

104TH CONGRESS
1ST SESSION

H. R. 2029

To amend the Farm Credit Act of 1971 to provide regulatory relief.

IN THE HOUSE OF REPRESENTATIVES

JULY 13, 1995

Mr. ALLARD (for himself, Mr. JOHNSON of South Dakota, and Mr. RAHALL),
introduced the following bill; which was referred to the Committee on
Agriculture

A BILL

To amend the Farm Credit Act of 1971 to provide regulatory
relief.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Farm Credit System Regulatory Relief Act of 1995”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. References.
- Sec. 3. Regulatory review.
- Sec. 4. Examination of Farm Credit System institutions.
- Sec. 5. Farm Credit Insurance Fund operations.
- Sec. 6. Powers with respect to troubled insured System banks.
- Sec. 7. Farm Credit System Insurance Corporation board of directors.

- Sec. 8. Conservatorship and receiverships.
- Sec. 9. Oversight and regulatory actions by the Farm Credit System Insurance Corporation.
- Sec. 10. Formation of administrative service entities.
- Sec. 11. Requirements for loans sold into the secondary market.
- Sec. 12. Removal of antiquated and unnecessary paperwork requirements.
- Sec. 13. Removal of government certification requirement for certain private sector financing.
- Sec. 14. Reform of regulatory limitations on the dividend, member business, and voting practices of eligible farmer-owned cooperatives.

1 **SEC. 2. REFERENCES.**

2 Except as otherwise expressly provided, wherever in
3 this Act an amendment or repeal is expressed in terms
4 of an amendment to, or repeal of, a section or other provi-
5 sion, the reference shall be considered to be made to a
6 section or other provision of the Farm Credit Act of 1971.

7 **SEC. 3. REGULATORY REVIEW.**

8 (a) FINDINGS.—The Congress finds that—

9 (1) the Farm Credit Administration, in its role
10 as an arms-length, safety and soundness regulator,
11 has made considerable progress in reducing the reg-
12 ulatory burden on Farm Credit System institutions;

13 (2) the efforts of the Farm Credit Administra-
14 tion in this regard have resulted in cost savings for
15 Farm Credit System institutions; and

16 (3) such cost savings ultimately benefit the Na-
17 tion's farmers, ranchers, agricultural cooperatives,
18 and rural residents.

19 (b) REQUIREMENT FOR CONTINUED REVIEW.—The
20 Farm Credit Administration shall continue its comprehen-

1 sive review of regulations governing the Farm Credit Sys-
2 tem in order to further identify and eliminate, consistent
3 with safety and soundness, all regulations that are unnec-
4 essary, unduly burdensome or costly, or not based on
5 statute.

6 **SEC. 4. EXAMINATION OF FARM CREDIT SYSTEM INSTITU-**
7 **TIONS.**

8 Section 5.19(a) (12 U.S.C. 2254(a)) is amended by
9 striking “each year” in the first sentence and inserting
10 “every 18 months”.

11 **SEC. 5. FARM CREDIT INSURANCE FUND OPERATIONS.**

12 (a) ADJUSTMENT OF PREMIUMS.—

13 (1) IN GENERAL.—Section 5.55(a) (12 U.S.C.
14 2277a-4(a)) is amended—

15 (A) in paragraph (1), by striking “Until
16 the aggregate of amounts in the Farm Credit
17 Insurance Fund exceeds the secure base
18 amount, the annual premium due from any in-
19 sured System bank for any calendar year shall”
20 and inserting “If, at the end of any calendar
21 year, the aggregate of the amounts in the Farm
22 Credit Insurance Fund does not exceed the se-
23 cure base amount, the annual premium due
24 from any insured System bank for that cal-

1 endar year shall, subject to paragraph (2),”;
2 and

3 (B) by redesignating paragraph (2) as
4 paragraph (3) and inserting after paragraph
5 (1) the following:

6 “(2) REDUCED PREMIUMS.—The Corporation,
7 in its sole discretion, may reduce, by a percentage
8 uniformly applied to all insured System banks, the
9 annual premium due from each insured System bank
10 during any calendar year, as determined under para-
11 graph (1).”.

12 (2) CONFORMING AMENDMENTS.—

13 (A) SECTION 5.55(b).—Section 5.55(b) (12
14 U.S.C. 2277a-4(b)) is amended—

15 (i) by striking “Insurance Fund” each
16 place such term appears and inserting
17 “Farm Credit Insurance Fund”;

18 (ii) by striking “for the following cal-
19 endar year”; and

20 (iii) by striking “subsection (a)” and
21 inserting “subsection (a)(1)”.

22 (B) SECTION 5.56(a).—Section 5.56(a) (12
23 U.S.C. 2277a-5(a)) is amended in each of
24 paragraphs (2) and (3) by striking “section
25 5.55(a)(2)” and inserting “section 5.55(a)(3)”.

1 (C) SECTION 1.12(b).—Section 1.12(b) (12
2 U.S.C. 2020(b)) is amended—

3 (i) in paragraph (1), by inserting “(as
4 defined in section 5.55(a)(3))” after “gov-
5 ernment-guaranteed loans”; and

6 (ii) in paragraph (3), by inserting
7 “(as so defined)” after “government-guar-
8 anteed loans” each place such term ap-
9 pears.

10 (b) TECHNICAL AMENDMENT.—Section 5.55(d) (12
11 U.S.C. 2277a–4(d)) is amended—

12 (1) in the matter preceding paragraph (1)—

13 (A) by striking “and (c)” and inserting
14 “, (c), and (e)”; and

15 (B) by striking “a Farm Credit Bank” and
16 inserting “an insured System bank”; and

17 (2) by striking “Farm Credit Bank” each sub-
18 sequent place such term appears and inserting “in-
19 sured System bank”.

20 (c) ALLOCATION TO INSURED SYSTEM BANKS OF
21 EXCESS AMOUNTS IN THE FARM CREDIT INSURANCE
22 FUND.—Section 5.55 (12 U.S.C. 2277a–4) is amended by
23 adding at the end the following:

24 “(e) ALLOCATION TO INSURED SYSTEM BANKS OF
25 EXCESS RESERVES.—

1 “(1) ESTABLISHMENT OF ALLOCATED INSUR-
2 ANCE RESERVES ACCOUNTS.—There is hereby estab-
3 lished within the Farm Credit Insurance Fund for
4 each insured System bank an Allocated Insurance
5 Reserves Account. Amounts in any Allocated Insur-
6 ance Reserves Account shall be considered to be part
7 of the Farm Credit Insurance Fund.

8 “(2) ANNUAL ALLOCATIONS.—If, at the end of
9 any calendar year, the aggregate of the amounts in
10 the Farm Credit Insurance Fund exceeds the aver-
11 age secure base amount for the calendar year (as
12 calculated on an average daily balance basis), the
13 Corporation shall allocate to the insured System
14 banks’ Allocated Insurance Reserves Accounts such
15 excess amount less the amount that the Corporation,
16 in its sole discretion, determines to be the sum of
17 the estimated operating expenses and estimated in-
18 surance obligations of the Corporation for the imme-
19 diately succeeding calendar year.

20 “(3) ALLOCATION FORMULA.—From the total
21 amount required to be allocated at the end of a cal-
22 endar year pursuant to paragraph (2), there shall be
23 credited to the Allocated Insurance Reserves Ac-
24 count of each insured System bank an amount that
25 bears the same ratio to such total amount as the av-

1 erage principal outstanding for the 3-year period
2 ending with the end of such calendar year on loans
3 made by the bank that are in accrual status bears
4 to the average principal outstanding for such 3-year
5 period on loans made by all insured System banks
6 that are in accrual status (excluding, in each case,
7 the guaranteed portions of government-guaranteed
8 loans described in subsection (a)(1)(C)).

9 “(4) USE OF FUNDS IN ALLOCATED INSURANCE
10 RESERVES ACCOUNTS.—To the extent that the sum
11 of the operating expenses of the Corporation and the
12 insurance obligations of the Corporation for a cal-
13 endar year exceeds the estimated sum described in
14 paragraph (2) for the calendar year, the Corporation
15 shall cover such expenses and obligations by reduc-
16 ing the Allocated Insurance Reserves Account of
17 each insured System bank by the same proportion
18 and expending the amounts so obtained, before ex-
19 pending other monies in the Fund.

20 “(5) OTHER DISPOSITION OF ACCOUNT
21 FUNDS.—

22 “(A) IN GENERAL.—Annually, as soon as
23 is practicable during each calendar year begin-
24 ning more than 5 years after the date on which
25 the aggregate of the amounts in the Farm

1 Credit Insurance Fund exceeds the secure base
2 amount, the Corporation shall pay to each in-
3 sured System bank, in a manner determined by
4 the Corporation, an amount equal to the lesser
5 of—

6 “(i) 20 percent of the balance in the
7 bank’s Allocated Insurance Reserves Ac-
8 count as of the preceding December 31; or

9 “(ii) 20 percent of the balance in the
10 bank’s Allocated Insurance Reserves Ac-
11 count on the date of payment.

12 “(B) AUTHORITY TO ELIMINATE OR RE-
13 DUCE PAYMENTS.—The Corporation may elimi-
14 nate or reduce payments under subparagraph
15 (A) if the Corporation determines, in its sole
16 discretion, that such payments, or other cir-
17 cumstances that might require use of the Farm
18 Credit Insurance Fund, could cause the amount
19 in the Farm Credit Insurance Fund during that
20 calendar year to be less than the secure base
21 amount.”.

22 **SEC. 6. POWERS WITH RESPECT TO TROUBLED INSURED**
23 **SYSTEM BANKS.**

24 (a) LEAST-COST RESOLUTION.—Section 5.61(a)(3)
25 (12 U.S.C. 2277a–10(a)(3)) is amended—

1 (1) by redesignating subparagraph (B) as sub-
2 paragraph (F); and

3 (2) by striking subparagraph (A) and inserting
4 the following:

5 “(A) LEAST-COST RESOLUTION.—Assist-
6 ance may not be provided to an insured System
7 bank under this subsection unless the total
8 amount of such assistance is the least costly to
9 the Farm Credit Insurance Fund of all possible
10 alternatives available to the Corporation, includ-
11 ing liquidation of the bank (including paying
12 the insured obligations issued on behalf of the
13 bank). Before making a least-cost determina-
14 tion under this subparagraph, the Corporation
15 shall accord such other insured System banks
16 as the Corporation determines appropriate the
17 opportunity to submit information relating to
18 such determination.

19 “(B) PROCEDURAL RULES.—In determin-
20 ing the least costly alternative under subpara-
21 graph (A), the Corporation shall—

22 “(i) evaluate alternatives on a
23 present-value basis, using a reasonable dis-
24 count rate;

1 “(ii) document that evaluation and
2 the assumptions on which the evaluation is
3 based; and

4 “(iii) retain the documentation for not
5 less than 5 years.

6 “(C) TIME OF DETERMINATION.—

7 “(i) COST OF ASSISTANCE.—For pur-
8 poses of this subsection, the determination
9 of the costs of providing any assistance
10 under any provision of this section with re-
11 spect to any insured System bank shall be
12 made as of the date on which the Corpora-
13 tion makes the determination to provide
14 such assistance to the institution under
15 this section.

16 “(ii) COST OF LIQUIDATION.—For
17 purposes of this subsection, the determina-
18 tion of the costs of liquidation of any in-
19 sured System bank shall be made as of the
20 earliest of—

21 “(I) the date on which a con-
22 servator is appointed for the bank;

23 “(II) the date on which a receiver
24 is appointed for the bank; or

1 “(III) the date on which the Cor-
2 poration makes any determination to
3 provide any assistance under this sec-
4 tion with respect to the bank.

5 “(D) EVALUATION OF MANAGEMENT.—Be-
6 fore providing any assistance under paragraph
7 (1), the Corporation shall evaluate the adequacy
8 of the managerial resources of the bank. The
9 continued service of any director or senior rank-
10 ing officer who serves in a policymaking role for
11 the assisted bank, as determined by the Cor-
12 poration, shall be subject to approval by the
13 Corporation as a condition of such assistance.

14 “(E) DISCRETIONARY DETERMINATION.—
15 Any determination that the Corporation makes
16 under this paragraph shall be in the sole discre-
17 tion of the Corporation.”.

18 (b) CONFORMING AMENDMENTS.—Section 5.61(a)
19 (12 U.S.C. 2277a-10(a)) is amended—

20 (1) in paragraph (1), by striking “IN GEN-
21 ERAL” and inserting “STAND-ALONE ASSISTANCE”;
22 and

23 (2) in paragraph (2)—

1 (A) by striking “ENUMERATED POWERS”
2 and inserting “FACILITATION OF MERGERS OR
3 CONSOLIDATION”; and

4 (B) in subparagraph (A), by striking “FA-
5 CILITATION OF MERGERS OR CONSOLIDATION”
6 and inserting “IN GENERAL”.

7 **SEC. 7. FARM CREDIT SYSTEM INSURANCE CORPORATION**
8 **BOARD OF DIRECTORS.**

9 Section 201 of the Farm Credit Banks and Associa-
10 tions Safety and Soundness Act of 1992 (106 Stat. 4104–
11 4105) is repealed.

12 **SEC. 8. CONSERVATORSHIP AND RECEIVERSHIPS.**

13 (a) INCLUSION AMONG GENERAL CORPORATE POW-
14 ERS.—Section 5.58(9) (12 U.S.C. 2277a–7(9)) is amend-
15 ed to read as follows:

16 “(9) CONSERVATOR OR RECEIVER.—The Cor-
17 poration may act as conservator or receiver.”.

18 (b) CONFORMING AMENDMENTS.—Section 5.51 (12
19 U.S.C. 2277a) is amended by striking paragraph (5) and
20 redesignating paragraph (6) as paragraph (5).

1 **SEC. 9. OVERSIGHT AND REGULATORY ACTIONS BY THE**
2 **FARM CREDIT SYSTEM INSURANCE COR-**
3 **PORATION.**

4 Part E of title V of the Farm Credit Act of 1971
5 (12 U.S.C. 2277–2277a–14) is amended by inserting after
6 section 5.61 the following:

7 **“SEC. 5.61A. AUTHORITY TO REGULATE GOLDEN PARA-**
8 **CHUTE AND INDEMNIFICATION PAYMENTS.**

9 “(a) IN GENERAL.—The Corporation may prohibit or
10 limit, by regulation or order, any golden parachute pay-
11 ment or indemnification payment by a Farm Credit Sys-
12 tem institution in troubled condition (as defined in regula-
13 tions issued by the Corporation).

14 “(b) FACTORS TO BE TAKEN INTO ACCOUNT.—The
15 Corporation shall prescribe, by regulation, the factors to
16 be considered by the Corporation in taking any action
17 under subsection (a), which may include the following:

18 “(1) Whether there is a reasonable basis to be-
19 lieve that the institution-related party has committed
20 any fraudulent act or omission, breach of trust or fi-
21 duciary duty, or insider abuse with regard to the
22 Farm Credit System institution involved that has
23 had a material effect on the financial condition of
24 the institution.

25 “(2) Whether there is a reasonable basis to be-
26 lieve that the institution-related party is substan-

1 tially responsible for the insolvency of the Farm
2 Credit System institution, the appointment of a con-
3 servator or receiver for the institution, or the insti-
4 tution's troubled condition (as defined in regulations
5 prescribed by the Corporation).

6 “(3) Whether there is a reasonable basis to be-
7 lieve that the institution-related party has materially
8 violated any applicable law or regulation that has
9 had a material effect on the financial condition of
10 the institution.

11 “(4) Whether there is a reasonable basis to be-
12 lieve that the institution-related party has violated
13 or conspired to violate—

14 “(A) section 215, 657, 1006, 1014, or
15 1344 of title 18, United States Code; or

16 “(B) section 1341 or 1343 of title 18,
17 United States Code, affecting a Farm Credit
18 System institution.

19 “(5) Whether the institution-related party was
20 in a position of managerial or fiduciary responsibil-
21 ity.

22 “(6) The length of time that the party was re-
23 lated with the Farm Credit System institution and
24 the degree to which—

1 “(A) the payment reasonably reflects com-
2 pensation earned over the period of employ-
3 ment; and

4 “(B) the compensation involved represents
5 a reasonable payment for services rendered.

6 “(c) CERTAIN PAYMENTS PROHIBITED.—No Farm
7 Credit System institution may prepay the salary or any
8 liability or legal expense of any institution-related party
9 if such payment—

10 “(1) is made in contemplation of the insolvency
11 of such institution or after the commission of an act
12 of insolvency; and

13 “(2) is made with a view to, or has the result
14 of—

15 “(A) preventing the proper application of
16 the assets of the institution to creditors; or

17 “(B) preferring one creditor over another.

18 “(d) GOLDEN PARACHUTE PAYMENT DEFINED.—As
19 used in this section:

20 “(1) IN GENERAL.—The term ‘golden para-
21 chute payment’ means any payment (or any agree-
22 ment to make any payment) in the nature of com-
23 pensation by any Farm Credit System institution for
24 the benefit of any institution-related party under an
25 obligation of the institution that—

1 “(A) is contingent on the termination of
2 the party’s relationship with the institution; and

3 “(B) is received on or after the date on
4 which—

5 “(i) the institution is insolvent;

6 “(ii) any conservator or receiver is ap-
7 pointed for the institution;

8 “(iii) the Farm Credit Administration
9 has assigned the institution a composite
10 CAMEL rating of 4 or 5 under the Farm
11 Credit Administration Rating System, or
12 an equivalent rating; or

13 “(iv) the Corporation otherwise deter-
14 mines that the institution is in a troubled
15 condition (as defined in regulations issued
16 by the Corporation).

17 “(2) CERTAIN PAYMENTS IN CONTEMPLATION
18 OF AN EVENT.—Any payment that would be a gold-
19 en parachute payment but for the fact that the pay-
20 ment was made before the date referred to in para-
21 graph (1)(B) shall be treated as a golden parachute
22 payment if the payment was made in contemplation
23 of the occurrence of an event described in any clause
24 of such paragraph.

1 “(3) CERTAIN PAYMENTS NOT INCLUDED.—The
2 term ‘golden parachute payment’ shall not include—

3 “(A) any payment made under a retire-
4 ment plan that is qualified (or is intended to be
5 qualified) under section 401 of the Internal
6 Revenue Code of 1986 or other nondiscrim-
7 inatory benefit plan;

8 “(B) any payment made under a bona fide
9 deferred compensation plan or arrangement
10 that the Corporation determines, by regulation
11 or order, to be permissible; or

12 “(C) any payment made by reason of the
13 death or disability of an institution-related
14 party.

15 “(e) OTHER DEFINITIONS.—As used in this section:

16 “(1) INDEMNIFICATION PAYMENT.—The term
17 ‘indemnification payment’ means any payment (or
18 any agreement to make any payment) by any Farm
19 Credit System institution for the benefit of any per-
20 son who is or was an institution-related party, to
21 pay or reimburse the person for any liability or legal
22 expense with regard to any administrative proceed-
23 ing or civil action instituted by the Farm Credit Ad-
24 ministration that results in a final order under
25 which the person—

1 “(A) is assessed a civil money penalty; or

2 “(B) is removed or prohibited from partici-
3 pating in the conduct of the affairs of the insti-
4 tution.

5 “(2) LIABILITY OR LEGAL EXPENSE.—The
6 term ‘liability or legal expense’ means—

7 “(A) any legal or other professional ex-
8 pense incurred in connection with any claim,
9 proceeding, or action;

10 “(B) the amount of, and any cost incurred
11 in connection with, any settlement of any claim,
12 proceeding, or action; and

13 “(C) the amount of, and any cost incurred
14 in connection with, any judgment or penalty im-
15 posed with respect to any claim, proceeding, or
16 action.

17 “(3) PAYMENT.—The term ‘payment’ means—

18 “(A) any direct or indirect transfer of any
19 funds or any asset; and

20 “(B) any segregation of any funds or as-
21 sets for the purpose of making, or under an
22 agreement to make, any payment after the date
23 on which such funds or assets are segregated,
24 without regard to whether the obligation to
25 make such payment is contingent on—

1 “(i) the determination, after such
2 date, of the liability for the payment of
3 such amount; or

4 “(ii) the liquidation, after such date,
5 of the amount of such payment.

6 “(4) INSTITUTION-RELATED PARTY.—The term
7 ‘institution-related party’ means—

8 “(A) any director, officer, employee, or
9 agent for a Farm Credit System institution;

10 “(B) any stockholder (other than another
11 Farm Credit System institution), consultant,
12 joint venture partner, or any other person de-
13 termined by the Farm Credit Administration to
14 be a participant in the conduct of the affairs of
15 a Farm Credit System institution; or

16 “(C) any independent contractor (including
17 any attorney, appraiser, or accountant) who
18 knowingly or recklessly participates in any vio-
19 lation of any law or regulation, any breach of
20 fiduciary duty, or any unsafe or unsound prac-
21 tice that caused or is likely to cause more than
22 a minimal financial loss to, or a significant ad-
23 verse effect on, the Farm Credit System institu-
24 tion.

1 “(f) SPECIAL RULE.—No provision of this section
2 may be construed as prohibiting any Farm Credit System
3 institution from purchasing any commercial insurance pol-
4 icy or fidelity bond, except that such insurance policy or
5 bond shall not cover any legal or liability expense of the
6 institution that is described in subsection (e)(1).

7 “(g) SPECIAL RULE REGARDING THE FARM CREDIT
8 ADMINISTRATION.—No provision of this section may be
9 construed as limiting the powers, functions, or responsibil-
10 ities of the Farm Credit Administration.”.

11 **SEC. 10. FORMATION OF ADMINISTRATIVE SERVICE ENTI-**
12 **TIES.**

13 Part E of title IV (12 U.S.C. 2211–2214) is amended
14 by adding at the end the following:

15 **“SEC. 4.28A. DEFINITION OF BANK.**

16 “As used in this part, the term ‘bank’ includes each
17 association operating under title II.”.

18 **SEC. 11. REQUIREMENTS FOR LOANS SOLD INTO THE SEC-**
19 **ONDARY MARKET.**

20 (a) BORROWER STOCK.—Section 4.3A (12 U.S.C.
21 2154a) is amended—

22 (1) by redesignating subsections (f) and (g) as
23 subsections (g) and (h), respectively; and

24 (2) by inserting after subsection (e) the follow-
25 ing:

1 “(f) LOANS DESIGNATED FOR SALE OR SOLD INTO
2 THE SECONDARY MARKET.—Notwithstanding any other
3 provision of this section:

4 “(1) GENERAL RULE.—Subject to paragraph
5 (2), the bylaws adopted by any bank or association
6 under subsection (b) may provide—

7 “(A) for any loan made on or after the
8 date of the enactment of this subsection that is
9 designated, at the time the loan is made, for
10 sale into a secondary market under title VIII or
11 otherwise, that no voting stock or participation
12 certificate purchase requirement shall apply to
13 the borrower of the loan; and

14 “(B) for any loan made before the date of
15 the enactment of this subsection that is sold
16 into a secondary market under title VIII or oth-
17 erwise, that all outstanding voting stock or par-
18 ticipation certificates held by the borrower with
19 respect to the loan shall, subject to subsection
20 (d)(1), be retired.

21 “(2) EXCEPTION.—If a loan designated for sale
22 as described in paragraph (1)(A) is not sold into a
23 secondary market within 1 year after the designa-
24 tion, the voting stock or participation certificate pur-
25 chase requirement that would otherwise apply to the

1 loan in the absence of bylaw provisions adopted
2 under paragraph (1)(A) shall be effective, except
3 that the bylaws may provide that if such a loan is
4 thereafter sold into a secondary market, all out-
5 standing voting stock or participation certificates
6 held by the borrower with respect to such loan shall,
7 subject to subsection (d)(1), be retired.”.

8 (b) BORROWER RIGHTS.—

9 (1) IN GENERAL.—Section 4.14A(a)(5) (12
10 U.S.C. 2202a(a)(5)) is amended to read as follows:

11 “(5) LOAN.—

12 “(A) IN GENERAL.—The term ‘loan’
13 means a loan made to a farmer, rancher, or
14 producer or harvester of aquatic products, for
15 any agricultural or aquatic purpose and other
16 credit needs of the borrower, including financ-
17 ing for basic processing and marketing directly
18 related to the borrower’s operations and those
19 of other eligible farmers, ranchers, and produc-
20 ers or harvesters of aquatic products.

21 “(B) EXCLUSION OF LOANS DESIGNATED
22 FOR SALE INTO A SECONDARY MARKET.—The
23 term ‘loan’ does not include a loan made on or
24 after the date of enactment of this subpara-
25 graph that, at the time the loan is made, is des-

1 ignated for sale into a secondary market under
2 title VIII or otherwise, except as provided in
3 subparagraph (C).

4 “(C) SPECIAL RULE.—If a loan designated
5 for sale into a secondary market is not sold into
6 a secondary market within 1 year after such
7 designation, the provisions of sections 4.14,
8 4.14A, 4.14B, 4.14C, 4.14D, and 4.36 that
9 would apply to the loan in the absence of sub-
10 paragraph (B) shall apply to the loan until the
11 loan is so sold.”.

12 (2) CONFORMING AMENDMENT.—Section 8.9(b)
13 (12 U.S.C. 2279aa–9(b)) is amended by inserting
14 “(as defined in section 4.14A(a)(5))” after “At the
15 time of application for a loan”.

16 **SEC. 12. REMOVAL OF ANTIQUATED AND UNNECESSARY PA-**
17 **PERWORK REQUIREMENTS.**

18 (a) DISCLOSURE ON ADJUSTABLE RATE LOANS.—
19 Section 4.13(a)(4) (12 U.S.C. 2199(a)(4)) is amended by
20 inserting “, except that any regulation of the Farm Credit
21 Administration implementing this paragraph shall include
22 a provision permitting notice to a borrower of a change
23 in the interest rate applicable to the borrower’s loan to
24 be made within a reasonable time after the effective date
25 of the change” before the semicolon.

1 (b) COMPENSATION OF ASSOCIATION PERSONNEL.—
2 Section 1.5(13) (12 U.S.C. 2013(13)) is amended by
3 striking “and the appointment and compensation of the
4 chief executive officer thereof,”.

5 (c) JOINT MANAGEMENT AGREEMENTS.—Section
6 5.17(a)(2)(A) (12 U.S.C. 2252(a)(2)(A)) is amended in
7 the 1st sentence by striking “or management agree-
8 ments”.

9 (d) REMOVAL OF CERTAIN BORROWER REPORTING
10 REQUIREMENTS.—Section 1.10(a) (12 U.S.C. 2018(a)) is
11 amended by striking paragraph (5).

12 (e) USE OF PRIVATE MORTGAGE INSURANCE.—

13 (1) IN GENERAL.—Section 1.10(a)(1) (12
14 U.S.C. 2018(a)(1)) is amended by adding at the end
15 the following:

16 “(D) PRIVATE MORTGAGE INSURANCE.—
17 Loans on which private mortgage insurance is
18 obtained may exceed 85 percent of the ap-
19 praised value of the real estate security to the
20 extent that the loan amount in excess of such
21 85 percent is covered by the insurance.”.

22 (2) CONFORMING AMENDMENT.—Section
23 1.10(a)(1)(A) (12 U.S.C. 2018(a)(1)(A)) is amended
24 by striking “paragraphs (2) and (3)” and inserting
25 “subparagraphs (C) and (D)”.

1 (f) DISSEMINATION OF QUARTERLY REPORTS.—Sec-
2 tion 5.17(a)(8) (12 U.S.C. 2252(a)(8)) is amended by in-
3 serting “the requirements of the Farm Credit Administra-
4 tion governing the dissemination to stockholders of quar-
5 terly reports of System institutions may not be more bur-
6 densome or costly than the requirements applicable to na-
7 tional banks, and” after “except that”.

8 **SEC. 13. REMOVAL OF GOVERNMENT CERTIFICATION RE-**
9 **QUIREMENT FOR CERTAIN PRIVATE SECTOR**
10 **FINANCING.**

11 Section 3.8(b)(1)(A) (12 U.S.C. 2129(b)(1)(A)) is
12 amended—

13 (1) by striking “have been certified by the Ad-
14 ministrator of the Rural Electrification Administra-
15 tion to be eligible for such” and inserting “are eligi-
16 ble under the Rural Electrification Act of 1936 for”;
17 and

18 (2) by striking “loan guarantee, and” and in-
19 serting “loan guarantee from such agencies (or their
20 successors), and”.

1 **SEC. 14. REFORM OF REGULATORY LIMITATIONS ON THE**
2 **DIVIDEND, MEMBER BUSINESS, AND VOTING**
3 **PRACTICES OF ELIGIBLE FARMER-OWNED**
4 **COOPERATIVES.**

5 (a) **IN GENERAL.**—Section 3.8(a) (12 U.S.C.
6 2129(a)) is amended by adding at the end the following:
7 “Any such association that has received a loan from a
8 bank for cooperatives shall, without regard to the require-
9 ments of the preceding sentence, continue to be so eligible
10 for so long as more than 50 percent (or such higher per-
11 centage as is established by the bank board) of the voting
12 control of the association is held by farmers, producers
13 or harvesters of aquatic products, or eligible cooperative
14 associations.”.

15 (b) **CONFORMING AMENDMENT.**—Section
16 3.8(b)(1)(D) (12 U.S.C. 2129(b)(1)(D)) is amended by in-
17 serting “, or under the last sentence,” after “(4)”.

○

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