

AMP Association-Type Minor Program loan  
 CFR Code of Federal Regulations  
 FO Farm Ownership Loan  
 FSA Farm Service Agency  
 IMP Individual-type Minor Program loan  
 OL Operating Loan  
 USDA United States Department of Agriculture

(b) *Definitions.*

*Association-type Minor Program loans:* Means Minor Program loans to Grazing Associations and Irrigation and Drainage Associations.

*Entity:* Cooperatives, corporations, partnerships, joint operations, trusts, or limited liability companies.

*Graduation:* The requirement contained in loan documents of a Minor Program borrower that they pay their FSA loan in full with funds received from a commercial lending source as a result of improvement in their financial condition.

*Individual-type Minor Program loans:* Means Minor Program Non-Farm Enterprise or Individual Recreation loans that are serviced under existing regulations as program OL and FO loans. These loans were made to both entities and individuals.

*Member:* Means any individual who has an ownership interest in the entity which has received the Minor Program loan.

*Minor Program:* Non-Farm Enterprise, Individual Recreation, Grazing Association, or Irrigation and Drainage loan programs administered or to be administered by FSA that are subject to prescribed program loan servicing requirements, and, of which, each program has fewer than 500 outstanding loans and less than \$100 million in outstanding debt.

*Review official.* An agency employee, contractor or designee who is authorized to conduct a compliance review of a Minor Program borrower.

**§ 772.3 Compliance.**

(a) *Requirements.* No Minor Program borrower shall directly, or through contractual or other arrangement, subject any person or cause any person to be subjected to discrimination on the basis of race, color, national origin, or disability. Borrowers must comply with all applicable Federal laws and regulations regarding equal opportunity in hiring, procurement, and related matters. FSA's civil rights requirements applicable to Minor Program borrowers are contained in title 7, part 15, subpart A and part 15b.

(b) *Reviews.* In accordance with Title VI of the Civil Rights Act of 1964, the Agency will conduct a compliance

review of all Minor Program borrowers, to determine if a borrower has directly, or through contractual or other arrangement, subjected any person or cause any person to be subjected to discrimination on the basis of race, color, or national origin. The borrower must allow the review official access to their premises and all records necessary to carry out the compliance review as determined by the review official.

(c) *Frequency and timing.* Compliance reviews will be conducted no later than October 31 of every third year until the Minor Program loan is paid in full or otherwise satisfied.

(d) *Violations.* If a borrower refuses to provide information or access to their premises as requested by a review official during a compliance review, or is determined by the Agency to be not in compliance in accordance with this section, the Agency will service the loan in accordance with the provisions of § 772.14 of this part.

**§ 772.4 Environmental requirements.**

Servicing activities such as transfers, assumptions, subordinations, sale or exchange of security property, and leasing of security will be reviewed for compliance with title 7, part 1940, subpart G of chapter XVIII of the Code of Regulations and the exhibits to that subpart.

**§ 772.5 Security maintenance.**

(a) *General.* Borrowers are responsible for maintaining the collateral that is serving as security for their Minor Program loan in accordance with their lien instruments, security agreement and promissory note.

(b) *Security Inspection.* The Agency will inspect real estate that is security for a Minor Program loan at least once every three years, and chattel security at least annually. More frequent security inspections may be made as determined necessary by the Agency. Borrowers will allow representatives of the Agency, or any agency of the U.S. Government, in accordance with statutes and regulations, such access to the security property as the agency determines is necessary to document compliance with the requirements of this section.

(c) *Violations.* If the Agency determines that the borrower has failed to adequately maintain security, made unapproved dispositions of security, or otherwise has placed the repayment of the Minor Program loan in jeopardy, the Agency will:

(1) For chattel security, service the account according to title 7, part 1962, subpart A of chapter XVIII of the Code of Federal Regulations. If any normal income security as defined in that

subpart secures a Minor Program loan, the reporting, approval and release provisions in that subpart shall apply.

(2) For real estate security for AMP loans, contact the Office of General Counsel for advice on the appropriate servicing including liquidation if warranted.

(3) For real estate security for IMP loans, service the account according to title 7, part 1951, subpart S, of chapter XVIII of the Code of Federal Regulations.

**§ 772.6 Subordination of security.**

(a) *Eligibility.* The Agency shall grant a subordination of Minor Program loan security when the transaction will further the purposes for which the loan was made, and:

(1) The loan will still be adequately secured after the subordination or the value of the loan security will be increased by the amount of advances to be made under the terms of the subordination.

(2) The borrower can document the ability to pay all debts including the new loan.

(3) The action does not change the nature of the borrower's activities to the extent that they would no longer be eligible for a Minor Program loan.

(4) The subordination is for a specific amount.

(5) The borrower is unable, as determined by the Agency, to refinance its loan and graduate in accordance with this subpart.

(6) The loan funds will not be used in such a way that will contribute to erosion of highly erodible land or conversion of wetlands for the production of an agricultural commodity according to title 7, part 1940, subpart G of chapter XVIII of the Code of Federal Regulations.

(7) The borrower has not been convicted of planting, cultivating, growing, producing, harvesting or storing a controlled substance under Federal or state law. "Borrower", for purposes of this subparagraph, specifically includes an individual or entity borrower and any member, stockholder, partner, or joint operator, of an entity borrower. "Controlled substance", for the purpose of this subparagraph, is defined at 21 CFR part 1308. The borrower will be ineligible for a subordination for the crop year in which the conviction occurred and the four succeeding crop years. An applicant must attest on the Agency application form that it and its members, if an entity, have not been convicted of such a crime.

(b) *Application.* To request a subordination, a Minor Program