

composting, they must first be fumigated in accordance with § 319.40-7(f)(3), heat treated in accordance with § 319.40-7(c), or heat treated with moisture reduction in accordance with § 319.40-7(d).

\* \* \* \* \*

4. In § 319.40-7, paragraph (e) is revised to read as follows.

**§ 319.40-7 Treatments and safeguards.**

\* \* \* \* \*

(e) *Surface pesticide treatments.* All United States Environmental Protection Agency registered surface pesticide treatments are authorized for regulated articles imported in accordance with this subpart, except that *Pinus radiata* wood chips from Chile must be treated in accordance with § 319.40-7(e)(2). Surface pesticide treatments must be conducted in accordance with label directions approved by the United States Environmental Protection Agency. Under the following circumstances, surface pesticide treatments must also be conducted as follows:

(1) *Heat treated logs.* When used on heat treated logs, a surface pesticide treatment must be first applied within 48 hours following heat treatment. The surface pesticide treatment must be repeated at least every 30 days during storage of the regulated article, with the final treatment occurring no more than 30 days prior to departure of the means of conveyance that carries the regulated articles to the United States.

(2) *Pinus radiata wood chips from Chile.* When used on *Pinus radiata* wood chips from Chile, a surface pesticide consisting of the following must be used: A mixture of a fungicide containing 64.8 percent of the active ingredient didecyl dimethyl ammonium chloride and 7.6 percent of the active ingredient 3-iodo-2-propynyl butylcarbamate and an insecticide containing 44.9 percent of the active ingredient chlorpyrifos phosphorothioate. The wood chips must be sprayed with the pesticide so that all the chips are exposed to the chemical on all sides. During the entire interval between treatment and export, the wood chips must be stored, handled, or safeguarded in a manner that prevents any infestation of the wood chips by plant pests.

\* \* \* \* \*

Done in Washington, DC, this 17th day of April 2000.

**Bobby R. Acord,**

*Acting Administrator, Animal and Plant Health Inspection Service.*

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**FARM CREDIT ADMINISTRATION**

**12 CFR Chapter VI**

**RIN 3052-AB97**

**Regulatory Burden**

**AGENCY:** Farm Credit Administration (FCA).

**ACTION:** Statement on regulatory burden.

**SUMMARY:** This is the second phase of our recent initiative to reduce regulatory burden on the Farm Credit System (FCS or System). Many System institutions responded to our August 1998 request for comments by identifying regulations that they considered burdensome. We deleted several unnecessary or obsolete regulations in the first phase of this project. This document informs the public of those regulations that we will retain without amendment because they either: Implement or interpret the Farm Credit Act of 1971, as amended (Act); or protect the safety and soundness of the System. We also identify pending or future actions that will respond to remaining regulatory burden issues.

**FOR FURTHER INFORMATION CONTACT:**

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**SUPPLEMENTARY INFORMATION:**

**I. Background**

On August 18, 1998, we published a document in the **Federal Register** inviting you to identify existing regulations and policies that impose unnecessary burdens on the FCS. See 63 FR 44176. On November 18, 1998, we extended the comment period to January 19, 1999. See 63 FR 64013. We specifically asked you to focus on those regulations and policies that are ineffective, duplicate other governmental requirements, or impose burdens that are greater than the benefits received. We took this action in our continuing effort to improve the regulatory environment so System institutions can more effectively serve farmers, ranchers, aquatic producers, their cooperatives, and other rural residents.

In the first phase of our effort to reduce regulatory burden on the FCS, we repealed or revised 16 regulations. See 64 FR 43046, Aug. 9, 1999.

The purpose of this document is to inform you of those regulations that we will retain without amendment. In most cases, these regulations are either required by statute or are necessary to ensure the safety and soundness of System institutions. For these reasons, the FCA will not make the suggested changes to the following regulations: §§ 613.3020; 613.3030; 613.3300; 614.4200(b)(1); 614.4335(c)(1)(i); 614.4359; and 614.4920. The next section explains our reasons for retaining these regulations.

**II. Regulations that We Will Retain Without Revision**

*A. Farm-related Businesses*

Seven commenters asked us to amend § 613.3020 so the FCS can finance farm-related businesses that supply only goods to farmers and ranchers. Sections 1.11(c)(1) and 2.4(a)(3) of the Act limit eligibility to businesses that furnish farm-related services to farmers and ranchers. Businesses that sell only farm-related goods to agricultural producers do not qualify for FCS financing under these provisions of the Act. Therefore, we cannot grant this request.

Two Farm Credit banks and one association asked us to amend § 613.3020(b)(2) to allow businesses that derive less than 50 percent of their income from farm-related services to obtain System financing for all of their credit needs. The FCA updated this regulation in 1997 to expand financing opportunities for farm-related businesses that offer both goods and services. At that time, the FCA Board determined that a 50-percent threshold gave appropriate effect to the Act. See 62 FR 4429, Jan. 30, 1997. This standard ensures that only businesses that primarily provide farm-related services receive full financing from System lenders. The United States Court of Appeals recently upheld the provisions in § 613.3020(b) that limit System financing to eligible businesses that derive less than 50 percent of their income from furnishing farm-related services to farmers and ranchers.<sup>1</sup> We continue to believe that the current regulation strikes the best balance for securing the credit needs of farm-related business within the limitations of the Act.

*B. Rural Housing*

Many System institutions assert that § 613.3030 unnecessarily restricts the System's ability to finance housing for rural residents who are not farmers,

<sup>1</sup> *Independent Bankers Association of America v. Farm Credit Administration*, 164 F.3d 661 (D.C. Cir. 1999).

ranchers, or aquatic producers. Two FCS banks, an association, and the Farm Credit Council (Council) requested relief from § 613.3030(a)(3), which allows System lenders to finance non-farm rural homes only in towns or villages with populations not exceeding 2,500 inhabitants. Changing population patterns since Congress set this limit almost 30 years ago make it increasingly difficult for the System to meet the credit needs of homebuyers in rural areas. Because this restriction is statutory, however, we cannot grant the commenters' request.

Three Farm Credit banks and the Council asked us to repeal § 613.3030(c). Under this provision, FCS banks and associations can extend credit to eligible rural homeowners only for the purposes of buying, building, remodeling, repairing or improving rural homes, or refinancing the existing indebtedness on such homes. The commenters want us to remove this restriction so eligible non-farm rural homeowners can borrow against the equity in their homes and use the loan proceeds for any purpose. We thoroughly addressed this issue when we developed § 613.3030 during an extensive rulemaking that ended in 1997. *See* 62 FR 4429, Jan. 30, 1997. We are not inclined to change our policy at this time.

### C. Similar Entities

A Farm Credit bank requested changes to § 613.3300, which governs FCS participation in loans that non-System lenders make to similar entities. Under sections 3.1(11)(B) and 4.18A of the Act, similar entities are parties that are ineligible to borrow directly from System banks and associations but derive most of their income from, or have most of their assets invested in, the same activities as eligible borrowers.

The bank wants us to revise the rule so the FCS can make loans directly to similar entities. We cannot grant this request because sections 3.1(11)(B) and 4.18A of the Act do not authorize Farm Credit banks and associations to lend directly to similar entities. These statutory provisions specify that System institutions may only participate in credits that non-System lenders extend to similar entities. Further, sections 3.1(11)(B)(i)(bb) and 4.18A(b)(2) of the Act limit System participation in similar entity loans to less than 50 percent of the principal.

### D. First Lien Requirement

Three Farm Credit banks, one association, and the Council asked us to repeal a provision in § 614.4200(b)(1) that requires Farm Credit banks, Federal

land credit associations, and agricultural credit associations to secure their long-term mortgage loans with a first lien on the borrower's real estate. Section 1.7(a)(1) of the Act expressly requires FCS long-term mortgage lenders to take a first lien on the borrower's property in a rural area as security for the loan. Thus, this regulation cannot be repealed. Additionally, failure to secure a long-term mortgage loan with a first lien on the security property may be an unsafe and unsound practice. However, long-term mortgage lenders may still take additional collateral without a first lien, as an abundance of caution.

### E. Borrower Stock for Loan Sales Within the FCS

Currently, § 614.4335(c)(1)(i) allows borrowers whose loans are sold within the FCS to decide whether to hold voting stock in the association that bought or sold their loans. Two Farm Credit banks, two associations, and the Council requested a revision that would allow System institutions involved in the transactions, rather than the borrower, to make this choice. We believe it is the right of a stockholder to elect whether to hold stock in a selling or purchasing FCS institution. This shareholder right is a basic tenant of FCS cooperative principles and this provision ensures that farmers, ranchers, and aquatic producers have the right to participate in the affairs of the FCS association of their choice when their loans are sold within the System.

### F. Attribution Rules for Lending Limit Calculations

Two Farm Credit banks, one association, and the Council asked us to revise the attribution rules for calculating lending limits. These commenters claim that the current regulation, § 614.4359, is confusing. The FCA is fully committed to the plain language goals of the National Performance Review. Therefore, we plan to rewrite these regulations so they are easier to understand and apply. However, we do not plan to make substantive changes to the attribution rules at this time. We believe they protect the safety and soundness of System banks and associations by limiting their exposure to risk from any one borrower or a group of related borrowers. Additionally, our existing regulation is consistent with the approach of other Federal bank regulatory agencies.

### G. Flood Insurance

Two Farm Credit banks asked us to exempt certain farm and ranch outbuildings and commercial agribusiness firms from flood insurance requirements. The National Flood Insurance Reform Act of 1994 (1994 Reform Act) requires flood insurance for all buildings that secure loans made by the FCS, commercial banks, credit unions, and savings associations if those buildings are in areas that the Federal Emergency Management Agency deems to be in special flood hazard areas. The 1994 Reform Act offers no flexibility for the FCA to make regulatory exclusions for farm and ranch outbuildings, or commercial agribusiness firms. Furthermore, we joined with five other Federal bank regulatory agencies to ensure that the same flood insurance rules apply to commercial banks, savings associations, credit unions, and the FCS. Therefore, we are unable to repeal § 614.4920(b) because it is a statutory requirement.

### III. Future Efforts to Reduce Unnecessary Regulatory Burdens on FCS Institutions

We will address all remaining regulatory burden issues that System institutions raised during the comment period in separate regulatory projects. The comments indicate that some System institutions may need guidance about how some regulations mentioned in Part II of this statement apply in certain situations. We hope to clarify these regulations in the future. When we complete our efforts, the regulatory burdens on the System will be reduced. However, we will maintain those regulations that are necessary to implement the Act and are critical for the safety and soundness of the System. Our approach will enable the FCS to continue to provide much needed credit to America's farmers, ranchers, aquatic producers, their cooperatives and other rural residents.

Dated: April 13, 2000.

**Vivian Portis,**

*Secretary, Farm Credit Administration Board.*  
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### NATIONAL CREDIT UNION ADMINISTRATION

#### 12 CFR Part 701

#### Organization and Operations of Federal Credit Unions

**AGENCY:** National Credit Union Administration (NCUA).