HOUSE OF REPRESENTATIVES—*Tuesday, October 6, 1987*

The House met at 12 noon.

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

We remember with gratitude, O God, those who serve our Nation in distant places about this world, those men and women of the armed services and the diplomatic corps, as they seek to promote peace and security in many lands. In any moments of danger, give them protection and confidence and at all times may they be aware of the appreciation of a grateful nation. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Hallen, one of its clerks, announced that the Senate had passed with amendments in which the concurrence of the House is requested, bills of the House of the following titles:

H.R. 799. An act to designate a segment of the Kings River in California as a wild and scenic river, and for other purposes;

H.R. 2713. An act making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of said District for the fiscal year ending September 30, 1988, and for other purposes;

H.R. 2937. An act to make miscellaneous technical and minor amendments to laws relating to Indians, and for other purposes; and

H.J. Res. 309. Joint resolution providing support for the Civic Achievement Award Program in Honor of the Office of Speaker of the House of Representatives.

The message also announced that the Senate insists upon its amendments to the bill (H.R. 2713) entitled "An act making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of said District for the fiscal year ending September 30, 1988, and for other purposes," and requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. HARKIN, Mr. LAUTENBERG, Mr. REID, Mr. STENNIS, Mr. NICKLES, Mr. GRASSLEY, and Mr. HATFIELD to be the conferees on the part of the Senate.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 247. An act to designate the Kern River as a national wild and scenic river;

S. 578. An act to amend the National Trails System Act to designate the Trail of Tears as a National Historic Trail; and

S. 1297. An act to amend the National Trails System Act to provide for a study of the De Soto Trail, and for other purposes.

PRIVATE CALENDAR

The SPEAKER. This is Private Calendar day. The Clerk will call the first individual bill on the Private Calendar.

JOHN H. TEELE

The Clerk called the bill (H.R. 2139) for the relief of John H. Teele.

There being no objection, the Clerk read the bill, as follows:

H.R. 2139

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for purposes of sections 5724 and 5724a of title 5 of the United States Code, the expenses incurred by John H. Teele to relocate himself, his immediate family, and his household goods and personal effects incident to beginning employment with the Department of the Army at his official station in Huntsville, Alabama, shall be treated as expenses incurred by an employee transferred in the interest of the Government from one official station or agency to another for permanent duty.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

WILLIAM A. CASSITY

The Clerk called the bill (H.R. 2293) for the relief of William A. Cassity.

There being no objection, the Clerk read the bill, as follows:

H.R. 2293

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. RELIEF OF LIABILITY.

(a) FOR CERTAIN ERRONEOUS PAYMENTS.—William A. Cassity of Memphis, Tennessee, a former employee of the Department of the Navy, is hereby relieved of liability to the United States in the sum of $14,312.01, representing erroneous payments of relocation expenses incident to his transfer from the United States Postal Service to the Department of the Navy in 1984.

(b) CREDIT TO ACCOUNTS OF THE UNITED STATES.—In the audit and settlement of the accounts of any certifying or disbursing officer of the United States, credit shall be given for the amount for which liability is relieved by subsection (a).

SEC. 2. PROVISION FOR PAYMENT BY THE SECRETARY OF THE TREASURY.

(a) FOR ANY AMOUNTS ALREADY PAID BY OR WITHHELD FROM WILLIAM A. CASSITY.—The Secretary of the Treasury shall pay, out of any money in the Treasury not otherwise appropriated, to William A. Cassity an amount, if any, equal to the aggregate of any amounts paid by him to, or withheld from sums otherwise due him by, the United States with respect to his indebtedness to the United States referred to in section 1(a).

(b) RESTRICTION ON ATTORNEY'S FEES.—Not more than 10 percent of the amount appropriated in subsection (a) may be transferred, directly or indirectly, to any attorney or other agent as consideration for services rendered to William A. Cassity in connection with the claim for relief of liability made by section 1(a). Any person violating the provisions of this subsection shall be fined not more than $1,000.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

RAY A. BONNEY

The Clerk called the bill (H.R. 1578) for the relief of Ray A. Bonney.

There being no objection, the Clerk read the bill, as follows:

H.R. 1578

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Ray A. Bonney ([redacted] xxx-xx-xxxx [redacted]) of Edwardsville, Illinois, is relieved of liability for repayment to the United States of the sum of $16,890.98 plus accrued interest, which represents the amount that Mr. Bonney is indebted to the Department of Defense for payments received for travel and relocation expenses incurred by him in good faith reliance on the assurances of the Department of Defense that such expenses were authorized as a Government expense arising from his relocation from Pequannock, New Jersey, to Saint Louis, Missouri, to accept employment with the Department of Defense.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

RICHARD W. IRELAND

The Clerk called the bill (H.R. 1579) for the relief of Richard W. Ireland.

There being no objection, the Clerk read the bill, as follows:

H.R. 1579

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of Agriculture shall pay, out of any appropriations or other funds available to the Secretary for the reimbursement of

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relocation expenses under section 5724a of title 5, United States Code, to Richard W. Ireland, $5,102.08. Such sum shall be in full satisfaction of any claim by Richard W. Ireland, an employee of the Farmers Home Administration, for expenses—

(1) which were incurred in connection with the sale of his residence and transportation of his household goods when he was transferred from Auburn, Maine, to Presque Isle, Maine; and

(2) for which he could have been reimbursed under section 5724a had he been able to complete the sale within the two-year time limit prescribed in paragraph 2-6.1e of the Federal Travel Regulations (FPMR 101-7, May 1973) instead of the three-year time period erroneously approved by the State Director of the Farmers Home Administration.

SEC. 2. No part of the amount provided for in the first section of this Act in excess of 10 per centum thereof shall be paid to or received by an agent or attorney on account of services rendered in connection with the claim described in the first section, and the payment or receipt in excess of 10 per centum of the amount provided for in the first section shall be unlawful, any contract to the contrary notwithstanding. Violation of the provisions of this section is a misdemeanor punishable by a fine not to exceed $1,000.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

MEALS ON WHEELS OF THE MONTEREY PENINSULA, INC.

The Clerk called the bill (H.R. 1539) for the relief of Meals on Wheels of the Monterey Peninsula, Inc.

There being no objection, the Clerk read the bill, as follows:

H.R. 1539

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, except as provided in section 2, Meals on Wheels of the Monterey Peninsula, Incorporated (hereinafter referred to as "Meals on Wheels"), and any individual who performed service in its employ after 1975 and before 1983 are relieved of all liability to the United States for the payment of any interest or penalty assessed or accrued on unpaid taxes imposed by chapter 21 of the Internal Revenue Code of 1986 with respect to service performed in the employ of Meals on Wheels during such period.

SEC. 2. The Secretary of the Treasury shall take no action before the end of the ninety-day period beginning on the date of the enactment of this Act with respect to the collection of any unpaid taxes imposed by chapter 21 of the Internal Revenue Code of 1986 for which Meals on Wheels and any individual who performed service in its employ after 1975 and before 1983 are liable with respect to service performed in the employ of Meals on Wheels during such period. Section 1 shall not apply for purposes of relieving Meals on Wheels of any liability arising after the end of such ninety-day period for the payment of any interest or penalty on any amount of such taxes which remain unpaid after the end of such ninety-day period.

SEC. 3. For purposes of title II of the Social Security Act, service performed in the employ of Meals on Wheels of Monterey Peninsula, Incorporated, after 1975 and before 1983 shall be treated (for purposes of benefits for months beginning after the month in which this Act is enacted) as employment, if and to the extent that a detailed record of such service is transmitted to the Secretary of Health and Human Services within twelve months after the date of enactment of this Act.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

JEAN DEYOUNG

The Clerk called the bill (H.R. 1490) for the relief of Jean DeYoung.

There being no objection, the Clerk read the bill, as follows:

H.R. 1490

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. RELIEF FROM LIABILITY; REIMBURSEMENT.

(a) AMOUNT OF RELIEF.—Jean DeYoung of Clarendon Hills, Illinois, is relieved of liability to the United States in the amount of $2,932.02, representing overpayment by the United States to Jean DeYoung resulting from administrative error by the Administrative Office of the United States Courts.

(b) REIMBURSEMENT.—The Secretary of the Treasury shall pay to Jean DeYoung, out of any money in the Treasury not otherwise appropriated, any sum paid by her to, or withheld from her by, the United States with respect to the indebtedness referred to in subsection (a).

SEC. 2. AUDIT AND SETTLEMENT; ATTORNEY'S FEES.

(a) AUDIT AND SETTLEMENT.—In the audit and settlement of the account of any certifying or disbursing officer of the United States, full credit shall be given for the amount of liability relieved by section 1(a).

(b) ATTORNEY'S FEES.—Not more than 10 percent of the amount specified in section 1(a) may be transferred, directly or indirectly, to any attorney or other agent as consideration for services rendered to Jean DeYoung in connection with the relief from liability granted in section 1(a) and the reimbursement permitted under section 1(b). Any person violating this subsection shall be fined not more than $1,000.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

DAVID BUTLER, ET AL.

The Clerk called the bill (H.R. 1388) for the relief of David Butler, Aldo Cirone, Richard Denisi, Warren Fallon, Charles Hotton, Harold Johnson, Jean Lavoie, Vincent Maloney, Austin Mortensen, and Kurt Olofsson.

There being no objection, the Clerk read the bill, as follows:

H.R. 1388

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. PAYMENT BY SECRETARY.

The Secretary of the Treasury shall pay the sum of $33,433.25, out of any funds in the Treasury not otherwise appropriated, to the United States Property and Fiscal Officer for the State of Massachusetts to be distributed by such officer in accordance with section 2. Such payment shall be in full settlement of all claims against the United States arising from the unauthorized placement of the persons named in paragraphs (1) through (10) of section 2(a) under the Federal Civil Service retirement system upon the reemployment of such persons with the Massachusetts National Guard.

SEC. 2. PAYMENT BY UNITED STATES PROPERTY AND FISCAL OFFICER.

(1) PAYMENT.—Except as provided in subsection (b), the United States Property and Fiscal Officer for the State of Massachusetts, upon receiving the payment authorized by section 1, shall pay—

(1) $3,792.35 to David Butler;

(2) $4,457.47 to Aldo Cirone;

(3) $1,126.87 to Richard Denisi;

(4) $7,791.68 to Warren Fallon;

(5) $1,848.11 to the estate of Charles Hotton;

(6) $4,417.49 to Harold Johnson;

(7) $2,096.58 to Jean Lavoie;

(8) $3,212.69 to Vincent Maloney;

(9) $1,911.38 to Austin Mortensen; and

(10) $2,778.63 to Kurt Olofsson.

(b) DEDUCTION OF INTEREST OBLIGATION.—If any person named in paragraphs (1) through (10) of subsection (a) has an interest obligation to the Massachusetts State Board of Retirement on the date of enactment of this Act because of the unauthorized placement of such person under the Federal Civil Service retirement system, the United States Property and Fiscal Officer for the State of Massachusetts shall pay such obligation from the amount authorized for payment under subsection (a) before making any payment to, or on behalf of, such person under subsection (a).

SEC. 3. LIMITATION ON ATTORNEY'S FEES.

No amount in excess of 10 percent of any payment authorized by section 2(a) shall be paid to, or received by, any agent or attorney in consideration for services rendered in connection with such payment. Any violation of this section shall be a misdemeanor and any person convicted thereof shall be fined not more than $1,000.

COMMITTEE AMENDMENTS

The SPEAKER. The Clerk will report the committee amendments.

The Clerk read as follows:

Committee amendments:

Page 2, line 3, strike "$33,433.25" and insert in lieu thereof "$37,855.64".

Page 2, line 19, strike "$3,792.35" and insert in lieu thereof "$4,055.95".

Page 2, line 22, strike "$7,791.68" and insert in lieu thereof "$8,333.25".

Page 2, line 24, strike "$4,417.49" and insert in lieu thereof "$4,724.54".

Page 2, line 2[illegible] strike "$3,212.69" and insert in lieu thereof "$3,435.99".

Page 3, line 2, strike "$2,778.63" and insert in lieu thereof "$2,971.77".

Page 3, line 1, strike "and".

Page 3, line 2, strike "." and insert in lieu thereof "; and".

Page 3, after line 4, insert "(11) $2,923.73 to John Jenks".

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

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title of the bill was amended so as to read: "A bill for the relief of David Butler, Aldo Cirone, Richard Denisi, Warren Fallon, Charles Hotton, Harold Johnson, Jean Lavoie, Vincent Maloney, Austin Mortensen, Kurt Olofsson, and John Jenks."

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. BOUCHER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the several bills just passed.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

APPOINTMENT AS MEMBERS OF DELEGATION TO ATTEND CONFERENCE OF INTERPARLIAMENTARY UNION

The SPEAKER. Pursuant to the provisions of 22 U.S.C. 276a-1, the Chair appoints as members of the delegation to attend the Conference of the Interparliamentary Union to be held in Bangkok, Thailand, on October 12 through October 17, 1987, the following Members on the part of the House:

Mr. PEPPER of Florida, chairman;

Mr. HAMILTON of Indiana, vice chairman;

Mrs. BOGGS of Louisiana;

Mr. SCHEUER of New York;

Mr. BATES of California;

Mr. HAMMERSCHMIDT of Arkansas; and

Mr. BLAZ of Guam.

IRANIAN IMPORT BAN BILL

(Mr. RAY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. RAY. Mr. Speaker, less than 2 weeks ago I, along with Congressman ED JENKINS, introduced legislation to revoke Iran's most-favored-nation trade status. This measure, H.R. 3338, has over 200 cosponsors, and I want to thank my colleagues on both sides of the aisle for their overwhelming support for this bill. This legislation in modified form will be debated today.

Last week, the Ways and Means Committee reported a measure, H.R. 3391, which blended together our bill, H.R. 3338, with language to impose an immediate ban on all products imported from Iran. H.R. 3391, the new bill, includes the language from our bill, H.R. 3338, to repeal Iran's most-favored-nation status, but also includes language to give the President some flexibility in this area by allowing him to restore MFN status if he finds that Iran has ceased their hostile actions. I support this modification, and I am hopeful that the cosponsors of H.R. 3338 will understand and support the new bill, H.R. 3391.

I am pleased that the Ways and Means Committee has acted so swiftly in reporting legislation dealing with our trade situation with Iran, and I fully support H.R. 3391 which sends a strong and clear message to Iran. When this bill is debated later today, I encourage all of my colleagues to support this important and much-needed legislation.

CUBA AND SOVIET UNION ARE PUPPET MASTERS, SANDINISTAS THE PUPPETS

(Mr. LAGOMARSINO asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LAGOMARSINO. Mr. Speaker, the meeting Sunday and yesterday between President Duarte and the Salvadoran guerrillas is another indication of President Duarte's commitment to achieving peace in his nation through dialog with the armed opposition.

Sandinista leader Daniel Ortega has refused so far to meet with the armed opposition in Nicaragua in spite of the urging of Cardinal Obando y Bravo, Costa Rican President Oscar Arias, and Presidents Alcond of Honduras and Duarte. Ortega says he will only meet with the puppet masters not the puppets, meaning he won't meet with the Nicaraguan resistance, he'll only talk with the United States.

If that requirement is the controlling condition for Ortega, then perhaps Duarte should agree to talk only with Nicaragua rather than the Sandinista-controlled guerrillas in El Salvador. Or for that matter, the United States should not agree to talks with Nicaragua, but rather only with Cuba and the Soviet Union, since they are the puppet masters and the Sandinistas are the puppets.

GUATEMALA ACCORD IS BEST HOPE FOR GENUINE PEACE IN CENTRAL AMERICA

(Mr. DURBIN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DURBIN. Mr. Speaker, it must pain the rightwing ideologs who advise on foreign policy decisions in town to admit, but the Sandinista government has taken several steps to demonstrate its intent to comply fully with the Guatemala plan. President Ortega has named Cardinal Obando y Bravo, one of the Sandinistas' harshest critics, to a four-person commission that will oversee Managua's compliance with the plan; the Government has permitted two Catholic priests to return from exile and has freed 16 Central Americans captured as mercenaries for the rebels. They have also taken extremely important steps by authorizing the immediate reopening of the opposition La Prensa newspaper and Radio Catolica free of censorship.

While there is still much room for improvement, the Sandinista government has demonstrated that it is willing to take concrete steps to bring peace to Central America through a framework of a peace plan. And what do we hear from the United States? The President's call for another $270 million to be sent to the Contra rebels and a speech to be given this week imposing more conditions on the Sandinistas for peace in that region. It is becoming apparent that the Reagan administration does not view the Arias plan as a path toward peace, but as an obstacle to overthrowing the Nicaraguan Government and installing the Contras in power.

MORE ON THE RISK NOTIFICATION CONTROVERSY

(Mr. HENRY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HENRY. Mr. Speaker, there has been a very serious problem in terms of credible information pertaining to the risk notification controversy which is pending before the House in next week's floor activity.

I want to make very, very clear that, all protestations to the contrary, the substitutes being offered by the gentleman from Vermont [Mr. JEFFORDS] and myself do not in any way preempt local right-to-know or hazard communication standards.

I want to make that very, very clear because over and over again we are getting protestations to the contrary. That simply is not the case.

Second, Mr. Speaker, I would like to make very clear that the insurance industry has not signed off on H.R. 162.

Of the top 10 liability underwriters, only 1 has expressed a grain of support for the bill. All the other nine, including the liability underwriters group strongly oppose the legislation.

Third, relative to costs, we are told the cost of this bill to employers is minimal.

Mr. Speaker, the GAO's report on this issue says that the costs are incalculable because of the unknowns. The machine tool industry has done the only econometric model on this and es-

timates an add-on cost of 5 percent on all manufactured products.

WHAT POLICY DO WE ADOPT TOWARD GENERAL NORIEGA'S PANAMA?

(Mr. RICHARDSON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. RICHARDSON. Mr. Speaker, in the United States Government a policy debate is raging about what policy to adopt toward General Noriega's Panama, another line of ruthless dictators who suppresses his people and who is the subject of massive demonstrations and discontent. Noriega is fighting insanely to retain power despite evidence that he has long practiced torture, murder, drug trafficking, and gun running. Even the conservative business community in Panama has called for his ouster.

While Marcos and Duvalier were generally regarded as pro-American, Noriega is hardly a friend. He has incited riots against the U.S. Embassy and continues to play up to the Castros and Qadhafis of the world. Noriega claims that it is the conservative reactionary forces in the United States that want him out, because they want to take back the canal. Well, Noriega is wrong. It is that Republicans, Democrats, liberals, moderates, and conservatives that want Noriega out. Most importantly, the Panamanian people like those in South Korea, Haiti, and the Philippines want him out because they want a democracy.

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Ultimately whether Noriega stays will be up to the Panamanian people, but if the United States can do what we did with Marcos and Duvalier and give Noriega a one-way ticket to a safe haven, it is worth the risk. We need to avoid bloodshed in Panama and help bring about democracy.

THE PRESIDENT AND NICARAGUA

(Mr. MICHEL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MICHEL. Mr. Speaker, I was shocked to see on the front page of the New York Times this morning, the following headline: "Wright, in shift, Denounces Reagan Over Sandinistas—Calls Policy Ridiculous—House Speaker Condemns the Strategy as a Creation of the "Extreme Right-Wing."

The story referred to the Speaker's remarks as "caustic."

I for one think it is better to wait until we find out exactly what the President has to say tomorrow before engaging in such remarks.

But let's look at what the press has reported his remarks will contain and why this has upset the Speaker to such a degree that he has lost that degree of serenity for which he is legendary.

Press reports state the President will demand that the Sandinistas stop taking Soviet-bloc military aid and evict Soviet and Cuban military advisers.

What is ridiculous or rightwing about that? Was it ridiculous or rightwing when the Speaker agreed to similar demands in the Reagan-Wright agreement?

The Speaker, should explain how democracy and freedom can come to Nicaragua if the largest army in Central America, with a Marxist-Leninist political officer for every 30 soldiers, is allowed to remain in the hands of Marxist-Leninists?

I say to the Speaker: Join with us, as you did a few weeks ago, in demanding the Soviets and Cubans get out.

And put some public pressure on Ortega to deal with the Contras, directly or through the church.

Then let's hear what the President has to say tomorrow.

ROBERT WATKINS HAS SOLD AMERICA DOWN THE RIVER

(Ms. KAPTUR asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. KAPTUR. Mr. Speaker, today I am absolutely outraged at the despicable behavior of one of this Nation's lead trade negotiators who has sold America down the river to line his own pocketbook. Today I am calling for a full congressional investigation of Mr. Robert Watkins, Deputy Assistant Secretary of Commerce, who has been conducting the United States auto talks negotiations with Japan. No sooner had the ink dried on the agreement just concluded, than Mr. Watkins while still on the United States payroll sought employment and offered his services to Japanese firms in a letter dated September 23. He offers to set up a trade association for them in which he could help them fight American companies by increasing the use of imported components, by weakening U.S. reporting requirements on the practices of foreign firms in America, and by expanding foreign trade zones and foreign investment in the United States.

This is outrageous. Which country does Mr. Watkins work for? Which taxpayers are paying his paycheck? Has he no shame or honor? Which side was he really representing in the trade talks?

I can now understand why Mr. Watkins was such a weak negotiator. I can now understand why he sold the United States down the river. He was out to pad his own pocket on the connections he made while he was supposed to be working for the people of the United States.

It's time Congress pass H.R. 1231, the Wolpe-Kaptur Ethics in Trade Act to stop this type of repugnant behavior on the part of those entrusted with the future of the United States.

THE ELDERLY ARE AGAIN BEING VICTIMIZED

(Mr. BIAGGI asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BIAGGI. Mr. Speaker, once again, the elderly or our Nation are being victimized by a familiar villain: health care inflation.

Last week, it was announced by the Department of Health and Human Services that the Medicare part B premium which covers doctor's bills and outpatient hospital services will increase by a whopping 38.5 percent at the first of next year.

Once again, as seems to be the case with most all increases in out of pocket costs to our seniors, the main culprit is—not improved care—but rather the health care profession charging more for the same or even inferior quality care.

As an original member of the House Select Committee on Aging I have long maintained that increases in Medicare out-of-pocket costs, whether in part A or part B, should be no higher than the annual increase in the Social Security Cost-of-Living Index. One thing is certain, the Social Security COLA for 1988 is not going to be 38.5 percent.

It seems that for elderly on Medicare they are getting it from both sides. Over the past 2 years major increases in the part A hospital deductible were blamed on cost containment policies which resulted in fewer days in the hospital, thus increasing the cost of the first day which is the amount of the part A deductible.

Now we learn that the part B increase is caused by the opposite of cost containment—namely inflation. Yet no matter how you slice it the victim is always the same: the elderly on Medicare.

I hope Congress has an opportunity to legislate a roll back in this excessive part B hike. If not, I would at least most fervently hope that we may complete action on the catastrophic health care bill which offers at least some hope to our seniors that increases in part B premiums in the future will be tied to expanded care rather than to indirectly subsidize the continued gouging of the elderly by the health care profession.

SENTENCING GUIDELINE DELAY

(Mr. LUNGREN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LUNGREN. Mr. Speaker, today we will vote on the question of whether tough sentencing guidelines will go into effect on November 1.

Those who prosecute criminal cases are firmly opposed to delay of the guidelines. Rudi Guliani, U.S. attorney from the southern district of New York, indicated to me that "as a prosecutor, I have looked forward with anticipation to November 1 and believe that the reasons which favor preserving that date outweigh the arguments urged by those seeking delay." Similarly, Robert Ulrich, spokesman for all U.S. attorneys writes that "the Nation's Federal prosecutors, responsible for prosecution of virtually all criminal violations in each of the 94 judicial districts, oppose extension of the effective date of the sentencing guidelines."

I know that some of you have received communications from Federal judges in your area urging a delay. Well, let's get real. Many of these same judges have never liked the guidelines to begin with. In a letter to me by the person responsible for training the probation officers in how the guidelines will work, I was informed that "judges and probation officers will be ready and able to properly apply the guidelines when they become effective on November 1, 1987."

Let's not give criminals penalties over the next 9 months that this body already determined to be inadequate with the passage of the Comprehensive Crime Control Act. Just say no to H.R. 3307.

THE ARIAS PEACE PLAN IS THE PATH TOWARD PEACE, RECONCILIATION AND DEMOCRACY

(Mr. VISCLOSKY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. VISCLOSKY. Mr. Speaker, I rise to note a remarkable event that occurred last week—the printing of La Prensa. As we all know, this is the most noted opposition paper in Nicaragua, which was closed by Government order in June 1986. Prior to that, it had been subjected to growing censorship by the Sandinista regime. However, the most current edition was free from Government censorship and control, as evidenced by its lead stories which included a critical analysis of the staggering debt problem facing Nicaragua, and articles whose themes centered on the right to total, free expression and the importance of opposing Communist, totalitarian dictatorships. Clearly, these were aimed at the very government that initially censored and ultimately shut the paper down.

The reopening of this newspaper of the people is a noteworthy happening, and combined with several other acts, it gives hope that the Arias plan may succeed in Nicaragua. Not only was Nicaragua the first country to set up a national reconciliation commission as required by the Arias peace accord, but President Ortega chose Cardinal Bravo, a well-known critic of the Sandinistas, to be chairman of the commission. Furthermore, the government has allowed the reopening of a Catholic radio station and invited three Catholic clergymen, previously exiled by the government, to return to Nicaragua.

I am not so naive to believe that these acts demonstrate President Ortega's sincere desire to bring his country a truly democratic government. There are several tests that must still be met before we should be convinced of Nicaragua's future political path. The next test will occur on November 7, when a majority of the Arias plan's provisions will go into effect. However, we must not belittle what has already happened.

I am concerned about those who now want to place new, unilateral demands on Nicaragua. It seems to me that their only purpose is to ensure that the Arias plan fails even before it is given an opportunity to succeed. They argue that under the Arias plan, there is no mechanism to force the Sandinistas to democratize. Unlike other political systems, democracy cannot be imposed on a people. However, it can be nurtured and incentives offered to pave the way. This is what the Arias plan does.

Though many obstacles remain, this plan sets the war-torn nations of the region on a path toward peace, reconciliation and democracy. The agreement is not perfect and all countries concerned will have to work very hard and earnestly for it to succeed. A promising start has been made and it deserves a fair chance to succeed.

FARM CREDIT SYSTEM BILL IS NEEDED

(Mr. DAUB asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DAUB. Mr. Speaker, the farm credit system bill should give us what is needed from Congress: lower and more competitive interest rates for the farmer-borrower in a more streamlined system.

Many of the System's wounds are self-inflicted. For example, the General Accounting Office tells us that in 1985 and 1986 the System mismatched the maturities of assets and liabilities. This mistake alone cost the System, or I should say it cost the farmer-borrower, $3.4 billion.

Disastrous financial trends in agriculture deepened and exacerbated FCS' financial crisis. Record deflation in land values, sharp drops in exports, and low prices undermined agriculture's largest lendor.

This bill guarantees farmer stock, imposes a more streamlined, less bureaucratic structure with local controls, expands borrower rights, lays the groundwork for financial aid, and establishes a secondary mortgage market.

It also expressly allows for the establishment of branch offices in merged districts. This means that we could keep the Omaha bank open even if a decision to move elsewhere is taken. This is good news for Omaha FCS employees and Nebraska borrowers.

I urge Members to support the bill and oppose gutting amendments.

DISCHARGE THE RULE FOR A BALANCE BUDGET AMENDMENT

(Mr. STENHOLM asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. STENHOLM. Mr. Speaker, it is with some considerable regret that I rise today to urge all Members of this House to join many of your colleagues who already have signed discharge petition No. 2, to bring to the floor a balanced budget amendment to the Constitution.

I understand the concern many of my fellow Democrats may feel about signing discharge petitions and want to assure them that we Democrats who filed and support this petition take this step reluctantly.

We would discharge House Resolution 266, a flexible, modified open rule providing for consideration of a balanced budget amendment, House Joint Resolution 321, and allowing Members full opportunity to offer any amendments.

For months, the 236 sponsors of House Joint Resolution 321 diligently and patiently have sought assurance that such an amendment would be brought to the floor through the normal committee channels. Over time, however, we have become convinced that we have no alternative to the discharge process.

We are seeking nothing more than the full and fair consideration of an issue Americans support by an 85- to 10-percent margin. Our rule and discharge petition would provide nothing less than that full and fair procedure to the entire membership. Why should we expect less in this year 1987 as we celebrate the 200th anniversary of the United States of America?

Mr. Speaker, I submit for inclusion in the RECORD a copy of House Resolution 266 for full consideration.

H. RES. 266

Resolved, That immediately upon the adoption of this resolution, the House shall resolve itself into the Committee of the Whole House on the State of the Union to provide for the consideration of the joint resolution (H.J. Res. 321) proposing an amendment to the Constitution to provide for a balanced budget for the United States Government and for greater accountability in the enactment of tax legislation, and the first reading of the joint resolution shall be dispensed with. After general debate, which shall be confined to the joint resolution and which shall not exceed five hours, to be equally divided between the proponents and opponents of the joint resolution, the joint resolution shall be considered as having been read for amendment under the five-minute rule. No amendment to the joint resolution shall be in order except: (1) amendments printed in the CONGRESSIONAL RECORD at least one day prior to the consideration of the joint resolution, said amendments shall not be subject to amendment except by the offering of pro forma amendments for the purpose of debate only and the consideration of all such amendments shall not exceed five hours; and (2) the amendments in the nature of a substitute specified in this resolution.

Following the disposition of amendments made in order by (1) above, it shall be in order to consider the following amendments, if printed in the Congressional Record at least one day prior to their consideration, which shall be considered as having been read, shall be considered only in the following order, and which shall not be subject to amendment: (a) an amendment in the nature of a substitute by, and if offered by Representative Rodino of New Jersey, or his designee, and which shall be debatable for not to exceed one hour to be equally divided and controlled by Representative Rodino, or his designee, and a Member opposed thereto; and (b) an amendment in the nature of a substitute by, and if offered by, Representative Stenholm of Texas, or his designee, which may be offered notwithstanding the adoption of the amendment in the nature of a substitute by Representative Rodino, or his designee, and which shall be debatable for not to exceed one hour to be equally divided and controlled by Representative Stenholm, or his designee, and a Member opposed thereto. If both of said amendments are adopted only the second such amendment shall be considered as having been finally adopted and reported back to the House. At the conclusion of the consideration of the joint resolution for amendment, the Committee shall rise and report the joint resolution back to the House with such amendments as may have been finally adopted, and the previous question shall be considered as ordered on the joint resolution and such amendments thereto to final passage without intervening motion except one motion to recommit, with or without instructions.

SEC. 2. If the Committee rises on any day without coming to any final resolution on the joint resolution, the House shall, on the next legislative day, following House approval of the Journal, immediately resolve itself into the Committee of the Whole on the State of the Union for the further consideration of the joint resolution, which shall be a matter of the highest privilege of the House and shall take precedence over any other motion, business, or order of the House, and the House shall proceed with the consideration of the joint resolution in accordance with the provisions of this resolution to final passage, without the intervention of any other motion, order, or business.

ANOTHER TRADE OUTRAGE

(Mrs. BENTLEY asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. BENTLEY. Mr. Speaker, this morning's Washington Post recounts the employment search of Robert Watkins among Japanese automakers. Why should that be news? It is news because Mr. Watkins is currently Deputy Assistant Secretary in the Commerce Department for Automotive Affairs and Consumer Goods.

Has our Government been turned on its head? The very person who deals for us with Japanese automakers is making personal deals with them while still in office. What kind of trade arrangements could possibly result from such a loyal bureaucrat? I have had some very serious reservations about that auto parts agreement. Now I know why. I have not checked the law yet, but it seems clear that this is a violation of law, of trust, and of plain decency.

If, as it seems, this is a violation of law, this man should be investigated and/or prosecuted vigorously.

I join with my distinguished colleague, the gentlewoman from Ohio [Ms. KAPTUR], in calling for a congressional investigation immediately.

The tragedy is that Mr. Watkins is not alone. He represents an all-too-common view in our trade community. They are not servants of this Nation and its people, but of the cause of some vague world community.

We must not let them prevail.

□ 1230

WE CAN WIN WAR ON WASTE IN MILITARY PROCUREMENT

(Mr. McCURDY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. McCURDY. Mr. Speaker, since 1981, we have undertaken, at an enormous cost, the modernization of our Armed Forces. In the process, we have all heard horror stories about the costs of both systems and their parts. These stories have led many to believe that there are no controls on the spending of our defense dollars. This is far from true.

No doubt there is still waste in Pentagon procurement, but I believe that the services, especially the Army, are turning the corner on getting a dollar's worth of benefits for each defense buck.

Because of the Competition in Contracting Act, and the appointment of a competition advocate for the Army, the increasing number of competitive contracts is reducing costs for American taxpayers. Last year the Army achieved weapons system savings as high as 20 to 30 percent by shifting sole-source procurements to competitive bidding. This success is enabling the Army to pursue modernization while remaining within budgetary constraints.

We have all heard about overpriced coffee makers and toilet seats. But everyone should also know that a previous price of $1,338 paid for a gunner's stand on the M-1 tank was reduced to $386 through competition, a savings of 71 percent. This is not an isolated case; the Army is saving dollars every day through increased competition.

With continued support from Congress, and the leadership of people like Gen. Charles Henry, the Army's competition advocate, there is no reason why we cannot win the war on waste.

SUPPORT FOR CONSTITUTIONAL AMENDMENT TO BALANCE THE BUDGET

(Mr. CRAIG asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CRAIG. Mr. Speaker, the gentleman from Texas [Mr. STENHOLM] has just told the Members of discharge petition No. 2.

For those Members who have become cosponsors of the constitutional amendment to balance the budget, this is now the opportunity to bring that issue to the floor for a full and open debate and discussion by all of the Members.

A recent New York Times poll said that over 80 percent of the American people now believe that the only way the Federal Government can control its excesses of spending is to require it through a constitutional amendment to balance the Federal budget.

Yet, the leadership of this House has denied over 237 Members, a substantial majority, and over 80 percent of the American people that very opportunity to at least bring the issue to the floor for a full debate, so we are now asking the Members of the House today, and for the balance of the week and next week, to come to the well and sign discharge petition No. 2 that will discharge an open rule that will bring Resolution 321 to the floor for debate and amendment and consideration by the whole House, a constitutional amendment to require the Government to balance the budget.

SUPPORT FOR ARIAS PEACE PLAN

(Mr. PENNY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PENNY. Mr. Speaker, just a few short weeks ago President Reagan joined you in support of a peace initiative for Central America that would ensure the long-term interests of the United States in that region. Since that time, however, the President has backed away from that goal by refusing to endorse the Arias peace accord. In a move that will further distance the administration from these peace efforts, according to the New York Times, the President will announce this week his demand for early elections in Nicaragua.

Like the President, I am concerned about the Sandinistas. Having recently visited Nicaragua, I witnessed first hand their mismanagement and the stranglehold they have on economic growth and opportunity in Nicaragua. But early elections may only solidfy the hold the Sandinistas have on power because opposition groups won't have time to organize. The Arias initiative, agreed to by our democratic allies in Central America, calls for elections as scheduled in each country. That means every Central American nation will hold elections within the next 3 years.

The President has also stipulated that the Soviet military presence in Nicaragua must be eliminated. Again, I share his concern. But that objective must be achieved as a compliment to the Arias peace plan not used as an excuse to oppose the peace process.

Mr. President, it's time to support the peace plan and begin a dialog with the Nicaraguan Government for free elections and other reforms that will bring regional security and tangible benefits to the Nicaraguan people. As President Arias challenged, it's time to "take a risk for peace."

VOTE "YES" TO DELAY EFFECTIVE DATE OF SENTENCING GUIDELINES

(Mr. GEKAS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GEKAS. Mr. Speaker, later on today we will be asked to vote on a measure under suspension which would delay the implementation of the sentencing guidelines which we all support for a 9-month period.

There are two or three basic reasons for asking for this stay of the impending November 1 implementation of the guidelines. No. 1, this will give a final opportunity for the Federal judges and the prosecutors, and the probation officers and all of those in the Federal judiciary who are going to be responsible for executing those sentencing guidelines, to be properly trained for the eventual implementation thereof.

No. 2, the sentencing guidelines as they now are functioning or are prepared for the November 1 deadline are flawed in several different respects.

Some of those flaws are going to be addressed and corrected by the very legislation which will cause this short delay for 9 months; and the other reason, and this is even more paramount than all the others, if we allow the sentencing guidelines to go into effect November 1 as they now appear, it is possible that the first few cases, in fact many cases at the outset, will be targeted for appeals and further delay of the sentencing guidelines process.

Please vote "yes" to delay the effective date of the sentencing guidelines.

INTRODUCTION OF LEGISLATION TO ESTABLISH DAY CARE CENTERS IN VA MEDICAL CENTERS

(Mrs. PATTERSON asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. PATTERSON. Mr. Speaker, approximately 13 Veterans' Administration medical centers have taken an exciting step toward attracting qualified health care professionals. To insure that they will be able to continue to provide quality care to our veterans in the future, these facilities have established day care centers for the children of VA employees.

Mr. Speaker, over 55 percent of all women work outside the home. Half of all married mothers with infants under the age of 1 are in the work force—a 108-percent increase since 1970. In addition, the number of children under the age of 10 will increase by 14 percent in the next 3 years.

It is obvious that day care will soon be a significant factor in the working world. If the Veterans' Administration is to compete with private facilities for health care professionals in the coming years, it will have to provide services that make it attractive to health care providers. For this reason, I have introduced legislation, H.R. 3409, to establish day care centers in all Veterans' Administration medical centers for the children of VA employees.

These day care centers will be established in existing facilities—thereby avoiding many of the start up expenses that often plague private facilities. The bill seeks to provide uniform procedures for the creation of these centers in the VA medical centers. The day care facilities will be operated by the Veteran's Canteen Service.

Under this legislation, the Administrator will provide space in existing VA facilities, support services—including custodial services—and utilities. Any other facilities or services provided by the Administrator for the day care centers will be provided on a reimbursable basis. In addition, the Canteen Service can establish reasonable charges for the day care centers sufficient to cover the expenses of personnel to run the centers.

Mr. Speaker, businesses across this country are realizing the importance and benefits of providing quality day care for their employees. We cannot continue to provide the highest level of health care for our veterans if we insist that the employees of VA medical facilities choose between their commitment to service and their families. I believe that this legislation will resolve that problem in a fiscally sound way that reaffirms our commitment to the health of our veterans. I urge my colleagues to join me in supporting this legislation.

VOTE "NO" ON H.R. 3307, LEGISLATION TO DELAY IMPLEMENTATION OF SENTENCING GUIDELINES

(Mr. MILLER of Ohio asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MILLER of Ohio. Mr. Speaker, I rise today to express my opposition to H.R. 3307, a bill which would needlessly delay the implementation of important and effective new sentencing guidelines that have already been delayed by 1 year. As it currently stands, these guidelines will apply only to Federal crimes committed after November 1. Very few of the cases that these guidelines will be pertinent to will be processed for sentencing during the next several months, thus everyone involved in the sentencing process should have more than ample time for acquainting themselves with these new procedures. It has taken over 10 years for reform of the sentencing guidelines to work its way through Congress, and any further delay will only strengthen the public's distrust and concern with our judicial system and, more importantly, could result in inequities in the sentencing of criminals deemed a public menace by our courts. The time for delay is past.

FARM CREDIT BILL

(Mr. SLATTERY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SLATTERY. Mr. Speaker, I support the Agricultural Credit Act. This legislation will require the Farm Credit System to tighten its belt and more efficiently serve the farmers for whom it was created.

Kansas farmers will benefit from this bill in several ways.

By calling for the most complete reorganization in the 71-year history of the System, this bill firmly places control of lending in the hands of local farmer borrowers.

For financially troubled farmers, this bill requires the System to restructure delinquent loans when that would be cheaper than foreclosure.

This bill protects the stock of farmer borrowers for the next 5 years.

And it creates a secondary mortgage market that will broaden credit opportunities for farmers and ensure the availability of long-term, fixed-interest rate loans.

The Agricultural Credit Act is a rescue package for the ailing Farm Credit System which will help keep farmers on their farms.

WHO IS WHO IN FIGHT ON CRIME

(Mr. WALKER asked and was given permission to address the House for 1 minute.)

Mr. WALKER. Mr. Speaker, the leftwing loonies who control the agenda of this Congress sometimes give the Members a pretty good idea about who they really are and what they really believe.

We are learning at this moment how soft on crime they have really become. The liberals are in the process of slandering and potentially defeating Judge Bork in the other body in part because they know he is a tough anticrime judge.

They have pulled from the calendar in this House legislation that might have given the Members an opportunity to put the criminals that serve in this Congress under the jurisdiction of the special prosecutor law, and they have brought to the Members for a vote today a bill designed to delay tough sentencing guidelines for those found guilty of Federal crimes.

All too often politicians will claim that everyone wants to get tough on crime. Some of the Members vote that way; some Members do not.

There are three issues before the Congress right now that can help Americans determine who is who in the fight on crime.

CALL FOR ROBERT WATKINS' RESIGNATION

(Mr. LEVIN of Michigan asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LEVIN of Michigan. Mr. Speaker, for several years a number of the Members in the House on both sides of the aisle worked actively to open up Japanese markets closed to United States auto producers. These efforts led to high-level MOSS talks. They ended just a month ago.

Today we read in the Washington Post that a key United States negotiator in those negotiations, Robert Watkins, sent out a letter a few weeks ago to Japanese auto companies suggesting that they hire him to help them in dealing with the United States.

This is double-dealing in bald form. Strict legalities are not the issue. Mr. Watkins' actions cast a shadow over the degree of administration commitment in the MOSS talks, expecially since they accomplish so little.

Which side was Mr. Watkins on in August, in July, in June if his letter as quoted in the Post, always cast aspersions on the position taken in good faith by him in the United States, especially those taken by Members of the House who wanted more vigorous action.

I tried to reach Mr. Watkins this morning. He has not answered. We are awaiting a copy of his letter.

If the facts are as they appear, and the Post quoted directly, Mr. Watkins can now meet his obligations as a public servant by resigning his position.

OPPOSITION TO JUDGE BORK'S NOMINATION

(Mr. TRAFICANT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TRAFICANT. Mr. Speaker, the decision on Judge Bork is at hand. I find it very amusing that Judge Bork admitted under oath on several occasions that he has now "changed his position on several issues and opinions that he rendered in the past."

I do not believe Judge Bork, and I not only believe that Judge Bork would turn back the clock on individual rights; but I also believe that he would be easily influenced from the far right.

Thomas Jefferson once warned all of us in years to come to be wary of the appointment of Federal judges, because they can take the Constitution and mold it like clay in their hands. How true he was.

I say today, be wary, Judge Bork, because I fear that when he finished with the Constitution, he would be eligible to join the American pottery union.

The other body must heed the advice of Thomas Jefferson, and there is only one vote today, and it is not to confirm, it is to firm our rights. Vote "no" to Judge Bork.

The SPEAKER pro tempore (Mr. RAY). The Chair advises that the gentleman should not refer to prospective votes in the other body in that manner.

LET US NOT ABANDON PEACE PLAN

(Mr. MRAZEK asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MRAZEK. Mr. Speaker, more than 90,000 people have been killed in the civil wars ravaging Central America since 1979. Most of the dead have not been soldiers, but civilians, many of them women and children. It's only an accident of birth that they aren't my children or yours. The Arias peace plan represents the first real opportunity to stop this killing.

The plan is not perfect; it will not, by itself, bring lasting peace to the region. But, it is the best vehicle for negotiating an end to conflict and movement toward genuine democracy in Central America. Important progress toward those ends has already been achieved as a result of the peace plan: Today, the Guatemalan Government is meeting with rebel leaders to discuss an end to their war, just as last Sunday the Salvadoran Government formally met with guerrillas for the first time in 3 years. Among other things, the Nicaraguan Government has declared a unilateral cease-fire, permitted Radio Catolica to resume broadcasts and allowed the opposition newspaper La Prensa to publish again.

It would be tragic if, as has been reported, the administration decides to abandon the peace plan in favor of demanding its own conditions for peace in the region. The best way to ensure U.S. interests is not to unilaterally set requirements that are guaranteed to undermine the diplomatic process already well underway, but to work with the Central American governments through the framework they have established.

□ 1245

IDA NUDEL TO EMIGRATE

(Mr. HOYER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HOYER. Mr. Speaker, on Friday, the eve of the holiest of Jewish holidays, Yom Kippur, we received word that Ida Nudel, the "guardian angel" of the Jewish refusenik community in the Soviet Union, had finally been given permission to leave the Soviet Union.

Ida Nudel is a truly remarkable woman. Unyielding in her desire to live in her Jewish homeland, Israel, she has fought for more than 15 years for the right to leave the Soviet Union to join her sister in Israel. In 1978, she hung a banner from her apartment window stating, "KGB let me go to Israel." That act cost 4 years of her

life in internal exile in Siberia and a banishment to the isolated town of Bendery once she was released from prison.

For many, Mr. Speaker, those years of isolation and at times hopelessness would be a deterrent from continuing human rights activity. But not Ida. Her inspiration and her intense desire to join her sister, Ilana, in Israel, urged her on. But more importantly, her indomitable spirit inspired countless others to take a stand with Soviet authorities in their attempts to also emigrate. When they despaired because of Soviet inaction, Ida Nudel was always there to comfort and console. Their priorities became hers.

Mr. Speaker, I last saw Ida in Moscow during the Passover seder hosted by our Embassy. While there, Ida wondered what the future held for her. Ida's future began on Friday and we all anticipate her glorious homecoming in Israel.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF HOUSE JOINT RESOLUTION 349

Mr. SOLOMON. Mr. Speaker, I ask unanimous consent that my name may be removed as a cosponsor of House Joint Resolution 349.

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

There was no objection.

PERMISSION FOR SUBCOMMITTEE ON PUBLIC BUILDINGS AND GROUNDS OF COMMITTEE ON PUBLIC WORKS AND TRANSPORATION TO SIT DURING 5-MINUTE RULE ON WEDNESDAY, OCTOBER 7, 1987; AND PERMISSION FOR SUBCOMMITTEE ON AVIATION OF COMMITTEE ON PUBLIC WORKS AND TRANSPORATION TO SIT DURING 5-MINUTE RULE ON THURSDAY, OCTOBER 8, 1987

Mr. GRAY of Illinois. Mr. Speaker, I ask unanimous consent that the Subcommittee on Public Buildings and Grounds of the Committee on Public Works and Transportation be permitted to sit during the 5-minute rule on tomorrow, Wednesday, the 7th of October, and that the Subcommittee on Aviation of the Committee on Public Works and Transportation be permitted to sit during the 5-minute rule on Thursday, the 8th of October.

I would say further, Mr. Speaker, that this matter has been cleared with the minority.

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

There was no objection.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to the provisions of clause 5 of rule I, the Chair announces that he will postpone further proceedings today on both motions to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote is objected to under clause 4 of rule XV.

Such rollcall votes, if postponed, will be taken at the conclusion of legislative business today and following the vote on H.R. 3307, postponed on yesterday.

U.S. MINT AUTHORIZATION

Mr. ANNUNZIO. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2631) to authorize appropriations for the U.S. Mint for fiscal years 1988 and 1989, and for other purposes as amended.

The Clerk read as follows:

H.R. 2631

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. AUTHORIZATION OF APPROPRIATIONS.

Section 5132(a) of title 31, United States Code, is amended by striking out paragraph (2) and inserting in lieu thereof the following new paragraphs:

"(2) Not more than $46,511,000 may be appropriated to the Secretary for the fiscal year ending on September 30, 1988, to pay costs of the mints. Not more than $965,000 of amounts appropriated pursuant to the preceding sentence shall remain available until expended for research and development.

"(3) Of amounts appropriated pursuant to paragraph (2), not more than $75,000 may be expended for the purpose of hosting the International Mint Directors' Conference in the United States in 1988, including reception, representation, and transportation expenses.

"(4) Notwithstanding sections 3302 and 9701 of this title, the Director of the Mint may—

"(A) collect from participants at the International Mint Directors Conference reasonable amounts imposed as fees and other assessments in connection with such conference;

"(B) hold and administer the amounts referred to in subparagraph (A); and

"(C) spend on behalf of the United States the amounts referred to in subparagraph (A) to pay expenses incurred in connection with such conference, including reception, representation, and transportation expenses.".

SEC. 2. PROFITS ON SALE OF NUMISMATIC ITEMS AVAILABLE ONLY TO REDUCE NATIONAL DEBT.

(a) IN GENERAL.—Subsection (b) of section 5111 of title 31, United States Code, is amended by striking out the last 2 sentences and inserting in lieu thereof the following new sentences: "The Secretary shall charge the coinage profit fund with waste incurred in minting coins, costs incurred in distributing coins, and costs incurred in connection with the preparation and sale of numismatic items, including the value of gold certificates (not exceeding forty-two and two-ninths dollars a fine troy ounce) retired from the use of gold contained in any numismatic item. The Secretary shall credit amounts received from the sale of numismatic items to the coinage profit fund. Excess amounts in the coinage profit fund shall be deposited by the Secretary in the general fund of the Treasury and shall be used for the sole purpose of reducing the national debt.".

(b) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 5132(a) of title 31, United States Code, is amended by striking out the second sentence.

(2) Subsection (g) of section 5112 of title 31, United States Code, is amended by striking out "of section 5132(a)(1)".

(3) Paragraph (3) of section 5112(i) of title 31, United States Code, is amended by striking out "of section 5132(a)(1)".

(4) Subsection (f) of section 2 of the Gold Bullion Coin Act of 1985 is hereby repealed.

SEC. 3. REDESIGNATION OF ASSAY OFFICES AS MINTS.

(A) SAN FRANCISCO.—Section 5131(a)(4) of title 31, United States Code, is amended by striking out "assay office" and inserting in lieu thereof "mint".

(b) WEST POINT.—Section 5131(a)(3) of title 31, United States Code, is amended by striking out "assay office at New York" and inserting in lieu thereof "mint at West Point".

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The first sentence of section 5131(b) of title 31, United States Code, is amended by striking out "and assay offices, except that only bars may be made at the assay offices".

(2) Section 5132(c) of such title is amended by striking out "and the assay office at New York have" and inserting in lieu thereof "has".

(3) Section 5132(b) of such title is amended by striking out "and assay offices".

(4) Section 5133(a)(1) of such title is amended by striking out "and the assay office at New York and the officer in charge of the assay office at San Francisco" and by striking out "or officer".

(5) Section 5133(a)(2) of such title is amended by striking out "and the officer" and by striking out "or officer".

(6) Section 5133(a)(3) of such title is amended by striking out "and the officer".

(7) Section 5133(b) of such title is amended to read as follows:

"(b) SETTLEMENT OF ACCOUNTS.—

"(1) IN GENERAL.—At least once each year, the Secretary of the Treasury shall settle the account of the superintendents of the mints.

"(2) PROCEDURE.—At any settlement under this subsection, the superintendent shall—

"(A) return to the Secretary any coin, clipping, or other bullion in the possession of the superintendent; and

"(B) present the Secretary with a statement of bullion received and returned since the last settlement (including any bullion returned for settlement).

"(3) AUDIT.—The Secretary shall—

"(A) audit the accounts of each superintendent; and

"(B) allow each superintendent the waste of precious metals that the Secretary determines is necessary—

"(i) for refining and minting (within the limitations which the Secretary shall prescribe); and

"(ii) for casting fine gold and silver bars (within the limit prescribed for refining),

except that any waste allowance under this clause may not apply to deposit operations.".

(8) Upon the enactment of this Act, the superintendent of the United States Assay Office at New York, New York, shall assume the position of superintendent of the Mint at West Point, New York.

(9) Section 5133(c) of such title is amended by striking out "and assay offices".

(10) Section, 5133(d) of such title is amended—

(A) in the first sentence, by striking out "and assay office"; and

(B) in the second sentence, by striking out "and assay offices".

SEC. 4. PROTECTION OF INTEGRITY OF COINAGE MANUFACTURE.

Section 5111(c) of title 31, United States Code, is amended to read as follows:

"(c) PROCUREMENTS RELATING TO COIN PRODUCTION.—

"(1) IN GENERAL.—The Secretary may make contracts, on conditions the Secretary decides are appropriate and are in the public interest, to acquire articles, materials, supplies, and services (including equipment, manufacturing facilities, patents, patent rights, technical knowledge, and assistance) necessary to produce the coins referred to in this title.

"(2) DOMESTIC CONTROL OF COINAGE.—In order to protect the national security through domestic control of the coinage process, the Secretary shall acquire only such articles, materials, supplies, and services (including equipment, manufacturing facilities, patents, patent rights, technical knowledge, and assistance) for the production of coins as have been produced or manufactured in the United States unless the Secretary determines it to be inconsistent with the public interest, or the cost to be unreasonable, and publishes in the Federal Register a written finding stating the basis for the determination.".

"(3) DETERMINATION.—

"(A) IN GENERAL.—Any determination of the Secretary referred to in paragraph (2) shall not be reviewable in any administrative proceeding or court of the United States.

"(B) OTHER RIGHTS UNAFFECTED.—This paragraph does not alter or annul any right of review that arises under any provision of any law or regulation of the United States other than paragraph (2).".

SEC. 5. STANDARDS FOR GOLD COINS.

(a) FINENESS.—Section 5112(b) of title 31, United States Code, is amended by inserting the following sentence before the last sentence: "In minting gold coins, the Secretary shall use alloys that vary not more than 0.1 percent from the percent of gold required.".

(b) WEIGHT.—Section 5113(a) of title 31, United States Code, is amended by adding at the end thereof the following new sentence: "Any gold coin issued under section 5112 of this title shall contain the full weight of gold stated on the coin.".

SEC. 6. GOLD SALES TO BE USED SOLELY TO REDUCE NATIONAL DEBT.

The second sentence of section 5116(a)(2) of title 31, United States Code, is amended to read as follows: "Amounts received from the sale of gold shall be deposited by the Secretary in the general fund of the Treasury and shall be used for the sole purpose of reducing the national debt.".

SEC. 7. BULK SALES OF SILVER BULLION COINS.

Section 5112(f) of title 31, United States Code is amended to read as follows:

"(f) SILVER COINS.—

"(1) SALE PRICE.—The Secretary shall sell the coins minted under subsection (e) to the public at a price equal to the market value of the bullion at the time of sale, plus the cost of minting, marketing, and distributing such coins (including labor, materials, dies, use of machinery, and promotional and overhead expenses).

"(2) BULK SALES.—The Secretary shall make bulk sales of the coins minted under subsection (e) at a reasonable discount.

"(3) NUMISMATIC ITEMS.—For purposes of section 5132(a)(1) of this title, all coins minted under subsection (e) shall be considered to be numismatic items.".

SEC. 8. PUBLIC SALES OF UNITED STATES GOLD AND SILVER COINS.

Section 5112 of title 31, United States Code, is amended by adding at the end thereof the following new subsection:

"(j) PUBLIC SALES AT MINT FACILITIES.—In addition to other means of marketing coins minted under paragraph (7), (8), (9), or (10) of subsection (a) or subsection (e), the Secretary of the Treasury shall make such coins available for sale directly to the public at such facilities of the Bureau of the Mint as the Secretary determines to be appropriate. The Secretary may limit the number of such coins which may be sold to any person, or in any single transaction, at any such facility.".

The SPEAKER pro tempore. Is a second demanded?

Mr. HILER. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from Illinois [Mr. ANNUNZIO] will be recognized for 20 minutes and the gentleman from Indiana [Mr. HILER] will be recognized for 20 minutes.

The Chair recognizes the gentleman from Illinois [Mr. ANNUNZIO].

Mr. ANNUNZIO. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, H.R. 2631 authorizes appropriations for fiscal year 1988 for operations of the Bureau of the Mint. It also includes a number of provisions that will improve the mint's operations. I appreciate the hard work of the ranking minority member of the Consumer Affairs and Coinage Subcommittee, Mr. HILER, in developing this bill as it comes to the floor today.

The bill deals with a number of subjects relating to the U.S. Mint and I would like to take a few minutes explaining them.

Section 1 of the bill authorizes an appropriation of $46.5 million to pay the costs of the mints. The bill also authorizes that the mint may expend not more than $75,000 for the purposes of hosting the International Mint Directors Conference. This is a reduction of $25,000 from the amount that the mint originally requested, but is $22,000 higher than the budget for the Conference that the mint provided to the subcommittee. While there was some sentiment in the subcommittee to reduce the authorization for the Conference to the $53,000 budget that was presented, I believed that a cushion should be provided for unanticipated expenses. Accordingly, the bill authorizes $75,000 which should be more than sufficient for the mint to host the Conference in an appropriate manner without being lavish or extravagant.

Sections 2 and 6 of the bill provide that any profits from the sale of numismatic items or gold used in bullion coins be used solely to reduce the national debt. This is consistent with the policy of the subcommittee to design deficit-reducing programs. The commemorative coin programs that have been adopted by the House have already raised $361 million toward reducing the debt and will have raised almost three-quarters of a billion dollars by the end of 1989. This bill will add even more to that amount.

The bill also redesignates the San Francisco Assay Office and the West Point Bullion Depository as U.S. mints. Both of these facilities strike coins, and it is appropriate that they should be designated as full fledged mints. The West Point facility manufactures all commemorative gold coins and is widely acclaimed as the finest gold mint in the world. The San Francisco facility manufactures most of the other coins struck for collectors and its workmanship likewise is world renowned.

The bill requires the Secretary of the Treasury to protect the integrity of our coinage by acquiring only U.S. produced or provided articles, materials, supplies, and services. The Coinage Subcommittee has seen too many examples over the past several years in which the mint has favored foreign suppliers to the detriment of U.S. based manufacturers and suppliers. This provision is intended to restore the balance for U.S. manufactures.

The Secretary may use foreign sources in either of only two instances. The Secretary need not use American sources if he finds that to be inconsistent with the public interest or the cost to be unreasonable and he publishes in the Federal Register a written finding stating the basis for the determination.

Unreasonable cost is one in which there is a significant difference between the U.S. bidder and the foreign bidder. An unreasonable difference is a substantial difference. Small differences are not unreasonable. In considering cost, the Secretary must consider not just the cost between the competing bids, but the net cost to the United States. For instance, a lower price for a service from a foreign bidder may result in a lower cost for the U.S. Mint but a higher cost to the U.S. Treasury when tax considerations are taken into account. It is these broader consider-

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ations that the Secretary must take into account in determining unreasonable cost.

Similarily, the Secretary must weigh various factors in determining whether contracting with a U.S. firm is inconsistent with the public interest. Clearly, the burden of proof lies on the Secretary to show that the contract would be inconsistent with the public interest. The Secretary must consider the effect upon domestic employment, U.S. capacity to provide the goods or services, and the manner in which foreign mints consider bids from U.S. companies.

In publishing his findings in the Federal Register, the Secretary must state the specific reasons for the determination. He is not to make a pro forma finding, but rather must state the specific and particular facts that led to his finding for the particular contract awarded to a foreign bidder.

The Secretary's determination is not reviewable in any administrative proceeding or court of the United States. No private party may bring an action claiming the Secretary's finding is contrary to law.

At the same time, the provision making the Secretary's determination unreviewable does not preclude an aggrieved party from seeking review under any other provision of law. The mere fact that the Secretary has awarded a contract to a foreign firm does not make the award unreviewable. Only the Secretary's finding that the cost is not unreasonable or the award was not inconsistent with the public interest cannot be reviewed. This section would not, for example, preclude a low bidder from filing a challenge on that basis. It would not preclude a firm from a challenge based on a claim that the specifications were changed and that it did not have an opportunity to submit a bid under the new specifications.

The bill also tightens up the standards for the minting of the gold bullion coins. It mandates that the fineness of the gold may vary by no more than one part in a thousand, restoring the standard for gold coins established by Congress more than 80 years ago. Presently, the mint is using a standard that allows more variation.

In addition, the bill requires that no gold coin be issued unless it contains the full weight of gold stated on the coin. This will assure purchaser confidence in these coins and will correct a situation that occurred last year and earlier this year when the mint issued coins which did not contain the stated weight of gold.

The bill also contains a provision requiring the mint to begin over the counter sales of the gold and silver bullion coins. The legislation gives the Secretary of the Treasury to determine which outlets of the mint are appropriate for these sales and allows the Secretary to limit the number of such coins which may be sold to any person or in a single transaction.

The Secretary is not to interpret this provision restrictively. It is intended to make the bullion coins available to as many people as possible. Current law requires the Secretary to sell the coins to the public, but the mint has refused to do so. It is only selling the coins to a cartel of selected distributors.

The provision in this bill is not intended to relieve the Secretary of his obligation to offer the coins to all purchasers on equal terms. It is not intended to allow the Secretary to refuse to sell to small- and medium-sized dealers who are not members of the cartel. Indeed, the Secretary continues to have an obligation to develop a plan allowing all Americans to purchase bullion coins directly from the mint. Purchasers buying coins from the mint in bulk are entitled to a bulk discount. That discount would vary on the size of the purchase, not the size of the purchaser, as is the mint's current policy.

The mint's use of a cartel to distribute the coins is illegal because it is exclusive. It violates the Gold Bullion Coin Act, the Competition in Contracting Act, and the Small Business Act. It will continue to be illegal so long as the mint excludes any purchaser from buying coins from the mint on the same terms as other purchasers. The net worth and liquid net worth of purchasers is, and will continue to be, irrelevant in the mint's sale of gold coins.

This provision before the House today does not ratify the mint's current distribution system and should not be interpreted as so doing. All it does is require the mint to begin over-the-counter sales of the bullion coins to the public. The mint continues to have an obligation under existing law to develop a bulk sales program available to all who meet minimum purchase requirements and to develop a means of allowing all American citizens, regardless of where they are located, to buy U.S. bullion coins from the U.S. Mint. The use of the word "directly" in this provision means "face to face, over the counter," not "without the use of an intermediary." It is used in the same sense here as it is used in section 5132(a)(1) of title 31, United States Code, where it means "face to face" as contrasted with "by mail."

I can assure my colleagues that if the mint does not begin to fully implement the sales provisions of the Gold Bullion Coin Act, I will bring additional corrective legislation to the floor.

Mr. Speaker, this bill is a step toward improving the operations of the Bureau of the Mint and I urge the House to pass it.

Mr. HILER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I support the prompt adoption of H.R. 2631. This bill provides for the continuing authorization of the U.S. Mint.

I would first like to commend Congressman ANNUNZIO, chairman of the Subcommittee on Consumer Affairs and Coinage and the members of his staff for the fine work they have done on H.R. 2631. The minority members had several concerns for the bill as it was passed from subcommittee. To satisfy these concerns Chairman ANNUNZIO and his staff worked closely with the minority staff to produce an Annunzio-Hiler substitute approved by the full Committee on Banking. Seldom do we see the spirit of bipartisan cooperation that was exhibited in crafting this compromise legislation.

I am particularly pleased that we have been able to authorize the mint to host the 1988 International Mint Directors' Conference. This is a great honor for our country and represents a forum whereby the U.S. Mint can exchange vital technical information with similar organizations from around the world.

I would like to take this opportunity to outline the provisions of H.R. 2631 to the Members. Section 1 would authorize appropriations of $46.5 million for the mint for fiscal year 1988. This is the amount requested by the mint and includes the authorization of funds for an International Mint Directors' Conference.

Section 2 would require that profits from the sale of numismatic items be used solely for deficit reduction.

Section 3 designates the San Francisco Assay Office and the West Point Bullion Depository as U.S. mints.

Section 4 states that mint procurement of articles, materials, supplies, and services necessary to produce coins should be awarded to American firms unless the Secretary determines that this is inconsistent with the public interest or the cost is unreasonable, and publishes a written finding stating the basis for his determination in the Federal Register. This represents a mere notice requirement and should not unnecessarily burden mint procurement procedures. Such a determination by the Secretary will be unreviewable in any administrative proceeding or court.

Section 5 would require that the gold bullion coins be minted to certain specified tolerances by the mint, and would also require that U.S. gold coins contain the full weight of gold stated on the coin.

Section 6 restricts the use of proceeds from the sale of Treasury gold to solely reducing the national debt.

Section 7 would conform the language authorizing the sale of silver bullion coins with that authorizing

sale of the gold bullion coins. It makes explicit that there should be bulk discount sales of the silver bullion coins.

Section 8 requires the Secretary to make available for sale bullion coins at mint facilities that the Secretary deems appropriate. It allows the Secretary to limit the number of coins which may be sold to any person or in any single transaction.

In short, Mr Speaker, I support H.R. 2631 and believe that it allows the mint to be a more efficient as well as effective agency. I am pleased to join Chairman ANNUNZIO in calling for its timely passage.

Mr. Speaker, I yield such time as he may consume to the gentleman from Ohio [Mr. WYLIE], the ranking member of the Committee on Banking, Finance and Urban Affairs.

Mr. WYLIE. Mr. Speaker, I thank the gentleman from Indiana for yielding me this time.

Mr. Speaker, I rise in strong support of H.R. 2631, which reauthorizes the operations of the U.S. Mint.

May I say, Mr. Speaker, that both Chairman ANNUNZIO, the chairman of the Consumer Affairs and Coinage Subcommittee, and Representative HILER, the ranking Republican member of that subcommittee, deserve special commendation for their extraordinary hard work and leadership in bringing this bill to the floor today. A few months ago when we started hearings on this bill in the Consumer Affairs Subcommittee, I did not think it would be possible for us to enact legislation without a very heavy floor fight. I think it is to the credit of both these gentlemen that they were able to sit down and were able to work out in a true bipartisanship way this compromise legislation, which is sorely needed.

Mr. Speaker, I am sure that this is not a perfect piece of legislation. The gentleman from Indiana [Mr. HILER] has mentioned one objection by the administration, but it is a bill that we can all support.

I think I should mention that although the administration is still not completely satisfied in every detail, we did take care of a major objection they had, and the gentleman from Indiana [Mr. HILER] has already mentioned that. That is the objection to the Buy American provisions that were contained in the original version of H.R. 2631.

I see in the notice that came out that there is some implication made that the administration is still opposed, but I would say that the Treasury Department, which is the lead agency as far as the administration is concerned, now approves the present wording of section 4 as far as the Buy American provisions are concerned. It says that the mint should use American-made facilities and products in every case, unless the Secretary of the Treasury determines that specific compliance would not be consistent with the public interest or that the cost of compliance would be unreasonable. The gentleman from Indiana [Mr. HILER] has already mentioned that, but I thought for some of our Members I should reemphasize that.

To trigger this, the Secretary must make those findings, but his findings simply must be published in writing in the Federal Register.

The administration as a general proposition now thinks this is a good bill. I think it is a good bill and I think it should be passed.

Mr. HILER. Mr. Speaker, I yield such time as he may consume to the gentleman from New York [Mr. FISH].

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Mr. FISH. Mr. Speaker, I thank my colleague for his generous yielding to me.

Mr. Speaker, I rise in strong support of H.R. 2631, the U.S. Mint authorization. I would first like to congratulate the chairman of the subcommittee, Mr. ANNUNZIO, and the ranking minority member, for their outstanding work on this legislation and for their continued support of the Gold Coin Program at West Point.

As each authorization bill is brought before this Chamber, we must be sensitive to the impact it will have on the budget deficit. Today, we are considering legislation with a clear impact on the deficit—this bill works to reduce it.

H.R. 2631 requires all proceeds from the sale of gold, commemorative medals, coins and bullion to go directly toward the reduction of the deficit. To date, the Commemorative Coin Program alone has raised in excess of $360 million to that end. This program has also provided needed money for the U.S. Olympic Committee and the Statue of Liberty Committee.

I am very proud to say that this legislation designates the West Point Bullion Depository in my congressional district in Orange County, NY, as a U.S. Mint. Since 1980, the West Point Gold Coin Program has produced the highly successful 1984 Olympic coin, the Statue of Liberty coin, the American eagle coin, and the commemorative coin marking the bicentennial of the Constitution.

As a mint, the West Point facility offers the security of a military base, close proximity to the New York Financial Center, and the prestige of the U.S. Military Academy. The benefits of this site were realized back in 1937 when West Point was chosen as the depository for the gold bullion supply. In addition to its responsibilities as a gold bullion depository, West Point has also been involved in the production of pennies for the U.S. Mint.

Most recently, West Point was designated as the site to mint the gold coins commemorating the 1988 Olympics and the bicentennial of the U.S. Congress. Time and time again, West Point has demonstrated its minting expertise and has established a standard of excellence for the entire minting program.

Clearly, it is the intent of Congress to keep this facility fully operational and continue the Gold Coin Program there. I congratulate the members of the committee for their exemplary work on this bill and for giving the West Point Program the recognition it deserves. I urge my colleagues to support this legislation.

Mr. ANNUNZIO. Mr. Speaker, will the gentleman yield?

Mr. FISH. I am delighted to yield to the gentleman from Illinois.

Mr. ANNUNZIO. I thank the gentleman for yielding.

Mr. Speaker, I just want to add that the gentleman is absolutely correct in his observations and in his remarks as to the West Point Mint. I want to assure the gentleman that the committee will continue to support the programs at West Point because of the outstanding job that the mint at West Point has done in helping to make all of these coin programs the success that they have been.

Mr. FISH. I thank the chairman, because we are very proud in Orange County, NY, of the quality of work and the security that the mint—and I am proud to call it a mint today—can afford.

Mr. HILER. Mr. Speaker, I yield such time as he may consume to the gentleman from California [Mr. DREIER].

Mr. DREIER of California. Mr. Speaker, I rise in support of H.R. 2631, the U.S. Mint authorization. On behalf of Charles Colver, former mayor of Covina, CA, and the California State Numismatic Association, I'd like to congratulate Mr. ANNUNZIO, chairman of the Consumer Affairs Subcommittee, and Mr. HILER, the ranking member, for their continued support for section 3 of the bill. Section 3 would designate the San Francisco Assay Office as a U.S. mint.

This designation is long overdue, Mr. Speaker. In 1982, I introduced a bill to permanently change the business of the U.S. Assay Office at San Francisco to the business of a mint, and redesignate the assay office as the mint of the United States at San Francisco. Chairman ANNUNZIO also included a provision in last year's U.S. Mint authorization to redesignate the assay office, but the measure made it no further than the House floor.

Today, the San Francisco Assay Office is a U.S. mint in every aspect except in name. San Francisco had been minting coins as far back as the 1850's, and section 3 of H.R. 2631 would restore that long and proud heritage.

Again, I congratulate Chairman ANNUNZIO and Vice Chairman HILER for their steadfast support for redesignating the San Francisco Assay Office as a U.S. mint, and I urge passage of H.R. 2631.

Mr. HILER. Mr. Speaker, this has proven to be a very popular bill.

Mr. Speaker, I yield such time as he may consume to the gentleman from New York [Mr. GILMAN].

Mr. GILMAN. I thank the gentleman for yielding time to me.

Mr. Speaker, I rise in strong support of H.R. 2631—U.S. Mint authorization and commend the distinguished gentleman, subcommittee chairman, the gentleman from Illinois [Mr. ANNUNZIO] and the ranking minority member, the gentleman from Indiana [Mr. HILER] for their expeditious consideration of this measure. This legislation authorizes $46.5 million in fiscal year 1988 for costs associated with the Bureau of the Mint. Included in this measure is the redesignation of the San Francisco Assay Office and the West Point Bullion Depository as U.S. mints.

Mr. Speaker, as a member of the Mid-Hudson Congressional delegation, I am fully aware of the significant qualifications of the minting facility at West Point to be a designated U.S. mint. There are many good reasons for establishing a U.S. mint at West Point.

For security reasons, West Point is an ideal location for a mint. Located on the grounds of the U.S. Military Academy, the West Point Mint would have absolute security. This would save a great deal of money as security forces would not require any significant provisions as would any other potential new minting facility.

Moreover, for reasons of transportation West Point is a logical location for a U.S. mint. Located only 45 miles north of New York City, West Point has ready access to transportation by air, sea, and rail. West Point is also just south of the intersection of Interstates 84 and 87, thereby providing interstate connections that would permit fast and economical distributions in all directions.

The West Point Mint has acquired extensive experience in the minting of coins. The quality of the craftsmanship at the mint at West Point is superb, as evidenced by the fact that it was West Point that was commissioned to mint the gold Statue of Liberty coins and the Bicentennial of the Constitution coins.

Finally, Mr. Speaker, there is the great history of West Point and its long tradition of educating the men and women who defend our Nation. This great institution that has played so vital a part in the life of our country is deserving of this designation as a U.S. mint.

Accordingly, Mr. Speaker, I urge my colleagues to support H.R. 2631, thereby authorizing future deficit reduction by the sale of U.S. gold coins, and designating two U.S. mints, one at San Francisco and the other at West Point.

Mr. Speaker, I want to commend the gentleman from Illinois [Mr. ANNUNZIO] for bringing this measure to the floor at this time.

Ms. PELOSI. I rise today in support of H.R. 2631, legislation to authorize fiscal year 1988 appropriations for the U.S. Mint. I am pleased that included in this bill is a provision of particular interest to the people of the Fifth Congressional District of California. Section 3 of H.R. 2631 would designate the San Francisco Assay Office as a U.S. Mint. The assay office, called the San Francisco Mint in the city, employs 415 full-time permanent and over 300 temporary workers. Upgrading the status to a full-fledged mint, like the mints in Philadelphia and Denver, would retain their jobs and allow them to continue the office's distinguished history of accomplished work. The work and craftsmanship of the mint, since its creation in 1854, has been widely acclaimed in its striking of coins. It is the only mint which offers fine proof sets for consumers. This legislation would also designate the Superintendent of the Mint as a Presidential appointee, requiring Senate confirmation.

Mr. Speaker, the San Francisco Mint is only currently recognized as an assay office, while it officially functions as one of four existing mints in the Nation. Upgrading its status is an action long overdue. Passage of this legislation would mean that the mint could continue its history and ensure its role as a viable operation in San Francisco. I commend my colleagues in the Banking Committee for their work on this bill. I am particularly grateful to Mr. ANNUNZIO for his assistance with this provision. I urge my colleagues to support passage of H.R. 2631. Thank you.

Mr. ST GERMAIN. Mr. Speaker, I rise in support of H.R. 2631. I want to congratulate the chairman of the Coinage Subcommittee, Mr. ANNUNZIO, and the ranking minority member of the subcommittee, Mr. HILER, for their work in drafting a substitute mint authorization bill. Their hard work results in a bill that improves operation of the U.S. Mint.

I particularly applaud them in their efforts to assure that the mint gives due consideration to contracting with American firms. Currently, much of the gold refined for use in the Gold Bullion Coin Program is being refined overseas, while U.S. refineries lie idle. This bill will require the mint to consider using U.S. refiners. It will require that the mint take into account the net cost of using foreign refiners, including any tax losses to the Treasury, when computing costs. This provision will assure that U.S. refiners and other U.S. industries have a fair chance to compete with foreign corporations.

I also commend the bill for forcing the mint to open up the sale of bullion coins to all Americans. By requiring over the counter sales, the bill takes the first step in assuring compliance with Congress' original intent of allowing all Americans to buy the coins from the mint, rather than from a cartel of intermediaries. I am sure that if the mint does not establish a comprehensive and nondiscriminatory sales procedure to assure compliance with the original Gold Bullion Coin Act then the subcommittee will bring further legislation to the floor mandating such compliance.

Mr. Speaker, I urge the passage of H.R. 2631.

Mr. HILER. Mr. Speaker, I urge adoption of the bill.

Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. ANNUNZIO. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mr. RAY). The question is on the motion offered by the gentleman from Illinois [Mr. ANNUNZIO] that the House suspend the rules and pass the bill, H.R. 2631, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, H.R. 2631, as amended, was passed.

The title of the bill was amended so as to read: "A bill to authorize appropriations for the Bureau of the Mint for fiscal year 1988 and for other purposes."

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. ANNUNZIO. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on H.R. 2631, the bill just passed.

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

There was no objection.

IRANIAN TRADE SANCTIONS

Mr. ROSTENKOWSKI. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3391) to prohibit the importation into the United States of all products of Iran, and for other purposes, as amended.

The Clerk read as follows:

H.R. 3391

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. FINDINGS.

The Congress finds that—

(1) the Government of Iran has not accepted United Nations Security Council Resolution 598, which calls for an immediate cease-fire in the war between Iran and Iraq, a war that has lasted more than seven years and has resulted in more than 1,000,000 casualties;

(2) there has been conclusive evidence of Iran's complicity in the laying of mines in international waters of the Persian Gulf and the Gulf of Oman;

(3) the introduction of Silkworm missiles, and actions of Iran's armed forces and Revolutionary Guards, significantly threaten the stability and freedom of navigation of nonbelligerent shipping in the Persian Gulf, as well as naval vessels, facilities, and personnel of the United States and other nonbelligerent states;

(4) the Secretary of State has determined, under section 6(j) of the Export Administration Act of 1979, than Iran is a country that has repeatedly provided support for acts of international terrorism;

(5) the purchase by the United States of Iranian oil and other products of Iran, which in recent years has averaged more than one half a billion dollars annually, has enhanced Iran's ability to procure military hardware and to undertake and threaten military and terrorist actions described in paragraphs (2), (3), and (4);

(6) Iran has been a major supplier of crude oil imported into the United States, so that the United States is contributing hard currency to Iran each year;

(7) oil is Iran's principal export, and Iran's continued ability to export oil in such large quantities to the United States clearly enables Iran to sustain its war effort against Iraq and to ignore United Nations Security Council Resolution 598; and

(8) in light of Iranian policy and actions in the Iran-Iraq war and in the Persian Gulf, it is not in the best interest of the United States to practice "business as usual" with Iran.

SEC. 2. IMPORT SANCTIONS AGAINST IRANIAN ARTICLES.

(a) DEFINITION.—As used in this Act, the term "Iranian article" means any article that is the growth, product, or manufacture of Iran.

(b) IMPORT PROHIBITION.—Subject to section 3, no Iranian article may be entered, or withdrawn from warehouse for consumption, in the customs territory of the United States after the date of the enactment of this Act.

(c) DENIAL OF MFN TREATMENT.—Subject to section 3, nondiscriminatory treatment (most-favored-nation treatment) shall not apply to any Iranian article that is entered, or withdrawn from warehouse for consumption, in the customs territory of the United States after the date of the enactment of this Act.

(d) ENFORCEMENT.—The Commissioner of Customs shall take such action as may be necessary or appropriate to implement—

(1) the import prohibition imposed under subsection (b), including, but not limited to, appropriate action to prevent circumvention of the prohibition through indirect shipment; and

(2) the denial of nondiscriminatory treatment under subsection (c).

SEC. 3. WAIVER OF IMPORT SANCTIONS AGAINST IRANIAN ARTICLES.

(a) IN GENERAL.—

(1) If the President decides that it is in the overall interest of the United States to delay imposition of the import prohibition under section 2(b) with respect to any Iranian article, the President may delay imposition of the prohibition on imports of that article for up to 180 days after the date of the enactment of this Act.

(2) If the President decides that is further in the national interest to suspend the denial of nondiscriminatoy treatment under section 2(c) to imports of any Iranian article regarding which the import prohibition is delayed under paragraph (1), the President may suspend such denial with respect to imports of the article that are made during the period of the delay.

(b) REPORT.—If the President decides to delay imposition of the import prohibition for the 180-day period provided for under subsection (a)(1), or any shorter period, the President shall submit to—

(1) the Committee on Ways and Means and the Committee on Foreign Affairs of the House of Representatives; and

(2) the Committee on Finance and the Committee on Foreign Relations of the Senate;

a written report that explains the reasons for that decision and specifies how the national interest would be jeopardized by the immediate imposition of the prohibition. If the denial of nondiscriminatory treatment is suspended under subsection (a)(2) with respect to imports during the period of the delay, the report shall specify how the national interest would be jeopardized by the immediate denial of such treatment.

(c) EXTENSION OF IMPORT PROHIBITION WAIVER.—If the President decides to delay imposition of the import prohibition under subsection (a) on any Iranian article for the full 180-day period, such import prohibition and the denial of nondiscriminatory treatment (if suspended under subsection (a)) to the article shall go into effect on the day after the 180th day unless the Congress, by joint resolution, extends the 180-day period.

SEC. 4. TERMINATION OF IMPORT SANCTIONS AGAINST IRANIAN ARTICLES.

(a) IN GENERAL.—The President may terminate the import prohibition and the denial of nondiscriminatroy treatment imposed under section 2 if the President determines, and reports such determination (and the reasons therefor) to the Congress, that Iran—

(1) has ceased all belligerent activities in the Persian Gulf area against nonbelligerent parties; and

(2) has implemented United Nations Security Council Resolution 598.

(b) REINSTATEMENT OF IMPORT SANCTIONS.—If after the import prohibition and the denial of nondiscriminatory treatment are terminated under subsection (a) the President determines that Iran is no longer in compliance with paragraphs (1) and (2) of subsection (a), the President may reinstate the import prohibition and the denial of such treatment under section 2 for such period as he considers appropriate.

SEC. 5. MULTILATERAL IMPORT SANCTIONS.

The President should undertake negotiations with the member nations of the North Atlantic Treaty Organization and the Gulf Cooperation Council, Japan, and other nations concerning a multilateral agreement to prohibit the importation of, and to deny nondiscriminatory treatment to, Iranian articles.

The SPEAKER pro tempore (Mr. DELLUMS). Is a second demanded?

Mr. CRANE. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from Illinois [Mr. ROSTENKOWSKI] will be recognized for 20 minutes and the gentleman from Illinois [Mr. CRANE] will be recognized for 20 minutes.

The Chair recognizes the gentleman from Illinois [Mr. ROSTENKOWSKI]

Mr. ROSTENKOWSKI. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, H.R. 3391 is a bill designed to impose economic sanctions on Iran until that country ceases all belligerent activities in the Persian Gulf. The bill would ban all imports from Iran until the President finds and certifies to Congress that Iran has ceased its military activities against gulf shipping and has complied with U.N. Resolution 598, which calls for a cease-fire in the Iran-Iraq war. The bill also would deny most-favored-nation status to Iran until it ceases hostilities in the gulf, a measure proposed by my colleague RICHARD RAY of Georgia and cosponsored by 250 Members. Finally, the Committee on Ways and Means has agreed, at the request of the Committee on Foreign Affairs, to add a very important provision calling for negotiations to achieve a multilateral import ban against Iran.

Mr. Speaker, this bill is long overdue. United States imports from Iran in recent years have exceeded $500 million, and that level has been rising. Imports this year are running at an annual rate of $1.5 billion.

These imports give Iran valuable foreign exchange with which to wage war on our own shipping. It is very clear that Iran is engaged in wholesale terrorism toward neutral shipping in the gulf. Those activities include mine laying in shipping lanes, the firing of missiles against Kuwait, and the refusal to accept a U.N.-sponsored cease-fire.

With so much at stake in the Persian Gulf region, it is time for the United States to cut off this indirect form of support for the Iranian regime, whose policies and actions directly threaten United States interests. I urge my colleagues to vote for H.R. 3391.

Mr. Speaker, I reserve the balance of my time.

Mr. CRANE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in strong support of H.R. 3391 and want to congratulate the chairman of the Ways and Means and Foreign Affairs Committees and the leadership for arranging expeditious treatment of this legislation. Upon enactment, this bill will stop all imports from Iran and eliminate most-favored-nation status for that country, until such time as respect for international law and peace is once again assured for the region.

H.R. 3391, I believe, would not be controversial if it were discussed at any town meeting in America. Imports from Iran are small—about $600 million a year—but this represents hard U.S. currency going into the coffers of a country which unceasingly incites instability in a dangerous region of the globe. The revenue is clearly being used to purchase arms to carry out ever-escalating hostilities.

Until Iran decides to adhere to the U.N. resolution and respect the rights of the rest of the world to free passage in international waters, it is impera-

tive that business as usual cease. Mining sealanes and launching silkworm missiles where U.S. service men and women are trying to preserve peace is unacceptable. Our responsibility is to develop strong sanctions against the Ayatollah. Denying access to the United States market is a clear statement of intent which will affect the livelihoods of Iranians in a way that should call their leadership into further question.

I urge my colleagues to adopt H.R. 3391 unanimously.

Mr. Speaker, I reserve the balance of my time.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield such time as he may consume to the gentleman from Texas [Mr. WILSON] for the purpose of engaging in an exchange.

Mr. WILSON. I thank the chairman for yielding.

Mr. Speaker, I support H.R. 3391. I would, however, like to request a clarification on one issue and hopefully give some direction to the Commissioner of Customs in issuing regulations to implement H.R. 3391.

As I understand it, one concern discussed during the committee's deliberations on this bill was that it was not the committee's intention in reporting H.R. 3391 to prejudice or cause financial loss to United States companies who were caught by this speedy action of Congress with Iranian products under loading, in transit, or in storage for the United States. It is my understanding, Mr. Speaker, that it was intended that the President should prescribe regulations to "grandfather" those transactions.

Mr. ROSTENKOWSKI. The gentleman is correct.

In fairness to United States business, it was not the committee's intent to affect Iranian products already purchased by United States companies at the time of the enactment. While we want to halt the importation of Iranian products, we do not want to cause financial harm to United States companies who have already purchased goods from Iran. The committee intends for the President to reflect these concerns in appropriate regulations.

□ 1315

Mr. WILSON. Mr. Speaker, I thank the gentleman for his response.

Mr. CRANE. Mr. Speaker, I yield 3 minutes to the gentleman from New York [Mr. GILMAN].

Mr. GILMAN. Mr. Speaker, I support the pending legislation enthusiastically and I commend the distinguished chairman of the Ways and Means Committee, the gentleman from Illinois [Mr. ROSTENKOWSKI] and the distinguished subcommittee ranking member, the gentleman from Illinois [Mr. CRANE], for their expeditious action in bringing this to me. This legislation was modified in discussions between the Ways and Means Committee and the Committee on Foreign Affairs. It now calls for the imposition of a total import ban with respect to Iran, although its imposition can be delayed or modified by the President in the national interest.

This legislation will prevent the American people from being placed in the anomalous position of preparing to bring the Iranian Government before the bar of world opinion for the purpose of imposing an arms boycott and at the same time buying Iranian oil which is used to buy weapons on the open market.

Surely this situation should not continue.

This legislation is an improvement of a prior draft in that it permits a measure of flexibility to the administration in the timing of the imposition of sanctions. By holding out a carrot to Iran, we may—who can tell—persuade them to modify their position.

Accordingly, Mr. President, I urge my colleagues to support this legislation.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 2 minutes to the gentleman from Georgia [Mr. RAY].

Mr. RAY. Mr. Speaker, less than 2 weeks ago the gentleman from Georgia [Mr. JENKINS] and I introduced legislation to revoke Iran's most-favored-nation trade status. This measure, H.R. 3338, has over 200 cosponsors, and I want to thank my colleagues on both sides of the aisle for their overwhelming support for this bill. Last week the distinguished gentleman from Illinois [Mr. ROSTENKOWSKI], the chairman of the Ways and Means Committee, reported a measure, H.R. 3391, which blended together my bill with language to impose an immediate ban on all products imported from Iran. H.R. 3391 includes the language from my earlier bill to repeal Iran's most-favored-nation status, but also includes language to give the President some flexibility in this area by allowing him to restore MFN status if he finds that Iran has caused their hostile actions.

I support this modification, and I am hopeful that this will address any concerns that the administration might have.

I am pleased that the Committee on Ways and Means has acted so swiftly in reporting legislation dealing with our trade situation. In fact, Mr. Speaker, the Committee on Ways and Means and the gentleman from Illinois [Mr. ROSTENKOWSKI] have broken records in reporting this legislation, this legislation dealing with our trade situation with Iran.

I fully support H.R. 3391 which sends a strong and clear message to Iran.

I will encourage all of my colleagues to support this important and much-needed legislation. Mr. Speaker, we cannot forget the mischief that has been caused around this world by Iran, including the bombing of our Embassy in Lebanon, the killing of 242 marines through Iran's engineering of that particular debacle, and their holding of 44 hostages for long periods of time. We have to deal with this, Mr. Speaker. Iran is not deserving of most-favored-nation status, but rather indeed is our enemy.

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the gentlewoman from Nebraska [Mrs. SMITH].

Mrs. SMITH of Nebraska. Mr. Speaker, I rise today in support of H.R. 3391, a bill to prohibit the importation of all Iranian products into the United States.

Most Americans would be surprised to learn that each year we import approximately 500 to 600 million dollars' worth of Iranian products. Oil constitutes more than 90 percent of United States imports from Iran, with the remainder consisting of pistachio nuts, rugs, and other products.

For the month of July, the United States imported one-third of Iran's oil, making the United States Iran's biggest customer. Through these actions, the United States is actually subsidizing the Ayatollah's reckless policies and provocative actions.

For the past several months, tensions with Iran have continued to increase. Iranian forces have attacked a British tanker and fired Silkworm missiles near a Kuwaiti ship in the Persian Gulf.

The Iranians are using this influx of American money to purchase weapons that pose a threat against American servicemen who may be in the area. This must come to an end.

This piece of legislation would also help to stimulate our ailing domestic oil production. The number of shut in, or inactive, oil producing wells in my home State of Nebraska increased from 390 in 1976 to 779 in 1986. Moreover, in 1981, 728 new drilling permits were issued in Nebraska. The number of new permits issued in 1986 fell to 142.

Last week the Senate unanimously agreed to an amendment to their Defense authorization bill that imposes a ban on the import of all products from Iran, I urge my colleagues in the House to move in the same direction and support the passage of this bill.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 3 minutes to the gentleman from California [Mr. LEVINE].

Mr. LEVINE of California, Mr. Speaker, I rise in strong support of H.R. 3391, as amended, legislation which would ban all imports from Iran to the United States.

I would like to commend the distinguished chairman of the Committee on Ways and Means, Mr. ROSTENKOW-

SKI, for his leadership on bringing this issue to the floor so expeditiously.

I also want to thank him and his staff for working with the Foreign Affairs Committee to fashion the bill presently before us. H.R. 3391, as amended, is identical to the bill passed out of the Foreign Affairs Committee earlier today on a bipartisan basis. That bill, a modification of legislation—H.R. 3393—I introduced late last week, was cosponsored by the distinguished chairman of the full committee, DANTE FASCELL; the ranking minority member, WILLIAM BROOMFIELD; the chairman and ranking minority member of the Europe and Middle East Subcommittee, LEE HAMILTON and BEN GILMAN, respectively; the chairman for the International Economic Policy and Trade Subcommittee, DON BONKER; and other members of the full committee.

H.R. 3391, as amended, combines the foreign policy components of H.R. 3393 with the sanctions language of the original Ways and Means bill. It makes an extremely appropriate policy statement on Iran's oil sales to the United States and provides a prescription for dealing with this most regrettable situation.

Again, I want to express my appreciation to the distinguished chairman of the Ways and Means Committee for his cooperation in sending this particular vehicle to the floor.

Mr. Speaker, in the last few months, the United States has been actively engaged in an attempt to control the conflict in the Persian Gulf:

We have deployed a naval armada unsurpassed in size since World War II to protect reflagged Kuwaiti ships and to help ensure the free flow of oil; these forces have already attacked an Iranian ship caught laying mines in the shipping lanes of the gulf;

We have led efforts in the United Nations to press both combatants in the war to accept a U.N.-sponsored cease-fire;

And we have attempted to get our allies to support our efforts in the gulf and to support a total arms embargo on whichever country does not agree to a cease-fire—in this case, Iran.

Our policy and our presence in the gulf are obviously not without risk. This essential point has been vividly underscored by the deaths of 37 of our sailors on the U.S.S. *Stark*; by the constant threat of military actions undertaken by Iranian revolutionary guards, as we saw this past weekend in the speedboat incident directed against the Saudis; by the presence of Silkworm missiles along the Strait of Hormuz; and by the maze of mines almost certainly laid down by Iran.

Mr. Speaker, with Iran continually threatening the lives of our men in the gulf, it is an outrage to learn that American dollars have been one of the engines propelling the Iranian war machine.

Mr. Speaker, the increase in tensions in the gulf over the last several months—tensions exacerbated in large part by Iran—have actually coincided with the dramatic increase in United States purchases of Iranian oil, to the point that Iran has become the second largest supplier of crude oil to the United States.

Why have we allowed United States trade with Iran, and particularly the purchase by the United States of Iranian oil—which in recent years has averaged more than one-half a billion dollars annually—to enhance so demonstrably Iran's ability to sustain and escalate its war against Iraq, against the United States, against our allies, and against the other states in the gulf, and to enhance its ability to ignore calls for a cease-fire?

Mr. Speaker, it quite simply makes no sense. It is time to take an unambiguous stand. It is time to bring our economic and foreign policy in line with our military posture. And it is time to end our inexcusable subsidy of the Iranian war effort so that there is no longer a risk of American servicemen in the gulf dying from weapons purchased with American dollars.

The bill before us today, as amended, accomplishes this goal. It calls for a total trade embargo against all Iranian products entering the United States, which will effectively cut off the flow of funds from the U.S. Treasury to the Ayatollah's arsenal. However, it provides—appropriately, in my judgment—the President with sufficient discretionary authority to waive the import sanctions if he decides such action is against the overall interests of the United States.

Equally as important, the bill directs the President to undertake consultations with the member nations of NATO, the Gulf Coordination Council, and other nations concerning the feasibility of negotiating a multinational agreement to embargo products of Iran. Clearly, only a multilateral approach will have the kind of economic impact on Iran which will force it to ameliorate its conduct in the gulf and to seek a settlement of the gulf war.

Again, Mr. Speaker, I thank the chairman of the Ways and Means Committee, as well as my colleagues on the Foreign Affairs Committee, for joining in this important effort. It is an issue in which both committees should play a prominent role.

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the gentleman from Oklahoma [Mr. INHOFE].

Mr. INHOFE. Mr. Speaker, yesterday I cosponsored H.R. 3391, a bill to prohibit the importation of all products from Iran. This measure is almost identical to H.R. 3370 which I introduced last week and is pending in the Ways and Means Committee.

Today, the Senate reaffirmed itself on this issue and passed S. 1748 to ban all products of Iran by a vote of 93 to 0. This action follows passage of an amendment offered by Senator DOLE to the Defense authorization bill to impose an embargo against Iran. The amendment passed 98 to 0 and is now part of the DOD bill which is in conference.

Why are we continuing to do business with Iran when they pose a direct threat to United States military personnel stationed in the Persian Gulf? United States intelligence reports have verified that Iran has laid mines in the Persian Gulf and continues to conduct activities that threaten United States military personnel in the region. It is imperative that we stop funding Iranian military action through our oil purchases. Recent media accounts have reported that Iran has become the second largest supplier of crude oil to the United States—19.6 million barrels at a cost of $359 million. These shipments account for over 11 percent of total U.S. oil imports.

The United States must not let itself become too dependent on foreign oil. Domestic oil production has declined to its worst level since the 1950's. The number of new oil wells in my home State of Oklahoma has declined from over 8,500 in 1982 to only 2,700 this year. Texas, Louisiana, New Mexico, and many other States are also suffering from the domestic oil slump.

I urge you to join me in supporting H.R. 3391 to require the President to impose an embargo against Iran.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio [Mr. PEASE].

Mr. PEASE. Mr. Speaker, I will support the resolution that is up for consideration today. Obviously none of us likes the way Iran is behaving in the international arena, none of us likes the fact that American soldiers and sailors are under attack from Iranian forces, and none of us likes the fact that Iran refuses to participate in the United Nations cease-fire.

Nonetheless, I do want to express a couple of concerns. First and primary, the concern I have is that this action further tilts the United States in the direction of Iraq in a bitter 6- or 7-year war in the Middle East, where Iraq is not an innocent party by any means. Iraq started the war.

This resolution deals exclusively with banning imports from Iran, and it does not deal with Iraq, and yet Iraq has conducted at least 21 attacks since August 30 on the ships of nonbelligerent nations.

Currently Iraq is agreeing or agrees to the United Nations cease-fire call, but we should have no illusions at all that Iraq will continue to do that

when Iraq feels that its self-interest would be served by some other course.

Second, I would like to mention that as we all know, oil is fungible. We should be under no illusions that this boycott by the United States will harm Iran's economy or its military apparatus in the absence of total cooperation from our trading partners.

From that point of view, I am happy to see the addition to this resolution which was added by the House Committee on Foreign Affairs.

As I say, I will support the resolution today but it seems to me that it would be better if we were even handed and also dealt with Iraq, the country that started the war in the first place.

Mr. CRANE. Mr. Speaker, I yield such time as he may consume to the gentleman from Nebraska [Mr. DAUB].

□ 1330

Mr. DAUB. Mr. Speaker, I thank the gentleman for yielding to me.

Mr. Speaker, I rise in strong support of this legislation approved by the House Committee on Ways and Means. As a member of this committee, I was pleased to be an original cosponsor of it.

The brutal and bloodstained reign of Khomeini's regime fully justifies a trade embargo. This regime has a ghastly record of torturing its own citizens. It has continued a war with Iraq including grisly tactics of sacrificing its own people in senseless human waves of often suicidal attacks. It also has well-established connections to international terrorism. We simply cannot continue to buy the products of this regime.

For some time now, the State Department and a number of other agencies have been conducting an indepth study of the effectiveness of sanctions against Iran.

This review was examining such questions as how to effectively keep out Iranian oil. It is often difficult to tell the origins of fungible products like oil and to ensure that an embargo bites economically, this study was trying to answer these kinds of questions.

The Committee on Foreign Affairs has added appropriate language to the bill. The review was intended to culminate in recommendations by the administration to the Congress for this very action, a trade embargo against Iran.

Despite this timing problem, I understand the administration has now indicated that it agrees with the objectives of the trade embargo legislation before the House. It is appropriate for the Congress to bring this bill before the Members at this time.

It is especially noteworth that this well-crafted piece of legislation includes most-favored-nations treatment suspension.

I want to commend the gentleman from Illinois [Mr. ROSTENKOWSKI], the chairman of the Committee on Ways and Means, for the gentleman's insight, and for the prompt action in bringing this bill to the House, so that we might expedite it procedurally with the other body, the conference, and get this bill to the President for signature.

It should send a strong signal to Iran and to our allies as well, or those who may purchase in return oil from Iran to tranship it to us, that we mean business. It demonstrates our resolve.

The other body yesterday passed a separate bill recognizing the need to expedite the matter free of an amendment attached to the Defense authorization bill.

I urge the Members to support this bill and demonstrate the resolve of the House that we will not tolerate Iran's outlawed conduct on the high seas or against free people and/or those who will defend that freedom anywhere in the world.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 2 minutes to the gentleman from Washington [Mr. BONKER].

Mr. BONKER. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, this morning the Foreign Affairs Committee reported favorably an amendment in the nature of a substitute to H.R. 3391. As chairman of the Subcommittee on International Economic Policy and Trade, which has jurisdiction over economic sanctions, I believe our action on this measure is necessary. However, I am very concerned with the process we have used to arrive here.

The time is long overdue for the United States to take decisive action to stop imports from Iran. For too long, the United States has always turned to export embargoes to express our displeasure with the conduct of foreign nations. In fact, the United States has maintained a wide variety of export restrictions on our trade with this brutal regime. But, as in so many cases, unilateral export sanctions have little practical effect. The record here shows they have hardly served to deter Iran from pursuing its war effort against Iraq.

Our principal focus is, of course, oil. In May of this year, the United States imported some 75,000 barrels per day [b/d] of oil from Iran; in July, in response to heigthened tensions in the gulf, imports from Iran increased threefold to 237,000 b/d. For that month, Iran became the United States second largest supplier of crude oil, providing more than 11 percent of all United States imports for that month. Through July of this year, the United States had purchased some $800 million worth of crude from Iran, or more than $300 million more than in all of 1986. The irony is that this huge jump in oil purchases from Iran occurred at a time of heightened tensions in the gulf, the United States reflagging of Kuwaiti tankers to protect them from Iranian missiles, and the escalation of the United States military presence in the region to preempt Iranian attempts to disrupt gulf oil shipping.

In 1984, the United States invoked controls for foreign policy reasons on exports that could significantly increase Iran's military capability. The items covered include: aircraft; helicopters and their related parts and components; marine outboard engines; and all equipment controlled for national security purposes that would go for military use or for military end-users. Sixteen chemicals that could be used by Iran to wage chemical warfare are also controlled, as are crime control and detection equipment, military vehicles, and items to manufacture militarily useful equipment. Late last month, the Commerce Department announced an extension of existing foreign policy export controls to cover scuba gear and related equipment, which pose a direct threat to U.S. flagships and naval vessels and other ships and facilities in the Persian Gulf. It is about time we looked to a ban on U.S. imports from that nation.

The measure before us today, which reflects a common effort by our committee and the Ways and Means Committee, would deny the Iranians hard currency dollars which help sustain the war effort against Iraq. It would reinforce in a concrete way United States condemnation of Iran's terrorist tactics throughout the gulf and elsewhere. The amendment also provides the President leeway to delay for 180 days the total cutoff of imports should the President report to the appropriate congressional committees that such action would jeopardize our national interest. And, it recognizes the effectiveness of multilateral action by directing the President to undertake negotiations with our allies and other nations to adopt similar import bans.

At the outset I noted my concern not with the substance of the bill, but with the procedure. I have been a consistent critic of the President and his predecessors for their hair-trigger invocation of economic embargoes when foreign nations act in ways contrary to U.S. interests. Although the Congress has passed laws and crafted procedures requiring the Executive to consult with Congress and, in some cases, with other nations, before economic sanctions are imposed, this process is often ignored. This happened in May 1985 when the President chose to ignore the clear guidelines of the Export Administration Act and invoke instead the International Emergency Economic Powers Act to impose a trade embargo against Nicaragua.

Now, the Congress is exhibiting the same disregard for procedure for which I and others have taken the executive branch to task. We are acting without the benefit of hearings before the Foreign Affairs Committee or its subcommittees. I am not alone in my concern; the chairman and members of the committee expressed similar views this morning.

As an example: During the course of our markup this morning we briefly touched on the possible implications of this import ban for the ongoing claims settlement discussion in The Hague. It was unclear from our short debate whether our action would place the United States in violation of its commitments under the Algiers accords, by which our hostages were released from Teheran in January 1981. It was unclear whether this action would jeopardize some $20 to $30 billion in American claims outstanding at the Tribunal. What is clear is that our action on this import ban can have extremely serious ramifications on our bilateral relations with Iran, on our foreign policy toward the gulf region, and on the way in which other nations judge the sincerity of United States international legal commitments. These are areas in which the Foreign Affairs Committee has expertise. Yet, if the chairman had not made his desire known to have the committee review the legislation, the House would have acted yesterday without the benefit of the committee's input at all.

In my view before the Congress rushes to act on an issue of major import for our foreign policy, the Congress and the American people would be well served by having the considered views of the committee charged with this responsibility.

I urge my colleagues to support the bill H.R. 3391, as amended.

Mr. CRANE. Mr. Speaker, I yield such time as he may consume to the gentleman from Michigan [Mr. BROOMFIELD], our distinguished ranking minority member on the Committee on Foreign Affairs.

Mr. BROOMFIELD. Mr. Speaker, I thank the gentleman for yielding time to me.

I rise in support of this measure to impose sanctions on imports of Iranian products into the United States. Under this bill, imports from Iran would be prohibited unless the President determined that they should be continued. Although the President could permit imports to continue for 180 days, Iran would still lose its most-favored-nation status unless the President also kept it in effect.

The events of recent days have shown the continued intransigence of Iran in the face of international efforts to persuade Iran and Iraq to achieve a cease-fire in the gulf war. Iran has formally rejected a cease-fire and has instead undertaken a series of actions that have resulted in ever greater tensions in the gulf.

After the adoption of resolution 558 of the United Nations Security Council the Secretary General of the United Nations was asked to conduct peacemaking activities. The failure of other actions to achieve a lessening of tensions in the gulf region has led the United States Government to seek an arms embargo on Iran through the U.N. Security Council.

Perhaps the key, however, to the warmaking potential of Iran is its ability to raise hard cash to continue the war through its oil exports. All indications are to the effect that Iran's success in obtaining revenues in this manner is increasing.

In recent years, United States imports from Iran have averaged $500 to $600 million. This year United States oil imports alone from Iran have already totaled nearly $500 million. Iran has become the second largest foreign source of oil for the United States market. While in the past the United States obtained about 3 percent of its oil from Iran, this figure has reached some 11 percent this year.

The proposed prohibition on imports from Iran will not of itself cause the gulf war to end. But it will send a signal both to Iran and to the friends of America that the United States is prepared to stand firm against Iranian provocations. Most important, this measure will help lessen the hard currency available to the ayatollahs to continue their murderous war.

It's highly likely the administration on its own will at some point propose sanctions, similar to these. This bill will let the administration know the feeling of Congress on this matter and encourage further action by the executive branch. Specifically, the bill calls upon the President to seek multilateral agreement on similar trade measure against Iran by the friends and allies of the United States.

Mr. Speaker, in conclusion, I would like to congratulate the gentleman from Illinois [Mr. ROSTENKOWSKI], and other Members who have brought this matter to the floor, the gentleman from Illinois [Mr. CRANE], as well as the gentleman from Florida [Mr. FASCELL], the gentleman from Washington [Mr. BONKER], and quite a few other Members that have made it possible so we can vote on this matter today.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1½ minutes to the gentleman from Arkansas [Mr. ALEXANDER].

Mr. ALEXANDER. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, I rise today to support the resolution. Additionally I take this time to focus on the fact that there is no need in our great country to be energy dependent on foreign oil. We have the resources and the technology to be energy independent. We lack only the policy.

We need not import energy from foreign countries. Presently we import about $40 billion a year of foreign petroleum products, about one-third of our energy requirements; but if we would enact my bill, H.R. 2031 into law we would take a positive step toward energy independence. The bill would amend the Clean Air Act to require that all gasoline sold by refineries in the United States contain a certain percentage of ethanol and methanol. This approach will make us energy independent, revive the agricultural, coal, and oil-producing regions in our country and result in cleaner air.

Mr. Speaker, I include as a part of my remarks today a speech I delivered to the Renewable Fuels Association last week which explains the plan.

The speech referred to is as follows:

ALCOHOL FUELS SHAPING U.S. PUBLIC POLICY

(Remarks of Representative Bill Alexander at the 1987 National Conference on Fuel Alcohol and Oxygenates, Washington, DC, October 1, 1987)

Since the first Arab oil embargo in 1973, I've looked for each opportunity to take positive steps toward energy independence.

This gathering today is an extraordinarily important assembly of people who want to help provide our great Nation with a new and vital direction in energy policy, and I want you to know I'm proud to be here.

We have the opportunity to take another important step towards energy independence by meeting the challenge posed today by the Persian Gulf War.

We stand poised on the brink of the '90s with the unfinished business of the '70s and '80s still before us.

Shamefully, much of the old agenda is still pending simply because the nation has not wisely used its abundant resources and advanced technology to their fullest potential.

In 1973, the Arab oil embargo rudely awakened the United States from the sweet dream of cheap, limitless energy.

In 1979, oil supply disruptions hit the nation again, fueling runaway inflation that helped bring down a presidency.

Until the recent escalation of the Persian Gulf War, "energy independence" was the abandoned concern of the '70s.

Now, at the end of the '80s, the Persian Gulf War again raises the issue of immediate and devastating oil price shocks.

And this time, the lives of American sailors and airmen are on the line to keep the sea lanes open.

In 1981, the Federal Government embarked on a deliberate policy of deflation and asset devaluation that sent farm income in real dollars to depths not seen since the Great Depression of the 1930s.

Since 1981, America has lost nearly 220,000 farms, according to the Agriculture Department's own estimates.

Now, at decade's end, Americans everywhere are looking for effective ways to increase farm income and revitalize the economy of Rural America.

In 1977, Congress determined that the nation's air was intolerably dirty, and gave the

cities ten years to get rid of carbon monoxide and ozone pollution.

Now, ten years later, the clean air program has fallen short of its goals, and Congress is headed back to the drawing boards on air pollution.

In the late 1970s, I served as a member of the National Alcohol Fuels Commission. That experience convinced me that the United States can become energy independent. But we will have to put renewable fuels to work. And, the struggle will be easier with the help of the nation's oil companies.

As a businessman and a commercial lawyer who represented business interests before coming to Congress, I understand the profit motive. Every business must make a profit. I want the oil companies to make a profit, and to continue to make a healthy contribution to the economy of our great nation.

Having had experience in business, I understand the reluctance of the oil companies to share a hundred billion dollar motor fuels market with farmers and coal miners. And, under normal circumstances, government must not interfere.

But energy is essential if the wheels of commerce in America are to turn. And our nation's energy supply cannot be dependent upon countries in the midst of war and internal strife.

The question of our nation's energy supply involves more than free enterprise. It involves national security, economic survival and personal health—all of which are at risk.

Therefore, I call upon the oil companies to join the effort for energy independence by supporting a national blended motor vehicle fuel policy. The oil companies have the technology and the experience to make an immediate contribution to the achievement of this goal.

A national blended motor vehicle fuels policy would help clear away the unfinished business on the nation's plate.

But, more than 15 years experience has taught me that a federal law is needed to get there from here. And, even with the cooperation of the oil companies, I believe it to be necessary to mandate the blending of fuels at the refineries in order to provide for the nation's motor vehicle fuel supply.

In a free society, the goal cannot be achieved without a national policy which is expressed through federal law.

I've introduced legislation, H.R. 2031, that would require two ideal fuels to be produced: one half the nation's gasoline supply would contain ten percent ethanol and the other half five percent methanol and two and a half percent ethanol.

This policy would provide three immediate benefits to the nation: it would enhance our energy independence; it would revive the farm and coal economies; and it would help clean the air.

I've asked the Congressional Research Service to analyze my bill, and the CRS analysis contains encouraging figures.*

In the area of energy security, CRS estimates that my bill would immediately reduce oil imports by between 190 million and 350 million barrels per year.

Given our insatiable thirst for fuel, that initial reduction is modest. But it is a start. Let us remember: you don't have to reflag a grain truck or a boxcar load of coal.

CRS estimates that my bill would create a new market for more than 2.6 billion bushels of grain annually, thereby raising the farm sector's net cash income by about $2 billion per year.

This would raise the price of corn to a level above that at which government price supports kick in—allowing the farmer to receive his income from the market instead of from a government check, and allowing the taxpayer to save the billions that would otherwise be spent on feed grain programs.

Even so, most consumers would barely notice the change. According to CRS, your grocery bill would go up less than a dollar a week.

CRS also estimates that H.R. 2031 would reduce carbon monoxide levels in the atmosphere by between 3 and 10 percent at sea level and by as much as 20 percent at higher elevations.

The choice, then, is clear.

By mandating the use of blended motor vehicle fuels to enhance the national energy policy, America can confront the unfinished business of years gone by and then face the broad vistas of a bright future.

By doing nothing, the nation will lose more ships and men in the Persian Gulf, leave itself vulnerable to oil price shocks, drive more farmers off the land, and continue clean air policies of big talk but little action.

During a town meeting I held Monday at Hazen, Arkansas, a shy teenage girl rose to seek an answer to a question that has troubled her about her government. It ws bluntly put: "When are Congress and the President going to do something besides talk about America's problems?"

A national blended fuels policy would address the nation's needs, and to address the nation's needs would do more than solve America's problems. It woud restore the faith that has been lost in the rhetoric and the hollow promises of the government.

More than hope is needed to face the future. I believe that leadership is action, not position, and that we should begin now to take another step to prepare our nation to compete in the 21st century and beyond.

Thank you very much.

Mr. CRANE. Mr. Speaker, I reserve the balance of my time.

Mr. ROSTENKOWSKI. Mr. Speaker, I yield 1½ minutes to the gentleman from California [Mr. PANETTA].

Mr. PANETTA. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, I rise today to urge the support of my colleagues for a bill to prohibit the import into the United States of all products grown, mined, produced or manufactured in Iran. This important piece of legislation was introduced and passed by the Senate on September 29, 1987, and unanimously passed by a vote of 98 to 0. It is time for this body to go on record and express its voice on this urgent matter.

My purpose in introducing this legislation is to give our Nation greater leverage for a much needed cease-fire in the current escalating Persian Gulf war. In recent days, it is indeed encouraging to see the administration beginning to work closely with the United Nations in attempting to bring about a cease-fire in that region. The Congress has an obligation and a responsibility to send a strong and clear signal to the administration, the State Department and Iran that the United States can no longer import over 700 million dollars' worth of Iranian products. It is more than hypocritical that our Nation is subsidizing Iran's reckless policies and military actions—our trade with Iran is absolutely absurd.

I am sure all of my colleagues were outraged and shocked to learn last week that our country imported 19.6 million barrels of Iranian crude oil at a cost of $359 million this past July alone. Our oil payments to Iran for just the 3 months ending in July exceeded the annual average in each of the previous 3 years with the United States paying Iran about $700 million for crude oil according to figures released by the Department of Commerce. It is important to note that merely 3 months ago only 3 percent of United States oil imports came from Iran and that has now risen to 11 percent in just the last 3 months. Even more incredible is the fact that since the release of American hostages from Tehran in 1981, there have been no import restrictions since the hostage release agreement 6 years ago.

The legislation we are considering today prohibits the import of all products and material from Iran effective immediately upon enactment although it allows the President the flexibility to waive such a prohibition if it is not in the overall interest of the United States for up to a 180-day window following enactment of the legislation.

Imagine the reaction of the American taxpayers when they realize that the Iranians are turning $700 million of American money to potentially purchasing Silkworm missiles and other weapons that directly threatens our nearly 40,000 American servicemen currently in and around the Persian Gulf. This measure would begin to put our haphazard foreign policy with regard to the Persian Gulf back on the right track to consistency and sanity. I echo the sentiment of Senator DOLE when he said yesterday, "No more business as usual with the Ayatollah."

I am on record with many of my colleagues opposing the U.S. military buildup in the Persian Gulf and I am quite discouraged at Secretary of Defense Weinberger's comments yesterday that it will be "quite a long, cold winter before the United States can reduce its military buildup in the Persian Gulf." Weinberger went on to state that United States military operations "will be required until the Iranians change their behavior." Well Mr. Secretary this legislation sends the clear and strong message that the Congress will do its part in bringing Iran into the reality of being responsible for its war-like behavior which can no longer be tolerated nor be dealt with silently and empty words.

This legislation will add the voice of both Houses of the Congress to supporting the administration's efforts to

develop tough sanctions against Iran and continue to focus our attention on a U.N. based cease-fire. The facts are clear as to which side of the war has been least cooperative in working toward a U.N. sponsored cease-fire. Iran has been attacking and placing our servicemen in imminent danger in the Persian Gulf. Iran has clearly spoken of its desire to engage in warlike confrontations with our Nation. Iran has refused to accept the U.N. cease-fire. Iran has one choice if they desire to continue trade with the United States: accept the U.N. sponsored cease-fire.

The reasons for imposing an across-the-board embargo against Iran is that upon a closer look at our imports we find that not only has oil imports grown astronomically but so has the growth of other import commodities. The commodities which have shown a marked increase in imports from December 1986 to June 1987 figures from the Bureau of Census include: tobacco and beverage products, raw textile fibers, inorganic chemicals, medical and pharmaceutical products, perfumes, soaps, natural and synthetic dyes, cheeses, spices, furniture, fresh and frozen fish, shellfish, and numerous agricultural products. The list goes on and on. No doubt our serious trade deficit is only getting worse by importing these domestically produced commodities from the Ayatollah. Such trade only adds to the absurdity of this situation with Iran and hurts our Nation economically.

Tough action and decisionmaking is the name of the game at this point with regard to the war in the Persian Gulf. The Congress can no longer stand silent while the administration supports Iran and the Ayatollah in the Persian Gulf. Our Nation's neutrality in the Persian Gulf war must not be translated into sitting on our hands on the sidelines while we put American lives on the playing field of a war we have no business playing in the first place. Certainly, imports from Iran must come to an immediate halt before the United States loses more money and American lives by supporting the war economy of the Ayatollah.

This is not a partisan bill nor is it anti-administration bill; it is a sensible piece of legislation which every Member of the House can support. My hope is that the House will speak with the same unified voice today as the Senate did last week. Our objective must continue to be to end the hostilities in the Persian Gulf, bring our servicemen home safely as soon as possible and apply economic pressure to Iran to force them to agree to a U.N. sponsored cease-fire to bring the bloody 8-year-old war in the Persian Gulf to an end.

Mr. FLIPPO. Mr. Speaker, the House will take up a measure today to prohibit any and all imports of Iranian products into the United States.

It may surprise many Members to know that over the last few years the United States has imported from Iran products valued between $500 and $600 million on a yearly average. In fact, our imports from Iran have actually grown from a total of $612 million in 1986 to $895 million in the first 7 months of 1987.

Imports of Iranian oil and textiles provide Iran with much needed hard currency to continue their war with Iraq and as we have seen more recently, to purchase the mines and missiles that are being used in an attempt to disrupt shipping in the Persian Gulf.

For the United States to continue to do business with a nation that captured and held for more than a year 52 American hostages—a nation that actively conducts or fosters international terrorism—a nation that was recently caught redhanded mining the area where American servicemen are escorting ships in international waters—for the United States to continue to trade with a nation such as this is preposterous.

This legislation will give the Commissioner of Customs the authority to implement such regulations that are necessary to carry out this prohibition and to take appropriate measures against any attempts to circumvent the prohibition by indirect shipments from third parties. It also provides the President with the flexibility to suspend the prohibition if it is deemed not in the national interest.

Mr. Speaker, it makes no sense whatsoever for the United States on one hand to place U.S. servicemen in a situation where their lives may be imperiled while on the other hand continuing a policy of trade with Iran that gives that nation the financial means to buy weapons that could be used to endanger American lives.

Mr. Speaker, I urge my colleagues' unanimous support for this legislation.

Mr. FASCELL. Mr. Speaker, I rise in support of H.R. 3391, to require the President to expand the existing embargo on trade with Iran to include a prohibition on the importation of all products from Iran. At the outset, I want to commend the chairman of the Committee on Ways and Means, the gentleman from Illinois, Mr. ROSTENKOWSKI, my good friend and colleague from California, Mr. LEVINE, the ranking minority member of the Committee on Foreign Affairs, Mr. BLOOMFIELD, and other Members for their leadership on this issue.

The legislation before us represents the joint deliberations of the Committees on Foreign Affairs and on Ways and Means concerning United States policy toward Iran. It is a necessary response to the threatening and ever escalating actions taken by Iran in the Persian Gulf. It is a strong signal to Iran that we will stand firm and employ all the tools at our disposal to protect United States national security interests. The findings in H.R. 3391 point out that Iran has layed mines in the Persian Gulf in violation of the international legal principle of freedom of navigation for nonbelligerent shipping in international waters. H.R. 3391 calls on the Government of Iran to accept U.N. Security Council Resolution 598, which calls for an immediate cease-fire in the war between Iran and Iraq, which has caused over 1 million casualties over the last 7 years. To this date, Iran has refused to accept this U.N. resolution.

H.R. 3391 reiterates that the Secretary of State continue to designate Iran as a country which has repeatedly provided support for acts of international terrorism under section 6(J) of the Export Administration Act. Iran's continued support for international terrorism is well-documented and represents a serious threat to the United States and moderate Arab States in the region. It also denies most-favored-nation treatment to Iran and calls on the President to undertake negotiations with member nations of NATO, Japan, and the Gulf Coordination Council to secure a multilateral agreement to prohibit the importation of and deny nondiscriminatory treatment to Iranian articles. Finally, the legislation before the House stipulates that the President may terminate the import prohibitions of this bill only if he determines and reports to Congress that Iran has implemented U.N. Security Council Resolution 598 and has ceased all belligerent activities in the Persian Gulf area against nonbelligerent parties. H.R. 3391 acknowledges that the purchase of Iranian oil and other products explicity contributes to the very economic, military, and political threats to United States interests in the Persian Gulf. Thus, an import embargo is a difficult, but very necessary step.

Mr. Speaker, H.R. 3391 will hopefully be the first step in building a long-term, comprehensive policy toward Iran. The administration has been slow to develop such a policy and until very recently, has even resisted modest trade sanctions against Iran. Passage of this legislation represents an opportunity to move beyond ad hoc, piecemeal reactive steps like the Iran-Contra debacle and the reflagging of Kuwaiti tankers, toward serious meaningful steps to implement an effective foreign policy in the Persian Gulf.

Mr. Speaker, I urge the unanimous adoption of H.R. 3391.

Mr. BRENNAN. Mr. Speaker, I rise today in support of H.R. 3391, a measure to prohibit the importation of all Iranian products into the United States. Given the situation which exists in the Persian Gulf, this legislation is an appropriate response to the hostilities Iran has directed to United States military personnel serving in international waters.

I believe many of my colleagues were shocked and outraged at the reports indicating that trade exists with Iran and one of the contributing factors to our Nation's trade deficit is a trade imbalance between the United States and Iran. According to figures obtained from the United States Department of Commerce, trade between the United States and Iran for the first 7 months of this year resulted in imports of $935 million and exports of $18.4 million. Our imports of Iranian oil have grown from 3 percent of our oil imports to 11 percent in the month of July alone. In addition to oil, the United States is importing rugs, antiques, shellfish, caviar, pistachios, and chemicals. I am certain that the people of Maine are willing to forgo Iranian caviar and Persian rugs through the passage of this important legislation.

However, for this legislation to be effective, the United States must work with our allies to

urge their compliance in securing this needed embargo. Unfortunately, when the United States undertakes a trade embargo, we often do not have the full cooperation of our allies. This results in the embargos' effectiveness being severely compromised in the face of trade activity by our allies.

Actions taken by the Senate have preceded actions we are about to take on this legislation. However, the embargo language adopted by the Senate is in the form of amendments attached to two measures, the omnibus trade bill and the fiscal year 1988 Department of Defense authorization act, are under the threat of a Presidential veto. The approval of H.R. 3391 will insure this timely action calling for an immediate embargo can quickly become law.

If the nation of Iran continues open hostilities with our country, we must not allow trade to exist between us. Should the climate improve and Iran accept a cease-fire to the lengthy and tragic war with Iraq, we can then look at possibly renewing our trading practices. The very idea of our military personnel being placed in great jeopardy through the actions or Iranians, and permitting trade to take place with Iran is an affront to all Americans. We must accept whatever hardship will occur in the interests of preventing further United States support for the war economy of Iran. Since 1981, when our hostages were finally returned after over 400 days of captivity by Iran, over $4.5 billion of imports entered our markets. Swift adoption of this legislation is a necessary and proper course of action to take while hostilities exist between our two nations. I urge the State Department to work for the cooperation of our allies to insure effective compliance with an economic trade embargo against Iran. This legislation could serve to place the nation of Iran on notice that their hostilities will not be accepted with the practice of continuing economic ties.

I urge my colleagues to join me in strong support of H.R. 3391.

Mr. SKELTON. Mr. Speaker, I'm pleased to be joining with so many of my colleagues in supporting H.R. 3391, legislation which would ban the importation of Iranian products into the United States.

Relations between the United States and the Islamic Republic of Iran have been frayed since the illegal capture and detention of the American hostages in 1979. Over the past 8 years, official diplomatic contact has been spotty at best. The war in the Middle East and ever increasing Iranian military actions in the Persian Gulf continue to pose a serious danger to United States personnel, equipment and interests.

One way to help force Iran to stop its hostilities in the region would be to prevent Iranian products—especially oil—from reaching our shores. This decision comes in response to news that United States purchases of Iranian oil dramatically increased over the summer months.

This drastic action is necessary because we cannot stand by as the Iranian Government continues to finance terrorist activities around the world. For example, last month we caught the Iranians redhanded as they were attempting to plant potentially deadly mines in water traveled by United States Navy ships.

The embargo is being considered now because it was just disclosed that United States imports of Iranian oil totaled $700 million last summer, making Iran America's second largest supplier of crude oil. Quite frankly, buying oil from the Ayatollah is intolerable and must be ended immediately.

Mr. Speaker, this ban on all Iranian products will do just that.

Mr. WEISS. Mr. Speaker, I rise in support of H.R. 3391. This bill calls for a total ban on the importation of oil and other products from Iran. In addition, the substitute version adopted this morning in the Foreign Affairs Committee would deny Iran most favored nation trade status. Finally, the substitute calls on the President to engage in negotiations with other countries to impose a multilateral ban on Iranian imports.

It is abundantly clear that the continued importation of products from Iran is providing financial support for the Iran war effort at a time when we are attempting to bring an end to the gulf conflict and at a time when our own forces face the threat of ongoing hostilities in the gulf region. In fact, United States purchases of Iranian goods have averaged more than one half a billion dollars annually in recent years.

This bill will bar further subsidies to Iran, a nation that we have formally declared is in support of international terrorism. It will permit the administration to lift this ban only if Iran ceases belligerent actions and agrees to comply with terms of U.N. Security Council Resolution 598, which calls for an immediate cease-fire in the Iran-Iraq war.

The imposition of stiff economic sanctions is far preferable to the course of action that we are now pursuing in the gulf, where our naval escort has been involved in direct hostilities with Iranian forces and is operating in violation of the War Powers Act. In fact, economic sanctions will likely do more to convince the Iranians to change their behavior than will our reckless military adventure in that region.

Nevertheless, it warrants pointing out that the imposition of economic sanctions by the United States alone will have only limited effectiveness. It has been our longtime experience that economic sanctions are only fully successful when they are entered into jointly with our allies.

While we do not yet know how our allies will respond to our call for sanctions, we must realize that our allies cannot have forgotten the recent events in which the United States Government publicly urged other nations to forgo arms shipments to Iran while at the same time carrying out a covert policy of direct arms sales to that nation. This grave foreign policy error by the Reagan administration has undoubtedly undermined our credibility with our allies with respect to Iran and international terrorism in general.

The Iran-Iraq war is an ongoing tragedy that threatens to further destabilize the entire Middle East. The world community must continue to cooperate to bring about an end to these hostilities. This legislation, which will eliminate the flow of United States dollars to the Iranian Government, will contribute to that cause. But it is an unfortunate fact that the grave foreign policy error of the Reagan administration in selling arms to Iran will limit the success of these proposed sanctions. Moreover, the Reagan administration's illegal, dangerous, and misdirected military adventure in the gulf region is threatening American lives and detracting from ongoing efforts to achieve a peaceful solution.

Congress should approve this legislation and oversee its enactment to be certain that the administration complies with its provisions. But we should also go one step further and focus serious attention on the administration's failure to invoke the War Powers Act as legally required, and its failure to articulate a rational policy for the gulf region.

Mr. CRANE. Mr. Speaker, again I urge unanimous support for H.R. 3391; and I yield back the balance of my time.

Mr. ROSTENKOWSKI. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Illinois [Mr. ROSTENKOWSKI] that the House suspend the rules and pass the bill, H.R. 3391, as amended.

The question was taken.

Mr. ROSTENKOWSKI. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 5 of rule I and the Chair's prior announcement, further proceedings on this motion will be postponed.

COMMITTEE ON FOREIGN AFFAIRS SEEKING MODIFIED OPEN RULE ON INTERNATIONAL SECURITY AND DEVELOPMENT COOPERATION ACT OF 1987

(Mr. FASCELL asked and was given permission to address the House for 1 minute.)

Mr. FASCELL. Mr. Speaker. I rise to inform the House that the Committee on Foreign Affairs is seeking a modified open rule on H.R. 3100, the International Security and Development Cooperation Act of 1987.

PERMISSION TO OFFER AMENDMENTS TO TITLES III AND IV OF H.R. 3030, AGRICULTURAL CREDIT ACT OF 1987

Mr. DE LA GARZA. Mr. Speaker, I ask unanimous consent that the gentleman from Vermont [Mr. JEFFORDS] may be allowed to present an amendment to title III in order that it may conform to the title III amendment that will be offered by the gentleman from Texas today.

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

Mr. JEFFORDS. Mr. Speaker, reserving the right to object, that pre-

sumes that I would have the right, as I have discussed, to modify that amendment such that I can conform to the wishes of most Members that I have talked to, that the borrower would have the option of having his paper sold on the secondary market without borrower's right, but that would be at the option of the borrower.

The SPEAKER pro tempore. Would the gentleman from Texas restate the gentleman's unanimous-consent request?

Mr. DE LA GARZA. Mr. Speaker, the request is that the gentleman from Vermont [Mr. JEFFORDS] be allowed to introduce or to offer an amendment to title III.

□ 1345

Mr. JEFFORDS. Yes, that is correct, and I also want to include title IV. Title III would modify my original amendment to make it conform to the Stenholm amendment, and, in addition, would allow for notes to be sold on the secondary market for the Farm Credit System with the borrower's approval, without the borrower's rights.

The SPEAKER pro tempore. Does the gentleman from Texas include the second matter in his unanimous-consent request to permit Mr. JEFFORDS to offer two modified amendments to be offered to titles III and IV by Mr. DE LA GARZA?

Mr. DE LA GARZA. The gentleman from Texas does, Mr. Speaker.

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

Mr. HUCKABY. Reserving the right to object, Mr. Speaker, might I inquire, is it the intent of the gentleman from Vermont to make it at the discretion of the Federal Land Bank, for instance, that they might suggest to the borrower that he waive his borrower's right in order to do this?

Mr. JEFFORDS. Mr. Speaker, if the gentleman will yield, the intent is to give the borrower an option that says if you want your borrower's rights, to go through the normal course of the bonding market and pay the interest rates well delineated, which would most likely be higher than the interest rate you could get going to the secondary market. Thus he would then have the option of either keeping the borrower's rights and selling it in the normal course, using the bond funds to fund his note, or to let it be sold on secondary market at a lower interest rate and have the benefit of the lower interest rate, but give up his rights with respect to foreclosure; so it would give the borrower the option, as it would be stated in the amendment.

This gets us out of the problem we have where you would have no notes with borrower's rights being able to be sold on the secondary market, and thus you will be able to put them in a competitive position interest-rate wise with those that are sold by commercial banks and put the bank and the Farm Credit System on a level playing field with regard to the borrower's rights.

Mr. HUCKABY. Mr. Speaker, I thank the gentleman for that explanation.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas [Mr. DE LA GARZA]?

The was no objection.

PERMISSION FOR EN BLOC MODIFICATIONS OF AMENDMENTS TO H.R. 3030, AGRICULTURAL CREDIT ACT OF 1987

Mr. DE LA GARZA. Mr. Speaker, I further ask unanimous consent be permitted in Committee of the Whole to modify, en bloc, the following amendments originally sponsored by the following Members and adopted by the Committee of the Whole on September 21, 1987: No. 5, offered by Mr. HUCKABY; No. 8, offered by Mr. LIGHTFOOT; No. 15, offered by Mr. SIKORSKI; and No. 39, offered by Mr. WATKINS.

The modifications requested are technical in nature and reflect the sponsors' intents.

Modification No. 1 would modify amendment No. 5, as modified, offered by Mr. HUCKABY to delete a provision as agreed to by both sides, that would provide supervisory and enforcement powers to Farm Credit System Service Banks over each System association operating in its regional service area.

Modification No. 2 would modify amendment No. 8, as modified, offered en bloc by Mr. DE LA GARZA to reflect the sponsor's intent that real estate agents located in the county in which the land is located, instead of where the lender is located, handle offers to sell such property.

Modification No. 3 would modify amendment No. 15, offered by Mr. SIKORSKI, to reflect the sponsor's intent and the discussion of the amendment on the floor on September 21, 1987, to require each Farm Credit System institution with more than 20 employees to establish an affirmative action program plan.

Modification No. 4 would modify amendment No. 39, offered en bloc by Mr. DE LA GARZA, to recognize all the various organizations and individuals assisting our rural sector during times of crisis.

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

There was no objection.

AGRICULTURAL CREDIT ACT OF 1987

The SPEAKER pro tempore. Pursuant to House Resolution 265 and rule XXIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the further consideration of the bill, H.R. 3030.

□ 1350

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 3030) to provide credit assistance to farmers, to strengthen the Farm Credit System, and for other purposes, with Mr. TRAXLER in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee of the Whole rose on Monday, September 21, 1987, amendment No. 25 in House Report No. 100-307 had been disposed of.

Pursuant to the order of the House of Monday, September 21, the following Members will be recognized for 15 minutes each for general debate: the gentleman from Texas, Mr. DE LA GARZA; the gentleman from Illinois, Mr. MADIGAN; the gentleman from Rhode Island, Mr. ST GERMAIN; the gentleman from Ohio, Mr. WYLIE; the gentleman from Michigan, Mr. DINGELL; and the gentleman from New York, Mr. LENT.

The Chair recognizes the gentleman from Texas [Mr. DE LA GARZA] to offer technical amendments en bloc as permitted by the order of the House of today.

The Chair would inquire of the distinguished gentleman from Texas whether or not he has any technical amendments to be offered.

AMENDMENTS OFFERED BY MR. DE LA GARZA

Mr. DE LA GARZA. Mr. Chairman, I offer amendments.

The Clerk read as follows:

Amendments offered by Mr. DE LA Garza:

Page 2, amend the item relating to title I in the table of contents to read as follows:

TITLE I—PROVISIONS TO ASSIST FARM CREDIT SYSTEM BORROWERS AND IMPROVE THE ADMINISTRATION OF THE FARM CREDIT ACT OF 1971

Page 3, beginning on line 1 amend the heading for title I to read as follows:

TITLE I—PROVISIONS TO ASSIST FARM CREDIT SYSTEM BORROWERS AND IMPROVE THE ADMINISTRATION OF THE FARM CREDIT ACT OF 1971

Page 4, line 7, insert "at par" before "under".

Page 4, line 12, strike out "(c)" and insert in lieu thereof "(d)".

Page 4, line 15, strike out "the" and insert in lieu thereof "an".

Page 5, beginning on line 6, strike out "allocated equities, and other forms and types

of equities" and insert in lieu thereof "and equities that are subject to retirement under a revolving cycle".

Page 6, line 22, strike out "this Act" and insert in lieu thereof "the loan".

Page 8, line 1, strike out "will not foreclose any such suitable loan" and insert in lieu thereof "will review any such suitable loan for restructuring".

Page 8, line 11, strike out "as appropriate,".

Page 8, line 12, insert "if the loan is suitable for restructuring" before the period.

Page 10, line 2, strike out "this Act" and insert in lieu thereof "the loan".

Page 10, line 12, insert a comma after "status".

Page 16, line 12, insert "a copy of the report of" just after the open quotation marks.

Page 20, beginning on line 9 strike out "to whom the System institution has made an agricultural loan" and insert in lieu thereof "who has obtained an agricultural loan from a System institution".

Page 20, line 11, strike out "that" and insert in lieu thereof "which loan".

Page 20, beginning on line 23, strike out "for sale or lease to any other person" and insert in lieu thereof "to any other person for either sale or lease (for a period established by the lender not to exceed ten years)".

Page 21, beginning on line 4, strike out "such real property or lease such real property for a period not to exceed 10 years" and insert in lieu thereof "or lease such real property, as the case may be".

Page 21, beginning on line 9, strike out "such real property, or lease such real property for a period not to exceed 10 years, as the case may be" and insert in lieu thereof "or lease such real property, as determined by the lender".

Page 21, beginning on line 14, strike out "family-owned and -operated" and insert in lieu thereof "family owned and operated".

Page 21, line 16, insert a comma after "located".

Page 21, beginning on line 23, strike out "liquidation, or bankruptcy" and insert in lieu thereof "bankruptcy, or liquidation".

Page 24, beginning on line 17, strike out "this Act" and insert in lieu thereof "the Agricultural Credit Act of 1987".

Page 25, beginning on line 9, strike out "locally-controlled".

Page 30, line 15, insert "Federal land bank association," after "Federal land bank,".

Page 38, line 24, strike out the comma.

Page 39, line 14, insert a comma after "therefrom".

Page 40, line 12, strike out "4.28F(a)(14)" and insert in lieu thereof "4.28G(a)(14) or 4.28H".

Page 40, line 13, strike out "and under section 4.28G,".

Page 41, beginning on line 6, strike out "an equivalent amount of assistance or a commitment for such amount of assistance" and insert in lieu thereof "equivalent assistance".

Page 45, line 9, insert a comma after "Corporation".

Page 53, line 19, insert "appointed by the President, by and with the advice and consent of the Senate, as" before "the Chairman".

Page 55, line 13, strike out "at such time".

Page 55, line 23, strike out "at such time".

Page 56, line 9, insert "percentage of the" before "aggregate".

Page 57, line 17, strike out "or trustees".

Page 65, line 16, strike out "the" and insert in lieu thereof "debt".

Page 69, line 23, strike out "working".

Page 74, strike out lines 4 through 6 and insert in lieu thereof the following:

(A) by inserting after "long-term" the first place it appears the following: ", consolidated, or System-wide";

Page 75, beginning on line 15, strike out "association or other financing institution" and insert in lieu thereof "association, or on loans made by the other financing institution and discounted with the Federal intermediate credit bank,".

Page 75, beginning on line 19, strike out "association or other financing institution" and insert in lieu thereof "association, or on loans made by the other financing institution and discounted with the Federal intermediate credit bank,".

Page 76, line 17, strike out "proposed".

Page 76, line 20, strike out "based on" and insert in lieu thereof "applicable to each such institution based on the institution's".

Page 80, line 7, strike out "book" and insert in lieu thereof "face".

Page 85, line 22, insert a comma after "place".

Page 86, line 1, insert "board of directors of the" before "bank".

Page 86, line 4, insert "board of directors of the" before "district".

Page 90, beginning on line 22, strike out "district Federal farm credit bank" and insert in lieu thereof "merged".

Page 91, beginning on line 24, strike out "1.4A(b) and 2.1(b)," and insert in lieu thereof "1.4A(b), 2.1(b), and 3.2(a)(2),".

Page 100, strike out line 2 and insert in lieu thereof the following:

igible to borrow from the bank.

"(3) Nothing in this subsection shall be construed to adversely affect the eligibility, as it existed on the date of the enactment of the Agricultural Credit Act of 1987, of cooperatives and other entities for any other credit assistance under Federal law.".

Page 183, line 10, insert "or that are direct borrowers from the merged association" before the period.

Page 185, line 5, insert "issuance of" before "such charter".

TECHNICAL AMENDMENTS OFFERED BY MR. DE LA GARZA OF TEXAS TO AMENDMENTS NUMBERED 5, 8, 15, AND 39 AS ADOPTED BY THE COMMITTEE OF THE WHOLE ON SEPTEMBER 21, 1987, TO BE CONSIDERED EN BLOC

(1) Amendment No. 5, as modified, offered by Mr. Huckaby, is modified by striking out "'manner"' and all that follows through "Farm Credit Act of 1971." and inserting in lieu thereof the following:

"'manner." insert the following:

"After the establishment of Farm Credit System Service Banks as provided for in section 6.2, the Temporary Assistance Corporation may coordinate assistance to each System institution through the Farm Credit System Service Bank serving the region in which the System institution is located.".'

(2) Amendment No. 8, as modified, offered en bloc by Mr. de la Garza is modified by striking out "lender is located" and inserting in lieu thereof "land is located".

(3) Amendment No. 15 offered by Mr. Sikorski is modified by inserting "with more than 20 employees" after "Farm Credit System".

(4) Amendment No. 39, as modified, offered en bloc by Mr. de la Garza, is modified by striking out "It is the sense" and all that follows through "support the National Rural Crisis Response Center." and inserting in lieu thereof the following: "It is the sense of Congress that efforts by various State and local public agencies, citizens' groups, church and civic organizations, and individuals to focus attention on and respond to rural problems throughout the Nation are deserving of the recognition, encouragement, and support of Congress and the American people for the valuable services they provide."

Mr. DE LA GARZA (during the reading). Mr. Chairman, I ask unanimous consent that the amendments be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. The gentleman from Texas [Mr. DE LA GARZA] is recognized for 10 minutes.

Mr. MADIGAN. Mr. Chairman, will the gentleman yield?

Mr. DE LA GARZA. I yield to my distinguished colleague, the gentleman from Illinois.

Mr. MADIGAN. Mr. Chairman, I thank the gentleman for yielding.

We have had the opportunity on this side to review this en bloc amendment, which is in all its parts strictly technical in nature. We have no objection to it and would hope that the entire House would support the amendment.

Mr. DE LA GARZA. Mr. Chairman, I thank the distinguished gentleman for his cooperation.

That explains the amendment, Mr. Chairman.

The CHAIRMAN. The question is on the amendments offered by the gentleman from Texas [Mr. DE LA GARZA].

The amendments were agreed to.

Mr. DE LA GARZA. Mr. Chairman, I ask unanimous consent, if that be necessary, that my distinguished colleagues from the Committee on Banking, Finance and Urban Affairs and the Committee on Energy and Commerce be allowed to utilize their time, if they wish to avail themselves of it at this time.

The CHAIRMAN. The Chair will make a statement. As the Chair stated a few moments ago, pursuant to the previous order of the House, the time has been allocated and apportioned.

Mr. DE LA GARZA. Mr. Chairman, it was my intention in deference to the cooperative spirit of the other two committees, to yield to them to make their presentations prior to mine if they so desire.

PARLIAMENTARY INQUIRIES

Mr. MADIGAN. Mr. Chairman, I would like to address a parliamentary inquiry to the Chair.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. MADIGAN. Mr. Chairman, I would like to inquire as to the procedure that is going to occur here. I understand that the Banking, Finance and Urban Affairs Committee and the Energy and Commerce Committee

have language in the nature of a substitute for the title III that is contained in the Agriculture Committee reported bill.

I wondered what the procedure was going to be for that amendment in the nature of a substitute arriving and being presented on the floor and how we were going to proceed to ask questions and have those questions answered under this hour and a half procedure that has been described.

The CHAIRMAN. As the Chair understands the orders under which we are operating, there will be an hour and a half of general debate and then the distinguished gentleman from Texas [Mr. DE LA GARZA] has the right to offer modifications of amendments, which will be debated for 20 minutes. Then there could be the Jeffords amendment to that amendment.

Mr. MADIGAN. Pursuing my inquiry, if the Chair will tolerate the pursuit, do I understand then that the de la Garza en bloc amendments to title III will actually be the work of the Banking, Finance and Urban Affairs Committee and the Energy and Commerce Committee and will be offered by the gentleman from Texas?

The CHAIRMAN. The Chair regrets to advise the gentleman that the Chair has no information as to the nature of the compromise amendment or who its authors may be, other than the sponsor, the gentleman from Texas [Mr. DE LA GARZA] or his designee.

Mr. MADIGAN. Well, Mr. Chairman, under a previous order of the Chair, there are only certain amendments that are in order. One of those is the de la Garza amendment to title III, and nowhere on the list of amendments that are in order under a previous order of the Chair is there any reference to an amendment forthcoming from the Banking, Finance and Urban Affairs and Energy and Commerce Committees, so I am curious to know how and when that is going to be before us.

The CHAIRMAN. The Chair would state that the gentleman from Texas has the right under the rule of the House previously adopted to offer a modification of numbered amendments en bloc to title III. It could be part of the gentleman's amendment.

Mr. MADIGAN. May I further inquire, Mr. Chairman, if the time allowed for debate on that amendment has been limited under a previous order?

The CHAIRMAN. The Chair would answer affirmatively. Under the rule that we must operate under, it is 20 minutes.

Mr. MADIGAN. And Mr. Chairman, is that time divided between the majority and the minority equally?

The CHAIRMAN. The gentleman is correct.

Mr. MADIGAN. I thank the Chair for this indulgence, and I apologize.

Mr. FRANK. Mr. Chairman, I have a parliamentary inquiry.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. FRANK. Mr. Chairman, under the rule as it now is before us, is an amendment to strike the entire title III in order?

The CHAIRMAN. That could be in order. It is one of the amendments printed in the report from the Rules Committee.

The Chair would also state that under the rule that amendment would have to be offered by the gentleman from Michigan [Mr. DINGELL].

Mr. FRANK. And if the gentleman from Michigan chose not to offer it, it would not be offered?

The CHAIRMAN. Under the rules, the gentleman is correct, it cannot be offered.

Mr. FRANK. I thank the Chairman, who not surprisingly anticipated my further inquiry with his answer.

The CHAIRMAN. The Chair would inquire as to which of the committees seek recognition for time.

Mr. ST GERMAIN. Mr. Chairman, I do.

The CHAIRMAN. The gentleman from Rhode Island [Mr. ST GERMAIN] is recognized for 15 minutes.

Mr. ST GERMAIN. Mr. Chairman, I yield myself such time as I may consume.

At the conclusion of the general debate, Chairman DE LA GARZA will offer a substitute for title III which reflects a consensus of the Banking, Energy and Commerce and Agriculture Committees on the structure of a secondary market for agricultural real estate loans. I endorse that substitute and I urge my colleagues to support it.

When H.R. 3030 was reported by the Agriculture Committee, title III raised many questions for members of the Banking Committee. As a committee, we were not opposed to the concept of a secondary market for agricultural loans, but the amount of time for our committee's review, provided by the sequential referral, did not give us an opportunity to study this proposal adequately.

Our discussions with the House leadership, the Agriculture Committee and the Energy and Commerce Committee resulted in a temporary postponement of the consideration of title III. Your Committee on Banking utilized this period to work cooperatively with our sister committees and to produce legislation which merits the support of the House.

The substitute that will be offered by Chairman DE LA GARZA provides for a better run, more efficient secondary market. Because of our experience and knowledge of secondary markets for residential mortgages, we were able to contribute a certain expertise on how a secondary market should be structured and how it can most efficiently function.

In addition, the consensus substitute we bring to the House today now contains needed provisions which strengthen the underwriting standards of the loans to be sold in the secondary markets. The underwriting standards provide greater protection for the U.S. taxpayers and reduce the likelihood that the $1.5 billion line of credit will have to be used. The committees' cooperative effort has produced a secondary market which holds promise to provide the long-term fixed-rate credit that American agriculture needs.

At this point, I want to take time to compliment my fellow colleagues who have contributed to this legislation. Congressman RICK LEHMAN has been the leading proponent of an agriculture secondary market for several years. His efforts and the efforts of Congressman JIM LEACH and Congressman DOUG BEREUTER were essential in crafting this substitute. I want to thank our ranking minority member, Congressman CHALMERS WYLIE, for his cooperation as well. Other members of the Banking Committee who contributed to this product and deserve commendation include MARY ROSE OAKAR, BRUCE VENTO, CHUCK SCHUMER, and BRUCE MORRISON.

I also want to thank my fellow chairmen JOHN DINGELL and KIKA DE LA GARZA. We were able to work together in a cooperative and collegial manner to insure that despite the time pressures and unusual parliamentary situation we faced, we were able to fashion legislation creating a secondary market that we can all support.

Finally, I want to commend the House leadership for recognizing that this legislation raised serious and legitimate concerns for the Banking Committee and for providing time for the committee to recommend changes to improve title III. I believe that as a result of these accommodations we have avoided the types of disagreement which would have endangered chances for passage of any agricultural secondary market.

Mr. Chairman, I want to describe briefly some of the changes recommended by the Banking Committee. The substitute contains several amendments to increase public accountability of the Corporation. The consensus substitute provides for the President to appoint the Chairman of the Board of the Federal Agricultural Mortgage Corporation. We have also required that the Secretary of Treasury and a public representative with knowledge of secondary market operations sit on the Board of Directors.

The Banking Committee also has recommended several amendments which provide greater protection for U.S. taxpayers and decrease the likeli-

hood that the $1.5 billion line of credit to the U.S. Treasury will be used. Specifically, we authorize the Corporation to assess its fees based upon the risk presented by loan pools. The legislation contains requirements for individual loans which reduce the probability of default. These requirements include an 80-percent loan-to-value ratio, property appraisals based on current agricultural use and certification that the property will have a positive cash-flow.

In addition, the substitute contains underwriting standards for the loan pools which require that the pools be composed of loans that are diverse with respect to geographic location, commodities grown and loan size. Also, no single pool may contain two or more loans to related agricultural interests and that no single loan be greater than 2 percent of the entire amount of the pool. We have also provided for a period of congressional review of any underwriting standards.

Finally, the substitute prohibits the payment of any dividend to stockholders if any outstanding obligation to the U.S. Treasury exists.

These and other provisions, recommended by the Committees on Banking and Energy and Commerce greatly improve the legislation before us. I would now like to reserve the balance of my time to allow other Members to describe aspects of this important legislation.

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At this point I want to take time to compliment my fellow colleagues who have contributed to this legislation. The gentleman from Texas [MICKEY LELAND] has been the leading proponent of an agriculture secondary market for several years. His efforts and the efforts of the gentleman from Iowa [JIM LEACH] as well as the gentleman from Nebraska [DOUG BEREUTER] were essential in crafting this substitute.

I want to thank our ranking minority Member, the gentleman from Ohio [CHALMERS WYLIE] for his cooperation as well. Other members of the Committee on Banking, Finance and Urban Affairs contributed to this product and deserve commendation, including the gentlewoman from Ohio [MARY ROSE OAKAR], the gentleman from Minnesota [BRUCE VENTO], the gentleman from New York [CHUCK SCHUMER], and the gentleman from Connecticut [BRUCE MORRISON].

I also want to thank my fellow chairmen, the gentleman from Michigan [JOHN DINGELL] and the gentleman from Texas [KIKI DE LA GARZA]. We were able to work together in a cooperative manner, collegial manner, to ensure that despite time pressures and the unusual parliamentary situation we face, we were able to fashion legislation creating a secondary market that we can all support.

Finally, I want to commend the House leadership for recognizing that this legislation did indeed raise serious and legitimate concerns for the Committee on Banking, Finance and Urban Affairs, and for providing time for the committee to recommend changes to improve title III. I believe that as a result of these accommodations we have avoided the types of disagreements that would have endangered chances for passage of any agricultural secondary market.

Mr. Chairman, I reserve the balance of my time.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. WYLIE] for 15 minutes.

Mr. WYLIE. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I rise in support of title III, assuming that it is amended by a substitute which will be offered a little later on by the distinguished gentleman from Texas [Mr. DE LA GARZA], chairman of the Agriculture Committee. I believe that the substitute which we crafted fairly represents a consensus on the part of the Banking, Finance and Urban Affairs Committee, the Energy and Commerce Committee, and the Agriculture Committee and incorporates changes that will promote the creation of a workable secondary market for farm mortgages.

Title III, as revised, hopefully, will ensure that a long-term stable source of funds is available to our Nation's farmers and ranchers. We are all familiar with the highly developed secondary market for home mortgages made possible in large part by the creation of Ginnie Mae, Fannie Mae, and Freddie Mac. The Agricultural Mortgage Corporation is patterned after these organizations and is intended to create a similar market for farm loans.

In 1986, almost $260 billion in home loan mortgage backed securities were issued. This represents almost 70 percent of the $384 billion in the home loan market. The importance of this secondary market in ensuring a continued, adequate supply of home mortgage money cannot be overstated. Of course, we are now witnessing the development of secondary markets for other types of loans; for example, car loans and even credit card debt.

If there is any sector of the economy that is in trouble because of past Government policies, it is the agricultural sector. Creating a secondary market for agricultural loans could help to ensure a more stable supply of credit at a lower cost to our farmers and ranchers. It has worked pretty well for our Nation's housing industry, as I said, and maybe it can work for our Nation's farmers as well.

The consensus substitute that will be offered by the gentleman from Texas [Mr. DE LA GARZA] goes a long way toward resolving the concerns raised by many, including Treasury Secretary Jim Baker and others. The substitute is not perfect, but a number of provisions have been added to protect the interests of the Government. These improvements include, among others:

First, naming the Secretary of the Treasury or his designee to the Board of the Mortgage Corporation;

Second, prohibiting the corporation from paying dividends if any money is owed to the Treasury;

Third, prescribing standards to ensure that the loan pools are diversified;

Fourth, specifying minimum underwriting standards; and

Fifth, authorizing the corporation to base the fee it charges for credit enhancement on the amount of risk represented by the particular loan pool.

The substitute also includes an authorization of appropriations for the $1.5 billion line of credit provided to the Mortgage Corporation.

Mr. Chairman, I would like to thank the chairmen and ranking members of the Committee on Agriculture, the Committee on Energy and Commerce and especially the gentleman from Rhode Island [Mr. ST GERMAIN], the chairman of the Committee on Banking, Finance and Urban Affairs for their very constructive efforts to improve title III. This was truly a bipartisan effort, and I urge adoption of the de la Garza substitute.

Mr. Chairman, I reserve the balance of my time.

Mr. ST GERMAIN. Mr. Chairman, I yield 2 minutes to the gentleman from Massachusetts [Mr. FRANK], a member of the committee.

Mr. FRANK. Mr. Chairman, I thank the gentleman from Rhode Island for yielding me this time and want to commend the work that he and the chairman of the Committee on Energy and Commerce did to improve this product. They did I think the best that they could given the constraints that they were forced to work under, those constraints being that under the rule and this parliamentary situation they had very limited control. I say that because I think they have improved a bad product, but not to the point where anybody ought to vote for it.

Once again, we have the phenomena that I have not quite focused on of a lot of my friends who so ably support the agricultural sector are great supporters of the free market, and I had not understood the principles of the free market to include quite the degree of Government guarantee to lenders that we see here. I think it is a mistake for us to continue on the path of pouring additional amounts of public money into the agricultural sector without some very significant changes.

Some changes are made in this bill to the whole Farm Credit System, and I understand the need for some response there. But the way the secondary market function exists now, even after the improvements that the chairman of the Committee on Banking, Finance and Urban Affairs and the chairman of the Committee on Energy and Commerce and those working with them were able to effect, still we have a degree of Government subsidy to encourage more lending into the agricultural sector that is not good economics. I do not think it is good agricultural policy, and it builds in further demands on the budget.

It is interesting that many of our colleagues have paused in our insistence on balanced budget amendments, Gramm-Rudman and other ways to cut spending to pour billions and billions more into the agricultural system. Some of it is necessary because we have obligations to deal with people who are already in trouble. But the secondary market with the guarantee in effect that it has is going to continue what seems to me to be a very inconsistent policy of deploring big spending while at the same time we pump it up some more.

So while under the rule there apparently will not be a chance to strike the whole thing, for me it is enough reason to vote against the whole bill.

Mr. WYLIE. Mr. Chairman, I yield 3 minutes to the gentleman from Iowa [Mr. LEACH] who is one of the principal architects of the substitute to be offered by the gentleman from Texas [Mr. DE LA GARZA].

Mr. LEACH of Iowa. I thank the gentleman for yielding me this time and appreciate his leadership on this issue.

Mr. Chairman, let me just say the secondary market probably represents the single most important credit advance for agriculture in the history of the Midwest. It is of historic significance.

With regard to the comments of the gentleman from Massachusetts who formerly spoke, let me just suggest that this is a step toward free enterprise, not away from it, because in the last several decades what we have seen in agricultural lending is a pullback of the private sector more toward the cooperative sector. This puts the private sector back into lending.

The question can be raised what about the meaning of the 90-percent guarantee. In actual fact, the cooperative sector has 100 percent guarantee because that is the meaning of the bill we are addressing this afternoon, which is in effect a bailout of the Farm Credit System. So this is at least a 10-percent step toward more free enterprise, not toward less.

The second point I would like to raise is if we look at the age factor in American agriculture, the average age of the farmer in the Midwest is in the midfifties. We are going to see an enormous change in land structure in the next decade or two that is going to need an enormous amount of capital. This is one of the most effective, reasonable and accountable ways to bring it into the System.

Finally, let me just suggest that 5 or 6 years ago when one compared the average price of Midwestern or American agricultural land with German, French or Irish, we find that our land was selling at about a half to a quarter. Since then American Midwest farm land has depreciated some 60 percent while theirs has not. Since then the value of the dollar has gone down about 25 percent. Suddenly we have a "for sale" sign over Midwestern agriculture. If we do not come up with techniques and ways of bolstering land prices, and at the same time allowing American farmers to buy American land, we are going to be in a real pickle in this country.

So I would just suggest that this brings fair balance to a fair bill, and it is going to be good for the Farm Credit System and good for the American farmer. I urge its adoption.

Mr. ST GERMAIN. Mr. Chairman, I yield 3 minutes to the gentleman from California [Mr. LEHMAN], a member of the committee.

Mr. LEHMAN of California. Mr. Chairman, I rise in support of H.R. 3030, the Agricultural Credit Act of 1987, and would like to indicate my strong support for title III which would establish a secondary market for agricultural real estate loans.

Title III would establish a new secondary market, Farmer Mac, to allow both the Farm Credit System and commercial lenders such as banks and insurance companies, to package or pool their agricultural real estate loans for resale to the investment community.

Farmer Mac will ensure that adequate funds remain available to meet the long-term needs of agriculture by providing greater access to the capital markets. It will help eliminate some of the regionalized problems currently facing agricultural lenders by allowing for diversification of lenders' loan portfolios and it will help stabilize both interest rates and land values.

Secondary markets are not new to Congress nor to the Federal Government. Secondary markets such as Fannie Mae, Freddie Mac, and Ginnie Mae have already contributed enormously to the success of the housing industry. Farmer Mac borrows from the success of these existing secondary market entities and has the potential to be as successful in meeting the real estate financing needs of agriculture.

Mr. Chairman, I first become interested in the need to create a secondary market during the 99th Congress and viewed it as means of avoiding some of the agricultural credit problems which we presently face and are attempting to address through this and other legislation during the past 2 years.

I was joined by my good friend from Nebraska and colleague on the Banking Committee, Congressman DOUG BEREUTER, as well as a number of other like-minded Members, in introducing our own version of Farmer Mac, H.R. 5132, during the 99th Congress. A hearing was held by the Banking Committee on this legislation over a year ago. Since that time a number of different legislative approaches have been introduced in this Congress. Also, the major trade groups who represent commercial agricultural lenders, as well as the Farm Credit System and interest groups who would be served or affected by such a market, have joined to develop this consensus approach.

Studies by these groups, as well as one done at my request by the General Accounting Office, confirm the potential of a secondary market as a means of facilitating the delivery of long-term agricultural credit. Extensive hearings by the House Agriculture Committee further confirmed the need to develop such a market. Let me add that Chairmen DE LA GARZA, ED JONES of the Conservation Credit Subcommittee, and my own chairman of the Banking Committee, FERNAND ST GERMAIN, should be acknowledged for their efforts to perfect this bill.

The substitute amendment being offered by Chairman DE LA GARZA is a well thought out approach that includes a number of recommendations of the Banking and Energy and Commerce Committees. All of the concerns which were raised by Farmer Mac critics several weeks ago have been resolved and this substitute is both good legislation and sound public policy.

Farmer Mac is not a bailout for bad farm debt. It is a means of providing stable and competitive interest rates for long-term agricultural real estate investments. It is time to put aside the rhetoric about creating long-range solutions for America's farmers and do something about it. Farmer Mac is such a solution. It has broad, bipartisan support and I urge my colleagues to support it today.

Mr. WYLIE. Mr. Chairman, I yield 3 minutes to the gentleman from Nebraska [Mr. BEREUTER], another principal architect of this section, and certainly one of our Members most knowledgeable about this legislation.

Mr. BEREUTER. Mr. Chairman, I thank the distinguished gentleman from Ohio for yielding me this time. I want to begin by saying that I am very pleased to rise in strong support of title III as it will be amended and for the legislation as a whole.

Two weeks ago I was concerned about the postponement of the consid-

eration of title III, concerned with the reasons for doing so, but I do believe that the deliberations of the Committee on Banking, Finance and Urban Affairs and the Committee on Energy and Commerce have answered questions in the four basic areas that have been raised about title III. But I think we owe a debt of gratitude to members of the Agriculture Committee, especially the gentleman from Tennessee [Mr. JONES] and the chairman and the ranking member of the Agriculture Committee for their work in crafting the basic legislation, and I commend them for it.

Our chairman, the gentleman from Rhode Island [Mr. ST GERMAIN], the chairman of the Committee on Banking, Finance and Urban Affairs has given us an opportunity to review the legislation and to make improvements in three of the specific areas of concern, and in one area by the Committee on Energy and Commerce, and I thank him and the ranking member [Mr. WYLIE] for that opportunity. I also want to express my appreciation to the gentleman from California [Mr. LEHMAN], for his early work with me on the secondary market concept already in the 99th Congress. We in turn were working with a former Member of Congress from Iowa, Mr. Cooper Evans.

I also want to express appreciation to the various farm organizations and banking associations who have lent their support to this bill. I would point out that virtually all farm organizations, and all financial associations support title III and the creation of Farmer Mac. This degree of support is historically almost unique, and it demonstrates the broad appeal and widespread support for a secondary market.

The many associations supporting Farmer Mac include the American Farm Bureau, the American Agriculture Movement, the National Farmers Union, the National Farmers Organization, the National Corn Growers, the National Cattleman's Association, the National Cotton Council of America, the National Pork Producers, the American Soybean Association, American Bankers Association, the Independent Bankers Association of America and the American Council of Life Insurance.

Today, I want to reiterate that title III is necessary for this bill to be balanced and equitable to all farm lenders and farm borrowers. If title III is not a part of this bill, we will place commercial agricultural banks at a serious disadvantage with the Farm Credit System and deny farm borrowers an alternative and competitive source of long-term, fixed-rate credit.

There have been a few critics of Farmer Mac, but many of their arguments have been spurious at best. Recently, I received a copy of a September 29, 1987, letter written by Mr. H.L. "Bud" Gerhart, a former president of the Nebraska Independent Bankers Association, to our distinguished colleague from Michigan [Mr. DINGELL], the chairman of the Committee on Energy and Commerce, which I think best summarizes the arguments in support of title III. Mr. Chairman, I will in the House, if necessary, ask unanimous consent to have the letter included in the RECORD.

I would like to quote from Mr. Gerhart's letter, he states:

Over the 35 years that I have been an agricultural banker, the farmers in my area have enjoyed a variety of choices for their short-term and long-term credit. They could choose from country banks or Production Credit Association for their short-term credit—crop and livestock production, and equipment loans. And they could obtain long-term credit for farm land purchases from the Federal Land Bank or from several different life insurance companies.

Recently, however, life insurance companies are sharply curtailing farm land lending because their supply of long-term funds are shrinking and lending on metropolitan properties offers a higher return than farm land. A farmer seeking a small land loan has to rely more on the Federal Land Bank which is now merged with its PCA counterpart. If that farmer wants a land loan and the Farm Credit System is the only supplier, he will also be forced to borrow his short-term (production) credit from the Farm Credit System. Thus his choices are narrowing.

A secondary market would restore a healthy competitive environment for that farmer wanting to buy land as well as for both the FCS and the agricultural banks who could use the Secondary Market on the equal basis.

The Farm Credit System record of serving its borrowers has been dismal. The 2,855 farms taken over by the FCS in the Omaha District alone during this recent ag crisis means that 2,855 of their farmer borrowers have lost their land, in many cases due to over-lenient lending practices during the 1970's. The real tragedy is that it is too late to save any of these bankrupt farmer borrowers and now the taxpayers must pick up the tab for $7 billion or more to rescue FCS from its past mistakes.

Agricultural banks, on the other hand, have been much more successful in helping their farmer borrowers weather the agricultural crisis. Unlike the shareholders of the Farm Credit System, the ag bank shareholders had to absorb their own losses, thus paying for their own mistakes, with no Government bailout. In the few instances where agricultural banks have failed, the FDIC, not the Government, has picked up the tab. No taxpayer dollars have been used or asked for to cover agricultural bank losses.

Without this secondary market, the farmer's only choice for his agricultural credit will be this huge taxpayer-subsidized Government cooperative. Agricultural bankers will be at a great competitive disadvantage as the Farm Credit System takes over the short term lending needs of farmers as a condition for making a long-term land loan.

The FCS cost of funds today is 2.8 percent higher than their average lending rate. Even so, they are currently offering yet lower rates to farmers willing to move their production loans from agricultural banks to the Farm Credit System. This simply increases their lending loss differential which must be made up from yet higher taxpayer subsidies.

It is difficult * * * to understand why this Republican administration and Mr. Greenspan—who by the way, it is reported, did not consult with the Federal Reserve Board before denouncing title III—can oppose this secondary market concept which would enhance a competitive borrowing environment for farmers. Instead the administration favors a huge Government-subsidized monopoly which is where the FCS and the FmHA will be headed without a secondary market for the private sector lenders * * *.

Farm borrowers deserve the option of more than one place to shop for real estate loans and for production loans. The secondary market will afford that choice with long-term, fixed-rate loans.

Likewise, agricultural banks deserve the opportunity to compete on a equal basis with the Farm Credit System and to continue serving their agricultural borrowers.

Mr. Chairman, I also want to quote from the September 30, 1987, testimony of Mr. C.G. "Kelly" Holthus, chief executive officer of the First National Bank of York, Nebraska, for the American Banking Association.

The ABA believes that a secondary market for agricultural loans will force the Farm Credit System to become more competitive, but that a guarantee of equal access to the secondary market for the Farm Credit System, when combined with title II of H.R. 3030, which will provide financial assistance to the System and guarantee borrowers' stock, will result in no negative impact on the System.

This conclusion was also presented by the Congressional Budget Office in its analysis of H.R. 3030 where it concluded that the secondary mortgage market would have a "minimal impact' on the cost of H.R. 3030 because CBO does not believe that the Farm Credit System will lose a large amount of business to commercial lenders.

I might also note that it will take some time, probably several years, to develop the structure for the secondary market. It will take time for the stock in the Agricultural Mortgage Corporation to be purchased, the board to be selected, underwriting standards to be developed and approved, poolers to be certified, and relationships to develop between loan originators and poolers so that initial pools can be put together, credit enhancement provided and the securities sold to investors. Since we do not know how long it will take before the first pool of loans can be put together, it is reasonable to conclude that there will be no impact at all on the System for at least 2 years and probably little impact for some time after that. In addition, we expect the Farm Credit System to aggressively move to take advantage of this new product themselves once it is available and their borrowers' stock is guaranteed. In fact, FCS may use this new product to lure former borrowers back to the System.

I think it is important to concentrate on the fact that virtually all of the farm organizations, to my knowledge all of the major farm organizations, both of the major banking organizations, the insurance sector, the se-

curities sector, are supportive of this legislation.

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Indeed, this is the most important measure that the 100th Congress or any recent Congresses have done to improve the access of farm borrowers to long-term agricultural real estate credit at fixed rates.

Most Americans do not realize, and even people in my own agricultural State do not realize, that it is currently impossible for a farm borrower to go to a commercial bank or to go to the Federal Land Bank, for that matter, and to secure long-term, fixed-rate agriculture credit. That is why we saw some of the devastating results that we did have in the late 1970's and early 1980's when the cost of credit practically doubled in the course of a single year.

I think, for the gentleman from Massachusetts [Mr. FRANK], it is important to realize what the reforms to the farm credit system in this legislation would cause. The FCS, of course, is a farmer-owned cooperative effort; but what we are doing in trying to rescue and reform the Farm Credit System is moving it from a quasi-governmental organization a long way toward being a traditional governmental organization. That organization then, in concert with the Farmer Home Administration, would cause the Federal Government to dominate the source of agricultural credit. By giving farmers a competitive source of credit on main street America, we are insuring that the interest rates paid by farmers for operating loans and for real estate loans are likely to be more competitive—competitive from commercial financial institutions and from the reconstituted FCS.

Mr. Chairman, I urge my colleagues to support title III and, if title III is included, to support H.R. 3030.

Mr. ST GERMAIN. Mr. Chairman, I yield 1 additional minute to the gentleman from California [Mr. LEHMAN].

Mr. LEHMAN of California. Mr. Chairman, I would like to ask the gentleman from Tennessee [Mr. JONES] to engage in a brief colloquy with me regarding the intent of the financial reserves that are to be collected to cover the cost of operating the Farm Mortgage Corporation proposed in this legislation.

Mr. Chairman, the Farm Mortgage Corporation guarantee would be backed by three types of financial reserves: First, a 10-percent reserve established by the participating loan poolers; second, special reserve based on credit enhancement fees; and third, a $1.5 billion line of credit to the Treasury.

It is my understanding that the credit enhancement fee is to serve two distinct functions, and I would like to confirm that understanding with you.

First, it is to be used to cover the operating costs of the Corporation and this legislation would instruct the Board of Directors of the Corporation to determine those costs and set a reasonable fee. Second, a special reserve would be established for any accumulation of fees not otherwise needed to operate the Corporation.

Mr. Chairman, is it not the committee's intent that these excess fees in special reserve are for use by the Corporation only, that the Corporation is entitled to the accumulated interest, and that none of the fee funds may be used outside of the program, such as the Treasury's general fund or for other general deficit reduction purposes?

Mr. JONES of Tennessee. Mr. Chairman, will the gentleman yield to me?

Mr. LEHMAN of California. I yield to the gentleman from Tennessee [Mr. JONES].

Mr. JONES of Tennessee. I thank the gentleman for yielding.

Mr. Chairman, the answer is "Yes," the gentleman from California is correct.

Mr. LEHMAN of California. I thank the gentleman.

Mr. WYLIE. Mr. Chairman, I yield 3 minutes to the gentlewoman from Nebraska [Mrs. SMITH], another Member who has worked hard and persistently on this very needed legislation.

Mrs. SMITH of Nebraska. Mr. Chairman, I thank my distinguished colleague for yielding to allow me to speak in favor of title III, the secondary market provisions of H.R. 3030.

H.R. 3030's primary focus is to prevent the almost certain collapse of the Farm Credit System, but its development has opened up a much broader dialog.

The House Agriculture Committee has proposed the establishment of a secondary market for agricultural real estate loans to promote a more diversified and versatile agricultural credit delivery system.

I am talking about the quality of credit available to farmers, not necessarily the quantity.

Yes, the creating of the secondary market will allow commercial lenders to participate in making long-term loans at fixed interest rates. But has competition suddenly become a dirty word.

The Federal Land Banks certainly weren't established by Congress to exclude private sector lenders from making loans for the purchase of farmland. They were established to fill the gap that private lenders were unable to fill.

Title III's opponents launched a campaign to strike the secondary market from H.R. 3030 citing possible weakening of the Federal land banks, increased Treasury liability, and added costs of H.R. 3030.

Nationwide, the Federal land bank's share of the agricultural real estate debt is about 52 percent. In 1978, the Federal land banks held only 40 percent of the market and were recording record earnings.

According to the wildest estimates, the Federal land banks may lose up to 10 percent of their customers. But even if that would happen, their market share would still be historically high.

And I would dispute that assumption. The Federal land banks would also participate in a secondary market and would themselves reap the benefits.

The secondary market may actually help the Federal land banks in several ways and lower the cost of the assistance program. Better quality credit options would make the purchase of farmland more attractive helping to bolster land prices.

The Farm Credit System currently holds 2.4 million acres of farmland worth $1.5 billion. Every increase of 1 percent in farmland values would actually save the Farm Credit System $15 million.

Land prices largely determine the ability of agricultural lenders to restructure nonaccruing loans so that the Farm Credit System is earning something on those loans. The more borrowers who remain in farming repaying their loans, the less this bill will eventually cost.

Title III goes even further in protecting the taxpayer's interest despite the arguments of those who oppose title III and have told us that the secondary market for agriculture is different from secondary markets in other industries.

I do agree that this secondary market is different! H.R. 3030 provides some unique features to insulate the Federal Government from possible exposure.

Title III of H.R. 3030 creates the secondary market as a part of the Farm Credit System which would be the primary guarantor of Farmer Mac's obligations to investors, not the Federal Government.

Participating lenders would be required to establish a reserve of 10 percent of the value of all loans which would be called on long before the Treasury comes into the picture.

Since the private sector is primarily at risk, they have every incentive to abide by underwriting standards that would protect the quality of loans in the secondary market.

Title III may actually reduce the Treasury's risk if you consider the Federal Government is the ultimate backstop for the Farm Credit System. This bill may actually transfer some of that risk to the privately run, privately funded, secondary market.

Finally, Farmer Mac would not necessarily bring more money into agriculture at a time when demand for debt is shrinking. It would give the farmer more options and allow all rural lenders, the Farm Credit System included, to better manage their loan portfolios.

I commend the Agriculture Committee and the Banking and Commerce Committees for their fine efforts to develop this legislation. I believe we must move ahead with the secondary market, and H.R. 3030.

I urge my colleagues to support title III, the secondary market provisions of H.R. 3030.

Mr. WYLIE. Mr. Chairman, I yield 2 minutes to the gentleman from Minnesota [Mr. WEBER].

Mr. WEBER. Mr. Chairman, I rise today in support of title III of H.R. 3030, which establishes a secondary farm mortgage market to provide low-cost capital to the agricultural economy.

There have been a number of objections to this title, some of which will be addressed in amendments the House will consider today. Although this title has been controversial, I urge my colleagues today to adopt it as an integral part of a fair and balanced farm credit package.

This title is good for the entire rural credit infrastructure. It establishes a secondary market which gives rural banks access to the same low-cost capital used by the Farm Credit System.

In the past 3 years, well over a dozen rural banks have failed in my district alone, victims of the farm crisis just as surely as the Farm Credit System has been a victim. As we provide assistance to the Farm Credit System, we need to ensure a level playing field for the other important players in the rural credit arena.

This title is good for farmers, because it will lead to lower interest rates. This secondary market sets in motion two forces to bring down interest rates. First, it gives more lenders access to a secondary market with lower capital costs. Second, it enhances the competition for credit in rural areas, promising a drop in interest rates as a result.

Finally, this title is good for small businesses. Across the rural counties I represent, rural development and job creation have become the leading issue. To create new jobs and build new businesses, you need a healthy credit sector. That credit must come from rural banks, which are allowed to diversify their portfolios. When we strengthen rural banks through the secondary market, we enable them to provide stronger support in other areas that contribute to rural job creation.

This legislation will provide needed assistance to the Farm Credit System. To be complete, however, this bill must also include a secondary market for all of rural America. Such a market will be good for rural banks, good for farmers, and good for Main Street. It will be good for rural America.

Mr. WYLIE. Mr. Chairman, I have no further requests for time but I would like to conclude by saying that I think the substitute that will be offered by the distinguished chairman of the Committee on Agriculture will substantially improve the secondary market provisions in H.R. 3030. A secondary market has become critical to the smooth flow of funds into other mortgage areas; it has worked for housing and I believe it can work for our farmers and ranchers.

The secondary market holds a very real potential for insuring that our farmers and ranchers have a long-term, stable source of funds available. I think this is a huge improvement over the bill that came before our Banking Committee and I urge adoption of the substitute and subsequent passage of the bill.

Mr. Chairman, I yield back the balance of my time.

Mr. ST GERMAIN. Mr. Chairman, I yield 2 minutes to the gentleman from New York [Mr. SCHUMER], a member of the committee.

Mr. SCHUMER. I thank the chairman and all those who worked so hard on this bill: the chairman in our committee, the gentleman from California [Mr. LEHMAN], and others.

Let me say that I rise in reluctant support of the legislation. I believe that the changes that were made by both the Banking and the Commerce Committees are salutary. They take a bill which simply said, "Go out into the secondary market, do whatever you can," and they honed it and they crafted it and they made it so that both the lenders are safeguarded and the taxpayers are safeguarded, in a far more careful way.

Why is my support reluctant? I would have preferred, much preferred a sunset to this bill. We have problems in the agricultural sector, no doubt about it.

When we had a problem in New York City a long time ago—it seems a long time ago, but it was only 12 years ago—we asked for some kind of loan guarantee and that loan guarantee was supported by many from other parts of the country. When they need help it is easy to fall back on the "total free market" viewpoint, but it is not really fair and it is not right.

But the New York City loan guarantees as well as the Chrysler loan guarantees and others said that "If a part of the economy is down in the dumps let's give some temporary Government help, let's lift them up and then let the private market work again."

That is indeed how Farmer Mac should work. We should be giving help, but we should sunset the legislation so that if a private secondary market can eventually occur, so that if the agricultural sector rebounds, this need not be here.

I was unable to prevail that view upon the Committee on Agriculture and, faced with a choice of voting for the existing bill, which the good chairman from Rhode Island as well as the gentleman from Michigan [Mr. DINGELL] have corrected, I think it is better to have this proposal than not.

So I thank the Chair for the time and hope that the proposal will work and hope that really the Congress will revisit it if we find that a private market will work eventually in the future.

Mr. ST GERMAIN. Mr. Chairman, I have no further requests for time, and I yield back the balance of my time.

The CHAIRMAN. The gentleman from Michigan [Mr. DINGELL], chairman of the Committee on Energy and Commerce, is recognized for 15 minutes.

Mr. DINGELL. Mr. Chairman, I yield myself 3 minutes.

Mr. Chairman, I rise in support of the amendment offered by the distinguished chairman of the Committee on Agriculture.

As my colleagues are aware, the Committee on Energy and Commerce had some serious concerns about title III, as originally reported, with regard to its treatment of investor protection issues under Federal and State securities laws. I know you are all too familiar with the fraud and parade of other horribles in the unregulated Government securities market that caused us to pass the Government Securities Act of 1986 in the last Congress.

I am happy to say that due to the bipartisan cooperation of three committees—Agriculture, Banking, and Energy and Commerce—we have been able to present the House with a secondary trading market that is workable, efficient, and in the interests of farmers and investors. I commend my colleagues on these committees for their hard work in reaching the necessary compromises that will allow the House to act on this matter today.

There has been some confusion about the reasons for requiring registration of these securities, and I would like to clarify that point for the benefit of those not familiar with the public policy and interpretations surrounding the issue.

Farmer Mac securities are not the equal of any of the existing "agency" securities, and Farmer Mac itself is not the equal of the existing "quasi-Government agencies." Title III creates a hybrid. Exemption from the Federal and State securities laws therefore is not appropriate.

This legislation creates a type of security different from securities issued

or guaranteed by the Federal Home Loan Mortgage Corporation, Freddie Mac, the Federal National Mortgage Association, Fannie Mae, and the Government National Mortgage Association, Ginnie Mae. The mortgage-related securities issued by those federally chartered corporations are, in the case of Freddie Mac and Fannie Mae, which do the pooling themselves, guaranteed as to payment of principal and interest by these entities and, in the case of Ginnie Mae, guaranteed by the United States directly. The farm loan securities, to which Farmer Mac would add "credit enhancement," would be neither issued by nor guaranteed in full by an agency or instrumentality of the United States. Therefore, an exemption for these securities from Securities and Exchange Commission oversight under the Federal securities laws is not warranted.

Section 5.90(b) of the bill provides:

Each security for which credit enhancement has been provided by the Corporation shall clearly indicate that the security is not an obligation of, and is not guaranteed as to the principal or interest by, the Farm Credit Administration, the United States, or any other agency or instrumentality of the United States (other than the Corporation).

The second provision of the bill indicating that a cedit enhancement constitutes less than a full guarantee is section 5.85(b)(1). This section sets forth the marketing facility's obligation to maintain either a subordinated interest in the loan pool or a reserve upon which the facility must draw before it "makes any demand with respect to [Farmer Mac's] credit enhancement." Futhermore, Farmer Mac will "assure that timely receipt of principal and interest due security holders only after exhaustion of" the reserve or retained subordinated interest. As the bill is drafted, Farmer Mac is obligated to pay only 90 percent of the principal and interest due on the securities. As a result of these provisions, investors will need to look to two sources—the facility's reserve or subordinated interest and Farmer Mac—for payment.

Thus, the bill expressly limits Farmer Mac's credit enhancement by requiring investors to look first to the private issuer's 10 percent reserve or subordinated interest for payment. Only after the reserve or subordinated interest is exhausted could the issuer draw on the credit enhancement. In addition, the bill contemplates that only the issuers could draw directly upon the credit enhancement, so that individual investors could obtain the benefit of that enhancement only indirectly through an issuer's efforts. The comparable section applicable to Ginnie Mae (12 U.S.C. 1721(g)) provides a far more complete and direct obligation to pay:

In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection [Ginnie Mae] shall make such payment as and when due in cash * * *.

Under these circumstances, the farm loan securities are not securities guaranteed by an instrumentality of the United States.

Registration of these securities will give investors needed information on the financial resources of both the marketing facility issuer who will do the pooling and the insurer, Farmer Mac. It will also give investors access to material information on other matters, such as an issuer's right to call the security before maturity and—particularly relevant here—the risk of prepayment of the underlying assets.

I urge my colleagues to vote for title III.

□ 1430

Again, I want to congratulate and commend my colleagues on the Agriculture Committee. I want to urge my colleagues to vote for title III. I believe it is a useful and desirable step forward.

Mr. Chairman, I reserve the balance of my time.

Mr. LENT. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I had expected when we came into the Chamber today to add my support to the proposed substitute to title III of H.R. 3030, which is, as I understand it, to be offered by the gentleman from Texas [Mr. DE LA GARZA]. I understood earlier today when our Committee on Energy and Commerce marked up this bill that a compromise had been worked out. However, I understand that at the present time that may not be the case and that some changes in the compromise, even as we speak, may now be being carried forward in the text. I just do not know whether I want at this point to give my wholehearted approval to this legislation.

I wonder if I might ask the gentleman from Illinois [Mr. MADIGAN], the ranking minority member on the Committee on Agriculture, who also sits with me on the Committee on Energy and Commerce, if he is satisfied with what has taken place here with respect to new limitations that I understand have been placed in the text of the legislation with respect to a 960-acre limit on property subject to loan, and a $1.5 million limit?

Mr. MADIGAN. Mr. Chairman, will the gentleman yield?

Mr. LENT. Mr. Chairman, I yield to the gentleman from Illinois.

Mr. MADIGAN. Mr. Chairman, the gentleman from New York [Mr. LENT], the ranking member of the Committee on Energy and Commerce, will recall that in committee this morning we received an explanation as to what was going to be in the package that would represent the work of the Committee on Energy and Commerce, and the Committee on Banking, Finance and Urban Affairs. We were told this morning that there would be a provision in this package that would limit an individual loan, the amount of an individual loan, to 2 percent of the total amount of the pool that would be offered in the secondary market.

Now I understand that in negotiations that have taken place here on the floor while we are discussing this bill, that a determination has been made that that 2-percent provision is going to be dropped and will not be in what is being offered as the work of the Committee on Energy and Commerce and the Committee on Banking, Finance and Urban Affairs.

Instead of that, a provision will be inserted in the work of these two committees that will say that the limitation on an individual loan will be a loan for the purchase of 960 acres maximum, or $1.5 million maximum, whichever is the greater of the two.

Mr. Chairman, if we are talking about 960 acres of dry land wheat farm ground, that may be something that is worth $960,000. If we are talking about 960 acres of vineyards in Napa Valley, CA, that may be worth $25 million.

If the language says "whichever is the greater" and the 2-percent number is not in there anymore, then we have made a very, very significant change in what we were told this morning we would be discussing this afternoon.

I do not know if that is good for the package or bad for the package. I do not know if the 960-acre limitation is a good idea or a bad idea. I do not know if $1.5 million is a good idea or a bad idea.

I understood that the 2 percent that we were talking about this morning, and which I thought not to be a particularly onerous thing, because I understood there was no limitation on the size of the total pool, but I would say to the gentleman from New York that there is a tremendous difference in the value of 960 acres of dry land farming ground in one place versus 960 acres of strawberries or 960 acres of vineyards, and I do not know if we are treating agriculture equitably by what we are proposing to do here.

Mr. Chairman, I also will say that no one on this side of the Chamber apparently was consulted about this.

Mr. LENT. Mr. Chairman, I thank the gentleman from Illinios [Mr. MADIGAN] for his contribution. As I indicated earlier, I had hoped to be in a position as the ranking member of the Committee on Energy and Commerce to give the proposed substitute to title III my full support and endorsement.

I do want to say, however, that I wish to thank the chairman of the House Committee on Banking, Finance and Urban Affairs, and the chairman of the House Committee on Energy and Commerce, and the rank-

ing member of the Committe on Banking, Finance and Urban Affairs for their efforts in taking care of and correcting a number of shortcomings in the original title III. I particularly want to highlight the securities law improvements included in this amendment. I am loath ordinarily to included in this amendment. I am loath ordinarily to require unnecessary Federal regulation, but we we saw an opportunity to prevent the kinds of terrible securities frauds that occurred in the Government securities markets.

I truly believe that was have worked out language to prevent the conditions that precipitated the Maryland and Ohio savings and loan crises, and I particularly wish to underscore the fine work of our Subcommittee on Telecommunications and Finance, particularly the gentleman from Massachusetts [Mr. MARKEY], the chairman; and the gentleman from New Jersey [Mr. RINALDO], the ranking minority member, for holding a hearing on Farmer Mac and in helping to formulate the important securities law improvements which are included herein.

Hopefully, before the day is over and we have a vote on the amendment to be proffered by the gentleman from Texas [Mr. DE LA GARZA] or his designee, that some of these problems that the gentleman from Illinois [Mr. MADIGAN] raises will have been worked out to the satisfaction of both sides of the aisle.

In the meantime, Mr. Chairman, having no further requests for time, I am going to yield back the balance of my time.

Mr. DINGELL. Mr. Chairman, I yield such time as he may consume to the gentleman from Montana [Mr. WILLIAMS].

Mr. WILLIAMS. Mr. Chairman, I thank the gentleman from Michigan for yielding me this time.

Mr. Chairman, farmers need the correct variety of circumstances to get a good crop. The ground has to have the right amount of moisture to plant the seed. The frosts must not come unexpectedly and the winds must not blow too fiercely. The rains must arrive at the right time and the warm Sun must provide for proper growth. It takes a long time—2 years in many cases—to prepare for a crop of wheat and just as long for a herd of beef steers. Farmers do not become prosperous in a single season; for success it takes a number of years with the right things happening at the right time.

Many of the elements of farming are outside the jurisdiction of the Congress. We do help with conservation efforts to prevent wind and water erosion, soil banks to preserve future production and reduce overproduction, and Federal crop insurance to lessen the economic pain of crop failures.

In Montana and across the Nation farm credit is also vital; it is as important as the seed bed and the rain to success. And like the weather, it is necessary that farm credit be dependable over a long period of time for it to truly benefit farmers.

All small farmers and even many large farmers do not have very deep pockets. They do not have large cash reserves. Family farmers depend on their agriculture credit to meet operating expenses—the seed, fuel, and fertilizer for crops and feed and medicine for their livestock. But one important thing that we can do is to provide dependable farm credit.

This bill will put the shaken foundations of the Farm Credit System on firm ground with authorization for full U.S. Treasury backing. It will help restore confidence. It guarantees that those folks, who have until now been unable to receive credit for their FCS "B" stock or who have concern for the future will be able to redeem stock promptly and know it will be guaranteed solvent for at least 5 years. This bill requires the Farm Credit System and the Farmers Home Administration—the agriculture lender of last resort—to address the realities of reduced land and real estate values. Bankers no longer would charge farmers interest on large loans without adequate asset backing and then immediately sell the farm at drastically reduced levels to an absent landlord when the farmers can not make the payment—write down is required before liquidation. The bill provides up to $500,000 for matching grants for States to institute mediation service between borrowers and lenders to help keep farmers on the land where this is appropriate.

This bill does not guarantee the low interest rates that farmers need; but it does make a necessary start in that direction. This bill does not give the Farm Credit System the market advantage over commercial banks that they would like; but it strikes a balance. This bill does not restore local control comparable to former years; but it does increase the opportunity for advice and consultation from our farmers.

This is necessary legislation. I will vote yes and I urge my colleagues to do the same.

Mr. DINGELL. Mr. Chairman, I yield 2½ minutes to the gentleman from California [Mr. LEHMAN].

Mr. LEHMAN of California. Mr. Chairman, I thank the gentleman from Michigan for yielding me this time.

Mr. Chairman, I would like to briefly respond to the gentleman from Illinois' [Mr. MADIGAN] remarks concerning his reservations of some of the changes in title III.

First of all, the 2-percent limitation on the amount any single loan may be of a given pool is in the bill. That is unchanged.

Mr. MADIGAN. Mr. Chairman, will the gentleman from California yield?

Mr. LEHMAN of California. Mr. Chairman, I yield to the gentleman from Illinois.

Mr. MADIGAN. Mr. Chairman, we have just been told that it has been taken out.

Mr. LEHMAN of California. It has not been. I am sure the gentleman from Tennessee will be glad to substantiate that.

In addition to that and after consultation with people on the other side, specifically the gentleman from Iowa [Mr. LEACH], who has been involved in this for several days, there is a provision in the bill that puts a $1.5 million ceiling on an individual loan for a single pool or a 960-acre limitation, whichever is greater.

The reason for that is very simple. Land values change all over the country. We have land in California that could be worth anywhere from $2,000 an acre to $20,000 or $30,000 an acre. That would be an exceptional extreme, but the point is that a dollar limitation really says nothing about the size of the farming unit or its viability, and we felt that those properties which have been defined already by the Federal Government as family farms in other ways ought to be eligible for this program and not be strictly limited by a dollar amount.

In many cases the acreage amount in other parts of the country would actually be lower than the dollar limitation.

Mr. MADIGAN. This morning, when the work of the Committee on Banking, Finance and Urban Affairs was explained to the members of the Committee on Energy and Commerce, I specifically asked the gentleman from Massachusetts [Mr. MARKEY] if there was a dollar limitation or an acreage limitation contained in the product of the two committees that we were addressing this morning.

I was specifically told that there was no limitation.

Since we came on the floor this afternoon, I have been told that a new compromise has been reached that does not have this acreage limitation or the dollar limitation that was in the package this morning. I do not know if that is a good thing or a bad thing, and that is the point that I am making.

I do not know what the consequences of that are for American agriculture, but it is being sprung on us here when we were being told this morning that there was no such thing in the bill.

Mr. LEHMAN of California. Mr. Chairman, there is such a thing in the bill and I suggest it will be very beneficial for the program overall. This ensures that the benefits flow to the greatest number of farmers.

Mr. DINGELL. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Massachusetts [Mr. MARKEY], the very able chairman of our Subcommittee on Telecommunications and Finance.

Mr. MARKEY. Mr. Chairman, I would like to note that the inquiry this morning went to the 2-percent question and we did note that, but on any of the other questions no specific inquiry was posed to the subcommittee

chair, and as a result, I do not recall, and I know that I did not make any specific commitment on other aspects.

Mr. MADIGAN. Mr. Chairman, would the gentleman yield?

Mr. MARKEY. Mr. Chairman, I yield to the gentleman from Illinois.

Mr. MADIGAN. Mr. Chairman, if the gentleman will recall, I asked him two questions this morning. The first question was with regard to item No. 4 on the first page of the handout. The second question was with regard to item No. 8 on the second page of the handout. One of those questions went to the 2-percent issue, which the gentleman from Massachusetts [Mr. MARKEY] and I discussed.

Mr. MARKEY. That is correct.

Mr. MADIGAN. The other question went to the acreage limitation, dollar limitation which the gentleman from Massachusetts [Mr. MARKEY] told me had been left blank, and the gentleman from Massachusetts further told me that there was no inclusion of anything like that in the package this morning.

Mr. MARKEY. That is as I had been advised at that point this morning without making any commitment as to what the actual status of it was. I did not comment that there was no, or were not negotiations in process. I just said that in fact there had been nothing that had been agreed to at that point.

Mr. MADIGAN. Nothing had been agreed to?

Mr. MARKEY. That is correct.

Mr. MADIGAN. And that it was blank, is the term the gentleman from Massachusetts had used?

Mr. MARKEY. That is correct.

Mr. MADIGAN. And if the gentleman will yield further, since we began this debate on this bill this afternoon, an agreement apparently had been reached over there in your precinct to include this 960 acres or $1.5 million.

My point is that that may be good and that may be bad, but we were not ready to take this bill up this afternoon and we are doing things over here on the right side here, if you want to take a look over here, there is still a major disagreement about this bill.

Mr. MARKEY. I can understand that. And, if I may reclaim my time, I say to the gentleman from Illinois [Mr. MADIGAN] that as the gentleman knows, our committee had jurisdiction over the securities aspect of this legislation, and we have discharged our responsibility in that area.

The type of agreement which the gentleman is now talking about runs to the Committee on Agriculture, and the Committee on Banking, Finance and Urban Affairs' aspects of this legislation, so as a result quite understandably we were really not a party to that negotiation, so in fact it was in fact an accurate statement to in fact indicate to the gentleman from Illinois that it was blank and that in fact negotiations were underway. That is the point that we were trying to make to the gentleman this morning.

As the ranking minority member of the Committee on Agriculture, I think that the gentleman from Illinois [Mr. MADIGAN] should be concerned about that, but I do not think it really is a Committee on Energy and Commerce question here at this point.

I think if you do have further discussion, I think it probably should be with the Committee on Agriculture, or the Committee on Banking, Finance and Urban Affairs members at this point in time.

Mr. Chairman, at this point I will indicate my support for the de la Garza substitute for title III of H.R. 3030. This proposal is the product of an intensive work effort including staff and membership on the Committee on Energy and Commerce, the Committee on Banking, Finance and Urban Affairs, and the Committee on Agriculture.

This legislation has gone through an extraordinary journey to get where it is today. I want to commend in particular the gentleman from Michigan [Mr. DINGELL], the chairman of the Committee on Energy and Commerce; and the gentleman from Rhode Island [Mr. ST GERMAIN], the chairman of the Committee on Banking, Finance and Urban Affairs, for their remarkable leadership in improving the original proposal. I also want to commend the gentleman from Texas [Mr. DE LA GARZA], the chairman of the Committee on Agriculture, for his cooperative and receptive approach to the amendment process.

In addition, I want to express my appreciation to the ranking minority members of the relevant committees, in my case to the gentleman from New York [Mr. LENT], and the gentleman from New Jersey [Mr. RINALDO], who have been a vital part of this entire process. I want to thank each of them for their efforts.

Shortly before the August recess, the Committee on Agriculture reported out H.R. 3030, a bill intended primarily to provide financial assistance to the troubled Farm Credit System.

The bill left potential investors at a serious risk and sent the wrong signal to Wall Street at this troubled and critical time in financial markets, and it carved out a back-door exception to the Glass-Steagall Act. The Committee on Energy and Commerce has fashioned amendments in the securities area, and those amendments, I believe, remedy the deficiencies which were in fact existent in the legislation dealing with fraud, dealing with disclosure, dealing with other areas of securities law that had not been properly addressed to ensure that it did in fact reflect the types of protections that investors and all who are concerned with this issue should be afforded.

□ 1445

As a result, we have crafted the amendments. They are included as a part of this package.

They have been drafted by the Committee on Energy and Commerce in conjunction with the Committee on Banking, Finance and Urban Affairs and the Committee on Agriculture.

I do believe that they meet the needs of a modern financial market, and I would hope that they would be included and accepted as part of the overall package which is moving forward in the House at this time.

Mr. DINGELL. Mr. Chairman, I yield 2½ minutes to the gentleman from Kansas [Mr. GLICKMAN].

Mr. GLICKMAN. Mr. Chairman, I thank the gentleman for yielding me this time.

The Energy and Commerce bill, or the amendments that they suggested which are included in the de la Garza amendment providing something slightly different for the securities issued under these provisions than they do under the securities issued under Ginnie Mae or Fannie Mae in that these securities, Farm Credit securities, are not exempt securities under the Securities Act of 1933; and therefore, they trigger in registration and disclosure provisions.

I happen to support what the gentleman has done, but I think for the record we ought to clarify why we are making these securities subject to registration and appropriate regulation where we have not done that in the housing securities under Ginnie Mae or other securities under Fannie Mae.

Mr. DINGELL. Mr. Chairman, will the gentleman yield?

Mr. GLICKMAN. I yield to the gentleman from Michigan.

Mr. DINGELL. Mr. Chairman, I thank the gentleman for yielding to me.

The other agencies referred to pool and issue the securities themselves. They are backed by the full faith and credit of the United States. That means that the registration requirements and the disclosure requirements are no longer necessary.

While Ginnie Mae guarantees securities pooled by third parties, the loans in the pool are themselves Government-guaranteed.

Freddie Mac's statute authorizes that agency to guarantee third-party pooling, which it does not do, but says that any such securities will not be exempt from securities registration.

There are other differences as well with regard to underwriting standards. Farmer Mac provides "credit enhancement" for securities or loans pooled by private third parties.

That is an important distinction—by private third parties—and is obligated to pay only 90 percent of the principal and interest due on the securities, but only after exhaustion of a 10-percent reserve or retained subordinated interest.

Investors must, therefore, look to and evaluate two sources, first, the third-party issuer's reserve or subordinated interest and Farmer Mac for payment.

Mr. GLICKMAN. I think the gentleman from Michigan [Mr. DINGELL], the chairman, has made a good distinction, one that will properly protect farmers in this country from fraudulent activities.

Mr. DINGELL. Mr. Chairman, I yield 2 minutes to the gentleman from Kansas [Mr. SLATTERY].

Mr. SLATTERY. Mr. Chairman, I thank the gentleman for yielding me this time.

Mr. Chairman, I rise in strong support of title III of the Agricultural Credit Act of 1987.

I would like to express my appreciation to the gentleman from Michigan [Mr. DINGELL], the chairman, and the gentleman from Massachusetts [Mr. MARKEY], and the gentleman from Texas [Mr. DE LA GARZA], and the gentleman from Rhode Island [Mr. ST GERMAIN], who have been working together tirelessly over the past weekend to try to put together a consensus bill, especially on title III.

What we have before the House today is probably as good a product that we could put together under the conditions we have been working under the last few days.

I have some concerns about the securities laws provisions in this particular legislation as it applies to Farmer Mac.

Under this bill, Farmer Mac is not treated in a manner consistent with other secondary mortgage markets or the Farm Credit System.

Farmer Mac securities would be subject to Securities and Exchange Commission registration and disclosure, so today clearly what we envision is the creation of a hybrid Government security to fund Farmer Mac, and there should be no question that that is what we are attempting to do today.

Whether in practical reality that is what will be achieved or not is still a matter of question, but there is another point that many of the Members are concerned about that we should also address for just a second, and that is the question of Federal Government exposure.

One of the things that I am more comfortable today with than I was a week ago about this legislation is the fact that the way it is structured today, I think that we have significantly restricted potential Government exposure with this legislation.

Specifically, the underwriting standards that the Committee on Banking, Finance and Urban Affairs have put together are tough. They are certainly tougher than the existing underwriting standards that the Farm Credit System is currently operating under, so that is one point to keep in mind.

The 10-percent reserve established in this legislation certainly makes this particular pool and this particular secondary mortgage market much more secure than the Farm Credit System certainly, and I would argue as secure as the other secondary mortgage markets that are available for the housing industry are; Mr. Chairman, I urge my colleagues to support this legislation.

Again I express my gratitude to the gentleman from Michigan [Mr. DINGELL], the chairman of the full committee, and the gentleman from Massachusetts [Mr. MARKEY], the chairman of the subcommittee.

The CHAIRMAN. All time for the Committee on Energy and Commerce has expired.

Does the gentleman from Tennessee [Mr. JONES], the designee of the gentleman from Texas [Mr. DE LA GARZA] seek recognition at this time?

Mr. JONES of Tennessee. Mr. Chairman, I understand that my side has 15 minutes and the gentleman from Illinois [Mr. MADIGAN] has 15 minutes?

The CHAIRMAN. The gentleman is correct.

Mr. JONES of Tennessee. Mr. Chairman, I yield myself such time as I may consume.

I appreciate the fact that the Committee on Banking, Finance and Urban Affairs and the Committee on Energy and Commerce have been as cooperative as they have.

No doubt there have been some definite improvements made as a result of the cooperation between the three committees, and I do certainly congratulate and say to the chairmen of both committees how much I appreciate the fact that they were as cooperative as they have been.

Mr. Chairman, I yield 3 minutes to the gentleman from Oklahoma [Mr. ENGLISH].

Mr. ENGLISH. Mr. Chairman, I thank the gentleman for yielding me this time.

When we first began considering the issue of the secondary market, I have to admit at that time I had some very serious reservations.

Being familiar with the Farm Credit System, and in the way that it is set up, my father spent 35 years as a manager and president of associations in Oklahoma, and another 10 years on the board, so I was very familiar with the System.

The concern was that it appeared to me that the U.S. Government was in effect going into partnership with the Farm Credit System in an effort to make sure that the Farm Credit System survived.

While at the same time, we were entering into that partnership, that assistance to the System, we would be with the secondary market establishing competition with the System itself, so there seemed to be a conflict as far as the interests of the taxpayers and the efforts we were putting forth.

In fact, we could succeed in destroying the Farm Credit System in our zeal to create the secondary market.

As we reflect upon this, Mr. Chairman, I think that we have to keep in mind what the principal objective is. The principal objective has to be to provide financing to our Nation's farmers, to make money available, and the facts are that today that is not the case.

There is a shortage of financing for farmers. There is a shortage that we can see in the foreseeable future, so with that in mind, I felt it was important that we would create the secondary market, and we do it in such a manner that we give the Farm Credit System the best possible chance to survive, and hopefully we will create two systems that will actively compete against each other, that will profit and do well; and at the same time, they will provide our farmers with the very best of both worlds; namely, low prices, low interest rates through this kind of competition.

Mr. Chairman, with that in mind, I would strongly urge the Members to support the secondary market concept.

Mr. Chairman, I yield back the balance of my time.

Mr. MADIGAN. Mr. Chairman, I yield 2 minutes to the gentleman from Vermont [Mr. JEFFORDS].

Mr. JEFFORDS. Mr. Chairman, I thank the gentleman for yielding me this time.

I would like to alert the Committee to my changed amendment, which was allowed previously by a unanimous-consent request by the gentleman from Texas [Mr. DE LA GARZA], the chairman of the committee.

We are all concerned about the health of the Farm Credit System. I originally was seriously concerned about the status of title III. It opened up a secondary market to commercial banks. Yet, because of borrowers' rights that we have attached, effectively it did not allow that market to be available for the Farm Credit System. Thus, we would find that if the secondary market provided a lower interest rate, and it is estimated it would be a half to three-quarters of a percent lower than perhaps the Farm Credit System could get, it would mean that the health of the system would be further destroyed by the commercial banks being able to take away the good, healthy loans, and leave the Farm Credit System with

downward spiraling numbers of loans and increasing interest rates.

What I tried with my first amendment to be offered and before the committee was to say, let us attach the borrowers' rights to all the loans. This received the unanimous acclamation of being disastrous to everybody due to the fact that they did not believe that these loans would be marketable at all or would carry substantially higher interest rates than the Ginnie Mae's and other guaranteed loans.

Thus my new amendment will say OK, look at it the other way. Let us give the borrower the option in the Farm Credit System. If there is a lower interest rate on the secondary market, let him say, I will waive those borrowers' rights which will require a higher interest rate through the regular system and get the advantage of lower rates of the secondary market.

Those that do not want to waive these rights may take the higher interest rate through the normal bonding procedure of the Farm Credit System. Such a borrower would rather have those protections; and therefore, accept the possibly higher interest rate that may be offered by the normal system and not use the secondary market system.

Mr. JONES of Tennessee. Mr. Chairman, I yield 2 minutes to the gentleman from Idaho [Mr. STALLINGS], a member of the committee.

Mr. STALLINGS. Mr. Chairman, I thank the gentleman for yielding me this time.

Mr. Chairman, I rise in strong support of H.R. 3030 in its entirety. This is an extremely important and timely piece of legislation. It is a culmination of many months of committee work, testimony, investigation, debate, and compromise. Extensive hearings have been held on all portions of the bill. I again commend the committee leadership and my colleagues for their dedicated work.

As anyone who has been in rural America knows, the agricultural economy continues to suffer from its worst period since the Great Depression. More than 700,000 family farms have been lost in the last 5 years. Many farm lending institutions have been crippled with this avalanche of failing farms. This bill directs needed credit relief to borrowers of all major agriculture lenders, primarily to those with the Farm Credit System, but also to farm borrowers with the Farmers Home Administration, and commercial lenders.

The farmers and ranchers of America continue to work endless hours to provide food and fiber for the citizens of this country, providing the cheapest source of the widest variety of foods anywhere in the world. I ask my colleagues to now support our food producers and vote for H.R. 3030.

Today we consider titles 3 and 4, the secondary market for farm real estate and the reorganization of the Farm Credit System. Both of these provisions are necessary to move agriculture and agriculture lenders out of the current recession.

As the original sponsor of the secondary market bill in the House, I can assure you that this provision has been carefully crafted and researched by the Agricultural Committee, and it has been reviewed and fine-tuned by the Banking and Commerce Committees. Without a secondary market, farmers and ranchers of this country will be left with no available options for long-term fixed rate mortgages which have been available in the housing area for years.

Without a secondary market, land prices will continue to be subject to speculative investment and wide price swings. Without a secondary market for agriculture real estate, farm borrowers will continue to see no competition between lenders for real estate loans.

A secondary market is necessary. Now is the time to implement one while land prices and interest rates are relatively stable and at a low point, and I urge my colleagues to support title III.

The reorganization of the system is also a necessary step. For the system to become more competitive and effectively use new financial instruments such as the secondary market, and to make good use of Federal funds, the Agriculture Committee has provided strict restructuring guidelines for the system in order to receive the Federal assistance. I urge my colleagues to support title four.

Finally, I draw the attention of my colleagues to the provisions on borrowers rights in this bill. The guiding premise for this Member in considering this legislation was and continues to be: "How will it help the farm borrower?" We cannot afford to pump Federal funds into lending institutions if we do nothing to pass this assistance on to the agriculture producers. These are important provisions in this bill and I urge support for final passage of H.R. 3030.

□ 1500

Mr. MADIGAN. Mr. Chairman, I yield 4 minutes to the gentleman from Texas [Mr. COMBEST].

Mr. COMBEST. Mr. Chairman, I thank the gentleman from Illinois for yielding me this time.

Mr. Chairman, today, the Agriculture Committee stands before this body with a legislative package which will profoundly effect the American farmer.

It seems hard to imagine a time when credit to buy farm land or to purchase seed to plant was not available. But, before our predecessors had the vision of creating a cooperative of agricultural lending, the Farm Credit System [FCS], our farmers didn't have such sources available. The environment in which such an incomprehensible reality could exist is approaching again.

If you listen to the debate today, you will know that reaching an accord on a Federal assistance package has been a difficult task for the committee. We represent widely divergent regions whose agricultural interests vary widely. There is one overlying consideration which is the cord that unites us. We all know that the cornerstone of our Nation's agricultural future is a healthy and competitive source of agricultural credit. Furthermore, we realize that FCS is the major component in assuring such a source.

I understand and whole heartedly support our efforts to expeditiously and prudently deal with the system's financial woes and the difficulties created by the implementation of the 1985 amendments. Through their administration, Texas' healthy district was levied assessments to the point where its own viability was threatened. Both the good sense of the Congress and the wisdom of the courts speak to such imprudence.

In that light, the repayable, Federal assistance provided in H.R. 3030 is an absolute necessity. In order to make sure that viability of the system is accomplished and to undo such misguided policy, we must have some temporary help from the taxpayers.

Many of the Members of this body insist that to allow us to use Federal dollars, some changes must be made. It is understandable, and might I add responsible, on the part of my colleagues to refrain from writing the system a check for several billion dollars without insisting a change in business as usual. Reality mandates a change.

On the other hand, Texas has taken care of its financial business and has given more than its fair share to help the system work out it own financial woes. As legitimate as the need for change, is the desire among borrower/stockholders of healthy districts to lend some direction to the system's restructure. It was my strong hope that healthy districts would be allowed to vote on structural changes before they occurred.

As my colleagues on the committee know, I have strong reservations regarding title IV of the legislation. While I would have the new language go even farther in allowing for stockholder participation, I am pleased that the committee and my colleagues recognizes the importance of such input.

If change is inevitable, then my constituents and I will accept that change. I will expect members of local associations interests and concerns to

be considered in developing policy for regional service centers. I will expect that Federal land bank associations find opportunity available to compete in the environment a secondary market creates. I will expect that stockholders do indeed, once and for all, have an ultimate say in the day-to-day management of their local associations. Finally, I will expect and insist that a stable and reliable source of agricultural credit are the result of these profound changes. Because, after all, that is why we are here.

I thank the Members and ask that my colleagues cast a "yea" vote on H.R. 3030.

Mr. JONES of Tennessee. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. STENHOLM].

Mr. STENHOLM. Mr. Chairman I rise today in strong support of title III of H.R. 3030 which establishes a Secondary Market for Agricultural Mortgages. When this was first proposed, I felt that the Farm Credit System was agriculture's secondary market and such a proposal would do more harm than good to agricultural lending. I was also concerned about underwriting standards, costs to the taxpayer, the possibility of harming the Farm Credit System, and other adverse ramifications. I did not wish to find myself supporting secondary markets, only to end up like the little dog who one day actually caught the school bus, and was not quite sure what to do with it. I studied this concept with a great deal of caution and concern. Finally concluding that such an entity would provide farmers with a more sensitive lending environment I felt that if such a provision were carefully crafted, the secondary market would only benefit those who must take on the risk of investing in agricultural real estate. And this could be accomplished without experiencing the possible consequences that we all have toiled with in the past.

The Agriculture Committee in its deliberations have addressed many concerns which were crucial to the proposal being adopted by the committee. In addition, both the Energy and Commerce Committee and the Banking Committee drafted changes dealing with such issues as underwriting standards and others which were needed in order that this newly created paper could function in the bond markets. I will briefly discuss why I believe this market will operate in a manner which will benefit farmer/borrowers, while not providing harmful side effects.

(1) SECURITIES REGULATION

Although other secondary markets are currently exempt from many Federal and State securities laws, agreements have been reached to provide that "Farmer Mac" be subject to these laws. I believe the Agriculture Committee demonstrated a sincere interest and effort to work out these considerations with members on the Energy and Commerce Committee.

(2) CONSUMER PROTECTION

The Agriculture Committee has also shown a willingness to provide that this secondary market be subject to State and Federal antifraud statutes.

(3) FARMER MAC'S EFFECT ON THE FARM CREDIT SYSTEM

Many of my colleagues, both on and off the Agriculture Committee, have expressed justified concerns over the possible impact which a secondary market could have on the Farm Credit System. I myself am a borrower from the Farm Credit System, and I share this concern of my colleagues. This concern has prompted me to be one of the principal authors of title four, which deals with the structure of this system. For it is my belief that a restructured, streamlined Farm Credit System will be able to deliver credit and compete with other entities wishing to make farm real estate loans on an equal basis, and still remain the primary lender to agriculture. Consequently, all lenders will benefit from Farmer Mac the old fashion way they'll earn it.

Contrary to some beliefs, Farmer Mac will provide the Federal Land Bank Associations with a new mechanism which will limit exposure to interest rate risk. In addition, a secondary market will provide many associations with needed liquidity which can be used to replenish loss reserve accounts, or serve other purposes. Let me add the Congressional Budget Office does not expect the Farm Credit System to lose a large amount of business to the secondary market.

(3) BENEFITS TO FARMERS/BORROWERS

The most important aspect of Farmer Mac is the benefits that it will yield to farmer/borrowers. A more responsive and sensitive lending environment will be the best means of serving the borrowers of the 1990's and beyond. The agriculture industry is dependent on large investments of capital via land and machinery. This coupled with the fact that the industry's marketing structure closely fits that of pure competition where there are many sellers and few buyers, means that the cost of debt is perhaps the most crucial element in the success or failure of farming. A secondary market will provide the necessary sensitivity, and responsiveness, through additional competition by accessing capital markets.

Another very crucial benefit is the effect that Farmer Mac could have on the stabilzation of land values, a value which I suspect is often overlooked. Stabilization of farm land values will have a very favorable effect on borrowers loan equity positions, and will build a solid foundation for the turnaround of the Farm Credit System.

SUMMARY

The process which has produced title III of H.R. 3030 has been slow and deliberate. However, Farmer Mac is now a product which addresses the crucial concerns of those serving on the Agriculture, Energy and Commerence, Banking Committees, and many others who have expressed similar concerns. After careful consideration, I am convinced more than ever that Farmer Mac will benefit both farmers and farm lenders without serious consequences. I strongly urge my colleagues to support title III of H.R. 3030.

Mr. BEREUTER. Mr. Chairman, will the gentleman yield?

Mr. STENHOLM. I am happy to yield to the gentleman from Nebraska.

Mr. BEREUTER. Mr. Chairman, I thank the gentleman for yielding.

The gentleman's characterization of what this does in the long term for American agriculture and farm borrowers I think is excellent and I commend the gentleman on his statement. I wish to associate myself with the remarks of the gentleman in that respect.

Mr. MADIGAN. Mr. Chairman, I yield 4 minutes to the gentleman from Wisconsin [Mr. GUNDERSON].

Mr. GUNDERSON. Mr. Chairman, it gives me a great privilege this afternoon to rise in support of title III of this particular legislation and to say a special thank you to all those who have been so involved in the working of this whole concept of a secondary market.

When we had general debate on this legislation, now some time ago, I mentioned at that time that it was the overall goal of the House Agricultural Committee to respond in total to the challenges of rural agricultural credit. We dealt with the concept of the borrower's rights. We dealt with the Farmers Home Administration. We dealt with a Farm Credit System and now we are dealing with the commercial sector in the development of a new secondary market for agriculture.

Whether we like it or not, Mr. Chairman, the fact is, the reality is, that the agricultural policy and trends in this country suggest to us that our farm entities are getting bigger. Some of that is incurred by the 1985 farm bill. Some is simply a response to both domestic and international agriculture as we see it.

To go to my own home State of Wisconsin, it is probably one of the last bastions of "family dairy agriculture" in this country. In 1970 the average Wisconsin farmer had 33 cows on his farm. In 1985, the average farmer had 44 cows, and by the year 2000 it is projected that the average farmer will have 66 cows. In other words, over the 30-year period of 1970 to the year 2000 we will have a doubling of the size of

the individual production units in my State of Wisconsin. If anything, we are trailing the norm in this country. We are certainly not the leaders.

That indicates to us that the farms we have will be larger, but also there will be fewer farms.

Now, if you have a larger farm, first and foremost you recognize that that is going to demand increased credit needs over a smaller size production unit.

At the same time, if we have less farmers, we quickly recognize, as I think everyone of us from rural America so unfortunately experiences in our own districts today, the need for rural economic development, and yet we have some problems.

One of the things that has been happening parallel to the agricultural transition is also a transition in rural banking in this country, and that transition has moved, for the most part, to the concept of interstate banking into larger banks, et cetera.

Now, we would like to think that every customer of a local bank is so loyal to that community that regardless of interest rates, they will stay at the local bank, keep the money in the local depository and keep it all at home. The reality is that in this day and age that is not happening. We are seeing money being drawn out of our small communities. We are seeing the growth of branch and interstate banking and all of a sudden there is more of a risk and an unwillingness of those banks that are there to invest a percentage of their loan portfolios in agriculture that they have invested in the past, despite by virtue of the transition to agriculture a need for higher amounts of money to be invested in agriculture.

When you add all of this up, we are trying to respond to the dual needs. No. 1, available interest, long-term interest, and hopefully a lower interest rate to our farmers; at the same time, allowing those local financial institutions the opportunity to market their loans on a secondary market, to reliquefy their local cash reserves and use that money again, whether it be for a farmer, not quite in the quality of a loan portfolio of the first farmer, or perhaps to use that money for rural economic development; so the concept of a secondary market as we have had in housing, as we have had in student loans, is a day whose time has arrived for rural agricultural real estate as well.

We believe that the general guidelines adopted by the three committees today move us in the right direction. I will admit that I have a couple questions that I want to have defined and resolved by the technicians between now and conference, but I think today we ought to accept this consensus agreement. We ought to move forward and we ought to make sure that title III is a part of a comprehensive to deal with all the rural credit needs in America in 1987 and beyond.

□ 1515

Mr. MADIGAN. Mr. Chairman, I yield 2 minutes to the gentleman from Kansas [Mr. ROBERTS].

Mr. ROBERTS. Mr. Chairman, on behalf of all of my farmer borrowers from Dodge City, KS, and also all of my friends and colleagues from California, Ohio, and Illinois, I want to say it has taken us the better part of 3 years to address the serious and continuing credit problem in farm country; today we take a most important step.

I wish to commend the distinguished chairman of the committee, Mr. DE LA GARZA, our ranking member, Mr. MADIGAN, the chairman of the Conservation and Credit Subcommittee, Mr. JONES and our ranking member, Mr. COLEMAN. But, in fact, Mr. Chairman, all of the members of the House Agriculture Committee should receive at least some credit in addressing a most difficult and controversial problem.

Last month, the House completed action on the first two titles of farm credit package—the fruits of a marathon session by the committee—we finally passed a bill at 2:30 in the morning—just before the August recess.

I must say, that while our goal was to ensure that borrowers of agriculture credit from the Farm Credit System and the Farmers Home Administration will finally have access to a fair and equitable restructuring and forbearance process, I am concerned that the so-called borrower rights provision of this bill can also be a two-edged sword, causing delay, imposing further costs upon a beleaguered system, and in some cases merely dig the credit hole into a virtual credit grave. I know it is not good politics to say so, Mr. Chairman, but we are very good at mandating forbearance, restructuring and a whole host of borrower rights—and also very good at looking the other way when those rights cause delay, and impose costs upon other borrowers within the system.

Be that as it may, today, we finish work on the two remaining titles.

Mr. Chairman, it was apparently necessary to pasture the secondary market and restructuring titles of this bill at least temporarily within the Banking and Currency and Energy and Commerce Committees. Having worked long and hard through great controversy and difficulty, all committee members are keenly interested in what my colleagues have agreed to do to improve the secondary market title of H.R. 3030. I feel compelled to say, Mr. Chairman, having worked on this problem for the better part of 3 years, it does cause this Member at least some concern that we did not have access to the final product—the one with all of the "i's" dotted and "t's" crossed—until now.

And, I am concerned with changes supported by some of my colleagues that we need to place limits on the size of operations allowed to participate in what we call Farmer Mac. I agree that consideration needs to be given to prevent the Farmer Mac from becoming a credit option available only to a handful of very large producers. However, this business of applying a yardstick to farm program benefits or an economic tool like the secondary market based a social and political and parochial definition of a family farm by individual Members of Congress is very counterproductive. It is important that we do not exclude producers based on someone else's arbitrarily established limits.

I know that targeting of Federal assistance, in whatever form, is a most popular notion within this Congress. There is just one problem. Every Member of Congress wants to define a family farmer to fit his or her district or according to some Walden Pond, nostalgic, Saturday Evening Post cover, reverie that makes good politics.

It is my understanding committee discussion featured limiting the secondary market to dollar amounts and acres and that those dollar amounts and acres pretty much took care of a State like Iowa but somehow decreed that an efficient father-and-two-son dryland wheat operation in my district could or should not qualify. I will not support secondary market restrictions that are designed to fit so called small family farmers in certain geographic areas and restrict family farmers in other areas from participating.

Last, I say to my colleagues, I want to give credit to the gentleman from Texas [Mr. STENHOLM] for being the catalytic factor, if you will, of really pushing the restructuring proposal through the bill.

Mr. JONES of Tennessee. Mr. Chairman, I yield 2 minutes to the gentleman from Louisiana [Mr. HUCKABY], a member of the committee.

Mr. HUCKABY. Mr. Chairman, I thank the gentleman for yielding me this time.

Mr. Chairman, I rise in support of H.R. 3030, the legislation before us this afternoon.

I initially had concerns about the secondary markets, but I believe it is the right way to go. I think what we are doing here is proper. I think the limitations that have been proposed by the Committee on Banking, Finance and Urban Affairs and will be accepted in the compromise presented later on this afternoon are proper with $1.5 million and a 1,000 acre maximum.

I would like to direct my remarks to the last title, the reorganization, the

amendments that will be offered by the gentleman from Texas. There are many people who have worked long hard hours on this. None of us know the right answer. There is no ideal. There is no perfect organizational structure. I would certainly do it different from what is being proposed, and I know some of those who have concerns about what I understand will be offered would do it differently.

But I suggest we need some meat on this framework for when we go to conference with the Senate. I do not think we can say that each local association shall have total autonomy, that there has to be some regional organization, providing for some regional structure as delegated by the local associations, which is what the amendment of the gentleman from Texas will do. I think it is a workable approach. I think it is an approach that we can take to conference and build upon and perhaps improve upon some more and answer some of the concerns.

But for those who are concerned with this approach, I would urge them to reconsider and let us work together rather than be divided on this issue, because we have worked so long and so hard for so many months in trying to reach a consensus position.

Mr. MADIGAN. Mr. Chairman, I yield 2 additional minutes to the gentleman from Kansas [Mr. ROBERTS].

Mr. ROBERTS. Mr. Chairman, when my time ran out I was paying tribute to my friend and colleague, the gentleman from Texas [Mr. STENHOLM], who is going to offer an amendment to the restructuring and reform amendment to this bill. My colleague and friend, Mr. STENHOLM, as he has done so many times in the past, took on an unpleasant task and with a great deal of courage and introduced a restructuring plan that became the catalyst for action and compromise. Without Mr. STENHOLM, I doubt seriously, we would have a bill.

Of particular interest is the change in the language that would allow FCS and its district banks to decide how the regions will be drawn. There are concerns that Congress was going to dictate which district banks would merge and where the new regional bank would be located. This is not going to be an easy decision, but I think the System's Directors are in the best position to decide, not the Congress.

I support the Stenholm concept. I'm sure as we work through the proposed amendment, some of us will find issues and sections that raise concern. But, my farmers and ranchers have told me, "Don't provide one single dime of taxpayer money, unless we reform and restructure to provide local control."

It was clear that the original Stenholm proposal provided a catalyst for reorganizing the Farm Credit System. It was also clear that it will take a great deal more effort to develop a workable process to accomplish the goal of reform and restructuring. Hopefully we will accomplish that Mr. Chairman.

The CHAIRMAN. The gentleman from Illinois [Mr. MADIGAN] has 1 minute remaining and the gentleman from Tennessee [Mr. JONES] has 2½ minutes remaining.

Mr. MADIGAN. Mr. Chairman, I yield the balance of my time to the gentleman from Michigan [Mr. SCHUETTE].

The CHAIRMAN. The gentleman from Michigan [Mr. SCHUETTE] is recognized for 1 minute.

Mr. SCHUETTE. Mr. Chairman, I thank the gentleman from Illinois for yielding me this time.

Mr. Chairman, I rise in support of the efforts with respect to title III and the secondary market, and the efforts of the many committees here. The reason I do this is twofold.

Rural banks, rural commercial banks, are under similar portfolio pressures with interest rates, land values as the Farm Credit System has. This secondary market creation will inject capital into the commercial banking stream to help producers, men and women in agriculture for years ahead.

Second, the economics of the banking environment is in an ever changing environment. We need to make sure there is enough flexibility in the future that there is a reliable lender of credit on the farm credit side in rural banks in small town America. This is the second reason why I rise in support of the efforts of the Agriculture Committee and the other two committees who have worked on it today.

I urge my colleagues to support the amendments to title III.

Mr. JONES of Tennessee. Mr. Chairman, I yield 1 minute to the gentlewoman from Ohio [Ms. OAKAR], a member of the Committee on Banking, Finance and Urban Affairs.

Ms. OAKAR. Mr. Chairman, I thank the gentleman for yielding me this time.

Mr. Chairman, I rise in support of H.R. 3030 and in support of the de la Garza amendment.

I want to say that I am glad that we were all able to work together on this compromise. I think we forgot about jurisdictional considerations and thought about the agricultural industry and how important it is to our country. I was very, very pleased with the work done. I am pleased that some of the language that I submitted for inclusion during our Banking, Finance and Urban Affairs Committee meetings ensures that the secondary markets opens opportunities for small family farmers so that they can grow and prosper, and at the same time the secondary market will provide cash-flow to smaller financial institutions so that they can expand their loan base and provide service to their deserving customers.

I am concerned that title III clearly reflects the intent of this Congress to provide low cost loans to agriculture, and that these low cost loans be made at fixed rates.

I think this amendment includes language that authorizes Farmer Mac to assess risk-based fees, and it is further intended that these fees be made at minimum cost to the borrower.

Finally, I would like to say, in conclusion, Mr. Chairman, Fannie Mae and Freddie Mac have worked very well. Let us all work together so that Farmer Mac can work equally as successfully.

Mr. CRAIG. Mr. Chairman, I would first like to thank the Agriculture Committee for their work on this legislation. I appreciated Subcommittee Chairman ED JONES' work in soliciting a wide range of qualified testimony and would like to thank him again for the chance to sit with the committee and to question witnesses.

When I testified about the need for a farm credit bill before Chairman JONES' subcommittee this spring, I pointed out the number of borrowers that were daily leaving the Farm Credit System. At that time I urged committee members to act quickly. I appreciate their response and the great amount of work they have done to bring this legislation to the floor in a timely manner.

I especially appreciate the work that was done over the weekend and late last night to outline a workable secondary market for farm mortgages. I have been a strong supporter of the secondary market concept over the years and give my full support to this proposal. While a secondary market is not a cure-all, it is a valuable tool that can be used to provide the agriculture industry with a stable money supply.

To fully understand the need for a secondary market, it helps to look back as well as forward.

In the past, farmers had the chronic problem of being unable to access a constant, stable money supply. In good years, commercial banks were willing to have agriculture be a large part of their portfolios; in bad years, banks restricted their number of agriculture loans, leaving many farmers without the necessary credit to run their operations. Young people found it hard to get into farming because they could not get loans to buy land.

To alleviate this problem, in 1916 Congress passed the Federal Farm Loan Act. Later legislation in 1923 and 1933 helped shape the Farm Credit System. Finally farmers had a reliable source of credit that was dedicated to agriculture. Until recently, farmers have been able to rely on the Farm Credit System. When commercial banks turned farmers away, they could go to the Federal land bank or the production credit association for the credit they needed.

But the world of finance has changed since 1933. The money supply is under more economic constraints. Farmers no longer com-

pete only for a regional money supply; they are thrown into a national market and are forced to compete with all sectors of society for the limited funds available.

Commercial banks and insurance companies have turned their backs to the long-term risks of farm loans. Packaged loans that can be sold for cash present a far more attractive option. Liquidity is at a premium and farm loans do not provide it. This reluctance to make agricultural loans comes at a time when the Farm Credit System—because of poor management decisions and the recent farm recession—does not have the capital to lend to the farmers the banks are turning away. Again, as in the past, there is a shortage of money in the agricultural sector.

A secondary market in farm mortgages is one method of attracting loan money to agriculture. A secondary market would relieve banks of the weight of long-term agriculture loans in their portfolios. Farm loans could be packaged and sold, bringing in cash that would be available to new borrowers.

Insurance companies would also find these packaged loans more attactive, thus allowing agriculture access to their funds.

For the Farm Credit System, the secondary market could solve some of the money shortage problems. Like commercial banks, Federal land banks and production credit associations could package and sell loans, freeing up capital in the Farm Credit System for additional lending.

I strongly support the secondary market proposal. This provision, along with restructuring in title IV and the affirmation of borrower rights in title I, provides the tools necessary to rebuild a stable credit source for farmers across the Nation.

I must state that I do not support title II, which deals with the Farmer's Home Administration. I feel many of the changes are unnecessary and too costly. I am also concerned that the bill does not specify where the recapitalization funding will come from. I hope that these problems will be addressed—if not today, perhaps in a House-Senate conference.

These problems, however, do not outweigh the importance of the other sections of the bill. I support this legislation overall and urge your support for it, especially for the secondary market in farm mortgages.

Mr. DREIER of California. Mr. Chairman, I rise in support of the compromise amendments to title III, which would establish a secondary market for agricultural real estate loans. The creation of this new secondary market, known as Farmer Mac, will be instrumental in improving the delivery of agricultural credit, at a lower cost, to American farmers. It will also have the added benefit of improving the health of those banking institutions in agriculture regions that have been hard hit by the recent recession in the farm economy.

As with other federally sponsored secondary market programs, I have some reservations about the Federal Government's involvement in the development of such a market for agricultural real estate. In particular, I would prefer to see a Federal guarantee lower than the 90-percent guarantee specified in title III of H.R. 3030. I do not believe a 10-percent risk retention is a sufficient inventive in itself to ensure that lenders will act prudently when originating loans.

However, I do believe that the strict underwriting standards, which will be subsequently strengthened by the de la Garza amendments, will minmize any potential risks to the Treasury. Moreover, I recognize that long-term fixed rate loans are not available to farmers, and some Federal backing may be neccessary, in the interim, to ensure stable and affordable interest rates. Hopefully, once the secondary market develops, the Federal guarantee will be rendered unnecessary and will be phased out.

I believe the Farmer Mac proposal is not perfect, but it will enhance credit opportunities for the American farmer. I urge support for title III, and the compromise amendments offered by Chairman DE LA GARZA.

Mr. ROBERT F. SMITH. Mr. Chairman, I rise once more in support of H.R. 3030; today, specifically, I rise in support of title III of that bill, providing a secondary market for agricultural loans.

Inclusion of secondary loan market opportunities from the Federal portfolio isn't new. The precedent was set when Congress created Fannie Mae, Freddie Mac, and Sallie Mae to serve as loan conduits between Wall Street investors and homeowners and students. I think farm borrowers and the financial institutions which support them should be afforded the same benefits of this modern financial mechanism which urban and suburban borrowers have enjoyed for years. Approving a secondary market for agricultural loans through this bill will benefit farmers, ranchers, and agricultural lenders by ensuring that needed capital reserves are replenished, making the Farm Credit System more competitive today and more stable for the long run.

Farm borrowers will benefit by the lower interest rates which can be made available through fixed rate, long-term mortgages. Services to those borrowers would be enhanced due to the increased competition among lenders. Loan originators, using capital replenished by secondary market sales, will have new resources for additional lending to farmers and ranchers.

I think the farm credit bill before you today is the most courageous restructuring I could hope for. With the addition of secondary markets, it's a well balanced bill, capable of bringing a breath of fresh air to the suffocating Farm Credit System.

Indeed, there are many reasons for voting, with me, in favor of H.R. 3030. They include affordable food prices, world trade opportunities and stability in our Nation's economic system. I urge my fellow colleagues to vote for H.R. 3030 in its entirety.

Mr. WOLPE. Mr. Chairman, I rise in support of H.R. 3030. Our colleagues on the House Agriculture Committee have reported a bill that offers a real chance for a long-term solution to the severe financial problems faced by America's single largest agricultural lender, the Farm Credit System [FCS].

We are all too familiar with the economic realities that have prompted this debate. A decade of gross market fluctuation in the agricultural sector have thrust rural America into a seemingly endless economic crisis. In my home State of Michigan, the farmer depression of the 1980's has not been as severe as in some other Midwestern States. Nonetheless, we have lost about 4,000 farm operations in the last 6 years alone. Since 1981, sharp reductions in farm income—coupled with falling land prices—have saddled our Nation's farmers with over $200 billion of debt. And the FCS, the national repository for nearly a third of this debt, now stands at the brink of economic collapse.

We had all hoped the legislative steps we took in 1985 would enable this massive farmer-owned loan network to endure these difficult economic times. Unfortunately, our efforts fell short of the mark. The FCS officials have reported $4.8 billion in operating losses since 1985. Moreover, they project another $3 billion of losses by 1990. Many months ago, members of the House Agriculture Committee realized that the time has come for fundamental reforms. Committee members and their staffs worked many long house with farmers and lending institutions to develop this consensus FCS assistance package. Favorable action by the House today is necessary. We simply cannot afford the "wait and see" approach taken by the administration on this issue.

Though I think we can all agree that the deterioration of the farm economy has been the primary cause of the weakening of the FCS, the authors of H.R. 3030 also recognize that we cannot offer Government assistance to the FCS without appropriate internal reforms to ensure greater accountability and efficiency. H.R. 3030 reorganizes and streamlines this out-dated nationwide network without removing control from those who own the system: the borrowers. This bill provides incentives for farmers to continue to obtain credit from the FCS by providing a 5-year guarantee on the stock held by its borrowers and by extending Government backing to system bonds.

Finally, let me briefly comment on two key strengths of this measure—the restructuring of loans of financially stressed borrowers and the creation of a secondary market for agricultural loans. The debt restructuring that is required of both the FCS and FmHA in the bill is modeled after a program in St. Paul launched by the Seventh District Farm Credit Services, the banks that service four northern farm States, including Michigan. Passage of H.R. 3030 would simply require FCS lenders to restructure the loans of financially strapped borrowers if the lender can recoup more through restructuring than through foreclosure. Not only will the debt restructuring provision help keep farmers on the land, but it will strengthen the system financially. In fact, St. Pauls's aggressive restructuring program has yielded significant profits in the last year. It restructured the loans of about 5,500 farmers who were having trouble making payments, and in the second quarter of this year, showed a $7 million profit. In Michigan, where the FCS has about 21,500 borrowers with a total loan value of $1,275,000,000, the St. Paul program has enabled many families to continue farming by restructuring 410 loans since January 1987. Debt restructuring is an effective protection for farm families, and I am persuaded that this provision of H.R. 3030 will reduce the likeli-

hood of Federal budget exposure. Therefore, it promises to be an effective protection for the American taxpayer.

Second, I would like to commend my colleagues Mr. DE LA GARZA, Mr. DINGELL and Mr. ST GERMAIN for their committees' work on title III of this bill, the creation of a secondary market for agricultural loans. I believe that this secondary market will afford farmers an additional source of credit and long-term, fixed-rate mortgages at potentially lower interest rates.

A strong FCS, a consistent and reliable source for agricultural loans, is no less important today than in 1916 when Congress passed the Federal Farm Loan Act, the beginnings of today's FCS. Therefore, we must commit ourselves to the financial security of this system and to the future availability of credit for farmers by the prompt passage of H.R. 3030.

Mr. GLICKMAN. Mr. Chairman, I rise in support of H.R. 3030, as reported by the Committee on Agriculture.

My comments address provisions of H.R. 3030 that will achieve two important objectives. One, they will put to rest an ongoing controversy relating to assessments made by the Farm Credit System Capital Corporation that has raged since enactment of the 1985 amendments to the Farm Credit Act. Two, they will equitably adjust certain payments made by System institutions under contractual agreements.

The Farm Credit Act of 1971, as amended, authorized banks to engage in self-help through capital preservation agreements to maintain the stability of the Farm Credit System. The banks voluntarily entered into such agreements. The 1985 amendments to the Farm Credit Act made self-help mandatory. The amendments contemplated that financially healthy System institutions would assist those System institutions suffering severe financial stress. The Farm Credit System Capital Corporation was established, in part, to administer the program of System self-help. One of its functions was to "assess" the "have" institutions for funds to be disbursed to aid the "have nots." The identity of the haves and the have nots has changed to some extent since the 1985 amendments.

It soon became apparent that the level or magnitude of the Capital Corporation assessments would spawn much divisiveness. The differences focused in large part on whether the regulations on the subject issued by the Farm Credit Administration were consistent with the statute. The issue essentially is the degree that the resources of contributor institutions may be tapped for assessment purposes. A series of lawsuits ensued challenging the validity of the regulations and the actions of the Capital Corporation taken under them. Some System institutions responsed to the Corporation's assessments; others did not.

H.R. 3030, as amended, would finally resolve this issue. It directs the Temporary Assistance Corporation, which the bill establishes as successor to the Capital Corporation, to refund to System institutions, on December 31, 1987, amounts they have paid to the Capital Corporation under its assessments. This would involve retirement of debt and equity obligations issued to such institutions by the Capital Corporation. The legislation would not authorize the Temporary Assistance Corporation to make any new assessments for System self-help purposes.

At this point, it should be made clear that the healthier System institutions, under the capital preservation agreements, have made available over $1 billion to recipient institutions.

System institutions contributed substantial amounts to other institutions under these agreements during the third quarter of 1986. The third quarter contributions were made to avoid a crisis situation under the understanding that they would be refunded upon the receipt by the receiving banks of benefits that potentially were available under then-pending amendments to the Farm Credit Act. Those amendments did become law, but under regulations promulgated by the Farm Credit Administration, the benefits did not become available to receiving institutions until after the third quarter. H.R. 3030 would direct the repayment or reversal of those contributions. It should be noted here that some of the institutions that have contributed in earlier quarters under capital preservation agreements were in need of financial assistance themselves in the third quarter and were among the receiving banks. Other contributing banks now are in need of assistance themselves.

The recipient institutions, however, are in no position to refund the contributions from their own resources. They continue to experience grave economic difficulties. Therefore, the bill requires reversals or refunds only when the recipient institutions obtain financial assistance from the Temporary Assistance Corporation. In this regard, it is essential that these institutions receive assistance from the Corporation that is equivalent to the assistance they had received from the capital preservation agreements.

Financial assistance provided pursuant to the capital preservation agreements is equity of the receiving banks—as contrasted with, for example, debt. Therefore, that assistance protects those banks and their shareholder borrowers against impairment of borrower stock and constitutes collateral for outstanding bank securities. To avoid impairment of borrower stock and collateral deficiencies, replacement assistance from the corporation must be equivalent in kind as well as amount. The bill is intended to assure that present assistance under the capital preservation agreements may be retained by the receiving banks until financial assistance is received from the Corporation that is equivalent in both kind and amount to the assistance presently recorded on the books of receiving banks.

I would add here that, because the bill provides for assistance to the System through the Temporary Assistance Corporation and for protection to holders of System securities through an insurance fund, the bank capital preservation agreements would be suspended during the 5-year life of the Corporation and thereafter when insurance funds are available to help System institutions meet their obligations on debt instruments.

Mr. Chairman, in my judgment, H.R. 3030 constitutes a balanced package of assistance and reforms that will ensure that farmers, ranchers, and their cooperatives will continue to have a reliable source of credit under competitive terms and conditions. I urge my colleagues to support the bill.

Mr. JONES of Tennessee. Mr. Chairman, I have no further requests for time, and I yield back the balance of my time.

AMENDMENT, AS MODIFIED, OFFERED BY MR. JONES OF TENNESSEE

Mr. JONES of Tennessee. Mr. Chairman, pursuant to the rule, I offer a modified amendment to H.R. 3030 in lieu of amendments 1, 26, 27, 29, 30, and 31.

The CHAIRMAN. Pursuant to the rule, it is now in order to consider the modified amendment offered by the gentleman from Texas, Mr. DE LA GARZA, or his designee, Mr. JONES of Tennessee, in lieu of the amendments numbered 1, 26, 27, 29, 30, and 31 in House Report 100-307, which shall be debatable for 20 minutes, equally divided and controlled by the proponent of the amendment and a Member opposed thereto. Said amendment is subject only to the amendment offered by the gentleman from Vermont, Mr. JEFFORDS, consisting of the modified text of amendment No. 26 in House Report 100-307, which shall be debatable for 10 minutes, equally divided and controlled by the gentleman from Vermont, Mr. JEFFORDS, and a Member opposed thereto.

PARLIAMENTARY INQUIRY

Mr. MADIGAN. Mr. Chairman, I have a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. MADIGAN. Mr. Chairman, I am reading from a previous order of the Chair with regard to the amendment now being offered by the gentleman from Tennessee [Mr. JONES].

It says: "Such amendment en bloc shall be debatable for not to exceed 20 minutes, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture."

The CHAIRMAN. The Chair would state the gentleman's point is well taken and the gentleman is correct.

Mr. MADIGAN. I thank the Chair.

The CHAIRMAN. There does not have to be an opponent, and the gentleman's statement is correct.

The Clerk will report the amendment.

The Clerk read as follows:

Amendment, as modified, offered by Mr. JONES of Tennessee: Page 144, strike out line 10 and all that follows through page 170, line 4, and insert in lieu thereof the following:

Page 144, strike out line 10 and all that follows through page 170, line 4, and insert in lieu thereof the following:

TITLE III—SECONDARY MARKETS FOR AGRICULTURAL LOANS

SEC. 301. THE FEDERAL AGRICULTURAL MORTGAGE CORPORATION.

(a) PURPOSES.—The purposes of this section are—

(1) to establish a corporation chartered by the Federal Government;

(2) to authorize the certification of agricultural mortgage marketing facilities by the corporation referred to in paragraph (1); and

(3) to provide for a secondary marketing arrangement for farm real estate mortgages which meet the corporation's underwriting standards in order to—

(A) increase the availability of long-term credit to farmers at stable interest rates;

(B) provide greater liquidity and lending capacity in extending credit to farmers; and

(C) provide an arrangement for new lending to facilitate capital market investments in providing long-term agricultural funding, including funds at fixed rates of interest.

(b) AGRICULTURAL MORTGAGE SECONDARY MARKET.—Title V of the Farm Credit Act of 1971 (12 U.S.C. 2221 et seq.) is amended by adding after the part added by section 106(a) the following:

"PART F—AGRICULTURAL MORTGAGE SECONDARY MARKET

"SEC. 5.81. DEFINITIONS.

As used in this part:

"(1) AGRICULTURAL MORTGAGE LOAN ORIGINATOR.—The term 'agricultural mortgage loan originator' means any Farm Credit System institution, bank, insurance company, business and industrial development company, savings and loan association, commercial finance company, trust company, credit union, association of agricultural producers, or other entity that originates and services agricultural mortgage loans.

"(2) AGRICULTURAL REAL ESTATE.—The term 'agricultural real estate' means a parcel or parcels of land—

"(A) used for the production of one or more agricultural commodities or products; and

"(B) consisting of a minimum acreage or producing minimum annual receipts as determined by the Corporation.

"(3) BOARD.—The term 'Board' means—

"(A) the interim board of directors established under section 5.82(c); and

"(B) the permanent board of directors established under section 5.82(d),

as the case may be.

"(4) CERTIFIED AGRICULTURAL MORTGAGE MARKETING FACILITY.—The term 'certified agricultural mortgage marketing facility' means a secondary marketing agricultural loan facility that is certified in accordance with section 5.84.

"(5) CORPORATION.—The term 'Corporation' means the Federal Agricultural Mortgage Corporation established under section 5.82.

"(6) CREDIT ENHANCEMENT.—The term 'credit enhancement' means the guarantee of timely payment of the principal and interest on securities representing interests in, or obligations backed by, pools of qualified agricultural mortgage loans.

"(7) INTERIM BOARD.—The term 'interim board' means the interim board of directors established under section 5.82(c).

"(8) PERMANENT BOARD.—The term 'permanent board' means the permanent board of directors established under section 5.82(d).

"(9) QUALIFIED AGRICULTURAL MORTGAGE LOAN.—The term 'qualified agricultural mortgage loan' means any obligation which—

"(A) is secured by a fee-simple or leasehold mortgage with status as a first lien on agricultural real estate located in the United States;

"(B) is approved by a certified agricultural mortgage marketing facility as meeting the standards established by the Corporation under section 5.87;

"(C) is an obligation of—

"(i) a citizen of the United States; or

"(ii) a private corporation or partnership whose members, stockholders, or partners hold a majority interest in the corporation or partnership and are citizens of the United States; and

"(D) is an obligation—

"(i) of a person, corporation, or partnership that has training or farming experience; and

"(ii) meets the criteria established by the Corporation under section 5.87, including underwriting standards.

"(10) STATE.—The term 'State' has the same meaning given such term in section 5.51(1).

"SEC. 5.82. FEDERAL AGRICULTURAL MORTGAGE CORPORATION.

"(a) ESTABLISHMENT.—

"(1) IN GENERAL.—There is hereby established a corporation to be known as the Federal Agricultural Mortgage Corporation which shall be a federally chartered instrumentality of the United States.

"(2) INSTITUTION WITHIN FARM CREDIT SYSTEM.—

"(A) IN GENERAL.—The Corporation shall be an institution of the Farm Credit System.

"(B) FINANCIAL RELATIONSHIP WITH OTHER FCS INSTITUTIONS.—The Corporation shall—

"(i) not be liable for any debt or obligation of any other institution of the Farm Credit System; and

"(ii) be the only institution of the Farm Credit System liable for the credit enhancement provided under section 5.85.

"(b) PURPOSES OF THE CORPORATION.—The Corporation shall—

"(1) in consultation with agricultural mortgage loan originators, develop uniform underwriting and other necessary standards for qualified agricultural mortgage loans;

"(2) determine the eligibility of agricultural mortgage marketing facilities to contract with the Corporation for the provision of credit enhancement for specific mortgage pools; and

"(3) provide credit enhancement for the timely repayment of principal and interest on securities representing interests in, or obligations backed by, pools of qualified agricultural mortgage loans.

"(c) INTERIM BOARD OF DIRECTORS.—

"(1) NUMBER AND APPOINTMENT.—Until the permanent board of directors established pursuant to subsection (d) first meets with a quorum of its members present, the Corporation shall be under the management of an interim board of directors composed of 9 members appointed by the President within 60 days after the date of the enactment of this part, by and with the advice and consent of the Senate, as follows:

"(A) 3 members appointed from among persons who are representatives of banks, other financial institutions, and insurance companies.

"(B) 3 members appointed from among persons who are representatives of the Farm Credit System institutions.

"(C) 2 members appointed from among persons who are farmers and have not served as directors or officers of any financial institution.

"(D) 1 member appointed from among persons who represent the interests of the general public and have not served as directors or officers of any financial institution.

"(2) POLITICAL AFFILIATION.—Not more than 5 members of the interim board shall be of the same political party.

"(3) VACANCY.—A vacancy in the interim board shall be filled in the manner in which the original appointment was made.

"(4) CONTINUATION OF MEMBERSHIP.—If—

"(A) any member of the interim board who was appointed to such board from among persons who are representatives of banks, other financial institutions, insurance companies or Farm Credit System institutions ceases to be such a representative; or

"(B) any member who was appointed from among persons who are not or have not been directors or officers of any financial institution becomes a director or an officer of any financial instituiton,

such member may continue as a member for not longer than the 45-day period beginning on the date such member ceases to be such a representative or becomes such a director or officer, as the case may be.

"(5) TERMS.—The members of the interim board shall be appointed for the life of such board.

"(6) QUORUM.—5 members of the interim board shall constitute a quorum.

"(7) CHAIRPERSON.—The President shall designate one of the members of the interim board as the chairperson of such board.

"(8) MEETINGS.—The interim board shall meet at the call of the chairperson or a majority of its members.

"(9) COMMENCEMENT OF OPERATIONS.—Upon the appointment of sufficient members of the interim board to convene a meeting with a quorum present, the interim board shall arrange for an initial offering of common stock and shall take whatever other actions are necessary to proceed with the operations of the Corporation.

"(10) TERMINATION.—The interim board shall terminate when the permanent board of directors established pursuant to subsection (d) first meets with a quorum present.

"(d) PERMANENT BOARD OF DIRECTORS.—

"(1) TIME OF ORGANIZATION.—When banks, other financial institutions, insurance companies, and Farm Credit System institutions have fully paid in $20,000,000 in capital contributions to the Corporation in return for common stock of the Corporation, the interim board shall arrange for the organization of a permanent board of directors.

"(2) NUMBER AND SELECTION.—After the termination of the interim board as provided in subsection (c)(10), the Corporation shall be under the management of a permanent Board of Directors composed of 13 members selected as follows:

"(A) 3 members elected by the holders of the class of common stock issued to insurance companies, banks, and other financial institutions.

"(B) 3 members elected by the holders of the class of common stock issued to Farm Credit System institutions.

"(C) 6 members appointed by the President, by and with the advice and consent of the Senate, of which—

"(i) 2 members shall be appointed from among persons who are farmers who have not served as a director or an officer of any financial institution;

"(ii) 1 member shall be appointed from among persons who represent the interests of the general public and have not served as

directors or officers of any financial institution; and

"(iii) 1 member shall be appointed from among persons who—

"(I) represent the interests of the general public;

"(II) are specially qualified to serve on the permanent board by virtue of their education, training, or experience in secondary financial markets; and

"(III) are not directors or officers of any financial institution.

"(D) The Secretary of the Treasury or such Secretary's designee.

"(3) POLITICAL AFFILIATION.—Not more than 4 members of the permanent board appointed under subparagraph (C) or (D) of paragraph (2) shall be of the same political party.

"(4) VACANCY.—

"(A) ELECTED MEMBERS.—A vacancy among the members elected to the permanent board in the manner described in subparagraph (A) or (B) of paragraph (2) shall be filled by the Board from among persons eligible for election to the position for which the vacancy exists.

"(B) APPOINTED MEMBERS.—A vacancy among the members appointed to the permanent board under paragraph (2)(C) shall be filled in the manner in which the original appointment was made.

"(5) CONTINUATION OF MEMBERSHIP.—If—

"(A) any member of the permanent board who was appointed or elected to such board from among persons who are—

"(i) representatives of banks, other financial institutions, insurance companies or Farm Credit System institutions; or

"(ii) officers or employees of the United States,

ceases to be such a representative, officer, or employee; or

"(B) any member who was appointed from persons who are not or have not been directors or officers of any financial institution becomes a director or an officer of any financial institution,

such member may continue as a member for not longer than the 45-day period beginning on the date such member ceases to be such a representative, officer, or employee or becomes such a director or officer, as the case may be.

"(6) TERMS.—

"(A) APPOINTED MEMBERS.—The members appointed by the President shall serve at the pleasure of the President.

"(B) ELECTED MEMBERS.—The members elected in the manner described in subparagraph (A) or (B) of paragraph (2) shall be elected for a term ending on the date of the first annual meeting of the common stockholders of the Corporation which convenes after such member is elected to such term.

"(C) VACANCY APPOINTMENT.—Any member appointed to fill a vacancy occurring before the expiration of the term for which such member's predecessor was appointed shall be appointed only for the remainder of such term.

"(D) SERVICE AFTER EXPIRATION OF TERM.—A member may serve after the expiration of such member's term until such member's successor has taken office.

"(7) QUORUM.—7 members of the permanent board shall constitute a quorum.

"(8) NO ADDITIONAL PAY FOR FEDERAL OFFICERS OR EMPLOYEES.—Members of the permanent board who are full-time officers or employees of the United States shall receive no additional pay by reason of such member's service on the permanent board.

"(9) CHAIRPERSON.—The President shall designate one of the members of the permanent board who are appointed by the President as the chairperson of such board.

"(10) MEETINGS.—The permanent board shall meet at the call of the chairperson or a majority of its members.

"(e) OFFICERS AND STAFF.—The Board may appoint, employ, fix the pay of, and provide other allowances and benefits for such officers and employees of the Corporation as the Board determines to be appropriate.

"(f) BYLAWS.—The Board may establish and enforce such bylaws, and prescribe such other policies, as the Board determines to be necessary or appropriate to carry out the provisions of this part.

"(g) POWERS OF THE CORPORATION.—The Corporation shall have the following powers:

"(1) To issue common stock in the manner provided in section 5.83.

"(2) To adopt, alter, and use a corporate seal, which shall be judicially noted.

"(3) To require surety bonds or make other provisions against losses occasioned by acts of officers or employees of the Corporation.

"(4) To provide credit enhancement in the manner provided under section 5.85.

"(5) To have succession until dissolved by Act of Congress.

"(6) To enter into contracts.

"(7) To sue and be sued in its corporate capacity and to complain and defend in any action brought by or against the Corporation in any State of Federal court of competent jurisdiction.

"(8) To acquire, hold, lease, mortgage, or dispose of, at public or private sale, any real and personal property, and to otherwise exercise all the usual incidents of ownership of property, which is necessary and convenient to the Corporation's business.

"(9) To exercise such other incidental powers as are necessary to carry out the Corporation's powers, purposes, and functions in accordance with this part.

"(h) FEDERAL RESERVE BANKS AS DEPOSITARIES AND FISCAL AGENTS.—The Federal Reserve banks may act as depositaries for, or as fiscal agents or custodians of, the Corporation.

"(i) ACCESS TO BOOK-ENTRY SYSTEM.—The Secretary of the Treasury may authorize the Corporation to use the book-entry system of the Federal Reserve System.

"SEC. 5.83. COMMON STOCK.

"(a) IN GENERAL.—

"(1) 2 CLASSES OF COMMON STOCK.—The Corporation may issue common stock in 2 classes—

"(A) one of which may be offered only to banks, other financial institutions, and life insurance companies; and

"(B) one of which may be offered only to Farm Credit System institutions.

"(2) LIMITATION ON ISSUE.—After the date the permanent board first meets with a quorum of its members present, common stock of the Corporation may be issued only to agricultural mortgage loan originators and certified agricultural mortgage marketing facilities.

"(3) PAR VALUE.—Each share of common stock of the Corporation shall have par value in an amount determined by the Board.

"(4) AUTHORITY OF BOARD TO ESTABLISH TERMS AND PROCEDURES.—The Board shall adopt such terms, conditions, and procedures with regard to the issue of stock under this section as may be necessary, including the establishment of a maximum amount limitation on the number of shares of common stock that may be outstanding at any time.

"(5) TRANSFERABILITY.—Subject to such limitations as the Board may impose, any share of any class of common stock issued under this section shall be transferable among the institutions to which shares of such class of common stock may be offered under paragraph (1), except that, as to the Corporation, such shares shall be transferable only on the books of the Corporation.

"(6) SHAREHOLDER VOTING RIGHTS.—Each share of common stock shall entitle the holder thereof to 1 vote with rights of cumulative voting at all elections of directors.

"(b) REQUIRED CAPITAL CONTRIBUTIONS.—

"(1) IN GENERAL.—The Corporation may require each agricultural mortgage loan originator and each certified agricultural mortgage marketing facility to make, or commit to make, such nonrefundable capital contributions to the Corporation as are reasonable and necessary to meet the administrative expenses of the Corporation.

"(2) STOCK ISSUED AS CONSIDERATION FOR CONTRIBUTION.—The Corporation, from time to time, shall issue to each agricultural mortgage loan originator or certified agricultural mortgage marketing facility common stock commensurate with any capital contributions made under this subsection.

"(c) DIVIDENDS.—

"(1) IN GENERAL.—Subject to paragraphs (2) and (3), the Corporation may pay to the holders of common stock of the Corporation such reasonable dividends as the Board may declare from time to time.

"(2) RESERVES REQUIREMENT.—No dividend may be declared or paid by the Board under paragraph (1) unless the Board determines that adequate provision has been made for the reserve required under section 5.88(b)(1).

"(3) DIVIDENDS PROHIBITED WHILE OBLIGATIONS ARE OUTSTANDING.—No dividend may be declared or paid by the Board under paragraph (1) while any obligation issued by the Corporation to the Secretary of the Treasury under section 5.91 remains outstanding.

"SEC. 5.84. CERTIFICATION OF AGRICULTURAL MORTGAGE MARKETING FACILITIES.

"(a) ELIGIBILITY STANDARDS.—

"(1) ESTABLISHMENT REQUIRED.—Within 120 days after the date on which the permanent board first meets with a quorum present, the Corporation shall issue standards for the certification of agricultural mortgage marketing facilities, including eligibility standards in accordance with paragraph (2).

"(2) MINIMUM REQUIREMENTS.—To be eligible to be certified under the standards referred to in paragraph (1), an agricultural mortgage marketing facility shall—

"(A) be an institution of the Farm Credit System or a corporation, association, or trust organized under the laws of the United States or of any State;

"(B) meet or exceed capital standards established by the Board;

"(C) have as one of such facility's purposes, the sale or resale of securities representing interests in, or obligations backed by, pools of qualified agricultural mortgage loans that have been provided credit enhancement by the Corporation;

"(D) demonstrate managerial ability with respect to agricultural mortgage loan underwriting, servicing, and marketing which is acceptable to the Corporation;

"(E) adopt appropriate agricultural mortgage loan underwriting, appraisal, and servicing standards and procedures which meet or exceed the standards established by the Board; and

"(F) for purposes of enabling the Corporation to examine the facility, agree to allow officers or employees of the Corporation to have access to all books, accounts, financial records, reports, files, and all other papers, things, or property, of any type whatsoever, belonging to or used by the Corporation which are necessary to facilitate an examination of the facility's operations in connection with securities, and the pools of qualified agricultural mortgage loans which back securities, for which the Corporation has provided credit enhancement.

"(3) NONDISCRIMINATION REQUIREMENT.—The standards established under this subsection shall not discriminate between or against Farm Credit System and non-Farm Credit System applicants.

"(b) CERTIFICATION BY CORPORATION.—Within 60 days after receiving an application for certification under this section, the Corporation shall certify the facility if the facility meets the standards established by the Corporation under subsection (a)(1).

"(c) MAXIMUM TIME PERIOD FOR CERTIFICATION.—Any certification by the Corporation of an agricultural mortgage marketing facility shall be effective for a period determined by the Corporation at the time of certification but in no event for any period greater than 5 years.

"(d) REVOCATION OF CERTIFICATION.—

"(1) IN GENERAL.—After notice and an opportunity for hearing, the Corporation may revoke the certification of an agricultural mortgage marketing facility if the Corporation determines that the facility does not meet the standards established under subsection (a).

"(2) OUTSTANDING COMMITMENTS UNAFFECTED.—Revocation of certification shall not affect any commitment issued by the Corporation providing credit enhancement for securities representing interests in, or obligations backed by, any pool of qualified agricultural mortgage loans.

"(e) AFFILIATION OF FCS INSTITUTIONS WITH FACILITY.—

"(1) ESTABLISHMENT OF AFFILIATE AUTHORIZED.—Notwithstanding any other provision of this Act, any Farm Credit System institution (other than the Corporation), acting for such institution alone or in conjunction with 1 or more other such institutions, may establish and operate, as an affiliate, an agricultural mortgage marketing facility if, within a reasonable time after such establishment, such facility obtains and thereafter retains certification under subsection (b) as a certified agricultural mortgage marketing facility.

"(2) EXCLUSIVE AGENCY AGREEMENT AUTHORIZED.—Any number of Farm Credit System institutions (other than the Corporation) may enter into an agreement with any certified agricultural mortgage marketing facility (including affiliate established under paragraph (1)) to sell the qualified agricultural mortgage loans of such institutions exclusively to or through the facility.

"SEC. 5.85. CREDIT ENHANCEMENT FOR SECURITIES BACKED BY POOLS OF QUALIFIED AGRICULTURAL MORTGAGE LOANS.

"(a) CREDIT ENHANCEMENT AUTHORIZED FOR CERTIFIED FACILITIES.—Subject to the requirements of this section and section 5.86, the Corporation shall carry out a program of credit enhancement and may provide such credit enhancement only for securities issued by a certified agricultural mortgage marketing facility which represent interests in, or obligations backed by, any pool of qualified agricultural mortgage loans which is held by such facility.

"(b) RESERVE OR SUBORDINATED PARTICIPATION REQUIREMENTS.—

"(1) IN GENERAL.—The Corporation may not provide credit enhancement under this section with respect to securities which represent interests in, or obligations backed by, any pool of qualified agricultural mortgage loans unless—

"(A) a reserve which meets the requirements of section 5.86(a) has been established, with respect to the loans constituting such pool, in the manner and in an amount described in such section; or

"(B) subordinated participation interests in such loans which meet the requirements of section 5.86(b) have been retained in the manner and in amounts described in such section.

"(2) EXHAUSTION OF RESERVES; TRANSFER OF SUBORDINATED INTERESTS.—The Corporation shall not be liable for any payment of any amount of the principal of, or interest on, any security for which credit enhancement has been provided under this section until—

"(A) all amounts in the reserve established with respect to the pool of qualified agricultural mortgage loans in connection with which such security was issued have been exhausted; and

"(B) the aggregate amount of subordinate participations in such loans which have been retained by the facility or the originator of any such loan (and the amount in any reserve established by the facility with respect to any such interest) have been surrendered or otherwise transferred to the Corporation.

"(c) STANDARDS REQUIRING DIVERSIFIED POOLS.—

"(1) IN GENERAL.—To reduce the risks incurred by the Corporation in providing credit enhancement under this section and to further the purposes of this part, the Board shall establish standards governing the composition of each pool of qualified agricultural mortgage loans (in connection with which such credit enhancement is provided) over the period during which the commitment to provide credit enhancement is effective.

"(2) MINIMUM CRITERIA.—The standards established by the Board pursuant to paragraph (1) for pools of qualified agricultural mortgage loans shall, at a minimum—

"(A) require that each pool consist of loans which—

"(i) are secured by agricultural real estate which is widely distributed geographically;

"(ii) vary widely in terms of amounts of principal; and

"(iii) are secured by agricultural real estate which, in the aggregate, is used to produce a wide range of agricultural commodities; and

"(B) prohibit the inclusion in any such pool of—

"(i) any loan the principal amount of which exceeds 2 percent of the aggregate amount of principal of all loans in such pool; and

"(ii) 2 or more loans to related borrowers.

"(3) SMALL FARMS AND FAMILY FARMERS.—In establishing the standards described in paragraph (2)(A)(ii), the Board shall include provisions which promote and encourage the inclusion of loans for small farms and family farmers in pools of qualified agricultural mortgage loans.

"(4) CONGRESSIONAL REVIEW.—No standard prescribed under this subsection shall take effect before the later of—

"(A) the end of a period consisting of 30 legislative days and beginning on the date such standards are submitted to the Congress; or

"(B) the end of a period consisting of 90 calendar days and beginning on such date.

"(d) OTHER RESPONSIBILITIES OF AND LIMITATIONS ON CERTIFIED FACILITIES.—As a condition for providing any credit enhancement under this section for securities issued by a certified agricultural mortgage marketing facility which represent interests in, or obligations backed by, any pool of qualified agricultural mortgage loans, the Corporation shall require such facility to agree to comply with the following requirements:

"(1) LOAN DEFAULT RESOLUTION.—The facility shall act in accordance with the standards of a prudent institutional lender to resolve any default on any such loan in such pool.

"(2) SUBROGATION OF UNITED STATES AND CORPORATION TO FACILITY'S INTERESTS.—The proceeds of any collateral, judgments, settlements, or guarantees received by the facility with respect to any loan in such pool, shall be applied, after payment of costs of collection—

"(A) first, to reduce the amount of any principal outstanding on any obligation of the Corporation which was purchased by the Secretary of the Treasury under section 5.91 to the extent the proceeds of such obligation were used to make credit enhancements in connection with such securities; and

"(B) second, to reimburse the Corporation for any such credit enhancement payments.

"(3) LOAN SERVICING.—The originator of any loan in such pool shall be permitted to retain the right to service the loan.

"(4) LOANS WITH RECOURSE TO ORIGINATOR PROHIBITED.—Each loan in the pool shall have been sold to the certified agricultural mortgage marketing facility without recourse to the originator of such loan (other than recourse to any interest of such originator in a reserve established in connection with such loan or any subordinated participation interest of such originator in such loan).

"(5) COMPLIANCE WITH DIVERSIFIED POOL STANDARDS.—The facility shall comply with the standards adopted by the Board under subsection (c) in establishing and maintaining the pool.

"(6) MINORITY PARTICIPATION IN PUBLIC OFFERINGS.—The facility shall take such steps as may be necessary to ensure that minority owned or controlled investment banking firms, underwriters, and bond counsels throughout the United States have an opportunity to participate to a significant degree in any public offering of securities.

"(7) NO DISCRIMINATION AGAINST STATES WITH BORROWERS RIGHTS.—The facility may not refuse to purchase qualified agricultural mortgage loans originating in States which have established borrowers' rights laws either by statute or under the constitution of such State.

"(e) ADDITIONAL AUTHORITY OF THE BOARD.—To ensure the liquidity of securities for which credit enhancement has been provided under this section, the Board shall adopt appropriate standards regarding—

"(1) the characteristics of any pool of qualified agricultural mortgage loans serving as collateral for such securities;

"(2) registration requirements with respect to such securities; and

"(3) transfer requirements.

"SEC. 5.86. RESERVE AND RETAINED SUBORDINATED PARTICIPATION INTEREST REQUIREMENTS.

"(a) CASH CONTRIBUTION RESERVES.—

"(1) IN GENERAL.—A certified agricultural mortgage marketing facility may meet the requirements of section 5.85(b)(1) with respect to any pool of qualified agricultural mortgage loans by establishing and maintaining a cash contribution reserve for each such pool in an amount not less than the amount which is equal to 10 percent of the sum of the principal amount of each loan included in the pool.

"(2) CONTRIBUTIONS BY AGRICULTURAL MORTGAGE LOAN ORIGINATORS.—Under the terms of the sale of any qualified agricultural mortgage loan by the originator of such loan to a certified agricultural mortgage marketing facility, the originator of such loan may agree to contribute an amount to a reserve established by such facility for the pool in which such loan is included.

"(3) INVESTMENT OF AMOUNTS IN RESERVE IN CASE OF ORIGINATOR CONTRIBUTIONS.—If an agricultural mortgage loan originator has agreed to contribute to a reserve as provided in paragraph (2), the certified the loan shall invest the amount in such reserve in United States Treasury securities or other securities issued, guaranteed, or insured by the United States of any agency of the United States.

"(4) RESERVE REQUIREMENTS IF ORIGINATORS DO NOT CONTRIBUTE.—If an agricultural mortgage loan originator has not agreed to contribute to a reserve as provided in paragraph (2), the certified mortgage marketing facility that has agreed to purchase or hold the loan shall invest the amount in such reserve in such manner as the Corporation deems appropriate.

"(5) USE AND DISPOSITION OF ASSETS IN RESERVE.—Subject to the requirements of subsection (c), any certified agricultural mortgage marketing facility which establishes a reserve pursuant to this subsection shall be required by the Corporation to maintain such reserve as a segregated account consisting of the amounts contributed (but not the earnings accruing on such amounts) to assure the repayment of principal of, and the payment of interest on, the securities representing an interest in, or obligations backed by, the pool of qualified agricultural mortgage loans with respect to which such reserve is established.

"(b) RETENTION OF SUBORDINATED PARTICIPATION INTERESTS.—

"(1) IN GENERAL.—A certified agricultural mortgage marketing facility may meet the requirements of section 5.85(b)(1) with respect to any pool of qualified agricultural mortgage loans by retaining a subordinated participation interest in each loan included in each such pool in an amount not less than the amount which is equal to 10 percent of the principal amount of such loan.

"(2) RETENTION OF SUCH INTERESTS BY LOAN ORIGINATORS.—Under the terms of the sale of any qualified agricultural mortgage loan by the originator of such loan to a certified agricultural mortgage marketing facility, the originator of such loan may agree to retain a subordinated participation interest in such loan and the amount of the subordinated interest so retained by such loan originator shall be attributed to the facility for purposes of determining whether the requirements of paragraph (1) have been met.

"(3) DISTRIBUTION RIGHTS OF HOLDERS OF SUBORDINATED INTERESTS.—In order for any interest in a qualified agricultural mortgage loan to be treated as a subordinated participation interest for purposes of section 5.85(b)(1) and this subsection, the instrument creating the subordination of such interest to other interests in such loan shall provide that the right of the holder of such subordinated interest to receive any distribution of principal of, or interest on, such loan shall be subordinate to the rights of any holder of any other participation interest (other than another subordinated participation interest) in such loan (including any holder of any security representing an interest in, or an obligation backed by, a pool which includes such loan) to receive full and timely payments of principal and interest with respect to such loan (or such security).

"(c) ADDITIONAL REQUIREMENTS RELATING TO SUBSECTION (a)(1) RESERVES.—

"(1) DISTRIBUTION OF EARNINGS ACCRUING IN SUBSECTION (a)(1) RESERVES.—Subject to paragraph (2), any certified agricultural mortgage marketing facility which maintains a reserve pursuant to subsection (a)(1) may withdraw from the reserve the amounts accruing on the amount held in the reserve and distribute, not less frequently than semiannually, such accrued amounts to each contributor to the reserve (including such facility) in an amount which bears the same proportion to the total amount of such distribution as the amount each such contributor's contribution to the reserve bears to the total amount of such contributions.

"(2) EXCEPTION FOR WITHDRAWALS WHICH WOULD DECREASE RESERVE LEVELS BELOW RESERVE REQUIREMENT.—No withdrawal and distribution authorized under paragraph (1) may be made to the extent such withdrawal would cause the reserve to fall below the amount required to be held in such reserve under subsection (a)(1).

"(3) SEPARATE LOAN LOSS ACCOUNTING.—Any certified agricultural mortgage marketing facility which maintains a reserve (pursuant to subsection (a)(1)) to which any agricultural mortgage loan originator has contributed shall maintain separate loan loss accounting for each loan for which a contribution was made by such loan originator to such reserve.

"(4) LOAN LOSS ATTRIBUTION RULE.—In the case of any loan with respect to which the originator of such loan has contributed to a reserve maintained by the certified agricultural mortgage marketing facility which holds the loan, any loss on such loan shall be counted against such originator's contribution with respect to such loan (to the extent of such contribution) before the contribution of any other agricultural mortgage loan originator to such reserve may be withdrawn to cover such loss.

"(d) AUTHORITY OF BOARD TO ESTABLISH OTHER POLICIES AND PROCEDURES.—The Board may establish such other policies and procedures with respect to—

"(1) the establishment of reserves and the retention of subordinated participation interests under this section; and

"(2) the manner in which such reserves or interests shall be available to make payments of interest on, and repayments of principal of, securities for which the Corporation has provided credit enhancement.

as the Board determines to be necessary or appropriate to carry out the purposes of this part.

"SEC. 5.87. STANDARDS FOR QUALIFIED AGRICULTURAL MORTGAGE LOANS.

"(a) STANDARDS REQUIRED.—Within 120 days after the permanent board first meets with a quorum of its members present, the Board, in consultation with agricultural mortgage loan originators and in coordination with regulations issued by the Farm Credit Administration under section 4.2B(c), shall establish uniform underwriting and other necessary standards applicable with respect to qualified agricultural mortgage loans.

"(b) MINIMUM CRITERIA.—The standards established by the Board pursuant to subsection (a) shall, at a minimum—

"(1) provide that no agricultural mortgage loan with a loan-to-value ratio in excess of 80 percent may be treated as a qualified agricultural mortgage loan;

"(2) require that any real estate appraisal which is made to determine the loan-to-value ratio of any agricultural mortgage loan for purposes of paragraph (1) be based on the agricultural use of the land at the time such appraisal is made;

"(3) require each borrower to demonstrate sufficient cash-flow to adequately service the agricultural mortgage loan;

"(4) contain sufficient documentation standards; and

"(5) contain adequate standards to protect the integrity of the appraisal process with respect to any agricultural mortgage loans.

"(c) LOAN AMOUNT LIMITATION.—

"(1) IN GENERAL.—A loan may not be treated as a qualified agricultural mortgage loan if the principal amount of such loan exceeds $1,500,000, adjusted for inflation, except as provided in paragraph (2).

"(2) ACREAGE EXCEPTION.—Paragraph (1) shall not apply with respect to any agricultural mortgage loan described in such paragraph if such loan is secured by agricultural real estate which, in the aggregate, comprises not more than 1,000 acres.

"(d) CONGRESSIONAL REVIEW.—No standard prescribed under subsection (a) shall take effect before the later of—

"(1) the end of a period consisting of 30 legislative days and beginning on the date such standards are submitted to the Congress; or

"(2) the end of a period consisting of 90 calendar days and beginning on such date.

"(e) NONDISCRIMINATION REQUIREMENT.—The standards established under subsection (a) shall not discriminate against small agricultural mortgage loan originators or small agricultural mortgage loans that are at least $50,000.

"SEC. 5.88. AUTHORITY OF CORPORATION TO ASSESS FEES IN CONNECTION WITH CREDIT ENHANCEMENT.

"(a) ASSESSMENT OF FEES.—

"(1) IN GENERAL.—At the time the Corporation issues commitments to provide credit enhancement for securities backed by a pool of qualified agricultural mortgage loans, the Corporation shall assess a fee against the certified agricultural mortgages marketing facility holding the pool.

"(2) AMOUNT OF FEE.—The amount of the fee shall be—

"(A) determined at the time the assessment is made under paragraph (1); and

"(B) based on the amount of risk incurred by the Corporation in providing the credit enhancement with respect to which such fee is assessed, as determined by the Corporation.

"(3) TIME FOR PAYING ASSESSMENT.—In accordance with such policies as the Board may establish, any fee assessed under paragraph (1) with respect to any credit enhancement may be paid in periodic installments over the period to maturity of the se-

curities for which such credit enhancement has been provided.

"(b) CORPORATION RESERVE AGAINST CREDIT ENHANCEMENT LOSSES REQUIRED.—

"(1) IN GENERAL.—So much of the fees collected under subsection (a) as the Board determines to be necessary shall be set aside by the Corporation in a segregated account as a reserve against losses arising out of the credit enhancement activities of the Corporation.

"(2) EXHAUSTION OF RESERVE REQUIRED.—The Corporation may not issue obligations to the Secretary of the Treasury under section 5.91 in order to meet the obligations of the Corporation with respect to any credit enhancement provided under this part until the reserve established under paragraph (1) has been exhausted.

"(c) FEES TO COVER ADMINISTRATIVE COSTS AUTHORIZED.—The Corporation may impose charges or fees in reasonable amounts in connection with the administration of its activities under this part to recover its costs for performing such administration.

"SEC. 5.89. REGULATION, EXAMINATION, AND REPORT OF CONDITION.

"(a) FCA OVERSIGHT OF CORPORATION.—

"(1) IN GENERAL.—The Farm Credit Administration shall regulate the safe and sound performance of the powers, functions, and duties vested in the Corporation by this part.

"(2) CRITERIA TO BE CONSIDERED.—In exercising the authority under this subsection, the Farm Credit Administration shall consider—

"(A) the purposes for which the Corporation was established;

"(B) the practices appropriate to the conduct of secondary markets in agricultural loans; and

"(C) the reduced levels of risk associated with appropriately structured secondary market transactions.

"(b) EXAMINATIONS.—

"(1) IN GENERAL.—The financial transactions of the Corporation shall be examined by Farm Credit Administration examiners in accordance with the principles and procedures applicable to commercial corporate transactions.

"(2) FREQUENCY OF EXAMINATIONS.—Examinations under this subsection shall take place at such times as the Chairman of the Farm Credit Administration Board may determine, but not less frequently than annually.

"(3) EXAMINER ACCESS TO BOOKS, RECORDS AND FACILITIES.—The examiners of the Farm Credit Administration who are performing any examination under this subsection shall—

"(A) have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or used by the Corporation which are necessary to facilitate the audit; and

"(B) be afforded full facilities for verifying transactions with certified agricultural mortgage marketing facilities and other entities with whom the Corporation conducts transactions.

"(c) ANNUAL REPORT OF CONDITION.—

"(1) PUBLICATION REQUIRED.—The Corporation shall make and publish an annual report of condition in the form and manner perscribed by the Farm Credit Administration.

"(2) CONTENTS OF REPORT.—Each annual report of condition prepared pursuant to paragraph (1) shall contain financial statements prepared in accordance with generally accepted accounting principles and such additional information as the Farm Credit Administration may, by regulation, prescribe.

"(d) FCA ASSESSMENTS TO COVER COSTS.—The Farm Credit Administration shall assess the Corporation for the cost to the Administration of any regulatory activities conducted under this section, including the cost of any examination.

"(e) INDEPENDENT AUDIT OF FINANCIAL STATEMENTS REQUIRED.—The Corporation shall hire an independent public accountant to audit the financial statements of the Corporation.

"SEC. 5.90. PROVISIONS APPLICABLE TO SECURITIES FOR WHICH CREDIT ENHANCEMENT IS PROVIDED.

"(a) SECURITIES NOT EXEMPT AS GOVERNMENT SECURITIES UNDER FEDERAL SECURITIES LAWS.—For purposes of section 3(a)(2) of the Securities Act of 1933, no security representing an interest in a pool of qualified agricultural mortgage loans for which credit enhancement has been provided by the Corporation shall be deemed to be a security issued or guaranteed by a person controlled or supervised by, or acting as an instrumentality of, the Government of the United States. No such security shall be deemed to be a 'government security' for purposes of the Securities Exchange Act of 1934, or for purposes of the Investment Company Act of 1940.

"(b) NO FULL FAITH AND CREDIT OF THE UNITED STATES.—Each security for which credit enhancement has been provided by the Corporation shall clearly indicate that the security is not an obligation of, and is not guaranteed as to principal or interest by, the Farm Credit Administration, the United States, or any other agency or instrumentality of the United States (other than the Corporation).

"(c) INVESTMENT OF FUNDS.—

"(1) IN GENERAL.—Any person, trust, corporation, partnership, association, business trust, or business entity created or existing under the laws of the United States or any State may invest in securities for which the Corporation has provided credit enhancement to the same extent that such person, trust, corporation, partnership, association, business trust, or business entity is authorized under any applicable law to purchase, hold, or invest in obligations issued by or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof.

"(2) SECURITIES TREATED AS OBLIGATIONS OF THE UNITED STATES FOR PURPOSES OF CERTAIN STATE LAWS.—Except as provided in paragraph (3), securities for which the Corporation has provided credit enhancement shall be treated as obligations of the United States for purposes of any State law that limits the purchase, holding, or investment in obligations issued by the United States by any person, trust, corporation, partnership, association, business trust, or business entity created or existing under the laws of such State.

"(3) EXCEPTION FOR SUBSEQUENT ENACTMENTS.—

"(A) IN GENERAL.—If, during the 3-year period beginning on the date of the enactment of this part, any State enacts a law which—

"(i) specifically refers to this subsection; and

"(ii) either prohibits any person, trust, corporation, partnership, association, business trust, business entity created or existing under the laws of such State from purchasing, holding, or investing in securities for which the Corporation has provided credit enhancement or provides for a more limited authority for any such person to purchase, hold, or invest in such securities than is provided under paragraph (1) or (2),

paragraphs (1) and (2) shall cease to apply with respect to such person, trust, corporation, partnership, association, business trust, or business entity as of the date such law takes effect.

"(B) PRIOR ACTIONS OR COMMITMENTS UNAFFECTED.—The enactment by any State of any provision of law of the type described in subparagraph (a) shall not—

"(i) affect the validity of any contractual commitment to purchase, hold, or invest that was entered into before the date of the enactment of such law; and

"(ii) require the sale or other disposition of any securities acquired before such date of enactment.

"(d) STATE USURY LAWS SUPERSEDED.—

"(1) IN GENERAL.—Except as provided in paragraph (2), any provision of the constitution or law of any State which expressly limits the rate or amount of interest, discount points, finance charges, or other charges that may be charged, taken, received, or reserved by agricultural lenders or certified agricultural mortgage market facilities shall not apply to any agricultural loan made by an agricultural mortgage loan originator or a certified agricultural mortgage market facility in accordance with this part.

"(2) EXCEPTION FOR SUBSEQUENT ENACTMENTS.—If, during the 3-year period beginning on the date of the enactment of this part, any State enacts a law which—

"(A) specifically refers to this subsection; and

"(B) expressly limits the rate or amount of interest, discount points, finance charges, or other charges referred to in paragraph (1),

paragraph (1) shall cease to apply with respect to such State as of the date of the enactment of such law.

"SEC. 5.91. AUTHORITY TO ISSUE OBLIGATIONS TO COVER CREDIT ENHANCEMENT LOSSES OF THE CORPORATION.

"(a) SALE OF OBLIGATIONS TO TREASURY.—

"(1) IN GENERAL.—Subject to the limitations contained in sections 5.85(b)(2) and 5.88(b)(2) and the requirement of paragraph (2), the Corporation may issue obligations to the Secretary of the Treasury the proceeds of which may be used by the Corporation solely for the purpose of fulfilling the Corporation's obligations under any credit enhancement provided by the Corporation under this part.

"(2) CERTIFICATION.—The Secretary of the Treasury may purchase obligations of the Corporation under paragraph (1) only if the Corporation certifies to the Secretary that—

"(A) the requirements of sections 5.85(b)(2) and 5.88(b)(2) have been fulfilled; and

"(B) the proceeds of the sale of such obligations are needed to fulfill the Corporation's obligations under any credit enhancement provided by the Corporation under this part.

"(b) EXPEDITIOUS TRANSACTION REQUIRED.—Not later than 10 business days after receipt by the Secretary of the Treasury of any certification by the Corporation under subsection (a)(2), the Secretary of the Treasury shall purchase obligations issued by the Corporation in an amount determined by the Corporation to be sufficient to

meet the Corporation's credit enhancement liabilities.

"(c) LIMITATION ON AMOUNT OF OUTSTANDING OBLIGATIONS.—The aggregate amount of obligations issued by the Corporation under subsection (a)(1) which may be held by the Secretary of the Treasury at any time (as determined by the Secretary) shall not exceed $1,500,000,000.

"(d) TERMS OF OBLIGATION.—

"(1) INTEREST.—Each obligation purchased by the Secretary of the Treasury shall bear interest at a rate determined by the Secretary, taking into consideration the average rate on outstanding marketable obligations of the United States as of the last day of the last calendar month ending before the date of the purchase of such obligation.

"(2) REDEMPTION.—The Secretary of the Treasury shall require that such obligations be repurchased by the Corporation within a reasonable time.

"(e) COORDINATION WITH TITLE 31, UNITED STATES CODE.—

"(1) AUTHORITY TO USE PROCEEDS FROM SALE OF TREASURY SECURITIES.—For the purpose of purchasing obligations of the Corporation, the Secretary of the Treasury may use as a public debt transaction the proceeds from the sale by the Secretary of any securities issued under chapter 31 of title 31, United States Code, and the purposes for which securities may be issued under such chapter are extended to include such purchases.

"(2) TREATMENT OF TRANSACTIONS.—All purchases and sales by the Secretary of the Treasury of obligations issued by the Corporation under this section shall be treated as public debt transactions of the United States.

"(f) AUTHORIZATION OF APPROPRIATIONS.—There is hereby authorized to be appropriated to the Secretary of the Treasury the sum of $1,500,000,000, without fiscal year limitation, to carry out the purposes of this part.".

(c) GAO AUDIT OF FEDERAL AGRICULTURAL MORTGAGE CORPORATION.—Section 9105(a) of title 31, United States Code (relating to audits) is amended by inserting at the end thereof the following new paragraph:

"(4) FEDERAL AGRICULTURAL MORTGAGE CORPORATION.—

"(A) AUDITS AUTHORIZED.—Notwithstanding any other provision of law and under such regulations as the Comptroller General may prescribe, the Comptroller General shall perform a financial audit of the Federal Agricultural Mortgage Corporation on whatever basis the Comptroller General determines to be necessary.

"(B) COOPERATION OF CORPORATION REQUIRED.—The Federal Agricultural Mortgage Corporation shall—

"(i) make available to the Comptroller General for audit all records and property of, or used or managed by, the Association which may be necessary for the audit; and

"(ii) provide the Comptroller General with facilities for verifying transactions with the balances or securities held by and depositary, fiscal agent, or custodian.".

Page 170, line 5, strike out "(c)" and insert in lieu thereof "(d)".

Page 171, after line 18, insert the following new subsections:

"(e) PROMOTION OF PRIVATE SECONDARY MARKET FOR SECURITIES BACKED BY AGRICULTURAL MORTGAGES.—

"(1) STUDY REQUIRED.—The Secretary of the Treasury shall conduct a study of the feasibility and appropriateness of promoting the establishment of a secondary market for securities representing interests in, or obligations backed by, pools of agricultural real estate loans for which credit enhancement has not been provided by the Federal Agricultural Mortgage Corporation (under the amendment made by subsection (b)).

"(2) REPORT REQUIRED.—Before the end of the 90-day period beginning on the date of the enactment of this Act, the Secretary of the Treasury shall prepare a report containing the findings and conclusions of the Secretary with respect to the study conducted pursuant to paragraph (1) and, if appropriate, the Secretary's recommendations for administrative and legislative action necessary to promote such a securities market.

"(3) SUBMISSION OF REPORT.—The Secretary of the Treasury shall—

"(A) submit copies of the report prepared pursuant to paragraph (2) to the Congress; and

"(B) transmit additional copies of such report to the Farm Credit Administration.

"(f) REPORT ON FEASIBILITY OF EXPANDING SECONDARY MARKET TO INCLUDE LOANS MADE TO FARM-RELATED AND RURAL SMALL BUSINESSES AND FOR OTHER PURPOSES.—Within 1 year after the permanent Board of Directors of the Federal Agricultural Mortgage Corporation is duly constituted, such Board of Directors shall complete a study of the feasibility of expanding the authority granted under the amendment made by subsection (b) to authorize the sale of securities based on or backed by a trust or pool consisting of loans made to farm-related and rural small businesses, and report the results of such study to the President, the Speaker of the House of Representatives, and the President pro tempore of the Senate. For purposes of this paragraph, the term "farm-related businesses" means businesses 90 percent or more of the annual dollar volume of the sales of which are made to agricultural producers.

AMENDMENT (1)

On page 31, lines 2 and 3, strike out "when funds are made available under appropriations Act".

On page 38, line 16, insert "(a)" before "During".

On page 38, on lines 17 and 18, strike out the following: ", as provided for in appropriation Acts,".

On page 39, strike out lines 10 and 11 and insert in lieu thereof the following:

"(b) For fiscal year 1988, the Secretary of the Treasury shall make available to the Temporary Assistance Corporation under subsection (a) $2,500,000,000. The Secretary of Agriculture, under such terms as the Secretary may prescribe, shall sell notes and other obligations held in the Rural Development Insurance Fund established under section 309A of the Consolidated Farm and Rural Development Act in such amounts as to realize net proceeds to the Government of $2,500,000,000.

"(c) For fiscal years 1989, 1990, 1991, and 1992, there are hereby authorized to be appropriated such sums as are certified necessary by the Temporary Assistance Corporation.".

Mr. JONES of Tennessee (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

The CHAIRMAN. The gentleman from Tennessee [Mr. JONES] is recognized for 10 minutes.

Mr. JONES of Tennessee. Mr. Chairman, I yield 3 minutes to the gentleman from Iowa [Mr. NAGLE], a member of the subcommittee.

Mr. NAGLE. Mr. Chairman, today the Committee of the Whole House resumes its consideration of H.R. 3030, to provide credit assistance to farmers, to strengthen the Farm Credit System, and for other purposes. The Committee has completed most of its work on titles I and II of the bill. Today we will consider the remainder of the bill—titles III and IV.

Section 301 of title III will establish a secondary market for certain agricultural loans. This concept is not a new one. For example, several agricultural secondary market proposals were introduced in the 99th Congress, as well as in this Congress. Section 301 was modeled after H.R. 2435, introduced by Mr. STALLINGS on May 14, 1987.

The major components of the section 301 secondary market have been carefully structured, to fit together into a successfully functioning secondary market. The Mortgage Corporation itself has three basic functions: first, develop and enforce uniform underwriting, appraisal and repayment standards for loans eligible for the secondary market; second, determine eligibility and certify specific financial institutions to serve as pooler-underwriters of the agricultural mortgages, and third, provide its guarantee for timely payment of interest and principal on qualified pools of mortgages that are securitized. The market will rely for pooling and underwriting—subject to prior certification and direction of the Mortgage Corporation, as indicated—by private-sector institutions with the financial and management capacity to perform those functions efficiently. A special reserve or subordinated participation interest, equal to 10 percent of the face value of mortgages in the pool, is required for each securitized pool of loans. Borrowing authority from Treasury, up to $1.5 billion, is authorized in order to make individual pools of mortgages marketable to investors at competitive prices.

As structured in the bill, the secondary market can provide important benefits to farmers and agricultural lenders including the Farm Credit System, while protecting taxpayer interests. The primary benefits will accrue to farmers. Farm borrowers generally should receive better credit service, including lower interest rates, due to the greater competition among providers of agricultural real estate credit that is fostered by the secondary market. Because the farm mortgages are securitized, farmers will have the valuable option of a long-term, fixed-rate mort-

gage for the purchase of farmland. Commercial agricultural lenders can originate and sell more long-term farm mortgages, while retaining the servicing with the farm borrowers, without impairing their immediate liquidity or their capacity to meet farmers' needs for operating and equipment financing as the agricultural economy recovers. Smaller agricultural banks can use the secondary market to diversify their income to healthier levels and increase their lending amounts to individual farmers. The Farm Credit System can offer long-term, fixed-rate mortgages without risking the mismatch of their loan assets and bond liabilities that caused a substantial part of the System's present financial difficulties.

Admittedly, the secondary market will not result in new lending to farmers who are hard pressed because they are overextended with debt at interest rates that they cannot manage. Many of those farmers may be assisted by debt restructuring provisions elsewhere in H.R. 3030 that apply to borrowers from the Farmers Home Adminstration and the Farm Credit System. In the case of Farm Credit System borrowers, financial assistance is provided by H.R. 3030 to facilitate debt restructuring. The farmers who are overextended need to be able to reduce their debt relative to their farm income and cash-flow. However, farm borrowers generally should receive improved financial service, including lower interest rates, due to the greater competition and efficiency among providers of agricultural real estate credit that the secondary market will foster.

Mr. Chairman, we have attempted to utilize the experience of successful housing secondary markets in the development of a secondary market for agricultural real estate. Therefore, Farmer Mac has many of the attributes that the Federal National Mortgage Association [Fannie Mae] and the Federal Home Loan Mortgage Corporation [Freddie Mac] exhibit when they provide credit enhancement to pools of mortgages developed by private poolers rather than pooling these loans themselves. Both Fannie Mae and Freddie Mac provide credit enhancement to pools of residential mortgages developed by private poolers—including banks—the securities of which can then be underwritten and sold by the private poolers—including banks. In fact, Fannie Mae provided credit enhancement to approximately 120 billion dollars' worth of private pools of residential mortgages in the last 5 years alone. It is this function of monitoring pools and poolers and providing credit enhancement that is followed in the structure of Farmer Mac included in section 301 of H.R. 3030.

Mr. Chairman, we believe that the structure of the secondary market for agricultural real estate loans included in section 301 is fundamentally sound and will achieve the goals outlined above. The structure was carefully developed and has not been changed significantly since H.R. 2435 was introduced.

Mr. Chairman the amendment to section 301 that I will offer today on behalf of the Committees on Agriculture; Banking, Finance and Urban Affairs; and Energy and Commerce will make a number of changes to meet several concerns that have been raised about the secondary market. Specifically the amendment will—

First, provide that the Chairman of the Board of the Federal Agricultural Mortgage Corporation [FAMC] will be designated by the President.

Second, provide that the Secretary of the Treasury or his designee will serve as a FAMC Board member.

Third, clarify that the credit enhancement fee is based on risk in a pool, and allow the fee to be paid in periodic installments.

Fourth, establish more specific guidelines for underwriting standards to ensure high quality loans and pools:

Limit on loan amount as a percentage of asset value;

Require that property be appraised based on its value for agricultural use;

Require diversity among the loans in a pool based on geography, loan size, and commodity produced;

Require borrowers to demonstrate sufficient cash-flow to service the debt;

Require the standards to promote and encourage the inclusion of small and family farm size loans in pools; and

Require layover for review by Congress of the Corporation's underwriting standards.

Fifth, prohibit poolers from refusing to purchase loans from States with borrowers' rights laws.

Sixth, direct the Board to take necessary steps to ensure that minority underwriters have an opportunity to participate in public offerings of securities.

Seventh, authorize GAO to audit and examine FAMC.

Eight, require poolers to demonstrate sufficient managerial abilities.

Ninth, strike the limited exemption from Federal securities laws provided in the reported bill.

Tenth, strike the exemption from State securities laws.

Eleventh, authorize the Federal Reserve Banks to hold FAMC deposits.

Twelfth, authorize FAMC to use the Federal Reserve Banks' book entry system.

Thirteenth, require the Secretary of the Treasury to conduct a study to determine the feasiblity of establishing a secondary market for loans that do not meet FAMC's underwriting standards.

Fourteenth, clarify that Glass-Stegall will remain the controlling authority for bank underwriting of securities.

□ 1530

Mr. MADIGAN. Mr. Chairman, I yield myself such time as I may consume.

Mr. MADIGAN. Mr. Chairman, it would be awfully tempting at this point to try to foulup this whole procedure and I would not do that because of the involvement of the Committee on Energy and Commerce and the Committee on Banking, Finance and Urban Affairs. I think that everything the Commerce Committee did was good and reflected the fact that there is an expertise there with regard to the securities and exchange law that does not exist in the Committee on Agriculture. So I appreciate the contribution of the Commerce Committee and I also appreciate the work of the Banking Committee because they too know things about the operation of financial markets that we do not know on the Agriculture Committee.

With regard to the frantic last minute activities here on the House floor where limits on this, or limits on that, are in, then they are out, then there is a cap and then there is not a cap; that is not the way I like to see the House of Representatives proceed. But, notwithstanding the temptation to try to throw a monkey wrench into this process because of the way this bill has been handled at the last minute, I am not going to do that, because I understand that we go on to conference and we have an opportunity there to work with Members of the other body and to try to produce a bill that is good for the American farmer and good for America. But I do want to repeat that I do not enjoy being a party to the procedure that has been followed here today.

Mr. Chairman, I reserve the balance of my time.

Mr. JONES of Tennessee. Mr. Chairman, I yield 1 minute to the gentleman from Idaho [Mr. STALLINGS].

Mr. STALLINGS. I thank the gentleman for yielding.

Mr. Chairman, I rise in strong support of the amendment. As the original sponsor of H.R. 3030, at least title III of H.R. 3030, I have seen this process through the maze of committees and worked with a number of Members trying to resolve the many issues. Coming from the Agriculture Committee, we have done what I thought was a very good job. Yet I appreciate the work of the Committee on Banking, Finance and Urban Affairs and the Committee on Energy and Commerce. They have, in fact, added some things, raised some questions about this legislation that I think needed to be ad-

dressed. I believe this amendment now satisfies those needs. I congratulate those who have been involved in this process. I think the real beneficiaries of this amendment will be rural America.

I certainly encourage my colleagues to support it.

Mr. JONES of Tennessee. Mr. Chairman, I have only one more request. I yield 1 minute to the gentleman from Oklahoma [Mr. ENGLISH].

Mr. ENGLISH. Mr. Chairman, one little-noticed provision, I think, of the amendment that is being offered is perhaps one of the more important, namely because it provides a method of financing the Farm Credit System assistance.

One of the problems we have wrestled with since the beginning of the year is the question where does the money come from? It is one that has just recently been answered.

I made the suggestion whenever the committee first was considering the farm credit bill back in August, and it is one that has been incorporated in the amendment that is being offered here today. It is one that, namely, provides for a line of credit, a line of credit that is provided through the sale of agriculture assets, namely farmers' home loans. It provides some $2.5 billion. That money, I think, will insure not only that there will be assistance, but it will be immediate assistance. We are all aware of the lengthy process that we have to go through anytime new money is appropriated. So it seems that this is both timely and, I think, appropriate that agriculture assets be sold to finance the Farm Credit Systems' assistance.

Let me also say, Mr. Chairman, that I want to commend the Committee on Appropriations for the cooperation and assistance that they gave in making this possible. Timely assistance is very important, in fact, some would say critical at this point.

So I would urge support of this amendment.

Mr. VENTO. Mr. Chairman, I rise in support of the compromise substitute amendment offered by Chairman DE LA GARZA to title III of H.R. 3030, legislation which will create a secondary market for agriculture real estate loans. Members and staffs of the Agriculture, Banking, and Energy and Commerce Committees have worked long and hard for this compromise and I commend them for this amendment that will establish Farmer Mac as a workable and viable secondary market.

In considering title III of the Agriculture Credit Act, the Banking Committee attempted to provide direction for a responsible and sound secondary market by recommending changes in the composition and leadership of the Board of Directors of Farmer Mac, and mandating minimum underwriting standards for individual loans and loan pools that I believe will improve this market.

I have reservations about the establishment of a secondary market for loans, other than long term agricultural real estate and rural housing loans, that would be administered by the Farm Credit Administration. I believe this market should move slowly, following in the wake of a functioning real estate secondary market, with the Farm Credit Administration producing appropriate and sound underwriting standards along the lines of those formulated by Farmer Mac.

I would like to draw my colleagues attention to language in the amendment that would prevent certified agricultural mortgage marketing facilities from precluding loans originating in states with established borrowers' rights. Section 5.85(d)(7) states that "the facility may not refuse to purchase qualified agricultural mortgage loans originating in States which have established borrowers' rights laws either by statute or under the constitution of such State." The intent of this language is to assure that States with borrowers' rights provisions, which vary from mediation to homestead exemptions to rights of first refusal, are not effectively eliminated from participation in an agricultural real estate secondary market by virtue of these laws. States such as Iowa, Texas, Colorado, North Dakota, Oklahoma, Kansas, Illinois, Montana, my home State of Minnesota and others, should be able to maintain their laws rather than being forced to change their laws to participate in the secondary market. The committee, however, does realize that there will be differences in the security that must be reflected in interest rates and does not intend to preclude such differentiation.

In order to facilitate an understanding that these States are not, in fact, being precluded and that the geographic diversity portion of the minimum underwriting standards is being adhered to, I urge the Farm Credit Administration to include in their annual report, as established by section 5.89(c) (1) and (2) of the amendment, a State-by-State analysis of the number and size of loans participating in the agricultural real estate secondary market.

This provision, along with the others worked out in compromise, will accommodate the pressing needs of agriculture by providing a secure and viable source of capital to the farmers of this Nation. I urge my colleagues to support the compromise amendment to title III for the creation of an agricultural real estate loan secondary market.

Mr. STANGELAND. Mr. Chairman, I rise in support of Chairman DE LA GARZA's en bloc amendment to title III which creates a secondary market for agricultural loans. In addition, I am very glad to see that two amendments which I had intended to offer to this title have now been included in this amendment.

The intent of my amendments was to insure that the secondary market provisions function in an efficient and reasonable manner. One amendment simply added the requirement that an agricultural mortgage marketing facility have acceptable managerial ability to carry out its functions. And the other amendment made it clear that the Federal Agricultural Mortgage Corporation must use as much of its fee income as necessary to build a reserve against losses.

The language in these amendments is essential to the functioning of the secondary market provisions which are now being considered. Furthermore, it is important that this language is now included. And I urge my colleagues' support for this amendment which was created in the spirit of cooperation and compromise.

Mr. JONES OF Tennessee. Mr. Chairman, I have no further requests for time except to say that I wish to say that the Committee on Banking, Finance and Urban Affairs, all as well as the Committee on Energy and Commerce are to be congratulated, as I have mentioned before, for the good work that they did in making title III an even better title than we had in our original bill.

Mr. MADIGAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Vermont [Mr. JEFFORDS].

Mr. JEFFORDS. Mr. Chairman, in a few minutes I will be offering my amendment to title III. Since my time will be quite limited, I thought it would be wise to take some additional time, because it is an extremely important amendment.

It is an amendment that everyone ought to understand when we vote on it. In my mind and the minds of several experts that I talked to who are knowledgeable with respect to the secondary markets and the operation of banks, this amendment may make the difference between the success or failure of the Farm Credit System. I mean that sincerely.

We are all here because the Farm Credit System is in trouble. It is in deep trouble. The question is how we make it into a healthy system. What can we do here to pull it out and let it go forward? We all recognize that the basic problem with the farm credit system has been the farm problems themselves. And because the farm credit system was left with almost all of the farms as the commercial banks gradually withdraw from the market, they have also accepted almost all of the problems of the farm community. For instance the share of farm land loans by commercial banks has gone from 40 percent to 15 percent.

On the one hand we heard arguments in committee that it was important to bring the commercial banks back in, that we need their help. But they will not come back in and be the kind of stable force that they were before if we do not provide them with a secondary market with a Federal guarantee.

I do not make a judgment on that decision. Yet I do know that certainly in those rural areas where you have small banks, it is critically important that they have some sort of a guarantee, if we can expect them to come back into the market.

As I stated the commercial bank share has gone from some 40 percent of the market to some 15 percent of

the market. We want to get them back in to establish some sort of a balance.

On the other hand, there are those like the gentleman from Iowa, who I am sure will oppose me, in the amendment, who felt very strongly that we ought to enhance the borrowers' rights for the Farm Credit System. We ought to give farmers a better opportunity than they would get from commercial banks in the event that they go through hard times and needed further assistance, thus borrower rights such as restructuring, foreclosure, extended redemption period or rights of first refusals have been established.

Thus the committee in its wisdom decided that, yes, we should provide borrowers' rights to member borrowers of the Farm Credit System.

The committee also decided that we should make the secondary market available to the Farm Credit System.

That was fine except that when we went to the experts and talked with them and asked, "What will happen if loans come to the secondary market with the borrowers' rights attached, will those loans be able to sell at reasonable interest rates or will they be able to be sold at all?"

One of the experts I talked to said "They will not penetrate the market, they will not be able to be sold."

Others said if they are sold, "If you can group them together, then you will find that the interest rates will be anywhere from half to three-quarters of a percent higher."

If that latter is true, what does it mean? It means that the Farm Credit System will not be able to compete with the commercial system. Your good loans, those that do not feel the need to have the borrowers' rights, will go to the commercial system. The better loans will leave and as a result of that, more and more, will leave. Thus a higher percentage of riskier loans will be in the Farm Credit System which means that the interest rates will become even higher and then higher. Gradually you will drive the Farm Credit System right out of business, and require billions more along the way trying to save it.

These borrowers' rights properly should be restricted to Farmers Home, the lender of last resort. But we have underfunded the Farmers Home for some time, deliberately perhaps by some, and others perhaps felt reluctant to doing so. Thus I understand the committee's actions. But we cannot turn the Farm Credit System into the Farmers Home and at the same time expect it to be able to compete with commercial banks without substantial subsidies.

I first decided well, why do we not put everybody on a level planting field and say let all of the loans, commercial and Farm Credit System loans, carry borrowers' rights? But the screams that I got from the experts said no. That will make all those loans on the secondary market sell at so much higher than the others such as Ginny Mae that they may not even be able to be used. It is the wrong thing to do.

That was my original amendment. So I searched around to find another option, an option that would say, "Can we work it such that there is an option in the borrower that if he desires to have that protection, borrower rights additional protection against foreclosure and all, then he can take his borrowers' rights and get his lending through the normal system of the Farm Credit System. That is funded through selling of bonds, with credit available through the land banks as is available without the secondary market. However, if it turns out that the interest rates are lower on the secondary market, then he would have the option of being able to go to the secondary market, waiving his borrowers' rights and say, "I exercise my rights to a lower interest rate. Incidentally he would not waive all his rights, just those that deal with the foreclosure and the things that would interfere with the free flow of the principal back to the people who are putting the money up.

By doing this then we have put the Farm Credit System on a par with the commercial so that they can compete. And, in fact, they will have the borrowers' rights to offer as an option, giving them perhaps an advantage. We will make the system healthy again.

So I urge you, I urge you to seriously consider this amendment for in my mind it is an extremely important one, possibly making the difference between the success or failure of what we are doing here today on these other matters.

At this time I would yield back the balance of my time.

AMENDMENT OFFERED BY MR. JEFFORDS TO THE AMENDMENT OFFERED BY MR. JONES OF TENNESSEE, AS MODIFIED

Mr. JEFFORDS. Mr. Chairman, I offer an amendment to the amendment offered by Mr. JONES of Tennessee, as modified.

The Clerk read as follows:

Amendment Offered by Mr. JEFFORDS to the en bloc amendment offered by Mr. JONES of Tennessee, as modified: Page 44, line 4, strike the close quotes and the period that follows and insert after such line the following:

"SEC. 5.92. BORROWER RIGHTS.—A borrower may waive any of the rights afforded to the borrower under sections 4.14A, 4.14C through 4.14F, and 4.21 with respect to any qualified agricultural mortgage loan to be included in a pool or trust of such qualified loans backing securities for which the Federal Agricultural mortgage Corporation has provided credit enhancements.".

The CHAIRMAN. The gentleman from Vermont [Mr. JEFFORDS] is recognized for 5 minutes.

Mr. JEFFORDS. Again, I want to point out what I attempted to do here. This is to make sure that the Farm Credit System will not be driven out of business by an unfair advantage of the commercial system through use of the secondary market.

I felt so strongly about this that I was one of two to oppose the bill. I will feel differently if my amendment passes.

To me it is important to remember that you do not get something for nothing and that if we do give borrowers' rights to farmer individuals who come to the Farm Credit System, that is going to result in a higher cost of money.

The question is can we work this in a way that we can have the advantages of the secondary market to bring the commercial banks back in. And at the same time, allow the Farm Credit System to be able to utilize that secondary system if it is providing a lower interest rate, thus they will not suffer the unfair competition from the commercial banks which will make a bad situation worse.

I strongly urge you and would ask you to support this amendmenmt which in my mind may well make the difference between the success and failure of what else we do here today.

PARLIAMENTARY INQUIRY

Mr. JEFFORDS. Mr. Chairman, I have a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. JEFFORDS. Mr. Chairman, do I have the option of reserving the balance of my time?

The CHAIRMAN. The gentleman has to use the remainder of his time.

Mr. JEFFORDS. Then I will just reiterate again that what we are trying to do here today is to insure that we have a Farm Credit System which can compete, which can stay in business, which can be healthy again. There is only one way it can be done as far as I am concerned with title III and that is with the adoption of this amendment.

Mr. Chairman, I yield back the balance of my time.

□ 1545

The CHAIRMAN. Does any Member seek recognition to speak in opposition to the Jeffords amendment?

Mr. VOLKMER. Mr. Chairman, I rise in opposition to the Jeffords amendment.

The CHAIRMAN. The gentleman from Missouri [Mr. VOLKMER] is recognized for 5 minutes.

Mr. VOLKMER. Mr. Chairman, I rise in opposition to the Jeffords amendment. Basically what the Jeffords amendment is, it just deletes from this bill as far as Farm Credit System loans are concerned, the borrowers' rights that we in committee spent many hours in developing in

behalf of our farm borrowers out here. They are also stockholders of the Farm Credit System. They are the same people, they are the owners. That is who they are.

The gentleman from Vermont [Mr. JEFFORDS] now says let us provide a way to get rid of all those borrowers' rights. I say to my colleagues, if you want to defeat this bill, the Jeffords amendment goes against this bill because he is not for borrowers' rights. Some have this feeling just as strongly that we need to retain those borrowers' rights.

Mr. ROSE. Mr. Chairman, will the gentleman yield?

Mr. VOLKMER. Mr. Chairman, I yield to the gentleman from North Carolina.

Mr. ROSE. Mr. Chairman, I thank the gentleman for yielding.

The way I understand it is that you could waive the rights under this amendment?

Mr. VOLKMER. Yes.

Mr. ROSE. And therefore if one went to his banker he could twist your arm and say that to provide a loan there must be a waiver of rights. Could that not happen?

Mr. VOLKMER. The banker does not have to worry, it is the Farm Credit System that has to worry.

Mr. ROSE. That is what I mean.

Mr. VOLKMER. That is right. They can say that the loan will not be made unless there is a waiver of rights.

Mr. ROSE. This could become known as "if you want the loan, you waive your rights" amendment?

Mr. VOLKMER. That is right.

Mr. ROSE. I thank the gentleman for yielding.

Mr. VOLKMER. So we do not have any rights for our borrowers.

Mr. NAGLE. Mr. Chairman, will the gentleman yield?

Mr. VOLKMER. Mr. Chairman, I yield to the gentleman from Iowa.

Mr. NAGLE. Mr. Chairman, I do not want to be too strong on this, but it is a very clear attempt to destroy what the gentleman from Vermont [Mr. JEFFORDS] was unable to destroy in committee, which is the rights of borrowers to use the secondary market. The reason for that is simple. The language itself is quite deceptive. It says that the borrower may waive any of his rights if he wishes to participate in the secondary market. The effect will be that if he goes to the Federal land bank, they will ask if the applicant wants to give up his rights, the applicant will say no, and they will say, I am sorry, the loan with the lower interest rate of the secondary market cannot be made available. Bargaining between two parties on equal footing is always proper, but when one controls whether the applicant gets the loan or not and would have to pay to relinquish rights in order to get the lower loan rate, that is improper.

This destroys the very purpose that the committee worked so long and hard on over the Member's opposition to obtain borrowers' rights for farmers. Farmers should have the same rights as others do when they buy a used car in a town.

Mr. JEFFORDS. Mr. Chairman, will the gentleman yield?

Mr. VOLKMER. Mr. Chairman, I yield to the gentleman from Vermont.

Mr. JEFFORDS. Mr. Chairman I am in favor of everyone having borrowers' rights. That was my original amendment. The previous speakers have badly misstated my amendment. Loans through the normal Farm Credit System would carry the borrower rights, only loans to be sold on the secondary market are affected.

The experts in the committee that heard this issue said that you cannot attach borrower rights to loans or the secondary market. That the loans with borrower rights will not sell at reasonable rates. You will not have any secondary market. You will have no commercial bank participation.

Thus I have come up with an option where the farmer has an option. If he wants to get the money through the normal Farm Credit System, through sale of bonds, and maybe even at the same interest rate, that can be done. He would go and have his borrower's rights. In addition he also has the option to waive his rights, if it is to his advantage to do so, to receive a lower rate. This might be much more of security against a foreclosure, a better option than provided by borrower rights.

Mr. VOLKMER. Mr. Chairman, reclaiming my time, I would like to again rise in opposition and ask the Members to overwhelmingly vote down this amendment for what its impact is on borrowers' rights of our farmers and stockholders in this legislation, where the Agriculture Committee has worked and developed these borrowers' rights, I think they should be retained and we should not say, as the gentleman from Vermont [Mr. JEFFORDS] would have us do, having the borrowers, having the rights in the legislation, we are really being told if he wants his loan to go through the secondary market then he is going to have to waive those rights which means that it is an imposition on that farmer.

I think that the amendment should be defeated.

PARLIAMENTARY INQUIRY

Mr. MADIGAN. Mr. Chairman, I have a parliamentary inquiry.

The CHAIRMAN. The Gentleman will state his parliamentary inquiry.

Mr. MADIGAN. Mr. Chairman is it permissible under the rule for a Member to ask unanimous consent for time beyond that which is allowed in the rule?

The CHAIRMAN. The gentleman may request a unanimous consent for that purpose under the rule.

Mr. MADIGAN. Mr. Chairman, I ask unanimous consent that I be recognized for 3 additional minutes in support of the Jeffords amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

Mr. VOLKMER. Mr. Chairman, reserving the right to object, what was the amount of time requested?

Mr. MADIGAN. Mr. Chairman, if the gentleman will yield, I asked for 3 minutes.

Mr. VOLKMER. Mr. Chairman, I withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. MADIGAN. Mr. Chairman, I yield to the gentleman from Vermont [Mr. JEFFORDS].

Mr. JEFFORDS. Mr. Chairman, I thank the gentleman for yielding, and I appreciate the opportunity to close this debate.

Mr. Chairman, I cannot be more serious when I say that I have thoroughly analyzed the situation here. I have talked to experts across the field in banking and the use of secondary markets. I appeared before the Committee on Banking, Finance and Urban Affairs, and underwent extensive questioning on this situation. The analysis that I have come to is that if we are going to save the Farm Credit System it has to be competitive with the commercial system. The only way that it can be done is if we allow the loans that are being sold on the secondary market by the Farm Credit System to be sold on the same basis as those from the commercial banks. If we do not do that, they may not sell at all or they will not sell at a competitive interest rate. Thus, the good loans will go to the commercial banks. As more loans leave the system we will have a spiraling downward of the Farm Credit System, with higher and higher cost of money, with more and more defaults, and we will have a system that will collapse. In addition, more and more funds will be required from us to try and save the system from the problems we create here today.

I am not alone in these beliefs. Experts have testified to these facts.

Mr. Chairman, I urge support of my amendment.

Mr. NAGLE. Mr. Chairman, will the gentleman yield?

Mr. MADIGAN. Mr. Chairman, I yield to the gentleman from Iowa.

Mr. NAGLE. Mr. Chairman, if I am correct, if all these experts that testified in front of these three committees believe the position you contend, why did not any of the committees adopt this as a provision of the original bill?

Mr. JEFFORDS. I do not have an answer to that. All I know is the Senate has a similar provision in their draft now, and they have agreed with those people, as I do.

Mr. NAGLE. If the gentleman will further yield, did you offer this amendment in the Committee on Agriculture, and if so, what was the outcome of the vote?

Mr. JEFFORDS. I offered the other one which I am sure the gentleman from Iowa [Mr. NAGLE] would have supported, though he did not mention it, that would have put borrowers' rights in all of the loans, commercial loans as well. But from the pained look on the faces of my colleagues on the committee—having to make that choice between the urging of commercial barbs and borrowers rights thus I decided not to call for a vote.

Mr. NAGLE. Would it be fair to conclude that three separate committees had considered your proposal, and we have yet to find it in the bill?

Mr. JEFFORDS. That is not correct. To my knowledge I only appeared before one, and none of the committee had this particular provision proposed to them. This was a compromise that I worked out after appearing and suggesting that the committee adopt my previous amendment which was for all loans to have borrowers' rights on them. This is something that was developed as a compromise after those appearances.

Mr. NAGLE. Do you recall the vote on your original proposal in the Committee on Agriculture?

Mr. JEFFORDS. There was no vote on it.

Mr. NAGLE. The bill itself, however, without your provisions in it passed the Committee on Agriculture 40 to 2, and you were 1 of the 2 dissenting votes; is that correct?

Mr. JEFFORDS. That is correct.

Mr. NAGLE. Mr. Chairman, I thank the gentleman for yielding.

The CHAIRMAN. The time of the gentleman from Illinois [Mr. MADIGAN] has expired.

Mr. VOLKMER. Mr. Chairman, I ask unanimous consent that I may have 3 additional minutes in opposition to the Jeffords amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

Mr. MADIGAN. Reserving the right to object, Mr. Chairman, may I ask, How many minutes did the gentleman from Missouri request?

Mr. VOLKMER. Mr. Chairman, if the gentleman will yield, I asked for 3 minutes.

Mr. MADIGAN. Mr. Chairman, I withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. VOLKMER. Mr. Chairman, I first yield 1 minute to the gentleman from Arkansas [Mr. ALEXANDER].

The CHAIRMAN. Without objection, the gentleman from Arkansas [Mr. ALEXANDER] is recognized for 1 minute.

There was no objection.

Mr. ALEXANDER. Mr. Chairman, I first rise in support of the bill and in support of the title and in support of secondary markets for farmers.

It strikes me as a little unusual that last week leaders from all over the world came to Washington to meet with the World Bank, and the principal concern there was the various need of borrowers from Third World countries who had consideration given to them according to their various needs, according to their various debts, the total of which was less than what is owed by the farmers of America, because of the depression that has beset the farm community over the last 6 years.

Indeed, farmers, like other borrowers, need consideration to be given them for their special needs that have resulted from the difficulties that they face.

I hope the Committee will oppose the Jeffords amendment and go on and pass the amendment that is before us.

Mr. VOLKMER. Mr. Chairman, I yield 1½ minutes to the gentleman from South Dakota [Mr. JOHNSON].

The CHAIRMAN. Without objection, the gentleman from South Dakota [Mr. JOHNSON] is recognized for 1½ minutes.

There was no objection.

Mr. JOHNSON of South Dakota. Mr. Chairman, I thank the gentleman from Missouri [Mr. VOLKMER] for yielding.

Mr. Chairman, I rise in support of the bill but in opposition to the Jeffords amendment. I want to state that the worst thing we can do is to bail out a Farm Credit System while at the same time ignore the very reason why that System exists in the first place, and that is to assist the farmer and rancher borrowers of this country. I think the borrowers' rights provision that we have is a vital component of this reform of the Farm Credit System. It ought to be kept in mind that one of the principal components of that borrowers' rights provision is debt restructuring. Debt restructuring only where it is the least costly alternative.

Too often we have seen instances where farmers and ranchers have been forced to liquidate their farm, and on liquidation the land is resold at 40 cents on the dollar, where in the first instance it would have been cheaper to restructure the debt to keep the farmers on the land.

I think we have a critical decision to be made in this Congress about what kind of agriculture we are going to have, whether we are going to keep farmers on the land or whether we are going to continue the depopulization and decimation of rural America that we have seen. I think this borrowers' rights provision is absolutely vital, and I ask the Members to oppose this amendment.

Mr. VOLKMER. Mr. Chairman, I yield one-half minute to the gentleman from South Carolina [Mr. TALLON].

The CHAIRMAN. Without objection, the gentleman from South Carolina [Mr. TALLON] is recognized for one-half minute.

There was no objection.

Mr. TALLON. Mr. Chairman, I rise in support of H.R. 3030, the Agricultural Credit Act of 1987.

This legislation will shore up the Farm Credit System's financial situation, provide for a reorganization of the System, establish a secondary market for agricultural real estate loans, and put into place a wide range of measures to protect both FCS and FmHA borrowers' rights.

The House Agriculture Subcommittee on Conservation, Credit, and Rural Development spent many days of hearings on the issue of farm credit earlier this year under the able leadership of Chairman ED JONES. I would like to commend him, Chairman DE LA GARZA, the various members who took an active role in the formation of this legislation, as well as all the staff who spent many hours working out the controversial points.

I would like to highlight one section of the bill as reported by the Agriculture Committee which is vital to the Columbia District Bank, which provides credit throughout my congressional district.

The degree to which viable Farm Credit institutions are to share their capital surplus with other Farm Credit institutions experiencing financial difficulty has been an issue since the 1985 Farm Credit Act amendments.

H.R. 3030 includes a provision which would reallocate the System self-help which has occurred to date and apply those resources back to the original districts that are now in need of those resources.

Financial assistance provided through System capital preservation agreements in the third quarter of 1986 would be reversed and replaced with funds administered by the Temporary Assistance Corporation [TAC].

Without this very important provision, what we will have is more Farm Credit institutions needing financial assistance from the Federal Government. The 1985 amendments to the Farm Credit Act never intended that System institutions would be made nonviable or noncompetitive by helping other districts through capital

sharing. Furthermore, the 1986 act stated quite explicitly that the commitment of System resources to self-help should be "consistent with sound business practice."

In my district, the Federal Land Bank of Columbia has contributed over $175 million to other Farm Credit districts which has left it in a weakened financial condition. This transfer of capital has cost the farmers in my district about $13 million a year. They have to absorb this extra cost through higher interest rates. Our farmers cannot afford higher interest rates and the ones that can go elsewhere to borrow will. This only serves to compound the System's problems.

Many System institutions have filed lawsuits over this issue, not because they do not want to share their capital, but because they were concerned about their own stockholders having their stock impaired. The assistance they extended for the third quarter of 1986 took them beyond what Congress intended under the 1985 amendments. These districts need to have these resources returned in order to deal with their own problems.

The Farm Credit System has demonstrated the necessary capital sharing before it receives Federal money. We do not need for all of the banks to become stock impaired. H.R. 3030 provides that the third quarter payments will be reversed. This should enable the banks and associations in contributing districts to retain sufficient capital to manage their institutions financial risk and continue as viable institutions. This in turn will minimize the need for Government assistance.

I urge my colleagues' support for H.R. 3030.

Mr. GRANDY. Mr. Chairman, I ask unanimous consent that I be granted 2 additional minutes to engage in a colloquy with the gentleman from Vermont [Mr. JEFFORDS] regarding his amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. GRANDY. Mr. Chairman, I would like to pursue the amendment of the gentleman from Vermont [Mr. JEFFORDS] because I think there is some concern obviously on the other side of the aisle that this will restrict borrowers' rights, reduce credit opportunities and, if I understand the gentleman from Vermont [Mr. JEFFORDS] correctly, I think it will do just the reverse. However, I would like the gentleman from Vermont to verify that for me.

As I understand it, if I am a farmer and I go to the Farm Credit System and I apply for a loan in the secondary market, then I am given the option of either waiving my borrower's rights for which I would assume a lower interest rate or merely participate in the regular loan pool which would provide borrowers' rights, is that correct?

Mr. JEFFORDS. Mr. Chairman, will the gentleman yield?

Mr. GRANDY. Mr. Chairman, I yield to the gentleman from Vermont.

Mr. JEFFORDS. Mr. Chairman, the gentleman is correct.

Mr. GRANDY. If I am not able to get a reduced interest rate in return for my borrower's rights, I would most likely go to the commercial banks which offer the secondary markets, with no borrowers' rights, is that correct?

Mr. JEFFORDS. That is correct.

Mr. GRANDY. In other words, the farmer has the option always to go to where the borrowers' rights are? What you are offering in your amendment is the opportunity for the Farm Credit System to perhaps be an equal competitor with the commercial banks to offer a lower interest rate, but under these conditions waive borrowers' rights, which the commercial banks do not offer anyway?

Mr. JEFFORDS. That is correct.

Mr. GRANDY. Mr. Chairman, I am not sure I will need the entire 2 minutes. If I recall what the gentleman from Vermont [Mr. JEFFORDS] did in committee, it was to extend borrowers' rights across the board, which was a provision that the banking community did not want and would not accept and consequently would have gutted the entire opportunity and option for a secondary market.

Mr. VOLKMER. Mr. Chairman, will the gentleman yield?

Mr. GRANDY. Mr. Chairman, I yield to the gentleman from Missouri.

Mr. VOLKMER. Mr. Chairman, my question to the gentleman from Vermont [Mr. JEFFORDS] is, since when did we have testimony that with borrowers' rights loans cannot enter the secondary market? None.

In other words, the gentleman from Vermont has erected a paper tiger and he is now knocking it down.

Mr. JEFFORDS. Mr. Chairman, I ask unanimous consent that I be allowed to proceed for 1 additional minute.

The CHAIRMAN. Is there objection to the request of the gentleman from Vermont?

There was no objection.

Mr. JEFFORDS. Mr. Chairman, I believe if the gentleman from Missouri [Mr. VOLKMER] remembers, questions were posed to the representative from the Treasury, Mr. Sethness, replying to a question as to what would happen with respect to selling on the market with borrowers' rights attached, and I think the answer we got as I remember was that they would have a very adverse reaction. At least this is my memory.

Mr. Chairman, I would be happy to yield to anyone for an explanation.

□ 1600

Mr. MARLENEE. Mr. Chairman, would the gentleman yield?

Mr. JEFFORDS. I yield to the gentleman from Montana.

Mr. MARLENEE. Mr. Chairman, I thank the gentleman for yielding.

Would the gentleman's amendment result in a better interest rate for the borrower, the producer, who needs a better interest rate?

Mr. JEFFORDS. Yes, it would, for those going through the Farm Credit System.

Mr. VOLKMER. Mr. Chairman, will the gentleman yield?

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

Mr. VOLKMER. Mr. Chairman, I thank the gentleman for yielding.

I disagree with the gentleman, and Mr. Sethness has always adamantly opposed the secondary market, done everything he could to kill it.

Mr. JEFFORDS. That is correct. He is opposed. He also stated, as have others in the banking field I have talked with that if you have borrowers' rights, it will cost more money and give a disadvantage to the Farm Credit System. You don't get something for nothing in the secondary market.

The CHAIRMAN. All time has expired.

The question is on the amendment offered by the gentleman from Vermont [Mr. JEFFORDS] to the amendment, as modified, offered by the gentleman from Tennessee [Mr. JONES].

The question was taken; and on a division (demanded by Mr. JEFFORDS) there were—ayes 13, noes 50.

So the amendment to the amendment, as modified, was rejected.

The CHAIRMAN. Is there any further debate on the amendment by the gentleman from Tennessee [Mr. JONES]?

The question is on the amendment offered by the gentleman from Tennessee [Mr. JONES], as modified.

The amendment, as modified, was agreed to.

The CHAIRMAN. Under the rule, amendment No. 32 is now in order.

AMENDMENT OFFERED BY MR. WATKINS

Mr. WATKINS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WATKINS: Page 9, strike out line 15 and all that follows through the end of line 18 and insert in lieu thereof the following:

"(i) four members shall be actively engaged in the production of 1 or more agricultural commodities at the time of their appointment and shall not have served as a director or an officer of any financial institution;

Mr. WATKINS (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

Mr. MADIGAN. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

The Clerk will read.

The Clerk completed the reading of the amendment.

Mr. WATKINS. Mr. Chairman, my amendment is very simple, and I think that most people would be for it.

Mr. Chairman, there is made provision for 13 board members to be part of this legislation, this Farm Credit Board.

Three of those would be non-Farm Credit System members, three the Farm Credit System members, and seven members to be appointed by the President of the United States.

My amendment would allow 4 of those 13 to be farmers, and so, Mr. Chairman, I think it would allow our farmers to have some voice, a greater voice.

They would not be controlling it by votes by a long shot, because there are 13 board members; and I am asking that they be allowed up to 4 members on that 13-member board to be farmers, so it is a very simple amendment.

The CHAIRMAN. The gentleman from Oklahoma controls his 5 minutes.

Mr. WATKINS. Mr. Chairman, I just explained it.

Mr. EMERSON. Mr. Chairman, would the gentleman yield for a question?

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

Mr. EMERSON. I thank the gentleman for yielding to me.

Is there any mechanism as to who is to appoint those four members.

Mr. WATKINS. The President of the United States.

Mr. EMERSON. I thank the gentleman.

Mr. ENGLISH. Mr. Chairman, will the gentleman yield?

Mr. WATKINS. I yield to the gentleman from Oklahoma.

Mr. ENGLISH. Mr. Chairman, I thank the gentleman for yielding to me.

I think the amendment offered by the gentleman from Oklahoma [Mr. WATKINS] makes eminently good sense.

I see no reason why farmers should not be represented on that board.

It is a very fine amendment, and I commend the gentleman from Oklahoma [Mr. WATKINS] and urge support of the gentleman's amendment.

Mr. MADIGAN. Mr. Chairman, will the gentleman yield?

Mr. WATKINS. I yield to the gentleman from Illinois.

Mr. MADIGAN. Mr. Chairman, I thank the gentleman for yielding to me.

Is the gentleman offering the amendment in the manner in which it is printed in the RECORD?

Mr. WATKINS. No, I am not.

To the gentleman from Illinois, I have made it adaptable to the substitute that has been adopted.

Mr. MADIGAN. It still calls for four or more members?

Mr. WATKINS. Just four, not "or more."

PARLIAMENTARY INQUIRY

Mr. MADIGAN. Mr. Chairman, I have a parliamentary inquiry.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. MADIGAN. Mr. Chairman, is the amendment then in order under the rule?

The CHAIRMAN. The modification is in order only by unanimous consent. The gentleman must otherwise offer it as printed in the RECORD.

Mr. MADIGAN. Has the gentleman from Oklahoma requested unanimous consent?

The CHAIRMAN. Not as yet.

Mr. WATKINS. Mr. Chairman, I did not officially; but if the gentleman would allow me, if it is necessary, I would ask unanimous consent that my amendment be offered.

The CHAIRMAN. Is there any objection to the modification of the amendment?

Mr. MADIGAN. Mr. Chairman, I object at this time.

The CHAIRMAN. The gentleman from Illinois objects.

The Clerk will now report the original amendment as printed in the RECORD.

AMENDMENT OFFERED BY MR. WATKINS

Mr. WATKINS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WATKINS: Page 150, strike out lines 3, 4, and 5 and insert in lieu thereof the following:

(I) four or more members shall be actively engaged in the production of 1 or more agricultural commodities at the time of their appointment and shall not have served as a director or an officer of any financial institution; and

Mr. MADIGAN. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. The gentleman from Oklahoma [Mr. WATKINS] has 3 minutes remaining.

Mr. MADIGAN. Mr. Chairman, I ask unanimous consent that the gentleman may have 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The gentleman from Oklahoma [Mr. WATKINS] is recognized for 2 additional minutes.

Mr. WATKINS. Mr. Chairman, basically my purpose in altering the amendment was to try to make it applicable to the substitute.

Mr. MADIGAN. Mr. Chairman, will the gentleman yield?

Mr. WATKINS. I yield to the gentleman from Illinois.

Mr. MADIGAN. Mr. Chairman, I thank the gentleman for yielding.

Would the gentleman be so kind as to favor this side with a copy of what it is that the gentleman is putting before the House, so we might see how it differs from what is printed in the RECORD?

Mr. WATKINS. I will be happy to.

My alteration was to only try to make it adaptable to the substitute which was adopted by the House a few minutes ago.

Mr. MADIGAN. Mr. Chairman, will the gentleman yield further?

Mr. WATKINS. I yield to the gentleman from Illinois.

Mr. MADIGAN. Mr. Chairman, it is my understanding what has been sent over to the Members here is a copy of the original amendment with two words on that amendment circled?

Those words are "or more" on line 1 following "four."

Mr. WATKINS. Those two words were struck out when I took it to the desk.

Mr. MADIGAN. It is the gentleman's intention to offer his original amendment minus those two words? Is that what we have before the Members?

Mr. WATKINS. Leaving it only to four, not "or more."

Mr. MADIGAN. For the purpose of making some kind of record, it is the gentleman's intention that we would consider an amendment that says, "four or more members shall be actively engaged in the production of one or more agricultural commodities at the time of their appointment and shall not have served as a director or an officer of any financial institution; and * * *."

Mr. WATKINS. The gentleman from Illinois is correct.

Mr. MADIGAN. The gentleman would intend to preclude anyone who has ever served on the board of a land bank or a PCA?

Mr. WATKINS. I do not have any objection to those who have had that kind of previous experience.

Mr. MADIGAN. That is what the gentleman's amendment does.

May I ask if the gentleman would withdraw the amendment, and see if we cannot work on this and offer it a little bit later?

Mr. WATKINS. I will be happy to withdraw it and offer it at a later time.

Mr. MADIGAN. Mr. Chairman, I ask unanimous consent that the rights of the gentleman from Oklahoma [Mr. WATKINS] be protected under the rule.

The CHAIRMAN. Is there any objection to the withdrawal of the amendment under the conditions set forth by the gentleman from Illinois [Mr. MADIGAN] that the gentleman from Oklahoma [Mr. WATKINS] may reoffer the amendment at a later time?

There was no objection.

The CHAIRMAN. The amendment is withdrawn under those terms.

Amendment No. 33 is now in order under the rule.

AMENDMENT OFFERED BY MR. HUCKABY

Mr. HUCKABY. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment offered by Mr. HUCKABY: On page 39, strike out lines 10 and 11 and insert in lieu thereof the following:

There are hereby authorized to be appropriated such sums as are necessary to provide to the Temporary Assistance Corporation under this section funds sufficient to ensure that each institution of the Farm Credit System will retire borrower stock at 100 percent of par value as provided in section 4.41, and otherwise to carry out this section.

Mr. CRAIG. Mr. Chairman, will the gentleman yield?

Mr. HUCKABY. I yield to the gentleman from Idaho.

Mr. CRAIG. Mr. Chairman, I thank the gentleman for yielding.

I stand in support of H.R. 3030 as amended.

Mr. VENTO. Mr. Chairman, will the gentleman yield?

Mr. HUCKABY. I yield to the gentleman from Minnesota.

Mr. VENTO. Mr. Chairman, I rise in support of the substitute offered by the gentleman from Texas [Mr. DE LA GARZA] which was adopted.

Mr. HUCKABY. Mr. Chairman, the amendment before the Members simply makes it clear the committee's intent that the Temporary Assistance Corporation [TAC], shall fund the institutions receiving funds at 100 percent of their stock par value.

The intent or the purpose of this amendment is to make clear, so that at the end of 5 years, TAC, the Temporary Assistance Corporation, self-destructs via this legislation, that we will have a Farm Credit System that is sound, viable, and up and running and self-sustaining, because numerous people who have testified before the committee at hearings when we considered this legislation pointed out that if we did not amply fund, bail out these organizations, we could end up in a situation 5 years hence just as we are today, where we are barely limping along.

Several of the institutions are still virtually paralyzed, so I would urge the Members to approve this amendment.

PARLIAMENTARY INQUIRY

Mr. MADIGAN. Mr. Chairman, I have a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. MADIGAN. Mr. Chairman, I say at the outset that I am extremely grateful for the tolerance of the Chair with regard to the parliamentary inquiries that we have felt it necessary to make today, and with regard to this parliamentary inquiry.

May I ask if a Member must be in opposition to the Huckaby amendment in order to be recognized?

The CHAIRMAN. Under the order and the rule, the answer is "Yes."

The gentleman from Louisiana [Mr. HUCKABY], however, has time remaining.

Mr. MADIGAN. Mr. Chairman, will the gentleman yield?

Mr. HUCKABY. I yield to the gentleman from Illinois.

Mr. MADIGAN. Mr. Chairman, I thank the gentleman for yielding.

My concern is, I believe we are concerned here about what happens to farmers' stock after the 5 years; but I believe the gentleman from Missouri [Mr. COLEMAN] can phrase the question better than I would be able to.

Mr. COLEMAN of Missouri. Mr. Chairman, will the gentleman yield?

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

Mr. COLEMAN of Missouri. Mr. Chairman, I thank the gentleman for yielding to me.

In the bill we have a guarantee of stock for 5 years. That is the same 5 years that the TAC is in existence.

After TAC goes out of existence by operation of law, then the gentleman's amendment says that the gentleman wants to be able to have some moneys available to be able to retire borrowers' stock at 100 percent of par value.

Does that mean that somebody is going to buy that stock from the investors? What is that going to be, and how much money are we are talking about?

Mr. HUCKABY. It simply means that the TAC shall inject funding at such a level to support the stock at 100 percent of par value rather than at some lower level which technically an institution might still remain solvent; but it might not be solvent tomorrow under these circumstances.

I wish to inject an ample amount of cash here, 100 percent of par value, because we have committed to the farmers that we are going to protect their stock.

□ 1615

Mr. COLEMAN of Missouri. Mr. Chairman, will the gentleman yield for a further question?

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

Mr. COLEMAN of Missouri. Mr. Chairman, if the TAC Board were to assure 100 percent par value being in the various associations, would it not not then trigger a relationship between that association and the TAC, even though not requested by the local association, and as the gentleman said, even though technically they were solvent, in order to fulfill the requirements of the gentleman's gentleman, such as that local board and association would have to provide a plan to the TAC Board and all the other things that we assume the TAC Board is going to require of an institution in requesting Federal support?

Are we not also by this amendment requiring that be done, even though the local board has not requested such assistance?

Mr. HUCKABY. No, the intent of this amendment, if I might reclaim my time, is merely to say that where TAC is providing assistance, which is keyed elsewhere, the level of assistance shall be at 100 percent of par value.

Mr. COLEMAN of Missouri. So this is only operating for these entities that have previously requested TAC assistance?

Mr. HUCKABY. That is correct.

Mr. COLEMAN of Missouri. I am not sure whether it is clear from a reading of the amendment that that is the intent of the author, and I am glad because I think the gentleman has now shown his intent, and if this record means anything it is much different than what I consider the plain language of what the gentleman has offered here today.

MODIFICATION OF AMENDMENT OFFERED BY MR. HUCKABY

Mr. HUCKABY. Mr. Chairman, I ask unanimous consent to change the amendment pending before us in this manner: Where we say "strike out lines 10 and 11," change that to "after line 11".

This is strictly a technical amendment to conform with the de la Garza amendment that will be offered later on.

The CHAIRMAN. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The text of the amendment, as modified, is as follows:

On page 39, after line 11 insert in lieu thereof the following:

There are hereby authorized to be appropriated such sums as are necessary to provide to the Temporary Assistance Corporation under this section funds sufficient to ensure that each institution of the Farm Credit System will retire borrower stock at 100 percent of par value as provided in section 4.41, and otherwise to carry out this section.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Louisiana [Mr. HUCKABY] as modified.

The amendment, as modified, was agreed to.

The CHAIRMAN. Pursuant to the rule, it is now in order to consider the modified amendment offered by Representative DE LA GARZA, or his designee Representative JONES of Tennessee, in lieu of the amendments numbered 34 and 35 in House Report 100-307, which shall be debatable for 20 minutes, equally divided and con-

trolled by the chairman and ranking minority member of the Committee on Agriculture. Said amendment is subject only to the amendment offered by Representative JEFFORDS, consisting of the modified text of amendment numbered 36 in House Report 100-307, which shall be debatable for 10 minutes, equally divided and controlled by Representative JEFFORDS and a Member opposed thereto.

AMENDMENT AS MODIFIED OFFERED BY MR. JONES OF TENNESSEE

Mr. JONES of Tennessee. Mr. Chairman, pursuant to the rule, I offer a modified amendment to title IV of H.R. 3030 in lieu of amendments 34 and 35.

The Clerk read as follows:

Amendment, as modified, offered by Mr. JONES of Tennessee: Page 177, line 23, strike out "Effective beginning 1 year" and insert in lieu thereof "(a) GENERAL.—Effective beginning 6 months".

Page 178, strike out line 6 and all that follows through the end of line 16 on page 181 and insert in lieu thereof the following:

"SEC. 6.1. DISSOLUTION OF FARM CREDIT DISTRICTS AND BANKS.

"(a) The farm credit districts, as established under part A of title V, are hereby dissolved, except that the farm credit district board of directors for each such district shall remain in existence until the Federal land bank and Federal intermediate credit bank in such district are reorganized, as provided under this section, for the purposes of section 5.3 with respect to Federal land banks and Federal intermediate credit banks. Each such district board of directors shall consist of the two directors elected by the Federal land bank associations, the two members elected by the production credit associations, and the member elected under section 5.2(a)(2).

"(b)(1) The Federal land banks and Federal intermediate credit banks operating under titles I and II, respectively, shall be reorganized by the Farm Credit Administration into Service Banks (as provided for under section 6.2), and their assets and debts, obligations, contracts, and other liabilities (whether matured or unmatured, accrued, absolute, contingent, or otherwise, and whether or not reflected or reserved against on balance sheets, books of account, or records of the banks) shall be assumed by other institutions of the Farm Credit System, as provided by this subsection (notwithstanding the provisions of sections 2.7 and 4.12). The contractual obligations, security instruments, and title instruments of such banks immediately before such reorganization, by operation of law and without any further action by such banks or any court, shall become and be converted into obligations and instruments of other System institutions assuming the assets and liabilities of such banks, as provided for by the Farm Credit Administration in implementing such reorganization. Such receipt of assets and assumption of liabilities by a nontaxable System institution shall not be treated as a taxable event under the laws of the United States or of any State or political subdivision thereof. The preceding sentence shall also apply to the receipt of assets and liabilities by a taxable institution to the extent that the net amount of the distribution is immediately reinvested in stock of a Service Bank (and in such case the basis of such stock shall be appropriately reduced by the amount of gain not recognized by reason of this sentence).

"(2) The Farm Credit Administration hereby is appointed, for not longer than the time period set forth in paragraph (3), as (A) the receiver for such banks for the purpose of implementing such reorganization of the banks, and (B) agent and attorney in fact of the Federal land bank associations, production credit associations, and Service Banks for the sole purpose of receiving the assets, liabilities, obligations, and instruments of the banks to be reorganized, as provided in this subsection, and initially capitalizing the Service Banks, as provided in section 6.2.

(3) The reorganization of the Federal land banks and Federal intermediate credit banks shall be completed within 18 months after the effective date of this part. In determining the order in which such banks shall be reorganized, the Farm Credit Administration shall give priority to—

"(A) first reorganizing those banks in the farm credit districts (as established under part A of title V) in which one or more banks have received financial assistance or a commitment for financial assistance from the Temporary Assistance Corporation under part F of title IV; and

"(B) then reorganizing the banks in other farm credit districts.

In implementing the reorganization of banks described in subparagraph (A) of the preceding sentence, the Farm Credit Administration shall consult and coordinate its activities with the Temporary Assistance Corporation. In implementing each reorganization of a bank described in subparagraph (B) of the preceding sentence, the Farm Credit Administration shall take into consideration the recommendations of the farm credit district board of directors involved as to the timing of such reorganization.

"(4) On the reorganization of each such bank, the Farm Credit Administration shall—

"(A) with respect to production credit associations—

"(i) subject to the allocation of such assets provided for under section 6.2(d)(2), distribute nonloan assets of the bank (other than stock in service organizations chartered under section 4.25) to the associations affiliated with the bank, with each such association to receive a percentage of such assets that is equal to the percentage of the bank's capital stock and allocated surplus held by or allocated to the association at the time of the reorganization; and

"(ii) distribute the loan assets and stock in service organizations chartered under section 4.25 and related liabilities (including liabilities under section 4.4), of the bank to the Service Bank established under section 6.2 the service area of which includes the farm credit district of the bank;

"(B) with respect to Federal land bank associations—

"(i) distribute loan assets and any related liabilities (including liabilities under section 4.4) of the bank to the association affiliated with the bank, with each such association to receive such assets and property, and a portion of liabilities, held by the bank in connection with loans originated by that association. In connection with each such distribution of loan assets to associations, there shall be executed a simultaneous financing agreement between the association and the Service Bank involved under which the association becomes liable to the Bank for payment of an amount equal to the value of the loan assets distributed to the association (with the loan assets so distributed to serve as collateral to secure payment under the financing agreement), and a transfer of the liabilities associated with such loans to such Service Bank;

"(ii) distribute other nonloan assets of the bank to the associations affiliated with the bank, subject to the allocation of such assets as provided for under section 6.2(d)(2), with each such association to receive a percentage of such assets directly related to the territory served by the association as is fair and reasonable taking into consideration the percentage of the bank's capital stock and allocated surplus held by or allocated to the association immediately before the reorganization; and

"(iii) distribute stock in service organizations chartered under section 4.25 to the Service Bank established under section 6.2 the service area of which includes the farm credit district of the bank;

"(C) cancel and retire all stock of the bank held by the associations affiliated with the bank in consideration for the distributions provided under subparagraphs (A) and (B), and convert participation certificates held by other financing institutions described in section 2.3(a)(2) into participation certificates of the Service Banks; and

"(D) distribute any remaining liabilities to such associations and Service Bank, which shall assume those liabilities, in such manner as the Farm Credit Administration determines appropriate, taking into consideration the distribution of assets and liabilities provided for in the preceding subparagraphs.

"(5) Each Federal land bank and Federal intermediate credit bank shall, to the extent practicable, take such steps as are necessary to expeditiously wind up, before its reorganization, its activities not relating to the provision and service of loans to farmers, ranchers, and others eligible to obtain credit under title I or II of this Act, or to its borrowing and service of debt to provide such credit.

"SEC. 6.2. ESTABLISHMENT OF REGIONAL FARM CREDIT SYSTEM SERVICE BANKS.

"(a) The Farm Credit Administration shall charter a Farm Credit System Service Bank (referred to in this Act as 'Service Bank'), which shall consist of the reorganized Federal land banks and Federal intermediate credit banks, in each regional service area established under subsection (b). The Service Banks shall be federally chartered instrumentalities of the United States and institutions of the Farm Credit System. Each such charger may be modified from time to time by the Farm Credit Administration not inconsistent with the provisions of this title as may be necessary or expedient to implement this Act.

"(b)(1) There shall be not more than six farm credit regional service areas in the United States, which may be designated by number. The Commonwealth of Puerto Rico and the Virgin Island shall be included in one or more of such service areas.

"(2) Each regional service area shall include the entire service area of one or more farm credit districts under part A of title V, as established on the date of enactment of the Agricultural Credit Act of 1987.

"(3)(A) The number of farm credit regional service areas, and the boundaries of each such service area, shall be established by the Farm Credit Administration, not later than 90 days after the effective date of this part, as agreed to by all boards of directors of the farm credit districts under part A of

title V. If, at the end of 90 days, the boards of directors are unable to reach agreement on the regional service areas, the Farm Credit Administration, as soon as is practicable, shall establish six regional service areas and determine the boundaries thereof.

"(B) In determining the number of regional service areas (as provided in subparagraph (A)), and the boundaries of each service area, consideration shall be given to the efficiencies that will be achieved by—

"(i) merging the service areas and facilities of two or more farm credit districts that have Federal land banks or Federal intermediate credit banks that have received financial assistance or a commitment for such assistance from the Temporary Assistance Corporation under part F of title IV; and

"(ii) expanding the service areas of other farm credit districts with banks that do not have the need of such assistance to include the service areas of, and making the facilities of such districts available to, districts described in clause (i).

"(c)(1) Except as provided in paragraph (2):

"(A) If a regional service area is established using the criteria specified in subsection (b)(3)(B)(ii), the Service Bank for the service area shall be located in the region covered by the farm credit district whose service area is expanded and facilities made available (unless otherwise agreed to by the boards of the farm credit districts involved).

"(B) Otherwise, the Service Bank shall be established in the location agreed on, within 90 days after the regional service area is established, by all the boards of directors of the farm credit districts involved. If at the end of 90 days, the boards of directors are unable to reach agreement on the location of the Bank, the Temporary Assistance Corporation, as soon as is practicable, shall determine the location of the Bank.

"(2)(A) Each Service Bank may establish such branches or other offices as may be appropriate for the effective operation of its business.

"(B) Whenever a Service Bank is established under subsections (a) and (b) or under subsection (m) that provides services in nine or more States, the Service Bank shall maintain an office and personnel (at a level sufficient to meet the needs of associations that the office serves) in—

"(A) in the case of a Service Bank established under subsections (a) and (b), each of the farm credit districts under part A of title V included in the Bank's service area; and

"(B) in the case of a Service Bank established under subsection (m), each of the original regional service areas served by the Bank.

"(d)(1)(A) Each Service Bank shall be provided capital by the Federal land bank associations and production credit associations in its regional service area, under regulations of the Farm Credit Administration. The Farm Credit Administration regulations shall provide for minimum and maximum levels of capital consistent with the need to ensure the financial safety and soundness of the bank, except that any such minimum or maximum required level of capitalization shall not exceed that necessary to ensure the financial safety and soundness of the bank.

"(B) The regulations required under subparagraph (A) also shall provide for the provision of additional capital by associations, following the initial capitalization of a bank, as provided under paragraph (2), as needed to provide capital to the Service Bank to satisfy the Service Bank's obligations under section 4.4 or to maintain adequate capital in the bank. Such subscriptions shall be subject to call and payment therefor shall be made at such times and in such amounts as are determined by the Service Bank. The Farm Credit Administration may take any action authorized under part C of title V to enforce compliance with any such call or payment.

"(C) Each association in the regional service area shall be jointly and severally liable for the payment of any additional capital that any association primarily liable therefor under subparagraph (B) is unable to make. Any call for funds based on such joint and several liability shall be made taking into consideration the capital, surplus, bonds, debentures, or other obligations that each association may have outstanding at the time of such call.

"(2) To provide for the initial capitalization of each Service Bank, the Farm Credit Administration, as agent and attorney in fact for the associations located in the service area of the Bank, before distributing nonloan assets of reorganized Federal land banks and Federal intermediate credit banks under section 6.1(b)(4) to the associations, shall allocate such portion of such assets to the purchase of stock of the Service Bank sufficient to meet the Bank's credit needs. The obligations of each association to contribute to the initial and any subsequent capitalization requirement of the Service Bank shall be based on the borrowing requirements of such association taking into account outstanding loans held by the association. Notwithstanding any other provision of this Act, in the event that the reorganization proceeds under section 6.1(b)(4) to associations in the service area of the Service Bank are less than the amount needed for the initial capitalization of the Bank, the Temporary Assistance Corporation shall provide funds to the Farm Credit Administration, as agent and attorney in fact for such associations, in amounts sufficient to complete the initial capitalization of the Bank.

"(e)(1) The capital stock of each Service Bank shall be divided into shares of par value of $5 each and may be of such classes as its board of directors may determine with the approval of the Farm Credit Administration.

"(2) Voting stock of each Service Bank shall be held only by the Federal land bank associations and production credit associations, which stock may not be transferred, pledged, or hypothecated, except as authorized under regulations of the Farm Credit Administration.

"(3) The board of directors of each Service Bank from time to time shall increase its capital stock to permit the issuance of additional shares to associations in amounts determined by its board of directors.

"(4) Nonvoting stock may be issued by each Service Bank to, and, notwithstanding the provisions of paragraph (8) of this subsection, shall be retired for, other Farm Credit System institutions as may be authorized by its board of directors. Participation certificates, with a face value of $5, may be issued in lieu of such nonvoting stock to the extent that the bylaws of the bank so provide.

"(5) Participation certificates also may be issued by each Service Bank to financing institutions other than associations that are eligible to borrow from, or discount eligible paper with, or sell certificates of beneficial ownership in loans to the Bank. Participation certificates held by other financing institutions may be transferred to other such institutions on request of, or with the approval of, the Bank.

"(6) Noncumulative dividends may be payable on capital stock and participation certificates of each Service Bank in an amount not to exceed a percent permitted under regulations of the Farm Credit Administration, in any year as determined by the board of directors. Such dividends may be in the form of stock and participation certificates or in cash. The rate of dividends may be different between different classes and issues of stock and participation certificates on the basis of the comparative contributions of the holders thereof to the capital or earnings of the Service Bank by such classes and issues. Service Banks shall be subject to the general direction of the Farm Credit Administration with regard to the payment of dividends.

"(7) Whenever the relative amounts of stock in a Service Bank owned by the associations differ substantially from the relative proportions established under the initial capitalization of the bank (based on average loan volume), as provided under subsection (d)(2), and additional subscriptions to stock through which such proportion could be reestablished are not contemplated, the board of directors of the Service Bank may direct either separately or in combination such transfers, retirements, and reissuances of outstanding stock among the asssociations as will reestablish the initial proportions as nearly as may be practicable. Outstanding stock that is retired for the purpose, except as otherwise approved by the Farm Credit Administration, shall be the stock held by the association for the greatest period of time and the Bank shall pay the association therefor at the book value thereof not exceeding par.

"(8) Each Service Bank may retire stock at par and participation certificates at face amount in accordance with regulations of the Farm Credit Administration. Such stock and participation certificates shall be retired without preference and in such manner that, unless otherwise approved by the Farm Credit Administration, the outstanding stock or certificates held for the greatest period of time is retired first. In case of liquidation or dissolution of any Federal land bank association, production credit association, or institution described in section 2.3(a)(2), the stock or participation certificates of the Bank owned by such association or institution may be retired by the Bank at the book value thereof, not exceeding par or face amount, as the case may be.

"(9) Each Service Bank shall have a first lien on all stock and participation certificates it issues and on all allocated reserves and other equities as collateral for any indebtedness of the holder of such capital investments to the Bank.

"(10) In any case where the debt of a Federal land bank association, production credit association, or other financing institution is in default, a Service Bank may retire all or part of the capital investments in the Bank held by such debtor at the book value thereof, not exceeding par of face amount as the case may be, in total or partial liquidation of the debt.

"(f)(1) There shall be a board of directors for each Service Bank.

"(2)(A) The initial board of directors for each Service Bank shall consist of the boards of directors of the farm credit districts under part A of title V the service areas of which are included in the service

area of the Service Bank, excluding the two members from each such district board elected by the borrowers from, or subscribers to the guaranty fund of, the district's bank for cooperatives.

"(B) The terms of the members of each initial board of directors of a Service Bank shall be for the period, not exceeding 18 months beginning on the effective date of this part, ending with the election of the permanent board of directors, as provided under paragraph (3).

"(3)(A) the permanent board of directors of each Service Bank shall consist of not more than nine members (such number to be prescribed in the bylaws of the Bank) elected by the holders of voting stock of the Bank, as provided in this paragraph. An election shall be held and each such permanent board of directors shall be established not later than 18 months after the effective date of this part.

"(B) Each permanent board of directors of a Service Bank shall consist of—

"(i) one member chosen by the other members of the board who is—

"(I) not a borrower from, shareholder in, or director, officer, employee, or agent of, any institution of the Farm Credit System; and

"(II) experienced in financial services and credit; and

"(ii) other members elected by the holders of voting stock in the Bank with an equal number of directors elected by the Federal land bank associations and by the production credit associations affiliated with the Bank, and (for the period during which the Temporary Assistance Corporation under part F of title IV is in existence) an equal number of directors elected from each farm credit district the service area of which is included in the service area of the bank.

"(C) The terms of the members of each permanent board of directors shall be for three years, except that the terms of the initially-elected members may be for shorter terms to permit the staggering of the terms of the members of each board over a three-year period. The members of each board of directors shall elect from among themselves a chairman of the board.

"(D) The provisions of subsections (a), (b), and (c) of section 5.2 shall apply to the conduct of any election under this paragraph, except to the extent such provisions are inconsistent with this subsection.

"(E) Any vacancies in a board of directors shall be filled for the unexpired term in the manner provided in this paragraph for the election of such directors.

"(4) Members of the board of directors of each Service Bank shall receive compensation, including reasonable allowances for necessary expenses, in attending meetings of the board including travel time. The compensation shall not be in excess of the level set by the Farm Credit Administration. A director may not receive compensation and allowances for any services, in addition to attending such meetings, rendered in the director's capacity as member of the board or otherwise for more than 30 days or parts of days in any one calendar year without the approval of the Farm Credit Administration.

"(g) Each Service Bank chartered under this section shall have the following functions:

"(1)(A) To discount loans, or to purchase certificates of beneficial ownership in such loans, made by—

"(i) associations chartered under this Act that are affiliated with it; and

"(ii) any national bank, State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, credit union, or any association of agricultural producers engaged in the making of loans to farmers and ranchers, and any corporation engaged in the making of loans to producers or harvesters of aquatic products, except that such financial assistance may be provided to such entities only to the extent authorized under subsections (a), (c), (d), and (e) of section 2.3, and any association chartered under this Act that is not affiliated with it (under criteria established by the committee of representatives of the associations affiliated with it created under subparagraph (B)),

as necessary to enable such associations and institutions to carry out their functions and provide credit under this Act.

"(B) To make loans, make commitments for credit, and extend other similar financial assistance to the entities described in subparagraph (A) for the purposes described in subparagraph (A).

The associations affiliated with a Service Bank, under the procedure provided in the following sentence, shall establish, and may from time to time revise, general criteria to govern the actions of the Service Bank in making such discounts, purchases, loans, credit, or financial assistance available to the associations; and the Service Bank may establish conditions for such discounts, purchases, loans, credit, or financial assistance consistent with such criteria, as necessary to ensure the creditworthiness of the discounts, purchases, loans, credit, or financial assistance. Associations jointly shall develop or revise the criteria described in the preceding sentence through a committee of representatives of the associations consisting of such members as are elected by the associations to fairly represent them.

"(2) To borrow funds, issue notes, bonds, debentures, and other obligations, whether separately or jointly with other System institutions, and assume joint and several liability in conjunction with the issuance of joint obligations, as provided in sections 4.2 and 4.4, as necessary to enable the Bank to perform its other functions, as described in this subsection.

"(3) To serve as an agricultural mortgage marketing facility, and, as such, provide for the sale or resale of securities representing interests in, or obligations backed by, pools of qualified agricultural mortgage loans of associations that have been provided credit enhancement, as provided under part F of title V.

"(4) To review, approve, and make available to System members or borrowers, through its affiliated associations and under section 4.29 and the regulations promulgated by the Farm Credit Administration, such insurance as is authorized in section 4.29.

"(5) To perform such functions and services (including the conduct of studies and the development of standards for lending for use by the associations affiliated with it (at their option), accounting, administration of personnel and retirement programs, training of personnel, procurement of goods and services, operation of automated data processing systems, and other nonlending and nonmanagement services) for or on behalf of the Federal land bank associations and production credit associations located in its service area as are agreed to and contracted for by such associations.

"(6) Notwithstanding any other provision of law, during the period ending five years after the date of the enactment of the Agricultural Credit Act of 1987, to coordinate and facilitate activities of the Temporary Assistance Corporation established under part F of title IV with respect to each System association, operating in the regional service area served by such Bank, that is receiving financial assistance or has a commitment to receive such assistance from the Temporary Assistance Corporation.

"(h) No Service Bank may engage in general supervisory activities (as defined by the Farm Credit Administration) with respect to Federal land bank associations and production credit associations located in its service area. However, a Service Bank may enter into agreements with such associations to ensure that the Bank will be able to meet its obligations on its notes, bonds, debentures, and other obligations on its notes, bonds, debentures, and other obligations, or to ensure the creditworthy provision of funds or extension of credit to the associations.

"(i)(1) All of the loans, financial assistance, discounts, and purchases authorized by subsection (g)(1) shall be subject to regulations of the Farm Credit Administration and shall be secured by collateral, if any, as may be required in such regulations.

"(2) The loans, financial assistance, discounts, and purchases authorized by subsection (g)(1) to Federal land bank associations, production credit associations, and institutions described in section 2.3(a)(2) shall be for such time periods and carry such interest rates as will enable such associations and institutions to make loans under the terms described in sections 1.6, 1.7, and 2.4, respectively.

"(j)(1) At the end of each fiscal year, the net earnings of each Service Bank, under regulations prescribed by the Farm Credit Administration, shall be distributed on a cooperative basis with an obligation to distribute patronage dividends and with provision for sound, adequate capitalization to meet changing financing needs of Federal land bank associations, production credit associations, and other financial institutions eligible to discount paper with the bank, and prudent corporate fiscal management, to the end that the current year's patrons carry their fair share of the capitalization, ultimate expenses, and reserves. Such regulations may provide for the application of net earnings after payment of operating expenses to the restoration or maintenance of the allocated reserve account, additions to the unallocated contingency reserve account of not to exceed such percent of net earnings as may be established by the Farm Credit Administration in regulations, and the payment of patronage in stock, participation certificates, or in cash, as the board may determine.

"(2) The allocations to the reserve account shall be subject to a first lien as additional collateral for any indebtedness of the holders thereof to the Service Bank and in any case where such indebtedness is in default may, but shall not be required to, be retired and canceled for application to such indebtedness, and, in case of liquidation or dissolution of a holder thereof, such reserve account allocations may be retired, all as is provided for stock and participation certificates in subsection (e).

"(k) Each Service Bank shall be a body corporate and, subject to regulation by the Farm Credit Administration, shall have the power to:

"(1) Adopt and use a corporate seal.

"(2) Have succession until dissolved under the provisions of this Act or other of Congress.

"(3) Make contracts.

"(4) Sue and be sued.

"(5) Acquire, hold, dispose, and otherwise exercise all the incidents of ownership of real and personal property necessary or convenient to its business.

"(6) Purchase certificates of beneficial ownership in loans and make and discount loans and commitments for credit, accept advance payments, and provide services and other assistance as authorized in this Act, and charge fees therefor.

"(7) Operate under the direction of its board of directors.

"(8) Elect by its board of directors a president, any vice president, a secretary, and a treasurer, and provide for such other officers, employees, and agents as may be necessary; define their duties, and require surety bonds or make other provisions against losses occasioned by employees.

"(9) Prescribe by its board of directors its bylaws not inconsistent with law providing for the classes of its stock and the manner in which its stock is to be issued, transferred, and retired; its officers, employees, and agents are to be elected or provided for; its property is to be acquired, held, and transferred; its purchases, loans, and discounts are to be made; its general business is to be conducted; and the privileges granted it by law are to be exercised and enjoyed.

"(10) Borrow money and issue notes, bonds, debentures, or other obligations individually, or jointly with one or more other banks of the System, of such character, on such terms and conditions, and at such rates of interest as may be determined.

"(11) Accept deposits of securities or current funds from Federal land bank associations and production credit associations holding its shares and pay interest on such funds.

"(12) Deposit its securities and its current funds with, and use the services of, the Federal Reserve Bank serving its territory, any member bank of the Federal Reserve System, any insured nonmember bank (as defined in section 2 of the Federal Deposit Insurance Act), or any insured savings institution (as defined in the Federal Savings and Loan Insurance Act), and pay fees therefor and receive interest thereon as may be agreed. When designated for the purpose by the Secretary of the Treasury, the Service Bank shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary; may be employed as a fiscal agent of the Government; and shall perform all such reasonable duties as a depository of public money or financial agent of the Government as may be required of it. No Government funds deposited under the provisions of this paragraph shall be invested in loans or bonds or other obligations of the Bank.

"(13) Buy and sell obligations of or insured by the United States or any agency thereof, or securities backed by the full faith and credit of any such agency, and, as may be authorized by its board of directors in accordance with regulations of the Farm Credit Administration, (A) buy from and sell to Farm Credit System banks interests in certificates of beneficial ownership and loans, and in other financial assistance extended, and nonvoting stock, and (B) make other investments.

"(14) Amend and modify loan contracts, documents, and payment schedules, and release, subordinate, or substitute security for any of them.

"(15) Exercise by its board of directors or authorized officers, employees, or agents all such incidental powers as may be necessary or expedient to carry on the business of the Bank.

"(1) Each Service Bank and the capital, reserves, and surplus thereof and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation except taxes on real estate held by a Service Bank to the same extent, according to its value, as other similar property held by other persons is taxed. The obligations held by the Service Banks and the notes, bonds, debentures, and other obligations issued by the Service Banks shall be deemed to be instrumentalities of the Government of the United States, and, as such, they and the income therefrom shall be exempt from all Federal, State, municipal, and local taxation, other than Federal income tax liability of the holder thereof under the Public Debt Act of 1971 (31 U.S.C. 742(a)).

"(m) The Service Banks, with the approval of the Farm Credit Administration, may merge with one another under the procedures set forth in sections 4.10 and 4.11, to the extent not inconsistent with this title, except that the board of directors of the Service Bank created by a merger shall consist of the boards of directors of the Banks that are merged.

"SEC. 6.3. ESTABLISHMENT OF BANK FOR COOPERATIVES.

"(a) There is hereby established a Bank for Cooperatives, into which are merged the district banks for cooperatives and the Central Bank for Cooperatives. For purposes of this Act, the Bank for Cooperatives shall be considered to be a district bank for cooperatives and the Central Bank for Cooperatives, and the Bank for Cooperatives and its board of directors shall have all of the powers, rights, responsibilities, and obligations of such banks and their boards of directors, as provided in other titles of this Act.

"(b) The board of directors of the Bank for Cooperatives, through the establishment of branch offices or such other means as it determines appropriate, shall ensure that eligible borrowers effectively and efficiently receive credit and technical and other services authorized by this Act.

"SEC. 6.4. ASSOCIATIONS.

"(a) Effective at such time as the reorganization under section 6.2 of the Federal land bank with which it is affiliated is completed, each Federal land bank association and its board of directors, in addition to the powers, rights, responsibilities, and obligations provided under part B of title I, shall have all of the powers, rights, and responsibilities of a Federal land bank and its board of directors operating under part A of title I before the effective date of this title, except those powers, rights, and responsibilities provided to Service Banks established under section 6.2. All powers, rights, and responsibilities that could only be exercised with bank approval under title I may be exercised by a Federal land bank association without Service Bank approval.

"(b) Effective at such time as the reorganization under section 6.2 of the Federal intermediate credit bank with which it is affiliated is completed, each production credit association and its board of directors, in addition to the powers, rights, responsibilities, and obligations provided under part B of title II, shall have all of the powers, rights, and responsibilities of a Federal intermediate credit bank and its board of directors operating under part A of title II before the effective date of this title, except those powers, rights, and responsibilities provided to Service Banks established under section 6.2. All powers, rights, and responsibilities that could only be exercised with bank approval under title II may be exercised by a production credit association without Service Bank approval.

"SEC. 6.5. CONSTRUCTION.

"To the extent any provision of this part is inconsistent with any provision of titles I through V of this Act, the provision of this part shall prevail.".

(b) REGULATIONS.—Within 120 days after the date of the enactment of this Act, the Farm Credit Administration shall issue proposed regulations governing the transition to the System structure established under subsection (a) of this section. The Farm Credit Administration shall include in such regulations—

(1) provisions to ensure that the holders of stock and other equities in banks and associations that are reorganized or modified are treated fairly and equitably; and

(2) such other reasonable terms and conditions as are appropriate to ensure that the institution contained under subsection (a) provide credit and related services to eligible borrowers at competitive rates.

Page 182, line 9, insert "affiliated with a Service Bank under part A of this title" after "two or more associations".

Page 185, strike line 10 and all that follows through the end of line 16 and insert in lieu thereof the following:

"SEC. 6.13. TAXATION OF MERGED ASSOCIATIONS.—

"(a) Subject to subsection (b), in the case of any entity resulting from a merger in which 1 or more of the constituents is a Federal land bank association, that entity and the notes, debentures, and other obligations issued by such entity shall be exempt from taxation only to the extent provided in section 1.21 for Federal land bank associations.

"(b) For purposes of the Internal Revenue Code of 1986, the gross income of an entity described in subsection (a) shall include—

"(1) income from any loan held by such entity (other than any loan made under section 1.6, as in effect on the date of the enactment of this section), and

"(2) amounts required to be included in gross income by reason of paragraph (2) of section 805(d) of the Tax Reform Act of 1986.

AMENDMENT NO. (35)

Page 181, after line 16, insert the following:

(c) STOCKHOLDER VIEWS.—Before implementing the dissolution of farm credit districts, and the reorganization of Federal land banks and Federal intermediate credit banks into Farm Credit System Service Banks, as required under the amendments to the Farm Credit Act of 1971 made by subsection (a), the Farm Credit Administration shall receive and consider the views of the stockholders of the Federal land banks and Federal intermediate credit banks with respect to the number and location of the farm credit regional service areas and Service Banks.

Mr. JONES of Tennessee (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

Mr. MADIGAN. Reserving the right to object, Mr. Chairman, does the gentleman from Tennessee have the time?

The CHAIRMAN. The gentleman from Tennessee has 10 minutes and the distinguished gentleman from Illinois [Mr. MADIGAN] has 10 minutes.

Mr. MADIGAN. Mr. Chairman, I withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

The CHAIRMAN. The gentleman from Tennessee [Mr. JONES] is recognized for 10 minutes.

Mr. JONES of Tennessee. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas [Mr. STENHOLM], the author of title IV.

Mr. STENHOLM. Mr. Chairman, I rise today in strong support for the amendment offered by Mr. DE LA GARZA which would make many important clarifications to title IV of H.R. 3030. Mr. Chairman, I have a very large interest in this title of the bill, not only because I am one of the principal authors of title IV, but also because I myself am a borrower from the Farm Credit System.

I would like to begin by providing my colleagues with some background on how the existing structure was created.

In 1916 the Federal land banks and land bank associations were established to provide farmers with a source of long-term credit to be used to purchase farm real estate. In 1923 the Federal intermediate credit banks were established and later in 1933 the production credit associations established. The purpose of these entities is to provide credit for farmers short and intermediate needs, such as operating expenses. Also in 1933 the banks for cooperatives were created to lend to farmers marketing, purchasing, and business service cooperatives. No other changes have been made to the Farm Credit System's structure since 1933.

The Federal land banks have served as the primary lender of long-term agricultural credit since its inception. Competition from other institutions has existed but the Farm Credit System's ability to obtain funds from capital on Wall Street has allowed the System to offer lower interest rates to farmers and ranchers.

However, two major circumstances are driving the need for changes in the Farm Credit Systems structure. The first is the presence of a secondary market for farm mortgages, and the second is the decline in the size of the Farm Credit Systems' loan portfolio.

During committee consideration and the drafting of the amendment offered by Chairman DE LA GARZA, basically five objectives were considered:

First, competitive pricing and quality services should be provided to local production credit associations and Federal land bank associations,

Second, the new structure should reflect borrower control of local associations and service banks,

Third, efficiency should be of highest priority through the elimination of duplication of auditing, redundancy, and excessive overhead,

Fourth, the structure must be one that can survive a highly competitive lending environment to minimize the possibility of the System needing additional assistance from the Federal Government in the future, and

Fifth, the System should be structured to reduce involvement of the regulator in the management and policymaking of the System.

Using these objectives, the amendment offered by Chairman DE LA GARZA will allow the Farm Credit System to again become the most efficient lender to farmers and ranchers.

Basically Chairman DE LA GARZA's amendment would provide for the following:

Within 18 months the 24 Federal intermediate credit banks and Federal land banks will have their assets and liabilities dissolved to local production credit associations and Federal land bank associations. Immediately following dissolution, the associations will capitalize up to six regional Farm Credit System service banks. These associations will provide capital to the service banks according to their projected loan volume and the Farm Credit Administration. Assets other than loan assets and acquired property will be transferred to the associations. The Farm Credit Administration will establish in these service banks both minimum and maximum capital standards.

A minimum standard will ensure investor confidence in the bond markets, and a maximum level will be established so when a service bank becomes strong enough, it would pay dividends to the associations which owns the service bank.

Currently there are 12 Farm Credit System districts. The amendment would establish not more than six new regions. The current 12 district boards would have 90 days after enactment to come to an agreement on the boundaries of the newly created regions. Should the current boards not come up with an agreement, the Farm Credit Administration would then designate these boundaries.

These service banks would be allowed to establish as many branch offices as needed to service the associations in a given region.

Initially, the boards of the service banks are created through the election of a nine member board. The membership of this board will be composed of equal representation of the PCA's and FLBA's, with the previously existing districts both having four members on the board. After 5 years of enactment, the boards of the service banks would be elected by the stockholders of the regions with equal representation from both type of associations but, consideration to the previous district boundaries would not be given.

DUTIES

The largest single duty of a service bank would be that of delivering loan funds from the Farm Credit System Funding Corporation to the production credit associations and Federal land bank associations. After long discussion and deliberation it was decided that these service banks should be capitalized entities which are jointly and severally liable for systemwide obligations issued by the funding corporation. This joint and several liability would also apply to the associations. The banks would then have established a debtor-creditor relationship with the associations.

Criteria for this relationship would be established by a committee with representation from the associations located in a given service bank region. Authorities given to the service banks for these purposes would be provided for by the Farm Credit Administration.

ASSOCIATIONS/LOCAL CONTROL

From the start, one of my main goals was to provide the production credit associations and Federal land bank associations with more local control over the operations of their respective associations. I also have in mind a Farm Credit System in 5 years that will again be a strong entity. This System would be comprised of both service banks and associations. Also a FDIC type insurance corporation will be established whose purpose would be to stand behind systemwide obligations and to assist troubled associations through the facilitation of mergers and other methods. Basically the associations would be on their own to either sink or swim. Therefore, the associations must have certain duties, rights, authorities, and obligations to serve borrowers in this new role as direct lenders who are jointly and severally liable for each other share of systemwide obligations. The de la Garza amendment provides the needed tools for adequate local control.

Under this amendment they would:

First, determine loan criteria for purposes of lending to farmers,

Second, establish criteria to be used in the debtor/creditor relationship between the service banks and associations,

Third, select management and set salary scales without service bank approval,

Fourth, determine their capital structure, and insure whatever classes of stock they choose,

Fifth, merge associations without service bank approval, and

Sixth, invest their funds consistent with FCA regulations without bank approval.

BANKS FOR COOPERATIVES

Mr. Chairman, I would like to address the section of the bill regarding restructuring of the banks for cooperatives.

Section 6.3 of the bill provides for the establishment of a single bank for cooperatives. The bill creates this bank by merging the 12 district banks for cooperatives and the central bank for cooperatives into a single entity. This new bank would have all of the powers, rights, responsibilities, and obligations now granted to the district banks and the central bank by title III of the Farm Credit Act of 1971.

This provision follows the study and recommendation of consultants who have recently analyzed the banks for cooperatives structure. Last year the 13 banks for cooperatives agreed to sponsor a steering committee charged with studying the possible consolidation of the banks. The steering committee retained John Hopkin & Associates of College Station, TX, to review the economic and market forces affecting the banks for cooperatives and the various reorganization possibilities. The Hopkin report compared regional structures with total consolidation. The report was prepared after input from a variety of sources, including the National Council of Farmer Cooperatives, various State cooperative councils, and the officers and directors of all 13 banks. The report concluded that total consolidation would result in the most cost-efficient credit delivery system. In addition, the steering committee sponsored a referendum whereby a brief description of the Hopkin recommendation was disseminated to the banks for cooperatives system borrowers requesting responses regarding the proposed consolidation. Over 700 responses were received and, of those borrowers who expressed a view on the proposal, over two-thirds were in favor of the total consolidation.

However, certain banks within the system and certain borrower groups expressed reservations about a consolidation. The concerns expressed relate primarily to the fairness of a total consolidation and the quality of credit delivery services following a consolidation. The concerns raised legitimate questions which certainly need to be addressed. It should be noted that the bill directs the Farm Credit Administration to promulgate regulations which are meant to insure that the reorganization is implemented in a fair and equitable manner. However, the balance of my comments deals with certain basic principles of consolidation which should be contained in these regulations and which I believe adequately respond to the concerns raised.

The issue of fairness relates to whether the owners of banks with relatively strong portfolios will be put in a worse position if their bank is consolidated with banks having weaker portfolios. The concern is both with respect to security of the stock investment and anticipated future borrowing costs. With regard to the security of the stock investment in a share-for-share exchange, the answer is simple—under the bill, borrowers' stock is guaranteed for 5 years. During this 5-year period, the consolidated bank will certainly have adequate time to deal with the process of any needed restructuring of the portfolios. With regard to the anticipated future borrowing costs, two points need to be made. First, a consolidated bank provides the opportunity to eliminate the duplication of many administrative functions that are inherent in a decentralized approach. The Hopkin report, for example, concludes that a consolidated bank would be more efficient than regional banks and would be able to thereby offer lower borrowing costs. Second, the System steering committee recognized that certain district portfolios may be stronger than others. The appropriate way in which to address that issue would be for the new bank to provide for regional or district patronage and capital revolving pools for a period of time. This would allow for the borrowers and stockholders of the strong banks to continue to benefit from their respective portfolios. The FCA regulations should certainly permit and even encourage the management of the new bank to implement such programs.

Another major concern expressed about consolidation of the banks for cooperatives relates to the quality of credit delivery services. This is particularly a concern of smaller cooperatives who fear that a single bank would be dominated by large borrowers and would be less sensitive to local credit needs. It is certainly the intent of this legislation that the Farm Credit System, including any new bank for cooperatives, be responsive to the credit needs of all eligible borrowers in all areas of the country. However, certain safeguards should be built into the Farm Credit regulations. First, a consolidated bank for cooperatives should be governed by a board of directors elected directly by the shareholders. Second, there should be a continuation of the one-man, one-vote concept so that small cooperatives will continue to have a strong voice in the management of the new bank. Third, each district or region should have an equal number of directors so that all areas of the country can be assured fair and equal access to credit programs. Finally, the new bank is encouraged to establish loan offices sufficient in number and staffing to provide for services of no less quality than is now being provided. The object of consolidation is to eliminate duplication of effort and to effect logical cost savings, not to cut back on services.

Mr. Chairman, although there are always difficult choices to be made when we confront a restructuring of an institution as large and complex as the banks for cooperatives, I believe that a BC system structured in the manner that I have just outlined will be both efficient and fair.

CHANGING COMPETITIVE ENVIRONMENT

Commercial banks are searching for new customers. More banks are discovering that financing sound agricultural cooperatives is good business. Insurance companies, brokerage firms, and investment bankers are also expanding into both direct loans to the cooperatives and indirect financing through commercial paper, bankers acceptances, industrial revenue bonds, and private placements.

There is every reason to believe that the volume of banks for cooperatives business will continue to shrink as more regional cooperatives shift their business to other lenders. Also, competing financial institutions will continue to gain the business of the lower-risk cooperatives, leaving the banks for cooperatives with the poorer-quality loans to smaller cooperatives. Trends in volume and quality of loans to farmer cooperatives have already begun in most districts. The bottom line is that the banks for cooperatives must consider alternatives for consolidation which will permit them to seize certain opportunities. Such opportunities include: First, lower lending cost; second, reducing spread and loan risk; third, enhancing market penetration with utilities and other specialities; and fourth, preserving and making better utilization of the banks for cooperatives skills for serving the financial needs of cooperatives of all sizes.

ADVANTAGES OF ONE BANK FOR COOPERATIVES

To address these concerns in a most effective manner it was the feeling of many within the banks for cooperatives system that a merger of all banks for cooperatives into a single bank would do the best job of providing these needed efficiencies. A recent study conducted for this purpose concluded that total consolidation should save 25 basis points over the existing structure and at least 27 basis points over what operating cost might well become by 1990 if no changes are made in the current structure. Other advantages include: Reducing loan risk by spreading loans over a broader and diverse geographic area, and through providing additional capital lending limits will be much improved.

SUMMARY

Mr. Chairman, I do not believe that anyone would create 37 banks and 380

associations for the purpose of lending to 30 percent of the agricultural sector. The presence of a secondary market for agricultural mortgages will provide for a competitive lending environment. Changes must be made to allow the Farm Credit System to compete with other entities which will have access to Wall Street investment. The commercial banks and insurance companies who will become involved in farm mortgage lending do not have the bureaucracy to deal with and pay for. I and other members of the Agriculture Committee have spent numerous hours in crafting language which will provide a streamlined, and more efficient Farm Credit System. Cost of operation will inturn drop dramatically in the years to come. These changes will not come easy, but I strongly feel that now is the time to make these changes to provide the Farm Credit System with the tools needed to adapt to a lending environment that has and will continue to go through the most drastic changes since farmers began to borrow money.

I urge my colleagues to support the amendment offered by Mr. DE LA GARZA.

Mr. MADIGAN. Mr. Chairman, I yield 4 minutes to the gentleman from Missouri [Mr. COLEMAN], the ranking member of our Subcommittee on Conservation, Credit, and Rural Development.

Mr. COLEMAN of Missouri. Mr. Chairman, let me say first of all that the gentleman who just made the statement in the well, the gentleman from Texas, was the one in the committee who was most concerned about trying to structure a restructuring of the Farm Credit System so that when we came to the floor of the House we could say to the membership that in return for the $3 or $4 or $5 or $6 billion that we are going to provide through this legislation, that there be some new structure put in place in order to say that business as usual is not going to be the order of the day of this system that has gotten itself into such deep trouble. Having put together an amendment in the committee that passed 22 to 12, with the understanding that it would be revisited later on, those of us who thought restructuring was a very important and integral part of this bill were pretty happy with the Stenholm proposal as the bill comes to the floor.

Mr. Chairman, I am disappointed, however, that we are losing an opportunity here today to change the way the Farm Credit System functions. This Stenholm amendment is not as good as the original Stenholm language that is in the bill today. It is a step backward toward business as usual.

I know that the author of the amendment has gone through a very difficult process of trying to formulate specific language to carry out the mandate of the committee, and yet I do not think that this is the best product that we could go to conference with. For example, in the original Stenholm language which we have before us in the bill, it says that no service bank may engage in the establishment or supervision of interest rate or loan approval policies, and yet in the Stenholm amendment today there is language which would provide for a service bank to enter into agreements with these associations in order for the bank to meet its obligations, notes, et cetera.

Mr. Chairman, it is not too difficult to read between the lines to see that if the association does not sign the agreement with the service center bank, it does not get any money, and if it does not get any money it really does not exist.

So there may be things being brought in by this amendment through the back door that we are trying to prohibit through the front door simply because of the difficulty of trying to draft something that is acceptable. That is why I think the original amendment is more acceptable than this one. The original Stenholm language would have created a principal agency relationship between the service center bank and the local associations. The associations would issue bonds to the service centers and they would be jointly and severally liable for payments on those bonds; but yes, we believe that all the tasks that the local associations could delegate to the service center banks, and there are many of them, but they do not have to do with policy, they do not have to do with management decisions, they do not have to do with supervisory control, they do not have to do with issuing monies that these service center banks under this proposal are going to raise.

Now, the new Stenholm amendment that we have before us is creating a debtor-creditor relationship between the service center bank and the local association. If I owe you money or if you are going to lend me money, it is not the same thing. You do have control over me. You do have management supervision, and therefore the original intent that the 22 of us on the committee thought we had of providing more local control and more input at that level is being taken away to a certain extent by the current Stenholm language. I have to rise and say that I am concerned about that.

My preference would have been, and we almost had it here today, a meeting or an agreement to try to withdraw the Stenholm amendment and not have it before us now as we do and that all of us, Democrats and Republicans, could go to conference, that we would not go through this process today because many of us believed on both sides of the aisle that this is a work product that could be revised and that we could go in with a solid front into conference with the other body.

□ 1630

But because it is before us today, we are not going to have that opportunity.

But allow me just to say that regardless of what happens to this amendment today that the gentleman from Tennessee [Mr. JONES] is offering for the gentleman from Texas [Mr. DE LA GARZA] which contains the Stenholm language, that all of us tried to get together before we get to conference in order to come up with a solid position that does what at least 22 of us thought we were doing in the committee, and I was 1 of the 22, and that we are not doing here today, and make this better language than what we have before us, and I would say the better language lies in the bill and not in this amendment. I guess I would just ask the gentleman from Texas if this tracks with some of his thinking as to what we might be able to do when we go into conference, regardless of whether or not his language passes here this afternoon, if he thinks we should be able to formulate a position that might be different from what he has given us today.

Mr. JONES of Tennessee. Mr. Chairman, I yield 2 minutes to the gentleman from Illinois [Mr. ROSTENKOWSKI], chairman of the Committee on Ways and Means.

Mr. ROSTENKOWSKI. Mr. Chairman, when the first portion of H.R. 3030 was considered by the House of Representatives on September 21, I expressed concerns regarding language in the bill which purported to govern the Federal tax consequences of certain transactions and entities. I expressed my concerns in a letter sent to the Honorable E (KIKA) DE LA GARZA, chairman of the Committee on Agriculture, dated September 23, 1987. I submit a copy of that letter for the RECORD.

COMMITTEE ON WAYS AND MEANS,
Washington, DC, September 23, 1987.

Hon. E. (KIKA) DE LA GARZA,
Chairman, Committee on Agriculture, House of Representatives, Longworth House Office Building, Washington, DC.

DEAR MR. CHAIRMAN: As you know, on Monday, the House of Representatives approved Titles I and and II of H.R. 3030, the Agricultural Credit Act of 1987. I wish to thank you and your staff for your assistance in modifying Section 105 of the Act (page 39 of the bill) to remove a jurisdictional issue involving the Federal tax treatment of certain obligations of the Temporary Assistance Corporation.

However, I would like to express my strong concerns about further jurisdictional issues which arise in other portions of the bill. Since House consideration of the remaining titles of the bill will not take place immediately, it is my hope that an agree-

ment can be reached to make the necessary revisions prior to House consideration of the legislation. If this is not possible, I will be constrained to strongly oppose this legislation and to encourage other Members of the Committee on Ways and Means to join me in that opposition.

Specifically, section 401 of the bill, dealing with the reorganization of the farm credit system, contains several provisions which have direct federal income tax consequences. Page 2 of the amendment you plan to offer provides that the reorganization of Federal land banks and Federal intermediate banks into service banks" . . . shall not be treated as a taxable event under the laws of the United States . . .". It is my understanding that the entities to be merged in this transaction may, because of cooperative or other non-stock form of ownership, have technical difficulties complying with corporate reorganization rules contained in the Internal Revenue Code (the "Code"). The proposed language in the bill is overboard in two crucial respects. First, the language leaves unclear whether the assets transferred to the service banks will be asssumed at book or fair market value. A step-up in the basis of the assets, not allowed under normal tax rules in a tax-free exchange, would cause large potential tax reductions in the future upon distribution of those assets. Second, the bill allows funds to be transferred to certain taxable entities, such as certain production credit associations, as part of the transaction. Under normal tax rules, such payments would be considered "boot", and would be taxed to the recipient taxpayer to the extent the fair market value of the distribution exceeds the taxpayer's basis in the interest of the distributing entity. My staff has informed me that these jurisdictional issues could be solved and the integrity of the transaction preserved by a revision in the language of the bill allowing the normal tax-free reorganization rules in the Code to apply to the transaction.

The amendment to Section 401 of the bill also contains, at page 21, a Federal tax exemption for service banks. Since the service bank is the successor entity to existing tax-exempt entities, it is not my intention to object to the granting of that status if certain modifications in the language of that provision can be made. Specifically, the provision exempts the obligations of the service banks from all taxation except Federal income taxation. This allows the obligations of the entity to be exempt from Federal surtaxes, estate, inheritance, and gift taxes, if applicable. This is similar to the problem with the Temporary Assistance Corporation which you and your staff were so helpful with Monday. As you may be aware, Congress has had significant problems in the past protecting the Federal estate tax base in instances where bonds or other schemes could be employed by individuals to significantly reduce tax liabilities. I believe it is necessary to insert language in the bill insuring that the bonds of the service banks could not become an estate planning loophole.

The same amendment to Section 401 contains, at page 17, a provision which is unclear but may override important provisions in the Code dealing with allocations of patronage dividends. My staff would like to discuss with your staff the intention of the language in the provision, so that important tax rules are not nullified, possibly through inadvertance, in the statutory language.

Section 403 of the bill allows the merger of unlike institutions in the farm credit system. This provision is broader than similar provisions contained in section 108 of the bill allowing certain mergers within the same farm credit district, and it is the understanding of my staff that section 403 may be designed to replace section 108. In any event, both of these sections would allow certain organizations which are currently tax exempt to merge with organizations which may be currently taxable, such as certain production credit associations, and presumedly continue the business of the former organizations. Section 403 of the bill (page 185) specifically provides that if either the merged or survivor oreganization is a tax exempt land bank association, then the resulting entity will be tax exempt. Section 108 contains more limited provisions allowing the new organization to have the attributes of the surviving entity. (page 83). Accordingly, in certain circumstances an organization currently taxable will effectively become tax exempt. These provisions raise serious jurisdictional and policy issues regarding the appropriate taxation of certain production credit associations and perhaps other taxable entities in the farm credit system. Last year, during deliberations on the Tax Reform Act of 1986, the conferees decided that taxable production credit associations and banks for cooperatives should be treated consistently with all other finance companies (as opposed to banks or savings and loan institutions) for purposes of the repeal of the deduction for bad debt reserves. It is evident that Sections 403 and 108 of the Farm Credit Act would override a decision of the conferees to last year's tax legislation by effectively granting certain taxable farm credit insitutions a full tax exemption. This action may also result in a substantial revenue loss. I believe it is important that the bill be revised to provide for the continuing status of taxable institutions in the farm credit system, thereby allowing the Committee on Ways and Means to consider changes to the tax treatment of these organizations.

In addition, Section 301 of the bill creates the Federal Agricultural Mortgage Corporation ("FAMC"). As you are aware, the FAMC will be a stock corporation, in part owned by underwriters, banks and other taxable organizations. Although the bill apparently contains no specific tax exemption for this institution, the statute is vague regarding certain functions and operations of the entity. We would like assurances that the entity will be governed by all normal corporate tax rules.

Thank you for your consideration of these issues. I hope that this is a comprehensive list of concerns. However, our review of the bill has begun only very recently. It is my expectation that our staffs can work together to suggest revisions in the bill responding to these jurisdictional concerns before its further consideration by the House. I trust agreements on these important issues can be reached. However, in the event that a jurisdictional accommodation cannot be reached, I will be constrained to ask the Congressional Budget Office to re-estimate the budgetary impact of this legislation taking into account lost tax revenues. I would also be constrained to consider corrective legislative action in the Committee on Ways and Means. I trust that such actions will not be necessary, and that we can reach an accommodation on these issues as we did on matters of concern to this Committee regarding Titles I and II.

Again, I thank you in advance for your efforts to work out these problems of major importance to the Committee on Ways and Means.

With warm regards, I am

Sincerely yours,

DAN ROSTENKOWSKI,
Chairman.

I am now very pleased to report that, due to the efforts of the chairman of the Agriculture Committee, the bill has been adjusted to respond to my jurisdictional concerns. First, the Federal tax consequences to institutions receiving assets and liabilities pursuant to the anticipated amendment to section 401 of the bill have been clarified to insure proper treatment of these distributions. Second, the appropriate continued tax treatment of taxpaying institutions which may merge with tax-exempt institutions under the bill and the proposed amendment is assured. Third, report language will recognize that current law applies section 641 of the Deficit Reduction Act of 1984 to bonds issued by any of the credit institutions created by the bill. Further, confusing language was removed from the bill regarding Federal tax allocations of patronage dividends. In addition, I have received assurances from the Agriculture Committee that no provision in the bill is intended to apply any special Federal tax rules to the Federal Agricultural Mortgage Corporation, and that the rules contained in the Internal Revenue Code of 1986 will apply to that entity.

Again, I thank the chairman for his cooperation in responding to these jurisdictional and tax policy concerns. I also wish to thank Ward Hussey, the House Legislative Counsel, for his wisdom and efforts in drafting language to respond to these concerns.

Mr. MADIGAN. Mr. Chairman, I yield 2 minutes to the gentleman from Montana [Mr. MARLENEE].

Mr. MARLENEE. Mr. Chairman, I thank the gentleman for yielding me this time.

Mr. Chairman, I would ask the ranking Member of the Subcommittee on Conservation, Credit, and Rural Development if he would answer some questions.

Does the current language that we now have on the bill allow reorganization on the basis of need? In other words, under the bill are we allowed to establish State organizations or multistate organizations on the basis of need?

Mr. COLEMAN of Missouri. Mr. Chairman, will the gentleman yield?

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

Mr. COLEMAN of Missouri. Mr. Chairman, I think the gentleman might have to ask the original author of the amendment, the gentleman from Texas [Mr. STENHOLM] who could better answer that question.

I am sorry, I cannot give the gentleman a definite answer.

Mr. MARLENEE. My interpretation is that the present language would allow reorganization on the basis of need. What we are doing with the proposed amendment of the gentleman from Texas [Mr. STENHOLM) is going back to something that is cast in concrete. We are going to have a reorganization of banks. These banks will be located in certain cities, and we will take away from the local control that we had intended to give. We had intended that through the drafting of the original language we would return to the State and to the local associations as much control as possible.

It seems to me that the amendment now offered by the gentleman from Texas [Mr. STENHOLM], to the Stenholm language in the bill, does just the opposite of what we intended when we drafted the original language.

Mr. Chairman, I rise in somewhat reluctant opposition to the amendment offered by the gentleman from Texas [Mr. STENHOLM]. However, I do not want my opposition to his amendment to be misunderstood—the present structure of the Farm Credit System desperately needs to be reorganized for the benefit of the borrowers. My real argument against the amendment is that it fails to truly reorganize the System, and represents a retreat from the original provisions offered during committee markup of the bill by the gentleman who now seeks this modification.

Although imperfectly drafted, the reorganization provisions adopted by the Agriculture Committee as I understood the issue at the time clearly staked out some bold new territory, and would have resulted in the elimination of the current system of 12 farm credit district bank regions comprised of a total of 37 lending institutions. It was my understanding that in place of these current organizations, the bill would provide for a suitable number of regional "service centers" which would not operate as banks, but which would simply serve to facilitate and expedite the workings of the various Farm Credit Associations, and that such associations would be the entities which would be vested with the actual banking authority under arms-length regulation by the Farm Credit Administration.

The gentleman's amendment, as I have indicated, is a retreat from the provisions of the original concept as I interpreted them. The amendment offered really will not change and reform the organizational structure of the system save and except to accomplish some consolidation of the existing district bank structure. The original concept approved by the committee would have placed the operations of the farm credit lenders in the hands of locally elected directors. These lenders would have been free to conduct their daily business as best they and local borrowers saw fit, subject to the same type of regulations that any commercial bank must meet. What we have in the suggested modification is just the opposite—we will still have the intermediate, bureaucratic service banks telling local associations how to conduct their business, but the source of the decisionmaking will simply be further removed from the local borrower. All we are doing with this modification is putting a different saddle on the same old horse!

Mr. Chairman, I want to restate my commitment to ensure passage of a viable Farm Credit system assistance package during the closing days of this session. Rejuvenation of the Farm Credit System is absolutely essential if we are to guarantee that farm and ranch producers in this country will have access to adequate capital in the future. But, I am fearful that we will fail to make the kind of true changes which will best benefit those borrowers, and that if we adopt this modification the bureaucratic and regulatory nightmare will only become worse.

Mr. JONES of Tennessee. Mr. Chairman, how much time do I have remaining?

The CHAIRMAN pro tempore (Mr. ALEXANDER). The gentleman from Tennessee [Mr. JONES] has 3 minutes remaining.

Mr. JONES of Tennessee. Mr. Chairman, I yield such time as he may consume to the gentleman from Missouri [Mr. VOLKMER].

Mr. VOLKMER. Mr. Chairman, I rise to express concern about the so-called Stenholm amendment to H.R. 3030 which would make several sweeping organizational changes in the Farm Credit System. In essence, the amendment would replace the 12 districts and 37 banks of the Farm Credit System with 6 districts, 6 regional "service" entities, and a consolidated bank for cooperatives. While convinced that the System's structure can and should be simplified and reformed, I am also convinced that the amendment will produce changes that may be neither necessary nor desirable.

In its current form, the amendment will only serve to increase the amount of U.S. taxpayer dollars needed to save the System and the amount farmers will have to pay to borrow from the System. By dissolving the 37 farm credit banks and reestablishing 382 associations with bank-like authorities and responsibilities, the amendment will increase capital requirements and operating costs. Smaller individual lending units will mean less geographic diversification and, therefore, entities requiring greater amounts of capital and liquidity. Operating costs will increase as the 382 associations are required to perform functions for themselves which perform the 24 Federal land banks and Federal intermediate credit banks now.

In addition to the operational inefficiencies the amendment would increase the System's cost of money. Investors in System securities will not perceive 382 associations in the same say they perceive the current system. That is, the System will not be perceived as a single entity for the purpose of evaluating investment risk and Government support. Erosion in investor confidence will first mean higher money costs for the System and then higher interest rates for system borrowers. It is not possible to quantify how much more farmers will have to pay for credit in any given future year under this amendment. But make no mistake about it, the increase will be substantial. Remember that each increase of 10 basis points—0.1 percent—in the System's cost of funds means an additional $22 million.

I am also concerned that the Farm Credit Administration will be granted broad new powers under this amendment which are inappropriate for an arms-length regulator. The agency would be authorized to restructure the system entirely, including the authority to design districts, liquidate banks and supervise associations. The agency's new supervisory authority over associations would at the absolute minimum exceed the authorities currently exercised by district banks.

Finally, I would like to express regret that the proposal for restructuring the System developed by System directors did not receive the attention which, I think, it deserves. This proposal approved by the farmer and cooperative-elected directors of every farm credit district last month may not be perfect but it would go a long way in streamlining the System and do so with informed stockholder consent.

Mr. JONES of Tennessee. Mr. Chairman, I yield 1 minute to the gentleman from Oklahoma [Mr. ENGLISH].

Mr. ENGLISH. Mr. Chairman, I too was one of those in the Agriculture Committee who supported the Stenholm amendment. I felt the original concept was sound, that basically secondary market adjustments had to be made by the Farm Credit System.

Also I felt that it held out great promise as far as our farmers were concerned for those who wanted control of the System, who wanted to have control over their own States. Without question, this was supposed to be a cooperative, and that has not always been the case.

I am concerned, however, that it appears that the amendment we are considering here today changes that. It gives the servicing banks control over whether or not the local associations would receive money, and anyone who has control over the pursestrings certainly has control over the System. I am afraid that this reverses what I perceived to be the original intent of the Stenholm amendment; namely, to let the local stock holders decide their own fate, decide exactly what they are going to do with their system. This once again places control of that system back in the hands of the management of the Farm Credit System.

I think that was a mistake, Mr. Chairman.

Mr. MADIGAN. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin [Mr. GUNDERSON].

Mr. GUNDERSON. Mr. Chairman, let me begin by commending our good friend and colleague, the gentleman from Texas [Mr. STENHOLM] and the leadership on both sides of the aisle for their commitment to reorganization of the Farm Credit System.

However, I have to suggest, as others have before me, that the proposal which is now in front of us backtracks on the commitment to reorganization

and restructuring that so many of us strongly endorsed at the committee level. We intended through that whole effort to, No. 1, enhance local control and accountability; and, second, we intended to have a reduction in the district level bureaucracy.

The fact is if we have $30-billion reduction in loan volume in this country, we ought to have some similar reduction in the district level organization in this country. The problem is that the amendment now before us, as opposed to the bill reported by the committee, moves in the opposite direction. The first thing it does is provides for capitalization not only of our local associations, as we have all supported, but it also provides for the capitalization at the district level, and this capitalization is under the control of the Farm Credit Administration, which we assume for accounting and regulatory purposes may want very strong districts and not real strong local associations.

The second problem with the legislation is that it provides the service banks with the authority to establish the conditions for the provisions of funds to those local associations.

The third thing it does is it provides the Farm Credit Administration the regulatory authority that each district bank will have over those local associations.

Each and every one of those things will create more controversy, more strife between our local associations and the district levels than we have experienced over the last 2 years with the Capital Corp. and other such efforts.

I want to call to the attention of my colleagues a number of things in the Stenholm provision.

The CHAIRMAN. The time of the gentleman from Wisconsin [Mr. GUNDERSON] has expired.

Mr. GUNDERSON. Mr. Chairman, I ask unanimous consent that I be allowed to proceed for 4 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. GUNDERSON. Mr. Chairman, the fact is if my colleagues look at page 9, line 20, of this amendment, they will notice that this also gives each service or district bank the authority to establish branch banks. That is a rather new concept in the Farm Credit System that our banks are going to get into the concept of branch banking for the Farm Credit System. I think that is an issue that ought to be discussed.

On page 10, line 12, of this particular amendment, my colleagues will find that the regulations provide that the capitalization must occur at levels adequate to maintain the soundness of that district or service bank. I would point out to my colleagues the reason we are here is a number of the districts in this country are in financial trouble, and if we are going to require that there must be a capitalization level at the district adequate to guarantee the soundness of that bank, they are going to guarantee that all of the money is going to be at the district level and we are not going to allow any capitalization of those local associations. Understand the implications of that.

On page 11 of this legislation understand that the amendment provides that the district banks get their money first, so we will take any money, any assets that they are given to the district banks first, and only if there is anything left do we give it to the local associations. I again call attention of my colleagues that if there were any money left, any surplus, we would not be here today. We are here because districts are in financial trouble.

To go on, I would like to point out two other things. No. 1, on page 19 of the amendment it says that the power of the district banks to make loans to the local associations and other financial institutions, but it goes on on page 21 and suggests that the power to regulate the operations of the local associations will occur with those district banks because they will be able to enter into the agreements that are necessary in order to provide the funds from the district operation down to that local bank.

I want to call to the attention of my colleagues that the whole concept of reorganization and restructuring of the Farm Credit System that was a part of the Agriculture Committee work, which was built on the premise that we would have strong local financial institutions that would rise or fall on their own, and that we would have a Farm Credit Insurance Corporation to cover those losses so never again would we have to come to this Congress to ask for the kind of assistance that we are asking for today, is all being dealt a severe body blow by this particular amendment.

Mr. MARLENEE. Mr. Chairman, will the gentleman yield?

Mr. GUNDERSON. I am happy to yield to the gentleman from Montana.

Mr. MARLENEE. Mr. Chairman, does not the amendment offered by our colleague, the gentleman from Texas [Mr. STENHOLM] remove the control further from the local areas?

Mr. GUNDERSON. There is no question about that, because it maintains a district board of directors that while elected by the members of the local associations, it clearly gives the authority to that district bank and that district board to regulate not only their operations but the means by which they will provide financing to those local associations.

Mr. MARLENEE. And in some cases they will be a long distance from those areas being served.

Mr. GUNDERSON. There is no question about that, because we are eliminating at a minimum half of the district banks. So if we are going to maintain the present level of operations, and we are going to go from 12 down to 6 banks, we are clearly going to move that further away from the local farmers.

Mr. MARLENEE. I thank my colleague for yielding.

Mr. GUNDERSON. I yield back the balance of my time.

The CHAIRMAN. The gentleman from Illinois [Mr. MADIGAN] has 1 minute remaining and the gentleman from Tennessee [Mr. JONES] has 2 minutes remaining.

Mr. JONES of Tennessee. Mr. Chairman, I yield 1 minute to the gentleman from Texas [Mr. STENHOLM], the author of the amendment.

Mr. STENHOLM. Mr. Chairman, I thank the gentleman for yielding and would like to take this moment to respond to some of the questions asked of me that I did not get a chance to respond to by the gentleman from Missouri [Mr. COLEMAN]. I am surprised by many of my colleagues objecting to the local control and to the decisions that we perfectly clearly make in order under this amendment. All of the bad things my colleagues assume are going to occur can only occur as a result of the majority of the stock holders of the local associations making the decision that some of the things that we make possible can be done, but only if the local stock holders vote to do so.

For the life of me I do not see the evil in this and the change from what we had all agreed to before, because we allowed the local boards to make that decision.

I would remind our colleagues of what else is in this bill. It is true we have a 5-year guarantee of members' stock, but it is also true that we are creating an insurance corporation.

The CHAIRMAN. The time of the gentleman from Texas [Mr. STENHOLM] has expired.

Mr. STENHOLM. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

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Mr. STENHOLM. In this bill before us, we are creating an insurance corporation that will provide the backup that we need in the future.

We are also providing that we go to at-risk stock in 5 years. Now, keep in mind we are giving to the local associations the control that we believe they

are going to need to make a financially sound business, corporative lending business in the future.

Now, the horror stories that we hear, yes, they can occur, but only if the majority of the local stockholders vote to do so.

Now I also would remind myself as well as my colleagues, we have been at this for several months how. It is unfortunate that we had to come to the floor under the conditions that we have had to come with the kind of rule we had to operate under. That was unfortunate. But there was a reason for it. We are displaying right here live and in living color today what the reason is: We cannot agree on every dot of "i" and every cross of "t" and how the new structure is going to be. We can debate this issue from now on and we are still not going to be able to do so.

Mr. STANGELAND. Mr. Chairman, will the gentleman yield?

Mr. STENHOLM. I yield to my friend from Minnesota.

Mr. STANGELAND. I thank the gentleman for yielding.

I asked the gentleman to yield so that I might take the floor here in deference to my very good friend from Wisconsin and my very good friend from Montana and those who have spoken against this new Stenholm proposal.

Let me just tell you that the bill as it came out of the House Agriculture Committee put the local associations in direct control of the Farm Credit Administration, FCA auditors out of that local association.

Now just let me take you a little bit back in history. Why did the Farm Credit System get into trouble initially? Let me explain to you why it did.

It was loans made by a local PCA organization.

The CHAIRMAN. The time of the gentleman has expired.

Mr. STENHOLM. Mr. Chairman, I ask unanimous consent that I be given 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. STANGELAND. Mr. Chairman, will the gentleman continue to yield?

Mr. STENHOLM. I yield to my colleague from Minnesota.

Mr. STANGELAND. I thank the gentleman for yielding.

The loans were made by a local PCA association, the loans were made by a local Federal loan bank association with very little direction here from Washington from the Farm Credit System, very little auditing by the district bank and so they made the loans. At the time and in that climate those loans may have looked good. But in retrospect that is what got the system into trouble. I am a strong advocate of local control but I think we also need some direction, some leadership for that local association so that they engage in wise banking practices.

I do not want my local associations under the direct control and audit of the Farm Credit Administration. I think they ought to have an intermediary. I think there ought to be a district bank. I think reorganization as the gentleman from Texas has envisioned it now is the appropriate way to go. I think it is far better now than when it was proposed in the House Committee on Agriculture. I strongly support it. I think we all ought to support it. I think it is one way we can strengthen the Farm Credit System, that we can make it more responsive to borrowers.

One last point I want to make: We are going to infuse a good amount of Federal capital into that system. If we do, then it ought not be business as usual. I think the gentleman's amendment makes sure it is not business as usual. It is a new way of doing business, but I think it is a proper and most appropriate way and I support his amendment and I thank the gentleman for yielding.

Mr. STENHOLM. I thank the gentleman very much for his remarks. He is right on target.

I assure the concerns of my colleagues on the other side of the aisle and some on this side of the aisle that we have every intent of working with any and all viewpoints as we move into conference and finally decide what the Farm Credit System of the future is going to be.

Mr. ENGLISH. Mr. Chairman, will the gentleman yield?

Mr. STENHOLM. I yield to my friend from Oklahoma.

Mr. ENGLISH. I thank the gentleman for yielding.

I would like to ask my friend from Texas a question: the 1985 Farm Credit amendments have been the subject of a great deal of litigation, and certain of the regulations issued under those amendments to implement the System self-help mechanism were enjoined by several courts. I would like to know whether consideration has been given to whether it is likely that some will contend that the mandatory aspects of the System restructuring provisions of the pending bill constitute a taking of property without just compensation in violation of the fifth amendment. If such litigation is possible, what steps have been taken to minimize the risk that the assistance program and System restructuring contemplated by the bill will be enjoined, at least temporarily, which the courts consider such constitutional challenges. I ask this question because I believe that any such delay in implementing the pending legislation could seriously jeopardize the System's survival and adversely affect tens of thousands of farmer and cooperative borrowers who rely upon the System as their source of agricultural credit.

Mr. STENHOLM. Mr. Chairman, I appreciate the gentleman from Oklahoma's concerns and want to assure him that extensive consideration has been given to the question he raises. To respond specifically, we believe that the provisions of H.R. 3030 concerning mandatory restructuring are clearly within the authority of the Congress and are fully consistent with the U.S. Constitution. We do not think they constitute a taking of property. Moreover, in light of the Federal assistance to be provided to the System under the bill, which will insure continued funding for the System, we do not believe that the restructuring provisions of the bill give rise to any interference with the reasonable expectations of System institutions or borrowers that would violate constitutional protections.

We are mindful that nothing we do or say can absolutely foreclose the possibility of litigation, and I can state that there is no intention in the legislation to deny private parties the right to assert any constitutional claims they may have against the Government in the Court of Claims under the Tucker Act. The Supreme Court has on several occasions stated that where such recourse is available an injunction to block implementation of a congressional program such as this should not be granted. Thus, we are confident that the courts will not enjoin the implementation of the assistance and restructuring provisions of this legislation on constitutional grounds. I hope that this adequately responds to your question and concerns.

Mr. GLICKMAN. Mr. Chairman, will the gentleman yield?

Mr. STENHOLM. I yield to my friend from Kansas.

Mr. GLICKMAN. I thank the gentleman for yielding.

Mr. Chairman, I also have a colloquy.

Mr. Chairman, I would say that my colleague from Kansas [Mr. ROBERTS] and I are concerned, as are others who represent banks that may be called the weaker banks, whether we would in fact perhaps lose some resources in our area.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. GLICKMAN. Mr. Chairman, I ask unanimous consent that the gentleman from Texas be given 2 additional minutes to answer the colloquy.

The CHAIRMAN. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. GLICKMAN. In that connection, in considering how to establish the new service areas, this legislation directs both the Boards of Directors

and FCA to take into consideration the efficiencies of merging a farm credit district which might receive financial assistance or a commitment for such assistance from the Temporary Assistance Corporation into a district which does not need such assistance.

It would be my understanding in reading this language, in the context of the entire legislation before us, that such a merger would be undertaken to strengthen the resulting service area financially, and thus the entire Farm Credit System, thereby possibly lessen the amount of ultimate financial assistance the recipient bank might need to obtain from the TAC but that in no way should such a merger undermine or in any way deviate from the primary purpose of the System to provide agricultural credit to farmers and ranchers in all parts of the United States. In short, would the gentleman from Texas, who first suggested and proposed a reorganization of the System during committee consideration of H.R. 3030, agree that interdistrict mergers, if they are accomplished, would be motivated primarily to achieve financial strength of the resulting service area and the System as a whole?

Mr. STENHOLM. Yes I would; the gentleman from Kansas is correct.

Mr. GLICKMAN. Finally, in looking at the legislation, it is my reading that while Congress has drawn a broad outline of what considerations should motivate such mergers, Congress has not dictated how the two districts should reorganize themselves. In fact, the administrative, management, and operational decisions which might flow from such a merger of a healthy district and one receiving TAC assistance will, in large part, remain with the boards of directors of the two districts. Such matters might include the location of the headquarters, service centers field offices, personnel levels, and the like. Would the gentleman agree that by this amendment, Congress is not precluding district boards from making these decisions and from setting, at their own initiative, how resulting districts after such mergers will be operated and administered that in short, the responsibility for such decisions will in the end rest with these directors?

Mr. STENHOLM. Yes, I would agree. I have long been an advocate of local control in the System and I believe that this amendment will preserve that at the same time it provides congressional direction to the new organizational plan.

Mr. GLICKMAN. I thank the gentleman from Texas for his explanation and for his leadership on this bill.

The CHAIRMAN. The time of the gentleman from Texas [Mr. STENHOLM] has again expired.

Mr. GLICKMAN. Mr. Chairman, I ask unanimous consent that the gentleman from Texas be allowed to proceed for 1 additional minute.

The CHAIRMAN. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. GLICKMAN. Mr. Chairman, will the gentleman continue to yield to me?

Mr. STENHOLM. I yield to my friend from Kansas.

Mr. GLICKMAN. I thank the gentleman for yielding further.

Mr. Chairman, I thank the gentleman for his explanation. That puts us at a little bit of rest for those of us who represent perhaps what are characterized as the weaker districts, that we are making decisions today affecting locations of banks.

Mr. ROBERTS. Mr. Chairman, will the gentleman yield to me?

Mr. STENHOLM. I yield to the gentleman from Kansas [Mr. ROBERTS].

Mr. ROBERTS. I thank the gentleman for yielding.

Mr. Chairman, I simply would like to concur with the remarks of my colleague and friend from Kansas and I thank him for his leadership with regard to this colloquy. I think the record is clear.

Mr. GLICKMAN. I thank my colleague.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. COLEMAN of Missouri. Mr. Chairman, I ask unanimous consent that the gentleman from Texas be allowed to proceed for 1 additional minute.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. COLEMAN of Missouri. Mr. Chairman, will the gentleman yield to me?

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

Mr. COLEMAN of Missouri. I thank the gentleman for yielding.

Mr. Chairman, this has to do with a colloquy about the weaker/stronger banks. Let us take the example of Spokane; that bank is considered a weaker bank. Under the proposal of the gentleman, is it not true that it would merge with the Sacramento bank and that if it was a recipient bank it would actually, the new entity could not hold its offices in Spokane, WA, is that correct under the gentleman's amendment?

Mr. STENHOLM. No, that is totally incorrect in the intent. I believe if the gentleman will reread the language in the bill, it will more closely approximate what the gentleman from Kansas and our colloquy rather than the interpretation the gentleman is reading in specifically for the Spokane bank.

Mr. COLEMAN of Missouri. So there is no disqualification for a location of offices in a district which has been a recipient of assistance from the TAC Board, is that correct?

Mr. STENHOLM. If the gentleman will reread the amendment, he will find that that is indeed correct.

Mr. COLEMAN of Missouri. I thank the gentleman.

The CHAIRMAN. The Chair would state that the gentleman from Illinois [Mr. MADIGAN] has 1 minute remaining and the gentleman from Tennessee [Mr. JONES] has 1 minute remaining.

Mr. ALEXANDER. Mr. Chairman, I ask unanimous consent that the gentleman from Texas [Mr. STENHOLM] be recognized for 30 additional seconds.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. ALEXANDER. Mr. Chairman, will the gentleman yield to me?

Mr. STENHOLM. I yield to the gentleman from Arkansas.

Mr. ALEXANDER. I thank the gentleman for yielding.

Mr. Chairman, I take this time to rise in support of the amendment of the gentleman from Texas [Mr. STENHOLM] and to compliment him for his leadership as well as the gentleman from Tennessee [Mr. JONES] in the field of farm credit.

One of the problems that we have all recognized is that the Farm Credit Administation has become a bureaucracy. The gentleman's amendment tends to address that problem and reorganizes that bureaucracy in such a way that it will return farm credit to the farmers of America.

AMENDMENT OFFERED BY MR. JEFFORDS, AS MODIFIED, TO THE AMENDMENT OFFERED BY MR. JONES OF TENNESSEE, AS MODIFIED

Mr. JEFFORDS. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman's amendment is in order under the rule. The Clerk will report the amendment.

Mr. JEFFORDS. Mr. Chairman, I ask unanimous consent that my amendment be modified to read as follows, in the sentence which comes after the letter (b) "within 90 days after the creation of the bank cooperatives" to add "or within 90 days after the regional service area has been established, whichever is later." This is made to make it conform with the recent version of the Stenholm amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Vermont?

There was no objection.

The CHAIRMAN. The modification is agreed to.

The Clerk will report the amendment, as modified.

The Clerk read as follows:

Amendment offered by Mr. JEFFORDS, as modified, to the amendment offered by Mr. JONES of Tennessee, as modified:

Page 28, strike line 8 and all that follows through the end of line 33 and insert in lieu thereof the following:

"(b) Within 90 days after the creation of the Bank for Cooperatives or, within 90 days after the regional service area has been established, whichever is later borrowers which were stockholders of the district banks for cooperative operating under title III on the date of the enactment of the Agricultural Credit Act of 1987 shall vote either to remain part of the Bank for Cooperatives or to have the Service Bank located in the same regional area as such stockholders retain the authorities of a bank for cooperatives as provided under title III.

"(c) A majority vote of stockholders and contributors to guaranty funds described in title III shall be required from each Service Bank regional area in order for the Service Bank in that regional area to retain the authorities of a bank for cooperatives as provided under title III. The majority vote shall be required based on both (1) the one-man one-vote provisions of section 5.2(c) and (2) a majority of the total equity interests (not including unallocated surplus and reserves) held by voting stockholders and contributors to guaranty funds in the district bank(s) for cooperatives covered by each Service Bank regional area.

Mr. JEFFORDS (during the reading). Mr. Chairman, I ask unanimous consent that the amendment, as modified, be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Vermont?

There was no objection.

Mr. JEFFORDS. Mr. Chairman, this amendment deals with an issue which has not been discussed. It sometimes happens when we get excited about various provisions in the bill which are of great importance that something comes through with little notice. In fact this proposal was in the original Stenholm amendment in a different form. Now it is in this amendment that Mr. STENHOLM has before us, it deals with the banks of cooperatives. Now the banks of cooperatives have not been discussed, because there is no problem with the banks of cooperatives around the country in the various districts. They are healthy, they have been doing well, they have not been a problem and there is really no need to consider them. But stuck in here, stuck in the middle of this Stenholm amendment is one which takes and changes them from the number of the banks of cooperatives that we have in the various district banks and says there shall be one national cooperative bank, just one, and without the vote of the farmers, the member of the cooperatives, or the cooperatives themselves.

Now I can understand that when we consolidate the other matters that we have been discussing here today, reorganization of the PC's, the land banks and all, there are reasons for that, they are in trouble, they have had problems.

□ 1700

There is a desire and a feeling that we ought to restructure them because if we do not, there are problems which will create the failure of the system. This is not true for the banks of cooperatives. The additional argument is made that if we have one national cooperative bank, we will have lower interest rates. Yet by examining the situation, and going through bank after bank, one finds that size is not something which leads to lower interest rates, and in fact the examples throughout the system are that in many cases the smaller cooperatives have a substantially lower interest rate than the larger cooperatives. That is true whether one is talking about dollar size or volume of loans or whatever.

The question is, why in this legislation do we suddenly create a national bank, one bank for cooperatives?

I do not believe we should.

I offer this amendment, and what this amendment does is, it says, all right, if the various districts want to have one bank, that is fine, but if one of these re-created regional areas desires to come out and have their own bank of cooperatives, they ought to be able to do that to service their own people or at least give them a vote. This is the only opportunity for any of the farmers in this bill to have a vote over their future. They ask nothing of us other than the right to vote.

I would ask my colleagues to support my amendment.

Mr. MARTIN of New York. Mr. Chairman, will the gentleman yield for a question?

Mr. JEFFORDS. Mr. Chairman, I yield to the gentleman from New York.

Mr. MARTIN of New York. Mr. Chairman, is the gentleman saying that this proposal is suggesting that they go to one national bank for cooperatives without being given an opportunity to vote or make that determination for themselves?

Mr. JEFFORDS. That is correct. As I say, one could argue that that is fine for the PCA and the land banks who are in trouble. We have $2.5 billion to help them. Perhaps we have to do that to them rather than say to them, do it to yourselves.

But here there is no problem. The bank of cooperatives are healthy. Yet we are taking their rights away without a vote.

Mr. MARTIN of New York. Mr. Chairman, if the gentleman will continue to yield, I think what he is saying is that if it ain't broke, don't fix it, because we have problems in other areas, there is no reason that there ought to be one national bank for cooperatives where there has not been a problem.

Mr. JEFFORDS. That is exactly correct. There are some areas that want to have one national bank. They feel it will give them a lower interest rate, but there is no reason to do that here.

Ms. SLAUGHTER of New York. Mr. Chairman, will the gentleman yield?

Mr. JEFFORDS. Mr. Chairman, I yield to the gentlewoman from New York [Ms. SLAUGHTER].

Ms. SLAUGHTER of New York. Mr. Chairman, I rise in strong support of this amendment to allow stockholder cooperative members to vote on whether their region's needs could best be serviced by a central bank for cooperatives or a regional service bank.

In the 30th District of New York and throughout the Northeast farmers have joined together to form cooperatives tailored to meet their unique needs in marketing their products. Joining them as an expert partner has been the Springfield District Bank for Cooperatives. The farmers and the bank together have crafted innovative responses which have helped keep Northeast agriculture vital and productive.

The farmers in my district do not want to lose this knowledgeable and responsive partner. They fear that a central bank for cooperatives will not be able to provide the required attention nor have the familiarity with the region's problems to work with the farmers to meet their particular needs.

This amendment would allow the cooperative shareholders in each of the current districts to determine what service structure would best meet their needs. Those who believe a central bank would have the ability to reduce their costs and produce adequate service can remain with the central bank. In other regions the shareholders could vote to be serviced by a regional bank which could be more familiar with that region's strengths and requirements. This amendment allows a diversity of bank structure to match the tremendous diversity in American agriculture while reinforcing the American tradition of self-determination.

I urge my colleagues to join me in strong support of this amendment.

Mr. MARTIN of New York. Mr. Chairman, will the gentleman yield?

Mr. JEFFORDS. Mr. Chairman, I yield to the gentleman from New York.

Mr. MARTIN of New York. Mr. Chairman, I rise in support of Mr. JEFFORDS amendment to the restructuring provisions of H.R. 3030. Mandating one national bank for cooperatives denies farmer/stockholders the opportunity to exercise their right to structural determination, a right which is retained by the farmer-stockholders of Federal Land Bank Associations

and Production Credit Associations under the provisions of the bill.

Mandating one bank could lead to less sensitivity with respect to local and regional agricultural economic conditions; lending to farmer cooperatives would be separated from lending to farmers, thereby losing the opportunity for regional integration of agricultural production and marketing when it is most needed, and it would create an excessive concentration of funding and credit risk in one entity, which could lead to higher costs for all borrowers.

Cooperatives must retain their right of self-determination and be permitted a vote as to whether they prefer to organize on a regional basis rather than being forced into one national bank. Farmers/stockholders must have a voice in deciding the appropriate structure for their lending institutions, including the bank for cooperatives.

I urge my colleagues to support this amendment.

Mr. JEFFORDS. Mr. Chairman, I thank my colleagues for assisting me. This is an important matter to those cooperatives who really feel they ought to have a say in their future, and there is no reason to deprive them of that.

Mr. Chairman, I do not intend to push for a vote on this. The gentleman from Texas [Mr. STENHOLM], original amendment came at 1 a.m. in the morning, and the latest one was delivered to us today. This is really not the time nor the place to try to get into these kinds of details. I recognize that.

This bill is on a fast track, and that is understandably so. However, I have to look as I did on the previous amendment, to the conference committee to try to work some of these problems out. I did want to raise it today. I did want to show that this was not going to go unnoticed, and hopefully in conference we will get this taken care of.

The CHAIRMAN. Does a Member wish to speak in opposition to the Jeffords amendment?

Mr. DE LA GARZA. Mr. Chairman, I rise in opposition to the Jeffords amendment.

The CHAIRMAN. The gentleman from Texas is recognized for 5 minutes.

Mr. DE LA GARZA. Mr. Chairman, I rise in opposition to the Jeffords amendment with great respect and admiration for my distinguished colleague from Vermont, but I think perhaps a little legislative history might be in order to correct some misconception that might be taken from the words of the gentleman as to what we are doing and how it was done.

The original bill, H.R. 3030, had this provision, now incorporated into the en bloc amendment, as part of the reported bill, and the banks for cooperatives had in fact initiated the process of consolidating into one. They were way ahead of what we now are attempting to do. It was for that reason that we incorporated that procedure into H.R. 3030; many of those from the banks for cooperatives came and said that this is what they were going to do anyway and they wanted to be a part of the process.

Then the Stenholm amendment was adopted in committee. I do not know that this revision of title IV changes very drastically or changes anything of what we had in H.R. 3030; so the argument that this amendment is on a fast track really has no meaningful import at this time due to the fact that this was part of the original legislation.

Mr. JEFFORDS. Mr. Chairman, will the gentleman yield?

Mr. DE LA GARZA. Mr. Chairman, I yield to the gentleman from Vermont.

Mr. JEFFORDS. Mr. Chairman, I certainly do not want to mislead anyone, but it is my understanding that the System itself and the various cooperative banks did not agree. The national bank of cooperatives, or whatever it is, put this proposal forward, but to my understanding there was never an agreement as a system that this was supported. It was certainly not supported in my area, and I know from a number of other areas it was not supported. I do not want to mislead anyone on the matter.

Mr. DE LA GARZA. To substantiate what I am saying, it preceded the pending amendment to H.R. 3030. They wanted to do this before that time. So it was not a part of the restructuring that came about from the pending amendment. This already had preceded that.

Now further, this provides, and it provided then, that there will be services centers or branch offices or service areas for the bank for cooperatives so that all of the areas can be accommodated. Members are mentioning here that the BC is going to be a distance away. Let me say to my colleagues that it is not like a farmer has to get in his pickup and has to travel to the intermediate credit bank, or to the bank for cooperatives, or to the regional bank. You always have the association for the land bank, you always have the production credit association, you always have the intermediate credit bank. It is not like the farmer has to get in his pickup and travel all these hundreds or thousands of miles to get there.

What is am saying basically is that the gentleman from Vermont [Mr. JEFFORDS], with all due respect and in all honesty, is representing his region, and they may be unhappy with what is happening and I will attest to that and will yield to that fact. The thing is that this is of national significance, and I along with others that coordinated the initial efforts took it to mean that a greater percentage of the people involved in the bank for cooperatives wanted to be consolidated and wanted to go into one bank.

As a matter of fact, I at one time suggested regional banks and they said no, that they want to go on as they were.

That is our intent. That is what we would like to do. We wanted to make them equal to what was evolving as the Stenholm amendment does. So I do not think the individual areas will suffer. If this remains in the final legislation, the farmer is not going to have to get in his pickup and go thousands or hundreds of miles, in the first place. Second, the services will be there; co-ops will have the regional branches or they will have regional office centers. I think the amendment of the gentleman from Vermont [Mr. JEFFORDS] would be superfluous in view of all of the testimony and what we heard as to what the people wanted to do.

Mr. JEFFORDS. Mr. Chairman, I ask unanimous consent for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Vermont?

The Chair is going to request that in his unanimous-consent request, he ask for 2 additional minutes for the gentleman from Illinois [Mr. MADIGAN]. That will make it a little more orderly. We have not been observing that, but the Chair would request the gentleman do that.

Without objection, the gentleman from Illinois [Mr. MADIGAN] will be recognized for 2 additional minutes, which he may yield.

There was no objection.

Mr. MADIGAN. Mr. Chairman, I yield 2 minutes to the gentleman from Vermont [Mr. JEFFORDS].

Mr. JEFFORDS. Mr. Chairman, first of all, I want to say that I recognize that especially in your area that there is a great desire for one bank. That is not true of all areas.

Second, I see no reason, but the gentleman is correct, but why not let the farmers vote on the issue? Why take that right away from them in this legislation when we are giving them nothing? Why take the voters' right to the farmers away? Why not let them have regional banks if they desire or go to one?

If they go to one, that is fine. Just let the region have the option of having their own bank if they so desire. I do not see any harm in this amendment.

However, Mr. Chairman, at this time I request unanimous consent that I be permitted to withdraw my amendment. I just want to thank the gentleman for giving his side of the issue, and I am sure the other gentleman from Texas [Mr. STENHOLM] shares it. There are others that do not. I feel that this is an inappropriate place to try and argue this issue out. I am hopeful that the other body will see fit to have a different version and will take care of this in conference, and I

certainly appreciate the indulgence of my colleagues in listening to this plea not to do away with the voters' rights of the farmers on this issue.

The CHAIRMAN. Is there objection to the request of the gentleman from Vermont?

There was no objection.

Mr. CONTE. Mr. Chairman, it's rare for me to take the well to oppose a farm bill, as many of my colleagues know. I'm usually quiet on these agricultural issues.

But when I speak out, it's because over there at the Bureau of Engraving and Printing, they can't print the money fast enough to pay for some of the boondoggles we hustle through this Chamber.

In this case, I'm no expert on farm credit or the banking system so I sympathize with the plight of the Agriculture Committee. I know that all the members of the committee have worked for many months under pressure from many different groups to produce a plan that could balance all the clashing needs, and target real assistance to system institutions on the brink of collapse.

For healthy districts, like my own in Agawam, in the Springfield area, we can live with most of these proposed changes knowing that help is on its way to the weakest banks. It's like an IV filled with cod liver oil.

My major concerns had been that the committee failed to include a specific authorization level, again placing the responsibility squarely on our Appropriations Committee to produce a series of fat supplemental bills.

But now, as I understand it, the agreement appropriates $2.5 billion with offsets to come from loan asset sales. I know these funds are needed; I also figure we'll need a lot more. But let there be no mistake about it—this is another agricultural appropriations bill that didn't originate in the Appropriations Committee.

Based on the concerns of the farmer-borrowers of the Springfield district, the Secretary of the Treasury, and a host of consumer organizations, I have also opposed the costly and damaging provisions in the bill for a secondary mortgage market in title III.

And, while I understand that many significant changes have been made to the original proposal, I remain opposed to the creation of another new farm program to compete with the one we're trying to shore up. Despite all the hard work put into this new package, I regret we don't have the chance to vote up or down on title III.

We are 6 days into a new fiscal year, my friends, but we are still paralyzed by a pounding budget hangover. We all ought to be out here with our party hats blowing our little horns and popping our corks.

How much is this new Farmer Mac going to cost the taxpayers and the solid borrowers of the Farm Credit System? And, how are we going to pay for it?

We've already got $26 billion dollars' worth of CCC entitlement programs, we've got the authorizing committee appropriating another $2.5 billion right here, and who knows how much more we're going to spend on Farmer Mac?

Well, we'll find out how much it will cost us in due time. And we'll pay for it. Last month, we sent the President a cheap tool that I call an "automatic nutcracker." And you just wait until that first crack is heard 14 days from now. There won't be enough shells to hide under.

As one of the representatives of the Springfield district banks, the healthiest in our System, I will continue to work to ensure that they remain healthy. We still have a few dairy farmers who haven't sold their herds under that buy-out program, and a good number of solid borrower-owners who have contributed tens of millions of dollars to other System institutions over the past few years. They don't need a Farmer Mac, and they don't want to be merged unwillingly into a national bank for cooperatives.

Depending on the will of the House on some of these amendments this afternoon, and the action taken in conference later with the other body, I hope to support a bill that addresses these remaining concerns.

Mr. ALEXANDER. Mr. Chairman, I rise in support of the bill. I take this time for the purpose of explaining my amendment to title III which is contained in the committee amendment en bloc.

By the early 1980's aggregate farm debt reached the mindboggling figure of $220 billion. To that figure, we can estimate untold billions more in debt owed by businesses that serve the farm community. In many communities across the Farm Belt, the economy is entirely dependent on agriculture.

The farm debt of the early 1980's was larger than the foreign debt of Brazil and Mexico combined.

Whenever we debate the Third World debt crisis, experts in Congress, the executive branch and international organizations engage in a spirited competition to devise plans for rescuing the debtor nations and the big banks that lent money to them.

Farm debt has now been reduced to between $175 and $200 billion. But reduction did not come about as part of a comprehensive plan to reduce the debt that keeps the rural economy from recovering.

Instead, the issue of debt in rural America has been largely ignored. The administration and the Congress have done little to address this problem, which still awaits a solution.

Beginning in 1981, the administration adopted a policy of deflation, which led to devaluation and depression in the farm community.

As explained in an article published in Business Week magazine, June 9, 1986, entitled "America's Deflation Belt," farm land declined in value by 50 percent or more—leaving farmers unable to pay their obligations.

The multiplier effect was devasting. Even when lenders foreclosed, they were left with collateral worth only a fraction of its original value.

Rural small businesses had even greater problems. Price deflation left farmers with much less purchasing power. Main Street shops and stores lost customers, and income. And, inevitably, the debt of these businesses mounted as well.

Today, even though farm commodity prices show faint signs of recovery, the burden of farm and business debt keeps the rural economy from getting back on its feet.

It is my intent in offering this amendment to seek a plan to address the debt problem. Somehow, the heavy debt which continues to burden the farm community must be relieved—perhaps by expanding the secondary market—in order to free up the credit which is needed to revive rural America.

Today, I offer an amendment to H.R. 3030 as a vehicle to begin the discussion of rural America's debt problem.

The amendment I offer would direct the permanent Board of Farmer Mac to study the feasibility of making rural small business debt eligible for the secondary market.

Debt hangs like a sword of Damocles over rural America. We will have to remove this excess debt, and it is time to explore ways of doing so. This amendment begins that exploration and I urge its adoption.

The CHAIRMAN. The gentleman from Illinois [Mr. MADIGAN] has 1 minute remaining on the Jones amendment; the gentleman from Tennessee [Mr. JONES] has 1 minute remaining on his amendment.

Mr. MADIGAN. Mr. Chairman, I would exercise the use of my 1 remaining minute to inquire of the gentleman from Texas [Mr. DE LA GARZA] if he was aware that this amendment at one point today was going to not be offered and now it is being offered? I just wonder if the gentleman from Texas was aware of that?

I also wonder if he is aware of the fact that the amendment by the gentleman from Louisiana [Mr. HUCKABY], which was agreed to not be offered today, was also offered contrary to that agreement that had been reached?

I wonder if the gentleman from Texas [Mr. DE LA GARZA] was aware of those matters?

Mr. DE LA GARZA. Mr. Chairman, will the gentleman yield?

Mr. MADIGAN. Mr. Chairman, I yield to the gentleman from Texas to respond.

Mr. DE LA GARZA. Mr. Chairman, at the beginning of this session, the gentleman from Texas was not fully apprised of which amendment would or would not be offered. I had information on both sides. I was prepared for whatever eventuality came to pass.

Mr. MADIGAN. Reclaiming my time, I understand that the amendment of the gentleman from Louisiana [Mr. HUCKABY] which we were assured would not be offered was offered out of order and during some confusion, and did possibly add more than $1 billion to the cost of this bill.

Mr. JONES of Tennessee. Mr. Chairman, at the close of this debate I would like to say that the gentleman from Texas [Mr. STENHOLM], has demonstrated great courage and conviction in pursuing an issue that has been quietly boiling on the back burner for the nearly two decades since I became a member of the Committee on Agriculture.

As one who has campaigned for years for reform of the Farm Credit System's organizational and service delivery structure, I strongly support Mr. STENHOLM's efforts to bring this 70-year-old organization into a position to survive the challenges of the 1990's and beyond.

Without a doubt, differences of opinion continue to exist about exactly how the System should best be reorganized. I dare say that any one of us might construct a system blueprint that would differ significantly from the amendment before us today. However, we must begin to come to grips with this question, and at least the serious debate has finally begun.

H.R. 3030 will fundamentally change the way in which the Farm Credit System operates and its competitive position. If for no other reason, the System must change with the times in response to the provisions in the bill creating a secondary market for all agricultural lenders.

If the System failed to respond to the changing agricultural environment by not streamlining its operations, it would likely fail in the long term, even if it received Federal financial assistance in the short term. To ignore the obvious need for System reorganization would not only be foolish policy, but it would be a breach of trust with our Nation's taxpayers whose resources are now clearly at risk in a direct partnership with the System.

I am encouraged that the System has responded positively and constructively to the structure issue since H.R. 3030 was reported out by the House Agriculture Committee.

Following several weeks of intensive study and analysis, undertaken by the System banks in dialog with local Federal land bank associations and production credit associations, the farmer-elected directors of all the district banks met in Sacramento. A response to our bill, crafted by System leaders in intensive deliberations extending over several days, was presented to the farmer-elected directors. Notwithstanding the diversity of opinion within the System on the question of structure, the recommendations presented received unanimous approval from all 12 farm credit districts.

While I cannot embrace all aspects of this proposal, I think it will be invaluable to those who must work with this bill through the remainder of the legislative process. It is essential that we maintain a constructive dialog with the System throughout this critical period, because we share with its leaders a common desire to ensure the future health and viability of this credit delivery service to America's farmers, ranchers, and cooperatives.

Time will not permit me to review the System's Sacramento proposal in detail, however, I would like to list what I believe are several of its many positive features.

The proposal recognizes the need for streamlining the System operation through a reduction in the number of System banks and districts. Within 90 days of enactment, the stockholders of the banks for cooperatives would vote on the formation of a national bank for cooperatives. The Federal land bank [FLB] and Federal intermediate credit bank [FICB] in districts receiving Federal financial assistance would be required to merge on an expedited basis. Stockholders of FLB's and FICB's in all other districts would be required to vote on similar bank mergers within 6 months. Most importantly, significant incentives would be put in place to obtain stockholder approval of plans to reduce the number of farm credit districts from 12 to no more than 6 with 18 months.

Association shareholders in those districts where the FICB and FLB have merged would be guaranteed the opportunity to vote on the merger of the FLBA's with the PCA's in their district. I believe that this reflects the System's commitment to provide efficient "one stop lending" services to America's farmers. The effort to draft a new farm credit title for the combined FLB/FICB should encourage us to face a number of the significant policy and technical questions posed by such combinations. This is a far better course than to simply leave these issues for the Farm Credit Administration to resolve.

While the proposal retains considerable flexibility, the overall direction for System restructuring is clear. Moreover, a number of the possible combinations of System entities contemplated by the original System merger proposal presented last May in hearings before my subcommittee have been eliminated. I believe that this reflects a recognition on the System's part that we need orderly change and not a hodgepodge of new System entities.

Again, I say to my friends in the System who have labored to further develop this proposal, we must continue to work together. I know your views on the importance of obtaining stockholder approval of mergers and how difficult it must have been to accept any form of mandatory restructuring. However, we are talking about a massive infusion of Federal dollars into the System and, with the new secondary market for farm loans, a radically new playing field for agricultural lenders.

As the representatives of the American taxpayers and for the farmers who rely upon the System for credit, we in the Congress must find a way to justify the expenditures of Federal funds to ensure the continued viability of the Farm Credit System. With your continued cooperation, I am certain that we will succeed.

I would like to request, Mr. Chairman, that the proposed statutory language and explanation of the System's proposal be included in the RECORD.

SECTION-BY-SECTION ANALYSIS OF PROPOSED FCS AMENDMENT ON SYSTEM STRUCTURE

The System's proposed amendment would delete from section , entitled . In lieu thereof, the amendment would insert new sections (a) and (b), which would add to the Farm Credit Act new Titles IVA and IIA, respectively, (c) which would delete Sections 4.10 and 4.11 of the Farm Credit Act of 1971, as amended, (the "Act") as well as the last two sentences of Section 4.12(a) of the Act.

TITLE IVA—MERGER AND CONSOLIDATION OF SYSTEM INSTITUTIONS

PART A—MANDATORY MERGERS OF THE FEDERAL LAND BANK AND THE FEDERAL INTERMEDIATE CREDIT BANK

Sec. 4A.0. Mandatory merger.

This section requires a district's Federal land bank ("FLB") and Federal intermediate credit bank ("FICB") to merge into a single bank (as "merged bank"), if any institution in the district has received financial assistance from the Temporary Assistance Corporation ("TAC"). Such assistance includes equivalent assistance provided by TAC pursuant to section 4.28M for amounts repaid or reversed by a receiving institution under the Capital Preservation Agreements. Such an FLB-FICB merger must occur within six months of such receipt of assistance. The FLB and FICB are to merge pursuant to a plan of merger agreed upon by their boards but if the boards fail to agree on such a plan, TAC is to prescribe a plan.

Sec. 4A.1. Obligation of Temporary Assistance Corporation to provide financial assistance.

This section requires TAC to provide financial assistance to FLBs and/or FICBs merging under the preceding section, to the extent such assistance is needed either (a) to prevent impairment of stock in such banks held by an association or other financing institution as of the merger date or (b) needed, in TAC's judgment, to prevent impairment of such stock for a reasonable time after merger.

PART B—REQUIRED SUBMISSION OF MERGER AND CONSOLIDATION PROPOSALS TO STOCKHOLDERS FOR VOTE

Subpart 1—Merger of Federal Land Bank and Federal Intermediate Credit Bank

Sec. 4A.2. Submission of proposal.

This section requires that, where the FLB and the FICB in a district have not merged under Section 4A.0, the boards of such banks must submit to their stockholders for approval a plan to merge the two banks. Such plan must be submitted within six months of the enactment of the —— Act. The plan must be approved by the Farm Credit Administration ("FCA") before it can be submitted to the stockholders.

Sec. 4A.3. Prerequisite to merger.

This section provides that the stockholder vote required for approval of a merger under section 4A.2 is a majority of the voting stockholders of the FLB and a majority of the voting stockholders of the FICB. The stockholder votes are to be computed in accordance with the one-man-one-vote look-through principle of section 5.2. The FLB and FICB are required to submit their plan of merger to FCA no later than 60 days

before they are required to submit it to their stockholders. Finally, FCA is required to expedite its consideration of this plan, so that the stockholder votes can be held within six months of enactment.

Subpart 2—Merger of Certain Production Credit Associations and Federal Land Bank Associations

Sec. 4A.4. Submission of proposal.

This section requires the boards of each production credit association ("PCA") and Federal land bank association ("FLBA") that serve substantially the same geographical territory to present to their stockholders for approval a plan to merge the two associations. Such plan must be submitted within six months after the merger of the district's FLB and FICB. Before such presentation, the plan must be approved by the FCA and by the associations' supervising bank.

Sec. 4A.5. Prerequisite to merger.

This section provides that the stockholder vote required for approval of a merger under section 4A.4 is a majority of the stockholders of each merging association who are present and voting, or voting by written proxy, at a duly authorized meeting. This section makes the provisions of section 4A.3, respecting submission of material to FCA and FCA's expedited consideration of such material, applicable to association mergers.

Subpart 3—Consolidation of the Farm Credit Districts

Sec. 4A.6. Submission of proposal.

This section requires the formation of a special committee composed of one representative from each farm credit district, selected pursuant to FCA regulations. The committee is to develop, in cooperation with TAC, a proposal to consolidate the Farm Credit System into six or fewer districts by inter-district mergers of FLBs and FICBs. Such proposal must be developed within eighteen months after the effective date of the —— Act. This section also requires the committee to report on its progress to the House and Senate Agriculture Committees. These reports are to be made at the end of each calendar quarter beginning at least six months from the date of enactment.

Sec. 4A.7. Prerequisite to consolidation.

This section requires the special committee, within eighteen months of enactment, to submit each proposed inter-district merger to the voting stockholders of each FLB, FICB, and merged bank that is proposed to be a party to such merger. The stockholder vote required for district approval of a merger pursuant to secton 4A.6 is a majority of the aggregate of all the voting stockholders of the FLB and FICB, or of the merged bank, in each district which is a proposed party to the merger. The stockholder votes are to be held in accordance with the one-man-one-vote look-through principle set forth in section 5.2.

Sec. 4A.8. Assistance by the Temporary Assistance Corporation.

This section requires TAC to facilitate any merger or consolidation pursuant to section 4A.6, by providing financial assistance as it deems appropriate.

Sec. 4A.9 Loss of Stock Guarantee.

This section provides that if a district fails to approve the proposal submitted to it under section 4A.6, the borrower stock-guarantee provisions of this Act cease to apply to the borrower stock in any institution in the district, except the bank for cooperatives ("BC").

Subpart 4—Merger of Banks for Cooperatives and the Central Bank for Cooperatives Into a National Bank for Cooperatives

Sec. 4A.10. Submission of proposal.—

(a) This subsection requires the formation of a special committee composed of one central bank for cooperatives ("CBC") board member selected by such board, as well as one of the members of each district board who was elected by the voting stockholders or guaranty-fund subscribers of such district's BC. The committee is to develop a plan for the merger of all the BCs and the CBC into a National Bank for Cooperatives. The committee is then to submit this plan to the voting stockholders of each such bank within 90 days of the effective date of the —— Act.

(b) This subsection requires that within 30 days of enactment the special committee must submit to FCA for approval the proposed plan of merger, as well as all information that is to be distributed to stockholders with respect to the plan. FCA is required to promptly review the submission, and advise the special committee of any required change within 30 days of receipt of the submission.

Sec. 4A.11. Prerequisite to Merger.—

(a) This subsection provides that the stockholder vote required for approval by the CBC of the merger plan submitted pursuant to Section 4A.10 shall be a majority vote for the merger by the CBC's stockholders, with each stockholder having one vote. The vote required for approval by a district BC shall be a majority vote for the merger, cast by the BC's voting stockholders and guaranty-fund contributors, computed (1) in accordance with the one-man-one-vote principle set forth in Section 5.2, and (2) on the basis of the total equity interest in the bank (including allocated, but not unallocated, surplus and reserves held by those eligible to vote).

(b) This subsection provides that if the stockholders of one or more district BCs fail to approve the plan, then each bank whose stockholders did approve is to conduct a second vote, on the question of whether the approving banks should merge. The merger of such approving banks will proceed immediately if, in the second vote, the stockholders of a majority of those banks vote for the merger of such banks. The stockholder votes are to be conducted in accordance with subsection (a). The resulting merged bank will be the National Bank for Cooperatives. Each district BC whose stockholders originally failed to approve the merger plan will continue as a separate BC.

PART C—STOCKHOLDER AUTHORITY TO REORGANIZE SYSTEM INSTITUTIONS TO IMPROVE OPERATING EFFICIENCIES

Subpart 1—Merger of Federal Land Bank and Federal Intermediate Credit Bank in Same district

Section 4A.12. Authority to merge.

This section authorizes the FLB and FICB in a district to merge, subject to (1) approval of a plan of merger by their respective boards; (2) approval of the plan by the FCA; and (3) a majority vote for the merger cast by each bank's voting stock-holders in accordance with the one-man-one-vote look-through principle set forth in section 5.2.

Subpart 2.—Merger of Federal Land Banks and Federal Intermediate Credit Banks in Different Districts.

Sec. 4A.13. Authority to merge.

This section authorizes mergers of FICBs, FLBs or merged banks in different districts, provided that the result of such merger is that all FLB and FICB operations in those districts are located in a single district, in the form of a merged bank or an FLB and an FICB. Such mergers are subject to (1) approval of a plan of merger by the banks' respective boards; (2) approval of the plan by FCA; and (3) a majority vote for the merger cast by each bank's voting stockholders in accordance with the one-man-one-vote look-through provisions of section 5.2.

Subpart 3—Mergers of, and Transfers of Assets and Power by or to, Associations Within a District

Sec. 4A.14. Transfer of loan-related assets and lending authority by a Production Credit Association.

(a) This subsection authorizes a PCA to transfer to the FICB or merged bank in its district such PCA's lending and participation authorities, as well as part of all or the PCA's loan portfolio and/or other assets. The transfer is subject to: (1) agreement to the transfer by the PCA and bank boards; and (2) approval by a vote of a majority of the voting power represented by stockholders of the association present and voting, or voting by written proxy, at a duly authorized meeting. The transfer of assets is to be for agreed-upon consideration.

(b) Under this subsection, after a transfer under subsection (a) the bank shall have all the direct loan authority in the PCA's territory formerly possessed by the PCA.

Sec. 4A.15. Transfers of lending authority by a Federal Land Bank, or a merged bank.

(a) This subsection authorizes an FLB or merged bank to transfer to an FLBA such bank's statutory authority, in the territory served by the association, to make and participate in long-term real-estate mortgage loans. Such transfer is subject to: (1) agreement to the transfer by the FLBA and bank boards; and (2) approval of the transfer by a majority vote of the voting stockholders of the bank and the FLBA, voting in accordance with the applicable provisions of sections 4A.3, and 4A.5, respectively.

(b) Under this subsection, after such transfer, the FLBA shall have all the bank's authorities to make long-term real-estate mortgage loans in the FLBA's territory. Also after the transfer, the FLBA may make loans and extend similar financial assistance to the FLBA, and may discount for or purchase from the FLBA any obligation the proceeds of which have been advanced by the FLBA in connection with long-term real-estate mortgage loans.

Sec. 4A.16. Authority to merge banks with associations.

This section authorizes an association to merge into its supervising bank, or vice versa, provided that all the associations supervised by such bank have previously merged into a single association. Such bank-association merger is subject to: (1) approval of a plan of merger by the bank and association boards; (2) approval of the plan of merger by the FCA; and (3) a majority vote for the plan of merger cast by the voting stockholders of the bank and the association in accordance with the applicable provisions of sections 4A.3 and 4A.5, respectively.

Subpart 4—Mergers Involving Banks for Cooperatives

Sec. 4A.18. Merger prior to action under subpart 3 of part B.

This section prohibits BCs from merging with banks other than BCs until after the stockholders of the FLBs, FICBs and merged banks have acted on the proposal

offered under section 4A.6. However, the section permits a BC to merge with one or more BCs prior to such action, but after the votes on a National Bank for Cooperatives under subpart 4 of Part B. Such merger is subject to (1) approval of the plan of merger by the BC's board; (2) approval of the plan of merger by FCA; and (3) a majority vote for the merger cast by the BC's voting stockholders and contributors to its guaranty fund, with the vote computed both in accordance with the one-man-one-vote principle set forth in section 5.2 and on the basis of the total equity interest in the BC.

Sec. 4A.19. Merger after action under subpart 3 of part B.

This section authorizes a BC, after action under section 4A.6, to merge with one or more other BCs as authorized in the previous section, or with a merged bank resulting from a merger under section 4A.0, 4A.2, 4A.10 or 4A.11. A merger with a merged bank must be approved by the stockholders of the merged bank by the vote prescribed in section 4A.3.

Subpart 5—Merger of Service Organizations

Sec. 4A.20. Authority to merge.

This section authorizes the merger or consolidation of two or more service organizations organized under section 4.25. Such mergers or consolidations are subject to: (1) approval of a plan of merger by the organizations' respective boards of directors; (2) approval of the plan of merger by FCA; and (3) a majority vote for the merger cast by each organization's voting stockholders.

Subpart 6—Approval by the Farm Credit Administration of Disclosure Information Relating to Mergers

Sec. 4A.21. Prior approval by the Farm Credit Administration.

(a) This subsection requires the submission to FCA of all plans of merger and plans for the transfer of lending authority (except as to mandatory mergers under section 4A.0 and the initial vote on a National BC under section 4A.10), together with all information that is to be distributed to voters with respect to any such contemplated merger or transfer of authority. Such submission must occur after such materials have been approved the boards of the entities involved if such approval is required, and before the submission of such materials to the voters. If FCA notifies the submitting entities that it finds no deficiencies in the disclosure, or if sixty days after the submission expire without action by FCA, the submitting entities may submit the plan of merger or transfer, together with the disclosure information, to their voters for the prescribed vote.

(b) This subsection provides that if FCA finds the submitted materials deficient, it must so inform the submitting entities within sixty days of submission, and specify the reasons for its finding. In such event, the plan of merger or transfer may not be submitted to the voters until FCA determines that the identified deficiencies have been remedied.

PART D—POWERS; CAPITAL STOCK; EARNINGS AND RESERVES AND DIVIDENDS OF MERGED INSTITUTIONS

Sec. 4A.22. Powers.

This section provides that a merged institution has all the powers and obligations of its constituent entities, except where such powers would be inconsistent with the provisions of Title IIA. This section requires FCA to promulgate regulations governing the consolidation and reconciliation of the powers and obligations of the constituent entities.

Sec. 4A.23. Capital stock.

This section authorizes merging entities, subject to the provisions of title IIA, section —, and FCA regulations issued under section — of the — Act respecting capital adequacy, to determine in their plan of merger the number of shares of capital stock (including participation certificates and interests in guaranty funds) to be issued pursuant to the merger, as well as the classes and rights and privileges of such stock.

Sec. 4A.24. Earnings, reserves and distributions.

This section authorizes the board of directors of a merged bank, subject to the provision of title IIA, section —, and FCA regulations issued under section — of the Act respecting capital adequacy, to provide for the application of net earnings after payment of operating expenses. Such application may include restoration of any impairment of capital stock as well as certain other purposes. This section provides that all capital and retained earnings of a merged institution are to be available for use in the institution's activities, without regard to the activities generating such earnings.

PART E—BOARDS OF DIRECTORS OF SYSTEM INSTITUTIONS

Sec. 4A.25. Boards of Directors of merged banks within a district.

This section provides that, where two or more banks in a district merge, the board of the resulting bank is the district board, except in the event that a separate board for a bank is created as provided in the Act. All associations in such a district shall be entitled to vote for four members of the district board.

Sec. 4A.26. Boards of directors of banks resulting from the merger of banks in different districts.

This section provides that, where FLBs and FICBs from different districts merge, the merger agreement is to determine the composition and manner of election of the board of the resulting bank. After the merger, the district boards of such districts are to be dissolved. However, where one or both districts contains a separate BC, the district board will function as the BC board until such BC elects its own board. The board of the merged bank, and, where applicable, the BC board, will take over the functions of the dissolved district boards. The merged bank and BC boards are to cooperate as necessary. This section applies, where appropriate, to separate boards established under section 4A.29 prior to cross-district mergers.

Sec. 4A.27. Boards of directors of banks for cooperatives.

(a) This subsection provides that where BCs merge the merger agreement is to determine the composition and manner of election of the board of the resulting bank.

(b) Under this subsection, where a BC remains in a district whose board has been dissolved, the BC is to modify its bylaws to provide for the election of its own board.

(c) Under this subsection, where a new is formed, a BC in the district may agree with the other banks in the district to be governed by a new district board composed and elected as agreed by the BC and the other banks.

Sec. 4A.28. Board of directors of merged associations.

This section provides that, where associations merge, the merger agreement is to determine the composition and manner of election of the board of the resulting association.

Sec. 4A.29. Separate boards for banks.

(a) If FCA receives a petition representing at least twenty-five percent of the votes that may be cast by the bank's stockholders in the election of district directors, this subsection requires FCA, within 30 days after such receipt, to issue a notice stating the place and time of a special meeting of bank stockholders on a referendum to determine whether the bank should have a board separate from the district board. The meeting must be held not less than 30 nor more than 60 days after mailing of the notice.

(b) Under this subsection, if a majority of votes represented at such meeting vote for the election of a separate board, the FCA must hold an election for such board.

(c) This subsection provides that each separate board is to be comprised of five members elected by the stockholders of the bank. Two members of the original separate board are to be the two district board members already elected by the bank's stockholders (or subscribers). Upon becoming members of the original separate board, these individuals cease to be members of the district board. The remaining three original members, as well as all later members, are to be elected and shall serve in accordance with sections 5.1 and 5.2 of the Act.

(d) Under this subsection, if separate boards are established for two or more banks in a district, the district board is to be dissolved.

(e) This subsection provides that coordination between separate boards in a district is to be accomplished by a committee of their members.

(f) This subsection provides that separate boards may be abolished by a process similar to the process whereby such boards may be established. If a district board has been abolished after the creation of two or more separate boards in the district, the district board can be reestablished only by two or more concurrent referendums by bank stockholders abolishing their banks' separate boards.

(g) Under this subsection, the creation or abolition of a separate board under this section shall last at least five years.

(h) This subsection provides that a separate board elected under this section has the powers granted to the bank by the applicable provision of the Act, but may not exercise any authority granted under section 5.6.

Sec. 4A.30. Appointment of outside directors to district and bank boards.

(a) This subsection requires the elected members of each district board to appoint two additional voting members, who are to be experienced in financial services and are to have no current relation to the System.

(b) This subsection also requires the elected members of each bank board that is not a district board to appoint one or two such additional voting members.

PART F—CONDUCT OF VOTES

Sec. 4A.31. Conduct of votes on proposed mergers.

This section provides that the stockholder votes on proposed mergers under this title are to be conducted by the board of each entity whose stockholders are entitled to vote on the merger. Such boards are required to employ procedures that will provide such stockholders with fair notice and opportunity to vote. Stockholder votes on district consolidation under section 4A.6 and on the National Bank for Cooperatives

under Section 4A.10 are to be conducted by the special committees established by those sections.

PART G—TAXATION

Sec. 4A.32. Taxation of merged banks and associations.

This section provides that an entity resulting from a merger in which one or more of the constituent entities was an FLB or FLBA is tax-exempt only to the extent provided in section 1.21 for FLBs and FLBAs.

TITLE IIA—CONSOLIDATED FARM CREDIT BANKS

Sec. 2A.0. Establishment; titles; branches.

This section provides that a bank created by the merger of one or more FLBs with one or more FICBs is to be called a Farm Credit Bank ("FCB") and is to be a federally chartered instrumentality of the United States. FCA may modify an FCB's charter. Each FCB may include a geographical designation in its name, and may establish branches or other offices as needed.

Sec. 2A.1. Corporate existence; general corporate powers.

This section establishes each FCB as a body corporate, and sets forth its corporate powers, which include the powers to own property, make loans, elect officers, prescribe by-laws, borrow money, delegate functions to its association(s), and enter into loss-sharing agreements with other System institutions.

Sec. 2A.2. Farm Credit Bank Stock; patronage dividend.

(a) This subsection provides that FCB capital stock is to be divided into shares with a $5 par value. Capital stock may be of such classes and amounts as the board determines in accordance with the capital adequacy provisions of the Act and with the approval of FCA.

(b) Under this subsection, FCB voting stock may be held only by the FCB's association(s) and direct borrowers. Such stock may not be transferred, pledged or hypothecated except as authorized under the Act.

(c) Under this subsection, each FCB may determine the amount of additional stock to which its association(s) must subscribe, and allocate the subscription obligation(s) of such association(s). Such subscription are to be subject to call.

(d) This subsection provides that patronage refunds may be paid in nonvoting stock, participation certificates, allocated surplus, and other equities of the bank, or cash, or in both equities and cash, as determined by the bank board. Such refunds are to be paid to borrowers of the fiscal year with respect to which such refunds are distributed. All such refunds are to be paid in the proportion that the amount of interest on the loans of each borrower during the year bears to the interest on the loans of all borrowers during the year, or on a different proportionate patronage basis, as determined by the board.

(e) This subsection provides that section 2A.2 does not limit FCA's power to provide general direction to FCBs on the payment of dividends and patronage refunds.

Sec. 2A.3. Lending authority.

This section confers on each FCB the lending authorities conferred on FLBs by section 1.6 and on FICBs by section 2.3.

Sec. 2A.4. Interest rates and other charges.

This section authorizes the FCB board to set interest rates. An FCB may charge variable rates. This section provides that, in setting rates, the FCB's objective is to be the provision of appropriate types of credit at competitive rates.

Sec. 2A.5. Eligibility.

This section restricts eligibility for FCB services to persons who are or become stockholders, and are (1) bona fide farmers, ranchers, or producers or harvesters of aquatic products; (2) persons furnishing services to such persons directly related to their operating needs; or (3) owners of rural homes.

Sec. 2A.6. Security; terms.

(a) This subsection prohibits an FCB from originating or participating in real-estate mortgage loans that are in excess of 85% of the appraised value of the security, or, for government guaranteed real-estate loans, that are in excess of the amount—up to 97% of appraised security value—authorized by FCA regulations. Such loans are required to be secured by liens on interests in real estate of such classes as FCA approves. By regulation or on bank request, FCA may waive the first lien requirement. The value of security is to be determined by appraisal, under standards prescribed by the FCB and approved by FCA. An FCB may require supplemental non-real estate security for a real-estate mortgage loan.

(b) Under this subsection other FCB loans, advances or discounts are to be repayable if not more than seven years (fifteen, if to producers or harvesters of aquatic products). However, the FCB board, under FCA regulations, may approve policies permitting loans that would otherwise be repayable iin seven years to be repayable in ten years.

Sec. 2A.7. Purposes.

This section authorizes FCBs to lend for any agricultural or aquatic purpose. An FCB may also lend for certain basic processing and marketing purposes, if the applicant's operations supply 20 percent or more of the processing or marketing that would be financed by the loan. FCBs may lend to rural residents, under FCA regulations, to finance rural housing. Such housing is to be single-family, moderate-priced dwellings in rural areas, i.e., municipalities having populations of 2,500 or fewer. Such loans may not make up more than 15 percent of an FCB's portfolio. Additionally, FCBs may lend to persons furnishing certain farm-related services to that such persons can purchase obtain necessary capital structures and equipment, and to provide necessary working capital. FCBs may lease needed facilities to eligible individuals.

Sec. 2A.8. Services related to borrower's operations.

This section authorizes FCBs to provide technical assistance to borrowers, members, and applicants, and to make available to them appropriate financial services, to the extent the FCB board determines that this is feasible. The provision or availability of such assistance or services is to be subject to FCA regulations.

Sec. 2A.9. Loans through associations or agents.

This section requires FCBs to make their long-term real estate mortgage loans through an FLBA serving the territory where the real estate is located, provided that, if no such active, solvent FLBA exists, the FCB may make the loan directly, through another FLBA, or through another designated financial institution. In such event, the applicant must purchase FCB stock in an amount equaling 5-10 percent of the loan. The FCB is authorized to prescribe the terms and conditions of such loans.

Sec. 2A.10. Liens on stock.

This section gives each FCB a first lien, for payment of a stockholder's liability to the FCB, on the stock and participation certificates it has issued to such stockholder.

Sec. 2A.11. Taxation.

This section tracks the equivalent sections applicable to FCBs and FICBs. It provides that every FCB, and the capital, reserves, and surplus thereof, as well as the income derived therefrom, are to be exempt from Federal, state, municipal and local taxation, except that real estate held by an FCB may be taxed, according to its value, as other similar property held by other person is taxed. The mortgages and obligations held by the FCBs, and the notes, bonds, debentures and other obligations issued by them, are to be deemed and held to be instrumentalities of the United States Government, and, as such, they and the income therefrom are to be exempt from all Federal, State, municipal and local taxation, other than the Federal income tax liability of the holder of such obligations under the Public Debt Act of 1941.

Sec. 2A.12. Distribution of assets on liquidation.

This section requires that, on liquidation or dissolution of an FCB, the FCB's assets are to be applied first to the payment of liabilities, next to the retirement of all stock at par and all participation certificates at face amount, and thereafter as provided in the FCB's charter and bylaws.

Sec. 2A.13. Net earnings.

This section authorizes an FCB's board to provide for the application of net earnings after payment of operating expenses, subject to the provisions of the Act respecting capital adequacy. This section permits the application of earnings in order to restore any impairment of capital stock, as well as for other purposes. All FCB capital and retained earnings are to be used as the board directs, regardless of the activity generating such earnings.

PROPOSED FCS AMENDMENT ON SYSTEM STRUCTURE

Delete sections and insert, in lieu thereof, the following:

"SEC. (a). The Act (12 U.S.C. 2001 et seq.) is amended by inserting after title IV the following new title:

"TITLE IVA—MERGER AND CONSOLIDATION OF SYSTEM INSTITUTIONS

"PART A—MANDATORY MERGERS OF THE FEDERAL LAND BANK AND THE FEDERAL INTERMEDIATE CREDIT BANK

"SEC. 4A.0. MANDATORY MERGER.—No later than 6 months following receipt by any institution in a farm credit district of financial assistance from the Temporary Assistance Corporation, including equivalent assistance provided by the Corporation pursuant to section 4.28M for amounts repaid or reversed by a receiving institution under Capital Preservation Agreements, the Federal land bank and Federal intermediate credit bank of that district shall merge into a single bank pursuant to a plan of merger agreed upon by the boards of directors of such banks or, if they fail to agree, a plan of merger prescribed by the Temporary Assistance Corporation."

"SEC. 4A.1. OBLIGATION OF TEMPORARY ASSISTANCE CORPORATION TO PROVIDE FINANCIAL ASSISTANCE.—In the case of any merger pursuant to section 4A.0, the Temporary Assistance Corporation shall provide the financial assistance necessary to protect from impairment, as of the date of merger, any stock held by associations or other financ-

ing institutions in either of the merging banks, and such additional financial assistance, if any, as the Temporary Assistance Corporation deems necessary to permit the merging banks to operate for a reasonable time without impairment of such stock.

"PART B—REQUIRED SUBMISSION OF MERGER AND CONSOLIDATION PROPOSALS TO STOCKHOLDERS FOR VOTE

"SUBPART 1—MERGER OF THE FEDERAL LAND BANK AND FEDERAL INTERMEDIATE CREDIT BANK

"SEC. 4A.2. SUBMISSION OF PROPOSAL.—In those farm credit districts where there has not been a mandatory merger under section 4A.0, the board of directors of the Federal land bank and the Federal intermediate credit bank shall submit to the stockholders of such banks for approval, within 6 months after the enactment of the Act, a plan for merging those two banks that has been approved by the Farm Credit Administration.

"SEC. 4A.3. PREREQUISITE TO MERGER.—The stockholder vote required for approval of a merger pursuant to section 4A.2 shall be a majority of the voting stockholders of each bank determined in accordance with the one-man-one-vote look-through principle prescribed in section 5.2 for the election of district directors. The plan of merger, together with all information to be presented to stockholders, shall be submitted to the Farm Credit Administration no later than 60 days before the end of the 6-month period prescribed in section 4A.2. The Farm Credit Administration shall expedite its consideration of the plan and accompanying information so that the procedures required by section 4A.21 can be completed in time for a stockholder vote within such 6 month period.

"SUBPART 2—MERGER OF CERTAIN PRODUCTION CREDIT ASSOCIATION AND FEDERAL LAND BANK ASSOCIATIONS

"SEC. 4A.4. SUBMISSION OF PROPOSAL.—Within 6 months after the date of merger of the Federal land bank and the Federal intermediate credit bank in any district, the boards of directors of each Federal land bank association and each production credit association in that district that share with each other substantially the same geographical territory shall submit to the voting stockholders of such associations for their approval a plan for merging such associations that has been approved by the supervising bank and the Farm Credit Administration.

"SEC. 4A.5. PREREQUISITE TO MERGER.—The stockholder vote required for approval of a merger pursuant to section 4A.4 shall be a majority of the voting stockholders of each association present and voting or voting by written proxy at a duly authorized meeting. The provisions of section 4A.3 for submission of material to, and expedited consideration thereof by, the Farm Credit Administration shall apply to mergers under section 4A.4.

"SUBPART 3. CONSOLIDATION OF THE FARM CREDIT DISTRICTS

"SEC. 4A.6. SUBMISSION OF PROPOSAL.—Within 18 months after the effective date of the Agricultural Credit Act of 1987, a special committee composed of one representative from each farm credit district, selected pursuant to regulations of the Farm Credit Administration, shall develop, in cooperation with the Temporary Assistance Corporation, a proposal to consolidate the Farm Credit System into six or fewer farm credit districts by inter-district mergers of Federal land banks and Federal intermediate credit banks. At the end of each calendar quarter beginning at least 6 months from the date of enactment of the —— Act, the special committee shall report its progress to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

"SEC. 4A.7. PREREQUISITE TO CONSOLIDATION.—The special committee shall submit within the 18-month period specified in section 4A.6, each proposed inter-district merger to the voting stockholders of each Federal land bank and Federal intermediate credit bank (or merged bank) that is proposed to be a party to that merger. The stockholder vote required for approval of such a merger shall be a majority of the aggregate of the voting stockholders of the Federal land bank and Federal intermediate credit bank (or the merged bank) in each district which is a proposed party to the merger, determined in accordance with the one-man-one-vote look-through principle prescribed in section 5.2 for the election of district directors.

"SEC. 4A.8. ASSISTANCE BY TEMPORARY ASSISTANCE CORPORATION.—The Temporary Assistance Corporation shall facilitate any merger or consolidation pursuant to section 4A.6, by providing such financial assistance as it deems appropriate.

"SEC. 4A.9 LOSS OF STOCK GUARANTEE.—If any farm credit district fails to approve the merger proposal submitted to it pursuant to section 4A.6, the provisions of section 4.41 for the guarantee of borrower stock shall no longer be applicable to any such stock in any Farm Credit System institution (except the bank for cooperatives) in that district.

"SUBPART 4. MERGER OF BANKS FOR COOPERATIVES AND THE CENTRAL BANK FOR COOPERATIVES INTO A NATIONAL BANK FOR COOPERATIVES

"SEC. 4A.10. SUBMISSION OF PROPOSAL.—(a) Within 90 days after the effective date of the Agricultural Credit Act of 1987, a special committee, consisting of one of the members of each district board who was elected by the voting stockholders or subscribers to the guaranty fund of the bank for cooperatives in the district and one member chosen from its members by the board of directors of the Central Bank for Cooperatives, shall develop and submit to the voting stockholders of each bank for cooperatives and the Central Bank for Cooperatives for their approval a plan for the merger of all such banks into a National Bank for Cooperatives.

"(b) In order to comply with the timing requirements of subsection (a), the special committee shall, no later than 30 days after enactment of the —— Act, submit to the Farm Credit Administration for its approval the proposed plan of merger, together with all information that is to be distributed to stockholders with respect to that plan. The Farm Credit Administration shall promptly review the submission and shall advise the special committee within 30 days from receipt of the proposed plan of any required changes in the plan or accompanying information.

"SEC. 4A.11. PREREQUISITE TO MERGER.—(a) The stockholder vote required for approval by a district bank for cooperatives of the merger plan submitted pursuant to section 4A.10 shall be a majority vote for the merger cast by its voting stockholders and contributors to its guaranty fund, computed both (1) in accordance with the one-man-one-vote principle prescribed in section 5.2 for the election of district directors and (2) on the basis of the total equity interest in the bank (including allocated, but not unallocated, surplus and reserves held by such voting stockholders and contributors of its guaranty funds). The stockholder vote for approval by the Central Bank for Cooperatives shall be a majority vote for the merger cast by its stockholders, with each stockholder having one vote.

"(b) If the stockholders of fewer than all such district banks approve the plan, then each bank whose stockholders voted to approve it shall conduct another vote of its stockholders on the question whether the approving banks should proceed to merge. If the stockholders of a majority of the originally approving banks vote affirmatively on this second vote (with votes computed upon the same basis that is prescribed in subsection (a)), the merger of all such originally approving banks shall proceed forthwith. The merged bank, whether or not it comprises all the district banks for cooperatives, shall be the National Bank for Cooperatives. Any banks whose stockholders originally voted against the merger shall continue as separate banks for cooperatives.

"PART C—STOCKHOLDER AUTHORITY TO REORGANIZE SYSTEM INSTITUTIONS TO IMPROVE OPERATING EFFICIENCY

"SUBPART 1. MERGER OF FEDERAL LAND BANK AND FEDERAL INTERMEDIATE CREDIT BANK IN SAME DISTRICT

"SEC. 4A.12 AUTHORITY TO MERGE.—Upon the approval of a plan of merger by their respective boards of directors and by the Farm Credit Administration, and a majority vote for the merger cast by their voting stockholders in accordance with the one-man-one-vote look-through principle prescribed in section 5.2 relating to elections of directors of district boards, the Federal land bank and Federal intermediate credit bank in a district may merge into a single entity (referred to in this title as a 'merged bank').

"SUBPART 2. MERGER OF FEDERAL LAND BANKS AND FEDERAL INTERMEDIATE CREDIT BANKS IN DIFFERENT DISTRICTS

"SEC. 4A.13 AUTHORITY TO MERGE.—Upon approval of a plan of merger by their respective boards of directors and by the Farm Credit Administration, and a majority vote for the merger cast by their voting stockholders in accordance with the one-man-one-vote look-through principle of section 5.2 relating to elections of directors of the district boards, Federal land banks and Federal intermediate credit banks, or merger banks, in different districts may merge: *Provided,* That the result of such a merger or mergers is that all Federal land bank and Federal intermediate credit bank operations of all the districts whose banks are parties to such a merger are located in a single district in the form of either a Federal land bank and Federal intermediate credit bank or a merged bank.

"SUBPART 3. MERGER OF, AND TRANSFER OF ASSETS AND POWER BY OR TO, ASSOCIATIONS WITHIN A DISTRICT

"SEC. 4A.14. TRANSFER OF LOAN-RELATED ASSETS AND LENDING AUTHORITY BY A PRODUCTION CREDIT ASSOCIATION.—(a) Upon agreement of their respective boards of directors, and approval by a vote of a majority of the voting power represented by stockholders of the association present and voting or voting by written proxy at a duly authorized meeting, a production credit association may assign to the Federal intermediate credit bank, or to the merged bank in the district, and that bank may assume, the

authority conferred upon the production credit association by this Act to make and participate in loans and related authorities. The production credit association may also transfer to the bank for such consideration as may be agreed upon part or all of the association's loan portfolio or other assets, or both.

"(b) After a transfer described in subsection (a) of this section, the bank shall have all of the direct loan authority under this Act formerly possessed by the transferring production credit association in the territory served by that association.

"SEC. 4A.15. TRANSFERS OF LENDING AUTHORITY BY A FEDERAL LAND BANK, OR A MERGED BANK.—(a) Upon agreement of their respective boards of directors, and approval of the transfer by a majority vote cast by the voting stockholders of the bank and of the association in accordance with the voting provisions of sections 4A.3 and 4A.5, respectively, applicable to each, a Federal land bank or a merged bank may assign to a Federal land bank association, and the association may assume, the transferring bank's authority in the geographical area served by the association to make and participate in long-term real estate mortgage loans under sections 1.6 through 1.9.

(b) After a transfer described in subsection (a) of this section, (1) the Federal land bank association shall have all of the direct long-term real estate mortgage loan authority formerly possessed by the transferring bank in the territory served by the association, and (2) the Federal land bank or merged bank may make loans and extend other similar financial assistance to, and discount for or purchase from, the transferee Federal land bank association any note, draft or other obligation with its endorsement or guarantee, the proceeds of which note, draft or other obligation have been advanced to persons and for purposes eligible for financing by the association under subsection (a) of this section.

"SEC. 4A.16. AUTHORITY TO MERGE BANKS WITH ASSOCIATIONS.—Where all associations supervised by a bank have merged into one association, upon approval of a plan of merger by their respective boards of directors and by the Farm Credit Administration and a majority vote for the merger cast by the voting stockholders of the supervising bank and of the association in accordance with the voting provisions of section 4A.3 and 4A.5, respectively, applicable to each, a production credit association or a Federal land bank association or a merged association may merge into its supervising bank, or the supervising bank may merge into its association.

"SUBPART 4. MERGERS INVOLVING BANKS FOR COOPERATIVES.

"SEC. 4A.18. MERGER PRIOR TO ACTION UNDER SUBPART 3 OF PART B.—Prior to action by stockholders of Federal land banks and Federal intermediate credit banks on a proposal to consolidate districts under Subpart 3 of Part B but after the votes on a proposal to create a National Bank for Cooperatives under Subpart 4 of Part B, a bank for cooperatives, upon approval of a plan of merger by its board of directors and by the Farm Credit Administration, and a majority vote for the merger cast by its voting stockholders and contributors to its guaranty fund, computed both (1) in accordance with the one-man-one-vote principle prescribed in section 5.2 for the election of district directors and (2) on the basis of the total equity interest in the bank (including allocated, but not unallocated surplus and reserves held by such voting stockholders and contributors or its guaranty funds), a bank for cooperatives may merge with one or more banks for cooperatives but not with any other System bank.

SEC. 4A.19. MERGER AFTER ACTION UNDER SUBPART 3 OF PART B.—After action by stockholders of Federal land banks and Federal credit banks on a proposal under Subpart 3 of Part B, a bank for cooperatives shall continue to have the authority granted by section 4A.18 to merge with one or more banks for cooperatives, and, in addition, in may merge with a merged bank resulting from a merger under section 4A.0, 4A.2, or 4A.6. Such a merger must be approved by the stockholders of the merged bank by the vote prescribed in 4A.3.

"SUBPART 5—MERGER OF SERVICE ORGANIZATIONS

"SEC. 4A.20. AUTHORITY TO MERGE.—Upon the approval of a plan of merger by their respective boards of directors and the Farm Credit Administration and a majority vote for the merger cast by their voting stockholders, two or more service organizations organized under section 4.25 may merge or consolidate into a single entity.

"SUBPART 6. APPROVAL BY THE FARM CREDIT ADMINISTRATION OF DISCLOSURE INFORMATION RELATING TO MERGERS

"SEC. 4A.21. PRIOR APPROVAL BY THE FARM CREDIT ADMINISTRATION.—(a) After their approval, if required, by the boards of directors of the constituent entities and prior to submission, if required, to the voters (voting stockholders and, where required, contributors to guaranty funds) of such entities for their vote, plans of merger and plans for the transfer of lending authority under any section of this title except sections 4A.0 and 4A.10 shall be submitted to the Farm Credit Administration, together with all information that is to be distributed to the voters with respect to the contemplated merger or transfer. Within sixty days from the receipt of such submission, the Farm Credit Administration shall notify the submitting entities whether the Farm Credit Administration has determined that the information submitted fails adequately to disclose all material facts relevant to the vote. Upon notification that the Farm Credit Administration finds no deficiencies in the disclosure, or upon the expiration of sixty days without action by the Farm Credit Administration, the submitting entities may submit the plan of merger or transfer, together with the disclosure information, to their voters for the prescribed vote.

"(b) If the Farm Credit Administration determines that the disclosure information is inadequate, its notification to the submitting entities shall specify the reason for its determination. In that event, the plan of merger or transfer shall not be submitted to the voters for a vote until the Farm Credit Administration determines that the deficiencies in disclosure have been remedied.

"PART D. POWERS; CAPITAL STOCK; EARNINGS AND RESERVES AND DIVIDENDS OF MERGED INSTITUTIONS

"SEC. 4A.22. POWERS.—Except where inconsistent with the provisons of title IIA prescribing powers and obligations of a merged bank comprising a Federal land bank and a Federal intermediate credit bank, a merged institution shall have all of the powers granted by this Act to, and, except as otherwise provided by this title, shall be subject to all of the obligations, including those imposed by this Act, of, any of its constituent entities. The manner in which the powers and obligations of the constituent entities are consolidated and, to the extent necessary, reconciled in the merged bank shall be provided in regulations issued by the Farm Credit Administration.

"SEC. 4A.23. CAPITAL STOCK.—Subject to the provisions of title IIA, section ——, and regulations of the Farm Credit Administration issued under section —— of the —— Act, the number of shares of capital stock, including participation certificates and interests in guarantee funds, issued pursuant to a merger by a merged institution to stockholders and other owners of any constituent entities, and the classes, rights and privileges (including voting power, redemption rights, preferences upon liquidation, and the right to dividends) of such shares shall be determined by the plan of merger adopted by the constituent entities.

"SEC. 4A.24. EARNINGS, RESERVES AND DISTRIBUTIONS.—Subject to the requirements of title IIA, section —— and regulations issued by the Farm Credit Administration under section —— of the —— Act, the board of directors of a merged institution shall provide, in the plan of merger (which may include bylaws of the merged institution) or otherwise, for the application of net earnings after payment of operating expenses. Such application may include restoration of the impairment, if any, of capital stock. Thereafter, it may include, but not necessarily in the following order, additions to an allocated reserve account; additions to an unallocated reserve account; payment of dividends on capital stock; and payment of patronage refunds in cash or in stock or other notices of allocation. All capital and retained earnings of a merged institution shall be available for such use in the activities of the merged institution as the board of directors shall determine, without regard to the activities giving rise to such earnings.

"PART E—BOARDS OF DIRECTORS OF SYSTEM INSTITUTIONS

"SEC. 4A.25. BOARDS OF DIRECTORS OF MERGED BANKS WITHIN A DISTRICT.—Except as otherwise provided herein, the board of a bank resulting from the merger of two or more banks within a single district shall be the district board, provided, however, that all the associaitons in the district (whether production credit associations, Federal land bank associations, or associations resulting from the merger of such associations) shall be entitled to vote for the election of four members of the district board.

"SEC. 4A.26. BOARDS OF DIRECTORS OF BANKS RESULTING FROM THE MERGER OF BANKS IN DIFFERENT DISTRICTS—The composition and manner of election of members of the boards of directors of a bank resulting from the merger of Federal land banks or Federal intermediate credit banks in different farm credit districts shall be as specified in the merger agreement. Upon completion of such merger the farm credit district boards for such districts shall be dissolved, provided, however, that the district board of a district in which there continues to be a separate bank for cooperatives shall become the temporary board for such bank for cooperatives until the stockholders of that bank for cooperatives have a opportunity to elect a separate board for such bank. All responsibilities of the district board of directors for joint undertakings of, and coordination between, the banks in the merging districts shall be assumed by the board of directors of the merged bank and, if applicable, by the board of directors of the banks

for cooperatives serving borrowers in their respective districts. The boards of directors shall make such arrangements for cooperation and coordination as may be necessary and appropriate to carry out such responsibilities. If, prior to the consummation of the merger of banks in different districts, the banks in one or more of such districts have elected, pursuant to section 4A.29, to have separate boards of directors in lieu of a district board, the references in this section to the district board of directors shall, where appropriate, be deemed to constitute references to such separate boards of directors.

"SEC. 4A.27. BOARDS OF DIRECTORS OF BANKS FOR COOPERATIVES.—(a) The composition and manner of election of members of the board of directors of a bank resulting from the merger of one or more banks for cooperatives shall be as specified in the merger agreement.

"(b) A bank for cooperatives remaining in a district in which the Federal land bank and Federal intermediate credit bank have merged with banks in another district or in which the district board is for any other reason dissolved shall modify its bylaws to provide for the election of a separate board of directors for such bank.

"(c) Following the formation of a new district pursuant to section 4A.6 or 4A.13, a bank for cooperatives in the area served by the new district may, with the agreement of the other bank or banks within such district, agree to be governed by a new district board to be composed and elected in a manner satisfactory to the boards of all the banks in the district.

"SEC. 4A.28. BOARD OF DIRECTORS OF MERGED ASSOCIATIONS.—The composition and manner of election of members of the boards of directors of an association resulting from the merger of one or more production credit associations or one or more Federal land bank associations or the merger one or more production credit associations, with one or more Federal land bank associations, shall be as specified in the merger agreement.

"SEC. 4A.29. SEPARATE BOARDS FOR BANKS.—(a) Within 30 days after receipt by the Farm Credit Administration of a petition from a stockholder or stockholders of any bank (or one or more borrowers from or subscribers to the guaranty fund of a bank for cooperatives) representing at least 25 percent of the total number of votes that may be cast by the bank's stockholders (or subscribers) in the election of directors, a referendum shall be held to determine whether to elect a separate board of directors for the bank. The Farm Credit Administration shall issue a notice to all stockholders (or subscribers) of the bank explaining that such a referendum is to be held. The notice shall state the time and place of a special stockholders' meeting to hold the referendum. The notice to associations shall state the number of voting stockholders of that association on the date of such notice, as determined by the Farm Credit Administration. The meeting shall be held not less than 30 nor more than 60 days after the date the notice is mailed.

"(b) If at the special meeting of stockholders (or subscribers) of a bank called under subsection (a) a majority of the votes represented at such meeting in person or by written proxy are cast in favor of the election of a separate board of directors for the bank, the Farm Credit Administration shall hold elections for a separate board of directors for the bank in accordance with subsection (c).

"(c) Each separate board of directors of the bank shall be composed of five members. Two members of the original separate board shall be the two district board members already elected by the bank's stockholders (or subscribers), who shall no longer be members of the district board. The other three original members, and all succeeding members, shall be elected and serve in accordance with sections 5.1 and 5.2.

"(d) If separate boards are established for two or more banks in a district, the district board for that district shall be terminated.

"(e) Coordination between boards of directors in a district on matters such as joint property, functions, or policy shall be a committee composed of representatives from each board in the district.

"(f) A separate board of directors established under this section shall continue until abolished. If the Farm Credit Administration receives a petition similar to that described in subsection (a) requesting a referendum to determine whether to retain the separate board of directors for the bank, a referendum shall be held as provided in subsection (a). If a majority of the votes represented in person or by a written proxy at the special shareholders' meeting called under the preceding sentence are cast in favor of abolishing the separate board of directors of the bank, the board shall be abolished, and the two most senior members shall join the district board, which shall then act for the bank. If the district board has been terminated under subsection (d), it shall take the concurrent abolition referendums of two district banks to reestablish it.

"(g) The creation of a separate board, or its abolition, resulting from the procedure set forth in this section, shall last at least five years.

"(h) The separate board of directors of a district bank elected under this section shall have the authority to exercise all of the powers granted to the bank in section 1.4, 2.1, 2A.1 or 3.1, whichever is applicable. The district board shall not act for the bank or exercise the authority otherwise granted under section 5.6.

"SEC. 4A.30. APPOINTMENT OF OUTSIDE DIRECTORS TO DISTRICT AND BANK BOARDS.—(a) The elected members of each district board of directors shall appoint two additional individuals to serve as voting members of the district board. Such individuals shall—

"(A) not be borrowers from, shareholders in, or directors, officers, employees, or agents of, any institution of the Farm Credit System; and

"(B) be experienced in financial services and credit.

"(b) The elected members of each bank board of directors which is not a district board of directors shall appoint at least one and not more than two additional persons to serve as voting members of such board. Such person or persons shall—

"(A) not be borrowers from, shareholders in, or directors, officers, employees, or agents of, any institution of the Farm Credit System; and

"(B) be experienced in financial services and credit.

"PART F—CONDUCT OF VOTES

"SEC. 4A.31. CONDUCT OF VOTES ON PROPOSED MERGERS.—The stockholder votes on proposed mergers under this title shall be conducted by the board of directors of each entity whose stockholders are entitled to vote thereon, under procedures designed to provide to such stockholders fair notice and opportunity to vote. Stockholder votes on mergers pursuant to sections 4A.6 and 4A.10 shall be conducted at the time or times specified by the special committee charged by those sections, respectively, with the responsibility for developing the merger proposal or proposals.

"PART G—TAXATION

"SEC. 4A.31. TAXATION OF MERGED BANKS AND ASSOCIATIONS.—In the case of any entity resulting from a merger in which one or more of the constituents is a Federal land bank or a Federal land bank association, that entity and the notes, debentures, and other obligations issued by such entity shall be exempt from taxation only to the extent provided in section 1.21 for Federal land banks and Federal land bank associations.

"SEC. (b). The Act (12 U.S.C. 2001 et seq.) is amended by inserting after title II the following new title:

"TITLE IIA—CONSOLIDATED FARM CREDIT BANKS

"SEC. 2A.0. ESTABLISHMENT; TITLES; BRANCHES.—The banks established pursuant to the merger of one or more Federal intermediate credit banks and one or more Federal land banks pursuant to section 4A.0 or 4A.12, hereinafter referred to as Farm Credit Banks, shall continue as federally chartered instrumentalities of the United States. Their charters or organization certificates may be modified from time to time by the Farm Credit Administration, not inconsistent with the provisions of this title, as may be necessary or expedient to implement this Act. Each Farm Credit Bank may include in its title the name of the city in which it is located or other geographical designation. Each Farm Credit Bank may establish such branches or other offices as may be appropriate for the effective operation of its business.

"SEC. 2A.1. CORPORATE EXISTENCE; GENERAL CORPORATE POWERS.—Each Farm Credit Bank shall be a body corporate and, subject to the regulation by the Farm Credit Administration, shall have the power to—

"(1) Adopt and use a corporate seal.

"(2) Have succession until dissolved under the provisions of this Act or other Act of Congress.

"(3) Make contracts.

"(4) Sue and be sued.

"(5) Acquire, hold, dispose, and otherwise exercise all the usual incidents of ownership of real and personal property necessary or convenient to its business.

"(6) Make, participate in and discount loans, make commitments for credit, accept advance payments, and provide services and other assistance as authorized in this Act, and charge fees therefor.

"(7) Operate under the direction of its board of directors.

"(8) Elect by its board of directors a president, any vice president, a secretary, a treasurer, and provide for such other officers, employees, and agents as may be necessary, including joint employees as provided in this Act, define their duties, and require surety bonds or make other provision against losses occasioned by employees.

"(9) Prescribe by its board of directors its bylaws not inconsistent with law providing for the classes of its stock and the manner in which its stock shall be issued, transferred, and retired; its officers, employees, and agents are elected or provided for; its property acquired, held, and transferred; its loans and discounts made; its general business conducted; and the privileges granted it by law exercised and enjoyed.

"(10) Borrow money and issue notes, bonds, debentures, or other obligations indi-

vidually, or in concert with one or more other banks of the System, of such character, terms, conditions, and rates of interest as may be determined.

"(11) Purchase nonvoting stock in or pay in surplus to and accept deposits of securities or of current funds from its associations and pay interest on such funds.

"(12) Participate with one or more other Farm Credit Banks in loans under this title on such terms as may be agreed upon among such banks, participate with one or more other Farm Credit System institutions in loans made under this title or other titles of this Act on the basis prescribed in section 4.18 of this Act, and participate with lenders which are not Farm Credit System institutions in loans that the bank is authorized to make under this title.

"(13) Approve the salary scale of the officers and employees of its associations and the appointment and compensation of the chief executive officer thereof and supervise the exercise by such associations of the functions vested in or delegated to them.

"(14) Deposit its securities and its current funds with any member bank of the Federal Reserve System or any insured State nonmember bank as defined in Section 3 of the Federal Deposit Insurance Act and pay fees therefor and receive interest thereon as may be agreed. When designated for that purpose by the Secretary of the Treasury, it shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary; may be employed as a fiscal agent of the Government, and shall perform all such reasonable duties as a depository of public money or financial agent of the Government as may be required of it. No Government funds deposited under the provisions of this subsection shall be invested in loans or bonds or other obligations of the bank.

"(15) Buy and sell obligations of or insured by the United States or of any agency thereof, or securities backed by the full faith and credit of any such agency, and, as may be authorized by its board of directors and approved by the Farm Credit Administration, (i) sell to lenders which are not Farm Credit System institutions interests in loans, (ii) buy from and sell to Farm Credit System institutions interests in loans and in other finanical assistance extended and nonvoting stock, and (iii) make other investments.

"(16) Conduct studies and make and adopt standards for lending.

"(17) Delegate to its associations such functions as it may determine.

"(18) Amend and modify loan contracts, documents, and payment schedules, and release, subordinate, or substitute security for any of them.

"(19) Require associations to endorse notes and other obligations of its members to the bank.

"(20) Exercise by its board of directors or authorized officers, employees, or agents all such incidental powers as may be necessary or expedient to carry on the business of the bank.

"(21) Accept contributions to its capital from associations and account therefor as authorized by the Farm Credit Administration.

"(22) As may be authorized by its board of directors and approved by the Farm Credit Administration, agree with other Farm Credit System institutions to share loan and other losses, whether to protect against capital impairment or for any other purpose.

"SEC. 2A.2. FARM CREDIT BANK STOCK; PATRONAGE DIVIDEND.—(a) The capital stock of each Farm Credit Bank shall be divided into shares of par value of $5 each, and may in accordance with section—[capital adequacy] be of such classes and in such amounts as its board of directors may determine with the approval of the Farm Credit Administration.

"(b) Voting stock of each Farm Credit Bank shall be held only by the associations and direct borrowers and borrowers through agents who are farmers or ranchers, which stock shall not be transferred, pledged, or hypothecated except as authorized pursuant to this Act.

"(c) Each Farm Credit Bank, with the approval of the Farm Credit Administration, may determine the amount of the initial or additional stock in the bank to be subscribed for by the associations in the territory served by the bank in order to provide capital to meet the credit needs of the bank. The amount so determined shall be allocated among the associations in a manner determined by the board of directors of the bank. Each association shall subscribe for stock in the bank in the amount so allocated to it. Such subscriptions shall be subject to call and payment therefor shall be made at such times and in such amounts as may be determined by the bank.

"(d) Patronage refunds may be paid in nonvoting stock, participation certificates, allocated surplus, and other equities of the bank, or cash, or in both equities and cash, as determined by the board of the bank, to borrowers of the fiscal year for which such patronage refunds are distributed. All patronage refunds shall be paid in the proportion that the amount of interest on the loans to each borrower during the year bears to the interest on the loans of all borrowers during the year or on such other proportionate patronage basis as the board of directors shall determine.

"(e) Nothing in this section limits the power of the Farm Credit Administration to provide general direction to Farm Credit Banks with regard to the payment of dividends and patronage refunds.

"SEC. 2A.3. LENDING AUTHORITY.—The Farm Credit Banks shall have the lending authorities provided to the Federal land banks pursuant to section 1.6 of this Act and the lending authorities provided to the Federal intermediate credit banks pursuant to 2.3 of this Act.

"SEC. 2A.4. INTEREST RATES AND OTHER CHARGES.—Loans made by a Farm Credit Bank shall bear interest at a rate or rates, and on such terms and conditions, as may be determined by the board of directors of the bank from time to time. In setting rates and charges, it shall be the objective to provide the types of credit needed by eligible borrowers at competitive rates. The loan documents may provide for the interest rate or rates to vary from time to time during the repayment period of the loan, in accordance with the rate or rates currently being charged by the bank.

"SEC. 2A.5. ELIGIBILITY.—The services authorized in this title may be made available to persons who are or become stockholders or members of the bank or its associations and are (1) bona fide farmers, ranchers, or producers or harvesters of aquatic products, (2) persons furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs, or (3) owners of rural homes.

"SEC. 2A.6. SECURITY; TERMS.—(a) Real estate mortgage loans originated by a Farm Credit Bank or in which it participates with a lender which is not a Farm Credit System institution shall not exceed 85 per centum of the appraised value of the real estate security, or such greater amount, not to exceed 97 per centum of the appraised value of the real estate security, as may be authorized under regulations of the Farm Credit Administration for loans guaranteed by federal, State, or other governmental agencies, and shall be secured by [first] liens on interest in real estate of such classes as may be approved by the Farm Credit Administration. The value of security shall be determined by appraisal under appraisal standards prescribed by the bank and approved by the Farm Credit Administration, to adequately secure the loan. However, additional security may be required to supplement real estate security, and credit factors other than the ratio between the amount of the loan and the security value shall be given due consideration. The Farm Credit Administration may, by regulation or upon request of a bank, waive or modify the first lien requirement.

"(b) Other loans, advances, or discounts made under section 2.A3 of this Act shall be repayable in not more than seven years (fifteen years if made to producers or harvesters of aquatic products) from the time they are made or discounted by the Farm Credit Bank, except that the board of directors, under regulations of the Farm Credit Administration, may approve policies permitting loans, advances, or discounts (other than those made to producers or harvesters of aquatic products) to be repayable in not more than ten years from the time they are made or discounted by such bank.

"SEC. 2A.7 PURPOSES.—Loans made by the Farm Credit Banks to farmers, ranchers, and producers or harvesters of aquatic products may be for any agricultural or aquatic purpose and other credit needs of the applicant, including financing for basic processing and marketing directly related to the applicant's operations and those of other eligible farmers, ranchers, and producers or harvesters of aquatic products; *Provided*, That the applicant's operations shall supply at least 20 per centum, or such larger per centum that is required by the board of directors of the bank under regulations of the Farm Credit Administration, of total processing or marketing for which financing is extended. Loans may also be made to rural residents for rural housing financing under regulations of the Farm Credit Administration. Rural housing financed under this title shall be for single-family, moderate-priced dwellings and their appurtenances not inconsistent with the general quality and standards of housing existing in, planned or recommended for the rural area where it is located: *Provided, however*, That a Farm Credit Bank may not at any one time have a total of loans outstanding for such rural housing to persons other than farmers or ranchers in amounts exceeding 15 per centum of the total of all loans outstanding in such bank: *Provided, further*, That for rural housing purposes under this section the term "rural areas" shall not be defined to include any city or village having a population in excess of 2,500 inhabitants. Loans to persons furnishing farm-related service to farmers and ranchers directly related to their on-farm operating needs may be made for the necessary capital structures and equipment and initial working capital for such services. The banks may own and lease, or lease with option to purchase, to persons eligible for assistance under this title, facilities needed in the operations of such persons.

"SEC. 2A.8. SERVICES RELATED TO BORROWERS' OPERATIONS.—The Farm Credit Banks may provide technical assistance to borrowers, members, and applicants and may make available to them at their option such financial related services appropriate to their on-farm and aquatic operations as are determined to be feasible by the board of directors, under regulations of the Farm Credit Administration.

"SEC. 2A.9. LOANS THROUGH ASSOCIATIONS OR AGENTS.—The Farm Credit Banks shall, except as otherwise herein provided, make loans of the type authorized by section 1.6 of this Act through a Federal land bank association serving the territory in which the real estate offered by the applicant is located. If there is no active association chartered for the territory where the real estate is located or if the association has been declared insolvent, the bank may make the loan through another such association, directly, or through such bank or trust company or saving or other financial institution as it may designate. When the loan is not made through a Federal land bank association, the applicant shall purchase stock in the bank in an amount not less than $5 nor more than $10 for each $100 of the loan and the loan shall be made on such terms and conditions as the Bank shall prescribe.

"SEC. 2A.10. LIENS ON STOCK.—Each Farm Credit Bank shall have a first lien on the stock and participation certificates it issues for the payment of any liability of the stockholder to the Bank.

"SEC. 2A.11. TAXATION.—Every Farm Credit Bank and the capital, reserves, and surplus thereof, and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation, except taxes on real estate held by a Farm Credit Bank to the same extent, according to its value, as other similar property held by other persons is taxed. The mortgages and obligations held by the Farm Credit Banks and the notes, bonds, debentures, and other obligations issued by the Banks shall be deemed and held to be instrumentalities of the Government of the United States and, as such, they and the income therefrom shall be exempt from all Federal, State, municipal, and local taxation, other than Federal income tax liability of the holder thereof under the Public Debt Act of 1941 (31 U.S.C. 742(a)).

"SEC. 2A.12. DISTRIBUTION OF ASSETS ON LIQUIDATION.—In the case of liquidation or dissolution of any Farm Credit Bank, after payment or retirement, as the case may be, first, of all liabilities; second, of all stock at par and all participation certificates at face amount; any remaining assets of the bank shall be distributed as provided in such bank's charter or organization certificate and bylaws.

"SEC. 2A.13. NET EARNINGS.—Subject to the requirements of section 4.3, the board of directors of the banks shall provide for the application of net earnings after payment of operating expenses. Such application may include restoration of the impairment, if any, of capital stock. Thereafter, it may include, but not necessarily in the following order, additions to an allocated reserve account, additions to an unallocated reserve account; payment of dividends on capital stock; and payment of patronage refunds in cash or in stock or other notices of allocation. All capital and retained earnings of the bank shall be available for such use in the activities of the merged bank as the board of directors shall determine without regard to the activities giving rise to such earnings.

"SEC. (c). The Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.) is amended by deleting sections 4.10 and 4.11, and the last two sentences of section 4.12(a).

The CHAIRMAN. All time has expired.

Mr. DE LA GARZA. Mr. Chairman, I ask unanimous consent that I may proceed for 30 seconds.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. The Chair wishes to state that the gentleman from Tennessee will control the 30 seconds under the rule.

Mr. JONES of Tennessee. Mr. Chairman, I yield to the gentleman from Texas [Mr. DE LA GARZA], my chairman.

Mr. DE LA GARZA. Mr. Chairman, I do so to thank all of the Members and the respective staffs who have worked diligently on this process.

□ 1715

Naturally we cannot satisfy every Member, and that is the unfortunate part, because we would like to.

Legislation is the art of the possible. We have yet to have consideration by the other body of this legislation. We have yet to go to conference, so I tell the Members that are not happy with this process up to now, have faith, we will continue listening, and we will continue working with the Members, but we must move forward.

The farmers of America need this legislation. We need to move this legislation, and I implore of the Members to give us a vote, and we will continue working with the Members until the process finally winds up on the President's desk.

The CHAIRMAN. All time has expired.

The question is on the amendment, as modified, offered by the gentleman FROM TENNESSEE [MR. JONES].

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. STENHOLM. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 322, noes 94, not voting 17, as follows.

[Roll No. 346]

AYES—322

Ackerman
Akaka
Alexander
Andrews
Annunzio
Anthony
Applegate
Archer
Armey
Aspin
Atkins
AuCoin
Baker
Ballenger
Barnard
Bartlett
Barton
Bateman
Bates
Beilenson
Bennett
Bentley
Berman
Bevill
Bilbray
Bilirakis
Boehlert
Boggs
Boland
Bonior
Bonker
Borski
Bosco
Boucher
Boulter
Boxer
Brennan
Brooks
Brown (CA)
Brown (CO)
Bruce
Bryant
Buechner
Bustamante
Byron
Callahan
Campbell
Cardin
Carper
Carr
Chandler
Chappell
Clarke
Clay
Clinger
Coble
Coelho
Coleman (TX)
Combest
Conte
Conyers
Cooper
Coughlin
Coyne
Craig
Crockett
Darden
de la Garza
DeFazio
DeLay
Dellums
Derrick
Dicks
Dingell
Dixon
Donnelly
Dowdy
Downey
Duncan
Durbin
Dwyer
Dymally
Dyson
Early
Eckart
Edwards (CA)
Emerson
Erdreich
Espy
Evans
Fascell
Fawell
Fazio
Feighan
Fields
Fish
Flake
Flippo
Florio
Foglietta
Foley
Ford (MI)
Frank
Frenzel
Frost
Garcia
Gaydos
Gejdenson
Gibbons
Gilman
Gingrich
Gonzalez
Goodling
Gordon
Gradison
Grant
Gray (IL)
Gray (PA)
Green
Gregg
Guarini
Hall (OH)
Hamilton
Hammerschmidt
Harris
Hatcher
Hawkins
Hayes (IL)
Hayes (LA)
Hefley
Hefner
Hertel
Hochbrueckner
Holloway
Hopkins
Horton
Howard
Hoyer
Hubbard
Huckaby
Hughes
Hutto
Ireland
Jacobs
Jeffords
Jenkins
Johnson (CT)
Johnson (SD)
Jones (NC)
Jones (TN)
Jontz
Kanjorski
Kaptur
Kasich
Kastenmeier
Kennedy
Kennelly
Kildee
Kleczka
Kolter
Konnyu
Kostmayer
LaFalce
Lancaster
Lantos
Latta
Leath (TX)
Lehman (CA)
Lehman (FL)
Leland
Lent
Levin (MI)
Levine (CA)
Lewis (FL)
Lewis (GA)
Lipinski
Lloyd
Lott
Lowry (WA)
Luken, Thomas
Lukens, Donald
Mack
MacKay
Manton
Markey
Martin (NY)
Martinez
Matsui
Mavroules
Mazzoli
McCloskey
McDade
McHugh
McMillan (NC)
McMillen (MD)
Meyers
Mfume
Mica
Miller (CA)
Miller (OH)
Miller (WA)
Mineta
Moakley
Molinari
Mollohan
Montgomery
Moody
Morella
Morrison (CT)
Morrison (WA)
Mrazek
Murphy
Murtha
Myers
Nagle
Natcher
Neal
Nelson
Nichols
Nowak
Oakar
Obey
Olin
Owens (NY)
Owens (UT)
Panetta
Parris
Pashayan
Patterson
Pease
Pelosi
Penny
Perkins
Pickett
Pickle
Price (IL)
Price (NC)
Quillen
Rahall
Rangel
Ray
Richardson
Ridge
Rinaldo
Robinson
Rodino
Rogers
Rose
Rostenkowski
Roukema
Rowland (GA)
Roybal
Russo
Sabo
Saiki
Savage
Sawyer
Schaefer
Scheuer
Schneider
Schroeder
Schulze
Schumer
Sharp
Shaw
Shays
Shuster
Sikorski
Sisisky
Skaggs
Skelton
Slaughter (NY)
Smith (FL)
Smith (IA)
Smith (NJ)
Smith (TX)
Smith, Robert (OR)
Snowe
Solarz
Solomon
Spratt
St Germain
Staggers
Stallings
Stangeland
Stark
Stenholm
Stokes
Stratton
Studds
Sundquist
Sweeney
Swift
Synar
Tallon
Taylor
Thomas (CA)
Thomas (GA)
Torres
Torricelli
Towns
Traficant
Traxler
Udall
Valentine
Vento
Visclosky
Volkmer
Walgren
Waxman
Weiss
Wheat
Whitten
Williams
Wise
Wolf
Wolpe
Wortley
Wyden
Wylie
Yates
Yatron

NOES—94

Anderson	Hansen	Ravenel
Badham	Hastert	Regula
Bereuter	Henry	Rhodes
Bliley	Herger	Ritter
Broomfield	Hiler	Roberts
Bunning	Houghton	Roth
Burton	Hunter	Rowland (CT)
Chapman	Hyde	Saxton
Cheney	Inhofe	Schuette
Coats	Kolbe	Sensenbrenner
Coleman (MO)	Kyl	Shumway
Courter	Lagomarsino	Skeen
Crane	Leach (IA)	Slattery
Dannemeyer	Lewis (CA)	Slaughter (VA)
Daub	Lightfoot	Smith (NE)
Davis (IL)	Lowery (CA)	Smith, Denny (OR)
Davis (MI)	Lujan	Smith, Robert (NH)
DeWine	Lungren	Spence
Dickinson	Madigan	Stump
DioGuardi	Marlenee	Upton
Dorgan (ND)	Martin (IL)	Vander Jagt
Dornan (CA)	McCandless	Vucanovich
Dreier	McCurdy	Walker
Edwards (OK)	McEwen	Watkins
English	McGrath	Weber
Gallegly	Michel	Weldon
Gallo	Moorhead	Whittaker
Gekas	Nielson	Wilson
Glickman	Oxley	Young (AK)
Grandy	Packard	Young (FL)
Gunderson	Petri	
Hall (TX)	Pursell	

NOT VOTING—17

Biaggi	Livingston	Roe
Collins	McCollum	Roemer
Daniel	Oberstar	Swindall
Ford (TN)	Ortiz	Tauke
Gephardt	Pepper	Tauzin
Kemp	Porter	

□ 1730

Messrs. VANDER JAGT, HANSEN, SAXTON, LUJAN, BEREUTER, McCURDY, OXLEY, LIGHTFOOT, and SMITH of New Hampshire changed their votes from "aye" to "no."

So the amendment, as modified, was agreed to.

The result of the vote was announced as above recorded.

AMENDMENT, AS MODIFIED, OFFERED BY MR. WATKINS

Mr. WATKINS. Mr. Chairman, under the debate a while ago, the gentleman from Illinois [Mr. MADIGAN] reserved the right to protect my opportunity to offer an amendment that he assisted in helping to perfect. I have worked it out. I think the gentleman is in agreement, and also the gentleman from Nebraska; so I think we have worked it out. Mr. Chairman, I offer the amendment.

The CHAIRMAN. The Clerk will report the modified amendment.

The Clerk read as follows:

Amendment, as modified, offered by Mr. WATKINS: Page 9, line 8, after the period insert the following: "At least one of such members shall be actively engaged in the production of one or more agricultural commodities at the time of appointment."

Page 9, line 11, after the period insert: "At least one of such members shall be actively engaged in the production of one or more agricultural commodities at the time of appointment."

Mr. WATKINS (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

The CHAIRMAN. Is there objection to the modification?

There was no objection.

Mr. WATKINS. Mr. Chairman, in the modification of the amendment we have kept and protected the balance of the board members by basically allowing at least one of the members of the Farm Credit System to be actively engaged in farming, also allowing one of the commercial bankers to be actively engaged in farming. That is what the particular perfecting amendment does.

Mr. MADIGAN. Mr. Chairman, will the gentleman yield?

Mr. WATKINS. I yield to the gentleman from Illinois.

Mr. MADIGAN. Mr. Chairman, I thank the gentleman for yielding.

I think the gentleman has made a very constructive alteration to the amendment. I am going to support the amendment.

Mr. DE LA GARZA. Mr. Chairman, will the gentleman yield?

Mr. WATKINS. I yield to the distinguished gentleman from Texas.

Mr. DE LA GARZA. Mr. Chairman, we have no objection on this side.

Mr. BEREUTER. Mr. Chairman, will the gentleman yield?

Mr. WATKINS. I yield to the gentleman from Nebraska.

Mr. BEREUTER. Mr. Chairman, I thank the gentleman for accommodating our concerns about having a delicate balance between the Farm Credit System and the financial institutions. The gentleman has accomplished moving more farmers on without upsetting that balance, and I commend the gentleman for his amendment and I support it.

Mr. WATKINS. Mr. Chairman, I thank the gentleman from Texas, the gentleman from Illinois, the ranking minority member, and also the gentleman from Nebraska for assisting me.

Mr. Chairman, I ask for a favorable vote on my amendment.

Mr. SKELTON. Mr. Chairman, will the gentleman yield?

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

Mr. SKELTON. Mr. Chairman, I rise today pleased to join so many of my colleagues in supporting H.R. 3030, legislation which would reorganize the Farm Credit System [FCS].

As chairman of the Congressional Rural Caucus, one of my priorities for 1987 is a restructuring of the ailing Farm Credit System. The FCS, a cooperative network of 37 banks and nearly 400 local lending associations, is the Nation's largest farm lender. After making substantial profits in the 1970's, declining land values and the continued economic crisis in agriculture has created financial problems for the FCS in recent years.

The bill calls for a complete restructuring of the FCS within 1 year, to achieve greater efficiency, competitiveness and to increase local control.

Additionally, this measure includes provisions to assist financially stressed farmers having difficulty making loan payments. Under the plan, FCS institutions can restructure loans in cases where restructuring will recover more of the outstanding debt than foreclosure. This provision is important because it will keep family farmers on their land.

Another important proposal is a section which enhances the rights of FCS borrowers, entitling them to a review of adverse credit decisions and a "right of first refusal" to repurchase any foreclosed property.

Make no mistake, this legislation is important to rural America and deserves our support. This bill is designed to meet the needs of both farm lenders and farm borrowers and at the same time restores confidence in the Farm Credit System itself.

Mr. Chairman, I urge adoption of the bill.

The CHAIRMAN. The question is on the amendment, as modified, offered by the gentleman from Oklahoma [Mr. WATKINS].

The amendment, as modified, was agreed to.

□ 1745

The CHAIRMAN. Under the rule, amendment No. 37 is now in order.

Under the rule, amendment No. 38 is now in order.

AMENDMENT, AS MODIFIED, OFFERED BY MR. JOHNSON OF SOUTH DAKOTA

Mr. JOHNSON of South Dakota. Mr. Chairman, I offer an amendment and I ask unanimous consent that the amendment be considered as modified.

The Clerk read as follows:

Amendment offered by Mr. JOHNSON of South Dakota:

On page 185, after line 19, insert the following new section:

SEC. . REVISED PROCEDURES FOR APPEAL OF ADVERSE LOAN SERVICING DECISIONS OF SECRETARY OF AGRICULTURE.

(a) Decision subject to judicial review; appointment of administrative law judges to hear appeals; appeals granted without regard to lender participation.

Section 333B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1983b) is amended by adding at the end the following new subsection:

"(d)(1) The Secretary shall provide any farmer program borrower that has—

"(A) exhausted the appeals procedure authorized under section 333B(a),

"(B) applied for any primary or secondary loan service programs, and

"(C) been directly and adversely affected by a decision of the Secretary with respect to such application.

with the opportunity for a hearing on the record with respect to such decision, in accordance with regulations issued by the Secretary consistent with this section.

"(2) The Secretary shall appoint administrative law judges under section 3105 of title 5, United States Code, to preside at the hearings required under this subsection, and shall conduct such hearings in accordance with sections 556 and 557 of title 5 of such Code.

"(3) The Secretary shall provide the procedures required to be provided under this subsection without regard to the participation or agreement of any lender.".

(d) EFFECTIVE DATE. The amendments made by this section shall take effect 120 days after the date of the enactment of this title.

Mr. JOHNSON of South Dakota (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from South Dakota?

There was no objection.

The CHAIRMAN. Is there objection to the modification?

Mr. COLEMAN of Missouri. Mr. Chairman, reserving the right to object, I do so that we might be able to have the gentleman from South Dakota explain his amendment. As I understand, it has been accepted, but I think we want to make sure it is the same amendment we think it is.

Mr. JOHNSON of South Dakota. Mr. Chairman, will the gentleman yield?

Mr. COLEMAN of Missouri. I yield to the gentleman from South Dakota.

Mr. JOHNSON of South Dakota. Mr. Chairman, the amendment before us is an amendment to provide for an administration law judge option for farmers who are appealing through the Farmers Home Administration.

This amendment has been presented to the gentleman from Illinois [Mr. MADIGAN]. He has indicated to me his approval of the amendment. It provides for exhaustion of the current in-house Farmers Home Administration process first, prior to going on to an administrative law judge process, and that is what the amendment does at this point.

Mr. COLEMAN of Missouri. Mr. Chairman, further reserving the right to object, is this the amendment the gentleman has revised to pertain to one class of classes to be heard by the administrative law judges from the Farmers Home Administration any adverse decision made through the restructuring process of Farmers Home and limited solely to that area?

Mr. JOHNSON of South Dakota. The gentleman is correct, yes, this provides in foreclosure and in restructure, but not in the loan application process.

Mr. COLEMAN of Missouri. Mr. Chairman, I withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from South Dakota for the modification of his amendment?

There was no objection.

The CHAIRMAN. The gentleman from South Dakota [Mr. JOHNSON] is recognized for 5 minutes.

Mr. JOHNSON of South Dakota. Mr. Chairman, this amendment simply provides for a due process standard for famers engaged in Farmers Home Administration in borrowing. I think it is an essential amendment.

Mr. DE LA GARZA. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of South Dakota. I yield to the gentleman from Texas.

Mr. DE LA GARZA. Mr. Chairman, I would like to say to my colleagues that we have examined the amendment and have no objection to it.

Mr. JOHNSON of South Dakota. Mr. Chairman, I ask for a positive vote and I yield back the balance of my time.

The CHAIRMAN. The question is on the amendment, as modified, offered by the gentleman from South Dakota [Mr. JOHNSON].

The amendment, as modified was agreed to.

The CHAIRMAN. Under the rule, no further amendments are permitted.

The question is on the committee amendment in the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker pro tempore [Mr. FOLEY] having assumed the chair, Mr. TRAXLER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 3030) to provide credit assistance to farmers, to strengthen the Farm Credit System, and for other purposes, pursuant to House Resolution 265, he reported the bill back to the House with an amendment adopted by the Committeee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment to the Committee amendment in the nature of a substitute adopted by the Committee of the Whole? If not, the question is on the amendment.

The amendment was agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. STENHOLM. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 365, noes 49, not voting 19, as follows:

[Roll No. 347]

AYES—365

Ackerman	Downey	Jones (NC)
Akaka	Duncan	Jones (TN)
Alexander	Dwyer	Jontz
Andrews	Dymally	Kanjorski
Annunzio	Dyson	Kaptur
Anthony	Eckart	Kasich
Applegate	Edwards (CA)	Kastenmeier
Aspin	Edwards (OK)	Kennelly
AuCoin	Emerson	Kildee
Baker	English	Kleczka
Ballenger	Erdreich	Kolbe
Barnard	Espy	Kolter
Bartlett	Evans	Konnyu
Bateman	Fascell	Kostmayer
Bentley	Fazio	Lancaster
Bereuter	Feighan	Lantos
Berman	Fields	Latta
Bevill	Fish	Leach (IA)
Bilbray	Flake	Leath (TX)
Bliley	Flippo	Lehman (CA)
Boehlert	Florio	Lehman (FL)
Boggs	Foglietta	Leland
Boland	Foley	Lent
Bonior	Ford (MI)	Levin (MI)
Bonker	Frost	Levine (CA)
Borski	Gallo	Lewis (CA)
Bosco	Garcia	Lewis (FL)
Boucher	Gaydos	Lewis (GA)
Boulter	Gejdenson	Lightfoot
Boxer	Gekas	Lipinski
Brennan	Gilman	Lloyd
Brooks	Gingrich	Lott
Broomfield	Glickman	Lowry (WA)
Brown (CA)	Goodling	Lujan
Brown (CO)	Gordon	Luken, Thomas
Bryant	Gradison	Lukens, Donald
Buechner	Grandy	Mack
Bunning	Grant	MacKay
Burton	Gray (IL)	Manton
Bustamante	Gray (PA)	Markey
Byron	Green	Marlenee
Callahan	Gregg	Martin (IL)
Campbell	Guarini	Martin (NY)
Cardin	Gunderson	Martinez
Carr	Hall (OH)	Matsui
Chandler	Hall (TX)	Mavroules
Chapman	Hamilton	Mazzoli
Chappell	Hammerschmidt	McCandless
Clarke	Hansen	McCloskey
Clay	Harris	McCurdy
Clinger	Hastert	McDade
Coats	Hatcher	McEwen
Coble	Hawkins	McGrath
Coelho	Hayes (IL)	McHugh
Coleman (MO)	Hayes (LA)	McMillan (NC)
Coleman (TX)	Hefley	McMillen (MD)
Combest	Hefner	Mfume
Conte	Henry	Mica
Conyers	Herger	Michel
Cooper	Hertel	Miller (CA)
Courter	Hiler	Miller (OH)
Coyne	Hochbrueckner	Miller (WA)
Craig	Holloway	Mineta
Crockett	Hopkins	Moakley
Darden	Horton	Molinari
Daub	Houghton	Mollohan
Davis (MI)	Howard	Montgomery
de la Garza	Hoyer	Moody
DeFazio	Hubbard	Moorhead
Dellums	Huckaby	Morella
Derrick	Hughes	Morrison (WA)
DeWine	Hutto	Mrazek
Dickinson	Hyde	Murphy
Dicks	Inhofe	Murtha
Dingell	Ireland	Myers
Dixon	Jacobs	Nagle
Dorgan (ND)	Jenkins	Natcher
Dornan (CA)	Johnson (CT)	Neal
Dowdy	Johnson (SD)	Nelson

Nichols
Nowak
Oakar
Obey
Olin
Owens (NY)
Owens (UT)
Oxley
Packard
Panetta
Parris
Pashayan
Patterson
Pease
Pelosi
Penny
Perkins
Petri
Pickett
Pickle
Price (IL)
Price (NC)
Pursell
Quillen
Rahall
Rangel
Ravenel
Ray
Rhodes
Richardson
Ridge
Rinaldo
Roberts
Robinson
Rodino
Rogers
Rose
Rostenkowski
Roth
Roukema
Rowland (CT)
Rowland (GA)
Roybal
Sabo
Saiki
Savage
Sawyer
Saxton
Schaefer
Scheuer
Schneider
Schroeder
Schuette
Schulze
Schumer
Sensenbrenner
Sharp
Shays
Shumway
Shuster
Sikorski
Sisisky
Skaggs
Skeen
Skelton
Slattery
Slaughter (NY)
Slaughter (VA)
Smith (FL)
Smith (IA)
Smith (NE)
Smith (NJ)
Smith (TX)
Smith, Denny (OR)
Smith, Robert (OR)
Snowe
Solarz
Solomon
Spence
Spratt
St Germain
Staggers
Stallings
Stangeland
Stenholm
Stokes
Stratton
Sundquist
Sweeney
Synar
Tallon
Tauke
Taylor
Thomas (CA)
Thomas (GA)
Torres
Torricelli
Towns
Traficant
Traxler
Udall
Upton
Valentine
Vander Jagt
Vento
Visclosky
Volkmer
Vucanovich
Walgren
Walker
Watkins
Waxman
Weber
Weiss
Weldon
Wheat
Whittaker
Whitten
Williams
Wise
Wolf
Wolpe
Wortley
Wyden
Wylie
Yatron
Young (AK)
Young (FL)

NOES—49

Anderson
Archer
Armey
Atkins
Badham
Barton
Bates
Beilenson
Bennett
Bilirakis
Carper
Cheney
Coughlin
Crane
Dannemeyer
Davis (IL)
DeLay
DioGuardi
Donnelly
Dreier
Early
Fawell
Frank
Frenzel
Gallegly
Gibbons
Gonzalez
Hunter
Jeffords
Kennedy
Kyl
LaFalce
Lagomarsino
Lowery (CA)
Lungren
Madigan
Meyers
Morrison (CT)
Nielson
Regula
Ritter
Russo
Shaw
Smith, Robert (NH)
Stark
Studds
Stump
Wilson
Yates

NOT VOTING—19

Biaggi
Bruce
Collins
Daniel
Durbin
Ford (TN)
Gephardt
Kemp
Livingston
McCollum
Oberstar
Ortiz
Pepper
Porter
Roe
Roemer
Swift
Swindall
Tauzin

□ 1800

The Clerk announced the following pairs:

On this vote:

Mrs. Collins for, with Mr. McCollum against.

Mr. COUGHLIN changed his vote from "aye" to "no."

So the bill was passed.

The result of the vote was announced as above recorded.

The title of the bill was amended so as to read: "a bill to provide credit assistance to farmers, to strengthen the Farm Credit System, to facilitate the establishment of secondary markets for agricultural loans, and for other purposes."

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. DE LA GARZA. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

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

There was no objection.

PERSONAL EXPLANATION

Mr. DURBIN. Mr. Speaker, I was unavoidably detained and unable to vote on rollcall 347. Had I been present, I would have voted in the affirmative on H.R. 3030, the Agricultural Credit Act of 1987.

PERSONAL EXPLANATION

Mr. BRUCE. Mr. Speaker, on rollcall 347, I was unavoidably detained and missed that vote. Had I been present, I would have voted in favor of the passage of H.R. 3030, the Agricultural Credit Act of 1987.

Mr. Speaker, I wholeheartedly support this bill which provides credit assistance to farmers and addresses the financial problems of the Farm Credit System. I am expecially pleased with the guarantee for FCS stock and that we were able to hammer out a compromise which makes possible the establishment of a secondary market for agricultural loans. It is my hope that our entire farm economy will benefit through the adoption of this much-needed legislation.

PERSONAL EXPLANATION

Mr. SWIFT. Mr. Speaker, on rollcall No. 347, the vote on the bill just passed, I was in the Chamber with my card in the slot when the machine went off and the vote was not recorded.

Had it been recorded, I would have voted "yea."

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 162, HIGH RISK OCCUPATIONAL DISEASE NOTIFICATION AND PREVENTION ACT OF 1987

Mr. GORDON, from the Committee on Rules, submitted a privileged report (Rept. No. 100-356) on the resolution (H. Res. 280) providing for the consideration of the bill (H.R. 162) to establish a system for identifying, notifying, and preventing illness and death among workers who are at increased or high risk of occupational disease, and for other purposes, which was referred to the House Calendar and ordered to be printed.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. (Mr. MONTGOMERY). Pursuant to clause 5, rule I, the Chair will now put the question on the motion to suspend the rules on which further proceedings were postponed on Monday, October 5, 1987, and then on the motion postponed earlier today in the order in which those motions were entertained.

Votes will be taken in the following order: H.R. 3307 by the yeas and nays and H.R. 3391, by the yeas and nays.

The Chair will reduce to 5 minutes the time for any electronic votes after the first such vote in this series.

SENTENCING GUIDELINES STAY OF IMPLEMENTATION ACT OF 1987

The SPEAKER pro tempore. The unfinished business is the question of suspending the rules and passing the bill, H.R. 3307, as amended.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Michigan [Mr. CONYERS] that the House suspend the rules and pass the bill, H.R. 3307, as amended, on which the yeas and nays are ordered.

The vote was taken by electronic device and there were—yeas 183, nays 231, not voting 19, as follows:

[Roll No. 348]

YEAS—183

Ackerman
Akaka
Alexander
Annunzio
Aspin
Atkins
Barnard
Beilenson
Berman
Boggs
Boland
Bonior
Borski
Boucher
Brennan
Brooks
Brown (CA)
Brown (CO)
Bruce
Bryant
Callahan
Cardin
Clarke
Clay
Coble
Coelho
Coleman (TX)
Conte
Conyers
Cooper
Coyne
Dellums
Derrick
Dickinson
Dicks
Dingell
Dixon
Donnelly
Dowdy
Downey
Duncan
Durbin
Dwyer
Dymally
Early
Edwards (CA)
Espy
Evans
Fascell
Fazio
Feighan
Fish
Flake
Florio
Foglietta
Foley
Ford (MI)
Frank
Garcia
Gaydos
Gejdenson
Gekas
Glickman
Gonzalez
Goodling
Gordon
Gradison
Gray (IL)
Gray (PA)
Green
Hall (OH)
Hamilton
Hammerschmidt
Hatcher
Hawkins
Hayes (IL)
Houghton
Howard
Hoyer
Hughes
Jacobs
Jeffords
Jenkins
Johnson (SD)
Jones (NC)
Jontz
Kanjorski
Kastenmeier
Kennedy
Kildee
Kleczka
Kolter
Konnyu
Kostmayer
LaFalce
Lantos
Lehman (FL)
Leland
Levin (MI)
Levine (CA)
Lewis (GA)
Lloyd
Lowry (WA)
Lujan
Manton
Markey
Martinez
Matsui
Mavroules
Mazzoli
McCloskey
McCurdy
McDade
McHugh
McMillen (MD)
Mfume
Mica

Mineta
Moakley
Montgomery
Morrison (CT)
Mrazek
Murphy
Murtha
Nagle
Natcher
Nowak
Oakar
Obey
Olin
Owens (NY)
Owens (UT)
Panetta
Patterson
Pease
Pelosi
Perkins
Pickle
Price (IL)
Rangel
Richardson
Rodino
Rostenkowski
Rowland (GA)
Roybal
Sabo
Savage
Sawyer
Scheuer
Schneider
Schroeder
Schumer
Sikorski
Sisisky
Skaggs
Skeen
Smith (FL)
Smith (IA)
Solarz
Staggers
Stark
Stokes
Studds
Swift
Synar
Taylor
Thomas (GA)
Torres
Towns
Vento
Visclosky
Walgren
Watkins
Waxman
Weiss
Wheat
Whitten
Wilson
Wise
Wolpe
Wylie
Yates
Yatron

NAYS—231

Anderson
Andrews
Anthony
Applegate
Archer
Armey
AuCoin
Badham
Baker
Ballenger
Bartlett
Barton
Bateman
Bates
Bennett
Bereuter
Bevill
Bilbray
Bilirakis
Bliley
Boehlert
Bonker
Bosco
Boulter
Boxer
Broomfield
Buechner
Bunning
Burton
Bustamante
Byron
Campbell
Carper
Carr
Chandler
Chapman
Chappell
Cheney
Clinger
Coats
Coleman (MO)
Combest
Coughlin
Courter
Craig
Crane
Dannemeyer
Darden
Daub
Davis (IL)
Davis (MI)
de la Garza
DeFazio
DeLay
DeWine
DioGuardi
Dorgan (ND)
Dornan (CA)
Dreier
Dyson
Eckart
Edwards (OK)
Emerson
English
Erdreich
Fawell
Fields
Flippo
Frenzel
Frost
Gallegly
Gallo
Gibbons
Gilman
Gingrich
Grandy
Grant
Gregg
Guarini
Gunderson
Hall (TX)
Hansen
Harris
Hastert
Hayes (LA)
Hefley
Hefner
Henry
Herger
Hertel
Hiler
Hochbrueckner
Holloway
Hopkins
Horton
Hubbard
Huckaby
Hunter
Hutto
Hyde
Inhofe
Ireland
Johnson (CT)
Jones (TN)
Kaptur
Kasich
Kennelly
Kolbe
Kyl
Lagomarsino
Lancaster
Latta
Leach (IA)
Leath (TX)
Lehman (CA)
Lent
Lewis (CA)
Lewis (FL)
Lightfoot
Lipinski
Lott
Lowery (CA)
Luken, Thomas
Lukens, Donald
Lungren
Mack
MacKay
Madigan
Marlenee
Martin (IL)
Martin (NY)
McCandless
McEwen
McGrath
McMillan (NC)
Meyers
Michel
Miller (CA)
Miller (OH)
Miller (WA)
Molinari
Mollohan
Moody
Moorhead
Morella
Morrison (WA)
Myers
Neal
Nelson
Nichols
Nielson
Oxley
Packard
Parris
Pashayan
Penny
Petri
Pickett
Price (NC)
Pursell
Quillen
Rahall
Ravenel
Ray
Regula
Rhodes
Ridge
Rinaldo
Ritter
Roberts
Robinson
Rogers
Rose
Roth
Roukema
Rowland (CT)
Russo
Saiki
Saxton
Schaefer
Schuette
Schulze
Sensenbrenner
Sharp
Shaw
Shays
Shumway
Shuster
Skelton
Slattery
Slaughter (NY)
Slaughter (VA)
Smith (NE)
Smith (NJ)
Smith (TX)
Smith, Denny (OR)
Smith, Robert (NH)
Smith, Robert (OR)
Snowe
Solomon
Spence
St Germain
Stallings
Stangeland
Stenholm
Stratton
Stump
Sundquist
Sweeney
Tallon
Tauke
Thomas (CA)
Torricelli
Traficant
Traxler
Udall
Upton
Valentine
Vander Jagt
Volkmer
Vucanovich
Walker
Weber
Weldon
Whittaker
Williams
Wolf
Wortley
Wyden
Young (AK)
Young (FL)

NOT VOTING—19

Bentley
Biaggi
Collins
Crockett
Daniel
Ford (TN)
Gephardt
Kemp
Livingston
McCollum
Oberstar
Ortiz
Pepper
Porter
Roe
Roemer
Spratt
Swindall
Tauzin

□ 1815

The Clerk announced the following pair:

On this vote:

Mr. Pepper and Mrs. Collins for, with Mr. McCollum against.

Mr. MATSUI changed his vote from "nay" to "yea."

Mr. HERTEL and Mr. SLATTERY changed their votes from "yea" to "nay."

So (two-thirds not having voted in favor thereof) the motion was rejected.

The result of the vote was announced as above recorded.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. MONTGOMERY). Pursuant to the provisions of clause 5, rule I, the Chair announces that he will reduce to a minimum of 5 minutes the period of time within which a vote by electronic device may be taken on the additional motion to suspend the rules on which the Chair has postponed further proceedings.

IRANIAN TRADE SANCTIONS

The SPEAKER pro tempore. The pending business is the question of suspending the rules and passing the bill, H.R. 3391, as amended.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Illinois [Mr. ROSTENKOWSKI] that the House suspend the rules and pass the bill, H.R. 3391, as amended, on which the yeas and nays are ordered.

The vote was taken by electronic device, and there were—yeas 407, nays 5, not voting 21, as follows:

[Roll No. 349]

YEAS—407

Ackerman
Akaka
Alexander
Anderson
Andrews
Annunzio
Anthony
Applegate
Archer
Armey
Aspin
Atkins
AuCoin
Badham
Baker
Ballenger
Barnard
Bartlett
Barton
Bateman
Bates
Beilenson
Bennett
Bereuter
Berman
Bevill
Bilbray
Bilirakis
Bliley
Boehlert
Boggs
Boland
Bonior
Bonker
Borski
Boucher
Boulter
Boxer
Brennan
Brooks
Broomfield
Brown (CA)
Brown (CO)
Bruce
Bryant
Buechner
Bunning
Burton
Bustamante
Byron
Callahan
Campbell
Cardin
Carper
Carr
Chandler
Chapman
Chappell
Cheney
Clarke
Clay
Clinger
Coats
Coble
Coelho
Coleman (MO)
Coleman (TX)
Combest
Conte
Cooper
Coughlin
Courter
Coyne
Craig
Crane
Dannemeyer
Darden
Daub
Davis (IL)
Davis (MI)
de la Garza
DeFazio
DeLay
Dellums
Derrick
DeWine
Dickinson
Dicks
Dingell
DioGuardi
Dixon
Donnelly
Dorgan (ND)
Dornan (CA)
Dowdy
Downey
Dreier
Duncan
Durbin
Dwyer
Dymally
Dyson
Early
Eckart
Edwards (CA)
Edwards (OK)
Emerson
English
Erdreich
Espy
Evans
Fascell
Fawell
Fazio
Feighan
Fields
Fish
Flake
Flippo
Florio
Foglietta
Foley
Ford (MI)
Frank
Frenzel
Frost
Gallegly
Gallo
Garcia
Gaydos
Gejdenson
Gekas
Gibbons
Gilman
Gingrich
Glickman
Gonzalez
Goodling
Gordon
Gradison
Grandy
Grant
Gray (IL)
Gray (PA)
Green
Gregg
Guarini
Gunderson
Hall (OH)
Hall (TX)
Hamilton
Hammerschmidt
Hansen
Harris
Hastert
Hatcher
Hawkins
Hayes (IL)
Hayes (LA)
Hefley
Hefner
Henry
Herger
Hertel
Hiler
Hochbrueckner
Holloway
Hopkins
Horton
Houghton
Howard
Hoyer
Hubbard
Huckaby
Hughes
Hunter
Hutto
Hyde
Inhofe
Ireland
Jacobs
Jeffords
Jenkins
Johnson (CT)
Johnson (SD)
Jones (NC)
Jones (TN)
Jontz
Kanjorski
Kaptur
Kasich
Kennedy
Kennelly
Kildee
Kleczka
Kolbe
Kolter
Konnyu
Kostmayer
Kyl
LaFalce
Lagomarsino
Lancaster
Lantos
Latta
Leach (IA)
Leath (TX)
Lehman (CA)
Lehman (FL)
Leland
Lent
Levin (MI)
Levine (CA)
Lewis (CA)
Lewis (FL)
Lewis (GA)
Lightfoot
Lipinski
Lloyd
Lott
Lowery (CA)
Lujan
Luken, Thomas
Lukens, Donald
Lungren
Mack
MacKay
Madigan
Manton
Markey
Marlenee
Martin (IL)
Martin (NY)
Martinez
Matsui
Mavroules
Mazzoli
McCandless
McCloskey
McCurdy
McDade
McEwen
McGrath
McHugh
McMillan (NC)
McMillen (MD)
Meyers
Mfume
Mica
Michel
Miller (CA)
Miller (OH)
Miller (WA)
Mineta
Moakley
Molinari
Mollohan
Montgomery
Moorhead
Morella
Morrison (CT)
Morrison (WA)
Mrazek
Murphy
Murtha
Myers
Nagle
Natcher
Neal
Nelson
Nichols
Nielson
Nowak
Oakar
Obey
Olin
Owens (NY)
Owens (UT)
Oxley
Packard
Panetta
Parris
Pashayan
Patterson
Pease
Pelosi
Penny
Perkins
Petri
Pickett
Pickle
Price (IL)
Price (NC)
Pursell
Quillen
Rahall
Rangel
Ravenel
Ray
Regula
Rhodes
Richardson
Ridge
Rinaldo
Ritter
Roberts
Robinson
Rodino
Rogers
Rose
Rostenkowski
Roth
Roukema
Rowland (CT)
Rowland (GA)
Roybal
Russo
Sabo
Saiki
Sawyer
Saxton
Schaefer
Scheuer
Schneider
Schroeder
Schuette
Schulze

Schumer	Solomon	Vander Jagt
Sensenbrenner	Spence	Vento
Sharp	St Germain	Visclosky
Shaw	Staggers	Volkmer
Shays	Stallings	Vucanovich
Shumway	Stangeland	Walgren
Shuster	Stark	Walker
Sikorski	Stenholm	Watkins
Sisisky	Stokes	Waxman
Skaggs	Stratton	Weber
Skeen	Studds	Weiss
Skelton	Stump	Weldon
Slattery	Sundquist	Wheat
Slaughter (NY)	Sweeney	Whittaker
Slaughter (VA)	Swift	Whitten
Smith (FL)	Synar	Williams
Smith (IA)	Tallon	Wilson
Smith (NE)	Tauke	Wise
Smith (NJ)	Taylor	Wolf
Smith (TX)	Thomas (CA)	Wolpe
Smith, Denny (OR)	Thomas (GA)	Wortley
	Torres	Wyden
Smith, Robert (NH)	Torricelli	Wylie
	Traficant	Yates
Smith, Robert (OR)	Traxler	Yatron
	Udall	Young (AK)
Snowe	Upton	Young (FL)
Solarz	Valentine	

NAYS—5

Bosco	Kastenmeier	Savage
Conyers	Lowry (WA)	

NOT VOTING—21

Bentley	Kemp	Porter
Biaggi	Livingston	Roe
Collins	McCollum	Roemer
Crockett	Moody	Spratt
Daniel	Oberstar	Swindall
Ford (TN)	Ortiz	Tauzin
Gephardt	Pepper	Towns

□ 1830

So (two-thirds having voted in favor thereof), the rules were suspended and the bill, as amended, was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

AUTHORIZING THE CLERK TO MAKE TECHNICAL CORRECTIONS IN ENGROSSMENT OF H.R. 2631, U.S. MINT AUTHORIZATION

The SPEAKER pro tempore (Mr. MONTGOMERY). Without objection, in the engrossment of the bill, H.R. 2631, passed earlier today under suspension of the rules, the Clerk is authorized to make a technical correction in the text of the bill to rectify a drafting error.

There was no objection.

THE HENRY-JEFFORDS SUBSTITUTE TO H.R. 162, THE HIGH RISK OCCUPATIONAL DISEASE NOTIFICATION ACT

(Mr. BALLENGER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BALLENGER. Mr. Speaker, the House will soon vote on H.R. 162, the High Risk Occupational Disease Notification Act. This bill would create a new bureaucracy to contact workers about exposure to toxic substances, including those that may cause cancer.

In 1981, the Office of Technology Assessment issued a report that lists public laws that regulate exposure to cancer-causing agents. This report lists nearly a dozen laws aimed at protecting us from exposure to carcinogens:

PUBLIC LAWS PROVIDING FOR THE REGULATION OF EXPOSURES TO CARCINOGENS

Legislation (Agency)	Definition of toxics or hazards used for regulation of carcinogens	Degree of protection	Agents regulated as carcinogens (or proposed for regulation)	Basis of the legislation	Remarks
Federal Food, Drug, and Cosmetic Act (FDA):					
Food	Carcinogenicity for additive defined by Delaney clause.	No risk permitted, ban of additive	21 food additives and colors	Risk	
	Contaminants	"Necesary for the protection of public health. . ." sec. 406 (346).	Three substances—aflatoxin, PCB's, nitrosamines.	Balancing	
Drugs	Carcinogenicity is fefined as a risk	Risks and benefits of drug are balanced.	Not determined	Balancing	
Cosmetics	"Substance injurious under conditions of use prescribed.".	Action taken on the basis that cosmetic is adulterated.	Not determined	Risk. No health claims are allowed for "cosmetics." If claims are made, cosmetic becomes a "drug.".	
Occupational Safety and Health Act (OSHA).	Not defined in Act (but OSHA Generic Cancer Policy defines carcinogens on basis of animal test results or epidemiology).	"Adequately assures to the extent feasible that no employee will suffer material impairment of health or functional capacity. . ." sec. 6(b)(5).	20 substances	Technology (or balancing)	
Clearn Air Act (EPA):					
Sec. 112 (stationary sources)	"an air pollutant . . . which . . . may cause, or contribute to, an increase in mortality of an increase in serious irreversible, or incapacitating reversible, illness." sec. 112(a)(1).	"an ample margin of safety to protect the public health . . ." sec. 112(b)(1)(B).	Asbestos, beryllium, mercury, vinyl chloride, benzene, radionuclides, and arsenic (an additional 24 substances are being considered).	Risk	Basis of the Airborne Carcinogen Policy.
Sec. 202 (vehicles)	"air pollutant from any . . . new motor vehicles . . . or engine, which . . . cause, or contribute to, air pollution which may reasonably be anticipated to endanger public health or welfare" sec. 202A(a)(1).	"standards which reflect the greatest degree of emission reduction achievable through . . . technology . . . available . . ." sec. 202(b)(3)(a)(1).	Diesel particulates standard	Technology Sec. 202(b)(4)(B) includes a risk-risk test for deciding between pollutants that might result from control attempts.	Sec. 202(b)(4)(A) specifies that no pollution control device, system, or element shall be allowed if it presents an unreasonable risk to health, welfare or safety.
Sec. 211 (fuel additives)	Same as above (211(c) (1))	Same as above (211(c) (2) (a))		Balancing Technology-based with consideration of costs, but health-based in requirement that standards provide ample margin of safety.	A cost benefit comparison of competing control technologies is required.
Clean Water Act (EPA) Sec. 307	Toxic pollutants listed in Committee Report 95-30 of House Committee on Public Works and Transportation. List from consent decree between EDF, NRDC, Citizens for Better Environment and EPA.	Defined by applying BAT economically achievable (sec. 307(a) (2)), but effluent levels are to "provided(s) an ample margin of safety." (sec. 307(a) (4)).	49 substances listed as carcinogens by CAG.	Technology	
Federal Insecticide Fungicide, and Rodenticide Act and the Federal Environmental Pesticide Control Act (EPA).	One which results in "unreasonable adverse effects on the environment or will involve unreasonable hazard to the survival of a species declared endangered. . .".	Not specified	14 rebuttable presumptions against registrations either initiated or completed; nine pesticides voluntarily withdrawn from market.	Sec. 2(bb) Balancing: "Unreasonable adverse effects. . ."	"Unreasonable adverse effects" means "unreasonable risk to man or the environment taking into account the economic, social, and environmental costs and benefits. . ."
Resource Conservation and Recovery Act (EPA).	One which "may cause, or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness; or, pose a . . . hazard to human health or the environment . . ." sec. 1004(5)(A)(B).	"that necessary to protect human and the environment . . ." sec. 3002-04.	74 substances proposed for listing as hazardous wastes.	Risk. The Administrator can order monitoring and set standards for sites..	
Safe Drinking Water Act (EPA)	"contaminant(s) which. . .may have an adverse effect on the health of persons." sec. 1401(a) (B).	"to the extent feasible . . . (taking costs into consideration) . . ." sec. 1412(a) (2).	Trihalomethanes, chemicals formed by reactions between chlorine used as disinfectant and organic chemicals. Two pesticides and 2 metals classified as carcinogens by CAG, but regulated because of other toxicities.	Balancing	
Toxic Substances Control Act (EPA):					
Sec. 4 (to require testing)	Substances which "may present an unreasonable risk of injury to health or the environment." sec. 4(a) (1) (A) (i).	Not specified	Six chemicals used to make plastics pliable.	Balancing: "ureasonable risk"	

PUBLIC LAWS PROVIDING FOR THE REGULATION OF EXPOSURES TO CARCINOGENS—Continued

Legislation (Agency)	Definition of toxics or hazards used for regulation of carcinogens	Degree of protection	Agents regulated as carcinogens (or proposed for regulation)	Basis of the legislation	Remarks
Sec. 6 (to regulate)	Substances which "present(s) or will present an unreasonable risk of injury to health or the environment." sec. 6(a).	"to protect adequately against such risk using the least burdensome requirement" sec. 6(a).	PCBs regulated as directed by the law	Balancing: "unreasonable risk."	
Sec. 7 (to commence civil action against imminent hazards).	"imminently hazardous chemical substance or mixture means a . . . substance or mixture which presents an imminent and unreasonable risk of serious or widespread injury to health or the environment.".	Based on degree of protection in sec. 6.		xl	
Federal Hazardous Substances Act (CPSC).	"any substance (other than a radioactive substance) which has the capacity to produce personal injury or illness . . ." 15 USC sec..	"establish such reasonable variations or additional label requirements . . . necessary for the protection of public health and safety . . ." 15 USC sec.		Risk	"Highly toxic" defined as capacity to cause death, thus toxicity may be limited to acute toxicity.
Consumer Product Safety Act (CPSC)	"products which present unreasonable risks of injury . . . in commerce," and " 'risk of injury' means a risk of death, personal injury or serious or frequent injury." 15 USC sec. 2051. "imminently hazardous consumer product' means consumer product which presents imminent and unreasonable risk of death, serious illness or severe personal injury." 15 USC sec. 2061.	"standard shall be reasonably necessary to prevent or reduce an unreasonable risk of injury." 15 USC sec. 2056.	Five substances: asbestos, benzene, benzidine (and benzidine-based dyes and pigments), vinyl chloride, "tris".	Balancing: "unreasonable"	Standards are to be expressed, wherever feasible, as performance requirements.

Source: Office of Technology Assessment.

Creating another law is not going to protect workers from the effects of harmful substances. We have enough laws to do the job, if they are properly enforced. Congress has the power to make the present laws work.

The Henry-Jeffords substitute offers us a workable plan for making our present laws more effective.

I urge you to vote "no" on H.R. 162 and "yes" on the Henry-Jeffords substitute.

CHICAGO'S 1987 COLUMBUS DAY PARADE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois [Mr. ANNUNZIO] is recognized for 5 minutes.

Mr. ANNUNZIO. Mr. Speaker, on Monday, October 12, Chicagoans will celebrate the discovery of America by Christopher Columbus 495 years ago with a gigantic parade. Many thousands will attend this gala processional, and millions more will be able to see this event live on WGN-TV.

The voyage of Christopher Columbus marked one of history's most challenging and rewarding explorations, and this year leading the proud parade assemblage will be Senator JOSEPH R. BIDEN, Jr., of Delaware. Other participants in this year's event will include Mayor Harold Washington of the city of Chicago; Gov. James R. Thompson of the State of Illinois; Congressman MARTY RUSSO; Dr. Leonardo Baroncelli, consul general of Italy, and many other civic and political dignitaries, as well as myself.

Chicago's grand Columbus Day Parade will step off from the corner of Dearborn and Wacker Drive at 1 p.m., and will include over 200 floats, bands, and marching units depicting the theme of this year's parade, "100 years of filmmaking," featuring the contributions of Italian-Americans to the American television and film industry. A special feature of this year's parade will be "look-alike" television and movie personalities who will be riding on some of the floats. Also, colorful floats especially designed for the occasion will carry members of the Italian-American community wearing authentic costumes from the 19 regions of Italy.

The Joint Civic Committee of Italian Americans, comprised of more than 40 Italo-American civic organizations in the Chicagoland area, sponsors the Columbus Day Parade and other related activities. Many local groups cooperate with the Joint Civic Committee in this communitywide tribute to Columbus, and Anthony Sorrentino, the executive director of the Joint Civic Committee, is again helping to coordinate the various activities of the parade as he has done so ably over these years.

Mr. Speaker, the President of the United States, the Honorable Ronald Reagan; the Governor of the State of Illinois, the Honorable James R. Thompson, and the mayor of the city of Chicago, the Honorable Harold Washington, have issued proclamations commemorating the discovery of America by Columbus, and copies of these proclamations follow:

[A Proclamation by the President of the United States of America]

COLUMBUS DAY, 1987

Every October the people of the United States celebrate the day nearly 500 autumns ago when Christopher Columbus and the crews of the *Nina*, the *Pinta*, and the *Santa Maria* found a New World. That world is our Western Hemisphere, and we in the United States trace the history and development of our country and our culture back to Columbus and his daring exploration, his initiative, his faith, and his courage.

Columbus continues to inspire the United States and the rest of the world for almost half a thousand years because of his great understanding and vision and because of his single-minded determination to let no disappointment, ridicule, or risk keep him from a goal he knew to be sensible, feasible, and of great promise. He viewed the unknown as an opportunity, not as a danger.

The Admiral of the Ocean Seas is remembered as well for challenging the horizons of his time and place, for his spirit of reaching beyond the obvious, for defying the pessimists and expanding the frontiers of knowledge. That spirit animated those who followed him to the New World through the centuries and brought untold energy, boldness, and ingenuity with them. We Americans are risk-takers; like Columbus, we have a vision of the world as it can be, and of the future as an opportunity and a challenge.

Italian Americans have special reason to celebrate Columbus Day with great pride. Columbus was the first of many Italian travelers who have made contributions to the New World. Columbus is one of many links binding the United States and Italy in a special relationship.

This tribute also has special meaning for Americans of Spanish descent. Without Spanish support, Columbus's voyage of discovery would not have been possible. Spain's contribution to the New World and to its cultural and economic heritage went on to be even larger, as the recent visit by Their Majesties King Juan Carlos and Queen Sofia of Spain to the American Southwest reminded us.

The year 1992 will be the 500th anniversary of Columbus's first voyage to the Americas. The Christopher Columbus Quincentenary Jubilee Commission, a distinguished group of Americans aided by representatives from Spain and Italy, prepared a report that I transmitted to the Congress in September of this year, making recommendations for our Nation's observance of the Quincentenary, including themes that embody the broad significance of this anniversary and suggestions for Quincentenary programs that will extend to communities, organizations, and institutions around the United States.

In tribute to Christopher Columbus, the Congress of the United States, by joint resolution approved April 30, 1934 (48 Stat. 657), as modified by the Act of June 28, 1968 (82 Stat. 250), has requested the President to proclaim the second Monday in October of each year as "Columbus Day."

Now, therefore, I, Ronald Reagan, President of the United States of America, do hereby proclaim Monday, October 12, 1987, as Columbus Day. I invite the people of this Nation to observe that day with appropriate ceremonies in honor of this great explorer. I also direct that the flag of the United States be displayed on all public buildings on the appointed day in honor of Christopher Columbus.

In witness whereof, I have hereunto set my hand this first day of October, in the year of our Lord nineteen hundred and eighty-seven, and of the Independence of the United States of America the two hundred and twelfth.

RONALD REAGAN.

STATE OF ILLINOIS—PROCLAMATION

Whereas, every American knows what historic event occurred in 1492, for in that year, the history of the world took a dramatic leap. The voyage of Columbus, which spurred further exploration of the New World, is celebrated annually throughout the land; and

Whereas, Columbus and many other distinguished Italians have contributed to the growth of civilization. The Italian community is joined by Americans of every ethnic background in recognizing Columbus Day; and

Whereas, Italian-American residents in Illinois will be sponsoring their 31st annual Columbus Day Parade to honor their native hero;

Therefore, I, James R. Thompson, Governor of the State of Illinois, proclaim October 12, 1987, as "Columbus Day" in Illinois.

JAMES R. THOMPSON,
Governor.

CITY OF CHICAGO—PROCLAMATION

Whereas, the Joint Civic Committee of Italian-Americans (JCCIA), is sponsoring its annual Columbus Day Parade on October 12, 1987; and

Whereas, the courage and visionary wisdom displayed by Christopher Columbus in his intrepid voyage of discovery is exemplary of the Italian-American community; and

Whereas, those qualities of our Italian-American brothers and sisters are evident in the many contributions to the arts, politics, sports and socio-economic life of Chicago; and

Whereas, the Chicago Office of Fine Arts, Department of Cultural Affairs is presenting its annual Salute to Columbus "Under the Picasso" at the Daley Civic Center, a two program series on October 6th and 8th at 12:00 noon, and a multi-medium exhibit by Italian-American artists on October 5-23, 1987, to which the public is invited; and

Whereas, this year's parade honors the Italian-American Film Industry:

Now, therefore, I, Harold Washington, Mayor of the City of Chicago, do hereby proclaim October 12, 1987, to be "Columbus Day in Chicago" and urge all citizens to be cognizant of the events held in connection with this historical observance in honor of the great navigator, Christopher Columbus.

Dated this 2nd day of October, 1987.

HAROLD WASHINGTON,
Mayor.

Mr. ANNUNZIO. Mr. Speaker, the Chicago Columbus Day celebration will begin at 9 a.m., with a Concelebrated Mass at Our Lady of Pompeii Church. An introduction will be given by Theresa Petrone, the theme coordinator of this year's parade. Anthony Pope will serve as commentator, and the lectors will be Marie Davino and Tena Amico. Ron Onesti will offer the prayer of the faithful, and the members of the offertory procession will include: Lisa Gentile McGuire, who was chosen queen of this year's Columbus Day Parade; Richard Onesti, who will portray Christopher Columbus in this celebration; Marie Palello, secretary of the Joint Civic Committee of Italian Americans; and Ann Sorrentino, costume chairperson of this year's parade. Music will be provided by the Italian Cultural Center Choir, under the direction of Leonara LiPuma, and the organists will be Lawrence Salvador and Frank Pugno. Serving as ushers will be Nick Bianco, John DeBella, Anthony Lanzito, Mike Palello, Anthony Pilas, and Lawrence Spallitta. The principal celebrant will be the Most Reverend Wilton Gregory, Auxiliary Bishop of Chicago.

The fourth degree Knights of Columbus will serve as the honor guard, and following the mass, breakfast will be prepared and served by the Mothers Club of Our Lady of Pompeii Church, with Josephine Messina as chairperson. Also, there will again be a wreath-laying ceremony at the Columbus Statue in Arrigo Park. Coordinating this event will be Thomas Baratta and Sam Garnello of the Order of the Sons of Italy in America, aided by the color guard of the Italian-American War Veterans. The invocation at the wreath-laying ceremony will be given by Bishop Gregory, and the host of ceremonies will be Leonard Giampietro. The posting of the colors will be under the direction of Mike Rongo, State of Illinois commander of the Italian-American War Veterans.

The parade will be televised locally on WGN-TV in Chicago from 1 p.m. to 2 p.m., and the sponsors for this year's parade include: Joe Rizza of Rizza Ford; Dominick DiMatteo of Dominick's Finer Foods; Anthony Fornelli of Festa Italiana; Nello Ferrara of Ferrara Pan Candy Co.; Alitalia Airlines, Anheuser Busch, Inc.; Citicorp.; Casa San Carlo; Buetera's Finer Foods; and St. Paul Federal Saving & Loan.

Other individuals playing an important part in the success of this year's parade are Lawrence Spallitta, coordinating the float personnel; Marco DeStefano, chairman of the parade marshals; Leonard Giampietro, finance and souvenir book chairman, and John Porcelli, cochairman; Ernie Kumerow, chairman of the Labor Committee; Dominic DiFrisco, and Theresa Petrone, cochairpersons of program and arrangements; Rev. Lawrence Cozzi, C.S. and Rev. Leonard Mattei, cochairmen of Religious Program and Organizations; Anthony J. Fornelli, general chairman of the 1987 parade, and Nello Ferrara, grand marshal; as well as scores of members who so tirelessly have served on these committees and the officers and trustees of the Joint Civic Committee of Italian Americans.

One of the highlights of Chicago's Columbus Day celebration is the selection of the queen of the parade. This year, judged on her beauty, poise, and personality, Lisa Gentile McGuire of Berwyn, Illinois, was chosen to reign as "Queen of the Columbus Day Parade." She received a $1,000 prize from the Joint Civic Committee of Italian Americans.

The members of the queen's court include Maria Grisanzio of Addison, IL; Gloria Mancini of Chicago, IL; Michelle E. Dantino of Melrose Park, IL; and Linda Marie Zec of Orland Park, IL.

The chairman of the queen contest is Fred Mazzei and the cochairperson is Josephine Bianco. Judges for the contest included Joseph M. Caliendo, fur fashion designer and co-owner of Bruno & Joseph Furs; the Honorable James A. DeLeo, member of the House of Representatives in the Illinois General Assembly; Barbara Dardanes, personnel consultant; Dr. John Drammis, Jr., cosmetic plastic surgeon and director of Cosmetic Surgery Center of Chicago, Inc., and Liposuction Center; Marilyn Fredericks, choreographer, travel agent and dance instructor; Rose Farina, manager of the Richard J. Daley Center Events for the Chicago Office of Fine Arts; Laura Spingola, president of Trade Resources Ltd., marketing consultants for export and import trade; Anthony Tolitano, owner-operator of U.S. Shoe Repair Stores; and Dr. Carl Tintari, cosmetic dentist and founder of the Midwest School of Facial Aesthetics.

The Columbus Day celebration will close with a reception at the Como Inn Restaurant in Chicago, in honor of our guests, the officers, committee chairmen, and members who are participating in making the 1987 Columbus Day Parade a memorable event.

On this 18th celebration of Columbus Day as a national holiday, as honorary parade chairman, I commend the members and officers of the Joint Civic Committee of Italian Americans for their dedication, careful planning, and hard work that goes into the creation of this great event. Our city and our people are proud of these outstanding citizens and their untiring efforts to make this momentous occasion into another overwhelming success.

Mr. Speaker, the officers and members of the 1987 Chicago Columbus Day Parade Committee are as follows:

LIST OF OFFICERS AND MEMBERS OF CHICAGO'S COLUMBUS DAY PARADE

COLUMBUS DAY PARADE COMMITTEE

Anthony J. Fornelli, General Chairman.
Nello Ferrara, Grand Marshal.

HONORARY CHAIRMEN

Congressman Frank Annunzio.
Congressman Martin Russo.
Leonardo Baroncelli, Consul General of Italy.

JCCIA OFFICERS

Carl De Moon, President.
Leonard Giampietro, 1st Vice President.
Fred Mazzei, 2nd Vice President.
Anthony Terlato, 3rd Vice President.
Fred Bartoli, 4th Vice President.
Thomas C. Baratta, 5th Vice President.
John De Bella, Treasurer.
Josephine L. Ortale, Secretary.
Lawrence Spallitta, Sgt. at Arms.
Anthony Sorrentino, Executive Director.

BOARD OF TRUSTEES

Richard Parrillo, Chairman.
Congressman Frank Annunzio, Vice Chairman.
Michael Annecca.
Fred Bartoli.
Anthony Bertuca.
Victor Cacciatore.
Jerry Campagna.
Representative Ralph Capparelli.
Michael Cardilli.
Gilbert Cataldo.
Michael Coccia.
James L. Coli.
John Coli.
Mike Coli.
Senator John D'Arco, Jr.
Representative James De Leo.
Pat De Leo.
Dominick Di Matteo.
Marco Domico.

Nello Ferrara.
Anthony J. Fornelli.
Paul Fosco.
Anthony Fratto.
Fire Commissioner Louis Galante.
Leonard Giampietro.
Dr. James F. Greco.
Ernie Kumerow.
Joseph Lizzardo, Jr.
Steve Lombardo.
Charles LoVerde.
Frank Mancari.
Joseph Marchetti.
Pat Marcy, Jr.
Joseph Mazza.
Michael R. Notaro.
John C. Porcelli.
Charles C. Porcelli.
Nunzio Raimondi.
Ciro Rossini.
Tom Roti.
Dr. Salvatore Rotella.
Dr. Mario O. Rubinelli.
John Serpico.
Dr. Raffaele Suriano.
Anthony Terlato.
Joseph Tolitano.
Lester Trilla.
Jerome N. Zurla.

EXECUTIVE COMMITTEE

Mathew J. Alagna.
Sam Andolino.
Anthony Apa.
Alex Batinich.
Larry Battisti.
Norma Battisti.
Josephine Bianco.
Nick Bianco.
Shirlee Blacconeri.
Norman Boccio.
Frank Cacciatore, Jr.
Richard Caifano.
Dominic Candeloro.
Enrico Caputo.
Pasquale Caputo.
Charles Carosella.
Frank Paul Catrambone.
Sam Cerniglia.
Jack P. Cerone.
John Ciolfi.
Louis Da Prato.
Patrick De Moon, Jr.
Jerome De Palma.
Marco De Stefano.
Dominic Di Frisco.
Ettore Di Vito.
Bernard Fio Rito.
Sam Garnello.
Dan Goduto.
Libby Hannigan.
Joseph La Calamita.
Larry Laino.
Leonora Li Puma.
Marino Mazzei.
Anthony Mandolini.
Anthony Morizzo.
Andrew Ortolano.
Michael Palello.
Joseph Pantaleo.
Theresa Petrone.
Anthony R. Pilas.
Gino Pisani.
Louis Rago.
Louis Ranieri.
George Randazzo.
Jeannine Riotto.
Joseph Rizza.
Phyllis Schoene.
Naomi Serpico.
Dr. Joseph Sirchio.
Ann Sorrentino.
Mary Spallitta.
Anthony Tolitano
Mike Tosi.
Ange Tufano.
Renato Turano.
Emil Venuti.
Amedeo Yelmini.

WOMEN'S DIVISION

Officers

Mrs. Marie Davino, President.
Mrs. Marion Ortale, 1st Vice President.
Mrs. Judy Guzaldo, 2nd Vice President.
Rose Ortale, Treasurer.
Mrs. Marie Palello, Corresponding Secretary.
Mrs. Grace Del Principe, Recording Secretary.
Mrs. Jeannine Riotto, Advisor.

WEST SUBURBAN WOMEN'S DIVISION

Officers

Mrs. Tena Amico, President.
Mrs. Susan Scribano McFall, 1st Vice President.
Mrs. Cabrina Greco Moran, 2nd Vice President.
Mrs. Sally Costanzo Wojcik, Treasurer.
Mrs. Diane Vlack, Recording Secretary.
Mrs. Ann Sorrentino, Corresponding Secretary.
Mrs. Libby Siragusa Hannigan, Advisor.

YOUNG ADULT DIVISION

Officers

Ron Onesti, President.
Jackie Pugliese, Vice President.
Rose Ann Berton, Recording Secretary
Kelly Chiappetta, Recording Secretary.
Mary Jane Bellezzo, Corresponding Secretary.

Chaplain

Rev. Armando Pierini, C.S.

Theme coordinator

Theresa Petrone.

RELIGIOUS PROGRAM AND ORGANIZATIONS

Rev. Lawrence Cozzi, C.S., Chairman.
Rev. Leonard Mattei, Cochairman.
Rev. Armando Pierini, Advisor.
Nick Bianco.
John DeBella.
Michael Fortino.
Mike Palello.
Chief Anthony Pilas.
Anthony Pope.
Lawrence Spallitta.

PUBLIC RELATIONS

Fred Randazzo.
Jo Ann Spata.
Philomena Manno.

AUTHENTIC ITALIAN COSTUMES

Ann Sorrentino, Chairperson.
Elena Frigoletti.
Mary Spallitta.

FINANCE AND SOUVENIR BOOK

Leonard Giampietro, Chairman.
John Porcelli, Cochairman
Ann Sorrentino.
Angeline Annunzio.

LABOR COMMITTEE

Ernie Kumerow, Chairman.
James Coli.
Robert LoVerde.
Angelo Fosco.
Charles LoVerde.
Tony Judge.
Chuck Spranzo.
John Serpico.
Bruno Caruso.
Mike Coli.
John Coli.

BANDS, MARCHERS, TRANSPORTATION, AND FLOATS

Marie Palello.

PROGRAM AND ARRANGEMENTS

Dominic DiFrisco, Cochairman.
Theresa Petrone, Cochairperson.
Alderman William Banks.
Anthony Fornelli.
James DeLeo.
Charles C. Porcelli.
Leonard Giampietro.
Fred Serpe.

QUEEN CONTEST

Fred Mazzei, Chairman.
Josephine Bianco, Cochairperson.
Anita Louise Biance.
Marie Palello.
Mike Palello.
Josephine Ortale.
Fred Serpe.
Norman Boccio.
Ron Onesti.

FLOAT PERSONNEL

Lawrence Spallitta, Chairman.

PARADE MARSHALS

Marco DeStefano, Chairman.
Larry Battisti.
John DeBella.
Nick Bianco.
Pasquale Caputo.
Ettore DiVito.
Neil Francis.
Frank A. Lato.
Mike Palello.
Joseph Pantaleo.
Anthony Pilas.
Louis Rago.
Ron Onesti.
Norman Boccio.

STAFF PHOTOGRAPHER

Sam Bruno.

COORDINATOR

Anthony Sorrentino.
Marie Palello.

OFFICE VOLUNTEERS

Russell Anderson.
William Travers.
Joan Piraino.
Rose Ann Rabiola.
Jo-Anne Frisa Cole.
Nancy Savino.
Ann Sorrentino.
Josephine Ortale.
Amadeo Yelmini.
Lucille Brahill.
Rose Ortale.
Jo Ann Spata.
Philomena Manno.

TRIBUTE TO CLARK ENGLE

The SPEAKER pro tempore (Mr. OWENS of New York). Under a previous order of the House, the gentleman from Alaska [Mr. YOUNG] is recognized for 5 minutes.

Mr. YOUNG of Alaska. Mr. Speaker, on Saturday, September 5, the State of Alaska lost one of her greatest and most beloved sons; and I lost one of my closest friends. Clark Engle, one of nature's noblemen, loved Alaska and Alaskans. He loved the outdoor life and he received pleasure and gratification through introducing others to the magnificent wonders of Alaska. He was a guide, trapper, sportsman, and conservationist.

A native of Illinois, Clark decided almost 30 years ago that he wanted to become an Alaskan and that Alaska

was the most wonderful place in the world. He knew that Alaska was the place where he could make his contribution to humanity and to the animal kingdom. The road he chose was fraught with peril. He fought death many times and lived to help others through similar life-threatening situations. He was a loving, patient teacher and guide to hundreds of Alaska's visitors, but he could be a tough taskmaster and an avid avenger of those who would violate the ethics of a fair chase hunt.

Clark Engle was an early leader of those who sought to stop the illegal slaughter of animals through the hunting, herding, and shooting of them from airplanes. He was one of the founders of the Alaska Professional Hunters Association and made himself an example for the younger guides to follow. The Foundation for North American Wildsheep was another project to which Clark contributed ideas, ideals, and leadership.

Most legislators—local, State, and Federal—learned to respect Clark Engle for his logical approach, thorough knowledge, and effective suggestions for the resolution of problems affecting Alaska's wildlife and environment. I learned to solicit his opinion and ideas on virtually every piece of legislation concerning Alsaskan wildlife and Alaskan environmental issues. He was a superb consultant.

Only 2 years ago, Clark believed that at last he had found his paradise on Earth. His vision of building his dream house became a reality; a beautiful, spacious, lodge on the western edge of the Mount McKinley National Park and Preserve. He and his beloved wife Audrey had achieved their dream. Alas, for those of us who loved Clark, the dream would be too short in time.

But Clark's contribution cannot be measured by his span of years on Earth. Would that all of us could contribute so much to life in a span of 100 years as Clark did in scarcely more than half that time. Certainly where character, honor, love of nature and fellow man, and sportsmanship are valued, the name of Clark Engle will be emblazoned on the roll of honor.

Clark, I know that I speak for the multitude of your friends when I say, "Thank you for living your life the way you did." Your love of life, humor, and dedication to your ideals will serve as a model to thousands of youngsters that you can remain true to your principles, work hard, yet take time to enjoy life and smell the roses. Memories of your humor and cheerfulness will warm many a cold night and will inspire us all to be true to your ideals.

You pass on to your heirs the most precious heritage and honor that the world can bestow, the love and respect of your fellow man.

To your lovely lady Audrey, son Dale, and daughter Michelle, I offer my deepest sympathy and condolences. May God bless them.

CHARITY SHOULD HELP, NOT PENALIZE POOR

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. PANETTA] is recognized for 5 minutes.

Mr. PANETTA. Mr. Speaker, as chairman of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, I am introducing today a bill to correct two obscure practices in the welfare system which make the system appear highly insensitive to the needs of low-income persons. I have been working with my colleague, BILL EMERSON of Missouri, who is the ranking minority member of the subcommittee on these provisions. I am pleased that he is agreed to join me as an original cosponsor.

The first provision would amend both the Food Stamp Act and the Social Security Act so that small charitable contributions which are given to poor people, particularly at holidays do not count as income in determining benefits under the Food Stamp or Aid to Families with Dependent Children [AFDC] Program. A situation in my district came to light last year in which a local newspaper in my district, the Monterey Herald, conducted a campaign, "Operation Christmas," to get subscribers to donate money to help needy families over the holidays. The donors and the recipients were both justifiably outraged when they discovered that this altruism caused cuts in welfare benefits. Under Federal law, California welfare officials had no choice but to reduce these benefits.

California officials have been working to ensure that these contributions do not reduce benefits in the State-financed welfare programs, but have come to me for assistance to get the appropriate Federal laws changed.

To correct this problem, this bill provides that under both the Food Stamp and Aid to Families with Dependent Children Programs, up to $300 in a 3-month period would be excluded from income if this amount represents nonrecurring cash donations based on need that are received from one or more private nonprofit charitable organizations. CBO estimates the cost of the charity disregard to be less than $500,000 a year.

This bill will also correct a bureaucratic problem which has come to light in the Food Stamp Program. The Food and Nutrition Service of the U.S. Department of Agriculture has decided that any payment which a food stamp recipient receives for donating blood must be counted in determining food stamp benefits. I personally think it is tragic that some people find themselves in such desperate straits that they have to sell their blood. If the money they get from selling their own blood causes their food stamp benefits to be cut, the tragedy is compounded. Correction of this inequity would cost $1 million a year.

In a perfect world, neither of these provisions should be necessary. If we had a reformed welfare system, which provided adequate benefits to those who cannot work, adequate employment and training opportunities to those who can work, and enough jobs so that all able-bodied welfare recipients truly had the opportunity to escape welfare dependency, this bill would not be necessary.

I do not like proposing specific measures which add more rules and exceptions to the already overly complex welfare system.

On the other hand, it is not reasonable to ask the poor to wait for utopia, or even a pale imitation of utopia. Therefore, we are introducing this legislation today to correct these two inequities.

The following is a text of the bill:

H.R. 3435

A bill to provide that certain charitable donations, and payments for blood contributed, shall be excluded from income for purposes of the food stamp program and the AFDC program

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled,

SECTION 1. FOOD STAMP PROGRAM.

Section 5(d) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)) is amended—

(1) in clause (8) by inserting "cash donations based on need that are received from one or more private nonprofit charitable organization, but not in excess of $300 in the aggregate in a quarter," after "or credits,";

(2) in clause (12) by striking "and" at the end thereof; and

(3) by inserting after clause (13) the following: "and (14) any payment received for blood or blood products contributed by household members".

SEC. 2. AFDC PROGRAM.

Section 402(a)(8)(A) of the Social Security Act (42 U.S.C. 602(a)(8)(A)) is amended—

(1) by striking out "and" after the semicolon at the end of clause (vi) and after the semicolon at the end of clause (vii); and

(2) by adding after clause (vii) the following new clauses:

"(viii) shall disregard any payments which are received in any calendar quarter by a child, relative, or other individual specified in clause (ii) in the form of cash donations based on need from one or more private nonprofit charitable organizations (and which would otherwise be included in the income of such child, relative, or other individual), to the extent that the total of such assistance received and excluded in that quarter does not exceed $300; and

"(ix) shall disregard any payments which are received for blood or blood products contributed by any such child, relative, or other individual; and".

SEC. 3. EFFECTIVE DATE; APPLICATION OF AMENDMENTS.

(a) EFFECTIVE DATE.—Except as provided in subsection (b), the amendments made by this Act shall take effect on October 1, 1987.

(b) APPLICATION OF AMENDMENTS.—(1) The amendments made by section 1 shall not apply with respect to any month for which an allotment is issued before October 1, 1987.

(2) The amendments made by section 2 shall apply only with respect to calendar quarters beginning on or after October 1, 1987.

LINKING TRADE AND WORKER RIGHTS YIELDS POSITIVE RESULTS

The SPEAKER pro tempore. Under a previous order of the House, the gen-

tleman from Ohio [Mr. PEASE] is recognized for 5 minutes.

Mr. PEASE. Mr. Speaker, make no mistake about it. The laws enacted in 1984 and 1985 that link trade benefits and political risk insurance to respect for internationally recognized worker rights are yielding position results abroad. Consider recent development in two Pacific rim countries—South Korea and Taiwan.

SOUTH KOREA

Last January, USTR cited the following steps to afford worker rights to justify continuing GSP eligibility for South Korea:

First. In late 1986, restrictive laws were amended to provide South Korea's National Labor Confederation, the Federation of Korea Trade Unions, and its regional and national affiliates have the unimpeded right to assist local unions in organizing and collective bargaining;

Second. At the same time, the Korean Government also repealed laws that had placed special restrictions on unions of workers employed in foreign-owned firms;

Third. At the same time, the Government of South Korea passed a new law that clarifies its policy with respect to strikes in important enterprises by specifying the types of businesses where a work stoppage would have a severe impact on the national economy—coal mining, industrial fuel, broadcasting, and telecommunications—and removing the general phrase "industries having a severe impact on the national economy" from its labor dispute adjustment law;

Fourth. In late 1986, the Government of South Korea reportedly adopted a timetable and process for establishing a minimum wage as well as spending increased funds to improve worker welfare and enforcement of labor standards.

The timidity of USTR's actions were overrun by events this past summer when emboldened South Korean workers acted to help themselves.

Fifth. According to Automotive News magazine, fear of the worker rights provisions in U.S. law and those pending in the trade bill and their potential adverse impact on Korean trade with the United States convinced the Korean Government to cool its reaction to spreading labor unrest among South Korean workers seeking more for their labor. In fact, on August 23 the ruling political party called upon the Korean Government "to show maximum patience and restraint" in handling the nation's labor unrest. Since June 29, 3,372 strikes have occurred all across South Korea compared with 276 labor disputes during all of 1986. Of course, strikes in themselves are not necessarily progress, but it is instructive that Korean workers now feel more free to pursue their interests.

Sixth. Workers at Hyundai, makers of the Pony Excel car exported to the United States, won recognition for their independent union, even after the company locked out 40,000 workers.

Seventh. The Korean Government, in a stunning turnabout from its long-established antilabor policies, since June has become actively engaged in mediating labor disputes with landmark settlements being reached at places like the Daewoo Shipyards to increase wages and to establish bargaining in good faith. Since June 29, according to the Labor Ministry, new union contracts have provided factory workers with an average wage increase of 13.4 percent.

TAIWAN

Again, last January USTR preserved Taiwan's GSP eligibility by touting the following steps to afford worker rights:

First. Given assurances that martial law would be lifted at some unspecified date; in fact, martial law was lifted on July 15, 1987.

Second. Enactment of a new labor standards law.

Third. Enactment of a new labor management dispute settlement law to improve legal mechanisms for mediation and arbitration of labor disputes and allows for simplified execution of legal obligations in the national legal system.

But after worker rights abuses were highlighted in congressional hearings in April and May and after new petitions were filed with USTR to revoke GSP eligibility for Taiwan in June, the Taiwanese Government decided further action was well-advised to protect the rights of the workers in Taiwan.

Fourth. On August 1, the Government of Taiwan announced the establishment of an 11-person Cabinet-level labor commission to act on workers' complaints, to strengthen labor unions, and to promote better relations between employers and workers.

Fifth. In response to the USTR petitions to curb imports for their alleged abuse of worker rights, the Government of Taiwan is now preparing to amend the labor dispute law before the end of this year to revise its emergency provisions that prohibit strikes. For decades the right to strike has been prohibited under martial law.

Sixth. Consideration is being given to lifting the statutory ban against union leaders holding office for more than two terms.

We should be encouraged by these victories for working people in South Korea and Taiwan. They were achieved in spite of weak enforcement of the recently enacted worker rights laws by the Reagan administration. Now is the time to proceed full speed ahead with the provisions in the pending trade bill to treat the systematic denial of worker rights as an unfair trade practice.

TRIBUTE TO THE LATE HONORABLE RAY MADDEN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Mississippi [Mr. WHITTEN] is recognized for 5 minutes.

Mr. WHITTEN. Mr. Speaker, I am saddened to learn of the passing of my colleague and good friend, Ray Madden.

I had the pleasure of serving with Ray throughout most of his career in Congress. It was a long and distinguished career. Ray's work was exemplary. As chairman of the House Rules Committee, he proved himself to be eminently fair and completely competent.

We mourn Ray Madden's passing and shall miss him greatly.

□ 1845

ARMS CONTROL

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York [Mr. DOWNEY] is recognized for 60 minutes.

Mr. DOWNEY of New York. Mr. Speaker, probably some time in November after the President has had a Thanksgiving meal, he will sit down in that month and sign an agreement with the General Secretary of the Soviet Union, Mr. Gorbachev, implementing a reduction in intermediate and short-range missiles in Europe. That is an agreement that I personally feel strongly about. I am in favor of it and I hope that the U.S. Senate approves. I am confident that after deliberating several months, that they will.

Mr. Speaker, I rise tonight to discuss in some detail the proposition that the activities of the House and the Senate in the area of arms control, namely, the amendments that we have offered and the activities that we have pursued around the country, it helped the arms control process. There is, of course, some argument as to whether or not we have been a help or a hindrance. I would like to argue tonight that we have been much more a help than a hindrance.

First of all, Mr. Speaker, we should start with the general proposition that national security is not solely the province of the Executive. The warmaking powers, as we are all aware, were granted to the Congresses of the United States. Indeed, the Founding Fathers felt 200 years ago very distrustful of concentrations of power. That is why they divided the power between the three branches of government, but they were specifically concerned about the power of sovereigns. They were all men of history. They understood probably better than many Americans today the role of despots during the 16th century. They knew fresh hand the work of George III and Louis XIV and Louis XVI, Peter the Great, and Charles VII, how those particular monarchs had involved their nations in wars that were inimical to their nations' interest; so they decided that rather than have an executive who solely could declare war, that they would take that power and vest it into the hands of the people. They made the President the Commander in Chief. They did not make him commander in chief of the Nation. They made him Commander in Chief of the Armed Forces, and anyone who has reviewed historically those documents is well aware of the fact that that power was meant to be limited in terms of its use during wartime.

Now, the powers to field an army and navy also require and recognize the responsibility to raise money for

the Army and the Navy. They recognized further that there should be tight control on the organizing of militias. That is why they put the power to raise and field armies inside the hands of the Congress.

Now, generally speaking, since the postwar period, Congresses have been fairly compliant with administration wishes about what they want for defense spending. Indeed, the early seventies, throughout the decade of the seventies and up to the early eighties, defense authorization bills that appeared in this Chamber were debated. There were usually just a few amendments offered and they were usually defeated without any trouble.

The Congress of the United States, and particularly the House, felt that if the administration made a request for defense, that it was usually in our national security interest and while there may have been one or two people or a handful of people that disagreed with particular weapons programs, pretty much the administrations got their way.

Now, that all changed dramatically during the Reagan years, and there is a reason for that. For the first time in the postwar era you had a profoundly conservative and ideological President and Secretary of Defense. I do not have to remind my colleagues that the President talked throughout the 1980 campaign about the Strategic Arms Limitations Talks, SALT II, and labeled them fatally flawed; that when he took office he stated that the Soviet Union was an evil empire, that they reserved to themselves the right to lie, cheat, and steal, a kind of West Point honor code in reverse, and that Secretary Haig during his early days suggested that we would fire a nuclear warning shot across the Soviet bow in the event they tried anything provocative in Europe.

Now, this was giving full vent to conservative boilerplate that had been espoused over the years, but it had not been ever espoused by officials as high as the President or as the Secretary of State or Defense. Naturally, people were concerned about this inflammatory rhetoric. They were used to reproaches of the Soviet Union, to be sure, but they were not used to the idea of nuclear warning shots as part of United States policy. It started first in Europe with huge peace demonstrations in the fall of 1981 and it started in this country in town meetings throughout this country advocating a nuclear freeze.

The freeze culminated specifically in 1982 with a rally in March in New York City of some 700,000 people who gave voice to the very simple proposition that it was time to stop the nuclear arms race in its tracks.

Now, in the House, as opposed to the Senate, there were efforts to make the freeze part not only of democratic policy, but national law, and Democrats in the House filled a role that had traditionally been filled by liberal Senators when we started with the Markey freeze bill here in the House.

Now, during this time the administration during the first several months of its administration chose not to sit down with the Soviet Union and discuss the question of arms control. They had gradually got around to that, decided that they would move on the issue of arms control, because they saw that it was not playing to their interests.

In November 1982, you will recall that not only in the midst of a recession, but the freeze was a very powerful political tool and 26 new Democrats were elected as a result of not just the recession, as I talked about before, but also as a result of concern that I believe many people have about the direction the administration was taking with the Soviet Union in the arms race.

Now, during the period of negotiations, the administration was heard to make several points over and over again. They were saying that regardless of who was negotiating and regardless of what subject, that any attempt by the House or the Senate to legislate arms control would somehow undercut the administration in Geneva where the principal arms negotiations were taking place. They said this with respect to the MX missile. Indeed, they brought our chief negotiator, Mr. Kampelmann back to the United States from the middle of the negotiations to argue with the House to go ahead with the MX missile. They were successful in getting 50 MX missiles, despite the fact that there was widespread disagreement about the utility of that particular weapons system.

Also during the last few years of the Reagan administration, they have said, "Please don't do a test ban, because we are in the process of negotiating now. Please don't deal with the SALT agreement or with the strategic defense initiative because we are in the process of negotiating those as well."

The principal position the administration took was, "Don't give the Soviets anything for free. Make them bargain with us and don't reduce our leverage."

On its face, this makes enormous sense. Anyone who has dealt with the Soviet Union over the years would recognize that if you give them something, it is clearly not something that you can negotiate away.

The problem the Reagan administration had, however, was credibility. No one felt seriously that they were interested in reaching an agreement on arms control, and thus the various levers the administration sought to have over the Soviet Union were really not so much levers as they were weapons designed for the U.S. arsenal.

Now, there was another threat or argument that occurred on top of this "Don't undercut our negotiations, and don't negotiate, don't give them anything for free", and that was basically that the Soviets cannot be trusted to deal with arms control, and many conservative Senators made the administration publish a report, which they now do annually, of Soviet violations.

Now, in the past the whole question of violations has been something that was quietly dealt with among the parties. Neither side saw it in their interest to make public ambiguous points for possible treaty violations, because that would foreclose any serious discussion at the standing Consultive Committee which had been set up for resolving differences in both the SALT agreement and the ABM agreement.

This administration broke with that policy and announced both publicly and with some fanfare the violations they believe the Soviets made with respect to SALT, most notably the encryption of telemetry, the SS-25 and the ABM Treaty. The administration correctly, in my view, pointed out the violations that the Soviets made by installing the radar at Krasnoyarsk inland, and also they made arguments that the Soviets violated the threshold test ban by detonating an explosion of above 150 kilotons.

The other argument the administration made, aside from "Don't trust the Russians", was that our patience will be rewarded, that if you continue to play hardball with the Soviets, they will eventually come around, and clearly the administration is going to make this particular argument over and over again, given the fact that the Soviets have agreed to our position on zero-zero in the INF, no one frankly would have believed Secretary Haig who argued in his book rather persuasively that this was a nonnegotiable demand, but that the administration now is in the position to make the argument, I believe somewhat tellingly, that our position has been rewarded and our practice has been justified.

Well, let us try and deal with some of these arguments and also some of the administration's points, because they are interesting and important ones to deal with in some detail.

First of all, we have to recognize that arms control works when there is consensus. Indeed, there has been a consensus since the late sixties that as a component of national security interests, arms control is as vital as building nuclear weapons. Indeed, some of us have argued that a thoughtfully produced verifiable arms control regime in some instances is even better.

Now, today we are ready to approve that INF agreement that the adminis-

tration has patiently awaited. We need to examine the reasons why that has occurred.

First of all, I think it is fair to say that had Brezhnev or Chernenko or Andropov continued in power in the Soviet Union, there would likely not be the concessions that Mr. Gorbachev has made with respect to that agreement. Simply stated, a change in Soviet leadership has made the INF that much more possible. Their change, their willingness to concede various points has helped this process immeasurably.

Second, I would say that as a result of the deployment of both Pershing and GLCM's, that there have been arms to trade; so the administration deserves some credit for that position, even though I was not a supporter of it. They can argue, I think somewhat persuasively, that if they were not there, they would not be in place to trade.

Third, and probably most importantly with respect to this whole issue, is the reason the Soviet Union wants to sit down and deal with the United States on the question of arms control. It has less to do with the declining state of the Soviet economy or Mr. Gorbachev's willingness to make concessions or United States patience. It has to do with the simple fact that the United States is a powerful country economically and militarily, that right now we have aimed at the Soviet Union 11,000 ballistic missiles. Those will not be negotiated away by the Soviet Union or wished away by them. They recognize this. That is the backdrop of anything we do with the Soviet Union, that they recognize our strength and want to deal with it; that they also recognize, as do we, the implausibility of the catastrophic consequences of nuclear war should also be recognized as a principal reason why negotiations are occurring. Both the Soviets and ourselves recognize that nuclear weapons serve one purpose and one purpose only, and that is to deter the other side from using theirs; so the question is, Do we need 11,000 on the U.S. side to deter the Soviets, and they 10,000 to deter you, or can this be done at drastically reduced levels. I believe at much reduced levels can both sides be deterred from using nuclear weapons, and that is frankly the direction that both sides are now headed in.

Now, given these realities, we also need to understand where we go from here. The Congress of the United States has provided arms control continuity. Now, that is somewhat counterintuitive to some of our colleagues who make the argument that administration policy changes from administration to administration; that indeed, American foreign policy changes dramatically from Nixon to Ford to Carter, back to Reagan. Well, the continuity between these various Presidents has been a strong and abiding consensus in the Congress for arms control.

□ 1900

One of the principal arguments we make against the Soviet Union, reason for distrusting them, reason for being vigilant, is we know nothing about the process of making decisions inside the Soviet Union. Right now Gorbachev is in power. He may be for several years, but if things do not go well economically for Gorbachev, he may no longer be in power and we may no longer be confronted with a Soviet Union that is interested in arms control. The Politburo may suddenly turn around and not be interested in arms control. We have no way of knowing.

Therefore, we need to be concerned and we need to deal with them at arm's length. That is not true in the United States.

A President of the United States may not want the ABM agreement, or he may want to radically change it, but this President, being interested in pursuing a weapons policy in space as a means of deterring nuclear war was basically stopped by a conservative Senate who felt that past agreements that the United States had entered into with the Soviet Union made far more sense, arms control continuity, foreign policy continuity.

Recognizing that as well as the role that the Congress has played, not only on arms control matters that I mentioned, ASAT, SALT, ABM and testing, we have been able to prod the American people who have in turn been able to prod this administration to move directly away from its policy of mindless rhetorical confrontation to one of dramatic, I would say, and thoughtful resolution of arms disagreements at the bargaining table.

The INF agreement comes at an interesting time in our history. It comes at a time when a couple of things should be obvious to the Soviets since they watch us very carefully, and they watch what we do here in Congress.

First, over the last 3 years the Congress of the United States has fairly dramatically reduced the size of the budget. In the past the administration said if you cut our budgets the Soviets will not be prepared to negotiate. It appears as though they are most prepared to negotiate during the steepest period of decline in the defense budgets.

Second, they appear to be willing not only on INF to sit down and agree with us and make concessions, but they appear to be willing to go much further in the area of chemical weapons. Just recently they invited a group of experts to a chemical weapons facility, they invited myself and two of my colleagues to the radar in Krasnoyarsk. During this period of congressional activity, historically a period when the administration would argue that they were undermined by the Congress, the Soviet Union has been more forthcoming on the areas of arms control that are most important to the Representatives in this Chamber and in the other body.

So quite apart from being a thorn in the administration's side, quite apart from undermining the process of negotiation, the Congress has provided the long-term continuity, it has provided the impetus, and to a certain extent it has provided the world community with the offer that the United States is not alone in its desire to simply unilaterally escalate the arms race, that there are many of us in this Chamber and in the other body who feel deeply about the process of arms control.

Simply stated, the Congress of the United States has been a help to this administration in fashioning not only arms policy but arms control policy. We need to be mindful of this fact when the administration will make the argument, as inevitably they will during the INF agreement and during Gorbachev's visit, that we somehow should lay back and not go ahead and do ASAT, that we should not force the administration to adhere to the SALT II agreement, that we should not limit the strategic defense initiative to more manageable expense dollars, that somehow this will undercut the administration in dealing with the Soviet Union. That has not been the history, and it certainly will not be in the future.

On the future I want to make several points, and then I will yield the floor.

The first point is that this is a period of heightened Soviet activity. We should be exploring every subtle probe that the Soviet Union is making with us with a thoughtful and calculated response to push them further. If we sign an INF agreement we will be cutting the nuclear weapons that are cheapest for us to deter the Soviets. We should not then turn around and say we now need to build more offensive, conventional weapons. We should ask the Soviet Union if they would be willing to do a couple of things.

The Palmer Commission report of 1984 suggested that on 150 miles of the West and East German border that both sides withdraw their dual capable artillery and airplanes that are dual capable of firing both nuclear and conventional weapons. We should challenge the Soviet Union to asymmetrically reduce the number of tanks and soldiers that they have in Eastern Europe. They have forces that are arrayed in a way that could only suggest offensive activity. We should demand that they reduce dramatically the number of tanks and the number of

soldiers. If we decide to have this cordon sanitaire that I suggested before, these would be profitable ways to respond to the Soviet Union after INF.

It would also make us enormously more secure if we could begin the dramatic reduction of chemical weapons. Clearly the Soviet Union seems interested in that.

Third, I believe that the Soviet Union, if given certain guarantees that are in the United States interest on ABM, would be willing to do dramatic new reductions in the area of strategic ballistic missiles. If the administration recognizes that is SDI bargaining chip is only that and moved quickly, I believe we can see before the Reagan term of office is over a historic reduction in strategic weapons as well.

The final irony of Ronald Reagan would be that he would be able to go out of office with not only an INF agreement, but a dramatic reduction in strategic weapons, and make the first important steps in reducing the possibility of conventional war in Europe.

These are prospects if we are prepared to pursue them. But if we are prepared only to point the finger of blame at one another for ideological differences, we will miss these very important opportunities.

I am one who firmly believes that the Reagan administration is probably the best administration in terms of reducing arms dramatically. It will be far harder, lamentably, for a Democratic President in 1989 to do what Ronald Reagan can do in 1987 and 1988.

As we ponder these things, let us appreciate the important role that we have played here. This is not just some self congratulatory slap on the back about the activities of the House and the Senate. We have pushed the process, we have pushed it thoughtfully. We are now going to reap the benefits of the heightened activity.

Mr. Speaker, I yield back the balance of my time.

TRIBUTE TO THE LATE HONORABLE RAY J. MADDEN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana [Mr. VISCLOSKY] is recognized for 60 minutes.

GENERAL LEAVE

Mr. VISCLOSKY. Mr. Speaker, I ask unanimous consent that all Members may be granted 5 days to revise and extend their remarks in regards to my special order in honor of the Honorable Ray J. Madden.

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

There was no objection.

Mr. VISCLOSKY. Mr. Speaker, I rise today in memory of the late Ray J. Madden who passed away on September 28, 1987, in Washington, DC. I join my colleagues to pay special tribute to a dedicated public servant who served the people of northwest Indiana for 34 years in the U.S. Congress.

Ray Madden was an extraordinary individual whose life was marked with great achievements and contributions to the Nation and the district he served.

Chairman Madden came to Congress in 1942 with the objective that he would bring assistance to the common man. A friend of labor and a proponent for equality, his first goal when he arrived in Washington, DC, was to see that postal employees were given appropriate raises citing the lack of a compensation increase for 21 years. He was ultimately successful.

Another area of interest was his commitment to the immigrant community. At the time, northwest Indiana was a melting pot. Chairman Madden worked hard to see that standards were provided to ease the transition of its relatively new immigrant population. In a 1981 interview sponsored by the former Members of Congress Association, Oral History Project, Chairman Madden stated that "his commitment in Congress was to those he represented, the working people and ethnics" and his service reflected his desire to help these people.

At the national level, Chairman Madden took an active interest in supporting legislation on a wide variety of topics. He supported the establishment of the School Lunch Program, authorization of Federal funding for cancer research, assistance for displaced persons, legislation to extend the Reciprocal Trade Act and a variety of bills to protect the rights of workers. Known as a "liberal" Democrat, Madden utilized his seat on the prestigious House Rules Committee to see that the Truman administration's fair deal legislation was moved through committee for full consideration by the House. In a U.S. News and World Report article, Ray Madden was cited as one of the three committee members on whom the administration could depend.

In 1951, Chairman Madden received national attention for his work in investigating the Katyn Forest Massacre. The subject surrounded the killing of some 15,000 Polish army officers and intellectuals during the winter of 1939-40 just after Poland had been divided between the German and Russian occupying forces. In 1943, the Germans disclosed the massacre citing blame on the Russians. Madden introduced a bill in 1951 which created a special committee to oversee an investigation. The measure passed and Madden was named chairman of the special group. He embarked on a trip to Europe where he held meetings and heard testimony from some 400 persons. Based on this fact-finding mission, Madden and his committee determined that the time of the massacre was not later than 1940 when Soviet forces occupied the territory. He recommended that this report be forwarded to the United Nations General Assembly for possible action by the International Court of Justice. As the leader of this investigation, Congressman Madden received accolades for his hard work and efforts to see that the investigation was carried out promptly. He was also recognized in 1952 as having performed a "very real service" to the Nation in this regard.

As the record reflects, Chairman Madden's contributions were numerous and his energy and enthusiasm to participate in developing national policy was unending.

Still he found time to travel to and from northwest Indiana where he participated in meetings and local events. "There were many rubber chicken dinners," Madden stated in a 1981 interview, which reflected the level of participation he had on the local level. He was concerned with the level of health-care services for the thousands of veterans in the first district and testified before the House Veteran's Committee on the need for a health facility in northwest Indiana, specifically Lake County which had the highest concentration of the veteran population. The environment was also a concern and in 1943, Madden introduced a bill to control pollution which was discharged into Lake Michigan.

As a political leader in the area, Madden worked to see that local Federal projects were secured for his district. In the early 1970's Mr. Madden worked to incorporate infrastructure improvement projects for northwest Indiana. In 1973, Chairman Madden was responsible for the development of the Urban High Density Program which designed road transportation improvement projects for areas with high-density traffic patterns. The result created the Cline Avenue project in East Chicago, IN, which initially provided greater access to the area steelmills, the communities of East Chicago and Gary and as important, placed people in an array of jobs. In addition, Madden worked to see that the city of Hammond received Federal funds to initiate a rail relocation program which was targeted to resolve the problem of traffic in the downtown corridor and seen as a positive economic spur for the area. The Cline Avenue project was dedicated this year and the Hammond project continues. His efforts on behalf of the people are well remembered.

He was a public leader of our time who lived through the Great Depression and his experience was reflected in his commitment to see that such an

economic dislocation never again occur in our Nation.

On numerous occasions, Madden spoke to students about the need to plan for the future. He wanted to plant the seeds of his vision and he reminded students that "there is today a very serious effort to engage the people of our country in future thinking." This was an ongoing theme during his visits to educational institutions and he reiterated his view in 1982 when he said it was "important for people to realize sooner or later that the average citizen must pay more attention to the Federal Government and those who represent the public's interest."

During his 95 years, Chairman Madden worked hard to positively influence the lives of others. This is reflected by his 60 years of public service ranging from his position as municipal judge in Omaha, NE, to city comptroller of Gary, IN. In addition, Mr. Madden served his country during World War I as an enlisted Navy serviceman.

Mr. Madden is the U.S. Representative who served the longest period of time in the Congress from the State of Indiana. His length of service began on January 3, 1943, and ended on January 3, 1977—a period which spanned 34 years and 9 days.

In addition to his contributions to the people he served, Mr. Madden was a figure I personally respected and admired. I can remember my first trip to Washington, DC, with my father at the age of 13. We made a visit to the Chairman's office and had our pictures taken on the Capitol steps. He took me to my first committee hearing and joined my father and me for dinner later that day. This is a special memory I will carry with me forever and I imagine there are thousands of others in northwest Indiana who have similar memories.

Last week, at the Chairman's funeral he was eulogized as a man who was truly a great leader and a man of his time. A man who during the course of his professional and public life dedicated himself to helping people. One whose heart was so big that he was always there to aid someone and who very seldom thought of himself. His style in public life was marked by his dedication to service. Even after his retirement in 1977, Mr. Madden continued to be active in civic affairs and when I arrived in the Congress in 1985 he was kind enough to share his advice and insights with me.

Ray Madden was a great person—great for his public deeds; greater for his kind heart, and greatest for his attributes as a gentleman and a true representative of the people.

His contributions and efforts will not be forgotten. I know that my colleagues here in the House who remain and served with the Chairman will fondly remember him and can personally attest to their own memories of his presence.

In the First District of Indiana, people will always remember Ray J. Madden.

I would like to close with an excerpt from the Irish tune, "When Irish Eyes Are Smiling" (1912):

WHEN IRISH EYES ARE SMILING

1ST VERSE

There's a tear in your eye, and I'm wondering why,
For it never should be there at all.
With such power in your smile, sure as stone you beguile,
So there's never a teardrop should fall.
When your sweet lilting laughter's like some fairy song, and your eyes twinkle bright as can be;
You should laugh all the while and all other times, smile, and now smile a smile for me.

CHORUS

When Irish eyes are smiling, sure its like a morn in spring.
In the lift of Irish laughter, you can hear the angels sing.
When Irish hearts are happy, all the world seems bright and gay,
And when Irish eyes are smiling, sure they steal your heart away.

2ND VERSE

For your smile is a part, of the love in your heart,
And it makes even sunshine so bright.
Like the linnet's sweet song, crooning all the day long,
Comes your laughter so tender and bright.
For the springtime of life is the sweetest of all, there is ne'er a real care or regret;
And while springtime is ours throughout all of youth's hours, let us smile each chance we get.

□ 1915

Mr. Chairman, we will always remember your smiling eyes. We will always remember the lilt of your laughter. And, Mr. Chairman, we will always remember your happy heart for you have made the lives of the poor, the weak and the young happier than they ever would have been had you not lived amongst us.

Mr. Speaker, I yield to the gentleman from Indiana [Mr. JACOBS].

Mr. JACOBS. I thank the gentleman for yielding.

And for paying tribute to our late friend, Ray J. Madden, not only of Indiana but also of Iowa.

We hear about when "movies were movies;" Ray began his service in Congress when orators were orators. The rafters rang when Ray Madden took the floor.

Whatever he did, he did with purpose and he did it pretty loud. You could hear him all the way to the Library of Congress with the doors closed.

Among other things, Ray was funny. When Representative HAMILTON and I first arrived together as freshmen from Indiana, Ray took us under his wing. And I remember distinctly one evening he drove us to some function and on the way back he confided to us as follows: He said, "When I first came here I had a chance to buy a farm out here in Maryland. I should have done it. They call it Silver Spring now."

Ray was not always appreciated in hearings. I remember Chairman Colmer found Ray's humor a little bit tedious one day when the Rules Committee was considering a time zone Federal proposal. When it was Ray's time to ask questions, instead of asking questions he said this. He said, "Out in Annapolis the other day a fellow walked into the bus station, walked up to the ticket salesman and said, 'What time does the bus leave for Lebanon?' The ticket salesman said, '10.' The fellow said, 'What time does it get to Lebanon?' He said, '10.' So the prospective customer walked away and came back and said, 'Let me get this straight: what time did you say this bus leaves for Lebanon?' '10.' 'What time did you say it gets there?' '10.' He walked away again and the salesman said, 'Say, do you want to buy a ticket to Lebanon?' The man said, 'No, I don't. But would you mind if I stayed around and watched that bus take off?'"

Well, everybody in the room thought that was pretty funny except Chairman Colmer—I almost said Culver, and my apologies to Senator John Culver who appreciates the story more than most people do—Chairman Colmer rapped for order and it was not easy to restore order on that occasion.

Then back in 1968, I think it was, there was a political entity in our country known as the Yippie party, not to be confused with the Yuppy party, although I would not be surprised to learn that many former members of the Yippie party are now among the Yuppies, from what I read in the Wall Street Journal. But the Yippie party was not just antiwar, it was anti about anything you can think of offhand that had anything to do with the civilization of the United States. And that particular year, as I recall, they had a candidate for the President who happened to be a pig, or a hog. They called him Pigasus. I think they later said they were going to have him at the "inhoguration" in Washington.

Well, one of my friends was up in the gallery when Ray Madden made his annual speech inveighing against the big oil companies in this country. He was convinced they were a mortal danger to our country. Once a year he took the rail and the rafters rang with tones from Ray, "Big oil, big oil."

When he was halfway through the speech, my friend overheard the Yippie sitting directly in front of him—and Ray was probably about 80 years old at the time—and he heard

the Yippie say to his friend, "That cat is my man for President."

So somehow or another, Ray Madden seemed to transcend the generations pretty well.

He was a character. He was a person who lived life completely. I do not ever remember seeing Ray Madden unhappy. In fact, those who were here when he was here will recall that most of the time he was humming as he walked through the halls and he always saw life, even in terms of his adversaries, as something of a pleasant exchange of ideas.

Even when his oratory was the most thunderous, somehow you could distill from it not one drop of venom. He was after all, a kindly man. He was a man mountain, a man of enormous physical strength and constitution.

He began his carreer out in Iowa in the second decade of this century already as a city judge. He got tired of that, moved to Lake County and became a U.S. Representative.

Considering all that and his physical strength and his determination and his indomitable spirit, I can only assume that he did not actually die, he just decided to move on and see how things were in Heaven where no doubt he is on some corner now campaigning for the United States House of Representatives and talking about how unfortunate it is there are so many "old goats" in the other body.

Ray Madden should never be forgotten in this Chamber. He should live in spirit, the spirit of give and take, the spirit of strong philosophical views, tempered by kindliness for other human beings who might not share precisely those views. He was the very best of what we dreamed America might one day become.

I thank the gentleman for yielding.

Mr. VISCLOSKY. I thank the gentleman from Indiana.

Mr. MYERS of Indiana. Mr. Speaker, I commend the gentleman from Indiana [Mr. VISCLOSKY] for taking this special order, a tribute to our beloved former colleague, Ray Madden.

It was my privilege to serve here in the House with Ray for 10 years, although he had already been in Congress 24 years when I arrived.

Ray was a member of the first freshman class in Congress after the bombing of Pearl Harbor. Having already worn his country's uniform during the First World War, he returned to the service of his country at age 50 as a Representative in Congress.

Ray was as natural a leader as ever served in this body, his belief being that to lead one must serve. He always placed service to constituents, and service to his country ahead of self-service. This philosophy made him rise up among his colleagues to become chairman of his party's steering and policy committee and chairman of the Committee on Rules.

Ray was truly a powerful chairman of the Rules Committee, but he never abused his power. His Rules Committee always put the needs of the people ahead of themselves or their party.

Mr. Speaker, many of our newer Members are searching for models of statesmanship to guide them in their own congressional careers. They need to search no longer; Ray Madden is their model.

Mr. BURTON of Indiana. Mr. Speaker, I join my colleagues from Indiana and around the Nation today in honoring the memory of the late Ray Madden, who passed away in September.

The day we lost Ray Madden was a sad one for all of us who serve in this body and for Members of Congress who have been fortunate enough to serve with him during his long and distinguished career. He held the record for length of service among Indiana Congressmen, serving the people of Indiana's First District for 34 years. He was first elected to the House of Representatives during World War II in 1942. He went on to serve through 17 Congresses and under 7 Presidents.

But his achievements cannot be measured simply by counting the number of years he served. He served with distinction. Before he was defeated in his bid for reelection in 1976, at the age of 84, he had risen to the powerful position of chairman of the House Rules Committee. In this position, he wielded a tremendous amount of influence over which bills came to the House floor for debate and under what procedures they were debated.

Ray Madden devoted his entire life to public service. Born in 1892, he was elected city judge in Omaha, NE, at the remarkable young age of 23. He resigned his post a year later to enlist in the Navy and fight for his country during World War I. During the 1930's, Madden moved to Gary, IN, and became active in local politics. He was elected Gary city comptroller in 1935 and Lake County treasurer in 1938. With the base of support he had developed in these positions, he then launched his bid for Congress in 1942.

Ray Madden was a man who truly loved this institution. He never drifted far from the House, even when he was retired. He lived in his home at First and Maryland, just a block from the Nation's Capitol, and remained active in matters of national policy until the day he left us.

Mr. Speaker, the people of the First District of Indiana and the Nation's Capital have lost a true friend and a dedicated public servant. We are all greatly saddened by his loss.

Mr. STOKES. Mr. Speaker. I would like to thank the distinguished gentleman from Indiana, [Mr. VISCLOSKY] for reserving this time for Members to pay tribute to our former colleague, the Honorable Ray Madden, who passed away on September 28, 1987, at the age of 95. With his passing, this Nation lost a great leader.

Those of us in the House who worked with Ray Madden through the years will miss him.

Ray represented the residents of Indiana's First Congressional District for 34 years. First elected to Congress in 1942, he holds the record for length of service among the Indiana delegation.

His dedication, hard work and commitment earned him the admiration and praise of his constituents. Ray served as chairman of the Rules Committee, vice chairman of the Democratic Congressional Campaign Committee and chairman of the Democratic Steering and Policy Committee. As demanding as his schedule was, Ray always found time to share his wisdom and experience with others. As a freshman Member of this body, I especially remember and appreciate Ray's advice, support and friendship.

Chairman Madden was a gentleman and a statesman. It was honor to have served with him. I join my colleagues in extending our sympathy to Ray's family and his many friends. Although he is no longer with us, his contributions to this body will long be remembered and his spirit will live on.

Again, I thank the gentleman from Indiana, [Mr. VISCLOSKY] for reserving this time to remember a very special man—Ray Madden.

Mr. SHARP. Mr. Speaker, I would like to join my Indiana colleagues in noting the passing of Ray J. Madden who represented Indiana's First Congressional District in the House of Representatives for 34 years.

Others today have outlined his long and distinguished career, so there is little I can add to the details. When I began my service in Congress in 1975, Ray Madden was dean of the delegation, Consequently, those of us elected the previous year turned to him for advice and counsel. He was always willing to listen and give direction as many of us learned the rules and procedures he had long ago mastered.

There are few in the history of the House who have served as long and diligently as Ray Madden. He understood well the workings of the House and had deep respect for the role of a Congressman being an intermediary between the people and their Government. He performed that function well as a model for those just learning the traditions and rules of Congress and how Government should reflect the needs and aspirations of its citizens.

It was an honor to have known him, and I would like to extend to his family and friends my personal condolences.

Mr. UDALL. Mr. Speaker, it was with sadness that I learned of the death of Ray Madden, a former colleague and friend.

Ray Madden serviced in this House for 34 years, and I'm told that's a record for service in this Chamber.

Records are impressive, but I'm certain Ray would rather be remembered for the standards he set during his time in the Congress, and those worth remembering.

Ray Madden was a man who grew up in his native Indiana during the depression, and those trying and difficult days left a mark on his conscience. He never forgot America's working people. He worked hard to make life better for every citizen.

For Ray, election to the Congress meant public service, and he personified the phrase. He was fair, determined, a devout believer that Government must be civil and compassionate, and above all, he was a gentleman. When the man who defeated him died in 1982, Ray made the trip from Indiana to Washington to attend the service. He had nothing but praise for the late Adam Benjamin, and that was a gesture of grace and kindness that was typical of Ray Madden.

I'm pleased that Ray and I were able to know one another and that we had the

chance to work together. My sympathy goes to his family. I am sorry he is gone.

Mr. CONTE. Mr. Speaker, it is with great respect and admiration that I join my colleagues today in paying tribute to Ray John Madden.

Not only was Ray a vibrant and compassionate man, he was a devoted public servant whose work reflected a passionate concern for the people of his district and this Nation. Public service is what Ray valued most, and the only reward he sought was to spend his life working to improve the lives of others.

Before being elected to the House from Indiana's First District in 1942, he served as municipal judge in Omaha, in the Navy during World War I, as the comptroller of Gary, IN, and as the treasurer of Lake County, IN.

Throughout his 34 years in the House, Ray worked long and hard to build a strong national economy and to assist Americans of all walks of life. He served on the Rules Committee for 26 years, the last 4 as its chairman; he fought for the support of housing, education, and mass transit, and he sought to build confidence on our Government among the Nation's youth.

In short, his work provides an inspiring record for all who seek to make a positive impact on the lives of others. For those of us who had the privilege of working alongside him, he was also a man to respect for his independence of thought, insight, and vitality.

It was an honor to have known and worked with Ray, for he was a man whose work is certain to live on as a legacy of selfless service to this country and its people.

Mr. YATRON. Mr. Speaker, I rise today to pay tribute to the late Ray J. Madden, our distinguished former colleague who ably served the citizens of the First District of Indiana for 34 years. His accomplishments and contributions in that time are well-known, his commitment to public service a deep and abiding one.

Ray was an extraordinary individual who compiled an impressive record of achievements in the Congress, earning him the respect of his colleagues and constituents alike. He was a strong and effective leader who served as chairman of the Rules Committee, chairman of the Democratic Steering Committee and vice chair of the Democratic Congressional Campaign Committee. He was also a member of the old Naval Affairs and the Education and Labor Committees. Of all his chairmanship positions, however, he was probably best known for his investigation of the "Katyn Forest Massacre" where some 15,000 Polish army officers and intellectuals were killed during World War II. After lengthy and diligent investigation on the part of the special committee headed by Ray, it was determined that the Soviet Union was in fact responsible for the deaths of these officers.

Since he began his political career at the age of 23, Ray Madden continuously showed compassion and concern for the needs of people, leaving an indelible mark on those whose lives he touched. Although he will be greatly missed, I know his memory will live on, providing inspiration to others. Mr. Speaker, I join with my colleagues to express our deep sense of loss and offer my sympathy to Congressman Madden's family.

Mr. QUILLEN. Mr. Speaker, I want to join with my colleagues in remembering Congressman Ray J. Madden of Indiana who died of a heart ailment on September 28 at the age of 95.

Congressman Madden served as a Member of Congress for 34 years representing the people of the First Congressional District in northwestern Indiana. Mr. Madden and I served together on the House Committee on Rules for 12 years. He was the committee's chairman for the last 4 years of his congressional career and I recall his tenure as chairman as one in which he guided the committee toward increased support for the positions of the House Democratic leadership. He and I enjoyed a good working relationship over the years as we worked on the business of the committee.

Congressman Madden was a physically vigorous man as is attested to by his remarkable longevity. He served his constituents well and worked hard, especially for the interests of the steel industry and the thousands of steelworkers located in his district.

Those of us who knew Congressman Madden are saddened by his passing.

Mr. COATS. Mr. Speaker, I am pleased to join my colleagues in paying tribute to our late colleague, Ray J. Madden, and I thank the gentleman for taking out this special order to honor this exceptional individual.

I was elected to Congress 4 years too late to have had the pleasure to serve with Mr. Madden, but I certainly knew of the legend of Ray Madden upon my arrival. Mr. Speaker, we often talk about the commitment various individuals have made to their constituents, but few can match the record of Ray Madden. I find it truly amazing that Ray Madden first ran for public office in 1916 on the Woodrow Wilson ticket. At that time he was elected to the position of municipal judge in the city of Omaha, NE—making him one of the finest exports the State of Nebraska has ever given Indiana. From that time forward, Ray Madden served his country, his State, and the constituents of the First District of Indiana for 60 consecutive years.

Ray Madden often spoke of the need for the average citizen to pay more attention to the issues and candidates of the government which served them. Certainly, he was, in himself, probably the best example of this type of participation. As was alluded to earlier, Mr. Madden's length of service, 34 years, is a record among Indiana Congressmen.

Mr. Speaker, we in Indiana have been blessed with some exceptional political leaders over the years, but any discussion of the best of the best would certainly have to include the name of Ray Madden. His record is one that his district, his State, and his country will not soon forget.

Mr. ANDERSON. Mr. Speaker, at this time I would like to rise to pay homage to an outstanding individual who not only served the public and our great Nation in the U.S. House of Representatives, but also contributed greatly to humanity. I speak of former Congressman Ray J. Madden.

Ray John Madden faithfully served his first district in Indiana from January 1943 until he retired in January 1971. During his many years in the U.S. House of Representatives, Ray managed to harness his intense energy into serving his fellow man with a sincerity that is rarely equalled. He served as vice chairman of the Democratic Congressional Campaign Committee, chairman of the Democratic Steering and Policy Committee and chairman of the House Rules Committee.

Ray Madden, a graduate of Creighton University Law School, practiced law after serving his country in World War I. His keen interest in politics led him to public office at the age of 23, as he was elected municipal judge of the city of Omaha, NE. From this time until he retired, Ray utilized every effort and opportunity to help those he represented. His expertise, and great understanding of our Constitution and legislative process is reflected in the many years Ray was elected to public office.

Mr. Speaker, the passing of an individual such as Ray Madden will be keenly felt by the district he served in Indiana, the U.S. Congress, and all of mankind. I, along with my colleagues in the U.S. House of Representatives will miss Ray Madden. However, it is comforting to know that Ray contributed so much to our society that these contributions will serve as an enduring tribute to a great American.

Mr. LATTA. Mr. Speaker, I join my colleagues in paying tribute today to Ray Madden who passed away on September 28 at the age of 95. Ray was a good friend to anyone who ever had the opportunity and privilege of knowing him.

Ray Madden was a gentleman and a gentle man. He came to the Capitol in the beginning of 1943 and he never left, living just across the street in the United Methodist Building during his long tenure and afterwards always within sight of the Capitol dome.

Who can forget Ray Madden, as a Member and later as chairman of the House Rules Committee sitting in that small hearing room, just off the House Chambers, happily but softly whistling to himself as witnesses on crucial issues of the day testified at the opposite end of the long table. Those quiet whistles somehow brought a sense of peace to the room.

I served on the House Rules Committee when Ray was its chairman, and I can personally attest that Ray was most cooperative and understanding of the minority side even though he very rarely voted that way.

When Ray Madden passed away last week he left many monuments to the wonderful and dedicated service he rendered to his country. He loved this institution and he will be missed and fondly remembered by all who knew him.

Mr. ANNUNZIO. Mr. Speaker, I rise to join with my colleagues in the House of Representatives in paying tribute to the former chairman of the House Rules Committee, the Honorable Ray J. Madden, who died on September 28, after a long and distinguished career in service to our Nation.

It was a sad day for me when I learned of Ray's death since we had known each other and had been steadfast friends for almost 40 years. I first met Ray during the 1948 Presidential election, when I was serving as the director of political action of the United Steelworkers of America. During the 34 years he served in Congress, Ray received strong endorsements from the United Steelworkers of

America for his unwavering and selfless dedication and responsiveness to the needs of the people he served.

After I came to Congress in 1965, I had the pleasure of serving with Ray for 12 years, and it was a truly rewarding personal experience for me to have worked with him in the House of Representatives. Ray was first elected to the 78th Congress, and proved himself to be a most capable legislator, fully worthy of the trust and confidence of his constituents of the First Congressional District of Indiana. He also was highly respected for his fairness and for his leadership abilities, by every Member in Congress who had the privilege to work with him during the years he served in the House of Representatives.

Seldom does one find a man of Ray Madden's stature, and a man so wholeheartedly committed to the betterment of the lives of working men and women in America. The legacy of outstanding legislative accomplishments he has left to all Americans has made the United States a greater country than ever before. Ray indeed will be missed by all of his colleagues in the House of Representatives and all of the people whose lives were enhanced by his work and his accomplishments.

Mr. DE LA GARZA. Mr. Speaker, many illustrious and distinguished Americans have served in this body, but few have combined such a long and faithful representation of their congressional district with so many other notable achievements as did the late Honorable Ray J. Madden to whom we pay tribute today.

Ray Madden lived a truly full and meaningful life. Throughout his long and productive lifetime he exhibited unlimited devotion to his Nation and to his constituency guided by principles of justice and brotherhood. He was a man of knowledge, experience, kindness, and integrity and for the 34 years he served in the House of Representatives he did so with complete dedication earning the respect of his colleagues. I know it certainly was my pleasure to serve with Mr. Madden and to witness his many accomplishments during a portion of those eventful years.

A man of rich gifts in many fields, an honest and courageous public servant, an unforgetting and unforgettable friend, Ray Madden was a man on fire for his country. He was a man of action calling upon us all to fulfill our responsibilities not only for the sake of our own Nation and people, but for the sake of those throughout the world who look to us for hope, inspiration, and leadership—and we would do well to study the example of his life.

Certainly he carved a place in history in his State of Indiana and his country as well as in the hearts of those who had the rare privilege to know him and to work with him. He will be long remembered as a man who fulfilled his duty to his country in overflowing measure. His passing leaves me with a loss and I take this opportunity to salute the memory of Ray J. Madden, a great American.

H.R. 162, RISK NOTIFICATION BILL

The SPEAKER pro tempore (Mr. OWENS of New York). Under a previous order of the House, the gentleman from Michigan [Mr. HENRY] is recognized for 60 minutes.

Mr. HENRY. Mr. Speaker, I have taken the podium today to discuss the whole issue of H.R. 162, the so-called risk notification bill, and to try to give ourselves an opportunity to deliberate briefly on some of the concerns that many have raised relative to problems in the bill as reported by committee.

For that purpose, I would yield first of all to my senior member and ranking Republican on the Committee on Education and Labor, the gentleman from Vermont [Mr. JEFFORDS].

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

Mr. JEFFORDS. I thank the gentleman from Michigan for yielding to me and for both bringing this special order and also bringing the attention of our colleagues again to the very serious questions we will be facing next week relative to H.R. 162, the high risk notification bill.

I will not take a great deal of time, but I do want to take just a moment to emphasize the substantial advantages that we feel our alternative has. All of us want to do something to help people who have been or are exposed to health hazards in the workplace.

Yet we have to be careful that what we do is productive, and that it will result in improvement of their lives. We also have to be careful not to cast an unfair burden upon businesses which have employed these workers in the past.

Thus the proposal that the gentleman from Michigan has been spearheading for some time now, and that I have also joined in, would try to bring a reasonable resolution to this problem. We believe it has some very real advantages over the proposal being proposed by Mr. Gaydos.

First of all, we believe that it is better to take the existing system, with whatever problems if may have, and improve it. There are a number of things our alternative would do to improve the existing system; expanding the hazard communication standard to other areas, other businesses, for example. We try to make sure that we do not create problems for the future and that we solve those that are presently in the workplace.

Second, we take a more reasonable approach to the problems of the past, recognizing that if we react hastily it could well result in unbelievable litigation. We guard against counterproductive results to employers still in existence, who would have been and are still unable to get insurance for some of the kinds of tort actions that are being brought. Thus, we have moved forward with a positive yet cautious approach in order to make sure that former employees are not neglected.

I commend the gentleman for bringing this special order to acquaint our membership with the very excellent alternative that the gentleman from Michigan certainly must take a large part of the credit for crafting.

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Mr. HENRY. Mr. Speaker, I thank the gentleman from Vermont [Mr. JEFFORDS] and again share my appreciation for his effort in trying to bring some light on this issue.

I would also like to point out for the benefit of our Members that there is really only one instance in which the Federal Government has attempted on its own to institute some sort of risk notification program.

Many of our concerns relative to the bill as reported by the committee are really in what we have learned from the one instance in which the Federal Government did conduct on an experimental basis such a risk notification program, and for that purpose I would like to recognize the gentleman from Georgia [Mr. BARNARD], who represents the district in which this event took place, and I am sure he has some good counsel for us.

Mr. BARNARD. Mr. Speaker, I very much appreciate the gentleman yielding me this time. I am delighted to be here this evening to testify as to this experience which happened right in my hometown of Augusta, GA.

Mr. Speaker, next week the House is scheduled to take up H.R. 162, the high risk notification bill. The legislation would set up a mechanism within the Federal Government to notify workers who are at increased risk of contracting a disease that may be occupationally related. That is what I would like to talk about, their experience there. Several years ago the National Institute for Occupational Safety and Health, better known as NIOSH, conducted a pilot risk notification study in my District at the Augusta Chemical Co. in Augusta, GA.

Much of the information we have concerning the Augusta study comes from a detailed report issued by NIOSH in August 1983. Since I can only briefly summarize some of the report's findings today, I would urge each of my colleagues to take the time to read the report to fully understand its significant implications to the legislation at hand.

The pilot project was initiated by NIOSH in 1979 during the last 2 years of the Carter administration. The study was performed in response to inquiries from the Senate Labor and Human Resources Committee, which at the time was chaired by former Senator Harrison Williams of New Jersey. The occupational hazard in question was a chemical called BNA, which has been identified as increasing the risk of contracting bladder cancer to anyone who has been exposed to it. NIOSH concluded that all

hourly workers who had worked at the Augusta Chemical Co. between 1940 and 1973 were at increased risk because of BNA exposure, a total of 1,385 individuals. The data presented showed 13 cases of bladder cancer in this group, out of an expected total of less than 4. During the next year and a half, NIOSH worked with the Social Security Administration and the IRS, as well as the Georgia and South Carolina Motor Vehicle Bureaus, to find out the vital status of each person in the cohort group. NIOSH eventually developed a list of 1,094 individuals, assuming that 272 of the original 1,385 were deceased and 19 had no address available.

In August 1981, 2 years after the project was initiated, individual letters of risk notification were sent to each of the 1,094 Augusta workers on the NIOSH list. The letter advised each person of the risk involved and urged the individual to seek medical counseling. Fully one-third, or 364 of the letters were returned because of invalid address, no forwarding address, no such address, and other reasons. The NIOSH report states that "efforts to locate valid addresses of these people were tedious." Second and third letters were sent out, and then telephone contacts were made. In addition to the individual notifications, there was also a communitywide notification effort. This included notifying 900 regional physicians about the project, a media campaign using both print and electronic methods, and the efforts of a worker support and advocacy group called Committee for Concerned Citizens. NIOSH maintained detailed logs to track the responses.

Despite these "fairly rigorous search efforts," as NIOSH described them, 245 out of the 1,094 workers on the NIOSH list were never located. In other words, more than 1 out of every 5 individuals that NIOSH determined were still living and were at increased risk could not be found, even with a concentrated effort to locate them.

Once the notification effort was completed, NIOSH urged the workers to enroll in a NIOSH provided medical screening program, which the agency identified as "a key component of this pilot project." The NIOSH report concludes that "notification is not a single act but rather the first stage in a long followup process." A NIOSH official has estimated that the cost to the agency for the Augusta pilot study was between $¾ million to $1 million. The former plant manager of the Augusta facility estimates that medical screening to date, and remember that this is an ongoing process over the life of each participating worker, has been $5,000 per individual. These figures suggest that the costs attached to medical screening by H.R. 162's proponents have been greatly underestimated. The Augusta experience vividly illustrates that we need better figures on just how much the risk bill is going to cost.

Another revealing consequence of the Augusta study shows that out of the group of 849 who were notified, 171 liability claims were filed against the company, or a claim by over one in every five persons in the group. The total amount asked for in these claims was $335 million. Not surprisingly, NIOSH notes in its report that "many of the lawsuits appear to be by people with no evidence of bladder cancer." It observes that the impact of implementing a comprehensive risk notification program "in terms of litigation, would be staggering." NIOSH goes on to state that a "NIOSH project officer was deposed by an attorney—for a worker—who maintained the BNA caused his client's brain tumor. In the deposition it was stated that there is no such known link in the literature." The report also observes that "many workers expressed fears about their risks and anger at the company," and that "many spouses of the workers expressed fear about their own risks." Bear in mind that the data presented showed 13 cases of bladder cancer in the original group of 1,385 workers, or less than one case per 100 workers.

In addition to the flood of litigation generated by the NIOSH pilot study, other issues of serious concern were raised. For example, the NIOSH report discusses at some length the role of the media in the notification process. NIOSH observes that one of the major Augusta papers chose to "break" the news of the study during its preparatory phase, despite "urgings to the contrary" by project planners. While I am convinced that our local papers were conscientious in wanting to get out the word on an important story, the fact remains that they were dealing with a highly sensitive topic that not even the best scientists yet fully understand.

Between January 1981 and August 1982, the local newspapers ran 59 articles concerning the pilot notification project. Some of the headlines accompanying these articles are notable.

"Ghastly delay."

"Workers sue, seek expenses."

"Notification of cancer ills still 'hung up'."

"20-30 expected to have cancer."

"Former Augusta Chemical worker files $1.5 million suit against firms."

"Screening program for bladder cancer running out of funds."

"Nature of disease blocks aid for workers. Threat can complicate search for new jobs."

"Ex-chemical worker files $4 million suit."—All of these were just headline cases.

How will the media react when the new risk assessment board created by H.R. 162 starts its deliberations on whether a certain group should be notified as at risk? Can we assume that the facts will be reported accurately and without sensationalizing them? How will it be reported if the board concludes ultimately that a risk determination is not warranted? These are questions that should be—but have not been—carefully examined in the context of this legislation.

While the high risk bill contains privacy protections and prevents employment discrimination against those in a population at risk, they could not completely protect individuals. For example, the NIOSH report states that a local newspaper actually published the names of 121 former employees who had not received the notification letter. As the report observes, "such publication potentially invades the privacy of the cohort members." This is another issue that has not been adequately examined.

Additional issues raised by the NIOSH study include whether adequate medical services would be available in the case of a large-scale notification; the problem of locating workers in the population at risk; protections against falsely notifying individuals who should not have been included within the population at risk; and implications to agencies and institutions who perform human health risk studies.

Without disputing the higher risk of bladder cancer to the workers involved in the Augusta study, the fact remains that the overwhelming majority of them will live out their lives without ever contracting the disease. The high risk bill contemplates that as many as 300,000 workers annually will receive risk notifications similar to those received by the Augusta workers. We must ask ourselves whether notifications on that scale, in light of the needless anxiety it will cause to so many individuals, is a wise public policy choice? Perhaps we should proceed a little more cautiously and implement the much more tightly drawn risk notification program contained in the Jeffords-Henry substitute, at least until we know a little more about what will happen when such a requirement is imposed as a matter of Federal policy. Moreover, Jeffords-Henry wisely assigns many of the difficult issues I have discussed today to an expert study commission, which will examine them carefully and report back to Congress with its recommendations on how we should proceed.

I appreciate this opportunity of bringing this document to the attention of the Members on your special order. I realize it was lengthy, but I think it is important for the study of every Member of Congress as to what this bill, H.R. 162, will actually do as far as cost and complication in the notification process.

Mr. HENRY. Mr. Speaker, I want to thank the gentleman from Georgia [Mr. BARNARD] for his very splendid remarks. I think it is very important to recognize that frankly this is the only instance in which the Federal Government has engaged on a pilot effort to see what would happen under such circumstances. As the gentleman from Georgia points out, the flood of litigation was overwhelming, the costs were 10 to the second power greater than what is estimated by the proponents of H.R. 162 on a per-case basis. The community disruption and even in fact some of the secondary effects to the health of the workers in terms of stress claims really gives us serious cause for concern.

Mr. BARNARD. Mr. Speaker, all those are very legitimate concerns.

Mr. HENRY. I thank the gentleman for sharing his insights with us.

Mr. Speaker, I think it is very important that we take a little bit of time to try to in a dispassionate environment separate some of the many issues that have arisen in conjunction with H.R. 162.

I would note that it is a very small bill, it is only some 37 pages. One wonders how such a small bill can cause such controversy and quite frankly such confusion among our own membership. I think the first thing we want to reiterate is to point out the very fundamental distinction between risk notification and hazard communication.

Once again, Mr. Speaker, I must express some degree of distress that I am afraid many of our Members on both sides of the aisle quite frankly are somewhat confused over this issue, but it is a fundamental division in the sense that the risk notification proposal in this bill seeks not to protect employees' health prospectively but, rather, quite frankly, to assign cost and, unfortunately, inadvertently because of the way the bill has been drawn, establishes some rather significant new liability exposures for past practices in the workplace which took place in a very different time and work environment period.

While I want to address that at greater length, we have several other individuals who would like to speak on this bill and particularly its impact on competitiveness and some of the other problems faced by the very businesses that would be faced with the burden of this legislation. For that purpose I am pleased to recognize the gentleman from Illinois [Mr. FAWELL] who has been most helpful on this issue.

Mr. FAWELL. Mr. Speaker, I thank the gentleman for yielding me this time. As the previous speaker has indicated, I, too, am concerned about the liability feature, the tort liability feature which is one feature that I think has been indirectly certainly commented upon. The one area that I would like to refer attention to is in section 7, which deals with what I would call a statutory liability that is cast upon the employer.

If I read this section correctly, and I believe I do, it states that upon the request of any employee notified under this act the testing and the evaluation and the medical monitoring to which an employee would be entitled if he is within this population at risk of disease associated with an occupational health hazard, that any such employee shall be provided or made available through the current employer the testing and the evaluation and medical monitoring.

What I notice is that this will be at no additional cost to the employee, and the bill goes on to state, "if any part of such exposure of the health hazard occurred in the course of employee's employment by that current employer."

I construe this to mean first of all looking at it as a lawyer, that there is absolutely no requirement for proximate cause to put this kind of liability upon the current employer, no negligence required whatsoever, and one can get by that, but then it seems to me that it is kind of a musical chairs game played here because it is the last employer, the current employer who may be an employer for only 1 day out of a 20-year work period, somebody may be at a steel company that has gone belly up, and he hires this person in a like industry and it would appear here that just 1 day if there is any part of the exposure occurring in the course of that employment, then that new current employer would be ipso facto liable.

It also seems to me that this would mean that all the employees in the particular class, employees that are in this particular occupational health hazard would all be in exactly the same position and he would be liable for all the medical monitoring costs.

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Mr. HENRY. My understanding then is that since under this bill as it was reported by a committee, the current employer bears all the medical monitoring costs, whether or not that employer was in any way negligent in terms of any appropriate standard of the law, or even if the employer was not negligent, but the employee's or any portion of that employee's exposure may have been contributory to the overall risk that an employer may have had over a lifetime of work, the employee takes on the whole cost burden.

Am I right at that point?

Mr. FAWELL. That is exactly the way I would construe it.

Mr. HENRY. Would that not also mean then if I am a laid-off steelworker, or I am a laid-off textile worker, or I have come from any other industrial environment in which I may have been exposed under past occupational practice to some hazard, whether or not it is known that I have any health problem, or at that point whether or not I know I have any risk, that a personnel officer evaluating me with that knowledge quite frankly might be very inclined to shield such a person from prospective employment in order to avoid attaching itself to the liability exposures in this bill.

Mr. FAWELL. That would be in my opinion exactly what would occur.

The gentleman has a type of subtle discrimination. The bill tries to set forth an elimination of discrimination by saying no employer or other person shall discharge or in any manner discriminate against any employee or applicant for work—has been a population at risk, et cetera.

As a practical matter, that is even more of a discrimination upon the current employer, because he is darned if he does and darned if he does not. He is in a position theoretically to accept the employee, even though for 15 years he had toiled in a steelyard and was technically within the particular occupational health hazard which may be similar to his particular form of work, so he would try naturally to avoid that kind of a hiring.

As a practical matter, he not only finds that he must bear all of the expenses insofar as the medical monitoring is concerned, and I do not know, and I do not think there is a prohibition in regard to time involved here; but as a practical matter, if that employee goes to a physician and asks that physician if he should be removed to a less hazardous or nonexposed job, he then really puts a physician in a real dilemma, because any physician is really concerned about medical malpractice, and certainly he is under those circumstances where he is toiling in a business where there is an occupational health hazard, is most likely going to have to agree and say well, you should be removed to a less hazardous, nonexposed job.

That then means the employee has a right to be moved to this less hazardous job, nonexposed job, and shall maintain the earnings, seniority, and other employment rights and benefits as though the employee had not been removed from the former job, so now the employer has that added responsibility, not only with this one employee, but in regard to all who are in the class of employees who have the same type of an occupational health hazard.

He is stuck with that, as I see it.

Mr. HENRY. I note in some of the other legislation to which we have sometimes referred to the passing on this House floor as mandated benefits legislation, there has been a lot of discussion recognizing that large and small and medium-sized firms are

better able in terms of the amount of personnel to make such accommodations.

When we talk about and discuss matters such as mandated benefits in the area of spousal leave and some of the other issues before the floor, we have debated whether or not it should apply to employers with less than 15 employees or now less than 35 or 50.

Are there any exceptions at all in the committee bill relative to occupational job transfer in this provision, finding alternative work replacement?

If I am a small foundry with eight employees, is there any protection for me, or am I going to create a new post, or put this person on the dole?

Mr. FAWELL. I do not believe there is. I believe the gentleman is more familiar with the provisions than I am.

My main point is, it seems to me extremely unfair to the employer who is going to face the potential of an awful lot of tort lawsuits to also have this type of statutory liability cast upon him, while all previous employers who may have contributed get out scot-free.

It is one that not only casts upon him the responsibility of covering all the medical monitoring, all that goes with that, but it also means he has got to make a place of a nonhazardous—and if it goes for one, it will go for all 20 or 50 or 100, and that may be in that particular class of employees, and that is not realistic nor fair.

I think this bill, its intent is fine. Albert Schweitzer said that anybody that got a good idea can carry it too far. This is to me carrying it much too far.

I have a natural sympathy, because I am one who suffers because of environmental problems. I happen to have lost a thyroid gland, because I had some problems some 30 years ago; and I know what it is to suffer under those circumstances and 30 years later have a tumor that has to be taken and all that goes with it.

I am deeply empathetic, and I think we should do all we can possibly do to make the workplace a very, very safe place; but this kind of a bill has been thoughtlessly drawn.

It simply, I repeat, is not fair to the employer, especially under the musical chairs scenario to which I just made reference.

I thank the gentleman for asking me to be a part of this special order.

Mr. HENRY. I thank the gentleman for the gentleman's contribution and for the help the gentleman has been in committee in trying to draw attention to some of these issues as well.

I would like to touch on eight basic issues in this bill and summarize them very briefly.

Mr. BARTLETT. Mr. Speaker, will the gentleman yield?

Mr. HENRY. Mr. Speaker, I yield to the gentleman from Texas.

Mr. BARTLETT. Mr. Speaker, I thank the gentleman for yielding to me.

I first want to commend the gentleman from Michigan [Mr. HENRY], my good friend and colleague whom I serve with on the Committee on Education and Labor, for the gentleman's leadership on this effort.

The gentleman from Michigan, along with the gentleman from Vermont [Mr. JEFFORDS], is proposing a substitute to H.R. 162, a substitute that in fact will provide the House and the Congress with a way to pass good legislation, legislation that will solve the problem without creating untold new problems.

Mr. Speaker, the proponents have tried to make much about the so-called industry support for the high risk notification bill. In fact, as anyone who takes the time to look will soon discover, that support involves but three industry trade associations and a very few large corporations. The vast majority of U.S. employers, including every major small business association and more than 300 other trade associations and companies who have gone on record, oppose H.R. 162.

One of the trade associations which supports the bill is the Chemical Manufacturers Association, also known as CMA. In a July 14, 1987, letter to House Members, the CMA expressed support for H.R. 162. In another document dated September 10, 1987, and entitled "CMA Analysis of Jeffords-Henry Substitute to H.R. 162," the CMA urges House Members to defeat the alternative to H.R. 162 that will be offered on the floor by Mr. JEFFORDS and Mr. HENRY.

Before proceeding, I want to point out that CMA's support for H.R. 162 is by no means endorsed by all of its member companies. In fact, some of CMA's most notable members, including Mobil, Proctor & Gamble, Georgia Pacific, Goodyear, FMC, Borg Warner Chemical, and Shell, have taken the extraordinary step of publicly disavowing their association's position. As I am about to discuss, perhaps these companies have seen something in CMA's position that they do not find entirely consistent.

CMA decided to support H.R. 162 this year when changes were made to the bill which the association claimed met its previous objections. In fairness, the association has always been on record as supporting the concept of risk notification. CMA's about-face on the Jeffords-Henry substitute makes one wonder if we are dealing with the same association which was actively involved in opposing risk notification legislation last year and supporting a Jeffords substitute similar to this year's alternative.

The gentleman may recall that last year Representatives JEFFORDS and PETRI introduced a substitute to the pending risk notification bill. That substitute, like Jeffords-Henry this year, focused on disease prevention by expanding upon existing Federal programs rather than creating new ones. In an October 15, 1986, letter to House Members directed toward H.R. 1309, the predecessor to H.R. 162, the CMA wrote that the bill was "ill-suited to achieve its goal of worker protection and occupational disease prevention. We believe the Jeffords-Petri substitute, which builds upon the existing OSHA hazard communications standard, is a more practical alternative."

This year, in its analysis of Jeffords-Henry, the CMA claims that it would place new burdens on employers and that it duplicates existing laws and authorities. CMA also claims that Jeffords-Henry would impose significant new liability, cost, and administrative burdens on employers and manufacturers. These are the same arguments, incidentally, that the AFL-CIO is raising against Jeffords-Henry. Unfortunately, they are outright distortions of what the substitute would actually do.

Curiously, while CMA has been retreating on the substitute in this Congress, most other businesses and business organizations have endorsed it as a sensible alternative to H.R. 162. While businesses certainly recognize that Jeffords-Henry does impose additional obligations—the proposal is not, as its critics claim, a legislative ploy to divert attention away from the real issue of disease prevention—they also recognize that, like CMA did last year, it is a more practical alternative.

I should point out that Jeffords-Henry, if enacted, may result in the need for modification of material safety data sheets. The MSDS, as they are known, are required to be kept in the workplace for every hazardous substance. Jeffords-Henry requires the Secretary of Labor to look at existing MSDS to determine whether more useful information concerning chemical hazards can be provided on the MSDS to workers who may come into contact with a hazardous substance. These modifications to the MSDS would have to be made primarily by the manufacturers of the hazardous chemicals. Given CMA's endorsement of H.R. 162 this year, however, certainly the association would not oppose Jeffords-Henry because it contains a requirement that would provide additional health hazard information to workers.

In any case, setting aside the CMA's sudden cold feet with respect to the substitute, how does the revised H.R. 162 address the basic objections to its predecessor, which the association strongly opposed last year?

In a prepared statement submitted to the Education and Labor Committee on March 24, 1987, the CMA stressed its basic position, that is that

risk notification should be a two-step process. The first step was the existence of strong scientific evidence that human exposure to a substance was likely to result in disease. Step two required limiting notification only to those employees determined to be at significantly increased risk in light of both the intensity and the duration of their exposure. The bill, as reported by the committee, requires only that evidence show that chronic health effects have occurred in employees exposed to a hazardous substance. That is a far different test than requiring that exposure is likely to result in disease. With regard to step two, the bill would include individuals in a population at risk because of concentrations of exposure or durations of exposure, or both. That means it could be one or the other, but not necessarily both, which had been the original and correct position of the Chemical Manufacturers Association.

Mr. Speaker, I am certainly not a scientist and do not claim to know all of the complicated scientific issues that are present in the high risk bill.

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Nevertheless, as a member of the committee reading and listening to the testimony, I do not think we can look at CMA's two-step process and the language that is actually contained in the bill and conclude they say the same thing. While I do not dispute that some changes were made to the bill that met some of CMA's previous objections, neither does it appear that the bill has fully addressed the association's fundamental concerns which they articulated.

In addition, I am particularly puzzled, regardless of the position on the final bill, by the CMA's strange turnabout on the Jeffords-Henry substitute. That measure, if anything, has been improved over last year's version specifically to meet legitimate industry concerns. Indeed, employers who opposed the substitute last year now support it. Why would the CMA, which last year was one of the substitute's strongest supporters, suddenly find it so objectionable?

The fact is that the answer is contained somewhere in the world of politics and not in the substance of the legislation, and that is unfortunate.

At some point, the CMA representatives, without in my judgment the full understanding of most of the members, believed that they needed to make a deal with committee staffers in order to avoid a worse bill.

Now, there is nothing wrong with that conclusion, but the problem is that those CMA representatives made a bad deal. H.R. 162 is a bad deal for themselves, for their own employees, and for all other American employers and employees alike.

One fact remains which needs to come out loud and clear to every House Member who will vote on this bill, and that fact is this. This bill will cost jobs to American workers. This bill goes too far. It is too extreme and its primary effect will be to drive more American industry overseas and to cost more American workers their jobs.

The extreme restraints and requirements of H.R. 162, I would say to the gentleman from Michigan [Mr. HENRY], are not required in Taiwan. They are not required in Brazil and they are not required in Korea or virtually anywhere else. If the CMA and if the proponents of H.R. 162 have their way and place those extreme requirements and untold costs onto American workers, then there will be fewer American workers. Those American industries can simply locate their businesses someplace else.

Mr. HENRY. Mr. Speaker, I appreciate the gentleman's comments.

I think we ought to make one interjection at that point. We have to make very, very clear, that what is at issue here is not simply trying to compete on the lowest common denominator in terms of the health care protection we give to our workers. The issue is, is there a better way of addressing this issue which is not only more cost effective, but that is better in terms of protecting the legitimate health concerns of the American worker.

I ought to point out that the substitute that the gentleman from Vermont [Mr. JEFFORDS] and myself are offering, by focusing on substantially strengthening hazard communication, substantially expanding the number of workers who come under the protection of the OSHA Act, substantially increasing those hazards against which an expanded population will be advised, and also by testing once again the risk notification for 100,000 workers for which we think some reasonable grounds of risk notification does exist, doing it for the entire population, the entire universe of workers that we know are at this point in time on a carefully guarded basis, rather than opening it up to 20 million manufacturing workers, we can do all that, which is more than the committee bill for less, and that is the key.

Mr. BARTLETT. Mr. Speaker, if the gentleman will yield briefly on that point, the gentleman is absolutely correct.

The gentleman from Michigan [Mr. HENRY] and the gentleman from Vermont [Mr. JEFFORDS] are not advocating simply a continuation of the status quo of the last 10 years. The Jeffords-Henry substitute is proposing a vehicle, a way to provide true disease prevention, of notification of hazards in the workplace and notification of how to avoid those hazards and to do that in a way that will keep those jobs here by not offering an extreme virtually unlimited tort liability kind of legislation in which notification would occur to untold numbers of workers who may or may not have been exposed to any kind of a hazard.

The Jeffords-Henry substitute is indeed a hazard notification substitute that would toughen up the requirements, that would require workers to be notified of hazards in the workplace.

H.R. 162, by contrast, provides something to the opposite. H.R. 162 would take as its basis the requirement that the American Government notify all workers of all populations if they were somehow ever involved in an industry or in a population in which that industry as a whole had a higher statistical sampling of a particular kind of disease. That is not hazard notification. That is an invitation to lawsuits. That is an invitation to chaos in the workplace and it is an invitation to a loss of jobs for American workers.

We can do better. We can do a better job with the Jeffords-Henry substitute by providing disease prevention and hazard notification that protects American workers and saves their jobs at the same time.

Mr. Speaker, I commend the gentleman for his leadership in this area and thank the gentleman for the time.

Mr. HENRY. Well, Mr. Speaker, I appreciate the gentleman's comments and his assistance on this important measure. I thank the gentleman from Texas [Mr. BARTLETT].

Mr. Speaker, I would like if I may to get back to my eight points very briefly, in reclaiming my time, because I think if we focus on eight issues very briefly and simply, it will help many of our Members perceive exactly what all the commotion is about.

Mr. Speaker, the first of these is the whole issue of understanding this clear distinction between risk notification and hazard communication. This morning we were before the Rules Committee and the distinguished chairman asked of those of us before the committee and gave a hypothetical situation and said, "Would H.R. 162 resolve the problem when I get a complaint from a worker or a union official that there is some hazard in the workplace and we would like someone to come in from OSHA to see whether or not our workers are being adequately protected against that hazard?"

Or the other example that the chairman gave to us in our testimony before the Rules Committee, he asked, "What happens when someone phones and says, 'Well, we have found that there is asbestos in the air-conditioning or heating ducts of a building or a school building and we would like some protection for the people in those buildings.'"

The answer, Mr. Speaker, is that H.R. 162 does not address that issue. H.R. 162, as reported by the committee, does not strengthen the powers of OSHA in any manner whatsoever relative to protecting workers in the job place. That is what hazard communication is about.

Hazard communication is when you have standards in which there are rules relative to climbing ladders, chemical exposures, weight burdens, any number of matters. Hazard communication involves material data safety sheets, the instruction of workers in how to handle those materials, the rights of workers in terms of getting adequate training for handling those materials.

Risk notification, by comparison, does not deal with warning workers and improving the present work environment. Risk notification seeks to identify those workers who in the past—and emphasize past tense—in their former work history in a different era, perhaps in many cases prior to OSHA, were exposed to work environments which may in fact have created statistically some risk for them.

Now, I am going to come back to that, because the Jeffords-Henry substitute covers each and every one of those workers with risk notification and assistance, each and every one of those workers who have up to this point through the Department of Labor and through NIOSH been identified as having been exposed to such risk.

Our substitute addresses that population, while at the same time not opening up an entire program of retroactive notification with all its medical personnel and liability problems to a potential population of 20 million people; but if we understand, first of all, the difference between risk notification and hazard notification, understand that the committee bill does not improve hazard communication, the substitute does, and understand that the substitute also addresses the issue of risk for those who have thus far been clearly identified through public health and Labor Department studies as having been exposed to risk in the workplace—past tense.

Second, we ought to address some of the medical concerns with this bill. We ought to point out that the industrial hygienists, for example, those people who specialize in workplace environments, those very professionals who are responsible for occupational safety in the workplace as an organization opposed the risk notification as it came out of the committee. That seems to me, Mr. Speaker, to be a pretty startling observation.

Further, as the gentleman from Georgia [Mr. BARNARD] pointed out, the National Institute of Safety and Health opposes the bill as it came out of the committee, for the simple reason that it believes the efforts are misdirected and mistargeted in terms of a way in which medicine can best attack the problem of improved occupational safety.

Third, we ought to point out that the committee bill establishes a new bureaucracy, a new health risk assessment system with the new Health Risk Board and the Department of Health and Human Services, separate from the Department of Labor, where basically our present worker occupational safety is managed and administered. We have the problem just administratively of computing agency jurisdiction and the Government once again potentially working against itself.

Fourth, Mr. Speaker, is the issue of cost. We are told over and over again that the potential cost here is roughly $50 per employee when a risk assessment determination is made and workers have to be notified.

We asked the General Accounting Office to project the actual true cost. The General Accounting Office said there are so many unknowns that the cost is incalculable.

The machine tool industry is the only trade or labor association in all the debate which has examined this issue in terms of trying to cost out the effect of risk notification on its industry, one of those industrial groups in our country today which is suffering under grave economic duress because of foreign competition and changes in the international marketplace. The machine tool industry suggests a minimum of 2½ to 5 percent impact on the wholesale cost of its manufactured product relative to the cost of notification and health monitoring alone, without regard to increased liability exposure and insurance premiums.

The Steel Institute, the American Iron and Steel Institute, one of those industries most suffering in disarray in our country, estimates the cost as "catastrophic in proportion" in terms of what it means to the American iron and steel industry.

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Then, last, and I refer again to the remarks of the gentleman from Georgia [Mr. BARNARD], we received an unsolicited letter, an unsolicited letter, from the former personnel director of the Augusta Chemical Co. in Augusta, GA, no longer associated with the firm, no special interest in this legislation other than to advise us as to what his experiences were under the NIOSH experiment in the 1970's, and he reports that, no, the costs were not $50 per employee, the costs on the health screening and monitoring thus far have come to $5,000 per employee, without regard once again to the hundreds of millions of dollars of liability suits that are still pending.

Fifth, Mr. Chairman, the liability issue. I would remind Members that such distinguished scholars as Victor Schwartz, the author of the famous Schwartz and Torts, the very book that many Members of this body used in law school, and that is still probably the leading authority on tort law in law schools of the United States today, indicates that the bill has serious, substantial, severe defects in terms of its claim that it has blocked off frivolous lawsuits and difficult and expensive litigation.

The sponsors of H.R. 162 maintain that the bill is liability neutral because the certificate by which a worker would be notified that he has been identified as an individual who is at risk, that certificate cannot be entered into a court of law. That is true, the piece of paper cannot. The fact of his notification can, and there is no privacy on the list of people notified. Any plaintiff attorney can go down to HHS under this bill and get a computer printout of a thousand people who were notified, and my colleagues can see the class-action suits starting and see the odd ad hoc settlements, one by one, $10,000 here, $100,000 here, perhaps $1 million here in this class-action suit, and the costs begin to add up to real dollars.

Sixth, the issue of preemptions. I emphasize this, Mr. Speaker, because there have been several Dear Colleague letters, several floor speeches, made in which it is uttered that the Henry-Jeffords substitute would preempt State and local right to know or community right to know hazard communication standards which are stronger or more effective in terms of protecting public interests or worker interests than the Federal standards. Mr. Speaker, that is simply not true. It is factually incorrect.

There are two types of situations. One is where you have a State with a State plan. A State can have a State plan for hazard communication and community right to know only if its standards exceed those of the Federal Government. The Henry-Jeffords substitute, in fact, raises those standards. It raises the standards in terms of numbers of workers notified, it raises the standards in terms of what they are notified and warned about, and it also establishes a target risk notification to those whom we now know have been at risk. Surely if we raise the standards and the States do not raise theirs, well, yes, we will preempt when our substitute offers better protections than existing, prevailing State or local work protections. But in any instance, whether it be a State plan or even a non-State plan that has a community or State right to know law as opposed to a hazard communication law, or a non-State plan with hazard communication or right to know law

above the Federal standard, that will not be preempted by the substitute. That point ought to be reiterated.

Seventh, Mr. Speaker, we ought to touch very briefly on some of the issues of business support, issues not just of large business, it is small business, the National Federation of Independent Businesses to the manufacturing association, the chamber of commerce, the Farm Bureau. The committee bill as it is written makes the family farmer potentially liable for chemicals used on the family farm even with temporary seasonal agricultural workers which the farmer may have employed in past years.

There are over 300 trade associations, professional groups, including many public health groups, who are opposing the committee bill because of the way it is drawn.

Eighth and finally, Mr. Speaker, I would simply once again reiterate the positive benefits of the substitute. The substitute is not a bill that seeks to simply do less for the worker. In fact, what it does is it does more.

As we contemplate whether or not the NFL football players' strike is about to be resolved, and hopefully those of us who are football fans will see it resolved prior to the vote on this matter next week, we might make an analogy. We might ask what if the NFL instead of requiring the players to wear helmets simply had ambulances at each goal post and gave every player an x-ray after every game and said we give you risk notification. This is a hazardous game, it is a risky business, and because of the risk we will check you out constantly after every game. What if they did that as opposed to saying you are going to wear a helmet. That is the basic issue once again between risk notification and hazard communication.

What we have sought to do is strengthen helmet protections for the workers to protect them in the first place, to prevent those kinds of injuries and occupational diseases that are harmful to them.

Not only that, we expand the number of workers, and we do it substantially.

I just have one more point, Mr. Speaker, in closing. This pertains to some misinformation that continues to be reported on the number of occupational injuries which are in some way workplace related in terms of chemical and hidden hazards, you might call them the secret killers. We have heard over and over again that upward of 100,000 of our workers every year die because of back risks, accumulated risk exposures, and upwards of 200,000, 300,000 suffer illness every year. That report, Mr. Speaker, and the report from which those figures have been repeated over and over again were submitted to the Office of Technology Assessment, our own congressional office, several years ago for review. Our own Office of Technology Assessment is on record as having repudiated that report, repudiated those figures as being utterly void of any scientific foundation and credibility.

We have tried to make that point, but the figures keep coming back. I think, as a matter of record, it is only fair to refer the Members to the scientists that we employ at public expense to advise us on such very difficult issues as risk.

Mr. Speaker, I yield back the balance of my time.

MILITARY STRATEGY: UNFOCUSED, UNSTUDIED, UNLEARNED

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Missouri [Mr. SKELTON] is recognized for 30 minutes.

Mr. SKELTON. Mr. Speaker, the American fighting man—soldier, sailor, airman, and marine—fought a war in the jungles of Southeast Asia and never lost a battle. Unlike every other war in our history it was one in which the United States went to battle well prepared. Yet in one of those ironies that abound in history after a staggering investment of blood and treasure, the Republic of Vietnam fell to the Communist forces of North Vietnam.

The American fighting man—not to mention the millions of Vietnamese who now live under Communist rule—was let down by a lack of strategic thinking on the part of military and civilian leaders alike here at home. Well-meaning people who devoted untold hours of hard work at the White House, the Pentagon, the State Department, and, yes, in Congress too, simply did not piece together the right strategy at the beginning of the war to ensure victory.

This is the first of five speeches I will deliver on strategy and military education during the next few weeks. I will do so, as part of an effort to prepare for a series of hearings dealing with the issue of professional military education that will be conducted throughout the course of the next year. In many ways this will be a continuation of the defense reform effort that began 5 years ago when Gen. David Jones, Chairman of the Joint Chief of Staff and Gen. Edward Meyer, Chief of Staff of the Army, called for a substantial reorganization of the Joint Chiefs of Staff. That call for change resulted in the landmark Goldwater-Nichols Department of Defense Reorganization Act of 1986. Now the effort will be to focus more on ideas than on structure.

Mr. Speaker, America has been blessed in decades gone by with outstanding strategic thinkers the father of modern naval warfare, Alfred Thayer Mahan; the architect of victory during World War II, George C. Marshall and the man responsible for today's NATO strategy of flexible response, Maxwell Taylor. Each of these Americans made profound contributions to our Nation's security by sound and original strategic thinking.

Where are our strategic thinkers of today? Does our military structure no longer nurture such individuals? Is our professional military education such that it would be impossible for a Mahan, Marshall, or Taylor to make a contribution? Does our military spend so much time studying weapons systems and tactics that there is no room for strategic thinking.

Today, we see mismatches between strategy and our military posture. Let me cite a few examples. As you are well aware, the United States initially encountered some problems in efforts to escort reflagged Kuwaiti tankers carrying oil through the Persian Gulf. A lack of planning and foresight by our military leaders left us vulnerable in this volatile region to such low-tech weapons as mines. Over the past few years we chose to dedicate our defense dollars to sophisticated equipment to defend the Navy against aircraft, missile, and submarine attacks. Thus, we were left without adequate minesweeping capability to protect our ships in the Persian Gulf.

Second, the U.S. Marine Corps is composed of three active and one reserve division. Its specialty is amphibious assault and yet if all U.S. Navy amphibious ships scattered throughout the world were brought together only 1⅓ divisions could actually be placed on board. There is a disconnect here. Either we have too many Marines or too few amphibious ships.

Let us look at a third issue, the matter of airlift and sealift. We have spent much money over the years to buy airlift, to enable U.S. fighting forces to respond to contingencies on foreign shores and yet at the same time, we have neglected sealift, the transport ships that will keep American forces on foreign shores supplied with the weapons, ammunition, spare parts, oil products necessary to sustain combat forces in battle. We could find ourselves in the very uncomfortable situation of having American men in combat without the ability to take care of them once committed. This has all the elements of a disaster waiting to happen.

Webster's New Collegiate Dictionary defines strategy as "the science and art of employing the armed strength of a belligerent to secure the objects of war especially, the large-scale planning and directing of operations in adjustment to combat area, possible enemy action, political alignment, etc . . .". In simple layman's terms, when we talk about strategy we are talking

about how to attain an objective, the means employed, not the final objective or the final goal of our efforts. Too often people in government, the press, and the public at large tend to confuse the two.

The purpose of strategy is to match ends with means. At its best, strategy is a form of intellectual judo, where intelligence is used matching strength against weakness rather than strength against strength. But the use of strategy requires the education of both political and military leaders. Education in the present is the foundation of everything that happens in the future. I will repeat that: Education in the present is the foundation of everything that happens in the future.

Over the past few years, I have received correspondence from a number of individuals who have been intimately involved with national security matters.

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They sincerely believe that a failure of national leadership, both political and military, has occurred with respect to the formulation of a national strategy. One individual informed me that the last time we had an articulated national strategy was during World War II. Another cited the early postwar period when the policy planning staff at the Department of State put together what came to be known as the policy of containment during the Truman administration.

I think maybe one of our problems is that we have a strategy, but it is not an articulated one, one set down on paper. A comparable analogy might be found in the institutions that have arisen here and in Great Britain. We recently celebrated the 200th anniversary of the signing of our Constitution. This document sets down in written form how the American Government is to be run. It is a good document; it is a pretty good blueprint. On the other hand, the British have no single written document. They have laws based on precedent, but no fundamental law to which they can refer the way we have with our Constitution.

In the world of politics, one can get by without a constitution that is written. In military affairs, however, the lack of a blueprint, an agreed-upon military strategy set down on paper, can make it much more difficult to attain the goals laid down by political leaders. This is especially true during the period of violent peace that has been the fate of the world since 1945.

The House Armed Services Committee invited John Collins senior specialist for National Defense at the Congressional Research Service an original thinker if ever there was one, to testify in front of the Defense Policy Panel in October 1985.

During the question-and-answer period following his prepared testimony this is what he had to say about the matter of strategy. "If somebody asked me what is the No. 1 national security problem of the United States I would say that it's an inability to produce creative imaginative strategies that interlock the pieces in meaningful ways * * *. I don't see an apparatus anywhere in the United States that is dedicated to the development of new theories and concepts in this field." Collins went on to make the point one with which I wholeheartedly agree that we need new procedures within existing organizations not a new organization for strategy. In other words there is a need within our existing military education system to develop and encourage strategic thinkers—the end product will be a better and more comprehensive national defense.

In many ways these criticisms are right on the mark. I would argue that there are a number of factors contributing to our lack of focus in formulating a national strategy. First we are a technological rich society. Over the past 40 years we have simply been able to apply the benefits of technology to our defense needs exploiting technological advances as they became available. We have allowed technology to substitute for hard thinking. Second, the relative abundance of financial resources in the postwar era has encouraged a less than rigorous attention to establishing priorities. Thus, the four services have put together "shopping lists" of equipment reflecting four separate service strategies rather than a unified national strategy. Finally, we simply do not devote the intellectual energy necessary at the highest levels of government to study the relationship between historical events and those events taking place today all around the globe. And this I say as criticism directed more at civilians, both in the executive and legislative branches, rather than at the uniformed leadership of the four services—though the military has its share of the blame to shoulder also.

Two factors at work over the recent past will change the relatively carefree ways of the postwar period. Simply put we no longer have the overwhelming economic resources—the money—nor the technological superiority—the weapons—that existed at the end of the World War II and during the first two decades of the cold war. As a result there are a number of efforts underway throughout the national security community to change the way we operate. More attention is being given to strategy at the White House, in the Pentagon, in Congress, and among private research organizations.

In January of this year, in response to legislative measures in last year's Goldwater-Nichols Defense Reorganization Act the White House published a document entitled "The National Security strategy of the United States". It is a first attempt to set down the national strategy in some sort of coherent, articulated fashion. Elsewhere, within the bowels of the Pentagon a bipartisan group of leading defense thinkers has been working on the Commission on Integrated Long-Term strategy. The charter of this select group is to look to the future, to the next twenty years and to provide "insights into the role and strategic implications of new defense technologies. . . . In yet another part of the Pentagon, a newly formed Competitive Strategies Council is giving much attention to aligning United States strengths to Soviet weaknesses, with a careful focus on leading-edge defense technologies.

On Capitol Hill both Armed Services Committees are paying increased attention to strategy. Two years ago the House Armed services Committee established the Defense Policy Panel to spotlight the policy implications of the Department of Defense budget requests. And the Senate Armed Services Committee held a series of hearings earlier this year devoted to the topic of military strategy.

Let me devote a bit of attention to the report sent to the Congress by the President in Janaury of this year entitled "The National Security Strategy of the United States." As the first such report of its kind no one can doubt the formidable task that confronted those who put it together Yet if I were asked to grade the report I would have to give it two grades, a B for effort and a C minus for content.

Let me explain why I would be so hard in my evaluation of the content of the report. As I note earlier strategy is about means, not ends. And yet the report talks about means "the defense capabilities of the United States necessary to . . . implement the national security strategy of the United States"—in only the vaguest of terms. The report simply does not address the issue of the military forces required to carry out the strategy, nor even the adequacy of present forces to do so. For a report devoted to strategy, this is a major failing. For example, there is no explanation of how the figure of 18 Active duty Army divisions was determined—why not 15, or 20, or some other number? In fact, there is no mention in the report as to the number of U.S. Army divisions at all. I know there are 18 active duty divisions because I serve on the Armed Services Committee.

Another example. There is no mention of strategy-force mismatches. Such a report would have been a good place to talk about such mismatches. I have already given examples of strategy-force mismatches earlier in this speech and there is a need to give close

attention to them but this report is silent on this all important subject.

In fairness even if we had the most precise statement of national security policies, determining the forces needed to carry out such policies is still more art than science. But it would still be good to arrive at some rough estimate of the military forces needed by the four services to carry out policies formulated in the executive branch. One of the good things about annual reports is that there is the opportunity to improve them to address deficiencies the next go around. The next report if it addresses these areas of concern will be a great improvement.

Mr. Speaker, Frederick the Great once observed "He who defends everything defends nothing." We no longer have the luxury we once had to avoid making tough decisions. We are in for some lean times especially in the military arena. In all probability, we are entering an era of flat military budgets, no increases in real spending. The budget and trade deficits of the 1980's will affect America and the American role in the world to the year 2000. Priorities will have to be set, but they will have to be set in an intelligent way. Unless we think smarter than we have in the recent past we could end up again with a "hollow army", the condition of the armed services in the late 1970's.

If we are to avoid such a reoccurrence, both political and military leaders will need to work more closely together. A national security strategy, a well-formulated and detailed blueprint that both political and military leaders can understand will need to be crafted. Further, there is an overwhelming need for our military educational system to improve its contribution to the strategic thinking for the leaders of our country. I hope that as these hearings of the Panel on Professional Military Education get underway in early December we will be able to focus the spotlight on the importance of putting together such a strategy by improving our military educational system.

Mr. Speaker, I yield back the balance of my time.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mrs. COLLINS (at the request of Mr. FOLEY), for today and the balance of the week, on account of illness in the family.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. ROWLAND of Connecticut) to revise and extend their remarks and include extraneous material:)

Mr. YOUNG of Alaska, for 5 minutes, today.

Mr. CRANE, for 5 minutes, today.

Mr. BOEHLERT, for 5 minutes, on October 7.

Mr. CRANE, for 5 minutes, on October 7.

(The following Members (at the request of Mr. DOWNEY of New York) to revise and extend their remarks and include extraneous material:)

Mr. ANNUNZIO, for 5 minutes, today.

Mr. DE LA GARZA, for 5 minutes, today.

Mr. PEASE, for 5 minutes, on October 6.

Mr. PEASE, for 5 minutes, on October 7.

Mr. WHITTEN, for 5 minutes, today.

Mr. HOYER, for 30 minutes, on October 15.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. ALEXANDER, prior to the vote on title III in H.R. 3030 in the Committee of the Whole today.

Mr. BRUCE, immediately following the vote on H.R. 3030 in the House today.

Mr. DURBIN, immediately following the vote on H.R. 3030 in the House today.

(The following Members (at the request of Mr. ROWLAND of Connecticut) and to include extraneous matter:)

Mr. LAGOMARSINO.
Mr. SOLOMON in three instances.
Mr. BROOMFIELD in two instances.
Mr. GUNDERSON.
Mr. GREEN.
Mr. BEREUTER.
Mr. GINGRICH.
Mr. DANNEMEYER.
Mr. LATTA.
Mr. BLAZ.
Mr. LEWIS of California.
Mr. COUGHLIN.
Mr. KYL.
Mr. SUNDQUIST in two instances.
Mr. DENNY SMITH.
Mr. HORTON.
Mr. MOLINARI.

(The following Members (at the request of Mr. DOWNEY of New York) and to include extraneous matter:)

Mr. DORGAN of North Dakota.
Mr. HOYER.
Mr. TORRES.
Mr. LIPINSKI in two instances.
Mr. STARK.
Mr. ROE.
Mr. RODINO in two instances.
Mr. DE LUGO.
Mr. MRAZEK.
Mr. MILLER of California.
Mr. GARCIA in two instances.
Mr. FEIGHAN.
Mr. RANGEL.
Mr. RAHALL.
Mr. PENNY.
Mr. HOCHBRUECKNER.
Mr. FORD of Michigan.
Mr. FLORIO.
Mr. VENTO in two instances.
Mr. DINGELL.
Mr. LEHMAN of Florida.
Mr. HOWARD.
Mr. YATRON.
Mr. RICHARDSON.
Mr. EVANS.
Mr. FAUNTROY.
Mr. MARKEY.
Mr. MANTON.
Mr. WYDEN.
Mr. OWENS of New York.
Mr. LELAND.

SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 247. An act to designate the Kern River as a national wild and scenic river; to the Committee on Interior and Insular Affairs.

S. 578. An act to amend the National Trails System Act to designate the Trail of Tears as a National Historic Trail; to the Committee on Interior and Insular Affairs.

S. 1297. An act to amend the National Trails System Act to provide for a study of the De Soto Trail, and for other purposes; to the Committee on Interior and Insular Affairs.

ENROLLED BILLS SIGNED

Mr. ANNUNZIO, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 242. An act to provide for the conveyance of certain public lands in Oconto and Marinette Counties, WI;

H.R. 797. An act to authorize the donation of certain non-Federal lands to Gettysburg National Military Park and to require a study and report on the final development of the park;

H.R. 1205. An act to direct the Secretary of Agriculture to release a reversionary interest of the United States in certain land located in Putnam County, FL, and to direct the Secretary of the Interior to convey certain mineral interests of the United States in such land to the State of Florida; and

H.R. 2035. An act to amend the act establishing Lowell National Historical Park, and for other purposes.

ADJOURNMENT

Mr. SKELTON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 8 o'clock and 43 minutes p.m.), the House adjourned until tomorrow, Wednesday, October 7, 1987, at 10 a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2200. A letter from the Assistant Secretary for Financial Management, Department of the Army, transmitting a draft of proposed legislation to authorize that premium payments by participants in the retired servicemen's family protection plan and the survivor benefit plan (chapter 73, title 10, United States Code) be deposited in the Department of Defense Military Retirement Fund; to the Committee on Armed Services.

2201. A communication from the President of the United States, transmitting the first annual report on the extent to which significant progress has been made toward ending apartheid in South Africa, pursuant to 22 U.S.C. 5091(b) (H. Doc. No. 100-109); to the Committee on Foreign Affairs and ordered to be printed.

2202. A letter from the Assistant Secretary of State for Legislative and Intergovernmental Affairs, Department of State, transmitting a report on gifts by the U.S. Government to foreign individuals, pursuant to 22 U.S.C. 2694(2); to the Committee on Foreign Affairs.

2203. A letter from the Assistant Attorney General, Office of Legislative and Intergovernmental Affairs, Department of Justice, transmitting a draft of three proposed bills to strengthen the administration's antifraud enforcement program, entitled "The Anti-Fraud Enforcement Act of 1987;" "The Bribes and Gratuities Act of 1987;" and "The Contract Disputes Act and Federal Courts Improvement Act Amendments of 1987"; to the Committee on the Judiciary.

2204. A letter from the Adjutant General, Veterans of Foreign Wars of the United States, transmitting a report and financial audit for the fiscal year ending August 31, 1987, pursuant to 36 U.S.C. 1101(47), 1103; to the Committee on the Judiciary.

2205. A letter from the Director, Office of Personnel Management, transmitting notification of the final plan for the National Bureau of Standards demonstration project which addresses the Government's problem of attracting and keeping qualified personnel, especially in high-technology fields, pursuant to 5 U.S.C. 4703(b)(4)(B), (6); to the Committee on Post Office and Civil Service.

2206. A letter from the Secretary of Labor, transmitting the third report on the impact of the Caribbean Basin Economic Recovery Act on U.S. labor, pursuant to 19 U.S.C. 2705; to the Committee on Ways and Means.

2207. A letter from the Chairman, U.S. International Trade Commission, transmitting the second annual report on impact of the Caribbean Basin Economic Recovery Act on U.S. industries and consumers, pursuant to 19 U.S.C. 2704; to the Committee on Ways and Means.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. ROE: Committee on Science, Space, and Technology. H.R. 1517. A bill to amend the Federal Aviation Act of 1958 to require the installation and use of collision avoidance systems in aircraft, to require the Federal Aviation Administration to complete research on and development of the TCAS-III collision avoidance system as soon as possible, and for other purposes; with an amendment (Rept. 100-286, Pt. 2). Referred to the Committee of the While House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. MAZZOLI: Committee on the Judiciary. H.R. 526, A bill for the relief of Kumari Rajlakshmi Bais, with an amendment (Rept. 100-346). Referred to the Committee of the Whole House.

Mr. SWINDALL: Committee on the Judiciary. H.R. 1112, A bill for the relief of Pablo Cruz Patag, with an amendment (Rept. 100-347). Referred to the Committee of the Whole House.

Mr. MAZZOLI: Committee on the Judiciary. H.R. 1191, A bill for the relief of Maria Helena Vas and Jose Maria Vas, with amendments (Rept. 100-348). Referred to the Committee of the Whole House.

Mr. FISH: Committee on the Judiciary. H.R. 1390, A bill for the relief of Chu Pei Yun (Zhu Bei Yun), (Rept. 100-349). Referred to the Committee of the Whole House.

Mr. MORRISON of Connecticut: Committee on the Judiciary. H.R. 1420, A bill for the relief of Anthony Stanley Orloff, (Rept. 100-350). Referred to the Committee of the Whole House.

Mr. SWINDALL: Committee on the Judiciary. H.R. 1826, a bill for the relief of Natasha Susan Middelmann, Samantha Abigail Middelmann, Naomi Katrina Orloff Middelmann, and Hannah Emily Middelmann (Rep. 100-351). Referred to the Committee of the Whole House.

Mr. SLAUGHTER: Committee on the Judiciary. H.R. 1863, a bill for the relief of Helen Ying-Yu Lin; with an amendment (Rep. 100-352). Referred to the Committee of the Whole House.

Mr. BRYANT: Committee on the Judiciary. H.R. 2108, a bill for the relief of Chun Wei Wong, Bic Ya Ma Wong, Wing Sing Wong, Wing Yum Wong, and Man Yee Wong; with an amendment (Rep. 100-353). Referred to the Committee of the Whole House.

Mr. McCOLLUM: Committee on the Judiciary. S. 393, a bill for the relief of Emilie Santos (Rep. 100-354). Referred to the Committee of the Whole House.

Mr. FRANK: Committee on the Judiciary. S. 423, a bill for the relief of Kil Joon Yu Callahan; with an amendment (Rep. 100-355). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. PEPPER:

H.R. 3422. A bill to require the processing of applications from Cuban nationals for refugee status; to the Committee on the Judiciary.

By Mr. BONKER (for himself, Mr. FOLEY, Mr. DICKS, Mr. SWIFT, Mr. LOWRY of Washington, Mr. MORRISON of Washington, Mr. CHANDLER, and Mr. MILLER of Washington):

H.R. 3423. A bill to establish the Grays Harbor National Wildlife Refuge; to the Committee on Merchant Marine and Fisheries.

By Mr. FORD of Michigan (for himself, Ms. OAKAR, Mr. ACKERMAN, Mr. CLAY, and Mr. SOLARZ):

H.R. 3424. A bill amending the Defense Department Overseas Teachers Pay and Personnel Practices Act and the Defense Dependents' Education Act of 1978; jointly, to the Committees on Post Office and Civil Service and Education and Labor.

By Mr. BUECHNER:

H.R. 3425. A bill to direct the Administrator of the Federal Aviation Administration to hire additional air traffic controllers, and for other purposes; jointly to the Committee on Public Works and Transportation and Ways and Means.

By Mr. CLINGER:

H.R. 3426. A bill to temporarily suspend the duty on N-methyl aniline and m-chloro aniline; to the Committee on Ways and Means.

By Mr. DYSON:

H.R. 3427. A bill to allow the obsolete submarine United States ship *Blenny* to be transferred to the State of Maryland before the expiration of the otherwise applicable 60-day congressional review period; to the Committee on Armed Services.

By Mr. HOYER:

H.R. 3428. A bill to provide for the distribution within the United States of the film entitled "America The Way I See it"; to the Committee on Foreign Affairs.

H.R. 3429. A bill to amend title 5, United States Code, to provide that the Government's health insurance program for Federal employees include benefits relating to cleft lip, cleft palate, and certain other conditions; to the Committee on Post Office and Civil Service.

By Mr. HUCKABY:

H.R. 3430. A bill to redirect the program for the disposal of spent nuclear fuel and high-level radioactive waste under the Nuclear Waste Policy Act of 1982 to achieve budget savings, and for other purposes; jointly, to the Committees on Energy and Commerce and Interior and Insular Affairs.

By Mr. HUTTO:

H.R. 3431. A bill to release a reversionary interest of the United States in a certain parcel of land located in Bay County, FL; to the Committee on Interior and Insular Affairs.

By Mr. KENNEDY:

H.R. 3432. A bill to provide for adjustment of status of certain Irish nationals who arrived in the United States before September 1, 1987, and who have continuously resided in the United States since before the end of the period; to the Committee on the Judiciary.

By Mr. LEVINE of California:

H.R. 3433. A bill to require manufacturers of toy firearms to distinctively mark the toy firearms as toys; to the Committee on Energy and Commerce.

By Mr. MICA:

H.R. 3434. A bill to amend title 38, United States Code, with respect to funeral ex-

penses; to the Committee on Veterans' Affairs.

By Mr. PANETTA (for himself and Mr. EMERSON):

H.R. 3435. A bill to provide that certain charitable donations, and payments for blood contributed, shall be excluded from income for purposes of the Food Stamp Program and the AFDC Program; jointly, to the Committees on Agriculture and Ways and Means.

By Mr. PEPPER:

H.R. 3436. A bill to amend the Older Americans Acts of 1965 to make technical corrections; to the Committee on Education and Labor.

By Mr. RANGEL (for himself, Mr. DOWNEY of New York, Mr. DIOGUARDI, and Mr. GREEN):

H.R. 3437. A bill to amend the Internal Revenue Code of 1986 to provide that employer subsidies for mass transit and van pooling be treated as working condition fringe benefits which are not included in gross income; to the Committee on Ways and Means.

By Mr. WYDEN (for himself, Mrs. KENNELLY, and Mr. DONNELLY):

H.R. 3438. A bill to amend the Internal Revenue Code of 1986 to provide that long-term health care insurance contracts shall be treated for purposes of determining the income taxation of insurance companies in the same manner as noncancellable accident or health insurance contracts; to the Committee on Ways and Means.

By Mr. MOODY (for himself and Mr. MILLER of California):

H.J. Res. 371. Joint resolution to designate March 4, 1988, as "National Children's Acknowledgement Day"; to the Committee on Post Office and Civil Service.

MEMORIALS

Under clause 4 of rule XXII, memorials were presented and referred as follows:

224. By the SPEAKER: Memorial of the Legislature of the State of California, relative to the purchase of MH-60G Black Hawk helicopters; to the Committee on Armed Services.

225. Also, memorial of the Legislature of the State of California, relative to maintenance of family unity by undocumented immigrants; to the Committee on the Judiciary.

226. Also, memorial of the Legislature of the State of California, relative to "Red Ribbon Week"; to the Committee on Post Office and Civil Service.

227. Also, memorial of the Legislature of the State of California, relative to tuna fishing; to the Committee on Ways and Means.

228. Also, memorial of the Legislature of the State of California, relative to Taiwanese poultry import restrictions; to the Committee on Ways and Means.

229. Also, memorial of the General Assembly of the State of California, relative to the boundaries of Alaska; jointly, to the Committees on Foreign Affairs and the Judiciary.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

Mr. FUSTER introduced a bill (H.R. 3439) for the relief of Marisela, Felix, and William Marrero; which was referred to the Committee on the Judiciary.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 17: Mr. MOODY.

H.R. 38: Mr. FLORIO.

H.R. 39: Mr. ROBINSON.

H.R. 52: Mr. OWENS of Utah.

H.R. 65: Mr. DELLUMS, Mr. FOGLIETTA, Mr. FLAKE, and Mr. JONES of North Carolina.

H.R. 70: Mr. OWENS of Utah.

H.R. 355: Mrs. BOXER, Mr. SCHEUER, Mr. FLAKE, Mr. FOGLIETTA, Mr. CONYERS, and Mrs. COLLINS.

H.R. 382: Mr. OWENS of Utah, Mr. KLECZKA, Mr. KOSTMAYER, Mr. COELHO, Mr. SKELTON, Mr. MOAKLEY, Mr. FAWELL, Mr. WYDEN, Mr. KILDEE, Mr. TORRICELLI, Mr. LEACH of Iowa, Mr. AUCOIN, Mr. ENGLISH, Mr. FLIPPO, Mrs. JOHNSON of Connecticut, Mr. ROBINSON, Mr. GARCIA, Mr. QUILLEN, Mr. MAVROULES, Mr. WOLF, and Mr. OBERSTAR.

H.R. 386: Mr. DAVIS of Michigan.

H.R. 387: Mr. DAVIS of Michigan.

H.R. 388: Mr. BATES and Mr. APPLEGATE.

H.R. 393: Mr. DOWDY of Mississippi and Mr. OWENS of Utah.

H.R. 397: Mr. DERRICK, Mrs. BYRON, and Mr. VALENTINE.

H.R. 550: Mr. EDWARDS of California, Mrs. COLLINS, Mr. MURPHY, Mr. LELAND, Mr. ROBINSON, Mr. HAYES of Illinois, Mr. TOWNS, Mr. BORSKI, Mr. FAZIO, Mr. SOLARZ, Mr. HOWARD, Mr. SMITH of Florida, Mr. ATKINS, Mr. LEHMAN of California, Mr. GRAY of Illinois, Mrs. BYRON, Mr. WOLPE, Mr. CROCKETT, Mr. ORTIZ, Mr. FEIGHAN, Mr. MATSUI, Mr. FISH, Mr. OBEY, Mr. ESPY, Mr. STAGGERS, Ms. SLAUGHTER of New York, Mr. WORTLEY, Mr. DELLUMS, Mr. MCHUGH, Mr. OWENS of New York, Mr. FASCELL, Mr. BOLAND, Mr. LEWIS of Georgia, Mrs. SCHROEDER, Mr. OBERSTAR, Mr. HALL of Ohio, Mr. LANTOS, Mr. LEVINE of California, Mr. DE LUGO, and Mr. JONTZ.

H.R. 639: Mr. PURSELL.

H.R. 671: Mr. BATES.

H.R. 680: Mr. BATES.

H.R. 709: Mr. SHAYS.

H.R. 772: Mr. GUNDERSON.

H.R. 792: Mr. BARNARD and Mr. BUECHNER.

H.R. 1003: Mr. BIAGGI, Mr. BATES, Mr. FISH, and Mr. TRAFICANT.

H.R. 1076: Mr. MANTON, Mr. DARDEN, Mr. KENNEDY, and Mr. COATS.

H.R. 1145: Mr. WILLIAMS.

H.R. 1250: Mr. MCEWEN.

H.R. 1531: Mr. GALLO.

H.R. 1536: Mr. HUTTO, Mr. GRANT, and Mr. BURTON of Indiana.

H.R. 1638: Mr. HAYES of Illinois and Mr. DWYER of New Jersey.

H.R. 1794: Mr. PENNY, Mr. ST GERMAIN, and Mr. FORD of Michigan.

H.R. 1917: Mr. STAGGERS.

H.R. 1930: Mr. HOWARD.

H.R. 1933: Mr. HOWARD and Mr. ROWLAND of Connecticut.

H.R. 1957: Mr. BARNARD, Mr. BATES, Mr. BOEHLERT, Mr. BRYANT, Mrs. BYRON, Mr. DEFAZIO, Mr. DEWINE, Mr. ERDREICH, Mr. FAWELL, Mr. FOGLIETTA, Mr. FOLEY, Mr. GARCIA, Mr. GORDON, Mr. GREGG, Mr. HATCHER, Mr. HENRY, Mr. KENNEDY, Mrs. KENNELLY, Mr. KYL, Mr. LIVINGSTON, Mr. LOTT, Mr. MADIGAN, Mr. MARTIN of New York, Mr. MAVROULES, Mr. MONTGOMERY, Mrs. MORELLA, Mr. MURTHA, Mr. RINALDO, Mr. RITTER, Mr. ROEMER, Miss SCHNEIDER, Mr. SLATTERY, Mr. SMITH of New Hampshire, Mr. WYLIE, Mrs. MARTIN of Illinois, and Mr. FIELDS.

H.R. 1977: Mr. EVANS and Mr. DORNAN of California.

H.R. 2114: Mr. ALEXANDER.

H.R. 2248: Mr. NIELSON of Utah.

H.R. 2433: Mr. BUNNING and Mrs. COLLINS.

H.R. 2666: Mr. HOCHBRUECKNER.

H.R. 2692: Mr. SMITH of New Jersey, Mr. KANJORSKI, Mr. KENNEDY, Mr. WOLF, and Mr. HERTEL.

H.R. 2761: Mr. KILDEE, Mr. SAVAGE, Mr. SOLARZ, Mr. WISE, Mr. GRAY of Illinois, Mr. RODINO, Mr. TRAXLER, Mr. OWENS of New York, Mr. HAYES of Illinois, Mr. JONES of North Carolina, Mr. YATES, Ms. PELOSI, Mr. DELLUMS, Mr. LEWIS of Georgia, Mr. HOWARD, Mr. LEHMAN of Florida, Mr. CLAY, Mr. DEFAZIO, Mr. ACKERMAN, Mr. BONIOR of Michigan, Mr. FOGLIETTA, Mr. YATRON, Mr. BROWN of California, Mr. ANNUNZIO, Mr. WILSON, Mr. TOWNS, and Mr. MAVROULES.

H.R. 2762: Mrs. BOXER, Mr. MICA, Mr. JOHNSON of South Dakota, Mr. LANTOS, Mr. MARKEY, Mr. WOLPE, Mr. MATSUI, Mr. LOWRY of Washington, and Mr. TORRICELLI.

H.R. 2804: Mr. FLAKE.

H.R. 2859: Mr. YOUNG of Florida and Mr. BIAGGI.

H.R. 2888: Mr. STENHOLM.

H.R. 2920: Mr. SMITH of Florida, Mr. FORD of Michigan, and Mr. ECKART.

H.R. 2972: Mr. GEJDENSON, Mr. DYMALLY, and Mr. KOSTMAYER.

H.R. 3009: Mr. TOWNS, Mr. HAYES of Illinois, Mr. AKAKA, Mr. GEJDENSON, Mr. LEWIS of Georgia, Mr. FRANK, Mr. FAUNTROY, Mr. HYDE, Mr. MRAZEK, Mrs. BOXER, Mr. JONTZ, Mr. HOWARD, Mr. FAZIO, Mr. CONYERS, Ms. PELOSI, Mr. FOGLIETTA, Ms. KAPTUR, Mr. MINETA, and Mrs. COLLINS.

H.R. 3020: Mr. HANSEN.

H.R. 3047: Mr. LIPINSKI and Mr. BUECHNER.

H.R. 3071: Mr. KOSTMAYER.

H.R. 3129: Mr. COATS and Mr. NIELSON of Utah.

H.R. 3130: Mr. OWENS of New York, Mr. LANTOS, Mr. HERTEL, Mrs. COLLINS, Mr. SISISKY, and Mr. MURPHY.

H.R. 3154: Mr. HUCKABY, Mr. CONYERS, and Mr. LEWIS of Georgia.

H.R. 3291: Mr. FRANK, Mr. SMITH of Florida, Mr. HEFNER, Mr. ACKERMAN, Mr. HOWARD, Mr. YATES, Mr. CONTE, Mr. WHEAT, Mr. RODINO, Mr. APPLEGATE, Mr. WISE, Mr. HAYES of Illinois, Mr. EVANS, Mr. FOGLIETTA, Mr. FAUNTROY, Mr. TORRES, Mr. SOLARZ, Mr. DEFAZIO, Mr. WILSON, Mr. ROTH, Mr. RAHALL, Mr. KILDEE, Mr. TOWNS, Mr. STAGGERS, Ms. KAPTUR, Mr. ROE, Mr. LOWRY of Washington, Mr. BIAGGI, Mr. BROWN of California, and Mr. STUDDS.

H.R. 3311: Ms. KAPTUR, Mr. FAZIO, Mr. FLORIO, Mr. HOWARD, Mr. GRAY of Illinois, Mrs. COLLINS, and Mr. BIAGGI.

H.R. 3336: Mr. GRAY of Illinois, Mr. DONALD E. LUKENS, Mr. FLAKE, Mr. KONNYU, Mr. ROWLAND of Connecticut, Mr. HAMMERSCHMIDT, Mr. DORNAN of California, Mr. DWYER of New Jersey, Mr. DORGAN of North Dakota, and Mr. MCGRATH.

H.R. 3346: Mr. GREGG, Mr. SLATTERY, and Mr. SWIFT.

H.R. 3348: Mr. SIKORSKI, Mr. HOWARD, Mr. OLIN, Mr. OWENS of Utah, and Mr. NIELSON of Utah.

H.R. 3355: Mr. FAUNTROY and Mr. DE LUGO.

H.R. 3393: Mr. GEJDENSON, Mr. YATRON, and Mr. BILBRAY.

H.R. 3400: Mr. BURTON of Indiana, Mr. AKAKA, Mr. BONKER, Mr. ESPY, Mr. GRAY of Pennsylvania, Mr. MCCURDY, Mr. STUDDS,

Mr. SLATTERY, Mrs. BOXER, Mr. HASTERT, and Miss SCHNEIDER.

H.R. 3402: Mr. DORGAN of North Dakota, Mr. PENNY, Mr. EVANS, Mr. ENGLISH, and Mr. JONTZ.

H.R. 3413: Mr. LENT and Mr. MCGRATH.

H.J. Res. 92: Mr. SCHUETTE, Mr. MINETA, Mr. MARTINEZ, and Mr. BONIOR of Michigan.

H.J. Res. 227: Mr. HERTEL, Mrs. COLLINS, Mr. NELSON of Florida, Mr. WYLIE, Mr. DELLUMS, Mr. FUSTER, Mr. LOWRY of Washington, Mr. MILLER of California, Mr. OBERSTAR, Mr. VOLKMER, and Mr. PANETTA.

H.J. Res. 287: Mr. CARDIN.

H.J. Res. 311: Mr. MFUME, Mr. MCHUGH, Mr. FLORIO, Mr. LIPINSKI, Mr. CARDIN, Mrs. COLLINS, and Mr. KOLTER.

H.J. Res. 360: Mr. GONZALEZ, Mr. ALEXANDER, Mr. ROE, Mr. HAMMERSCHMIDT, Mr. TAUKE, Mr. TALLON, and Mr. DORNAN of California.

H. Con. Res. 43: Mr. OWENS of Utah and Mr. FOGLIETTA.

H. Con. Res. 60: Mr. EDWARDS of California, Mr. BORSKI, Mr. MCCLOSKEY, Mr. PANETTA, Mr. LANCASTER, and Mr. SCHUETTE.

H. Con. Res. 87: Mr. EVANS, Mr. HYDE, Mr. RANGEL, Mr. TRAFICANT, Mr. JEFFORDS, Mr. APPLEGATE, Mr. VANDER JAGT, Mr. ENGLISH, Mr. BARNARD, and Mr. ACKERMAN.

H. Con. Res. 119: Mr. NIELSON of Utah.

H. Con. Res. 189: Mr. ASPIN, Mr. TORRES, Mr. WEISS, and Mr. OWENS of Utah.

H. Con. Res. 192: Mr. DELLUMS, Mr. MOODY, Mr. FUSTER, Mr. RAVENEL, Mr. BADHAM, Mr. TRAFICANT, and Mr. TALLON.

H. Con. Res. 193: Mr. BROOMFIELD, Mr. BUNNING, Mr. COUGHLIN, Mr. HENRY, Mr. LIGHTFOOT, Mr. PACKARD, Mr. CLINGER, Mr. WOLF, Mr. BALLENGER, Mr. GALLEGLY, Mr. LUNGREN, Mr. INHOFE, Mrs. BENTLEY, Mr. GINGRICH, Mr. CHENEY, Mr. RAVENEL, Mr. DONALD E. LUKENS, Ms. SNOWE, Mrs. ROUKEMA, Mr. GUNDERSON, Mr. TAUKE, Mr. JEFFORDS, Mrs. VUCANOVICH, Mr. MYERS of Indiana, Mr. HYDE, Mr. HASTERT, Mr. SOLOMON, Mr. WALKER, Mr. ROWLAND of Connecticut, Mr. SMITH of New Hampshire, Mr. GRANDY, Mr. BARTLETT, and Mr. DORNAN of California.

H. Res. 131: Mr. WEISS, Mr. MOODY, Mr. MARKEY, and Mr. BIAGGI.

H. Res. 168: Mr. JONTZ.

H. Res. 225: Mr. BRYANT and Mr. LUNGREN.

H. Res. 276: Mr. DAUB, Mr. MYERS of Indiana, Mr. DE LA GARZA, Mr. LATTA, Mr. LAGOMARSINO, Mr. WALKER, Mr. LIGHTFOOT, Mr. ROBERT F. SMITH, Mr. ESPY, Mr. SKEEN, Mr. BOULTER, Mr. SMITH of New Hampshire, Mr. EMERSON, Mr. BUECHNER, Mr. MACK, Mr. WILSON, Mr. DORNAN of California, Mr. SHAW, and Mr. DANNEMEYER.

DELETIONS OF SPONSORS FROM PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, sponsors were deleted from public bills and resolutions as follows:

H.J. Res. 349: Mr. SOLOMON.

PETITIONS, ETC.

Under clause 1 of rule XXII.

82. The SPEAKER presented: a petition of Senator Ray David, Five-State Legislative Conference, Bismarck, ND, relative to oil and gas exploration and production wastes, which was referred to the Committee on Energy and Commerce.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 3100

By Mr. DORNAN of California:

—Page 115, strike out lines 10 through 16; line 17, strike out "(b)" and insert in lieu thereof "(a)"; and line 23, strike out "(c)" and insert in lieu thereof "(b)".

—Page 207, strike out lines 2 through 5 and insert in lieu thereof the following:

Section 905 of the International Security and Development Cooperation Act of 1985 is amended—

(1) by striking out "up to $5,000,000 for fiscal year 1986, and up to $5,000,000 for fiscal year 1987, of the funds authorized to be appropriated" and inserting in lieu thereof "up to $10,000,000 for fiscal year 1988, and up to $10,000,000 for fiscal year 1989, of the funds made available"; and

(2) by adding at the end the following: "For purposes of carrying out this section, the President may (notwithstanding any other provision of law) transfer to and consolidate with the funds otherwise made available to carry out those chapters $5,000,000 of the funds authorized to be appropriated each such fiscal year to carry out chapter 1 of part I of that Act (relating to development assistance).".

Page 226, line 8, strike out "$35,000,000" and insert in lieu thereof "$30,000,000".

—Page 207, strike out line 20 and all that follows through line 2 on page 208.