

~~[Discussion Draft]~~

1 **TITLE V—CREDIT**  
2 **Subtitle A—Farm Ownership Loans**

3 **SEC. 501. SOIL AND WATER CONSERVATION AND PROTEC-**  
4 **TION.**

5 Section 304 of the Consolidated Farm and Rural De-  
6 velopment Act (7 U.S.C. 1924) is amended by striking  
7 subsections (b) and (c) and inserting the following:

8 “(b) PRIORITY.—In making or guaranteeing loans  
9 under this section, the Secretary shall give priority to—

10 “(1) qualified beginning farmers or ranchers;

11 “(2) socially disadvantaged farmers or ranch-  
12 ers;

13 “(3) owners or tenants who use the loans to  
14 convert to sustainable or organic agricultural pro-  
15 duction systems; and

16 “(4) producers who use the loans to build con-  
17 servation structures or establish conservation prac-  
18 tices to comply with section 1212 of the Food Secu-  
19 rity Act of 1985 (16 U.S.C. 3812).”.

1 **SEC. 502. CONSERVATION LOAN GUARANTEE PROGRAM.**

2 Subtitle A of the Consolidated Farm and Rural De-  
3 velopment Act (7 U.S.C. 1921–1936a) is amended by in-  
4 serting after section 304 the following:

5 **“SEC. 304A. CONSERVATION LOAN GUARANTEE PROGRAM.**

6 “(a) IN GENERAL.—The Secretary may provide a  
7 loan guarantee, an interest subsidy, or both, to enable an  
8 eligible borrower to obtain a qualified conservation loan.

9 “(b) DEFINITIONS.—In this section:

10 “(1) ELIGIBLE BORROWER.—The term ‘eligible  
11 borrower’ means a farmer, rancher, farm coopera-  
12 tive, private domestic corporation, partnership, joint  
13 operation, trust, or limited liability company, that is  
14 engaged primarily and directly in agricultural pro-  
15 duction in the United States.

16 “(2) QUALIFIED CONSERVATION LOAN.—The  
17 term ‘qualified conservation loan’ means a loan that  
18 meets the following requirements:

19 “(A) PURPOSE.—The loan proceeds are re-  
20 quired to be used to cover the costs to the bor-  
21 rower of carrying out a qualified conservation  
22 project.

23 “(B) PRINCIPAL AMOUNT.—The principal  
24 amount of the loan is not more than  
25 \$1,000,000.

1           “(C) REPAYMENT PERIOD.—The loan re-  
2           payment period shall not exceed 10 years.

3           “(D) LIMITED PROCESSING FEE.—The  
4           total of all processing fees charged with respect  
5           to the loan does not exceed such amount as  
6           shall be prescribed by the Secretary.

7           “(3) QUALIFIED CONSERVATION PROJECT.—  
8           The term ‘qualified conservation project’ means,  
9           with respect to an eligible borrower, conservation  
10          measures included in a conservation plan for a farm-  
11          ing or ranching operation of the borrower, includ-  
12          ing—

13                 “(A) the installation of conservation struc-  
14                 tures, including terraces, sod waterways, per-  
15                 manently vegetated stream borders and filter  
16                 strips, windbreaks (tree or grass), shelter belts,  
17                 and living snow fences, if all plantings consist  
18                 of vegetation appropriate to the locale;

19                 “(B) the establishment of forest cover for  
20                 sustained yield timber management, erosion  
21                 control, or shelter belt purposes, if the forest  
22                 cover is appropriate to the locale;

23                 “(C) the installation of water conservation  
24                 measures;

1           “(D) the installation of waste management  
2 systems;

3           “(E) the establishment or improvement of  
4 permanent pasture;

5           “(F) the payment of costs of complying  
6 with section 1212 of the Food Security Act of  
7 1985;

8           “(G) other purposes consistent with the  
9 conservation plan;

10          “(H) any conservation project or practice,  
11 as described by technical guides and handbooks  
12 issued by the Natural Resources Conservation  
13 Service; or

14          “(I) emerging conservation practices, tech-  
15 niques, or technologies, as approved by the Sec-  
16 retary.

17          “(c) LIMITATIONS APPLICABLE TO LOAN GUARAN-  
18 TEES.—

19           “(1) LIMITATION ON AMOUNT OF GUAR-  
20 ANTEE.—The portion of a loan that the Secretary  
21 may guarantee under this section shall be not less  
22 than 80 percent and not more than 90 percent of  
23 the principal amount of the loan.

24           “(2) LIMITATION ON TOTAL AMOUNT OUT-  
25 STANDING.—The aggregate principal amount of out-

1 standing loans guaranteed by the Secretary under  
2 this section shall not exceed \$1,000,000,000.

3 “(d) LIMITATION ON AMOUNT OF INTEREST SUB-  
4 SIDY.—The interest subsidy which the Secretary may pro-  
5 vide under this section with respect to a loan shall result  
6 in a reduction of the interest rate agreed upon by the bor-  
7 rower and the lender (but to not less than zero) by—

8 “(1) 500 basis points, if the principal amount  
9 of the loan is less than \$100,000;

10 “(2) 400 basis points, if the principal amount  
11 of the loan is not less than \$100,000 and is less  
12 than \$500,000; and

13 “(3) 300 basis points, in any other case.

14 “(e) ADMINISTRATIVE PROVISIONS.—

15 “(1) AUTHORITY TO COLLECT PROCESSING  
16 FEE.—The Secretary may assess a fee to cover the  
17 cost of processing an application under this section  
18 equal to not more than 1 percent of the principal  
19 amount of the loan sought by the applicant, as de-  
20 scribed in the application.

21 “(2) PROVISION OF FINANCIAL INFORMA-  
22 TION.—An applicant for a loan guarantee or interest  
23 subsidy under this section shall provide the Sec-  
24 retary with such financial information as may be re-  
25 quired by the Secretary, in the manner generally re-

1       required by commercial agricultural lenders in the geo-  
2       graphical area where the farming or ranching oper-  
3       ation of the applicant is located.

4               “(3) APPRAISAL.—The Secretary may require  
5       that an appraisal made in connection with an appli-  
6       cation for a loan guarantee or interest subsidy under  
7       this section be conducted by a specialized appraiser  
8       that uses standards similar to the standards used  
9       for similar purposes in the private sector, as deter-  
10      mined by the Secretary.

11              “(4) APPROVAL OF APPLICATION.—The Sec-  
12      retary shall not approve an application submitted  
13      pursuant to this section, unless the Natural Re-  
14      sources Conservation Service has determined that—

15                      “(A) the loan sought by the applicant, as  
16                      described in the application, would be a quali-  
17                      fied conservation loan; and

18                      “(B) the project for which the loan is  
19                      sought is likely to result in a net benefit to the  
20                      environment.

21              “(5) DEADLINE FOR DECISION ON APPLICA-  
22      TION.—Within 45 business days after the receipt of  
23      an application for assistance under this section, the  
24      Secretary shall transmit to the applicant the decision

1 of the Secretary to approve or disapprove the appli-  
2 cation, to the extent practicable.

3 “(6) **EQUITABLE DISTRIBUTION OF LOAN**  
4 **GUARANTEES AND INTEREST SUBSIDIES.**—The Sec-  
5 retary shall ensure that loan guarantees and interest  
6 subsidies under this section are equitably distributed  
7 among agricultural producers according to the scale  
8 of the operations of the producers that submit appli-  
9 cations in any year.

10 “(f) **RELATIONSHIP WITH OTHER CONSERVATION**  
11 **PROGRAMS.**—Neither the application for, nor the receipt  
12 of, a loan guarantee or an interest subsidy under this sec-  
13 tion shall affect the eligibility of the recipient for assist-  
14 ance under title XII of the Food Security Act of 1985  
15 or the Watershed Protection and Flood Prevention Act.

16 “(g) **APPROPRIATIONS.**—For each of fiscal years  
17 2008 through 2013, <sup>there are authorized to be appropriated</sup> ~~the Secretary shall use such funds~~  
18 <sup>Such funds</sup> ~~of the Commodity Credit Corporation~~ as are necessary to  
19 carry out this section.”.

20 **SEC. 503. LIMITATIONS ON AMOUNT OF OWNERSHIP LOANS.**

21 Section 305 of the Consolidated Farm and Rural De-  
22 velopment Act (7 U.S.C. 1925) is amended—

23 (1) in subsection (a)(2), by striking “\$200,000”  
24 and inserting “\$300,000”; and

1           (2) by redesignating subsections (b) and (c) as  
2 subsections (c) and (d), respectively, and inserting  
3 after subsection (a) the following:

4           “(b) GRADUATION PLAN.—The Secretary shall estab-  
5 lish a plan, in coordination with activities under sections  
6 359, 360, 361, and 362, to encourage each borrower with  
7 an outstanding loan under this subtitle to graduate to pri-  
8 vate commercial or other sources of credit.”.

## 9           **Subtitle B—Operating Loans**

### 10       **SEC. 511. LIMITATIONS ON AMOUNT OF OPERATING LOANS.**

11           Section 313(a)(1) of the Consolidated Farm and  
12 Rural Development Act (7 U.S.C. 1943(a)(1)) is amended  
13 by striking “\$200,000” and inserting “\$300,000”.

## 14           **Subtitle C—Administrative** 15                               **Provisions**

### 16       **SEC. 521. INVENTORY SALES PREFERENCES.**

17           Section 335(e) of the Consolidated Farm and Rural  
18 Development Act (7 U.S.C. 1985(e)) is amended—

19                       (1) in paragraph (1)—

20                               (A) in subparagraph (B)—

21                                       (i) in the subparagraph heading, by  
22 inserting “; SOCIALLY DISADVANTAGED  
23 FARMER OR RANCHER” after “OR RANCH-  
24 ER”;

1 (ii) in clause (i), by inserting “or a so-  
2 cially disadvantaged farmer or rancher”  
3 after “or rancher”;

4 (iii) by redesignating clauses (ii)  
5 through (iv) as clauses (iii) through (v), re-  
6 spectively;

7 (iv) by inserting after clause (i) the  
8 following:

9 “(ii) PRIORITY TO BE GIVEN TO SO-  
10 CIALY DISADVANTAGED FARMERS AND  
11 RANCHERS.—In carrying out this subpara-  
12 graph, the Secretary shall give priority to  
13 socially disadvantaged farmers and ranch-  
14 ers.”;

15 (v) in clause (iii) (as so redesign-  
16 ated)—

17 (I) by inserting “or socially dis-  
18 advantaged farmer or rancher” after  
19 “or rancher”; and

20 (II) by inserting “, subject to  
21 clause (ii)” before the period;

22 (vi) in clause (iv) (as so redesignated),  
23 by inserting “or a socially disadvantaged  
24 farmer or rancher” after “or rancher”; and

1 (vii) in clause (v) (as so redesignated),  
2 by inserting “and socially disadvantaged  
3 farmers and ranchers” after “and ranch-  
4 ers”; and

5 (B) in subparagraph (C), by inserting “or  
6 a socially disadvantaged farmer or rancher”  
7 after “or rancher”;

8 (2) in paragraph (5)(B)—

9 (A) in clause (i)—

10 (i) in the clause heading, by inserting  
11 “; SOCIALLY DISADVANTAGED FARMER OR  
12 RANCHER” after “OR RANCHER”;

13 (ii) by inserting “or a socially dis-  
14 advantaged farmer or rancher” after “a  
15 beginning farmer or rancher”; and

16 (iii) by inserting “or the socially dis-  
17 advantaged farmer or rancher” after “the  
18 beginning farmer or rancher”;

19 (B) by redesignating clauses (ii) and (iii)  
20 as clauses (iii) and (iv), respectively;

21 (C) by inserting after clause (i) the fol-  
22 lowing:

23 “(ii) PRIORITY TO BE GIVEN TO SO-  
24 CIALLY DISADVANTAGED FARMERS AND  
25 RANCHERS.—In carrying out clause (i), the

1 Secretary shall give priority to socially dis-  
2 advantaged farmers and ranchers.”; and

3 (D) in clause (iii) (as so redesignated)—

4 (i) in the matter preceding subclause  
5 (I), by inserting “or a socially disadvan-  
6 taged farmer or rancher” after “or ranch-  
7 er”; and

8 (ii) in subelause (II), by inserting “or  
9 the socially disadvantaged farmer or ranch-  
10 er” after “or rancher”; and

11 (3) in paragraph (6)—

12 (A) in subparagraph (A), by inserting “or  
13 a socially disadvantaged farmer or rancher”  
14 after “or rancher”; and

15 (B) in subparagraph (C)—

16 (i) in clause (i)(I), by inserting “and  
17 socially disadvantaged farmers and ranch-  
18 ers” after “and ranchers”; and

19 (ii) in clause (ii), by inserting “or so-  
20 cially disadvantaged farmers or ranchers”  
21 after “or ranchers”.

22 **SEC. 522. LOAN FUND SET-ASIDES.**

23 Section 346(b)(2) of the Consolidated Farm and  
24 Rural Development Act (7 U.S.C. 1994(b)(2)) is amend-  
25 ed—

- 1 (1) in subparagraph (A)—
- 2 (A) in clause (i)—
- 3 (i) in subclause (I), by striking “70
- 4 percent” and inserting “an amount that is
- 5 not less than 75 percent of the total
- 6 amount made available under paragraph
- 7 (1)”; and
- 8 (ii) in subclause (II)—
- 9 (I) in the subclause heading, by
- 10 inserting “; PARTICIPATION LOANS”
- 11 after “PAYMENT LOANS”;
- 12 (II) by striking “60 percent” and
- 13 inserting “an amount that is not less
- 14 than  $\frac{2}{3}$  of the amount reserved under
- 15 subclause (I)”; and
- 16 (III) by inserting “and participa-
- 17 tion loans” after “section 310E”; and
- 18 (B) in clause (ii)(III), by striking “2003
- 19 through 2007, 35 percent” and inserting “2008
- 20 through 2012, an amount that is not less than
- 21 40 percent of the total amount made available
- 22 under paragraph (1)”; and
- 23 (2) in subparagraph (B)(i), by striking “25 per-
- 24 cent” and inserting “an amount that is not less than

1 40 percent of the total amount made available under  
2 paragraph (1)”.

3 **SEC. 523. TRANSITION TO PRIVATE COMMERCIAL OR**  
4 **OTHER SOURCES OF CREDIT.**

5 Subtitle D of the Consolidated Farm and Rural De-  
6 velopment Act (7 U.S.C. 1981–2008r) is amended by in-  
7 serting after section 344 the following:

8 **“SEC. 345. TRANSITION TO PRIVATE COMMERCIAL OR**  
9 **OTHER SOURCES OF CREDIT.**

10 “(a) IN GENERAL.—In making or insuring a farm  
11 loan under subtitle A or B, the Secretary shall establish  
12 a plan and promulgate regulations (including performance  
13 criteria) that promote the goal of transitioning borrowers  
14 to private commercial credit and other sources of credit  
15 in the shortest practicable period of time.

16 “(b) COORDINATION.—In carrying out this section,  
17 the Secretary shall integrate and coordinate the transition  
18 policy described in subsection (a) with—

19 “(1) the borrower training program established  
20 by section 359;

21 “(2) the loan assessment process established by  
22 section 360;

23 “(3) the supervised credit requirement estab-  
24 lished by section 361;

1           “(4) the market placement program established  
2 by section 362; and

3           “(5) other appropriate programs and authori-  
4 ties, as determined by the Secretary.”.

5 **SEC. 524. EXTENSION OF THE RIGHT OF FIRST REFUSAL TO**  
6           **REACQUIRE HOMESTEAD PROPERTY TO IM-**  
7           **MEDIATE FAMILY MEMBERS OF BORROWER-**  
8           **OWNER.**

9           Section 352(e)(4)(B) of the Consolidated Farm and  
10 Rural Development Act (7 U.S.C. 2000(e)(4)(B)) is  
11 amended—

12           (1) in the 1st sentence, by inserting “or a mem-  
13 ber of the immediate family of the borrower-owner”  
14 before “shall have”; and

15           (2) in the 2nd sentence, by inserting “or imme-  
16 diate family member, as the case may be,” before  
17 “from”.

18           **Subtitle D—Farm Credit**

19 **SEC. 531. AGRIBUSINESS LOAN ELIGIBILITY.**

20           (a) LONG TERM LOANS.—

21           (1) ELIGIBLE BORROWERS.—Section 1.9 of the  
22 Farm Credit Act of 1971 (12 U.S.C. 2017) is  
23 amended—

24           (A) by striking “or” at the end of para-  
25 graph (2);

1 (B) by striking the period at the end of  
2 paragraph (3) and inserting “; or”; and

3 (C) by adding at the end the following:

4 “(4) persons primarily engaged in processing,  
5 preparing for market, handling, purchasing, testing,  
6 grading, distributing, or marketing farm or aquatic  
7 products; or primarily engaged in furnishing farm or  
8 aquatic business services, or farm or aquatic sup-  
9 plies, including inputs such as feed or fertilizer,  
10 equipment, and other capital goods to farmers,  
11 ranchers, or producers or harvesters of aquatic prod-  
12 ucts; only to the extent that the activities are related  
13 to renewable energy; except that a direct loan may  
14 not be made available under this title to a person eli-  
15 gible to borrow from a bank for cooperatives under  
16 section 3.7 or 3.8 (without regard to subsection  
17 (b)(1)(E) thereof).”.

18 (2) LOAN PURPOSES.—Section 1.11 of such Act  
19 (12 U.S.C. 2019) is amended—

20 (A) in subsection (a)(1), by striking “farm-  
21 ers, ranchers, and producers or harvesters of  
22 aquatic products” and inserting “persons eligi-  
23 ble under section 1.9(1)”; and

1 (B) in subsection (a)(2), by inserting  
2 “under paragraph (1)” after “Farm Credit  
3 Bank”;

4 (C) in subsection (b)(1), by striking “rural  
5 residents” and inserting “persons eligible under  
6 section 1.9(3)”;

7 (D) in subsection (c)(1), by striking “per-  
8 sons furnishing farm-related services to farmers  
9 and ranchers directly related to their on-farm  
10 operating needs” and inserting “persons eligible  
11 under section 1.9(2)”;

12 (E) by adding at the end the following:

13 “(d) AGRIBUSINESS LOANS.—Loans to persons pri-  
14 marily engaged in processing, preparing for market, han-  
15 dling, purchasing, testing, grading, distributing, or mar-  
16 keting farm or aquatic products; or primarily engaged in  
17 furnishing farm or aquatic business services, or farm or  
18 aquatic supplies, including inputs such as feed or fer-  
19 tilizer, equipment, and other capital goods to farmers,  
20 ranchers, or producers or harvesters of aquatic products,  
21 who are eligible under section 1.9(4) may be made for nec-  
22 essary capital structures and equipment and initial work-  
23 ing capital for the activities only to the extent that the  
24 activities are related to renewable energy.”.

1 (b) SHORT AND INTERMEDIATE TERM LOANS.—  
2 Section 2.4(a) of such Act (12 U.S.C. 2075(a)) is amend-  
3 ed—

4 (1) by striking “and” at the end of paragraph  
5 (2);

6 (2) by striking the period at the end of para-  
7 graph (3) and inserting “; and”; and

8 (3) by adding at the end the following:

9 “(4) persons primarily engaged in processing,  
10 preparing for market, handling, purchasing, testing,  
11 grading, distributing, or marketing farm or aquatic  
12 products; or primarily engaged in furnishing farm or  
13 aquatic business services, or farm or aquatic sup-  
14 plies, including inputs such as feed or fertilizer,  
15 equipment, and other capital goods to farmers,  
16 ranchers, or producers or harvesters of aquatic prod-  
17 ucts only to the extent that the activities are related  
18 to renewable energy, except that a direct loan may  
19 not be made available under this title to a person eli-  
20 gible to borrow from a bank for cooperatives under  
21 section 3.7 or 3.8 (without regard to subsection  
22 (b)(1)(E) thereof).”.

23 (c) BANKS FOR COOPERATIVES LOANS.—Section  
24 3.8(b)(1) of such Act (12 U.S.C. 2129(b)(1)) is amended  
25 by adding at the end the following:

1           “(E) Persons primarily engaged in pro-  
2           cessing, preparing for market, handling, pur-  
3           chasing, testing, grading, distributing, or mar-  
4           keting farm or aquatic products, or primarily  
5           engaged in furnishing farm or aquatic business  
6           services, or farm or aquatic supplies, including  
7           inputs such as feed or fertilizer, equipment, and  
8           other capital goods to farmers, ranchers, or  
9           producers or harvesters of aquatic products, but  
10          only to the extent that the activities are related  
11          to renewable energy, except that a direct loan  
12          may not be made available under this subpara-  
13          graph to a farmer, rancher, or producer or har-  
14          vester of aquatic products eligible to borrow  
15          from a farm credit institution under section  
16          1.9(1) or 2.4(a)(1), or to a service provider eli-  
17          gible to borrow from a farm credit institution  
18          under section 1.9(2) or 2.4(a)(3) for all the  
19          provider’s farm-related or aquatic-related busi-  
20          ness activities.”.

21 **SEC. 532. POPULATION LIMIT FOR SINGLE-FAMILY HOUS-**  
22 **ING LOANS.**

23           (a) FARM CREDIT BANKS.—Section 1.11(b)(3) of the  
24 Farm Credit Act of 1971 (12 U.S.C. 2019(b)(3)) is  
25 amended to read as follows:

1           “(3) RURAL AREA.—For rural housing pur-  
2 poses under this section the term ‘rural area’ shall  
3 mean any area other than—

4           “(A) a city or town that has a population  
5 of greater than 6,000 inhabitants; and

6           “(B) the urbanized area contiguous and  
7 adjacent to such a city or town.”.

8       (b) ASSOCIATIONS.—Section 2.4(b)(3) of such Act  
9 (12 U.S.C. 2075(b)(3)) is amended to read as follows:

10           “(3) RURAL AREA.—For rural housing pur-  
11 poses under this section the term ‘rural area’ shall  
12 mean any area other than—

13           “(A) a city or town that has a population  
14 of greater than 6,000 inhabitants; and

15           “(B) the urbanized area contiguous and  
16 adjacent to such a city or town.”.

17 **SEC. 533. BANK FOR COOPERATIVES VOTING STOCK.**

18       (a) IN GENERAL.—Section 3.3(e) of the Farm Credit  
19 Act of 1971 (12 U.S.C. 2124(c)) is amended by striking  
20 “and (ii)” and inserting “(ii) other categories of persons  
21 and entities described in sections 3.7 and 3.8 eligible to  
22 borrow from the bank, as determined by the bank’s board  
23 of directors; and (iii)”.

24       (b) CONFORMING AMENDMENTS.—Section  
25 4.3A(c)(1)(D) of such Act (12 U.S.C. 2154a(c)(1)(D)) is

1 amended by redesignating clauses (ii) and (iii) as clauses  
2 (iii) and (iv), respectively, and inserting after clause (i)  
3 the following:

4                   “(ii) persons and entities eligible to  
5                   borrow from the banks for cooperatives, as  
6                   described in section 3.3(c)(ii);”.

7 **SEC. 534. BORROWER STOCK REQUIREMENT.**

8       Section 4.3A(c)(1)(E)(i) of the Farm Credit Act of  
9 1971 (12 U.S.C. 2154a(c)(1)(E)(i)) is amended by strik-  
10 ing “not less than \$1,000 or 2 percent of the amount of  
11 the loan, whichever is less” and inserting “determined by  
12 the institution”.

13 **SEC. 535. RURAL UTILITY LOANS.**

14       Section 8.0(9) of the Farm Credit Act of 1971 (12  
15 U.S.C. 2279aa(9)) is amended—

16           (1) by striking “or” at the end of subparagraph  
17           (A)(iii);

18           (2) by striking the period at the end of sub-  
19           paragraph (B) and inserting “; or”; and

20           (3) by adding at the end the following:

21                   “(C) that is a loan or interest in a loan for  
22                   electric or telephone facilities by a cooperative  
23                   lender to a borrower who has received or is eli-  
24                   gible to receive a loan under the Rural Elec-

1           trification Act (7 U.S.C. 901 et seq.), except  
2           that—

*18.6(c) through (D) and sections 8.8 and 8.9/*

3                   “(i) section ~~8.6(b)~~ shall not apply to  
4                   the loan or interest in the loan or to an ob-  
5                   ligation backed by a pool of obligations re-  
6                   lating to the loan or interest in the loan;  
7                   and

8                   “(ii) the loan or interest in the loan  
9                   shall be considered to meet all standards  
10                  for qualified loans for all purposes under  
11                  this Act, subject to reasonable under-  
12                  writing, security appraisal, and repayment  
13                  standards established by the Corpora-  
14                  tion.”.

15 **SEC. 536. FARM CREDIT SYSTEM INSURANCE CORPORA-**  
16 **TION.**

17           (a) **AUTHORITY TO PASS ALONG COST OF INSUR-**  
18 **ANCE PREMIUMS.**—Section 1.12(b) of the Farm Credit  
19 Act of 1971 (12 U.S.C. 2020(b)) is amended by striking  
20 the last sentence and inserting “The assessment on any  
21 such association or other financing institution for any pe-  
22 riod shall be computed in an equitable manner.”.

23           (b) **PREMIUMS; AMOUNT IN FUND NOT EXCEEDING**  
24 **SECURE BASE AMOUNT.**—Section 5.55(a) of such Act (12  
25 U.S.C. 2277a-4(a)) is amended—

1 (1) in paragraph (1)—

2 (A) in the matter preceding subparagraph  
3 (A), by striking “(2), the annual” and inserting  
4 “(3), the”;

5 (B) by striking subparagraphs (A) through  
6 (D) and inserting the following:

7 “(A) the average outstanding insured obli-  
8 gations issued by the bank for the calendar  
9 year, after deducting therefrom the percentages  
10 of the guaranteed portions of loans and invest-  
11 ments described in paragraph (2), multiplied by  
12 0.0020;

13 “(B) the average principal outstanding for  
14 the calendar year on loans made by the bank  
15 that are in nonaccrual status; and

16 “(C) the average amount outstanding for  
17 the calendar year of other-than-temporarily im-  
18 paired investments made by the bank, multi-  
19 plied by 0.0010.”;

20 (2) in paragraph (2), by striking “annual”;

21 (3) in paragraph (3), in the matter preceding  
22 subparagraph (A), by striking “As used” and all  
23 that follows through “that” and inserting “As used  
24 in this section, the term ‘government-guaranteed’  
25 when applied to loans or investments, means loans,

1 credits, or investments, or portions of loans, credits,  
2 or investments, that”; and

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

6 “(2) DEDUCTIONS FROM AVERAGE OUT-  
7 STANDING INSURED OBLIGATIONS.—The average  
8 outstanding insured obligations issued by the bank  
9 for the calendar year referred to in subsection  
10 (a)(1)(A) of this section shall be reduced by deduct-  
11 ing therefrom the sum of—

12 “(A) 90 percent of the sum of—

13 “(i) the average principal outstanding  
14 for such calendar year on the guaranteed  
15 portions of Federal government-guaranteed  
16 loans made by the bank that are in accrual  
17 status; and

18 “(ii) the average amount outstanding  
19 for the calendar year of the guaranteed  
20 portions of Federal government-guaranteed  
21 investments made by the bank that are not  
22 permanently impaired, as determined by  
23 the Corporation; and

24 “(B) 80 percent of the sum of—

1           “(i) the average principal outstanding  
2           for the calendar year on the guaranteed  
3           portions of State government-guaranteed  
4           loans made by the bank that are in accrual  
5           status; and

6           “(ii) the average amount outstanding  
7           for the calendar year of the guaranteed  
8           portions of State government-guaranteed  
9           investments made by the bank that are not  
10          permanently impaired, as determined by  
11          the Corporation.”.

12          (c) PREMIUMS; AMOUNT IN FUND EXCEEDING SE-  
13          CURE BASE AMOUNT.—Section 5.55(b) of such Act (12  
14          U.S.C. 2277a-4(b)) is amended by striking “annual”.

15          (d) SECURE BASE AMOUNT.—Section 5.55(c) of such  
16          Act (12 U.S.C. 2277a-4(e)) is amended by striking the  
17          parenthetical phrase and inserting “(adjusted downward  
18          to exclude an amount equal to the sum of (1) 90 percent  
19          of (A) the guaranteed portions of principal outstanding  
20          on Federal government-guaranteed loans in accrual status  
21          made by the banks, and (B) the guaranteed portions of  
22          the amount of Federal government-guaranteed invest-  
23          ments made by the banks that are not permanently im-  
24          paired; and (2) 80 percent of (A) the guaranteed portions  
25          of principal outstanding on State government-guaranteed

1 loans in accrual status made by the banks, and (B) the  
2 guaranteed portions of the amount of State government-  
3 guaranteed investments made by the banks that are not  
4 permanently impaired, as determined by the Corpora-  
5 tion)”).

6 (e) DETERMINATION OF LOAN AND INVESTMENT  
7 AMOUNTS.—Section 5.55(d) of such Act (12 U.S.C.  
8 2277a-4(d)) is amended—

9 (1) in the subsection heading, by striking  
10 “PRINCIPAL OUTSTANDING” and inserting “LOAN  
11 AND INVESTMENT AMOUNTS”;

12 (2) in the matter preceding paragraph (1), by  
13 striking “For” and all that follows through “—”  
14 and inserting “For the purpose of subsections (a)  
15 and (c) of this section, the principal outstanding on  
16 all loans made by an insured System bank or the  
17 amount outstanding on all investments made by an  
18 insured System bank shall be determined based on  
19 all loans or investments made—”; and

20 (3) in each of paragraphs (1) and (2), by in-  
21 serting “or investments” before “because”.

22 (f) ALLOCATION TO SYSTEM INSTITUTIONS OF EX-  
23 CESS RESERVES.—Section 5.55(e) of such Act (12 U.S.C.  
24 2277a-4(e)) is amended—

1 (1) in paragraph (3), by striking “the average  
2 secure base amount for the calendar year (as cal-  
3 culated on an average daily balance basis)” and in-  
4 serting “the secure base amount”;

5 (2) in paragraph (4), by striking subparagraph  
6 (B) and inserting the following:

7 “(B) there shall be credited to the Allo-  
8 cated Insurance Reserves Account of each in-  
9 sured System bank an amount that bears the  
10 same ratio to the total amount (less any  
11 amount credited under subparagraph (A) of  
12 this paragraph) as the average principal out-  
13 standing for the calendar year on insured obli-  
14 gations issued by the bank (after deducting  
15 therefrom the percentages of the guaranteed  
16 portions of loans and investments described in  
17 subsection (a)(2) of this section), bears to the  
18 average principal outstanding for the calendar  
19 year on insured obligations issued by all insured  
20 System banks (after deducting therefrom the  
21 percentages of the guaranteed portions of loans  
22 and investments so described).”; and

23 (3) in paragraph (6)—

24 (A) in subparagraph (A)—

1 (i) in the matter preceding clause (i),  
2 by striking “beginning” and all that fol-  
3 lows through “2005”;

4 (ii) by striking clause (i) and inserting  
5 the following:

6 “(i) subject to subparagraph (D), pay  
7 to each insured System bank, in a manner  
8 determined by the Corporation, an amount  
9 equal to the balance in its Allocated Insur-  
10 ance Reserves Account; and”; and

11 (iii) in clause (ii)—

12 (I) by striking “(C), (E), and  
13 (F)” and inserting “(C) and (E)”;  
14 and

15 (II) by striking “outstanding,”  
16 and all that follows and inserting “at  
17 the time of the termination of the Fi-  
18 nancial Assistance Corporation, of the  
19 balance in the Allocated Insurance  
20 Reserves Account established under  
21 subparagraph (1)(B).”;

22 (B) in subparagraph (C)—

23 (i) in clause (i), by striking “(in addi-  
24 tion to the amounts described in subpara-  
25 graph (F)(ii))”; and

1 (ii) by striking clause (ii) and insert-  
2 ing the following:

3 “(ii) TERMINATION OF ACCOUNT.—  
4 On disbursement of \$56,000,000, the Cor-  
5 poration shall close the Account established  
6 under paragraph (1)(B) and transfer any  
7 remaining funds in the Account to the re-  
8 maining Allocated Insurance Reserves Ac-  
9 counts in accordance with paragraph  
10 (4)(B) for the calendar year in which the  
11 transfer occurs.”; and  
12 (C) by striking subparagraph (F).

13 (g) CERTIFICATION OF PREMIUMS.—

14 (1) FILING CERTIFIED STATEMENT.—Section  
15 5.56(a) of such Act (12 U.S.C. 2277a-5(a)) is  
16 amended to read as follows:

17 “(a) FILING CERTIFIED STATEMENT.—On a date to  
18 be determined in the sole discretion of the Corporation’s  
19 Board of Directors, each insured System bank that be-  
20 came insured before the beginning of the period for which  
21 premiums are being assessed (in this section referred to  
22 as the ‘period’) shall file with the Corporation a certified  
23 statement showing—

24 “(1) the average outstanding insured obliga-  
25 tions for the period issued by the bank;

1           “(2) the average principal outstanding for the  
2 period on the guaranteed portion of Federal govern-  
3 ment-guaranteed loans that are in accrual status  
4 and the average amount outstanding for the period  
5 of Federal government-guaranteed investments that  
6 are not permanently impaired (as defined in section  
7 5.55(a)(4));

8           “(3) the average principal outstanding for the  
9 period on State government-guaranteed loans that  
10 are in accrual status and the average amount out-  
11 standing for the period of State government-guaran-  
12 teed investments that are not permanently impaired  
13 (as defined in section 5.55(a)(4));

14           “(4) the average principal outstanding for the  
15 period on loans that are in nonaccrual status and  
16 the average amount outstanding for the period of  
17 other-than-temporarily impaired investments; and

18           “(5) the amount of the premium due the Cor-  
19 poration from the bank for the period.”.

20           (2) PREMIUM PAYMENTS.—

21           (A) IN GENERAL.—Section 5.56(c) of such  
22 Act (12 U.S.C. 2277a-5(c)) is amended to read  
23 as follows:

24           “(c) PREMIUM PAYMENTS.—Each insured System  
25 bank shall pay to the Corporation the premium payments

1 required under subsection (a), not more frequently than  
2 once in each calendar quarter, in such manner and at such  
3 time or times as the Board of Directors shall prescribe,  
4 except that the amount of the premium shall be estab-  
5 lished not later than 60 days after filing the certified  
6 statement setting forth the amount of the premium.”.

7 (3) CONFORMING AMENDMENTS.—Section 5.56  
8 of such Act (12 U.S.C. 2277a-5) is amended by  
9 striking subsection (d) and redesignating subsection  
10 (e) as subsection (d).

11 (h) RULES AND REGULATIONS.—Section 5.58(10) of  
12 such Act (12 U.S.C. 2277a-7(10)) is amended by inserting  
13 “and section 1.12(b)” after “part”.

14 ~~Subtitle E—General Provisions~~

15 ~~SEC. 541.~~