fiscal years 2003 through 2007" and inserting "for fiscal year 2008 and each fiscal year thereafter".

(2) COMMODITY DISTRIBUTION PROGRAM.—Section 4(a) of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c note; Public Law 93–86) is amended in the first sentence by striking "years 1991 through 2007" and inserting "years 2008 through 2012".

(3) COMMODITY SUPPLEMENTAL FOOD PROGRAM.—Section 5 of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c note; Public Law 93–86) is amended—

(A) in subsection (a)—

(i) in paragraph (1), by striking "each of fiscal years 2003 through 2007" and inserting "each of fiscal years 2008 through 2012"; and

(ii) in paragraph (2)(B), by striking the subparagraph designation and heading and all that follows through "2007" and inserting the following:

"(B) SUBSEQUENT FISCAL YEARS.—For each of fiscal years 2004 through 2012"; and

(B) in subsection (d)(2), by striking "each of the fiscal years 1991 through 2007" and inserting "each of fiscal years 2008 through 2012".

(4) DISTRIBUTION OF SURPLUS COMMODITIES TO SPECIAL NUTRITION PROJECTS.—Section 1114(a)(2)(A) of the Agriculture and Food Act of 1981 (7 U.S.C. 1431e(2)(A)) is amended in the first sentence by striking "Effective through September 30, 2007" and inserting "For each of fiscal years 2008 through 2012".

(c) FARM SECURITY AND RURAL INVESTMENT.—

(1) SENIORS FARMERS' MARKET NUTRITION PROGRAM.—Section 4402 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 3007) is amended by striking by striking subsection (a) and inserting the following:

"(a) FUNDING.—Of the funds of the Commodity Credit Corporation, the Secretary of Agriculture shall use to carry out and expand the seniors farmers' market nutrition program $20,600,000 for each of fiscal years 2008 through 2012.".

(2) NUTRITION INFORMATION AND AWARENESS PILOT PROGRAM.—Section 4403(f) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 3171 note; Public Law 107–171) is amended by striking "2007" and inserting "2012".

SEC. 4407. EFFECTIVE AND IMPLEMENTATION DATES.

Except as otherwise provided in this title, this title and the amendments made by this title take effect on October 1, 2008.

TITLE V—CREDIT

Subtitle A—Farm Ownership Loans

SEC. 5001. DIRECT LOANS.

Section 302 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1922) is amended—

(1) by striking the section designation and heading and all that follows through "(a) The Secretary is authorized to" and inserting the following:

"SEC. 302. PERSONS ELIGIBLE FOR REAL ESTATE LOANS.

"(a) IN GENERAL.—The Secretary may"; and

(2) in subsection (a)(2), by inserting ", taking into consideration all farming experience of the applicant, without regard to any lapse between farming experiences" after "farming operations".

SEC. 5002. CONSERVATION LOAN AND LOAN GUARANTEE PROGRAM.

Section 304 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1924) is amended to read as follows:

"SEC. 304. CONSERVATION LOAN AND LOAN GUARANTEE PROGRAM.

"(a) IN GENERAL.—The Secretary may make or guarantee qualified conservation loans to eligible borrowers under this section.

"(b) DEFINITIONS.—In this section:

"(1) QUALIFIED CONSERVATION LOAN.—The term 'qualified conservation loan' means a loan, the proceeds of which are used to cover the costs to the borrower of carrying out a qualified conservation project.

"(2) QUALIFIED CONSERVATION PROJECT.—The term 'qualified conservation project' means conservation measures that address provisions of a conservation plan of the eligible borrower.

"(3) CONSERVATION PLAN.—The term 'conservation plan' means a plan, approved by the Secretary, that, for a farming or ranching operation, identifies the conservation activities that will be addressed with loan funds provided under this section, including—

"(A) the installation of conservation structures to address soil, water, and related resources;

"(B) the establishment of forest cover for sustained yield timber management, erosion control, or shelter belt purposes;

"(C) the installation of water conservation measures;

"(D) the installation of waste management systems;

"(E) the establishment or improvement of permanent pasture;

"(F) compliance with section 1212 of the Food Security Act of 1985; and

"(G) other purposes consistent with the plan, including the adoption of any other emerging or existing conservation practices, techniques, or technologies approved by the Secretary.

"(c) ELIGIBILITY.—

"(1) IN GENERAL.—The Secretary may make or guarantee loans to farmers or ranchers in the United States, farm cooperatives, private domestic corporations, partnerships, joint operations, trusts, or limited liability companies that are controlled by farmers or ranchers and engaged primarily and directly in agricultural production in the United States.

"(2) REQUIREMENTS.—To be eligible for a loan under this section, applicants shall meet the requirements in paragraphs (1) and (2) of section 302(a).

"(d) PRIORITY.—In making or guaranteeing loans under this section, the Secretary shall give priority to—

"(1) qualified beginning farmers or ranchers and socially disadvantaged farmers or ranchers;

"(2) owners or tenants who use the loans to convert to sustainable or organic agricultural production systems; and

"(3) producers who use the loans to build conservation structures or establish conservation practices to comply with section 1212 of the Food Security Act of 1985.

"(e) LIMITATIONS APPLICABLE TO LOAN GUARANTEES.—The portion of a loan that the Secretary may guarantee under this section shall be 75 percent of the principal amount of the loan.

"(f) ADMINISTRATIVE PROVISIONS.—The Secretary shall ensure, to the maximum extent practicable, that loans made or guaranteed under this section are distributed across diverse geographic regions.

"(g) CREDIT ELIGIBILITY.—The provisions of paragraphs (1) and (3) of section 333 shall not apply to loans made or guaranteed under this section.

"(h) AUTHORIZATION OF APPROPRIATIONS.—For each of fiscal years 2008 through 2012, there are authorized to be appropriated to the Secretary such funds as are necessary to carry out this section.".

SEC. 5003. LIMITATIONS ON AMOUNT OF FARM OWNERSHIP LOANS.

Section 305(a)(2) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1925(a)(2)) is amended by striking "$200,000" and inserting "$300,000".

SEC. 5004. DOWN PAYMENT LOAN PROGRAM.

Section 310E of the Consolidated Farm and Rural Development Act (7 U.S.C. 1935) is amended—

(1) in subsection (a)(1), by striking "and ranchers" and inserting "or ranchers and socially disadvantaged farmers or ranchers";

(2) in subsection (b)—

(A) by striking paragraph (1) and inserting the following;

"(1) PRINCIPAL.—Each loan made under this section shall be in an amount that does not exceed 45 percent of the least of—

"(A) the purchase price of the farm or ranch to be acquired;

"(B) the appraised value of the farm or ranch to be acquired; or

"(C) $500,000.

"(2) INTEREST RATE.—The interest rate on any loan made by the Secretary under this section shall be a rate equal to the greater of—

"(A) the difference obtained by subtracting 4 percent from the interest rate for farm ownership loans under this subtitle; or

"(B) 1.5 percent."; and

(B) in paragraph (3), by striking "15" and inserting "20";

(3) in subsection (c)—

(A) in paragraph (1), by striking "10" and inserting "5";

(B) by striking paragraph (2) and redesignating paragraph (3) as paragraph (2); and

(C) in paragraph (2)(B) (as so redesignated), by striking "15-year" and inserting "20-year";

(4) in subsection (d)—

(A) in paragraph (3)—

(i) by inserting "and socially disadvantaged farmers or ranchers" after "ranchers"; and

(ii) by striking "and" at the end;

(B) in paragraph (4), by striking "and ranchers." and inserting " or ranchers or socially disadvantaged farmers or ranchers; and"; and

(C) by adding at the end the following:

"(5) establish annual performance goals to promote the use of the down payment loan program and other joint financing arrangements as the preferred choice for direct real estate loans made by any lender to a qualified beginning farmer or rancher or socially disadvantaged farmer or rancher."; and

(5) by adding at the end the following:

"(e) SOCIALLY DISADVANTAGED FARMER OR RANCHER DEFINED.—In this section, the term 'socially disadvantaged farmer or rancher' has the meaning given that term in section 355(e)(2).".

SEC. 5005. BEGINNING FARMER OR RANCHER AND SOCIALLY DISADVANTAGED FARMER OR RANCHER CONTRACT LAND SALES PROGRAM.

Section 310F of the Consolidated Farm and Rural Development Act (7 U.S.C. 1936) is amended to read as follows:

"SEC. 310F. BEGINNING FARMER OR RANCHER AND SOCIALLY DISADVANTAGED FARMER OR RANCHER CONTRACT LAND SALES PROGRAM.

"(a) IN GENERAL.—The Secretary shall, in accordance with this section, guarantee a loan made by a private seller of a farm or ranch to a qualified beginning farmer or rancher or socially disadvantaged farmer or rancher (as defined in section 355(e)(2)) on a contract land sales basis.

"(b) ELIGIBILITY.—In order to be eligible for a loan guarantee under subsection (a)—

"(1) the qualified beginning farmer or rancher or socially disadvantaged farmer or rancher shall—

"(A) on the date the contract land sale that is subject of the loan is complete, own and operate the farm or ranch that is the subject of the contract land sale;

"(B) have a credit history that—

"(i) includes a record of satisfactory debt repayment, as determined by the Secretary; and

"(ii) is acceptable to the Secretary; and

"(C) demonstrate to the Secretary that the farmer or rancher, as the case may be, is unable to obtain sufficient credit without a guarantee to finance any actual need of the farmer or rancher, as the case may be, at a reasonable rate or term; and

"(2) the loan shall meet applicable underwriting criteria, as determined by the Secretary.

"(c) LIMITATIONS.—

"(1) DOWN PAYMENT.—The Secretary shall not provide a loan guarantee under subsection (a) if the contribution of the qualified beginning farmer or rancher or socially disadvantaged farmer or rancher to the down payment for the farm or ranch that is the subject of the contract land sale would be less than 5 percent of the purchase price of the farm or ranch.

"(2) MAXIMUM PURCHASE PRICE.—The Secretary shall not provide a loan guarantee under subsection (a) if the purchase price or the appraisal value of the farm or ranch that is the subject of the contract land sale is greater than $500,000.

"(d) PERIOD OF GUARANTEE.—The period during which a loan guarantee under this section is in effect shall be the 10-year period beginning with the date the guarantee is provided.

"(e) GUARANTEE PLAN.—

"(1) SELECTION OF PLAN.—A private seller of a farm or ranch who makes a loan that is guaranteed by the Secretary under subsection (a) may select—

"(A) a prompt payment guarantee plan, which shall cover—

"(i) 3 amortized annual installments; or

"(ii) an amount equal to 3 annual installments (including an amount equal to the total cost of any tax and insurance incurred during the period covered by the annual installments); or

"(B) a standard guarantee plan, which shall cover an amount equal to 90 percent of the outstanding principal of the loan.

"(2) ELIGIBLITY FOR STANDARD GUARANTEE PLAN.—In order for a private seller to be eligible for a standard guarantee plan referred to in paragraph (1)(B), the private seller shall—

"(A) secure a commercial lending institution or similar entity, as determined by the Secretary, to serve as an escrow agent; or

"(B) in cooperation with the farmer or rancher, use an appropriate alternate arrangement, as determined by the Secretary.

"(f) TRANSITION FROM PILOT PROGRAM.—

"(1) IN GENERAL.—The Secretary may phase-in the implementation of the changes to the Beginning Farmer and Rancher and Socially Disadvantaged Farmer or Rancher Contract Land Sales Program provided for in this section.

"(2) LIMITATION.—All changes to the Beginning Farmer and Rancher and Socially Disadvantaged Farmer or Rancher Contract Land Sales Program must be implemented for the 2011 Fiscal Year.".

Subtitle B—Operating Loans

SEC. 5101. FARMING EXPERIENCE AS ELIGIBILITY REQUIREMENT.

Section 311 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1941) is amended—

(1) by striking the section designation and all that follows through "(a) The Secretary is authorized to" and inserting the following:

"SEC. 311. PERSONS ELIGIBLE FOR LOANS.

"(a) IN GENERAL.—The Secretary may";

(2) in subsection (a)(2), by inserting ", taking into consideration all farming experience of the applicant, without regard to any lapse between farming experiences" after "farming operations".

SEC. 5102. LIMITATIONS ON AMOUNT OF OPERATING LOANS.

Section 313(a)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1943(a)(1)) is amended by striking "$200,000" and inserting "$300,000".

SEC. 5103. SUSPENSION OF LIMITATION ON PERIOD FOR WHICH BORROWERS ARE ELIGIBLE FOR GUARANTEED ASSISTANCE.

Section 5102 of the Farm Security And Rural Investment Act of 2002 (7 U.S.C. 1949 note; Public Law 107–171) is amended by striking "September 30, 2007" and inserting "December 31, 2010".

Subtitle C—Emergency Loans

SEC. 5201. ELIGIBILITY OF EQUINE FARMERS AND RANCHERS FOR EMERGENCY LOANS.

Section 321(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961(a)) is amended—

(1) in paragraph (1), by striking "farmers, ranchers" and inserting "farmers or ranchers (including equine farmers or ranchers)"; and

(2) in paragraph (2)(A), by striking "farming, ranching," and inserting "farming or ranching (including equine farming or ranching)".

Subtitle D—Administrative Provisions

SEC. 5301. BEGINNING FARMER AND RANCHER INDIVIDUAL DEVELOPMENT ACCOUNTS PILOT PROGRAM.

Subtitle D of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981–2008r) is amended by inserting after section 333A the following:

"SEC. 333B. BEGINNING FARMER AND RANCHER INDIVIDUAL DEVELOPMENT ACCOUNTS PILOT PROGRAM.

"(a) DEFINITIONS.—In this section:

"(1) DEMONSTRATION PROGRAM.—The term 'demonstration program' means a demonstration program carried out by a qualified entity under the pilot program established in subsection (b)(1).

"(2) ELIGIBLE PARTICIPANT.—The term 'eligible participant' means a qualified beginning farmer or rancher that—

"(A) lacks significant financial resources or assets; and

"(B) has an income that is less than—

"(i) 80 percent of the median income of the State in which the farmer or rancher resides; or

"(ii) 200 percent of the most recent annual Federal Poverty Income Guidelines published by the Department of Health and Human Services for the State.

"(3) INDIVIDUAL DEVELOPMENT ACCOUNT.—The term 'individual development account' means a savings account described in subsection (b)(4)(A).

"(4) QUALIFIED ENTITY.—

"(A) IN GENERAL.—The term 'qualified entity' means—

"(i) 1 or more organizations—

"(I) described in section 501(c)(3) of the Internal Revenue Code of 1986; and

"(II) exempt from taxation under section 501(a) of such Code; or

"(ii) a State, local, or tribal government submitting an application jointly with an organization described in clause (i).

"(B) NO PROHIBITION ON COLLABORATION.—An organization described in subparagraph (A)(i) may collaborate with a financial institution or for-profit community development corporation to carry out the purposes of this section.

"(b) PILOT PROGRAM.—

"(1) IN GENERAL.—The Secretary shall establish a pilot program to be known as the 'New Farmer Individual Development Accounts Pilot Program' under which the Secretary shall work through qualified entities to establish demonstration programs—

"(A) of at least 5 years in duration; and

"(B) in at least 15 States.

"(2) COORDINATION.—The Secretary shall operate the pilot program through, and in coordination with the farm loan programs of, the Farm Service Agency.

"(3) RESERVE FUNDS.—

"(A) IN GENERAL.—A qualified entity carrying out a demonstration program under this section shall establish a reserve fund consisting of a non-Federal match of 50 percent of the total amount of the grant awarded to the demonstration program under this section.

"(B) FEDERAL FUNDS.—After the qualified entity has deposited the non-Federal matching funds described in subparagraph (A) in the reserve fund, the Secretary shall provide the total amount of the grant awarded under this section to the demonstration program for deposit in the reserve fund.

"(C) USE OF FUNDS.—Of the funds deposited under subparagraph (B) in the reserve fund established for a demonstration program, the qualified entity carrying out the demonstration program—

"(i) may use up to 10 percent for administrative expenses; and

"(ii) shall use the remainder in making matching awards described in paragraph (4)(B)(ii)(I).

"(D) INTEREST.—Any interest earned on amounts in a reserve fund established under subparagraph (A) may be used by the qualified entity as additional matching funds for, or to administer, the demonstration program.

"(E) GUIDANCE.—The Secretary shall issue guidance regarding the investment requirements of reserve funds established under this paragraph.

"(F) REVERSION.—On the date on which all funds remaining in any individual development account established by a qualified entity have reverted under paragraph (5)(B)(ii) to the reserve fund established by the qualified entity, there shall revert to the Treasury of the United States a percentage of the amount (if any) in the reserve fund equal to—

“(i) the amount of Federal funds deposited in the reserve fund under subparagraph (B) that were not used for administrative expenses; divided by

“(ii) the total amount of funds deposited in the reserve fund.

“(4) INDIVIDUAL DEVELOPMENT ACCOUNTS.—

“(A) IN GENERAL.—A qualified entity receiving a grant under this section shall establish and administer individual development accounts for eligible participants.

“(B) CONTRACT REQUIREMENTS.—To be eligible to receive funds under this section from a qualified entity, an eligible participant shall enter into a contract with only 1 qualified entity under which—

“(i) the eligible participant agrees—

“(I) to deposit a certain amount of funds of the eligible participant in a personal savings account, as prescribed by the contractual agreement between the eligible participant and the qualified entity;

“(II) to use the funds described in subclause (I) only for 1 or more eligible expenditures described in paragraph (5)(A); and

“(III) to complete financial training; and

“(ii) the qualified entity agrees—

“(I) to deposit, not later than 1 month after an amount is deposited pursuant to clause (i)(I), at least a 100-percent, and up to a 200-percent, match of that amount into the individual development account established for the eligible participant; and

“(II) with uses of funds proposed by the eligible participant.

“(C) LIMITATION.—

“(i) IN GENERAL.—A qualified entity administering a demonstration program under this section may provide not more than $6,000 for each fiscal year in matching funds to the individual development account established by the qualified entity for an eligible participant.

“(ii) TREATMENT OF AMOUNT.—An amount provided under clause (i) shall not be considered to be a gift or loan for mortgage purposes.

“(5) ELIGIBLE EXPENDITURES.—

“(A) IN GENERAL.—An eligible expenditure described in this subparagraph is an expenditure—

“(i) to purchase farmland or make a down payment on an accepted purchase offer for farmland;

“(ii) to make mortgage payments on farmland purchased pursuant to clause (i), for up to 180 days after the date of the purchase;

“(iii) to purchase breeding stock, fruit or nut trees, or trees to harvest for timber; and

“(iv) for other similar expenditures, as determined by the Secretary.

“(B) TIMING.—

“(i) IN GENERAL.—An eligible participant may make an eligible expenditure at any time during the

2-year period beginning on the date on which the last matching funds are provided under paragraph (4)(B)(ii)(I) to the individual development account established for the eligible participant.

"(ii) UNEXPENDED FUNDS.—At the end of the period described in clause (i), any funds remaining in an individual development account established for an eligible participant shall revert to the reserve fund of the demonstration program under which the account was established.

"(c) APPLICATIONS.—

"(1) IN GENERAL.—A qualified entity that seeks to carry out a demonstration program under this section may submit to the Secretary an application at such time, in such form, and containing such information as the Secretary may prescribe.

"(2) CRITERIA.—In considering whether to approve an application to carry out a demonstration program under this section, the Secretary shall assess—

"(A) the degree to which the demonstration program described in the application is likely to aid eligible participants in successfully pursuing new farming opportunities;

"(B) the experience and ability of the qualified entity to responsibly administer the demonstration program;

"(C) the experience and ability of the qualified entity in recruiting, educating, and assisting eligible participants to increase economic independence and pursue or advance farming opportunities;

"(D) the aggregate amount of direct funds from non-Federal public sector and private sources that are formally committed to the demonstration program as matching contributions;

"(E) the adequacy of the plan of the qualified entity to provide information relevant to an evaluation of the demonstration program; and

"(F) such other factors as the Secretary considers to be appropriate.

"(3) PREFERENCES.—In considering an application to conduct a demonstration program under this section, the Secretary shall give preference to an application from a qualified entity that demonstrates—

"(A) a track record of serving clients targeted by the program, including, as appropriate, socially disadvantaged farmers or ranchers (as defined in section 355(e)(2)); and

"(B) expertise in dealing with financial management aspects of farming.

"(4) APPROVAL.—Not later than 1 year after the date of enactment of this section, in accordance with this section, the Secretary shall, on a competitive basis, approve such applications to conduct demonstration programs as the Secretary considers appropriate.

"(5) TERM OF AUTHORITY.—If the Secretary approves an application to carry out a demonstration program, the Secretary shall authorize the applicant to carry out the project for a period of 5 years, plus an additional 2 years to make eligible expenditures in accordance with subsection (b)(5)(B).

"(d) GRANT AUTHORITY.—

"(1) IN GENERAL.—The Secretary shall make a grant to a qualified entity authorized to carry out a demonstration program under this section.

"(2) MAXIMUM AMOUNT OF GRANTS.—The aggregate amount of grant funds provided to a demonstration program carried out under this section shall not exceed $250,000.

"(3) TIMING OF GRANT PAYMENTS.—The Secretary shall pay the amounts awarded under a grant made under this section—

"(A) on the awarding of the grant; or

"(B) pursuant to such payment plan as the qualified entity may specify.

"(e) REPORTS.—

"(1) ANNUAL PROGRESS REPORTS.—

"(A) IN GENERAL.—Not later than 60 days after the end of the calendar year in which the Secretary authorizes a qualified entity to carry out a demonstration program under this section, and annually thereafter until the conclusion of the demonstration program, the qualified entity shall prepare an annual report that includes, for the period covered by the report—

"(i) an evaluation of the progress of the demonstration program;

"(ii) information about the demonstration program, including the eligible participants and the individual development accounts that have been established; and

"(iii) such other information as the Secretary may require.

"(B) SUBMISSION OF REPORTS.—A qualified entity shall submit each report required under subparagraph (A) to the Secretary.

"(2) REPORTS BY THE SECRETARY.—Not later than 1 year after the date on which all demonstration programs under this section are concluded, the Secretary shall submit to Congress a final report that describes the results and findings of all reports and evaluations carried out under this section.

"(f) ANNUAL REVIEW.—The Secretary may conduct an annual review of the financial records of a qualified entity—

"(1) to assess the financial soundness of the qualified entity; and

"(2) to determine the use of grant funds made available to the qualified entity under this section.

"(g) REGULATIONS.—In carrying out this section, the Secretary may promulgate regulations to ensure that the program includes provisions for—

"(1) the termination of demonstration programs;

"(2) control of the reserve funds in the case of such a termination;

"(3) transfer of demonstration programs to other qualified entities; and

"(4) remissions from a reserve fund to the Secretary in a case in which a demonstration program is terminated without transfer to a new qualified entity.

"(h) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $5,000,000 for each of fiscal years 2008 through 2012.".

SEC. 5302. INVENTORY SALES PREFERENCES; LOAN FUND SET-ASIDES.

(a) INVENTORY SALES PREFERENCES.—Section 335(c) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1985(c)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (B)—

(i) in the subparagraph heading, by inserting "; SOCIALLY DISADVANTAGED FARMER OR RANCHER" after "OR RANCHER";

(ii) in clause (i), by inserting " or a socially disadvantaged farmer or rancher" after "or rancher";

(iii) in clause (ii), by inserting "or socially disadvantaged farmer or rancher" after "or rancher";

(iv) in clause (iii), by inserting "or a socially disadvantaged farmer or rancher" after "or rancher"; and

(v) in clause (iv), by striking "and ranchers" and inserting "or ranchers and socially disadvantaged farmers or ranchers"; and

(B) in subparagraph (C), by inserting "or a socially disadvantaged farmer or rancher" after "or rancher";

(2) in paragraph (5)(B)—

(A) in clause (i)—

(i) in the clause heading, by inserting "; SOCIALLY DISADVANTAGED FARMER OR RANCHER" after "OR RANCHER";

(ii) by inserting "or a socially disadvantaged farmer or rancher" after "a beginning farmer or rancher"; and

(iii) by inserting "or the socially disadvantaged farmer or rancher" after "the beginning farmer or rancher"; and

(B) in clause (ii)—

(i) in the matter preceding subclause (I), by inserting "or a socially disadvantaged farmer or rancher" after "or rancher"; and

(ii) in subclause (II), by inserting "or the socially disadvantaged farmer or rancher" after "or rancher"; and

(3) in paragraph (6)—

(A) in subparagraph (A), by inserting "or a socially disadvantaged farmer or rancher" after "or rancher"; and

(B) in subparagraph (C)—

(i) in clause (i)(I), by striking "and ranchers" and inserting "or ranchers and socially disadvantaged farmers or ranchers"; and

(ii) in clause (ii), by inserting "or socially disadvantaged farmers or ranchers" after "or ranchers".

(b) LOAN FUND SET-ASIDES.—Section 346(b)(2) of such Act (7 U.S.C. 1994(b)(2)) is amended—

(1) in subparagraph (A)—

(A) in clause (i)—

(i) in subclause (I), by striking "70 percent" and inserting "an amount that is not less than 75 percent of the total amount"; and

(ii) in subclause (II)—

(I) in the subclause heading, by inserting "; JOINT FINANCING ARRANGEMENTS" after "PAYMENT LOANS";

(II) by striking "60 percent" and inserting "an amount not less than ⅔ of the amount"; and

(III) by inserting "and joint financing arrangements under section 307(a)(3)(D)" after "section 310E"; and

(B) in clause (ii)(III), by striking "2003 through 2007, 35 percent" and inserting "2008 through 2012, an amount that is not less than 50 percent of the total amount"; and

(2) in subparagraph (B)(i), by striking "25 percent" and inserting "an amount that is not less than 40 percent of the total amount".

SEC. 5303. LOAN AUTHORIZATION LEVELS.

Section 346(b)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1994(b)(1)) is amended—

(1) in the matter preceding subparagraph (A), by striking "$3,796,000,000 for each of fiscal years 2003 through 2007" and inserting "$4,226,000,000 for each of fiscal years 2008 through 2012"; and

(2) in subparagraph (A)—

(A) in the matter preceding clause (i), by striking "$770,000,000" and inserting "$1,200,000,000";

(B) in clause (i), by striking "$205,000,000" and inserting "$350,000,000"; and

(C) in clause (ii), by striking "$565,000,000" and inserting "$850,000,000".

SEC. 5304. TRANSITION TO PRIVATE COMMERCIAL OR OTHER SOURCES OF CREDIT.

Subtitle D of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981–2008r) is amended by inserting after section 344 the following:

"SEC. 345. TRANSITION TO PRIVATE COMMERCIAL OR OTHER SOURCES OF CREDIT.

"(a) IN GENERAL.—In making or insuring a farm loan under subtitle A or B, the Secretary shall establish a plan and promulgate regulations (including performance criteria) that promote the goal of transitioning borrowers to private commercial credit and other sources of credit in the shortest period of time practicable.

"(b) COORDINATION.—In carrying out this section, the Secretary shall integrate and coordinate the transition policy described in subsection (a) with—

"(1) the borrower training program established by section 359;

"(2) the loan assessment process established by section 360;

"(3) the supervised credit requirement established by section 361;

"(4) the market placement program established by section 362; and

"(5) other appropriate programs and authorities, as determined by the Secretary.".

SEC. 5305. EXTENSION OF THE RIGHT OF FIRST REFUSAL TO REACQUIRE HOMESTEAD PROPERTY TO IMMEDIATE FAMILY MEMBERS OF BORROWER-OWNER.

Section 352(c)(4)(B) of the Consolidated Farm and Rural Development Act (7 U.S.C. 2000(c)(4)(B)) is amended—

(1) in the 1st sentence, by striking ", the borrower-owner" inserting "of a borrower-owner who is a socially disadvantaged farmer or rancher (as defined in section 355(e)(2)), the borrower-owner or a member of the immediate family of the borrower-owner"; and

(2) in the 2nd sentence, by inserting "or immediate family member, as the case may be," before "from".

SEC. 5306. RURAL DEVELOPMENT AND FARM LOAN PROGRAM ACTIVITIES.

Subtitle D of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981–2008r) is amended by inserting after section 364 the following:

"SEC. 365. RURAL DEVELOPMENT AND FARM LOAN PROGRAM ACTIVITIES.

"The Secretary may not complete a study of, or enter into a contract with a private party to carry out, without specific authorization in a subsequent Act of Congress, a competitive sourcing activity of the Secretary, including support personnel of the Department of Agriculture, relating to rural development or farm loan programs.".

Subtitle E—Farm Credit

SEC. 5401. FARM CREDIT SYSTEM INSURANCE CORPORATION.

(a) IN GENERAL.—Section 1.12(b) of the Farm Credit Act of 1971 (12 U.S.C. 2020(b)) is amended—

(1) in the first sentence, by striking "Each Farm" and inserting the following;

"(1) IN GENERAL.—Each Farm"; and

(2) by striking the second sentence and inserting the following:

"(2) COMPUTATION.—The assessment on any association or other financing institution described in paragraph (1) for any period shall be computed in an equitable manner, as determined by the Corporation.".

(b) RULES AND REGULATIONS.—Section 5.58(10) of such Act (12 U.S.C. 2277a-7(10)) is amended by inserting "and section 1.12(b)" after "part".

SEC. 5402. TECHNICAL CORRECTION.

Section 3.3(b) of the Farm Credit Act of 1971 (12 U.S.C. 2124(b)) is amended in the first sentence by striking "per" and inserting "par".

SEC. 5403. BANK FOR COOPERATIVES VOTING STOCK.

(a) IN GENERAL.—Section 3.3(c) of the Farm Credit Act of 1971 (12 U.S.C. 2124(c)) is amended by striking "and (ii)" and inserting "(ii) other categories of persons and entities described in sections 3.7 and 3.8 eligible to borrow from the bank, as determined by the bank's board of directors; and (iii)".

(b) CONFORMING AMENDMENTS.—Section 4.3A(c)(1)(D) of such Act (12 U.S.C. 2154a(c)(1)(D)) is amended by redesignating clauses (ii) and (iii) as clauses (iii) and (iv), respectively, and inserting after clause (i) the following:

"(ii) persons and entities eligible to borrow from the banks for cooperatives, as described in section 3.3(c)(ii);".

SEC. 5404. PREMIUMS.

(a) AMOUNT IN FUND NOT EXCEEDING SECURE BASE AMOUNT.—Section 5.55(a) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-4(a)) is amended—

(1) in paragraph (1)—

(A) in the matter preceding subparagraph (A)—

(i) by striking "paragraph (2)" and inserting "paragraph (3)"; and

(ii) by striking "annual" ; and

(B) by striking subparagraphs (A) through (D) and inserting the following:

"(A) the average outstanding insured obligations issued by the bank for the calendar year, after deducting from the obligations the percentages of the guaranteed portions of loans and investments described in paragraph (2), multiplied by 0.0020; and

"(B) the product obtained by multiplying—

"(i) the sum of—

"(I) the average principal outstanding for the calendar year on loans made by the bank that are in nonaccrual status; and

"(II) the average amount outstanding for the calendar year of other-than-temporarily impaired investments made by the bank; by

"(ii) 0.0010.";

(2) by striking paragraph (4);

(3) by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively;

(4) by inserting after paragraph (1) the following:

"(2) DEDUCTIONS FROM AVERAGE OUTSTANDING INSURED OBLIGATIONS.—The average outstanding insured obligations issued by the bank for the calendar year referred to in paragraph (1)(A) shall be reduced by deducting from the obligations the sum of (as determined by the Corporation)—

"(A) 90 percent of each of—

"(i) the average principal outstanding for the calendar year on the guaranteed portions of Federal government-guaranteed loans made by the bank that are in accrual status; and

"(ii) the average amount outstanding for the calendar year of the guaranteed portions of Federal government-guaranteed investments made by the bank that are not permanently impaired; and

"(B) 80 percent of each of—

"(i) the average principal outstanding for the calendar year on the guaranteed portions of State government-guaranteed loans made by the bank that are in accrual status; and

"(ii) the average amount outstanding for the calendar year of the guaranteed portions of State government-guaranteed investments made by the bank that are not permanently impaired.";

(5) in paragraph (3) (as so redesignated by paragraph (3) of this subsection), by striking "annual"; and

(6) in paragraph (4) (as so redesignated by paragraph (3) of this subsection)—

(A) in the paragraph heading, by inserting "OR INVESTMENTS" after "LOANS" ; and

(B) in the matter preceding subparagraph (A), by striking "As used" and all that follows through "guaranteed—" and inserting "In this section, the term 'government-guaranteed', when applied to a loan or an investment, means a loan, credit, or investment, or portion of a loan, credit, or investment, that is guaranteed—".

(b) AMOUNT IN FUND EXCEEDING SECURE BASE AMOUNT.—Section 5.55(b) of such Act (12 U.S.C. 2277a-4(b)) is amended by striking "annual".

(c) SECURE BASE AMOUNT.—Section 5.55(c) of such Act (12 U.S.C. 2277a-4(c)) is amended—

(1) by striking "For purposes" and inserting the following: "(1) IN GENERAL.—For purposes";

(2) by striking "(adjusted downward" and all that follows through "by the Corporation)" and inserting "(as adjusted under paragraph (2))"; and

(3) by adding at the end the following:

"(2) ADJUSTMENT.—The aggregate outstanding insured obligations of all insured System banks under paragraph (1) shall be adjusted downward to exclude an amount equal to the sum of (as determined by the corporation)—

"(A) 90 percent of each of—

"(i) the guaranteed portions of principal outstanding on Federal government-guaranteed loans in accrual status made by the banks; and

"(ii) the guaranteed portions of the amount of Federal government-guaranteed investments made by the banks that are not permanently impaired; and

"(B) 80 percent of each of—

"(i) the guaranteed portions of principal outstanding on State government-guaranteed loans in accrual status made by the banks; and

"(ii) the guaranteed portions of the amount of State government-guaranteed investments made by the banks that are not permanently impaired.".

(d) DETERMINATION OF LOAN AND INVESTMENT AMOUNTS.—Section 5.55(d) of such Act (12 U.S.C. 2277a-4(d)) is amended—

(1) in the subsection heading, by striking "PRINCIPAL OUTSTANDING" and inserting "LOAN AND INVESTMENT AMOUNTS";

(2) in the matter preceding paragraph (1), by striking "For the purpose" and all that follows through "made—" and inserting "For the purpose of subsections (a) and (c), the principal outstanding on all loans made by an insured System bank, and the amount outstanding on all investments made by an insured System bank, shall be determined based on—";

(3) in each of paragraphs (1), (2), and (3), by inserting "all loans or investments made" before "by" the first place it appears; and

(4) in each of paragraphs (1) and (2), by inserting "or investments" after "that is able to make such loans" each place it appears.

(e) ALLOCATION TO SYSTEM INSTITUTIONS OF EXCESS RESERVES.—Section 5.55(e) of such Act (12 U.S.C. 2277a-4(e)) is amended—

(1) in paragraph (3), by striking "the average secure base amount for the calendar year (as calculated on an average daily balance basis)" and inserting "the secure base amount";

(2) in paragraph (4), by striking subparagraph (B) and inserting the following:

"(B) there shall be credited to the allocated insurance reserves account of each insured system bank an amount that bears the same ratio to the total amount (less any amount credited under subparagraph (A)) as—

"(i) the average principal outstanding for the calendar year on insured obligations issued by the bank (after deducting from the principal the percentages of the guaranteed portions of loans and investments described in subsection (a)(2)); bears to

"(ii) the average principal outstanding for the calendar year on insured obligations issued by all insured System banks (after deducting from the principal the percentages of the guaranteed portions of loans and investments described in subsection (a)(2))."; and

(3) in paragraph (6)—

(A) in subparagraph (A)—

(i) in the matter preceding clause (i), by striking "beginning more" and all that follows through "January 1, 2005";

(ii) by striking clause (i) and inserting the following:

"(i) subject to subparagraph (D), pay to each insured System bank, in a manner determined by the Corporation, an amount equal to the balance in the Allocated Insurance Reserves Account of the System bank; and"; and

(iii) in clause (ii)—

(I) by striking "subparagraphs (C), (E), and (F)" and inserting "subparagraphs (C) and (E)"; and

(II) by striking ", of the lesser of—" and all that follows through the end of subclause (II) and inserting "at the time of the termination of the Financial Assistance Corporation, of the balance in the Allocated Insurance Reserves Account established under paragraph (1)(B).";

(B) in subparagraph (C)—

(i) in clause (i), by striking "(in addition to the amounts described in subparagraph (F)(ii))"; and

(ii) by striking clause (ii) and inserting the following:

"(ii) TERMINATION OF ACCOUNT.—On disbursement of an amount equal to $56,000,000, the Corporation shall—

"(I) close the account established under paragraph (1)(B); and

"(II) transfer any remaining funds in the Account to the remaining Allocated Insurance Reserves Accounts in accordance with paragraph (4)(B) for the calendar year in which the transfer occurs."; and

(C) by striking subparagraph (F).

SEC. 5405. CERTIFICATION OF PREMIUMS.

(a) FILING CERTIFIED STATEMENT.—Section 5.56 of the Farm Credit Act of 1971 (12 U.S.C. 2277a–5) is amended by striking subsection (a) and inserting the following:

"(a) FILING CERTIFIED STATEMENT.—On a date to be determined in the sole discretion of the Board of Directors of the Corporation, each insured System bank that became insured before the beginning of the period for which premiums are being assessed (referred to in this section as the 'period') shall file with the Corporation a certified statement showing—

"(1) the average outstanding insured obligations for the period issued by the bank;

"(2)(A) the average principal outstanding for the period on the guaranteed portion of Federal government-guaranteed loans that are in accrual status; and

"(B) the average amount outstanding for the period of Federal government-guaranteed investments that are not permanently impaired (as defined in section 5.55(a)(4));

"(3)(A) the average principal outstanding for the period on State government-guaranteed loans that are in accrual status; and

"(B) the average amount outstanding for the period of State government-guaranteed investments that are not permanently impaired (as defined in section 5.55(a)(4));

"(4)(A) the average principal outstanding for the period on loans that are in nonaccrual status; and

"(B) the average amount outstanding for the period of other-than-temporarily impaired investments; and

"(5) the amount of the premium due the Corporation from the bank for the period.".

(b) PREMIUM PAYMENTS.—Section 5.56 of such Act (12 U.S.C. 2277a–5) is amended by striking subsection (c) and inserting the following:

"(c) PREMIUM PAYMENTS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), each insured System bank shall pay to the Corporation the premium payments required under subsection (a), not more frequently than once in each calendar quarter, in such manner and at such 1 or more times as the Board of Directors shall prescribe.

"(2) PREMIUM AMOUNT.—The amount of the premium shall be established not later than 60 days after filing the certified statement specifying the amount of the premium.".

(c) SUBSEQUENT PREMIUM PAYMENTS.—Section 5.56 of such Act (12 U.S.C. 2277a–5) is amended—

(1) by striking subsection (d); and
(2) by redesignating subsection (e) as subsection (d).

SEC. 5406. RURAL UTILITY LOANS.

(a) DEFINITION OF QUALIFIED LOAN.—Section 8.0(9) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(9)) is amended—

(1) in subparagraph (A)(iii), by striking "or" at the end;

(2) in subparagraph (B)(ii), by striking the period at the end and inserting "; or"; and

(3) by adding at the end the following:

"(C) that is a loan, or an interest in a loan, for an electric or telephone facility by a cooperative lender to a borrower that has received, or is eligible to receive, a loan under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.).".

(b) GUARANTEE OF QUALIFIED LOANS.—Section 8.6(a)(1) of such Act (12 U.S.C. 2279aa–6(a)(1)) is amended by inserting "applicable" before "standards" each place it appears in subparagraphs (A) and (B)(i).

(c) STANDARDS FOR QUALIFIED LOANS.—Section 8.8 of such Act (12 U.S.C. 2279aa–8) is amended—

(1) in subsection (a)—

(A) by striking the first sentence and inserting the following:

"(1) IN GENERAL.—The Corporation shall establish underwriting, security appraisal, and repayment standards for qualified loans taking into account the nature, risk profile, and other differences between different categories of qualified loans.

"(2) SUPERVISION, EXAMINATION, AND REPORT OF CONDITION.—The standards shall be subject to the authorities of the Farm Credit Administration under section 8.11."; and

(B) in the last sentence, by striking "In establishing" and inserting the following:

"(3) MORTGAGE LOANS.—In establishing";

(2) in subsection (b)—

(A) in the matter preceding paragraph (1), by inserting "with respect to loans secured by agricultural real estate" after "subsection (a)"; and

(B) in paragraph (5)—

(i) by striking "borrower" the first place it appears and inserting "farmer or rancher"; and

(ii) by striking "site" and inserting "farm or ranch";

(3) in subsection (c)(1), by inserting "secured by agricultural real estate" after "A loan";

(4) by striking subsection (d); and

(5) by redesignating subsection (e) as subsection (d).

(d) RISK-BASED CAPITAL LEVELS.—Section 8.32(a)(1) of such Act (12 U.S.C. 2279bb–1(a)(1)) is amended—

(1) by striking "With respect" and inserting the following:

"(A) IN GENERAL.—With respect"; and

(2) by adding at the end the following:

"(B) RURAL UTILITY LOANS.—With respect to securities representing an interest in, or obligation backed by, a pool of qualified loans described in section 8.0(9)(C) owned or guaranteed by the Corporation, losses occur at a rate of default and severity reasonably related to risks in electric

and telephone facility loans (as applicable), as determined by the Director.''.

SEC. 5407. EQUALIZATION OF LOAN-MAKING POWERS OF CERTAIN DISTRICT ASSOCIATIONS.

(a) IN GENERAL.—The Farm Credit Act of 1971 is amended by inserting after section 7.6 (12 U.S.C. 2279b) the following:

''SEC. 7.7. EQUALIZATION OF LOAN-MAKING POWERS OF CERTAIN DISTRICT ASSOCIATIONS.

''(a) EQUALIZATION OF LOAN-MAKING POWERS.—

''(1) IN GENERAL.—

''(A) FEDERAL LAND BANK ASSOCIATIONS.—Subject to paragraph (2), any association that owns a Federal land bank association authorized as of January 1, 2007, to make long-term loans under title I in its chartered territory within the geographic area described in subsection (b) may make short- and intermediate-term loans and otherwise operate as a production credit association under title II within that same chartered territory.

''(B) PRODUCTION CREDIT ASSOCIATIONS.—Subject to paragraph (2), any association that under its charter has title I lending authority and that owns a production credit association authorized as of January 1, 2007, to make short- and intermediate-term loans under title II in the geographic area described in subsection (b) may make long-term loans and otherwise operate, directly or through a subsidiary association, as a Federal land bank association or Federal land credit association under title I in the geographic area.

''(C) FARM CREDIT BANK.—Notwithstanding section 5.17(a), the Farm Credit Bank with which any association had a written financing agreement as of January 1, 2007, may make loans and extend other comparable financial assistance with respect to, and may purchase, any loans made under the new authority provided under subparagraph (A) or (B) by an association exercising such authority.

''(2) REQUIRED APPROVALS.—An association may exercise the additional authority provided for in paragraph (1) only after the exercise of the authority is approved by—

''(A) the board of directors of the association; and

''(B) a majority of the voting stockholders of the association (or, if the association is a subsidiary of another association, the voting stockholders of the parent association) voting, in person or by proxy, at a duly authorized meeting of stockholders in accordance with the process described in section 7.11.

''(b) APPLICABILITY.—This section applies only to associations the chartered territory of which was within the geographic area served by the Federal intermediate credit bank immediately prior to its merger with a Farm Credit Bank under section 410(e)(1) of the Agricultural Credit Act of 1987 (12 U.S.C. 2011 note; Public Law 100–233).''.

(b) CHARTER AMENDMENTS.—Section 5.17(a) of the Farm Credit Act of 1971 (12 U.S.C. 2252(a)) is amended by adding at the end the following:

''(15)(A) Approve amendments to the charters of institutions of the Farm Credit System to implement the equalization of

loan-making powers of a Farm Credit System association under section 7.7.

"(B) Amendments described in subparagraph (A) to the charters of an association and the related Farm Credit Bank shall be approved by the Farm Credit Administration, subject to any conditions of approval imposed, by not later than 30 days after the date on which the Farm Credit Administration receives all approvals required by section 7.7(a)(2).".

(c) CONFORMING AMENDMENTS.—

(1) Section 5.17(a)(2) of the Farm Credit Act of 1971 (12 U.S.C. 2252(a)(2)) is amended—

(A) by striking "(2)(A)" and inserting "(2)"; and

(B) by striking subparagraphs (B) and (C).

(2) SECTION 410 OF THE 1987 ACT.—Section 410(e)(1)(A)(iii) of the Agricultural Credit Act of 1987 (12 U.S.C. 2011 note; Public Law 100–233) is amended by inserting "(except section 7.7 of that Act)" after "(12 U.S.C. 2001 et seq.)".

(3) SECTION 401 OF THE 1992 ACT.—Section 401(b) of the Farm Credit Banks and Associations Safety and Soundness Act of 1992 (12 U.S.C. 2011 note; Public Law 102–552) is amended—

(A) by inserting "(except section 7.7 of the Farm Credit Act of 1971)" after "provision of law"; and

(B) by striking ", subject to such limitations" and all that follows through the end of the paragraph and inserting a period.

(d) EFFECTIVE DATE.—The amendments made by this section take effect on January 1, 2010.

Subtitle F—Miscellaneous

SEC. 5501. LOANS TO PURCHASERS OF HIGHLY FRACTIONED LAND.

The first section of Public Law 91–229 (25 U.S.C. 488) is amended—

(1) by striking "That the Secretary" and inserting the following:

"SECTION 1. LOANS TO PURCHASERS OF HIGHLY FRACTIONED LAND.

"(a) IN GENERAL.—The Secretary"; and

(2) by adding at the end the following:

"(b) HIGHLY FRACTIONATED LAND.—

"(1) IN GENERAL.—Subject to paragraph (2), the Secretary of Agriculture may make and insure loans in accordance with section 309 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1929) to eligible purchasers of highly fractionated land pursuant to section 205(c) of the Indian Land Consolidation Act (25 U.S.C. 2204(c)).

"(2) EXCLUSION.—Section 4 shall not apply to trust land, restricted tribal land, or tribal corporation land that is mortgaged in accordance with paragraph (1).".