

This bill recognizes the fact that President Clinton's COPS Program is a myth; the communities will never see the 100,000 cops that the President has promised—the numbers just don't add up.

Instead, the bill empowers communities by providing for the block grants that passed as part of the Contract With America. We offer more funding and more flexibility; most of all, we have an approach that is realistic and very workable. It places power in the hands of our local governments, who can use the money to address the problems unique to their area.

This legislation also reduces funding for the Legal Services Corporation [LSC], an entity that has systematically abused taxpayer money by, for example, representing drug dealers in public housing. I would have preferred to eliminate the LSC altogether, but the bill makes a step in the right direction by placing restrictions on the types of cases it can engage in.

We also devote additional resources to combat illegal immigration by providing increased resources for the Immigration and Naturalization Service [INS]. New border patrol agents will enable us to police our borders more effectively, thus preventing the problems that arise once the illegals sneak in.

Mr. Chairman, I therefore urge my fellow Members to vote in support of overriding the President's veto of this Commerce, Justice, State and Judiciary Appropriations Act. Let's get the Federal workers in these Departments back to work.

The SPEAKER pro tempore (Mr. WALKER). Without objection, the previous question is ordered.

There was no objection.

The SPEAKER pro tempore. The question is, Will the House, on reconsideration, pass the bill, the objections of the President to the contrary notwithstanding?

Under the Constitution, this vote must be determined by the yeas and nays.

The vote was taken by electronic device, and there were—yeas 240, nays 159, not voting 34, as follows:

[Roll No. 4]

YEAS—240

Allard	Calvert	Dreier
Archer	Camp	Duncan
Bachus	Campbell	Dunn
Baker (CA)	Canady	Ehlers
Baker (LA)	Castle	Ehrlich
Ballenger	Chabot	Emerson
Barr	Chambliss	English
Barrett (NE)	Chenoweth	Ensign
Bartlett	Christensen	Everett
Barton	Chrysler	Ewing
Bass	Clinger	Fawell
Bateman	Coble	Flanagan
Bentsen	Coburn	Foley
Bereuter	Collins (GA)	Forbes
Billbray	Combest	Fowler
Billrakis	Condit	Fox
Bliley	Cooley	Franks (CT)
Blute	Cox	Franks (NJ)
Boehlert	Cramer	Frelinghuysen
Boehner	Crane	Frisa
Bonilla	Crapo	Funderburk
Bono	Creameans	Ganske
Boucher	Cubin	Gekas
Brewster	Cunningham	Geren
Browder	Davis	Gilchrest
Brownback	Deal	Gillmor
Bryant (TN)	DeLay	Gilman
Bunn	Diaz-Balart	Goodlatte
Bunning	Dickey	Goodling
Burr	Doolittle	Gordon
Burton	Dornan	Goss
Buyer	Doyle	Graham

Greenwood	Luther	Saxton
Gunderson	Manzullo	Scarborough
Gutknecht	Martini	Schaefer
Hall (TX)	McCollum	Schiff
Hamilton	McKeon	Seastrand
Hancock	McCrery	Sensenbrenner
Hansen	McDade	Shadegg
Harman	McHugh	Shaw
Hastert	McInnis	Shays
Hastings (WA)	McIntosh	Skeen
Hayes	Metcalf	Skelton
Hayworth	Meyers	Smith (MI)
Hefley	Mica	Smith (NJ)
Heineman	Miller (FL)	Smith (TX)
Henger	Minge	Smith (WA)
Hilleary	Molinari	Solomon
Hobson	Montgomery	Spence
Hoekstra	Moorhead	Stearns
Horn	Morella	Stenholm
Hostettler	Myers	Stump
Houghton	Myrick	Talent
Hunter	Nethercutt	Tate
Hyde	Neumann	Tauzin
Inglis	Ney	Taylor (MS)
Istook	Nussle	Taylor (NC)
Johnson, Sam	Oxley	Thomas
Jones	Packard	Thornberry
Kasich	Parker	Tiahrt
Kelly	Paxon	Torkildsen
Kim	Payne (VA)	Trafigant
King	Petri	Upton
Kingston	Pombo	Vucanovich
Klug	Porter	Waldholtz
Knollenberg	Pryce	Walker
Kolbe	Radanovich	Walsh
LaHood	Ramstad	Wamp
Largent	Regula	Watts (OK)
Latham	Riggs	Weldon (FL)
Laughlin	Rivers	Weldon (PA)
Lazio	Roberts	Weller
Leach	Roemer	White
Lewis (CA)	Rogers	Whitfield
Lewis (KY)	Rohrabacher	Wicker
Linder	Ros-Lehtinen	Wolf
Livingston	Roth	Young (AK)
LoBiondo	Roukema	Young (FL)
Longley	Royce	Zeliff
Lucas	Salmon	Zimmer

NAYS—159

Ackerman	Gonzalez	Mink
Andrews	Green	Moakley
Baessler	Gutierrez	Mollohan
Baldacci	Hall (OH)	Moran
Barcia	Hastings (FL)	Murtha
Barrett (WI)	Hefner	Nadler
Becerra	Hilliard	Neal
Beilenson	Hinchey	Oberstar
Berman	Holden	Obey
Bevill	Hoyer	Olver
Bishop	Jackson (IL)	Ortiz
Bonior	Jackson-Lee	Orton
Borski	(TX)	Owens
Brown (CA)	Jacobs	Pallone
Cardin	Jefferson	Pastor
Clayton	Johnson (CT)	Payne (NJ)
Clement	Johnson (SD)	Peterson (FL)
Clyburn	Johnson, E. B.	Peterson (MN)
Coleman	Johnston	Pickett
Collins (IL)	Kanjorski	Pomeroy
Collins (MI)	Kaptur	Portman
Conyers	Kennedy (MA)	Poshard
Costello	Kennedy (RI)	Quinn
Coyne	Kennelly	Rahall
Danner	Kildee	Rangel
de la Garza	Kleczka	Reed
DeLauro	Klink	Richardson
Dellums	LaFalce	Rose
Deutsch	Lantos	Roybal-Allard
Dicks	Levin	Sabo
Dingell	Lewis (GA)	Sanders
Doggett	Lincoln	Sanford
Dooley	Lipinski	Schroeder
Durbin	Lofgren	Schumer
Edwards	Lowe	Scott
Engel	Maloney	Serrano
Eshoo	Manton	Sisisky
Evans	Markey	Skaggs
Farr	Martinez	Slaughter
Fattah	Mascara	Spratt
Fields (LA)	Matsui	Stokes
Filner	McCarthy	Stupak
Flake	McDermott	Tanner
Foglietta	McHale	Tejeda
Ford	McKinney	Thompson
Frank (MA)	McNulty	Thornton
Frost	Meehan	Thurman
Furse	Menendez	Torres
Gejdenson	Miller (CA)	Torricelli

Towns	Waters	Woolsey
Velazquez	Watt (NC)	Wynn
Vento	Waxman	Yates
Volkmer	Williams	
Ward	Wise	

NOT VOTING—34

Abercrombie	Gallegly	Rush
Armey	Gephardt	Sawyer
Brown (FL)	Gibbons	Shuster
Brown (OH)	Hoke	Souder
Bryant (TX)	Hutchinson	Stark
Callahan	LaTourette	Stockman
Chapman	Lightfoot	Studds
Clay	Meek	Visclosky
DeFazio	Mfume	Wilson
Dixon	Norwood	Wyden
Fazio	Pelosi	
Fields (TX)	Quillen	

□ 1724

The Clerk announced the following pairs:

On this vote:

Mr. Armey and Mr. Hoke for, with Mr. Abercrombie against.

Mr. Lightfoot and Mr. Quillen for, with Mr. DeFazio against.

Mr. BARCIA and Mr. DICKS changed their vote from "yea" to "nay."

So, two-thirds not having voted in favor thereof, the veto of the President was sustained and the bill was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. WALKER). The message and the bill are referred to the Committee on Appropriations.

The Clerk will notify the Senate of the action of the House.

PERSONAL EXPLANATION

Mr. RUSH. Mr. Speaker, during rollcall vote No. 4 on H.R. 2076. I was unavoidably detained. Had I been present I would have voted "nay."

PERSONAL EXPLANATION

Mr. LATOURETTE. Mr. Speaker, unfortunately, due to the inclement weather in the Cleveland area, I was unable to arrive in Washington in time for votes this afternoon. As a result, I was unable to vote on rollcall votes No. 1—procedural vote—quorum call—2, 3, and 4. However, had I been present I would have voted "yes" on rollcall votes Nos. 2, 3, 4, and "present" on rollcall vote No. 1.

FARM CREDIT SYSTEM REFORM ACT OF 1996

Mr. EMERSON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 2029) to amend the Farm Credit Act of 1971 to provide regulatory relief, and for other purposes, with Senate amendments thereto, and concur in the Senate amendment to the title of the bill and concur in the Senate amendment to the text of the bill with an amendment.

The SPEAKER pro tempore. Is this a unanimous-consent request that has been cleared?

Mr. EMERSON. Mr. Speaker, this is a unanimous-consent request that has been cleared by both leaders and by the committee chairmen and ranking member on each side.

The SPEAKER pro tempore. The Clerk will report the title of the bill and the proposed amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments and the House amendment to the Senate amendments as follows:

Senate Amendments:

Strike out all after the enacting clause and insert:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the "Farm Credit System Reform Act of 1996".

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

Sec. 1. Short title; table of contents.

TITLE I—AGRICULTURAL MORTGAGE SECONDARY MARKET

Sec. 101. Definition of real estate.

Sec. 102. Definition of certified facility.

Sec. 103. Duties of Federal Agricultural Mortgage Corporation.

Sec. 104. Powers of the Corporation.

Sec. 105. Federal reserve banks as depositaries and fiscal agents.

Sec. 106. Certification of agricultural mortgage marketing facilities.

Sec. 107. Guarantee of qualified loans.

Sec. 108. Mandatory reserves and subordinated participation interests eliminated.

Sec. 109. Standards requiring diversified pools.

Sec. 110. Small farms.

Sec. 111. Definition of an affiliate.

Sec. 112. State usury laws superseded.

Sec. 113. Extension of capital transition period.

Sec. 114. Minimum capital level.

Sec. 115. Critical capital level.

Sec. 116. Enforcement levels.

Sec. 117. Recapitalization of the Corporation.

Sec. 118. Liquidation of the Federal Agricultural Mortgage Corporation.

TITLE II—REGULATORY RELIEF

Sec. 201. Compensation of association personnel.

Sec. 202. Use of private mortgage insurance.

Sec. 203. Removal of certain borrower reporting requirement.

Sec. 204. Reform of regulatory limitations on dividend, member business, and voting practices of eligible farmer-owned cooperatives.

Sec. 205. Removal of Federal Government certification requirement for certain private sector financings.

Sec. 206. Borrower stock.

Sec. 207. Disclosure relating to adjustable rate loans.

Sec. 208. Borrowers' rights.

Sec. 209. Formation of administrative service entities.

Sec. 210. Joint management agreements.

Sec. 211. Dissemination of quarterly reports.

Sec. 212. Regulatory review.

Sec. 213. Examination of farm credit system institutions.

Sec. 214. Conservatorships and receiverships.

Sec. 215. Farm Credit Insurance Fund operations.

Sec. 216. Examinations by the Farm Credit System Insurance Corporation.

Sec. 217. Powers with respect to troubled insured system banks.

Sec. 218. Oversight and regulatory actions by the Farm Credit System Insurance Corporation.

Sec. 219. Farm Credit System Insurance Corporation Board of Directors.

Sec. 220. Interest rate reduction program.

Sec. 221. Liability for making criminal referrals.

TITLE III—NATIONAL NATURAL RESOURCES CONSERVATION FOUNDATION

Sec. 301. Short title.

Sec. 302. Definitions.

Sec. 303. National Natural Resources Conservation Foundation.

Sec. 304. Composition and operation.

Sec. 305. Officers and employees.

Sec. 306. Corporate powers and obligations of the Foundation.

Sec. 307. Administrative services and support.

Sec. 308. Audits and petition of Attorney General for equitable relief.

Sec. 309. Release from liability.

Sec. 310. Authorization of appropriations.

TITLE IV—IMPLEMENTATION AND EFFECTIVE DATE

Sec. 401. Implementation.

Sec. 302. Effective Date.

TITLE I—AGRICULTURAL MORTGAGE SECONDARY MARKET

SEC. 101. DEFINITION OF REAL ESTATE.

Section 8.0(1)(B)(ii) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(1)(B)(ii)) is amended by striking "with a purchase price" and inserting "excluding the land to which the dwelling is affixed, with a value".

SEC. 102. DEFINITION OF CERTIFIED FACILITY.

Section 8.0(3) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(3)) is amended—

(1) in subparagraph (A), by striking "a secondary marketing agricultural loan" and inserting "an agricultural mortgage marketing"; and

(2) in subparagraph (B), by striking "but only" and all that follows through "(9)(B)".

SEC. 103. DUTIES OF FEDERAL AGRICULTURAL MORTGAGE CORPORATION.

Section 8.1(b) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-1(b)) is amended—

(1) in paragraph (2), by striking "and" at the end;

(2) in paragraph (3), by striking the period at the end and inserting "and"; and

(3) by adding at the end the following:

"(4) purchase qualified loans and issue securities representing interests in, or obligations backed by, the qualified loans, guaranteed for the timely repayment of principal and interest."

SEC. 104. POWERS OF THE CORPORATION.

Section 8.3(c) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-3(c)) is amended—

(1) by redesignating paragraphs (13) and (14) as paragraphs (14) and (15), respectively; and

(2) by inserting after paragraph (12) the following:

"(13) To purchase, hold, sell, or assign a qualified loan, to issue a guaranteed security, representing an interest in, or an obligation backed by, the qualified loan, and to perform all the functions and responsibilities of an agricultural mortgage marketing facility operating as a certified facility under this title."

SEC. 105. FEDERAL RESERVE BANKS AS DEPOSITORIES AND FISCAL AGENTS.

Section 8.3 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-3) is amended—

(1) in subsection (d), by striking "may act as depositories for, or" and inserting "shall act as depositories for, and"; and

(2) in subsection (e), by striking "Secretary of the Treasury may authorize the Corporation to use" and inserting "Corporation shall have access to".

SEC. 106. CERTIFICATION OF AGRICULTURAL MORTGAGE MARKETING FACILITIES.

Section 8.5 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-5) is amended—

(1) in subsection (a)—

(A) in paragraph (1), by inserting "(other than the Corporation)" after "agricultural mortgage marketing facilities"; and

(B) in paragraph (2), by inserting "(other than the Corporation)" after "agricultural mortgage marketing facility"; and

(2) in subsection (e)(1), by striking "(other than the Corporation)".

SEC. 107. GUARANTEE OF QUALIFIED LOANS.

Section 8.6 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-6) is amended—

(1) in subsection (a)(1)—

(A) by striking "Corporation shall guarantee" and inserting the following: "Corporation—"(A) shall guarantee";

(B) by striking the period at the end and inserting "and"; and

(C) by adding at the end the following:

"(B) may issue a security, guaranteed as to the timely payment of principal and interest, that represents an interest solely in, or an obligation fully backed by, a pool consisting of qualified loans that—

"(i) meet the standards established under section 8.8; and

"(ii) have been purchased and held by the Corporation.";

(2) in subsection (d)—

(A) by striking paragraph (4); and

(B) by redesignating paragraphs (5), (6), and (7) as paragraphs (4), (5), and (6), respectively; and

(3) in subsection (g)(2), by striking "section 8.0(9)(B)" and inserting "section 8.0(9)".

SEC. 108. MANDATORY RESERVES AND SUBORDINATED PARTICIPATION INTERESTS ELIMINATED.

(a) **GUARANTEE OF QUALIFIED LOANS.**—Section 8.6 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-6) is amended by striking subsection (b).

(b) **RESERVES AND SUBORDINATED PARTICIPATION INTERESTS.**—Section 8.7 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-7) is repealed.

(c) **CONFORMING AMENDMENTS.**—

(1) Section 8.0(9)(B)(i) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(9)(B)(i)) is amended by striking "8.7, 8.8" and inserting "8.8".

(2) Section 8.6(a)(2) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-6(a)(2)) is amended by striking "subject to the provisions of subsection (b)".

SEC. 109. STANDARDS REQUIRING DIVERSIFIED POOLS.

(a) **IN GENERAL.**—Section 8.6 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-6) (as amended by section 108) is amended—

(1) by striking subsection (c); and

(2) by redesignating subsections (d) through (g) as subsections (b) through (e), respectively.

(b) **CONFORMING AMENDMENTS.**—

(1) Section 8.0(9)(B)(i) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(9)(B)(i)) is amended by striking "(f)" and inserting "(d)".

(2) Section 8.13(a) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-13(a)) is amended by striking "sections 8.6(b) and" in each place it appears and inserting "section".

(3) Section 8.32(b)(1)(C) of the Farm Credit Act of 1971 (12 U.S.C. 2279bb-1(b)(1)(C)) is amended by striking "under section 8.6(b)(2)".

(4) Section 8.6(b) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-6(b)) (as redesignated by subsection (a)(2)) is amended—

(A) by striking paragraph (4) (as redesignated by section 107(2)(B)); and

(B) by redesignating paragraphs (5) and (6) (as redesignated by section 107(2)(B)) as paragraphs (4) and (5), respectively.

SEC. 110. SMALL FARMS.

Section 8.8(e) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-8(e)) is amended by adding at the end the following: "The Board shall promote and encourage the inclusion of qualified loans for small farms and family farmers in the agricultural mortgage secondary market."

SEC. 111. DEFINITION OF AN AFFILIATE.

Section 8.11(e) of the Farm Credit Act of 1971 (21 U.S.C. 2279aa-11(e)) is amended—

(1) by striking "a certified facility or"; and

(2) by striking "paragraphs (3) and (7), respectively, of section 8.0" and inserting "section 8.0(7)".

SEC. 112. STATE USURY LAWS SUPERSEDED.

Section 8.12 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-12) is amended by striking subsection (d) and inserting the following:

"(d) **STATE USURY LAWS SUPERSEDED.**—A provision of the Constitution or law of any State shall not apply to an agricultural loan made by

an originator or a certified facility in accordance with this title for sale to the Corporation or to a certified facility for inclusion in a pool for which the Corporation has provided, or has committed to provide, a guarantee, if the loan, not later than 180 days after the date the loan was made, is sold to the Corporation or included in a pool for which the Corporation has provided a guarantee, if the provision—

“(1) limits the rate or amount of interest, discount points, finance charges, or other charges that may be charged, taken, received, or reserved by an agricultural lender or a certified facility; or

“(2) limits or prohibits a prepayment penalty (either fixed or declining), yield maintenance, or make-whole payment that may be charged, taken, or received by an agricultural lender or a certified facility in connection with the full or partial payment of the principal amount due on a loan by a borrower in advance of the scheduled date for the payment under the terms of the loan, otherwise known as a prepayment of the loan principal.”.

SEC. 113. EXTENSION OF CAPITAL TRANSITION PERIOD.

Section 8.32 of the Farm Credit Act of 1971 (12 U.S.C. 2279bb-1) is amended—

(1) in the first sentence of subsection (a), by striking “Not later than the expiration of the 2-year period beginning on December 13, 1991,” and inserting “Not sooner than the expiration of the 3-year period beginning on the date of enactment of the Farm Credit System Reform Act of 1996,”;

(2) in the first sentence of subsection (b)(2), by striking “5-year” and inserting “8-year”; and

(3) in subsection (d)—

(A) in the first sentence—

(i) by striking “The regulations establishing” and inserting the following:

“(1) IN GENERAL.—The regulations establishing”;

(ii) by striking “shall contain” and inserting the following: “shall—

“(A) be issued by the Director for public comment in the form of a notice of proposed rulemaking, to be first published after the expiration of the period referred to in subsection (a); and

“(B) contain”;

(B) in the second sentence, by striking “The regulations shall” and inserting the following:

“(2) SPECIFICITY.—The regulations referred to in paragraph (1) shall”.

SEC. 114. MINIMUM CAPITAL LEVEL.

Section 8.33 of the Farm Credit Act of 1971 (12 U.S.C. 2279bb-2) is amended to read as follows:

“SEC. 8.33. MINIMUM CAPITAL LEVEL.

“(a) IN GENERAL.—Except as provided in subsection (b), for purposes of this subtitle, the minimum capital level for the Corporation shall be an amount of core capital equal to the sum of—

“(1) 2.75 percent of the aggregate on-balance sheet assets of the Corporation, as determined in accordance with generally accepted accounting principles; and

“(2) 0.75 percent of the aggregate off-balance sheet obligations of the Corporation, which, for the purposes of this subtitle, shall include—

“(A) the unpaid principal balance of outstanding securities that are guaranteed by the Corporation and backed by pools of qualified loans;

“(B) instruments that are issued or guaranteed by the Corporation and are substantially equivalent to instruments described in subparagraph (A); and

“(C) other off-balance sheet obligations of the Corporation.

“(b) TRANSITION PERIOD.—

“(1) IN GENERAL.—For purposes of this subtitle, the minimum capital level for the Corporation—

“(A) prior to January 1, 1997, shall be the amount of core capital equal to the sum of—

“(i) 0.45 percent of aggregate off-balance sheet obligations of the Corporation;

“(ii) 0.45 percent of designated on-balance sheet assets of the Corporation, as determined under paragraph (2); and

“(iii) 2.50 percent of on-balance sheet assets of the Corporation other than assets designated under paragraph (2);

“(B) during the 1-year period ending December 31, 1997, shall be the amount of core capital equal to the sum of—

“(i) 0.55 percent of aggregate off-balance sheet obligations of the Corporation;

“(ii) 1.20 percent of designated on-balance sheet assets of the Corporation, as determined under paragraph (2); and

“(iii) 2.55 percent of on-balance sheet assets of the Corporation other than assets designated under paragraph (2);

“(C) during the 1-year period ending December 31, 1998, shall be the amount of core capital equal to—

“(i) if the Corporation’s core capital is not less than \$25,000,000 on January 1, 1998, the sum of—

“(I) 0.65 percent of aggregate off-balance sheet obligations of the Corporation;

“(II) 1.95 percent of designated on-balance sheet assets of the Corporation, as determined under paragraph (2); and

“(III) 2.65 percent of on-balance sheet assets of the Corporation other than assets designated under paragraph (2); or

“(ii) if the Corporation’s core capital is less than \$25,000,000 on January 1, 1998, the amount determined under subsection (a); and

“(D) on and after January 1, 1999, shall be the amount determined under subsection (a).

“(2) DESIGNATED ON-BALANCE SHEET ASSETS.—For purposes of this subsection, the designated on-balance sheet assets of the Corporation shall be—

“(A) the aggregate on-balance sheet assets of the Corporation acquired under section 8.6(e); and

“(B) the aggregate amount of qualified loans purchased and held by the Corporation under section 8.3(c)(13).”.

SEC. 115. CRITICAL CAPITAL LEVEL.

Section 8.34 of the Farm Credit Act of 1971 (12 U.S.C. 2279bb-3) is amended to read as follows:

“SEC. 8.34. CRITICAL CAPITAL LEVEL.

“For purposes of this subtitle, the critical capital level for the Corporation shall be an amount of core capital equal to 50 percent of the total minimum capital amount determined under section 8.33.”.

SEC. 116. ENFORCEMENT LEVELS.

Section 8.35(e) of the Farm Credit Act of 1971 (12 U.S.C. 2279bb-4(e)) is amended by striking “during the 30-month period beginning on the date of enactment of this section,” and inserting “during the period beginning on December 13, 1991, and ending on the effective date of the risk based capital regulation issued by the Director under section 8.32,”.

SEC. 117. RECAPITALIZATION OF THE CORPORATION.

Title VIII of the Farm Credit Act of 1971 (12 U.S.C. 2279aa et seq.) is amended by adding at the end the following:

“SEC. 8.38. RECAPITALIZATION OF THE CORPORATION.

“(a) MANDATORY RECAPITALIZATION.—The Corporation shall increase the core capital of the Corporation to an amount equal to or greater than \$25,000,000, not later than the earlier of—

“(1) the date that is 2 years after the date of enactment of this section; or

“(2) the date that is 180 days after the end of the first calendar quarter that the aggregate on-balance sheet assets of the Corporation, plus the outstanding principal of the off-balance sheet obligations of the Corporation, equal or exceed \$2,000,000,000.

“(b) RAISING CORE CAPITAL.—In carrying out this section, the Corporation may issue stock under section 8.4 and otherwise employ any rec-

ognized and legitimate means of raising core capital in the power of the Corporation under section 8.3.

“(c) LIMITATION ON GROWTH OF TOTAL ASSETS.—During the 2-year period beginning on the date of enactment of this section, the aggregate on-balance sheet assets of the Corporation plus the outstanding principal of the off-balance sheet obligations of the Corporation may not exceed \$3,000,000,000 if the core capital of the Corporation is less than \$25,000,000.

“(d) ENFORCEMENT.—If the Corporation fails to carry out subsection (a) by the date required under paragraph (1) or (2) of subsection (a), the Corporation may not purchase a new qualified loan or issue or guarantee a new loan-backed security until the core capital of the Corporation is increased to an amount equal to or greater than \$25,000,000.”.

SEC. 118. LIQUIDATION OF THE FEDERAL AGRICULTURAL MORTGAGE CORPORATION.

Title VIII of the Farm Credit Act of 1971 (12 U.S.C. 2279aa et seq.) (as amended by section 117) is amended by adding at the end the following:

“Subtitle C—Receivership, Conservatorship, and Liquidation of the Federal Agricultural Mortgage Corporation

“SEC. 8.41. CONSERVATORSHIP; LIQUIDATION; RECEIVERSHIP.

“(a) VOLUNTARY LIQUIDATION.—The Corporation may voluntarily liquidate only with the consent of, and in accordance with a plan of liquidation approved by, the Farm Credit Administration Board.

“(b) INVOLUNTARY LIQUIDATION.—

“(1) IN GENERAL.—The Farm Credit Administration Board may appoint a conservator or receiver for the Corporation under the circumstances specified in section 4.12(b).

“(2) APPLICATION.—In applying section 4.12(b) to the Corporation under paragraph (1)—

“(A) the Corporation shall also be considered insolvent if the Corporation is unable to pay its debts as they fall due in the ordinary course of business;

“(B) a conservator may also be appointed for the Corporation if the authority of the Corporation to purchase qualified loans or issue or guarantee loan-backed securities is suspended; and

“(C) a receiver may also be appointed for the Corporation if—

“(i) the authority of the Corporation to purchase qualified loans or issue or guarantee loan-backed securities is suspended; or

“(ii) the Corporation is classified under section 8.35 as within level III or IV and the alternative actions available under subtitle B are not satisfactory; and

“(iii) the Farm Credit Administration determines that the appointment of a conservator would not be appropriate.

“(3) NO EFFECT ON SUPERVISORY ACTIONS.—The grounds for appointment of a conservator for the Corporation under this subsection shall be in addition to those in section 8.37.

“(c) APPOINTMENT OF CONSERVATOR OR RECEIVER.—

“(1) QUALIFICATIONS.—Notwithstanding section 4.12(b), if a conservator or receiver is appointed for the Corporation, the conservator or receiver shall be—

“(A) the Farm Credit Administration or any other governmental entity or employee, including the Farm Credit System Insurance Corporation; or

“(B) any person that—

“(i) has no claim against, or financial interest in, the Corporation or other basis for a conflict of interest as the conservator or receiver; and

“(ii) has the financial and management expertise necessary to direct the operations and affairs of the Corporation and, if necessary, to liquidate the Corporation.

“(2) COMPENSATION.—

“(A) IN GENERAL.—A conservator or receiver for the Corporation and professional personnel (other than a Federal employee) employed to represent or assist the conservator or receiver may be compensated for activities conducted as, or for, a conservator or receiver.

“(B) LIMIT ON COMPENSATION.—Compensation may not be provided in amounts greater than the compensation paid to employees of the Federal Government for similar services, except that the Farm Credit Administration may provide for compensation at higher rates that are not in excess of rates prevailing in the private sector if the Farm Credit Administration determines that compensation at higher rates is necessary in order to recruit and retain competent personnel.

“(C) CONTRACTUAL ARRANGEMENTS.—The conservator or receiver may contract with any governmental entity, including the Farm Credit System Insurance Corporation, to make personnel, services, and facilities of the entity available to the conservator or receiver on such terms and compensation arrangements as shall be mutually agreed, and each entity may provide the same to the conservator or receiver.

“(3) EXPENSES.—A valid claim for expenses of the conservatorship or receivership (including compensation under paragraph (2)) and a valid claim with respect to a loan made under subsection (f) shall—

“(A) be paid by the conservator or receiver from funds of the Corporation before any other valid claim against the Corporation; and

“(B) may be secured by a lien, on such property of the Corporation as the conservator or receiver may determine, that shall have priority over any other lien.

“(4) LIABILITY.—If the conservator or receiver for the Corporation is not a Federal entity, or an officer or employee of the Federal Government, the conservator or receiver shall not be personally liable for damages in tort or otherwise for an act or omission performed pursuant to and in the course of the conservatorship or receivership, unless the act or omission constitutes gross negligence or any form of intentional tortious conduct or criminal conduct.

“(5) INDEMNIFICATION.—The Farm Credit Administration may allow indemnification of the conservator or receiver from the assets of the conservatorship or receivership on such terms as the Farm Credit Administration considers appropriate.

“(d) JUDICIAL REVIEW OF APPOINTMENT.—

“(1) IN GENERAL.—Notwithstanding subsection (i)(1), not later than 30 days after a conservator or receiver is appointed under subsection (b), the Corporation may bring an action in the United States District Court for the District of Columbia for an order requiring the Farm Credit Administration Board to remove the conservator or receiver. The court shall, on the merits, dismiss the action or direct the Farm Credit Administration Board to remove the conservator or receiver.

“(2) STAY OF OTHER ACTIONS.—On the commencement of an action under paragraph (1), any court having jurisdiction of any other action or enforcement proceeding authorized under this subtitle to which the Corporation is a party shall stay the action or proceeding during the pendency of the action for removal of the conservator or receiver.

“(e) GENERAL POWERS OF CONSERVATOR OR RECEIVER.—The conservator or receiver for the Corporation shall have powers comparable to the powers available to a conservator or receiver appointed pursuant to section 4.12(b).

“(f) BORROWINGS FOR WORKING CAPITAL.—

“(1) IN GENERAL.—If the conservator or receiver of the Corporation determines that it is likely that there will be insufficient funds to pay the ongoing administrative expenses of the conservatorship or receivership or that there will be insufficient liquidity to fund maturing obligations of the conservatorship or receivership, the conservator or receiver may borrow funds in such amounts, from such sources, and

at such rates of interest as the conservator or receiver considers necessary or appropriate to meet the administrative expenses or liquidity needs of the conservatorship or receivership.

“(2) WORKING CAPITAL FROM FARM CREDIT BANKS.—A Farm Credit bank may loan funds to the conservator or receiver for a loan authorized under paragraph (1) or, in the event of receivership, a Farm Credit bank may purchase assets of the Corporation.

“(g) AGREEMENTS AGAINST INTERESTS OF CONSERVATOR OR RECEIVER.—No agreement that tends to diminish or defeat the right, title, or interest of the conservator or receiver for the Corporation in any asset acquired by the conservator or receiver as conservator or receiver for the Corporation shall be valid against the conservator or receiver unless the agreement—

“(1) is in writing;

“(2) is executed by the Corporation and any person claiming an adverse interest under the agreement, including the obligor, contemporaneously with the acquisition of the asset by the Corporation;

“(3) is approved by the Board or an appropriate committee of the Board, which approval shall be reflected in the minutes of the Board or committee; and

“(4) has been, continuously, from the time of the agreement's execution, an official record of the Corporation.

“(h) REPORT TO THE CONGRESS.—On a determination by the receiver for the Corporation that there are insufficient assets of the receivership to pay all valid claims against the receivership, the receiver shall submit to the Secretary of the Treasury, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report on the financial condition of the receivership.

“(i) TERMINATION OF AUTHORITIES.—

“(1) CORPORATION.—The charter of the Corporation shall be canceled, and the authority provided to the Corporation by this title shall terminate, on such date as the Farm Credit Administration Board determines is appropriate following the placement of the Corporation in receivership, but not later than the conclusion of the receivership and discharge of the receiver.

“(2) OVERSIGHT.—The Office of Secondary Market Oversight established under section 8.11 shall be abolished, and section 8.11(a) and subtitle B shall have no force or effect, on such date as the Farm Credit Administration Board determines is appropriate following the placement of the Corporation in receivership, but not later than the conclusion of the receivership and discharge of the receiver.”

TITLE II—REGULATORY RELIEF

SEC. 201. COMPENSATION OF ASSOCIATION PERSONNEL.

Section 1.5(13) of the Farm Credit Act of 1971 (12 U.S.C. 2013(13)) is amended by striking “, and the appointment and compensation of the chief executive officer thereof.”

SEC. 202. USE OF PRIVATE MORTGAGE INSURANCE.

(a) IN GENERAL.—Section 1.10(a)(1) of the Farm Credit Act of 1971 (12 U.S.C. 2018(a)(1)) is amended by adding at the end the following:

“(D) PRIVATE MORTGAGE INSURANCE.—A loan on which private mortgage insurance is obtained may exceed 85 percent of the appraised value of the real estate security to the extent that the loan amount in excess of 85 percent is covered by the insurance.”

(b) CONFORMING AMENDMENT.—Section 1.10(a)(1)(A) of the Farm Credit Act of 1971 (12 U.S.C. 2018(a)(1)(A)) is amended by striking “paragraphs (2) and (3)” and inserting “subparagraphs (B), (C), and (D)”.

SEC. 203. REMOVAL OF CERTAIN BORROWER REPORTING REQUIREMENT.

Section 1.10(a) of the Farm Credit Act of 1971 (12 U.S.C. 2018(a)) is amended by striking paragraph (5).

SEC. 204. REFORM OF REGULATORY LIMITATIONS ON DIVIDEND, MEMBER BUSINESS, AND VOTING PRACTICES OF ELIGIBLE FARMER-OWNED COOPERATIVES.

(a) IN GENERAL.—Section 3.8(a) of the Farm Credit Act of 1971 (12 U.S.C. 2129(a)) is amended by adding at the end the following: “Any such association that has received a loan from a bank for cooperatives shall, without regard to the requirements of paragraphs (1) through (4), continue to be eligible for so long as more than 50 percent (or such higher percentage as is established by the bank board) of the voting control of the association is held by farmers, producers or harvesters of aquatic products, or eligible cooperative associations.”

(b) CONFORMING AMENDMENT.—Section 3.8(b)(1)(D) of the Farm Credit Act of 1971 (12 U.S.C. 2129(b)(1)(D)) is amended by striking “and (4) of subsection (a)” and inserting “and (4), or under the last sentence, of subsection (a)”.

SEC. 205. REMOVAL OF FEDERAL GOVERNMENT CERTIFICATION REQUIREMENT FOR CERTAIN PRIVATE SECTOR FINANCINGS.

Section 3.8(b)(1)(A) of the Farm Credit Act of 1971 (12 U.S.C. 2129(b)(1)(A)) is amended—

(1) by striking “have been certified by the Administrator of the Rural Electrification Administration to be eligible for such” and inserting “are eligible under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.) for”; and

(2) by striking “loan guarantee, and” and inserting “loan guarantee from the Administration or the Bank (or a successor of the Administration or the Bank), and”.

SEC. 206. BORROWER STOCK.

Section 4.3A of the Farm Credit Act of 1971 (12 U.S.C. 2154a) is amended—

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

(2) by inserting after subsection (e) the following:

“(f) LOANS DESIGNATED FOR SALE OR SOLD INTO THE SECONDARY MARKET.—

“(1) IN GENERAL.—Subject to paragraph (2) and notwithstanding any other provision of this section, the bylaws adopted by a bank or association under subsection (b) may provide—

“(A) in the case of a loan made on or after the date of enactment of this paragraph that is designated, at the time the loan is made, for sale into a secondary market, that no voting stock or participation certificate purchase requirement shall apply to the borrower for the loan; and

“(B) in the case of a loan made before the date of enactment of this paragraph that is sold into a secondary market, that all outstanding voting stock or participation certificates held by the borrower with respect to the loan shall, subject to subsection (d)(1), be retired.

“(2) APPLICABILITY.—Notwithstanding any other provision of this section, in the case of a loan sold to a secondary market under title VIII, paragraph (1) shall apply regardless of whether the bank or association retains a subordinated participation interest in a loan or pool of loans or contributes to a cash reserve.

“(3) EXCEPTION.—

“(A) IN GENERAL.—Subject to subparagraph (B) and notwithstanding any other provision of this section, if a loan designated for sale under paragraph (1)(A) is not sold into a secondary market during the 180-day period that begins on the date of the designation, the voting stock or participation certificate purchase requirement that would otherwise apply to the loan in the absence of a bylaw provision described in paragraph (1)(A) shall be effective.

“(B) RETIREMENT.—The bylaws adopted by a bank or association under subsection (b) may provide that if a loan described in subparagraph (A) is sold into a secondary market after the end of the 180-day period described in the subparagraph, all outstanding voting stock or participation certificates held by the borrower with respect to the loan shall, subject to subsection (d)(1), be retired.”

SEC. 207. DISCLOSURE RELATING TO ADJUSTABLE RATE LOANS.

Section 4.13(a)(4) of the Farm Credit Act of 1971 (12 U.S.C. 2199(a)(4)) is amended by inserting before the semicolon at the end the following: “, and notice to the borrower of a change in the interest rate applicable to the loan of the borrower may be made within a reasonable time after the effective date of an increase or decrease in the interest rate”.

SEC. 208. BORROWERS' RIGHTS.

(a) **DEFINITION OF LOAN.**—Section 4.14A(a)(5) of the Farm Credit Act of 1971 (12 U.S.C. 2202a(a)(5)) is amended—

(1) by striking “(5) LOAN.—The” and inserting the following:

“(5) LOAN.—

“(A) IN GENERAL.—Subject to subparagraph (B), the”; and

(2) by adding at the end the following:

“(B) EXCLUSION FOR LOANS DESIGNATED FOR SALE INTO SECONDARY MARKET.—

“(i) IN GENERAL.—Except as provided in clause (ii), the term ‘loan’ does not include a loan made on or after the date of enactment of this subparagraph that is designated, at the time the loan is made, for sale into a secondary market.

“(ii) UNSOLD LOANS.—

“(I) IN GENERAL.—Except as provided in subclause (II), if a loan designated for sale under clause (i) is not sold into a secondary market during the 180-day period that begins on the date of the designation, the provisions of this section and sections 4.14, 4.14B, 4.14C, 4.14D, and 4.36 that would otherwise apply to the loan in the absence of the exclusion described in clause (i) shall become effective with respect to the loan.

“(II) LATER SALE.—If a loan described in subclause (I) is sold into a secondary market after the end of the 180-day period described in subclause (I), subclause (I) shall not apply with respect to the loan beginning on the date of the sale.”

(b) **BORROWERS' RIGHTS FOR POOLED LOANS.**—The first sentence of section 8.9(b) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-9(b)) is amended by inserting “(as defined in section 4.14A(a)(5))” after “application for a loan”.

SEC. 209. FORMATION OF ADMINISTRATIVE SERVICE ENTITIES.

Part E of title IV of the Farm Credit Act of 1971 is amended by inserting after section 4.28 (12 U.S.C. 2214) the following:

“SEC. 4.28A. DEFINITION OF BANK.

“In this part, the term ‘bank’ includes each association operating under title II.”

SEC. 210. JOINT MANAGEMENT AGREEMENTS.

The first sentence of section 5.17(a)(2)(A) of the Farm Credit Act of 1971 (12 U.S.C. 2252(a)(2)(A)) is amended by striking “or management agreements”.

SEC. 211. DISSEMINATION OF QUARTERLY REPORTS.

Section 5.17(a)(8) of the Farm Credit Act of 1971 (12 U.S.C. 2252(a)(8)) is amended by inserting after “except that” the following: “the requirements of the Farm Credit Administration governing the dissemination to stockholders of quarterly reports of System institutions may not be more burdensome or costly than the requirements applicable to national banks, and”.

SEC. 212. REGULATORY REVIEW.

(a) **FINDINGS.**—Congress finds that—

(1) the Farm Credit Administration, in the role of the Administration as an arms-length safety and soundness regulator, has made considerable progress in reducing the regulatory burden on Farm Credit System institutions;

(2) the efforts of the Farm Credit Administration described in paragraph (1) have resulted in cost savings for Farm Credit System institutions; and

(3) the cost savings described in paragraph (2) ultimately benefit the farmers, ranchers, agricultural cooperatives, and rural residents of the United States.

(b) **CONTINUATION OF REGULATORY REVIEW.**—The Farm Credit Administration shall continue the comprehensive review of regulations governing the Farm Credit System to identify and eliminate, consistent with law, safety, and soundness, all regulations that are unnecessary, unduly burdensome or costly, or not based on law.

SEC. 213. EXAMINATION OF FARM CREDIT SYSTEM INSTITUTIONS.

The first sentence of section 5.19(a) of the Farm Credit Act of 1971 (12 U.S.C. 2254(a)) is amended by striking “each year” and inserting “during each 18-month period”.

SEC. 214. CONSERVATORSHIPS AND RECEIVERSHIPS.

(a) **DEFINITIONS.**—Section 5.51 of the Farm Credit Act of 1971 (12 U.S.C. 2277a) is amended—

(1) by striking paragraph (5); and

(2) by redesignating paragraph (6) as paragraph (5).

(b) **GENERAL CORPORATE POWERS.**—Section 5.58 of the Farm Credit Act of 1971 (12 U.S.C. 2277a-7) is amended by striking paragraph (9) and inserting the following:

“(9) CONSERVATOR OR RECEIVER.—The Corporation may act as a conservator or receiver.”

SEC. 215. FARM CREDIT INSURANCE FUND OPERATIONS.

(a) **ADJUSTMENT OF PREMIUMS.**—

(1) IN GENERAL.—Section 5.55(a) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-4(a)) is amended—

(A) in paragraph (1), by striking “Until the aggregate of amounts in the Farm Credit Insurance Fund exceeds the secure base amount, the annual premium due from any insured System bank for any calendar year” and inserting the following: “If at the end of any calendar year the aggregate of amounts in the Farm Credit Insurance Fund does not exceed the secure base amount, subject to paragraph (2), the annual premium due from any insured System bank for the calendar year”; and

(B) by redesignating paragraph (2) as paragraph (3); and

(C) by inserting after paragraph (1) the following:

“(2) **REDUCED PREMIUMS.**—The Corporation, in the sole discretion of the Corporation, may reduce by a percentage uniformly applied to all insured System banks the annual premium due from each insured System bank during any calendar year, as determined under paragraph (1).”

(2) **CONFORMING AMENDMENTS.**—

(A) Section 5.55(b) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-4(b)) is amended—

(i) by striking “Insurance Fund” each place it appears and inserting “Farm Credit Insurance Fund”; and

(ii) by striking “for the following calendar year”; and

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

(B) Section 5.56(a) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-5(a)) is amended by striking “section 5.55(a)(2)” each place it appears in paragraphs (2) and (3) and inserting “section 5.55(a)(3)”.

(b) **ALLOCATION TO INSURED SYSTEM BANKS AND OTHER SYSTEM INSTITUTIONS OF EXCESS AMOUNTS IN THE FARM CREDIT INSURANCE FUND.**—Section 5.55 of the Farm Credit Act of 1971 (12 U.S.C. 2277a-4) is amended by adding at the end the following:

“(e) **ALLOCATION TO SYSTEM INSTITUTIONS OF EXCESS RESERVES.**—

“(I) **ESTABLISHMENT OF ALLOCATED INSURANCE RESERVES ACCOUNTS.**—The Corporation shall establish an Allocated Insurance Reserves Account in the Farm Credit Insurance Fund—

“(A) for each insured System bank; and

“(B) subject to paragraph (6)(C), for all holders, in the aggregate, of Financial Assistance Corporation stock.

“(2) **TREATMENT.**—Amounts in any Allocated Insurance Reserves Account shall be considered to be part of the Farm Credit Insurance Fund.

“(3) **ANNUAL ALLOCATIONS.**—If, at the end of any calendar year, the aggregate of the amounts in the Farm Credit Insurance Fund exceeds the average secure base amount for the calendar year (as calculated on an average daily balance basis), the Corporation shall allocate to the Allocated Insurance Reserves Accounts the excess amount less the amount that the Corporation, in its sole discretion, determines to be the sum of the estimated operating expenses and estimated insurance obligations of the Corporation for the immediately succeeding calendar year.

“(4) **ALLOCATION FORMULA.**—From the total amount required to be allocated at the end of a calendar year under paragraph (3)—

“(A) 10 percent of the total amount shall be credited to the Allocated Insurance Reserves Account established under paragraph (1)(B), subject to paragraph (6)(C); and

“(B) there shall be credited to the Allocated Insurance Reserves Account of each insured System bank an amount that bears the same ratio to the total amount (less any amount credited under subparagraph (A)) as the average principal outstanding for the 3-year period ending on the end of the calendar year on loans made by the bank that are in accrual status bears to the average principal outstanding for the 3-year period ending on the end of the calendar year on loans made by all insured System banks that are in accrual status (excluding, in each case, the guaranteed portions of government-guaranteed loans described in subsection (a)(1)(C)).

“(5) **USE OF FUNDS IN ALLOCATED INSURANCE RESERVES ACCOUNTS.**—To the extent that the sum of the operating expenses of the Corporation and the insurance obligations of the Corporation for a calendar year exceeds the sum of operating expenses and insurance obligations determined under paragraph (3) for the calendar year, the Corporation shall cover the expenses and obligations by—

“(A) reducing each Allocated Insurance Reserves Account by the same proportion; and

“(B) expending the amounts obtained under subparagraph (A) before expending other amounts in the Fund.

“(6) **OTHER DISPOSITION OF ACCOUNT FUNDS.**—

“(A) IN GENERAL.—As soon as practicable during each calendar year beginning more than 8 years after the date on which the aggregate of the amounts in the Farm Credit Insurance Fund exceeds the secure base amount, but not earlier than January 1, 2005, the Corporation may—

“(i) subject to subparagraphs (D) and (F), pay to each insured System bank, in a manner determined by the Corporation, an amount equal to the lesser of—

“(I) 20 percent of the balance in the insured System bank's Allocated Insurance Reserves Account as of the preceding December 31; or

“(II) 20 percent of the balance in the bank's Allocated Insurance Reserves Account on the date of the payment; and

“(ii) subject to subparagraphs (C), (E), and (F), pay to each System bank and association holding Financial Assistance Corporation stock a proportionate share, determined by dividing the number of shares of Financial Assistance Corporation stock held by the institution by the total number of shares of Financial Assistance Corporation stock outstanding, of the lesser of—

“(I) 20 percent of the balance in the Allocated Insurance Reserves Account established under paragraph (1)(B) as of the preceding December 31; or

“(II) 20 percent of the balance in the Allocated Insurance Reserves Account established under paragraph (1)(B) on the date of the payment.

“(B) **AUTHORITY TO ELIMINATE OR REDUCE PAYMENTS.**—The Corporation may eliminate or reduce payments during a calendar year under subparagraph (A) if the Corporation determines, in its sole discretion, that the payments, or other circumstances that might require use of

the Farm Credit Insurance Fund, could cause the amount in the Farm Credit Insurance Fund during the calendar year to be less than the secure base amount.

“(C) REIMBURSEMENT FOR FINANCIAL ASSISTANCE CORPORATION STOCK.—

“(i) SUFFICIENT FUNDING.—Notwithstanding paragraph (4)(A), on provision by the Corporation for the accumulation in the Account established under paragraph (1)(B) of funds in an amount equal to \$56,000,000 (in addition to the amounts described in subparagraph (F)(ii)), the Corporation shall not allocate any further funds to the Account except to replenish the Account if funds are diminished below \$56,000,000 by the Corporation under paragraph (5).

“(ii) WIND DOWN AND TERMINATION.—

“(I) FINAL DISBURSEMENTS.—On disbursement of \$53,000,000 (in addition to the amounts described in subparagraph (F)(ii)) from the Allocated Insurance Reserves Account, the Corporation shall disburse the remaining amounts in the Account, as determined under subparagraph (A)(ii), without regard to the percentage limitations in subclauses (I) and (II) of subparagraph (A)(ii).

“(II) TERMINATION OF ACCOUNT.—On disbursement of \$56,000,000 (in addition to the amounts described in subparagraph (F)(ii)) from the Allocated Insurance Reserves Account, the Corporation shall close the Account established under paragraph (1)(B) and transfer any remaining funds in the Account to the remaining Allocated Insurance Reserves Accounts in accordance with paragraph (4)(B) for the calendar year in which the transfer occurs.

“(D) DISTRIBUTION OF PAYMENTS RECEIVED.—Not later than 60 days after receipt of a payment made under subparagraph (A)(i), each insured System bank, in consultation with affiliated associations of the insured System bank, and taking into account the direct or indirect payment of insurance premiums by the associations, shall develop and implement an equitable plan to distribute payments received under subparagraph (A)(i) among the bank and associations of the bank.

“(E) EXCEPTION FOR PREVIOUSLY REIMBURSED ASSOCIATIONS.—For purposes of subparagraph (A)(ii), in any Farm Credit district in which the funding bank has reimbursed 1 or more affiliated associations of the bank for the previously unreimbursed portion of the Financial Assistance Corporation stock held by the associations, the funding bank shall be deemed to be the holder of the shares of Financial Assistance Corporation stock for which the funding bank has provided the reimbursement.

“(F) INITIAL PAYMENT.—Notwithstanding subparagraph (A), the initial payment made to each payee under subparagraph (A) shall be in such amount determined by the Corporation to be equal to the sum of—

“(i) the total of the amounts that would have been paid if payments under subparagraph (A) had been authorized to begin, under the same terms and conditions, in the first calendar year beginning more than 5 years after the date on which the aggregate of the amounts in the Farm Credit Insurance Fund exceeds the secure base amount and to continue through the 2 immediately subsequent years;

“(ii) interest earned on any amounts that would have been paid as described in clause (i) from the date on which the payments would have been paid as described in clause (i); and

“(iii) the payment to be made in the initial year described in subparagraph (A), based on the amount in each Account after subtracting the amounts to be paid under clauses (i) and (ii).”.

(c) TECHNICAL AMENDMENTS.—Section 5.55(d) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-4(d)) is amended—

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

(A) by striking “subsections (a) and (c)” and inserting “subsections (a), (c), and (e)”; and

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

(2) in paragraphs (1), (2), and (3), by striking “Farm Credit Bank” each place it appears and inserting “insured System bank”.

SEC. 216. EXAMINATIONS BY THE FARM CREDIT SYSTEM INSURANCE CORPORATION.

Section 5.59(b)(1)(A) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-8(b)(1)(A)) is amended by adding at the end the following: “Notwithstanding any other provision of this Act, on cancellation of the charter of a System institution, the Corporation shall have authority to examine the system institution in receivership. An examination shall be performed at such intervals as the Corporation shall determine.”.

SEC. 217. POWERS WITH RESPECT TO TROUBLED INSURED SYSTEM BANKS.

(a) LEAST-COST RESOLUTION.—Section 5.61(a)(3) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-10(a)) is amended—

(1) by redesignating subparagraph (B) as subparagraph (F); and

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

“(A) LEAST-COST RESOLUTION.—Assistance may not be provided to an insured System bank under this subsection unless the means of providing the assistance is the least costly means of providing the assistance by the Farm Credit Insurance Fund of all possible alternatives available to the Corporation, including liquidation of the bank (including paying the insured obligations issued on behalf of the bank). Before making a least-cost determination under this subparagraph, the Corporation shall accord such other insured System banks as the Corporation determines to be appropriate the opportunity to submit information relating to the determination.

“(B) DETERMINING LEAST COSTLY APPROACH.—In determining the least costly alternative under subparagraph (A), the Corporation shall—

“(i) evaluate alternatives on a present-value basis, using a realistic discount rate;

“(ii) document the evaluation and the assumptions on which the evaluation is based, including any assumptions with regard to interest rates, asset recovery rates, asset holding costs, and payment of contingent liabilities; and

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

“(C) TIME OF DETERMINATION.—

“(i) GENERAL RULE.—For purposes of this subsection, the determination of the costs of providing any assistance under any provision of this section with respect to any insured System bank shall be made as of the date on which the Corporation makes the determination to provide the assistance to the institution under this section.

“(ii) RULE FOR LIQUIDATIONS.—For purposes of this subsection, the determination of the costs of liquidation of any insured System bank shall be made as of the earliest of—

“(I) the date on which a conservator is appointed for the insured System bank;

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

“(III) the date on which the Corporation makes any determination to provide any assistance under this section with respect to the insured System bank.

“(D) RULE FOR STAND-ALONE ASSISTANCE.—Before providing any assistance under paragraph (1), the Corporation shall evaluate the adequacy of managerial resources of the insured System bank. The continued service of any director or senior ranking officer who serves in a policymaking role for the assisted insured System bank, as determined by the Corporation, shall be subject to approval by the Corporation as a condition of assistance.

“(E) DISCRETIONARY DETERMINATIONS.—Any determination that the Corporation makes under this paragraph shall be in the sole discretion of the Corporation.”.

(b) CONFORMING AMENDMENTS.—Section 5.61(a) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-10(a)) is amended—

(1) in paragraph (1) by striking “IN GENERAL.—” and inserting “STAND-ALONE ASSISTANCE.—”; and

(2) in paragraph (2)—

(A) by striking “ENUMERATED POWERS.—” and inserting “FACILITATION OF MERGERS OR CONSOLIDATION.—”; and

(B) in subparagraph (A) by striking “FACILITATION OF MERGERS OR CONSOLIDATION.—” and inserting “IN GENERAL.—”.

SEC. 218. OVERSIGHT AND REGULATORY ACTIONS BY THE FARM CREDIT SYSTEM INSURANCE CORPORATION.

The Farm Credit Act of 1971 is amended by inserting after section 5.61 (12 U.S.C. 2279a-10) the following:

“SEC. 5.61A. OVERSIGHT ACTIONS BY THE CORPORATION.

“(a) DEFINITIONS.—In this section, the term ‘institution’ means—

“(1) an insured System bank; and

“(2) a production credit association or other association making loans under section 7.6 with a direct loan payable to the funding bank of the association that comprises 20 percent or more of the funding bank’s total loan volume net of nonaccrual loans.

“(b) CONSULTATION REGARDING PARTICIPATION OF UNDERCAPITALIZED BANKS IN ISSUANCE OF INSURED OBLIGATIONS.—The Farm Credit Administration shall consult with the Corporation prior to approving an insured obligation that is to be issued by or on behalf of, or participated in by, any insured System bank that fails to meet the minimum level for any capital requirement established by the Farm Credit Administration for the bank.

“(c) CONSULTATION REGARDING APPLICATIONS FOR MERGERS AND RESTRUCTURINGS.—

“(I) CORPORATION TO RECEIVE COPY OF TRANSACTION APPLICATIONS.—On receiving an application for a merger or restructuring of an institution, the Farm Credit Administration shall forward a copy of the application to the Corporation.

“(2) CONSULTATION REQUIRED.—If the proposed merger or restructuring involves an institution that fails to meet the minimum level for any capital requirement established by the Farm Credit Administration applicable to the institution, the Farm Credit Administration shall allow 30 days within which the Corporation may submit the views and recommendations of the Corporation, including any conditions for approval. In determining whether to approve or disapprove any proposed merger or restructuring, the Farm Credit Administration shall give due consideration to the views and recommendations of the Corporation.

“SEC. 5.61B. AUTHORITY TO REGULATE GOLDEN PARACHUTE AND INDEMNIFICATION PAYMENTS.

“(a) DEFINITIONS.—In this section:

“(I) GOLDEN PARACHUTE PAYMENT.—The term ‘golden parachute payment’—

“(A) means a payment (or any agreement to make a payment) in the nature of compensation by any Farm Credit System institution (including the Federal Agricultural Mortgage Corporation and any conservator or receiver for the Federal Agricultural Mortgage Corporation) for the benefit of any institution-related party under an obligation of the institution that—

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

“(ii) is received on or after the date on which—

“(I) the institution is insolvent;

“(II) a conservator or receiver is appointed for the institution;

“(III) the institution has been assigned by the Farm Credit Administration a composite CAMEL rating of 4 or 5 under the Farm Credit Administration Rating System, or an equivalent rating; or

“(IV) the Corporation otherwise determines that the institution is in a troubled condition (as defined in regulations issued by the Corporation); and

“(B) includes a payment that would be a golden parachute payment but for the fact that the payment was made before the date referred to in subparagraph (A)(ii) if the payment was made in contemplation of the occurrence of an event described in any subclause of subparagraph (A); but

“(C) does not include—

“(i) a payment made under a retirement plan that is qualified (or is intended to be qualified) under section 401 of the Internal Revenue Code of 1986 or other nondiscriminatory benefit plan;

“(ii) a payment made under a bona fide supplemental executive retirement plan, deferred compensation plan, or other arrangement that the Corporation determines, by regulation or order, to be permissible; or

“(iii) a payment made by reason of the death or disability of an institution-related party.

“(2) INDEMNIFICATION PAYMENT.—The term ‘indemnification payment’ means a payment (or any agreement to make a payment) by any Farm Credit System institution for the benefit of any person who is or was an institution-related party, to pay or reimburse the person for any liability or legal expense with regard to any administrative proceeding or civil action instituted by the Farm Credit Administration that results in a final order under which the person—

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

“(B) is removed or prohibited from participating in the conduct of the affairs of the institution.

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

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

“(B) a stockholder (other than another Farm Credit System institution), consultant, joint venture partner, or any other person determined by the Farm Credit Administration to be a participant in the conduct of the affairs of a Farm Credit System institution; and

“(C) an independent contractor (including any attorney, appraiser, or accountant) that knowingly or recklessly participates in any violation of any law or regulation, any breach of fiduciary duty, or any unsafe or unsound practice that caused or is likely to cause more than a minimal financial loss to, or a significant adverse effect on, the Farm Credit System institution.

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

“(A) a legal or other professional expense incurred in connection with any claim, proceeding, or action;

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

“(C) the amount of, and any cost incurred in connection with, any judgment or penalty imposed with respect to any claim, proceeding, or action.

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

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

“(B) any segregation of any funds or assets for the purpose of making, or under an agreement to make, any payment after the date on which the funds or assets are segregated, without regard to whether the obligation to make the payment is contingent on—

“(i) the determination, after that date, of the liability for the payment of the amount; or

“(ii) the liquidation, after that date, of the amount of the payment.

“(b) PROHIBITION.—The Corporation may prohibit or limit, by regulation or order, any golden parachute payment or indemnification payment by a Farm Credit System institution (including the Federal Agricultural Mortgage Corporation) in troubled condition (as defined in regulations issued by the Corporation).

“(c) FACTORS TO BE TAKEN INTO ACCOUNT.—The Corporation shall prescribe, by regulation, the factors to be considered by the Corporation in taking any action under subsection (b). The factors may include—

“(1) whether there is a reasonable basis to believe that an institution-related party has committed any fraudulent act or omission, breach of trust or fiduciary duty, or insider abuse with regard to the Farm Credit System institution involved that has had a material effect on the financial condition of the institution;

“(2) whether there is a reasonable basis to believe that the institution-related party is substantially responsible for the insolvency of the Farm Credit System institution, the appointment of a conservator or receiver for the institution, or the institution’s troubled condition (as defined in regulations prescribed by the Corporation);

“(3) whether there is a reasonable basis to believe that the institution-related party has materially violated any applicable law or regulation that has had a material effect on the financial condition of the institution;

“(4) whether there is a reasonable basis to believe that the institution-related party has violated or conspired to violate—

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

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

“(5) whether the institution-related party was in a position of managerial or fiduciary responsibility; and

“(6) the length of time that the party was related to the Farm Credit System institution and the degree to which—

“(A) the payment reasonably reflects compensation earned over the period of employment; and

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

“(d) CERTAIN PAYMENTS PROHIBITED.—No Farm Credit System institution may prepay the salary or any liability or legal expense of any institution-related party if the payment is made—

“(1) in contemplation of the insolvency of the institution or after the commission of an act of insolvency; and

“(2) with a view to, or with the result of—

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

“(B) preferring 1 creditor over another creditor.

“(e) RULE OF CONSTRUCTION.—Nothing in this section—

“(1) prohibits any Farm Credit System institution from purchasing any commercial insurance policy or fidelity bond, so long as the insurance policy or bond does not cover any legal or liability expense of an institution described in subsection (a)(2); or

“(2) limits the powers, functions, or responsibilities of the Farm Credit Administration.”.

SEC. 219. FARM CREDIT SYSTEM INSURANCE CORPORATION BOARD OF DIRECTORS.

Section 201 of the Farm Credit Banks and Associations Safety and Soundness Act of 1992 (106 Stat. 4104) is repealed.

SEC. 220. INTEREST RATE REDUCTION PROGRAM.

Section 351(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1999) is amended—

“(A) by striking “SEC. 351. (a) The” and inserting the following:

“SEC. 351. INTEREST RATE REDUCTION PROGRAM.

“(a) ESTABLISHMENT OF PROGRAM.—

“(1) IN GENERAL.—The”;

“(B) by adding at the end the following:

“(2) TERMINATION OF AUTHORITY.—The authority provided by this subsection shall terminate on September 30, 2002.”.

SEC. 221. LIABILITY FOR MAKING CRIMINAL REFERRALS.

(a) IN GENERAL.—Any institution of the Farm Credit System, or any director, officer, employee, or agent of a Farm Credit System institution, that discloses to a Government authority

information proffered in good faith that may be relevant to a possible violation of any law or regulation shall not be liable to any person under any law of the United States or any State—

(1) for the disclosure; or

(2) for any failure to notify the person involved in the possible violation.

(b) NO PROHIBITION ON DISCLOSURE.—Any institution of the Farm Credit System, or any director, officer, employee, or agent of a Farm Credit System institution, may disclose information to a Government authority that may be relevant to a possible violation of any law or regulation.

TITLE III—NATIONAL NATURAL RESOURCES

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SEC. 301. SHORT TITLE.

This title may be cited as the “National Natural Resources Conservation Foundation Act”.

SEC. 302. DEFINITIONS.

In this title (unless the context otherwise requires):

(1) BOARD.—The term “Board” means the Board of Trustees established under section 304.

(2) DEPARTMENT.—The term “Department” means the United States Department of Agriculture.

(3) FOUNDATION.—The term “Foundation” means the National Natural Resources Conservation Foundation established by section 303(a).

(4) SECRETARY.—The term “Secretary” means the Secretary of Agriculture.

SEC. 303. NATIONAL NATURAL RESOURCES CONSERVATION FOUNDATION.

(a) ESTABLISHMENT.—A National Natural Resources Conservation Foundation is established as a charitable and nonprofit corporation for charitable, scientific, and educational purposes specified in subsection (b). The Foundation is not an agency or instrumentality of the United States.

(b) PURPOSES.—The purposes of the Foundation are to—

(1) promote innovative solutions to the problems associated with the conservation of natural resources on private lands, particularly with respect to agriculture and soil and water conservation;

(2) promote voluntary partnerships between government and private interests in the conservation of natural resources;

(3) conduct research and undertake educational activities, conduct and support demonstration projects, and make grants to State and local agencies and nonprofit organizations;

(4) provide such other leadership and support as may be necessary to address conservation challenges, such as the prevention of excessive soil erosion, enhancement of soil and water quality, and the protection of wetlands, wildlife habitat, and strategically important farmland subject to urban conversion and fragmentation;

(5) encourage, accept, and administer private gifts of money and real and personal property for the benefit of, or in connection with, the conservation and related activities and services of the Department, particularly the Natural Resources Conservation Service;

(6) undertake, conduct, and encourage educational, technical, and other assistance, and other activities, that support the conservation and related programs administered by the Department (other than activities carried out on National Forest System lands), particularly the Natural Resources Conservation Service, except that the Foundation may not enforce or administer a regulation of the Department; and

(7) raise private funds to promote the purposes of the Foundation.

(c) LIMITATIONS AND CONFLICTS OF INTERESTS.—

(1) POLITICAL ACTIVITIES.—The Foundation shall not participate or intervene in a political campaign on behalf of any candidate for public office.

(2) **CONFLICTS OF INTEREST.**—No director, officer, or employee of the Foundation shall participate, directly or indirectly, in the consideration or determination of any question before the Foundation affecting—

(A) the financial interests of the director, officer, or employee; or

(B) the interests of any corporation, partnership, entity, organization, or other person in which the director, officer, or employee—

(i) is an officer, director, or trustee; or

(ii) has any direct or indirect financial interest.

(3) **LEGISLATION OR GOVERNMENT ACTION OR POLICY.**—No funds of the Foundation may be used in any manner for the purpose of influencing legislation or government action or policy.

(4) **LITIGATION.**—No funds of the Foundation may be used to bring or join an action against the United States.

(d) **TAX EXEMPT STATUS.**—

(1) **1996 TAXABLE YEAR.**—In the case of the 1996 taxable year, the Foundation shall be treated as organized and operated exclusively for charitable purposes for purposes of section 501(c)(3) of the Internal Revenue Code of 1986.

(2) **1997 AND SUBSEQUENT TAXABLE YEARS.**—In the case of the 1997 and subsequent taxable years, the Foundation shall be required to maintain the tax exempt status of the Foundation in the manner prescribed by the Secretary of the Treasury for similar tax exempt organizations.

SEC. 304. COMPOSITION AND OPERATION.

(a) **COMPOSITION.**—The Foundation shall be administered by a Board of Trustees that shall consist of 9 voting members, each of whom shall be a United States citizen and not a Federal officer. The Board shall be composed of—

(1) individuals with expertise in agricultural conservation policy matters;

(2) a representative of private sector organizations with a demonstrable interest in natural resources conservation;

(3) a representative of statewide conservation organizations;

(4) a representative of soil and water conservation districts;

(5) a representative of organizations outside the Federal Government that are dedicated to natural resources conservation education; and

(6) a farmer or rancher.

(b) **NONGOVERNMENTAL EMPLOYEES.**—Service as a member of the Board shall not constitute employment by, or the holding of, an office of the United States for the purposes of any Federal law.

(c) **MEMBERSHIP.**—

(1) **INITIAL MEMBERS.**—The Secretary shall appoint 9 persons who meet the criteria established under subsection (a) as the initial members of the Board and designate 1 of the members as the initial chairperson for a 2-year term.

(2) **TERMS OF OFFICE.**—

(A) **IN GENERAL.**—A member of the Board shall serve for a term of 3 years, except that the members appointed to the initial Board shall serve, proportionately, for terms of 1, 2, and 3 years, as determined by the Secretary.

(B) **LIMITATION ON TERMS.**—No individual may serve more than 2 consecutive 3-year terms as a member.

(3) **SUBSEQUENT MEMBERS.**—The initial members of the Board shall adopt procedures in the constitution of the Foundation for the nomination and selection of subsequent members of the Board. The procedures shall require that each member, at a minimum, meets the criteria established under subsection (a) and shall provide for the selection of an individual, who is not a Federal officer or a member of the Board, to be provided with the power to select subsequent members of the Board.

(d) **CHAIRPERSON.**—After the appointment of an initial chairperson under subsection (c)(1), each succeeding chairperson of the Board shall be elected by the members of the Board for a 2-year term.

(e) **VACANCIES.**—A vacancy on the Board shall be filled by the Board not later than 60 days after the occurrence of the vacancy.

(f) **COMPENSATION.**—A member of the Board shall receive no compensation from the Foundation for the service of the member on the Board.

(g) **TRAVEL EXPENSES.**—While away from the home or regular place of business of a member of the Board in the performance of services for the Board, the member shall be allowed travel expenses paid by the Foundation, including per diem in lieu of subsistence, at the same rate as a person employed intermittently in the Government service would be allowed under section 5703 of title 5, United States Code.

SEC. 305. OFFICERS AND EMPLOYEES.

(a) **IN GENERAL.**—The Board may—

(1) appoint, hire, and discharge the officers and employees of the Foundation, other than the appointment of the initial Executive Director of the Foundation;

(2) adopt a constitution and bylaws for the Foundation that are consistent with the purposes of the Foundation and this title; and

(3) undertake any other activities that may be necessary to carry out this title.

(b) **OFFICERS AND EMPLOYEES.**—

(1) **APPOINTMENT AND HIRING.**—An officer or employee of the Foundation—

(A) shall not, by virtue of the appointment or employment of the officer or employee, be considered a Federal employee for any purpose, including the provisions of title 5, United States Code, governing appointments in the competitive service, except that such an individual may participate in the Federal employee retirement system as if the individual were a Federal employee; and

(B) may not be paid by the Foundation a salary in excess of \$125,000 per year.

(2) **EXECUTIVE DIRECTOR.**—

(A) **INITIAL DIRECTOR.**—The Secretary shall appoint an individual to serve as the initial Executive Director of the Foundation who shall serve, at the direction of the Board, as the chief operating officer of the Foundation.

(B) **SUBSEQUENT DIRECTORS.**—The Board shall appoint each subsequent Executive Director of the Foundation who shall serve, at the direction of the Board, as the chief operating officer of the Foundation.

(C) **QUALIFICATIONS.**—The Executive Director shall be knowledgeable and experienced in matters relating to natural resources conservation.

SEC. 306. CORPORATE POWERS AND OBLIGATIONS OF THE FOUNDATION.

(a) **IN GENERAL.**—The Foundation—

(1) may conduct business throughout the United States and the territories and possessions of the United States; and

(2) shall at all times maintain a designated agent who is authorized to accept service of process for the Foundation, so that the serving of notice to, or service of process on, the agent, or mailed to the business address of the agent, shall be considered as service on or notice to the Foundation.

(b) **SEAL.**—The Foundation shall have an official seal selected by the Board that shall be judicially noticed.

(c) **POWERS.**—To carry out the purposes of the Foundation under section 303(b), the Foundation shall have, in addition to the powers otherwise provided under this title, the usual powers of a corporation, including the power—

(1) to accept, receive, solicit, hold, administer, and use any gift, devise, or bequest, either absolutely or in trust, of real or personal property or any income from, or other interest in, the gift, devise, or bequest;

(2) to acquire by purchase or exchange any real or personal property or interest in property;

(3) unless otherwise required by instrument of transfer, to sell, donate, lease, invest, reinvest, retain, or otherwise dispose of any property or income from property;

(4) to borrow money from private sources and issue bonds, debentures, or other debt instru-

ments, subject to section 309, except that the aggregate amount of the borrowing and debt instruments outstanding at any time may not exceed \$1,000,000;

(5) to sue and be sued, and complain and defend itself, in any court of competent jurisdiction, except that a member of the Board shall not be personally liable for an action in the performance of services for the Board, except for gross negligence;

(6) to enter into a contract or other agreement with an agency of State or local government, educational institution, or other private organization or person and to make such payments as may be necessary to carry out the functions of the Foundation; and

(7) to do any and all acts that are necessary to carry out the purposes of the Foundation.

(d) **INTEREST IN PROPERTY.**—

(1) **IN GENERAL.**—The Foundation may acquire, hold, and dispose of lands, waters, or other interests in real property by donation, gift, devise, purchase, or exchange.

(2) **INTERESTS IN REAL PROPERTY.**—For purposes of this title, an interest in real property shall be treated, among other things, as including an easement or other right for the preservation, conservation, protection, or enhancement of agricultural, natural, scenic, historic, scientific, educational, inspirational, or recreational resources.

(3) **GIFTS.**—A gift, devise, or bequest may be accepted by the Foundation even though the gift, devise, or bequest is encumbered, restricted, or subject to a beneficial interest of a private person if any current or future interest in the gift, devise, or bequest is for the benefit of the Foundation.

SEC. 307. ADMINISTRATIVE SERVICES AND SUPPORT.

The Secretary may provide, without reimbursement, personnel, facilities, and other administrative services of the Department to the Foundation.

SEC. 308. AUDITS AND PETITION OF ATTORNEY GENERAL FOR EQUITABLE RELIEF.

(a) **AUDITS.**—

(1) **IN GENERAL.**—The accounts of the Foundation shall be audited in accordance with Public Law 88-504 (36 U.S.C. 1101 et seq.), including an audit of lobbying and litigation activities carried out by the Foundation.

(2) **CONFORMING AMENDMENT.**—The first section of Public Law 88-504 (36 U.S.C. 1101) is amended by adding at the end the following:

“(77) The National Natural Resources Conservation Foundation.”

(b) **RELIEF WITH RESPECT TO CERTAIN FOUNDATION ACTS OR FAILURE TO ACT.**—The Attorney General may petition in the United States District Court for the District of Columbia for such equitable relief as may be necessary or appropriate, if the Foundation—

(1) engages in, or threatens to engage in, any act, practice, or policy that is inconsistent with this title; or

(2) refuses, fails, neglects, or threatens to refuse, fail, or neglect, to discharge the obligations of the Foundation under this title.

SEC. 309. RELEASE FROM LIABILITY.

(a) **IN GENERAL.**—The United States shall not be liable for any debt, default, act, or omission of the Foundation. The full faith and credit of the United States shall not extend to the Foundation.

(b) **STATEMENT.**—An obligation issued by the Foundation, and a document offering an obligation, shall include a prominent statement that the obligation is not directly or indirectly guaranteed, in whole or in part, by the United States (or an agency or instrumentality of the United States).

SEC. 310. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to the Department to be made available to the Foundation such sums as are necessary for each of fiscal years 1997 through 1999 to initially establish and carry out activities of the Foundation.

TITLE IV—IMPLEMENTATION AND EFFECTIVE DATE

SEC. 401. IMPLEMENTATION.

The Secretary of Agriculture and the Farm Credit Administration shall promulgate regulations and take other required actions to implement the provisions of this Act not later than 90 days after the effective date of this Act.

SEC. 402. EFFECTIVE DATE.

Except as otherwise provided in this Act, this Act and the amendments made by this Act shall become effective on the date of enactment.

Amend the title so as to read: "An Act to amend the Farm Credit Act of 1971 to provide regulatory relief, and for other purposes."

House Amendment to Senate Amendments: In lieu of the matter inserted by the Senate amendment to the text of the bill, insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the "Farm Credit System Reform Act of 1996".

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

Sec. 1. Short title; table of contents.

TITLE I—AGRICULTURAL MORTGAGE SECONDARY MARKET

- Sec. 101. Definition of real estate.
- Sec. 102. Definition of certified facility.
- Sec. 103. Duties of Federal Agricultural Mortgage Corporation.
- Sec. 104. Powers of the Corporation.
- Sec. 105. Federal reserve banks as depositories and fiscal agents.
- Sec. 106. Certification of agricultural mortgage marketing facilities.
- Sec. 107. Guarantee of qualified loans.
- Sec. 108. Mandatory reserves and subordinated participation interests eliminated.
- Sec. 109. Standards requiring diversified pools.
- Sec. 110. Small farms.
- Sec. 111. Definition of an affiliate.
- Sec. 112. State usury laws superseded.
- Sec. 113. Extension of capital transition period.
- Sec. 114. Minimum capital level.
- Sec. 115. Critical capital level.
- Sec. 116. Enforcement levels.
- Sec. 117. Recapitalization of the Corporation.
- Sec. 118. Liquidation of the Federal Agricultural Mortgage Corporation.

TITLE II—REGULATORY RELIEF

- Sec. 201. Compensation of association personnel.
- Sec. 202. Use of private mortgage insurance.
- Sec. 203. Removal of certain borrower reporting requirement.
- Sec. 204. Reform of regulatory limitations on dividend, member business, and voting practices of eligible farmer-owned cooperatives.
- Sec. 205. Removal of Federal Government certification requirement for certain private sector financings.
- Sec. 206. Borrower stock.
- Sec. 207. Disclosure relating to adjustable rate loans.
- Sec. 208. Borrowers' rights.
- Sec. 209. Formation of administrative service entities.
- Sec. 210. Joint management agreements.
- Sec. 211. Dissemination of quarterly reports.
- Sec. 212. Regulatory review.
- Sec. 213. Examination of farm credit system institutions.
- Sec. 214. Conservatorships and receiverships.
- Sec. 215. Farm Credit Insurance Fund operations.
- Sec. 216. Examinations by the Farm Credit System Insurance Corporation.

Sec. 217. Powers with respect to troubled insured System banks.

Sec. 218. Oversight and regulatory actions by the Farm Credit System Insurance Corporation.

Sec. 219. Farm Credit System Insurance Corporation board of directors.

Sec. 220. Interest rate reduction program.

Sec. 221. Liability for making criminal referrals.

TITLE III—IMPLEMENTATION AND EFFECTIVE DATE

Sec. 301. Implementation.

Sec. 302. Effective date.

TITLE I—AGRICULTURAL MORTGAGE SECONDARY MARKET

SEC. 101. DEFINITION OF REAL ESTATE.

Section 8.0(1)(B)(ii) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(1)(B)(ii)) is amended by striking "with a purchase price" and inserting ", excluding the land to which the dwelling is affixed, with a value".

SEC. 102. DEFINITION OF CERTIFIED FACILITY.

Section 8.0(3) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(3)) is amended—

(1) in subparagraph (A), by striking "a secondary marketing agricultural loan" and inserting "an agricultural mortgage marketing"; and

(2) in subparagraph (B), by striking ", but only" and all that follows through "(9)(B)".

SEC. 103. DUTIES OF FEDERAL AGRICULTURAL MORTGAGE CORPORATION.

Section 8.1(b) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-1(b)) is amended—

(1) in paragraph (2), by striking "and" at the end;

(2) in paragraph (3), by striking the period at the end and inserting "; and"; and

(3) by adding at the end the following:

"(4) purchase qualified loans and issue securities representing interests in, or obligations backed by, the qualified loans, guaranteed for the timely repayment of principal and interest."

SEC. 104. POWERS OF THE CORPORATION.

Section 8.3(c) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-3(c)) is amended—

(1) by redesignating paragraphs (13) and (14) as paragraphs (14) and (15), respectively; and

(2) by inserting after paragraph (12) the following:

"(13) To purchase, hold, sell, or assign a qualified loan, to issue a guaranteed security, representing an interest in, or an obligation backed by, the qualified loan, and to perform all the functions and responsibilities of an agricultural mortgage marketing facility operating as a certified facility under this title."

SEC. 105. FEDERAL RESERVE BANKS AS DEPOSITORIES AND FISCAL AGENTS.

Section 8.3 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-3) is amended—

(1) in subsection (d), by striking "may act as depositories for, or" and inserting "shall act as depositories for, and"; and

(2) in subsection (e), by striking "Secretary of the Treasury may authorize the Corporation to use" and inserting "Corporation shall have access to".

SEC. 106. CERTIFICATION OF AGRICULTURAL MORTGAGE MARKETING FACILITIES.

Section 8.5 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-5) is amended—

(1) in subsection (a)—

(A) in paragraph (1), by inserting "(other than the Corporation)" after "agricultural mortgage marketing facilities"; and

(B) in paragraph (2), by inserting "(other than the Corporation)" after "agricultural mortgage marketing facility"; and

(2) in subsection (e)(1), by striking "(other than the Corporation)".

SEC. 107. GUARANTEE OF QUALIFIED LOANS.

Section 8.6 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-6) is amended—

(1) in subsection (a)(1)—

(A) by striking "Corporation shall guarantee" and inserting the following: "Corporation—

"(A) shall guarantee";

(B) by striking the period at the end and inserting "; and"; and

(C) by adding at the end the following:

"(B) may issue a security, guaranteed as to the timely payment of principal and interest, that represents an interest solely in, or an obligation fully backed by, a pool consisting of qualified loans that—

"(i) meet the standards established under section 8.8; and

"(ii) have been purchased and held by the Corporation.";

(2) in subsection (d)—

(A) by striking paragraph (4); and

(B) by redesignating paragraphs (5), (6), and (7) as paragraphs (4), (5), and (6), respectively; and

(3) in subsection (g)(2), by striking "section 8.0(9)(B)" and inserting "section 8.0(9)".

SEC. 108. MANDATORY RESERVES AND SUBORDINATED PARTICIPATION INTERESTS ELIMINATED.

(a) **GUARANTEE OF QUALIFIED LOANS.**—Section 8.6 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-6) is amended by striking subsection (b).

(b) **RESERVES AND SUBORDINATED PARTICIPATION INTERESTS.**—Section 8.7 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-7) is repealed.

(c) **CONFORMING AMENDMENTS.**—

(1) Section 8.0(9)(B)(i) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(9)(B)(i)) is amended by striking "8.7, 8.8," and inserting "8.8".

(2) Section 8.6(a)(2) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-6(a)(2)) is amended by striking "subject to the provisions of subsection (b)".

SEC. 109. STANDARDS REQUIRING DIVERSIFIED POOLS.

(a) **IN GENERAL.**—Section 8.6 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-6) (as amended by section 108) is amended—

(1) by striking subsection (c); and

(2) by redesignating subsections (d) through (g) as subsections (b) through (e), respectively.

(b) **CONFORMING AMENDMENTS.**—

(1) Section 8.0(9)(B)(i) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa(9)(B)(i)) is amended by striking "(f)" and inserting "(d)".

(2) Section 8.13(a) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-13(a)) is amended by striking "sections 8.6(b) and" in each place it appears and inserting "section".

(3) Section 8.32(b)(1)(C) of the Farm Credit Act of 1971 (12 U.S.C. 2279bb-1(b)(1)(C)) is amended—

(A) by striking "shall" and inserting "may"; and

(B) by inserting "(as in effect before the date of the enactment of the Farm Credit System Reform Act of 1996)" before the semicolon.

(4) Section 8.6(b) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-6(b)) (as redesignated by subsection (a)(2)) is amended—

(A) by striking paragraph (4) (as redesignated by section 107(2)(B)); and

(B) by redesignating paragraphs (5) and (6) (as redesignated by section 107(2)(B)) as paragraphs (4) and (5), respectively.

SEC. 110. SMALL FARMS.

Section 8.8(e) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-8(e)) is amended by adding at the end the following: "The Board shall promote and encourage the inclusion of qualified loans for small farms and family farmers in the agricultural mortgage secondary market."

SEC. 111. DEFINITION OF AN AFFILIATE.

Section 8.11(e) of the Farm Credit Act of 1971 (21 U.S.C. 2279aa-11(e)) is amended—

- (1) by striking "a certified facility or"; and
- (2) by striking "paragraphs (3) and (7), respectively, of section 8.0" and inserting "section 8.0(7)".

SEC. 112. STATE USURY LAWS SUPERSEDED.

Section 8.12 of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-12) is amended by striking subsection (d) and inserting the following:

"(d) STATE USURY LAWS SUPERSEDED.—A provision of the Constitution or law of any State shall not apply to an agricultural loan made by an originator or a certified facility in accordance with this title for sale to the Corporation or to a certified facility for inclusion in a pool for which the Corporation has provided, or has committed to provide, a guarantee, if the loan, not later than 180 days after the date the loan was made, is sold to the Corporation or included in a pool for which the Corporation has provided a guarantee, if the provision—

"(1) limits the rate or amount of interest, discount points, finance charges, or other charges that may be charged, taken, received, or reserved by an agricultural lender or a certified facility; or

"(2) limits or prohibits a prepayment penalty (either fixed or declining), yield maintenance, or make-whole payment that may be charged, taken, or received by an agricultural lender or a certified facility in connection with the full or partial payment of the principal amount due on a loan by a borrower in advance of the scheduled date for the payment under the terms of the loan, otherwise known as a prepayment of the loan principal."

SEC. 113. EXTENSION OF CAPITAL TRANSITION PERIOD.

Section 8.32 of the Farm Credit Act of 1971 (12 U.S.C. 2279bb-1) is amended—

(1) in the first sentence of subsection (a), by striking "Not later than the expiration of the 2-year period beginning on December 13, 1991," and inserting "Not sooner than the expiration of the 3-year period beginning on the date of enactment of the Farm Credit System Reform Act of 1996,";

(2) in the first sentence of subsection (b)(2), by striking "5-year" and inserting "8-year"; and

(3) in subsection (d)—

(A) in the first sentence—

(i) by striking "The regulations establishing" and inserting the following:

"(1) IN GENERAL.—The regulations establishing"; and

(ii) by striking "shall contain" and inserting the following: "shall—

"(A) be issued by the Director for public comment in the form of a notice of proposed rulemaking, to be first published after the expiration of the period referred to in subsection (a); and

"(B) contain"; and

(B) in the second sentence, by striking "The regulations shall" and inserting the following:

"(2) SPECIFICITY.—The regulations referred to in paragraph (1) shall".

SEC. 114. MINIMUM CAPITAL LEVEL.

Section 8.33 of the Farm Credit Act of 1971 (12 U.S.C. 2279bb-2) is amended to read as follows:

"SEC. 8.33. MINIMUM CAPITAL LEVEL.

"(a) IN GENERAL.—Except as provided in subsection (b), for purposes of this subtitle, the minimum capital level for the Corporation shall be an amount of core capital equal to the sum of—

"(1) 2.75 percent of the aggregate on-balance sheet assets of the Corporation, as determined in accordance with generally accepted accounting principles; and

"(2) 0.75 percent of the aggregate off-balance sheet obligations of the Corporation, which, for the purposes of this subtitle, shall include—

"(A) the unpaid principal balance of outstanding securities that are guaranteed by the Corporation and backed by pools of qualified loans;

"(B) instruments that are issued or guaranteed by the Corporation and are substantially equivalent to instruments described in subparagraph (A); and

"(C) other off-balance sheet obligations of the Corporation.

"(b) TRANSITION PERIOD.—

"(1) IN GENERAL.—For purposes of this subtitle, the minimum capital level for the Corporation—

"(A) prior to January 1, 1997, shall be the amount of core capital equal to the sum of—

"(i) 0.45 percent of aggregate off-balance sheet obligations of the Corporation;

"(ii) 0.45 percent of designated on-balance sheet assets of the Corporation, as determined under paragraph (2); and

"(iii) 2.50 percent of on-balance sheet assets of the Corporation other than assets designated under paragraph (2);

"(B) during the 1-year period ending December 31, 1997, shall be the amount of core capital equal to the sum of—

"(i) 0.55 percent of aggregate off-balance sheet obligations of the Corporation;

"(ii) 1.20 percent of designated on-balance sheet assets of the Corporation, as determined under paragraph (2); and

"(iii) 2.55 percent of on-balance sheet assets of the Corporation other than assets designated under paragraph (2);

"(C) during the 1-year period ending December 31, 1998, shall be the amount of core capital equal to—

"(i) if the Corporation's core capital is not less than \$25,000,000 on January 1, 1998, the sum of—

"(I) 0.65 percent of aggregate off-balance sheet obligations of the Corporation;

"(II) 1.95 percent of designated on-balance sheet assets of the Corporation, as determined under paragraph (2); and

"(III) 2.65 percent of on-balance sheet assets of the Corporation other than assets designated under paragraph (2); or

"(ii) if the Corporation's core capital is less than \$25,000,000 on January 1, 1998, the amount determined under subsection (a); and

"(D) on and after January 1, 1999, shall be the amount determined under subsection (a).

"(2) DESIGNATED ON-BALANCE SHEET ASSETS.—For purposes of this subsection, the designated on-balance sheet assets of the Corporation shall be—

"(A) the aggregate on-balance sheet assets of the Corporation acquired under section 8.6(e); and

"(B) the aggregate amount of qualified loans purchased and held by the Corporation under section 8.3(c)(13)."

SEC. 115. CRITICAL CAPITAL LEVEL.

Section 8.34 of the Farm Credit Act of 1971 (12 U.S.C. 2279bb-3) is amended to read as follows:

"SEC. 8.34. CRITICAL CAPITAL LEVEL.

"For purposes of this subtitle, the critical capital level for the Corporation shall be an amount of core capital equal to 50 percent of the total minimum capital amount determined under section 8.33."

SEC. 116. ENFORCEMENT LEVELS.

Section 8.35(e) of the Farm Credit Act of 1971 (12 U.S.C. 2279bb-4(e)) is amended by striking "during the 30-month period beginning on the date of the enactment of this section," and inserting "during the period beginning on December 13, 1991, and ending on the effective date of the risk based capital regulation issued by the Director under section 8.32,".

SEC. 117. RECAPITALIZATION OF THE CORPORATION.

Title VIII of the Farm Credit Act of 1971 (12 U.S.C. 2279aa et seq.) is amended by adding at the end the following:

"SEC. 8.38. RECAPITALIZATION OF THE CORPORATION.

"(a) MANDATORY RECAPITALIZATION.—The Corporation shall increase the core capital of the Corporation to an amount equal to or greater than \$25,000,000, not later than the earlier of—

"(1) the date that is 2 years after the date of enactment of this section; or

"(2) the date that is 180 days after the end of the first calendar quarter that the aggregate on-balance sheet assets of the Corporation, plus the outstanding principal of the off-balance sheet obligations of the Corporation, equal or exceed \$2,000,000,000.

"(b) RAISING CORE CAPITAL.—In carrying out this section, the Corporation may issue stock under section 8.4 and otherwise employ any recognized and legitimate means of raising core capital in the power of the Corporation under section 8.3.

"(c) LIMITATION ON GROWTH OF TOTAL ASSETS.—During the 2-year period beginning on the date of enactment of this section, the aggregate on-balance sheet assets of the Corporation plus the outstanding principal of the off-balance sheet obligations of the Corporation may not exceed \$3,000,000,000 if the core capital of the Corporation is less than \$25,000,000.

"(d) ENFORCEMENT.—If the Corporation fails to carry out subsection (a) by the date required under paragraph (1) or (2) of subsection (a), the Corporation may not purchase a new qualified loan or issue or guarantee a new loan-backed security until the core capital of the Corporation is increased to an amount equal to or greater than \$25,000,000."

SEC. 118. LIQUIDATION OF THE FEDERAL AGRICULTURAL MORTGAGE CORPORATION.

Title VIII of the Farm Credit Act of 1971 (12 U.S.C. 2279aa et seq.) (as amended by section 117) is amended by adding at the end the following:

"Subtitle C—Receivership, Conservatorship, and Liquidation of the Federal Agricultural Mortgage Corporation**"SEC. 8.41. CONSERVATORSHIP; LIQUIDATION; RECEIVERSHIP.**

"(a) VOLUNTARY LIQUIDATION.—The Corporation may voluntarily liquidate only with the consent of, and in accordance with a plan of liquidation approved by, the Farm Credit Administration Board.

"(b) INVOLUNTARY LIQUIDATION.—

"(1) IN GENERAL.—The Farm Credit Administration Board may appoint a conservator or receiver for the Corporation under the circumstances specified in section 4.12(b).

"(2) APPLICATION.—In applying section 4.12(b) to the Corporation under paragraph (1)—

"(A) the Corporation shall also be considered insolvent if the Corporation is unable to pay its debts as they fall due in the ordinary course of business;

"(B) a conservator may also be appointed for the Corporation if the authority of the Corporation to purchase qualified loans or issue or guarantee loan-backed securities is suspended; and

"(C) a receiver may also be appointed for the Corporation if—

"(i) the authority of the Corporation to purchase qualified loans or issue or guarantee loan-backed securities is suspended; or

"(ii) the Corporation is classified under section 8.35 as within level III or IV and the alternative actions available under subtitle B are not satisfactory; and

"(ii) the Farm Credit Administration determines that the appointment of a conservator would not be appropriate.

"(3) NO EFFECT ON SUPERVISORY ACTIONS.—The grounds for appointment of a conservator for the Corporation under this subsection shall be in addition to those in section 8.37.

"(c) APPOINTMENT OF CONSERVATOR OR RECEIVER.—

"(1) QUALIFICATIONS.—Notwithstanding section 4.12(b), if a conservator or receiver is appointed for the Corporation, the conservator or receiver shall be—

"(A) the Farm Credit Administration or any other governmental entity or employee, including the Farm Credit System Insurance Corporation; or

"(B) any person that—

"(i) has no claim against, or financial interest in, the Corporation or other basis for a conflict of interest as the conservator or receiver; and

"(ii) has the financial and management expertise necessary to direct the operations and affairs of the Corporation and, if necessary, to liquidate the Corporation.

"(2) COMPENSATION.—

"(A) IN GENERAL.—A conservator or receiver for the Corporation and professional personnel (other than a Federal employee) employed to represent or assist the conservator or receiver may be compensated for activities conducted as, or for, a conservator or receiver.

"(B) LIMIT ON COMPENSATION.—Compensation may not be provided in amounts greater than the compensation paid to employees of the Federal Government for similar services, except that the Farm Credit Administration may provide for compensation at higher rates that are not in excess of rates prevailing in the private sector if the Farm Credit Administration determines that compensation at higher rates is necessary in order to recruit and retain competent personnel.

"(C) CONTRACTUAL ARRANGEMENTS.—The conservator or receiver may contract with any governmental entity, including the Farm Credit System Insurance Corporation, to make personnel, services, and facilities of the entity available to the conservator or receiver on such terms and compensation arrangements as shall be mutually agreed, and each entity may provide the same to the conservator or receiver.

"(3) EXPENSES.—A valid claim for expenses of the conservatorship or receivership (including compensation under paragraph (2)) and a valid claim with respect to a loan made under subsection (f) shall—

"(A) be paid by the conservator or receiver from funds of the Corporation before any other valid claim against the Corporation; and

"(B) may be secured by a lien, on such property of the Corporation as the conservator or receiver may determine, that shall have priority over any other lien.

"(4) LIABILITY.—If the conservator or receiver for the Corporation is not a Federal entity, or an officer or employee of the Federal Government, the conservator or receiver shall not be personally liable for damages in tort or otherwise for an act or omission performed pursuant to and in the course of the conservatorship or receivership, unless the act or omission constitutes gross negligence or any form of intentional tortious conduct or criminal conduct.

"(5) INDEMNIFICATION.—The Farm Credit Administration may allow indemnification of the conservator or receiver from the assets of the conservatorship or receivership on such terms as the Farm Credit Administration considers appropriate.

"(d) JUDICIAL REVIEW OF APPOINTMENT.—

"(1) IN GENERAL.—Notwithstanding subsection (i)(1), not later than 30 days after a

conservator or receiver is appointed under subsection (b), the Corporation may bring an action in the United States District Court for the District of Columbia for an order requiring the Farm Credit Administration Board to remove the conservator or receiver. The court shall, on the merits, dismiss the action or direct the Farm Credit Administration Board to remove the conservator or receiver.

"(2) STAY OF OTHER ACTIONS.—On the commencement of an action under paragraph (1), any court having jurisdiction of any other action or enforcement proceeding authorized under this Act to which the Corporation is a party shall stay the action or proceeding during the pendency of the action for removal of the conservator or receiver.

"(e) GENERAL POWERS OF CONSERVATOR OR RECEIVER.—The conservator or receiver for the Corporation shall have such powers to conduct the conservatorship or receivership as shall be provided pursuant to regulations adopted by the Farm Credit Administration Board. Such powers shall be comparable to the powers available to a conservator or receiver appointed pursuant to section 4.12(b).

"(f) BORROWINGS FOR WORKING CAPITAL.—

"(1) IN GENERAL.—If the conservator or receiver of the Corporation determines that it is likely that there will be insufficient funds to pay the ongoing administrative expenses of the conservatorship or receivership or that there will be insufficient liquidity to fund maturing obligations of the conservatorship or receivership, the conservator or receiver may borrow funds in such amounts, from such sources, and at such rates of interest as the conservator or receiver considers necessary or appropriate to meet the administrative expenses or liquidity needs of the conservatorship or receivership.

"(2) WORKING CAPITAL FROM FARM CREDIT BANKS.—A Farm Credit bank may loan funds to the conservator or receiver for a loan authorized under paragraph (1) or, in the event of receivership, a Farm Credit bank may purchase assets of the Corporation.

"(g) AGREEMENTS AGAINST INTERESTS OF CONSERVATOR OR RECEIVER.—No agreement that tends to diminish or defeat the right, title, or interest of the conservator or receiver for the Corporation in any asset acquired by the conservator or receiver as conservator or receiver for the Corporation shall be valid against the conservator or receiver unless the agreement—

"(1) is in writing;

"(2) is executed by the Corporation and any person claiming an adverse interest under the agreement, including the obligor, contemporaneously with the acquisition of the asset by the Corporation;

"(3) is approved by the Board or an appropriate committee of the Board, which approval shall be reflected in the minutes of the Board or committee; and

"(4) has been, continuously, from the time of the agreement's execution, an official record of the Corporation.

"(h) REPORT TO THE CONGRESS.—On a determination by the receiver for the Corporation that there are insufficient assets of the receivership to pay all valid claims against the receivership, the receiver shall submit to the Secretary of the Treasury, the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report on the financial condition of the receivership.

"(i) TERMINATION OF AUTHORITIES.—

"(1) CORPORATION.—The charter of the Corporation shall be canceled, and the authority provided to the Corporation by this title shall terminate, on such date as the Farm Credit Administration Board determines is appropriate following the placement of the

Corporation in receivership, but not later than the conclusion of the receivership and discharge of the receiver.

"(2) OVERSIGHT.—The Office of Secondary Market Oversight established under section 8.11 shall be abolished, and section 8.11(a) and subtitle B shall have no force or effect, on such date as the Farm Credit Administration Board determines is appropriate following the placement of the Corporation in receivership, but not later than the conclusion of the receivership and discharge of the receiver."

TITLE II—REGULATORY RELIEF

SEC. 201. COMPENSATION OF ASSOCIATION PERSONNEL.

Section 1.5(13) of the Farm Credit Act of 1971 (12 U.S.C. 2013(13)) is amended by striking "and the appointment and compensation of the chief executive officer thereof."

SEC. 202. USE OF PRIVATE MORTGAGE INSURANCE.

(a) IN GENERAL.—Section 1.10(a)(1) of the Farm Credit Act of 1971 (12 U.S.C. 2018(a)(1)) is amended by adding at the end the following:

"(D) PRIVATE MORTGAGE INSURANCE.—A loan on which private mortgage insurance is obtained may exceed 85 percent of the appraised value of the real estate security to the extent that the loan amount in excess of such 85 percent is covered by the insurance."

(b) CONFORMING AMENDMENT.—Section 1.10(a)(1)(A) of the Farm Credit Act of 1971 (12 U.S.C. 2018(a)(1)(A)) is amended by striking "paragraphs (2) and (3)" and inserting "subparagraphs (C) and (D)".

SEC. 203. REMOVAL OF CERTAIN BORROWER REPORTING REQUIREMENT.

Section 1.10(a) of the Farm Credit Act of 1971 (12 U.S.C. 2018(a)) is amended by striking paragraph (5).

SEC. 204. REFORM OF REGULATORY LIMITATIONS ON DIVIDEND, MEMBER BUSINESS, AND VOTING PRACTICES OF ELIGIBLE FARMER-OWNED COOPERATIVES.

(a) IN GENERAL.—Section 3.8(a) of the Farm Credit Act of 1971 (12 U.S.C. 2129(a)) is amended by adding at the end the following: "Any such association that has received a loan from a bank for cooperatives shall, without regard to the requirements of paragraphs (1) through (4), continue to be eligible for so long as more than 50 percent (or such higher percentage as is established by the bank board) of the voting control of the association is held by farmers, producers or harvesters of aquatic products, or eligible cooperative associations."

(b) CONFORMING AMENDMENT.—Section 3.8(b)(1)(D) of the Farm Credit Act of 1971 (12 U.S.C. 2129(b)(1)(D)) is amended by striking "and (4) of subsection (a)" and inserting "and (4), or under the last sentence, of subsection (a)".

SEC. 205. REMOVAL OF FEDERAL GOVERNMENT CERTIFICATION REQUIREMENT FOR CERTAIN PRIVATE SECTOR FINANCINGS.

Section 3.8(b)(1)(A) of the Farm Credit Act of 1971 (12 U.S.C. 2129(b)(1)(A)) is amended—

(1) by striking "have been certified by the Administrator of the Rural Electrification Administration to be eligible for such" and inserting "are eligible under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.) for"; and

(2) by striking "loan guarantee, and" and inserting "loan guarantee from the Administration or the Bank (or a successor of the Administration or the Bank), and".

SEC. 206. BORROWER STOCK.

Section 4.3A of the Farm Credit Act of 1971 (12 U.S.C. 2154a) is amended—

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

(2) by inserting after subsection (e) the following:

“(f) LOANS DESIGNATED FOR SALE OR SOLD INTO THE SECONDARY MARKET.—

“(1) IN GENERAL.—Subject to paragraph (2) and notwithstanding any other provision of this section, the bylaws adopted by a bank or association under subsection (b) may provide—

“(A) in the case of a loan made on or after the date of enactment of this paragraph that is designated, at the time the loan is made, for sale into a secondary market, that no voting stock or participation certificate purchase requirement shall apply to the borrower for the loan; and

“(B) in the case of a loan made before the date of enactment of this paragraph that is sold into a secondary market, that all outstanding voting stock or participation certificates held by the borrower with respect to the loan shall, subject to subsection (d)(1), be retired.

“(2) APPLICABILITY.—Notwithstanding any other provision of this section, in the case of a loan sold to a secondary market under title VIII, paragraph (1) shall apply regardless of whether the bank or association retains a subordinated participation interest in a loan or pool of loans or contributes to a cash reserve.

“(3) EXCEPTION.—

“(A) IN GENERAL.—Subject to subparagraph (B) and notwithstanding any other provision of this section, if a loan designated for sale under paragraph (1)(A) is not sold into a secondary market during the 180-day period that begins on the date of the designation, the voting stock or participation certificate purchase requirement that would otherwise apply to the loan in the absence of a bylaw provision described in paragraph (1)(A) shall be effective.

“(B) RETIREMENT.—The bylaws adopted by a bank or association under subsection (b) may provide that if a loan described in subparagraph (A) is sold into a secondary market after the end of the 180-day period described in the subparagraph, all outstanding voting stock or participation certificates held by the borrower with respect to the loan shall, subject to subsection (d)(1), be retired.”.

SEC. 207. DISCLOSURE RELATING TO ADJUSTABLE RATE LOANS.

Section 4.13(a)(4) of the Farm Credit Act of 1971 (12 U.S.C. 2199(a)(4)) is amended by inserting before the semicolon at the end the following: “, and notice to the borrower of a change in the interest rate applicable to the loan of the borrower may be made within a reasonable time after the effective date of an increase or decrease in the interest rate”.

SEC. 208. BORROWERS' RIGHTS.

(a) DEFINITION OF LOAN.—Section 4.14A(a)(5) of the Farm Credit Act of 1971 (12 U.S.C. 2202a(a)(5)) is amended—

(1) by striking “(5) LOAN.—The” and inserting the following:

“(5) LOAN.—

“(A) IN GENERAL.—Subject to subparagraph (B), the”;

(2) by adding at the end the following:

“(B) EXCLUSION FOR LOANS DESIGNATED FOR SALE INTO SECONDARY MARKET.—

“(i) IN GENERAL.—Except as provided in clause (ii), the term ‘loan’ does not include a loan made on or after the date of enactment of this subparagraph that is designated, at the time the loan is made, for sale into a secondary market.

“(ii) UNSOLD LOANS.—

“(1) IN GENERAL.—Except as provided in subclause (II), if a loan designated for sale under clause (i) is not sold into a secondary market during the 180-day period that begins on the date of the designation, the provisions

of this section and sections 4.14, 4.14B, 4.14C, 4.14D, and 4.36 that would otherwise apply to the loan in the absence of the exclusion described in clause (i) shall become effective with respect to the loan.

“(II) LATER SALE.—If a loan described in subclause (I) is sold into a secondary market after the end of the 180-day period described in subclause (I), subclause (I) shall not apply with respect to the loan beginning on the date of the sale.”.

(b) BORROWERS' RIGHTS FOR POOLED LOANS.—The first sentence of section 8.9(b) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-9(b)) is amended by inserting “(as defined in section 4.14A(a)(5))” after “application for a loan”.

SEC. 209. FORMATION OF ADMINISTRATIVE SERVICE ENTITIES.

Part E of title IV of the Farm Credit Act of 1971 is amended by inserting after section 4.28 (12 U.S.C. 2214) the following:

“SEC. 4.28A. DEFINITION OF BANK.

“In this part, the term ‘bank’ includes each association operating under title II.”.

SEC. 210. JOINT MANAGEMENT AGREEMENTS.

The first sentence of section 5.17(a)(2)(A) of the Farm Credit Act of 1971 (12 U.S.C. 2252(a)(2)(A)) is amended by striking “or management agreements”.

SEC. 211. DISSEMINATION OF QUARTERLY REPORTS.

Section 5.17(a)(8) of the Farm Credit Act of 1971 (12 U.S.C. 2252(a)(8)) is amended by inserting after “except that” the following: “the requirements of the Farm Credit Administration governing the dissemination to stockholders of quarterly reports of System institutions may not be more burdensome or costly than the requirements applicable to national banks, and”.

SEC. 212. REGULATORY REVIEW.

(a) FINDINGS.—Congress finds that—

(1) the Farm Credit Administration, in the role of the Administration as an arms-length safety and soundness regulator, has made considerable progress in reducing the regulatory burden on Farm Credit System institutions;

(2) the efforts of the Farm Credit Administration described in paragraph (1) have resulted in cost savings for Farm Credit System institutions; and

(3) the cost savings described in paragraph (2) ultimately benefit the farmers, ranchers, agricultural cooperatives, and rural residents of the United States.

(b) CONTINUATION OF REGULATORY REVIEW.—The Farm Credit Administration shall continue the comprehensive review of regulations governing the Farm Credit System to identify and eliminate, consistent with law, safety, and soundness, all regulations that are unnecessary, unduly burdensome or costly, or not based on law.

SEC. 213. EXAMINATION OF FARM CREDIT SYSTEM INSTITUTIONS.

The first sentence of section 5.19(a) of the Farm Credit Act of 1971 (12 U.S.C. 2254(a)) is amended by striking “each year” and inserting “during each 18-month period”.

SEC. 214. CONSERVATORSHIPS AND RECEIVERSHIPS.

(a) DEFINITIONS.—Section 5.51 of the Farm Credit Act of 1971 (12 U.S.C. 2277a) is amended—

(1) by striking paragraph (5); and

(2) by redesignating paragraph (6) as paragraph (5).

(b) GENERAL CORPORATE POWERS.—Section 5.58 of the Farm Credit Act of 1971 (12 U.S.C. 2277a-7) is amended by striking paragraph (9) and inserting the following:

“(9) CONSERVATOR OR RECEIVER.—The Corporation may act as a conservator or receiver.”.

SEC. 215. FARM CREDIT INSURANCE FUND OPERATIONS.

(a) ADJUSTMENT OF PREMIUMS.—

(1) IN GENERAL.—Section 5.55(a) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-4(a)) is amended—

(A) in paragraph (1), by striking “Until the aggregate of amounts in the Farm Credit Insurance Fund exceeds the secure base amount, the annual premium due from any insured System bank for any calendar year” and inserting the following: “If at the end of any calendar year the aggregate of amounts in the Farm Credit Insurance Fund does not exceed the secure base amount, subject to paragraph (2), the annual premium due from any insured System bank for the calendar year”;

(B) by redesignating paragraph (2) as paragraph (3); and

(C) by inserting after paragraph (1) the following:

“(2) REDUCED PREMIUMS.—The Corporation, in the sole discretion of the Corporation, may reduce by a percentage uniformly applied to all insured System banks the annual premium due from each insured System bank during any calendar year, as determined under paragraph (1).”.

(2) CONFORMING AMENDMENTS.—

(A) Section 5.55(b) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-4(b)) is amended—

(i) by striking “Insurance Fund” each place it appears and inserting “Farm Credit Insurance Fund”;

(ii) by striking “for the following calendar year”;

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

(B) Section 5.56(a) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-5(a)) is amended by striking “section 5.55(a)(2)” each place it appears in paragraphs (2) and (3) and inserting “section 5.55(a)(3)”.

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

(i) in paragraph (1), by inserting “(as defined in section 5.55(a)(3))” after “government-guaranteed loans”;

(ii) in paragraph (3), by inserting “(as so defined)” after “government-guaranteed loans” each place such term appears.

(b) ALLOCATION TO INSURED SYSTEM BANKS AND OTHER SYSTEM INSTITUTIONS OF EXCESS AMOUNTS IN THE FARM CREDIT INSURANCE FUND.—Section 5.55 of the Farm Credit Act of 1971 (12 U.S.C. 2277a-4) is amended by adding at the end the following:

“(e) ALLOCATION TO SYSTEM INSTITUTIONS OF EXCESS RESERVES.—

“(1) ESTABLISHMENT OF ALLOCATED INSURANCE RESERVES ACCOUNTS.—There is hereby established in the Farm Credit Insurance Fund an Allocated Insurance Reserves Account—

“(A) for each insured System bank; and

“(B) subject to paragraph (6)(C), for all holders, in the aggregate, of Financial Assistance Corporation stock.

“(2) TREATMENT.—Amounts in any Allocated Insurance Reserves Account shall be considered to be part of the Farm Credit Insurance Fund.

“(3) ANNUAL ALLOCATIONS.—If, at the end of any calendar year, the aggregate of the amounts in the Farm Credit Insurance Fund exceeds the average secure base amount for the calendar year (as calculated on an average daily balance basis), the Corporation shall allocate to the Allocated Insurance Reserves Accounts the excess amount less the amount that the Corporation, in its sole discretion, determines to be the sum of the estimated operating expenses and estimated insurance obligations of the Corporation for the immediately succeeding calendar year.

"(4) ALLOCATION FORMULA.—From the total amount required to be allocated at the end of a calendar year under paragraph (3)—

"(A) 10 percent of the total amount shall be credited to the Allocated Insurance Reserves Account established under paragraph (1)(B), subject to paragraph (6)(C); and

"(B) there shall be credited to the Allocated Insurance Reserves Account of each insured System bank an amount that bears the same ratio to the total amount (less any amount credited under subparagraph (A)) as the average principal outstanding for the 3-year period ending on the end of the calendar year on loans made by the bank that are in accrual status bears to the average principal outstanding for the 3-year period ending on the end of the calendar year on loans made by all insured System banks that are in accrual status (excluding, in each case, the guaranteed portions of government-guaranteed loans described in subsection (a)(1)(C)).

"(5) USE OF FUNDS IN ALLOCATED INSURANCE RESERVES ACCOUNTS.—To the extent that the sum of the operating expenses of the Corporation and the insurance obligations of the Corporation for a calendar year exceeds the sum of operating expenses and insurance obligations determined under paragraph (3) for the calendar year, the Corporation shall cover the expenses and obligations by—

"(A) reducing each Allocated Insurance Reserves Account by the same proportion; and

"(B) expending the amounts obtained under subparagraph (A) before expending other amounts in the Fund.

"(6) OTHER DISPOSITION OF ACCOUNT FUNDS.—

"(A) IN GENERAL.—As soon as practicable during each calendar year beginning more than 8 years after the date on which the aggregate of the amounts in the Farm Credit Insurance Fund exceeds the secure base amount, but not earlier than January 1, 2005, the Corporation may—

"(i) subject to subparagraphs (D) and (F), pay to each insured System bank, in a manner determined by the Corporation, an amount equal to the lesser of—

"(I) 20 percent of the balance in the insured System bank's Allocated Insurance Reserves Account as of the preceding December 31; or

"(II) 20 percent of the balance in the bank's Allocated Insurance Reserves Account on the date of the payment; and

"(ii) subject to subparagraphs (C), (E), and (F), pay to each System bank and association holding Financial Assistance Corporation stock a proportionate share, determined by dividing the number of shares of Financial Assistance Corporation stock held by the institution by the total number of shares of Financial Assistance Corporation stock outstanding, of the lesser of—

"(I) 20 percent of the balance in the Allocated Insurance Reserves Account established under paragraph (1)(B) as of the preceding December 31; or

"(II) 20 percent of the balance in the Allocated Insurance Reserves Account established under paragraph (1)(B) on the date of the payment.

"(B) AUTHORITY TO ELIMINATE OR REDUCE PAYMENTS.—The Corporation may eliminate or reduce payments during a calendar year under subparagraph (A) if the Corporation determines, in its sole discretion, that the payments, or other circumstances that might require use of the Farm Credit Insurance Fund, could cause the amount in the Farm Credit Insurance Fund during the calendar year to be less than the secure base amount.

"(C) REIMBURSEMENT FOR FINANCIAL ASSISTANCE CORPORATION STOCK.—

"(i) SUFFICIENT FUNDING.—Notwithstanding paragraph (4)(A), on provision by the Corporation for the accumulation in the Ac-

count established under paragraph (1)(B) of funds in an amount equal to \$56,000,000 (in addition to the amounts described in subparagraph (F)(ii)), the Corporation shall not allocate any further funds to the Account except to replenish the Account if funds are diminished below \$56,000,000 by the Corporation under paragraph (5).

"(ii) WIND DOWN AND TERMINATION.—

"(I) FINAL DISBURSEMENTS.—On disbursement of \$53,000,000 (in addition to the amounts described in subparagraph (F)(ii)) from the Allocated Insurance Reserves Account, the Corporation shall disburse the remaining amounts in the Account, as determined under subparagraph (A)(ii), without regard to the percentage limitations in subclauses (I) and (II) of subparagraph (A)(ii).

"(II) TERMINATION OF ACCOUNT.—On disbursement of \$56,000,000 (in addition to the amounts described in subparagraph (F)(ii)) from the Allocated Insurance Reserves Account, the Corporation shall close the Account established under paragraph (1)(B) and transfer any remaining funds in the Account to the remaining Allocated Insurance Reserves Accounts in accordance with paragraph (4)(B) for the calendar year in which the transfer occurs.

"(D) DISTRIBUTION OF PAYMENTS RECEIVED.—Not later than 60 days after receipt of a payment made under subparagraph (A)(i), each insured System bank, in consultation with affiliated associations of the insured System bank, and taking into account the direct or indirect payment of insurance premiums by the associations, shall develop and implement an equitable plan to distribute payments received under subparagraph (A)(i) among the bank and associations of the bank.

"(E) EXCEPTION FOR PREVIOUSLY REIMBURSED ASSOCIATIONS.—For purposes of subparagraph (A)(ii), in any Farm Credit district in which the funding bank has reimbursed 1 or more affiliated associations of the bank for the previously unreimbursed portion of the Financial Assistance Corporation stock held by the associations, the funding bank shall be deemed to be the holder of the shares of Financial Assistance Corporation stock for which the funding bank has provided the reimbursement.

"(F) INITIAL PAYMENT.—Notwithstanding subparagraph (A), the initial payment made to each payee under subparagraph (A) shall be in such amount determined by the Corporation to be equal to the sum of—

"(i) the total of the amounts that would have been paid if payments under subparagraph (A) had been authorized to begin, under the same terms and conditions, in the first calendar year beginning more than 5 years after the date on which the aggregate of the amounts in the Farm Credit Insurance Fund exceeds the secure base amount, and to continue through the 2 immediately subsequent years;

"(ii) interest earned on any amounts that would have been paid as described in clause (i) from the date on which the payments would have been paid as described in clause (i); and

"(iii) the payment to be made in the initial year described in subparagraph (A), based on the amount in each Account after subtracting the amounts to be paid under clauses (i) and (ii)."

(c) TECHNICAL AMENDMENTS.—Section 5.55(d) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-4(d)) is amended—

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

(A) by striking "subsections (a) and (c)" and inserting "subsections (a), (c), and (e)"; and

(B) by striking "a Farm Credit Bank" and inserting "an insured System bank"; and

(2) in paragraphs (1), (2), and (3), by striking "Farm Credit Bank" each place it appears and inserting "insured System bank".

SEC. 216. EXAMINATIONS BY THE FARM CREDIT SYSTEM INSURANCE CORPORATION.

Section 5.59(b)(1)(A) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-8(b)(1)(A)) is amended by adding at the end the following: "Notwithstanding any other provision of this Act, on cancellation of the charter of a System institution, the Corporation shall have authority to examine the system institution in receivership. An examination shall be performed at such intervals as the Corporation shall determine."

SEC. 217. POWERS WITH RESPECT TO TROUBLED INSURED SYSTEM BANKS.

(a) LEAST-COST RESOLUTION.—Section 5.61(a)(3) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-10(a)) is amended—

(1) by redesignating subparagraph (B) as subparagraph (F); and

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

"(A) LEAST-COST RESOLUTION.—Assistance may not be provided to an insured System bank under this subsection unless the means of providing the assistance is the least costly means of providing the assistance by the Farm Credit Insurance Fund of all possible alternatives available to the Corporation, including liquidation of the bank (including paying the insured obligations issued on behalf of the bank). Before making a least-cost determination under this subparagraph, the Corporation shall accord such other insured System banks as the Corporation determines to be appropriate the opportunity to submit information relating to the determination.

"(B) DETERMINING LEAST COSTLY APPROACH.—In determining the least costly alternative under subparagraph (A), the Corporation shall—

"(i) evaluate alternatives on a present-value basis, using a reasonable discount rate;

"(ii) document the evaluation and the assumptions on which the evaluation is based; and

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

"(C) TIME OF DETERMINATION.—

"(i) GENERAL RULE.—For purposes of this subsection, the determination of the costs of providing any assistance under any provision of this section with respect to any insured System bank shall be made as of the date on which the Corporation makes the determination to provide the assistance to the institution under this section.

"(ii) RULE FOR LIQUIDATIONS.—For purposes of this subsection, the determination of the costs of liquidation of any insured System bank shall be made as of the earliest of—

"(I) the date on which a conservator is appointed for the insured System bank;

"(II) the date on which a receiver is appointed for the insured System bank; or

"(III) the date on which the Corporation makes any determination to provide any assistance under this section with respect to the insured System bank.

"(D) RULE FOR STAND-ALONE ASSISTANCE.—Before providing any assistance under paragraph (1), the Corporation shall evaluate the adequacy of managerial resources of the insured System bank. The continued service of any director or senior ranking officer who serves in a policymaking role for the assisted insured System bank, as determined by the Corporation, shall be subject to approval by the Corporation as a condition of assistance.

"(E) DISCRETIONARY DETERMINATIONS.—Any determination that the Corporation makes under this paragraph shall be in the sole discretion of the Corporation."

(b) CONFORMING AMENDMENTS.—Section 5.61(a) of the Farm Credit Act of 1971 (12 U.S.C. 2277a-10(a)) is amended—

(1) in paragraph (1) by striking "IN GENERAL.—" and inserting "STAND-ALONE ASSISTANCE.—"; and

(2) in paragraph (2)—

(A) by striking "ENUMERATED POWERS.—" and inserting "FACILITATION OF MERGERS OR CONSOLIDATION.—"; and

(B) in subparagraph (A) by striking "FACILITATION OF MERGERS OR CONSOLIDATION.—" and inserting "IN GENERAL.—".

SEC. 218. OVERSIGHT AND REGULATORY ACTIONS BY THE FARM CREDIT SYSTEM INSURANCE CORPORATION.

The Farm Credit Act of 1971 is amended by inserting after section 5.61 (12 U.S.C. 2279a-10) the following:

"SEC. 5.61A. OVERSIGHT ACTIONS BY THE CORPORATION.

"(a) DEFINITIONS.—In this section, the term 'institution' means—

"(1) an insured System bank; and

"(2) a production credit association or other association making loans under section 7.6 with a direct loan payable to the funding bank of the association that comprises 20 percent or more of the funding bank's total loan volume net of nonaccrual loans.

"(b) CONSULTATION REGARDING PARTICIPATION OF UNDERCAPITALIZED BANKS IN ISSUANCE OF INSURED OBLIGATIONS.—The Farm Credit Administration shall consult with the Corporation prior to approving an insured obligation that is to be issued by or on behalf of, or participated in by, any insured System bank that fails to meet the minimum level for any capital requirement established by the Farm Credit Administration for the bank.

"(c) CONSULTATION REGARDING APPLICATIONS FOR MERGERS AND RESTRUCTURINGS.—

"(1) CORPORATION TO RECEIVE COPY OF TRANSACTION APPLICATIONS.—On receiving an application for a merger or restructuring of an institution, the Farm Credit Administration shall forward a copy of the application to the Corporation.

"(2) CONSULTATION REQUIRED.—If the proposed merger or restructuring involves an institution that fails to meet the minimum level for any capital requirement established by the Farm Credit Administration applicable to the institution, the Farm Credit Administration shall allow 30 days within which the Corporation may submit the views and recommendations of the Corporation, including any conditions for approval. In determining whether to approve or disapprove any proposed merger or restructuring, the Farm Credit Administration shall give due consideration to the views and recommendations of the Corporation.

"SEC. 5.61B. AUTHORITY TO REGULATE GOLDEN PARACHUTE AND INDEMNIFICATION PAYMENTS.

"(a) DEFINITIONS.—In this section:

"(1) GOLDEN PARACHUTE PAYMENT.—The term 'golden parachute payment'—

"(A) means a payment (or any agreement to make a payment) in the nature of compensation for the benefit of any institution-related party under an obligation of any Farm Credit System institution that—

"(i) is contingent on the termination of the party's relationship with the institution; and

"(ii) is received on or after the date on which—

"(I) the institution is insolvent;

"(II) a conservator or receiver is appointed for the institution;

"(III) the institution has been assigned by the Farm Credit Administration a composite CAMEL rating of 4 or 5 under the Farm Credit Administration Rating System, or an equivalent rating; or

"(IV) the Corporation otherwise determines that the institution is in a troubled condition (as defined in regulations issued by the Corporation); and

"(B) includes a payment that would be a golden parachute payment but for the fact that the payment was made before the date referred to in subparagraph (A)(ii) if the payment was made in contemplation of the occurrence of an event described in any subclause of subparagraph (A); but

"(C) does not include—

"(i) a payment made under a retirement plan that is qualified (or is intended to be qualified) under section 401 of the Internal Revenue Code of 1986 or other nondiscriminatory benefit plan;

"(ii) a payment made under a bona fide supplemental executive retirement plan, deferred compensation plan, or other arrangement that the Corporation determines, by regulation or order, to be permissible; or

"(iii) a payment made by reason of the death or disability of an institution-related party.

"(2) INDEMNIFICATION PAYMENT.—The term 'indemnification payment' means a payment (or any agreement to make a payment) by any Farm Credit System institution for the benefit of any person who is or was an institution-related party, to pay or reimburse the person for any liability or legal expense with regard to any administrative proceeding or civil action instituted by the Farm Credit Administration that results in a final order under which the person—

"(A) is assessed a civil money penalty; or

"(B) is removed or prohibited from participating in the conduct of the affairs of the institution.

"(3) INSTITUTION-RELATED PARTY.—The term 'institution-related party' means—

"(A) a director, officer, employee, or agent for a Farm Credit System institution or any conservator or receiver of such an institution;

"(B) a stockholder (other than another Farm Credit System institution), consultant, joint venture partner, or any other person determined by the Farm Credit Administration to be a participant in the conduct of the affairs of a Farm Credit System institution; and

"(C) an independent contractor (including any attorney, appraiser, or accountant) that knowingly or recklessly participates in any violation of any law or regulation, any breach of fiduciary duty, or any unsafe or unsound practice that caused or is likely to cause more than a minimal financial loss to, or a significant adverse effect on, the Farm Credit System institution.

"(4) LIABILITY OR LEGAL EXPENSE.—The term 'liability or legal expense' means—

"(A) a legal or other professional expense incurred in connection with any claim, proceeding, or action;

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

"(C) the amount of, and any cost incurred in connection with, any judgment or penalty imposed with respect to any claim, proceeding, or action.

"(5) PAYMENT.—The term 'payment' means—

"(A) a direct or indirect transfer of any funds or any asset; and

"(B) any segregation of any funds or assets for the purpose of making, or under an agreement to make, any payment after the date on which the funds or assets are segregated, without regard to whether the obligation to make the payment is contingent on—

"(i) the determination, after that date, of the liability for the payment of the amount; or

"(ii) the liquidation, after that date, of the amount of the payment.

"(b) PROHIBITION.—The Corporation may prohibit or limit, by regulation or order, any golden parachute payment or indemnifica-

tion payment by a Farm Credit System institution (including any conservator or receiver of the Federal Agricultural Mortgage Corporation) in troubled condition (as defined in regulations issued by the Corporation).

"(c) FACTORS TO BE TAKEN INTO ACCOUNT.—The Corporation shall prescribe, by regulation, the factors to be considered by the Corporation in taking any action under subsection (b). The factors may include—

"(1) whether there is a reasonable basis to believe that an institution-related party has committed any fraudulent act or omission, breach of trust or fiduciary duty, or insider abuse with regard to the Farm Credit System institution involved that has had a material effect on the financial condition of the institution;

"(2) whether there is a reasonable basis to believe that the institution-related party is substantially responsible for the insolvency of the Farm Credit System institution, the appointment of a conservator or receiver for the institution, or the institution's troubled condition (as defined in regulations prescribed by the Corporation);

"(3) whether there is a reasonable basis to believe that the institution-related party has materially violated any applicable law or regulation that has had a material effect on the financial condition of the institution;

"(4) whether there is a reasonable basis to believe that the institution-related party has violated or conspired to violate—

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

"(B) section 1341 or 1343 of title 18, United States Code, affecting a Farm Credit System institution;

"(5) whether the institution-related party was in a position of managerial or fiduciary responsibility; and

"(6) the length of time that the party was related to the Farm Credit System institution and the degree to which—

"(A) the payment reasonably reflects compensation earned over the period of employment; and

"(B) the compensation represents a reasonable payment for services rendered.

"(d) CERTAIN PAYMENTS PROHIBITED.—No Farm Credit System institution may prepay the salary or any liability or legal expense of any institution-related party if the payment is made—

"(1) in contemplation of the insolvency of the institution or after the commission of an act of insolvency; and

"(2) with a view to, or with the result of—

"(A) preventing the proper application of the assets of the institution to creditors; or

"(B) preferring 1 creditor over another creditor.

"(e) RULE OF CONSTRUCTION.—Nothing in this section—

"(1) prohibits any Farm Credit System institution from purchasing any commercial insurance policy or fidelity bond, so long as the insurance policy or bond does not cover any legal or liability expense of an institution described in subsection (a)(2); or

"(2) limits the powers, functions, or responsibilities of the Farm Credit Administration."

SEC. 219. FARM CREDIT SYSTEM INSURANCE CORPORATION BOARD OF DIRECTORS.

(a) IN GENERAL.—Section 5.53 of the Farm Credit Act of 1971 (12 U.S.C. 2277a-2) is amended to read as follows:

"SEC. 5.53. BOARD OF DIRECTORS.

"(a) ESTABLISHMENT.—The Corporation shall be managed by a Board of Directors that shall consist of the members of the Farm Credit Administration Board.

"(b) CHAIRMAN.—The Board of Directors shall be chaired by any Board member other

than the Chairman of the Farm Credit Administration Board.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 5314 of title 5, United States Code, is amended by striking “Chairperson, Board of Directors of the Farm Credit System Insurance Corporation.”.

(2) Section 5315 of title 5, United States Code, is amended by striking “Members, Board of Directors of the Farm Credit System Insurance Corporation.”.

SEC. 220. INTEREST RATE REDUCTION PROGRAM.

Section 351(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1999) is amended—

(A) by striking “SEC. 351. (a) The” and inserting the following:

“**SEC. 351. INTEREST RATE REDUCTION PROGRAM.**

“(a) ESTABLISHMENT OF PROGRAM.—

“(1) IN GENERAL.—The”; and

(B) by adding at the end the following:

“(2) TERMINATION OF AUTHORITY.—The authority provided by this subsection shall terminate on September 30, 2002.”.

SEC. 221. LIABILITY FOR MAKING CRIMINAL REFERRALS.

(a) IN GENERAL.—Any institution of the Farm Credit System, or any director, officer, employee, or agent of a Farm Credit System institution, that discloses to a Government authority information proffered in good faith that may be relevant to a possible violation of any law or regulation shall not be liable to any person under any law of the United States or any State—

(1) for the disclosure; or

(2) for any failure to notify the person involved in the possible violation.

(b) NO PROHIBITION ON DISCLOSURE.—Any institution of the Farm Credit System, or any director, officer, employee, or agent of a Farm Credit System institution, may disclose information to a Government authority that may be relevant to a possible violation of any law or regulation.

TITLE III—IMPLEMENTATION AND EFFECTIVE DATE

SEC. 301. IMPLEMENTATION.

The Secretary of Agriculture and the Farm Credit Administration shall promulgate regulations and take other required actions to implement the provisions of this Act not later than 90 days after the effective date of this Act.

SEC. 302. EFFECTIVE DATE.

Except as otherwise provided in this Act, this Act and the amendments made by this Act shall become effective on the date of enactment.

□ 1730

Mr. EMERSON (during the reading). Mr. Speaker, I ask unanimous consent that the amendments be considered as read and printed in the RECORD.

The SPEAKER pro tempore (Mr. WALKER). Is there objection to the request of the gentleman from Missouri?

Mr. WOLF. Reserving the right to object, Mr. Speaker, and I will not object, but I just wanted to have some clarification. I would ask the gentleman, does this resolution that we are bringing up tonight have anything to do with the resolution that was just passed in the Committee on Rules, which gives the Speaker or the Chair the ability to recess subject to the call until January 23? Because if it does, I want to make sure that my objection is heard loud and clear, and Members ought to know that this might have something to do with that.

Does this have anything to do with the resolution that was passed in the Committee on Rules today that deals with giving the Speaker the right to recess subject to the call of the Chair until January 23, which would be a very bad thing to do?

Mr. EMERSON. Mr. Speaker, will the gentleman yield under his reservation of objection?

Mr. WOLF. I yield to the gentleman from Missouri.

Mr. EMERSON. Mr. Speaker, I would like to give him absolute assurance that it has absolutely nothing to do with the subject raised by the gentleman from Virginia.

Mr. WOLF. I will not object, Mr. Speaker. I just wanted to be sure, because when the resolution comes up on the floor, if it ever comes up in this House to vote on the issue of whether or not we adjourn or recess, I not only will vote against it, I will speak against it, and I will work against it.

Since this does not deal with that, Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The SPEAKER pro tempore. Is there objection to the original request of the gentleman from Missouri?

Mr. DE LA GARZA. Reserving the right to object, Mr. Speaker, on the bill and amendments thereto, I yield to my distinguished colleague, the gentleman from Missouri [Mr. EMERSON], for an explanation.

(Mr. EMERSON asked and was given permission to revise and extend his remarks.)

Mr. EMERSON. Mr. Speaker, I thank the distinguished member of the Committee on Agriculture for yielding to me to explain the bill.

Mr. Speaker, today the House is considering legislation that will allow an important segment of the agricultural finance industry to continue providing low-cost, long-term real estate and rural housing loans to American farmers, ranchers and rural residents, as well as reduce the regulatory burden on the Farm Credit System [FCS].

As sent to us from the other body, H.R. 2029, the Farm Credit System Reform Act of 1996, contains two major legislative amendments to the Farm Credit Act of 1971. First, the bill provides major reforms to the Federal Agricultural Mortgage Corporation, better known as Farmer Mac, that will create an efficient and cost-effective secondary market for agricultural real estate and rural housing loans. Second, the legislation provides needed regulatory relief for FCS institutions, including amending an unnecessary provision of law that would establish an independent board of directors for the Farm Credit System Insurance Corporation [FCSIC].

The original H.R. 2029 was reported from the Committee on Agriculture December 13, 1995, and entitled the

Farm Credit System Regulatory Relief Act of 1995. H.R. 2029 was adopted by the House under suspension of the rules December 19, 1995. The companion piece included as title I—Agricultural Mortgage Secondary Market, the Farmer Mac amendments, in the bill the House is considering today also was reported by the Agriculture committee December 13, 1995. The House has not acted on that legislation separately. In the meantime, the other body acted on H.R. 2029, placing both the FCS regulatory relief package and the Farmer Mac reforms in the bill, and returning it to the House.

Today, the House considers both pieces of legislation with some minor revisions. First, as adopted by the House Committee on Agriculture, the bill requires Farmer Mac to meet certain new minimum capital standards as Farmer Mac proceeds to recapitalize its core capital. Again, as contained in the House committee reported bill, this legislation provides the Farm Credit Administration's (CFA) Office of Secondary Market Oversight with authority to place Farmer Mac into receivership and wind down its operations should that become necessary.

Second, title II of H.R. 2029 before us today contains two amendments different from the bill the House passed December 19, 1995.

Mr. Speaker, it is necessary to clarify the intent of a time-sensitive provision of the legislation and pass a House amendment to the Senate amendment H.R. 2029. Section 219 is revised in the House amendment so as to amend section 5.53 of the Farm Credit Act of 1971 to provide that FCSIC shall be managed by a board of directors of the FCA board of directors, except that the chairman of the latter board may not serve as chairman of the FCSIC board.

As demonstrated by earlier passage of the repeal of section 201 of the Farm Credit Banks and Associations Safety and Soundness Act of 1992 (106 Stat. 4104) by both the House and Senate, there is no need to create a new bureaucratic structure to establish an independent board for FCSIC that section 261 would have created effective January 1, 1996.

Therefore, it should be noted that this provision is also intended to restore the former FCSIC Board, in existence before January 1, 1996, which consists of members of the FCA Board of Directors. This should clarify the legislative history on this matter.

One other provision contained in this bill different from the legislation the House passed earlier deals with how payments are made under a system of new reserve accounts established within the insurance fund. Under the provisions of this bill, reserve accounts may be disbursed during each calendar year beginning more than 8 years after the date the insurance fund reaches its secure base amount but not later than January 1, 2005. FCSIC estimates the insurance fund should reach its statutorily-set secure base amount in early 1997.

This provision is designed to provide the FCSIC with the flexibility to adjust, at its sole discretion, the premiums charged to FCS institutions to capitalize the insurance fund. This discretionary authority would allow FCSIC to lower insurance premiums in advance of reaching the insurance fund's secure base amount, if, in FCSIC's opinion, events warrant

such a premium reduction. Within these provisions in an important legislative compromise that provides for the orderly redemption of Financial Assistance Corporation stock held by FCS institutions.

Mr. Speaker, this is sound legislation the House should adopt today and send back to the other body for consideration. I urge its immediate passage.

(Mr. DE LA GARZA asked and was given permission to revise and extend his remarks.)

Mr. DE LA GARZA. Mr. Speaker, continuing to reserve the right to object, I rise in support of the legislation.

Mr. Speaker, I urge my colleagues to support H.R. 2029 because it will provide mechanisms for ensuring affordable credit in rural America. Our farmers and ranchers have been and will continue to experience in the next several years, great uncertainty with roller coaster market prices and impending changes in Federal agricultural policy. It will be more important than ever that there be reliable credit sources available to them.

Passage into law of regulatory relief for the Farm Credit System will hopefully provide for a reduction in operating costs that can be passed on to System borrowers. The legislative changes that are being proposed to Farmer Mac will provide both commercial banks and Farm Credit System institutions with the means to lower the cost of borrowing money as well.

Previous reforms of Farmer Mac have not been as successful as we had hoped, which is why additional authority is currently needed. Lending is inherently risky, however, I am hopeful that these reforms will allow Farmer Mac to become a viable entity and to develop a secondary market for long-term agricultural real estate loans. It is as balanced an approach as could be achieved.

Again, I support this legislation and look forward to prompt action by the other body.

Mr. BARRETT of Nebraska. Mr. Speaker, I rise today in support of H.R. 2130, the Farmer Mac reform bill.

Farmer Mac was established to provide a reliable source of long-term agricultural loans. Its goal was greater competition in loan rates for farmers and ranchers. Unfortunately, Farmer Mac's enabling legislation was too restrictive and a secondary market for agriculture never fully developed.

H.R. 2130 seeks to address these impediments. I believe the reforms contained in H.R. 2130 would allow Farmer Mac to prove the viability of the agricultural secondary market. My constituents are encouraged by the opportunity that a reformed Farmer Mac could bring to rural borrowers.

I'm encouraged that the House is acting on Farmer Mac today. I urge my colleagues to support H.R. 2130.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the initial request of the gentleman from Missouri?

Mr. HOYER. Reserving the right to object, Mr. Speaker, as I understand this legislation, it is necessary. If we do not pass it, many in this House on both sides of the aisle will have many constituents who will be hurt. America, in my opinion, will be hurt if we do not allow this to pass at this time.

However, we have a selective sense of responsibility. We did not want to hurt veterans, we did not want to hurt those who go to national parks, we did not want to hurt those who got Social Security checks, and I did not want to hurt any of those, either. So what we continue to do is ask people to come to work, as a responsible employee, but guess what, we are not going to pay you, and we lock out others who cannot serve their constituencies. People are at risk because apparently some Members of this House are not feeling it.

The leadership is about to suggest that this House, like Pontius Pilate, wring its hands and say that we will go home until January 23; no responsibility for the pain that is being caused, no responsibility for the services that are being denied; like Pontius Pilate, it must be somebody else.

Mr. Speaker, as I said at the outset, I will not object to this particular piece of legislation, because unlike some in this House, I believe we ought to be responsible. People sent us here to ensure that their lives would be, to the extent we could affect them, be better. To object to this would not affect that end, but some in this body believe that if their end is appropriate, any means they utilize to attain it are justified. That is wrong.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the initial request of the gentleman from Missouri?

There was no objection.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. EMERSON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the bill just considered.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Missouri?

There was no objection.

FURTHER CONTINUING APPROPRIATIONS FOR FISCAL YEAR 1996

Mr. WALSH. Mr. Speaker, I offer a joint resolution (H.J. Res. 153) making further continuing appropriations for fiscal year 1996, and for other purposes, and I ask unanimous consent that it be considered as passed, and that a motion to reconsider be laid on the table.

The Clerk read the title of the joint resolution.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

Mr. OBEY. Reserving the right to object, Mr. Speaker, under my reservation of objection, I would first ask the gentleman to explain the motion before the House, before I ask a couple of questions about it.

Mr. WALSH. Mr. Speaker, will the gentleman yield?

Mr. OBEY. I yield to the gentleman from New York.

Mr. WALSH. Mr. Speaker, this is a continuing resolution that affects only the District of Columbia and only their ability to spend local funds. It is a continuation of the bill that was passed last year that provided continuing funding for the District's own local funds through January 3. This is identical to the legislation we passed at the end of the last session but this would continue that funding authority until January 25.

Mr. OBEY. Mr. Speaker, if I could ask the gentleman, then, is it correct to say this allows only the use of District funds?

Mr. WALSH. That is correct.

Mr. OBEY. And that even if this passes, the District will not have received any Federal payment since, I believe, December 15?

Mr. WALSH. That is correct. The District has received about \$370 million of the \$660 million Federal formula funds and approximately \$8 million of the \$52 million that go toward the pension fund.

Mr. OBEY. Continuing my reservation of objection, let me simply say, Mr. Speaker, that I am troubled by this, because while I think we want the District government to remain open, that there would be no need for this specific resolution, as narrowly drawn as it is tonight, if the House leadership would simply allow us to bring up the Dole resolution which passed the Senate yesterday, which opens up all of the agencies of Government.

We have the ridiculous situation under which some Federal workers have been paid for work which they were not allowed to do, and other Federal workers are being required to perform work for which they are not getting paid. The District is not the only jurisdiction with problems. There are 10 States, I am told, that are about to run out of needed funds to administer unemployment compensation programs. There are 95 percent of workplace safety inspections which are not taking place. There are 2,500 mortgage applications a day under SBA that are not being attended to. Veterans' education benefits are in question for 170,000 veterans. Pension fraud cases are not being pursued. The Older Americans Act and Meals on Wheels are being put at risk, all because of the arrogance, it seems to me, of some Members of this body who put their political and economic ideology ahead of the right of taxpayers to receive the services for which they have already paid.

Therefore, I am extremely troubled by the narrow nature of this proposition, but I would simply suggest that I do not see any useful purpose that would be served for anyone on this side of the aisle to engage in the same kind of childish leverage games that we have seen go on on the part of the leadership of this House and the Speaker, so I very reluctantly will not object.