1. CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

[As Amended Through Public Law 107–293, Nov. 13, 2002]

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November 13, 2002

1. Consolidated Farm and Rural Development Act

TITLE III OF THE AGRICULTURAL ACT OF 1961

(Public Law 87–128; 75 Stat. 294)

[Material in brackets and footnotes are not part of Act.]

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TITLE III—AGRICULTURAL CREDIT

SEC. 301. (a) This title may be cited as the "Consolidated Farm and Rural Development Act".

[7 U.S.C. 1921**]** (b) The Congress hereby finds that the statutory authority of the Secretary of Agriculture, hereinafter referred to in this title as the "Secretary," for making and insuring loans to farmers and ranchers should be revised and consolidated to provide for more effective credit services to farmers.

SUBTITLE A—REAL ESTATE LOANS

SEC. 302. **[**7 U.S.C. 1922**]** (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, partnerships, joint operations, trusts, and limited liability companies 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, partnerships, joint operations, trusts, and limited liability companies, individuals holding a majority interest in such entity, must (1) be citizens of the United States, (2) for direct loans only, 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, partnerships, joint operations, trusts, and limited liability companies in which a majority interest is held by individuals 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 or, in the case of holders of the entire interest who are related by blood or marriage and all of whom are or will become farm operators, the ownership interest of each such holder separately constitutes not larger than a family farm, even if their interests collectively constitute larger than a family farm, as defined by the Secretary), 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 corporations, partnerships, joint operations, trusts, and limited liability companies, 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 in the case of cooperatives, corporations, partnerships, joint operations, trusts, and limited liability companies.

(b) DIRECT LOANS.—

(1) IN GENERAL.—Subject to paragraph (3), the Secretary may make a direct loan under this subtitle only to a farmer or rancher who has participated in the business operations of a farm or ranch for not less than 3 years and—

(A) is a qualified beginning farmer or rancher;

(B) has not received a previous direct farm ownership loan made under this subtitle; or

(C) has not received a direct farm ownership loan under this subtitle more than 10 years before the date the new loan would be made.

(2) YOUTH LOANS.—The operation of an enterprise by a youth under section 311(b) shall not be considered the operation of a farm or ranch for purposes of paragraph (1).

(3) TRANSITION RULE.—

(A) IN GENERAL.—Subject to subparagraphs (B) and (C), the Secretary may make a direct loan under this subtitle to a farmer or rancher who has a direct loan outstanding under this subtitle on the date of enactment of this paragraph.

(B) LESS THAN 5 YEARS.—If, as of the date of enactment of this paragraph, a farmer or rancher has had a direct loan outstanding under this subtitle for less than 5 years, the Secretary shall not make a loan to the farmer or rancher under subparagraph (A) after the date that is 10 years after the date of enactment of this paragraph.

(C) 5 YEARS OR MORE.—If, as of the date of enactment of this paragraph, a farmer or rancher has had a direct loan outstanding under this subtitle for 5 years or more,

the Secretary shall not make a loan to the farmer or rancher under subparagraph (A) after the date that is 5 years after the date of enactment of this paragraph.

(D) NOTICE.—Beginning with fiscal year 2000 not later than 12 months before a borrower will become ineligible for direct loans under this subtitle by reason of this paragraph, the Secretary shall notify the borrower of such impending ineligibility.

SEC. 303. [7 U.S.C. 1923] PURPOSES OF LOANS.

(a) ALLOWED PURPOSES.—

(1) DIRECT LOANS.—A farmer or rancher may use a direct loan made under this subtitle only for—

(A) acquiring or enlarging a farm or ranch;

(B) making capital improvements to a farm or ranch;

(C) paying loan closing costs related to acquiring, enlarging, or improving a farm or ranch;

(D) paying for activities to promote soil and water conservation and protection described in section 304 on a farm or ranch; or

(E) refinancing a temporary bridge loan made by a commercial or cooperative lender to a farmer or rancher for the acquisition of land for a farm or ranch, if—

(i) the Secretary approved an application for a direct farm ownership loan to the farmer or rancher for acquisition of the land; and

(ii) funds for direct farm ownership loans under section 346(b) were not available at the time at which the application was approved.

(2) GUARANTEED LOANS.—A farmer or rancher may use a loan guaranteed under this subtitle only for—

(A) acquiring or enlarging a farm or ranch;

(B) making capital improvements to a farm or ranch;

(C) paying loan closing costs related to acquiring, enlarging, or improving a farm or ranch;

(D) paying for activities to promote soil and water conservation and protection described in section 304 on a farm or ranch; or

(E) refinancing indebtedness.

(b) PREFERENCES.—In making or guaranteeing a loan under this subtitle for purchase of a farm or ranch, the Secretary shall give preference to a person who—

(1) has a dependent family;

(2) to the extent practicable, is able to make an initial down payment on the farm or ranch; or

(3) is an owner of livestock or farm or ranch equipment that is necessary to successfully carry out farming or ranching operations.

(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 subtitle unless the farmer or rancher has, or agrees to obtain, hazard insur-

ance on any real property to be acquired or improved with the loan.

(2) DETERMINATION.—Not later than 180 days after the date of enactment of this subsection, the Secretary shall determine the appropriate level of insurance to be required under paragraph (1).

SEC. 304. [7 U.S.C. 1924] SOIL AND WATER CONSERVATION AND PROTECTION.

(a) IN GENERAL.—Loans may also be made or insured under this subtitle for soil and water conservation and protection. Such loans may be made to farm owners or tenants who are eligible borrowers under this subtitle for—

(1) the installation of conservation structures, including terraces, sod waterways, permanently vegetated stream borders and filter strips, windbreaks (tree or grass), shelterbelts, and living snow fences;

(2) the establishment of forest cover for sustained yield timber management, erosion control, or shelterbelt purposes;

(3) the establishment or improvement of permanent pasture;

(4) the conversion to and maintenance of sustainable agricultural production systems, as described by Department technical guides and handbooks;

(5) the payment of costs of complying with section 1212 of the Food Security Act of 1985 (16 U.S.C. 3812); and

(6) other purposes consistent with plans for soil and water conservation, integrated farm management, water quality protection and enhancement, and wildlife habitat improvement.

(b) PRIORITY.—In making or guaranteeing loans under this subsection, the Secretary shall give priority to producers who use such loans to build conservation structures or establish conservation practices to comply with section 1212 of the Food Security Act of 1985 (16 U.S.C. 3812).

(c) LOAN MAXIMUM.—The Secretary shall not make or insure a loan under this section that exceeds the lesser of—

(1) the value of the farm or other security for such loan; or

(2) $50,000.

SEC. 305. [7 U.S.C. 1925] LIMITATIONS ON AMOUNT OF FARM OWNERSHIP LOANS.

(a) IN GENERAL.—The Secretary shall make or insure no loan under sections 302, 303, 304, 310D, and 310E 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, $700,000 (increased, beginning with fiscal year 2000, by the inflation percentage applicable to the fiscal year in which the loan is guaranteed and reduced by the amount of any unpaid indebtedness of the borrower on loans under subtitle B that are guaranteed by the Secretary).

(b) DETERMINATION OF VALUE.—In determining the value of the farm, the Secretary shall consider appraisals made by competent appraisers under rules established by the Secretary.

(c) 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 August 31 of the immediately preceding fiscal year; exceeds

(2) the average of such index (as so defined) for the 12-month period ending on August 31, 1996.

SEC. 306. [7 U.S.C. 1926] (a)(1) The Secretary is also authorized to make or insure loans 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 to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage or waste disposal facilities, recreational developments, and essential community facilities including necessary related equipment, all primarily serving farmers, ranchers, farm tenants, farm laborers, rural businesses, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes. The Secretary may also make or insure loans to communities that have been designated as rural empowerment zones or rural enterprise communities pursuant to part I of subchapter U of chapter 1 of the Internal Revenue Code of 1986, or as rural enterprise communities pursuant to section 766 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999 (Public Law 105–277; 112 Stat. 2681, 2681–37), to provide for the installation or improvement of essential community facilities including necessary related equipment, and to furnish financial assistance or other aid in planning projects for such purposes. The Secretary may also make loans to any borrower to whom a loan has been made under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.), for the conservation, development, use, and control of water, and the installation of drainage or waste disposal facilities, primarily serving farmers, ranchers, farm tenants, farm laborers, rural businesses, and other rural residents. When any loan made for a purpose specified in this paragraph is sold out of the Agricultural Credit Insurance Fund as an insured loan, the interest or other income thereon paid to an insured holder shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1954. 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.

(2) WATER, WASTE DISPOSAL, AND WASTEWATER FACILITY GRANTS.—

(A) AUTHORITY.—

(i) IN GENERAL.—The Secretary is authorized to make grants to such associations to finance specific projects for works for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas.

(ii) AMOUNT.—The amount of any grant made under the authority of this subparagraph shall not exceed 75 per centum of the development cost of the project to serve the area which the association determines can be feasibly served by the facility and to adequately serve the reasonably foreseeable growth needs of the area.

(iii) GRANT RATE.—The Secretary shall fix the grant rate for each project in conformity with regulations issued by the Secretary that shall provide for a graduated scale of grant rates establishing higher rates for projects in communities that have lower community population and income levels.

(B) REVOLVING FUNDS FOR FINANCING WATER AND WASTEWATER PROJECTS.—

(i) IN GENERAL.—The Secretary may make grants to qualified private, nonprofit entities to capitalize revolving funds for the purpose of providing financing to eligible entities for—

(I) predevelopment costs associated with proposed water and wastewater projects or with existing water and wastewater systems; and

(II) short-term costs incurred for replacement equipment, small-scale extension services, or other small capital projects that are not part of the regular operations and maintenance activities of existing water and wastewater systems.

(ii) ELIGIBLE ENTITIES.—To be eligible to obtain financing from a revolving fund under clause (i), an eligible entity must be eligible to obtain a loan, loan guarantee, or grant under paragraph (1) or this paragraph.

(iii) MAXIMUM AMOUNT OF FINANCING.—The amount of financing made to an eligible entity under this subparagraph shall not exceed—

(I) $100,000 for costs described in clause (i)(I); and

(II) $100,000 for costs described in clause (i)(II).

(iv) TERM.—The term of financing provided to an eligible entity under this subparagraph shall not exceed 10 years.

(v) ADMINISTRATION.—The Secretary shall limit the amount of grant funds that may be used by a grant recipient for administrative costs incurred under this subparagraph.

(vi) ANNUAL REPORT.—A nonprofit entity receiving a grant under this subparagraph shall submit to the Secretary an annual report that describes the number

and size of communities served and the type of financing provided.

(vii) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subparagraph $30,000,000 for each of fiscal years 2002 through 2007.

(3) No grant shall be made under paragraph (2) of this subsection in connection with any project unless the Secretary determines that the project (i) will serve a rural area which, if such project is carried out, is not likely to decline in population below that for which the project was designed, (ii) is designed and constructed so that adequate capacity will or can be made available to serve the present population of the area to the extent feasible and to serve the reasonably foreseeable growth needs of the area, and (iii) is necessary for an orderly community development consistent with a comprehensive community water, waste disposal, or other development plan of the rural area.

(4)(A) The term "development cost" means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

(B) The term "project" shall include facilities providing central service or facilities serving individual properties, or both.

(5) APPLICATION REQUIREMENTS.—Not earlier than 60 days before a preliminary application is filed for a loan under paragraph (1) or a grant under paragraph (2) for a water or waste disposal purpose, a notice of the intent of the applicant to apply for the loan or grant shall be published in a general circulation newspaper. The selection of engineers for a project design shall be done by a request for proposals by the applicant.

(6) The Secretary may make grants aggregating not to exceed $30,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare comprehensive plans for the development of water or waste disposal systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

(7) [Repealed by P.L. 107–171, sec. 6020(b)(1), May 13, 2002 (116 Stat. 363)]

(8) In each instance where the Secretary receives two or more applications for financial assistance for projects that would serve substantially the same group of residents within a single rural area, and one such application is submitted by a city, town, county or other unit of general local government, he shall, in the absence of substantial reasons to the contrary, provide such assistance to such city, town, county or other unit of general local government.

(9) CONFORMITY WITH STATE DRINKING WATER STANDARDS.—No Federal funds shall be made available under this section for a water system unless the Secretary determines that the water system will make significant progress toward meeting the standards established under title XIV of the Public Health Service Act (commonly known as the "Safe Drinking Water Act") (42 U.S.C. 300f et seq.).

(10) CONFORMITY WITH FEDERAL AND STATE WATER POLLUTION CONTROL STANDARDS.—No Federal funds shall be made

available under this section for a water treatment discharge or waste disposal system unless the Secretary determines that the effluent from the system conforms with applicable Federal and State water pollution control standards.

(11) RURAL BUSINESS OPPORTUNITY GRANTS.—

(A) IN GENERAL.—The Secretary may make grants, not to exceed $1,500,000 annually, to public bodies, private nonprofit community development corporations or entities, or such other agencies as the Secretary may select to enable the recipients—

(i) to identify and analyze business opportunities, including opportunities in export markets, that will use local rural economic and human resources;

(ii) to identify, train, and provide technical assistance to existing or prospective rural entrepreneurs and managers;

(iii) to establish business support centers and otherwise assist in the creation of new rural businesses, the development of methods of financing local businesses, and the enhancement of the capacity of local individuals and entities to engage in sound economic activities;

(iv) to conduct regional, community, and local economic development planning and coordination, and leadership development; and

(v) to establish centers for training, technology, and trade that will provide training to rural businesses in the utilization of interactive communications technologies to develop international trade opportunities and markets.

(B) CRITERIA.—In awarding the grants, the Secretary shall consider, among other criteria to be established by the Secretary—

(i) the extent to which the applicant provides development services in the rural service area of the applicant; and

(ii) the capability of the applicant to accomplish the activities described in the relevant clauses of subparagraph (A).

(C) COORDINATION.—The Secretary shall ensure, to the maximum extent practicable, that assistance provided under this paragraph is coordinated with and delivered in cooperation with similar services or assistance provided to rural residents by the Cooperative State Research, Education, and Extension Service or other Federal agencies.

(D) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this paragraph $15,000,000 for each of fiscal years 1996 through 2007.

(12)(A) The Secretary shall, in cooperation with institutions eligible to receive funds under the Act of July 2, 1862 (12 Stat. 503–505, as amended; 7 U.S.C. 301–305, 307, and 308), or the Act of August 30, 1890 (26 Stat. 417–419, as amended; 7 U.S.C. 321–326 and 328), including the Tuskegee Institute and State, substate, and regional planning bodies, establish a system for the dissemination

of information and technical assistance on federally sponsored or funded programs. The system shall be for the use of institutions eligible to receive funds under the Act of July 2, 1862 (12 Stat. 503–505, as amended; 7 U.S.C. 301–305, 307 and 308), or the Act of August 30, 1890 (26 Stat. 417–419, as amended; 7 U.S.C. 321–326 and 328), including the Tuskegee Institute and State, substate, and regional planning bodies, and other persons concerned with rural development.

(B) The informational system developed under this paragraph shall contain all pertinent information, including, but not limited to, information contained in the Federal Procurement Data System, Federal Assistance Program Retrieval System, Catalogue of Federal Domestic Assistance, Geographic Distribution of Federal Funds, United States Census, and Code of Federal Regulations.

(C) The Secretary shall obtain from all other Federal departments and agencies comprehensive, relevant, and applicable information on programs under their jurisdiction that are operated in rural areas.

(D) Of the sums authorized to be appropriated to carry out the provisions of this title, not more than $1,000,000 per year may be expended to carry out the provisions of this paragraph.

(13) In the making of loans and grants for community waste disposal and water facilities under paragraphs (1) and (2) of this subsection the Secretary shall accord highest priority to the application of any municipality or other public agency (including an Indian tribe on a Federal or State reservation or other federally recognized Indian tribal group) in a rural community having a population not in excess of five thousand five hundred and which, in the case of water facility loans, has a community water supply system, where the Secretary determines that due to unanticipated diminution or deterioration of its water supply, immediate action is needed, or in the case of waste disposal, has a community waste disposal system, where the Secretary determines that due to unanticipated occurrences the system is not adequate to the needs of the community. The Secretary shall utilize the Soil Conservation Service in rendering technical assistance to applicants under this paragraph to the extent he deems appropriate.

(14) RURAL WATER AND WASTEWATER TECHNICAL ASSISTANCE AND TRAINING PROGRAMS.—

(A) IN GENERAL.—The Secretary may make grants to private nonprofit organizations for the purpose of enabling them to provide to associations described in paragraph (1) of this subsection technical assistance and training to—

(i) identify, and evaluate alternative solutions to, problems relating to the obtaining, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas;

(ii) prepare applications to receive financial assistance for any purpose specified in paragraph (2) of this subsection from any public or private source; and

(iii) improve the operation and maintenance practices at any existing works for the storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas.

(B) SELECTION PRIORITY.—In selecting recipients of grants to be made under subparagraph (A), the Secretary shall give priority to private nonprofit organizations that have experience in providing the technical assistance and training described in subparagraph (A) to associations serving rural areas in which residents have low income and in which water supply systems or waste facilities are unhealthful.

(C) FUNDING.—Not less than 1 nor more than 3 percent of any funds appropriated to carry out paragraph (2) of this subsection for any fiscal year shall be reserved for grants under subparagraph (A) unless the applications, qualifying for grants, received by the Secretary from eligible nonprofit organizations for the fiscal year total less than 1 per centum of those funds.

(15) In the case of water and waste disposal facility projects serving more than one separate rural community, the Secretary shall use the median population level and the community income level of all the separate communities to be served in applying the standards specified in paragraph (2) of this subsection and section 307(a)(3)(A).

(16) Grants under paragraph (2) of this subsection may be used to pay the local share requirements of another Federal grant-in-aid program to the extent permitted under the law providing for such grant-in-aid program.

(17)(A) In the approval and administration of a loan made under paragraph (1) for a water or waste disposal facility, the Secretary shall consider fully any recommendation made by the loan applicant or borrower concerning the technical design and choice of materials to be used for such facility.

(B) If the Secretary determines that a design or materials, other than those that were recommended, should be used in the water or waste disposal facility, the Secretary shall provide such applicant or borrower with a comprehensive justification for such determination.

(18) In making or insuring loans or making grants under this subsection, the Secretary may not condition approval of such loans or grants upon any requirement, condition or certification other than those specified under this title.

(19) COMMUNITY FACILITIES GRANT PROGRAM.—

(A) IN GENERAL.—The Secretary may make grants, in a total amount not to exceed $10,000,000 for any fiscal year, to associations, units of general local government, nonprofit corporations, Indian tribes (as such term is defined under section 4(e) of Public Law 93–638, as amended),, [1] and federally recognized Indian tribes to provide the

[1] Section 773 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (as enacted by Public Law 106–387; 114 Stat. 1549A–45), contained the following amendment: "Section 306(a)(19)(A) of the Consolidated Farmers Home Administration Act of 1961 is amended by inserting after 'nonprofit corporations' the following new phrase: ', Indian tribes (as such term is defined under section 4(e) of Public Law 93–638, as amended),'. The Consolidated Farmers Home Administration Act of 1961 was the original short title of this title (See section 301 of Public Law 87-128 as enacted on August 8, 1961, 75 Stat. 307), but the short title was changed to the Consolidated Farm and Rural Devel-

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Federal share of the cost of developing specific essential community facilities in rural areas.

(B) FEDERAL SHARE.—

(i) IN GENERAL.—Except as provided in clauses (ii) and (iii), the Secretary shall, by regulation, establish the amount of the Federal share of the cost of the facility under this paragraph.

(ii) MAXIMUM AMOUNT.—The amount of a grant provided under this paragraph for a facility shall not exceed 75 percent of the cost of developing the facility.

(iii) GRADUATED SCALE.—The Secretary shall provide for a graduated scale for the amount of the Federal share provided under this paragraph, with higher Federal shares for facilities in communities that have lower community population and income levels, as determined by the Secretary.

(C) RESERVATION OF FUNDS FOR CHILD DAY CARE FACILITIES.—

(i) IN GENERAL.—For each fiscal year, not less than 10 percent of the funds made available to carry out this paragraph shall be reserved for grants to pay the Federal share of the cost of developing and constructing day care facilities for children in rural areas.

(ii) RELEASE.—Funds reserved under clause (i) for a fiscal year shall be reserved only until April 1 of the fiscal year.

(20) COMMUNITY FACILITIES GRANT PROGRAM FOR RURAL COMMUNITIES WITH EXTREME UNEMPLOYMENT AND SEVERE ECONOMIC DEPRESSION.—

(A) DEFINITION OF NOT EMPLOYED RATE.—In this paragraph, the term "not employed rate", with respect to a community, means the percentage of individuals over the age of 18 who reside within the community and who are ready, willing, and able to be employed but are unable to find employment, as determined by the department of labor of the State in which the community is located.

(B) GRANT AUTHORITY.—The Secretary may make grants to associations, units of general local government, nonprofit corporations, and Indian tribes (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)) in a State to provide the Federal share of the cost of developing specific essential community facilities in rural communities with respect to which the not employed rate is greater than the lesser of—

(i) 500 percent of the average national unemployment rate on the date of the enactment of this paragraph, as determined by the Bureau of Labor Statistics; or

(ii) 200 percent of the average national unemployment rate during the Great Depression, as determined by the Bureau of Labor Statistics.

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opment Act in 1972 by Public Law 92–419 (86 Stat. 657). The amendment has been executed as the probable intent of Congress. Section 4(e) of Public Law 93–638 can be found at 25 U.S.C. 450b(e). The double commas in subparagraph (A) appear in the law.

(C) FEDERAL SHARE.—Paragraph (19)(B) shall apply to a grant made under this paragraph.

(D) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this paragraph $50,000,000 for fiscal year 2001 and such sums as are necessary for each subsequent fiscal year, of which not more than 5 percent of the amount made available for a fiscal year shall be available for community planning and implementation.

(E) RURAL BROADBAND.—Notwithstanding subparagraph (C), the Secretary may make grants to state agencies for use by regulatory commissions in states with rural communities without local dial-up Internet access or broadband service to establish a competitively, technologically neutral grant program to telecommunications carriers or cable operators that establish common carrier facilities and services which, in the commission's determination, will result in the long-term availability to such communities of affordable broadband services which are used for the provision of high speed Internet access.

(21) COMMUNITY FACILITIES GRANT PROGRAM FOR RURAL COMMUNITIES WITH HIGH LEVELS OF OUT-MIGRATION OR LOSS OF POPULATION.—

(A) GRANT AUTHORITY.—The Secretary may make grants to associations, units of general local government, nonprofit corporations, and Indian tribes (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)) in a State to provide the Federal share of the cost of developing specific essential community facilities in any geographic area—

(i) that is represented by—

(I) any political subdivision of a State;

(II) an Indian tribe on a Federal or State reservation; or

(III) other federally recognized Indian tribal group;

(ii) that is located in a rural area (as defined in section 381A);

(iii) with respect to which, during the most recent 5-year period, the net out-migration of inhabitants, or other population loss, from the area equals or exceeds 5 percent of the population of the area; and

(iv) that has a median household income that is less than the nonmetropolitan median household income of the United States.

(B) FEDERAL SHARE.—Paragraph (19)(B) shall apply to a grant made under this paragraph.

(C) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this paragraph $50,000,000 for fiscal year 2001 and such sums as are necessary for each subsequent fiscal year, of which not more than 5 percent of the amount made available for a fiscal year shall be available for community planning and implementation.

(22) RURAL WATER AND WASTEWATER CIRCUIT RIDER PROGRAM.—

(A) IN GENERAL.—The Secretary shall establish a national rural water and wastewater circuit rider program that is based on the rural water circuit rider program of the National Rural Water Association that (as of the date of enactment of this paragraph) receives funding from the Secretary, acting through the Rural Utilities Service.

(B) RELATIONSHIP TO EXISTING PROGRAM.—The program established under subparagraph (A) shall not affect the authority of the Secretary to carry out the circuit rider program for which funds are made available under the heading "RURAL COMMUNITY ADVANCEMENT PROGRAM" in title III of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002 (115 Stat. 719).

(C) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this paragraph $15,000,000 for fiscal year 2003 and each fiscal year thereafter.

(23) MULTIJURISDICTIONAL REGIONAL PLANNING ORGANIZATIONS.—

(A) GRANTS.—The Secretary shall provide grants to multijurisdictional regional planning and development organizations to pay the Federal share of the cost of providing assistance to local governments to improve the infrastructure, services, and business development capabilities of local governments and local economic development organizations.

(B) PRIORITY.—In determining which organizations will receive a grant under this paragraph, the Secretary shall give priority to an organization that—

(i) serves a rural area that, during the most recent 5-year period—

(I) had a net out-migration of inhabitants, or other population loss, from the rural area that equals or exceeds 5 percent of the population of the rural area; or

(II) had a median household income that is less than the nonmetropolitan median household income of the applicable State; and

(ii) has a history of providing substantive assistance to local governments and economic development organizations.

(C) FEDERAL SHARE.—A grant provided under this paragraph shall be for not more than 75 percent of the cost of providing assistance described in subparagraph (A).

(D) MAXIMUM AMOUNT OF GRANTS.—The amount of a grant provided to an organization under this paragraph shall not exceed $100,000.

(E) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this paragraph $30,000,000 for each of fiscal years 2003 through 2007.

(24) LOAN GUARANTEES FOR WATER, WASTEWATER, AND ESSENTIAL COMMUNITY FACILITIES LOANS.—

(A) IN GENERAL.—The Secretary may guarantee a loan made to finance a community facility or water or waste facility project in a rural area, including a loan financed by the net proceeds of a bond described in section 142(a) of the Internal Revenue Code of 1986.

(B) REQUIREMENTS.—To be eligible for a loan guarantee under subparagraph (A), an individual or entity offering to purchase the loan shall demonstrate to the Secretary that the person has—

(i) the capabilities and resources necessary to service the loan in a manner that ensures the continued performance of the loan, as determined by the Secretary; and

(ii) the ability to generate capital to provide borrowers of the loan with the additional credit necessary to properly service the loan.

(25) TRIBAL COLLEGE AND UNIVERSITY ESSENTIAL COMMUNITY FACILITIES.—

(A) IN GENERAL.—The Secretary may make grants to tribal colleges and universities (as defined in section 316 of the Higher Education Act of 1965 (20 U.S.C. 1059c)) to provide the Federal share of the cost of developing specific tribal college or university essential community facilities in rural areas.

(B) FEDERAL SHARE.—

(i) IN GENERAL.—Except as provided in clauses (ii) and (iii), the Secretary shall, by regulation, establish the maximum percentage of the cost of the facility that may be covered by a grant under this paragraph.

(ii) MAXIMUM AMOUNT.—The amount of a grant provided under this paragraph for a facility shall not exceed 75 percent of the cost of developing the facility.

(iii) GRADUATED SCALE.—The Secretary shall provide for a graduated scale of the percentages of the cost covered by a grant made under this paragraph that provides higher percentages for facilities in communities that have lower community population and income levels, as determined by the Secretary.

(C) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this paragraph $10,000,000 for each of fiscal years 2003 through 2007.

(b) The service provided or made available through any such association shall not be curtailed or limited by inclusion of the area served by such association within the boundaries of any municipal corporation or other public body, or by the granting of any private franchise for similar service within such area during the term of such loan; nor shall the happening of any such event be the basis of requiring such association to secure any franchise, license, or permit as a condition to continuing to serve the area served by the association at the time of the occurrence of such event.

(c) [Repealed by P.L. 91–606, sec. 302(2), December 31, 1970 (84 Stat. 1759)]

(d) Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year.

SEC. 306A. [7 U.S.C. 1926a] EMERGENCY AND IMMINENT COMMUNITY WATER ASSISTANCE GRANT PROGRAM.

(a) IN GENERAL.—The Secretary shall provide grants in accordance with this section to assist the residents of rural areas and small communities to secure adequate quantities of safe water—

(1) after a significant decline in the quantity or quality of water available from the water supplies of such rural areas and small communities, or when such a decline is imminent; or

(2) when repairs, partial replacement, or significant maintenance efforts on established water systems would remedy—

(A) an acute, or imminent, shortage of quality water; or

(B) a significant decline, or imminent decline, in the quantity or quality of water that is available.

(b) PRIORITY.—In carrying out subsection (a), the Secretary shall—

(1) give priority to projects described in subsection (a)(1); and

(2) provide at least 70 percent of all such grants to such projects.

(c) ELIGIBILITY.—To be eligible to obtain a grant under this section, an applicant shall—

(1) be a public or private nonprofit entity; and

(2) in the case of a grant made under subsection (a)(1), demonstrate to the Secretary that the decline referred to in such subsection occurred, or will occur, within 2 years of the date the application was filed for such grant.

(d) USES.—

(1) IN GENERAL.—Grants made under this section may be used—

(A) for waterline extensions from existing systems, laying of new waterlines, repairs, significant maintenance, digging of new wells, equipment replacement, and hook and tap fees;

(B) for any other appropriate purpose associated with developing sources of, treating, storing, or distributing water;

(C) to assist communities in complying with the requirements of the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.) or the Safe Drinking Water Act (42 U.S.C. 300f et seq.); and

(D) to provide potable water to communities through other means.

(2) JOINT PROPOSALS.—Nothing in this section shall preclude rural communities from submitting joint proposals for emergency water assistance, subject to the restrictions contained in subsection (e). Such restrictions should be considered in the aggregate, depending on the number of communities involved.

(e) RESTRICTIONS.—

(1) MAXIMUM POPULATION AND INCOME.—No grant provided under this section shall be used to assist any rural area or community that—

(A) includes any area in any city or town with a population in excess of 10,000 inhabitants according to the most recent decennial census of the United States; or

(B) has a median household income in excess of the State nonmetropolitan median household income according to the most recent decennial census of the United States.

(2) SET-ASIDE FOR SMALLER COMMUNITIES.—Not less than 50 percent of the funds allocated under this section shall be allocated to rural communities with populations that do not exceed 3,000 inhabitants.

(f) MAXIMUM GRANTS.—Grants made under this section may not exceed—

(1) in the case of each grant made under subsection (a)(1), $500,000; and

(2) in the case of each grant made under subsection (a)(2), $150,000.

(g) FULL FUNDING.—Subject to subsection (e), grants under this section shall be made in an amount equal to 100 percent of the costs of the projects conducted under this section.

(h) APPLICATION.—

(1) NATIONALLY COMPETITIVE APPLICATION PROCESS.—The Secretary shall develop a nationally competitive application process to award grants under this section. The process shall include criteria for evaluating applications, including population, median household income, and the severity of the decline, or imminent decline, in quantity or quality of water.

(2) TIMING OF REVIEW OF APPLICATIONS.—

(A) SIMPLIFIED APPLICATION.—The application process developed by the Secretary under paragraph (1) shall include a simplified application form that will permit expedited consideration of an application for a grant filed under this section.

(B) PRIORITY REVIEW.—In processing applications for any water or waste grant or loan authorized under this title, the Secretary shall afford priority processing to an application for a grant under this section to the extent funds will be available for an award on the application at the conclusion of priority processing.

(C) TIMING.—The Secretary shall, to the maximum extent practicable, review and act on an application under this section within 60 days after the date on which the application is submitted to the Secretary.

(i) FUNDING.—

(1) RESERVATION.—

(A) IN GENERAL.—For each fiscal year, not less than 3 nor more than 5 percent of the total amount made available to carry out section 306(a)(2) for the fiscal year shall be reserved for grants under this section.

(B) RELEASE.—Funds reserved under subparagraph (A) for a fiscal year shall be reserved only until July 1 of the fiscal year.

(2) AUTHORIZATION OF APPROPRIATIONS.—In addition to funds made available under paragraph (1), there is authorized to be appropriated to carry out this section $35,000,000 for each of fiscal years 2003 through 2007.

[SEC. 306B. Repealed by P.L. 104–127, sec. 743, April 4, 1996 (110 Stat. 1125).]

SEC. 306C. [7 U.S.C. 1926c] WATER AND WASTE FACILITY LOANS AND GRANTS TO ALLEVIATE HEALTH RISKS.

(a) LOANS AND GRANTS TO PERSONS OTHER THAN INDIVIDUALS.—

(1) IN GENERAL.—The Secretary shall make or insure loans and make grants to rural water supply corporations, cooperatives, or similar entities, Indian tribes on Federal and State reservations and other federally recognized Indian tribes, and public agencies, to provide for the conservation, development, use, and control of water (including the extension or improvement of existing water supply systems), and the installation or improvement of drainage or waste disposal facilities and essential community facilities including necessary related equipment. Such loans and grants shall be available only to provide such water and waste facilities and services to communities whose residents face significant health risks, as determined by the Secretary, due to the fact that a significant proportion of the community's residents do not have access to, or are not served by, adequate affordable—

(A) water supply systems; or

(B) waste disposal facilities.

(2) CERTAIN AREAS TARGETED.—

(A) IN GENERAL.—Loans and grants under paragraph (1) shall be made only if the loan or grant funds will be used primarily to provide water or waste services, or both, to residents of a county—

(i) the per capita income of the residents of which is not more than 70 percent of the national average per capita income, as determined by the Department of Commerce; and

(ii) the unemployment rate of the residents of which is not less than 125 percent of the national average unemployment rate, as determined by the Bureau of Labor Statistics.

(B) EXCEPTION.—Notwithstanding subparagraph (A), loans and grants under paragraph (1) may also be made if the loan or grant funds will be used primarily to provide water or waste services, or both, to residents of a rural area that was recognized as a colonia as of October 1, 1989.

(b) LOANS AND GRANTS TO INDIVIDUALS.—

(1) IN GENERAL.—The Secretary shall make or insure loans and make grants to individuals who reside in a community described in subsection (a)(1) for the purpose of extending water supply and waste disposal systems, connecting the systems to

the residences of the individuals, or installing plumbing and fixtures within the residences of the individuals to facilitate the use of the water supply and waste disposal systems. Such loans shall be at a rate of interest no greater than the Federal Financing Bank rate on loans of a similar term at the time such loans are made. The repayment of such loans shall be amortized over the expected life of the water supply or waste disposal system to which the residence of the borrower will be connected.

(2) MANNER IN WHICH LOANS AND GRANTS ARE TO BE MADE.—Loans and grants to individuals under paragraph (1) shall be made—

(A) directly to such individuals by the Secretary; or

(B) to such individuals through the rural water supply corporation, cooperative, or similar entity, or public agency, providing such water supply or waste disposal services, pursuant to regulations issued by the Secretary.

(c) PREFERENCE.—The Secretary shall give preference in the awarding of loans and grants—

(1) under subsection (a) to rural water supply corporations, cooperatives, or similar entities, or public agencies, that propose to provide water supply or waste disposal services to the residents of those rural subdivisions commonly referred to as colonias, that are characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities; and

(2) under subsection (b) to individuals who reside in a rural subdivision commonly referred to as a colonia, that is characterized by substandard housing, inadequate roads and drainage, and a lack of adequate water or waste facilities.

(d) COOPERATIVE DEFINED.—For purposes of this section, the term "cooperative" means a cooperative formed specifically for the purpose of the installation, expansion, improvement, or operation of water supply or waste disposal facilities or systems.

(e) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—Subject to paragraph (2), there are authorized to be appropriated—

(A) for grants under this section, $30,000,000 for each fiscal year;

(B) for loans under this section, $30,000,000 for each fiscal year; and

(C) in addition to grants provided under subparagraph (A), for grants under this section to benefit Indian tribes (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)), $20,000,000 for each fiscal year.

(2) EXCEPTION.—An entity eligible to receive funding through a grant made under section 306D shall not be eligible for a grant from funds made available under paragraph (1)(C).

(f) REGULATIONS.—Not later than 30 days after the date of enactment of this subsection, the Secretary shall issue interim final regulations, with a request for public comments, implementing this section.

SEC. 306D. [7 U.S.C. 1926d] WATER SYSTEMS FOR RURAL AND NATIVE VILLAGES IN ALASKA.

(a) IN GENERAL.—The Secretary may make grants to the State of Alaska for the benefit of rural or Native villages in Alaska to provide for the development and construction of water and wastewater systems to improve the health and sanitation conditions in those villages.

(b) MATCHING FUNDS.—To be eligible to receive a grant under subsection (a), the State of Alaska shall provide 25 percent in matching funds from non-Federal sources.

(c) CONSULTATION WITH THE STATE OF ALASKA.—The Secretary shall consult with the State of Alaska on a method of prioritizing the allocation of grants under subsection (a) according to the needs of, and relative health and sanitation conditions in, each village.

(d) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There are authorized to be appropriated to carry out this section $30,000,000 for each of fiscal years 2001 through 2007.

(2) TRAINING AND TECHNICAL ASSISTANCE.—Not more than 2 percent of the amount made available under paragraph (1) for a fiscal year may be used by the State of Alaska for training and technical assistance programs relating to the operation and management of water and waste disposal services in rural and Native villages.

(3) AVAILABILITY.—Funds appropriated pursuant to the authorization of appropriations in paragraph (1) shall be available until expended.

SEC. 306E. [7 U.S.C. 1926e] GRANTS TO NONPROFIT ORGANIZATIONS TO FINANCE THE CONSTRUCTION, REFURBISHING, AND SERVICING OF INDIVIDUALLY-OWNED HOUSEHOLD WATER WELL SYSTEMS IN RURAL AREAS FOR INDIVIDUALS WITH LOW OR MODERATE INCOMES.

(a) DEFINITION OF ELIGIBLE INDIVIDUAL.—In this section, the term "eligible individual" means an individual who is a member of a household the members of which have a combined income (for the most recent 12-month period for which the information is available) that is not more than 100 percent of the median nonmetropolitan household income for the State or territory in which the individual resides, according to the most recent decennial census of the United States.

(b) GRANTS.—

(1) IN GENERAL.—The Secretary may make grants to private nonprofit organizations for the purpose of providing loans to eligible individuals for the construction, refurbishing, and servicing of individual household water well systems in rural areas that are or will be owned by the eligible individuals.

(2) TERMS OF LOANS.—A loan made with grant funds under this section—

(A) shall have an interest rate of 1 percent;

(B) shall have a term not to exceed 20 years; and

(C) shall not exceed $8,000 for each water well system described in paragraph (1).

(3) ADMINISTRATIVE EXPENSES.—A recipient of a grant made under this section may use grant funds to pay adminis-

trative expenses associated with providing the assistance described in paragraph (1), as determined by the Secretary.

(c) PRIORITY IN AWARDING GRANTS.—In awarding grants under this section, the Secretary shall give priority to an applicant that has substantial expertise and experience in promoting the safe and productive use of individually-owned household water well systems and ground water.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $10,000,000 for each of fiscal years 2003 through 2007.

SEC. 307. [7 U.S.C. 1927] (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), (5), and (6) 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.

(3)(A) Notwithstanding the provisions of the constitution or laws of any State limiting the rate or amount of interest that may be charged, taken, received, or reserved, except as provided in paragraph (6), the interest rates on loans (other than guaranteed loans), to public bodies or nonprofit associations (including Indian tribes on Federal and State reservations and other federally recognized Indian tribal groups) for water and waste disposal facilities and essential community facilities shall be set by the Secretary at rates not to exceed the current market yield for outstanding municipal obligations with remaining periods to maturity comparable to the average maturity for such loans, and adjusted to the nearest one-eighth of 1 per centum; and not in excess of 5 per centum per annum for any such loans which are for the upgrading of existing facilities or construction of new facilities as required to meet applicable health or sanitary standards in areas where the median family income of the persons to be served by such facility is below the poverty line prescribed by the Office of Management and Budget as adjusted under section 624 of the Economic Opportunity Act of 1964 (42 U.S.C. 2971d) and in other areas as the Secretary may designate where a significant percentage of the persons to be served by such facilities are of low income, as determined by the Secretary; and not in excess of 7 per centum per annum on loans for such facilities that do not qualify for the 5 per centum per annum interest rate but are located in areas where the median household income of the persons to be served by the facility does not exceed 100 per centum of the statewide nonmetropolitan median household income.

(B) Except as provided in subparagraph (D) and in paragraph (6), the interest rate on loans (other than guaranteed loans) under section 310D shall not be—

(i) greater than the sum of—

(I) an amount that does not exceed one-half of the current average market yield on outstanding marketable obli-

gations of the United States with maturities of 5 years; and

(II) an amount not exceeding 1 percent per year, as the Secretary determines is appropriate; or

(ii) less than 5 percent per year.

(C) Notwithstanding subparagraph (A), the Secretary shall establish loan rates for health care and related facilities based solely on the income of the area to be served, and such rates shall be otherwise consistent with such subparagraph.

(D) JOINT FINANCING ARRANGEMENT.—If a direct farm ownership loan is made under this subtitle as part of a joint financing arrangement and the amount of the direct farm ownership loan does not exceed 50 percent of the total principal amount financed under the arrangement, the interest rate on the direct farm ownership loan shall be at least 4 percent annually.

(4) Except as provided in paragraph (6), the interest rates on loans under sections 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.

(5)(A) Except as provided in subparagraph (B), 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.

(B) In the case of a loan made under section 310B as a guaranteed loan, subparagraph (A) shall apply notwithstanding the provisions of the constitution or laws of any State limiting the rate or amount of interest that may be charged, taken, received, or reserved.

(6)(A) Notwithstanding any other provision of this section, in the case of loans (other than guaranteed loans) made or insured under the authorities of this Act specified in subparagraph (B) for activities that involve the use of prime farmland as defined in subparagraph (C), the interest rates shall be the interest rates otherwise applicable under this section increased by 2 per centum per annum. Wherever practicable, construction by a State, municipality, or other political subdivision of local government that is supported by loans described in the preceding sentence shall be placed on land that is not prime farmland, in order to preserve the maximum practicable amount of prime farmlands for production of food and fiber. Where other options exist for the siting of such con-

struction and where the governmental authority still desires to carry out such construction on prime farmland, the 2 per centum interest rate increase provided by this clause shall apply, but such increased interest rate shall not apply where such other options do not exist.

(B) The authorities referred to in subparagraph (A) are—

(i) the provisions of section 306(a)(1) relating to loans for recreational developments and essential community facilities,

(ii) clause (1) of section 310B(a), and

(iii) subsections (d) and (e) of section 310B(d).

(C) For purposes of this paragraph, the term "prime farmland" means prime farmlands and unique farmland as those terms are defined in sections 657.5 (a) and (b) of title 7, Code of Federal Regulations (1980).

(b) The borrower shall pay such fees and other charges as the Secretary may require, and borrowers under the 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.

(c) The Secretary shall take as security for the obligations entered into in connection with loans, mortgages on farms with respect to which such loans are made or such other security as the Secretary may require, and for obligations in connection with loans to associations under section 306, shall take liens on the facility or such other security as he may determine to be necessary. Such security instruments may constitute liens running to the United States notwithstanding the fact that the notes may be held by lenders other than the United States. A borrower may use the same collateral to secure two or more loans made, insured, or guaranteed under this subtitle, except that the outstanding amount of such loans may not exceed the total value of the collateral so used.

(d) With respect to a farm ownership loan made after the date of the enactment of this subsection, unless appraised values of the rights to oil, gas, or other minerals are specifically included as part of the appraised value of collateral securing the loan, the rights to oil, gas, or other minerals located under the property shall not be considered part of the collateral securing the loan. Nothing in this subsection shall prevent the inclusion of, as part of the collateral securing the loan, any payment or other compensation the borrower may receive for damages to the surface of the collateral real estate resulting from the exploration for or recovery of minerals.

(e) The Secretary may not—

(1) require any borrower to provide additional collateral to secure a farmer program loan made or insured under this title, if the borrower is current in the payment of principal and interest on the loan; or

(2) bring any action to foreclose, or otherwise liquidate, any such loan as a result of the failure of a borrower to provide additional collateral to secure a loan, if the borrower was current in the payment of principal and interest on the loan at the time the additional collateral was requested.

SEC. 308. [7 U.S.C. 1928] FULL FAITH AND CREDIT.

(a) IN GENERAL.—A contract of insurance or guarantee executed by the Secretary under this title shall be an obligation supported by the full faith and credit of the United States.

(b) CONTESTABILITY.—A contract of insurance or guarantee executed by the Secretary under this title shall be incontestable except for fraud or misrepresentation that the lender or any holder—

(1) has actual knowledge of at the time the contract or guarantee is executed; or

(2) participates in or condones.

SEC. 309. [7 U.S.C. 1929] (a) The fund established pursuant to section 11(a) of the Bankhead-Jones Farm Tenant Act, as amended, shall hereafter be called the Agricultural Credit Insurance Fund and is hereinafter in this subtitle referred to as the "fund". The fund shall remain available as a revolving fund for the discharge of the obligations of the Secretary under agreements insuring loans under this subtitle and loans and mortgages insured under prior authority.

(b) Moneys in the fund not needed for current operations shall be deposited in the Treasury of the United States to the credit of the fund or invested in direct obligations of the United States or obligations guaranteed by the United States. The Secretary may purchase with money in the fund any notes issued by the Secretary to the Secretary of the Treasury for the purpose of obtaining money for the fund.

(c) The Secretary is authorized to make and issue notes to the Secretary of the Treasury for the purpose of obtaining funds necessary for discharging obligations under this section and for authorized expenditures out of the fund. Such notes shall be in such form and denominations and have such maturities and be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yield of outstanding marketable obligations of the United States having maturities comparable to the notes issued by the Secretary under this subtitle. The Secretary of the Treasury is authorized and directed to purchase any notes of the Secretary issued hereunder, and, for that purpose, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which such securities may be issued under such Act, as amended, are extended to include the purchase of notes issued by the Secretary. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes shall be treated as public debt transactions of the United States.

(d) Notes and security acquired by the Secretary in connection with loans insured under this subtitle and under prior authority shall become a part of the fund. Notes may be held in the fund and collected in accordance with their terms or may be sold by the Secretary with or without agreements for insurance thereof at the balance due thereon, or on such other basis as the Secretary may determine from time to time. All net proceeds from such collections,

including sales of notes or property, shall be deposited in and become a part of the fund.

(e) The Secretary shall deposit in the fund all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge shall be available for administrative expenses of the Farmers Home Administration and the Rural Development Administration, in proportion to such charges collected in connection with the insurance of loans by such agency, to be transferred annually and become merged with any appropriation for administrative expenses for such agency.

(f) The Secretary may utilize the fund—

(1) to pay amounts to which the holder of the note is entitled on loans heretofore or hereafter insured accruing between the date of any payments made by the borrower and the date of transmittal of any such payments to the lender. In the discretion of the Secretary, payments other than final payments need not be remitted to the holder until due or until the next agreed annual or semiannual remittance date;

(2) to pay to the holder of the notes any deferred or defaulted installment or, upon assignment of the note to the Secretary at the Secretary's request, the entire balance due on the loan;

(3) to purchase notes in accordance with agreements previously entered into;

(4) to pay for contract services, taxes, insurance, prior liens, expenses necessary to make fiscal adjustments in connection with the application and transmittal of collections and other expenses and advances authorized in connection with insured loans, including the difference between interest payable by borrowers and interest to which insured lenders or insured holders are entitled under agreements with the Secretary included in contracts of insurance;

(5) 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.

(g)(1) The assets and liabilities of, and authorizations applicable to, the Farmers Home Administration direct loan account created by section 338(c) (before the amendment made by section 749(a)(1) of the Federal Agriculture Improvement and Reform Act of 1996) and the Emergency Credit Revolving Fund referred to in section 326 are hereby transferred to the fund, and such account and such revolving fund are hereby abolished. Such assets and their proceeds, including loans made out of the fund pursuant to this section, shall be subject to the provisions of this section, the last sentence of section 306(a)(1), and the last sentence of section 307.

(2) From time to time, and at least at the close of each fiscal year, the Secretary shall pay from the fund into the Treasury as

miscellaneous receipts interest on the values as determined by the Secretary, with the approval of the Comptroller General, of the Government's equity transferred to the fund pursuant to the first sentence of this subsection plus the cumulative amount of appropriations made available after enactment of this provision as capital and for administration of the programs financed from the fund, less the average undisbursed cash balance in the fund during the year. The rate of such interest shall be determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of loans made or insured from the fund, adjusted to the nearest one-eighth of 1 per centum. Interest payments may be deferred with the approval of the Secretary of the Treasury, but any interest payments so deferred shall themselves bear interest. If at any time the Secretary determines that moneys in the fund exceed present and any reasonably prospective future requirements of the fund, such excess may be transferred to the general fund of the Treasury.

(h)(1) The Secretary may provide financial assistance to borrowers for purposes provided in this title by guaranteeing loans made by any Federal or State chartered bank, savings and loan association, cooperative lending agency, or other legally organized lending agency.

(2) The interest rate payable by a borrower on the portion of a guaranteed loan that is sold by a lender to the secondary market under this title may be lower than the interest rate charged on the portion retained by the lender, but shall not exceed the average interest rate charged by the lender on loans made to farm and ranch borrowers.

(3) With regard to any loan guarantee on a loan made by a commercial or cooperative lender related to a loan made by the Secretary under section 310E—

(A) the Secretary shall not charge a fee to any person (including a lender); and

(B) a lender may charge a loan origination and servicing fee in an amount not to exceed 1 percent of the amount of the loan.

(4) MAXIMUM GUARANTEE OF 90 PERCENT.—Except as provided in paragraphs (5), (6), and (7), a loan guarantee under this title shall be for not more than 90 percent of the principal and interest due on the loan.

(5) REFINANCED LOANS GUARANTEED AT 95 PERCENT.—The Secretary shall guarantee 95 percent of—

(A) in the case of a loan that solely refinances a direct loan made under this title, the principal and interest due on the loan on the date of the refinancing; or

(B) in the case of a loan that is used for multiple purposes, the portion of the loan that refinances the principal and interest due on a direct loan made under this title that is outstanding on the date the loan is guaranteed.

(6) BEGINNING FARMER LOANS GUARANTEED UP TO 95 PERCENT.—The Secretary may guarantee not more than 95 percent of—

(A) a farm ownership loan for acquiring a farm or ranch to a borrower who is participating in the down payment loan program under section 310E; or

(B) an operating loan to a borrower who is participating in the down payment loan program under section 310E that is made during the period that the borrower has a direct loan outstanding under this subtitle for acquiring a farm or ranch.

(7) AMOUNT OF GUARANTEE OF LOANS FOR FARM OPERATIONS ON TRIBAL LANDS.—In the case of an operating loan made to a farmer or rancher whose farm or ranch land is subject to the jurisdiction of an Indian tribe and whose loan is secured by 1 or more security instruments that are subject to the jurisdiction of an Indian tribe, the Secretary shall guarantee 95 percent of the loan.

(i)(1) Not later than 60 days after any State expresses to the Secretary, in writing, a desire to coordinate the provision of financial assistance to qualified beginning farmers and ranchers in the State, the Secretary and the State shall conclude a joint memorandum of understanding that shall govern the coordination of the provision of the financial assistance by the State and the Secretary.

(2) The memorandum of understanding shall provide that if a State beginning farmer program makes a commitment to provide a qualified beginning farmer or rancher with financing to establish or maintain a viable farming or ranching operation, the Secretary shall, subject to applicable law, normal loan approval criteria, and the availability of funds provide the farmer or rancher with a down payment loan under section 310E or a guarantee of the financing provided by the State program, or both.

(3) The Secretary shall not charge any person (including a lender) any fee with respect to the provision of any guarantee under this subsection.

(4) The Secretary shall notify each State of the provisions of this subsection.

(5) As used in paragraph (1), the term "State beginning farmer program" means any program that is—

(A) carried out by, or under contract with, a State; and

(B) designed to assist persons in obtaining the financial assistance necessary to enter agriculture and establish viable farming or ranching operations.

(j) GUARANTEE OF LOANS MADE UNDER STATE BEGINNING FARMER OR RANCHER PROGRAMS.—The Secretary may guarantee under this title a loan made under a State beginning farmer or rancher program, including a loan financed by the net proceeds of a qualified small issue agricultural bond for land or property described in section 144(a)(12)(B)(ii) of the Internal Revenue Code of 1986.

SEC. 309A. [7 U.S.C. 1929a] (a) There is hereby created the Rural Development Insurance Fund (hereinafter in this section referred to as the "Insurance Fund") which shall be used by the Secretary as a revolving fund for the discharge of the obligations of the Secretary under contracts guaranteeing or insuring rural development loans. For the purpose of this section "rural development loans" shall be those provided for by sections 306(a)(1) and 310B,

except loans (other than for water systems and waste disposal facilities) of a type authorized by section 306(a)(1) prior to its amendment by the Rural Development Act of 1972.

(b) The assets and liabilities of the Agricultural Credit Insurance Fund referred to in section 309(a) applicable to loans for water systems and waste disposal facilities under section 306(a)(1) are hereby transferred to the Insurance Fund. Such assets (including the proceeds thereof) and liabilities and rural development loans guaranteed or insured pursuant to this title shall be subject to the provisions of this section and section 308[1].

(c) Moneys in the Insurance Fund not needed for current operations shall be deposited in the Treasury of the United States to the credit of the Insurance Fund or invested in direct obligations of the United States or obligations guaranteed by the United States. The Secretary may purchase with money in the Insurance Fund any notes issued by the Secretary to the Secretary of the Treasury for the purpose of obtaining money for the Insurance Fund.

(d) The Secretary is authorized to make and issue notes to the Secretary of the Treasury for the purpose of obtaining funds necessary for discharging obligations under this section and for making loans, advances, and authorized expenditures out of the Insurance Fund. Such notes shall be in such form and denominations and have such maturities and be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yield of outstanding marketable obligations of the United States having maturities comparable to the average maturities of rural development loans made, guaranteed, or insured under this title. The Secretary of the Treasury is authorized and directed to purchase any notes of the Secretary issued hereunder, and, for that purpose, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which such securities may be issued under such Act, as amended, are extended to include the purchase of notes issued by the Secretary hereunder. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes shall be treated as public debt transactions of the United States.

(e) Notes and security acquired by the Secretary in connection with rural development loans made, guaranteed, or insured under this title or transferred by subsection (b) of this section shall become a part of the Insurance Fund. Notes and other obligations may be held in the Insurance Fund and collected in accordance with their terms or may be sold by the Secretary with or without agreements for insurance thereof at the balance due thereon, or on such other basis as the Secretary may determine from time to time, including sale on a nonrecourse basis. The Secretary and any subsequent purchaser of such notes or other obligations sold by the

[1] The amendment made by section 661(c)(2) of Public Law 104–127 (110 Stat. 1107) could not be executed. The amendment purports to strike "and section 308" in the first sentence of subsection (b). Probably should have been to the second sentence of subsection (b).

Secretary on a nonrecourse basis shall be relieved of any responsibilities that might have been imposed had the borrower remained indebted to the Secretary. All net proceeds from such collections, including sales of notes or property, shall be deposited in and become a part of the Insurance Fund.

(f) The Secretary shall deposit in the Insurance Fund any charges collected for loan services provided by the Secretary as well as charges assessed for losses and costs of administration in connection with making, guaranteeing, or insuring rural development loans under this title.

(g) The Secretary may utilize the Insurance Fund—

(1) to pay amounts to which the holder of insured notes is entitled on loans heretofore or hereafter insured accruing between the date of any payments by the borrower and the date of transmittal of any such payments to the holder. In the discretion of the Secretary, payments other than final payments need not be remitted to the holder until due or until the next agreed annual or semiannual remittance date;

(2) to pay to the holder of insured notes any deferred or defaulted installment, or upon assignment of the note to the Secretary at the Secretary's request, the entire balance due on the loan;

(3) to purchase notes in accordance with contracts of insurance heretofore or hereafter entered into by the Secretary;

(4) to make payments in compliance with the Secretary's obligations under contracts of guarantee entered into by him;

(5) to pay taxes, insurance, prior liens, expenses necessary to make fiscal adjustments in connection with the application and transmittal of collections or necessary to obtain credit reports on applicants or borrowers, expenses for necessary services, including construction inspections, commercial appraisals, loan servicing, consulting business advisory or other commercial and technical services, and other program services, and other expenses and advances authorized in section 335(a) of this title in connection with insured loans. Such items may be paid in connection with guaranteed loans after or in connection with acquisition by the Secretary of such loans or security therefor after default, to an extent determined by the Secretary to be necessary to protect the interest of the Government, or in connection with grants and any other activity authorized in this title;

(6) to pay the difference between interest payments by borrowers and interest to which holders of insured notes are entitled under contracts of insurance heretofore or hereafter entered into by the Secretary; and

(7) 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.

(h) When any loan is sold out of the Insurance Fund as an insured loan, the interest or other income thereon paid to an insured holder shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1954.

SEC. 309B. [7 U.S.C. 1929b] 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.

SEC. 310. [7 U.S.C. 1930] Funds appropriated for the purpose of making direct real estate loans to farmers and ranchers under this subtitle shall remain available until expended.

[SEC. 310A. Repealed by P.L. 104–127, sec. 746, April 4, 1996 (110 Stat. 1125).]

SEC. 310B. [7 U.S.C. 1932] (a) The Secretary may also make and insure loans to public, private, or cooperative organizations organized for profit or nonprofit, to Indian tribes on Federal and State reservations or other federally recognized Indian tribal groups, or to individuals 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, (3) reducing the reliance on nonrenewable energy resources by encouraging the development and construction of solar energy systems and other renewable energy systems (including wind energy systems and anaerobic digestors for the purpose of energy generation), including the modification of existing systems, in rural areas, and (4) to facilitate economic opportunity for industries undergoing adjustment from terminated Federal agricultural price and income support programs or increased competition from foreign trade. 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. Such loans, when originated, held, and serviced by other lenders, may be guaranteed by the Secretary under this section without regard to paragraphs (1) and (4) of section 333. As used in this subsection, the term "aquaculture" means the culture or husbandry of aquatic animals or plants by private industry for commercial purposes including the culture and growing of fish by private industry for the purpose of creating or augmenting publicly owned and regulated stocks of fish. No loan may be made, insured, or guaranteed under this subsection that exceeds $25,000,000 in principal amount.

(b) SOLID WASTE MANAGEMENT GRANTS.—The Secretary may make grants to nonprofit organizations for the provision of regional technical assistance to local and regional governments and related agencies for the purpose of reducing or eliminating pollution of water resources and improving the planning and management of solid waste disposal facilities. Grants made under this paragraph for the provision of technical assistance shall be made for 100 percent of the cost of such assistance.

(c) RURAL BUSINESS ENTERPRISE GRANTS.—

(1) GRANTS.—

(A) IN GENERAL.—The Secretary may also make grants, not to exceed $50,000,000 annually, to public bodies and private nonprofit corporations for measures designed to finance and facilitate development of small and emerging private business enterprises (including nonprofit entities) or the creation, expansion, and operation of rural distance learning networks or rural learning programs that provide educational instruction or job training instruction related to potential employment or job advancement to adult students, including the development, construction or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, refinancing, services and fees.

(B) SMALL AND EMERGING PRIVATE BUSINESS ENTERPRISES.—

(i) IN GENERAL.—For the purpose of subparagraph (A), a small and emerging private business enterprise shall include (regardless of the number of employees or operating capital of the enterprise) an eligible nonprofit entity, or other tax-exempt organization, with a principal office in an area that is located—

(I) on land of an existing or former Native American reservation; and

(II) in a city, town, or unincorporated area that has a population of not more than 5,000 inhabitants.

(ii) USE OF GRANT.—An eligible nonprofit entity, or other tax exempt organization, described in clause (i) may use assistance provided under this paragraph to create, expand, or operate value-added processing in an area described in clause (i) in connection with production agriculture.

(iii) PRIORITY.—In making grants under this paragraph, the Secretary shall give priority to grants that will be used to provide assistance to eligible nonprofit entities and other tax exempt organizations described in clause (i).

(2) PASSENGER TRANSPORTATION SERVICES OR FACILITIES.—The Secretary may award grants on a competitive basis to qualified nonprofit organizations for the provision of technical assistance and training to rural communities for the purpose of improving passenger transportation services or facilities. Assistance provided under this paragraph may include on-site

technical assistance to local and regional governments, public transit agencies, and related nonprofit and for-profit organizations in rural areas, the development of training materials, and the provision of necessary training assistance to local officials and agencies in rural areas.

(3) GRANTS TO AID INDUSTRIES IN ADJUSTING TO TERMINATED FEDERAL AGRICULTURAL PROGRAMS OR INCREASED FOREIGN COMPETITION.—The Secretary may make grants under this section to facilitate economic opportunity for industries undergoing adjustment from terminated Federal agricultural price and income support programs or increased competition from foreign trade.

(d)(1) The Secretary may participate in joint financing to facilitate development of private business enterprises in rural areas with the Economic Development Administration, the Small Business Administration, and the Department of Housing and Urban Development and other Federal and State agencies and with private and quasi-public financial institutions, through joint loans to applicants eligible under subsection (a) for the purpose of improving, developing, or financing business, industry, and employment and improving the economic and environmental climate in rural areas or through joint grants to applicants eligible under subsection (c) for such purposes, including in the case of loans or grants the development, construction, or acquisition of land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, necessary water supply and waste disposal facilities, refining, service and fees.

(2) No financial or other assistance shall be extended under any provision of this section, 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, that is calculated to or is likely to result in the transfer from one area to another of any employment or business activity provided by operations of the applicant, but this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations unless there is reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

(3) No financial or other assistance shall be extended under any provision of this section, 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, which is calculated to or likely to result in an increase in the production of goods, materials, or commodities, or the availability of services or facilities in the area, when there is not sufficient demand for such goods, materials, commodities, services, or facilities, to employ the efficient capacity of existing competitive commercial or industrial enterprises, unless such financial or other assistance will not

have an adverse effect upon existing competitive enterprises in the area.

(4) No financial or other assistance shall be extended under any provision of this section, 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, if the Secretary of Labor certifies within 30 days after the matter has been submitted to him by the Secretary of Agriculture that the provisions of paragraphs (2) and (3) of this subsection have not been complied with. The Secretary of Labor shall, in cooperation with the Secretary of Agriculture, develop a system of certification which will insure the expeditious processing of requests for assistance under this section.

(5) No grant or loan authorized to be made under this title shall require or be subject to the prior approval of any officer, employee, or agency of any State.

(6) No loan commitment issued under this section shall be conditioned upon the applicant investing in excess of 10 per centum in the business or industrial enterprise for which purpose the loan is to be made unless the Secretary determines there are special circumstances which necessitate an equity investment by the applicant greater than 10 per centum.

(7) No provision of law shall prohibit issuance by the Secretary of certificates evidencing beneficial ownership in a block of notes insured or guaranteed under this title or Title V of the Housing Act of 1949; any sale by the Secretary of such certificates shall be treated as a sale of assets for the purposes of the Budget and Accounting Act of 1921. Any security representing beneficial ownership in a block of notes guaranteed or insured under this title or Title V of the Housing Act of 1949 issued by a private entity shall be exempt from laws administered by the Securities and Exchange Commission, except sections 17, 22, and 24 of the Securities Act of 1933, as amended; however, the Secretary shall require (i) that the issuer place such notes in the custody of an institution chartered by a Federal or State agency to act as trustee and (ii) that the issuer provide such periodic reports of sales as the Secretary deems necessary.

(e) RURAL COOPERATIVE DEVELOPMENT GRANTS.—

(1) DEFINITIONS.—In this subsection:

(A) NONPROFIT INSTITUTION.—The term "nonprofit institution" means any organization or institution, including an accredited institution of higher education, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

(B) UNITED STATES.—The term "United States" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the other territories and possessions of the United States.

(2) GRANTS.—The Secretary shall make grants effective October 1, 1996, under this subsection to nonprofit institutions for the purpose of enabling the institutions to establish and operate centers for rural cooperative development.

(3) GOALS.—The goals of a center funded under this subsection shall be to facilitate the creation of jobs in rural areas through the development of new rural cooperatives, value added processing, and rural businesses.

(4) APPLICATION.—Any nonprofit institution seeking a grant under paragraph (2) shall submit to the Secretary an application containing a plan for the establishment and operation by the institution of a center or centers for cooperative development. The Secretary may approve the application if the plan contains the following:

(A) A provision that substantiates that the center will effectively serve rural areas in the United States.

(B) A provision that the primary objective of the center will be to improve the economic condition of rural areas through cooperative development.

(C) A description of the activities that the center will carry out to accomplish the objective. The activities may include the following:

(i) Programs for applied research and feasibility studies that may be useful to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(ii) Programs for the collection, interpretation, and dissemination of information that may be useful to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(iii) Programs providing training and instruction for individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(iv) Programs providing loans and grants to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(v) Programs providing technical assistance, research services, and advisory services to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center.

(vi) Programs providing for the coordination of services and sharing of information among the center.

(D) A description of the contributions that the activities are likely to make to the improvement of the economic conditions of the rural areas for which the center will provide services.

(E) Provisions that the center, in carrying out the activities, will seek, where appropriate, the advice, participation, expertise, and assistance of representatives of business, industry, educational institutions, the Federal Government, and State and local governments.

(F) Provisions that the center will take all practicable steps to develop continuing sources of financial support for the center, particularly from sources in the private sector.

(G) Provisions for—

(i) monitoring and evaluating the activities by the nonprofit institution operating the center; and

(ii) accounting for money received by the institution under this section.

(5) AWARDING GRANTS.—Grants made under paragraph (2) shall be made on a competitive basis. In making grants under paragraph (2), the Secretary shall give preference to grant applications providing for the establishment of centers for rural cooperative development that—

(A) demonstrate a proven track record in administering a nationally coordinated, regionally or State-wide operated project;

(B) demonstrate previous expertise in providing technical assistance in rural areas;

(C) demonstrate the ability to assist in the retention of businesses, facilitate the establishment of cooperatives and new cooperative approaches, and generate employment opportunities that will improve the economic conditions of rural areas;

(D) demonstrate the ability to create horizontal linkages among businesses within and among various sectors in rural areas of the United States and vertical linkages to domestic and international markets;

(E) commit to providing technical assistance and other services to underserved and economically distressed areas in rural areas of the United States; and

(F) commit to providing greater than a 25 percent matching contribution with private funds and in-kind contributions, except that the Secretary shall not require non-Federal financial support in an amount that is greater than 5 percent in the case of a 1994 institution (as defined in section 532 of the Equity in Educational Land-Grant Status Act of 1994 (7 U.S.C. 301 note; Public Law 103–382)). [1]

(6) 1-YEAR GRANTS; AUTHORITY TO APPROVE GRANT FOR 1 ADDITIONAL YEAR WITHOUT APPLICATION.—The Secretary shall make grants under this subsection for a period of 1 year. The Secretary shall evaluate programs receiving assistance under this subsection. If the Secretary determines it to be in the best interest of the program, the Secretary may award an additional grant to the program for the immediately succeeding year without application for the grant.

(7) TECHNICAL ASSISTANCE TO PREVENT EXCESSIVE UNEMPLOYMENT OR UNDEREMPLOYMENT.—In carrying out this subsection, the Secretary may provide technical assistance to alleviate or prevent conditions of excessive unemployment, underemployment, outmigration, or low employment growth in economically distressed rural areas that the Secretary determines have a substantial need for the assistance. The assistance may include planning and feasibility studies, management and operational assistance, and studies evaluating the need for development potential of projects that increase employment and improve economic growth in the areas.

[1] In paragraph (5)(F), the phrase beginning with “, except” was added by section 6015 of the Farm Security and Rural Investment Act of 2002 (Public Law 107–171; 116 Stat. 359), although the amendatory instruction did not include the word “by adding” or “by inserting”.

(8) GRANTS TO DEFRAY ADMINISTRATIVE COSTS.—The Secretary may make grants to defray not to exceed 75 percent of the costs incurred by organizations and public bodies to carry out projects for which grants or loans are made under this subsection. For purposes of determining the non-Federal share of the costs, the Secretary shall consider contributions in cash and in kind, fairly evaluated, including premises, equipment, and services.

(9) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subsection $50,000,000 for each of fiscal years 1996 through 2007.

(f) GRANTS TO BROADCASTING SYSTEMS.—

(1) DEFINITION OF STATEWIDE.—In this subsection, the term "statewide" means having a coverage area of not less than 90 percent of the population of a State and not less than 80 percent of the rural land area of the State (as determined by the Secretary).

(2) GRANTS.—The Secretary may make grants to statewide private nonprofit public television systems, whose coverage area is predominately rural, for the purpose of demonstrating the effectiveness of such systems in providing information on agriculture and other issues of importance to farmers and other rural residents. Grants available under this paragraph may be used for capital equipment expenditures, start-up and program costs, and other costs necessary to the operation of such demonstrations.

(3) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection $5,000,000 for each of fiscal years 2002 through 2007.

(g) BUSINESS AND INDUSTRY DIRECT AND GUARANTEED LOANS.—

(1) DEFINITION OF BUSINESS AND INDUSTRY LOAN.—In this subsection, the term "business and industry loan" means a business and industry direct or guaranteed loan that is made or guaranteed by the Secretary under subsection (a)(1).

(2) LOAN GUARANTEES FOR THE PURCHASE OF COOPERATIVE STOCK.—

(A) IN GENERAL.—The Secretary may guarantee a business and industry loan to individual farmers or ranchers for the purpose of purchasing capital stock of a farmer or rancher cooperative established for the purpose of processing an agricultural commodity.

(B) PROCESSING CONTRACTS DURING INITIAL PERIOD.—A cooperative described in subparagraph (A) for which a farmer or rancher receives a guarantee to purchase stock under subparagraph (A) may contract for services to process agricultural commodities, or otherwise process value-added agricultural products, during the 5-year period beginning on the date of the startup of the cooperative in order to provide adequate time for the planning and construction of the processing facility of the cooperative.

(C) FINANCIAL INFORMATION.—Financial information required by the Secretary from a farmer or rancher as a condition of making a business and industry loan guar-

antee under this paragraph shall be provided in the manner generally required by commercial agricultural lenders in the area.

(3) LOANS TO COOPERATIVES.—

(A) IN GENERAL.—The Secretary may make or guarantee a business and industry loan to a cooperative organization that is headquartered in a metropolitan area if the loan is used for a project or venture described in subsection (a) that is located in a rural area or a loan guarantee that meets the requirements of paragraph (6).

(B) REFINANCING.—A cooperative organization that is eligible for a business and industry loan shall be eligible to refinance an existing business and industry loan with a lender if—

(i) the cooperative organization—

(I) is current and performing with respect to the existing loan; and

(II) is not, and has not been, in payment default, or the collateral of which has not been converted, with respect to the existing loan; and

(ii) there is adequate security or full collateral for the refinanced loan.

(4) LOAN APPRAISALS.—The Secretary may require that any appraisal made in connection with a business and industry loan be conducted by a specialized appraiser that uses standards that are similar to standards used for similar purposes in the private sector, as determined by the Secretary.

(5) FEES.—The Secretary may assess a 1-time fee for any guaranteed business and industry loan in an amount that does not exceed 2 percent of the guaranteed principal portion of the loan.

(6) LOAN GUARANTEES IN NONRURAL AREAS.—

(A) IN GENERAL.—The Secretary may guarantee a business and industry loan to a cooperative organization for a facility that is not located in a rural area if—

(i) the primary purpose of the loan guarantee is for a facility to provide value-added processing for agricultural producers that are located within 80 miles of the facility;

(ii) the applicant demonstrates to the Secretary that the primary benefit of the loan guarantee will be to provide employment for residents of a rural area; and

(iii) the total amount of business and industry loans guaranteed for a fiscal year under this paragraph does not exceed 10 percent of the business and industry loans guaranteed for the fiscal year under subsection (a)(1).

(B) PRINCIPAL AMOUNTS.—The principal amount of a business and industry loan guaranteed under this paragraph may not exceed $25,000,000.

(7) INTANGIBLE ASSETS.—In determining whether a cooperative organization is eligible for a guaranteed business and industry loan, the Secretary may consider the market value of a

properly appraised brand name, patent, or trademark of the cooperative.

(8) LIMITATIONS ON LOAN GUARANTEES FOR COOPERATIVE ORGANIZATIONS.—

(A) PRINCIPAL AMOUNT.—

(i) IN GENERAL.—Subject to clause (ii), the principal amount of a business and industry loan made to a cooperative organization and guaranteed under this subsection shall not exceed $40,000,000.

(ii) USE.—To be eligible for a guarantee under this subsection for a business and industry loan made to a cooperative organization, the principal amount of the any such loan in excess of $25,000,000 shall be used to carry out a project—

(I) in a rural area; and

(II) that provides for the value-added processing of agricultural commodities.

(B) APPLICATIONS.—If a cooperative organization submits an application for a guarantee under this subsection of a business and industry loan with a principal amount that is in excess of $25,000,000, the Secretary—

(i) shall review and, if appropriate, approve the application; and

(ii) may not delegate the approval authority.

(C) MAXIMUM AMOUNT.—The total amount of business and industry loans made to cooperative organizations and guaranteed for a fiscal year under this subsection with principal amounts that are in excess of $25,000,000 may not exceed 10 percent of the business and industry loans guaranteed for the fiscal year under subsection (a)(1).

(h) LOAN GUARANTEES FOR CERTAIN LOANS.—The Secretary may guarantee loans made under subsection (a) to finance the issuance of bonds for the projects described in section 306(a)(24).

SEC. 310C. [7 U.S.C. 1933] (a) Rural Housing Loans which (1) are guaranteed by the Secretary under section 517(a)(2) of the Housing Act of 1949, (2) are made by other lenders approved by the Secretary to provide dwellings in rural areas for the applicants' own use, and (3) bear interest and other charges at rates not above the maximum rates prescribed by the Secretary of Housing and Urban Development for loans made by private lenders for similar purposes and guaranteed by the Secretary of Housing and Urban Development under the National Housing Act or superseding legislation shall not be subject to sections 501(c) and 502(b)(3) of the Housing Act of 1949.

(b) For the purposes of title V of the Housing Act of 1949 or this title, a guarantee of payment given under the color of law by the Department of Hawaiian Home Lands (or its successor in function) shall be found by the Secretary reasonably to assure repayment of any indebtedness so guaranteed.

SEC. 310D. [7 U.S.C. 1934] (a) The Secretary is authorized to make and insure loans for any of the purposes referred to in section 303(a), or paragraphs (1) through (5) of section 304(a), to farmers and ranchers in the United States who (1) are citizens of the United States, (2) meet the requirements of paragraphs (2) through

(4) of section 302, (3) are unable to obtain sufficient credit under section 302 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 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 paragraphs (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.

SEC. 310E. [7 U.S.C. 1935] DOWN PAYMENT LOAN PROGRAM.

(a) IN GENERAL.—

(1) ESTABLISHMENT.—Notwithstanding any other section of this subtitle, the Secretary shall establish, within the farm ownership loan program established under this subtitle, a program under which loans shall be made under this section to qualified beginning farmers and ranchers for down payments on farm ownership loans.

(2) ADMINISTRATION.—The Secretary shall be the primary coordinator of credit supervision for the down payment loan program established under this section, in consultation with the commercial or cooperative lender and, if applicable, the contracting credit counseling service selected under section 360(c).

(b) LOAN TERMS.—

(1) PRINCIPAL.—Each loan made under this section shall be in an amount equal to 40 percent of the purchase price or appraisal value, whichever is lower, of the farm or ranch to be acquired, unless the borrower requests a lesser amount.

(2) INTEREST RATE.—The interest rate on any loan made by the Secretary under this section shall be 4 percent.

(3) DURATION.—Each loan under this section shall be made for a period of 15 years or less, at the option of the borrower.

(4) REPAYMENT.—Each borrower of a loan under this section shall repay the loan to the Secretary in equal annual installments.

(5) NATURE OF RETAINED SECURITY INTEREST.—The Secretary shall retain an interest in each farm or ranch acquired with a loan made under this section that shall—

(A) be secured by the farm or ranch;

(B) be junior only to such interests in the farm or ranch as may be conveyed at the time of acquisition to the person (including a lender) from whom the borrower obtained a loan used to acquire the farm or ranch; and

(C) require the borrower to obtain the permission of the Secretary before the borrower may grant an additional security interest in the farm or ranch.

(c) LIMITATIONS.—

(1) BORROWERS REQUIRED TO MAKE MINIMUM DOWN PAYMENT.—The Secretary shall not make a loan under this section to any borrower with respect to a farm or ranch if the contribution of the borrower to the down payment on the farm or ranch will be less than 10 percent of the purchase price of the farm or ranch.

(2) MAXIMUM PRICE OF PROPERTY TO BE ACQUIRED.—The Secretary shall not make a loan under this section with respect to a farm or ranch for which the purchase price or appraisal value, whichever is lower, exceeds $250,000.

(3) PROHIBITED TYPES OF FINANCING.—The Secretary shall not make a loan under this section with respect to a farm or ranch if the farm or ranch is to be acquired with other financing that contains any of the following conditions:

(A) The financing is to be amortized over a period of less than 30 years.

(B) A balloon payment will be due on the financing during the 15-year period beginning on the date the loan is to be made by the Secretary.

(d) ADMINISTRATION.—In carrying out this section, the Secretary shall, to the maximum extent practicable—

(1) facilitate the transfer of farms and ranches from retiring farmers and ranchers to persons eligible for insured loans under this subtitle;

(2) make efforts to widely publicize the availability of loans under this section among—

(A) potentially eligible recipients of the loans;

(B) retiring farmers and ranchers; and

(C) applicants for farm ownership loans under this subtitle;

(3) encourage retiring farmers and ranchers to assist in the sale of their farms and ranches to qualified beginning farmers and ranchers by providing seller financing; and

(4) coordinate the loan program established by this section with State programs that provide farm ownership or operating loans for beginning farmers and ranchers.

SEC. 310F. [7 U.S.C. 1936] BEGINNING FARMER AND RANCHER CONTRACT LAND SALES PROGRAM.

(a) IN GENERAL.—If the Secretary makes a determination that the risk is comparable under subsection (b), the Secretary shall carry out a pilot program in not fewer than 5 States, as determined by the Secretary, to guarantee up to 5 loans per State in each of fiscal years 2003 through 2007 made by a private seller of a farm or ranch to a qualified beginning farmer or rancher on a contract land sale basis, if the loan meets applicable underwriting criteria and a commercial lending institution agrees to serve as escrow agent.

(b) DATE OF COMMENCEMENT OF PROGRAM.—Not later than October 1, 2002, the Secretary shall make a determination on whether guarantees of contract land sales present a risk that is com-

parable with the risk presented in the case of guarantees to commercial lenders.

SEC. 310G. [7 U.S.C. 1936a] USE OF RURAL DEVELOPMENT LOANS AND GRANTS FOR OTHER PURPOSES.

If, after making a loan or a grant described in section 381E(d), the Secretary determines that the circumstances under which the loan or grant was made have sufficiently changed to make the project or activity for which the loan or grant was made available no longer appropriate, the Secretary may allow the loan borrower or grant recipient to use property (real and personal) purchased or improved with the loan or grant funds, or proceeds from the sale of property (real and personal) purchased with such funds, for another project or activity that (as determined by the Secretary)—

(1) will be carried out in the same area as the original project or activity;

(2) meets the criteria for a loan or a grant described in section 381E(d); and

(3) satisfies such additional requirements as are established by the Secretary.

SUBTITLE B—OPERATING LOANS

SEC. 311. [7 U.S.C. 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, partnerships, joint operations, trusts, and limited liability companies 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, partnerships, joint operations, trusts, and limited liability companies, individuals holding a majority interest in such entity, must (1) be citizens of the United States, (2) for direct loans only, 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, partnerships, joint operations, trusts, and limited liability companies in which a majority interest is held by individuals 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 or, in the case of holders of the entire interest who are related by blood or marriage and all of whom are or will become farm operators, the ownership interest of each such holder separately constitutes not larger than a family farm, even if their interests collectively constitute larger than a family farm, as defined by the Secretary), 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 corporations, partnerships, joint operations, trusts, and limited liability companies, 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 in the case of cooperatives, corporations, partnerships, joint operations, trusts, and limited liability companies.

(b)(1) Loans may also be made under this subtitle without regard to the requirements of clauses (2) and (3) of subsection (a) to youths who are rural residents to enable them to operate enterprises in connection with their participation in 4–H Clubs, Future Farmers of America, and similar organizations.

(2) A person receiving a loan under this subsection who executes a promissory note therefor shall thereby incur full personal liability for the indebtedness evidenced by such note in accordance with its terms free of any disability of minority.

(3) For loans under this subsection the Secretary may accept the personal liability of a cosigner of the promissory note in addition to the borrowers' personal liability.

(4) YOUTH ENTERPRISES NOT FARMING OR RANCHING.—The operation of an enterprise by a youth under this subsection shall not be considered the operation of a farm or ranch under this title.

(c) DIRECT LOANS.—

(1) IN GENERAL.—Subject to paragraphs (3) and (4), the Secretary may make a direct loan under this subtitle only to a farmer or rancher who—

(A) is a qualified beginning farmer or rancher;

(B) has not received a previous direct operating loan made under this subtitle; or

(C) has received a previous direct operating loan made under this subtitle during 6 or fewer years.

(2) YOUTH LOANS.—In this subsection, the term "direct operating loan" shall not include a loan made to a youth under subsection (b).

(3) TRANSITION RULE.—If, as of the date of enactment of this paragraph, a farmer or rancher has received a direct operating loan under this subtitle during each of 4 or more previous years, the borrower shall be eligible to receive a direct operating loan under this subtitle during 3 additional years after the date of enactment of this paragraph.

(4) WAIVERS.—

(A) FARM AND RANCH OPERATIONS ON TRIBAL LANDS.—The Secretary shall waive the limitation under paragraph (1)(C) or (3) for a direct loan made under this subtitle to a farmer or rancher whose farm or ranch land is subject to the jurisdiction of an Indian tribe and whose loan is secured by 1 or more security instruments that are subject to the jurisdiction of an Indian tribe if the Secretary determines that commercial credit is not generally available for such farm or ranch operations.

(B) OTHER FARM AND RANCH OPERATIONS.—On a case-by-case determination not subject to administrative appeal, the Secretary may grant a borrower a waiver, 1 time

only for a period of 2 years, of the limitation under paragraph (1)(C) or (3) for a direct operating loan if the borrower demonstrates to the satisfaction of the Secretary that—

(i) the borrower has a viable farm or ranch operation;

(ii) the borrower applied for commercial credit from at least 2 commercial lenders;

(iii) the borrower was unable to obtain a commercial loan (including a loan guaranteed by the Secretary); and

(iv) the borrower successfully has completed, or will complete within 1 year, borrower training under section 359 (from which requirement the Secretary shall not grant a waiver under section 359(f)).

SEC. 312. [7 U.S.C. 1942] PURPOSES OF LOANS.

(a) IN GENERAL.—A direct loan may be made under this subtitle 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 6 of the Occupational Safety and Health Act of 1970 (29 U.S.C. 655) or a standard adopted by a State under a plan approved under section 18 of the Act (29 U.S.C. 667), 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 310D in maintaining records of farming and ranching operations;

(8) training a borrower under section 359;

(9) refinancing the indebtedness of a borrower, if the borrower—

(A) has refinanced a loan under this subtitle not more than 4 times previously; and

(B)(i) is a direct loan borrower under this title at the time of the refinancing and has suffered a qualifying loss because of a natural disaster declared by the Secretary under this title 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 subtitle 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 6 of the Occupational Safety and Health Act of 1970 (29 U.S.C. 655) or a standard adopted by a State under a plan approved under section 18 of the Act (29 U.S.C. 667), 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 359; 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 subtitle 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 the date of enactment of this paragraph, 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 title, the Secretary may reserve a portion of any loan made under this subtitle 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.

SEC. 313. [7 U.S.C. 1943] LIMITATIONS ON AMOUNT OF OPERATING LOANS.

(a) IN GENERAL.—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, $200,000, or, in the case of a loan guaranteed by the Secretary, $700,000 (increased, beginning with fiscal year 2000, 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 305 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 August 31 of the immediately preceding fiscal year; exceeds

(2) the average of such index (as so defined) for the 12-month period ending on August 31, 1996.

SEC. 314. [7 U.S.C. 1944] Loans aggregating not more than $500,000 in any one year may also be made to soil conservation districts which cannot obtain necessary credit elsewhere upon reasonable terms and conditions for the purchase of equipment customarily used for soil conservation purposes.

[SEC. 315. Repealed by Public Law 104–127, sec. 613, April 4, 1996, (110 Stat. 1089).]

SEC. 316. [7 U.S.C. 1946] (a)(1) 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 and loans as provided in paragraphs (2) and (3), 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.

(2) The interest rate on any loan (other than a guaranteed loan) to a low income, limited resource borrower under this subtitle shall not be—

(A) greater than the sum of—

(i) an amount that does not exceed one-half of the current average market yield on outstanding marketable obligations of the United States with maturities of 5 years; and

(ii) an amount not exceeding 1 percent per year, as the Secretary determines is appropriate; or

(B) less than 5 percent per year.

(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 (or, in the case of loans for farm operating purposes, fifteen 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. Except as otherwise provided for farm loans under section 331B of this title, 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.

(c) LINE-OF-CREDIT LOANS.—

(1) IN GENERAL.—A loan made or guaranteed by the Secretary under this subtitle may be in the form of a line-of-credit loan.

(2) TERM.—A line-of-credit loan under paragraph (1) shall terminate not later than 5 years after the date that the loan is made or guaranteed.

(3) ELIGIBILITY.—For purposes of determining eligibility for a farm operating loan under this subtitle, each year during which a farmer or rancher takes an advance or draws on a line-of-credit loan the farmer or rancher shall be considered to have received an operating loan for 1 year.

(4) TERMINATION OF DELINQUENT LOANS.—If a borrower does not pay an installment on a line-of-credit loan on schedule, the borrower may not take an advance or draw on the line-of-credit, unless the Secretary determines that—

(A) the borrower's failure to pay on schedule was due to unusual conditions that the borrower could not control; and

(B) the borrower will reduce the line-of-credit balance to the scheduled level at the end of—

(i) the production cycle; or

(ii) the marketing of the borrower's agricultural products.

(5) AGRICULTURAL COMMODITIES.—A line-of-credit loan may be used to finance the production or marketing of an agricultural commodity that—

(A) is eligible for a price support program of the Department of Agriculture; or

(B) was eligible for a price support program of the Department of Agriculture on the day before the date of enactment of the Federal Agriculture Improvement and Reform Act of 1996.

[SEC. 317. Repealed by Public Law 104–127, sec. 615, April 4, 1996, (110 Stat. 1090).]

[SEC. 318. Repealed by Public Law 104–127, sec. 616(a), April 4, 1996, (110 Stat. 1090).]

SEC. 319. [7 U.S.C. 1949] GRADUATION OF BORROWERS WITH OPERATING LOANS OR GUARANTEES TO PRIVATE COMMERCIAL CREDIT.

(a) GRADUATION PLAN.—The Secretary shall establish a plan, in coordination with activities under sections 359, 360, 361, and 362, to encourage each borrower with an outstanding loan under this subtitle or with respect to whom there is an outstanding guarantee under this subtitle to graduate to private commercial or other sources of credit.

(b) LIMITATION ON PERIOD BORROWERS ARE ELIGIBLE FOR GUARANTEED ASSISTANCE.—[1]

(1) GENERAL RULE.—Subject to paragraph (2), the Secretary shall not guarantee a loan under this subtitle for a borrower for any year after the 15th year that a loan is made to, or a guarantee is provided with respect to, the borrower under this subtitle.

(2) TRANSITION RULE.—If, as of October 28, 1992, a farmer or rancher has received a direct or guaranteed operating loan under this subtitle during each of 10 or more previous years, the borrower shall be eligible to receive a guaranteed operating loan under this subtitle during 5 additional years after October 28, 1992.

SUBTITLE C—EMERGENCY LOANS

SEC. 321. [7 U.S.C. 1961] (a) The Secretary shall make and insure loans under this subtitle only to the extent and in such amounts as provided in advance in appropriation Acts to (1) established farmers, ranchers, or persons engaged in aquaculture, who are citizens of the United States and who are owner-operators (in the case of loans for a purpose under subtitle A) or operators (in the case of loans for a purpose under subtitle B) of not larger than family farms, and (2) farm cooperatives, private domestic corporations, partnerships, joint operations, trusts, or limited liability companies (A) that are engaged primarily in farming, ranching, or aquaculture, and (B) in which a majority interest is held by individuals who are citizens of the United States and who are owner-operators (in the case of loans for a purpose under subtitle A) or operators (in the case of loans for a purpose under subtitle B) of not larger than family farms (or in the case of such cooperatives,

[1] Section 5102 of the Farm Security and Rural Investment Act of 2002 (Public Law 107–171; 116 Stat. 343; 7 U.S.C. 1949 note) provides as follows: "During the period beginning January 1, 2002, and ending December 31, 2006, section 319(b) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1949(b)) shall have no force or effect.".

corporations, partnerships, joint operations, trusts, or limited liability companies in which a majority interest is held by individuals who are related by blood or marriage, as defined by the Secretary, such individuals must be either owners or operators of not larger than a family farm and at least one such individual must be an operator of not larger than a family farm), where the Secretary finds that the applicants' farming, ranching, or aquaculture operations have been substantially affected by a quarantine imposed by the Secretary under the Plant Protection Act or the animal quarantine laws (as defined in section 2509 of the Food, Agriculture, Conservation, and Trade Act of 1990), a natural disaster in the United States, 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.): *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. In addition to the foregoing requirements of this subsection, in the case of farm cooperatives, private domestic corporations, partnerships, joint operations, trusts, and limited liability companies, the family farm requirement of the preceding sentence shall apply as well to all farms in which the entity has an ownership and operator interest (in the case of loans for a purpose under subtitle A) or an operator interest (in the case of loans for a purpose under subtitle B). The Secretary shall accept applications from, and make or insure loans pursuant to the requirements of this subtitle to, applicants, otherwise eligible under this subtitle, that conduct farming, ranching, or aquaculture operations in any county contiguous to a county where the Secretary has found that farming, ranching, or aquaculture operations have been substantially affected by a quarantine imposed by the Secretary under the Plant Protection Act or the animal quarantine laws (as defined in section 2509 of the Food, Agriculture, Conservation, and Trade Act of 1990), a natural disaster in the United States, 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.). The Secretary shall accept applications for assistance under this subtitle from persons affected by such a quarantine or natural disaster at any time during the eight-month period beginning (A) on the date on which the Secretary determines that farming, ranching, or aquaculture operations have been substantially affected by such quarantine or natural disaster or (B) on the date the President makes the major disaster or emergency designation with respect to such natural disaster, as the case may be.

(b) 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 subtitle to cover a property loss unless the farmer or rancher had hazard insurance that insured the property at the time of the loss.

(2) DETERMINATION.—Not later than 180 days after the date of enactment of this paragraph, the Secretary shall determine the appropriate level of insurance to be required under paragraph (1).

(3) LOANS TO POULTRY FARMERS.—

(A) INABILITY TO OBTAIN INSURANCE.—

(i) IN GENERAL.—Notwithstanding any other provision of this subtitle, the Secretary may make a loan to a poultry farmer under this subtitle to cover the loss of a chicken house for which the farmer did not have hazard insurance at the time of the loss, if the farmer—

(I) applied for, but was unable, to obtain hazard insurance for the chicken house;

(II) uses the loan to rebuild the chicken house in accordance with industry standards in effect on the date the farmer submits an application for the loan (referred to in this paragraph as "current industry standards");

(III) obtains, for the term of the loan, hazard insurance for the full market value of the chicken house; and

(IV) meets the other requirements for the loan under this subtitle.

(ii) AMOUNT.—Subject to the limitation contained in section 324(a)(2), the amount of a loan made to a poultry farmer under clause (i) shall be an amount that will allow the farmer to rebuild the chicken house in accordance with current industry standards.

(B) LOANS TO COMPLY WITH CURRENT INDUSTRY STANDARDS.—

(i) IN GENERAL.—Notwithstanding any other provision of this subtitle, the Secretary may make a loan to a poultry farmer under this subtitle to cover the loss of a chicken house for which the farmer had hazard insurance at the time of the loss, if—

(I) the amount of the hazard insurance is less than the cost of rebuilding the chicken house in accordance with current industry standards;

(II) the farmer uses the loan to rebuild the chicken house in accordance with current industry standards;

(III) the farmer obtains, for the term of the loan, hazard insurance for the full market value of the chicken house; and

(IV) the farmer meets the other requirements for the loan under this subtitle.

(ii) AMOUNT.—Subject to the limitation contained in section 324(a)(2), the amount of a loan made to a poultry farmer under clause (i) shall be the difference between—

(I) the amount of the hazard insurance obtained by the farmer; and

(II) the cost of rebuilding the chicken house in accordance with current industry standards.

(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.

(d) For the purposes of this subtitle—

(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. [7 U.S.C. 1962] (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.

(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 $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.

SEC. 323. [7 U.S.C. 1963] 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 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 324(a) of this title.

SEC. 324. [7 U.S.C. 1964] TERMS OF LOANS.

(a) MAXIMUM AMOUNT OF LOAN.—The Secretary may not make a loan under this subtitle 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 subtitle to exceed $500,000.

(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 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) 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.

(d) REPAYMENT.—

(1) IN GENERAL.— 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 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. If farm assets (including land, livestock, and equipment) are used as collateral to secure a loan made under this subtitle, 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 subtitle 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 subtitle 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 subtitle if a borrower refuses to pledge available collateral on request by the Secretary.

(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.

SEC. 325. [Repealed by Public Law 95–334, Sec. 120; 92 Stat. 427]

SEC. 326. **[**7 U.S.C. 1966**]** The Secretary is authorized to utilize the revolving fund created by section 84 of the Farm Credit Act of 1933, as amended (hereinafter in this subtitle referred to as the "Emergency Credit Revolving Fund"), for carrying out the purposes of this subtitle.

SEC. 327. **[**7 U.S.C. 1967**]** (a) All sums received by the Secretary from the liquidation of loans made under the provisions of this subtitle or under the Act of April 6, 1949, as amended, or the Act of August 31, 1954, and from the liquidation of any other assets acquired with money from the Emergency Credit Revolving Fund shall be added to and become a part of such fund.

(b) There are authorized to be appropriated to the Emergency Credit Revolving Fund such additional sums as the Congress shall from time to time determine to be necessary.

[SEC. 328. Repealed by Public Law 104–127, sec. 626, April 4, 1996, (110 Stat. 1092).**]**

SEC. 329. **[**7 U.S.C. 1970**]** The Secretary shall make financial assistance under this subtitle available to any applicant seeking assistance based on production losses if the applicant shows that a single enterprise which constitutes a basic part of the applicant's farming, ranching, or aquaculture operation has sustained at least a 30 per centum loss of normal per acre or per animal production, or such lesser per centum of loss as the Secretary may determine, as a result of the disaster based upon the average monthly price in effect for the previous year and the applicant otherwise meets the conditions of eligibility prescribed under this subtitle. Such loans shall be made available based upon 80 per centum, or such greater per centum as the Secretary may determine, of the total calculated actual production loss sustained by the applicant.

[SEC. 330. Repealed by Public Law 99–198, sec. 1308 (99 Stat. 1523).**]**

SUBTITLE D—ADMINISTRATIVE PROVISIONS

SEC. 331. [7 U.S.C. 1981] (a) In accordance with section 359, for purposes of this title, and for the administration of assets under the jurisdiction of the Secretary of Agriculture pursuant to the Farmers Home Administration Act of 1946, as amended, the Bankhead-Jones Farm Tenant Act, as amended, the Act of August 28, 1937, as amended, the Act of April 6, 1949, as amended, the Act of August 31, 1954, as amended, and the powers and duties of the Secretary under any other Act authorizing agricultural credit, the Secretary may assign and transfer such powers, duties, and assets to such officers or agencies of the Department of Agriculture as the Secretary considers appropriate.

(b) The Secretary may—

(1) administer his powers and duties through such national, area, State, or local offices and employees in the United States as he determines to be necessary and may authorize an office to serve the area composed of two or more States if he determines that the volume of business in the area is not sufficient to justify separate State offices, and until January 1, 1975, make contracts for services incident to making, insuring, collecting, and servicing loans and property as determined by the Secretary to be necessary for carrying out the purposes of this title; (and the Secretary shall prior to June 30, 1974, report to the Congress through the President on the experience in using such contracts, together with recommendations for such legislation as he may see fit);

(2) accept and utilize voluntary and uncompensated services, and, with the consent of the agency concerned, utilize the officers, employees, equipment, and information of any agency of the Federal Government, or of any State, territory, or political subdivision;

(3) within the limits of appropriations made therefor, make necessary expenditures for purchase or hire of passenger vehicles, and such other facilities and services as he may from time to time find necessary for the proper administration of this title;

(4) compromise, adjust, reduce, or charge-off debts or claims (including debts and claims arising from loan guarantees), and adjust, modify, subordinate, or release the terms of security instruments, leases, contracts, and agreements entered into or administered by the Consolidated Farm Service Agency, Rural Utilities Service, Rural Housing Service, Rural Business-Cooperative Service, or a successor agency, or the Rural Development Administration, except for activities under the Housing Act of 1949. In the case of a security instrument entered into under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.), the Secretary shall notify the Attorney General of the intent of the Secretary to exercise the authority of the Secretary under this paragraph. The Secretary may not require liquidation of property securing any farmer program loan or acceleration of any payment required under any farmer program loan as a prerequisite to initiating an action authorized under this subsection. After consultation with a local or

area county committee, the Secretary may release borrowers or others obligated on a debt, except for debt incurred under the Housing Act of 1949, from personal liability with or without payment of any consideration at the time of the compromise, adjustment, reduction, or charge-off of any claim, except that no compromise, adjustment, reduction, or charge-off of any claim may be made or carried out after the claim has been referred to the Attorney General, unless the Attorney General approves;

(5) except for activities conducted under the Housing Act of 1949, collect all claims and obligations administered by the Farmers Home Administration, or under any mortgage, lease, contract, or agreement entered into or administered by the Farmers Home Administration and, if in his judgment necessary and advisable, pursue the same to final collection in any court having jurisdiction;

(6) release mortgage and other contract liens if it appears that they have no present or prospective value or that their enforcement likely would be ineffectual or uneconomical;

(7) obtain fidelity bonds protecting the Government against fraud and dishonesty of officers and employees of the Farmers Home Administration in lieu of faithful performance of duties bonds under section 14, title 6, United States Code, and regulations issued pursuant thereto, but otherwise in accordance with the provisions thereof;

(8) consent to (A) long-term leases of facilities financed under this title notwithstanding the failure of the lessee to meet any of the requirements of this title if such long-term leases are necessary to ensure the continuation of services for which financing was extended to the lessor, and (B) the transfer of property securing any loan or financed by any loan or grant made, insured, or held by the Secretary under this title, or the provisions of any other law administered by the Rural Development Administration or by the Farmers Home Administration, upon such terms as he deems necessary to carry out the purpose of the loan or grant or to protect the financial interest of the Government, and shall document the consent of the Secretary for the transfer of the property of a borrower in the file of the borrower; and

(9) 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.

(c) The Secretary may use for the prosecution or defense of any claim or obligation described in subsection (b)(5) the Attorney General, the General Counsel of the Department of Agriculture, or a private attorney who has entered into a contract with the Secretary.

(d)–(e) [Repealed by P.L. 107–171, sec. 5304(a), May 13, 2002 (116 Stat. 345)]

SEC. 331A. [7 U.S.C. 1981a] 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 law administered by the Farmers Home Administration or by the Rural Development 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.

SEC. 331B. [7 U.S.C. 1981b] Any loan for farm ownership purposes under subtitle A of this title, farm operating purposes under subtitle B of this title, or disaster emergency purposes under subtitle C of this title, other than a guaranteed loan, that is deferred, consolidated, rescheduled, or reamortized under this title shall, notwithstanding any other provision of this title, bear interest on the balance of the original loan and for the term of the original loan at a rate that is the lowest of—

(1) the rate of interest on the original loan;

(2) the rate being charged by the Secretary for loans, other than guaranteed loans, of the same type at the time at which the borrower applies for a deferral, consolidation, rescheduling, or reamortization; or

(3) the rate being charged by the Secretary for loans, other than guaranteed loans, of the same type at the time of the deferral, consolidation, rescheduling, or reamortization.

SEC. 331C. [7 U.S.C. 1981c] (a) The Secretary shall permit a borrower of a loan made or insured under this title to make a prospective payment on such loan with proceeds from—

(1) the leasing of oil, gas, or other mineral rights to real property used to secure such loan; or

(2) the sale of oil, gas, or other minerals removed from real property used to secure such loan, if the value of the rights to such oil, gas, or other minerals has not been used to secure such loan.

(b) Subsection (a) shall not apply to a borrower of a loan made or insured under this title with respect to which a liquidation or foreclosure proceeding is pending on the date of enactment of the Food Security Act of 1985.

SEC. 331D. [7 U.S.C. 1981d] NOTICE OF LOAN SERVICE PROGRAMS.

(a) REQUIREMENT.—The Secretary shall provide notice by certified mail to each borrower who is at least 90 days past due on the payment of principal or interest on a loan made or insured under this title.

(b) CONTENTS.—The notice required under subsection (a) shall—

(1) include a summary of all primary loan service programs, preservation loan service programs, debt settlement programs, and appeal procedures, including the eligibility criteria, and terms and conditions of such programs and procedures;

(2) include a summary of the manner in which the borrower may apply, and be considered, for all such programs, except that the Secretary shall not require the borrower to select among such programs or waive any right in order to be considered for any program carried out by the Secretary;

(3) advise the borrower regarding all filing requirements and any deadlines that must be met for requesting loan servicing;

(4) provide any relevant forms, including applicable response forms;

(5) advise the borrower that a copy of regulations is available on request; and

(6) be designed to be readable and understandable by the borrower.

(c) CONTAINED IN REGULATIONS.—All notices required by this section shall be contained in the regulations implementing this title.

(d) TIMING.—The notice described in subsection (b) shall be provided—

(1) at the time an application is made for participation in a loan service program;

(2) on written request of the borrower; and

(3) before the earliest of—

(A) initiating any liquidation;

(B) requesting the conveyance of security property;

(C) accelerating the loan;

(D) repossessing property;

(E) foreclosing on property; or

(F) taking any other collection action.

(e) CONSIDERATION OF BORROWERS FOR LOAN SERVICE PROGRAMS.—The Secretary shall consider a farmer program borrower for all loan service programs if, within 60 days after receipt of the notice required in this section [1], the borrower requests such consideration in writing. In considering a borrower for loan service programs, the Secretary shall place the highest priority on the preservation of the borrower's farming operations.

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[1] Section 10 of the Agricultural Credit Improvement Act of 1992 (106 Stat. 4151; P.L. 102–554) provided as follows:

SEC. 10. CONSIDERATION OF BORROWERS FOR LOAN SERVICE PROGRAMS.

The first sentence of section 331D(e) (7 U.S.C. 1981d(e)) is amended by inserting after "not later than 60 days after receipt of the notice required in this section" the following: "or, in extraordinary circumstances as determined by the applicable State director, after the 60-day period".

This amendment could not be executed.

SEC. 331E. [7 U.S.C. 1981e] PLANTING AND PRODUCTION HISTORY GUIDELINES.

(a) IN GENERAL.—The Secretary shall ensure that appropriate procedures, including to the extent practicable onsite inspections, or use of county or State yield averages, are used in calculating future yields for an applicant for a loan, when an accurate projection cannot be made because the applicant's past production history has been affected by natural disasters declared under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.).

(b) CALCULATION OF YIELDS.—

(1) IN GENERAL.—For purposes of averaging past yields of the farm of a borrower or applicant over a period of crop years to calculate future yields for the farm under this title (except for loans under subtitle C), the Secretary shall permit the borrower or applicant to exclude the crop year with the lowest actual or county average yield for the farm from the calculation, if the borrower or applicant was affected by a disaster during at least 2 of the crop years during the period.

(2) AFFECTED BY A DISASTER.—For purposes of paragraph (1), a borrower or applicant was affected by a disaster if the Secretary finds that the borrower or applicant's farming 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 Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.), including a borrower or applicant who has a qualifying loss but is not located in a designated or declared disaster area.

(3) APPLICATION OF SUBSECTION.—Paragraph (1) shall apply to all actions taken by the Secretary to carry out this title (except for loans under subtitle C) that involve the yields of a farm of a borrower or applicant, including making loans and loan guarantees, servicing loans, and making credit sales.

SEC. 331F. [7 U.S.C. 1981f] UNDERWRITING FORMS AND STANDARDS.

In the administration of this title, the Secretary shall, to the extent practicable, use underwriting forms, standards, practices, and terminology similar to the forms, standards, practices, and terminology used by lenders in the private sector.

[SEC. 332. Repealed by 227(b)(1) of Public Law 103–354.]

SEC. 333. [7 U.S.C. 1983] In connection with loans made or insured under this title, the Secretary shall require—

(1) the applicant (A) to certify in writing, and the Secretary shall determine, that he is unable to obtain sufficient credit elsewhere to finance his 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, and (B) to furnish an appropriate written financial statement;

(2) except with respect to a loan under section 306, 310B, or 314—

(A) an annual review of the credit history and business operation of the borrower; and

(B) an annual review of the continued eligibility of the borrower for the loan;

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

(4) such provision for supervision of the borrower's operations as the Secretary shall deem necessary to achieve the objectives of the loan and protect the interests of the United States; and

(5) the application of a person who is a veteran of any war, as defined in section 101(12) of title 38, United States Code, for a loan under subtitle A or B to be given preference over a similar application from a person who is not a veteran of any war, if the applications are on file in a county or area office at the same time.

SEC. 333A. [7 U.S.C. 1983a] (a)(1) The Secretary shall approve or disapprove an application for a loan or loan guarantee made under this title, and notify the applicant of such action, not later than 60 days after the Secretary has received a complete application for such loan or loan guarantee.

(2)(A) If an application for a loan or loan guarantee under this title (other than under subtitle B) is incomplete, the Secretary shall inform the applicant of the reasons such application is incomplete not later than 20 days after the Secretary has received such application.

(B)(i) Not later than 10 calendar days after the Secretary receives an application for an operating loan or loan guarantee under subtitle B, the Secretary shall notify the applicant of any information required before a decision may be made on the application. On receipt of an application, the Secretary shall request from other parties such information as may be needed in connection with the application.

(ii) Not later than 15 calendar days after the date an agency of the Department of Agriculture receives a request for information made pursuant to clause (i), the agency shall provide the Secretary with the requested information.

(iii) If, not later than 20 calendar days after the date a request is made pursuant to clause (i) with respect to an application, the Secretary has not received the information requested, the Secretary shall notify the applicant and the district office of the Farmers Home Administration, in writing, of the outstanding information.

(iv) A county office shall notify the district office of the Farmers Home Administration of each application for an operating loan

or loan guarantee under subtitle B that is pending more than 45 days after receipt, and the reasons the application is pending.

(v) A district office that receives a notice provided under clause (iv) with respect to an application shall immediately take steps to ensure that final action is taken on the application not later than 15 days after the date of the receipt of the notice.

(vi) The district office shall report to the State office of the Farmers Home Administration on each application for an operating loan or loan guarantee under subtitle B that is pending more than 45 days after receipt by the county committee, and the reasons the application is pending.

(vii) Each month, the Secretary shall notify the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, on a State-by-State basis, as to each application for an operating loan or loan guarantee under subtitle B on which final action had not been taken within 60 calendar days after receipt by the Secretary, and the reasons final action had not been taken.

(3) If an application for a loan or loan guarantee under this title is disapproved by the Secretary, the Secretary shall state the reasons for the disapproval in the notice required under paragraph (1).

(4)(A) Notwithstanding paragraph (1), each application for a loan or loan guarantee under section 310B(a), or for a loan under section 306(a), that is to be disapproved by the Secretary solely because the Secretary lacks the necessary amount of funds to make the loan or guarantee shall not be disapproved but shall be placed in pending status.

(B) The Secretary shall retain the pending application and reconsider the application beginning on the date that sufficient funds become available.

(C) Not later than 60 days after funds become available regarding each pending application, the Secretary shall notify the applicant of the approval or disapproval of funding for the application.

(b)(1) Except as provided in paragraph (2), if an application for an insured loan under this title is approved by the Secretary, the Secretary shall provide the loan proceeds to the applicant not later than 15 days (or such longer period as the applicant may approve) after the application for the loan is approved by the Secretary.

(2) If the Secretary is unable to provide the loan proceeds to the applicant within such 15-day period because sufficient funds are not available to the Secretary for such purpose, the Secretary shall provide the loan proceeds to the applicant as soon as practicable (but in no event later than 15 days unless the applicant agrees to a longer period) after sufficient funds for such purpose become available to the Secretary.

(c) If an application for a loan or loan guarantee under this title is disapproved by the Secretary, but such action is subsequently reversed or revised as the result of an appeal within the Department of Agriculture or to the courts of the United States and the application is returned to the Secretary for further consideration, the Secretary shall act on the application and provide the applicant with notice of the action within 15 days after return of the application to the Secretary.

(d) In carrying out the approved lender program established by exhibit A to subpart B of part 1980 of title 7, Code of Federal Regulations, the Secretary shall ensure that each request of a lending institution for designation as an approved lender under such program is reviewed, and a decision made on the application, not later than 15 days after the Secretary has received a complete application for such designation.

(e)(1) As soon as practicable after the date of enactment of the Food Security Act of 1985, the Secretary shall take such steps as are necessary to make personnel, including the payment of overtime for such personnel, and other resources of the Department of Agriculture available to the Farmers Home Administration as are sufficient to enable the Farmers Home Administration to expeditiously process loan applications that are submitted by farmers and ranchers.

(2) In carrying out paragraph (1), the Secretary may use any authority of law provided to the Secretary, including—

(A) the Agricultural Credit Insurance Fund established under section 309; and

(B) the employment procedures used in connection with the emergency loan program established under subtitle C.

(f)(1) As used in this subsection:

(A) The term "approved lender" means a lender approved prior to the date of enactment of this subsection by the Secretary under the approved lender program established by exhibit A to subpart B of part 1980 of title 7, Code of Federal Regulations (as in effect on January 1, 1991), or a lender certified under section 114 [1].

(B) The term "seasoned direct loan borrower" means a borrower receiving a direct loan under this title who has been classified as "commercial" or "standard" under subpart W of part 2006 of the Instruction Manual (as in effect on January 1, 1991).

(2) The Secretary, or a contracting third party, shall annually review under section 360 the loans of each seasoned loan borrower. If, based on the review, it is determined that a borrower would be able to obtain a loan, guaranteed by the Secretary, from a commercial or cooperative lender at reasonable rates and terms for loans for similar purposes and periods of time, the Secretary shall assist the borrower in applying for the commercial or cooperative loan.

(3) In accordance with section 362, the Secretary shall prepare a prospectus on each seasoned direct loan borrower determined eligible to obtain a guaranteed loan. The prospectus shall contain a description of the amounts of loan guarantee and interest assistance that the Secretary will provide to the seasoned direct loan borrower to enable the seasoned direct loan borrower to carry out a financially viable farming plan if a guaranteed loan is made.

(4) VERIFICATION.—

(A) IN GENERAL.—The Secretary shall provide a prospectus of a seasoned direct loan borrower to each approved lender whose lending area includes the location of the seasoned direct loan borrower.

[1] So in law. Probably should be a reference to section 339.

(B) NOTIFICATION.—The Secretary shall notify each borrower of a loan that a prospectus has been provided to a lender under subparagraph (A).

(C) CREDIT EXTENDED.—If the Secretary receives an offer from an approved lender to extend credit to the seasoned direct loan borrower under terms and conditions contained in the prospectus, the seasoned direct loan borrower shall not be eligible for an insured loan from the Secretary under subtitle A or B, except as otherwise provided in this subsection.

(5) If the Secretary is unable to provide loan guarantees and, if necessary, interest assistance to the seasoned direct loan borrower under this subsection in amounts sufficient to enable the seasoned direct loan borrower to borrow from commercial sources the amount required to carry out a financially viable farming plan, or if the Secretary does not receive an offer from an approved lender to extend credit to a seasoned direct loan borrower under the terms and conditions contained in the prospectus, the Secretary shall make an insured loan to the seasoned direct loan borrower under subtitle A or B, whichever is applicable.

(6) To the extent necessary for the borrower to obtain a loan, guaranteed by the Secretary, from a commercial or cooperative lender, the Secretary shall provide interest rate reductions as provided for under section 351.

(g) SIMPLIFIED APPLICATION FORMS FOR LOAN GUARANTEES.—

(1) IN GENERAL.—The Secretary shall provide to lenders a short, simplified application form for guarantees under this title of—

(A) farmer program loans the principal amount of which is $125,000 or less; and

(B) business and industry guaranteed loans under section 310B(a)(1) the principal amount of which is—

(i) in the case of a loan guarantee made during fiscal year 2002 or 2003, $400,000 or less; and

(ii) in the case of a loan guarantee made during any subsequent fiscal year—

(I) $400,000 or less; or

(II) if the Secretary determines that there is not a significant increased risk of a default on the loan, $600,000 or less.

(2) WATER AND WASTE DISPOSAL GRANTS AND LOANS.—The Secretary shall develop an application process that accelerates, to the maximum extent practicable, the processing of applications for water and waste disposal grants or direct or guaranteed loans under paragraph (1) or (2) of section 306(a) the grant award amount or principal loan amount, respectively, of which is $300,000 or less.

(3) ADMINISTRATION.—In developing an application under this subsection, the Secretary shall—

(A) consult with commercial and cooperative lenders; and

(B) ensure that—

(i) the form can be completed manually or electronically, at the option of the lender;

(ii) the form minimizes the documentation required to accompany the form;

(iii) the cost of completing and processing the form is minimal; and

(iv) the form can be completed and processed in an expeditious manner.

[SEC. 333B. Repealed by section 281(c) of Public Law 103–354.]

SEC. 333C. [7 U.S.C. 1983c] PROVISION OF INFORMATION TO BORROWERS.

(a) IN GENERAL.—On request of a farm borrower of a farmer program loan, the Secretary shall make available to the borrower the following:

(1) One copy of each document signed by the borrower.

(2) One copy of each appraisal performed with respect to the loan.

(3) All documents that the Secretary otherwise is required to provide to the borrower under any law or rule of law in effect on the date of such request.

(b) CONSTRUCTION OF SECTION.—Subsection (a) shall not be construed to supersede any duty imposed on the Secretary by any law or rule of law in effect immediately before the date of the enactment of this section, unless such duty is in direct conflict with any duty imposed by subsection (a).

SEC. 334. [7 U.S.C. 1984] All property subject to a lien held by the United States or the title to which is acquired or held by the Secretary under this title other than property used for administrative purposes shall be subject to taxation by State, territory, district, and local political subdivisions in the same manner and to the same extent as other property is taxed: *Provided, however,* That no tax shall be imposed or collected on or with respect to any instrument if the tax is based on—

(1) the value of any notes or mortgages or other lien instruments held by or transferred to the Secretary;

(2) any notes or lien instruments administered under this title which are made, assigned, or held by a person otherwise liable for such tax; or

(3) the value of any property conveyed or transferred to the Secretary,

whether as a tax on the instrument, the privilege of conveying or transferring or the recordation thereof; nor shall the failure to pay or collect any such tax be a ground for refusal to record or file such instruments, or for failure to impart notice, or prevent the enforcement of its provisions in any State or Federal court.

SEC. 335. [7 U.S.C. 1985] (a) The Secretary is authorized and empowered to make advances, without regard to any loan or total indebtedness limitation, to preserve and protect the security for or the lien or priority of the lien securing any loan or other indebtedness owing to, insured by, or acquired by the Secretary under this title or under any other programs administered by the Farmers Home Administration or the Rural Development Administration; to bid for and purchase at any execution, foreclosure, or other sale or otherwise to acquire property upon which the United States has a lien by reason of a judgment or execution arising from, or which

is pledged, mortgaged, conveyed, attached, or levied upon to secure the payment of, any such indebtedness whether or not such property is subject to other liens, to accept title to any property so purchased or acquired; and to sell, manage, or otherwise dispose of such property as hereinafter provided.

(b) Except as provided in subsections (c) and (e), real property administered under the provisions of this title may be operated or leased by the Secretary for such period or periods as the Secretary may deem necessary to protect the Government's investment therein.

(c) SALE OF PROPERTY.—

(1) IN GENERAL.—Subject to this subsection and subsection (e)(1)(A), the Secretary shall offer to sell real property that is acquired by the Secretary under this title using the following order and method of sale:

(A) ADVERTISEMENT.—Not later than 15 days after acquiring real property, the Secretary shall publicly advertise the property for sale.

(B) BEGINNING FARMER OR RANCHER.—

(i) IN GENERAL.—Not later than 135 days after acquiring real property, the Secretary shall offer to sell the property to a qualified beginning farmer or rancher at current market value based on a current appraisal.

(ii) RANDOM SELECTION.—If more than 1 qualified beginning farmer or rancher offers to purchase the property, the Secretary shall select between the qualified applicants on a random basis.

(iii) APPEAL OF RANDOM SELECTION.—A random selection or denial by the Secretary of a beginning farmer or rancher for farm inventory property under this subparagraph shall be final and not administratively appealable.

(iv) COMBINING AND DIVIDING OF PROPERTY.—To the maximum extent practicable, the Secretary shall maximize the opportunity for beginning farmers and ranchers to purchase real property acquired by the Secretary under this title by combining or dividing inventory parcels of the property in such manner as the Secretary determines to be appropriate.

(C) PUBLIC SALE.—If no acceptable offer is received from a qualified beginning farmer or rancher under subparagraph (B) not later than 135 days after acquiring the real property, the Secretary shall, not later than 30 days after the 135-day period, sell the property after public notice at a public sale, and, if no acceptable bid is received, by negotiated sale, at the best price obtainable.

(2) PREVIOUS LEASE.—In the case of real property acquired before April 4, 1996, that the Secretary leased before April 4, 1996, not later than 60 days after the lease expires, the Secretary shall offer to sell the property in accordance with paragraph (1).

(3) INTEREST.—

(A) IN GENERAL.—Subject to subparagraph (B), any conveyance of real property under this subsection shall include all of the interest of the United States in the property, including mineral rights.

(B) CONSERVATION.—The Secretary may for conservation purposes grant or sell an easement, restriction, development right, or similar legal right to real property to a State, a political subdivision of a State, or a private nonprofit organization separately from the underlying fee or other rights to the property owned by the United States.

(4) OTHER LAW.—The Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 et seq.) shall not apply to any exercise of authority under this title.

(5) LEASE OF PROPERTY.—

(A) IN GENERAL.—Subject to subparagraph (B), the Secretary may not lease any real property acquired under this title.

(B) EXCEPTION.—

(i) BEGINNING FARMER OR RANCHER.—The Secretary may lease or contract to sell to a beginning farmer or rancher a farm or ranch acquired by the Secretary under this title if the beginning farmer or rancher qualifies for a credit sale or direct farm ownership loan under subtitle A but credit sale authority for loans or direct farm ownership loan funds, respectively, are not available.

(ii) TERM.—The term of a lease or contract to sell to a beginning farmer or rancher under clause (i) shall be until the earlier of—

(I) the date that is 18 months after the date of the lease or sale; or

(II) the date that direct farm ownership loan funds or credit sale authority for loans becomes available to the beginning farmer or rancher.

(iii) INCOME-PRODUCING CAPABILITY.—In determining the rental rate on real property leased under this subparagraph, the Secretary shall consider the income-producing capability of the property during the term that the property is leased.

(6) EXPEDITED DETERMINATION.—

(A) IN GENERAL.—On the request of an applicant, not later than 30 days after denial of the applicant's application, the appropriate State director shall provide an expedited review and determination of whether the applicant is a beginning farmer or rancher for the purpose of acquiring farm inventory property.

(B) APPEAL.—The determination of a State Director under subparagraph (A) shall be final and not administratively appealable.

(C) EFFECTS OF DETERMINATIONS.—

(i) IN GENERAL.—The Secretary shall maintain statistical data on the number and results of determinations made under subparagraph (A) and the effect of the determinations on—

(I) selling farm inventory property to beginning farmers and ranchers; and

(II) disposing of real property in inventory.

(ii) NOTIFICATION.—The Secretary shall notify the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate if the Secretary determines that the review process under subparagraph (A) is adversely affecting the selling of farm inventory property to beginning farmers or ranchers or the disposing of real property in inventory.

(d) With respect to any real property administered under this title, the Secretary is authorized to grant or sell easements or rights-of-way for roads, utilities, and other appurtenances not inconsistent with the public interest. With respect to any rights-of-way over land on which the United States has a lien administered under this title, the Secretary may release said lien upon payment to the United States of adequate consideration, and the interest of the United States arising under any such lien may be acquired for highway purposes by any State or political subdivision thereof in condemnation proceedings under State law by service by certified mail upon the United States attorney for the district, the State Director of the Farmers Home Administration for the State in which the farm is located, and the Attorney General of the United States: *Provided, however,* That the United States shall not be required to appear, answer, or respond to any notice or writ sooner than ninety days from the time such notice or writ is returnable or purports to be effective, and the taking or vesting of title to the interest of the United States shall not become final under any proceeding, order, or decree until adequate compensation and damages have been finally determined and paid to the United States or into the registry of the court.

(e)(1)(A)(i) Except as provided in subparagraph (D), if—

(I) the Secretary acquires property under this title that is located within an Indian reservation; and

(II) the borrower-owner is the Indian tribe that has jurisdiction over the reservation in which the real property is located or the borrower-owner is a member of such Indian tribe;

the Secretary shall dispose of or administer the property only as provided for in this subparagraph.

(ii) For purposes of this subparagraph, the term "Indian reservation" means all land located within the limits of any Indian reservation under the jurisdiction of the United States, notwithstanding the issuance of any patent, and, including rights-of-way running through the reservation; trust or restricted land located within the boundaries of a former reservation of a federally recognized Indian tribe in the State of Oklahoma; or all Indian allotments the Indian titles to which have not been extinguished if such allotments are subject to the jurisdiction of a federally recognized Indian tribe.

(iii) Not later than 90 days after acquiring the property, the Secretary shall afford an opportunity to purchase or lease the real property in accordance with the order of priority established under clause (iv) by the Indian tribe having jurisdiction over the Indian

reservation within which the real property is located or, if no order of priority is established by such Indian tribe under clause (iv), in the following order:

(I) to an Indian member of the Indian tribe that has jurisdiction over the reservation within which the real property is located;

(II) to an Indian corporate entity;

(III) to such Indian tribe.

(iv) The governing body of any Indian tribe having jurisdiction over an Indian reservation may revise the order of priority provided in clause (iii) under which lands located within such reservation shall be offered for purchase or lease by the Secretary under clause (iii) and may restrict the eligibility for such purchase or lease to—

(I) persons who are members of such Indian tribe,

(II) Indian corporate entities that are authorized by such Indian tribe to lease or purchase lands within the boundaries of such reservation, or

(III) such Indian tribe itself.

(v) If real property described in clause (i) is not purchased or leased under clause (iii) and the Indian tribe having jurisdiction over the reservation within which the real property is located is unable to purchase or lease the real property, the Secretary shall transfer the real property to the Secretary of the Interior who shall administer the real property as if the real property were held in trust by the United States for the benefit of such Indian tribe. From the rental income derived from the lease of the transferred real property, and all other income generated from the transferred real property, the Secretary of the Interior shall pay those State, county, municipal, or other local taxes to which the transferred real property was subject at the time of acquisition by the Secretary, until the earlier of—

(I) the expiration of the 4-year period beginning on the date on which the real property is so transferred, or

(II) such time as the lands are transferred into trust pursuant to clause (viii).

(vi) At any time any real property is transferred to the Secretary of the Interior under clause (v), the Secretary of Agriculture shall be deemed to have no further responsibility under this Act for collection of any amounts with regard to the farm program loan which had been secured by such real property, nor with regard to any lien arising out of such loan transaction, nor for repayments of any amount with regard to such loan transactions or liens to the Treasury of the United States, and the Secretary of the Interior shall be deemed to have succeeded to all right, title and interest of the Secretary of Agriculture in such real estate arising from the farm program loan transaction, including the obligation to remit to the Treasury of the United States, in repayment of the original loan, those amounts provided in clause (vii).

(vii) After the payment of any taxes which are required to be paid under clause (v), all remaining rental income derived from the lease of the real property transferred to the Secretary of the Interior under clause (v), and all other income generated from the real property transferred to the Secretary of the Interior under clause

(v), shall be deposited as miscellaneous receipts in the Treasury of the United States until the amount deposited is equal to the lesser of—

(I) the amount of the outstanding lien of the United States against such real property, as of the date the real property was acquired by the Secretary;

(II) the fair market value of the real property, as of the date of the transfer to the Secretary of the Interior; or

(III) the capitalized value of the real property, as of the date of the transfer to the Secretary of the Interior.

(viii) When the total amount that is required to be deposited under clause (vii) with respect to any real property has been deposited into the Treasury of the United States, title to the real property shall be held in trust by the United States for the benefit of the Indian tribe having jurisdiction over the Indian reservation within which the real property is located.

(ix) Notwithstanding any other clause of this subparagraph, the Indian tribe having jurisdiction over the Indian reservation within which the real property described in clause (i) is located may, at any time after the real property has been transferred to the Secretary of the Interior under clause (v), offer to pay the remaining amount on the lien, or the fair market value of the real property, whichever is less. Upon payment of such amount, title to such real property shall be held by the United States in trust for the tribe and such trust or restricted lands that have been acquired by the Secretary under foreclosure or voluntary transfer under a loan made or insured under this title and transferred to an Indian person, entity, or tribe under the provisions of this subparagraph shall be deemed to have never lost trust or restricted status.

(x) This subparagraph shall apply to all lands in the land inventory established under this title (as of the date of enactment of this clause) that were (immediately prior to such date) owned by an Indian borrower-owner described in clause (i) and that are situated within an Indian reservation (as defined in clause (ii)), regardless of the date of foreclosure or acquisition by the Secretary. The Secretary shall afford an opportunity to a tribal member, an Indian corporate entity, or the tribe to purchase or lease the real property as provided in clause (iii). If the right is not exercised or no expression of intent to exercise such right is received within 180 days after the date of enactment of this clause, the Secretary shall transfer the real property to the Secretary of the Interior as provided in clause (v).

(B) The rights provided in this subsection shall be in addition to any such right of first refusal under the law of the State in which the property is located.

(C) As used in this paragraph, the term "borrower-owner" means—

(i) a borrower from whom the Secretary acquired real farm or ranch property (including the principal residence of the borrower) used to secure any loan made to the borrower under this title; or

(ii) in any case in which an owner of property pledged the property to secure the loan and the owner is different than the borrower, the owner.

(D)(i) If—

(I) the real property described in subparagraph (A)(i) is located within an Indian reservation;

(II) the borrower-owner is an Indian tribe that has jurisdiction over the reservation in which the real property is located or the borrower-owner is a member of an Indian tribe;

(III) the borrower-owner has obtained a loan made, insured, or guaranteed under this title; and

(IV) the borrower-owner and the Secretary have exhausted all of the procedures provided for in this title to permit a borrower-owner to retain title to the real property, such that it is necessary for the borrower-owner to relinquish title,

the Secretary shall dispose of or administer the property only as provided in subparagraph (A), as modified by this subparagraph.

(ii) The Secretary shall provide the borrower-owner of real property that is described in clause (i) with written notice of—

(I) the right of the borrower-owner to voluntarily convey the real property to the Secretary; and

(II) the fact that real property so conveyed will be placed in the inventory of the Secretary.

(iii) The Secretary shall provide the borrower-owner of the real property with written notice of the rights and protections provided under this title to the borrower-owner, and the Indian tribe that has jurisdiction over the reservation in which the real property is located, from foreclosure or liquidation of the real property, including written notice of—

(I) the provisions of subparagraph (A), this subparagraph, and subsection (g)(6);

(II) if the borrower-owner does not voluntarily convey the real property to the Secretary, that—

(aa) the Secretary may foreclose on the property;

(bb) in the event of foreclosure, the property will be offered for sale;

(cc) the Secretary must offer a bid for the property that is equal to the fair market value of the property or the outstanding principal and interest of the loan, whichever is higher;

(dd) the property may be purchased by another party; and

(ee) if the property is purchased by another party, the property will not be placed in the inventory of the Secretary and the borrower-owner will forfeit the rights and protections provided under this title; and

(III) the opportunity of the borrower-owner to consult with the Indian tribe that has jurisdiction over the reservation in which the real property is located or counsel to determine if State or tribal law provides rights and protections that are more beneficial than those provided the borrower-owner under this title.

(iv)(I) Except as provided in subclause (II), the Secretary shall accept the voluntary conveyance of real property described in clause (i).

(II) If a hazardous substance (as defined in section 101(14) of the Comprehensive Environmental Response, Compensation, and

Liability Act of 1980 (42 U.S.C. 9601(14))) is located on the property and the Secretary takes remedial action to protect human health or the environment if the property is taken into inventory, the Secretary shall accept the voluntary conveyance of the property only if the Secretary determines that it is in the best interests of the Federal Government.

(v) FORECLOSURE PROCEDURES.—

(I) NOTICE TO BORROWER.—If an Indian borrower-owner does not voluntarily convey to the Secretary real property described in clause (i), not less than 30 days before a foreclosure sale of the property, the Secretary shall provide the Indian borrower-owner with the option of—

(aa) requiring the Secretary to assign the loan and security instruments to the Secretary of the Interior, if the Secretary of the Interior agrees to an assignment releasing the Secretary of Agriculture from all further responsibility for collection of any amounts with regard to the loan secured by the real property; or

(bb) requiring the Secretary to assign the loan and security instruments to the tribe having jurisdiction over the reservation in which the real property is located, if the tribe agrees to the assignment.

(II) NOTICE TO TRIBE.—If an Indian borrower-owner does not voluntarily convey to the Secretary real property described in clause (i), not less than 30 days before a foreclosure sale of the property, the Secretary shall provide written notice to the Indian tribe that has jurisdiction over the reservation in which the real property is located of—

(aa) the sale;

(bb) the fair market value of the property; and

(cc) the requirements of this subparagraph.

(III) ASSUMED LOANS.—If an Indian tribe assumes a loan under subclause (I)—

(aa) the Secretary shall not foreclose the loan because of any default that occurred prior to the date of the assumption;

(bb) the loan shall be for the lesser of the outstanding principal and interest of the loan or the fair market value of the property; and

(cc) the loan shall be treated as though the loan was made under Public Law 91–229 (25 U.S.C. 488 et seq.).

(vi)(I) Except as provided in subclause (II), at a foreclosure sale of real property described in clause (i), the Secretary shall offer a bid for the property that is equal to the higher of—

(aa) the fair market value of the property; or

(bb) the outstanding principal and interest of the loan.

(II) If a hazardous substance (as defined in section 101(14) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9601(14))) is located on the property and the Secretary takes remedial action to protect human health or the environment if the property is taken into inventory, subclause (I) shall apply only if the Secretary determines that it is in the best interests of the Federal Government.

(2) The Secretary shall not offer for sale or sell any such farmland if the placing of such farmland on the market will have a detrimental effect on the value of farmland in the area.

(3)(A) The Secretary may sell farmland administered under this title through an installment sale or similar device that contains such terms as the Secretary considers necessary to protect the investment of the Federal Government in such land.

(B) The Secretary may subsequently sell any contract entered into to carry out subparagraph (A).

(4) In the case of farmland administered under this title that is highly erodible land (as defined in section 1201 of the Food Security Act of 1985), the Secretary may require the use of specified conservation practices on such land as a condition of the sale or lease of such land.

(5) Notwithstanding any other provisions of law, compliance by the Secretary with this subsection shall not cause any acreage allotment, marketing quota, or acreage base assigned to such property to lapse, terminate, be reduced, or otherwise be adversely affected.

(6) In the event of any conflict between any provision of this subsection and any provision of the law of any State providing a right of first refusal to the owner of farmland or the operator of a farm before the sale or lease of land to any other person, such provision of State law shall prevail.

(f)(1) As used in this subsection, the term "normal income security" means all security not considered basic security, including crops, livestock, poultry products, Agricultural Stabilization and Conservation Service payments and Commodity Credit Corporation payments, and other property covered by Farmers Home Administration liens that is sold in conjunction with the operation of a farm or other business, but shall not include any equipment (including fixtures in States that have adopted the Uniform Commercial Code), or foundation herd or flock, that is the basis of the farming or other operation, and is the basic security for a Farmers Home Administration farmer program loan.

(2) The Secretary shall release from the normal income security provided for such loan an amount sufficient to pay for the essential household and farm operating expenses of the borrower, until such time as the Secretary accelerates such loan.

(3) A borrower whose account was accelerated on or after November 1, 1985, and on or before May 7, 1987, but not thereafter foreclosed on or liquidated, shall be entitled to the release of security income for a period of 12 months, to pay the essential household and farm operating expenses of such borrower in an amount not to exceed $18,000 over 12 months, if such borrower—

(A) as of October 30, 1987, continued to be actively engaged in the farming operations for which the Secretary had made the farmer program loan; and

(B) as of the deadline for responding to the notice provided for under paragraph (5), requests restructuring of such loans pursuant to section 353.

(4) The county committee in the county in which borrower's land is located shall determine whether the borrower has complied with the requirements of paragraph (3)(A).

(5)(A) Within 45 days after the date of the enactment of this subsection, the Secretary shall provide to the borrowers described in paragraph (3) notice by certified mail of the right of such borrowers to apply for the benefits under such paragraph.

(B) Releases under such paragraph shall be made to qualified borrowers who have responded to the notice within 30 days after receipt.

(C) Within 12 months after a borrower has requested restructuring under section 353, the Secretary shall make a final determination on the request. Notwithstanding the 12-month limitation provided for in paragraph (3), releases shall continue to be made to the borrower until a denial or dismissal of the application of the borrower for restructuring under section 353 is made. The amount of essential household and farm operating expenses which may be released to any borrower eligible for such releases after 12 months may exceed $18,000, by an amount proportionate to the period of time beyond 12 months before a final determination is made by the Secretary.

(6) If a borrower is required to plan for or to report on how proceeds from the sale of collateral property will be used, the Secretary shall—

(A) notify the borrower of such requirement; and

(B) notify the borrower of the right to the release of funds under this section and the means by which a request for the funds may be made.

(7) The Secretary shall issue regulations consistent with this section that—

(A) ensure the release of funds to each borrower; and

(B) establish guidelines for releases under paragraph (3), including a list of expenditures for which funds will normally be released.

(g) EASEMENTS ON INVENTORIED PROPERTY.—

(1) IN GENERAL.—Subject to paragraph (2), in the disposal of real property under this section, the Secretary shall establish perpetual wetland conservation easements to protect and restore wetlands or converted wetlands that exist on inventoried property.

(2) LIMITATION.—The Secretary shall not establish a wetland conservation easement on an inventoried property that—

(A) was cropland on the date the property entered the inventory of the Secretary; or

(B) was used for farming at any time during the period beginning on the date 5 years before the property entered the inventory of the Secretary and ending on the date the property entered the inventory of the Secretary.

(3) NOTIFICATION.—The Secretary shall provide prior written notification to a borrower considering preservation loan servicing that a wetlands conservation easement may be placed on land for which the borrower is negotiating a lease option.

(4) APPRAISED VALUE.—The appraised value of the farm shall reflect the value of the land due to the placement of wetland conservation easements.

SEC. 336. [7 U.S.C. 1986] (a) No officer, attorney, or other employee of the Secretary shall, directly or indirectly, be the beneficiary of or receive any fee, commission, gift, or other consideration for or in connection with any transaction or business under this title other than such salary, fee, or other compensation as he may receive as such officer, attorney, or employee.

(b) Except as otherwise provided in this subsection, no officer or employee of the Department of Agriculture who acts on or reviews an application made by any person under this title for a loan to purchase land may acquire, directly or indirectly, any interest in such land for a period of three years after the date on which such action is taken or such review is made. This prohibition shall not apply to a former member of a county committee upon a determination by the Secretary, prior to the acquisition of such interest, that such former member acted in good faith when acting on or reviewing such application.

(c) No member of a county committee shall knowingly make or join in making any certification with respect to a loan to purchase any land in which he or any person related to him within the second degree of consanguinity or affinity has or may acquire any interest or with respect to any applicant related to him within the second degree of consanguinity or affinity.

(d) Any person violating any provision of this section shall, upon conviction thereof, be punished by a fine of not more than $2,000 or imprisonment for not more than two years, or both.

SEC. 337. [7 U.S.C. 1987] (a) The Secretary may provide voluntary debt adjustment assistance between farmers and their creditors and may cooperate with State, territorial, and local agencies and committees engaged in such debt adjustment, and may give credit counseling.

(b)(1) As used in this subsection, the term "summary period" means—

(A) the period beginning on the date of enactment of the Food Security Act of 1985 and ending on the date on which the first loan summary statement is issued after such date of enactment; or

(B) the period beginning on the date of issuance of the preceding loan summary statement and ending on the date of issuance of the current loan summary statement.

(2) On the request of a borrower of a loan made or insured (but not guaranteed) under this title, the Secretary shall issue to such borrower a loan summary statement that reflects the account activity during the summary period for each loan made or insured under this title to such borrower, including—

(A) the outstanding amount of principal due on each such loan at the beginning of the summary period;

(B) the interest rate charged on each such loan;

(C) the amount of payments made on and their application to each such loan during the summary period and an explanation of the basis for the application of such payments;

(D) the amount of principal and interest due on each such loan at the end of the summary period;

(E) the total amount of unpaid principal and interest on all such loans at the end of the summary period;

(F) any delinquency in the repayment of any such loan;

(G) a schedule of the amount and date of payments due on each such loan; and

(H) the procedure the borrower may use to obtain more information concerning the status of such loans.

SEC. 338. [7 U.S.C. 1988] (a) There is authorized to be appropriated to the Secretary such sums as the Congress may from time to time determine to be necessary to enable the Secretary to carry out the purposes of this title and for the administration of assets transferred to the Farmers Home Administration or the Rural Development Administration.

(b)(1)(A) The guaranteed portion of any loan made under this title may be sold by the lender, and by any subsequent holder, in accordance with regulations governing such sales as the Secretary shall establish, subject to the following limitations:

(i) All fees due the Secretary with respect to a guaranteed loan are to be paid in full before any sale.

(ii) The loan is to have been fully disbursed to the borrower before the sale.

(B) After a loan is sold in the secondary market, the lender shall remain obligated under its guarantee agreement with the Secretary, and shall continue to service the loan in accordance with the terms and conditions of such agreement.

(C) The Secretary shall develop such procedures as are necessary for the facilitation, administration, and promotion of secondary market operations, and for determining the increase of farmers' access to capital at reasonable rates and terms as a result of secondary market operations.

(D) This subsection shall not be interpreted to impede or extinguish the right of the borrower or the successor in interest to such borrower to prepay (in whole or in part) any loan made under this title, or to impede or extinguish the rights of any party under any provision of this title.

(2)(A) The Secretary may, directly or through a market maker approved by the Secretary, issue pool certificates representing ownership of part or all of the guaranteed portion of any loan guaranteed by the Secretary under this title. Such certificates shall be based on and backed by a pool established or approved by the Secretary and composed solely of the entire guaranteed portion of such loans.

(B) The Secretary may, on such terms and conditions as the Secretary deems appropriate, guarantee the timely payment of the principal and interest on pool certificates issued on behalf of the Secretary by approved market makers for purposes of this subsection. Such guarantee shall be limited to the extent of principal and interest on the guaranteed portions of loans that compose the pool. If a loan in such pool is prepaid, either voluntarily or by rea-

son of default, the guarantee of timely payment of principal and interest on the pool certificates shall be reduced in proportion to the amount of principal and interest such prepaid loan represents in the pool. Interest on prepaid or defaulted loans shall accrue and be guaranteed by the Secretary only through the date of payment on the guarantee. During the term of the pool certificate, the certificate may be called for redemption due to prepayment or default of all loans constituting the pool.

(C) The full faith and credit of the United States is pledged to the payment of all amounts that may be required to be paid under any guarantee of such pool certificates issued by approved market makers under this subsection. The Secretary may expend amounts in the Agricultural Credit Insurance Fund to make payments on such guarantees.

(D) The Secretary shall not collect any fee for any guarantee under this subsection. The preceding sentence shall not preclude the Secretary from collecting a fee for the functions described in paragraph (3).

(E) Within 30 days after a borrower of a guaranteed loan is in default of any principal or interest payment due for 60 days or more, the Secretary shall—

(i) purchase the pool certificates representing ownership of the guaranteed portion of the loan; and

(ii) pay the registered holder of the certificates an amount equal to the guaranteed portion of the loan represented by the certificate.

(F)(i) If the Secretary pays a claim under a guarantee issued under this subsection, the claim shall be subrogated fully to the rights satisfied by such payment, as may be provided by the Secretary.

(ii) No State or local law, and no Federal law, shall preclude or limit the exercise by the Secretary of the Secretary's ownership rights in the portions of loans constituting the pool against which the certificates are issued.

(3) On the adoption of final rules and regulations, the Secretary shall do the following:

(A) Provide for the central collection of registration information from all participating market makers for all loans and pool certificates sold under paragraphs (1) and (2). Such information shall include, with respect to each original sale and any subsequent sale, identification of the interest rate paid by the borrower to the lender, the lender's servicing fee, whether interest on the loan is at a fixed or variable rate, identification of each purchaser of a pool certificate, the interest rate paid on the certificate, and such other information as the Secretary deems appropriate.

(B) Before any sale, require the seller to disclose to each prospective purchaser of the portion of a loan guaranteed under this title and to each prospective purchaser of a pool certificate issued under paragraph (2), information on the terms, conditions, and yield of such instrument. As used in this subparagraph, if the instrument being sold is a loan, the term "seller" does not include (i) the person who made the loan or

(ii) any person who sells three or fewer guaranteed loans per year.

(C) Provide for adequate custody of any pooled guaranteed loans.

(D) Take such actions as are necessary, in restructuring pools of the guaranteed portion of loans, to minimize the estimated costs of paying claims under guarantees issued under this subsection.

(E) Require each market maker—

(i) to service all pools formed, and participations sold, by the market maker; and

(ii) to provide the Secretary with information relating to the collection and disbursement of all periodic payments, prepayments, and default funds from lenders, to or from the reserve fund that the Secretary shall establish to enable the timely payment guarantee to be self-funding, and from all beneficial holders.

(F) Regulate market makers in pool certificates sold under this subsection.

(4) The Secretary may contract for goods and services to be used for the purposes of this subsection without regard to the provisions of titles 5, 40, and 41, United States Code, and any regulations issued thereunder.

SEC. 339. [7 U.S.C. 1989] RULES AND REGULATIONS.

(a) IN GENERAL.—The Secretary is authorized to make such rules and regulations, prescribe the terms and conditions for making or insuring loans, security instruments and agreements, except as otherwise specified herein, and make such delegations of authority as he deems necessary to carry out this title.

(b) DEBT SERVICE MARGIN REQUIREMENTS.—Notwithstanding subsection (a), in providing farmer program loan guarantees under this title, the Secretary shall consider the income of the borrower adequate if the income is equal to or greater than the income necessary—

(1) to make principal and interest payments on all debt obligations of the borrower, in a timely manner;

(2) to cover the necessary living expenses of the family of the borrower; and

(3) to pay all other obligations and expenses of the borrower not financed through debt obligations referred to in paragraph (1).

(c) CERTIFIED LENDERS PROGRAM.—

(1) IN GENERAL.—The Secretary shall establish a program under which the Secretary shall guarantee loans for any purpose specified in subtitle B that are made by lending institutions certified by the Secretary.

(2) CERTIFICATION REQUIREMENTS.—The Secretary shall certify a lending institution that meets such criteria as the Secretary may prescribe in regulations, including the ability of the institution to properly make, service, and liquidate the loans of the institution.

(3) CONDITION OF CERTIFICATION.—As a condition of the certification, the Secretary shall require the institution to un-

dertake to service the loans guaranteed by the Secretary under this subsection, using standards that are not less stringent than generally accepted banking standards concerning loan servicing employed by prudent commercial or cooperative lenders. The Secretary shall, at least annually, monitor the performance of each certified lender to ensure that the conditions of the certification are being met.

(4) EFFECT OF CERTIFICATION.—Notwithstanding any other provision of law:

(A) The Secretary shall guarantee 80 percent of a loan made under this subsection by a certified lending institution as described in paragraph (1), subject to county committee certification that the borrower of the loan meets the eligibility requirements and such other criteria as may be applicable to loans guaranteed by the Secretary under other provisions of this title.

(B) With respect to loans to be guaranteed by the Secretary under this subsection, the Secretary shall permit certified lending institutions to make appropriate certifications (as provided by regulations issued by the Secretary)—

(i) relating to issues such as creditworthiness, repayment ability, adequacy of collateral, and feasibility of farm operation; and

(ii) that the borrower is in compliance with all requirements of law, including regulations issued by the Secretary.

(C) The Secretary shall approve or disapprove a guarantee not later than 14 calendar days after the date that the lending institution applied to the Secretary for the guarantee. If the Secretary rejects the loan application within the 14-day period, the Secretary shall state, in writing, all of the reasons the application was rejected.

(5) RELATIONSHIP TO OTHER REQUIREMENTS.—Neither this subsection nor subsection (d) shall affect the responsibility of the Secretary to certify eligibility, review financial information, and otherwise assess an application.

(d) PREFERRED CERTIFIED LENDERS PROGRAM.—

(1) IN GENERAL.—Commencing not later than two years after the date of enactment of the Agricultural Credit Improvement Act of 1992, the Secretary shall establish a Preferred Certified Lenders Program for lenders who establish their—

(A) knowledge of, and experience under, the program established under subsection (c);

(B) knowledge of the regulations concerning the guaranteed loan program; and

(C) proficiency related to the certified lender program requirements.

The Secretary shall certify any lending institution as a Preferred Certified Lender that meets such criteria as the Secretary may prescribe by regulation.

(2) REVOCATION OF DESIGNATION.—The designation of a lender as a Preferred Certified Lender shall be revoked at any time that the Secretary determines that such lender is not ad-

hering to the rules and regulations applicable to the program or if the loss experiences of a Preferred Certified Lender are excessive as compared to other Preferred Certified Lenders, except that such suspension or revocation shall not affect any outstanding guarantee.

(3) CONDITION OF CERTIFICATION.—As a condition of such preferred certification, the Secretary shall require the institution to undertake to service the loans guaranteed by the Secretary under this subsection using generally accepted banking standards concerning loan servicing employed by prudent commercial or cooperative lenders. The Secretary shall, at least annually, monitor the performance of each preferred certified lender[1] to ensure that the conditions of such certification are being met.

(4) EFFECT OF PREFERRED LENDER CERTIFICATION.—Notwithstanding any other provision of law, the Secretary shall—

(A) guarantee 80 percent of an approved loan made by a certified lending institution as described in this subsection, subject to county committee certification that the borrower meets the eligibility requirements or such other criteria as may be applicable to loans guaranteed by the Secretary under other provisions of this title;

(B) permit certified lending institutions to make all decisions, with respect to loans to be guaranteed by the Secretary under this subsection relating to credit worthiness, the closing, monitoring, collection and liquidation of loans, and to accept appropriate certifications, as provided by regulations issued by the Secretary, that the borrower is in compliance with all requirements of law or regulations promulgated by the Secretary; and

(C) be deemed to have guaranteed 80 percent of a loan made by a preferred certified lending institution as described in paragraph (1), if the Secretary fails to approve or reject the application of such institution within 14 calendar days after the date that the lending institution presented the application to the Secretary. If the Secretary rejects the application within the 14-day period, the Secretary shall state, in writing, the reasons the application was rejected.

(e) ADMINISTRATION OF CERTIFIED LENDERS AND PREFERRED CERTIFIED LENDERS PROGRAMS.—The Secretary may administer the loan guarantee programs under subsections (c) and (d) through central offices established in States or in multi-State areas.

SEC. 340. [7 U.S.C. 1990] The President may at any time in his discretion transfer to the Secretary any right, interest, or title held by the United States in any lands acquired in the program of national defense and no longer needed therefor, which the President shall find suitable for the purposes of this title, and the Secretary shall dispose of such lands in the manner and subject to the terms and conditions of the title.

SEC. 341. [7 U.S.C. 1921 note] (a) Reference to any provisions of the Bankhead-Jones Farm Tenant Act or the Act of August 28,

[1] In paragraph (3), "preferred cerified lender" should be capitalized.

1937 (50 Stat. 869), as amended, superseded by any provision of this title shall be construed as referring to the appropriate provision of this title. Titles I, II, and IV of the Bankhead-Jones Farm Tenant Act, as amended, and the Act of August 28, 1937 (50 Stat. 869), as amended, the Act of April 6, 1949 (63 Stat. 43), as amended, and the Act of August 31, 1954 (68 Stat. 999), as amended, are hereby repealed effective one hundred and twenty days after enactment hereof, or such earlier date as the provisions of this title are made effective by the Secretary's regulations except that the repeal of section 2(c) of the Act of April 6, 1949, shall not be effective prior to January 1, 1962. The foregoing provisions shall not have the effect of repealing the amendments to section 24, chapter 6 of the Federal Reserve Act, as amended, section 5200 of the Revised Statutes, section 35 of chapter III of the Act approved June 19, 1934 (D.C. Code, title 35, section 535), enacted by section 15 of the Bankhead-Jones Farm Tenant Act, as amended, and by section 10(f) of the Act of August 28, 1937 (50 Stat. 869), as amended.

(b) The repeal of any provision of law by this title shall not—

(1) affect the validity of any action taken or obligation entered into pursuant to the authority of any of said Acts, or

(2) prejudice the application of any person with respect to receiving assistance under the provisions of this title, solely because such person is obligated to the Secretary under authorization contained in any such repealed provision.

(c) If any provision of this title or the application thereof to any person or circumstance is held invalid, the remainder of the title and the application of such provision to other persons or circumstances shall not be affected thereby.

SEC. 342. [Omitted-Amendment]

SEC. 343. [7 U.S.C. 1991] (a) As used in this title:

(1) The term "farmer" includes a person who is engaged in, or who, with assistance afforded under this title, intends to engage in, fish farming.

(2) The term "farming" shall be deemed to include fish farming.

(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.

(4) The word "insure" as used in this title includes guarantee, which means to guarantee the payment of a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary.

(5) The term "contract of insurance" includes a contract of guarantee.

(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.

(7) The term "joint operation" means a joint farming operation in which two or more farmers work together sharing equally or unequally land, labor, equipment, expenses, and income.

(8) The term "beginning farmer or rancher" means such term as defined by the Secretary.

(9) The term "direct loan" means a loan made or insured from funds in the account created by section 309.

(10) The term "farmer program loan" means a farm ownership loan (FO) under section 303, operating loan (OL) under section 312, soil and water loan (SW) under section 304, emergency loan (EM) under section 321, economic emergency loan (EE) under section 202 of the Emergency Agricultural Credit Adjustment Act (title II of Public Law 95-334), economic opportunity loan (EO) under the Economic Opportunity Act of 1961 (42 U.S.C. 2942), softwood timber loan (ST) under section 1254 of the Food Security Act of 1985, or rural housing loan for farm service buildings (RHF) under section 502 of the Housing Act of 1949.

(11) The term "qualified beginning farmer or rancher" means an applicant, regardless of whether the applicant is participating in a program under section 310E—

(A) who is eligible for assistance under this title;

(B) who has not operated a farm or ranch, or who has operated a farm or ranch for not more than 10 years;

(C) in the case of a cooperative, corporation, partnership, or joint operation, who has members, stockholders, partners, or joint operators who are all related to one another by blood or marriage;

(D)(i) in the case of an owner and operator of a farm or ranch, who—

(I) in the case of a loan made to an individual, individually or with the immediate family of the applicant—

(aa) materially and substantially participates in the operation of the farm or ranch; and

(bb) provides substantial day-to-day labor and management of the farm or ranch, consistent with the practices in the State or county in which the farm or ranch is located; or

(II)(aa) in the case of a loan made to a cooperative, corporation, partnership, or joint operation, has members, stockholders, partners, or joint operators, materially and substantially participate in the operation of the farm or ranch; and

(bb) in the case of a loan made to a corporation, has stockholders, all of whom are qualified beginning farmers or ranchers; and

(ii) in the case of an applicant seeking to own and operate a farm or ranch, who—

(I) in the case of a loan made to an individual, individually or with the immediate family of the applicant, will—

(aa) materially and substantially participate in the operation of the farm or ranch; and

(bb) provide substantial day-to-day labor and management of the farm or ranch, consistent with the practices in the State or county in which the farm or ranch is located; or

(II)(aa) in the case of a loan made to a cooperative, corporation, partnership, or joint operation, will have members, stockholders, partners, or joint operators, materially and substantially participate in the operation of the farm or ranch; and

(bb) in the case of a loan made to a corporation, has stockholders, all of whom are qualified beginning farmers or ranchers;

(E) who agrees to participate in such loan assessment, borrower training, and financial management programs as the Secretary may require;

(F) who does not own land or who, directly or through interests in family farm corporations, owns land, the aggregate acreage of which does not exceed 30 percent of the median acreage of the farms or ranches, as the case may be, in the county in which the farm or ranch operations of the applicant are located, as reported in the most recent census of agriculture, except that this subparagraph shall not apply to a loan made or guaranteed under subtitle B; and

(G) who demonstrates that the available resources of the applicant and spouse (if any) of the applicant are not sufficient to enable the applicant to continue farming or ranching on a viable scale.

(12) DEBT FORGIVENESS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the term "debt forgiveness" means reducing or terminating a farmer program loan made or guaranteed under this title, in a manner that results in a loss to the Secretary, through—

(i) writing down or writing off a loan under section 353;

(ii) compromising, adjusting, reducing, or charging-off a debt or claim under section 331;

(iii) paying a loss on a guaranteed loan under section 357; or

(iv) discharging a debt as a result of bankruptcy.

(B) EXCEPTIONS.—The term 'debt forgiveness' does not include—

(i) consolidation, rescheduling, reamortization, or deferral of a loan; or

(ii) any write-down provided as part of a resolution of a discrimination complaint against the Secretary.

(13) RURAL AND RURAL AREA.—

(A) IN GENERAL.—Except as otherwise provided in this paragraph, the terms "rural" and "rural area" mean any area other than—

(i) a city or town that has a population of greater than 50,000 inhabitants; and

(ii) the urbanized area contiguous and adjacent to such a city or town.

(B) WATER AND WASTE DISPOSAL GRANTS AND DIRECT AND GUARANTEED LOANS.—For the purpose of water and waste disposal grants and direct and guaranteed loans provided under paragraphs (1), (2), and (24) of section 306(a), the terms "rural" and "rural area" mean a city, town, or unincorporated area that has a population of no more than 10,000 inhabitants.

(C) COMMUNITY FACILITY LOANS AND GRANTS.—For the purpose of community facility direct and guaranteed loans and grants under paragraphs (1), (19), (20), (21), and (24) of section 306(a), the terms "rural" and "rural area" mean a city, town, or unincorporated area that has a population of not more than 20,000 inhabitants.

(D) MULTIJURISDICTIONAL REGIONAL PLANNING ORGANIZATIONS; NATIONAL RURAL DEVELOPMENT PARTNERSHIP.—In sections 306(a)(23) and 378, the term "rural area" means—

(i) all the territory of a State that is not within the boundary of any standard metropolitan statistical area; and

(ii) all territory within any standard metropolitan statistical area within a census tract having a population density of less than 20 persons per square mile, as determined by the Secretary according to the most recent census of the United States as of any date.

(E) RURAL BUSINESS INVESTMENT PROGRAM.—In subtitle H, the term "rural area" means an area that is located—

(i) outside a standard metropolitan statistical area; or

(ii) within a community that has a population of 50,000 inhabitants or less.

(b) As used in sections 307(e), 331D, 335 (e) and (f), 338(b), 352 (b) and (c), 353, and 357:

(1) The term "borrower" means any farm borrower who has outstanding obligations to the Secretary under any farmer program loan, without regard to whether the loan has been accelerated, but does not include any farm borrower all of whose loans and accounts have been foreclosed on or liquidated, voluntarily or otherwise.

(2) The term "loan service program" means, with respect to a farmer program borrower, a primary loan service program or a preservation loan service program.

(3) The term "primary loan service program" means—

(A) loan consolidation, rescheduling, or reamortization;

(B) interest rate reduction, including the use of the limited resource program;

(C) loan restructuring, including deferral, set aside, or writing down of the principal or accumulated interest charges, or both, of the loan; or

(D) any combination of actions described in subparagraphs (A), (B), and (C).

(4) PRESERVATION LOAN SERVICE PROGRAM.—The term "preservation loan service program" means homestead retention as authorized under section 352.

SEC. 344. [7 U.S.C. 1992] No loan (other than one to a public body or nonprofit association (including Indian tribes on Federal and State reservations or other federally recognized Indian tribal groups) for community facilities or one of a type authorized by section 306(a)(1) prior to its amendment by the Rural Development Act of 1972) shall be made by the Secretary either for sale as an insured loan or otherwise under section 306(a)(1), 310B, or 312(c) unless the Secretary shall have determined that no other lender is willing to make such loan and assume 10 per centum of any loss sustained thereon. No contract guaranteeing any such loan by such other lender shall require the Secretary to guarantee more than 90 per centum of the principal and interest on such loan.

[SEC. 345. Repealed by Public Law 104–127, sec. 750, April 4, 1996, (110 Stat. 1129).]

SEC. 346. [7 U.S.C. 1994] (a) 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,.[1]

(b) AUTHORIZATION FOR LOANS.—

(1) IN GENERAL.—The Secretary may make or guarantee loans under subtitles A and B from the Agricultural Credit Insurance Fund provided for in section 309 for not more than $3,796,000,000 for each of fiscal years 2003 through 2007, of which, for each fiscal year—

(A) $770,000,000 shall be for direct loans, of which—

(i) $205,000,000 shall be for farm ownership loans under subtitle A; and

(ii) $565,000,000 shall be for operating loans under subtitle B; and

(B) $3,026,000,000 shall be for guaranteed loans, of which—

(i) $1,000,000,000 shall be for guarantees of farm ownership loans under subtitle A; and

(ii) $2,026,000,000 shall be for guarantees of operating loans under subtitle B.

(2) BEGINNING FARMERS AND RANCHERS.—

(A) DIRECT LOANS.—

[1] The amendment of subsection (a) made by section 641(1) of Public Law 104–127 (110 Stat. 1098) did not strike the comma.

(i) FARM OWNERSHIP LOANS.—

(I) IN GENERAL.—Of the amounts made available under paragraph (1) for direct farm ownership loans, the Secretary shall reserve 70 percent for qualified beginning farmers and ranchers.

(II) DOWN PAYMENT LOANS.—Of the amounts reserved for a fiscal year under subclause (I), the Secretary shall reserve 60 percent for the down payment loan program under section 310E until April 1 of the fiscal year.

(ii) OPERATING LOANS.—Of the amounts made available under paragraph (1) for direct operating loans, the Secretary shall reserve for qualified beginning farmers and ranchers—

(I) for each of fiscal years 1996 through 1998, 25 percent;

(II) for fiscal year 1999, 30 percent; and

(III) for each of fiscal years 2003 through 2007, 35 percent.

(iii) FUNDS RESERVED UNTIL SEPTEMBER 1.—Except as provided in clause (i)(II), funds reserved for qualified beginning farmers or ranchers under this subparagraph for a fiscal year shall be reserved only until September 1 of the fiscal year.

(B) GUARANTEED LOANS.—

(i) FARM OWNERSHIP LOANS.—Of the amounts made available under paragraph (1) for guarantees of farm ownership loans, the Secretary shall reserve 25 percent for qualified beginning farmers and ranchers.

(ii) OPERATING LOANS.—Of the amounts made available under paragraph (1) for guarantees of operating loans, the Secretary shall reserve 40 percent for qualified beginning farmers and ranchers.

iii) FUNDS RESERVED UNTIL APRIL 1.—Funds reserved for qualified beginning farmers or ranchers under this subparagraph for a fiscal year shall be reserved only until April 1 of the fiscal year.

(C) RESERVED FUNDS FOR ALL QUALIFIED BEGINNING FARMERS AND RANCHERS.—If a qualified beginning farmer or rancher meets the eligibility criteria for receiving a direct or guaranteed loan under section 302, 310E, or 311, the Secretary shall make or guarantee the loan if sufficient funds reserved under this paragraph are available to make or guarantee the loan.

(3) TRANSFER FOR DOWN PAYMENT LOANS.—

(A) IN GENERAL.—Notwithstanding subsection (a), subject to subparagraph (B)—

beginning on August 1 of each fiscal year, the Secretary shall use available unsubsidized guaranteed farm operating loan funds to provide direct farm ownership loans approved by the Secretary to qualified beginning farmers and ranchers under the down payment loan program established under section 310E, if

sufficient direct farm ownership loan funds are not otherwise available; and

(ii) beginning on September 1 of each fiscal year, the Secretary shall use available unsubsidized guaranteed farm operating loan funds to provide direct farm ownership loans approved by the Secretary to qualified beginning farmers and ranchers, if sufficient direct farm ownership loan funds are not otherwise available.

(B) LIMITATION.—The Secretary shall limit the transfer of funds under subparagraph (A) so that all guaranteed farm operating loans that have been approved, or will be approved, by the Secretary during the fiscal year will be made to the extent of available amounts.

(4) TRANSFER FOR CREDIT SALES OF FARM INVENTORY PROPERTY.—

(A) IN GENERAL.—Notwithstanding subsection (a), subject to subparagraphs (B) and (C), beginning on September 1 of each fiscal year, the Secretary may use available funds made available under subtitle C for the fiscal year to fund the credit sale of farm real estate in the inventory of the Secretary.

(B) SUPPLEMENTAL APPROPRIATIONS.—The transfer authority provided under subparagraph (A) shall not apply to any funds made available to the Secretary for any fiscal year under an Act making supplemental appropriations.

(C) LIMITATION.—The Secretary shall limit the transfer of funds under subparagraph (A) so that all emergency disaster loans that have been approved, or will be approved, by the Secretary during the fiscal year will be made to the extent of available amounts.

(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 Appropriations 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.

(d)(1) Notwithstanding any other provision of law, not less than 25 per centum of the loans for farm ownership purposes under subtitle A of this title, and not less than 25 per centum of the loans for farm operating purposes under subtitle B of this title, authorized to be insured, or made to be sold and insured, from the

Agricultural Credit Insurance Fund during each fiscal year shall be for low-income, limited-resource borrowers.

(2) The Secretary shall provide notification to farm borrowers under this title, as soon as practicable after the date of enactment of the Emergency Agricultural Credit Act of 1984 and in the normal course of loan making and loan servicing operations, of the provisions of this title relating to low-income, limited-resource borrowers and the procedures by which persons may apply for loans under the low-income, limited-resource borrower program.

SEC. 347. [7 U.S.C. 1995] 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.

SEC. 348. [7 U.S.C. 1996] 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.

SEC. 349. [7 U.S.C. 1997] (a) For purposes of this section:

(1) The term "governmental entity" means any agency of the United States, a State, or a unit of local government of a State.

(2) The terms "highly erodible land" and "wetland" have the meanings, respectively, that such terms are given in section 1201 of the Food Security Act of 1985.

(3) The term "wildlife" means fish or wildlife as defined in section 2(a) of the Lacey Act Amendments of 1981 (16 U.S.C. 3371(a)).

(4) The term "recreational purposes" includes hunting.

(b) CONTRACTS ON LOAN SECURITY PROPERTIES.—Subject to subsection (c), the Secretary may enter into a contract related to real property for conservation, recreation, or wildlife purposes.

(c) LIMITATIONS.—The Secretary may enter into a contract under subsection (b) if—

(1) such property is wetland, upland, or highly erodible land;

(2) such property is determined by the Secretary to be suitable for the purposes involved; and

(3)(A) such property secures any loan made under any law administered by the Secretary and held by the Secretary; and

(B) such contract better enables a qualified borrower to repay the loan in a timely manner, as determined by the Secretary.

(d) The terms and conditions specified in each such contract shall—

(1) specify the purposes for which such real property may be used;

(2) identify the conservation measures to be taken, and the recreational and wildlife uses to be allowed, with respect to such real property; and

(3) require such owner to permit the Secretary, and any person or governmental entity designated by the Secretary, to have access to such real property for the purpose of monitoring compliance with such contract.

(e)(1) Subject to paragraph (2), the Secretary may reduce or forgive the outstanding debt of a borrower—

(A) in the case of a borrower to whom the Secretary has made one or more outstanding loans under laws administered by the Secretary, by canceling that part of the aggregate amount of such outstanding loans that bears the same ratio to such aggregate amount as the number of acres of the real property of the borrower that are subject to the contract bears to the aggregate number of acres securing such loans; or

(B) in any other case, by treating as prepaid that part of the principal amount of a new loan to the borrower issued and held by the Secretary under a law administered by the Farmers Home Administration that bears the same ratio to such principal amount as the number of acres of the real property of the borrower that are subject to the contract bears to the aggregate number of acres securing the new loan.

(2) The amount so canceled or treated as prepaid pursuant to paragraph (1) shall not exceed—

(A) in the case of a delinquent loan, the value of the land on which the contract is entered into or the difference between the amount of the outstanding loan secured by the land and the value of the land, whichever is greater; or

(B) in the case of a nondelinquent loan, 33 percent of the amount of the loan secured by the land.

(f) If the Secretary elects to use the authority provided by this section, the Secretary shall consult with the Director of the Fish and Wildlife Service for purposes of—

(1) selecting real property in which the Secretary may enter into contracts under this section;

(2) formulating the terms and conditions of such contracts; and

(3) enforcing such contracts.

(g) The Secretary, and any person or governmental entity designated by the Secretary, may enforce a contract entered into by the Secretary under this section.

SEC. 350. [7 U.S.C. 1998] Notwithstanding any other provision of this title, the Secretary shall ensure that farm loan guarantee programs carried out under this title are designed so as to be responsive to borrower and lender needs and to include provisions under reasonable terms and conditions for advances, before comple-

tion of the liquidation process, of guarantee proceeds on loans in default.

SEC. 351. [7 U.S.C. 1999] INTEREST RATE REDUCTION PROGRAM.

(a) ESTABLISHMENT OF PROGRAM.—The Secretary shall establish and carry out in accordance with this section an interest rate reduction program for loans guaranteed under this title.

(b) Under such program, the Secretary shall enter into a contract with, and make payments to, a legally organized institution to reduce during the term of such contract the interest rate paid by a borrower on a guaranteed loan made by such institution if—

(1) the borrower—

(A) is unable to obtain sufficient credit elsewhere to finance the actual needs of the borrower at reasonable rates and terms, taking into consideration private and cooperative rates and terms for a loan for a similar purpose and period of time in the community in or near which the borrower resides;

(B) is otherwise unable to make payments on such loan in a timely manner; and

(C) has a total estimated cash income during the 24-month period beginning on the date such contract is entered into (including all farm and nonfarm income) that will equal or exceed the total estimated cash expenses to be incurred by the borrower during such period (including all farm and nonfarm expenses); and

(2) the lender reduces during the term of such contract the annual rate of interest payable on such loan by a minimum percentage specified in such contract.

(c) In return for a contract entered into by a lender under subsection (b) for the reduction of the interest rate paid on a loan, the Secretary shall make payments to the lender in an amount equal to not more than 100 percent of the cost of reducing the annual rate of interest payable on such loan, except that such payments may not exceed the cost of reducing such rate by more than 4 percent.

(d) The term of a contract entered into under this section to reduce the interest rate on a guaranteed loan may not exceed the outstanding term of such loan.

(e)(1) Notwithstanding any other provision of this title, the Agricultural Credit Insurance Fund established under section 309 may be used by the Secretary to carry out this section.

(2) MAXIMUM AMOUNT OF FUNDS.—

(A) IN GENERAL.—The total amount of funds used by the Secretary to carry out this section for a fiscal year shall not exceed $750,000,000.

(B) BEGINNING FARMERS AND RANCHERS.—

(i) IN GENERAL.—The Secretary shall reserve not less than 15 percent of the funds used by the Secretary under subparagraph (A) to make payments for guaranteed loans made to beginning farmers and ranchers.

(ii) DURATION OF RESERVATION OF FUNDS.—Funds reserved for beginning farmers or ranchers under

clause (i) for a fiscal year shall be reserved only until March 1 of the fiscal year.

(f) The Secretary shall make available to farmers, on request, a list of lenders in the area that participate in guaranteed farm loan programs and other lenders in the area that express a desire to participate in such programs and that request inclusion in the list.

(g) Notwithstanding any other provision of law, each contract of guarantee on a farm loan entered into under this title after the date of the enactment of this subsection shall contain a condition that the lender of the guaranteed loan may not initiate foreclosure action on the loan until 60 days after a determination is made with respect to the eligibility of the borrower thereof to participate in the program under this section.

SEC. 352. [7 U.S.C. 2000] (a) As used in this section:

(1) The term "Administrator" means the Administrator of the Small Business Administration.

(2) The term "borrower-owner" means—

(A) a borrower-owner of a loan made or insured by the Secretary or the Administrator who meets the eligibility requirements of subsection (c)(1); or

(B) in any case in which an owner of homestead property pledged the property to secure the loan and the owner is different than the borrower-owner, the owner.

(3) The term "farm program loan" means any loan made by the Administrator under the Small Business Act (15 U.S.C. 631 et seq.) for any of the purposes authorized for loans under subtitle A or B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.).

(4) The term "homestead property" means the principal residence and adjoining property possessed and occupied by a borrower-owner specified in paragraph (2) of this subsection, including a reasonable number of farm outbuildings located on the adjoining land that are useful to the occupants of the homestead, and no more than 10 acres of adjoining land that is used to maintain the family of the individual.

(5) The term "Secretary" means the Secretary of Agriculture.

(b)(1) The Secretary or the Administrator shall, on application by a borrower-owner who meets the eligibility requirements of subsection (c)(1), permit the borrower-owner to retain possession and occupancy of homestead property under the terms set forth, and until the action described in this section has been completed, if—

(A) the Secretary forecloses, holds in inventory on the date of the enactment of this paragraph, or takes into inventory, property securing a loan made or insured under this title;

(B) the Administrator forecloses, holds in inventory on the date of the enactment of this paragraph, or takes into inventory, property securing a farm program loan made under the Small Business Act (15 U.S.C. 631 et seq.); or

(C) the borrower-owner of a loan made or insured by the Secretary or the Administrator files a petition in bankruptcy that results in the conveyance of the homestead property to the

Secretary or the Administrator, or agrees to voluntarily liquidate or convey such property in whole or in part.

(2) The value of the homestead property shall be determined insofar as possible by an independent appraisal made within six months from the date of the borrower-owner's application to retain possession and occupancy of the homestead property.

(3) The period of occupancy of homestead property under this subsection may not exceed five years, but in no case shall the Secretary or the Administrator grant a period of occupancy less than three years, subject to compliance with the requirements of subsection (c).

(c)(1) To be eligible to occupy homestead property, a borrower-owner of a loan made or insured by the Secretary or the Administrator shall—

(A) apply for such occupancy not later than 30 days after the property is acquired by the Secretary or Administrator, or for property in inventory on the date of the enactment of this subsection, the borrower-owner shall apply for occupancy not later than 30 days after such date;

(B) have received from farming or ranching operations gross farm income reasonably commensurate with—

(i) the size and location of the farming unit of the borrower-owner; and

(ii) local agricultural conditions (including natural and economic conditions), in at least 2 calendar years during the 6-year period preceding the calendar year in which the application is made;

(C) have received from farming or ranching operations at least 60 percent of the gross annual income of the borrower-owner and any spouse of the borrower-owner in at least 2 calendar years during any 6-year period described in subparagraph (B);

(D) have continuously occupied the homestead property during the 6-year period described in subparagraph (B), except that such requirement may be waived if a borrower-owner has, due to circumstances beyond the control of the borrower-owner, had to leave the homestead property for a period of time not to exceed 12 months during the 6-year period;

(E) during the period of the occupancy of the homestead property, pay a reasonable sum as rent for such property to the Secretary or the Administrator in an amount substantially equivalent to rents charged for similar residential properties in the area in which the homestead property is located;

(F) during the period of the occupancy of the homestead property, maintain the property in good condition; and

(G) meet such other reasonable and necessary terms and conditions as the Secretary may require consistent with this section.

(2) For purposes of subparagraphs (B) and (C) of paragraph (1), the term "farming or ranching operations" shall include rent paid by lessees of agricultural land during any period in which the borrower-owner, due to circumstances beyond the control of the borrower-owner, is unable to actively farm such land.

(3) For the purposes of paragraph (1)(E), the failure of the borrower-owner to make timely rental payments shall constitute cause for the termination of all rights of such borrower-owner to possession and occupancy of the homestead property under this section. In effecting any such termination, the Secretary shall afford the borrower-owner or lessee the notice and hearing procedural rights described in section 333B and shall comply with all applicable State and local laws governing eviction from residential property.

(4)(A) The period of occupancy allowed the prior owner of homestead property under this section shall be the period requested in writing by the prior owner, except that such period shall not exceed 5 years.

(B) At any time during the period of occupancy, the borrower-owner shall have a right of first refusal to reacquire the homestead property on such terms and conditions as the Secretary shall determine, except that the Secretary may not demand a payment for the homestead property that is in excess of the current market value of the homestead property as established by an independent appraisal. The independent appraisal shall be conducted by an appraiser selected by the borrower-owner from a list of three appraisers approved by the county supervisor.

(5) No rights of a borrower-owner under this section, and no agreement entered into between the borrower-owner and the Secretary for occupancy of the homestead property, shall be transferable or assignable by the borrower-owner or by operation of any law, except that in the case of death or incompetency of such borrower-owner, such rights and agreements shall be transferable to the spouse of the borrower-owner if the spouse agrees to comply with the terms and conditions thereof.

(6) Not later than the date of acquisition of the property securing a loan made under this title (or, in the case of real property in inventory on the date of enactment of the Federal Agriculture Improvement and Reform Act of 1996, not later than 5 days after the date of enactment of the Act), the Secretary shall notify the borrower-owner from whom the property was acquired of the availability of homestead protection rights under this section.

(d) At the end of the period of occupancy described in subsection (c), the Secretary or the Administrator shall grant to the borrower-owner a first right of refusal to reacquire the homestead property on such terms and conditions (which may include payment of principal in installments) as the Secretary or the Administrator shall determine. Such terms and conditions shall not be less favorable than those intended to be offered to any other buyer.

(e) At the time any reacquisition agreement is entered into, the Secretary or the Administrator may not demand a total payment of principal that is in excess of the value of the homestead property as established under subsection (b)(2).

(f) The Secretary may enter into contracts authorized by this section before the Secretary acquires title to the homestead property.

(g) In the event of any conflict between this section and any provision of the law of any State relating to the right of a borrower-owner to designate for separate sale or redeem part or all of the

real property securing a loan foreclosed on by the lender thereof, such provision of State law shall prevail.

SEC. 353. [7 U.S.C. 2001] DEBT RESTRUCTURING AND LOAN SERVICING.

(a) IN GENERAL.—The Secretary shall modify delinquent farmer program loans made or insured under this title, or purchased from the lender or the Federal Deposit Insurance Corporation under section 309B, to the maximum extent possible—

(1) to avoid losses to the Secretary on such loans, with priority consideration being placed on writing-down the loan principal and interest (subject to subsections (d) and (e)), and debt set-aside (subject to subsection (e)), whenever these procedures would facilitate keeping the borrower on the farm or ranch, or otherwise through the use of primary loan service programs as provided in this section; and

(2) to ensure that borrowers are able to continue farming or ranching operations.

(b) ELIGIBILITY.—To be eligible to obtain assistance under subsection (a)—

(1) the delinquency must be due to circumstances beyond the control of the borrower, as defined in regulations issued by the Secretary, except that the regulations shall require that, if the value of the assets calculated under subsection (c)(2)(A)(ii) that may be realized through liquidation or other methods would produce enough income to make the delinquent loan current, the borrower shall not be eligible for assistance under subsection (a);

(2) the borrower must have acted in good faith with the Secretary in connection with the loan as defined in regulations issued by the Secretary;

(3) the borrower must present a preliminary plan to the Secretary that contains reasonable assumptions that demonstrate that the borrower will be able to—

(A) meet the necessary family living and farm operating expenses; and

(B) service all debts, including those of the loans restructured; and

(4) the loan, if restructured, must result in a net recovery to the Federal Government, during the term of the loan as restructured, that would be more than or equal to the net recovery to the Federal Government from an involuntary liquidation or foreclosure on the property securing the loan.

(c) RESTRUCTURING DETERMINATIONS.—

(1) DETERMINATION OF NET RECOVERY.—In determining the net recovery from the involuntary liquidation of a loan under this section, the Secretary shall calculate—

(A) the recovery value of the collateral securing the loan, in accordance with paragraph (2); and

(B) the value of the restructured loan, in accordance with paragraph (3).

(2) RECOVERY VALUE.—For the purpose of paragraph (1), the recovery value of the collateral securing the loan shall be based on—

(A)(i) the amount of the current appraised value of the interests of the borrower in the property securing the loan; plus

(ii) the value of the interests of the borrower in all other assets that are—

(I) not essential for necessary family living expenses;

(II) not essential to the operation of the farm; and

(III) not exempt from judgment creditors or in a bankruptcy action under Federal or State law; less

(B) the estimated administrative, legal, and other expenses associated with the liquidation and disposition of the loan and collateral, including—

(i) the payment of prior liens;

(ii) taxes and assessments, depreciation, management costs, the yearly percentage decrease or increase in the value of the property, and lost interest income, each calculated for the average holding period for the type of property involved;

(iii) resale expenses, such as repairs, commissions, and advertising; and

(iv) other administrative and attorney's costs; plus.

(C) the value, as determined by the Secretary, of any property not included in subparagraph (A)(i) if the property is specified in any security agreement with respect to such loan and the Secretary determines that the value of such property should be included for purposes of this section.

(3) VALUE OF THE RESTRUCTURED LOAN.—

(A) IN GENERAL.—For the purpose of paragraph (1), the value of the restructured loan shall be based on the present value of payments that the borrower would make to the Federal Government if the terms of such loan were modified under any combination of primary loan service programs to ensure that the borrower is able to meet such obligations and continue farming operations.

(B) PRESENT VALUE.—For the purpose of calculating the present value referred to in subparagraph (A), the Secretary shall use a discount rate of not more than the current rate on 90-day Treasury bills.

(C) CASH FLOW MARGIN.—For the purpose of assessing under subparagraph (A) the ability of a borrower to meet debt obligations and continue farming operations, the Secretary shall assume that the borrower needs up to 110 percent of the amount indicated for payment of farm operating expenses, debt service obligations, and family living expenses.

(4) NOTIFICATION.—Within 90 days after receipt of a written request for restructuring from the borrower, the Secretary shall—

(A) make the calculations specified in paragraphs (2) and (3);

(B) notify the borrower in writing of the results of such calculations; and

(C) provide documentation for the calculations.

(5) RESTRUCTURING OF LOANS.—If the value of the restructured loan is greater than or equal to the recovery value, the Secretary shall, within 45 days after notifying the borrower of such calculations, offer to restructure the loan obligations of the borrower under this title through primary loan service programs that would enable the borrower to meet the obligations (as modified) under the loan and to continue the farming operations of the borrower. If the borrower accepts such offer, within 45 days after receipt of notice of acceptance, the Secretary shall restructure the loan accordingly.

(6) TERMINATION OF LOAN OBLIGATIONS.—The obligations of a borrower to the Secretary under a loan shall terminate if—

(A) the borrower satisfies the requirements of paragraphs (1) and (2) of subsection (b);

(B) the value of the restructured loan is less than the recovery value; and

(C) not later than 90 days after receipt of the notification described in paragraph (4)(B), the borrower pays (or obtains third-party financing to pay) the Secretary an amount equal to the current market value.

(7) NEGOTIATION OF APPRAISAL.—

(A) IN GENERAL.—In making a determination concerning restructuring under this subsection, the Secretary, at the request of the borrower, shall enter into negotiations concerning appraisals required under this subsection with the borrower.

(B) INDEPENDENT APPRAISAL.—If the borrower, based on a separate current appraisal, objects to the decision of the Secretary regarding an appraisal, the borrower and the Secretary shall mutually agree, to the extent practicable, on an independent appraiser who shall conduct another appraisal of the borrower's property. The average of the two appraisals that are closest in value shall become the final appraisal under this paragraph. The borrower and the Secretary shall each pay one-half of the cost of the independent appraisal.

(d) PRINCIPAL AND INTEREST WRITE-DOWN.—

(1) IN GENERAL.—

(A) PRIORITY CONSIDERATION.—In selecting the restructuring alternatives to be used in the case of a borrower who has requested restructuring under this section, the Secretary shall give priority consideration to the use of principal and interest write-down, except that this procedure shall not be given first priority in the case of a borrower unless other creditors of such borrower (other than those creditors who are fully collateralized) representing a substantial portion of the total debt of the borrower held by such creditors, agree to participate in the development of the restructuring plan or agree to participate in a State mediation program.

(B) FAILURE OF CREDITORS TO AGREE.—Failure of creditors to agree to participate in the restructuring plan or mediation program shall not preclude the use of principal and interest write-down by the Secretary if the Secretary determines that this restructuring alternative results in the least cost to the Secretary.

(2) PARTICIPATION OF CREDITORS.—Before eliminating the option to use debt write-down in the case of a borrower, the Secretary shall make a reasonable effort to contact the creditors of such borrower, either directly or through the borrower, and encourage such creditors to participate with the Secretary in the development of a restructuring plan for the borrower.

(e) SHARED APPRECIATION ARRANGEMENTS.—

(1) IN GENERAL.—As a condition of restructuring a loan in accordance with this section, the borrower of the loan may be required to enter into a shared appreciation arrangement that requires the repayment of amounts written off or set aside.

(2) TERMS.—Shared appreciation agreements shall have a term not to exceed 10 years, and shall provide for recapture based on the difference between the appraised values of the real security property at the time of restructuring and at the time of recapture.

(3) PERCENTAGE OF RECAPTURE.—The amount of the appreciation to be recaptured by the Secretary shall be 75 percent of the appreciation in the value of such real security property if the recapture occurs within 4 years of the restructuring, and 50 percent if the recapture occurs during the remainder of the term of the agreement.

(4) TIME OF RECAPTURE.—Recapture shall take place at the end of the term of the agreement, or sooner—

(A) on the conveyance of the real security property;

(B) on the repayment of the loans; or

(C) if the borrower ceases farming operations.

(5) TRANSFER OF TITLE.—Transfer of title to the spouse of a borrower on the death of such borrower shall not be treated as a conveyance for the purpose of paragraph (4).

(6) NOTICE OF RECAPTURE.—Beginning with fiscal year 2000 not later than 12 months before the end of the term of a shared appreciation arrangement, the Secretary shall notify the borrower involved of the provisions of the arrangement.

(7) FINANCING OF RECAPTURE PAYMENT.—

(A) IN GENERAL.—The Secretary may amortize a recapture payment owed to the Secretary under this subsection.

(B) TERM.—The term of an amortization under this paragraph may not exceed 25 years.

(C) INTEREST RATE.—

(i) IN GENERAL.—The interest rate applicable to an amortization under this paragraph may not exceed the rate applicable to a loan to reacquire homestead property less 100 basis points.

(ii) EXISTING AMORTIZATIONS AND LOANS.—The interest rate applicable to an amortization or loan made by the Secretary before the date of enactment of this

paragraph to finance a recapture payment owed to the Secretary under this subsection may not exceed the rate applicable to a loan to reacquire homestead property less 100 basis points.

(D) REAMORTIZATION.—

(i) IN GENERAL.—The Secretary may modify the amortization of a recapture payment referred to in subparagraph (A) of this paragraph on which a payment has become delinquent by using loan service tools under section 343(b)(3) if—

(I) the default is due to circumstances beyond the control of the borrower; and

(II) the borrower acted in good faith (as determined by the Secretary) in attempting to repay the recapture amount.

(ii) LIMITATIONS.—

(I) TERM OF REAMORTIZATION.—The term of a reamortization under this subparagraph may not exceed 25 years from the date of the original amortization agreement.

(II) NO REDUCTION OR PRINCIPAL OR UNPAID INTEREST DUE.—A reamortization of a recapture payment under this subparagraph may not provide for reducing the outstanding principal or unpaid interest due on the recapture payment.

(f) DETERMINATION TO RESTRUCTURE.—If the appeal process results in a determination that a loan is eligible for restructuring, the Secretary shall restructure the loan in the manner consistent with this section, taking into consideration the restructuring recommendations, if any, of the appeals officer.

(g) PREREQUISITES TO FORECLOSURE OR LIQUIDATION.—No foreclosure or other similar actions shall be taken to liquidate any loan determined to be ineligible for restructuring by the Secretary under this section—

(1) until the borrower has been given the opportunity to appeal such decision; and

(2) if the borrower appeals, the appeals process has been completed, and a determination has been made that the loan is ineligible for restructuring.

(h) TIME LIMITS FOR RESTRUCTURING.—Once an appeal has been filed under section 333B, a decision shall be made at each level in the appeals process within 45 days after the receipt of the appeal or request for further review.

(i) NOTICE OF INELIGIBILITY FOR RESTRUCTURING.—

(1) IN GENERAL.—A notice of ineligibility for restructuring shall be sent to the borrower by registered or certified mail within 15 days after such determination.

(2) CONTENTS.—The notice required under paragraph (1) shall contain—

(A) the determination and the reasons for the determination;

(B) the computations used to make the determination, including the calculation of the recovery value of the collateral securing the loan; and

(C) a statement of the right of the borrower to appeal the decision to the appeals division, and to appear before a hearing officer.

(j) INDEPENDENT APPRAISALS.—An appeal filed with the appeals division under section 333B may include a request by the borrower for an independent appraisal of any property securing the loan. On such request, the appeals division shall present the borrower with a list of three appraisers approved by the county supervisor, from which the borrower shall select an appraiser to conduct the appraisal, the cost of which shall be borne by the borrower. The results of such appraisal shall be considered in any final determination concerning the loan. A copy of any appraisal made under this paragraph shall be provided to the borrower.

(k) PARTIAL LIQUIDATIONS.—If partial liquidations are performed (with the prior consent of the Secretary) as part of loan servicing by a guaranteed lender under this title, the Secretary shall not require full liquidation of a delinquent loan in order for the lender to be eligible to receive payment on losses.

(l) DISPOSITION OF NORMAL INCOME SECURITY.—For purposes of subsection (b)(2) of this section, if a borrower—

(1) disposed of normal income security prior to October 14, 1988, without the consent of the Secretary; and

(2) demonstrates that—

(A) the proceeds were utilized to pay essential household and farm operating expenses; and

(B) the borrower would have been entitled to a release of income proceeds by the Secretary if the regulations in effect on the date of enactment of this subsection had been in effect at the time of the disposition,

the Secretary shall not consider the borrower to have acted without good faith to the extent of the disposition.

(m) ONLY 1 WRITE-DOWN OR NET RECOVERY BUY-OUT PER BORROWER FOR A LOAN MADE AFTER JANUARY 6, 1988.—

(1) IN GENERAL.—The Secretary may provide for any one borrower not more than 1 write-down or net recovery buy-out under this section with respect to all loans made to the borrower after January 6, 1988.

(2) Special rule.—For purposes of paragraph (1), the Secretary shall treat any loan made on or before January 6, 1988, with respect to which a restructuring, write-down, or net recovery buy-out is provided under this section after such date, as a loan made after such date.

(n) LIQUIDATION OF ASSETS.—The Secretary may not use the authority provided by this section to reduce or terminate any portion of the debt of the borrower that the borrower could pay through the liquidation of assets (or through the payment of the loan value of the assets, if the loan value is greater than the liquidation value) described in subsection (c)(2)(A)(ii).

(o) LIFETIME LIMITATION ON DEBT FORGIVENESS PER BORROWER.—The Secretary may provide not more than $300,000 in principal and interest forgiveness under this section per borrower.

SEC. 353A. [7 U.S.C. 2001a] DEBT RESTRUCTURING AND LOAN SERVICING FOR COMMUNITY FACILITY LOANS.

The Secretary shall establish and implement a program that is similar to the program established under section 353, except that the debt restructuring and loan servicing procedures shall apply to delinquent community facility program loans (rather than delinquent farmer program loans) made by the Farmers Home Administration to a hospital or health care facility under section 306(a).

SEC. 354. [7 U.S.C. 2002] TRANSFER OF INVENTORY LANDS.

(a) IN GENERAL.—Subject to subsection (b), the Secretary may transfer to any Federal or State agency, for conservation purposes any real property, or interest therein, administered by the Secretary under this Act—

(1) with respect to which the rights of all prior owners and operators have expired;

(2) that is eligible to be disposed of in accordance with section 335; and

(3) that—

(A) has marginal value for agricultural production;

(B) is environmentally sensitive; or

(C) has special management importance.

(b) CONDITIONS.—The Secretary may not transfer any property or interest in property under subsection (a) unless—

(1) at least 2 public notices are given of the transfer;

(2) if requested, at least 1 public meeting is held prior to the transfer; and

(3) the Governor and at least 1 elected county official of the State and county where the property is located are consulted prior to the transfer.

SEC. 355. [7 U.S.C. 2003] TARGET PARTICIPATION RATES.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—The Secretary shall establish annual target participation rates, on a county wide basis, that shall ensure that members of socially disadvantaged groups will receive loans made or insured under subtitle A and will have the opportunity to purchase or lease inventory farmland.

(2) GROUP POPULATION.—Except as provided in paragraph (3), in establishing such target rates the Secretary shall take into consideration the portion of the population of the county made up of such groups, and the availability of inventory farmland in such county.

(3) GENDER.—With respect to gender, target participation rates shall take into consideration the number of current and potential socially disadvantaged farmers and ranchers in a State in proportion to the total number of farmers and ranchers in the State.

(b) RESERVATION AND ALLOCATION.—

(1) RESERVATION.—The Secretary shall, to the greatest extent practicable, reserve sufficient loan funds made available under subtitle A, for use by members of socially disadvantaged groups identified under target participation rates established under subsection (a).

(2) ALLOCATION.—The Secretary shall allocate such loans on the basis of the proportion of members of socially disadvantaged groups in a county and the availability of inventory farmland, with the greatest amount of loan funds being distributed in the county with the greatest proportion of socially disadvantaged group members and the greatest amount of available inventory farmland.

(3) INDIAN RESERVATIONS.—In distributing loan funds in counties within the boundaries of an Indian reservation, the Secretary shall allocate the funds on a reservation-wide basis.

(c) OPERATING LOANS.—

(1) ESTABLISHMENT.—The Secretary shall establish annual target participation rates, that shall ensure that socially disadvantaged farmers or ranchers will receive loans made or insured under subtitle B. In establishing such target rates, the Secretary shall consider the number of socially disadvantaged farmers and ranchers in a State in proportion to the total number of farmers and ranchers in that State.

(2) RESERVATION AND ALLOCATION.—The Secretary shall, to the greatest extent practicable, reserve and allocate the proportion of each State's loan funds made available under subtitle B that is equal to that State's target participation rate for use by the socially disadvantaged farmers or ranchers in that State. The Secretary shall, to the extent practicable, distribute the total so derived on a county by county basis according to the number of socially disadvantaged farmers or ranchers in the county. Any funds reserved and allocated under this paragraph but not used within a State shall, to the extent necessary to satisfy pending applications under this title, be available for use by socially disadvantaged farmers and ranchers in other States, as determined by the Secretary, and any remaining funds shall be reallocated within the State.

(d) REPORT.—The Secretary shall prepare and submit, to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, a report that describes the annual target participation rates and the success in meeting such rates.

(e) DEFINITIONS.—

(1) SOCIALLY DISADVANTAGED GROUP.—As used in this section, the term "socially disadvantaged group" means a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities.

(2) SOCIALLY DISADVANTAGED FARMER OR RANCHER.—As used in this section, the term "socially disadvantaged farmer or rancher" means a farmer or rancher who is a member of a socially disadvantaged group.

(f) IMPLEMENTATION CONSISTENT WITH SUPREME COURT HOLDING.—Not later than 180 days after the date of enactment of this subsection, the Secretary shall ensure that the implementation of this section is consistent with the holding of the Supreme Court in Adarand Constructors, Inc. v. Federico Pena, Secretary of Transportation, 115 S. Ct. 2097 (1995).

SEC. 356. [7 U.S.C. 2004] EXPEDITED CLEARING OF TITLE TO INVENTORY PROPERTY.

The Farmers Home Administration may employ local attorneys, on a case-by-case basis, to process all legal procedures necessary to clear the title to foreclosed properties in the inventory of the Farmers Home Administration. Such attorneys shall be compensated at not more than their usual and customary charges for such work.

SEC. 357. [7 U.S.C. 2005] PAYMENT OF LOSSES ON GUARANTEED LOANS.

(a) PAYMENTS TO LENDERS.—

(1) REQUIREMENT.—Within 3 months after a court of competent jurisdiction confirms a plan of reorganization under chapter 12 of title 11, United States Code, for any borrower to whom a lender has made a loan guaranteed under this title, the Secretary shall pay the lender an amount estimated by the Secretary to be equal to the loss incurred by the lender for purposes of the guarantee.

(2) PAYMENT TOWARD LOAN GUARANTEE.—Any amount paid to a lender under this subsection with respect to a loan guaranteed under this title shall be treated as payment towards satisfaction of the loan guarantee.

(b) ADMINISTRATION.—

(1) LOSS BY LENDER.—If the lender of a guaranteed farmer program loan takes any action described in section 331(b)(4) with respect to the loan and the Secretary approves such action, then, for purposes of the guarantee, the lender shall be treated as having sustained a loss equal to the amount by which—

(A) the outstanding balance of the loan immediately before such action, exceeds

(B) the outstanding balance of the loan immediately after such action.

(2) NET PRESENT VALUE OF LOAN.—The Secretary shall approve the taking of an action described in section 331(b)(4) by the lender of a guaranteed farmer program loan with respect to the loan if such action reduces the net present value of the loan to an amount equal to not less than the greater of—

(A) the greatest net present value of a loan the borrower could reasonably be expected to repay; and

(B) the greatest amount that the lender of the loan could reasonably expect to recover from the borrower through bankruptcy, or liquidation of the property securing the loan, less all reasonable and necessary costs and expenses that the lender of the loan could reasonably expect to incur to preserve or dispose of such property (including all associated legal and property management costs) in the course of such a bankruptcy or liquidation.

(3) CONSTRUCTION OF SUBSECTION.—This subsection shall not be construed to limit the authority of the Secretary to enter into a shared appreciation arrangement with a borrower, or the terms and conditions which shall be required of a borrower, under section 353(e).

SEC. 358. [7 U.S.C. 2006] WAIVER OF MEDIATION RIGHTS BY BORROWERS.

The Secretary may not make, insure, or guarantee any farmer program loan to a farm borrower on the condition that the borrower waive any right under the mediation program of any State.

SEC. 359. [7 U.S.C. 2006a] BORROWER TRAINING.

(a) IN GENERAL.—The Secretary shall enter into contracts to provide educational training to all borrowers of farmer program direct loans made under this title in financial and farm management concepts associated with commercial farming.

(b) CONTRACT.—

(1) IN GENERAL.—The Secretary may contract with State or private providers of farm management and credit counseling services (including a community college, the extension service of a State, a State department of agriculture, or a nonprofit organization) to carry out this section.

(2) CONSULTATION.—The Secretary may consult with the chief executive officer of a State concerning the identity of the contracting organization and the process for contracting.

(c) ELIGIBILITY FOR LOANS.—

(1) IN GENERAL.—Subject to paragraph (2), to be eligible to obtain a direct loan under this title, a borrower must obtain management assistance under this section, appropriate to the management ability of the borrower (as determined by the appropriate county committee during the determination of eligibility for the loan).

(2) LOAN CONDITIONS.—The need of a borrower who satisfies the criteria set out in section 302(a)(2) or 311(a)(2) for management assistance under this section shall not be cause for denial of eligibility of the borrower for a direct loan under this title.

(d) GUIDELINES AND CURRICULUM.—The Secretary shall issue regulations establishing guidelines and curriculum for the borrower training program established under this section.

(e) PAYMENT.—A borrower shall pay for training received under this section, and may use funds from operating loans made under subtitle B to pay for the training.

(f) WAIVERS.—

(1) IN GENERAL.—The Secretary may waive the requirements of this section for an individual borrower if the Secretary determines that the borrower demonstrates adequate knowledge in areas described in this section.

(2) CRITERIA.—The Secretary shall establish criteria providing for the application of paragraph (1) consistently in all counties nationwide.

SEC. 360. [7 U.S.C. 2006b] LOAN ASSESSMENTS.

(a) IN GENERAL.—The Secretary shall evaluate, in accordance with regulations issued by the Secretary, the farming plan and financial situation of each qualified farmer or rancher applicant.

(b) DETERMINATIONS.—In evaluating the farming plan and financial situation of an applicant under this section, the Secretary shall determine—

(1) the amount that the applicant will need to borrow to carry out the proposed farming plan;

(2) the rate of interest that the applicant would need to be able to cover expenses and build an adequate equity base;

(3) the goals of the proposed farming plan of the applicant;

(4) the financial viability of the plan and any changes that are necessary to make the plan viable; and

(5) whether assistance is necessary under this title and, if so, the amount of the assistance.

(c) CONTRACT.—The Secretary may contract with a third party (including those entities eligible to provide borrower training under section 359(b)) to conduct loan assessments under this section.

(d) REVIEW OF LOANS.—

(1) IN GENERAL.—Loan assessments conducted under this section shall include annual review of direct loans, and periodic review (as determined necessary by the Secretary) of guaranteed loans, made under this title to assess the progress of a borrower in meeting the goals for the farm or ranch operation.

(2) CONTRACTS.—The Secretary may contract with an entity that is eligible to provide borrower training under section 359(b) to conduct loan reviews under paragraph (1).

(3) PROBLEM ASSESSMENTS.—If a borrower is delinquent in payments on a direct or guaranteed loan made under this title, the Secretary or the contracting entity shall determine the cause of, and action necessary to correct, the delinquency.

(e) GUIDELINES.—The Secretary shall issue regulations providing guidelines for loan assessments conducted under this section.

SEC. 361. [7 U.S.C. 2006c] SUPERVISED CREDIT.

The Secretary shall provide adequate training to employees of the Farmers Home Administration on credit analysis and financial and farm management to—

(1) better acquaint the employees with what constitutes adequate financial data on which to base a direct or guaranteed loan approval decision; and

(2) ensure proper supervision of farmer program loans.

SEC. 362. [7 U.S.C. 2006d] MARKET PLACEMENT.

The Secretary shall establish a market placement program for qualified beginning farmers and ranchers and other borrowers of farmer program loans that the Secretary believes have a reasonable chance of qualifying for commercial credit with a guarantee provided under this title.

SEC. 363. [7 U.S.C. 2006e] PROHIBITION ON USE OF LOANS FOR CERTAIN PURPOSES.

The Secretary shall not approve any loan under this title to drain, dredge, fill, level, or otherwise manipulate a wetland (as defined in section 1201(a)(16) of the Food Security Act of 1985 (16 U.S.C. 3801(a)(16))), or to engage in any activity that results in impairing or reducing the flow, circulation, or reach of water, except in the case of activity related to the maintenance of previously converted wetlands, or in the case of such activity that is already commenced before November 28, 1990. This section shall not apply to a loan made or guaranteed under this title for a utility line.

SEC. 364. [7 U.S.C. 2006f] RURAL DEVELOPMENT CERTIFIED LENDERS PROGRAM.

(a) CERTIFIED LENDERS PROGRAM.—

(1) IN GENERAL.—The Secretary may establish a program under which the Secretary may guarantee a loan for any rural development program that is made by a lender certified by the Secretary.

(2) CERTIFICATION REQUIREMENTS.—The Secretary may certify a lender if the lender meets such criteria as the Secretary may prescribe in regulations, including the ability of the lender to properly make, service, and liquidate the guaranteed loans of the lender.

(3) CONDITION OF CERTIFICATION.—As a condition of certification, the Secretary may require the lender to undertake to service the guaranteed loan using standards that are not less stringent than generally accepted banking standards concerning loan servicing that are used by prudent commercial or cooperative lenders.

(4) GUARANTEE.—Notwithstanding any other provision of law, the Secretary may guarantee not more than 80 percent of a loan made by a certified lender described in paragraph (1), if the borrower of the loan meets the eligibility requirements and such other criteria for the loan guarantee that are established by the Secretary.

(5) CERTIFICATIONS.—With respect to loans to be guaranteed, the Secretary may permit a certified lender to make appropriate certifications (as provided in regulations issued by the Secretary)—

(A) relating to issues such as creditworthiness, repayment ability, adequacy of collateral, and feasibility of the operation; and

(B) that the borrower is in compliance with all requirements of law, including regulations issued by the Secretary.

(6) RELATIONSHIP TO OTHER REQUIREMENTS.—This subsection shall not affect the responsibility of the Secretary to determine eligibility, review financial information, and otherwise assess an application.

(b) PREFERRED CERTIFIED LENDERS PROGRAM.—

(1) IN GENERAL.—The Secretary may establish a preferred certified lenders program for lenders who establish their—

(A) knowledge of, and experience under, the program established under subsection (a);

(B) knowledge of the regulations concerning the particular guaranteed loan program; and

(C) proficiency related to the certified lender program requirements.

(2) ADDITIONAL LENDING INSTITUTIONS.—The Secretary may certify any lending institution as a preferred certified lender if the institution meets such additional criteria as the Secretary may prescribe by regulation.

(3) REVOCATION OF DESIGNATION.—The designation of a lender as a preferred certified lender shall be revoked if the Secretary determines that the lender is not adhering to the

rules and regulations applicable to the program or if the loss experiences of the preferred certified lender are greater than other preferred certified lenders, except that the suspension or revocation shall not affect any outstanding guarantee.

(4) CONDITION OF CERTIFICATION.—As a condition of the preferred certification, the Secretary shall require the lender to undertake to service the loan guaranteed by the Secretary under this subsection using generally accepted banking standards concerning loan servicing employed by prudent commercial or cooperative lenders. The Secretary shall, at least annually, monitor the performance of each preferred certified lender to ensure that the conditions of the certification are being met.

(5) EFFECT OF PREFERRED LENDER CERTIFICATION.—Notwithstanding any other provision of law, the Secretary may—

(A) guarantee not more than 80 percent of any approved loan made by a preferred certified lender as described in this subsection, if the borrower meets the eligibility requirements and such other criteria as may be applicable to loans guaranteed by the Secretary; and

(B) permit preferred certified lenders to make all decisions, with respect to loans to be guaranteed by the Secretary under this subsection relating to creditworthiness, the closing, monitoring, collection, and liquidation of loans, and to accept appropriate certifications, as provided in regulations issued by the Secretary, that the borrower is in compliance with all requirements of law and regulations issued by the Secretary.

[SEC. 365. Repealed by Public Law 104–127, sec. 753(a), April 4, 1996, (110 Stat. 1131).]

[SEC. 366. Repealed by Public Law 104–127, sec. 754, April 4, 1996, (110 Stat. 1131).]

[SEC. 367. Repealed by Public Law 104–127, sec. 755, April 4, 1996, (110 Stat. 1131).]

[SEC. 368. Repealed by Public Law 104–127, sec. 756, April 4, 1996, (110 Stat. 1131).]

SEC. 369. [7 U.S.C. 2008d] RECORDKEEPING OF LOANS BY BORROWER'S GENDER.

The Secretary shall classify, by gender, records of applicants for loans and loan guarantees under this title.

SEC. 370. [7 U.S.C. 2008e] PROHIBITION UNDER RURAL DEVELOPMENT PROGRAMS.

(a) PROHIBITION.—Assistance under any rural development program administered by the Rural Development Administration, the Farmers Home Administration, the Rural Electrification Administration, or any other agency of the Department of Agriculture shall not be conditioned on any requirement that the recipient of such assistance accept or receive electric service from any particular utility, supplier, or cooperative.

(b) ENSURING COMPLIANCE.—The Secretary shall establish, by regulation, adequate safeguards to ensure that assistance under such rural development programs is not subject to such a condition. Such safeguards shall include periodic certifications and audits,

and appropriate measures and sanctions against any person violating, or attempting to violate, the prohibition in subsection (a).

(c) REGULATIONS.—Not later than 6 months after the enactment of this section, the Secretary shall issue interim final regulations to ensure compliance with subsection (a).

SEC. 371. [7 U.S.C. 2008f] CROP INSURANCE REQUIREMENT.

(a) IN GENERAL.—As a condition of obtaining any benefit (including a direct loan, loan guarantee, or payment) described in subsection (b), a borrower must obtain at least catastrophic risk protection insurance coverage under section 508 of the Federal Crop Insurance Act (7 U.S.C. 1508) for the crop and crop year for which the benefit is sought, if the coverage is offered by the Corporation.

(b) APPLICABLE BENEFITS.—Subsection (a) shall apply to—

(1) a farm ownership loan (FO) under section 303;

(2) an operating loan (OL) under section 312; and

(3) an emergency loan (EM) under section 321.

SEC. 372. [7 U.S.C. 2008g] PAYMENT OF INTEREST AS A CONDITION OF LOAN SERVICING FOR BORROWERS.

The Secretary may not reschedule or reamortize a loan for a borrower under this title who has not requested consideration under section 331D(e) unless the borrower pays a portion, as determined by the Secretary, of the interest due on the loan.

SEC. 373. [7 U.S.C. 2008h] LOAN AND LOAN SERVICING LIMITATIONS.

(a) DELINQUENT BORROWERS PROHIBITED FROM OBTAINING DIRECT OPERATING LOANS.—The Secretary may not make a direct operating loan under subtitle B to a borrower who is delinquent on any loan made or guaranteed under this title.

(b) PROHIBITION OF LOANS FOR BORROWERS THAT HAVE RECEIVED DEBT FORGIVENESS.—

(1) PROHIBITIONS.—Except as provided in paragraph (2)—

(A) the Secretary may not make a loan under this title to a borrower that has received debt forgiveness on a loan made or guaranteed under this title; and

(B) the Secretary may not guarantee a loan under this title to a borrower that has received—

(i) debt forgiveness after April 4, 1996, on a loan made or guaranteed under this title; or

(ii) received debt forgiveness on more than 3 occasions on or before April 4, 1996.

(2) EXCEPTIONS.—

(A) IN GENERAL.—The Secretary may make a direct or guaranteed farm operating loan for paying annual farm or ranch operating expenses of a borrower who—

(i) was restructured with a write-down under section 353;

(ii) is current on payments under a confirmed reorganization plan under chapters[1] 11, 12, or 13 of Title 11 of the United States Code; or

(iii) received debt forgiveness on not more than 1 occasion resulting directly and primarily from a major disaster or emergency designated by the President on

[1] So in law. References to chapters should be singular.

or after April 4, 1996, under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.).

(B) EMERGENCY LOANS.—The Secretary may make an emergency loan under section 321 to a borrower that—

(i) on or before April 4, 1996, received not more than 1 debt forgiveness on a loan made or guaranteed under this title; and

(ii) after April 4, 1996, has not received debt forgiveness on a loan made or guaranteed under this title.

(c) NO MORE THAN 1 DEBT FORGIVENESS FOR A BORROWER ON A DIRECT LOAN.—The Secretary may not provide to a borrower debt forgiveness on a direct loan made under this title if the borrower has received debt forgiveness on another direct loan made under this title.

SEC. 374. [7 U.S.C. 2008i] SHORT FORM CERTIFICATION OF FARM PROGRAM BORROWER COMPLIANCE.

The Secretary shall develop and utilize a consolidated short form for farm program borrowers to use in certifying compliance with any applicable provision of law (including a regulation) that serves as an eligibility prerequisite for a loan made under this title.

SEC. 375. [7 U.S.C. 2008j] NATIONAL SHEEP INDUSTRY IMPROVEMENT CENTER.

(a) DEFINITIONS.—In this section:

(1) BOARD.—The term "Board" means the Board of Directors established under subsection (f).

(2) CENTER.—The term "Center" means the National Sheep Industry Improvement Center established under subsection (b).

(3) ELIGIBLE ENTITY.—The term "eligible entity" means an entity that promotes the betterment of the United States sheep or goat industries and that is—

(A) a public, private, or cooperative organization;

(B) an association, including a corporation not operated for profit;

(C) a federally recognized Indian Tribe; or

(D) a public or quasi-public agency.

(4) FUND.—The term "Fund" means the National Sheep Industry Improvement Center Revolving Fund established under subsection (e).

(5) INTERMEDIARY.—The term "intermediary" means a financial institution receiving Center funds for establishing a revolving fund and relending to an eligible entity.

(b) ESTABLISHMENT OF CENTER.—The Secretary shall establish a National Sheep Industry Improvement Center.

(c) PURPOSES.—The purposes of the Center shall be to—

(1) promote strategic development activities and collaborative efforts by private and State entities to maximize the impact of Federal assistance to strengthen and enhance production and marketing of sheep or goat products in the United States;

(2) optimize the use of available human capital and resources within the sheep or goat industries;

(3) provide assistance to meet the needs of the sheep or goat industry for infrastructure development, business development, production, resource development, and market and environmental research;

(4) advance activities that empower and build the capacity of the United States sheep or goat industry to design unique responses to the special needs of the sheep or goat industries on both a regional and national basis; and

(5) adopt flexible and innovative approaches to solving the long-term needs of the United States sheep or goat industry.

(d) STRATEGIC PLAN.—

(1) IN GENERAL.—The Center shall submit to the Secretary an annual strategic plan for the delivery of financial assistance provided by the Center.

(2) REQUIREMENTS.—A strategic plan shall identify—

(A) goals, methods, and a benchmark for measuring the success of carrying out the plan and how the plan relates to the national and regional goals of the Center;

(B) the amount and sources of Federal and non-Federal funds that are available for carrying out the plan;

(C) funding priorities;

(D) selection criteria for funding; and

(E) a method of distributing funding.

(e) REVOLVING FUND.—

(1) ESTABLISHMENT.—There is established in the Treasury the National Sheep Industry Improvement Center Revolving Fund. The Fund shall be available to the Center, without fiscal year limitation, to carry out the authorized programs and activities of the Center under this section.

(2) CONTENTS OF FUND.—There shall be deposited in the Fund—

(A) such amounts as may be appropriated, transferred, or otherwise made available to support programs and activities of the Center;

(B) payments received from any source for products, services, or property furnished in connection with the activities of the Center;

(C) fees and royalties collected by the Center from licensing or other arrangements relating to commercialization of products developed through projects funded, in whole or part, by grants, contracts, or cooperative agreements executed by the Center;

(D) proceeds from the sale of assets, loans, and equity interests made in furtherance of the purposes of the Center;

(E) donations or contributions accepted by the Center to support authorized programs and activities; and

(F) any other funds acquired by the Center.

(3) USE OF FUND.—

(A) IN GENERAL.—The Center may use amounts in the Fund to make direct loans, loan guarantees, cooperative agreements, equity interests, investments, repayable

grants, and grants to eligible entities, either directly or through an intermediary, in accordance with a strategic plan submitted under subsection (d).

(B) CONTINUED EXISTENCE.—The Center shall manage the Fund in a manner that ensures that sufficient amounts are available in the Fund to carry out subsection (c). The Fund is intended to furnish the initial capital for a revolving fund that will eventually be privatized for the purposes of assisting the United States sheep and goat industries.

(C) DIVERSE AREA.—The Center shall, to the maximum extent practicable, use the Fund to serve broad geographic areas and regions of diverse production.

(D) ADMINISTRATION.—The Center may not use more than 3 percent of the amounts in the portfolio of the Center for each fiscal year for the administration of the Center. The portfolio shall be calculated at the beginning of each fiscal year and shall include a total of—

(i) all outstanding loan balances;

(ii) the Fund balance;

(iii) the outstanding balance to intermediaries; and

(iv) the amount the Center paid for all equity interests.

(E) INFLUENCING LEGISLATION.—None of the amounts in the Fund may be used to influence legislation.

(F) ACCOUNTING.—To be eligible to receive amounts from the Fund, an entity must agree to account for the amounts using generally accepted accounting principles.

(G) USES OF FUND.—The Center may use amounts in the Fund to—

(i) participate with Federal and State agencies in financing activities that are in accordance with a strategic plan submitted under subsection (d), including participation with several States in a regional effort;

(ii) participate with other public and private funding sources in financing activities that are in accordance with the strategic plan, including participation in a regional effort;

(iii) provide security for, or make principal or interest payments on, revenue or general obligation bonds issued by a State, if the proceeds from the sale of the bonds are deposited in the Fund;

(iv) accrue interest;

(v) guarantee or purchase insurance for local obligations to improve credit market access or reduce interest rates for a project that is in accordance with the strategic plan;

(vi) sell assets, loans, and equity interests acquired in connection with the financing of projects funded by the Center; or

(vii) purchase equity interests.

(4) LOANS.—

(A) RATE.—A loan from the Fund may be made at an interest rate that is below the market rate or may be interest free.

(B) TERM.—The term of a loan may not exceed the shorter of—

(i) the useful life of the activity financed; or

(ii) 40 years.

(C) SOURCE OF REPAYMENT.—The Center may not make a loan from the Fund unless the recipient establishes an assured source of repayment.

(D) PROCEEDS.—All payments of principal and interest on a loan made from the Fund shall be deposited into the Fund.

(5) MAINTENANCE OF EFFORT.—The Center shall use the Fund only to supplement and not to supplant Federal, State, and private funds expended for rural development.

(6) FUNDING.—

(A) DEPOSIT OF FUNDS.—All Federal and non-Federal amounts received by the Center to carry out this section shall be deposited in the Fund.

(B) MANDATORY FUNDS.—Out of any moneys in the Treasury not otherwise appropriated, the Secretary of the Treasury shall provide to the Center not to exceed $26,000,000 to carry out this section.

(C) ADDITIONAL FUNDS.—In addition to any funds provided under subparagraph (B), there is authorized to be appropriated $30,000,000 to carry out this section.

(f) BOARD OF DIRECTORS.—

(1) IN GENERAL.—The management of the Center shall be vested in a Board of Directors.

(2) POWERS.—The Board shall—

(A) be responsible for the general supervision of the Center;

(B) review any contract, direct loan, loan guarantee, cooperative agreement, equity interest, investment, repayable grant, and grant to be made or entered into by the Center and any financial assistance provided to the Center;

(C) make the final decision, by majority vote, on whether and how to provide assistance to an applicant; and

(D) develop and establish a budget plan and a long-term operating plan to carry out the goals of the Center.

(3) COMPOSITION.—The Board shall be composed of—

(A) 7 voting members, of whom—

(i) 4 members shall be active producers of sheep or goats in the United States;

(ii) 2 members shall have expertise in finance and management; and

(iii) 1 member shall have expertise in lamb, wool, goat, or goat product marketing; and

(B) 2 nonvoting members, of whom—

(i) 1 member shall be the Under Secretary of Agriculture for Rural Development; and

(ii) 1 member shall be the Under Secretary of Agriculture for Research, Education, and Economics.

(4) NOMINATION.—

(A) NOMINATING BODY.—The Secretary shall appoint the voting members of the Board from nominations submitted by organizations described in subparagraph (B).

(B) NATIONAL ORGANIZATIONS.—A national organization is described in this subparagraph if the organization—

(i) consists primarily of active sheep or goat producers in the United States; and

(ii) has as the primary interest of the organization the production of sheep or goats in the United States.

(5) TERM OF OFFICE.—

(A) IN GENERAL.—Subject to subparagraph (B), the term of office of a voting member of the Board shall be 3 years.

(B) STAGGERED INITIAL TERMS.—The initial voting members of the Board (other than the chairperson of the initially established Board) shall serve for staggered terms of 1, 2, and 3 years, as determined by the Secretary.

(C) REAPPOINTMENT.—A voting member may be reappointed for not more than one additional term.

(6) VACANCY.—

(A) IN GENERAL.—A vacancy on the Board shall be filled in the same manner as the original Board.

(B) REAPPOINTMENT.—A voting member appointed to fill a vacancy for an unexpired term may be reappointed for one full term.

(7) CHAIRPERSON.—

(A) IN GENERAL.—The Board shall select a chairperson from among the voting members of the Board.

(B) TERM.—The term of office of the chairperson shall be 2 years.

(8) ANNUAL MEETING.—

(A) IN GENERAL.—The Board shall meet not less than once each fiscal year at the call of the chairperson or at the request of the executive director appointed under subsection (g)(1).

(B) LOCATION.—The location of a meeting of the Board shall be established by the Board.

(9) VOTING.—

(A) QUORUM.—A quorum of the Board shall consist of a majority of the voting members.

(B) MAJORITY VOTE.—A decision of the Board shall be made by a majority of the voting members of the Board.

(10) CONFLICTS OF INTEREST.—

(A) IN GENERAL.—Except as provided in subparagraph (D), a member of the Board shall not vote on any matter respecting any application, contract, claim, or other particular matter pending before the Board in which, to the knowledge of the member, an interest is held by—

(i) the member;

(ii) any spouse of the member;

(iii) any child of the member;

(iv) any partner of the member;

(v) any organization in which the member is serving as an officer, director, trustee, partner, or employee; or

(vi) any person with whom the member is negotiating or has any arrangement concerning prospective employment or with whom the member has a financial interest.

(B) REMOVAL.—Any action by a member of the Board that violates subparagraph (A) shall be cause for removal from the Board.

(C) VALIDITY OF ACTION.—An action by a member of the Board that violates subparagraph (A) shall not impair or otherwise affect the validity of any otherwise lawful action by the Board.

(D) DISCLOSURE.—

(i) IN GENERAL.—If a member of the Board makes a full disclosure of an interest and, prior to any participation by the member, the Board determines, by majority vote, that the interest is too remote or too inconsequential to affect the integrity of any participation by the member, the member may participate in the matter relating to the interest, except as provided in subparagraph (E)(iii).

(ii) VOTE.—A member that discloses an interest under clause (i) shall not vote on a determination of whether the member may participate in the matter relating to the interest.

(E) REMANDS.—

(i) IN GENERAL.—The Secretary may vacate and remand to the Board for reconsideration any decision made pursuant to subsection (e)(3)(H) if the Secretary determines that there has been a violation of this paragraph or any conflict of interest provision of the bylaws of the Board with respect to the decision.

(ii) REASONS.—In the case of any violation and remand of a funding decision to the Board under clause (i), the Secretary shall inform the Board of the reasons for the remand.

(iii) CONFLICTED MEMBERS NOT TO VOTE ON REMANDED DECISIONS.—If a decision with respect to a matter is remanded to the Board by reason of a conflict of interest faced by a Board member, the member may not participate in any subsequent decision with respect to the matter.

(11) COMPENSATION.—

(A) IN GENERAL.—A member of the Board shall not receive any compensation by reason of service on the Board.

(B) EXPENSES.—A member of the Board shall be reimbursed for travel, subsistence, and other necessary expenses incurred by the member in the performance of a duty of the member.

(12) BYLAWS.—The Board shall adopt, and may from time to time amend, any bylaw that is necessary for the proper management and functioning of the Center.

(13) PUBLIC HEARINGS.—Not later than 1 year after the date of enactment of this section, the Board shall hold public hearings on policy objectives of the program established under this section.

(14) ORGANIZATIONAL SYSTEM.—The Board shall provide a system of organization to fix responsibility and promote efficiency in carrying out the functions of the Board.

(15) USE OF DEPARTMENT OF AGRICULTURE.—The Board may, with the consent of the Secretary, utilize the facilities of and the services of employees of the Department of Agriculture, without cost to the Center.

(g) OFFICERS AND EMPLOYEES.—

(1) EXECUTIVE DIRECTOR.—

(A) IN GENERAL.—The Board shall appoint an executive director to be the chief executive officer of the Center.

(B) TENURE.—The executive director shall serve at the pleasure of the Board.

(C) COMPENSATION.—Compensation for the executive director shall be established by the Board.

(2) OTHER OFFICERS AND EMPLOYEES.—The Board may select and appoint officers, attorneys, employees, and agents who shall be vested with such powers and duties as the Board may determine.

(3) DELEGATION.—The Board may, by resolution, delegate to the chairperson, the executive director, or any other officer or employee any function, power, or duty of the Board other than voting on a grant, loan, contract, agreement, budget, or annual strategic plan.

(h) CONSULTATION.—To carry out this section, the Board may consult with—

(1) State departments of agriculture;

(2) Federal departments and agencies;

(3) nonprofit development corporations;

(4) colleges and universities;

(5) banking and other credit-related agencies;

(6) agriculture and agribusiness organizations; and

(7) regional planning and development organizations.

(i) OVERSIGHT.—

(1) IN GENERAL.—The Secretary shall review and monitor compliance by the Board and the Center with this section.

(2) SANCTIONS.—If, following notice and opportunity for a hearing, the Secretary finds that the Board or the Center is not in compliance with this section, the Secretary may—

(A) cease making deposits to the Fund;

(B) suspend the authority of the Center to withdraw funds from the Fund; or

(C) impose other appropriate sanctions, including recoupment of money improperly expended for purposes prohibited or not authorized by this Act and disqualification from receipt of financial assistance under this section.

(3) RESCISSION OF SANCTIONS.—The Secretary shall rescind sanctions imposed under paragraph (2) on a finding by the Secretary that there is no longer any failure by the Board or the Center to comply with this section or that the noncompliance will be promptly corrected.

(j) PRIVATIZATION.—

(1) IN GENERAL.—Privatization of a revolving fund for the purposes of assisting the United States sheep and goat industries shall occur on the earlier of—

(A) September 30, 2006; or

(B) the date as of which a total of $30,000,000 has been appropriated for the Center under subsection (e)(6)(C).

(2) PRIVATIZATION PROPOSAL.—On privatization of a revolving fund in accordance with paragraph (1), the Board shall submit to the Secretary, for approval, a privatization proposal that—

(A) delineates a private successor entity to the Center; and

(B) establishes a transition plan.

(3) PRIVATE SUCCESSOR ENTITY.—The private successor entity shall—

(A) have the purposes described in subsection (c);

(B) be organized under the laws of one of the States; and

(C) be able to continue the activities of the Center.

(4) TRANSITION PLAN.—The transition plan shall—

(A) identify any continuing role of the Federal Government with respect to the Center;

(B) provide for the transfer of all Center assets and liabilities to the private successor entity; and

(C) delineate the status of the Board and employees of the Center.

(5) IMPLEMENTATION.—

(A) IN GENERAL.—On approval by the Secretary of the private successor entity and the transition plan, the Center shall create the private successor entity and implement the transition plan.

(B) AUTHORITY.—The Secretary shall have all necessary authority to implement the transition plan.

(6) TRANSFER OF FUNDS.—On creation of the private successor entity, all funds held by the Department of the Treasury pursuant to this section shall be transferred to the private successor entity.

(7) REPEAL.—On the date the Secretary publishes notice in the Federal Register that the transition plan is complete, this section is repealed.

SEC. 376. [7 U.S.C. 2008k] MAKING AND SERVICING OF LOANS BY PERSONNEL OF STATE, COUNTY, OR AREA COMMITTEES.

The Secretary shall use personnel of a State, county or area committee established under section 8(b)(5) of the Soil Conservation and Domestic Allotment Act (16 U.S.C 590h(b)(5)) to make and service loans under this title to the extent the personnel have been trained to do so.

SEC. 377. [7 U.S.C. 2008l] ELIGIBILITY OF EMPLOYEES OF STATE, COUNTY, OR AREA COMMITTEE FOR LOANS AND LOAN GUARANTEES.

(a) IN GENERAL.—The Secretary shall not prohibit an employee of a State, county or area committee established under section 8(b)(5) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)(5)) or an employee of the Department of Agriculture from obtaining a loan or loan guarantee under subtitle A, B or C of this title.

(b) APPROVALS.—

(1) COUNTY OR AREA OFFICE.—In the case of a loan application from an employee in a county or area office, the Farm Service Agency State office shall be responsible for reviewing and approving the application.

(2) STATE OFFICE.—In the case of a loan application from an employee of a State office, the Farm Service Agency national office shall be responsible for reviewing and approving the application.

SEC. 378. [7 U.S.C. 2008m] NATIONAL RURAL DEVELOPMENT PARTNERSHIP.

(a) DEFINITIONS.—In this section:

(1) AGENCY WITH RURAL RESPONSIBILITIES.—The term "agency with rural responsibilities" means any executive agency (as defined in section 105 of title 5, United States Code) that implements a Federal law, or administers a program, targeted at or having a significant impact on rural areas.

(2) COORDINATING COMMITTEE.—The term "Coordinating Committee" means the National Rural Development Coordinating Committee established by subsection (c).

(3) PARTNERSHIP.—The term "Partnership" means the National Rural Development Partnership continued by subsection (b).

(4) STATE RURAL DEVELOPMENT COUNCIL.—The term "State rural development council" means a State rural development council that meets the requirements of subsection (d).

(b) PARTNERSHIP.—

(1) IN GENERAL.—The Secretary shall continue the National Rural Development Partnership composed of—

(A) the Coordinating Committee; and

(B) State rural development councils.

(2) PURPOSES.—The purposes of the Partnership are to empower and build the capacity of States and rural communities to design flexible and innovative responses to their own special rural development needs, with local determinations of progress and selection of projects and activities.

(3) GOVERNING PANEL.—

(A) IN GENERAL.—A panel consisting of representatives of the Coordinating Committee and State rural development councils shall be established to lead and coordinate the strategic operation, policies, and practices of the Partnership.

(B) ANNUAL REPORTS.—In conjunction with the Coordinating Committee and State rural development councils,

the panel shall prepare and submit to Congress an annual report on the activities of the Partnership.

(4) ROLE OF FEDERAL GOVERNMENT.—The role of the Federal Government in the Partnership may be that of a partner and facilitator, with Federal agencies authorized—

(A) to cooperate with States to implement the Partnership;

(B) to provide States with the technical and administrative support necessary to plan and implement tailored rural development strategies to meet local needs;

(C) to ensure that the head of each agency with rural responsibilities designates a senior-level agency official to represent the agency on the Coordinating Committee and directs appropriate field staff to participate fully with the State rural development council within the jurisdiction of the field staff; and

(D) to enter into cooperative agreements with, and to provide grants and other assistance to, the Coordinating Committee and State rural development councils.

(c) NATIONAL RURAL DEVELOPMENT COORDINATING COMMITTEE.—

(1) ESTABLISHMENT.—The Secretary shall establish a National Rural Development Coordinating Committee within the Department of Agriculture.

(2) COMPOSITION.—The Coordinating Committee shall be composed of—

(A) 1 representative of each agency with rural responsibilities; and

(B) representatives, approved by the Secretary, of—

(i) national associations of State, regional, local, and tribal governments and intergovernmental and multijurisdictional agencies and organizations;

(ii) national public interest groups;

(iii) other national nonprofit organizations that elect to participate in the activities of the Coordinating Committee; and

(iv) the private sector.

(3) DUTIES.—The Coordinating Committee shall—

(A) support the work of the State rural development councils;

(B) facilitate coordination of rural development policies, programs, and activities among Federal agencies and with those of State, local, and tribal governments, the private sector, and nonprofit organizations;

(C) review and comment on policies, regulations, and proposed legislation that affect or would affect rural areas and gather and provide related information;

(D) develop and facilitate strategies to reduce or eliminate administrative and regulatory impediments; and

(E) require each State rural development council receiving funds under this section to submit an annual report on the use of the funds, including a description of strategic plans, goals, performance measures, and outcomes for the State rural development council of the State.

(4) FEDERAL PARTICIPATION IN COORDINATING COMMITTEE.—

(A) IN GENERAL.—A Federal employee shall fully participate in the governance and operations of the Coordinating Committee, including activities related to grants, contracts, and other agreements, in accordance with this section.

(B) CONFLICTS.—Participation by a Federal employee in the Coordinating Committee in accordance with this paragraph shall not constitute a violation of section 205 or 208 of title 18, United States Code.

(5) ADMINISTRATIVE SUPPORT.—The Secretary may provide such administrative support for the Coordinating Committee as the Secretary determines is necessary to carry out the duties of the Coordinating Committee.

(6) PROCEDURES.—The Secretary may prescribe such regulations, bylaws, or other procedures as are necessary for the operation of the Coordinating Committee.

(d) STATE RURAL DEVELOPMENT COUNCILS.—

(1) ESTABLISHMENT.—Notwithstanding chapter 63 of title 31, United States Code, each State may elect to participate in the Partnership by entering into an agreement with the Secretary to recognize a State rural development council.

(2) COMPOSITION.—A State rural development council shall—

(A) be composed of representatives of Federal, State, local, and tribal governments, nonprofit organizations, regional organizations, the private sector, and other entities committed to rural advancement; and

(B) have a nonpartisan and nondiscriminatory membership that—

(i) is broad and representative of the economic, social, and political diversity of the State; and

(ii) shall be responsible for the governance and operations of the State rural development council.

(3) DUTIES.—A State rural development council shall—

(A) facilitate collaboration among Federal, State, local, and tribal governments and the private and nonprofit sectors in the planning and implementation of programs and policies that have an impact on rural areas of the State;

(B) monitor, report, and comment on policies and programs that address, or fail to address, the needs of the rural areas of the State;

(C) as part of the Partnership, in conjunction with the Coordinating Committee, facilitate the development of strategies to reduce or eliminate conflicting or duplicative administrative or regulatory requirements of Federal, State, local, and tribal governments; and

(D)(i) provide to the Coordinating Committee an annual plan with goals and performance measures; and

(ii) submit to the Coordinating Committee an annual report on the progress of the State rural development council in meeting the goals and measures.

(4) FEDERAL PARTICIPATION IN STATE RURAL DEVELOPMENT COUNCILS.—

(A) IN GENERAL.—A State Director for Rural Development of the Department of Agriculture, other employees of the Department, and employees of other Federal agencies with rural responsibilities shall fully participate as voting members in the governance and operations of State rural development councils (including activities related to grants, contracts, and other agreements in accordance with this section) on an equal basis with other members of the State rural development councils.

(B) CONFLICTS.—Participation by a Federal employee in a State rural development council in accordance with this paragraph shall not constitute a violation of section 205 or 208 of title 18, United States Code.

(e) ADMINISTRATIVE SUPPORT OF THE PARTNERSHIP.—

(1) DETAIL OF EMPLOYEES.—

(A) IN GENERAL.—In order to provide experience in intergovernmental collaboration, the head of an agency with rural responsibilities that elects to participate in the Partnership may, and is encouraged to, detail to the Secretary for the support of the Partnership 1 or more employees of the agency with rural responsibilities without reimbursement for a period of up to 1 year.

(B) CIVIL SERVICE STATUS.—The detail shall be without interruption or loss of civil service status or privilege.

(2) ADDITIONAL SUPPORT.—The Secretary may provide for any additional support staff to the Partnership as the Secretary determines to be necessary to carry out the duties of the Partnership.

(3) INTERMEDIARIES.—The Secretary may enter into a contract with a qualified intermediary under which the intermediary shall be responsible for providing administrative and technical assistance to a State rural development council, including administering the financial assistance available to the State rural development council.

(f) MATCHING REQUIREMENTS FOR STATE RURAL DEVELOPMENT COUNCILS.—

(1) IN GENERAL.—Except as provided in paragraph (2), a State rural development council shall provide matching funds, or in-kind goods or services, to support the activities of the State rural development council in an amount that is not less than 33 percent of the amount of Federal funds received from a Federal agency under subsection (g)(2).

(2) EXCEPTIONS TO MATCHING REQUIREMENT FOR CERTAIN FEDERAL FUNDS.—Paragraph (1) shall not apply to funds, grants, funds provided under contracts or cooperative agreements, gifts, contributions, or technical assistance received by a State rural development council from a Federal agency that are used—

(A) to support 1 or more specific program or project activities; or

(B) to reimburse the State rural development council for services provided to the Federal agency providing the

funds, grants, funds provided under contracts or cooperative agreements, gifts, contributions, or technical assistance.

(3) DEPARTMENT'S SHARE.—The Secretary shall develop a plan to decrease, over time, the share of the Department of Agriculture of the cost of the core operations of State rural development councils.

(g) FUNDING.—

(1) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $10,000,000 for each of fiscal years 2003 through 2007.

(2) FEDERAL AGENCIES.—

(A) IN GENERAL.—Notwithstanding any other provision of law limiting the ability of an agency, along with other agencies, to provide funds to the Coordinating Committee or a State rural development council in order to carry out the purposes of this section, a Federal agency may make grants, gifts, or contributions to, provide technical assistance to, or enter into contracts or cooperative agreements with, the Coordinating Committee or a State rural development council.

(B) ASSISTANCE.—Federal agencies are encouraged to use funds made available for programs that have an impact on rural areas to provide assistance to, and enter into contracts with, the Coordinating Committee or a State rural development council, as described in subparagraph (A).

(3) CONTRIBUTIONS.—The Coordinating Committee and a State rural development council may accept private contributions.

(h) TERMINATION.—The authority provided under this section shall terminate on the date that is 5 years after the date of enactment of this section.

SEC. 379. [7 U.S.C. 2008n] RURAL TELEWORK.

(a) DEFINITIONS.—In this section:

(1) ELIGIBLE ORGANIZATION.—The term "eligible organization" means a nonprofit entity, an educational institution, an Indian tribe (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)), or any other organization, in a rural area (except for the institute), that meets the requirements of this section and such other requirements as are established by the Secretary.

(2) INSTITUTE.—The term "institute" means a rural telework institute established using a grant under subsection (b).

(3) TELEWORK.—The term "telework" means the use of telecommunications to perform work functions at a rural work center located outside the place of business of an employer.

(b) RURAL TELEWORK INSTITUTE.—

(1) IN GENERAL.—The Secretary shall make 1 or more grants to an eligible organization to pay the Federal share of the cost of establishing and operating a national rural telework institute to carry out projects described in paragraph (2).

(2) PROJECTS.—The institute shall use grant funds received under this subsection to carry out a 5-year project—

(A) to serve as a clearinghouse for telework research and development;

(B) to conduct outreach to rural communities and rural workers;

(C) to develop and share best practices in rural telework throughout the United States;

(D) to develop innovative, market-driven telework projects and joint ventures with the private sector that employ workers in rural areas in jobs that promote economic self-sufficiency;

(E) to share information about the design and implementation of telework arrangements;

(F) to support private sector businesses that are transitioning to telework;

(G) to support and assist telework projects and individuals at the State and local level; and

(H) to perform such other functions as the Secretary considers appropriate.

(3) NON-FEDERAL SHARE.—

(A) IN GENERAL.—As a condition of receiving a grant under this subsection, an eligible organization shall agree to obtain, after the application of the eligible organization has been approved and notice of award has been issued, contributions from non-Federal sources that are equal to—

(i) during each of the first, second, and third years of a project, 30 percent of the amount of the grant; and

(ii) during each of the fourth and fifth years of the project, 50 percent of the amount of the grant.

(B) INDIAN TRIBES.—Notwithstanding subparagraph (A), an Indian tribe may use any Federal funds made available to the Indian tribe for self-governance to pay the non-Federal contributions required under subparagraph (A).

(C) FORM.—The non-Federal contributions required under subparagraph (A) may be in the form of in-kind contributions, including office equipment, office space, computer software, consultant services, computer networking equipment, and related services.

(c) TELEWORK GRANTS.—

(1) IN GENERAL.—Subject to paragraphs (2) through (5), the Secretary shall make grants to eligible organizations to pay the Federal share of the cost of—

(A) obtaining equipment and facilities to establish or expand telework locations in rural areas; and

(B) operating telework locations in rural areas.

(2) APPLICATIONS.—To be eligible to receive a grant under this subsection, an eligible organization shall submit to the Secretary, and receive the approval of the Secretary of, an application for the grant that demonstrates that the eligible organization has adequate resources and capabilities to establish or expand a telework location in a rural area.

(3) NON-FEDERAL SHARE.—

(A) IN GENERAL.—As a condition of receiving a grant under this subsection, an eligible organization shall agree to obtain, after the application of the eligible organization has been approved and notice of award has been issued, contributions from non-Federal sources that are equal to 50 percent of the amount of the grant.

(B) INDIAN TRIBES.—Notwithstanding subparagraph (A), an Indian tribe may use Federal funds made available to the tribe for self-governance to pay the non-Federal contributions required under subparagraph (A).

(C) SOURCES.—The non-Federal contributions required under subparagraph (A)—

(i) may be in the form of in-kind contributions, including office equipment, office space, computer software, consultant services, computer networking equipment, and related services; and

(ii) may not be made from funds made available for community development block grants under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.).

(4) DURATION.—The Secretary may not provide a grant under this subsection to expand or operate a telework location in a rural area after the date that is 3 years after the establishment of the telework location.

(5) AMOUNT.—The amount of a grant provided to an eligible organization under this subsection shall be not less than $1,000,000 and not more than $2,000,000.

(d) APPLICABILITY OF CERTAIN FEDERAL LAW.—An eligible organization that receives funds under this section shall be subject to the provisions of Federal law (including regulations) administered by the Secretary of Labor or the Equal Employment Opportunity Commission that govern the responsibilities of employers to employees.

(e) REGULATIONS.—Not later than 180 days after the date of enactment of this section, the Secretary shall promulgate regulations to carry out this section.

(f) AUTHORIZATION OF APPROPRIATION.—There is authorized to be appropriated to carry out this section $30,000,000 for each of fiscal years 2002 through 2007, of which $5,000,000 shall be provided to establish and support an institute under subsection (b).

SEC. 379A. [7 U.S.C. 2008o] HISTORIC BARN PRESERVATION.

(a) DEFINITIONS.—In this section:

(1) BARN.—The term "barn" means a building (other than a dwelling) on a farm, ranch, or other agricultural operation for—

(A) housing animals;

(B) storing or processing crops;

(C) storing and maintaining agricultural equipment; or

(D) serving an essential or useful purpose related to agricultural activities conducted on the adjacent land.

(2) ELIGIBLE APPLICANT.—The term "eligible applicant" means—

(A) a State department of agriculture (or a designee);

(B) a national or State nonprofit organization that—

(i) is described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code; and

(ii) has experience or expertise, as determined by the Secretary, in the identification, evaluation, rehabilitation, preservation, or protection of historic barns; and

(C) a State historic preservation office.

(3) HISTORIC BARN.—The term "historic barn" means a barn that—

(A) is at least 50 years old;

(B) retains sufficient integrity of design, materials, and construction to clearly identify the barn as an agricultural building; and

(C) meets the criteria for listing on National, State, or local registers or inventories of historic structures.

(4) SECRETARY.—The term "Secretary" means the Secretary, acting through the Under Secretary of Rural Development.

(b) PROGRAM.—The Secretary shall establish a historic barn preservation program—

(1) to assist States in developing a list of historic barns;

(2) to collect and disseminate information on historic barns;

(3) to foster educational programs relating to the history, construction techniques, rehabilitation, and contribution to society of historic barns; and

(4) to sponsor and conduct research on—

(A) the history of barns; and

(B) best practices to protect and rehabilitate historic barns from the effects of decay, fire, arson, and natural disasters.

(c) GRANTS.—

(1) IN GENERAL.—The Secretary may make grants to, or enter into contracts or cooperative agreements with, eligible applicants to carry out an eligible project under paragraph (2).

(2) ELIGIBLE PROJECTS.—A grant under this subsection may be made to an eligible applicant for a project—

(A) to rehabilitate or repair a historic barn;

(B) to preserve a historic barn through—

(i) the installation of a fire protection system, including fireproofing or fire detection system and sprinklers; and

(ii) the installation of a system to prevent vandalism; and

(C) to identify, document, and conduct research on a historic barn to develop and evaluate appropriate techniques or best practices for protecting historic barns.

(3) REQUIREMENTS.—An eligible applicant that receives a grant for a project under this subsection shall comply with any standards established by the Secretary of the Interior for historic preservation projects.

(4) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 2002 through 2007.

SEC. 379B. [7 U.S.C. 2008p] GRANTS FOR NOAA WEATHER RADIO TRANSMITTERS.

(a) IN GENERAL.—The Secretary, acting through the Administrator of the Rural Utilities Service, may make grants to public and nonprofit entities, and borrowers of loans made by the Rural Utilities Service, for the Federal share of the cost of acquiring radio transmitters to increase coverage of rural areas by the all hazards weather radio broadcast system of the National Oceanic and Atmospheric Administration.

(b) ELIGIBILITY.—To be eligible for a grant under this section, an applicant shall provide to the Secretary—

(1) a binding commitment from a tower owner to place the transmitter on a tower; and

(2) a description of how the tower placement will increase coverage of a rural area by the all hazards weather radio broadcast system of the National Oceanic and Atmospheric Administration.

(c) FEDERAL SHARE.—A grant provided under this section shall be not more than 75 percent of the total cost of acquiring a radio transmitter, as described in subsection (a).

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section for each of fiscal years 2002 through 2007.

SEC. 379C. [7 U.S.C. 2008q] GRANTS TO TRAIN FARM WORKERS IN NEW TECHNOLOGIES AND TO TRAIN FARM WORKERS IN SPECIALIZED SKILLS NECESSARY FOR HIGHER VALUE CROPS.

(a) IN GENERAL.—The Secretary shall make grants to nonprofit organizations, or to a consortium of nonprofit organizations, agribusinesses, State and local governments, agricultural labor organizations, farmer or rancher cooperatives, and community-based organizations with the capacity to train farm workers.

(b) USE OF FUNDS.—An entity to which a grant is made under this section shall use the grant to train farm workers to use new technologies and develop specialized skills for agricultural development.

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $10,000,000 for each of fiscal years 2002 through 2007.

SEC. 379D. [7 U.S.C. 2008r] DELTA REGION AGRICULTURAL ECONOMIC DEVELOPMENT.

(a) IN GENERAL.—The Secretary may make grants to assist in the development of state-of-the-art technology in animal nutrition (including research and development of the technology) and value-added manufacturing to promote an economic platform for the Delta region (as defined in section 382A) to relieve severe economic conditions.

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $7,000,000 for each of fiscal years 2002 through 2007.

Subtitle E—Rural Community Advancement Program

SEC. 381A. [7 U.S.C. 2009] DEFINITIONS.

In this subtitle:

(1) STATE.—The term "State" means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and the Federated States of Micronesia.

(2) STATE DIRECTOR.—The term "State director" means, with respect to a State, the Director of the Rural Economic and Community Development State Office.

SEC. 381B. [7 U.S.C. 2009a] ESTABLISHMENT.

The Secretary shall establish a rural community advancement program to provide grants, loans, loan guarantees, and other assistance to meet the rural development needs of local communities in States and federally recognized Indian tribes.

SEC. 381C. [7 U.S.C. 2009b] NATIONAL OBJECTIVES.

The national objectives of the program established under this subtitle shall be to—

(1) promote strategic development activities and collaborative efforts by State and local communities, and federally recognized Indian tribes, to maximize the impact of Federal assistance;

(2) optimize the use of resources;

(3) provide assistance in a manner that reflects the complexity of rural needs, including the needs for business development, health care, education, infrastructure, cultural resources, the environment, and housing;

(4) advance activities that empower, and build the capacity of, State and local communities to design unique responses to the special needs of the State and local communities, and federally recognized Indian tribes, for rural development assistance; and

(5) adopt flexible and innovative approaches to solving rural development problems.

SEC. 381D. [7 U.S.C. 2009c] STRATEGIC PLANS.

(a) IN GENERAL.—The Secretary shall direct each of the Directors of Rural Economic and Community Development State Offices to prepare a strategic plan—

(1) for each State for the delivery of assistance under this subtitle in the State; and

(2) for each federally recognized Indian tribe for the delivery of assistance under this subtitle to the Indian tribe.

(b) ASSISTANCE.—

(1) IN GENERAL.—Financial assistance for rural development provided under this subtitle for a State or a federally recognized Indian tribe shall be used only for orderly community development that is consistent with the strategic plan of the State or Indian tribe.

(2) RURAL AREA.—Assistance under this subtitle may only be provided in a rural area.

(3) SMALL COMMUNITIES.—In carrying out this subtitle in a State, the Secretary shall give priority to communities with the smallest populations and lowest per capita income.

(c) REVIEW.—The Secretary shall review the strategic plan of each State and federally recognized Indian tribe not later than 60 days after receiving the plan, and at least once every 5 years thereafter.

(d) CONTENTS.—A strategic plan of a State or federally recognized Indian tribe under this section shall be a plan that—

(1) coordinates economic, human, and community development plans and related activities proposed for an affected area;

(2) provides that the State or federally recognized Indian tribe, as appropriate, and an affected community (including local institutions and organizations that have contributed to the planning process) shall act as full partners in the process of developing and implementing the plan;

(3) identifies goals, methods, and benchmarks for measuring the success of carrying out the plan and how the plan relates to local or regional ecosystems;

(4) in the case of a State, provides for the involvement, in the preparation of the plan, of State, local, private, and public persons, State rural development councils, federally recognized Indian tribes in the State, and community-based organizations;

(5) identifies the amount and source of Federal and non-Federal resources that are available for carrying out the plan; and

(6) includes such other information as may be required by the Secretary.

SEC. 381E. [7 U.S.C. 2009d] RURAL DEVELOPMENT TRUST FUND.

(a) ESTABLISHMENT.—There is established in the Treasury of the United States a trust fund which shall be known as the Rural Development Trust Fund (in this subtitle referred to as the "Trust Fund").

(b) ACCOUNTS.—There are established in the Trust Fund the following accounts:

(1) The rural community facilities account.

(2) The rural utilities account.

(3) The rural business and cooperative development account.

(4) The federally recognized Indian tribe account.

(c) DEPOSITS INTO ACCOUNTS.—Notwithstanding any other provision of law, each fiscal year—

(1) all amounts made available to carry out the authorities described in subsection (d)(1) for the fiscal year shall be deposited into the rural community facilities account of the Trust Fund;

(2) all amounts made available to carry out the authorities described in subsection (d)(2) for the fiscal year shall be deposited into the rural utilities account of the Trust Fund; and

(3) all amounts made available to carry out the authorities described in subsection (d)(3) for the fiscal year shall be depos-

ited into the rural business and cooperative development account of the Trust Fund.

(d) FUNCTION CATEGORIES.—The function categories described in this subsection are the following:

(1) RURAL COMMUNITY FACILITIES.—The rural community development category consists of all amounts made available for—

(A) community facility direct and guaranteed loans under section 306(a)(1); or

(B) community facility grants under paragraph (19), (20), or (21) of section 306(a).

(2) RURAL UTILITIES.—The rural utilities category consists of all amounts made available for—

(A) water or waste disposal grants or direct or guaranteed loans under paragraph (1) or (2) of section 306(a);

(B) rural water or wastewater technical assistance and training grants under section 306(a)(14);

(C) emergency community water assistance grants under section 306A; or

(D) solid waste management grants under section 310B(b).

(3) RURAL BUSINESS AND COOPERATIVE DEVELOPMENT.—The rural business and cooperative development category consists of all amounts made available for—

(A) rural business opportunity grants under section 306(a)(11)(A);

(B) business and industry direct and guaranteed loans under section 310B(a)(1); or

(C) rural business enterprise grants or rural educational network grants under section 310B(c).

(e) FEDERALLY RECOGNIZED INDIAN TRIBE ACCOUNT.—

(1) TRANSFERS INTO ACCOUNT.—Each fiscal year, the Secretary shall transfer to the federally recognized Indian tribe account of the Trust Fund 3 percent of the amount deposited into the Trust Fund for the fiscal year under subsection (d).

(2) USE OF FUNDS.—The Secretary shall make available to federally recognized Indian tribes the amounts in the federally recognized Indian tribe account for use pursuant to any authority described in subsection (d).

(f) ALLOCATION AMONG STATES.—The Secretary shall allocate the amounts in each account specified in subsection (c) among the States in a fair, reasonable, and appropriate manner that takes into consideration rural population, levels of income, unemployment, and other relevant factors, as determined by the Secretary.

(g) AVAILABILITY OF FUNDS ALLOCATED FOR STATES.—The Secretary shall make available to each State the total amount allocated for the State under subsection (f) that remains after applying section 381G.

SEC. 381F. [7 U.S.C. 2009e] TRANSFERS OF FUNDS.

(a) GENERAL AUTHORITY.—Subject to subsection (b) of this section, the State Director of any State may, during any fiscal year, transfer from each account specified in section 381E(c) a total of not more than 25 percent of the amount in the account that is allo-

cated for the State for the fiscal year to any other account in which amounts are allocated for the State for the fiscal year.

(b) LIMITATION.—Except as provided in subsection (c) of this section, a transfer otherwise authorized by subsection (a) of this section to be made during a fiscal year may not be made to the extent that the sum of the amount to be transferred and all amounts so transferred by State directors under subsection (a) of this section during the fiscal year exceeds 10 percent of the total amount made available to carry out the authorities described in section 381E(d) for the fiscal year.

(c) EXCEPTIONS.—Subsections (a) and (b) shall not apply to a transfer of funds by a State director if the State director certifies to the Secretary that—

(1) there is an approved application for a project in the function category to which the funds are to be transferred but funds are not available for the project in the function category; and

(2)(A) there is no such approved application in the function category from which the funds are to be transferred; or

(B) the community that would benefit from the project has a smaller population and a lesser per capita income than any community that would benefit from a project in the function category from which the funds are to be transferred.

SEC. 381G. [7 U.S.C. 2009f] GRANTS TO STATES.

(a) SIMPLE GRANTS.—

(1) MANDATORY GRANT.—The Secretary shall make a grant to any eligible State for any fiscal year for which the State requests a grant under this section in an amount equal to 5 percent of the total amount allocated for the State under section 381E(f).

(2) PERMISSIVE GRANT.—Before July 15 of each fiscal year, the Secretary may make a grant to any State to defray the cost of any subsidy associated with a guarantee provided by an eligible public entity of the State under section 381H in an amount that does not exceed 5 percent of the total amount allocated for the State under section 381E(f).

(3) SOURCE OF FUNDS.—The Secretary shall make grants to a State under paragraphs (1) and (2) from amounts allocated for the State in the accounts specified in section 381E(c), by reducing each such allocated amount by the same percentage.

(b) MATCHING GRANTS.—

(1) IN GENERAL.—Subject to paragraph (2), the Secretary shall make a grant to any eligible State for any fiscal year for which the State requests a grant under this section in an amount equal to 5 percent of the amount allocated for the State for the fiscal year under section 381E(g).

(2) ELIGIBILITY.—A State shall be eligible for a grant under paragraph (1) if the State makes commitments to the Secretary to—

(A) expend from non-Federal sources in accordance with subsection (c) an amount that is not less than 200 percent of the amount of the grant; and

(B) maintain the amounts paid to the State under this subsection and the amount referred to in subparagraph (A) in an account separate from all other State funds until expended in accordance with subsection (c).

(3) SOURCE OF FUNDS.—If the Secretary makes a grant under paragraph (1) before July 15 of the fiscal year, the grant shall be made from amounts allocated for the State in the accounts specified in section 381E(c) for the fiscal year, by reducing each allocated amount by the same percentage.

(c) USE OF FUNDS.—A State to which funds are provided under this section shall use the funds in rural areas for any activity authorized under the authorities described in section 381E(d) in accordance with the State strategic plan referred to in section 381D.

(d) MAINTENANCE OF EFFORT.—The State shall provide assurances to the Secretary that funds provided to the State under this section will be used only to supplement, not to supplant, the amount of Federal, State, and local funds otherwise expended for rural development assistance in the State.

(e) APPEALS.—The Secretary shall provide to a State an opportunity to appeal any action taken with respect to the State under this section.

(f) ADMINISTRATIVE COSTS.—Federal funds shall not be used for any administrative costs incurred by a State in carrying out this subtitle.

(g) EXPENDITURE OF FUNDS BY STATE.—

(1) IN GENERAL.—Payments to a State from a grant under this section for a fiscal year shall be obligated by the State in the fiscal year or in the succeeding fiscal year. A State shall obligate funds under this section to provide assistance to rural areas.

(2) FAILURE TO OBLIGATE.—If a State fails to obligate payments in accordance with paragraph (1), the Secretary shall make an equal reduction in the amount of payments provided to the State under this section for the immediately succeeding fiscal year.

(3) NONCOMPLIANCE.—

(A) REVIEW.—The Secretary shall review and monitor State compliance with this section.

(B) PENALTY.—If the Secretary finds that there has been misuse of grant funds provided under this section, or noncompliance with any of the terms and conditions of a grant, after reasonable notice and opportunity for a hearing—

(i) the Secretary shall notify the State of the finding; and

(ii) no further payments to the State shall be made with respect to the programs funded under this section until the Secretary is satisfied that there is no longer any failure to comply or that the noncompliance will be promptly corrected.

(C) OTHER SANCTIONS.—In the case of a finding of noncompliance made pursuant to subparagraph (B), the Secretary may, in addition to, or in lieu of, imposing the sanctions described in subparagraph (B), impose other appro-

priate sanctions, including recoupment of money improperly expended for purposes prohibited or not authorized by this section and disqualification from the receipt of financial assistance under this section.

(h) NO ENTITLEMENT TO CONTRACT, GRANT, OR ASSISTANCE.—Nothing in this subtitle—

(1) entitles any person to assistance or a contract or grant; or

(2) limits the right of a State to impose additional limitations or conditions on assistance or a contract or grant under this section.

SEC. 381H. [7 U.S.C. 2009g] GUARANTEE AND COMMITMENT TO GUARANTEE LOANS.

(a) DEFINITION OF ELIGIBLE PUBLIC ENTITY.—In this section, the term "eligible public entity" means any unit of general local government.

(b) GUARANTEE AND COMMITMENT.—The Secretary, on such terms and conditions as the Secretary may prescribe, may guarantee and make commitments to guarantee notes or other obligations issued by eligible public entities, or by public agencies designated by the eligible public entities, for the purposes of financing rural development activities authorized and funded under section 381G.

(c) LIMITATION.—The Secretary may not make a guarantee or commitment to guarantee with respect to a note or other obligation if the total amount of outstanding notes or obligations guaranteed under this section (excluding any amount repaid under the contract entered into under subsection (e)(1)(A)) for issuers in the State would exceed an amount equal to 5 times the sum of the total amount of grants made to the State under section 381G.

(d) PAYMENT OF PRINCIPAL, INTEREST, AND COSTS.—Notwithstanding any other provision of this subtitle, a State to which a grant is made under section 381G may use the grant (including program income derived from the grant) to pay principal and interest due (including such servicing, underwriting, or other costs as may be specified in regulations of the Secretary) on any note or other obligation guaranteed under this section.

(e) REPAYMENT CONTRACT; SECURITY.—

(1) IN GENERAL.—To ensure the repayment of notes or other obligations and charges incurred under this section and as a condition for receiving the guarantees, the Secretary shall require the issuer to—

(A) enter into a contract, in a form acceptable to the Secretary, for repayment of notes or other obligations guaranteed under this section;

(B) pledge any grant for which the issuer may become eligible under this subtitle; and

(C) furnish, at the discretion of the Secretary, such other security as may be considered appropriate by the Secretary in making the guarantees.

(2) SECURITY.—To assist in ensuring the repayment of notes or other obligations and charges incurred under this section, a State shall pledge any grant for which the State may become eligible under this subtitle as security for notes or

other obligations and charges issued under this section by any eligible public entity in the State.

(f) PLEDGED GRANTS FOR REPAYMENTS.—Notwithstanding any other provision of this subtitle, the Secretary may apply grants pledged pursuant to paragraphs (1)(B) and (2) of subsection (e) to any repayments due the United States as a result of the guarantees.

(g) OUTSTANDING OBLIGATIONS.—The total amount of outstanding obligations guaranteed on a cumulative basis by the Secretary pursuant to subsection (b) shall not at any time exceed such amount as may be authorized to be appropriated for such purpose for any fiscal year.

(h) PURCHASE OF GUARANTEED OBLIGATIONS BY FEDERAL FINANCING BANK.—Notes or other obligations guaranteed under this section may not be purchased by the Federal Financing Bank.

(i) FULL FAITH AND CREDIT.—The full faith and credit of the United States is pledged to the payment of all guarantees made under this section. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligations for the guarantee with respect to principal and interest. The validity of the guarantee shall be incontestable in the hands of a holder of the guaranteed obligations.

SEC. 381I. [7 U.S.C. 2009h] LOCAL INVOLVEMENT.

An application for assistance under this subtitle shall include evidence of significant community support for the project for which the assistance is requested. In the case of assistance for a community facilities or infrastructure project, the evidence shall be in the form of a certification of support for the project from each affected general purpose local government.

SEC. 381J. [7 U.S.C. 2009i] INTERSTATE COLLABORATION.

The Secretary shall permit the establishment of voluntary pooling arrangements among States, and regional fund-sharing agreements, to carry out projects receiving assistance under this subtitle.

SEC. 381K. [7 U.S.C. 2009j] ANNUAL REPORT.

(a) IN GENERAL.—The Secretary, in collaboration with State, local, public, and private entities, State rural development councils, and community-based organizations, shall prepare an annual report that contains evaluations, assessments, and performance outcomes concerning the rural community advancement programs carried out under this subtitle.

(b) SUBMISSION.—Not later than March 1 of each year, the Secretary shall—

(1) submit the report required by subsection (a) to Congress and the chief executives of the States participating in the program established under this subtitle; and

(2) make the report available to State and local participants.

SEC. 381L. [7 U.S.C. 2009k] RURAL DEVELOPMENT INTERAGENCY WORKING GROUP.

(a) IN GENERAL.—The Secretary shall provide leadership within the Executive branch for, and assume responsibility for, establishing an interagency working group chaired by the Secretary.

(b) DUTIES.—The working group shall establish policy for, coordinate, make recommendations with respect to, and evaluate the performance of, all Federal rural development efforts.

SEC. 381M. [7 U.S.C. 2009l] DUTIES OF RURAL ECONOMIC AND COMMUNITY DEVELOPMENT STATE OFFICES.

In carrying out this subtitle, the Director of a Rural Economic and Community Development State Office shall—

(1) to the maximum extent practicable, ensure that the State strategic plan referred to in section 381D is implemented;

(2) coordinate community development objectives within the State;

(3) establish links between local, State, and field office program administrators of the Department of Agriculture;

(4) ensure that recipient communities comply with applicable Federal and State laws and requirements; and

(5) integrate State development programs with assistance under this subtitle.

SEC. 381N. [7 U.S.C. 2009m] ELECTRONIC TRANSFER.

The Secretary shall transfer funds in accordance with this subtitle through electronic transfer as soon as practicable after the date of enactment of this subtitle.

[SEC. 381O. Repealed by P.L. 107–171, sec. 6026(b), May 13, 2002 (116 Stat. 372)]

Subtitle F—Delta Regional Authority

SEC. 382A. [7 U.S.C. 2009aa] DEFINITIONS.[1]

In this subtitle:

(1) AUTHORITY.—The term "Authority" means the Delta Regional Authority established by section 382B.

(2) REGION.—The term "region" means the Lower Mississippi (as defined in section 4 of the Delta Development Act (42 U.S.C. 3121 note; Public Law 100–460)).

(3) FEDERAL GRANT PROGRAM.—The term "Federal grant program" means a Federal grant program to provide assistance in—

(A) acquiring or developing land;

(B) constructing or equipping a highway, road, bridge, or facility; or

(C) carrying out other economic development activities.

[1] Section 153(b) of Public Law 106–554 (114 Stat. 2763A–252) purports to amend section 382A of the "Delta Regional Authority Act of 2000" by inserting at the end a new paragraph (4) as follows:

(4) Notwithstanding any other provision of law, the State of Alabama shall be a full member of the Delta Regional Authority and shall be entitled to all rights and privileges that said membership affords to all other participating States in the Delta Regional Authority.

The amendment probably should have been to insert such paragraph at the end of section 382A of the Consolidated Farm and Rural Development Act, as amended by the Delta Regional Authority Act of 2000 (title V of Public Law 106–554; 114 Stat. 2763A–268).

SEC. 382B. [7 U.S.C. 2009aa–1] DELTA REGIONAL AUTHORITY.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—There is established the Delta Regional Authority.

(2) COMPOSITION.—The Authority shall be composed of—

(A) a Federal member, to be appointed by the President, with the advice and consent of the Senate; and

(B) the Governor (or a designee of the Governor) of each State in the region that elects to participate in the Authority.

(3) COCHAIRPERSONS.—The Authority shall be headed by—

(A) the Federal member, who shall serve—

(i) as the Federal cochairperson; and

(ii) as a liaison between the Federal Government and the Authority; and

(B) a State cochairperson, who—

(i) shall be a Governor of a participating State in the region; and

(ii) shall be elected by the State members for a term of not less than 1 year.

(b) ALTERNATE MEMBERS.—

(1) STATE ALTERNATES.—The State member of a participating State may have a single alternate, who shall be—

(A) a resident of that State; and

(B) appointed by the Governor of the State.

(2) ALTERNATE FEDERAL COCHAIRPERSON.—The President shall appoint an alternate Federal cochairperson.

(3) QUORUM.—A State alternate shall not be counted toward the establishment of a quorum of the Authority in any instance in which a quorum of the State members is required to be present.

(4) DELEGATION OF POWER.—No power or responsibility of the Authority specified in paragraphs (2) and (3) of subsection (c), and no voting right of any Authority member, shall be delegated to any person—

(A) who is not an Authority member; or

(B) who is not entitled to vote in Authority meetings.

(c) VOTING.—

(1) IN GENERAL.—

(A) TEMPORARY METHOD.—During the period beginning on the date of enactment of this subparagraph and ending on December 31, 2004, a decision by the Authority shall require the affirmative vote of the Federal cochairperson and a majority of the State members (not including any member representing a State that is delinquent under subsection (g)(2)(C)) to be effective.

(B) PERMANENT METHOD.—Effective beginning on January 1, 2005, a decision by the Authority shall require a majority vote of the Authority (not including any member representing a State that is delinquent under subsection (g)(2)(C)) to be effective.

(2) QUORUM.—A quorum of State members shall be required to be present for the Authority to make any policy decision, including—

(A) a modification or revision of an Authority policy decision;

(B) approval of a State or regional development plan; and

(C) any allocation of funds among the States.

(3) PROJECT AND GRANT PROPOSALS.—The approval of project and grant proposals shall be—

(A) a responsibility of the Authority; and

(B) conducted in accordance with section 382I.

VOTING BY ALTERNATE MEMBERS.—An alternate member shall vote in the case of the absence, death, disability, removal, or resignation of the Federal or State representative for which the alternate member is an alternate.

(d) DUTIES.—The Authority shall—

(1) develop, on a continuing basis, comprehensive and coordinated plans and programs to establish priorities and approve grants for the economic development of the region, giving due consideration to other Federal, State, and local planning and development activities in the region;

(2) not later than 220 days after the date of enactment of this subtitle, establish priorities in a development plan for the region (including 5-year regional outcome targets);

(3) assess the needs and assets of the region based on available research, demonstrations, investigations, assessments, and evaluations of the region prepared by Federal, State, and local agencies, universities, local development districts, and other nonprofit groups;

(4) formulate and recommend to the Governors and legislatures of States that participate in the Authority forms of interstate cooperation;

(5) work with State and local agencies in developing appropriate model legislation;

(6)(A) enhance the capacity of, and provide support for, local development districts in the region; or

(B) if no local development district exists in an area in a participating State in the region, foster the creation of a local development district;

(7) encourage private investment in industrial, commercial, and other economic development projects in the region; and

(8) cooperate with and assist State governments with economic development programs of participating States.

(e) ADMINISTRATION.—In carrying out subsection (d), the Authority may—

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute a description of the proceedings and reports on actions by the Authority as the Authority considers appropriate;

(2) authorize, through the Federal or State cochairperson or any other member of the Authority designated by the Authority, the administration of oaths if the Authority determines that testimony should be taken or evidence received under oath;

(3) request from any Federal, State, or local department or agency such information as may be available to or procurable by the department or agency that may be of use to the Authority in carrying out duties of the Authority;

(4) adopt, amend, and repeal bylaws, rules, and regulations governing the conduct of Authority business and the performance of Authority duties;

(5) request the head of any Federal department or agency to detail to the Authority such personnel as the Authority requires to carry out duties of the Authority, each such detail to be without loss of seniority, pay, or other employee status;

(6) request the head of any State department or agency or local government to detail to the Authority such personnel as the Authority requires to carry out duties of the Authority, each such detail to be without loss of seniority, pay, or other employee status;

(7) provide for coverage of Authority employees in a suitable retirement and employee benefit system by—

(A) making arrangements or entering into contracts with any participating State government; or

(B) otherwise providing retirement and other employee benefit coverage;

(8) accept, use, and dispose of gifts or donations of services or real, personal, tangible, or intangible property;

(9) enter into and perform such contracts, leases, cooperative agreements, or other transactions as are necessary to carry out Authority duties, including any contracts, leases, or cooperative agreements with—

(A) any department, agency, or instrumentality of the United States;

(B) any State (including a political subdivision, agency, or instrumentality of the State); or

(C) any person, firm, association, or corporation; and

(10) establish and maintain a central office and field offices at such locations as the Authority may select.

(f) FEDERAL AGENCY COOPERATION.—A Federal agency shall—

(1) cooperate with the Authority; and

(2) provide, on request of the Federal cochairperson, appropriate assistance in carrying out this subtitle, in accordance with applicable Federal laws (including regulations).

(g) ADMINISTRATIVE EXPENSES.—

(1) IN GENERAL.—Administrative expenses of the Authority (except for the expenses of the Federal cochairperson, including expenses of the alternate and staff of the Federal cochairperson, which shall be paid solely by the Federal Government) shall be paid—

(A) by the Federal Government, in an amount equal to 50 percent of the administrative expenses; and

(B) by the States in the region participating in the Authority, in an amount equal to 50 percent of the administrative expenses.

(2) STATE SHARE.—

(A) IN GENERAL.—The share of administrative expenses of the Authority to be paid by each State shall be determined by the Authority.

(B) NO FEDERAL PARTICIPATION.—The Federal cochairperson shall not participate or vote in any decision under subparagraph (A).

(C) DELINQUENT STATES.—If a State is delinquent in payment of the State's share of administrative expenses of the Authority under this subsection—

(i) no assistance under this subtitle shall be furnished to the State (including assistance to a political subdivision or a resident of the State); and

(ii) no member of the Authority from the State shall participate or vote in any action by the Authority.

(h) COMPENSATION.—

(1) FEDERAL COCHAIRPERSON.—The Federal cochairperson shall be compensated by the Federal Government at level III of the Executive Schedule in subchapter II of chapter 53 of title 5, United States Code.

(2) ALTERNATE FEDERAL COCHAIRPERSON.—The alternate Federal cochairperson—

(A) shall be compensated by the Federal Government at level V of the Executive Schedule described in paragraph (1); and

(B) when not actively serving as an alternate for the Federal cochairperson, shall perform such functions and duties as are delegated by the Federal cochairperson.

(3) STATE MEMBERS AND ALTERNATES.—

(A) IN GENERAL.—A State shall compensate each member and alternate representing the State on the Authority at the rate established by law of the State.

(B) NO ADDITIONAL COMPENSATION.—No State member or alternate member shall receive any salary, or any contribution to or supplementation of salary from any source other than the State for services provided by the member or alternate to the Authority.

(4) DETAILED EMPLOYEES.—

(A) IN GENERAL.—No person detailed to serve the Authority under subsection (e)(6) shall receive any salary or any contribution to or supplementation of salary for services provided to the Authority from—

(i) any source other than the State, local, or intergovernmental department or agency from which the person was detailed; or

(ii) the Authority.

(B) VIOLATION.—Any person that violates this paragraph shall be fined not more than $5,000, imprisoned not more than 1 year, or both.

(C) APPLICABLE LAW.—The Federal cochairperson, the alternate Federal cochairperson, and any Federal officer or employee detailed to duty on the Authority under subsection (e)(5) shall not be subject to subparagraph (A), but

shall remain subject to sections 202 through 209 of title 18, United States Code.

(5) ADDITIONAL PERSONNEL.—

(A) COMPENSATION.—

(i) IN GENERAL.—The Authority may appoint and fix the compensation of an executive director and such other personnel as are necessary to enable the Authority to carry out the duties of the Authority.

(ii) EXCEPTION.—Compensation under clause (i) shall not exceed the maximum rate for the Senior Executive Service under section 5382 of title 5, United States Code, including any applicable locality-based comparability payment that may be authorized under section 5304(h)(2)(C) of that title.

(B) EXECUTIVE DIRECTOR.—The executive director shall be responsible for—

(i) the carrying out of the administrative duties of the Authority;

(ii) direction of the Authority staff; and

(iii) such other duties as the Authority may assign.

(C) NO FEDERAL EMPLOYEE STATUS.—No member, alternate, officer, or employee of the Authority (except the Federal cochairperson of the Authority, the alternate and staff for the Federal cochairperson, and any Federal employee detailed to the Authority under subsection (e)(5)) shall be considered to be a Federal employee for any purpose.

(i) CONFLICTS OF INTEREST.—

(1) IN GENERAL.—Except as provided under paragraph (2), no State member, alternate, officer, or employee of the Authority shall participate personally and substantially as a member, alternate, officer, or employee of the Authority, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other matter in which, to knowledge of the member, alternate, officer, or employee—

(A) the member, alternate, officer, or employee;

(B) the spouse, minor child, partner, or organization (other than a State or political subdivision of the State) of the member, alternate, officer, or employee, in which the member, alternate, officer, or employee is serving as officer, director, trustee, partner, or employee; or

(C) any person or organization with whom the member, alternate, officer, or employee is negotiating or has any arrangement concerning prospective employment;

has a financial interest.

(2) DISCLOSURE.—Paragraph (1) shall not apply if the State member, alternate, officer, or employee—

(A) immediately advises the Authority of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, con-

troversy, or other particular matter presenting a potential conflict of interest;

(B) makes full disclosure of the financial interest; and

(C) before the proceeding concerning the matter presenting the conflict of interest, receives a written determination by the Authority that the interest is not so substantial as to be likely to affect the integrity of the services that the Authority may expect from the State member, alternate, officer, or employee.

(3) VIOLATION.—Any person that violates this subsection shall be fined not more than $10,000, imprisoned not more than 2 years, or both.

(j) VALIDITY OF CONTRACTS, LOANS, AND GRANTS.—The Authority may declare void any contract, loan, or grant of or by the Authority in relation to which the Authority determines that there has been a violation of any provision under subsection (h)(4), subsection (i), or sections 202 through 209 of title 18, United States Code.

SEC. 382C. [7 U.S.C. 2009aa–2] ECONOMIC AND COMMUNITY DEVELOPMENT GRANTS.

(a) IN GENERAL.—The Authority may approve grants to States and public and nonprofit entities for projects, approved in accordance with section 382I—

(1) to develop the transportation infrastructure of the region for the purpose of facilitating economic development in the region (except that grants for this purpose may only be made to a State or local government);

(2) to assist the region in obtaining the job training, employment-related education, and business development (with an emphasis on entrepreneurship) that are needed to build and maintain strong local economies;

(3) to provide assistance to severely distressed and underdeveloped areas that lack financial resources for improving basic public services;

(4) to provide assistance to severely distressed and underdeveloped areas that lack financial resources for equipping industrial parks and related facilities; and

(5) to otherwise achieve the purposes of this subtitle.

(b) FUNDING.—

(1) IN GENERAL.—Funds for grants under subsection (a) may be provided—

(A) entirely from appropriations to carry out this section;

(B) in combination with funds available under another Federal or Federal grant program; or

(C) from any other source.

(2) PRIORITY OF FUNDING.—To best build the foundations for long-term economic development and to complement other Federal and State resources in the region, Federal funds available under this subtitle shall be focused on the activities in the following order or priority:

(A) Basic public infrastructure in distressed counties and isolated areas of distress.

(B) Transportation infrastructure for the purpose of facilitating economic development in the region.

(C) Business development, with emphasis on entrepreneurship.

(D) Job training or employment-related education, with emphasis on use of existing public educational institutions located in the region.

SEC. 382D. [7 U.S.C. 2009aa–3] SUPPLEMENTS TO FEDERAL GRANT PROGRAMS.

(a) FINDING.—Congress finds that certain States and local communities of the region, including local development districts, may be unable to take maximum advantage of Federal grant programs for which the States and communities are eligible because—

(1) the States or communities lack the economic resources to provide the required matching share; or

(2) there are insufficient funds available under the applicable Federal law authorizing the Federal grant program to meet pressing needs of the region.

(b) FEDERAL GRANT PROGRAM FUNDING.—Notwithstanding any provision of law limiting the Federal share, the areas eligible for assistance, or the authorizations of appropriations of any Federal grant program, and in accordance with subsection (c), the Authority, with the approval of the Federal cochairperson and with respect to a project to be carried out in the region—

(1) may increase the Federal share of the costs of a project under the Federal grant program to not more than 90 percent (except as provided in section 382F(b)); and

(2) shall use amounts made available to carry out this subtitle to pay the increased Federal share.

(c) CERTIFICATIONS.—

(1) IN GENERAL.—In the case of any project for which all or any portion of the basic Federal share of the costs of the project is proposed to be paid under this section, no Federal contribution shall be made until the Federal official administering the Federal law that authorizes the Federal grant program certifies that the project—

(A) meets (except as provided in subsection (b)) the applicable requirements of the applicable Federal grant program; and

(B) could be approved for Federal contribution under the Federal grant program if funds were available under the law for the project.

(2) CERTIFICATION BY AUTHORITY.—

(A) IN GENERAL.—The certifications and determinations required to be made by the Authority for approval of projects under this Act in accordance with section 382I—

(i) shall be controlling; and

(ii) shall be accepted by the Federal agencies.

(B) ACCEPTANCE BY FEDERAL COCHAIRPERSON.—In the case of any project described in paragraph (1), any finding, report, certification, or documentation required to be submitted with respect to the project to the head of the department, agency, or instrumentality of the Federal Government responsible for the administration of the Federal

grant program under which the project is carried out shall be accepted by the Federal cochairperson.

SEC. 382E. [7 U.S.C. 2009aa–4] LOCAL DEVELOPMENT DISTRICTS; CERTIFICATION AND ADMINISTRATIVE EXPENSES.

(a) DEFINITION OF LOCAL DEVELOPMENT DISTRICT.—In this section, the term "local development district" means an entity that—

(1) is—

(A) a planning district in existence on the date of enactment of this subtitle that is recognized by the Economic Development Administration of the Department of Commerce; or

(B) where an entity described in subparagraph (A) does not exist—

(i) organized and operated in a manner that ensures broad-based community participation and an effective opportunity for other nonprofit groups to contribute to the development and implementation of programs in the region;

(ii) governed by a policy board with at least a simple majority of members consisting of elected officials or employees of a general purpose unit of local government who have been appointed to represent the government;

(iii) certified to the Authority as having a charter or authority that includes the economic development of counties or parts of counties or other political subdivisions within the region—

(I) by the Governor of each State in which the entity is located; or

(II) by the State officer designated by the appropriate State law to make the certification; and

(iv)(I)[1] a nonprofit incorporated body organized or chartered under the law of the State in which the entity is located;

(II) a nonprofit agency or instrumentality of a State or local government;

(III) a public organization established before the date of enactment of this subtitle under State law for creation of multi-jurisdictional, area-wide planning organizations; or

(IV) a nonprofit association or combination of bodies, agencies, and instrumentalities described in subclauses (I) through (III); and

(2) has not, as certified by the Federal cochairperson—

(A) inappropriately used Federal grant funds from any Federal source; or

(B) appointed an officer who, during the period in which another entity inappropriately used Federal grant funds from any Federal source, was an officer of the other entity.

(b) GRANTS TO LOCAL DEVELOPMENT DISTRICTS.—

[1] Margins so in law.

(1) IN GENERAL.—The Authority shall make grants for administrative expenses under this section.

(2) CONDITIONS FOR GRANTS.—

(A) MAXIMUM AMOUNT.—The amount of any grant awarded under paragraph (1) shall not exceed 80 percent of the administrative expenses of the local development district receiving the grant.

(B) MAXIMUM PERIOD.—No grant described in paragraph (1) shall be awarded to a State agency certified as a local development district for a period greater than 3 years.

(C) LOCAL SHARE.—The contributions of a local development district for administrative expenses may be in cash or in kind, fairly evaluated, including space, equipment, and services.

(c) DUTIES OF LOCAL DEVELOPMENT DISTRICTS.—A local development district shall—

(1) operate as a lead organization serving multicounty areas in the region at the local level; and

(2) serve as a liaison between State and local governments, nonprofit organizations (including community-based groups and educational institutions), the business community, and citizens that—

(A) are involved in multijurisdictional planning;

(B) provide technical assistance to local jurisdictions and potential grantees; and

(C) provide leadership and civic development assistance.

SEC. 382F. [7 U.S.C. 2009aa–5] DISTRESSED COUNTIES AND AREAS AND NONDISTRESSED COUNTIES.

(a) DESIGNATIONS.—Not later than 90 days after the date of enactment of this subtitle, and annually thereafter, the Authority, in accordance with such criteria as the Authority may establish, shall designate—

(1) as distressed counties, counties in the region that are the most severely and persistently distressed and underdeveloped and have high rates of poverty or unemployment;

(2) as nondistressed counties, counties in the region that are not designated as distressed counties under paragraph (1); and

(3) as isolated areas of distress, areas located in nondistressed counties (as designated under paragraph (2)) that have high rates of poverty or unemployment.

(b) DISTRESSED COUNTIES.—

(1) IN GENERAL.—The Authority shall allocate at least 75 percent of the appropriations made available under section 382M for programs and projects designed to serve the needs of distressed counties and isolated areas of distress in the region.

(2) FUNDING LIMITATIONS.—The funding limitations under section 382D(b) shall not apply to a project providing transportation or basic public services to residents of one or more distressed counties or isolated areas of distress in the region.

(c) NONDISTRESSED COUNTIES.—

(1) IN GENERAL.—Except as provided in this subsection, no funds shall be provided under this subtitle for a project located in a county designated as a nondistressed county under subsection (a)(2).

(2) EXCEPTIONS.—

(A) IN GENERAL.—The funding prohibition under paragraph (1) shall not apply to grants to fund the administrative expenses of local development districts under section 382E(b).

(B) MULTICOUNTY PROJECTS.—The Authority may waive the application of the funding prohibition under paragraph (1) to—

(i) a multicounty project that includes participation by a nondistressed county; or

(ii) any other type of project;

if the Authority determines that the project could bring significant benefits to areas of the region outside a nondistressed county.

(C) ISOLATED AREAS OF DISTRESS.—For a designation of an isolated area of distress for assistance to be effective, the designation shall be supported—

(i) by the most recent Federal data available; or

(ii) if no recent Federal data are available, by the most recent data available through the government of the State in which the isolated area of distress is located.

(d) TRANSPORTATION AND BASIC PUBLIC INFRASTRUCTURE.—The Authority shall allocate at least 50 percent of any funds made available under section 382M for transportation and basic public infrastructure projects authorized under paragraphs (1) and (3) of section 382C(a).

SEC. 382G. [7 U.S.C. 2009aa–6] DEVELOPMENT PLANNING PROCESS.

(a) STATE DEVELOPMENT PLAN.—In accordance with policies established by the Authority, each State member shall submit a development plan for the area of the region represented by the State member.

(b) CONTENT OF PLAN.—A State development plan submitted under subsection (a) shall reflect the goals, objectives, and priorities identified in the regional development plan developed under section 382B(d)(2).

(c) CONSULTATION WITH INTERESTED LOCAL PARTIES.—In carrying out the development planning process (including the selection of programs and projects for assistance), a State may—

(1) consult with—

(A) local development districts; and

(B) local units of government; and

(2) take into consideration the goals, objectives, priorities, and recommendations of the entities described in paragraph (1).

(d) PUBLIC PARTICIPATION.—

(1) IN GENERAL.—The Authority and applicable State and local development districts shall encourage and assist, to the maximum extent practicable, public participation in the devel-

opment, revision, and implementation of all plans and programs under this subtitle.

(2) REGULATIONS.—The Authority shall develop guidelines for providing public participation described in paragraph (1), including public hearings.

SEC. 382H. [7 U.S.C. 2009aa–7] PROGRAM DEVELOPMENT CRITERIA.

(a) IN GENERAL.—In considering programs and projects to be provided assistance under this subtitle, and in establishing a priority ranking of the requests for assistance provided by the Authority, the Authority shall follow procedures that ensure, to the maximum extent practicable, consideration of—

(1) the relationship of the project or class of projects to overall regional development;

(2) the per capita income and poverty and unemployment rates in an area;

(3) the financial resources available to the applicants for assistance seeking to carry out the project, with emphasis on ensuring that projects are adequately financed to maximize the probability of successful economic development;

(4) the importance of the project or class of projects in relation to other projects or classes of projects that may be in competition for the same funds;

(5) the prospects that the project for which assistance is sought will improve, on a continuing rather than a temporary basis, the opportunities for employment, the average level of income, or the economic development of the area served by the project; and

(6) the extent to which the project design provides for detailed outcome measurements by which grant expenditures and the results of the expenditures may be evaluated.

(b) NO RELOCATION ASSISTANCE.—No financial assistance authorized by this subtitle shall be used to assist a person or entity in relocating from one area to another, except that financial assistance may be used as otherwise authorized by this title to attract businesses from outside the region to the region.

(c) REDUCTION OF FUNDS.—Funds may be provided for a program or project in a State under this subtitle only if the Authority determines that the level of Federal or State financial assistance provided under a law other than this subtitle, for the same type of program or project in the same area of the State within the region, will not be reduced as a result of funds made available by this subtitle.

SEC. 382I. [7 U.S.C. 2009aa–8] APPROVAL OF DEVELOPMENT PLANS AND PROJECTS.

(a) IN GENERAL.—A State or regional development plan or any multistate subregional plan that is proposed for development under this subtitle shall be reviewed and approved by the Authority.

(b) EVALUATION BY STATE MEMBER.—An application for a grant or any other assistance for a project under this subtitle shall be made through and evaluated for approval by the State member of the Authority representing the applicant.

(c) CERTIFICATION.—An application for a grant or other assistance for a project shall be approved only on certification by the State member that the application for the project—

(1) describes ways in which the project complies with any applicable State development plan;

(2) meets applicable criteria under section 382H;

(3) provides adequate assurance that the proposed project will be properly administered, operated, and maintained; and

(4) otherwise meets the requirements of this subtitle.

(d) APPROVAL OF GRANT APPLICATIONS.—On certification by a State member of the Authority of an application for a grant or other assistance for a specific project under this section, an affirmative vote of the Authority under section 382B(c) shall be required for approval of the application.

SEC. 382J. [7 U.S.C. 2009aa–9] CONSENT OF STATES.

Nothing in this subtitle requires any State to engage in or accept any program under this subtitle without the consent of the State.

SEC. 382K. [7 U.S.C. 2009aa–10] RECORDS.

(a) RECORDS OF THE AUTHORITY.—

(1) IN GENERAL.—The Authority shall maintain accurate and complete records of all transactions and activities of the Authority.

(2) AVAILABILITY.—All records of the Authority shall be available for audit and examination by the Comptroller General of the United States and the Inspector General of the Department of Agriculture (including authorized representatives of the Comptroller General and the Inspector General of the Department of Agriculture).

(b) RECORDS OF RECIPIENTS OF FEDERAL ASSISTANCE.—

(1) IN GENERAL.—A recipient of Federal funds under this subtitle shall, as required by the Authority, maintain accurate and complete records of transactions and activities financed with Federal funds and report on the transactions and activities to the Authority.

(2) AVAILABILITY.—All records required under paragraph (1) shall be available for audit by the Comptroller General of the United States, the Inspector General of the Department of Agriculture, and the Authority (including authorized representatives of the Comptroller General, the Inspector General of the Department of Agriculture, and the Authority).

(c) ANNUAL AUDIT.—The Inspector General of the Department of Agriculture shall audit the activities, transactions, and records of the Authority on an annual basis.

SEC. 382L. [7 U.S.C. 2009aa–11] ANNUAL REPORT.

Not later than 180 days after the end of each fiscal year, the Authority shall submit to the President and to Congress a report describing the activities carried out under this subtitle.

SEC. 382M. [7 U.S.C. 2009aa–12] AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—There is authorized to be appropriated to the Authority to carry out this subtitle $30,000,000 for each of fiscal years 2001 through 2007, to remain available until expended.

(b) ADMINISTRATIVE EXPENSES.—Not more than 5 percent of the amount appropriated under subsection (a) for a fiscal year shall be used for administrative expenses of the Authority.

SEC. 382N. [7 U.S.C. 2009aa–13] TERMINATION OF AUTHORITY.

This subtitle and the authority provided under this subtitle expire on October 1, 2007.

Subtitle G—Northern Great Plains Regional Authority

SEC. 383A. [7 U.S.C. 2009bb] DEFINITIONS.

In this subtitle:

(1) AUTHORITY.—The term "Authority" means the Northern Great Plains Regional Authority established by section 383B.

(2) FEDERAL GRANT PROGRAM.—The term "Federal grant program" means a Federal grant program to provide assistance in—

(A) implementing the recommendations of the Northern Great Plains Rural Development Commission established by the Northern Great Plains Rural Development Act (7 U.S.C. 2661 note; Public Law 103–318);

(B) acquiring or developing land;

(C) constructing or equipping a highway, road, bridge, or facility;

(D) carrying out other economic development activities; or

(E) conducting research activities related to the activities described in subparagraphs (A) through (D).

(3) INDIAN TRIBE.—The term "Indian tribe" has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

(4) REGION.—The term "region" means the States of Iowa, Minnesota, Nebraska, North Dakota, and South Dakota.

SEC. 383B. [7 U.S.C. 2009bb–1] NORTHERN GREAT PLAINS REGIONAL AUTHORITY.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—There is established the Northern Great Plains Regional Authority.

(2) COMPOSITION.—The Authority shall be composed of—

(A) a Federal member, to be appointed by the President, by and with the advice and consent of the Senate;

(B) the Governor (or a designee of the Governor) of each State in the region that elects to participate in the Authority; and

(C) a member of an Indian tribe, who shall be a chairperson of an Indian tribe in the region or a designee of such a chairperson, to be appointed by the President, by and with the advice and consent of the Senate.

(3) COCHAIRPERSONS.—The Authority shall be headed by—

(A) the Federal member, who shall serve—

(i) as the Federal cochairperson; and

(ii) as a liaison between the Federal Government and the Authority;

(B) a State cochairperson, who—

(i) shall be a Governor of a participating State in the region; and

(ii) shall be elected by the State members for a term of not less than 1 year; and

(C) the member of an Indian tribe, who shall serve—

(i) as the tribal cochairperson; and

(ii) as a liaison between the governments of Indian tribes in the region and the Authority.

(b) ALTERNATE MEMBERS.—

(1) ALTERNATE FEDERAL COCHAIRPERSON.—The President shall appoint an alternate Federal cochairperson.

(2) STATE ALTERNATES.—

(A) IN GENERAL.—The State member of a participating State may have a single alternate, who shall be—

(i) a resident of that State; and

(ii) appointed by the Governor of the State.

(B) QUORUM.—A State alternate member shall not be counted toward the establishment of a quorum of the members of the Authority in any case in which a quorum of the State members is required to be present.

(3) ALTERNATE TRIBAL COCHAIRPERSON.—The President shall appoint an alternate tribal cochairperson, by and with the advice and consent of the Senate.

(4) DELEGATION OF POWER.—No power or responsibility of the Authority specified in paragraphs (2) and (3) of subsection (c), and no voting right of any member of the Authority, shall be delegated to any person who is not—

(A) a member of the Authority; or

(B) entitled to vote in Authority meetings.

(c) VOTING.—

(1) IN GENERAL.—A decision by the Authority shall require a majority vote of the Authority (not including any member representing a State that is delinquent under subsection (g)(2)(D)) to be effective.

(2) QUORUM.—A quorum of State members shall be required to be present for the Authority to make any policy decision, including—

(A) a modification or revision of an Authority policy decision;

(B) approval of a State or regional development plan; and

(C) any allocation of funds among the States.

(3) PROJECT AND GRANT PROPOSALS.—The approval of project and grant proposals shall be—

(A) a responsibility of the Authority; and

(B) conducted in accordance with section 383I.

(4) VOTING BY ALTERNATE MEMBERS.—An alternate member shall vote in the case of the absence, death, disability, removal, or resignation of the Federal, State, or Indian tribe member for whom the alternate member is an alternate.

(d) DUTIES.—The Authority shall—

(1) develop, on a continuing basis, comprehensive and coordinated plans and programs to establish priorities and approve grants for the economic development of the region, giving due consideration to other Federal, State, tribal, and local planning and development activities in the region;

(2) not later than 220 days after the date of enactment of this subtitle, establish priorities in a development plan for the region (including 5-year regional outcome targets);

(3) assess the needs and assets of the region based on available research, demonstrations, investigations, assessments, and evaluations of the region prepared by Federal, State, tribal, and local agencies, universities, local development districts, and other nonprofit groups;

(4) formulate and recommend to the Governors and legislatures of States that participate in the Authority forms of interstate cooperation;

(5) work with State, tribal, and local agencies in developing appropriate model legislation;

(6)(A) enhance the capacity of, and provide support for, local development districts in the region; or

(B) if no local development district exists in an area in a participating State in the region, foster the creation of a local development district;

(7) encourage private investment in industrial, commercial, and other economic development projects in the region; and

(8) cooperate with and assist State governments with economic development programs of participating States.

(e) ADMINISTRATION.—In carrying out subsection (d), the Authority may—

(1) hold such hearings, sit and act at such times and places, take such testimony, receive such evidence, and print or otherwise reproduce and distribute a description of the proceedings and reports on actions by the Authority as the Authority considers appropriate;

(2) authorize, through the Federal, State, or tribal cochairperson or any other member of the Authority designated by the Authority, the administration of oaths if the Authority determines that testimony should be taken or evidence received under oath;

(3) request from any Federal, State, tribal, or local agency such information as may be available to or procurable by the agency that may be of use to the Authority in carrying out the duties of the Authority;

(4) adopt, amend, and repeal bylaws and rules governing the conduct of business and the performance of duties of the Authority;

(5) request the head of any Federal agency to detail to the Authority such personnel as the Authority requires to carry out duties of the Authority, each such detail to be without loss of seniority, pay, or other employee status;

(6) request the head of any State agency, tribal government, or local government to detail to the Authority such personnel as the Authority requires to carry out duties of the Au-

thority, each such detail to be without loss of seniority, pay, or other employee status;

(7) provide for coverage of Authority employees in a suitable retirement and employee benefit system by—

(A) making arrangements or entering into contracts with any participating State government or tribal government; or

(B) otherwise providing retirement and other employee benefit coverage;

(8) accept, use, and dispose of gifts or donations of services or real, personal, tangible, or intangible property;

(9) enter into and perform such contracts, leases, cooperative agreements, or other transactions as are necessary to carry out Authority duties, including any contracts, leases, or cooperative agreements with—

(A) any department, agency, or instrumentality of the United States;

(B) any State (including a political subdivision, agency, or instrumentality of the State);

(C) any Indian tribe in the region; or

(D) any person, firm, association, or corporation; and

(10) establish and maintain a central office and field offices at such locations as the Authority may select.

(f) FEDERAL AGENCY COOPERATION.—A Federal agency shall—

(1) cooperate with the Authority; and

(2) provide, on request of the Federal cochairperson, appropriate assistance in carrying out this subtitle, in accordance with applicable Federal laws (including regulations).

(g) ADMINISTRATIVE EXPENSES.—

(1) FEDERAL SHARE.—The Federal share of the administrative expenses of the Authority shall be—

(A) for fiscal year 2002, 100 percent;

(B) for fiscal year 2003, 75 percent; and

(C) for fiscal year 2004 and each fiscal year thereafter, 50 percent.

(2) NON-FEDERAL SHARE.—

(A) IN GENERAL.—The non-Federal share of the administrative expenses of the Authority shall be paid by non-Federal sources in the States that participate in the Authority.

(B) SHARE PAID BY EACH STATE.—The share of administrative expenses of the Authority to be paid by non-Federal sources in each State shall be determined by the Authority.

(C) NO FEDERAL PARTICIPATION.—The Federal cochairperson shall not participate or vote in any decision under subparagraph (B).

(D) DELINQUENT STATES.—If a State is delinquent in payment of the State's share of administrative expenses of the Authority under this subsection—

(i) no assistance under this subtitle shall be provided to the State (including assistance to a political subdivision or a resident of the State); and

(ii) no member of the Authority from the State shall participate or vote in any action by the Authority.

(h) COMPENSATION.—

(1) FEDERAL AND TRIBAL COCHAIRPERSONS.—The Federal cochairperson and the tribal cochairperson shall be compensated by the Federal Government at the annual rate of basic pay prescribed for level III of the Executive Schedule in subchapter II of chapter 53 of title 5, United States Code.

(2) ALTERNATE FEDERAL AND TRIBAL COCHAIRPERSONS.—The alternate Federal cochairperson and the alternate tribal cochairperson—

(A) shall be compensated by the Federal Government at the annual rate of basic pay prescribed for level V of the Executive Schedule described in paragraph (1); and

(B) when not actively serving as an alternate, shall perform such functions and duties as are delegated by the Federal cochairperson or the tribal cochairperson, respectively.

(3) STATE MEMBERS AND ALTERNATES.—

(A) IN GENERAL.—A State shall compensate each member and alternate representing the State on the Authority at the rate established by State law.

(B) NO ADDITIONAL COMPENSATION.—No State member or alternate member shall receive any salary, or any contribution to or supplementation of salary from any source other than the State for services provided by the member or alternate member to the Authority.

(4) DETAILED EMPLOYEES.—

(A) IN GENERAL.—No person detailed to serve the Authority under subsection (e)(6) shall receive any salary or any contribution to or supplementation of salary for services provided to the Authority from—

(i) any source other than the State, tribal, local, or intergovernmental agency from which the person was detailed; or

(ii) the Authority.

(B) VIOLATION.—Any person that violates this paragraph shall be fined not more than $5,000, imprisoned not more than 1 year, or both.

(C) APPLICABLE LAW.—The Federal cochairperson, the alternate Federal cochairperson, and any Federal officer or employee detailed to duty on the Authority under subsection (e)(5) shall not be subject to subparagraph (A), but shall remain subject to sections 202 through 209 of title 18, United States Code.

(5) ADDITIONAL PERSONNEL.—

(A) COMPENSATION.—

(i) IN GENERAL.—The Authority may appoint and fix the compensation of an executive director and such other personnel as are necessary to enable the Authority to carry out the duties of the Authority.

(ii) EXCEPTION.—Compensation under clause (i) shall not exceed the maximum rate for the Senior Ex-

ecutive Service under section 5382 of title 5, United States Code, including any applicable locality-based comparability payment that may be authorized under section 5304(h)(2)(C) of that title.

(B) EXECUTIVE DIRECTOR.—The executive director shall be responsible for—

(i) the carrying out of the administrative duties of the Authority;

(ii) direction of the Authority staff; and

(iii) such other duties as the Authority may assign.

(C) NO FEDERAL EMPLOYEE STATUS.—No member, alternate, officer, or employee of the Authority (except the Federal cochairperson of the Authority, the alternate and staff for the Federal cochairperson, and any Federal employee detailed to the Authority under subsection (e)(5)) shall be considered to be a Federal employee for any purpose.

(i) CONFLICTS OF INTEREST.—

(1) IN GENERAL.—Except as provided under paragraph (2), no State member, Indian tribe member, State alternate, officer, or employee of the Authority shall participate personally and substantially as a member, alternate, officer, or employee of the Authority, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in any proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other matter in which, to knowledge of the member, alternate, officer, or employee—

(A) the member, alternate, officer, or employee;

(B) the spouse, minor child, partner, or organization (other than a State or political subdivision of the State or the Indian tribe) of the member, alternate, officer, or employee, in which the member, alternate, officer, or employee is serving as officer, director, trustee, partner, or employee; or

(C) any person or organization with whom the member, alternate, officer, or employee is negotiating or has any arrangement concerning prospective employment;

has a financial interest.

(2) DISCLOSURE.—Paragraph (1) shall not apply if the State member, Indian tribe member, alternate, officer, or employee—

(A) immediately advises the Authority of the nature and circumstances of the proceeding, application, request for a ruling or other determination, contract, claim, controversy, or other particular matter presenting a potential conflict of interest;

(B) makes full disclosure of the financial interest; and

(C) before the proceeding concerning the matter presenting the conflict of interest, receives a written determination by the Authority that the interest is not so substantial as to be likely to affect the integrity of the services

that the Authority may expect from the State member, Indian tribe member, alternate, officer, or employee.

(3) VIOLATION.—Any person that violates this subsection shall be fined not more than $10,000, imprisoned not more than 2 years, or both.

(j) VALIDITY OF CONTRACTS, LOANS, AND GRANTS.—The Authority may declare void any contract, loan, or grant of or by the Authority in relation to which the Authority determines that there has been a violation of any provision under subsection (h)(4) or subsection (i) of this subtitle, or sections 202 through 209 of title 18, United States Code.

SEC. 383C. [7 U.S.C. 2009bb–2] ECONOMIC AND COMMUNITY DEVELOPMENT GRANTS.

(a) IN GENERAL.—The Authority may approve grants to States, Indian tribes, local governments, and public and nonprofit organizations for projects, approved in accordance with section 383I—

(1) to develop the transportation and telecommunication infrastructure of the region for the purpose of facilitating economic development in the region (except that grants for this purpose may be made only to States, Indian tribes, local governments, and nonprofit organizations);

(2) to assist the region in obtaining the job training, employment-related education, and business development (with an emphasis on entrepreneurship) that are needed to build and maintain strong local economies;

(3) to provide assistance to severely distressed and underdeveloped areas that lack financial resources for improving basic public services;

(4) to provide assistance to severely distressed and underdeveloped areas that lack financial resources for equipping industrial parks and related facilities; and

(5) to otherwise achieve the purposes of this subtitle.

(b) FUNDING.—

(1) IN GENERAL.—Funds for grants under subsection (a) may be provided—

(A) entirely from appropriations to carry out this section;

(B) in combination with funds available under another Federal grant program; or

(C) from any other source.

(2) PRIORITY OF FUNDING.—To best build the foundations for long-term economic development and to complement other Federal, State, and tribal resources in the region, Federal funds available under this subtitle shall be focused on the activities in the following order or priority:

(A) Basic public infrastructure in distressed counties and isolated areas of distress.

(B) Transportation and telecommunication infrastructure for the purpose of facilitating economic development in the region.

(C) Business development, with emphasis on entrepreneurship.

(D) Job training or employment-related education, with emphasis on use of existing public educational institutions located in the region.

SEC. 383D. [7 U.S.C. 2009bb–3] SUPPLEMENTS TO FEDERAL GRANT PROGRAMS.

(a) FINDING.—Congress finds that certain States and local communities of the region, including local development districts, may be unable to take maximum advantage of Federal grant programs for which the States and communities are eligible because—

(1) they lack the economic resources to provide the required matching share; or

(2) there are insufficient funds available under the applicable Federal law authorizing the Federal grant program to meet pressing needs of the region.

(b) FEDERAL GRANT PROGRAM FUNDING.—Notwithstanding any provision of law limiting the Federal share, the areas eligible for assistance, or the authorizations of appropriations, under any Federal grant program, and in accordance with subsection (c), the Authority, with the approval of the Federal cochairperson and with respect to a project to be carried out in the region—

(1) may increase the Federal share of the costs of a project under any Federal grant program to not more than 90 percent (except as provided in section 383F(b)); and

(2) shall use amounts made available to carry out this subtitle to pay the increased Federal share.

(c) CERTIFICATIONS.—

(1) IN GENERAL.—In the case of any project for which all or any portion of the basic Federal share of the costs of the project is proposed to be paid under this section, no Federal contribution shall be made until the Federal official administering the Federal law that authorizes the Federal grant program certifies that the project—

(A) meets (except as provided in subsection (b)) the applicable requirements of the applicable Federal grant program; and

(B) could be approved for Federal contribution under the Federal grant program if funds were available under the law for the project.

(2) CERTIFICATION BY AUTHORITY.—

(A) IN GENERAL.—The certifications and determinations required to be made by the Authority for approval of projects under this Act in accordance with section 383I—

(i) shall be controlling; and

(ii) shall be accepted by the Federal agencies.

(B) ACCEPTANCE BY FEDERAL COCHAIRPERSON.—In the case of any project described in paragraph (1), any finding, report, certification, or documentation required to be submitted with respect to the project to the head of the department, agency, or instrumentality of the Federal Government responsible for the administration of the Federal grant program under which the project is carried out shall be accepted by the Federal cochairperson.

SEC. 383E. [7 U.S.C. 2009bb–4] LOCAL DEVELOPMENT DISTRICTS AND ORGANIZATIONS AND NORTHERN GREAT PLAINS INC.

(a) DEFINITION OF LOCAL DEVELOPMENT DISTRICT.—In this section, the term "local development district" means an entity—

(1) that—

(A) is a planning district in existence on the date of enactment of this subtitle that is recognized by the Economic Development Administration of the Department of Commerce; or

(B) is—

(i) organized and operated in a manner that ensures broad-based community participation and an effective opportunity for other nonprofit groups to contribute to the development and implementation of programs in the region;

(ii) governed by a policy board with at least a simple majority of members consisting of—

(I) elected officials or employees of a general purpose unit of local government who have been appointed to represent the government; or

(II) individuals appointed by the general purpose unit of local government to represent the government;

(iii) certified to the Authority as having a charter or authority that includes the economic development of counties or parts of counties or other political subdivisions within the region—

(I) by the Governor of each State in which the entity is located; or

(II) by the State officer designated by the appropriate State law to make the certification; and

(iv)(I) a nonprofit incorporated body organized or chartered under the law of the State in which the entity is located;

(II) a nonprofit agency or instrumentality of a State or local government;

(III) a public organization established before the date of enactment of this subtitle under State law for creation of multi-jurisdictional, area-wide planning organizations; or

(IV) a nonprofit association or combination of bodies, agencies, and instrumentalities described in subclauses (I) through (III); and

(2) that has not, as certified by the Federal cochairperson—

(A) inappropriately used Federal grant funds from any Federal source; or

(B) appointed an officer who, during the period in which another entity inappropriately used Federal grant funds from any Federal source, was an officer of the other entity.

(b) GRANTS TO LOCAL DEVELOPMENT DISTRICTS.—

(1) IN GENERAL.—The Authority may make grants for administrative expenses under this section.

(2) CONDITIONS FOR GRANTS.—

(A) MAXIMUM AMOUNT.—The amount of any grant awarded under paragraph (1) shall not exceed 80 percent of the administrative expenses of the local development district receiving the grant.

(B) MAXIMUM PERIOD.—No grant described in paragraph (1) shall be awarded to a State agency certified as a local development district for a period greater than 3 years.

(C) LOCAL SHARE.—The contributions of a local development district for administrative expenses may be in cash or in kind, fairly evaluated, including space, equipment, and services.

(c) DUTIES OF LOCAL DEVELOPMENT DISTRICTS.—A local development district shall—

(1) operate as a lead organization serving multicounty areas in the region at the local level; and

(2) serve as a liaison between State, tribal, and local governments, nonprofit organizations (including community-based groups and educational institutions), the business community, and citizens that—

(A) are involved in multijurisdictional planning;

(B) provide technical assistance to local jurisdictions and potential grantees; and

(C) provide leadership and civic development assistance.

(d) NORTHERN GREAT PLAINS INC.—Northern Great Plains Inc., a nonprofit corporation incorporated in the State of Minnesota to implement the recommendations of the Northern Great Plains Rural Development Commission established by the Northern Great Plains Rural Development Act (7 U.S.C. 2661 note; Public Law 103–318)—

(1) shall serve as an independent, primary resource for the Authority on issues of concern to the region;

(2) shall advise the Authority on development of international trade;

(3) may provide research, education, training, and other support to the Authority; and

(4) may carry out other activities on its own behalf or on behalf of other entities.

SEC. 383F. [7 U.S.C. 2009bb–5] DISTRESSED COUNTIES AND AREAS AND NONDISTRESSED COUNTIES.

(a) DESIGNATIONS.—Not later than 90 days after the date of enactment of this subtitle, and annually thereafter, the Authority, in accordance with such criteria as the Authority may establish, shall designate—

(1) as distressed counties, counties in the region that are the most severely and persistently distressed and underdeveloped and have high rates of poverty, unemployment, or outmigration;

(2) as nondistressed counties, counties in the region that are not designated as distressed counties under paragraph (1); and

(3) as isolated areas of distress, areas located in nondistressed counties (as designated under paragraph (2)) that have high rates of poverty, unemployment, or outmigration.

(b) DISTRESSED COUNTIES.—

(1) IN GENERAL.—The Authority shall allocate at least 75 percent of the appropriations made available under section 383M for programs and projects designed to serve the needs of distressed counties and isolated areas of distress in the region.

(2) FUNDING LIMITATIONS.—The funding limitations under section 383D(b) shall not apply to a project to provide transportation or telecommunication or basic public services to residents of 1 or more distressed counties or isolated areas of distress in the region.

(c) NONDISTRESSED COUNTIES.—

(1) IN GENERAL.—Except as provided in paragraph (2), no funds shall be provided under this subtitle for a project located in a county designated as a nondistressed county under subsection (a)(2).

(2) EXCEPTIONS.—

(A) IN GENERAL.—The funding prohibition under paragraph (1) shall not apply to grants to fund the administrative expenses of local development districts under section 383E(b).

(B) MULTICOUNTY PROJECTS.—The Authority may waive the application of the funding prohibition under paragraph (1) to—

(i) a multicounty project that includes participation by a nondistressed county; or

(ii) any other type of project;

if the Authority determines that the project could bring significant benefits to areas of the region outside a nondistressed county.

(C) ISOLATED AREAS OF DISTRESS.—For a designation of an isolated area of distress for assistance to be effective, the designation shall be supported—

(i) by the most recent Federal data available; or

(ii) if no recent Federal data are available, by the most recent data available through the government of the State in which the isolated area of distress is located.

(d) TRANSPORTATION, TELECOMMUNICATION, AND BASIC PUBLIC INFRASTRUCTURE.—The Authority shall allocate at least 50 percent of any funds made available under section 383M for transportation, telecommunication, and basic public infrastructure projects authorized under paragraphs (1) and (3) of section 383C(a).

SEC. 383G. [7 U.S.C. 2009bb–6] DEVELOPMENT PLANNING PROCESS.

(a) STATE DEVELOPMENT PLAN.—In accordance with policies established by the Authority, each State member shall submit a development plan for the area of the region represented by the State member.

(b) CONTENT OF PLAN.—A State development plan submitted under subsection (a) shall reflect the goals, objectives, and prior-

ities identified in the regional development plan developed under section 383B(d)(2).

(c) CONSULTATION WITH INTERESTED LOCAL PARTIES.—In carrying out the development planning process (including the selection of programs and projects for assistance), a State may—

(1) consult with—

(A) local development districts; and

(B) local units of government; and

(2) take into consideration the goals, objectives, priorities, and recommendations of the entities described in paragraph (1).

(d) PUBLIC PARTICIPATION.—

(1) IN GENERAL.—The Authority and applicable State and local development districts shall encourage and assist, to the maximum extent practicable, public participation in the development, revision, and implementation of all plans and programs under this subtitle.

(2) REGULATIONS.—The Authority shall develop guidelines for providing public participation described in paragraph (1), including public hearings.

SEC. 383H. [7 U.S.C. 2009bb–7] PROGRAM DEVELOPMENT CRITERIA.

(a) IN GENERAL.—In considering programs and projects to be provided assistance under this subtitle, and in establishing a priority ranking of the requests for assistance provided to the Authority, the Authority shall follow procedures that ensure, to the maximum extent practicable, consideration of—

(1) the relationship of the project or class of projects to overall regional development;

(2) the per capita income and poverty and unemployment and outmigration rates in an area;

(3) the financial resources available to the applicants for assistance seeking to carry out the project, with emphasis on ensuring that projects are adequately financed to maximize the probability of successful economic development;

(4) the importance of the project or class of projects in relation to other projects or classes of projects that may be in competition for the same funds;

(5) the prospects that the project for which assistance is sought will improve, on a continuing rather than a temporary basis, the opportunities for employment, the average level of income, or the economic development of the area to be served by the project; and

(6) the extent to which the project design provides for detailed outcome measurements by which grant expenditures and the results of the expenditures may be evaluated.

(b) NO RELOCATION ASSISTANCE.—No financial assistance authorized by this subtitle shall be used to assist a person or entity in relocating from one area to another, except that financial assistance may be used as otherwise authorized by this title to attract businesses from outside the region to the region.

(c) MAINTENANCE OF EFFORT.—Funds may be provided for a program or project in a State under this subtitle only if the Authority determines that the level of Federal or State financial assist-

ance provided under a law other than this subtitle, for the same type of program or project in the same area of the State within the region, will not be reduced as a result of funds made available by this subtitle.

SEC. 383I. [7 U.S.C. 2009bb–8] APPROVAL OF DEVELOPMENT PLANS AND PROJECTS.

(a) IN GENERAL.—A State or regional development plan or any multistate subregional plan that is proposed for development under this subtitle shall be reviewed by the Authority.

(b) EVALUATION BY STATE MEMBER.—An application for a grant or any other assistance for a project under this subtitle shall be made through and evaluated for approval by the State member of the Authority representing the applicant.

(c) CERTIFICATION.—An application for a grant or other assistance for a project shall be approved only on certification by the State member that the application for the project—

(1) describes ways in which the project complies with any applicable State development plan;

(2) meets applicable criteria under section 383H;

(3) provides adequate assurance that the proposed project will be properly administered, operated, and maintained; and

(4) otherwise meets the requirements of this subtitle.

(d) VOTES FOR DECISIONS.—On certification by a State member of the Authority of an application for a grant or other assistance for a specific project under this section, an affirmative vote of the Authority under section 383B(c) shall be required for approval of the application.

SEC. 383J. [7 U.S.C. 2009bb–9] CONSENT OF STATES.

Nothing in this subtitle requires any State to engage in or accept any program under this subtitle without the consent of the State.

SEC. 383K. [7 U.S.C. 2009bb–10] RECORDS.

(a) RECORDS OF THE AUTHORITY.—

(1) IN GENERAL.—The Authority shall maintain accurate and complete records of all transactions and activities of the Authority.

(2) AVAILABILITY.—All records of the Authority shall be available for audit and examination by the Comptroller General of the United States and the Inspector General of the Department of Agriculture (including authorized representatives of the Comptroller General and the Inspector General of the Department of Agriculture).

(b) RECORDS OF RECIPIENTS OF FEDERAL ASSISTANCE.—

(1) IN GENERAL.—A recipient of Federal funds under this subtitle shall, as required by the Authority, maintain accurate and complete records of transactions and activities financed with Federal funds and report to the Authority on the transactions and activities to the Authority.

(2) AVAILABILITY.—All records required under paragraph (1) shall be available for audit by the Comptroller General of the United States, the Inspector General of the Department of Agriculture, and the Authority (including authorized represent-

atives of the Comptroller General, the Inspector General of the Department of Agriculture, and the Authority).

(c) ANNUAL AUDIT.—The Inspector General of the Department of Agriculture shall audit the activities, transactions, and records of the Authority on an annual basis.

SEC. 383L. [7 U.S.C. 2009bb–11] ANNUAL REPORT.

Not later than 180 days after the end of each fiscal year, the Authority shall submit to the President and to Congress a report describing the activities carried out under this subtitle.

SEC. 383M. [7 U.S.C. 2009bb–12] AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—There is authorized to be appropriated to the Authority to carry out this subtitle $30,000,000 for each of fiscal years 2002 through 2007, to remain available until expended.

(b) ADMINISTRATIVE EXPENSES.—Not more than 5 percent of the amount appropriated under subsection (a) for a fiscal year shall be used for administrative expenses of the Authority.

(c) MINIMUM STATE SHARE OF GRANTS.—Notwithstanding any other provision of this subtitle, for any fiscal year, the aggregate amount of grants received by a State and all persons or entities in the State under this subtitle shall be not less than ⅓ of the product obtained by multiplying—

(1) the aggregate amount of grants under this subtitle for the fiscal year; and

(2) the ratio that—

(A) the population of the State (as determined by the Secretary of Commerce based on the most recent decennial census for which data are available); bears to

(B) the population of the region (as so determined).

SEC. 383N. [7 U.S.C. 2009bb–13] TERMINATION OF AUTHORITY.

The authority provided by this subtitle terminates effective October 1, 2007.

Subtitle H—Rural Business Investment Program

SEC. 384A. [7 U.S.C. 2009cc] DEFINITIONS.

In this subtitle:

(1) ARTICLES.—The term "articles" means articles of incorporation for an incorporated body or the functional equivalent or other similar documents specified by the Secretary for other business entities.

(2) DEVELOPMENTAL VENTURE CAPITAL.—The term "developmental venture capital" means capital in the form of equity capital investments in rural business investment companies with an objective of fostering economic development in rural areas.

(3) EMPLOYEE WELFARE BENEFIT PLAN; PENSION PLAN.—

(A) IN GENERAL.—The terms "employee welfare benefit plan" and "pension plan" have the meanings given the terms in section 3 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002).

(B) INCLUSIONS.—The terms "employee welfare benefit plan" and "pension plan" include—

(i) public and private pension or retirement plans subject to this subtitle; and

(ii) similar plans not covered by this subtitle that have been established, and that are maintained, by the Federal Government or any State (including by a political subdivision, agency, or instrumentality of the Federal Government or a State) for the benefit of employees.

(4) EQUITY CAPITAL.—The term "equity capital" means common or preferred stock or a similar instrument, including subordinated debt with equity features.

(5) LEVERAGE.—The term "leverage" includes—

(A) debentures purchased or guaranteed by the Secretary;

(B) participating securities purchased or guaranteed by the Secretary; and

(C) preferred securities outstanding as of the date of enactment of this subtitle.

(6) LICENSE.—The term "license" means a license issued by the Secretary as provided in section 384D(e).

(7) LIMITED LIABILITY COMPANY.—The term "limited liability company" means a business entity that is organized and operating in accordance with a State limited liability company law approved by the Secretary.

(8) MEMBER.—The term "member" means, with respect to a rural business investment company that is a limited liability company, a holder of an ownership interest or a person otherwise admitted to membership in the limited liability company.

(9) OPERATIONAL ASSISTANCE.—The term "operational assistance" means management, marketing, and other technical assistance that assists a rural business concern with business development.

(10) PARTICIPATION AGREEMENT.—The term "participation agreement" means an agreement, between the Secretary and a rural business investment company granted final approval under section 384D(e), that requires the rural business investment company to make investments in smaller enterprises in rural areas.

(11) PRIVATE CAPITAL.—

(A) IN GENERAL.—The term "private capital" means the total of—

(i)(I) the paid-in capital and paid-in surplus of a corporate rural business investment company;

(II) the contributed capital of the partners of a partnership rural business investment company; or

(III) the equity investment of the members of a limited liability company rural business investment company; and

(ii) unfunded binding commitments from investors that meet criteria established by the Secretary to contribute capital to the rural business investment company, except that—

(I) unfunded commitments may be counted as private capital for purposes of approval by the Secretary of any request for leverage; but

(II) leverage shall not be funded based on the commitments.

(B) EXCLUSIONS.—The term "private capital" does not include—

(i) any funds borrowed by a rural business investment company from any source;

(ii) any funds obtained through the issuance of leverage; or

(iii) any funds obtained directly or indirectly from the Federal Government or any State (including by a political subdivision, agency, or instrumentality of the Federal Government or a State), except for—

(I) funds obtained from the business revenues (excluding any governmental appropriation) of any federally chartered or government-sponsored enterprise established prior to the date of enactment of this subtitle;

(II) funds invested by an employee welfare benefit plan or pension plan; and

(III) any qualified nonprivate funds (if the investors of the qualified nonprivate funds do not control, directly or indirectly, the management, board of directors, general partners, or members of the rural business investment company).

(12) QUALIFIED NONPRIVATE FUNDS.—The term "qualified nonprivate funds" means any—

(A) funds directly or indirectly invested in any applicant or rural business investment company on or before the date of enactment of this subtitle, by any Federal agency, other than the Department of Agriculture, under a provision of law explicitly mandating the inclusion of those funds in the definition of the term "private capital"; and

(B) funds invested in any applicant or rural business investment company by 1 or more entities of any State (including by a political subdivision, agency, or instrumentality of the State and including any guarantee extended by those entities) in an aggregate amount that does not exceed 33 percent of the private capital of the applicant or rural business investment company.

(13) RURAL BUSINESS CONCERN.—The term "rural business concern" means—

(A) a public, private, or cooperative for-profit or nonprofit organization;

(B) a for-profit or nonprofit business controlled by an Indian tribe on a Federal or State reservation or other federally recognized Indian tribal group; or

(C) any other person or entity;

that primarily operates in a rural area, as determined by the Secretary.

(14) RURAL BUSINESS INVESTMENT COMPANY.—The term "rural business investment company" means a company that—

(A) has been granted final approval by the Secretary under section 384D(e); and

(B) has entered into a participation agreement with the Secretary.

(15) SMALLER ENTERPRISE.—The term "smaller enterprise" means any rural business concern that, together with its affiliates—

(A) has—

(i) a net financial worth of not more than $6,000,000, as of the date on which assistance is provided under this subtitle to the rural business concern; and

(ii) an average net income for the 2-year period preceding the date on which assistance is provided under this subtitle to the rural business concern, of not more than $2,000,000, after Federal income taxes (excluding any carryover losses), except that, for purposes of this clause, if the rural business concern is not required by law to pay Federal income taxes at the enterprise level, but is required to pass income through to the shareholders, partners, beneficiaries, or other equitable owners of the business concern, the net income of the business concern shall be determined by allowing a deduction in an amount equal to the total of—

(I) if the rural business concern is not required by law to pay State (and local, if any) income taxes at the enterprise level, the net income (determined without regard to this clause), multiplied by the marginal State income tax rate (or by the combined State and local income tax rates, as applicable) that would have applied if the business concern were a corporation; and

(II) the net income (so determined) less any deduction for State (and local) income taxes calculated under subclause (I), multiplied by the marginal Federal income tax rate that would have applied if the rural business concern were a corporation; or

(B) satisfies the standard industrial classification size standards established by the Administrator of the Small Business Administration for the industry in which the rural business concern is primarily engaged.

SEC. 384B. [7 U.S.C. 2009cc–1] PURPOSES.

The purposes of the Rural Business Investment Program established under this subtitle are—

(1) to promote economic development and the creation of wealth and job opportunities in rural areas and among individuals living in those areas by encouraging developmental venture capital investments in smaller enterprises primarily located in rural areas; and

(2) to establish a developmental venture capital program, with the mission of addressing the unmet equity investment needs of small enterprises located in rural areas, by authorizing the Secretary—

(A) to enter into participation agreements with rural business investment companies;

(B) to guarantee debentures of rural business investment companies to enable each rural business investment company to make developmental venture capital investments in smaller enterprises in rural areas; and

(C) to make grants to rural business investment companies, and to other entities, for the purpose of providing operational assistance to smaller enterprises financed, or expected to be financed, by rural business investment companies.

SEC. 384C. [7 U.S.C. 2009cc–2] ESTABLISHMENT.

In accordance with this subtitle, the Secretary shall establish a Rural Business Investment Program, under which the Secretary may—

(1) enter into participation agreements with companies granted final approval under section 384D(e) for the purposes set forth in section 384B;

(2) guarantee the debentures issued by rural business investment companies as provided in section 384E; and

(3) make grants to rural business investment companies, and to other entities, under section 384H.

SEC. 384D. [7 U.S.C. 2009cc–3] SELECTION OF RURAL BUSINESS INVESTMENT COMPANIES.

(a) ELIGIBILITY.—A company shall be eligible to apply to participate, as a rural business investment company, in the program established under this subtitle if—

(1) the company is a newly formed for-profit entity or a newly formed for-profit subsidiary of such an entity;

(2) the company has a management team with experience in community development financing or relevant venture capital financing; and

(3) the company will invest in enterprises that will create wealth and job opportunities in rural areas, with an emphasis on smaller enterprises.

(b) APPLICATION.—To participate, as a rural business investment company, in the program established under this subtitle, a company meeting the eligibility requirements of subsection (a) shall submit an application to the Secretary that includes—

(1) a business plan describing how the company intends to make successful developmental venture capital investments in identified rural areas;

(2) information regarding the community development finance or relevant venture capital qualifications and general reputation of the management of the company;

(3) a description of how the company intends to work with community-based organizations and local entities (including local economic development companies, local lenders, and local

investors) and to seek to address the unmet equity capital needs of the communities served;

(4) a proposal describing how the company intends to use the grant funds provided under this subtitle to provide operational assistance to smaller enterprises financed by the company, including information regarding whether the company intends to use licensed professionals, as necessary, on the staff of the company or from an outside entity;

(5) with respect to binding commitments to be made to the company under this subtitle, an estimate of the ratio of cash to in-kind contributions;

(6) a description of the criteria to be used to evaluate whether and to what extent the company meets the purposes of the program established under this subtitle;

(7) information regarding the management and financial strength of any parent firm, affiliated firm, or any other firm essential to the success of the business plan of the company; and

(8) such other information as the Secretary may require.

(c) STATUS.—Not later than 90 days after the initial receipt by the Secretary of an application under this section, the Secretary shall provide to the applicant a written report describing the status of the application and any requirements remaining for completion of the application.

(d) MATTERS CONSIDERED.—In reviewing and processing any application under this section, the Secretary—

(1) shall determine whether—

(A) the applicant meets the requirements of subsection (e); and

(B) the management of the applicant is qualified and has the knowledge, experience, and capability necessary to comply with this subtitle;

(2) shall take into consideration—

(A) the need for and availability of financing for rural business concerns in the geographic area in which the applicant is to commence business;

(B) the general business reputation of the owners and management of the applicant; and

(C) the probability of successful operations of the applicant, including adequate profitability and financial soundness; and

(3) shall not take into consideration any projected shortage or unavailability of grant funds or leverage.

(e) APPROVAL; LICENSE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the Secretary may approve an applicant to operate as a rural business investment company under this subtitle and license the applicant as a rural business investment company, if—

(A) the Secretary determines that the application satisfies the requirements of subsection (b);

(B) the area in which the rural business investment company is to conduct its operations, and establishment of branch offices or agencies (if authorized by the articles), are approved by the Secretary; and

(C) the applicant enters into a participation agreement with the Secretary.

(2) CAPITAL REQUIREMENTS.—

(A) IN GENERAL.—Notwithstanding any other provision of this subtitle, the Secretary may approve an applicant to operate as a rural business investment company under this subtitle and designate the applicant as a rural business investment company, if the Secretary determines that the applicant—

(i) has private capital of more than $2,500,000;

(ii) would otherwise be approved under this subtitle, except that the applicant does not satisfy the requirements of section 384I(c); and

(iii) has a viable business plan that—

(I) reasonably projects profitable operations; and

(II) has a reasonable timetable for achieving a level of private capital that satisfies the requirements of section 384I(c).

(B) LEVERAGE.—An applicant approved under subparagraph (A) shall not be eligible to receive leverage under this subtitle until the applicant satisfies the requirements of section 384I(c).

(C) GRANTS.—An applicant approved under subparagraph (A) shall be eligible for grants under section 384H in proportion to the private capital of the applicant, as determined by the Secretary.

SEC. 384E. [7 U.S.C. 2009cc–4] DEBENTURES.

(a) IN GENERAL.—The Secretary may guarantee the timely payment of principal and interest, as scheduled, on debentures issued by any rural business investment company.

(b) TERMS AND CONDITIONS.—The Secretary may make guarantees under this section on such terms and conditions as the Secretary considers appropriate, except that the term of any debenture guaranteed under this section shall not exceed 15 years.

(c) FULL FAITH AND CREDIT OF THE UNITED STATES.—Section 381H(i) shall apply to any guarantee under this section.

(d) MAXIMUM GUARANTEE.—Under this section, the Secretary may—

(1) guarantee the debentures issued by a rural business investment company only to the extent that the total face amount of outstanding guaranteed debentures of the rural business investment company does not exceed the lesser of—

(A) 300 percent of the private capital of the rural business investment company; or

(B) $105,000,000; and

(2) provide for the use of discounted debentures.

SEC. 384F. [7 U.S.C. 2009cc–5] ISSUANCE AND GUARANTEE OF TRUST CERTIFICATES.

(a) ISSUANCE.—The Secretary may issue trust certificates representing ownership of all or a fractional part of debentures issued by a rural business investment company and guaranteed by the Secretary under this subtitle, if the certificates are based on and

backed by a trust or pool approved by the Secretary and composed solely of guaranteed debentures.

(b) GUARANTEE.—

(1) IN GENERAL.—The Secretary may, under such terms and conditions as the Secretary considers appropriate, guarantee the timely payment of the principal of and interest on trust certificates issued by the Secretary or agents of the Secretary for purposes of this section.

(2) LIMITATION.—Each guarantee under this subsection shall be limited to the extent of principal and interest on the guaranteed debentures that compose the trust or pool.

(3) PREPAYMENT OR DEFAULT.—

(A) IN GENERAL.—In the event a debenture in a trust or pool is prepaid, or in the event of default of such a debenture, the guarantee of timely payment of principal and interest on the trust certificates shall be reduced in proportion to the amount of principal and interest the prepaid debenture represents in the trust or pool.

(B) INTEREST.—Interest on prepaid or defaulted debentures shall accrue and be guaranteed by the Secretary only through the date of payment of the guarantee.

(C) REDEMPTION.—At any time during its term, a trust certificate may be called for redemption due to prepayment or default of all debentures.

(c) FULL FAITH AND CREDIT OF THE UNITED STATES.—Section 381H(i) shall apply to any guarantee of a trust certificate issued by the Secretary under this section.

(d) SUBROGATION AND OWNERSHIP RIGHTS.—

(1) SUBROGATION.—If the Secretary pays a claim under a guarantee issued under this section, the claim shall be subrogated fully to the rights satisfied by the payment.

(2) OWNERSHIP RIGHTS.—No Federal, State, or local law shall preclude or limit the exercise by the Secretary of the ownership rights of the Secretary in a debenture residing in a trust or pool against which 1 or more trust certificates are issued under this section.

(e) MANAGEMENT AND ADMINISTRATION.—

(1) REGISTRATION.—The Secretary shall provide for a central registration of all trust certificates issued under this section.

(2) CREATION OF POOLS.—The Secretary may—

(A) maintain such commercial bank accounts or investments in obligations of the United States as may be necessary to facilitate the creation of trusts or pools backed by debentures guaranteed under this subtitle; and

(B) issue trust certificates to facilitate the creation of those trusts or pools.

(3) FIDELITY BOND OR INSURANCE REQUIREMENT.—Any agent performing functions on behalf of the Secretary under this paragraph shall provide a fidelity bond or insurance in such amount as the Secretary considers to be necessary to fully protect the interests of the United States.

(4) REGULATION OF BROKERS AND DEALERS.—The Secretary may regulate brokers and dealers in trust certificates issued under this section.

(5) ELECTRONIC REGISTRATION.—Nothing in this subsection prohibits the use of a book-entry or other electronic form of registration for trust certificates issued under this section.

SEC. 384G. [7 U.S.C. 2009cc–6] FEES.

(a) IN GENERAL.—The Secretary may charge such fees as the Secretary considers appropriate with respect to any guarantee or grant issued under this subtitle.

(b) TRUST CERTIFICATE.—Notwithstanding subsection (a), the Secretary shall not collect a fee for any guarantee of a trust certificate under section 384F, except that any agent of the Secretary may collect a fee approved by the Secretary for the functions described in section 384F(e)(2).

(c) LICENSE.—

(1) IN GENERAL.—The Secretary may prescribe fees to be paid by each applicant for a license to operate as a rural business investment company under this subtitle.

(2) USE OF AMOUNTS.—Fees collected under this subsection—

(A) shall be deposited in the account for salaries and expenses of the Secretary; and

(B) are authorized to be appropriated solely to cover the costs of licensing examinations.

SEC. 384H. [7 U.S.C. 2009cc–7] OPERATIONAL ASSISTANCE GRANTS.

(a) IN GENERAL.—In accordance with this section, the Secretary may make grants to rural business investment companies and to other entities, as authorized by this subtitle, to provide operational assistance to smaller enterprises financed, or expected to be financed, by the entities.

(b) TERMS.—Grants made under this section shall be made over a multiyear period (not to exceed 10 years) under such terms as the Secretary may require.

(c) USE OF FUNDS.—The proceeds of a grant made under this section may be used by the rural business investment company receiving the grant only to provide operational assistance in connection with an equity or prospective equity investment in a business located in a rural area.

(d) SUBMISSION OF PLANS.—A rural business investment company shall be eligible for a grant under this section only if the rural business investment company submits to the Secretary, in such form and manner as the Secretary may require, a plan for use of the grant.

(e) GRANT AMOUNT.—

(1) RURAL BUSINESS INVESTMENT COMPANIES.—The amount of a grant made under this section to a rural business investment company shall be equal to the lesser of—

(A) 10 percent of the private capital raised by the rural business investment company; or

(B) $1,000,000.

(2) OTHER ENTITIES.—The amount of a grant made under this section to any entity other than a rural business invest-

ment company shall be equal to the resources (in cash or in kind) raised by the entity in accordance with the requirements applicable to rural business investment companies under this subtitle.

SEC. 384I. [7 U.S.C. 2009cc–8] RURAL BUSINESS INVESTMENT COMPANIES.

(a) ORGANIZATION.—For the purpose of this subtitle, a rural business investment company shall—

(1) be an incorporated body, a limited liability company, or a limited partnership organized and chartered or otherwise existing under State law solely for the purpose of performing the functions and conducting the activities authorized by this subtitle;

(2)(A) if incorporated, have succession for a period of not less than 30 years unless earlier dissolved by the shareholders of the rural business investment company; and

(B) if a limited partnership or a limited liability company, have succession for a period of not less than 10 years; and

(3) possess the powers reasonably necessary to perform the functions and conduct the activities.

(b) ARTICLES.—The articles of any rural business investment company—

(1) shall specify in general terms—

(A) the purposes for which the rural business investment company is formed;

(B) the name of the rural business investment company;

(C) the area or areas in which the operations of the rural business investment company are to be carried out;

(D) the place where the principal office of the rural business investment company is to be located; and

(E) the amount and classes of the shares of capital stock of the rural business investment company;

(2) may contain any other provisions consistent with this subtitle that the rural business investment company may determine appropriate to adopt for the regulation of the business of the rural business investment company and the conduct of the affairs of the rural business investment company; and

(3) shall be subject to the approval of the Secretary.

(c) CAPITAL REQUIREMENTS.—

(1) IN GENERAL.—Except as provided in paragraph (2), the private capital of each rural business investment company shall be not less than—

(A) $5,000,000; or

(B) $10,000,000, with respect to each rural business investment company authorized or seeking authority to issue participating securities to be purchased or guaranteed by the Secretary under this subtitle.

(2) EXCEPTION.—The Secretary may, in the discretion of the Secretary and based on a showing of special circumstances and good cause, permit the private capital of a rural business investment company described in paragraph (1)(B) to be less than $10,000,000, but not less than $5,000,000, if the Secretary determines that the action would not create or other-

wise contribute to an unreasonable risk of default or loss to the Federal Government.

(3) ADEQUACY.—In addition to the requirements of paragraph (1), the Secretary shall—

(A) determine whether the private capital of each rural business investment company is adequate to ensure a reasonable prospect that the rural business investment company will be operated soundly and profitably, and managed actively and prudently in accordance with the articles of the rural business investment company;

(B) determine that the rural business investment company will be able to comply with the requirements of this subtitle;

(C) require that at least 75 percent of the capital of each rural business investment company is invested in rural business concerns and not more than 10 percent of the investments shall be made in an area containing a city of over 150,000 in the last decennial census and the Census Bureau defined urbanized area containing or adjacent to that city;

(D) ensure that the rural business investment company is designed primarily to meet equity capital needs of the businesses in which the rural business investment company invests and not to compete with traditional small business financing by commercial lenders; and

(E) require that the rural business investment company makes short-term non-equity investments of less than 5 years only to the extent necessary to preserve an existing investment.

(d) DIVERSIFICATION OF OWNERSHIP.—The Secretary shall ensure that the management of each rural business investment company licensed after the date of enactment of this subtitle is sufficiently diversified from and unaffiliated with the ownership of the rural business investment company so as to ensure independence and objectivity in the financial management and oversight of the investments and operations of the rural business investment company.

SEC. 384J. [7 U.S.C. 2009cc–9] FINANCIAL INSTITUTION INVESTMENTS.

(a) IN GENERAL.—Except as otherwise provided in this section and notwithstanding any other provision of law, the following banks, associations, and institutions are eligible both to establish and invest in any rural business investment company or in any entity established to invest solely in rural business investment companies:

(1) Any bank or savings association the deposits of which are insured under the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.).

(2) Any Farm Credit System institution described in section 1.2(a) of the Farm Credit Act of 1971 (12 U.S.C. 2002(a)).

(b) LIMITATION.—No bank, association, or institution described in subsection (a) may make investments described in subsection (a) that are greater than 5 percent of the capital and surplus of the bank, association, or institution.

(c) LIMITATION ON RURAL BUSINESS INVESTMENT COMPANIES CONTROLLED BY FARM CREDIT SYSTEM INSTITUTIONS.—If a Farm Credit System institution described in section 1.2(a) of the Farm Credit Act of 1971 (12 U.S.C. 2002(a)) holds more than 15 percent of the shares of a rural business investment company, either alone or in conjunction with other System institutions (or affiliates), the rural business investment company shall not provide equity investments in, or provide other financial assistance to, entities that are not otherwise eligible to receive financing from the Farm Credit System under that Act (12 U.S.C. 2001 et seq.).

SEC. 384K. [7 U.S.C. 2009cc–10] REPORTING REQUIREMENTS.

(a) RURAL BUSINESS INVESTMENT COMPANIES.—Each rural business investment company that participates in the program established under this subtitle shall provide to the Secretary such information as the Secretary may require, including—

(1) information relating to the measurement criteria that the rural business investment company proposed in the program application of the rural business investment company; and

(2) in each case in which the rural business investment company under this subtitle makes an investment in, or a loan or grant to, a business that is not located in a rural area, a report on the number and percentage of employees of the business who reside in those areas.

(b) PUBLIC REPORTS.—

(1) IN GENERAL.—The Secretary shall prepare and make available to the public an annual report on the program established under this subtitle, including detailed information on—

(A) the number of rural business investment companies licensed by the Secretary during the previous fiscal year;

(B) the aggregate amount of leverage that rural business investment companies have received from the Federal Government during the previous fiscal year;

(C) the aggregate number of each type of leveraged instruments used by rural business investment companies during the previous fiscal year and how each number compares to previous fiscal years;

(D) the number of rural business investment company licenses surrendered and the number of rural business investment companies placed in liquidation during the previous fiscal year, identifying the amount of leverage each rural business investment company has received from the Federal Government and the type of leverage instruments each rural business investment company has used;

(E) the amount of losses sustained by the Federal Government as a result of operations under this subtitle during the previous fiscal year and an estimate of the total losses that the Federal Government can reasonably expect to incur as a result of the operations during the current fiscal year;

(F) actions taken by the Secretary to maximize recoupment of funds of the Federal Government expended

to implement and administer the Rural Business Investment Program under this subtitle during the previous fiscal year and to ensure compliance with the requirements of this subtitle (including regulations);

(G) the amount of Federal Government leverage that each licensee received in the previous fiscal year and the types of leverage instruments each licensee used;

(H) for each type of financing instrument, the sizes, types of geographic locations, and other characteristics of the small business investment companies using the instrument during the previous fiscal year, including the extent to which the investment companies have used the leverage from each instrument to make loans or equity investments in rural areas; and

(I) the actions of the Secretary to carry out this subtitle.

(2) PROHIBITION.—In compiling the report required under paragraph (1), the Secretary may not—

(A) compile the report in a manner that permits identification of any particular type of investment by an individual rural business investment company or small business concern in which a rural business investment company invests; and

(B) may not release any information that is prohibited under section 1905 of title 18, United States Code.

SEC. 384L. [7 U.S.C. 2009cc–11] EXAMINATIONS.

(a) IN GENERAL.—Each rural business investment company that participates in the program established under this subtitle shall be subject to examinations made at the direction of the Secretary in accordance with this section.

(b) ASSISTANCE OF PRIVATE SECTOR ENTITIES.—An examination under this section may be conducted with the assistance of a private sector entity that has the qualifications and the expertise necessary to conduct such an examination.

(c) COSTS.—

(1) IN GENERAL.—The Secretary may assess the cost of an examination under this section, including compensation of the examiners, against the rural business investment company examined.

(2) PAYMENT.—Any rural business investment company against which the Secretary assesses costs under this paragraph shall pay the costs.

(d) DEPOSIT OF FUNDS.—Funds collected under this section shall—

(1) be deposited in the account that incurred the costs for carrying out this section;

(2) be made available to the Secretary to carry out this section, without further appropriation; and

(3) remain available until expended.

SEC. 384M. [7 U.S.C. 2009cc–12] INJUNCTIONS AND OTHER ORDERS.

(a) IN GENERAL.—

(1) APPLICATION BY SECRETARY.—Whenever, in the judgment of the Secretary, a rural business investment company or

any other person has engaged or is about to engage in any act or practice that constitutes or will constitute a violation of a provision of this subtitle (including any rule, regulation, order, or participation agreement under this subtitle), the Secretary may apply to the appropriate district court of the United States for an order enjoining the act or practice, or for an order enforcing compliance with the provision, rule, regulation, order, or participation agreement.

(2) JURISDICTION; RELIEF.—The court shall have jurisdiction over the action and, on a showing by the Secretary that the rural business investment company or other person has engaged or is about to engage in an act or practice described in paragraph (1), a permanent or temporary injunction, restraining order, or other order, shall be granted without bond.

(b) JURISDICTION.—

(1) IN GENERAL.—In any proceeding under subsection (a), the court as a court of equity may, to such extent as the court considers necessary, take exclusive jurisdiction over the rural business investment company and the assets of the rural business investment company, wherever located.

(2) TRUSTEE OR RECEIVER.—The court shall have jurisdiction in any proceeding described in paragraph (1) to appoint a trustee or receiver to hold or administer the assets.

(c) SECRETARY AS TRUSTEE OR RECEIVER.—

(1) AUTHORITY.—The Secretary may act as trustee or receiver of a rural business investment company.

(2) APPOINTMENT.—On the request of the Secretary, the court shall appoint the Secretary to act as a trustee or receiver of a rural business investment company unless the court considers the appointment inequitable or otherwise inappropriate by reason of any special circumstances involved.

SEC. 384N. [7 U.S.C. 2009cc–13] ADDITIONAL PENALTIES FOR NONCOMPLIANCE.

(a) IN GENERAL.—With respect to any rural business investment company that violates or fails to comply with this subtitle (including any rule, regulation, order, or participation agreement under this subtitle), the Secretary may, in accordance with this section—

(1) void the participation agreement between the Secretary and the rural business investment company; and

(2) cause the rural business investment company to forfeit all of the rights and privileges derived by the rural business investment company under this subtitle.

(b) ADJUDICATION OF NONCOMPLIANCE.—

(1) IN GENERAL.—Before the Secretary may cause a rural business investment company to forfeit rights or privileges under subsection (a), a court of the United States of competent jurisdiction must find that the rural business investment company committed a violation, or failed to comply, in a cause of action brought for that purpose in the district, territory, or other place subject to the jurisdiction of the United States, in which the principal office of the rural business investment company is located.

(2) PARTIES AUTHORIZED TO FILE CAUSES OF ACTION.—Each cause of action brought by the United States under this subsection shall be brought by the Secretary or by the Attorney General.

SEC. 384O. [7 U.S.C. 2009cc–14] UNLAWFUL ACTS AND OMISSIONS; BREACH OF FIDUCIARY DUTY.

(a) PARTIES DEEMED TO COMMIT A VIOLATION.—Whenever any rural business investment company violates this subtitle (including any rule, regulation, order, or participation agreement under this subtitle), by reason of the failure of the rural business investment company to comply with this subtitle or by reason of its engaging in any act or practice that constitutes or will constitute a violation of this subtitle, the violation shall also be deemed to be a violation and an unlawful act committed by any person that, directly or indirectly, authorizes, orders, participates in, causes, brings about, counsels, aids, or abets in the commission of any acts, practices, or transactions that constitute or will constitute, in whole or in part, the violation.

(b) FIDUCIARY DUTIES.—It shall be unlawful for any officer, director, employee, agent, or other participant in the management or conduct of the affairs of a rural business investment company to engage in any act or practice, or to omit any act or practice, in breach of the fiduciary duty of the officer, director, employee, agent, or participant if, as a result of the act or practice, the rural business investment company suffers or is in imminent danger of suffering financial loss or other damage.

(c) UNLAWFUL ACTS.—Except with the written consent of the Secretary, it shall be unlawful—

(1) for any person to take office as an officer, director, or employee of any rural business investment company, or to become an agent or participant in the conduct of the affairs or management of a rural business investment company, if the person—

(A) has been convicted of a felony, or any other criminal offense involving dishonesty or breach of trust; or

(B) has been found liable in a civil action for damages, or has been permanently or temporarily enjoined by an order, judgment, or decree of a court of competent jurisdiction, by reason of any act or practice involving fraud or breach of trust; and

(2) for any person to continue to serve in any of the capacities described in paragraph (1), if—

(A) the person is convicted of a felony or any other criminal offense involving dishonesty or breach of trust; or

(B) the person is found liable in a civil action for damages, or is permanently or temporarily enjoined by an order, judgment, or decree of a court of competent jurisdiction, by reason of any act or practice involving fraud or breach of trust.

SEC. 384P. [7 U.S.C. 2009cc–15] REMOVAL OR SUSPENSION OF DIRECTORS OR OFFICERS.

Using the procedures established by the Secretary for removing or suspending a director or an officer of a rural business invest-

ment company, the Secretary may remove or suspend any director or officer of any rural business investment company.

SEC. 384Q. [7 U.S.C. 2009cc–16] CONTRACTING OF FUNCTIONS.

(a) IN GENERAL.—Notwithstanding any other provision of law, to carry out the day-to-day management and operation of the program authorized by this subtitle on behalf of the Secretary, the Secretary shall enter into an interagency agreement under section 1535 of title 31, United States Code, with another Federal agency that has considerable expertise in operating a program under which capital is provided for equity investments in private sector companies.

(b) FUNDING.—The costs incurred by a Federal agency entering into an agreement under subsection (a) shall be reimbursed in accordance with section 1535 of title 31, United States Code, from amounts made available under section 384S(a)(2).

SEC. 384R. [7 U.S.C. 2009cc–17] REGULATIONS.

The Secretary may promulgate such regulations as the Secretary considers necessary to carry out this subtitle.

SEC. 384S. [7 U.S.C. 2009cc–18] FUNDING.

(a) IN GENERAL.—Notwithstanding any other provision of law, of the funds of the Commodity Credit Corporation, the Secretary shall make available—

(1) such sums as may be necessary for the cost of guaranteeing $280,000,000 of debentures under this subtitle; and

(2) $44,000,000 to make grants under this subtitle.

(b) AVAILABILITY OF FUNDS.—Funds transferred under subsection (a) shall remain available until expended.

Subtitle I—Rural Strategic Investment Program

SEC. 385A. [7 U.S.C. 2009dd] PURPOSE.

The purpose of this subtitle is to establish a rural strategic investment program—

(1) to provide rural communities with flexible resources to develop comprehensive, collaborative, and locally-based strategic planning processes; and

(2) to implement innovative community and economic development strategies that optimize regional competitive advantages.

SEC. 385B. [7 U.S.C. 2009dd–1] DEFINITIONS.

In this subtitle:

(1) BENCHMARK.—The term "benchmark" means an annual set of strategies and goals of a Regional Board established for the purpose of measuring performance in meeting the regional plan of the Regional Board.

(2) CONFERENCE.—The term Conference" means the National Conference on Rural America conducted under section 385H.

(3) ELIGIBLE AREA.—

(A) IN GENERAL.—The term "eligible area" means a nonmetropolitan county (as defined by the Secretary) that has a population of 50,000 inhabitants or less.

(B) INCLUSION.—

(i) IN GENERAL.—Subject to clause (ii), the term "eligible area" includes an unincorporated or other area of a county that has a population of more than 50,000 inhabitants if the unincorporated area or other area is adjacent to an eligible rural area described in subparagraph (A).

(ii) PARTICIPATION.—An area described in clause (i) may be represented on a Regional Board.

(C) EXCLUSION.—The term "eligible area" does not include any area designated by the Secretary as a rural empowerment zone or rural enterprise community.

(4) INNOVATION GRANT.—The term "innovation grant" means an innovation grant made by the National Board to a Regional Board under section 385G.

(5) NATIONAL BOARD.—The term "National Board" means the National Board on Rural America established under section 385D(a).

(6) NATIONAL PLAN.—The term "national plan" means a national strategic investment plan of the National Board developed under section 385D(d)(3).

(7) PLANNING GRANT.—The term "planning grant" means a regional strategic investment planning grant made by the National Board to a Regional Board under section 385F.

(8) PROGRAM.—The term "program" means the rural strategic investment program established under this subtitle.

(9) REGION.—The term "region" means the eligible areas that—

(A) are under the jurisdiction of a Regional Board; and

(B) meet criteria established by the National Board not later than 1 year after the date of enactment of this subtitle.

(10) REGIONAL BOARD.—The term "Regional Board" means a Regional Investment Board certified under section 385C(a).

(11) REGIONAL PLAN.—The term "regional plan" means a regional strategic investment plan of a Regional Board developed under section 385C(b)(3)(B).

SEC. 385C. [7 U.S.C. 2009dd–2] REGIONAL INVESTMENT BOARDS.

(a) IN GENERAL.—The National Board may certify a group representing the interests described in subsection (b)(2)(A) as a Regional Investment Board created to develop and implement a regional strategic investment plan for grants made under this subtitle to promote investment in eligible areas.

(b) REQUIREMENTS FOR CERTIFICATION.—

(1) IN GENERAL.—A Regional Board shall meet the requirements of this subsection for certification.

(2) COMPOSITION.—

(A) IN GENERAL.—A Regional Board shall be composed of residents of the region that broadly represent diverse public, nonprofit, and private sector interests in invest-

ment in the region, including (to the maximum extent practicable) representatives of—

(i) units of local government (including multijurisdictional units of local government);

(ii) in the case of regions with Indian populations, Indian tribes (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b));

(iii) private nonprofit community-based development organizations;

(iv) regional development organizations;

(v) private business organizations;

(vi) other entities and organizations, as determined by the Regional Board; and

(vii) consortia of entities and organizations described in clauses (i) through (vii).

(B) LOCAL PUBLIC-PRIVATE REPRESENTATION.—Of the members of a Regional Board, to the maximum extent practicable—

(i) ½ of the members shall be representatives of units of local government and Indian tribes described in subparagraph (A); and

(ii) ½ of the members shall be representatives of nonprofit, regional, private, and other entities and organizations described in subparagraph (A).

(C) EX-OFFICIO MEMBERS.—

(i) IN GENERAL.—An officer or employee of a Federal or State agency may serve as an ex-officio, nonvoting member of a Regional Board representing the agency.

(ii) CONFLICTS.—Participation by a Federal officer or employee in activities of the Regional Board shall not constitute a violation of section 205 or 208 of title 18, United States Code.

(D) CERTIFICATION.—To be certified by the National Board, a Regional Board shall demonstrate to the National Board that the Regional Board is broadly representative of the interests described in subparagraph (A).

(E) APPEALS.—

(i) IN GENERAL.—Prior to certification of the Regional Board by the National Board, representatives of interests described in subparagraph (A) that participated in the development of a Regional Board may appeal the composition of the Regional Board to the National Board on the ground that—

(I) the composition of the Regional Board does not adequately reflect the purposes of the program; or

(II) the selection process for the Regional Board unfairly disadvantaged those interests.

(ii) ACTION BY NATIONAL BOARD.—The National Board shall act on any appeal of the composition of a Regional Board before taking action on the certification of the Regional Board.

(3) DUTIES AND PURPOSE.—The organizational documents of the proposed Regional Board shall demonstrate that, on certification, the Regional Board shall—

(A) create a collaborative, inclusive public-private planning process;

(B) develop, and submit to the National Board for approval, a regional strategic investment plan that meets the requirements of section 385F, with benchmarks, to promote investment in eligible areas through the use of grants made available under this subtitle;

(C) implement the approved regional plan;

(D) provide annual reports to the Secretary and the National Board on progress made in achieving the benchmarks of the regional plan, including an annual financial statement; and

(E) select a non-Federal organization (such as a regional development organization) in the local area served by the Regional Board that has previous experience in the management of Federal funds to serve as fiscal manager of any funds of the Regional Board.

SEC. 385D. [7 U.S.C. 2009dd–3] NATIONAL BOARD ON RURAL AMERICA.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—The Secretary shall establish a National Board on Rural America to carry out the rural strategic investment program established under this subtitle.

(2) SUPERVISION AND DIRECTION.—Except as otherwise provided in this subtitle, the National Board shall be subject to the general supervision and direction of the Secretary.

(b) COMPOSITION.—

(1) IN GENERAL.—

(A) APPOINTMENT.—In addition to the Secretary or the designee of the Secretary, the National Board shall consist of 14 members appointed by the Secretary from among—

(i) representatives of nationally recognized entrepreneurship organizations;

(ii) representatives of regional planning and development organizations;

(iii) representatives of community-based organizations;

(iv) elected members of county governments;

(v) elected members of State legislatures;

(vi) representatives of the rural philanthropic community; and

(vii) representatives of Indian tribes (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)).

(B) RECOMMENDATIONS.—In appointing the members of the National Board under subparagraph (A), the Secretary shall consider recommendations made by—

(i) the chairman and ranking member of each of the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate;

(ii) the Majority Leader of the Senate; and

(iii) the Speaker of the House of Representatives.

(3)[1] TERM OF OFFICE.—

(A) IN GENERAL.—Subject to subparagraph (B), the term of office of a member of the National Board appointed under paragraph (1)(A) shall be 4 years.

(B) STAGGERED INITIAL TERMS.—Of the initial members of the National Board appointed under paragraph (1)(A), the term of office of—

(i) 5 members shall be 4 years;

(ii) 5 members shall be 3 years; and

(iii) 4 members shall be 2 years.

(4) INITIAL APPOINTMENTS.—Not later than 90 days after the date of enactment of this subtitle, the Secretary shall appoint the initial members of the National Board under paragraph (1)(A).

(5) EX-OFFICIO MEMBERS.—

(A) SPECIAL ASSISTANT TO THE PRESIDENT FOR RURAL POLICY.—If appointed by the President under section 6406(1) of the Farm Security and Rural Investment Act of 2002, the Special Assistant to the President for Rural Policy shall serve as an ex-officio, non-voting member of the National Board.

(B) OTHER MEMBERS.—In consultation with the chairman and ranking member of each of the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, the Secretary may appoint not more than 3 other officers or employees of the Executive Branch to serve as ex-officio, non-voting members of the National Board.

(6) VACANCIES.—A vacancy on the National Board shall be filled in the same manner as the original appointment.

(7) COMPENSATION.—A member of the National Board shall receive no compensation for service on the National Board, but shall be reimbursed for travel and other expenses incurred in carrying out the duties of the member of the National Board in accordance with section 5702 and 5703 of title 5, United States Code.

(8) CHAIRPERSON.—The National Board shall select a chairperson from among the members of the National Board.

(9) MEETINGS.—

(A) TIME AND PLACE.—The National Board shall meet at the call of the chairperson.

(B) QUORUM.—A quorum of the National Board shall consist of a majority of the members.

(C) MAJORITY VOTE.—A decision of the National Board shall be made by majority vote.

(10) FEDERAL STATUS.—For purposes of Federal law, a member of the National Board shall be considered a special Government employee (as defined in section 202(a) of title 18, United States Code).

(11) CONFLICT OF INTEREST.—

[1] Subsection (b) was enacted without a paragraph (2).

(A) IN GENERAL.—Except as provided in subparagraph (C), no member of the National Board shall vote on any matter respecting any application for a grant or other particular matter pending before the National Board in which, to the knowledge of the member, the member, spouse, or child of the member, partner, or organization in which the member is serving as officer, director, trustee, partner, or employee, or any person or organization with whom the member is negotiating or has any arrangement concerning prospective employment, has a financial interest.

(B) VIOLATIONS.—A violation of subparagraph (A) by a member of the National Board shall be cause for removal of the member, but shall not impair or otherwise affect the validity of any otherwise lawful action by the National Board in which the member participated.

(C) EXCEPTION.—Subparagraph (A) shall not apply to the extent a member of the National Board advises the National Board of the nature of the particular matter in which the member proposes to participate, if—

(i) the member makes a full disclosure of the financial interest; and

(ii) prior to any participation by the member, the National Board determines, by majority vote of the other members of the National Board, that the financial interest is too remote or too inconsequential to affect the integrity of the services of the member to the National Board in that matter.

(c) ADMINISTRATIVE SUPPORT.—The Secretary, on a reimbursable basis, may provide such administrative support to the National Board as the Secretary determines is necessary to carry out the duties of the National Board.

(d) DUTIES.—The National Board shall—

(1) certify Regional Boards in accordance with section 385C, with the initial certification of Regional Boards occurring not later than 540 days after the date of enactment of this subtitle;

(2) approve, negotiate, or disapprove each regional plan that is submitted by a Regional Board to the National Board under section 385C;

(3) develop, and submit to the Secretary for approval, a national strategic investment plan;

(4) use the amount received from the Secretary under section 385E to make planning grants and innovation grants to Regional Boards and to otherwise carry out the program;

(5) provide leadership and advice to Regional Boards on issues, best practices, and emerging trends relating to rural development;

(6) evaluate the progress of each Regional Board in achieving the benchmarks of the regional plan using annual reports submitted under section 385C(b)(3)(D) and any other information that is available to the Regional Board; and

(7) submit an annual report on the performance of Regional Boards and the program to—

(A) the Committee on Agriculture of the House of Representatives;

(B) the Committee on Agriculture, Nutrition, and Forestry of the Senate; and

(C) the Secretary.

SEC. 385E. [7 U.S.C. 2009dd–4] RURAL STRATEGIC INVESTMENT PROGRAM.

(a) IN GENERAL.—If the Secretary approves a national strategic investment plan submitted by the National Board, of the funds of the Commodity Credit Corporation, the Secretary shall transfer to the National Board $100,000,000, to remain available until expended, for the Board to use to make planning grants and innovation grants to Regional Boards and to otherwise carry out this subtitle.

(b) USE BY NATIONAL BOARD.—Of the amount transferred by the Secretary to the National Board under subsection (a), the National Board shall use—

(1) not less than $8,000,000 to make planning grants to Regional Boards under section 385F;

(2) not less than $87,000,000 to make innovation grants to Regional Boards under section 385G; and

(3) the remainder of the funds to carry out section 385H and administer this subtitle (other than section 385H).

SEC. 385F. [7 U.S.C. 2009dd–5] REGIONAL STRATEGIC INVESTMENT PLANNING GRANTS.

(a) IN GENERAL.—The National Board shall use amounts made available under section 385E(b)(1) to make not fewer than 80 planning grants, on a competitive basis, to applicant Regional Boards to develop, maintain, evaluate, and report progress on regional strategic investment plans in accordance with section 385C and this section.

(b) REGIONAL PLANS.—A regional plan for a region covered by a Regional Board shall, to the maximum extent practicable, cover—

(1) basic infrastructure needs of the region;

(2) basic services within the region;

(3) opportunities for economic diversification and innovation within the region, with particular attention to entrepreneurial support and innovation;

(4) the current and future human resource capacity of the region;

(5) access to market-based financing and venture and equity capital in the region;

(6) the development of innovative public and private collaborations for investments in the region; and

(7) other appropriate matters, as determined by the National Board and the Secretary.

(c) PREFERENCES.—In awarding planning grants, the National Board shall give a preference to planning grants that will be used to address community capacity building and community sustainability.

(d) AMOUNT.—The total amount of a planning grant made to a Regional Board shall not exceed $100,000.

(e) COST SHARING.—

(1) IN GENERAL.—Subject to paragraphs (2) and (3), the share of the costs of developing, maintaining, evaluating, and reporting on a regional plan funded by a grant under this section shall not exceed 50 percent.

(2) FORM.—

(A) IN GENERAL. Except as provided in subparagraph (B), a Regional Board shall pay the grantee share of the costs described in paragraph (1) in the form of cash, services, materials, or other in-kind contributions.

(B) LIMITATION.—A grantee shall not pay more than 50 percent of the grantee share in the form of services, materials, or other in-kind contributions.

(3) INCREASED SHARE.—The National Board may increase the share of the costs covered by a planning grant made to a Regional Board under this section if a limited ability of the Regional Board to pay would otherwise create a barrier to full participation in the program.

SEC. 385G. [7 U.S.C. 2009dd–6] INNOVATION GRANTS.

(a) IN GENERAL.—The National Board shall use amounts made available under section 385E(b)(2) to make innovation grants, on a competitive basis, to Regional Boards to implement projects that are identified in the regional plans of the Regional Boards.

(b) ELIGIBILITY.—

(1) IN GENERAL.—For a Regional Board to be eligible to receive an innovation grant, the National Board shall determine that—

(A) the regional plan of a Regional Board meets the requirements of this subtitle;

(B) the management and organizational structure of the Regional Board is sufficient to oversee grant projects;

(C) the Regional Board will be able to provide the grantee share required under this section; and

(D) the Regional Board agrees to achieve, to the maximum extent practicable, the performance-based benchmarks of the regional plan.

(2) RELATIONSHIP TO PLANNING GRANTS.—A Regional Board that meets the requirements of paragraph (1) shall be eligible to receive an innovation grant, regardless of whether the Regional Board receives a planning grant.

(c) SELECTION.—Subject to subsection (d), of the applications submitted by Regional Boards for innovation grants, the National Board shall, to the maximum extent practicable, select not fewer than 30 regional boards to receive innovation grants.

(d) PREFERENCES.—In awarding innovation grants, the National Board shall give a preference (in order of priority) to Regional Boards that—

(1) exhibit collaborative innovation and entrepreneurship, particularly within a public-private partnership;

(2) represent a broad coalition of interests described in section 385C(b)(2)(A);

(3) demonstrate a plan to leverage public (Federal and non-federal) and private funds and existing assets, including natural assets and public infrastructure;

(4) address gaps in existing basic services within a region;

(5) address economic diversification, including agricultural and non-agriculturally based economies, within a regional framework;

(6) demonstrate a plan to achieve multijurisdictional regional planning and development, with particular evidence of economic development successes within diverse stakeholder frameworks; or

(7) meet other community development needs identified by a Regional Board.

(e) USES.—

(1) LEVERAGE.—A Regional Board shall prioritize projects, in part, on the degree to which the Regional Board is able to leverage additional funds for the implementation of the projects.

(2) PURPOSES.—A Regional Board may use an innovation grant provided for a region—

(A) to support the development of critical infrastructure necessary to facilitate economic development in the region;

(B) to provide assistance to entities within the region that provide basic public services;

(C) to assist with job training, workforce development, or other needs related to the development and maintenance of strong local and regional economies;

(D) to assist in the development of unique new collaborations that link public, private, and philanthropic resources to achieve collaboratively designed regional advancement; and

(E) to provide support to business investment.

(3) OTHER DEPARTMENT PROGRAMS.—A Regional Board may not use an innovation grant provided for a region for any purpose for which funding may be obtained under any other rural development program of the Department of Agriculture unless—

(A) the Regional Board—

(i) has submitted an application for the funding under the other program; and

(ii) withdraws the application; and

(B) the National Board approves use of the innovation grant for that purpose.

(4) OPERATING EXPENSES.—A Regional Board may use for administrative costs in carrying out programs and activities related to the grant the greater of—

(A) $100,000; or

(B) 5 percent of the amount of an innovation grant provided.

(f) AMOUNT.—

(1) IN GENERAL.—The amount of an innovation grant made to a Regional Board shall not exceed $3,000,000.

(2) AVAILABILITY.—The amount of an innovation grant made to a Regional Board shall remain available until expended.

(g) COST SHARING.—

(1) IN GENERAL.—Subject to paragraphs (2) and (3), the share of the costs of projects covered by an innovation grant made to a Regional Board under this section shall not exceed 75 percent, as determined by the National Board.

(2) FORM.—A Regional Board may pay the grantee share of the costs of projects covered by an innovation grant in the form of cash or services, materials, or other in-kind contributions.

(3) WAIVER OF GRANTEE SHARE.—The National Board may waive the grantee share of the costs of projects covered by an innovation grant made to a Regional Board under this section if the National Board determines that such a waiver is appropriate.

(4) OTHER FEDERAL PROGRAMS.—For the purpose of determining grantee share requirements for any other Federal programs, funds provided for innovation grants shall be considered to be non-Federal funds.

(h) NEGOTIATION.—The National Board may—

(1) negotiate with a Regional Board on the substance, size, and scope of a regional plan; and

(2) approve an innovation grant for an amount that is lower than the amount requested by the Regional Board.

(i) NONCOMPLIANCE.—If a Regional Board fails to comply with the requirements of this section, the National Board may take such actions as are necessary to obtain reimbursement of unused grant funds.

(j) OTHER USES.—The National Board may use not more than 5 percent of the amounts made available for innovation grants—

(1) to provide assistance to interests described in section 385C(b)(2)(A) to obtain certification of a Regional Board;

(2) to provide assistance for emergent innovative opportunities that are not covered by existing regional plans;

(3) to provide technical assistance, research, organizational support, and other capacity building infrastructure to support existing Regional Boards;

(4) to provide assistance for other entrepreneurial opportunities to advance the goals of the program; or

(5) to advance a more integrative rural policy framework for the United States.

(k) TRANSFERS.—To ensure maximum use of funds provided under this subtitle, the National Board may transfer not more than 10 percent of the amount of funds made available between planning grants and innovation grants.

SEC. 385H. [7 U.S.C. 2009dd–7] NATIONAL CONFERENCE ON RURAL AMERICA.

(a) IN GENERAL.—The President shall call and conduct a National Conference on Rural America, which shall be held not earlier than November 1, 2002, and not later than October 30, 2004.

(b) PURPOSE.—The purpose of the Conference shall be to bring together the resources of governmental agencies and the private and nonprofit sectors to develop—

(1) policy recommendations and integrative strategies for addressing the unique challenges facing rural areas of the United States; and

(2) an implementation plan, with outcome-based measurements, for addressing the challenges.

(c) COMPOSITION.—

(1) IN GENERAL.—The Conference shall be comprised of—

(A) representatives of organizations devoted to rural development;

(B) Members of Congress, including the chairman and ranking member of each of the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate;

(C) representatives of the Department of Agriculture and other Federal agencies;

(D) State, local, and tribal elected officials and representatives;

(E) representatives of colleges and universities, State and tribal extension services, and State rural development councils; and

(F) individuals with specialized knowledge of and expertise in rural and community development, cooperative business, agricultural credit, venture capital, health care, and rural demography.

(2) SELECTION.—Of the participants in the Conference described in paragraph (1)—

(A) ⅓ of the members shall be selected by the President;

(B) ⅓ of the members shall be selected by the Chairman and the ranking member of the Committee on Agriculture of the House of Representatives; and

(C) ⅓ of the members shall be selected by the Chairman and the ranking member of the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(3) REPRESENTATION.—In selecting the participants of the Conference, the President and the Chairman of each Committee referred to in paragraph (2) shall ensure, to the maximum extent practicable, that the participants are representative of the ethnic, racial, and linguistic diversity of rural areas of the United States.

(d) REPORT.—

(1) REPORT TO PRESIDENT.—Not later than 120 days after the termination of the Conference, the Conference shall submit to the President a report that contains the findings and recommendations of the Conference, including findings and recommendations to address needs related to—

(A) telecommunications;

(B) rural health issues;

(C) transportation;

(D) opportunities for economic diversification and innovation within rural America, with particular attention to entrepreneurial support and innovation;

(E) the current and future human resource capacity of rural America;

(F) access to market-based financing and venture and equity capital in rural America; and

(G) the development of innovative public and private collaborations for investments in rural America.

(2) REPORT MADE PUBLIC AND TO CONGRESS.—Not later than 90 days after receipt by the President, the President shall—

(A) make the report public; and

(B) transmit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a copy of the report and a statement of the President containing recommendations for implementing the report.

(3) PUBLICATION AND DISTRIBUTION.—

(A) IN GENERAL.—The Conference shall publish and distribute the report described in paragraph (1).

(B) MANDATORY DISTRIBUTION.—The Conference shall provide a copy of a report published under subparagraph (A), at no cost, to—

(i) each Federal depository library; and

(ii) on request, each State, tribal, and local elected official in a rural area of the United States.

(e) FUNDING.—Not later than 180 days after the establishment of the National Board, the National Board shall transfer not more than $2,000,000 to the Office of the President to carry out this section, to remain available until expended.