

## **§1935. Down payment loan program**

### **(a) In general**

#### **(1) Establishment**

Notwithstanding any other section of this subchapter, the Secretary shall establish, within the farm ownership loan program established under this subchapter, a program under which loans shall be made under this section to qualified beginning farmers or ranchers and socially disadvantaged farmers or 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 2006b\(c\)](#) of this title.

### **(b) Loan terms**

#### **(1) Principal**

Each loan made under this section shall be in an amount that does not exceed 45 percent of the least of-

- (A) the purchase price of the farm or ranch to be acquired;
- (B) the appraised value of the farm or ranch to be acquired; or
- (C) \$500,000.

#### **(2) <sup>1</sup> Interest rate**

The interest rate on any loan made by the Secretary under this section shall be a rate equal to the greater of-

- (A) the difference obtained by subtracting 4 percent from the interest rate for farm ownership loans under this subchapter; or
- (B) 1.5 percent.

#### **(2) <sup>1</sup> 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 20 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 5 percent of the purchase price of the farm or ranch.

**(2) 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 20-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 subchapter;
- (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 subchapter;
- (3) encourage retiring farmers and ranchers to assist in the sale of their farms and ranches to qualified beginning farmers and ranchers and socially disadvantaged farmers or ranchers by providing seller financing;
- (4) coordinate the loan program established by this section with State programs that provide farm ownership or operating loans for beginning farmers or ranchers or socially disadvantaged farmers or ranchers; and
- (5) establish annual performance goals to promote the use of the down payment loan program and other joint financing arrangements as the preferred choice for direct real estate loans made by any lender to a qualified beginning farmer or rancher or socially disadvantaged farmer or rancher.

**(e) Socially disadvantaged farmer or rancher defined**

In this section, the term “socially disadvantaged farmer or rancher” has the meaning given that term [in section 2003\(e\)\(2\) of this title](#).

(Pub. L. 87–128, title III, §310E, as added Pub. L. 102–554, §7(a), Oct. 28, 1992, 106 Stat. 4144; amended Pub. L. 107–171, title V, §5005, May 13, 2002, 116 Stat. 342; Pub. L. 110–234, title V, §5004, May 22, 2008, 122 Stat. 1144; Pub. L. 110–246, §4(a), title V, §5004, June 18, 2008, 122 Stat. 1664, 1905.)

**CODIFICATION**

Pub. L. 110–234 and Pub. L. 110–246 made identical amendments to this section. The amendments by Pub. L. 110–234 were repealed by section 4(a) of Pub. L. 110–246.

**AMENDMENTS**

**2008-**Subsec. (a)(1). Pub. L. 110–246, §5004(1), substituted “or ranchers and socially disadvantaged farmers or ranchers” for “and ranchers”.

Subsec. (b)(1), (2). Pub. L. 110–246, §5004(2)(A), added par. (1) and par. (2) consisting of subpars. (A) and (B) and struck out former par. (1). Prior to amendment, text of par. (1) read as

follows: “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.”

Subsec. (b)(3). Pub. L. 110–246, §5004(2)(B), substituted “20” for “15”.

Subsec. (c)(1). Pub. L. 110–246, §5004(3)(A), substituted “5” for “10”.

Subsec. (c)(2), (3). Pub. L. 110–246, §5004(3)(B), (C), redesignated par. (3) as (2), in subpar. (B), substituted “20-year” for “15-year”, and struck out former par. (2). Prior to amendment, text read as follows: “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.”

Subsec. (d)(3). Pub. L. 110–246, §5004(4)(A)(ii), struck out “and” at end.

Pub. L. 110–246, §5004(4)(A)(i), which directed the insertion of “and socially disadvantaged farmers or ranchers” after “ranchers”, was executed by making the insertion after “ranchers” the second place it appeared to reflect the probable intent of Congress.

Subsec. (d)(4). Pub. L. 110–246, §5004(4)(B), substituted “or ranchers or socially disadvantaged farmers or ranchers; and” for “and ranchers.”

Subsec. (d)(5). Pub. L. 110–246, §5004(4)(C), added par. (5).

Subsec. (e). Pub. L. 110–246, §5004(5), added subsec. (e).

**2002**-Subsec. (b)(1). Pub. L. 107–171, §5005(1)(A), substituted “40 percent” for “30 percent”.

Subsec. (b)(3). Pub. L. 107–171, §5005(1)(B), substituted “15 years” for “10 years”.

Subsec. (c)(3)(B). Pub. L. 107–171, §5005(2), substituted “15-year” for “10-year”.

#### **EFFECTIVE DATE OF 2008 AMENDMENT**

Amendment of this section and repeal of Pub. L. 110–234 by Pub. L. 110–246 effective May 22, 2008, the date of enactment of Pub. L. 110–234, see section 4 of Pub. L. 110–246, set out as an Effective Date note under [section 8701 of this title](#).

<sup>1</sup> *So in original. Two pars. (2) have been enacted.*