

**CONTRACT OF GUARANTEE**

	State
	County
	Date of Note
Borrower	Type of Loan
Lender (Registered Holder)	Lender's IRS ID Tax No.
Lender's Address	Principal Amount of Loan \$

In consideration of the making of the subject loan by the above named Lender, the United States of America acting through Rural Development of the United States Department of Agriculture pursuant to the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.), does hereby agree that in accordance with and subject to the conditions and requirements herein, it will pay to the Registered Holder of said note (or an assumption agreement) the Lesser of A or B below:

- A. \_\_\_\_\_ percent ( % ) of an loss sustained by such Holder on:  
 (cannot exceed 90%)
  - 1. Principal and interest indebtedness evidenced by said note (or assumption agreement), and
  - 2. Principle and interest indebtedness on secured advances for protection or preservation of the security property, including but not limited to, advances for taxes, assessments, and hazard insurance premiums (and other secured advances specially approved in writing by Rural Development) affecting the security property, or
- B. \_\_\_\_\_ percent ( % ) of the principle advanced to (or assumed by) the Borrower under said note (or assumption agreement). This percentage figure cannot be greater than the percentage figure shown in "A".

**Guarantee Fee.** By acceptance of the Contract of Guarantee, the Registered Holder agrees that as long as this contract is in effect, it will make loan guaranteed payments to Rural Development as provided for herein. The rate of the fee prior to the final maturity date of the loan will vary according to the loan term set forth in the promissory note (or assumption agreement). The fee will be calculated on the principle balance owed on said note (or assumption agreement) and on guaranteed advances at the time each fee payment falls due. If such maturity date is 1 year or less after the guarantee fee falls due, the fee will be 1/2 of 1%. If such maturity date is more than 1 year after the guaranteed fee falls due, the fee prior to such maturity date will be one percent (1%) for (a) every 3 year or shorter period exceeding 1 year on Operating loans and Emergency loans for operating purposes, and (b) every 5 year or shorter period exceeding 1 year on other loans. After the final maturity date of the loan, this contract can be kept in effect for only 1 year without a written extension by Rural Development, upon payment of a 1/2 of 1% fee. Any such extension may be granted for not more than 1 year at a time, upon payment of a 1/2 of 1% fee for each such extension. The initial fee is due and payable upon execution of this contract. Subsequent fees will become due and payable periodically in advance on the anniversary date of this contract to keep it in effect. If any fee is not paid within ten (10) days after its due date, this contract will terminate automatically as of the date such fee was due, except that in 1% fee cases a 1 year and ten (10) day grace period after the due date is allowed for payment of the second 1/2 of the fee, and except that Rural Development may accept a late payment for reasons given by the Holder which Rural Development considers to be justification for the delay. Each payment must be remitted to the Rural Development Finance Office, 1520 Market Street, St. Louis, Missouri 63103, or at such other office or location as Rural Development advises the Registered Holder in writing.

**Interest Subsidy.** As long as this contract is in effect and enforceable and the indebtedness has not been assumed by an ineligible transferee, Rural Development agrees to make semi-annual interest subsidy payments to the Registered Holder of said not (or assumption agreement) at the rate per annum determined and annouced periodically in the manner prescribed in 7 CFR 1843.3. Any such interest subsidy payments will be made at the times provided for in & CFR 1843.3, and will be based on the principal balance outstanding on said note (or assumption agreement) on the date each interest subsidy payment falls due. Each semi-annual payment will be forwarded to the Registered Holder within ten (10) days after the Rural Development Finance Office receives a proper "Holders Guarantee Fee Report and Interest Subsidy Claim," (Form RD 449-19), for the preceding period.

WHEN CONTRACT VOID

This Contract of Guarantee will be void if it or said loan was obtained by fraud or material misrepresentation of which the Lender or Registered Holder had actual knowledge at the time it became such Lender or Holder.

WHEN CONTRACT UNENFORCEABLE

This Contract of Guarantee shall be unenforceable:

- A. By or on behalf of any party who is not the Lender or Register Holder,
- B. As to any loss occurring or caused by events occurring while the loan note (or assumption agreement) was not held by the Lender or Registered Holder,
- C. If the Borrower does not have or obtain title marketable in fact to the security property,
- D. If the note (or assumption agreement) a security instrument, or financing statement, if any, is invalid or unenforceable, or does not contain any provisions required by the Rural Development Handbook (7 CFR Part 1841 et seq.),
- E. If the Lender does not obtain the lien coverage and lien priorities specified by the Lender and agreed to by Rural Development, or if the Lender or Register Holder fails to properly record or file lien or notice instruments to obtain or maintain such lien priorities of record during the existence of this guarantee,
- F. If, without Rural Development’s written approval, loan funds have been or are used for purposes other than those on the basis of which Rural Development issued this contract,
- G. If the security instruments do not secure the entire loan or guaranteed advances, except to the extent that is legally impossible under State constitutional or statutory provisions,
- H. If at any time the Lender or Register Holder fails to maintain an office (either its main or branch office or the office of an agent) from which, in the judgement of Rural Development, the loan making, servicing, and liquidation functions can properly and efficiently be discharged, or
- I. If the Lender or Register Holder does not comply with the loan making, project or other construction or development, servicing, and liquidation requirements in said Rural Development Handbook for the type of loan involved. This relates to the provisions of said Handbook at the time of execution of this contract and to any future provisions thereof not inconsistent with the provisions of said Handbook and this contract.

However, if Rural Development determines that only part of any loss was caused by failure of the Lender or Registered Holder to comply with subparagraph C through I above, Rural Development will honor this Contract of Guarantee as to the part of loss which Rural Development determines to be in excess of that portion of the loss caused by such noncompliance.

The amount of the loss will be determined as provided in said Handbook, and instructions on the back of the Report of Loss, (Form RD 449-20) for preparation thereof.

WHEN CONTRACT TERMINATES

This Contract of Guarantee will terminate automatically (a) if any guarantee fee payment is not paid as required herein, (b) upon full payment of the guarantee loan, (c) upon full payment of any loss obligation hereunder, or (d) upon request from the Holder as provided for in Sec. 1841.41 of said Rural Development Handbook.

UNITED STATES OF AMERICA

By: \_\_\_\_\_

Rural Development \_\_\_\_\_

\_\_\_\_\_ Date \_\_\_\_\_ Title

Assumption Agreement by \_\_\_\_\_ dated \_\_\_\_\_, 20\_\_

Assumption Agreement by \_\_\_\_\_ dated \_\_\_\_\_, 20\_\_