The original documents are located in Box 28, folder "8/5/75 S555 Emergency Loan Program" of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

Exact duplicates within this folder were not digitized.

APPROVED AUG 5 - 1975

ACTION

THE WHITE HOUSE

WASHINGTON

Last Day: August 6

August 4, 1975

Posted 8/6/75
To Archives 8/6/75

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: S. 555 - Emergency Loan Program

Attached for your consideration is S. 555, sponsored by Senator Eastland and four others, which changes the Department of Agriculture's emergency loan program to:

-- Simplify the procedures under which loans are made to victims of natural disasters;

-- make additional credit assistance available;

-- increase the interest rate for certain Small Business Administration disaster loans.

A detailed discussion of the features of the enrolled bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign S. 555 at Tab B.

Signed 8/5/75

APPROVED AUG 5 - 1975

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUL 31 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 555 - Emergency loan program
Sponsor - Sen. Eastland (D) Mississippi and 4 others

Last Day for Action

August 6, 1975 - Wednesday

Purpose

Changes the Department of Agriculture's emergency loan program to (1) simplify the procedures under which loans are made to victims of natural disasters and (2) make additional credit assistance available to them; also increases the interest rate for certain Small Business Administration disaster loans.

Agency Recommendations

Office of Management and Budget	Approval
Department of Agriculture	Approval
Small Business Administration	Approval
Department of the Treasury	No objection (Informally)
Council of Economic Advisers	No objection
Department of Housing and Urban Development	Does not recommend disapproval

Discussion

Under provisions of the Consolidated Farm and Rural Development Act, emergency loans are made by the Department of Agriculture/Farmers Home Administration (FmHA) to farmers,

ranchers, and oyster planters in counties designated as major or natural disaster emergency areas by the President or Secretary of Agriculture, respectively. These emergency loans (a) have a five percent interest rate ceiling; (b) are limited to the amount of actual loss, but with no other limit on the loan amount; (c) are made primarily for annual operating expenses with repayment over periods of up to twelve years; and, (d) cannot be refinanced.

S. 555 would amend the emergency loan provisions of the Consolidated Farm and Rural Development Act to:

-- broaden program eligibility from traditional agriculture operations and "oyster planters" to include persons engaged in aquaculture such as shrimp producers and fish farmers;

-- require, after July 8, 1975, that applicants be unable to get credit elsewhere before being considered for an emergency loan (this "credit elsewhere test" is not applicable under the disaster loan programs administered by SBA);

-- extend emergency loan coverage for amounts in excess of the actual loss caused by the disaster, but at the prevailing market interest rate;

-- authorize less than 100 percent collateral support for loans when the Secretary has confidence in the applicant's repayment ability;

-- provide, with respect to disasters occurring after January 1, 1975, for loan repayment periods of from 7 to 20 years based on the Secretary's determination of the loan applicant's need for a longer repayment period (the conference report makes it clear that the loan maturity should be tied to the life of the security associated with the loan);

-- permit the Secretary to delegate to State FmHA Directors the authority to make emergency loans without a formal designation when twenty-five or less operations in an area are affected by a natural disaster (this simply formalizes existing practice);

-- tighten emergency loan eligibility criteria by requiring that the applicant sustain at least a 20 percent loss of normal production in one or more of the "basic single enterprises" which comprise his farming, ranching, or aquaculture operation (the conference report defines a "basic single enterprise" as one which constitutes at least 25 percent of the gross income from the farming operation); and,

-- authorize subsequent (refinancing) emergency loans annually for up to 5 years at the prevailing private market interest rate.

The enrolled bill also contains a provision which would change the current 5 percent interest rate for the Small Business Administration's physical disaster, product disaster and economic injury disaster loan programs. S. 555 would provide for an increase to cover the cost of capital to the government. This interest rate formula is currently applicable to some of SBA's nonphysical disaster loan programs and is currently set at 6 5/8 percent.

The enrolled bill generally conforms to the approach that was recommended by the Administration in its testimony before the Congressional Agriculture Committees. However, S. 555 does not place a limit of $100,000 on the 5 percent loans for actual losses, as had been sought by the Administration. The conferees eliminated this House enacted limit on the grounds that there is no such limit in the Small Business Act for SBA disaster loans.

In its letter on the enrolled bill, Agriculture recommends approval and concludes that:

> "The Act will make needed changes in the emergency loan program and will help assure that only those applicants who need the Government's assistance to overcome a disaster will benefit from it. We believe the changes will permit better administration of the program.

> "The actual cost of any disaster-related FmHA program is unknown because the frequency and severity of natural disasters are unpredictable. However, based on experience with the emergency loan program involving a "credit test" for eligibility, we believe the average loan will increase in amount but that the total number of loans will decrease substantially. This should result in a disaster loan program involving fewer loans, but more accurately directed toward those disaster victims who must rely on Government assistance to continue their farming, ranching, or aquaculture operations."

On the other hand, HUD in its views letter expresses concerns that S. 555 would create further inconsistencies and inequities among federally administered disaster loan programs through provisions which establish varying interest rates and credit availability tests. HUD believes these differences will complicate administration and could give rise to demands for liberalizing amendments in new, more costly legislation.

On balance, this Office concurs with Agriculture's assessment that S. 555 provides the potential for significantly improving FmHA's emergency loan program. On the negative side, the new loan purposes (market rate credit (1) for loans in excess of actual loss and (2) for refinancing loans) together with some lengthening of loan maturity where warranted by the useful life of the collateral do increase Federal exposure under the program. On the positive side, the "credit elsewhere test" which will appreciably restrict loan eligibility and the establishment of the principle of market rate financing (or Treasury rate in the case of certain SBA loans) are both desirable provisions. We believe the positive features more than offset those on the negative side, and we anticipate that total program costs will be less under S. 555 than would be the case under present law. Finally, while we understand HUD's desire for consistency under Federal emergency loan programs, we believe it is more important to ensure that these programs are directed to those in genuine need with the costs and benefits properly balanced--this is the thrust of S. 555.

James M. Frey

Assistant Director for
Legislative Reference

Enclosures

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: July 31 Time: 630pm

FOR ACTION: Paul Leach
Max Friedersdorf
Dick Parsons
Ken Lazarus

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: August 1 Time: 200pm

SUBJECT:

S. 555 - Emergency Loan Program

ACTION REQUESTED:

____ For Necessary Action ____ For Your Recommendations

____ Prepare Agenda and Brief ____ Draft Reply

x ____ For Your Comments ____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

July 30, 1975

Dear Mr. Lynn:

In reply to the request of your office, the following report is submitted on the enrolled enactment S. 555, "To amend the Consolidated Farm and Rural Development Act."

This Department recommends that the President approve the bill.

As passed by the Congress, S. 555, among other things: (1) simplifies the disaster area designation process, (2) authorizes emergency loans for only those applicants who are unable to obtain the credit they need from other sources, (3) authorizes the Secretary to make loans available in Presidentially declared "Emergency" areas,(4) retains 5 percent per annum as the maximum interest rate for loans made for actual losses and provides that the prevailing private market interest rate for similar loans as determined by the Secretary will apply to the amount of a loan above the actual loss, (5) changes "oyster planting" to "aquaculture" operations, (6) provides that applications filed prior to July 9, 1975, shall not be subject to the "credit elsewhere" provision of the new authority, (7) requires that the security for a loan be adequate except when such security is not available due to the disaster, (8) provides that the emergency loan repayment terms will be no longer than those for loans for the same purposes authorized in Subtitles A and B, except that for disasters occurring after January 1, 1975, loans for operating purposes may be made for a term of more than seven years but not more than 20 when the Secretary determines that the needs of the loan applicant justify the longer period, (9) permits subsequent operating loans at the private market interest rate for farming, ranching, or aquaculture operations on an annual basis but not to exceed five years, and (10) provides that to be eligible for assistance based on a production loss, an applicant must have suffered at least a 20 percent loss of normal per acre or per animal production in a basic enterprise.

Authorizing loans only to applicants who are unable to obtain their credit needs from conventional lending sources should reduce the amount of funds required annually at a 5 percent interest rate in that fewer applicants will be eligible.

On "actual loss" loans, the interest rate will continue to be 5 percent, as at present, and, while the Secretary would be allowed to make actual loss operating loans repayable in up to 20 years, our experience indicates that the needs to be met with a loan of this type are generally satisfied with the seven-year term and up to five-year renewal. The longer-term loans would be considered on a case-by-case basis to determine whether they are feasible.

Under the new language relating to the security for loans, the Secretary shall consider the following, which are not present requirements:

(1) Adequate security property is not available because of the disaster.

(2) The applicant must have some security which has depreciated in value due to the disaster.

(3) The applicant must offer all available security property, some or all of which may have depreciated in value due to the disaster.

(4) The security property, together with the applicant's repayment ability as assessed by the Secretary must be adequate security for the loan.

An applicant would be required to meet all four of these conditions before this provision would be used. These conditions are very restrictive and provide the Secretary with adequate authority to fully assess the applicant security position.

The requirement that an applicant for a loan based on production losses must show that a single enterprise constituting a basic part of his farming, ranching, or aquaculture operation sustained a 20 percent loss would cause FmHA to consider as "single" enterprises, any one of the following, or other comparable activity:

(1) All cash crops

(2) All feed crops

(3) Beef operations

(4) Dairy operations

(5) Poultry operations

(6) Hog operations

(7) Aquaculture operations

If any one of such "single" enterprises constituted the source of at least 25 percent of the gross income from the farming operations, it would be considered to be a basic part.

The Act will make needed changes in the emergency loan program and will help assure that only those applicants who need the Government's assistance to overcome a disaster will benefit from it. We believe the changes will permit better administration of the program.

The actual cost of any disaster-related FmHA program is unknown because the frequency and severity of natural disasters are unpredictable. However, based on experience with the emergency loan program involving a "credit test" for eligibility, we believe the average loan will increase in amount but that the total number of loans will decrease substantially. This should result in a disaster loan program involving fewer loans, but more accurately directed toward those disaster victims who must rely on Government assistance to continue their farming, ranching, or aquaculture operations.

Sincerely,

J. Phil Campbell

J. Phil Campbell
Under Secretary

To: Counsel
7-31-75
5:30 p.m.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUL 31 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 555 - Emergency loan program
Sponsor - Sen. Eastland (D) Mississippi and 4 others

Last Day for Action

August 6, 1975 - Wednesday

Purpose

Changes the Department of Agriculture's emergency loan program to (1) simplify the procedures under which loans are made to victims of natural disasters and (2) make additional credit assistance available to them; also increases the interest rate for certain Small Business Administration disaster loans.

Agency Recommendations

Office of Management and Budget	Approval
Department of Agriculture	Approval
Small Business Administration	Approval
Department of the Treasury	No objection (Informally)
Council of Economic Advisers	No objection
Department of Housing and Urban Development	Does not recommend disapproval

Discussion

Under provisions of the Consolidated Farm and Rural Development Act, emergency loans are made by the Department of Agriculture/Farmers Home Administration (FmHA) to farmers,

ranchers, and oyster planters in counties designated as major or natural disaster emergency areas by the President or Secretary of Agriculture, respectively. These emergency loans (a) have a five percent interest rate ceiling; (b) are limited to the amount of actual loss, but with no other limit on the loan amount; (c) are made primarily for annual operating expenses with repayment over periods of up to twelve years; and, (d) cannot be refinanced.

S. 555 would amend the emergency loan provisions of the Consolidated Farm and Rural Development Act to:

-- broaden program eligibility from traditional agriculture operations and "oyster planters" to include persons engaged in aquaculture such as shrimp producers and fish farmers;

-- require, after July 8, 1975, that applicants be unable to get credit elsewhere before being considered for an emergency loan (this "credit elsewhere test" is not applicable under the disaster loan programs administered by SBA);

-- extend emergency loan coverage for amounts in excess of the actual loss caused by the disaster, but at the prevailing market interest rate;

-- authorize less than 100 percent collateral support for loans when the Secretary has confidence in the applicant's repayment ability;

-- provide, with respect to disasters occurring after January 1, 1975, for loan repayment periods of from 7 to 20 years based on the Secretary's determination of the loan applicant's need for a longer repayment period (the conference report makes it clear that the loan maturity should be tied to the life of the security associated with the loan);

-- permit the Secretary to delegate to State FmHA Directors the authority to make emergency loans without a formal designation when twenty-five or less operations in an area are affected by a natural disaster (this simply formalizes existing practice);

-- tighten emergency loan eligibility criteria by requiring that the applicant sustain at least a 20 percent loss of normal production in one or more of the "basic single enterprises" which comprise his farming, ranching, or aquaculture operation (the conference report defines a "basic single enterprise" as one which constitutes at least 25 percent of the gross income from the farming operation); and,

-- authorize subsequent (refinancing) emergency loans annually for up to 5 years at the prevailing private market interest rate.

The enrolled bill also contains a provision which would change the current 5 percent interest rate for the Small Business Administration's physical disaster, product disaster and economic injury disaster loan programs. S. 555 would provide for an increase to cover the cost of capital to the government. This interest rate formula is currently applicable to some of SBA's nonphysical disaster loan programs and is currently set at 6 5/8 percent.

The enrolled bill generally conforms to the approach that was recommended by the Administration in its testimony before the Congressional Agriculture Committees. However, S. 555 does not place a limit of $100,000 on the 5 percent loans for actual losses, as had been sought by the Administration. The conferees eliminated this House enacted limit on the grounds that there is no such limit in the Small Business Act for SBA disaster loans.

In its letter on the enrolled bill, Agriculture recommends approval and concludes that:

> "The Act will make needed changes in the emergency loan program and will help assure that only those applicants who need the Government's assistance to overcome a disaster will benefit from it. We believe the changes will permit better administration of the program.

"The actual cost of any disaster-related FmHA program is unknown because the frequency and severity of natural disasters are unpredictable. However, based on experience with the emergency loan program involving a "credit test" for eligibility, we believe the average loan will increase in amount but that the total number of loans will decrease substantially. This should result in a disaster loan program involving fewer loans, but more accurately directed toward those disaster victims who must rely on Government assistance to continue their farming, ranching, or aquaculture operations."

On the other hand, HUD in its views letter expresses concerns that S. 555 would create further inconsistencies and inequities among federally administered disaster loan programs through provisions which establish varying interest rates and credit availability tests. HUD believes these differences will complicate administration and could give rise to demands for liberalizing amendments in new, more costly legislation.

On balance, this Office concurs with Agriculture's assessment that S. 555 provides the potential for significantly improving FmHA's emergency loan program. On the negative side, the new loan purposes (market rate credit (1) for loans in excess of actual loss and (2) for refinancing loans) together with some lengthening of loan maturity where warranted by the useful life of the collateral do increase Federal exposure under the program. On the positive side, the "credit elsewhere test" which will appreciably restrict loan eligibility and the establishment of the principle of market rate financing (or Treasury rate in the case of certain SBA loans) are both desirable provisions. We believe the positive features more than offset those on the negative side, and we anticipate that total program costs will be less under S. 555 than would be the case under present law. Finally, while we understand HUD's desire for consistency under Federal emergency loan programs, we believe it is more important to ensure that these programs are directed to those in genuine need with the costs and benefits properly balanced--this is the thrust of S. 555.

James M. Frey

Assistant Director for
Legislative Reference

Enclosures

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

JUL 30 1975

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Frey:

You have requested our comments on enrolled bill S.555.

The only portion of this bill which directly affects the Small Business Administration is the proviso at the end of Section 5 which increases the interest rate on SBA disaster loans made under Section 7(b)(1), (2) and (4) from the present 5 percent to that charged on other disaster type loans.

As we interpret the bill, the formula to be used will be:

> ". . . the rate of interest on the Administration's share of such loan shall not be more than the higher of (A) 2 3/4 per centum per annum; or (B) the average annual interest rate on all interest bearing obligations of the United States then forming a part of the public debt as computed at the end of the fiscal year next preceding the date of the loan and adjusted to the nearest one-eighth of one per centum plus one-quarter of one per centum per annum."

It would produce a present rate of 6 5/8 percent.

Agriculture will continue to make physical loss loans up to $100,000 at 5 percent but other types of emergency loans will be at the private lending rate prevailing in the disaster area. The disparity in rates

could cause interest shopping between the agencies.

To the extent that the proposed change in SBA's interest rate is consistent with the Administration's efforts to recover the cost of money to the government in loan programs, it is supported by this Agency.

Sincerely,

Thomas S. Kleppe

Thomas S. Kleppe
Administrator

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 29, 1975

Dear Mr. Frey:

This is in response to your request for our views on S. 555, a bill "To amend the Consolidated Farm and Rural Development Act" -- otherwise known as the "emergency loan act." The Council of Economic Advisers has no objections to this legislation.

Sincerely,

Alan Greenspan

Mr. James Frey
Assistant Director for Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

THE GENERAL COUNSEL OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

July 31, 1975

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Attention: Miss Martha Ramsey

Dear Mr. Frey:

Subject: S. 555, 94th Congress (Enrolled Enactment)

This is in response to your request for our views of the enrolled enactment of S. 555, an Act "To amend the Consolidated Farm and Rural Development Act."

Among other things, this enrolled bill would make Farmers Home Administration disaster loans automatically available in Presidentially declared emergencies. It would also require, as a condition for such loans made in response to applications filed after July 8, 1975, that borrowers be unable to secure sufficient credit elsewhere to finance their actual needs at reasonable rates and terms. Another provision would increase the maximum allowable interest rate on Small Business Administration disaster loans from the present five percent to a rate that does not exceed the Treasury borrowing rate.

We recognize that this bill was overwhelmingly passed in both Houses, with little debate, and that it incorporates changes recommended by the Administration. Accordingly, we would not recommend that the President withhold his approval from the bill.

At the same time, however, we would like to make clear that we have serious concerns with this bill insofar as it relates to the Federal Government's overall disaster program and policy. One of the major objectives of this policy has been to secure maximum consistency between different Federal disaster relief programs and thus to minimize the possibilities of real or perceived inequities in the way disaster victims are treated. In our opinion, this bill, by establishing special credit availability tests for Farmers Home Administration loans which do not apply in the case of Small Business Administration loans, while at the same time establishing a new interest rate ceiling for SBA loans above the basic five percent rate on Farmers Home Administration loans, will operate to undercut this policy and complicate overall relief administration.

For example, in the same disaster area, some farmers under the bill will be forced to seek commercial credit for their loans at, say, 9 percent, while other farmers could obtain Farmers Home Administration loans at 5 percent of their actual loss. On the other hand, urban dwellers and businessmen, without regard to the availability of private credit, may be obtaining Federal loans at still a third interest rate, which is based on the Treasury borrowing rate, and is likely to be well about 5 percent but below commercial lending rates. Such potential discrepancies probably were given at best limited consideration in enactment of S. 555, but, to the extent they are not or cannot be minimized in administration, are likely to be perceived as presenting serious inequities in the context of a major disaster when different Federal programs are in operation. We would be concerned in this respect that these differences may operate at some future time to fuel demands for liberalizing amendments in disaster laws at a time when such amendments are most difficult to resist and defeat.

In addition, we would like to note our concern that, to the extent the bill results in higher rates on disaster loans, it may increase the demand for grants under section 408 of the Disaster Relief Act of 1974. Also, we believe that the bill will create inequities among those affected by the same disaster by making the new availability of credit test for Farmers Home Administration disaster loans depend upon the essentially arbitrary date of filing of the loan application.

Finally, we would like to point out that the provision making Farmers Home Administration loans automatically available in Presidentially declared emergencies, whether or not needed, is inconsistent with the basic concept of providing only such assistance in emergencies as may be appropriate, as set forth in section 305 of the Disaster Relief Act of 1974.

Sincerely,

Douglas M. Parker

for Robert R. Elliott

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: July 31 Time: 630pm

FOR ACTION: Paul Leach
Max Friedersdorf
Dick Parsons
Ken Lazarus

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: August 1 Time: 200pm

SUBJECT:

S. 555 - Emergency Loan Program

ACTION REQUESTED:

____ For Necessary Action ____ For Your Recommendations

____ Prepare Agenda and Brief ____ Draft Reply

X For Your Comments ____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

OK- Call Judy Johnston 8-1-75

PCL

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
For the President

8/1

THE WHITE HOUSE

WASHINGTON

August 1, 1975

MEMORANDUM FOR: JIM CAVANAUGH

FROM: MAX L. FRIEDERSDORF MF

SUBJECT: S.555 - Emergency Loan Program

The Office of Legislative Affairs concurs with the agencies that the subject bill be signed.

Attachments

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: July 31 Time: 630pm

FOR ACTION: Paul Leach
Max Friedersdorf
Dick Parsons
Ken Lazarus

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: August 1 Time: 200pm

SUBJECT:

S. 555 - Emergency Loan Program

ACTION REQUESTED:

____ For Necessary Action ____ For Your Recommendations

____ Prepare Agenda and Brief ____ Draft Reply

X For Your Comments ____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection
Jack Marsh
for
parsons

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If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
For the President

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: July 31 Time: 630pm

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Max Friedersdorf
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SUBJECT:

S. 555 - Emergency Loan Program

ACTION REQUESTED:

____ For Necessary Action

____ For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

x For Your Comments

____ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection. -- Ken Lazarus 8/1/75

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
For the President

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

DATE: 8-5-75

TO: Bob Linder

FROM: Jim Frey

Attached is the Treasury views letter on S. 555 for inclusion in the enrolled bill file. Thanks.

OMB FORM 38
REV AUG 73

THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

AUG 1 1975

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of S. 555, "To amend the Consolidated Farm and Rural Development Act."

The enrolled enactment would amend the emergency loan provisions of the Consolidated Farm and Rural Development Act, among other things, to require that loan applicants be "unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time," and that the amount of a loan in excess of the actual loss bear interest at the rate prevailing in the private market for similar loans, as determined by the Secretary of Agriculture.

The Department believes that these amendments represent an improvement over existing law. Nonetheless, they will create an anomalous situation in which borrowers who are unable to obtain credit at prevailing rates, which presumably would be in excess of the current 7-1/2 percent prime rate, will automatically be eligible for a heavily subsidized Government loan at 5 percent. This provision confuses the need to assure credit availability in emergency areas with the need to provide subsidies to individual victims of disasters. Consideration should be given to amendments which would provide for emergency loans at prevailing private interest rates and for subsidization only upon the demonstrated need of individual disaster victims.

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OFFICE OF MANAGEMENT
AND BUDGET

Consequently, if the opportunity were now available to accommodate the foregoing views, we would so recommend. However, since this is an enrolled enactment, the Department will not interpose objections to the President approving it.

Sincerely yours,

General Counsel

94TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 94–378

EMERGENCY LOAN PROGRAM

JULY 22, 1975.—Ordered to be printed

Mr. BERGLAND, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany S. 555]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 555) to amend the Consolidated Farm and Rural Development Act, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

SEC. 2. Subsection (a) of section 321 of the Act is amended to read: "The Secretary shall designate any area in the United States, Puerto Rico, and the Virgin Islands as an emergency area if he finds that a natural disaster has occurred in said area which substantially affected farming, ranching, or aquaculture operations. For purposes of this subtitle 'aquaculture' means husbandry of aquatic organisms under a controlled or selected environment.".

SEC. 3. Subsection (b) of section 321 of the Act is amended as follows:

(a) in the first sentence after the words "major disaster" insert "or emergency", strike the words "oyster planters" and "oyster planting" and insert in lieu thereof the words "persons engaged in aquaculture" and "aquaculture", respectively; and

(b) delete everything after the first sentence, strike the period, and insert: "and are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. The provisions of this subsection shall not be applicable to loan applications filed prior to July 9, 1975.".

57–006 O

Sec. 4. Section 322 of the Act is amended to read: "Loans may be made under this subtitle for any of the purposes authorized for loans under subtitle A or B of this title, as well as for crop or livestock changes deemed desirable by the applicant: Provided, That such loans may include, but are not limited to, the amount of the actual loss sustained as a result of the disaster.".

Sec. 5. Section 324 of the Act is amended to read: "Loans made or insured under this Act shall be (1) at a rate of interest not in excess of 5 per centum per annum on loans up to the amount of the actual loss caused by the disaster, and (2) for any loans or portions of loans in excess of that amount, the interest rate will be that prevailing in the private market for similar loans, as determined by the Secretary. All such loans shall be repayable at such times as the Secretary may determine, taking into account the purposes of the loan and the nature and effect of the disaster, but not later than provided for loans for similar purposes under subtitles A and B of this title, and upon the full personal liability of the borrower and upon the best security available, as the Secretary may prescribe: Provided, That the security is adequate to assure repayment of the loans; except that if such security is not available because of the disaster, the Secretary shall (i) accept as security such collateral as is available, a portion or all of which may have depreciated in value due to the disaster and which in the opinion of the Secretary, together with his confidence in the repayment ability of the applicant, is adequate security for the loan, and (ii) make such loan repayable at such times as he may determine, not later than that provided under subtitles A and B of this title, as justified by the needs of the applicant: Provided further, That for any disaster occurring after January 1, 1975, the Secretary, if the loan is for a purpose described in subtitle B of this title, may make the loan repayable at the end of a period of more than seven years, but not more than twenty years, if the Secretary determines that the need of the loan applicant justifies such a longer repayment period: Provided further, That notwithstanding the provisions of any other law, any loan made by the Small Business Administration in connection with a disaster occurring on or after the date of enactment of this amendment under section 7(b) (1), (2), or (4) of the Small Business Act shall bear interest at the rate determined in the first paragraph following section 7(b) (8) of such Act for loans under paragraphs (3), (5), (6), (7), or (8) of section 7(b).".

Sec. 6. Section 325 of the Act is amended to read as follows: "The Secretary may delegate authority to any State director of the Farmers Home Administration to make emergency loans in any area within a State of the United States, Puerto Rico, or the Virgin Islands on the same terms and conditions set out in section 321(a) without any formal area designation being made: Provided, That the State director finds that a natural disaster has substantially affected twenty-five or less farming, ranching, or aquaculture operations in the area.".

Sec. 7. At the end of subtitle C of the Act, add a new section 329 stating: "An applicant seeking financial assistance based on production losses must show that a single enterprise which constitutes a basic part of his farming, ranching, or aquaculture operation has sustained at least a 20 per centum loss of normal per acre or per animal production as a result of the disaster.".

Sec. 8. At the end of subtitle C of the Act, add a new section 330 stating: "Subsequent loans, to continue the farming, ranching, or aquaculture operation may be made under this subtitle on an annual basis, for not to exceed five additional years, to eligible borrowers, at the prevailing rate of interest in the private market for similar loans as determined by the Secretary, when the financial situation of the farming, ranching, or aquaculture operation has not improved sufficiently to permit the borrower to obtain such financing from other sources.".

Sec. 9. At the end of subtitle D of the Act, add a new section 345 to read as follows:

"Sec. 345. On or before February 15 of each calendar year beginning with calendar year 1976, or such other date as may be specified by the appropriate Committee, the Secretary of Agriculture shall testify before the Senate Committee on Agriculture and Forestry and the House Committee on Agriculture and provide justification in detail of the amount requested in the budget to be appropriated for the next fiscal year for the purposes authorized in the Consolidated Farm and Rural Development Act, as amended, and of the amounts estimated to be utilized during such fiscal year from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund.".

And the House agree to the same.

Bob Bergland,
E. de la Garza,
Alvin Baldus,
Glenn English,
Jack Hightower,
Berkley Bedell,
Richard Nolan,
William C. Wampler,
Edward R. Madigan,
Richard Kelly,
Managers on the Part of the House.

Herman E. Talmadge,
James O. Eastland,
George McGovern,
James B. Allen,
Hubert H. Humphrey,
Robert Dole,
Carl T. Curtis,
Henry Bellmon,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 555) to amend the Consolidated Farm and Rural Development Act submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report. The differences between the Senate bill and the House amendment and the substitute agreed to in conference are noted in the following outline, except for conforming, clarifying, and technical changes:

(*1*) *Designation of emergency areas.*

The *Senate* bill "authorizes" the Secretary to designate any area as an emergency area for purposes of the emergency loan program if he finds that a natural disaster has occurred in the area which substantially affected farming, ranching, or "oyster-producing" operations.

The *House* amendment "requires" the Secretary to make loans in such situations; and strikes "oyster-producing" each place it appears in the *Senate* bill and inserts in lieu thereof "aquaculture". The *House* amendment defines "aquaculture" as meaning "husbandry of aquatic organisms under a controlled or selected environment". The *House* amendment also includes under the definition of "natural disaster" the natural occurrence of certain biological organisms, including organisms known as "the Red Tide".

The *Conference* substitute adopts the *House* amendment with an amendment deleting the sentence which provides that "natural disaster" shall include the natural occurrence of certain biological organisms, including the Red Tide.

The *Conferees* intend, however, that the Secretary of Agriculture coordinate his activities with those of the Secretary of Commerce and the Administrator, Small Business Administration, so as to insure that all possible assistance will be made available to those engaged in aquaculture who are victims of natural occurrences such as the Red Tide. It is of particular concern to the *Conferees* that those engaged in aquaculture, as defined in section 2 of this bill, not find themselves in a "no man's land" of disaster assistance where, through technical interpretations of the law, they are unable to obtain disaster loan assistance from either the Farmers Home Administration or the Small Business Administration.

Therefore, the Secretary of Agriculture, working in conjunction with the Secretary of Commerce, and the Administrator, Small Business Administration, is directed to conduct a study and make a report to the Congress on or before January 1, 1976, concerning the extent of economic injury incurred by those involved in aquaculture, as de-

fined in this bill, who are unable to produce and market a product for human consumption because of disease or toxicity in such product caused by the natural occurrence of certain biological organisms such as, but not limited to, the Red Tide. The report shall include: (1) descriptions of programs under which loan assistance is made available to such disaster victims; (2) statistics setting forth the amount of loan assistance provided; (3) geographical areas, or boundaries, within which such assistance has been provided; and (4) types of natural occurrences of certain biological organisms which have been covered by loan assistance.

The Secretary is further directed to include in his report action which has been, or is being, undertaken by the Executive Branch to resolve any problems which may involve disaster victims engaged in aquaculture who apply for disaster loan assistance and to submit legislative recommendations where existing legal authority is unclear or in need of amendment.

(2) *"Credit elsewhere" requirement.*

Both the *Senate* bill and the *House* amendment provide that loans would be made only to victims of a disaster who are unable to obtain sufficient credit elsewhere at reasonable rates and terms.

The *House* amendment provides that this "credit elsewhere" requirement shall not apply to loan applications filed prior to July 9, 1975.

The *Conference* substitute adopts the *House* amendment. It is, however, the intent of the *Conferees* that the "credit elsewhere" requirement be implemented by the Farmers Home Administration in such a manner as not to delay affording needed assistance to victims of disasters.

(3) *Emergency loans for crop or livestock changes.*

The *Senate* bill authorizes loans for crop or livestock changes deemed desirable "as a result of changes in market demand since the occurrence of the disaster".

The *House* amendment authorizes loans for crop or livestock changes deemed desirable "by the applicant".

The *Conference* substitute adopts the *House* amendment.

(4) *Interest rate on loans in excess of $100,000.*

The *Senate* bill provides (as under existing law) that the maximum rate of interest for emergency loans made for actual losses would be 5 percent per year.

The *House* amendment retains the *Senate* provision but revises it to provide that the amount eligible for the 5 percent rate of interest could not "exceed $100,000 per loan". The balance would be at the interest rate prevailing in the private market for similar loans.

The *Conference* substitute deletes the limitation contained in the *House* amendment. In taking this action, the *Conferees* note that there is no such limitation in the Small Business Act under which the Small Business Administration makes disaster loans.

(5) *Security and collateral for emergency loans.*

The *House* amendment requires the Secretary to accept as security for repayment of emergency loans collateral which has depreciated in value because of the disaster if the collateral, together with the

lender's confidence in the repayment ability of the applicant, is adequate security. The *House* amendment also requires the Secretary to make emergency loans if no collateral is available because of the disaster and the lender has sufficient confidence in the repayment ability of the applicant to assure repayment of the loan. In both cases, the Secretary is required to make the loans repayable at such times as he may determine, as justified by the needs of the applicant (but not later than the repayment periods for real estate loans and operating loans under existing law).

The *Senate* bill contains no comparable provision.

The *Conference* substitute adopts the *House* amendment with two modifications. The *Conference* substitute deletes the requirement that loans be made in cases where no collateral is available. In cases where the collateral has depreciated in value because of the disaster, the loan is required to be made if the collateral, together with the *Secretary's* confidence in the applicant's repayment ability, is adequate security.

(6) *Special loans.*

The *Senate* bill authorizes the Secretary—with respect to any disaster occurring between January 1, 1975, and July 1, 1976—to make an emergency loan for an operating-type purpose for not more than 20 years if it is determined that the applicant's financial need as a result of the disaster justifies a longer repayment term than that normally extended for operating loans, and there is adequate security to assure repayment over the longer period.

The *House* amendment retains the *Senate* provision but makes it applicable with respect to any disaster occurring after January 1, 1975.

The *Conference* substitute adopts the *House* amendment.

(7) *Interest rate on disaster loans made by the Small Business Administration.*

The *House* amendment provides that, notwithstanding the provisions of any other law, any loan made by the Small Business Administration in connection with a disaster occurring on or after the date of enactment of the bill shall bear interest *at* the rate determined under section 7(a)(4)(b) of the Small Business Act; namely, at the average annual interest rate on all interest bearing obligations of the United States, then forming a part of the public debt as computed at the end of the fiscal year next preceding the date of the loan and adjusted to the nearest one-eighth of one per centum plus one-fourth of one per centum per annum.

The *Senate* bill contains no comparable provision. (Under existing law, the maximum rate of interest for disaster loans made by the Small Business Administration is 5 percent per year and is governed by the interest rate for FHA emergency loans under section 324 of the Consolidated Farm and Rural Development Act. The *Senate* bill and the *House* amendment amend section 324 of the Act to provide that the prevailing private market rate of interest for similar loans, as determined by the Secretary, shall apply to the amount of any loan in excess of the actual loss caused by the disaster.)

The *Conference* substitute adopts the *House* amendment with an amendment that provides that loans made by the Small Business Administration in connection with a disaster occurring on or after the

date of enactment of the bill shall bear interest at a rate that shall be *not more than* the rate specified in the *House* amendment.

(8) *Eligibility for assistance based on production loss.*

The *Senate* bill provides that, in order to be eligible for emergency loan assistance based on a production loss, an applicant must show that he incurred at least a 20 percent loss of normal per acre or per animal production as a result of the disaster.

The *House* amendment retains the *Senate* provision but modifies it to provide that the applicant must show that "a single enterprise which constitutes a basic part" of his operation sustained at least a 20 percent loss.

The *Conference* substitute adopts the *House* amendment. The *Conferees* intend that the term "single enterprise" shall be construed to mean enterprises which constitute parts of the applicant's farming, ranching, or aquaculture operation. The following are examples of "single enterprises": (a) all cash crops; (b) all feed crops; (c) beef operations; (d) dairy operations; (e) poultry operations; (f) hog operations; and (g) aquaculture operations.

A "single enterprise" which constituted not less than 25 percent of the gross income from the farming operation is to be considered a "basic" enterprise. Therefore, in order to be eligible for a disaster loan, an applicant must have sustained at least a 20 percent loss of normal per acre or per animal production as a result of the disaster in one or more basic single enterprises.

(9) *Use of the ACIF to pay administrative expenses.*

The *Senate* bill provides that in the administration of the emergency loan program, the Secretary may utilize funds from the Agricultural Credit Insurance Fund to pay for administrative expenses of the program.

The *House* amendment strikes the *Senate* provision.

The *Conference* substitute deletes the *Senate* provision. The *Conferees* note that, under existing law, the Secretary may draw whatever amounts are needed from the Agricultural Credit Insurance Fund for administration of the emergency loan program.

(10) *Congressional authorization prior to any appropriations under the Consolidated Farm and Rural Development Act; use of revolving funds.*

The *House* amendment provides that amounts authorized to be appropriated for the purposes of the Consolidated Farm and Rural Development Act for each fiscal year ending after September 30, 1976, shall be the sums hereafter authorized by law. The *House* amendment also provides that the Secretary could utilize sums from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund during each fiscal year after September 30, 1976, only in such amounts as may be authorized annually by law.

The *Senate* bill contains no comparable provision.

In lieu of the *House* amendment, the *Conference* substitute provides that on or before February 15 of each calendar year beginning with calendar year 1976, or such other date as may be specified by the appropriate Committee, the Secretary of Agriculture shall testify before the Senate Committee on Agriculture and Forestry and the House Committee on Agriculture and provide justification in detail of the amount requested in the budget to be appropriated for the next fiscal year for the purposes authorized in the Consolidated Farm and Rural Development Act, and of the amounts estimated to be utilized during such fiscal year from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund.

Under the *Conference* substitute, the Secretary would be required to testify and provide a detailed justification (1) of appropriations requested for such items as the restoration of losses previously incurred in the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund, direct loans and grants under the Consolidated Farm and Rural Development Act, and salaries and expenses of the Farmers Home Administration in administering programs authorized under the Act, and (2) of amounts provided in the budget as estimated to be expended for the next fiscal year from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund for such matters as financing real estate loans, operating loans, emergency loans, water and facility loans, industrial development loans, and community facility loans.

BOB BERGLAND,
E. DE LA GARZA,
ALVIN BALDUS,
GLENN ENGLISH,
JACK HIGHTOWER,
BERKLEY BEDELL,
RICHARD NOLAN,
WILLIAM C. WAMPLER,
EDWARD R. MADIGAN,
RICHARD KELLY,
Managers on the Part of the House.

HERMAN E. TALMADGE,
JAMES O. EASTLAND,
GEORGE MCGOVERN,
JAMES B. ALLEN,
HUBERT H. HUMPHREY,
ROBERT DOLE,
CARL T. CURTIS,
HENRY BELLMON,
Managers on the Part of the Senate.

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Calendar No. 55

94TH CONGRESS, 1st Session | SENATE | REPORT No. 94-59

EMERGENCY LOAN PROGRAM

MARCH 24 (legislative day MARCH 12), 1975.—Ordered to be printed

Mr. TALMADGE (for Mr. MCGOVERN), from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany S. 555]

The Committee on Agriculture and Forestry to which was referred the bill (S. 555) to amend the Consolidated Farm and Rural Development Act, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

SHORT EXPLANATION

S. 555 makes changes in the emergency loan program administered by the Farmers Home Administration. The changes would simplify the procedures under which loans are made to victims of natural and major disasters and make additional credit assistance available to them.

COMMITTEE AMENDMENTS

The Committee adopted seven amendments to the bill, five of which were technical in nature. Three of the technical amendments were suggested by the Department of Agriculture in its report on the bill.

The Committee amended section 4 of the bill to authorize loans for livestock (as well as crop) changes deemed desirable as a result of shifts in market demand occurring after a disaster.

The Committee amended section 5 of the bill to authorize the Secretary—for any disaster occurring between January 1, 1975, and July 1, 1976—to make an emergency loan for an operating-type purpose for twenty years if it is determined that the applicant's financial need justified a longer payment term than that normally extended for operating loans.

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The technical amendments were as follows:

(1) In sections 4 and 7, the word "natural" was deleted.

(2) In section 6, the words "that a natural disaster" were substituted for the words "an emergency".

(3) In section 8, the words "the farmer, rancher, or oyster producer" were substituted for the word "it".

(4) In section 9, the phrase "notwithstanding any limitations imposed for budgetary reasons" was deleted in clarifying the authority of the Department to draw from the Agricultural Credit Insurance Fund in paying administrative expenses of the emergency loan program.

Background and Purpose

I

Under existing law, emergency loans are made by the Farmers Home Administration to farmers, ranchers, and oyster planters in counties where property damage or severe production losses have occurred as a result of a disaster, and the area has been designated as an emergency loan area.

The loans cover only the amount of actual losses resulting from the disaster and are for the purpose of enabling producers to continue their operations with credit from other sources, including the regular farm operating and ownership loan programs administered by the Farmers Home Administration.

Emergency loans are made primarily for financing farm operating needs. For losses of a physical nature, emergency loans are based on the cost of repairing, replacing, and restoring farm property and farm homes, including essential furnishings and personal possessions. Applicants may be reimbursed for expenses already incurred for such purposes. Loans that are based on qualifying production losses may include funds to repay applicants for production expenses which went into their damaged or destroyed crop and livestock enterprises.

Emergency loans bear interest at a rate not in excess of five percent per year and are repayable over periods not longer than the regular loans made by the Farmers Home Administration for similar purposes.

II

The shortage of credit at this time is having an adverse effect on many producers. The situation is particularly acute for producers who have suffered losses as a result of natural disasters, such as the severe blizzard in January 1975 which caused great damage in the Midwest.

The extra burden of debts incurred because of actual losses makes credit from normal agricultural sources in many cases difficult to obtain—if it is available at all. Private sources of credit usually require a large equity. Furthermore, most private credit sources will only finance about sixty percent of the present market value of the security.

III

S. 555 would make needed changes in the emergency loan program as follows:

(1) The requirement in existing law that there be a general need for agricultural credit would be eliminated. Therefore, it would not be necessary for the Secretary of Agriculture to poll private lenders in an area to determine whether adequate credit is available before designating the area for emergency loans.

(2) The bill makes it clear that the Secretary may delegate authority to State directors of the Farmers Home Administration to make emergency loans in an area (without it being formally designated by the Secretary) if the State director finds that a natural disaster has substantially affected twenty-five or less farming, ranching, or oyster producing operations in the area.

(3) Loans would be made only to victims of a disaster who are unable to obtain credit from other sources, thereby directing emergency assistance to those who most need it.

(4) In addition to loans for production losses and physical losses, emergency loans could be made for crop or livestock changes deemed desirable as a result of shifts in market demand occurring after the disaster.

Many producers need financing to enable them to change their operations because of economic conditions and to overcome the financial difficulties caused by the disaster.

(5) Loans could be made for an amount in excess of the actual loss caused by the disaster. However, loans in excess of the actual loss would be at the commercial rate of interest for similar loans. As under existing law, the interest rate on loans up to the amount of the actual loss could not exceed five percent per year.

(6) An applicant seeking an emergency loan based on production losses would have to show that his operation sustained at least a twenty percent loss of production as a result of the disaster.

(7) Annual subsequent emergency loans for a period up to five years could be made when the borrowers need the credit to continue their operations and cannot obtain financing from other sources. However, the interest rate on such subsequent loans would be at the commercial rate for similar loans.

This provision takes account of the need for emergency loans during the recovery period following a disaster. Such annual financing should enable producers to recover from the disaster and return to their normal sources of credit within a reasonable period of time.

(8) With respect to any disaster occurring between January 1, 1975, and July 1, 1976, the Secretary would be authorized to make an emergency loan for an operating-type purpose for not more than twenty years if it is determined that the applicant's financial need as a result of the disaster justifies a longer payment term than that normally extended for operating loans and there is adequate security to assure repayment over the longer period.

This provision should enable the Secretary to afford needed relief to victims of such severe disasters as the January 1975 blizzard in the Midwest.

IV

The Subcommittee on Agricultural Credit and Rural Electrification held a hearing on February 17, 1975, in Sioux Falls, South Dakota, to receive testimony on the farm credit situation. Fourteen witnesses testi-

fied. Represented among the witnesses were livestock producers, farm organizations, lenders, State and Federal agricultural officials, and Members of Congress. The testimony received by the Subcommittee dealt, in part with the need for changes in the emergency loan program.

The Subcommittee met in Washington, D.C., in open business session on March 6, 1975, to consider S. 412 and S. 555, and received comments from representatives of the Farmers Home Administration.

Subject to the receipt of the report of the Department of Agriculture on S. 555, the Subcommittee ordered the bill reported to the full Committee.

A favorable report was received from the Department on March 20, 1975. On March 21, 1975, the full Committee amended S. 555 and agreed to report the bill to the Senate.

Section-by-Section Analysis

S. 555 contains a preamble and eight sections amending the Consolidated Farm and Rural Development Act.

Section 2. Designation of emergency areas

Section 2 of the bill amends section 321(a) of the Act to authorize the Secretary of Agriculture to designate any area as an emergency area for purposes of the emergency loan program if he finds that a natural disaster has occurred in the area which substantially affected farming, ranching, or oyster producing operations. Under existing law, the Secretary must find there is general need for agricultural credit which is the result of a natural disaster.

Section 3. Extension of loans in major disaster areas declared by the President; "credit elsewhere" requirement

Section 3 of the bill amends section 321(b) of the Act to require the Secretary to make loans available in emergency areas declared by the President. Section 3 also amends section 321(b) of the Act to add a requirement that the loan applicant be unable to obtain sufficient credit elsewhere at reasonable rates and terms.

Section 4. Emergency loans for crop or livestock changes

Section 4 of the bill amends section 322 of the Act to provide authority to finance crop or livestock changes deemed desirable as a result of changes in market demand occurring after the disaster.

Section 4 also amends section 322 of the Act to authorize emergency loans for amounts in excess of the actual loss sustained as a result of the disaster.

Section 5. Interest rates; security; special loans

Section 5 of the bill amends section 324 of the Act to provide that the prevailing private market rate of interest for similar loans, as determined by the Secretary, shall apply to the amount of any loan in excess of the actual loss caused by the disaster. As under existing law, the maximum rate of interest for emergency loans made for actual loss would be five percent per year. Adequate security to assure repayment of loans is required.

Section 5 also amends section 324 of the Act to authorize the Secretary—with respect to any disaster occurring between January 1, 1975, and July 1, 1976—to make an emergency loan for an operating type purpose for not more than 20 years if it is determined that the applicant's financial need as a result of the disaster justifies a longer payment term than that normally extended for operating loans and there is adequate security to assure repayment over the longer period.

Section 6. Delegation of authority to State FHA directors to make emergency loans

Section 6 of the bill amends section 325 of the Act to state specifically that the Secretary may delegate to State directors of the Farmers Home Administration the authority to make emergency loans without a formal designation when 25 or less farming, ranching, or oyster producing operations in an area are affected by a natural disaster.

Section 7. Eligibility for assistance based on production loss

Section 7 of the bill adds a new section 329 to the Act providing that, in order to be eligible for emergency loan assistance based on a production loss, an applicant must show that he incurred at least a 20 percent loss of normal per acre or per animal production as a result of the disaster.

Section 8. Additional emergency loans

Section 8 adds a new section 330A to the Act authorizing the Secretary to make annual subsequent emergency loans to a borrower, for up to five years, when he needs the credit to continue his operation and cannot obtain financing from other sources. Such subsequent loans are to be made at the prevailing rate of interest in the private market for similar loans, as determined by the Secretary.

Section 9. Use of the Agricultural Credit Insurance Fund to pay administrative expenses

Section 9 of the bill adds a new section 330B to the Act clarifying the authority of the Secretary to utilize funds from the Agricultural Credit Insurance Fund to pay for administrative expenses of the emergency loan program.

Departmental Views

In a letter to the Committee dated March 19, 1975, the Department of Agriculture recommends the enactment of S. 555 (as introduced) with certain technical modifications. The letter from the Department reads as follows:

Department of Agriculture,
Office of the Secretary,
Washington, D.C. March 19 1975.

Hon. Herman E. Talmadge,
Chairman, Committee on Agriculture and Forestry
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: This is in reply to your request of February 13, 1975, for a report on S. 555, a bill "To amend the Consolidated Farm and Rural Development Act."

This Department recommends enactment of S. 555 with the modifications suggested herein.

Section 2 of the bill eliminates the present requirement of a general need for agricultural credit in designating an area eligible for credit as the result of a natural disaster.

Section 3 requires the Secretary to make loans available in Presidentially declared "emergency" areas, and restores a "test for credit" as an eligibility requirement for borrowers.

Section 4 provides authority to finance crop changes deemed desirable as a result of changes in market demand, and authorizes emergency loans for more than the actual loss sustained as a result of the natural disaster.

Section 5 retains 5 percent per annum as the maximum interest rate for emergency loans made for actual loss, and provides that the prevailing private market rate for similar loans, as determined by the Secretary, will apply to the amount of the loan above actual loss. Adequate security is also required.

Section 6 permits the Secretary to delegate to State Directors of Farmers Home Administration the authority to make emergency loans without a formal designation when 25 or less farming, ranching, or oyster producing operations in an area are affected by a natural disaster.

Section 7 provides that, to be eligible for assistance based on a production loss, an applicant must have had at least a 20 percent loss of normal per acre or per animal production as a result of the natural disaster.

Section 8 allows the Secretary to make annual subsequent emergency loans for up to 5 years when borrowers need the credit to continue their operation and cannot obtain financing from other sources, and requires such loans to be made at the prevailing rate of interest in the private market as determined by the Secretary.

Section 9 authorizes the Secretary to utilize any funds available to pay necessary administrative expenses for carrying out the emergency loan program, notwithstanding any limitations imposed for budgetary reasons.

The authority provided by Section 9 is not needed since FmHA is presently able to draw from the Agricultural Credit Insurance Fund (ACIF) whatever amounts are needed for administration of the emergency loan programs. Furthermore, the clause in Section 9 reading "notwithstanding any limitations imposed for budgetary reasons" is ambiguous and unclear. However, the Department would not oppose a provision confirming the authority to use ACIF Funds for administrative expenses, which might be stated: "In the administration of the emergency loan program pursuant to subtitle C of the Act, the Secretary may utilitze funds from the Agricultural Credit Insurance Fund to pay for administrative expenses of such program."

We believe the bill makes needed changes in the emergency loan program of FmHA. By eliminating the requirement that there be a general need for agricultural credit, the Secretary's emergency loan designation process is simplified. It would not be necessary to poll private lenders in an area to determine whether adequate credit is

available. Loans may be made only to disaster victims unable to obtain credit from other sources, thus directing emergency aid to those who most need it.

Authorizing loans for forward agricultural production would provide additional assistance to disaster victims. The requirement for adequate security continues the present Secretarial policy. With the subsequent loan authority, additional loans can be made when necessary to protect the government's interest and to permit the borrower to remain in business.

The requirement of a 20 percent production loss for eligibility of applicants is practical because in most agricultural areas a yield fluctuation of 20 percent or more is considered abnormal.

The dual interest rate continues the present federal interest subsidy on loans for the amount of actual loss, but provides for no subsidy for loans which exceed actual loss, or for subsequent loans. This new guarantee authority would help assure the availability of credit for these new emergency loan purposes.

Actual cost of these proposed legislative changes is unknown because the frequency and severity of natural disasters are unpredictable. However, based on experience with an emergency loan program involving a "credit test" for eligibility and loans to permit farmers to continue in business, we believe the average loan will increase in amount, but that the total number of loans will decrease substantially because of the test for credit. This will result in a lower volume loan program serving only those disaster victims who are unable to obtain private credit needed to continue their operations.

We suggest these technical amendments: 1. Replace the words "an emergency" in line 15, page 3, with the words "a natural disaster". This will be consistent with the rest of the bill; 2. In section 8, line 7, page 4, strike the word "it" and substitute "the farmer, rancher or oyster producer".

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

J. PHIL CAMPBELL,
Acting Secretary.

COST ESTIMATE

In accordance with section 252 of the Legislative Reorganization Act of 1970, the Committee estimates that the additional costs—if any—under the emergency loan program which would be incurred by the Federal Government in carrying out the bill would be minimal. There could be a net savings to the Government.

The frequency and severity of natural disasters are, of course, unpredicatable.

While the bill authorizes loans in excess of the actual loss sustained as the result of a disaster, the prevailing market rate of interest would apply to the amount of any loan in excess of such actual loss. While the average loan may increase in amount, the total number of loans should decrease substantially because of the inclusion in the bill of a "credit elsewhere" test. This should result in a lower-volume loan program

serving only those disaster victims who are unable to obtain private credit to continue their operations.

This estimate of costs is in accord with the cost estimate furnished by the Department of Agriculture.

Changes in Existing Law

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Consolidated Farm and Rural Development Act

* * * * * * *

SUBTITLE C.—EMERGENCY LOANS

Sec. 321. (a) [The Secretary shall designate any area in the United States and in Puerto Rico and the Virgin Islands as an emergency area if he finds (1) that there exists in such area a general need for agricultural credit, and (2) that the need for such credit in such area is the result of a natural disaster.] *The Secretary may designate any area in the United States, Puerto Rico, and the Virgin Islands as an emergency area if he finds that a natural disaster has occurred in said area which substantially affected farming, ranching, or oyster producing operations.*

(b) The Secretary shall make loans in any such area designated by the Secretary in accordance with subsection (a) of this section and in any area designated as a major disaster or *emergency* by the President pursuant to the provisions of the Disaster Relief Act of 1970, as amended, (1) to established farmers, ranchers, or oyster planters who are citizens of the United States and (2) to private domestic corporations or partnerships engaged primarily in farming, ranching, or oyster planting: *Provided*, That they have experience and resources necessary to assure a reasonable prospect for successful operation with the assistance of such loan[. Such loans shall be made without regard to whether the required financial assistance is otherwise available from private, cooperative, or other responsible sources.] *and are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time.*

Sec. 322. [Loans may be made under this subtitle for any of the purposes authorized for loans under subtitle A or B of this title.] *Loans may be made under this subtitle for any of the purposes authorized for loans under subtitle A or B of this title, as well as for crop or livestock changes deemed desirable as a result of changes in market demand since the occurrence of the disaster: Provided, That such loans may include, but are not limited to, the amount of the actual loss sustained as a result of said disaster.*

Sec. 323. The Secretary shall make no loan under this subtitle in excess of an amount certified by the county committee.

Sec. 324. [The Secretary shall make all loans under this subtitle at a rate of interest not in excess of 5 per centum per annum repayable at such times as the Secretary may determine, taking into account the purpose of the loan and the nature and effect of the emergency, but not later than provided for loans for similar purposes under subtitles A and B of this title, and upon the full personal liability of the borrower and upon such security as the Secretary may prescribe.] *Loans made or insured under this Act shall be (1) at a rate of interest not in excess of 5 per centum per annum on loans up to the amount of the actual loss caused by the disaster, and (2) for any loans or portions of loans in excess of that amount, the interest rate will be that prevailing in the private market for similar loans, as determined by the Secretary. All such loans shall be repayable at such time as the Secretary may determine, taking into account the purposes of the loan and the nature and effect of the disaster, but not later than provided for loans for similar purposes under subtitles A and B of this title, and upon the full personal liability of the borrower and upon the best security available, as the Secretary may prescribe: Provided, That the security is adequate to assure repayment of the loan: Provided further, That for any disaster occurring between January 1, 1975, and July 1, 1976, the Secretary, if the loan is for a purpose described in subtitle B of this title, may make the loan repayable at the end of a period of more than seven years but not more than twenty years if the Secretary determines that the need of the loan applicant justifies such a longer repayment period.*

Sec. 325. [The Secretary may make loans without regard to the designation of emergency areas under section 321(a) of this title to persons or corporations (1) who have suffered severe production losses not general to the area or (2) who are indebted to the Secretary for loans under the Act of April 6, 1949, as amended, or the Act of August 31, 1954, as amended, to the extent necessary to permit the orderly repayment or liquidation of said prior indebtedness.] *The Secretary may delegate authority to any State director of the Farmers Home Administration to make emergency loans in any area within a State of the United States, Puerto Rico, or the Virgin Islands on the same terms and conditions set out in section 321(a) without any formal area designation being made: Provided, That the State director finds that a natural disaster has substantially affected twenty-five or less farming, ranching, or oyster producing operations in the area.*

Sec. 326. The Secretary is authorized to utilize the revolving fund created by section 84 of the Farm Credit Act of 1933, as amended (hereinafter in this subtitle referred to as the "Emergency Credit Revolving Fund") for carrying out the purposes of this subtitle.

Sec. 327. (a) All sums received by the Secretary from the liquidation of loans made under the provisions of this subtitle or under the Act of April 6, 1949, as amended, or the Act of August 31, 1954, and from the liquidation of any other assets acquired with money from the Emergency Credit Revolving Fund shall be added to and become a part of such fund.

(b) There are authorized to be appropriated to the Emergency Credit Revolving Fund such additional sums as the Congress shall from time to time determine to be necessary.

SEC. 328. Loans meeting the requirements of this subtitle and any amendatory or supplementary Act may be insured, or made to be sold and insured, in accordance with and subject to section 308 and 309 and the last sentence of section 307 of this title: *Provided*, That loans made under this section shall not be included in applying the $500,000,000 limitation in section 309(f)(1).

SEC. 329. An applicant seeking financial assistance based on production losses must show that the farming, ranching, or oyster producing operation has sustained a least a 20 per centum loss of normal per acre or per animal production as a result of the disaster.

SEC. 330A. Subsequent emergency loans, to continue the farming, ranching, or oyster producing operation may be made on an annual basis, for not to exceed five additional years, to farmers, ranchers, or oyster producers, at the prevailing rate of interest in the private market for similar loans as determined by the Secretary, when the financial situation of the said farming, ranching, or oyster producing operation has not improved sufficiently to permit the farmer, rancher, or oyster producer to obtain such financing from other sources.

SEC. 330B. In the administration of the emergency loan program pursuant to subtitle C of the Act, the Secretary may utilize funds from the Agricultural Credit Insurance Fund to pay for administrative expenses of such program.

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94TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 94-211

EMERGENCY LOAN PROGRAM

MAY 14, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. FOLEY, from the Committee on Agriculture, submitted the following

REPORT

[To accompany S. 555]

The Committee on Agriculture, to whom was referred the bill (S. 555), to amend the Consolidated Farm and Rural Development Act, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Page 1, line 3, strike all after the enacting clause and insert in lieu thereof the following:

That the Consolidated Farm and Rural Development Act (the Act) is amended as follows:

SEC. 2. Subsection (a) of section 321 of the Act is amended to read: "The Secretary shall designate any area in the United States, Puerto Rico, and the Virgin Islands as an emergency area if he finds that a natural disaster has occurred in said area which substantially affected farming, ranching, or aquaculture operations. For purposes of this subtitle "aquaculture" means husbandry of aquatic organisms under a controlled or selected environment.".

SEC. 3. Subsection (b) of section 321 of the Act is amended as follows:

(a) In the first sentence after the words "major disaster" insert "or emergency", strike the words "oyster planters" and "oyster planting" and insert in lieu thereof the words "persons engaged in aquaculture" and "aquaculture", respectively; and

(b) delete everything after the first sentence, strike the period, and insert: "and are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time.".

SEC. 4. Section 322 of the Act is amended to read: "Loans may be made under this subtitle for any of the purposes authorized for loans under subtitle A or B of this title, as well as for crop or livestock changes deemed desirable by the applicant: *Provided*, That such loans may include, but are not limited to, the amount of the actual loss sustained as a result of the disaster.".

SEC. 5. Section 324 of the Act is amended to read: "Loans made or insured under this Act shall be (1) at a rate of interest not in excess of 5 percentum per annum on loans up to the amount of the actual loss caused by the disaster but not to exceed $100,000 per loan, and (2) for any loans or portions of loans in excess of that amount, the interest rate will be that prevailing in the private market

for similar loans, as determined by the Secretary. All such loans shall be repayable at such times as the Secretary may determine, taking into account the purposes of the loan and the nature and effect of the disaster, but not later than provided for loans for similar purposes under subtitles A and B of this title, and upon the full personal liability of the borrower and upon the best security available, as the Secretary may prescribe: *Provided*, That the security is adequate to assure repayment of the loan: *Provided further*, That for any disaster occurring after January 1, 1975, the Secretary, if the loan is for a purpose described in subtitle B of this title, may make the loan repayable at the end of a period of more than seven years, but not more than twenty years, if the Secretary determines that the need of the loan applicant justifies such a longer repayment period.".

SEC. 6. Section 325 of the Act is amended to read as follows: "The Secretary may delegate authority to any State director of the Farmers Home Administration to make emergency loans in any area within a State of the United States, Puerto Rico, or the Virgin Islands on the same terms and conditions set out in section 321(a) without any formal area designation being made: *Provided*, That the State director finds that a natural disaster has substantially affected twenty-five or less farming, ranching, or aquaculture operations in the area.".

SEC. 7. At the end of subtitle C of the Act, add a new section 329 stating: "An applicant seeking financial assistance based on production losses must show that a single enterprise which constitutes a basic part of his farming, ranching, or aquaculture operation has sustained at least a 20 per centum loss of normal per acre or per animal production as a result of the disaster.".

SEC. 8. At the end of subtitle C of the Act, add a new section 330 stating: "Subsequent loans, to continue the farming, ranching, or aquaculture operation may be made under this subtitle on an annual basis, for not to exceed five additional years, to eligible borrowers, at the prevailing rate of interest in the private market for similar loans as determined by the Secretary, when the financial situation of the farming, ranching, or aquaculture operation has not improved sufficiently to permit the borrower to obtain such financing from other sources.".

SEC. 9. Section 338 of the Act is amended by striking the period at the end of subsection (a) and adding the following: ": *Provided*, That the amounts authorized to be appropriated for the purposes of the Consolidated Farm and Rural Development Act for each fiscal year ending after September 30, 1976, shall be the sums provided by law."

SEC. 10. At the end of substitute D of the Act, add a new section 345 to read as follows: "The Secretary may utilize the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund during each fiscal year ending after September 30, 1976, in such amounts as may be authorized annually by law."

PURPOSE AND NEED FOR THE LEGISLATION

Under existing law, emergency loans are made by the Farmers Home Administration to farmers, ranchers, and oyster planters in counties where property damage or severe production losses have occurred as a result of a disaster, and the area has been designated as an emergency loan area.

The loans cover only the amount of actual losses resulting from the disaster and are for the purpose of enabling producers to continue their operations with credit from other sources, including the regular farm operating and ownership loan programs administered by the Farmers Home Administration.

Emergency loans are made primarily for financing farm operating needs. For losses of a physical nature, emergency loans are based on the cost of repairing, replacing, and restoring farm property and farm homes, including essential furnishings and personal possessions. Applicants may be reimbursed for expenses already incurred for such purposes. Loans that are based on qualifying production losses may include funds to repay applicants for production expenses which went into their damaged or destroyed crop and livestock enterprises.

Emergency loans bear interest at a rate not in excess of five percent per year and are repayable over periods not longer than the regular loans made by the Farmers Home Administration for similar purposes.

The shortage of credit at this time is having an adverse effect on many producers. The situation is particularly acute for producers who have suffered losses as a result of natural disasters, such as the severe blizzard in January 1975 which caused great damage in the Midwest.

The extra burden of debts incurred because of actual losses makes credit from normal agricultural sources in many cases difficult to obtain—if it is available at all. Private sources of credit usually require a large equity. Furthermore, most private credit sources will only finance about sixty percent of the present market value of the security.

S. 555 would make needed changes in the emergency loan program as follows:

The bill extends the coverage of the Act in several important respects. First, it would allow emergency loans to be made available not only to cover the actual loss sustained by the applicant but also to take account of his needs to obtain credit for on-going production so that farmers can continue in operation and thereby help maintain a viable agricultural economy.

Loans for forward financing could be made available for as long as 20 years for disasters occurring after January 1, 1975, if the applicant's financial needs as a result of the disaster justifies a longer payment term than 7 years and there is adequate security to protect the Government's interests. This should be of important assistance to persons affected by severe disasters such as the arctic hurricane in January. In addition, a provision is made for subsequent emergency loans at commercial rates to help enable producers to recover fully from a disaster.

The bill also makes the benefits in the Act available to persons engaged in aquaculture such as oyster and shrimp producers, persons engaged in hydroponics and fish farmers.

The bill has other advantages to farmers in its provisions that would simplify the ability of the Farmers Home Administration to deal with disasters. The Secretary would no longer be required to establish whether lending institutions in an area can finance farmers' needs as under the current law. Also, where small disasters occur affecting 25 or less farmers, it would permit decisions to be made by the State director of FHA without the involvement of the Department in Washington.

The Committee has reported a moderate legislative proposal which is mindful of the constraints on the Federal budget. Thus, it has limited interest at the concessional rate of 5 percent to a loan for actual loss but not more than $100,000 per loan. For financing of other amounts, the producer would be required to pay the prevailing commercial rate of interest. This should provide a stimulation of activity among private lenders. The bill further would require that in order to qualify for an emergency type production loan a producer would have to establish that he is unable to obtain credit elsewhere at reasonable terms and conditions and any credit that is made available must be fully secured by chattels or real estate.

Finally, the Committee has taken action to assure that it can maintain effective oversight of administration by the FHA of its responsibilities under the Act. It has added to S. 555 provisions which would

require that beginning with any fiscal year after September 30, 1976, authorizations would be required annually from the Congress before funds could be used or appropriated for implementation of the program.

Brief Explanation of S. 555, as Amended by the House Committee

The bill as reported by the Committee—

1. Amends the emergency loan program provision of the Consolidated Farm and Rural Development Act, as follows:

(*a*) Eliminates the requirement in existing law that there be a general need for agricultural credit in an area before it could qualify for assistance. Thus, it would not be necessary for the Secretary of Agriculture to poll private lenders in an area to determine whether adequate credit is available before designating the area for emergency loans.

(*b*) Requires that the program be made available in Presidentially-declared emergency areas.

(*c*) Makes the program available not only to persons engaged in oyster-producing operations but to persons engaged in other forms of aquaculture.

(*d*) Makes it clear that the Secretary may delegate authority to State directors of the Farmers Home Administration to provide emergency loans in an area, without it being formally designated by the Secretary, if the State director finds that a natural disaster has substantially affected 25 or less farming, ranching, or aquaculture operations in the area.

(*e*) Restricts loans to persones affected by a disaster who are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, thereby directing emergency assistance to those who need it most.

(*f*) Makes loans available for amounts in excess of the loss covered by the disaster so that an applicant could obtain financing for crop and livestock changes he deems desirable. Many producers need financing to enable them to change their operations because of economic conditions and to overcome the financial difficulties caused by the disaster.

(*g*) Restricts the subsidized interest rate of 5 percent to loans for actual loss but not more than $100,000 per loan. Any such loan in excess of $100,000 and loans to finance forward production would carry interest at prevailing commercial rates of interest.

(*h*) Authorizes the Secretary to make an emergency loan for an operating type purpose for disasters occurring after January 1, 1975, for a period of up to 20 years. The applicant's financial need must justify the longer repayment period than normally extended for operating loans and there must be adequate security to assure repayment over the extended period.

(*i*) Authorizes assistance for production losses only if an applicant can show that a single enterprise which constitutes a basic part of his farming, ranching, or aquaculture operation has sustained at least a 20 per centum loss of normal per acre or per animal production as a result of the disaster.

(*j*) Makes annual subsequent emergency loans available to borrowers for up to 5 successive years if the borrower needs the credit to continue his operation and cannot obtain financing from other sources. Interest would be at commercial rates. This annual financing should enable producers to recover from the disaster and return to their normal sources of credit within a reasonable period of time.

2. Amends the Consolidated Farm and Rural Development Act to require that there must be an authorization from the Congress (a) before appropriations can be made for any purposes under the Act for each fiscal year ending after September 30, 1976, and (b) before the Secretary can utilize any funds from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund during each fiscal year ending after September 30, 1976.

Committee Consideration

The Subcommittee on Conservation and Credit met at 10 a.m., on Wednesday and Thursday, April 23 and 24, 1975, to consider S. 555 and closely related House bills dealing with amendments to the Emergency Loan Program of the Farmers Home Administration (FmHA) within the Department of Agriculture. The closely related House bills included, among others, H.R. 2866, H.R. 5506, H.R. 1854, H.R. 2150, H.R. 5435 and H.R. 2127. The last bill related primarily to Section 324 of the Consolidated Farm and Rural Development Act.

Among those who testified were: Congressmen David R. Bowen of Mississippi, Benjamin A. Gilman of New York, James L. Oberstar of Minnesota, and Berkley Bedell of Iowa; Honorable William Erwin, Assistant Secretary of Agriculture for Rural Development, and other Department of Agriculture officials; farmers; and representatives of farm organizations.

Assistant Secretary Erwin testified that legislation relating to the emergency loan program administered by FmHA has been turbulent and undegone five major changes since 1969. However, he indicated that the Administration could support changes in the emergency loan program provided that (1) applications were subject to a credit-elsewhere test, (2) a loan limit of $100,000 at 5 percent interest was set for actual losses, (3) that an applicant to qualify for a loan must show that a single enterprise, which constitutes a basic part of his farming, ranching, or aquaculture operation, has suffered a 20 percent loss of normal per acre or per animal production as a result of a disaster, and (4) that no special favored disaster treatment be accorded some disaster victims, as provided in section 5, but that all victims be treated equally. Mr. Erwin stated that the second proviso was added to section 5 in the Senate after the Department submitted its comments to that body.

Mr. Erwin called to the Committee's attention the fact that items 2 and 3 represented changes in the Department's evaluation of S. 555 since the Department submitted their views on this bill to the Senate.

The Department also provided some maps and graphs showing the frequency with which, and the areas where, the disaster designations have been made over the years.

The principal amendments made to the bill in the Subcommittee markup on April 30, 1975, included: (1) a $100,000 limitation for the 5 percent interest portion of a disaster loan covering actual loss; (2) a substitution of the term "acquaculture" (as defined) for the terms

"oyster producing" and "oyster planters" where they appear in the Consolidated Farm and Rural Development Act; (3) substitution of language offered by the Agriculture Department for that appearing in section 7 of the bill; (4) striking of language in section 9 of the bill relating to the use of Agricultural Credit Insurance Fund for administrative expenses of disaster loan program and substituting therefore language providing annual authorizations for appropriation of funds used for the Consolidated Farm and Rural Development Act after fiscal year ending June 30, 1976.

The Subcommittee considered, but decided not to make the provisions of S. 555 applicable to disasters occurring prior to calendar year 1975, as suggested by Senator Eastland and Congressman Gilman. Victims of such disasters who had obtained financing under the current law could, however, obtain subsequent loans under section 8 of the bill if they could meet the credit elsewhere test and other requirements of S. 555.

The full Committee in an open business meeting of May 7, 1975, further adopted amendments to S. 555 which provided: (1) that the $100,000 limitation of 5 percent interest portion of a loan apply to each loan ("per loan"); (2) that the annual authorization language provided in section 9 commence after the 3-month transitional period ends on "September 30," 1975; (3-months period between June 30, 1976, and October 1, 1976); (3) that the second proviso in section 5 apply to all disasters after January 1, 1975 (with no termination date); (4) that the forward financing provision added in section 4 be amended so that it would be that deemed desirable "by the applicant"; (5) that a new section 10 be added so as to provide that annual authorizations must be obtained before the Secretary may utilize the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund during fiscal years commencing after September 30, 1976.

In addition, the full Committee rejected an amendment that would have stricken the second proviso from section 5 of the bill providing up to 20-year loans, in the discretion of the Secretary, for disasters occurring after January 1, 1975.

S. 555 was reported to the House and recommended to pass by a voice vote in the presence of a quorum.

The Committee substitute makes the following main changes in S. 555 as adopted by the Senate:

It would make the program available to persons engaged in aquaculture such as oyster and shrimp producers and persons engaged in hydroponics and not only to oyster producers as provided in the Senate bill. It would require designation of an emergency area if the Secretary finds that a natural disaster has occurred in the area rather than making the designation discretionary as in the Senate bill.

Loans in excess of the amount covering the actual loss could be made for crop or livestock changes deemed desirable by the applicant and would not be restricted as in the Senate bill to changes resulting from changes in market demand since the occurrence of the disaster.

Loans at the rate of 5 percent covering actual loss would be limited to the actual loss up to $100,000 per loan; any amount in excess of that would be at prevailing market rates of interest. The Senate version would have made the subsidized interest rate available to cover the entire amount of loss, regardless of the amount of the loan.

Operating loans for up to 20 years could be made for any disaster occurring after January 1, 1975, and would not have a cut-off date of July 1, 1976, as provided in the Senate version. The Committee substitute provides that an applicant must establish that a single enterprise which constitutes a basic part of his operations has sustained at least a 20 percent loss of normal per acre or per animal production as a result of the disaster. This liberalizes the provisions as adopted by the Senate for a person who maintains a diversified farming operation, so that it would not be necessary to establish that his entire farming, ranching, or aquaculture operation had sustained a 20 percent loss.

The Committee added two provisions to the Consolidated Farm and Rural Development Act which were not contained in the Senate bill. These would require that beginning with any fiscal year after September 30, 1976, it would be necessary to obtain an authorization before sums could be appropriated for the Act and that sums could not be used from the Agricultural Credit Insurance and Rural Development Insurance Funds without a prior annual authorization. These provisions should enable the Committee to exercise more effective oversight regarding activities undertaken pursuant to the Act. The Committee did not include in the bill a provision added by the Senate which stated that the Secretary may use funds from the Agricultural Credit Insurance Fund to pay for administrative expenses incurred under the emergency loan program. This section was not believed to be necessary since Farmers Home Administration already has that authority under current law and has in fact been using funds from the ACIF to pay such administrative expenses.

Administration Position

The following letter forwarded to the Chairman by J. Phil Campbell, Acting Secretary, dated April 17, 1975, sets forth the position of the Department of Agriculture on H.R. 2866, the principal language of which was incorporated into S. 555, as reported by the Committee on Agriculture.

Department of Agriculture,
Office of the Secretary,
Washington, D.C., April 17, 1975.

Hon. Thomas S. Foley,
Chairman, Committee on Agriculture, House of Representatives, Washington, D.C.

Dear Mr. Chairman: This is in reply to your request of February 21, 1975, for a report on H.R. 2866, a bill "To amend the Consolidated Farm and Rural Development Act."

This Department recommends enactment of H.R. 2866 with the modifications suggested herein.

Section 2 of the bill eliminates the present requirement of a general need for agricultural credit in designating an area eligible for credit as the result of a natural disaster.

Section 3 requires the Secretary to make loans available in Presidentially declared "emergency" areas, and restores a "test for credit" as an eligibility requirement for borrowers.

Section 4 provides authority to finance crop changes deemed desirable as a result of changes in market demand, and authorizes emer-

gency loans for more than the actual loss sustained as a result of the natural disaster.

Section 5 retains 5 percent per annum as the maximum interest rate for emergency loans made for actual loss, and provides that the prevailing private market rate for similar loans, as determined by the Secretary, will apply to the amount of the loan above actual loss. Adequate security is also required.

Section 6 permits the Secretary to delegate to State Directors of Farmers Home Administration the authority to make emergency loans without a formal designation when 25 or less farming, ranching, or oyster producing operations in an area are affected by a natural disaster.

Section 7 provides that, to be eligible for assistance based on a production loss, an applicant must have had at least a 20 percent loss of normal per acre or per animal production as a result of the natural disaster.

Section 8 allows the Secretary to make annual subsequent emergency loans for up to 5 years when borrowers need the credit to continue their operation and cannot obtain financing from other sources, and requires such loans to be made at the prevailing rate of interest in the private market as determined by the Secretary.

Section 9 authorizes the Secretary to utilize any funds available to pay necessary administrative expenses for carrying out the emergency loan program, notwithstanding any limitations imposed for budgetary reasons.

The authority provided by Section 9 is not needed since FmHA is presently able to draw from the Agricultural Credit Insurance Fund (ACIF) whatever amounts are needed for administration of the emergency loan programs. Furthermore, the clause in Section 9 reading "notwithstanding any limitations imposed for budgetary reasons" is ambiguous and unclear. However, the Department would not oppose a provision confirming the authority to use ACIF Funds for administrative expenses, which might be stated: "In the administration of the emergency loan program pursuant to subtitle C of the Act, the Secretary may utilize funds from the Agricultural Credit Insurance Fund to pay for administrative expenses of such program."

We believe the bill makes needed changes in the emergency loan program of FmHA. By eliminating the requirement that there be a general need for agricultural credit, the Secretary's emergency loan designation process is simplified. It would not be necessary to poll private lenders in an area to determine whether adequate credit is available. Loans may be made only to disaster victims unable to obtain credit from other sources, thus directing emergency aid to those who most need it.

Authorizing loans for forward agricultural production would provide additional assistance to disaster victims. The requirement for adequate security continues the present Secretarial policy. With the subsequent loan authority, additional loans can be made when necessary to protect the government's interest and to permit the borrower to remain in business.

The requirement of a 20 percent production loss for eligibility of applicants is practical because in most agricultural areas a yield fluctuation of 20 percent or more is considered abnormal.

The dual interest rate continues the present federal interest subsidy on loans for the amount of actual loss, but provides for no subsidy for loans which exceed actual loss, or for subsequent loans. This new guarantee authority would help assure the availability of credit for these new emergency loan purposes.

Actual cost of these proposed legislative changes is unknown because the frequency and severity of natural disasters are unpredictable. However, based on experience with an emergency loan program involving a "credit test" for eligibility and loans to permit farmers to continue in business, we believe the average loan will increase in amount, but that the total number of loans will decrease substantially because of the test for credit. This will result in a lower volume loan program serving only those disaster victims who are unable to obtain private credit needed to continue their operations.

We suggest these technical amendments: 1. Replace the words "an emergency" in line 13, page 3, with the words "a natural disaster." This will be consistent with the rest of the bill; 2. In section 8, line 6, page 4, strike the word "it" and substitute "the farmer, ranch or oyster producer."

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

J. PHIL CAMPBELL,
Acting Secretary.

Assistant Secretary of Agriculture William W. Erwin read the following statement into the record at the Subcommittee hearings which further sets forth the position of the Department on certain amendments to the Consolidated Farm and Rural Development Act that are contained in S. 555, as reported by the Committee.

STATEMENT OF HON. WILLIAM ERWIN, ASSISTANT SECRETARY OF AGRICULTURE

Mr. Chairman and members of the committee, we appreciate the opportunity to appear before you to discuss proposed legislation (S. 555 and H.R. 2866) which would make changes in the emergency loan program administered by the Farmers Home Administration (FmHA).

The history of the emergency legislation for FmHA has been turbulent and the program has undergone five major changes since 1969. These changes have been so frequent that it has been difficult for those affected by a natural disaster to keep abreast of benefits available to them.

The Administration can support changes in the emergency loan program provided that (1) loans would be made only to applicants who are unable to obtain sufficient credit elsewhere at reasonable rates and terms, (2) the amount of the loan made for actual loss at 5 percent interest not to exceed $100,000, (3) in order to qualify for assistance based on production losses, the applicant must show that a single enterprise which constitutes a basic part of his farming, ranching or oyster producing operation has suffered at least a 20 percent loss of

normal per acre or per animal production as a result of the natural disaster, and (4) no special, more liberal benefits are made available to some favored disaster victims that would not serve all disaster victims equally . Items two and three, just mentioned, represent changes in the Department's evaluation of S. 555 since we reported our views on this legislation.

H.R. 2866 and S. 555 are similar proposals, and since action has been taken on S. 555, the majority of my remarks will be toward the present version of that bill.

After the Department commented on S. 555 on March 19, 1975, a second proviso was added to Section 5, and the bill was passed by the Senate. The Department does not support that addition.

Let me now take the sections in sequence and comment briefly on each.

Section 2 eliminates the present requirement for designation of an area for emergency assistance, namely that there be a general need for agricultural credit as the result of a natural disaster. The change eliminates the present necessity for polling private lenders to determine whether adequate credit is available. Under this Section the Secretary could designate an area, provided a natural disaster substantially affected farming, ranching, or oyster-producing operations. This change should simplify the designation process.

Section 3 requires the Secretary to make loans available in Presidentially declared emergency areas and restores a "test for credit" as an eligibility requirement for each borrower. By making loans only to disaster victims unable to obtain sufficient credit from other sources at reasonable rates and terms, this Section should direct the emergency aid to those who most need it. This Section is essential to our support of changes in the emergency loan program.

Section 4 provides authority to finance production changes deemed desirable as a result of changes in market demand subsequent to the disaster, and authorizes emergency loans for more than the actual loss sustained. Both provisions can benefit the disaster victim, and help him resume his farming operations as an effective producer.

Section 5 retains 5 percent per annum as the maximum interest rate for emergency loans made for actual loss, and provides that the prevailing market rate for similar loans, as determined by the Secretary, will apply to the amount of the loan above actual loss. The Department would like to see this Section changed so that the loan made for actual loss at 5 percent not exceed $100,000. We believe that the prescribed 5 percent interest rate for the portion of the loan that covers actual loss up to $100,000 is a reasonable subsidy for disaster victims. Loans for actual loss in excess of $100,000 and loans to finance forward production would involve no interest subsidy. Since the interest rate will be one which the Secretary determines to be prevailing in the private market, it is possible that there will be a stimulation of activity among private lenders for this portion of the loan, with FmHA providing a guarantee. We believe this feature is a desirable one. The requirement in the Section for security continues the present Secretarial policy.

Earlier I referred to a second proviso added to Section 5 following the Department's report. That proviso authorizes the Secretary to make emergency loans for an operating type purpose for up to 20

years for victims of disasters occurring between January 1, 1975, and July 1, 1976, if it is determined that the applicant's financial need as a result of the disaster justifies a longer payment period than normal, an if there is adequate security to assure repayment. The Department opposes this partion of Section 5 because the Secretary presently has adequate flexibility to tailor loan repayment periods to the purpose of the loan and the nature and the effect of a given natural disaster upon farmer or rancher. The proposed 20 year period would extend beyond the useful life of chattel security, and since many tenant family farmers do not have real property to offer, these special benefits would not be available to them even if a severe disaster struck. Setting dates within which eligibility occurs does not provide equal treatment to all disaster victims, including others who may have had as severe disruption of their operations as occurred in the specified 18-month period.

Section 6 permits the Secretary to delegate to State Directors of Farmers Home Administration the authority for making emergency loans without a formal designation when 25 or less farming, ranching or oyster producing operations in an area are affected by a natural disaster. This provision formalizes an existing practice that has made it possible to reach disaster victims who may be separated from the main area of damage by a county or state boundary line.

Section 7 provides guidelines for individual borrowers by requiring that an applicant for assistance based on a production loss show at least a 20 percent loss of normal per acre or per animal production as a result of the disaster. The Department would like to have this Section changed so that to qualify for assistance based on production losses the applicant must show that a single enterprise which constitutes a basic part of his farming, ranching or oyster producing operation has suffered at least a 20 percent loss of normal per acre or per animal production as a result of the natural disaster. In most agricultural areas a fluctuation in a basic enterprise of 20 percent or more is considered abnormal.

Section 8 allows the Secretary to make annual subsequent emergency loans for up to 5 years when borrowers need the credit to continue their operation and cannot obtain sufficient financing from other sources at reasonable rates and terms. The Section requires such loans to be made at the prevailing rate of interest in the private market as determined by the Secretary. This authority to make subsequent loans will be used only when the borrower cannot obtain financing from other sources.

Section 9 of the bill adds a new section to the Consolidated Farm and Rural Development Act confirming present Secretarial authority to utilize funds from the Agricultural Credit Insurance Fund to pay for administrative expenses of the emergency loan program.

Based on the experience of Farmers Home Administration with an emergency loan program that involved a test for credit and with loans that will permit the farmer to pay for forward agricultural production, we believe that the individual loans will be larger than at present, but that the number of loans will show a substantial decrease. The effect will be to provide help only to those disaster victims who are unable to obtain necessary private credit at reasonable rates and terms,

and the credit will be in sufficient amount to help them restore their operations to pre-disaster condition.

We feel that the changes in the emergency loan program that have been suggested and recommended in this statement will give as a program that will be of benefit to disaster victims.

If there are any questions, we will be pleased to respond.

Section-by-Section Analysis

S. 555 contains a preamble and ten sections amending the Consolidated Farm and Rural Development Act.

Section 2. Designation of emergency areas

Section 2 of the bill amends section 321(a) of the Act to require the Secretary of Agriculture to designate any area as an emergency area for purposes of the emergency loan program if he finds that a natural disaster has occurred in the area which substantially affected farming, ranching, or aquaculture operations. It deletes the provision contained in existing law that the Secretary must find there is general need for agricultural credit in an area which is the result of a natural disaster before emergency loans can be made available to victims of the disaster. The effect of the amendment is to enable the FHA to move expeditiously to provide assistance when needed in a disaster or emergency area.

This section and section 3 also enlarge the beneficiaries of the program so that emergency loans can be made available to persons engaged in aquaculture.

For purposes of the Emergency Loan Program, aquaculture means husbandry of aquatic organisms (both plant and animal) under a controlled or selected environment and would include among other things oyster and shrimp producing operations, fish farming and hydroponics but would not include activities such as deep sea fishing which are outside of a controlled or selected environment.

Section 3. Extension of loans in major disaster areas declared by the President; "credit elsewhere" requirement

Section 3 of the bill amends section 321(b) of the Act to require the Secretary to make loans available in emergency areaes declared by the President. It also changes the reference in current law to oyster planters and oyster planting to persons engaged in aquaculture and aquaculture, respectively. Section 3 also amends section 321(b) of the Act to add a requirement that the loan applicant be unable to obtain sufficient credit elsewhere at reasonable rates and terms.

Section 4. Emergency loans for crop or livestock changes

Section 4 of the bill amends section 322 of the Act to provide authority to finance any crop or livestock changes deemed desirable by the applicant.

Section 4 also amends section 322 of the Act to authorize emergency loans for amounts in excess of the acual loss sustained as a result of the disaster.

This provision would enable persons affected by a disaster to obtain credit needed to help them overcome financial difficulties caused by the disaster. It would authorize forward financing to be made available

without the constraints applicable to operating loans under subtitle B. Thus, credit could be made available to persons affected by the disaster, other than on family size farms, including corporations and partnerships engaged primarily in farming, ranching, and aquaculture and loans could be made in excess of $50,000.

Section 5. Interest rates; security, special loans

Section 5 of the bill amends section 324 of the Act to provide that the maximum rate of interest for an emergency loan made for actual loss up to $100,000 would be 5 percent per year—the interest rate currently applicable to the emergency loan program. For any loans in excess of that amount (any amount covering actual loss over $100,000 per loan and loans to finance forward production), the interest rate will be the prevailing private market rate of interest for similar loans as determined by the Secretary. Under this provision the Secretary could, if he wishes, establish a single rate for production type loans for the entire nation in the case of insured loans. For guaranteed loans, the applicable rate would be as agreed upon by the lender and borrower as long as it did not exceed the rate established for insured loans.

Section 5 also amends section 324 of the Act to authorize the Secretary—with respect to any disaster occurring after January 1, 1975—to make an emergency loan for an operating type purpose for not more than 20 years if it is determined that the applicant's financial need as a result of the disaster justifies a longer payment term than that normally extended for operating loans and there is adequate security to assure repayment over the longer period. This should enable relief to be provided to victims of such severe disasters as the January 1975 blizzard in the Midwest.

Section 6. Delegation of authority to State FHA directors to make emergency loans

Section 6 of the bill amends section 325 of the Act to state specifically that the Secretary may delegate to State directors of the Farmers Home Administration the authority to make emergency loans without a formal designation when 25 or less farming, ranching, or aquaculture operations in an area are affected by a natural disaster.

Section 7. Eligibility for assistance based on production loss

Section 7 of the bill adds a new section 329 to the Act providing that in order to be eligible for emergency loan assistance based on a production loss, an applicant must show that a single enterprise which constitutes a basic part of his farming, ranching, or aquaculture operation has sustained at least a 20 per centum loss of normal per acre or per animal production as a result of the disaster. In the case of a diversified producer the term "single enterprise" would apply separately to the production of cash crops, livestock operations, dairy farming operations, poultry operations, pork operations, but would not apply, for example, in the case of a vegetable farmer to each separate crop that might be produced during a growing season. Under this provision, a dairy farmer who also produces a cash crop would have two separate enterprises. Whether a single enterprise is "a basic part" of a farming operation would depend on the nature and extent of the operations. It would not be necessary in the case of a diversified farmer that a single enterprise would constitute a major portion of his farming operations

in order for the applicant to qualify for an emergency loan. An enterprise which constituted 25 per centum of the farming operation would, however, be considered a basic part of the operation.

Section 8. Additional emergency loans

Section 8 adds a new secton 330 to the Act authorizing the Secretary to make subsequent emergency loans on a one-year repayment basis to a borrower, for up to five successive years, when he needs the credit to continue his operation and cannot obtain financing from other sources. Such subsequent loans are to be made at the prevailing rate of interest in the private market for similar loans, as determined by the Secretary. The benefits of this provision would be available to borrowers under the program even though the initial emergency loan might have been obtained prior to the effective date of this Act. Each borrower, however, would be required to meet the provisions of the amended Act, such as establishing that he could not obtain credit elsewhere, in order to qualify for a subsequent loan.

This section is intended to permit emergency loans for production purposes authorized for operating loans under subtitle B until the borrower can return to conventional credit sources.

Section 9. Congressional authorization required prior to any appropriations under the Consolidated Farm and Rural Development Act

Section 9 amends section 338 of the Act to require that amounts authorized to be appropriated for the purposes of the Act for each fiscal year ending after September 30, 1976, shall be the sums hereafter authorized by law. This would require an authorization from Congress before sums could be appropriated for any of the purposes of the Consolidated Farm and Rural Development Act, such as for restoration of losses previously incurred in the Agricultural Credit Insurance Fund and Rural Development Insurance Fund, appropriations for direct loans and grants under the Act and appropriations for salaries and expenses of the Farmers Home Administration in administering programs authorized under the Act.

Section 10. Annual Congressional authorization before utilizing funds under Revolving Funds

Section 10 would add a new section 345 to the Act to provide that the Secretary could utilize sums from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund during each fiscal year after September 30, 1976, only in such amounts as may be authorized annually by law. These revolving funds are used among other things to finance real estate loans, operating loans, emergency loans, water and facility loans, industrial development loans and community facility loans. Both this provision and section 9 will enable this Committee to conduct more effective oversight of administration of the Act.

Current and Five Subsequent Fiscal Year Cost Estimate

Pursuant to Clause 7 of rule XIII of the rules of the House of Representatives, the Committee estimates the cost to be incurred by the Federal Government during the current and the five subsequent fiscal years as a result of the enactment of this legislation would be minimal. There could be a net savings to the Government.

The frequency and severity of natural disasters are, of course, unpredictable.

While the average loan may increase in amount, the total number of loans should decrease substantially because of the inclusion in the bill of a "credit elsewhere" test. This should result in a lower-volume loan program serving only those disaster victims who are unable to obtain private credit to continue their operations.

The bill may also result in Government savings of costs incurred under the Consolidated Farm and Rural Development Act by the requirements added that for each fiscal year ending after September 30, 1976, sums may be used from the Agricultural Credit Insurance Fund and Rural Development Insurance Fund and amounts can be appropriated for the purposes of that Act only to the extent as may be authorized annually by the Congress.

This estimate of costs is in accord with the cost estimate furnished by the Department of Agriculture.

Inflationary Impact Statement

Pursuant to Rule XI, clause 2(l)(4), of the Rules of the House of Representatives, the Committee estimates that enactment of S. 555 would not have any inflationary impact on prices and costs in the operation of the national economy. The beneficial effects of this legislation in helping overcome the adverse effects of natural disasters should contribute to a sound agricultural economy.

Budget Act Compliance (Section 308 and Section 403)

The provisions of clause (1)(3)(B) and clause (1)(3)(C) of Rule XI of the House of Representatives, and Section 308(a) and Section 403 of the Congressional Budget Act of 1974 (relating to estimates of new budget authority or new or increased tax expenditures and estimates and comparisons prepared by the Director of the Congressional Budget Office), are not considered applicable.

Oversight Statement

No specific oversight activities, other than the hearings accompanying the Committee's consideration of S. 555 (and H.R. 2866, and related bills) were made by the Committee, within the definition of clause 2(b)(1) of Rule X of the House. No summary of oversight findings and recommendations made by the Committee on Government Operations under clause 2(b)(2) of Rule X of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by S. 555.

Changes in Existing Law

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

* * * * * * *

SUBTITLE C.—EMERGENCY LOANS

SEC. 321. (a) [The Secretary shall designate any area in the United States and in Puerto Rico and the Virgin Islands as an emergency area if he finds (1) that there exists in such area a general need for agricultural credit, and (2) that the need for such credit in such area is the result of a natural disaster.] *The Secretary shall designate any area in the United States, Puerto Rico, and the Virgin Islands as an emergency area if he finds that a natural disaster has occurred in said area which substantially affected farming, ranching, or aquaculture operations. For purposes of this subtitle "aquaculture" means husbandry of aquatic organisms under a controlled or selected environment.*

(b) The Secretary shall make loans in any such area designated by the Secretary in accordance with subsection (a) of this section and in any area designated as a major disaster *or emergency* by the President pursuant to the provisions of the Disaster Relief Act of 1970, as amended, (1) to established farmers, ranchers, or [oyster planters] *persons engaged in aquaculture* who are citizens of the United States and (2) to private domestic corporations or partnerships engaged primarily in farming, ranching, or [oyster planting] *aquaculture: Provided*, That they have experience and resources necessary to assure a reasonable prospect for successful operation with the assistance of such loan [. Such loans shall be made without regard to whether the required financial assistance is otherwise available from private, cooperative, or other responsible sources.] *and are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time.*

SEC. 322. [Loans may be made under this subtitle for any of the purposes authorized for loans under subtitle A or B of this title.] *Loans may be made under this subtitle for any of the purposes authorized for loans under subtitle A or B of this title, as well as for crop or livestock changes deemed desirable by the applicant: Provided, That such loans may include, but are not limited to, the amount of the actual loss sustained as a result of the disaster.*

SEC. 323. The Secretary shall make no loan under this subtitle in excess of an amount certified by the county committee.

SEC. 324. [The Secretary shall make all loans under this subtitle at a rate of interest not in excess of 5 per centum per annum repayable at such times as the Secretary may determine, taking into account the purpose of the loan and the nature and effect of the emergency, but not later than provided for loans for similar purposes under subtitles A and B of this title, and upon the full personal liability of the borrower and upon such security as the Secretary may prescribe.] *Loans made or insured under this Act shall be (1) at a rate of interest not in excess of 5 per centum per annum on loans up to the amount of the actual loss caused by the disaster but not to exceed $100,000 per loan, and (2) for any loans or portions of loans in excess of that amount, the interest rate will be that prevailing in the private market for similar loans, as determined by the Secretary. All such loans shall be repayable at such times as the Secretary may determine, taking into account the purposes of the loan and the nature and effect of the disaster, but not later than provided for loans for similar purposes under subtitles A and B of this title, and upon the full personal liability of the borrower and upon the best security available, as the Secretary may prescribe: Provided, That the security is adequate to assure repayment of the loan: Provided further, That for any disaster occurring after January 1, 1975, the Secretary, if the loan is for a purpose described in subtitle B of this title, may make the loan repayable at the end of a period of more than seven years, but not more than twenty years, if the Secretary determines that the need of the loan applicant justifies such a longer repayment period.*

SEC. 325. [The Secretary may make loans without regard to the designation of emergency areas under section 321(a) of this title to persons or corporations (1) who have suffered severe production losses not general to the area or (2) who are indebted to the Secretary for loans under the Act of April 6, 1949, as amended, or the Act of August 31, 1954, as amended, to the extent necessary to permit the orderly repayment or liquidation of said prior indebtedness.] *The Secretary may delegate authority to any State director of the Farmers Home Administration to make emergency loans in any area within a State of the United States, Puerto Rico, or the Virgin Islands on the same terms and conditions set out in section 321(a) without any formal area designation being made: Provided, That the State director finds that a natural disaster has substantially affected twenty-five or less farming, ranching, or aquaculture operations in the area.*

SEC. 326. The Secretary is authorized to utilize the revolving fund created by section 84 of the Farm Credit Act of 1933, as amended (hereinafter in this subtitle referred to as the "Emergency Credit Revolving Fund") for carrying out the purposes of this subtitle.

SEC. 327. (a) All sums received by the Secretary from the liquidation of loans made under the provisions of this subtitle or under the Act of April 6, 1949, as amended, or the Act of August 31, 1954, and from the liquidation of any other assets acquired with money from the Emergency Credit Revolving Fund shall be added to and become a part of such fund.

(b) There are authorized to be appropriated to the Emergency Credit Revolving Fund such additional sums as the Congress shall from time to time determine to be necessary.

SEC. 328. Loans meeting the requirements of this subtitle and any amendatory or supplementary Act may be insured or made to be sold and insured, in accordance with and subject to section 308 and 309 and the last sentence of section 307 of this title: *Provided* ,That loans made under this section shall not be included in applying the $500,000,000 limitation in section 309(f)(1).

SEC. 329. An applicant seeking financial assistance based on production losses must show that a single enterprise which constitutes a basic part of his farming, ranching, or aquaculture operation has sustained at least a 20 per centum loss of normal per acre or per animal production as a result of the disaster.

SEC. 330A. Subsequent loans, to continue the farming, ranching, or aquaculture operation may be made under this subtitle on an annual basis, for not to exceed five additional years, to eligible borrowers at the prevailing rate of interest in the private market for similar loans as determined by the Secretary, when the financial situation of the farming, ranching, or aquaculture operation has not improved sufficiently to permit the borrower to obtain such financing from other sources.

* * * * * * *

SUBTITLE D.—ADMINISTRATIVE PROVISIONS

SEC. 338. (a) There is authorized to be appropriated to the Secretary such sums as the Congress may from time to time determine to be necessary to enable the Secretary to carry out the purposes of this title and for the administration of assets transferred to the Farmers Home Administration[.]: *Provided, That the amounts authorized to be appropriated for the purposes of the Consolidated Farm and Rural Development Act for each fiscal year ending after September 30, 1976, shall be the sums provided by law.*

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SEC. 345. The Secretary may utilize the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund during each fiscal year ending after September 30, 1976, in such amounts as may be authorized annually by law.

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94TH CONGRESS 1st Session | SENATE | REPORT No. 94-290

EMERGENCY LOAN PROGRAM

JULY 21, 1975.—Ordered to be printed

Mr. TALMADGE, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany S. 555]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 555) to amend the Consolidated Farm and Rural Development Act, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

SEC. 2. Subsection (a) of section 321 of the Act is amended to read: "The Secretary shall designate any area in the United States, Puerto Rico, and the Virgin Islands as an emergency area if he finds that a natural disaster has occurred in said area which substantially affected farming, ranching, or aquaculture operations. For purposes of this subtitle 'aquaculture' means husbandry of aquatic organisms under a controlled or selected environment.".

SEC. 3. Subsection (b) of section 321 of the Act is amended as follows:

(a) in the first sentence after the words "major disaster" insert "or emergency", strike the words "oyster planters" and "oyster planting" and insert in lieu thereof the words "persons engaged in aquaculture" and "aquaculture", respectively; and

(b) delete everything after the first sentence, strike the period, and insert: "and are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. The provisions of this subsection shall not be applicable to loan applications filed prior to July 9, 1975.".

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Sec. 4. Section 322 of the Act is amended to read: "Loans may be made under this subtitle for any of the purposes authorized for loans under subtitle A or B of this title, as well as for crop or livestock changes deemed desirable by the applicant: Provided, That such loans may include, but are not limited to, the amount of the actual loss sustained as a result of the disaster.".

Sec. 5. Section 324 of the Act is amended to read: "Loans made or insured under this Act shall be (1) at a rate of interest not in excess of 5 per centum per annum on loans up to the amount of the actual loss caused by the disaster, and (2) for any loans or portions of loans in excess of that amount, the interest rate will be that prevailing in the private market for similar loans, as determined by the Secretary. All such loans shall be repayable at such times as the Secretary may determine, taking into account the purposes of the loan and the nature and effect of the disaster, but not later than provided for loans for similar purposes under subtitles A and B of this title, and upon the full personal liability of the borrower and upon the best security available, as the Secretary may prescribe: Provided, That the security is adequate to assure repayment of the loans; except that if such security is not available because of the disaster, the Secretary shall (i) accept as security such collateral as is available, a portion or all of which may have depreciated in value due to the disaster and which in the opinion of the Secretary, together with his confidence in the repayment ability of the applicant, is adequate security for the loan, and (ii) make such loan repayable at such times as he may determine, not later than that provided under subtitles A and B of this title, as justified by the needs of the applicant: Provided further, That for any disaster occurring after January 1, 1975, the Secretary, if the loan is for a purpose described in subtitle B of this title, may make the loan repayable at the end of a period of more than seven years, but not more than twenty years, if the Secretary determines that the need of the loan applicant justifies such a longer repayment period: Provided further, That notwithstanding the provisions of any other law, any loan made by the Small Business Administration in connection with a disaster occurring on or after the date of enactment of this amendment under section 7(b) (1), (2), or (4) of the Small Business Act shall bear interest at the rate determined in the first paragraph following section 7(b) (8) of such Act for loans under paragraphs (3), (5), (6), (7), or (8) of section 7(b).".

Sec. 6. Section 325 of the Act is amended to read as follows: "The Secretary may delegate authority to any State director of the Farmers Home Administration to make emergency loans in any area within a State of the United States, Puerto Rico, or the Virgin Islands on the same terms and conditions set out in section 321(a) without any formal area designation being made: Provided, That the State director finds that a natural disaster has substantially affected twenty-five or less farming, ranching, or aquaculture operations in the area.".

Sec. 7. At the end of subtitle C of the Act, add a new section 329 stating: "An applicant seeking financial assistance based on production losses must show that a single enterprise which constitutes a basic part of his farming, ranching, or aquaculture operation has sustained at least a 20 per centum loss of normal per acre or per animal production as a result of the disaster.".

Sec. 8. At the end of subtitle C of the Act, add a new section 330 stating: "Subsequent loans, to continue the farming, ranching, or aquaculture operation may be made under this subtitle on an annual basis, for not to exceed five additional years, to eligible borrowers, at the prevailing rate of interest in the private market for similar loans as determined by the Secretary, when the financial situation of the farming, ranching, or aquaculture operation has not improved sufficiently to permit the borrower to obtain such financing from other sources.".

Sec. 9. At the end of subtitle D of the Act, add a new section 345 to read as follows:

"Sec. 345. On or before February 15 of each calendar year beginning with calendar year 1976, or such other date as may be specified by the appropriate Committee, the Secretary of Agriculture shall testify before the Senate Committee on Agriculture and Forestry and the House Committee on Agriculture and provide justification in detail of the amount requested in the budget to be appropriated for the next fiscal year for the purposes authorized in the Consolidated Farm and Rural Development Act, as amended, and of the amounts estimated to be utilized during such fiscal year from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund.".

And the House agree to the same.

Herman E. Talmadge,
James O. Eastland,
George McGovern,
James B. Allen,
Hubert H. Humphrey,
Robert Dole,
Carl T. Curtis,
Henry Bellmon,
Managers on the Part of the Senate.

Bob Bergland,
E. de la Garza,
Alvin Baldus,
Glenn English,
Jack Hightower,
Berkley Bedell,
Richard Nolan,
William C. Wampler,
Edward R. Madigan,
Richard Kelly,
Managers on the Part of the House.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 555) to amend the Consolidated Farm and Rural Development Act submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report. The differences between the Senate bill and the House amendment and the substitute agreed to in conference are noted in the following outline, except for conforming, clarifying, and technical changes:

(*1*) *Designation of emergency areas.*

The *Senate* bill "authorizes" the Secretary to designate any area as an emergency area for purposes of the emergency loan program if he finds that a natural disaster has occurred in the area which substantially affected farming, ranching, or "oyster-producing" operations.

The *House* amendment "requires" the Secretary to make loans in such situations; and strikes "oyster-producing" each place it appears in the *Senate* bill and inserts in lieu thereof "aquaculture". The *House* amendment defines "aquaculture" as meaning "husbandry of aquatic organisms under a controlled or selected environment". The *House* amendment also includes under the definition of "natural disaster" the natural occurrence of certain biological organisms, including organisms known as "the Red Tide".

The *Conference* substitute adopts the *House* amendment with an amendment deleting the sentence which provides that "natural disaster" shall include the natural occurrence of certain biological organisms, including the Red Tide.

The *Conferees* intend, however, that the Secretary of Agriculture coordinate his activities with those of the Secretary of Commerce and the Administrator, Small Business Administration, so as to insure that all possible assistance will be made available to those engaged in aquaculture who are victims of natural occurrences such as the Red Tide. It is of particular concern to the *Conferees* that those engaged in aquaculture, as defined in section 2 of this bill, not find themselves in a "no man's land" of disaster assistance where, through technical interpretations of the law, they are unable to obtain disaster loan assistance from either the Farmers Home Administration or the Small Business Administration.

Therefore, the Secretary of Agriculture, working in conjunction with the Secretary of Commerce, and the Administrator, Small Business Administration, is directed to conduct a study and make a report to the Congress on or before January 1, 1976, concerning the extent of economic injury incurred by those involved in aquaculture, as de-

fined in this bill, who are unable to produce and market a product for human consumption because of disease or toxicity in such product caused by the natural occurrence of certain biological organisms such as, but not limited to, the Red Tide. The report shall include: (1) descriptions of programs under which loan assistance is made available to such disaster victims; (2) statistics setting forth the amount of loan assistance provided; (3) geographical areas, or boundaries, within which such assistance has been provided; and (4) types of natural occurrences of certain biological organisms which have been covered by loan assistance.

The Secretary is further directed to include in his report action which has been, or is being, undertaken by the Executive Branch to resolve any problems which may involve disaster victims engaged in aquaculture who apply for disaster loan assistance and to submit legislative recommendations where existing legal authority is unclear or in need of amendment.

(2) *"Credit elsewhere" requirement.*

Both the *Senate* bill and the *House* amendment provide that loans would be made only to victims of a disaster who are unable to obtain sufficient credit elsewhere at reasonable rates and terms.

The *House* amendment provides that this "credit elsewhere" requirement shall not apply to loan applications filed prior to July 9, 1975.

The *Conference* substitute adopts the *House* amendment. It is, however, the intent of the *Conferees* that the "credit elsewhere" requirement be implemented by the Farmers Home Administration in such a manner as not to delay affording needed assistance to victims of disasters.

(3) *Emergency loans for crop or livestock changes.*

The *Senate* bill authorizes loans for crop or livestock changes deemed desirable "as a result of changes in market demand since the occurrence of the disaster".

The *House* amendment authorizes loans for crop or livestock changes deemed desirable "by the applicant".

The *Conference* substitute adopts the *House* amendment.

(4) *Interest rate on loans in excess of $100,000.*

The *Senate* bill provides (as under existing law) that the maximum rate of interest for emergency loans made for actual losses would be 5 percent per year.

The *House* amendment retains the *Senate* provision but revises it to provide that the amount eligible for the 5 percent rate of interest could not "exceed $100,000 per loan". The balance would be at the interest rate prevailing in the private market for similar loans.

The *Conference* substitute deletes the limitation contained in the *House* amendment. In taking this action, the *Conferees* note that there is no such limitation in the Small Business Act under which the Small Business Administration makes disaster loans.

(5) *Security and collateral for emergency loans.*

The *House* amendment requires the Secretary to accept as security for repayment of emergency loans collateral which has depreciated in value because of the disaster if the collateral, together with the

lender's confidence in the repayment ability of the applicant, is adequate security. The *House* amendment also requires the Secretary to make emergency loans if no collateral is available because of the disaster and the lender has sufficient confidence in the repayment ability of the applicant to assure repayment of the loan. In both cases, the Secretary is required to make the loans repayable at such times as he may determine, as justified by the needs of the applicant (but not later than the repayment periods for real estate loans and operating loans under existing law).

The *Senate* bill contains no comparable provision.

The *Conference* substitute adopts the *House* amendment with two modifications. The *Conference* substitute deletes the requirement that loans be made in cases where no collateral is available. In cases where the collateral has depreciated in value because of the disaster, the loan is required to be made if the collateral, together with the *Secretary's* confidence in the applicant's repayment ability, is adequate security.

(6) *Special loans.*

The *Senate* bill authorizes the Secretary—with respect to any disaster occurring between January 1, 1975, and July 1, 1976—to make an emergency loan for an operating-type purpose for not more than 20 years if it is determined that the applicant's financial need as a result of the disaster justifies a longer repayment term than that normally extended for operating loans, and there is adequate security to assure repayment over the longer period.

The *House* amendment retains the *Senate* provision but makes it applicable with respect to any disaster occurring after January 1, 1975.

The *Conference* substitute adopts the *House* amendment.

(7) *Interest rate on disaster loans made by the Small Business Administration.*

The *House* amendment provides that, notwithstanding the provisions of any other law, any loan made by the Small Business Administration in connection with a disaster occurring on or after the date of enactment of the bill shall bear interest *at* the rate determined under section 7(a)(4)(b) of the Small Business Act; namely, at the average annual interest rate on all interest bearing obligations of the United States, then forming a part of the public debt as computed at the end of the fiscal year next preceding the date of the loan and adjusted to the nearest one-eighth of one per centum plus one-fourth of one per centum per annum.

The *Senate* bill contains no comparable provision. (Under existing law, the maximum rate of interest for disaster loans made by the Small Business Administration is 5 percent per year and is governed by the interest rate for FHA emergency loans under section 324 of the Consolidated Farm and Rural Development Act. The *Senate* bill and the *House* amendment amend section 324 of the Act to provide that the prevailing private market rate of interest for similar loans, as determined by the Secretary, shall apply to the amount of any loan in excess of the actual loss caused by the disaster.)

The *Conference* substitute adopts the *House* amendment with an amendment that provides that loans made by the Small Business Administration in connection with a disaster occurring on or after the

date of enactment of the bill shall bear interest at a rate that shall be *not more than* the rate specified in the *House* amendment.

(8) Eligibility for assistance based on production loss.

The *Senate* bill provides that, in order to be eligible for emergency loan assistance based on a production loss, an applicant must show that he incurred at least a 20 percent loss of normal per acre or per animal production as a result of the disaster.

The *House* amendment retains the *Senate* provision but modifies it to provide that the applicant must show that "a single enterprise which constitutes a basic part" of his operation sustained at least a 20 percent loss.

The *Conference* substitute adopts the *House* amendment. The *Conferees* intend that the term "single enterprise" shall be construed to mean enterprises which constitute parts of the applicant's farming, ranching, or aquaculture operation. The following are examples of "single enterprises": (a) all cash crops; (b) all feed crops; (c) beef operations; (d) dairy operations; (e) poultry operations; (f) hog operations; and (g) aquaculture operations.

A "single enterprise" which constituted not less than 25 percent of the gross income from the farming operation is to be considered a "basic" enterprise. Therefore, in order to be eligible for a disaster loan, an applicant must have sustained at least a 20 percent loss of normal per acre or per animal production as a result of the disaster in one or more basic single enterprises.

(9) Use of the ACIF to pay administrative expenses.

The *Senate* bill provides that in the administration of the emergency loan program, the Secretary may utilize funds from the Agricultural Credit Insurance Fund to pay for administrative expenses of the program.

The *House* amendment strikes the *Senate* provision.

The *Conference* substitute deletes the *Senate* provision. The *Conferees* note that, under existing law, the Secretary may draw whatever amounts are needed from the Agricultural Credit Insurance Fund for administration of the emergency loan program.

(10) Congressional authorization prior to any appropriations under the Consolidated Farm and Rural Development Act; use of revolving funds.

The *House* amendment provides that amounts authorized to be appropriated for the purposes of the Consolidated Farm and Rural Development Act for each fiscal year ending after September 30, 1976, shall be the sums hereafter authorized by law. The *House* amendment also provides that the Secretary could utilize sums from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund during each fiscal year after September 30, 1976, only in such amounts as may be authorized annually by law.

The *Senate* bill contains no comparable provision.

In lieu of the *House* amendment, the *Conference* substitute provides that on or before February 15 of each calendar year beginning with calendar year 1976, or such other date as may be specified by the appropriate Committee, the Secretary of Agriculture shall testify before the Senate Committee on Agriculture and Forestry and the House Committee on Agriculture and provide justification in detail of the amount requested in the budget to be appropriated for the next fiscal year for the purposes authorized in the Consolidated Farm and Rural Development Act, and of the amounts estimated to be utilized during such fiscal year from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund.

Under the *Conference* substitute, the Secretary would be required to testify and provide a detailed justification (1) of appropriations requested for such items as the restoration of losses previously incurred in the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund, direct loans and grants under the Consolidated Farm and Rural Development Act, and salaries and expenses of the Farmers Home Administration in administering programs authorized under the Act, and (2) of amounts provided in the budget as estimated to be expended for the next fiscal year from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund for such matters as financing real estate loans, operating loans, emergency loans, water and facility loans, industrial development loans, and community facility loans.

HERMAN E. TALMADGE,
JAMES O. EASTLAND,
GEORGE MCGOVERN,
JAMES B. ALLEN,
HUBERT H. HUMPHREY,
ROBERT DOLE,
CARL T. CURTIS,
HENRY BELLMON,
Managers on the Part of the Senate.

BOB BERGLAND,
E. DE LA GARZA,
ALVIN BALDUS,
GLENN ENGLISH,
JACK HIGHTOWER,
BERKLEY BEDELL,
RICHARD NOLAN,
WILLIAM C. WAMPLER,
EDWARD R. MADIGAN,
RICHARD KELLY,
Managers on the Part of the House.

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S. 555

Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Tuesday, the fourteenth day of January, one thousand nine hundred and seventy-five

An Act

To amend the Consolidated Farm and Rural Development Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Consolidated Farm and Rural Development Act (the Act) is amended as follows:

SEC. 2. Subsection (a) of section 321 of the Act is amended to read: "The Secretary shall designate any area in the United States, Puerto Rico, and the Virgin Islands as an emergency area if he finds that a natural disaster has occurred in said area which substantially affected farming, ranching, or aquaculture operations. For purposes of this subtitle 'aquaculture' means husbandry of aquatic organisms under a controlled or selected environment.".

SEC. 3. Subsection (b) of section 321 of the Act is amended as follows:

(a) in the first sentence after the words "major disaster" insert "or emergency", strike the words "oyster planters" and "oyster planting" and insert in lieu thereof the words "persons engaged in aquaculture" and "aquaculture", respectively; and

(b) delete everything after the first sentence, strike the period, and insert: "and are unable to obtain sufficient credit elsewhere to finance their actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. The provisions of this subsection shall not be applicable to loan applications filed prior to July 9, 1975.".

SEC. 4. Section 322 of the Act is amended to read: "Loans may be made under this subtitle for any of the purposes authorized for loans under subtitle A or B of this title, as well as for crop or livestock changes deemed desirable by the applicant: *Provided*, That such loans may include, but are not limited to, the amount of the actual loss sustained as a result of the disaster.".

SEC. 5. Section 324 of the Act is amended to read: "Loans made or insured under this Act shall be (1) at a rate of interest not in excess of 5 per centum per annum on loans up to the amount of the actual loss caused by the disaster, and (2) for any loans or portions of loans in excess of that amount, the interest rate will be that prevailing in the private market for similar loans, as determined by the Secretary. All such loans shall be repayable at such times as the Secretary may determine, taking into account the purposes of the loan and the nature and effect of the disaster, but not later than provided for loans for similar purposes under subtitles A and B of this title, and upon the full personal liability of the borrower and upon the best security available, as the Secretary may prescribe: *Provided*, That the security is adequate to assure repayment of the loans; except that if such security is not available because of the disaster, the Secretary shall (i) accept as security such collateral as is available, a portion or all of which may have depreciated in value due to the disaster and which in the opinion of the Secretary, together with his confidence in the repayment ability

of the applicant, is adequate security for the loan, and (ii) make such loan repayable at such times as he may determine, not later than that provided under subtitles A and B of this title, as justified by the needs of the applicant: *Provided further*, That for any disaster occurring after January 1, 1975, the Secretary, if the loan is for a purpose described in subtitle B of this title, may make the loan repayable at the end of a period of more than seven years, but not more than twenty years, if the Secretary determines that the need of the loan applicant justifies such a longer repayment period: *Provided further*, That notwithstanding the provisions of any other law, any loan made by the Small Business Administration in connection with a disaster occurring on or after the date of enactment of this amendment under section 7(b)(1), (2), or (4) of the Small Business Act shall bear interest at the rate determined in the first paragraph following section 7(b)(8) of such Act for loans under paragraphs (3), (5), (6), (7), or (8) of section 7(b).".

SEC. 6. Section 325 of the Act is amended to read as follows: "The Secretary may delegate authority to any State director of the Farmers Home Administration to make emergency loans in any area within a State of the United States, Puerto Rico, or the Virgin Islands on the same terms and conditions set out in section 321(a) without any formal area designation being made: *Provided*, That the State director finds that a natural disaster has substantially affected twenty-five or less farming, ranching, or aquaculture operations in the area.".

SEC. 7. At the end of subtitle C of the Act, add a new section 329 stating: "An applicant seeking financial assistance based on production losses must show that a single enterprise which constitutes a basic part of his farming, ranching, or aquaculture operation has sustained at least a 20 per centum loss of normal per acre or per animal production as a result of the disaster.".

SEC. 8. At the end of subtitle C of the Act, add a new section 330 stating: "Subsequent loans, to continue the farming, ranching, or aquaculture operation may be made under this subtitle on an annual basis, for not to exceed five additional years, to eligible borrowers, at the prevailing rate of interest in the private market for similar loans as determined by the Secretary, when the financial situation of the farming, ranching, or aquaculture operation has not improved sufficiently to permit the borrower to obtain such financing from other sources.".

SEC. 9. At the end of subtitle D of the Act, add a new section 345 to read as follows:

"SEC. 345. On or before February 15 of each calendar year beginning with calendar year 1976, or such other date as may be specified by the appropriate Committee, the Secretary of Agriculture shall testify before the Senate Committee on Agriculture and Forestry and the House Committee on Agriculture and provide justification in detail of the amount requested in the budget to be appropriated for the next fiscal year for the purposes authorized in the Consolidated Farm and Rural Development Act, as amended, and of the amounts estimated to be utilized during such fiscal year from the Agricultural Credit Insurance Fund and the Rural Development Insurance Fund.".

Speaker of the House of Representatives.

Vice President of the United States and
President of the Senate.

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July 25, 1975

Dear Mr. Director:

The following bills were received at the White House on July 25th:

S. 555
H.R. 5447
H.R. 5522
H.R. 7767

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.