.

SEC. 209. (a) The provisions of section 310B(6) of the Consolidated Farm and Rural Development Act shall apply to loans insured or guaranteed under this title. The Secretary is authorized to handle loans guaranteed under this title in the same manner as loans guaranteed under the Consolidated Farm and Rural Development Act.

7 USC 1921 note.

(b) Contracts of guarantee executed pursuant to the provisions of this title shall be fully assignable.

(c) The Secretary is authorized to issue such regulations as the Secretary determines necessary to carry out this title. Final regulations shall be issued as soon as possible, but in no event later than thirty days after the date of enactment of this title. Insofar as practicable, the Secretary shall complete action on each loan application within thirty days after its receipt.

AVAILABILITY OF THE PROGRAM

SEC. 210. Financial assistance may be made available under this title throughout the "United States" as that term is defined in section 343 of the Consolidated Farm and Rural Development Act.

7 USC prec. 1961
note.
7 USC 1991.

EFFECTIVE PERIOD

SEC. 211. The provisions of this title shall become effective upon enactment, and the authority to make new contracts of insurance or guarantee under this title shall terminate May 15, 1980.

7 USC prec. 1961
note.

TITLE III—EXTENSION AND AMENDMENT OF THE EMERGENCY LIVESTOCK CREDIT ACT OF 1974 AND AMENDMENT OF THE BEEF RESEARCH AND INFORMATION ACT

EMERGENCY LIVESTOCK CREDIT ACT OF 1974

SEC. 301. The Emergency Livestock Credit Act of 1974 is amended by—

7 USC prec. 1961
note.

(1) in section 2, inserting after the words "bona fide farmers and ranchers" the following: ", including bona fide farmers or ranchers owning livestock that are fed in custom feedyards,";

(2) amending section 8 to read as follows:

Effective date.

"SEC. 8. The provisions of this Act shall become effective upon enactment, and the authority to make new guarantees shall expire September 30, 1979, except that, with respect to any loan for a line of credit guaranteed under this Act, if the lender advances loan funds within the line of credit at any time during the remaining term or authorized renewal period of the loan after September 30, 1979, the guarantee of such advances shall not be considered new guarantees.";

(3) in section 11, amending the first sentence to read as follows:

"The Secretary shall, not later than December 15 of each year, report to the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry on the effectiveness of this Act."; and

Report to
congressional
committees.

(4) adding at the end thereof a new section 12 as follows:

"SEC. 12. Financial assistance may be made available under this Act throughout the 'United States' as that term is defined in section 343 of the Consolidated Farm and Rural Development Act."

7 USC 1991.

BEEF RESEARCH AND INFORMATION ACT

SEC. 302. Section 9 of the Beef Research and Information Act (7 U.S.C. 2908) is amended by striking out in the third sentence the words "not less than two-thirds" and inserting in lieu thereof "a majority".

TITLE IV—EMERGENCY CONSERVATION PROGRAM

SEC. 401. The Secretary of Agriculture is authorized to make payments to agricultural producers who carry out emergency measures to control wind erosion on farmlands or to rehabilitate farmlands damaged by wind erosion, floods, hurricanes, or other natural disasters when, as a result of the foregoing, new conservation problems have been created that (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent

16 USC 2201.

damage that is unusual in character and, except for wind erosion, is not the type that would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

16 USC 2202.

SEC. 402. The Secretary of Agriculture is authorized to make payments to agricultural producers who carry out emergency water conservation or water enhancing measures during periods of severe drought as determined by the Secretary.

16 USC 2203.

SEC. 403. The Secretary of Agriculture is authorized to undertake emergency measures for runoff retardation and soil-erosion prevention, in cooperation with landowners and land users, as the Secretary deems necessary to safeguard lives and property from floods, drought, and the products of erosion on any watershed whenever fire, flood, or any other natural occurrence is causing or has caused a sudden impairment of that watershed.

Appropriation
authorization.
16 USC 2204.

SEC. 404. There are authorized to be appropriated such funds as may be necessary to carry out the purposes of this title. Such funds shall remain available until expended. In implementing the provisions of this title, the Secretary of Agriculture may use the facilities, services, and authorities of the Commodity Credit Corporation. The Corporation shall not make any expenditures to carry out the provisions of this title unless funds specifically appropriated for such purpose have been transferred to it.

Regulations.
16 USC 2205.

SEC. 405. The Secretary of Agriculture is authorized to prescribe such regulations as the Secretary determines necessary to carry out the provisions of this title.

Effective date.
16 USC 2201.
note.

SEC. 406. The provisions of this title shall become effective October 1, 1978.

TITLE V—PRICE SUPPORT FOR PRODUCERS OF RICE

7 USC 1309.

SEC. 501. (a) Section 1001(b) of the Food and Agriculture Act of 1977 is amended by striking out "and upland cotton" and inserting in lieu thereof "upland cotton, and rice".

Effective date.
7 USC 1309 note.

(b) This section shall become effective October 1, 1978, and any producers who, prior to such date, receive payments on the 1978 crop of rice as computed under the Agricultural Act of 1949, as amended by the Food and Agriculture Act of 1977, may elect after September 30, 1978, to receive payments as computed under section 1001(b) of the Food and Agriculture Act of 1977, as amended by this section.

7 USC 1281 note.

7 USC 1309.

Approved August 4, 1978.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 95-986 (Comm. on Agriculture) and No. 95-1344 (Comm. of Conference).

SENATE REPORT No. 95-752 accompanying S. 2146 (Comm. on Agriculture, Nutrition, and Forestry).

CONGRESSIONAL RECORD, Vol. 124 (1978):

Apr. 24, considered and passed House.

May 1, 2, S. 2146 considered in Senate.

May 2, considered and passed Senate, amended, in lieu of S. 2146.

July 19, House agreed to conference report.

July 20, Senate agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 14, No. 31:

Aug. 4, Presidential statement.