

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

3 **SEC. 501. CONSERVATION LOAN GUARANTEE PROGRAM.**

4 Section 304 of the Consolidated Farm and Rural De-
5 velopment Act (7 U.S.C. 1924) is amended to read as fol-
6 lows:

7 **“SEC. 304. CONSERVATION LOAN GUARANTEE PROGRAM.**

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

11 “(b) PRIORITY.—In providing loan guarantees under
12 this section, the Secretary shall give priority to—

13 “(1) qualified beginning farmers or ranchers;

14 “(2) socially disadvantaged farmers or ranchers
15 (as defined in section 355(e)(2));

16 “(3) owners or tenants who use the loans to
17 covert to sustainable or organic agricultural produc-
18 tion systems; and

19 “(4) producers who use the loans to build con-
20 servation structures or establish conservation prac-
21 tices to comply with section 1212 of the Food Secu-
22 rity Act of 1985.

23 “(c) DEFINITIONS.—In this section:

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

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

10 “(A) PURPOSE.—The loan proceeds are re-
11 quired to be used to cover the costs to the bor-
12 rower of carrying out a qualified conservation
13 project.

14 “(B) PRINCIPAL AMOUNT.—The principal
15 amount of the loan is not more than
16 \$1,000,000.

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

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

23 “(3) QUALIFIED CONSERVATION PROJECT.—
24 The term ‘qualified conservation project’ means,
25 with respect to an eligible borrower, conservation

1 measures that address provisions of a conservation
2 plan of the borrower.

3 “(4) CONSERVATION PLAN.—The term ‘con-
4 servation plan’ means a plan, approved by the Sec-
5 retary, that, for a farming or ranching operation,
6 identifies the conservation activities that will be ad-
7 dressed with guaranteed loan funds provided under
8 this section, including—

9 “(A) the installation of conservation struc-
10 tures;

11 “(B) the establishment of forest cover for
12 sustained yield timber management, erosion
13 control, or shelter belt purposes;

14 “(C) the installation of water conservation
15 measures;

16 “(D) the installation of waste management
17 systems;

18 “(E) the establishment or improvement of
19 permanent pasture;

20 “(F) compliance with section 1212 of the
21 Food Security Act of 1985;

22 “(G) other purposes consistent with the
23 plan; and

1 “(H) any other emerging or existing con-
2 servation practices, techniques, or technologies
3 approved by the Secretary.

4 “(d) LIMITATIONS APPLICABLE TO LOAN GUARAN-
5 TEES.—

6 “(1) LIMITATION ON AMOUNT OF GUAR-
7 ANTEE.—The portion of a loan that the Secretary
8 may guarantee under this section shall be not less
9 than 80 percent and not more than 90 percent of
10 the principal amount of the loan.

11 “(2) LIMITATION ON TOTAL AMOUNT OUT-
12 STANDING.—The aggregate principal amount of out-
13 standing loans guaranteed by the Secretary under
14 this section shall not exceed \$1,000,000.

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

20 “(1) 500 basis points, if the principal amount
21 of the loan is less than \$100,000;

22 “(2) 400 basis points, if the principal amount
23 of the loan is not less than \$100,000 and is less
24 than \$500,000; and

25 “(3) 300 basis points, in any other case.

1 “(f) ADMINISTRATIVE PROVISIONS.—

2 “(1) AUTHORITY TO COLLECT PROCESSING
3 FEE.—The Secretary may assess a fee to cover the
4 cost of processing an application under this section
5 equal to not more than 1 percent of the principal
6 amount of the loan sought by the applicant, as de-
7 scribed in the application.

8 “(2) APPROVAL OF APPLICATION.—The Sec-
9 retary shall not approve an application submitted
10 pursuant to this section, unless the Secretary has
11 determined that—

12 “(A) the loan sought by the applicant, as
13 described in the application, would be a quali-
14 fied conservation loan; and

15 “(B) the project for which the loan is
16 sought is likely to result in a net benefit to the
17 environment.

18 “(3) EQUITABLE DISTRIBUTION OF LOAN
19 GUARANTEES AND INTEREST SUBSIDIES.—The Sec-
20 retary shall ensure that loan guarantees and interest
21 subsidies under this section are equitably distributed
22 among agricultural producers according to the scale
23 of the operations.

24 “(g) RELATIONSHIP WITH OTHER CONSERVATION
25 PROGRAMS.—Neither the application for, nor the receipt

1 of, a loan guarantee or an interest subsidy under this sec-
2 tion shall affect the eligibility of the recipient for assist-
3 ance under title XII of the Food Security Act of 1985
4 or the Watershed Protection and Flood Prevention Act.

5 “(h) AUTHORIZATION OF APPROPRIATIONS.—For
6 each of fiscal years 2008 through 2012, there are author-
7 ized to be appropriated to the Secretary such funds as are
8 necessary to carry out this section.”.

9 **SEC. 502. LIMITATIONS ON AMOUNT OF OWNERSHIP LOANS.**

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

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

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

17 “(b) GRADUATION PLAN.—The Secretary shall estab-
18 lish a plan, in coordination with activities under sections
19 359, 360, 361, and 362, to encourage each borrower with
20 an outstanding loan under this subtitle to graduate to pri-
21 vate commercial or other sources of credit.”.

22 **SEC. 503. DOWN PAYMENT LOAN PROGRAM.**

23 Section 310E of the Consolidated Farm and Rural
24 Development Act (7 U.S.C. 1935) is amended—

1 (1) in subsection (a)(1), by striking “and
2 ranchers” and inserting “or ranchers and socially
3 disadvantaged farmers or ranchers”;

4 (2) in subsection (b)—

5 (A) by striking paragraph (1) and insert-
6 ing the following;

7 “(1) PRINCIPAL.—Each loan made under this
8 section shall be in an amount that does not exceed
9 45 percent of the least of—

10 “(A) the purchase price of the farm or
11 ranch to be acquired;

12 “(B) the appraised value of the farm or
13 ranch to be acquired; or

14 “(C) \$500,000.

15 “(2) INTEREST RATE.—The interest rate on
16 any loan made by the Secretary under this section
17 shall be a rate equal to the greater of—

18 “(A) the difference obtained by subtracting
19 4 percent from the interest rate for farm own-
20 ership loans under this subtitle; or

21 “(B) 1 percent.”; and

22 (B) in paragraph (3), by striking “15” and
23 inserting “20”;

24 (3) in subsection (c)—

1 (A) in paragraph (1), by striking “10” and
2 inserting “5”;

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

5 (C) in paragraph (2)(B) (as so redesignated),
6 by striking “15-year” and inserting
7 “20-year”; and

8 (4) in subsection (d)—

9 (A) in paragraph (3)—

10 (i) by inserting “and socially disadvantaged
11 farmers and ranchers (as defined in section
12 355(e)(2))” after “ranchers”; and
13

14 (ii) by striking “and” at the end;

15 (B) in paragraph (4), by striking “ranchers.”
16 and inserting “ranchers and socially disadvantaged
17 farmers and ranchers (as defined in
18 section 355(e)(2)); and”; and

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

20 “(5) establish annual performance goals to promote
21 the use of the down payment loan program and
22 other joint financing participation loans as the preferred
23 choice for direct real estate loans made by
24 any lender to a qualified beginning farmer or ranch-

1 er or socially disadvantaged farmer or rancher (as so
2 defined).”.

3 **SEC. 504. BEGINNING FARMER AND RANCHER CONTRACT**
4 **LAND SALES PROGRAM.**

5 Section 310F of the Consolidated Farm and Rural
6 Development Act (7 U.S.C. 1936) is amended to read as
7 follows:

8 **“SEC. 310F. BEGINNING FARMER AND RANCHER AND SO-**
9 **CIALLY DISADVANTAGED FARMER AND**
10 **RANCHER CONTRACT LAND SALES PROGRAM.**

11 “(a) IN GENERAL.—The Secretary shall, in accord-
12 ance with this section, guarantee a loan made by a private
13 seller of a farm or ranch to a qualified beginning farmer
14 or rancher or socially disadvantaged farmer or rancher (as
15 defined in section 355(e)(2)) on a contract land sales
16 basis.

17 “(b) ELIGIBILITY.—In order to be eligible for a loan
18 guarantee under subsection (a)—

19 “(1) the qualified beginning farmer or rancher
20 or socially disadvantaged farmer or rancher shall—

21 “(A) on the date the contract land sale
22 that is subject of the loan is complete, own or
23 operate the farm or ranch that is the subject of
24 the contract land sale;

25 “(B) have a credit history that—

1 “(i) includes a record of satisfactory
2 debt repayment, as determined by the Sec-
3 retary; and

4 “(ii) is acceptable to the Secretary;
5 and

6 “(C) demonstrate to the Secretary that the
7 farmer or rancher, as the case may be, is un-
8 able to obtain sufficient credit without a guar-
9 antee to finance any actual need of the farmer
10 or rancher, as the case may be at a reasonable
11 rate or term;

12 “(2) the loan shall meet applicable underwriting
13 criteria, as determined by the Secretary; and

14 “(3) to carry out the loan—

15 “(A) a commercial lending institution shall
16 agree to serve as an escrow agent; or

17 “(B) the private seller, in cooperation with
18 the farmer or rancher, shall use an appropriate
19 alternate arrangement, as determined by the
20 Secretary.

21 “(c) LIMITATIONS.—

22 “(1) DOWN PAYMENT.—The Secretary shall not
23 provide a loan guarantee under subsection (a) if the
24 contribution of the qualified beginning farmer or
25 rancher or socially disadvantaged farmer or rancher

1 to the down payment for the farm or ranch that is
2 the subject of the contract land sale would be less
3 than 5 percent of the purchase price of the farm or
4 ranch.

5 “(2) MAXIMUM PURCHASE PRICE.—The Sec-
6 retary shall not provide a loan guarantee under sub-
7 section (a) if the purchase price or the appraisal
8 value of the farm or ranch that is the subject of the
9 contract land sale is greater than \$500,000.

10 “(d) PERIOD OF GUARANTEE.—The period during
11 which a loan guarantee under this section is in effect shall
12 be the 10-year period beginning with the date the guar-
13 antee is provided.

14 “(e) GUARANTEE PLAN.—A private seller of a farm
15 or ranch who makes a loan that is guaranteed by the Sec-
16 retary under subsection (a) may select—

17 “(1) a prompt payment guarantee plan, which
18 shall cover—

19 “(A) 3 amortized annual installments; or

20 “(B) an amount equal to 3 annual install-
21 ments (including an amount equal to the total
22 cost of any tax and insurance incurred during
23 the period covered by the annual installments);
24 or

1 “(2) a standard guarantee plan, which shall
2 cover an amount equal to 90 percent of the out-
3 standing principal of the loan.”.

4 **Subtitle B—Operating Loans**

5 **SEC. 511. LIMITATIONS ON AMOUNT OF OPERATING LOANS.**

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

9 **SEC. 512. SUSPENSION OF LIMITATION ON PERIOD FOR** 10 **WHICH BORROWERS ARE ELIGIBLE FOR** 11 **GUARANTEED ASSISTANCE.**

12 Section 5102 of the Farm Security And Rural Invest-
13 ment Act of 2002 (7 U.S.C. 1949 note; Public Law 107-
14 171) is amended by striking “September 30, 2007” and
15 inserting “January 1, 2008”.

16 **Subtitle C—Administrative** 17 **Provisions**

18 **SEC. 521. INVENTORY SALES PREFERENCES.**

19 Section 335(c) of the Consolidated Farm and Rural
20 Development Act (7 U.S.C. 1985(c)) is amended—

21 (1) in paragraph (1)—

22 (A) in subparagraph (B)—

23 (i) in the subparagraph heading, by
24 inserting “; SOCIALLY DISADVANTAGED

1 FARMER OR RANCHER” after “OR RANCH-
2 ER”;

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

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

9 (iv) by inserting after clause (i) the
10 following:

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

17 (v) in clause (iii) (as so redesign-
18 nated)—

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

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

1 (vi) in clause (iv) (as so redesignated),
2 by inserting “or a socially disadvantaged
3 farmer or rancher” after “or rancher”; and

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

8 (B) in subparagraph (C), by inserting “or
9 a socially disadvantaged farmer or rancher”
10 after “or rancher”;

11 (2) in paragraph (5)(B)—

12 (A) in clause (i)—

13 (i) in the clause heading, by inserting
14 “; SOCIALLY DISADVANTAGED FARMER OR
15 RANCHER” after “OR RANCHER”;

16 (ii) by inserting “or a socially dis-
17 advantaged farmer or rancher” after “a
18 beginning farmer or rancher”; and

19 (iii) by inserting “or the socially dis-
20 advantaged farmer or rancher” after “the
21 beginning farmer or rancher”;

22 (B) by redesignating clauses (ii) and (iii)
23 as clauses (iii) and (iv), respectively;

24 (C) by inserting after clause (i) the fol-
25 lowing:

- 1 “(ii) PRIORITY TO BE GIVEN TO SO-
- 2 CIALLY DISADVANTAGED FARMERS AND
- 3 RANCHERS.—In carrying out clause (i), the
- 4 Secretary shall give priority to socially dis-
- 5 advantaged farmers and ranchers.”; and
- 6 (D) in clause (iii) (as so redesignated)—
- 7 (i) in the matter preceding subclause
- 8 (I), by inserting “or a socially disadvan-
- 9 taged farmer or rancher” after “or ranch-
- 10 er”; and
- 11 (ii) in subclause (II), by inserting “or
- 12 the socially disadvantaged farmer or ranch-
- 13 er” after “or rancher”;
- 14 (3) in paragraph (6)—
- 15 (A) in subparagraph (A), by inserting “or
- 16 a socially disadvantaged farmer or rancher”
- 17 after “or rancher”; and
- 18 (B) in subparagraph (C)—
- 19 (i) in clause (i)(I), by inserting “and
- 20 socially disadvantaged farmers and ranch-
- 21 ers” after “and ranchers”; and
- 22 (ii) in clause (ii), by inserting “or so-
- 23 cially disadvantaged farmers or ranchers”
- 24 after “or ranchers”; and
- 25 (4) by adding at the end the following:

1 “(7) In this subsection, the term ‘socially dis-
2 advantaged farmer or rancher’ has the meaning
3 given in section 355(e)(2).”.

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

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

8 (1) in subparagraph (A)—

9 (A) in clause (i)—

10 (i) in subclause (I), by striking “70
11 percent” and inserting “not less than 75
12 percent of the total amount made available
13 under paragraph (1)”; and

14 (ii) in subclause (II)—

15 (I) in the subclause heading, by
16 inserting “; PARTICIPATION LOANS”
17 after “PAYMENT LOANS”;

18 (II) by striking “60 percent” and
19 inserting “not less than $\frac{2}{3}$ of the
20 amount reserved under subclause (I)”;
21 and

22 (III) by inserting “and participa-
23 tion loans” after “section 310E”; and

24 (B) in clause (ii)(III), by striking “2003
25 through 2007, 35 percent” and inserting “2008

1 through 2012, not less than 50 percent of the
2 total amount made available under paragraph
3 (1)”; and

4 (2) in subparagraph (B)(i), by striking “25 per-
5 cent” and inserting “not less than 40 percent of the
6 total amount made available under paragraph (1)”.

7 **SEC. 523. TRANSITION TO PRIVATE COMMERCIAL OR**
8 **OTHER SOURCES OF CREDIT.**

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

12 **“SEC. 345. TRANSITION TO PRIVATE COMMERCIAL OR**
13 **OTHER SOURCES OF CREDIT.**

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

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

23 “(1) the borrower training program established
24 by section 359;

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

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

5 “(4) the market placement program established
6 by section 362; and

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

9 **SEC. 524. EXTENSION OF THE RIGHT OF FIRST REFUSAL TO**
10 **REACQUIRE HOMESTEAD PROPERTY TO IM-**
11 **MEDIATE FAMILY MEMBERS OF BORROWER-**
12 **OWNER.**

13 Section 352(c)(4)(B) of the Consolidated Farm and
14 Rural Development Act (7 U.S.C. 2000(c)(4)(B)) is
15 amended—

16 (1) in the 1st sentence, by striking “, the bor-
17 rower-owner” inserting “of a borrower-owner who is
18 a socially disadvantaged farmer or rancher (as de-
19 fined in section 355(e)(2)), the borrower-owner or a
20 member of the immediate family of the borrower-
21 owner”; and

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

1 **SEC. 525. RURAL DEVELOPMENT AND FARM LOAN PRO-**
2 **GRAM ACTIVITIES.**

3 Subtitle D of the Consolidated Farm and Rural De-
4 velopment Act (7 U.S.C. 1981–2008r) is amended by in-
5 serting after section 364 the following:

6 **“SEC. 365. RURAL DEVELOPMENT AND FARM LOAN PRO-**
7 **GRAM ACTIVITIES.**

8 “The Secretary may not enter into a contract with
9 a private party to carry out a competitive sourcing activity
10 related to any rural development or farm loan program
11 carried out under this title, the Rural Development Act
12 of 1972, or the Rural Electrification Act of 1936.”.

13 **Subtitle D—Farm Credit**

14 **SEC. 531. AGRIBUSINESS LOAN ELIGIBILITY.**

15 (a) LONG TERM LOANS.—

16 (1) ELIGIBLE BORROWERS.—Section 1.9 of the
17 Farm Credit Act of 1971 (12 U.S.C. 2017) is
18 amended—

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

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

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

24 “(4) persons primarily engaged in processing,
25 preparing for market, handling, purchasing, testing,
26 grading, distributing, or marketing farm or aquatic

1 products; or primarily engaged in furnishing farm or
2 aquatic business services, or farm or aquatic sup-
3 plies, including inputs such as feed or fertilizer,
4 equipment, and other capital goods to farmers,
5 ranchers, or producers or harvesters of aquatic prod-
6 ucts, but only to the extent that the activities are re-
7 lated to renewable energy, except that a direct loan
8 may not be made available under this title to a per-
9 son eligible to borrow from a bank for cooperatives
10 under section 3.7 or 3.8 (without regard to sub-
11 section (b)(1)(E) thereof).”.

12 (2) LOAN PURPOSES.—Section 1.11 of such Act
13 (12 U.S.C. 2019) is amended—

14 (A) in subsection (a)(1), by striking “farm-
15 ers, ranchers, and producers or harvesters of
16 aquatic products” and inserting “persons eligi-
17 ble under section 1.9(1)”;

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

21 (C) in subsection (b)(1), by striking “rural
22 residents” and inserting “persons eligible under
23 section 1.9(3)”;

24 (D) in subsection (c)(1), by striking “per-
25 sons furnishing farm-related services to farmers

1 and ranchers directly related to their on-farm
2 operating needs” and inserting “persons eligible
3 under section 1.9(2)”;

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

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

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

20 (1) by striking “and” at the end of paragraph

21 (2);

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

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

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

15 (c) **BANKS FOR COOPERATIVES LOANS.**—Section
16 3.8(b)(1) of such Act (12 U.S.C. 2129(b)(1)) is amended
17 by adding at the end the following:

18 “(E) Persons primarily engaged in proc-
19 essing, preparing for market, handling, pur-
20 chasing, testing, grading, distributing, or mar-
21 keting farm or aquatic products, or primarily
22 engaged in furnishing farm or aquatic business
23 services, or farm or aquatic supplies, including
24 inputs such as feed or fertilizer, equipment, and
25 other capital goods to farmers, ranchers, or

1 producers or harvesters of aquatic products, but
2 only to the extent that the activities are related
3 to renewable energy, except that a direct loan
4 may not be made available under this subpara-
5 graph to a farmer, rancher, or producer or har-
6 vester of aquatic products eligible to borrow
7 from a farm credit institution under section
8 1.9(1) or 2.4(a)(1), or to a service provider eli-
9 gible to borrow from a farm credit institution
10 under section 1.9(2) or 2.4(a)(3) for all the
11 provider's farm-related or aquatic-related busi-
12 ness activities.”.

13 **SEC. 532. LOAN-TO-ASSET VALUE REQUIREMENTS.**

14 Section 1.10(a)(1)(C) of the Farm Credit Act of
15 1971 (12 U.S.C. 2018(a)(1)(C)) is amended by striking
16 “as may be authorized” and inserting “except as may be
17 provided”.

18 **SEC. 533. POPULATION LIMIT FOR SINGLE-FAMILY HOUS-**
19 **ING LOANS.**

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

23 “(3) RURAL AREA.—For rural housing pur-
24 poses under this section, the term ‘rural area’ means
25 any area other than—

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

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

5 (b) ASSOCIATIONS.—Section 2.4(b)(3) of such Act
6 (12 U.S.C. 2075(b)(3)) is amended to read as follows:

7 “(3) RURAL AREA.—For rural housing pur-
8 poses under this section, the term ‘rural area’ means
9 any area other than—

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

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

14 **SEC. 534. BANK FOR COOPERATIVES VOTING STOCK.**

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

21 (b) CONFORMING AMENDMENTS.—Section
22 4.3A(e)(1)(D) of such Act (12 U.S.C. 2154a(e)(1)(D)) is
23 amended by redesignating clauses (ii) and (iii) as clauses
24 (iii) and (iv), respectively, and inserting after clause (i)
25 the following:

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

4 **SEC. 535. MAJORITY FARMER CONTROL REQUIREMENT.**

5 Section 3.8(b)(1) of the Farm Credit Act of 1971 (12
6 U.S.C. 2129(b)(1)) is amended by adding at the end the
7 following:

8 “(E) Any association of farmers, or of pro-
9 ducers or harvesters of aquatic products, or any
10 federation of such associations, which has pro-
11 ducer and investor classes of membership, but
12 only if—

13 “(i) more than 50 percent of the vot-
14 ing control of the association is held by
15 farmers, or producers or harvesters of
16 aquatic products; and

17 “(ii) the producer class, if treated as
18 a separate entity, operates on a cooperative
19 basis.”.

20 **SEC. 536. BORROWER STOCK REQUIREMENT.**

21 Section 4.3A(c)(1)(E)(i) of the Farm Credit Act of
22 1971 (12 U.S.C. 2154a(c)(1)(E)(i)) is amended by strik-
23 ing “not less than \$1,000 or 2 percent of the amount of
24 the loan, whichever is less” and inserting “determined by
25 the institution”.

1 **SEC. 537. RURAL UTILITY LOANS.**

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

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

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

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

9 “(C) that is a loan or interest in a loan for
10 electric or telephone facilities by a cooperative
11 lender to a borrower who has received or is eli-
12 gible to receive a loan under the Rural Elec-
13 trification Act (7 U.S.C. 901 et seq.), except
14 that—

15 “(i) subsections (c) and (d) of section
16 8.6, and sections 8.8 and 8.9 shall not
17 apply to the loan or interest in the loan or
18 to an obligation backed by a pool of obliga-
19 tions relating to the loan or interest in the
20 loan; and

21 “(ii) the loan or interest in the loan
22 shall be considered to meet all standards
23 for qualified loans for all purposes under
24 this Act, subject to reasonable under-
25 writing, security appraisal, and repayment

1 standards established by the Corpora-
2 tion.”.

3 **SEC. 538. FARM CREDIT SYSTEM INSURANCE CORPORA-**
4 **TION.**

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

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

14 (1) in paragraph (1)—

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

18 (B) by striking subparagraphs (A) through
19 (D) and inserting the following:

20 “(A) the average outstanding insured obli-
21 gations issued by the bank for the calendar
22 year, after deducting therefrom the percentages
23 of the guaranteed portions of loans and invest-
24 ments described in paragraph (2), multiplied by
25 0.0020;

1 “(B) the average principal outstanding for
2 the calendar year on loans made by the bank
3 that are in nonaccrual status, multiplied by
4 0.0010; and

5 “(C) the average amount outstanding for
6 the calendar year of other-than-temporarily im-
7 paired investments made by the bank, multi-
8 plied by 0.0010.”;

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

10 (3) in paragraph (3), in the matter preceding
11 subparagraph (A), by striking “As used” and all
12 that follows through “that” and inserting “As used
13 in this section, the term ‘government-guaranteed’
14 when applied to loans or investments, means loans,
15 credits, or investments, or portions of loans, credits,
16 or investments, that”;

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

20 “(2) DEDUCTIONS FROM AVERAGE OUT-
21 STANDING INSURED OBLIGATIONS.—The average
22 outstanding insured obligations issued by the bank
23 for the calendar year referred to in subsection
24 (a)(1)(A) of this section shall be reduced by deduct-
25 ing therefrom the sum of—

1 “(A) 90 percent of the sum of—

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

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

13 “(B) 80 percent of the sum of—

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

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

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

4 (d) SECURE BASE AMOUNT.—Section 5.55(c) of such
5 Act (12 U.S.C. 2277a-4(c)) is amended by striking the
6 parenthetical phrase and inserting “(adjusted downward
7 to exclude an amount equal to the sum of (1) 90 percent
8 of (A) the guaranteed portions of principal outstanding
9 on Federal government-guaranteed loans in accrual status
10 made by the banks, and (B) the guaranteed portions of
11 the amount of Federal government-guaranteed invest-
12 ments made by the banks that are not permanently im-
13 paired; and (2) 80 percent of (A) the guaranteed portions
14 of principal outstanding on State government-guaranteed
15 loans in accrual status made by the banks, and (B) the
16 guaranteed portions of the amount of State government-
17 guaranteed investments made by the banks that are not
18 permanently impaired, as determined by the Corpora-
19 tion)”.

20 (e) DETERMINATION OF LOAN AND INVESTMENT
21 AMOUNTS.—Section 5.55(d) of such Act (12 U.S.C.
22 2277a-4(d)) is amended—

23 (1) in the subsection heading, by striking
24 “PRINCIPAL OUTSTANDING” and inserting “LOAN
25 AND INVESTMENT AMOUNTS”;

1 (2) in the matter preceding paragraph (1), by
2 striking “For” and all that follows through “—”
3 and inserting “For the purpose of subsections (a)
4 and (c) of this section, the principal outstanding on
5 all loans made by an insured System bank or the
6 amount outstanding on all investments made by an
7 insured System bank shall be determined based on
8 all loans or investments made—”; and

9 (3) in each of paragraphs (1) and (2), by in-
10 sserting “or investments” before “because”.

11 (f) ALLOCATION TO SYSTEM INSTITUTIONS OF EX-
12 CESS RESERVES.—Section 5.55(e) of such Act (12 U.S.C.
13 2277a-4(e)) is amended—

14 (1) in paragraph (3), by striking “the average
15 secure base amount for the calendar year (as cal-
16 culated on an average daily balance basis)” and in-
17 sserting “the secure base amount”;

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

20 “(B) there shall be credited to the Allo-
21 cated Insurance Reserves Account of each in-
22 sured System bank an amount that bears the
23 same ratio to the total amount (less any
24 amount credited under subparagraph (A) of
25 this paragraph) as the average principal out-

1 standing for the calendar year on insured obli-
2 gations issued by the bank (after deducting
3 therefrom the percentages of the guaranteed
4 portions of loans and investments described in
5 subsection (a)(2) of this section), bears to the
6 average principal outstanding for the calendar
7 year on insured obligations issued by all insured
8 System banks (after deducting therefrom the
9 percentages of the guaranteed portions of loans
10 and investments so described).”; and

11 (3) in paragraph (6)—

12 (A) in subparagraph (A)—

13 (i) in the matter preceding clause (i),
14 by striking “beginning” and all that fol-
15 lows through “2005”;

16 (ii) by striking clause (i) and inserting
17 the following:

18 “(i) subject to subparagraph (D), pay
19 to each insured System bank, in a manner
20 determined by the Corporation, an amount
21 equal to the balance in its Allocated Insur-
22 ance Reserves Account; and”;

23 (iii) in clause (ii)—

- 1 (I) by striking “(C), (E), and
2 (F)” and inserting “(C) and (E)”;
3 and
4 (II) by striking “outstanding,”
5 and all that follows and inserting “at
6 the time of the termination of the Fi-
7 nancial Assistance Corporation, of the
8 balance in the Allocated Insurance
9 Reserves Account established under
10 subparagraph (1)(B).”;
- 11 (B) in subparagraph (C)—
- 12 (i) in clause (i), by striking “(in addi-
13 tion to the amounts described in subpara-
14 graph (F)(ii))”; and
- 15 (ii) by striking clause (ii) and insert-
16 ing the following:
- 17 “(ii) TERMINATION OF ACCOUNT.—
18 On disbursement of \$56,000,000, the Cor-
19 poration shall close the Account established
20 under paragraph (1)(B) and transfer any
21 remaining funds in the Account to the re-
22 maining Allocated Insurance Reserves Ac-
23 counts in accordance with paragraph
24 (4)(B) for the calendar year in which the
25 transfer occurs.”; and

1 (C) by striking subparagraph (F).

2 (g) CERTIFICATION OF PREMIUMS.—

3 (1) FILING CERTIFIED STATEMENT.—Section
4 5.56(a) of such Act (12 U.S.C. 2277a-5(a)) is
5 amended to read as follows:

6 “(a) FILING CERTIFIED STATEMENT.—On a date to
7 be determined in the sole discretion of the Corporation’s
8 Board of Directors, each insured System bank that be-
9 came insured before the beginning of the period for which
10 premiums are being assessed (in this section referred to
11 as the ‘period’) shall file with the Corporation a certified
12 statement showing—

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

15 “(2) the average principal outstanding for the
16 period on the guaranteed portion of Federal govern-
17 ment-guaranteed loans that are in accrual status
18 and the average amount outstanding for the period
19 of Federal government-guaranteed investments that
20 are not permanently impaired (as defined in section
21 5.55(a)(4));

22 “(3) the average principal outstanding for the
23 period on State government-guaranteed loans that
24 are in accrual status and the average amount out-
25 standing for the period of State government-guaran-

1 teed investments that are not permanently impaired
2 (as defined in section 5.55(a)(4));

3 “(4) the average principal outstanding for the
4 period on loans that are in nonaccrual status and
5 the average amount outstanding for the period of
6 other-than-temporarily impaired investments; and

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

9 (2) PREMIUM PAYMENTS.—Section 5.56(c) of
10 such Act (12 U.S.C. 2277a-5(c)) is amended to read
11 as follows:

12 “(c) PREMIUM PAYMENTS.—Each insured System
13 bank shall pay to the Corporation the premium payments
14 required under subsection (a), not more frequently than
15 once in each calendar quarter, in such manner and at such
16 time or times as the Board of Directors shall prescribe,
17 except that the amount of the premium shall be estab-
18 lished not later than 60 days after filing the certified
19 statement setting forth the amount of the premium.”.

20 (3) CONFORMING AMENDMENTS.—Section 5.56
21 of such Act (12 U.S.C. 2277a-5) is amended by
22 striking subsection (d) and redesignating subsection
23 (e) as subsection (d).

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

4 **SEC. 539. RISK-BASED CAPITAL LEVELS.**

5 Section 8.32(a)(1) of the Farm Credit Act of 1971
6 (12 U.S.C. 2279bb-1(a)(1)) is amended by striking all
7 through “a pool of” and inserting the following:

8 “(1) CREDIT RISK.—

9 “(A) With respect to securities rep-
10 resenting an interest in, or obligations backed
11 by, a pool of qualified loans (as defined in sec-
12 tion 8.0(9)(C)), owned or guaranteed by the
13 Corporation, losses occur at a rate of default
14 and severity reasonably related to risks in elec-
15 tric and telephone facility loans, respectively, as
16 determined by the Director.

17 “(B) With respect to securities rep-
18 resenting an interest in, or obligations backed
19 by, a pool of other”.