

1 LOAN AND LOAN SERVICING LIMITATIONS

2 SEC. 2.—The Consolidated Farm and Rural Develop-
3 ment Act (7 U.S.C. 1921 et seq.) is amended by adding
4 at the end the following:

5 **“SEC. 373. LOAN AND LOAN SERVICING LIMITATIONS.**

6 “(a) DELINQUENT BORROWERS PROHIBITED FROM
7 OBTAINING DIRECT OPERATING LOANS.—The Secretary
8 may not make a direct operating loan under subtitle B
9 to a borrower who is delinquent on any loan made or guar-
10 anteed under this title.

11 “(b) LOANS PROHIBITED FOR BORROWERS THAT
12 HAVE RECEIVED DEBT FORGIVENESS.—

13 “(1) IN GENERAL.—Except as provided in para-
14 graph (2), the Secretary may not make or guarantee
15 a loan under this title to a borrower who received
16 debt forgiveness on a loan made or guaranteed
17 under this title.

18 “(2) EXCEPTION.—The Secretary may make a
19 direct or guaranteed farm operating loan for paying
20 annual farm or ranch operating expenses of a bor-
21 rower who was restructured with a write-down under
22 section 353.

23 “(c) NO MORE THAN ONE DEBT FORGIVENESS FOR
24 A BORROWER ON A DIRECT LOAN.—The Secretary may
25 not provide to a borrower debt forgiveness on a direct loan

1 made under this title if the borrower has received debt
2 forgiveness on another direct loan made under this title.”.

3 GRACE PERIOD FOR PROHIBITION ON LENDING TO
4 DELINQUENT BORROWERS

5 SEC. 3.—The amendment made by section 2 shall be-
6 come effective on July 5, 1996. This bill would provide
7 a grace period for implementation of section 373 of the
8 Consolidated Farm and Rural Development Act (the
9 “ConAct”) (7 U.S.C. 1921 et seq.) until July 5, 1996.
10 Section 373 of the ConAct, which was added by the Fed-
11 eral Agriculture Improvement and Reform Act of 1996
12 (Public Law 104–127, April 4, 1996), prohibits direct op-
13 erating loans to a borrower who: (1) is delinquent on any
14 direct loan or guaranteed loan; or (2) has received debt
15 forgiveness on any direct or guaranteed loan, with an ex-
16 ception for a borrower who was restructured under section
17 353 of the ConAct.

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