

§ 1980.1 Purpose.

This subpart contains the general regulations and prescribed forms which are applicable to Community Programs Guaranteed Loans under subpart I of this part.

[64 FR 7402, Feb. 12, 1999]

§§ 1980.2–1980.5 [Reserved]**§ 1980.6 Definitions and abbreviations.**

(a) *General definitions.* The following general definitions are applicable to the terms used in this part. Additional definitions may be found in the subparts relating to the particular type of loan involved.

Assignment Guarantee Agreement (Form FmHA or its successor agency under Public Law 103–354 449–36). The signed agreement among FmHA or its successor agency under Public Law 103–354, the lender, and the holder, setting forth the terms and conditions of an assignment of a guaranteed portion of a loan or any part thereof.

Conditional Commitment for Guarantee (Form FmHA or its successor agency under Public Law 103–354 449–14). FmHA or its successor agency under Public Law 103–354's advice to the lender that the material it has submitted is approved subject to the conditions and requirements set forth in "Conditional Commitment for Guarantee."

Conditional Commitment for Contract of Guarantee (Line of Credit) (Form FmHA or its successor agency under Public Law 103–354 1980.15). FmHA or its successor agency under Public Law 103–354's advice to the lender that the material it has submitted is approved subject to the completion of all conditions and requirements set forth in "Conditional Commitment for Contract of Guarantee."

Finance Office. The office which maintains the FmHA or its successor agency under Public Law 103–354 financial records. It is located at 1520 Market Street St. Louis, Missouri 63103.

FmHA or its successor agency under Public Law 103–354. The United States of America, acting through the Farmers Home Administration or its successor agency under Public Law 103–354, an agency of the United States Department of Agriculture. References to

the National Office, Finance Office, State Office, County Office, State Director, District Director, County Supervisor, or other FmHA or its successor agency under Public Law 103–354 offices or official should be read as prefaced by "FmHA or its successor agency under Public Law 103–354."

Guaranteed loan. A loan made and serviced by a lender for which FmHA or its successor agency has entered into a Form FmHA 449–35 "Lender's Agreement," and for which FmHA or its successor agency has issued a Form FmHA 449–34, "Loan Note Guarantee."

Hazard insurance. Includes fire, wind-storm, lightning, hail, explosion, riot, civil commotion, aircraft, vehicles, smoke, builder's risk, public liability, property damage, flood or mudslide, workers compensation, or any similar insurance that is available and needed to protect the security, or that is required by law.

Holder. The person or organization other than the lender who holds all or a part of the guaranteed portion of the loan with no servicing responsibilities. Holders are prohibited from obtaining any part(s) of the guaranteed portion of the loan with proceeds from any obligation the interest on which is excludable from income under section 103 of the Internal Revenue Code of 1954, as amended (IRC). When the lender assigns a part(s) of the guaranteed loan to an assignee, the assignee becomes a holder when Form FmHA or its successor agency under Public Law 103–354 449–36, "Assignment Guarantee Agreement," is used.

Insured loans. A loan directly made and serviced by FmHA or its successor agency under Public Law 103–354 as lender with funds from the Rural Development Insurance Fund, Rural Housing Insurance Fund, or Agricultural Credit Insurance Fund.

Joint financing. Occurs when two or more lenders (or any combination of such lenders) makes separate loans to supply the funds required by one applicant. For example, such joint financing may consist of FmHA or its successor

§§ 1980.7–1980.10

7 CFR Ch. XVIII (1–1–01 Edition)

agency under Public Law 103-354 financial assistance with the Economic Development Administration (EDA), Department of Housing and Urban Development (HUD), Small Business Administration (SBA), other Federal and State agencies, and private and quasi-public financial institutions.

Lender. The person or organization making and servicing the loan or advancing and servicing the line of credit which is guaranteed under the provisions of the appropriate subpart. The lender is also the party requesting a guarantee.

Lender's Agreement (Form RD 449-35). The signed agreement between Rural Development and the lender setting forth the lender's loan responsibilities when the Loan Note Guarantee is issued.

Loan Note Guarantee (Form FmHA or its successor agency under Public Law 103-354 449-34). The signed commitment issued by FmHA or its successor agency under Public Law 103-354 setting forth the terms and conditions of the guarantee.

Market value. The amount for which property would sell for its highest and best use at voluntary sale.

NOTE: An evidence of debt. In those instances where FmHA or its successor agency under Public Law 103-354 makes an insured loan or guarantees a bond issue, "note" shall also be construed to include "Bond" or other evidence of indebtedness where appropriate.

Principals of borrowers. Includes owners, officers, directors, entities and others directly involved in the operation and management of a business.

Transfer and assumption. The conveyance by a debtor to an assuming party of the assets, collateral, and liabilities of the loan in return for the assuming party's binding promise to pay the debt outstanding. In relation to transfer and assumption cases, where appropriate, "liquidation" and "loan" shall be construed to mean "transfer and assumption," "promissory note" shall be construed to mean "assumption agreement," and "borrower" shall be construed to mean "assuming party" or "transferee."

(b) *Abbreviations.* The following abbreviations are applicable:

CP— Community Programs.

EDA— Economic Development Administration.

EPA— Environmental Protection Agency.

EIS— Environmental Impact Statement.

FmHA or its successor agency under Public Law 103-354— Farmers Home Administration or its successor agency under Public Law 103-354.

FDA— Federal Disaster Assistance Administration.

FIA— Federal Insurance Administration.

FMI— Forms Manual Insert.

OGC— Office of the General Counsel.

SBA— Small Business Administration.

SBIC— Small Business Investment Company.

USDA— United States Department of Agriculture.

[48 FR 30947, July 6, 1983, as amended at 50 FR 39883, Sept. 30, 1985; 51 FR 6707, Feb. 25, 1986; 54 FR 4, Jan. 3, 1989, and 54 FR 26946, June 27, 1989; 54 FR 42481, 42482, Oct. 17, 1989; 55 FR 11134, Mar. 27, 1990; 55 FR 19245, May 9, 1990; 58 FR 34306, June 24, 1993; 58 FR 48291, Sept. 15, 1993; 61 FR 67632, 67633, Dec. 23, 1996; 64 FR 7402, Feb. 12, 1999]

§§ 1980.7–1980.10 [Reserved]

§ 1980.11 Full faith and credit.

The Loan Note Guarantee constitutes obligations supported by the full faith and credit of the United States and are incontestable except for fraud or misrepresentation of which the lender or holder has actual knowledge at the time it becomes such lender or holder or which lender or holder participates in or condones. Generally, any Loan Note Guarantee or Assignment Guarantee Agreement attached to or relating to a note which provides for payment of interest on interest is void. The guarantee and right to require purchase will be directly enforceable by holder notwithstanding any fraud or misrepresentation by the lender or any unenforceability of the Loan Note Guarantee by the lender. The Loan Note Guarantee will be unenforceable by the lender to the extent any loss is occasioned by violation of usury laws, negligent servicing or failure to obtain the required security regardless of the time at which the Agency acquires knowledge of the foregoing.