AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

FIA— Federal Insurance Administration.

FMI— Forms Manual Insert.

OGC— Office of the General Counsel.

OL— Operating loans.

OL–Y— Operating Loans-Youth.

RL— Recreation loans.

SBA— Small Business Administration.

SBIC— Small Business Investment Company.

SW— Soil and Water.

USDA— United States Department of Agriculture.

[48 FR 30947, July 6, 1983, as amended at 50 FR 39883, Sept. 30, 1985; 51 FR 6707, Feb. 25, 1986; 54 FR 4, Jan. 3, 1989, and 54 FR 26946, June 27, 1989; 54 FR 42481, 42482, Oct. 17, 1989; 55 FR 11134, Mar. 27, 1990; 55 FR 19245, May 9, 1990; 58 FR 34306, June 24, 1993; 58 FR 48291, Sept. 15, 1993; 61 FR 67632, 67633, Dec. 23, 1996]

§§ 1980.7—1980.10 [Reserved]

§ 1980.11 Full faith and credit.

The Loan Note Guarantee and Contract of Guarantee constitute obligations supported by the full faith and credit of the United States and are incontestable except for fraud or misrepresentation of which the lender or holder has actual knowledge at the time it becomes such lender or holder or which lender or holder participates in or condones. Generally, any Loan Note Guarantee, Contract of Guarantee or Assignment Guarantee Agreement attached to or relating to a note which provides for payment of interest on interest is void. In the case of Farm Credit Programs loans, however, a Loan Note Guarantee, Contract of Guarantee or Assignment Guarantee Agreement attached to a note that provides for the capitalization of interest is not void. The guarantee and right to require purchase will be directly enforceable by holder notwithstanding any fraud or misrepresentation by the lender or any unenforceability of the Loan Note Guarantee by the lender. The Loan Note Guarantee or Contract of Guarantee will be unenforceable by the lender to the extent any loss is occasioned by violation of usury laws, negligent servicing or failure to obtain the required security regardless of the time at which the Agency acquires knowledge of the foregoing. Any losses occasioned will be unenforceable by the lender to the extent that loan funds are used for purposes other than those specifically approved by the Agency in its Form FmHA 1980–15 (available in any Agency office). Negligent servicing is defined as the failure to perform those services which a reasonably prudent lender would perform in servicing its own portfolio of loans that are not guaranteed. The term includes not only the concept of a failure to act but also not acting in a timely manner or acting in a manner contrary to the manner in which a reasonably prudent lender would act up to the time of loan maturity or until a final loss is paid. The Loan Note Guarantee or Assignment Guarantee Agreement in the hands of a holder shall not cover interest accruing 90 days after the holder has demanded repurchase by the lender, nor shall the Loan Note Guarantee or Assignment Guarantee Agreement in the hands of a holder cover interest accruing 90 days after the lender or the Agency has requested the holder to surrender the evidence of debt for repurchase.

[60 FR 53255, Oct. 13, 1995]

§ 1980.12 [Reserved]

§ 1980.13 Eligible lenders.

(a) *Local lenders.* Local lenders may participate by using the various sources of capital and segments of the money market to meet the necessary financing requirement for guaranteed loan programs. Except in paragraphs (a)(1) and (2) this section, the Agency or its successor agency under Public Law 103–354 will require that a local lender be involved for each project. A local lender is a lender in or near a community where the project is or will be located who routinely provides loan services to such community. Although the project may involve other lenders, investors, or packagers, the local lender will be the lead lender and the lender for purposes of these regulations responsible for servicing and liquidation (if necessary) of the loan. The lender may use agents, correspondents, branches, financial experts, or other institutions or persons to provide expertise to assist in carrying out its responsibilities. The Agency or its successor agency under Public Law 103–354