

Subpart I—Community Programs Guaranteed Loans

SOURCE: 55 FR 11139, Mar. 27, 1990, unless otherwise noted.

§ 1980.801 Introduction.

(a) This subpart, supplemented by subpart A of this part, contains the regulations for Community Programs (CP) loans guaranteed by the Farmers Home Administration or its successor agency under Public Law 103-354 (FmHA or its successor agency under Public Law 103-354), and applies to lenders, holders, borrowers, and other parties involved in making, guaranteeing, holding, servicing, or liquidating such loans. Any processing or servicing activity conducted pursuant to this subpart involving authorized assistance to FmHA or its successor agency under Public Law 103-354 employees, members of their families, known close relatives, or business or close personal associates, is subject to the provisions of subpart D of part 1900 of this chapter. Applicants for this assistance are required to identify any known relationship or association with an FmHA or its successor agency under Public Law 103-354 employee.

(b) The purpose of the CP Guaranteed Loan Programs is to improve, develop, or finance water or waste disposal facilities in rural areas. This purpose is achieved through bolstering the existing private credit structure through the guarantee of quality loans which will provide lasting community benefits. It is NOT intended that the guarantee authority be used for marginal or substandard loans or to "bail out" lenders having such loans.

(c) The CP loan program is administered by the Administrator through a State Director serving each State. The District Director is the focal point for the program and the local contact person for processing and servicing activities, although this subpart refers in various places to the duties and responsibilities of other FmHA or its successor agency under Public Law 103-354 employees.

[55 FR 11139, Mar. 27, 1990, as amended at 58 FR 229, Jan. 5, 1993; 64 FR 28336, May 26, 1999]

§ 1980.802 Definitions.

The following general definitions are applicable to the terms used in this subpart. Additional definitions may be found in §1980.6 of subpart A of this part.

Borrower. A borrower may be a cooperative, corporation, or other legal entity organized and operated on a non-profit basis; an Indian Tribe on a Federal or State reservation or other Federally recognized Indian tribal group; a municipality, county, or other political subdivision of a State. Groups organized under the general profit corporation laws may be eligible if they actually will be operated on a not-for-profit basis under their charter, bylaws, mortgage, or a supplemental agreement provision as may be required as a condition of loan approval.

Collateral. Security pledged for the guaranteed loan.

Lender. The person or organization making and servicing the loan which is guaranteed under the provisions of this subpart. The lender is also referred to in this subpart as the applicant, who is requesting a guarantee during the preapplication and application stage of processing.

Lender's exposure. The lender's exposure before and after the loan, and any applicable limits on the lender's lending authority.

Loan classification system. The process by which loans are examined and categorized by degree of potential for loss in the event of default.

Problem loan. A loan which is not performing according to its original terms and conditions or which is not expected in the future to perform according to those terms and conditions.

Protective advances. Protective advances will not be made in lieu of additional loans. Protective advances are advances made by the lender for the purpose of preserving and protecting the collateral where the debtor has failed to and will not or cannot meet its obligations to protect or preserve collateral. Ordinarily, protective advances are made when liquidation is contemplated or in process. A protective advance must be an indebtedness of the borrower.

Public body. A municipality, county or other political subdivision of a