

103^D CONGRESS
2^D SESSION

H. R. 4129

To provide needed credit and financial services to rural residents, public services, and business enterprises, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1994

Mrs. CLAYTON introduced the following bill which was referred to the Committee on Agriculture

A BILL

To provide needed credit and financial services to rural residents, public services, and business enterprises, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Rural Credit and De-
5 velopment Act of 1994”.

6 **SEC. 2. REFERENCES TO THE FARM CREDIT ACT OF 1971.**

7 Whenever in this Act an amendment or repeal is ex-
8 pressed in terms of an amendment to, or repeal of, a sec-
9 tion or other provision, the reference shall be considered
10 to be made to a section or other provision of the Farm

1 Credit Act of 1971 (12 U.S.C. 2001 et seq.), except to
2 the extent otherwise provided.

3 **TITLE I—CREDIT FOR RURAL BUSINESS**
4 **ENTERPRISES**

5 **SEC. 101. PURCHASES OF LOANS FROM NON-SYSTEM**
6 **LENDERS.**

7 (a) FARM CREDIT BANKS.—Section 1.5(16) U.S.C.
8 2013(16)) is amended by—

9 (1) striking out “sell to lenders that are not
10 Farm Credit System institutions interests in loans”
11 and inserting in lieu thereof “buy from and sell to
12 entities that are not Farm Credit System institu-
13 tions loans and interests in loans that the bank or
14 the associations in its district are authorized to
15 make under this Act”; and

16 (2) inserting before the semicolon at the end
17 the following: “: *Provided*, That the provisions of
18 section 4.36 and part C of title IV shall not apply
19 to loans and interests in loans purchased from enti-
20 ties that are not Farm Credit System institutions”.

21 (b) PRODUCTION CREDIT ASSOCIATIONS.—Section
22 2.2(11) (12 U.S.C. 2073(11)) is amended by—

23 (1) inserting “and buy from entities that are
24 not Farm Credit System institutions loans and in-
25 terests in loans that the association is authorized to

1 make under this title,” after “and nonvoting stock,”;
2 and

3 (2) inserting before the semicolon at the end
4 thereof the following: “: *Provided*, That the provi-
5 sions of section 4.36 and part C of title IV shall not
6 apply to loans and interests in loans purchased from
7 entities that are not Farm Credit System institu-
8 tions”.

9 (c) EXCEPTION TO STOCK PURCHASE REQUIRE-
10 MENT.—Section 4.3A(c)(1)(E)(i) (12 U.S.C.
11 2154a(c)(1)(E)(i)) is amended by inserting before the
12 semicolon at the end thereof the following: “: *Provided*,
13 That no voting stock or participation certificates shall be
14 required for loans or interests in loans purchased by the
15 institution from entities that are not Farm Credit System
16 institutions”.

17 **SEC. 102. IMPROVING THE AVAILABILITY OF CREDIT FOR**
18 **FARM-RELATED BUSINESSES.**

19 (a) IN GENERAL.—

20 (1) FCB BORROWER ELIGIBILITY.—Section
21 1.9(2) (12 U.S.C. 2017(2)) is amended by striking
22 out “directly related to their on-farm operating
23 needs” and by inserting “goods and” immediately
24 before “services”.

1 (2) FCB LOAN PURCHASES.—Section 1.11(c)
2 (12 U.S.C. 2019(c)) is amended by—

3 (A) in paragraph (1), striking out “directly
4 related to their on-farm operating needs” and
5 by inserting “goods and” immediately before
6 “services” each place it appears; and

7 (2) in the title, inserting “GOODS AND” be-
8 fore “SERVICES.”.

9 (3) PRODUCTION CREDIT ASSOCIATIONS.—Sec-
10 tion 2.4(a)(3) (12 U.S.C. 2075(a)(3)) is amended by
11 striking out “directly related to their on-farm oper-
12 ating needs” and by inserting “goods and” imme-
13 diately before “services”.

14 (b) RELATED SERVICES.—

15 (1) FARM CREDIT BANKS.—Section 1.12(a) (12
16 U.S.C. 2020(a)) is amended by striking out “appro-
17 priate to their on-farm and aquatic operations”.

18 (2) PRODUCTION CREDIT ASSOCIATIONS.—Sec-
19 tion 2.5 (12 U.S.C. 2076) is amended by striking
20 out “appropriate to their on-farm and aquatic oper-
21 ations”.

22 **SEC. 103. COOPERATIVE-RELATED BUSINESS FINANCING.**

23 Section 3.7(b) (12 U.S.C. 2128(b)) is amended by—

24 (1) redesignating paragraphs (2) and (3) as
25 paragraphs (3) and (4), respectively;

1 (2) inserting after paragraph (1) a new para-
2 graph (2) as follows:

3 “(2)(A) A bank for cooperatives is authorized to
4 make or participate in loans and commitment to, and ex-
5 tend other technical and financial assistance to, any legal
6 entity providing any of the farm-related services or prod-
7 ucts of the type described in subparagraph (B) when such
8 loan, commitment, or assistance will provide a direct and
9 material benefit to an association that is an eligible coop-
10 erative association under section 3.8(a): *Provided*, That
11 any such loan or commitment may be made, or assistance
12 extended, to a legal entity only if—

13 “(i) the eligible cooperative association certifies
14 to the satisfaction of the bank for cooperatives that
15 a material business relationship exists between it
16 and the legal entity and that it receives a direct and
17 material benefit as a result of that relationship; and

18 “(ii) the cumulative amount of all such loans,
19 commitments, and assistance to the legal entity do
20 not exceed 10 percent of the bank’s total capital,

21 “(B) The services or products provided by a legal en-
22 tity that shall enable such legal entity to be eligible for
23 financing under subparagraph (A) are those services or
24 products involved in the processing, preparing for market,
25 handling, or marketing of farm or aquatic products, or

1 in the purchasing, testing, grading, process, distributing,
2 or furnishing of farm or aquatic supplies, or in the fur-
3 nishing of farm or aquatic business services to, or in other
4 ways adding value to the products or services of, eligible
5 cooperative associations.”; and

6 (3) in paragraph (4), as redesignated by para-
7 graph (1), striking out “paragraphs (1) and (2)”
8 and inserting in lieu thereof “paragraphs (1) and
9 (3)”.

10 **TITLE II—CREDIT FOR RURAL**
11 **INFRASTRUCTURE**

12 **SEC. 201. RURAL COMMUNITY FACILITY LENDING BY FARM**
13 **CREDIT BANKS AND DIRECT LONG-TERM**
14 **LENDING ASSOCIATIONS.**

15 (a) LENDING AUTHORITY.—Section 1.7 (12 U.S.C.
16 2015) is amended by adding at the end a new subsection
17 as follows:

18 “(c) COMMUNITY FACILITY LOANS.—In order to fa-
19 cilitate needed improvements in the infrastructure of rural
20 United States, the Farm Credit Banks may make and par-
21 ticipate with other lenders in community facility loans as
22 described in section 1.11(d).”.

23 (b) ELIGIBLE BORROWERS.—Section 1.9 (12 U.S.C.
24 2017), as amended by section 102(a)(1) of this Act, is
25 further amended by—

1 (1) striking out “or” at the end of paragraph
2 (2);

3 (2) striking out the period at the end of para-
4 graph (3) and inserting in lieu thereof “; or”; and

5 (3) adding at the end the following new para-
6 graph:

7 “(4) persons or public and quasi-public agencies
8 and bodies, and other public and private entities,
9 that, under authority of State or local law, establish
10 or operate water or waste disposal facilities, pollu-
11 tion abatement and control facilities and programs,
12 or other essential community facilities in rural
13 areas.”.

14 (c) LOAN TERMS AND SECURITY.—Section 1.10 (12
15 U.S.C. 2018) is amended by—

16 (1) in subsection (a)(2), striking out “this sec-
17 tion” and inserting in lieu thereof “section 1.7(a)”;

18 (2) in subsection (b), inserting “and loans made
19 under the authority of section 1.7(c)” after “other
20 than real estate loans”; and

21 (3) adding at the end a new subsection as fol-
22 lows:

23 “(c) COMMUNITY FACILITY LOANS.—Loans made
24 under the authority of section 1.7(c) shall be for such

1 terms and on such security (if any) as made be prescribed
2 by policies adopted by the board of directors of the bank.”.

3 (d) PURPOSES FOR EXTENSION OF CREDIT.—Section
4 1.11 (12 U.S.C. 2019) is amended by—

5 (1) in subsection (a)(1), inserting “, other than
6 loans under section 1.7(c),” after “Loans”;

7 (2) in subsection (b)(2), striking out “this title”
8 and inserting in lieu thereof “section 1.7(a)”; and

9 (3) adding at the end a new subsection as fol-
10 lows:

11 “(d) COMMUNITY FACILITIES.—The Farm Credit
12 Banks may make and participate with other lenders in
13 loans for the purpose of constructing, installing, maintain-
14 ing, expanding, improving, or operating water or waste
15 disposal facilities, pollution abatement and control facili-
16 ties and programs, or other essential community facilities,
17 including necessary related equipment, in rural areas: *Pro-*
18 *vided*, That, for purposes of this subsection, the term
19 “rural area” means all territory of a State that is not
20 within the outer boundary of any city or town having a
21 population of more than 20,000 based on the latest decen-
22 nial census of the United States.”.

23 (e) CONFORMING AMENDMENTS.—Section 7.6 (12
24 U.S.C. 2279b) is amended by—

1 (1) in the material preceding paragraph (1) of
2 subsection (a), inserting “direct lending” before “au-
3 thority”, and striking out “, to make and participate
4 in long-term real estate mortgage loans”;

5 (2) in paragraph (1) of subsection (b)—

6 (A) striking out “long-term real estate
7 mortgage loan authority,” and inserting in lieu
8 thereof “lending authority”; and

9 (B) inserting after “transferring bank,”
10 the following: “and shall possess the powers de-
11 scribed in paragraphs (12) and (16) of section
12 1.5 in connection with such lending authority,”;
13 and

14 (3) adding at the end the following new sub-
15 section as follows:

16 “(e) TRANSFERS OF ADDITIONAL AUTHORITIES.—
17 Whenever a transfer of direct lending authority under sub-
18 section (a) or (d) has occurred prior to the date of enact-
19 ment of this subsection, including a transfer of direct lend-
20 ing authority to an association resulting from a merger
21 under section 411 of the Agricultural Credit Act of 1987,
22 any direct lending authority conferred on any bank de-
23 scribed in subsection (a) or (d) on or after the date of
24 enactment of this subsection shall automatically transfer

1 to the transferee association at the time the authority is
2 conferred on the bank.”.

3 **SEC. 202. BANK FOR COOPERATIVE FINANCING OF UTILITY-**
4 **RELATED SERVICES.**

5 Section 3.7(a) (12 U.S.C. 2128(a)) is amended by
6 adding before the period at the end of the third sentence
7 the following: “; and each bank may make or participate
8 in loans or commitments and extend other technical and
9 financial assistance to other parties for electric power gen-
10 eration and transmission operations and projects that pro-
11 vide, to entities eligible to borrow from the bank under
12 section 3.8, power, power generation byproducts, or other
13 related benefits or services that are of material economic
14 benefit to such eligible entities”.

15 **TITLE III—CREDIT FOR RURAL HOUSING**

16 **SEC. 301. IMPROVING THE AVAILABILITY OF CREDIT FOR**
17 **RURAL HOME BUYERS.**

18 (a) POPULATION LIMITATIONS.—

19 (1) FARM CREDIT BANKS.—Section 1.11(b)(3)
20 (12 U.S.C. 2019(b)(3)) is amended by striking out
21 “2,500 inhabitants” and inserting in lieu thereof
22 “20,000 inhabitants”.

23 (2) PRODUCTION CREDIT ASSOCIATIONS.—Sec-
24 tion 2.4(b)(3) (12 U.S.C. 2075(b)(3)) is amended by

1 striking out “2,500 inhabitants” and inserting in
2 lieu thereof “20,000 inhabitants”.

3 (3) CONFORMING CHANGE.—Section
4 8.0(1)(B)(i) (12 U.S.C. 2279aa(1)(B)(i)) is amend-
5 ed by striking out “2,500 inhabitants” and inserting
6 in lieu thereof “20,000 inhabitants”.

7 (b) PERCENTAGE OF LOAN PORTFOLIO.—

8 (1) FARM CREDIT BANKS.—Section 1.11(b)(2)
9 (12 U.S.C. 2019(b)(2)) is amended by striking out
10 “15 percent” and inserting in lieu thereof “20 per-
11 cent”.

12 (2) PRODUCTION CREDIT ASSOCIATIONS.—Sec-
13 tion 2.4(b)(2) (12 U.S.C. 2075(b)(2)) is amended by
14 striking out “15 percent” each place it appears and
15 inserting in lieu thereof “20 percent”.

16 (c) HOME EQUITY FINANCING.—

17 (1) FARM CREDIT BANKS.—

18 (A) FIRST LIEN REQUIREMENT.—Section
19 1.10(a)(2) (12 U.S.C. 2018(a)(2)), as amended
20 by section 201(c)(1) of this Act, is further
21 amended by striking out “All” and inserting in
22 lieu thereof “Except with respect to loans made
23 to rural residents for personal, family, or house-
24 hold needs other than rural housing financing,
25 all”.

1 (B) LENDING AUTHORITY.—Section
2 1.11(b)(1) (12 U.S.C. 2019(b)(1)) is amended
3 by inserting “and other personal, family, or
4 household needs” after “housing financing”.

5 (2) PRODUCTION CREDIT ASSOCIATIONS.—Sec-
6 tion 2.4(a)(2) (12 U.S.C. 2075(a)(2)) is amended by
7 inserting “and other personal, family, or household
8 needs” after “housing financing”.

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