Public Law 96-438
96th Congress

An Act

To amend the Consolidated Farm and Rural Development Act.

Oct. 13, 1980
[S. 985]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Consolidated Farm and Rural Development Act, amendment.

RENEWABLE RESOURCE ENERGY LOANS

SECTION 1. The Consolidated Farm and Rural Development Act is amended by—

(1) in section 303(b), amending paragraph (1) to read as follows: 7 USC 1923.

"(1) the term 'improving farms' includes, but is not limited to, the acquisition, installation, and modification of any qualified nonfossil energy system located on a family farm; and"; "Improving farms."

(2) in the first sentence of section 310B(a), striking out all that follows "individuals" down through the end of the sentence and inserting in lieu thereof the following: "for the purposes of (1) improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural communities, including pollution abatement and control, (2) the conservation, development, and use of water for aquaculture purposes in rural areas, and (3) reducing the reliance on nonrenewable energy resources by encouraging the development and construction of solar energy systems, including the modification of existing systems, in rural areas. For the purposes of this subsection, 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, as amended."; and 7 USC 1932. "Solar energy." 42 USC 5901 note.

(3) in the first sentence of section 312(a), striking out "and" immediately before clause (10) and inserting immediately before the period at the end of the sentence a comma and the following: "and (11) assisting farmers and ranchers in reducing their dependence on nonrenewable energy resources through the development and construction of solar energy systems, including the modification of existing systems". 7 USC 1942.

LOAN ELIGIBILITY

SEC. 2. The Consolidated Farm and Rural Development Act is amended by—

(1) in section 306(a)(7), immediately after "in excess of ten thousand inhabitants, except that", inserting the following: "(A) for the purpose of loans for essential community facilities under subsection (a)(1) of this section, the terms 'rural' and 'rural area' may include any area in any city or town that has a population not in excess of twenty thousand inhabitants; and (B)"; 7 USC 1926. "Rural." "Rural area."

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"Owner-operator."
7 USC 1991.

(2) in section 343, inserting a new clause (3) as follows: "(3) the term 'owner-operator' shall include in the State of Hawaii the lessee-operator of real property in any case in which the Secretary determines that such real property cannot be acquired in fee simple by such lessee-operator, that adequate security is provided for the loan with respect to such real property for which such lessee-operator applies under this title, and that there is a reasonable probability of accomplishing the objectives and repayment of such loan,"; and

(3) adding at the end thereof a new section 348 as follows:

Resident aliens.
7 USC 1996.

"SEC. 348. Notwithstanding the provisions of this title limiting the making and insuring of loans to citizens of the United States, the Secretary may make and insure loans under this title to aliens lawfully admitted to the United States for permanent residence under the Immigration and Nationality Act: *Provided,* That no loans may be made or insured under this title to such aliens until the Secretary issues regulations establishing the terms and conditions under which such aliens may receive loans: *Provided further,* That the Secretary shall submit the regulations to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate at least thirty days prior to the date the regulations are published in the Federal Register.".

8 USC 1101 note.
Regulations.

Submittal to congressional committees.

EMERGENCY LOAN PROGRAM

Repeal.

SEC. 3. (a) Section 120 of the Act of July 2, 1980 (94 Stat. 841), is repealed.

(b) Subtitle C of the Consolidated Farm and Rural Development Act is amended by—

(1) amending sections 321, 322, 323, and 324 to read as follows:

Eligibility.
7 USC 1961.

"SEC. 321. (a) 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) 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 under 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 not able to obtain sufficient credit elsewhere.

42 USC 5121 note.

"(b) Notwithstanding the credit elsewhere requirements of subsection (a) of this section and section 333(a) of this title, the Secretary shall implement a program under which the Secretary may make or insure loans under this subtitle to applicants able to obtain sufficient credit elsewhere, subject to the other terms and conditions for loans made or insured under this subtitle and such other terms and conditions as the Secretary may, by regulation, prescribe.

7 USC 1983.

"(c) The Secretary shall conduct the emergency loan program under this subtitle in a manner that will foster and encourage the family farm system of agriculture, consistent with the reaffirmation of policy and declaration of the intent of Congress contained in section 102(a) of the Food and Agriculture Act of 1977.

Family farm system.

7 USC 2266.

"(d) For the purposes of this subtitle—

Definitions.

"(1) 'aquaculture' means the husbandry of aquatic organisms under a controlled or selected environment; and

"(2) 'able to obtain sufficient credit elsewhere' means able to obtain sufficient credit elsewhere to finance the applicant's 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.

"SEC. 322. (a) For the purpose of determining whether to make or insure any loan under this subtitle, the Secretary shall take into consideration the net worth of the applicant involved, including all the assets and liabilities of the applicant.

Loan determination factors.
7 USC 1962.

"(b) For the purpose of determining whether an applicant under this subtitle is not able to obtain sufficient credit elsewhere, the Secretary shall require at least one written indication of 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 $300,000 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.

Written credit declination.

"SEC. 323. Loans may be made or insured under this subtitle for any purpose authorized for loans under subtitle A or B of this title and for crop or livestock changes deemed desirable by the applicant, subject to the limitations on the amounts of loans provided in section 324(a) of this title.

Loans, extent.
7 USC 1963.
7 USC 1922, 1941.

"SEC. 324. (a)(1) Except as otherwise provided in paragraph (2) of this subsection, no loan made or insured under this subtitle may exceed the amount of the actual loss caused by the disaster or $500,000, whichever is less, for each disaster.

Loan limitation.
7 USC 1964.

"(2) Through September 30, 1982, loans may be made or insured under this subtitle in amounts in excess of the amount of actual loss (as limited under paragraph (1) of this subsection) to applicants who are not able to obtain sufficient credit elsewhere, within the following limits:

Excess loan amounts.

"(A) Through the end of fiscal year 1980, no such loan may be made or insured in an amount that would cause the total unpaid principal indebtedness of the applicant for loans or portions of loans in excess of the amount of actual loss to exceed $1,500,000;

"(B) During fiscal year 1981, no such loan may be made or insured in an amount that would cause the total unpaid principal indebtedness of the applicant for loans or portions of loans in excess of the amount of actual loss to exceed $1,000,000;

"(C) During fiscal year 1982, no such loan may be made or insured in an amount that would cause the total unpaid principal

indebtedness of the applicant for loans or portions of loans in excess of the amount of actual loss to exceed $500,000; and

"(D) No loan or portion of a loan in excess of the amount of actual loss that is for more than $300,000 may be made or insured under this subtitle unless the Secretary determines that the applicant is not able to obtain from a private or cooperative lending agency a loan guaranteed by the Secretary under this subtitle sufficient to finance the applicant's 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).

Interest rates.

"(b) Loans under this subtitle 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 (A) if the applicant is not able to obtain sufficient credit elsewhere, not in excess of 5 per centum per annum, and (B) if the applicant is able to obtain sufficient credit elsewhere, 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 of not to exceed 1 per centum per annum as determined by the Secretary, and adjusted to the nearest one-eighth of 1 per centum; 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.

Interest subsidies.

"(c) For guaranteed loans under this subtitle, 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.

Repayment.

"(d) All loans under this subtitle 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 subtitles A and B of this title, 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

7 USC 1922, 1941.
Security.

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 subtitles A and B of this title, 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 subtitle B of this title, 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 321(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.

7 USC 1922, 1941.
Repayment period, extension.
Review; non-Federal loans.
Ante, p. 1872.

"(e) 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 the Consolidated Farm and Rural Development Act during any period in which the Community Emergency Drought Relief Act of 1977 is or has been in effect."; and

Grant eligibility.
42 USC 5184 note.
7 USC 1921 note.

(2) amending section 330 to read as follows:

7 USC 1971.

"SEC. 330. Subsequent loans to continue the farming, ranching, or aquaculture operation may be made under this subtitle on an annual basis, for not to exceed two additional years, to eligible borrowers, subject to the limits on loans and the rates of interest established under section 324 of this title.".

Ante, p. 1873.

(c) Section 333(b) of the Consolidated Farm and Rural Development Act is amended by striking out "321(b)(2)" wherever it appears and inserting in lieu thereof "321(a)(2)".

7 USC 1983.

(d) The amendments to subtitle C of the Consolidated Farm and Rural Development Act made by subsection (b) of this section shall be effective with respect to loans approved by the Secretary of Agriculture under subtitle C after the date of enactment of this Act, except that, for borrowers with loans outstanding under subtitle C as of December 15, 1979—

7 USC 1961 note.
7 USC 1961.

(1) the limits on loans under section 324 of the Consolidated Farm and Rural Development Act made by subsection (b)(1) of this section, and

Ante, p. 1873.

(2) the reduction in the time limit on subsequent emergency loans under section 330 of the Consolidated Farm and Rural Development Act made by subsection (b)(2) of this section

shall not apply to subsequent emergency loans under section 330 (as in effect on the date preceding the date of enactment of this Act) that are made to such borrowers for the disasters for which the borrowers obtained loans under subtitle C prior to December 16, 1979.

LENDING LIMITS UNDER THE CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

7 USC 1994.

SEC. 4. Section 346 of the Consolidated Farm and Rural Development Act is amended by inserting "(a)" after "SEC. 346" and adding at the end thereof new subsections (b) and (c) as follows:

"(b)(1) Loans for each of the fiscal years 1980, 1981, and 1982 are authorized to be insured, or made to be sold and insured, or guaranteed under the Agricultural Credit Insurance Fund as follows:

"(A) real estate loans, $1,615,000,000, including $1,500,000,000 for farm ownership loans of which $1,400,000,000 may be for insured loans and $100,000,000 may be for guaranteed loans with authority to transfer 25 per centum of such amounts between categories, and $100,000,000 for water development, use, and conservation loans of which $90,000,000 may be for insured loans and $10,000,000 may be for guaranteed loans with authority to transfer 25 per centum of such amounts between categories;

"(B) operating loans, $1,200,000,000 of which $1,150,000,000 may be for insured loans and $50,000,000 may be for guaranteed loans with authority to transfer 25 per centum of such amounts between categories; and

"(C) emergency insured and guaranteed loans in amounts necessary to meet the needs resulting from natural disasters.

Not more than 75 per centum of the insured loans authorized for farm ownership purposes and not more than 75 per centum of the insured loans authorized for farm operating purposes may be for applicants other than low-income, limited-resource borrowers.

"(2) Loans for each of the fiscal years 1980, 1981, and 1982 are authorized to be insured, or made to be sold and insured, or guaranteed under the Rural Development Insurance Fund as follows:

"(A) insured water and sewer facility loans, $1,000,000,000;

"(B) industrial development loans, $1,500,000,000 of which $100,000,000 may be for insured loans and $1,400,000,000 may be for guaranteed loans with authority to transfer amounts between categories; and

"(C) insured community facility loans, $500,000,000.

Cost projections.

"(c) The Secretary shall develop long-term cost projections for loan program authorizations required under subsection (a) of this section. Each such projection shall include analyses of (1) the long-term costs of the lending levels that the Secretary requests to be authorized under subsection (a) of this section and (2) the long-term costs for increases in lending levels beyond those requested to be authorized, based on increments of $10,000,000 or such other levels as the Secretary deems appropriate. Long-term cost projections for the three-year period beginning with fiscal year 1983 and each three-year period thereafter shall be submitted to the House Committee on Agriculture, the House Committee on Appropriations, the Senate Committee on Agriculture, Nutrition, and Forestry, and the Senate Committee on Appropri-

Submittal to congressional committees.

ations at the time the requests for authorizations for those periods are submitted to Congress. Not later than fifteen days after the date of enactment of this subsection the Secretary shall submit to such committees long-term cost projections covering authorized lending levels for the loan programs for fiscal years 1981 and 1982.".

Approved October 13, 1980.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 96-153 and No. 96-153, Pt. 2, accompanying H.R. 3683 (Comm. on Agriculture) and No. 96-1394 (Comm. of Conference).
SENATE REPORT No. 96-168 (Comm. on Agriculture, Nutrition, and Forestry).
CONGRESSIONAL RECORD:
Vol. 125 (1979): May 23, considered and passed Senate.
Oct. 24, H.R. 3683 considered and passed House; passage vacated and S. 985, amended, passed in lieu.
Dec. 14, Senate concurred in House amendments with amendments.
Vol. 126 (1980): Sept. 30, Senate agreed to conference report.
Oct. 1, House agreed to conference report.