

by following any procedure for removal for causes in effect at the time of such removal.

(4) No attachment or execution shall be issued against the Corporation or any of the property of the Corporation before final judgment in any Federal, State, or other court.

(Pub. L. 92-181, title VIII, §8.14, as added Pub. L. 100-233, title VII, §702, Jan. 6, 1988, 101 Stat. 1705.)

PART B—REGULATION OF FINANCIAL SAFETY AND SOUNDNESS OF FEDERAL AGRICULTURAL MORTGAGE CORPORATION

§ 2279bb. Definitions

For purposes of this part:

(1) **Compensation**

The term “compensation” means any payment of money or the provision of any other thing of current or potential value in connection with employment.

(2) **Core capital**

The term “core capital” means, with respect to the Corporation, the sum of the following (as determined in accordance with generally accepted accounting principles):

- (A) The par value of outstanding common stock.
- (B) The par value of outstanding preferred stock.
- (C) Paid-in capital.
- (D) Retained earnings.

(3) **Director**

The term “Director” means the Director of the Office of Secondary Market Oversight of the Farm Credit Administration, selected under section 2279aa-11(a)(3) of this title.

(4) **Office**

The term “Office” means the Office of Secondary Market Oversight of the Farm Credit Administration, established in section 2279aa-11(a) of this title.

(5) **Regulatory capital**

The term “regulatory capital” means, with respect to the Corporation, the core capital of the Corporation plus an allowance for losses and guarantee claims, as determined in accordance with generally accepted accounting principles.

(6) **State**

The term “State” means the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.

(Pub. L. 92-181, title VIII, §8.31, as added Pub. L. 102-237, title V, §503(b)(2), Dec. 13, 1991, 105 Stat. 1871.)

**Executive Documents**

TERMINATION OF TRUST TERRITORY OF THE PACIFIC ISLANDS

For termination of Trust Territory of the Pacific Islands, see note set out preceding section 1681 of Title 48, Territories and Insular Possessions.

§ 2279bb-1. Risk-based capital levels

(a) **Risk-based capital test**

The Director of the Office of Secondary Market Oversight shall, by regulation, establish a risk-based capital test under this section for the Corporation. When applied to the Corporation, the risk-based capital test shall determine the amount of regulatory capital for the Corporation that is sufficient for the Corporation to maintain positive capital during a 10-year period in which both of the following circumstances occur:

(1) **Credit risk**

(A) **In general**

With respect to securities representing an interest in, or obligations backed by, a pool of qualified loans owned or guaranteed by the Corporation and other obligations of the Corporation, losses on the underlying qualified loans occur throughout the United States at a rate of default and severity (based on any measurements of default reasonably related to prevailing industry practice in determining capital adequacy) reasonably related to the rate and severity that occurred in contiguous areas of the United States containing an aggregate of not less than 5 percent of the total population of the United States that, for a period of not less than 2 years (as established by the Director), experienced the highest rates of default and severity of agricultural mortgage losses, in comparison with such rates of default and severity of agricultural mortgage losses in other such areas for any period of such duration, as determined by the Director.

(B) **Rural utility loans**

With respect to securities representing an interest in, or obligation backed by, a pool of qualified loans described in section 2279aa(7)(C) of this title owned or guaranteed by the Corporation, losses occur at a rate of default and severity reasonably related to risks in electric and telephone facility loans (as applicable), as determined by the Director.

(2) **Interest rate risk**

Interest rates on Treasury obligations of varying terms increase or decrease over the first 12 months of such 10-year period by not more than the lesser of (A) 50 percent (with respect to the average interest rates on such obligations during the 12-month period preceding the 10-year period), or (B) 600 basis points, and remain at such level for the remainder of the period. This paragraph may not be construed to require the Director to determine interest rate risk under this paragraph based on the interest rates for various long-term and short-term obligations all increasing or all decreasing concurrently.

(b) **Considerations**

(1) **Establishment of test**

In establishing the risk-based capital test under subsection (a)—

(A) the Director shall take into account appropriate distinctions based on various

types of agricultural mortgage products, varying terms of Treasury obligations, and any other factors the Director considers appropriate;

(B) the Director shall conform loan data used in determining credit risk to the minimum geographic and commodity diversification standards applicable to pools of qualified loans eligible for guarantee;

(C) the Director may take into account retained subordinated participating interests under section 2279aa-6(b)(2) of this title (as in effect before February 10, 1996);

(D) the Director may take into account other methods or tests to determine credit risk developed by the Corporation before December 13, 1991; and

(E) the Director shall consider any other information submitted by the Corporation in writing during the 180-day period beginning on December 13, 1991.

## (2) Revising test

Upon the expiration of the 8-year period beginning on December 13, 1991, the Director shall examine the risk-based capital test under subsection (a) and may revise the test. In making examinations and revisions under this paragraph, the Director shall take into account that, before December 13, 1991, the Corporation has not issued guarantees for pools of qualified loans. To the extent that the revision of the risk-based capital test causes a change in the classification of the Corporation within the enforcement levels established under section 2279bb-4 of this title, the Director shall waive the applicability of any additional enforcement actions available because of such change for a reasonable period of time, to permit the Corporation to increase the amount of regulatory capital of the Corporation accordingly.

## (c) Risk-based capital level

For purposes of this part, the risk-based capital level for the Corporation shall be equal to the sum of the following amounts:

### (1) Credit and interest rate risk

The amount of regulatory capital determined by applying the risk-based capital test under subsection (a) to the Corporation, adjusted to account for foreign exchange risk.

### (2) Management and operations risk

To provide for management and operations risk, 30 percent of the amount of regulatory capital determined by applying the risk-based capital test under subsection (a) to the Corporation.

## (d) Specified contents

### (1) In general

The regulations establishing the risk-based capital test under this section 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 specific requirements, definitions, methods, variables, and parameters

used under the risk-based capital test and in implementing the test (such as loan loss severity, float income, loan-to-value ratios, taxes, yield curve slopes, default experience, prepayment rates, and performance of pools of qualified loans).

## (2) Specificity

The regulations referred to in paragraph (1) shall be sufficiently specific to permit an individual other than the Director to apply the test in the same manner as the Director.

## (e) Availability of model

The Director shall make copies of the statistical model or models used to implement the risk-based capital test under this section available for public acquisition and may charge a reasonable fee for such copies.

(Pub. L. 92-181, title VIII, § 8.32, as added Pub. L. 102-237, title V, § 503(b)(2), Dec. 13, 1991, 105 Stat. 1871; amended Pub. L. 102-552, title III, § 308(b)(3), Oct. 28, 1992, 106 Stat. 4116; Pub. L. 104-105, title I, §§ 109(b)(3), 113, Feb. 10, 1996, 110 Stat. 165, 166; Pub. L. 110-234, title V, § 5406(d), May 22, 2008, 122 Stat. 1159; Pub. L. 110-246, § 4(a), title V, § 5406(d), June 18, 2008, 122 Stat. 1664, 1920; Pub. L. 115-334, title V, § 5411(48), Dec. 20, 2018, 132 Stat. 4685.)

## Editorial Notes

### CODIFICATION

Pub. L. 110-234 and Pub. L. 110-246 made identical amendments to this section. The amendments by Pub. L. 110-234 were repealed by section 4(a) of Pub. L. 110-246.

### AMENDMENTS

2018—Subsec. (a). Pub. L. 115-334, § 5411(48)(A), substituted “The” for “Not sooner than the expiration of the 3-year period beginning on February 10, 1996, the” in introductory provisions.

Subsec. (a)(1)(B). Pub. L. 115-334, § 5411(48)(B), substituted “section 2279aa(7)(C)” for “section 2279aa(9)(C)”.

2008—Subsec. (a)(1). Pub. L. 110-246, § 5406(d), designated existing provisions as subpar. (A), inserted heading, and added subpar. (B).

1996—Subsec. (a). Pub. L. 104-105, § 113(1), in first sentence, substituted “Not sooner than the expiration of the 3-year period beginning on February 10, 1996,” for “Not later than the expiration of the 2-year period beginning on December 13, 1991,”.

Subsec. (b)(1)(C). Pub. L. 104-105, § 109(b)(3), substituted “Director may” for “Director shall” and inserted before semicolon at end “(as in effect before February 10, 1996)”.

Subsec. (b)(2). Pub. L. 104-105, § 113(2), substituted “8-year” for “5-year” in first sentence.

Subsec. (d). Pub. L. 104-105, § 113(3), designated first sentence of existing provisions as par. (1), inserted heading, added subpar. (A), and designated part of first sentence as subpar. (B), designated second sentence of existing provisions as par. (2), inserted heading, and substituted “The regulations referred to in paragraph (1) shall” for “The regulations shall”.

1992—Subsecs. (a), (b)(1)(D). Pub. L. 102-552, § 308(b)(3)(A), substituted “December 13, 1991” for “the date of the enactment of this section”.

Subsec. (b)(1)(E). Pub. L. 102-552, § 308(b)(3)(B), substituted “December 13, 1991” for “the date of the enactment of such Act”.

Subsec. (b)(2). Pub. L. 102-552, § 308(b)(3)(A), substituted “December 13, 1991” for “the date of the enactment of this section” in two places.

**Statutory Notes and Related Subsidiaries****EFFECTIVE DATE OF 2008 AMENDMENT**

Amendment of this section and repeal of Pub. L. 110-234 by Pub. L. 110-246 effective May 22, 2008, the date of enactment of Pub. L. 110-234, see section 4 of Pub. L. 110-246, set out as an Effective Date note under section 8701 of Title 7, Agriculture.

**§ 2279bb-2. Minimum capital level****(a) In general**

Except as provided in subsection (b), for purposes of this part, 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 part, 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 part, 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 2279aa-6(d) of this title; and

(B) the aggregate amount of qualified loans purchased and held by the Corporation under section 2279aa-3(c)(13) of this title.

(Pub. L. 92-181, title VIII, §8.33, as added Pub. L. 102-237, title V, §503(b)(2), Dec. 13, 1991, 105 Stat. 1873; amended Pub. L. 104-105, title I, §114, Feb. 10, 1996, 110 Stat. 166; Pub. L. 115-334, title V, §5411(49), Dec. 20, 2018, 132 Stat. 4685.)

**Editorial Notes****AMENDMENTS**

2018—Subsec. (b)(2)(A). Pub. L. 115-334 substituted “section 2279aa-6(d)” for “section 2279aa-6(e)”.

1996—Pub. L. 104-105 amended section generally, substituting present provisions for provisions relating to minimum capital level, including general provisions, provisions relating to 18-month transition, and provisions relating to linked portfolio assets.

**§ 2279bb-3. Critical capital level**

For purposes of this part, 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 2279bb-2 of this title.

(Pub. L. 92-181, title VIII, §8.34, as added Pub. L. 102-237, title V, §503(b)(2), Dec. 13, 1991, 105 Stat. 1874; amended Pub. L. 104-105, title I, §115, Feb. 10, 1996, 110 Stat. 167.)

**Editorial Notes****AMENDMENTS**

1996—Pub. L. 104-105 amended section generally. Prior to amendment, section read as follows: “For purposes of this part, the critical capital level for the Corporation shall be an amount of core capital equal to the sum of—

“(1) 1.25 percent of the aggregate on-balance sheet assets of the Corporation (other than assets referred to in paragraph (3)), as determined in accordance with generally accepted accounting principles;

“(2) 0.25 percent of the unpaid principal balance of outstanding securities guaranteed by the Corporation and backed by pools of qualified loans and substantially equivalent instruments issued or guaranteed by the Corporation, and other off-balance sheet obligations of the Corporation; and

“(3) a percentage of any aggregate assets of the Corporation acquired pursuant to the linked portfolio option under section 2279aa-6(g) of this title, which shall be—

“(A) during the 5-year period beginning on December 13, 1991, one-half of the percentage that is determined under section 2279bb-2(c)(1) of this title; and

“(B) after the expiration of such 5-year period, 1.25 percent of any such aggregate assets.”