

PART 1941—OPERATING LOANS**Subpart A—Operating Loan Policies, Procedures, and Authorizations**

Sec.

- 1941.1 Introduction.
- 1941.2 Objectives.
- 1941.3 Management assistance.
- 1941.4 Definitions.
- 1941.5 [Reserved]
- 1941.6 Credit elsewhere.
- 1941.7–1941.10 [Reserved]
- 1941.11 Applications.
- 1941.12 Eligibility requirements.
- 1941.13 Rural youth.
- 1941.14–1941.15 [Reserved]
- 1941.16 Loan purposes.
- 1941.17 Loan limitations.
- 1941.18 Rates and terms.
- 1941.19 Security.
- 1941.20–1941.22 [Reserved]
- 1941.23 General provisions.
- 1941.24 [Reserved]
- 1941.25 Appraisals.
- 1941.26–1941.28 [Reserved]
- 1941.29 Relationship between FSA loans, direct and guaranteed.
- 1941.30–1941.31 [Reserved]
- 1941.32 Catastrophic Risk Protection (CAT) insurance requirement.
- 1941.33 Loan approval or disapproval.
- 1941.34 [Reserved]
- 1941.35 Actions after loan approval.
- 1941.36–1941.37 [Reserved]
- 1941.38 Loan closing.
- 1941.39–1941.41 [Reserved]
- 1941.42 Loan servicing.
- 1941.43–1941.49 [Reserved]
- 1941.50 State supplements.

EXHIBIT A TO SUBPART A—PROCESSING GUIDE—INSURED OPERATING LOANS

EXHIBIT B TO SUBPART A [RESERVED]

EXHIBIT C TO SUBPART A—CONTROLLED SUBSTANCE

Subpart B—Closing Loans Secured by Chattels

- 1941.51 Purpose.
- 1941.52–1941.53 [Reserved]
- 1941.54 Promissory note.
- 1941.55–1941.56 [Reserved]
- 1941.57 Security instruments.
- 1941.58–1941.59 [Reserved]
- 1941.60 Purchase money security interest.
- 1941.61–1941.62 [Reserved]
- 1941.63 Lien search.
- 1941.64–1941.66 [Reserved]
- 1941.67 Additional requirements for perfecting security interests.
- 1941.68–1941.70 [Reserved]
- 1941.71 Fees.
- 1941.72–1941.74 [Reserved]
- 1941.75 Retention and use of security agreements.

- 1941.76–1941.78 [Reserved]
- 1941.79 Future advance and after-acquired property clauses.
- 1941.80–1941.83 [Reserved]
- 1941.84 Title clearance and closing requirements.
- 1941.85–1941.87 [Reserved]
- 1941.88 Insurance.
- 1941.89–1941.91 [Reserved]
- 1941.92 Check delivery.
- 1941.93 [Reserved]
- 1941.94 Supervised bank accounts.
- 1941.95 [Reserved]
- 1941.96 Changes in use of loan funds.

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Subpart A—Operating Loan Policies, Procedures, and Authorizations

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§ 1941.1 Introduction.

This subpart contains regulations for making initial and subsequent direct Operating (OL) and Youth (OL-Y) loans. OL loans may be made to eligible farmers and ranchers and entities that will manage and operate not larger than family farms. Youth loans may be made to rural youth to conduct modest projects in connection with their participation in 4-H, Future Farmers of America, and similar organizations. It is the policy of Farm Service Agency (FSA) or its successor agency under Public Law 103-354 to make loans to any qualified applicant without regard to race, color, religion, sex, national origin, marital status, age or physical/mental handicap provided the applicant can execute a legal contract. Any processing or servicing activity conducted pursuant to this subpart involving authorized assistance to Agency 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 Agency

§ 1941.2

or its successor agency under Public Law 103-354 employee. See exhibit A of subpart A of part 1943 of this chapter for making OL loans to entrymen on unpatented public lands. Agency or its successor agency under Public Law 103-354 forms are available in any Agency or its successor agency under Public Law 103-354 office.

[53 FR 35684, Sept. 14, 1988, as amended at 58 FR 226, Jan. 5, 1993; 58 FR 48282, Sept. 15, 1993; 61 FR 35925, July 9, 1996; 68 FR 7696, Feb. 18, 2003]

§ 1941.2 Objectives.

The basic objective of the OL loans program is to provide credit and management assistance to farmers and ranchers to become operators of family-sized farms or continue such operations when credit is not available elsewhere. FmHA or its successor agency under Public Law 103-354 assistance enables family-farm operators to use their land, labor and other resources and to improve their living and financial conditions so that they can obtain credit elsewhere. The objective of the OL loan program for rural youth is to provide credit for rural youths to establish and operate income-producing projects of modest size in connection with their participation in 4-H clubs, Future Farmers of America, and similar organizations.

§ 1941.3 Management assistance.

As provided in subpart B of part 1924 of this chapter, management assistance will be provided to all borrowers to the extent necessary to achieve the objectives of the loan.

§ 1941.4 Definitions.

As used in this subpart, the following definitions apply:

Additional security. Any security beyond that which is required to adequately secure the loan.

Agency. The Farm Service Agency, its county and State committees and their personnel, and any successor agency.

Approval official. A field official who has been delegated loan and grant approval authorities within applicable loan programs, subject to the dollar limitation contained in tables avail-

7 CFR Ch. XVIII (1-1-05 Edition)

able in any FmHA or its successor agency under Public Law 103-354 office.

Beginning farmer or rancher. A beginning farmer or rancher is an individual or entity who:

(a) Meets the loan eligibility requirements for OL loan assistance in accordance with § 1941.12 of this subpart.

(b) Has not operated a farm or ranch, or who has operated a farm or ranch for not more than 10 years. This requirement applies to all members of an entity.

(c) Will materially and substantially participate in the operation of the farm or ranch.

(1) In the case of a loan made to an individual, individually or with the immediate family, material and substantial participation requires that the individual provide substantial day-to-day labor and management of the farm or ranch, consistent with the practices in the county or State where the farm is located.

(2) In the case of a loan made to an entity, all members must materially and substantially participate in the operation of the farm or ranch. Material and substantial participation requires that the members provide some amount of the management, or labor and management necessary for day-to-day activities, such that if the members did not provide these inputs, operation of the farm or ranch would be seriously impaired.

(d) Agrees to participate in any loan assessment, borrower training, and financial management programs required by FmHA or its successor agency under Public Law 103-354 regulations.

(e) Except for OL loan purposes, does not own real farm or ranch property or who, directly or through interests in family farm entities, owns real farm or ranch property, the aggregate acreage of which does not exceed 30 percent of the average farm or ranch acreage of the farms or ranches in the county where the property is located. If the farm is located in more than one county, the average farm acreage of the county where the applicant's residence is located will be used in the calculation. If the applicant's residence is not located on the farm or if the applicant is an entity, the average farm acreage of the