

Public Law 96-592
96th Congress

An Act

To amend the Farm Credit Act of 1971 to permit Farm Credit System institutions to improve their services to borrowers, and for other purposes.

Dec. 24, 1980

[S. 1465]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Farm Credit Act Amendments of 1980".

Farm Credit Act
Amendments of
1980.
12 USC 2001
note.

TITLE I—FEDERAL LAND BANKS AND ASSOCIATIONS

SEC. 101. Section 1.4 of the Farm Credit Act of 1971 is amended by—

12 USC 2012.

(1) striking out in paragraph (6) "loans and" and inserting in lieu thereof "and participate in loans, make";

(2) inserting before the period at the end of paragraph (12) ", participate with one or more other Farm Credit System institutions in loans made under this title or other titles of this Act on the basis prescribed in section 4.18 of this Act, and participate with lenders which are not Farm Credit System institutions in loans that the bank is authorized to make under this title";

Post, p. 3446.

(3) inserting after "System" in the first sentence of paragraph (14) "or any insured State nonmember bank as defined in section 2 of the Federal Deposit Insurance Act";

(4) striking out everything after the second comma in paragraph (15) and inserting in lieu thereof "and, as may be authorized by its board of directors and approved by the Farm Credit Administration, (i) sell to lenders which are not Farm Credit System institutions interests in loans, (ii) buy from and sell to Farm Credit System institutions interests in loans and in other financial assistance extended and nonvoting stock, and (iii) make other investments."; and

(5) adding new paragraphs (22) and (23) as follows:

"(22) Accept contributions to its capital from Federal land bank associations and account therefor as authorized by the Farm Credit Administration.

"(23) As may be authorized by its board of directors and approved by the Farm Credit Administration, agree with other Farm Credit System institutions to share loan and other losses, whether to protect against capital impairment or for any other purpose."

SEC. 102. Section 1.5 of the Farm Credit Act of 1971 is amended by—

12 USC 2013.

(1) striking out in subsection (b) "hypothecated" and inserting in lieu thereof "hypothecated";

(2) striking out the first sentence of subsection (d) and inserting in lieu thereof two new sentences as follows: "Nonvoting stock may be issued to the Governor of the Farm Credit Administration, to borrowers as patronage refunds, and may also be issued to Federal land bank associations in amounts that will permit the bank to extend financial assistance to eligible persons other than farmers, ranchers, and producers or harvesters of aquatic products. Nonvoting stock also may be issued to and shall be

Nonvoting stock,
issuance.

retired for other Farm Credit System institutions as may be authorized by its board of directors and approved by the Farm Credit Administration.”; and

(3) adding new subsections (f) and (g) as follows:

Patronage
refunds.

“(f) Patronage refunds may be paid in nonvoting stock, participation certificates, allocated surplus, and other equities of the bank, or cash, or in both equities and cash, as determined by the board of the bank, to borrowers of the fiscal year for which such patronage refunds are distributed. All patronage refunds shall be paid in the proportion that the amount of interest on the loans to each borrower during the year bears to the interest on the loans of all borrowers during the year or on such other proportionate patronage basis as the Farm Credit Administration may approve.

Equities,
issuance.

“(g) Equities to evidence contributions to capital may be issued to Federal land bank associations when the bylaws of the bank so provide.”.

12 USC 2014.

SEC. 103. Section 1.6 of the Farm Credit Act of 1971 is amended to read as follows:

“SEC. 1.6. REAL ESTATE MORTGAGE LOANS.—The Federal land banks are authorized to make or participate with other lenders in long-term real estate mortgage loans in rural areas, as defined by the Farm Credit Administration, or to producers or harvesters of aquatic products, and make continuing commitments to make such loans under specified circumstances, or extend other financial assistance of a similar nature to eligible borrowers, for a term of not less than five nor more than forty years.”.

12 USC 2015.

SEC. 104. Section 1.7 of the Farm Credit Act of 1971 is amended by inserting before the period in the first sentence “as provided in section 4.17 of this Act”.

Post, p. 3446.

12 USC 2016.

SEC. 105. Section 1.8 of the Farm Credit Act of 1971 is amended by striking out in clause (1) “and ranchers” and inserting in lieu thereof “, ranchers, or producers or harvesters of aquatic products”.

Loan security.
12 USC 2017.

SEC. 106. Section 1.9 of the Farm Credit Act of 1971 is amended by striking out the first sentence and inserting in lieu thereof the following: “Loans originated by a Federal land bank or in which it participates with a lender which is not a Farm Credit System institution shall not exceed 85 per centum of the appraised value of the real estate security, or such greater amount, not to exceed 97 per centum of the appraised value of the real estate security, as may be authorized under regulations of the Farm Credit Administration for loans guaranteed by Federal, State, or other governmental agencies, and shall be secured by first liens on interest in real estate of such classes as may be approved by the Farm Credit Administration.”.

12 USC 2018.

SEC. 107. Section 1.10 of the Farm Credit Act of 1971 is amended by striking out the first sentence and inserting in lieu thereof the following: “Loans made by the Federal land banks to farmers, ranchers, and producers or harvesters of aquatic products may be for any agricultural or aquatic purpose and other credit needs of the applicant, including financing for basic processing and marketing directly related to the applicant’s operations and those of other eligible farmers, ranchers, and producers or harvesters of aquatic products: *Provided*, That the applicant’s operations shall supply at least 20 per centum, or such larger per centum that is required by the board of directors of the bank under regulations of the Farm Credit Administration, of the total processing or marketing for which financing is extended.”.

12 USC 2019.

SEC. 108. Section 1.11 of the Farm Credit Act of 1971 is amended by inserting “and aquatic” before “operations”.

SEC. 109. Section 1.12 of the Farm Credit Act of 1971 is amended by striking out the designation "(a)". 12 USC 2020.

SEC. 110. Section 1.15 of the Farm Credit Act of 1971 is amended by— 12 USC 2033.

- (1) striking out in paragraph (13) "shall";
- (2) striking out in paragraph (14) "may" the second time it appears; and

(3) adding a new paragraph (21) as follows:

"(21) Contribute to the capital of the bank."

SEC. 111. Section 1.16 of the Farm Credit Act of 1971 is amended by— 12 USC 2034.

- (1) striking out in the sixth sentence of subsection (a) "fair"; and

(2) adding a new subsection (c) as follows:

"(c) Notwithstanding the provisions of subsection (a) of this section, the purchase of stock need not be required with respect to that part of any loan (1) made by a Federal land bank which it sells to a lender which is not a Farm Credit System institution, or (2) that such lender retains or acquires in participating in the loan with a Federal land bank."

SEC. 112. Section 1.17 of the Farm Credit Act of 1971 is amended by— 12 USC 2051.

- (1) striking out in the last sentence of subsection (a) "excess" and inserting in lieu thereof "excess"; and

(2) amending subsection (b) by inserting ", and pay patronage refunds, or do any of them, as provided in its bylaws," after "dividends", and striking out "with" and inserting in lieu thereof "the".

SEC. 113. Section 1.18(b) of the Farm Credit Act of 1971 is amended to read as follows: Dividends. 12 USC 2052.

"(b) Any association may declare a dividend or dividends and pay patronage refunds, or do any of them, as provided in its bylaws, out of the whole or any part of its net earnings available therefor which remain after (1) maintenance of the reserve required in subsection (a) of this section and (2) bank approval. All patronage refunds shall be paid on the proportionate patronage basis approved by the bank. Dividends shall be noncumulative, and the rate of dividends may be different between classes and issues of stock and participation certificates on the basis of the comparative contributions of the holders thereof to the capital or earnings of the Federal land bank by such classes and issues, but otherwise dividends shall be without preference."

SEC. 114. Section 1.19 of the Farm Credit Act of 1971 is amended by adding at the end thereof a new sentence as follows: "As may be authorized by the bank in accordance with regulations of the Farm Credit Administration, associations also may enter into agreements with other Farm Credit System institutions to share loan and other losses, whether to protect against capital impairment or for any other purpose." 12 USC 2053.

SEC. 115. Section 1.20 of the Farm Credit Act of 1971 is amended by inserting after "stock" the second time it appears "or participation certificates," and inserting "or other Farm Credit System institutions" after "Administration". 12 USC 2054.

TITLE II—FEDERAL INTERMEDIATE CREDIT BANKS AND PRODUCTION CREDIT ASSOCIATIONS

SEC. 201. Section 2.1 of the Farm Credit Act of 1971 is amended by— 12 USC 2072.

(1) inserting after "System" in the first sentence of paragraph (12) "or any insured State nonmember bank as defined in section 2 of the Federal Deposit Insurance Act";

(2) striking out in paragraph (13) everything after "agency" the second time it appears and inserting in lieu thereof ", and, as may be authorized by its board of directors and approved by the Farm Credit Administration, (i) buy from and sell to Farm Credit System institutions interests in loans and in other financial assistance extended and nonvoting stock, and (ii) make other investments.";

(3) amending paragraph (18) to read as follows:

"(18) As may be authorized by its board of directors and approved by the Farm Credit Administration, agree with other Farm Credit System institutions to share loan or other losses, whether to protect against capital impairment or for any other purposes,"; and

(4) inserting before the period at the end of paragraph (20) ", and participate with one or more other Farm Credit System institutions in loans made under this title or other titles of this Act on the basis prescribed in section 4.18 of this Act".

12 USC 2073.

SEC. 202. Section 2.2 of the Farm Credit Act of 1971 is amended by—

(1) inserting before the period at the end of the first sentence of subsection (d) ", and may be issued to and, notwithstanding the provisions of subsection (g) of this section, shall be retired for other Farm Credit System institutions as may be authorized by its board of directors and approved by the Farm Credit Administration";

(2) striking out in the second and fourth paragraphs of subsection (g) "fair";

(3) striking out everything through "Governor" in subsection (h) and inserting in lieu thereof "Except with regard to stock or participation certificates held by the Governor or other Farm Credit System institutions"; and

(4) striking out in subsection (i) "fair".

12 USC 2074.

SEC. 203. Section 2.3 of the Farm Credit Act of 1971 is amended to read as follows:

"SEC. 2.3. LOANS; DISCOUNTS; PARTICIPATION; LEASING.—(a) The Federal intermediate credit banks are authorized to make loans and extend other similar financial assistance to, and to discount for or purchase from—

"(1) any production credit association, or

"(2) any national bank, State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, credit union, or any association of agricultural producers engaged in the making of loans to farmers and ranchers, and any corporation engaged in the making of loans to producers or harvesters of aquatic products,

any note, draft, or other obligation with its endorsement or guarantee, the proceeds of which note, draft, or other obligation have been advanced to persons and for purposes eligible for financing by production credit associations under section 2.15(a) (1), (2), and (3) of this Act.

12 USC 2096.

"(b) The Federal intermediate credit banks may participate with one or more production credit associations or intermediate credit banks in the making of loans to eligible borrowers and may participate with one or more other Farm Credit System institutions in loans made under this title or other titles of this Act on the basis prescribed in section 4.18 of this Act. The banks may own and lease or lease with

Post, p. 3446.

option to purchase to persons eligible for assistance under this title, equipment needed in the operations of such persons.

“(c) No paper shall be purchased from or discounted for, and no loans shall be made or other similar financial assistance extended by a Federal intermediate credit bank to any entity identified in subsection (a) (1) and (2) of this section if the amount of such paper added to the aggregate liabilities of such entity, whether direct or contingent (other than bona fide deposit liabilities), exceeds ten times the paid-in and unimpaired capital and surplus of such entity or (in the case of financing institutions under subsection (a)(2) of this section) the amount of such liabilities permitted under the laws of the jurisdiction creating such institution, whichever is the lesser. It shall be unlawful for any national bank which is indebted to any Federal intermediate credit bank, upon paper discounted or purchased under subsection (a) of this section, to incur any additional indebtedness, if by virtue of such additional indebtedness its aggregate liabilities direct or contingent, will exceed the limitation herein contained.

“(d) All of the loans, financial assistance, discounts, and purchases authorized by this section shall be subject to regulations of the Farm Credit Administration and shall be secured by collateral, if any, as may be required in such regulations. The regulations shall assure that such loans, financial assistance, discounts, and purchases are available on a reasonable basis to any financing institution authorized to receive such services under subsection (a)(2) of this section that (i) is significantly involved in lending for agricultural or aquatic purposes, (ii) demonstrates a continuing need for supplementary sources of funds to meet the credit requirements of its agricultural or aquatic borrowers, (iii) has limited access to national or regional capital markets, and (iv) does not use such services to expand its financing activities to persons and for purposes other than those authorized in section 2.15(a) (1), (2), and (3) of this Act. The regulations may authorize a Federal intermediate credit bank to charge reasonable fees for any commitment to extend service under this section to such a financing institution. For purposes of this subsection, a financing institution together with its subsidiaries and affiliates may be considered as one but such determination to consider such institution together with its subsidiaries and affiliates as one shall be made in the first instance by the bank and in the event of a denial by the bank of its services to a financial institution, thereafter by the Farm Credit Administration on a case-by-case basis with due regard to the total relationship of the financing institution, its subsidiaries, and affiliates.

“(e) Nothing in this section shall require termination of discount relationships in existence on the effective date of the Farm Credit Act Amendments of 1980.”

SEC. 204. Section 2.4 of the Farm Credit Act of 1971 is amended by striking out the first sentence and inserting in lieu thereof the following: “Loans, advances, or discounts made under section 2.3 of this Act shall be repayable in not more than seven years (fifteen years if made to producers or harvesters of aquatic products) from the time they are made or discounted by the Federal intermediate credit bank, except that the district farm credit board, under regulations of the Farm Credit Administration, may approve policies permitting loans, advances, or discounts (other than those made to producers or harvesters of aquatic products) to be repayable in not more than ten years from the time they are made or discounted by such bank. Loans, advances, and discounts shall bear such rate or rates of interest or discount as the board of directors of the bank shall from

12 USC 2096.

12 USC 2075.

Ante, p. 3440.

time to time determine with the approval of the Farm Credit Administration as provided in section 4.17 of this Act, but the rates charged financing institutions shall be the same as those charged production credit associations.”

12 USC 2076.

SEC. 205. Section 2.5 of the Farm Credit Act of 1971 is amended by inserting “and aquatic” after “on-farm”.

12 USC 2077.

SEC. 206. Section 2.6(c) of the Farm Credit Act of 1971 is amended by striking out “of less than 25 per centum” in the second sentence.

12 USC 2091.

SEC. 207. Section 2.10 of the Farm Credit Act of 1971 is amended by striking out the comma after “States” in the first sentence and inserting in lieu thereof a period.

12 USC 2093.

SEC. 208. Section 2.12 of the Farm Credit Act of 1971 is amended by—

(1) inserting before the period at the end of paragraph (11) “and buy from and sell to such banks interests in loans and in other financial assistance extended and nonvoting stock, as may be authorized by the Federal intermediate credit bank in accordance with regulations of the Farm Credit Administration”;

(2) inserting before the period at the end of paragraph (13) “and when authorized by the bank participate with one or more other Farm Credit System institutions in loans made under this title or other titles of this Act on the basis prescribed in section 4.18 of this Act”; and

Post, p. 3446.

(3) amending paragraph (15) to read as follows:

“(15) As may be authorized by the Federal intermediate credit bank in accordance with regulations of the Farm Credit Administration, agree with other Farm Credit System institutions to share loan or other losses, whether to protect against capital impairment or for any other purpose.”

12 USC 2094.

SEC. 209. Section 2.13 of the Farm Credit Act of 1971 is amended by—

(1) inserting before the period at the end of subsection (e) “or in lieu of nonvoting stock”;

(2) striking out in the first sentence of subsection (f) “fair”;

(3) amending the last sentence of subsection (f) to read as follows: “Notwithstanding any other provisions of this section, for a loan in which an association participates with a commercial bank or other financial institution other than a Farm Credit System institution, nonvoting stock or participation certificates may be issued to the commercial bank or other financial institution in satisfaction of the requirement that the borrower own stock or participation certificates, which requirement shall apply only to the portion of the loan which is retained by the association.”;

(4) striking out in the first sentence in subsection (g) “fair”;

(5) striking out everything through “Governor” in subsection (j) and inserting in lieu thereof “Except with regard to stock or participation certificates held by the Governor or other Farm Credit System institutions”; and

(6) striking out in subsection (k) “fair”.

12 USC 2096.

SEC. 210. Section 2.15 of the Farm Credit Act of 1971 is amended by—

(1) amending clause (1) in the first sentence of subsection (a) to read as follows: “(1) bona fide farmers and ranchers and the producers or harvesters of aquatic products, for agricultural or aquatic purposes and other requirements of such borrowers, including financing for basic processing and marketing directly related to the borrower’s operations and those of other eligible

farmers, ranchers, and producers or harvesters of aquatic products: *Provided*, That the borrower's operations shall supply at least 20 per centum, or such larger per centum that is required by the supervising bank under regulations of the Farm Credit Administration, of the total processing or marketing for which financing is extended,"; and

(2) inserting in subsection (b) after "Administration" in the first sentence "as provided in section 4.17 of this Act".

SEC. 211. Section 2.16 of the Farm Credit Act of 1971 is amended by inserting "and aquatic" after "on-farm". 12 USC 2097.

TITLE III—BANKS FOR COOPERATIVES

SEC. 301. Section 3.1 of the Farm Credit Act of 1971 is amended by— 12 USC 2122.

(1) inserting before the period at the end of paragraph (11) ", and participate with one or more other Farm Credit System institutions in loans made under this title or other titles of this Act on the basis prescribed in section 4.18 of this Act";

Post, p. 3446.

(2) inserting after "System" in the first sentence in paragraph (12) "or any insured State nonmember bank as defined in section 2 of the Federal Deposit Insurance Act or, to the extent necessary to facilitate transactions which may be financed under section 3.7(b) of this Act, any other financial organization, domestic or foreign, as may be authorized by its board of directors and approved by the Farm Credit Administration";

12 USC 264 note,
1811-1831.

Post, p. 3444.

(3) amending paragraph (13) by:

(a) inserting immediately after "(13)" the designation "(A)";

(b) inserting after subparagraph (A) the following new subparagraphs (B) and (C):

"(B) As may be authorized by its board of directors and approved by the Farm Credit Administration, buy from and sell to Farm Credit System institutions interests in loans and in other financial assistance extended and nonvoting stock.

"(C) As may be authorized by its board of directors and approved by the Farm Credit Administration, and solely for the purposes of obtaining credit information and other services needed to facilitate transactions which may be financed under section 3.7(b) of this Act, invest in ownership interests in foreign business entities that are principally engaged in providing credit information to and performing such servicing functions for their members in connection with the members' international activities."; and

(4) adding new paragraphs (18) and (19) as follows:

"(18) As may be authorized by the board of directors and approved by the Farm Credit Administration, maintain credit balances and pay or receive fees or interest thereon, for the purpose of assisting in the transfer of funds to or from parties to transactions that may be financed under section 3.7(b) of this Act: *Provided, however*, That nothing herein shall authorize the banks for cooperatives to engage in the business of accepting domestic deposits.

"(19) As may be authorized by its board of directors and approved by the Farm Credit Administration, agree with other Farm Credit System institutions to share loan or other losses, whether to protect against capital impairment or for any other purpose."

SEC. 302. Section 3.3 of the Farm Credit Act of 1971 is amended by adding a new subsection (f) as follows: 12 USC 2124.

"(f) Participation certificates may be issued to parties to whom voting stock may not be issued."

12 USC 2126.

SEC. 303. Section 3.5 of the Farm Credit Act of 1971 is amended by—

12 USC 2151.

(1) striking out the first three sentences and inserting in lieu thereof three new sentences as follows: "Any nonvoting stock held by the Governor of the Farm Credit Administration shall be retired to the extent required by section 4.0(b) of this Act before any other outstanding voting or nonvoting stock or participation certificates shall be retired except as may be otherwise authorized by the Farm Credit Administration. When those requirements have been satisfied, nonvoting investment stock and participation certificates may be called for retirement at par. With the approval of the issuing bank, the holder may elect not to have the called stock or participation certificates retired in response to a call, reserving the right to have such stock or participation certificates included in the next call for retirement."; and

12 USC 2128.

(2) striking out in the fourth sentence "fair book value not exceeding"

SEC. 304. Section 3.7 of the Farm Credit Act of 1971 is amended by—

(1) adding the designation "(a)" before the text, and inserting before "collateral custody" in the first sentence, "currency exchange necessary to service individual transactions that may be financed under subsection (b) of this section", and inserting before the period at the end of the third sentence "and may make or participate in loans or commitments and extend other technical and financial assistance to other domestic parties for the acquisition of equipment and facilities to be leased to such stockholders for use in their operations in the United States"; and

Lending powers.

(2) adding new subsections (b), (c), (d), and (e) as follows:

"(b) A bank for cooperatives is authorized to make or participate in loans and commitments to, and to extend other technical and financial assistance to (1) a domestic or foreign party with respect to its transactions with an association that is a voting stockholder of the bank for the export or import of agricultural commodities, farm supplies, or aquatic products through purchases, sales or exchanges, and (2) a domestic or foreign party in which such an association has at least the minimum ownership interest approved under regulations of the Farm Credit Administration for the purpose of facilitating the association's export or import operations of the type described in clause (1) of this subsection: *Provided*, That a bank for cooperatives determines, under regulations of the Farm Credit Administration, that the voting stockholder will benefit substantially as a result of such loan, commitment, or assistance.

"(c) Loans, commitments, and assistance authorized by subsection (b) of this section shall be extended in accordance with policies adopted by the board of directors of the bank under regulations of the Farm Credit Administration.

"(d) The regulations of the Farm Credit Administration implementing subsection (b) of this section and the other provisions of this title relating to the authority under subsection (b) of this section may not confer upon the banks for cooperatives powers and authorities greater than those specified in this title. The Farm Credit Administration shall, during the formulation of such regulations, closely consult on a continuing basis with the Board of Governors of the Federal Reserve System to ensure that such regulations conform to national banking policies, objectives, and limitations.

"(e) Notwithstanding any other provision of this title, the banks for cooperatives shall not make or participate in loans or commitments

for the purpose of financing speculative futures transactions by eligible borrowers in foreign currencies.”.

SEC. 305. Section 3.8 of the Farm Credit Act of 1971 is amended by— 12 USC 2129.

(1) in the first paragraph striking out the second comma and inserting “or aquatic” before “business”;

(2) striking out in subsection (c) “or farm business services” and inserting in lieu thereof “farm or aquatic business services, or services to eligible cooperatives”; and

(3) amending subsection (d) to read as follows:

“(d) A percentage of the voting control of the association not less than 80 per centum (60 per centum (1) in the case of rural electric, telephone, public utility, and service cooperatives; (2) in the case of local farm supply cooperatives that have historically served needs of the community that would not adequately be served by other suppliers and have experienced a reduction in the percentage of farmer membership due to changed circumstances beyond their control such as, but not limited to, urbanization of the community; and (3) in the case of local farm supply cooperatives that provide or will provide needed services to a community and that are or will be in competition with a cooperative specified in paragraph (2)) or, with respect to any type of association or cooperative, such higher percentage as established by the district board, is held by farmers, producers or harvesters of aquatic products, or eligible cooperative associations as defined herein;”.

SEC. 306. Section 3.9(a) of the Farm Credit Act of 1971 is amended by striking out the first sentence and inserting in lieu thereof a new sentence as follows: “Each borrower entitled to hold voting stock shall, at the time a loan is made by a bank for cooperatives, own at least one share of voting stock and shall be required by the bank with the approval of the Farm Credit Administration to invest in additional voting stock or nonvoting investment stock at that time, or from time to time, as the lending bank may determine, but the requirement for investment in stock at the time the loan is closed shall not exceed an amount equal to 10 per centum of the face amount of the loan.”. 12 USC 2130.

SEC. 307. Section 3.10 of the Farm Credit Act of 1971 is amended by— 12 USC 2131.

(1) inserting before the period in the first sentence of subsection (a) “as provided in section 4.17 of this Act”; and

(2) striking out in the first sentence of subsection (d) “book” and inserting in lieu thereof “market” and adding a new sentence as follows: “In no event shall the bank’s equities be retired or canceled if the retirement or cancellation would adversely affect the bank’s capital structure, as determined by the Farm Credit Administration.”.

SEC. 308. Section 3.11 of the Farm Credit Act of 1971 is amended by— 12 USC 2132.

(1) striking out in the second sentence of subsection (b) “of less than 25 per centum” and “of not to exceed such per centum of net savings”; and

(2) striking out the first sentence of subsection (c) and inserting in lieu thereof a new sentence as follows: “The net savings of each district bank for cooperatives, after the earnings for the fiscal year have been applied in accordance with subsection (a) or (b) of this section, whichever is applicable, shall be paid in stock, participation certificates, or cash, or in any of them, as determined by its board, as patronage refunds to borrowers to whom

such refunds are payable who are borrowers of the fiscal year for which such patronage refunds are distributed.”.

TITLE IV—PROVISIONS APPLICABLE TO TWO OR MORE CLASSES OF INSTITUTIONS OF THE SYSTEM

- 12 USC 2156. SEC. 401. Section 4.5 of the Farm Credit Act of 1971 is amended by—
 (1) striking out in the first sentence “presidents of each bank” and inserting in lieu thereof “president of each bank or the president’s designee”; and
 (2) striking out in the third sentence “subcommittee’s” and inserting in lieu thereof “subcommittees”.
- 12 USC 2181. SEC. 402. Section 4.10 of the Farm Credit Act of 1971 is amended by striking out “name” and inserting in lieu thereof “same”.
- 12 USC 2205. SEC. 403. Title IV of the Farm Credit Act of 1971 is amended by adding new sections 4.17, 4.18, 4.19, and 4.20 as follows:
- “SEC. 4.17. INTEREST RATES.—Interest rates on loans from institutions of the Farm Credit System shall be determined with the approval of the Farm Credit Administration as provided in this Act, notwithstanding any interest rate limitation imposed by any State constitution or statute or other laws which are hereby preempted for purposes of this Act. Interest rates on loans made by agricultural credit corporations organized in conjunction with cooperative associations for the purpose of financing the ordinary crop operations of the members of such associations or other producers and eligible to discount with the Federal intermediate credit banks pursuant to section 2.3 of this Act shall be exempt from any interest rate limitation imposed by any State constitution or statute or other laws which are hereby preempted for purposes of this Act.
- 12 USC 2206. “SEC. 4.18. PARTICIPATION LOANS.—Notwithstanding any other provisions of this Act, the terms of any loan participated in by two or more Farm Credit System institutions operating under different titles of this Act, including provisions for capitalization of the portion of the loan participated in by each institution, shall be as may be agreed upon among such institutions and authorized by the Farm Credit Administration, except that for purposes of determining borrower eligibility, membership, term, amount, loan security, and purchase of stock or participation certificates by the borrower, the provisions of law applicable to the loan shall be the provisions in the title under which the institution that originates the loan operates.
- 12 USC 2207. “SEC. 4.19. YOUNG, BEGINNING, AND SMALL FARMERS AND RANCHERS.—
 “(a) Under policies of the district board, each Federal land bank association and production credit association shall prepare a program for furnishing sound and constructive credit and related services to young, beginning, and small farmers and ranchers. Such programs shall assure that such credit and services are available in coordination with other units of the Farm Credit System serving the territory and with other governmental and private sources of credit. Each program shall be subject to review and approval by the supervising bank.
 “(b) The Federal land bank and the Federal intermediate credit bank for each district shall annually obtain from associations under their supervision reports of activities under programs developed pursuant to subsection (a) of this section and progress toward program objectives. On the basis of such reports, the banks shall provide to the Farm Credit Administration a joint annual report summariz-

Ante, p. 3440.

ing the operations and achievements in their district under such programs.

“SEC. 4.20. TERMINATION OF PROVISIONS.—The provisions of (1) section 2.3 authorizing the Federal intermediate credit banks to lend to or discount paper for other financial institutions, and (2) section 3.7(b) authorizing the financing of certain domestic or foreign entities in connection with the import or export activities of cooperatives which are borrowers from the banks for cooperatives, shall expire on September 30, 1990, unless extended by Act of Congress prior to that date. Any contract or agreement entered into under the authority of either provision prior to its expiration shall remain in full force and effect notwithstanding such expiration.”

12 USC 2208.

Ante, p. 3440.*Ante*, p. 3444.

Sec. 404. Title IV of the Farm Credit Act of 1971 is amended by adding at the end thereof new parts D and E as follows:

“PART D—SERVICE ORGANIZATIONS

“SEC. 4.25. ESTABLISHMENT.—Any bank of the Farm Credit System, or two or more of such banks acting together, may organize a corporation or corporations for the purpose of performing functions and services for or on behalf of the organizing bank or banks that the bank or banks may perform pursuant to this Act: *Provided*, That a corporation so organized shall have no authority either to extend credit or provide insurance services for borrowers from Farm Credit System institutions, nor shall it have any greater authority with respect to functions and services than the organizing bank or banks possess under this Act. The organizing bank or banks shall apply for a Federal charter for the corporation by forwarding to the Governor of the Farm Credit Administration a statement of the need for the corporation and proposed articles specifying in general terms the objectives for which the corporation is formed, the powers to be exercised by it in carrying out the functions and services, and the territory it is to serve. The Governor for good cause may deny the charter applied for. Upon the approval of articles by the Governor and the issuance of a charter, the corporation shall become as of such date a federally chartered body corporate and an instrumentality of the United States.

12 USC 2211.

“SEC. 4.26. POWERS OF THE GOVERNOR.—The Governor shall have power, under rules and regulations prescribed by the Governor or by prescribing in the terms of the charter or by approval of the bylaws of the corporation, to provide for the organization of any corporation chartered under this part and the territory within which its operations may be carried on, and to direct at any time such changes in its charter as he finds necessary for the accomplishment of the purposes of this Act. The powers of the Governor to provide for the organization of any corporation chartered under this part include, but are not limited to approval of—

12 USC 2212.

“(1) corporate title;

“(2) general corporate powers;

“(3) eligibility for membership on, and the powers, composition, selection, terms, and compensation of the board of directors;

“(4) classes, issuance, value, and retirement of stock;

“(5) sources of operating funds;

“(6) dissolution, liquidation, and distribution of assets on liquidation; and

“(7) application and distribution of earnings.

“SEC. 4.27. SUPERVISION AND EXAMINATION.—The corporations organized under this part shall be institutions of the Farm Credit

12 USC 2213.

System and shall be subject to the same supervision and examination by the Farm Credit Administration as are the organizing bank or banks under this Act.

12 USC 2214.

"SEC. 4.28. STATE LAWS.—State and other laws shall apply to corporations organized pursuant to this part to the same extent such laws would apply to the organizing banks engaged in the same activity in the same jurisdiction: *Provided, however,* That to the extent that sections 1.21, 2.8, and 3.13 of this Act may exempt banks of the Farm Credit System from taxation, such exemptions, other than with respect to franchise taxes, shall not extend to corporations organized pursuant to this part.

12 USC 2055,
2079, 2134.

"PART E—SALE OF INSURANCE

12 USC 2218.

"SEC. 4.29. LINES OF INSURANCE.—(a) The regulations of the Farm Credit Administration governing financially related services that the banks and associations of the Farm Credit System may provide under sections 1.11, 1.15, 2.5, and 2.16 of this Act may authorize the sale to any member of any such bank or association, on an optional basis, of credit or term life and credit disability insurance appropriate to protect the loan commitment in the event of death or disability of the debtors and other insurance necessary to protect the member's farm or aquatic unit, but limited to, hail and multiple-peril crop insurance, title insurance, and insurance to protect the facilities and equipment of aquatic borrowers.

12 USC 2019,
2033,
2076, 2097.

Regulations.

"(b) Such regulations shall provide that—

"(1) in any case in which insurance is required as a condition for a loan or other financial assistance from a bank or association, notice be given that it is not necessary to purchase the insurance from the bank or association and that the borrower has the option of obtaining the insurance elsewhere;

"(2) such insurance services may be offered only if—

"(i) the bank or association has the capacity to render insurance service under this Act in an effective and efficient manner;

"(ii) there exists the probability that any insurance program under this Act will generate sufficient revenue to cover all costs; and

"(iii) rendering insurance service will not have an adverse effect on the bank's or association's credit or other operations; and

"(3) no bank or association shall directly or indirectly discriminate in any manner against any agent, broker, or insurer that is not affiliated with such bank or association, or against any party who purchases insurance through any such nonaffiliated insurance agent, broker, or insurer.

Existing
coverage,
continuation.

"(c) Notwithstanding any provision of this section to the contrary, any bank or association that on the date of enactment of the Farm Credit Act Amendments of 1980, is offering insurance coverages not authorized by this section may continue to sell such coverages for a period of not more than one year from such date of enactment and may continue to service such coverages until their expiration."

TITLE V—DISTRICT AND FARM CREDIT ADMINISTRATION ORGANIZATION

Virgin Islands,
extension of
credit
and services.
12 USC 2221.

SEC. 501. Section 5.0 of the Farm Credit Act of 1971 is amended by inserting before the period at the end of the first sentence the

following: "and one of which districts may, if authorized by the Federal Farm Credit Board, include the Virgin Islands of the United States: *Provided*, That the extension of credit and other services authorized by this Act in the Virgin Islands of the United States shall be undertaken only if determined to be feasible under regulations of the Farm Credit Administration".

SEC. 502. Section 5.2 of the Farm Credit Act of 1971 is amended by— 12 USC 2223.

(1) striking out in the last sentence of subsection (b) "three" and inserting in lieu thereof "two"; and

(2) striking out in the first sentence of subsection (c) "three" and inserting in lieu thereof "two".

SEC. 503. Section 5.8(h) of the Farm Credit Act of 1971 is amended by striking out in the first sentence "the sum of \$100 a day" and inserting in lieu thereof "compensation at a rate equal to the daily equivalent of the rate prescribed for grade GS-18 under section 5332 of title 5 of the United States Code". 12 USC 2242.

SEC. 504. Section 5.10 of the Farm Credit Act of 1971 is amended by inserting after the second sentence a new sentence as follows: "Pursuant to a policy statement adopted by the Federal Farm Credit Board, the Governor of the Farm Credit Administration shall consult on a regular basis with the Secretary of the Treasury in connection with the exercise by the System and the Governor of the powers conferred under section 4.2 of this Act, and with the Board of Governors of the Federal Reserve System in connection with the effect of System lending activities on national monetary policy." 12 USC 2244.

SEC. 505. Section 5.15 of the Farm Credit Act of 1971 is amended by adding at the end thereof a new sentence as follows: "The Farm Credit Administration may dispose of property so acquired and any amounts collected from the disposition of such property shall be deposited in the special fund provided for in section 5.16(b) of this Act and shall be available to the Administration in the same manner and for the same purposes as the funds collected under section 5.16(a) of this Act." 12 USC 2153.

SEC. 506. Section 5.17 of the Farm Credit Act of 1971 is amended by adding at the end thereof the following new clause (5) and inserting a new sentence immediately thereafter: 12 USC 2249.

"(5) To sell or otherwise dispose of any interest in property leased or acquired under the foregoing if authorized by the Board. In actions undertaken by the banks pursuant to the foregoing provisions of this section, the Farm Credit Administration may act as agent for the banks." 12 USC 2250.

SEC. 507. Section 5.18 of the Farm Credit Act of 1971 is amended by adding at the end of paragraph (3) a new sentence as follows: "The annual reports shall include a summary and analysis of the reports submitted to the Farm Credit Administration by the Federal land banks and Federal intermediate credit banks under section 4.19(b) of this Act relating to programs for serving young, beginning, and small farmers and ranchers." 12 USC 2251.

SEC. 508. Section 5.18 of the Farm Credit Act of 1971 is amended by inserting "(a)" immediately after the section designation and adding at the end thereof the following new subsections (b) and (c): 12 USC 2252.

"(b)(1) At least thirty days prior to publishing any proposed regulation in the Federal Register, the Farm Credit Administration shall transmit a copy of the regulation to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate. The Farm Credit Administration shall also transmit to such committees a copy of any final regulation prior to its publication in the Federal Register. 12 USC 2252. Transmittal to congressional committees. Ante, p. 3446. Proposed and final regulations. Transmittal to congressional committees." 12 USC 2252.

Except as provided in paragraph (2) of this subsection, no final regulation of the Farm Credit Administration shall become effective prior to the expiration of thirty calendar days after it is published in the Federal Register during which either or both Houses of the Congress are in session.

Emergency
effective date.

"(2) In the case of an emergency, a final regulation of the Farm Credit Administration may become effective without regard to the last sentence of paragraph (1) of this subsection if the Farm Credit Administration notifies in writing the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate setting forth the reasons why it is necessary to make the regulation effective prior to the expiration of the thirty-day period.

Transmittal to
Congress.
Congressional
approval.
Ante, p. 3444.
12 USC 2121.

"(c)(1) If there are any unresolved differences between the Farm Credit Administration and the Board of Governors of the Federal Reserve System as to whether any regulation implementing section 3.7(b) of this Act or the other provisions of title III relating to the authority under section 3.7(b) conforms to national banking policies, objectives, and limitations, simultaneously with promulgation of any such regulation under this Act, and simultaneously with promulgation of any regulation implementing section 2.3 of this Act, the Farm Credit Administration shall transmit a copy thereof to the Secretary of the Senate and the Clerk of the House of Representatives. Except as provided in paragraph (2), the regulation shall not become effective if, within ninety calendar days of continuous session of Congress after the date of promulgation, both Houses of Congress adopt a concurrent resolution, the matter after the resolving clause of which is as follows: "That Congress disapproves the regulation promulgated by the Farm Credit Administration dealing with the matter of _____, which regulation was transmitted to Congress on _____, the blank spaces therein being appropriately filled.

Ante, p. 3440.

"(2) If at the end of sixty calendar days of continuous session of Congress after the date of promulgation of a regulation, no committee of either House of Congress has reported or been discharged from further consideration of a concurrent resolution disapproving the regulation, and neither House has adopted such a resolution, the regulation may go into effect immediately. If, within such sixty calendar days, such a committee has reported or been discharged from further consideration of such a resolution, or either House has adopted such a resolution, the regulation may go into effect not sooner than ninety calendar days of continuous session of Congress after its promulgation unless disapproved as provided in paragraph (1).

"(3) For the purposes of paragraphs (1) and (2) of this subsection—
"(i) continuity of session is broken only by an adjournment of Congress sine die; and

"(ii) the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in the computation of sixty and ninety calendar days of continuous session of Congress.

"(4) Congressional inaction on or rejection of a resolution of disapproval shall not be deemed an expression of approval of such regulation."

SEC. 509. Title V of the Farm Credit Act of 1971 is amended by adding the following section at the end thereof:

12 USC 2260.

"SEC. 5.30. GENERAL ACCOUNTING OFFICE AUDIT: REPORT TO CONGRESS.—

“(a) The Comptroller General shall conduct an evaluation of the programs and activities authorized under the 1980 amendments to this Act, and shall make an interim report to the Congress no later than December 31, 1982, and a final report to the Congress no later than December 31, 1984. The Comptroller General shall include in such evaluation the effect that this Act, as amended, will have on agricultural credit services provided by the Farm Credit System, Federal agencies, and other entities. The Comptroller General may make such interim reports to the Congress on the programs and activities under these amendments as the Comptroller General deems necessary or as requested by Members of Congress.

“(b) For the purpose of conducting program evaluations required in subsection (a) of this section, the Comptroller General or his duly authorized representatives shall have access to and the right to examine all books, documents, papers, records, or other recorded information within the possession or control of the Federal land banks and Federal land bank associations, Federal intermediate credit banks and production credit associations and banks for cooperatives.”.

SEC. 510. Paragraph (1) of section 1141b of title 12 of the United States Code is amended to read as follows:

“(1) shall maintain its principal office within the Washington, D.C.-Maryland-Virginia standard metropolitan statistical area, and such other offices in the United States as in its judgment are necessary”.

SEC. 511. Section 3 of the Swine Health Protection Act (Public Law 96-468, approved October 17, 1980) is amended by—

- (1) striking “and” at the end of clause (2);
- (2) changing the period at the end of clause (3) to a semicolon and adding “and”; and
- (3) inserting a new clause (4) reading as follows:

“(4) the term ‘State’ means the fifty States, the District of Columbia, Guam, Puerto Rico, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, and the territories and possessions of the United States.”.

Approved December 24, 1980.

Ante, p. 2229.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 96-1287 accompanying H.R. 7548 (Comm. on Agriculture).
 SENATE REPORT No. 96-837 (Comm. on Agriculture, Nutrition, and Forestry).
 CONGRESSIONAL RECORD, Vol. 126 (1980):

July 24, considered and passed Senate.

Nov. 19, H.R. 7548 considered and passed House; passage vacated and S. 1465, amended, passed in lieu.

Dec. 13, Senate agreed to House amendment.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 16, No. 52:

Dec. 24, Presidential statement.