

who has not operated a farm or ranch, or who has operated a farm or ranch for not more than 5 years.”

AUTHORITY OF SECRETARY TO MAKE OR GUARANTEE
CERTAIN LOANS

Pub. L. 104-134, title II, §2002, Apr. 26, 1996, 110 Stat. 1321-313, provided that: “Notwithstanding any other provision of law, the Secretary of Agriculture is hereby authorized to make or guarantee an operating loan under Subtitle B [7 U.S.C. 1941 et seq.] or an emergency loan under Subtitle C [7 U.S.C. 1961 et seq.] of the Consolidated Farm and Rural Development Act (7 U.S.C. 1922 et. seq.), as in effect prior to April 4, 1996, to a loan applicant who was less than 90 days delinquent on April 4, 1996, if the loan applicant had submitted an application for the loan prior to April 5, 1996.”

1989 FARM OPERATING LOANS

Pub. L. 101-82, title III, §302, Aug. 14, 1989, 103 Stat. 582, required the Secretary of Agriculture to ensure that direct operating loans made or insured under this subchapter for 1990 crop production were to be made available to farmers and ranchers suffering major losses due to excess moisture, freeze, storm, or related condition occurring in 1989 or drought or related condition occurring in 1988 or 1989.

Similar provisions were contained in the following prior act:

Pub. L. 100-387, title III, §312, Aug. 11, 1988, 102 Stat. 948.

§ 1942. Purposes of loans

(a) In general

A direct loan (including a microloan, as defined by the Secretary) may be made under this subchapter only for—

- (1) paying the costs incident to reorganizing a farm or ranch for more profitable operation;
- (2) purchasing livestock, poultry, or farm or ranch equipment;
- (3) purchasing feed, seed, fertilizer, insecticide, or farm or ranch supplies, or to meet other essential farm or ranch operating expenses, including cash rent;
- (4) financing land or water development, use, or conservation;
- (5) paying loan closing costs;
- (6) assisting a farmer or rancher in changing the equipment, facilities, or methods of operation of a farm or ranch to comply with a standard promulgated under section 655 of title 29 or a standard adopted by a State under a plan approved under section 667 of title 29, if the Secretary determines that without assistance under this paragraph the farmer or rancher is likely to suffer substantial economic injury in complying with the standard;
- (7) training a limited-resource borrower receiving a loan under section 1934 of this title in maintaining records of farming and ranching operations;
- (8) training a borrower under section 2006a of this title;
- (9) refinancing the indebtedness of a borrower, if the borrower—
 - (A) has refinanced a loan under this subchapter not more than 4 times previously; and
 - (B)(i) is a direct loan borrower under this chapter at the time of the refinancing and has suffered a qualifying loss because of a natural disaster declared by the Secretary under this chapter or a major disaster or

emergency designated by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.); or

(ii) is refinancing a debt obtained from a creditor other than the Secretary; or

(10) providing other farm, ranch, or home needs, including family subsistence.

(b) Guaranteed loans

A loan may be guaranteed under this subchapter only for—

- (1) paying the costs incident to reorganizing a farm or ranch for more profitable operation;
- (2) purchasing livestock, poultry, or farm or ranch equipment;
- (3) purchasing feed, seed, fertilizer, insecticide, or farm or ranch supplies, or to meet other essential farm or ranch operating expenses, including cash rent;
- (4) financing land or water development, use, or conservation;
- (5) refinancing indebtedness;
- (6) paying loan closing costs;
- (7) assisting a farmer or rancher in changing the equipment, facilities, or methods of operation of a farm or ranch to comply with a standard promulgated under section 655 of title 29 or a standard adopted by a State under a plan approved under section 667 of title 29, if the Secretary determines that without assistance under this paragraph the farmer or rancher is likely to suffer substantial economic injury due to compliance with the standard;
- (8) training a borrower under section 2006a of this title; or
- (9) providing other farm, ranch, or home needs, including family subsistence.

(c) Hazard insurance requirement

(1) In general

After the Secretary makes the determination required by paragraph (2), the Secretary may not make a loan to a farmer or rancher under this subchapter unless the farmer or rancher has, or agrees to obtain, hazard insurance on the property to be acquired with the loan.

(2) Determination

Not later than 180 days after April 4, 1996, the Secretary shall determine the appropriate level of insurance to be required by paragraph (1).

(d) Private reserve

(1) In general

Notwithstanding any other provision of this chapter, the Secretary may reserve a portion of any loan made under this subchapter to be placed in an unsupervised bank account that may be used at the discretion of the borrower for the basic family needs of the borrower and the immediate family of the borrower.

(2) Limit on size of the reserve

The size of the reserve shall not exceed the least of—

- (A) 10 percent of the loan;
- (B) \$5,000; or
- (C) the amount needed to provide for the basic family needs of the borrower and the

borrower's immediate family for 3 calendar months.

(e) Valuation of local or regional crops

(1) In general

The Secretary shall develop ways to determine unit prices (or other appropriate forms of valuation) for crops and other agricultural products, the end use of which is intended to be in locally or regionally produced agricultural food products, to facilitate lending to local and regional food producers.

(2) Price history

The Secretary shall implement a mechanism for local and regional food producers to establish price history for the crops and other agricultural products produced by local and regional food producers.

(Pub. L. 87-128, title III, § 312, Aug. 8, 1961, 75 Stat. 310; Pub. L. 87-703, title IV, § 401(4), Sept. 27, 1962, 76 Stat. 632; Pub. L. 90-488, § 8, Aug. 15, 1968, 82 Stat. 771; Pub. L. 92-419, title I, §§ 120(b), 121, Aug. 30, 1972, 86 Stat. 665; Pub. L. 95-113, title XIV, § 1448(b), Sept. 29, 1977, 91 Stat. 1012; Pub. L. 95-334, title I, § 115, Aug. 4, 1978, 92 Stat. 425; Pub. L. 96-438, § 1(3), Oct. 13, 1980, 94 Stat. 1871; Pub. L. 99-198, title XIII, §§ 1306, 1307, Dec. 23, 1985, 99 Stat. 1521; Pub. L. 101-624, title XVIII, § 1818(b), Nov. 28, 1990, 104 Stat. 3830; Pub. L. 102-237, title V, § 501(b), Dec. 13, 1991, 105 Stat. 1866; Pub. L. 102-552, title V, § 516(f)(1)(A), (2), Oct. 28, 1992, 106 Stat. 4137, 4138; Pub. L. 104-127, title VI, § 612(a), Apr. 4, 1996, 110 Stat. 1087; Pub. L. 113-79, title V, §§ 5105, 5106(b)(2), Feb. 7, 2014, 128 Stat. 836, 838.)

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, 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

The authorities provided by each provision of, and each amendment made by, Pub. L. 115-334, as in effect on Sept. 30, 2023, to continue, and authorities to be carried out, until the later of Sept. 30, 2024, or the date specified in the provision of, or amendment made by, Pub. L. 115-334, see section 102(a) of Pub. L. 118-22, set out in an Extension of Agricultural Programs note under section 9001 of this title.

Pub. L. 110-234 and Pub. L. 110-246 made identical amendments to this section. The amendments by Pub.