

104TH CONGRESS
1ST SESSION

H. R. 2029

AN ACT

To amend the Farm Credit Act of 1971 to provide regulatory relief, and for other purposes.

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To amend the Farm Credit Act of 1971 to provide regulatory relief, and for other purposes.

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”.

1 (b) TABLE OF CONTENTS.—The table of contents of
2 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.
- Sec. 15. Extension of interest rate reduction program for 5 years.

3 **SEC. 2. REFERENCES.**

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

9 **SEC. 3. REGULATORY REVIEW.**

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

- 11 (1) the Farm Credit Administration, in its role
12 as an arms-length, safety and soundness regulator,
13 has made considerable progress in reducing the reg-
14 ulatory burden on Farm Credit System institutions;
- 15 (2) the efforts of the Farm Credit Administra-
16 tion in this regard have resulted in cost savings for
17 Farm Credit System institutions; and

1 (3) such cost savings ultimately benefit the Na-
 2 tion’s farmers, ranchers, agricultural cooperatives,
 3 and rural residents.

4 (b) REQUIREMENT FOR CONTINUED REVIEW.—The
 5 Farm Credit Administration shall continue its comprehen-
 6 sive review of regulations governing the Farm Credit Sys-
 7 tem in order to further identify and eliminate, consistent
 8 with safety and soundness, all regulations that are unnee-
 9 cessary, unduly burdensome or costly, or not based on
 10 statute.

11 **SEC. 4. EXAMINATION OF FARM CREDIT SYSTEM INSTITU-**
 12 **TIONS.**

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

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

17 (a) ADJUSTMENT OF PREMIUMS.—

18 (1) IN GENERAL.—Section 5.55(a) (12 U.S.C.
 19 2277a-4(a)) is amended—

20 (A) in paragraph (1), by striking “Until
 21 the aggregate of amounts in the Farm Credit
 22 Insurance Fund exceeds the secure base
 23 amount, the annual premium due from any in-
 24 sured System bank for any calendar year shall”
 25 and inserting “If, at the end of any calendar

1 year, the aggregate of the amounts in the Farm
2 Credit Insurance Fund does not exceed the se-
3 cure base amount, the annual premium due
4 from any insured System bank for that cal-
5 endar year shall, subject to paragraph (2),”;
6 and

7 (B) by redesignating paragraph (2) as
8 paragraph (3) and inserting after paragraph
9 (1) the following:

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

16 (2) CONFORMING AMENDMENTS.—

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

19 (i) by striking “Insurance Fund” each
20 place such term appears and inserting
21 “Farm Credit Insurance Fund”;

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

24 (iii) by striking “subsection (a)” and
25 inserting “subsection (a)(1)”.

1 (B) SECTION 5.56(a).—Section 5.56(a) (12
2 U.S.C. 2277a–5(a)) is amended in each of
3 paragraphs (2) and (3) by striking “section
4 5.55(a)(2)” and inserting “section 5.55(a)(3)”.

5 (C) SECTION 1.12(b).—Section 1.12(b) (12
6 U.S.C. 2020(b)) is amended—

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

10 (ii) in paragraph (3), by inserting
11 “(as so defined)” after “government-guar-
12 anteed loans” each place such term ap-
13 pears.

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

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

17 (A) by striking “and (c)” and inserting “,
18 (c), and (e)”; and

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

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

24 (c) ALLOCATION TO INSURED SYSTEM BANKS AND
25 OTHER SYSTEM INSTITUTIONS OF EXCESS AMOUNTS IN

1 THE FARM CREDIT INSURANCE FUND.—Section 5.55 (12
2 U.S.C. 2277a–4) is amended by adding at the end the fol-
3 lowing:

4 “(e) ALLOCATION TO SYSTEM INSTITUTIONS OF EX-
5 CESS RESERVES.—

6 “(1) ESTABLISHMENT OF ALLOCATED INSUR-
7 ANCE RESERVES ACCOUNTS.—There is hereby estab-
8 lished within the Farm Credit Insurance Fund—

9 “(A) for each insured System bank; and

10 “(B) subject to paragraph (5)(C), for all
11 holders, in the aggregate, of Financial Assist-
12 ance Corporation stock,

13 an Allocated Insurance Reserves Account. Amounts
14 in any Allocated Insurance Reserves Account shall
15 be considered to be part of the Farm Credit Insur-
16 ance Fund.

17 “(2) ANNUAL ALLOCATIONS.—If, at the end of
18 any calendar year, the aggregate of the amounts in
19 the Farm Credit Insurance Fund exceeds the aver-
20 age secure base amount for the calendar year (as
21 calculated on an average daily balance basis), the
22 Corporation shall allocate to the Allocated Insurance
23 Reserves Accounts such excess amount less the
24 amount that the Corporation, in its sole discretion,
25 determines to be the sum of the estimated operating

1 expenses and estimated insurance obligations of the
2 Corporation for the immediately succeeding calendar
3 year.

4 “(3) ALLOCATION FORMULA.—From the total
5 amount required to be allocated at the end of a cal-
6 endar year pursuant to paragraph (2)—

7 “(A) 10 percent of such total amount shall
8 be credited to the Allocated Insurance Reserves
9 Account established under paragraph (1)(B),
10 subject to paragraph (5)(C); and

11 “(B) there shall be credited to the Allo-
12 cated Insurance Reserves Account of each in-
13 sured System bank an amount that bears the
14 same ratio to such total amount (less any re-
15 duction under subparagraph (A)) as the aver-
16 age principal outstanding for the 3-year period
17 ending with the end of such calendar year on
18 loans made by the bank that are in accrual sta-
19 tus bears to the average principal outstanding
20 for such 3-year period on loans made by all in-
21 sured System banks that are in accrual status
22 (excluding, in each case, the guaranteed por-
23 tions of government-guaranteed loans described
24 in subsection (a)(1)(C)).

1 “(4) USE OF FUNDS IN ALLOCATED INSURANCE
2 RESERVES ACCOUNTS.—To the extent that the sum
3 of the operating expenses of the Corporation and the
4 insurance obligations of the Corporation for a cal-
5 endar year exceeds the estimated sum described in
6 paragraph (2) for the calendar year, the Corporation
7 shall cover such expenses and obligations by reduc-
8 ing each Allocated Insurance Reserves Account by
9 the same proportion and expending the amounts so
10 obtained, before expending other monies in the
11 Fund.

12 “(5) OTHER DISPOSITION OF ACCOUNT
13 FUNDS.—

14 “(A) IN GENERAL.—Beginning in calendar
15 year 2003, if the aggregate of the amounts in
16 the Farm Credit Insurance Fund exceeds the
17 secure base amount, the Corporation may—

18 “(i) subject to subparagraph (D), pay
19 to each insured System bank, in a manner
20 determined by the Corporation, an amount
21 equal to the lesser of—

22 “(I) 20 percent of the balance in
23 the bank’s Allocated Insurance Re-
24 serves Account as of the preceding
25 December 31; or

1 “(II) 20 percent of the balance in
2 the bank’s Allocated Insurance Re-
3 serves Account on the date of pay-
4 ment; and

5 “(ii) subject to subparagraphs (C)
6 and (E), pay to each System bank and as-
7 sociation holding Financial Assistance Cor-
8 poration stock its proportionate share, de-
9 termined by dividing the number of shares
10 of Financial Assistance Corporation stock
11 held by such institution by the total num-
12 ber of shares of Financial Assistance Cor-
13 poration stock outstanding, of the lesser
14 of—

15 “(I) 20 percent of the balance in
16 the Allocated Insurance Reserves Ac-
17 count established under paragraph
18 (1)(B) as of the preceding December
19 31; or

20 “(II) 20 percent of the balance in
21 the Allocated Insurance Reserves Ac-
22 count established under paragraph
23 (1)(B) on the date of the payment.

24 “(B) AUTHORITY TO ELIMINATE OR RE-
25 DUCE PAYMENTS.—The Corporation may elimi-

1 nate or reduce payments under subparagraph
2 (A) if the Corporation determines, in its sole
3 discretion, that such payments, or other cir-
4 cumstances that might require use of the Farm
5 Credit Insurance Fund, could cause the amount
6 in the Farm Credit Insurance Fund during that
7 calendar year to be less than the secure base
8 amount.

9 “(C) REIMBURSEMENT FOR FINANCIAL AS-
10 SISTANCE CORPORATION STOCK.—

11 “(i) SUFFICIENT FUNDING.—Notwith-
12 standing paragraph (3)(A), upon provision
13 by the Corporation for the accumulation in
14 the account established under paragraph
15 (1)(B) of funds in an amount equal to \$56
16 million, the Corporation shall not allocate
17 any further funds to such account except
18 to replenish such account in the event that
19 funds are diminished below such amount
20 by the Corporation pursuant to paragraph
21 (4).

22 “(ii) WIND DOWN AND TERMI-
23 NATION.—

24 “(I) FINAL DISBURSEMENTS.—

25 Upon disbursement of a total of \$53

1 million from such Allocated Insurance
2 Reserves Account, the Corporation
3 shall disburse the remaining amounts
4 in such account, as determined under
5 paragraph (5)(A)(ii), without regard
6 to the percentage limitation in
7 subclauses (I) and (II) thereof.

8 “(II) TERMINATION OF AC-
9 COUNT.—Upon disbursement of a
10 total of \$56 million from such Allo-
11 cated Insurance Reserves Account es-
12 tablished under paragraph (1)(B), the
13 Corporation shall close the Allocated
14 Insurance Reserves Account estab-
15 lished under paragraph (1)(B) and
16 transfer any remaining funds in such
17 Account to the remaining Allocated
18 Insurance Reserves Accounts in ac-
19 cordance with the formula in para-
20 graph (3)(B) for the calendar year in
21 which the transfer occurs.

22 “(D) DISTRIBUTION OF PAYMENTS RE-
23 CEIVED.—Within 60 days after receipt of a
24 payment made under subparagraph (5)(A)(i),
25 each insured System bank, in consultation with

1 its affiliated associations, and taking into ac-
2 count the direct or indirect payment of insur-
3 ance premiums by such associations, shall de-
4 velop and implement an equitable plan to dis-
5 tribute payments received pursuant to subpara-
6 graph (5)(A)(i) among the bank and its associa-
7 tions.

8 “(E) EXCEPTION FOR PREVIOUSLY REIM-
9 BURSED ASSOCIATIONS.—For purposes of sub-
10 paragraph (5)(A)(ii), in any Farm Credit Dis-
11 trict in which the funding bank has reimbursed
12 one or more of its affiliated associations for the
13 previously unreimbursed portion of the Finan-
14 cial Assistance stock held by such associations,
15 the funding bank shall be deemed to be the
16 holder of the shares of Financial Assistance
17 Corporation stock for which it has provided
18 such reimbursement.”.

19 **SEC. 6. POWERS WITH RESPECT TO TROUBLED INSURED**
20 **SYSTEM BANKS.**

21 (a) LEAST-COST RESOLUTION.—Section 5.61(a)(3)
22 (12 U.S.C. 2277a–10(a)(3)) is amended—

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

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

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

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

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

23 “(ii) document that evaluation and
24 the assumptions on which the evaluation is
25 based; and

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

3 “(C) TIME OF DETERMINATION.—

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

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

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

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

22 “(III) the date on which the Cor-
23 poration makes any determination to
24 provide any assistance under this sec-
25 tion with respect to the bank.

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

10 “(E) DISCRETIONARY DETERMINATION.—
11 Any determination that the Corporation makes
12 under this paragraph shall be in the sole discre-
13 tion of the Corporation.”.

14 (b) CONFORMING AMENDMENTS.—Section 5.61(a)
15 (12 U.S.C. 2277a–10(a)) is amended—

16 (1) in paragraph (1), by striking “IN GEN-
17 ERAL” and inserting “STAND-ALONE ASSISTANCE”;
18 and

19 (2) in paragraph (2)—

20 (A) by striking “ENUMERATED POWERS”
21 and inserting “FACILITATION OF MERGERS OR
22 CONSOLIDATION”; and

23 (B) in subparagraph (A), by striking “FA-
24 CILITATION OF MERGERS OR CONSOLIDATION”
25 and inserting “IN GENERAL”.

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

3 Section 201 of the Farm Credit Banks and Associa-
4 tions Safety and Soundness Act of 1992 (106 Stat. 4104–
5 4105) is repealed.

6 **SEC. 8. CONSERVATORSHIP AND RECEIVERSHIPS.**

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

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

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

15 **SEC. 9. OVERSIGHT AND REGULATORY ACTIONS BY THE**
16 **FARM CREDIT SYSTEM INSURANCE COR-**
17 **PORATION.**

18 Part E of title V of the Farm Credit Act of 1971
19 (12 U.S.C. 2277–2277a–14) is amended by inserting after
20 section 5.61 the following:

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

23 “(a) IN GENERAL.—The Corporation may prohibit or
24 limit, by regulation or order, any golden parachute pay-
25 ment or indemnification payment by a Farm Credit Sys-
26 tem institution (including the Federal Agricultural Mort-

1 gage Corporation and any conservator or receiver for the
2 Federal Agricultural Mortgage Corporation) in troubled
3 condition (as defined in regulations issued by the Corpora-
4 tion).

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

9 “(1) Whether there is a reasonable basis to be-
10 lieve that the institution-related party has committed
11 any fraudulent act or omission, breach of trust or fi-
12 duciary duty, or insider abuse with regard to the
13 Farm Credit System institution involved that has
14 had a material effect on the financial condition of
15 the institution.

16 “(2) Whether there is a reasonable basis to be-
17 lieve that the institution-related party is substan-
18 tially responsible for the insolvency of the Farm
19 Credit System institution, the appointment of a con-
20 servator or receiver for the institution, or the insti-
21 tution’s troubled condition (as defined in regulations
22 prescribed by the Corporation).

23 “(3) Whether there is a reasonable basis to be-
24 lieve that the institution-related party has materially
25 violated any applicable law or regulation that has

1 had a material effect on the financial condition of
2 the institution.

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

6 “(A) section 215, 657, 1006, 1014, or
7 1344 of title 18, United States Code; or

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

11 “(5) Whether the institution-related party was
12 in a position of managerial or fiduciary responsibil-
13 ity.

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

17 “(A) the payment reasonably reflects com-
18 pensation earned over the period of employ-
19 ment; and

20 “(B) the compensation involved represents
21 a reasonable payment for services rendered.

22 “(c) CERTAIN PAYMENTS PROHIBITED.—No Farm
23 Credit System institution may prepay the salary or any
24 liability or legal expense of any institution-related party
25 if such payment—

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

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

6 “(A) preventing the proper application of
7 the assets of the institution to creditors; or

8 “(B) preferring one creditor over another.

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

11 “(1) IN GENERAL.—The term ‘golden para-
12 chute payment’ means any payment (or any agree-
13 ment to make any payment) in the nature of com-
14 pensation by any Farm Credit System institution for
15 the benefit of any institution-related party under an
16 obligation of the institution that—

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

19 “(B) is received on or after the date on
20 which—

21 “(i) the institution is insolvent;

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

24 “(iii) the Farm Credit Administration
25 has assigned the institution a composite

1 CAMEL rating of 4 or 5 under the Farm
2 Credit Administration Rating System, or
3 an equivalent rating; or

4 “(iv) the Corporation otherwise deter-
5 mines that the institution is in a troubled
6 condition (as defined in regulations issued
7 by the Corporation).

8 “(2) CERTAIN PAYMENTS IN CONTEMPLATION
9 OF AN EVENT.—Any payment that would be a gold-
10 en parachute payment but for the fact that the pay-
11 ment was made before the date referred to in para-
12 graph (1)(B) shall be treated as a golden parachute
13 payment if the payment was made in contemplation
14 of the occurrence of an event described in any clause
15 of such paragraph.

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

18 “(A) any payment made under a retire-
19 ment plan that is qualified (or is intended to be
20 qualified) under section 401 of the Internal
21 Revenue Code of 1986 or other nondiscrim-
22 inatory benefit plan;

23 “(B) any payment made under a bona fide
24 deferred compensation plan or arrangement

1 that the Corporation determines, by regulation
2 or order, to be permissible; or

3 “(C) any payment made by reason of the
4 death or disability of an institution-related
5 party.

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

7 “(1) INDEMNIFICATION PAYMENT.—The term
8 ‘indemnification payment’ means any payment (or
9 any agreement to make any payment) by any Farm
10 Credit System institution for the benefit of any per-
11 son who is or was an institution-related party, to
12 pay or reimburse the person for any liability or legal
13 expense with regard to any administrative proceed-
14 ing or civil action instituted by the Farm Credit Ad-
15 ministration that results in a final order under
16 which the person—

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

18 “(B) is removed or prohibited from partici-
19 pating in the conduct of the affairs of the insti-
20 tution.

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

23 “(A) any legal or other professional ex-
24 pense incurred in connection with any claim,
25 proceeding, or action;

1 “(B) the amount of, and any cost incurred
2 in connection with, any settlement of any claim,
3 proceeding, or action; and

4 “(C) the amount of, and any cost incurred
5 in connection with, any judgment or penalty im-
6 posed with respect to any claim, proceeding, or
7 action.

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

9 “(A) any direct or indirect transfer of any
10 funds or any asset; and

11 “(B) any segregation of any funds or as-
12 sets for the purpose of making, or under an
13 agreement to make, any payment after the date
14 on which such funds or assets are segregated,
15 without regard to whether the obligation to
16 make such payment is contingent on—

17 “(i) the determination, after such
18 date, of the liability for the payment of
19 such amount; or

20 “(ii) the liquidation, after such date,
21 of the amount of such payment.

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

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

1 “(B) any stockholder (other than another
2 Farm Credit System institution), consultant,
3 joint venture partner, or any other person de-
4 termined by the Farm Credit Administration to
5 be a participant in the conduct of the affairs of
6 a Farm Credit System institution;

7 “(C) any independent contractor (including
8 any attorney, appraiser, or accountant) who
9 knowingly or recklessly participates in any vio-
10 lation of any law or regulation, any breach of
11 fiduciary duty, or any unsafe or unsound prac-
12 tice that caused or is likely to cause more than
13 a minimal financial loss to, or a significant ad-
14 verse effect on, the Farm Credit System institu-
15 tion; or

16 “(D) any receiver or conservator of a
17 Farm Credit System institution.

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

24 “(g) SPECIAL RULE REGARDING THE FARM CREDIT
25 ADMINISTRATION.—No provision of this section may be

1 construed as limiting the powers, functions, or responsibil-
2 ities of the Farm Credit Administration.”.

3 **SEC. 10. FORMATION OF ADMINISTRATIVE SERVICE ENTI-**
4 **TIES.**

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

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

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

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

12 (a) BORROWER STOCK.—Section 4.3A (12 U.S.C.
13 2154a) is amended—

14 (1) by redesignating subsections (f) and (g) as
15 subsections (g) and (h), respectively; and

16 (2) by inserting after subsection (e) the follow-
17 ing:

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

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

24 “(A) for any loan made on or after the
25 date of the enactment of this subsection that is

1 designated, at the time the loan is made, for
2 sale into a secondary market under title VIII or
3 otherwise, that no voting stock or participation
4 certificate purchase requirement shall apply to
5 the borrower of the loan; and

6 “(B) for any loan made before the date of
7 the enactment of this subsection that is sold
8 into a secondary market under title VIII or oth-
9 erwise, that all outstanding voting stock or par-
10 ticipation certificates held by the borrower with
11 respect to the loan shall, subject to subsection
12 (d)(1), be retired.

13 “(2) EXCEPTION.—If a loan designated for sale
14 as described in paragraph (1)(A) is not sold into a
15 secondary market within 180 days after the designa-
16 tion, the voting stock or participation certificate pur-
17 chase requirement that would otherwise apply to the
18 loan in the absence of bylaw provisions adopted
19 under paragraph (1)(A) shall be effective, except
20 that the bylaws may provide that if such a loan is
21 thereafter sold into a secondary market, all out-
22 standing voting stock or participation certificates
23 held by the borrower with respect to such loan shall,
24 subject to subsection (d)(1), be retired.”.

25 (b) BORROWER RIGHTS.—

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

3 “(5) LOAN.—

4 “(A) IN GENERAL.—The term ‘loan’
5 means a loan made to a farmer, rancher, or
6 producer or harvester of aquatic products, for
7 any agricultural or aquatic purpose and other
8 credit needs of the borrower, including financ-
9 ing for basic processing and marketing directly
10 related to the borrower’s operations and those
11 of other eligible farmers, ranchers, and produc-
12 ers or harvesters of aquatic products.

13 “(B) EXCLUSION OF LOANS DESIGNATED
14 FOR SALE INTO A SECONDARY MARKET.—The
15 term ‘loan’ does not include a loan made on or
16 after the date of enactment of this subpara-
17 graph that, at the time the loan is made, is des-
18 ignated for sale into a secondary market under
19 title VIII or otherwise, except as provided in
20 subparagraph (C).

21 “(C) SPECIAL RULE.—If a loan designated
22 for sale into a secondary market is not sold into
23 a secondary market within 180 days after such
24 designation, the provisions of sections 4.14,
25 4.14A, 4.14B, 4.14C, 4.14D, and 4.36 that

1 would apply to the loan in the absence of sub-
2 paragraph (B) shall apply to the loan until the
3 loan is so sold.”.

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

8 **SEC. 12. REMOVAL OF ANTIQUATED AND UNNECESSARY PA-**
9 **PERWORK REQUIREMENTS.**

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

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

22 (c) JOINT MANAGEMENT AGREEMENTS.—Section
23 5.17(a)(2)(A) (12 U.S.C. 2252(a)(2)(A)) is amended in
24 the 1st sentence by striking “or management agree-
25 ments”.

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

4 (e) USE OF PRIVATE MORTGAGE INSURANCE.—

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

8 “(D) PRIVATE MORTGAGE INSURANCE.—

9 Loans on which private mortgage insurance is
10 obtained may exceed 85 percent of the ap-
11 praised value of the real estate security to the
12 extent that the loan amount in excess of such
13 85 percent is covered by the insurance.”.

14 (2) CONFORMING AMENDMENT.—Section
15 1.10(a)(1)(A) (12 U.S.C. 2018(a)(1)(A)) is amended
16 by striking “paragraphs (2) and (3)” and inserting
17 “subparagraphs (C) and (D)”.

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

1 **SEC. 13. REMOVAL OF GOVERNMENT CERTIFICATION RE-**
2 **QUIREMENT FOR CERTAIN PRIVATE SECTOR**
3 **FINANCING.**

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

6 (1) by striking “have been certified by the Ad-
7 ministrator of the Rural Electrification Administra-
8 tion to be eligible for such” and inserting “are eligi-
9 ble under the Rural Electrification Act of 1936 for”;
10 and

11 (2) by striking “loan guarantee, and” and in-
12 serting “loan guarantee from such agencies (or their
13 successors), and”.

14 **SEC. 14. REFORM OF REGULATORY LIMITATIONS ON THE**
15 **DIVIDEND, MEMBER BUSINESS, AND VOTING**
16 **PRACTICES OF ELIGIBLE FARMER-OWNED**
17 **COOPERATIVES.**

18 (a) IN GENERAL.—Section 3.8(a) (12 U.S.C.
19 2129(a)) is amended by adding at the end the following:
20 “Any such association that has received a loan from a
21 bank for cooperatives shall, without regard to the require-
22 ments of the preceding sentence, continue to be so eligible
23 for so long as more than 50 percent (or such higher per-
24 centage as is established by the bank board) of the voting
25 control of the association is held by farmers, producers

1 or harvesters of aquatic products, or eligible cooperative
2 associations.”.

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

6 **SEC. 15. EXTENSION OF INTEREST RATE REDUCTION PRO-**
7 **GRAM FOR 5 YEARS.**

8 Section 1320 of the Food Security Act of 1985 (7
9 U.S.C. 1999 note) is amended by striking “1995” and in-
10 serting “2000”.

Passed the House of Representatives December 19,
1995.

Attest:

Clerk.