

105TH CONGRESS  
2D SESSION

# H. R. 4246

To improve the provision of agricultural credit to farmers and ranchers  
under the Consolidated Farm and Rural Development Act.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 16, 1998

Mr. COMBEST (for himself, Mr. DOOLEY of California, Mr. SMITH of Oregon, Mr. STENHOLM, Mr. BARRETT of Nebraska, Mrs. CLAYTON, Mr. POMBO, Mr. MINGE, Mr. EVERETT, Mr. BISHOP, Mr. LEWIS of Kentucky, Mr. THOMPSON, Mr. CHAMBLISS, Mr. BALDACCI, Mr. LAHOOD, Ms. STABENOW, Mrs. EMERSON, Mr. ETHERIDGE, Mr. MORAN of Kansas, Mr. JOHN, Mr. PICKERING, Mr. THUNE, and Mr. JENKINS) introduced the following bill; which was referred to the Committee on Agriculture

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## A BILL

To improve the provision of agricultural credit to farmers  
and ranchers under the Consolidated Farm and Rural  
Development Act.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Agricultural Credit Im-  
5 provement Act of 1998”.

1 **SEC. 2. PROHIBITION OF LOAN GUARANTEES TO BORROW-**  
2 **ERS WHO HAVE RECEIVED DEBT FORGIVE-**  
3 **NESS AFTER APRIL 4, 1996.**

4 (a) **IN GENERAL.**—Section 373(b)(1) of the Consoli-  
5 dated Farm and Rural Development Act (7 U.S.C.  
6 2008h(b)(1)) is amended to read as follows:

7 “(1) **PROHIBITIONS.**—Except as provided in  
8 paragraph (2):

9 “(A) **LOAN PROHIBITION.**—The Secretary  
10 may not make a loan under this title to a bor-  
11 rower who has received debt forgiveness on a  
12 loan made or guaranteed under this title.

13 “(B) **GUARANTEES PROHIBITED FOR BOR-**  
14 **ROWER WHO HAS RECEIVED DEBT FORGIVE-**  
15 **NESS AFTER APRIL 4, 1996.**—The Secretary may  
16 not guarantee a loan under this title to a bor-  
17 rower who has received debt forgiveness after  
18 April 4, 1996, on a loan made or guaranteed  
19 under this title.”.

20 (b) **AUTHORITY TO MAKE EMERGENCY LOANS TO**  
21 **CERTAIN BORROWERS WHO HAVE RECEIVED DEBT FOR-**  
22 **GIVENESS.**—Section 373(b)(2) of such Act (7 U.S.C.  
23 2008h(b)(2)) is amended—

24 (1) by inserting “(A)” before “The”; and

25 (2) by adding at the end the following:

1           “(B) The Secretary may make an emergency  
2           loan under section 321 to a borrower who—

3                   “(i) on or before April 4, 1996, received  
4                   not more than 1 debt forgiveness on a loan  
5                   made or guaranteed under this title; and

6                   “(ii) after April 4, 1996, has not received  
7                   debt forgiveness on a loan made or guaranteed  
8                   under this title.”.

9   **SEC. 3. FAMILY FARM DEFINITION.**

10           (a) REAL ESTATE LOANS.—Section 302 of the Con-  
11           solidated Farm and Rural Development Act (7 U.S.C.  
12           1922) is amended by adding at the end the following:

13                   “(c)(1) The primary factor to be considered in deter-  
14                   mining whether an applicant for a loan under this subtitle  
15                   is engaged primarily and directly in farming or ranching  
16                   shall be whether the applicant is participating in routine,  
17                   ongoing farm activities, and in overall decision making  
18                   with regard to the farm or ranch.

19                   “(2) The Secretary may not deny a loan under this  
20                   subtitle solely because 2 or more individuals are employed  
21                   full-time in the farming operation for which the loan is  
22                   sought.”.

23           (b) OPERATING LOANS.—Section 311 of such Act (7  
24           U.S.C. 1941) is amended by adding at the end the follow-  
25           ing:

1       “(d)(1) The primary factor to be considered in deter-  
2 mining whether an applicant for a loan under this subtitle  
3 is engaged primarily and directly in farming or ranching  
4 shall be whether the applicant is participating in routine,  
5 ongoing farm activities, and in overall decision making  
6 with regard to the farm or ranch.

7       “(2) The Secretary may not deny a loan under this  
8 subtitle solely because 2 or more individuals are employed  
9 full-time in the farming operation for which the loan is  
10 sought.”.

11       (c) EMERGENCY LOANS.—Section 321 of such Act (7  
12 U.S.C. 1961) is amended by adding at the end the follow-  
13 ing:

14       “(e)(1) The primary factor to be considered in deter-  
15 mining whether an applicant for a loan under this subtitle  
16 is engaged primarily and directly in farming or ranching  
17 shall be whether the applicant is participating in routine,  
18 ongoing farm activities, and in overall decision making  
19 with regard to the farm or ranch.

20       “(2) The Secretary may not deny a loan under this  
21 subtitle solely because 2 or more individuals are employed  
22 full-time in the farming operation for which the loan is  
23 sought.”.

1 **SEC. 4. COMBINED LIMIT ON AMOUNT OF GUARANTEED**  
2 **FARM OWNERSHIP LOANS AND GUARANTEED**  
3 **FARM OPERATING LOANS; INDEXATION TO**  
4 **INFLATION.**

5 (a) LIMIT ON AMOUNT OF GUARANTEED FARM OWN-  
6 ERSHIP LOANS.—Section 305 of the Consolidated Farm  
7 and Rural Development Act (7 U.S.C. 1925) is amend-  
8 ed—

9 (1) by striking “\$300,000” and inserting  
10 “\$700,000 (increased, beginning with fiscal year  
11 1998, by the inflation percentage applicable to the  
12 fiscal year in which the loan is to be made or in-  
13 sured), reduced by the unpaid indebtedness of the  
14 borrower on loans under subtitle B that are guaran-  
15 teed by the Secretary”; and

16 (2) by adding at the end the following: “For  
17 purposes of this section, the inflation percentage ap-  
18 plicable to a fiscal year is the percentage (if any) by  
19 which (A) the average of the Consumer Price Index  
20 (as defined in section 1(f)(5) of the Internal Reve-  
21 nue Code of 1986) for the 12-month period ending  
22 on August 31 of the immediately preceding fiscal  
23 year, exceeds (B) the average of the Consumer Price  
24 Index (as so defined) for the 12-month period end-  
25 ing on August 31, 1996.”.

1 (b) LIMIT ON AMOUNT OF GUARANTEED FARM OP-  
2 ERATING LOANS.—Section 313 of such Act (7 U.S.C.  
3 1943) is amended—

4 (1) by striking “\$400,000” and inserting  
5 “\$700,000 (increased, beginning with fiscal year  
6 1998, by the inflation percentage applicable to the  
7 fiscal year in which the loan is to be made or in-  
8 sured), reduced by the unpaid indebtedness of the  
9 borrower on loans under the sections specified in  
10 section 305 that are guaranteed by the Secretary”;  
11 and

12 (2) by adding at the end the following: “For  
13 purposes of this section, the inflation percentage ap-  
14 plicable to a fiscal year is the percentage (if any) by  
15 which (A) the average of the Consumer Price Index  
16 (as defined in section 1(f)(5) of the Internal Reve-  
17 nue Code of 1986) for the 12-month period ending  
18 on August 31 of the immediately preceding fiscal  
19 year, exceeds (B) the average of the Consumer Price  
20 Index (as so defined) for the 12-month period end-  
21 ing on August 31, 1996.”.

22 **SEC. 5. EXPANSION OF CLASS OF BEGINNING FARMERS EL-**  
23 **IGIBLE FOR DIRECT OPERATING LOANS.**

24 Section 311(c)(1)(A) of the Consolidated Farm and  
25 Rural Development Act (7 U.S.C. 1941(c)(1)(A)) is

1 amended by striking “who has not operated a farm or  
2 ranch, or who has operated a farm or ranch for not more  
3 than 5 years”.

4 **SEC. 6. PRIORITY FOR FARMER-OWNED VALUE-ADDED**  
5 **PROCESSING FACILITIES.**

6 Section 310B of the Consolidated Farm and Rural  
7 Development Act (7 U.S.C. 1932) is amended by adding  
8 at the end the following new subsection:

9 “(h) PRIORITY FOR FARMER-OWNED VALUE-ADDED  
10 PROCESSING FACILITIES.—In approving applications for  
11 loans and grants authorized under this section, section  
12 306(a)(11), and other applicable provisions of this title (as  
13 determined by the Secretary), the Secretary shall give a  
14 high priority to applications for projects that encourage  
15 farmer-owned value-added processing facilities.”.

16 **SEC. 7. NOTICE OF RECAPTURE UNDER SHARED APPRECI-**  
17 **ATION ARRANGEMENTS.**

18 Section 353(e) of the Consolidated Farm and Rural  
19 Development Act (7 U.S.C. 2001(e)) is amended by add-  
20 ing at the end the following:

21 “(6) NOTICE OF RECAPTURE.—Not later than  
22 12 months before the end of the term of a shared  
23 appreciation arrangement, the Secretary shall notify  
24 the borrower involved of the provisions of the ar-  
25 rangement.”.

1 **SEC. 8. NATIONAL REALLOCATION OF FUNDS FOR USE BY**  
2 **SOCIALLY DISADVANTAGED FARMERS AND**  
3 **RANCHERS.**

4 Section 355(c)(2) of the Consolidated Farm and  
5 Rural Development Act (7 U.S.C. 2003(c)(2)) is amended  
6 to read as follows:

7 “(2) RESERVATION AND ALLOCATION.—

8 “(A) IN GENERAL.—The Secretary shall,  
9 to the greatest extent practicable, reserve and  
10 allocate the proportion of each State’s loan  
11 funds made available under subtitle B that is  
12 equal to that State’s target participation rate  
13 for use by the socially disadvantaged farmers or  
14 ranchers in that State. The Secretary shall, to  
15 the extent practicable, distribute the total so  
16 derived on a county by county basis according  
17 to the number of socially disadvantaged farmers  
18 or ranchers in the county.

19 “(B) REALLOCATION OF UNUSED  
20 FUNDS.—The Secretary may pool any funds re-  
21 served and allocated under this paragraph with  
22 respect to a State that are not used as de-  
23 scribed in subparagraph (A) in a State in the  
24 first 6 months of a fiscal year with the funds  
25 similarly not so used in other States, and may  
26 reallocate such pooled funds in the discretion of



1           the Secretary for use by socially disadvantaged  
2           farmers and ranchers in other States.”.

3 **SEC. 9. APPLICABILITY OF DISASTER LOAN COLLATERAL**  
4                   **REQUIREMENTS UNDER THE SMALL BUSI-**  
5                   **NESS ACT.**

6           Section 324(d) of the Consolidated Farm and Rural  
7 Development Act (7 U.S.C. 1964(d)) is amended by add-  
8 ing at the end the following: “The Secretary shall not deny  
9 a loan under this subtitle to a borrower by reason of the  
10 fact that the borrower lacks a particular amount of collat-  
11 eral for the loan if it is reasonably certain that the bor-  
12 rower will be able to repay the loan. Notwithstanding the  
13 preceding sentence, if a borrower refuses to pledge avail-  
14 able collateral on request by the Secretary, the Secretary  
15 may deny or cancel a loan under this subtitle.”.

16 **SEC. 10. GROWER-SHIPPER AGREEMENTS.**

17           (a) REAL ESTATE LOANS.—Section 302 of the Con-  
18 solidated Farm and Rural Development Act (7 U.S.C.  
19 1922) is further amended by adding at the end the follow-  
20 ing:

21           “(d) This section shall not be construed to prohibit  
22 the Secretary from making a loan under this subtitle to  
23 an applicant therefor who has entered into an agreement  
24 with a shipper of perishable commodities under which the

1 applicant and the shipper share in the proceeds from the  
2 sale of an agricultural commodity if—

3 “(1) in the absence of such an agreement, the  
4 applicant could not easily market the agricultural  
5 commodity, or could not market the agricultural  
6 commodity without incurring significant additional  
7 risk; and

8 “(2) the agreement is clearly beneficial to the  
9 applicant.”.

10 (b) OPERATING LOANS.—Section 311 of such Act (7  
11 U.S.C. 1941) is further amended by adding at the end  
12 the following:

13 “(e) This section shall not be construed to prohibit  
14 the Secretary from making a loan under this subtitle to  
15 an applicant therefor who has entered into an agreement  
16 with a shipper of perishable commodities under which the  
17 applicant and the shipper share in the proceeds from the  
18 sale of an agricultural commodity if—

19 “(1) in the absence of such an agreement, the  
20 applicant could not easily market the agricultural  
21 commodity, or could not market the agricultural  
22 commodity without incurring significant additional  
23 risk; and

24 “(2) the agreement is clearly beneficial to the  
25 applicant.”.

1           (c) EMERGENCY LOANS.—Section 321 of such Act (7  
2 U.S.C. 1961) is further amended by adding at the end  
3 the following:

4           “(f) This section shall not be construed to prohibit  
5 the Secretary from making a loan under this subtitle to  
6 an applicant therefor who has entered into an agreement  
7 with a shipper of perishable commodities under which the  
8 applicant and the shipper share in the proceeds from the  
9 sale of an agricultural commodity if—

10           “(1) in the absence of such an agreement, the  
11 applicant could not easily market the agricultural  
12 commodity, or could not market the agricultural  
13 commodity without incurring significant additional  
14 risk; and

15           “(2) the agreement is clearly beneficial to the  
16 applicant.”.

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