

*Easier money for new farmers*

# Congress passes Farm Credit Act amendments

WASHINGTON, D.C. — At the eleventh hour of the lame duck session of Congress, the Farm Credit Act Amendments cleared their final hurdle and were enacted into law. Passage culminated a legislative process that lasted more than a year.

The Senate passed its version of the bill, S 1465 last July 24, and the House enacted its version HR 7548 November 19. With adjournment imminent, the Senate accepted the House bill last Saturday.

It has the support of the Administration, and the President's signature is expected.

The amendments are the first major change in legislation governing operations of the Farm Credit System since enactment of the Farm Credit Act of 1971, which recodified and modernized laws dating back to 1916.

The Farm Credit System provides credit and closely

related services to farmers, ranchers, commercial fishermen, and their cooperatives. They also serve rural homeowners and selected farm related businesses. The amendments call for no change in this clientele.

The Farm Credit System is made up of three lending groups. The 12 Federal Land Banks make long-term mortgage loans through 492 Federal Land Bank Associations.

The 12 Federal Intermediate Credit Banks provide short- and intermediate-term loan funds to 424 Production Credit Associations and to other financing institutions serving agricultural producers.

The 13 Banks for Cooperatives make loans of all kinds to agricultural, aquatic, and rural electric, telephone, and public utility cooperatives.

The System has \$68 billion in loans outstanding to

nearly one million individuals and 3500 cooperatives.

Its loan funds are obtained primarily through the sale of securities in the Nation's money markets.

Though cooperatively owned by their borrowers, the System's federally chartered banks and associations are supervised in the public interest by the Farm Credit Administration, an independent agency in the Executive Branch of the U.S. Government. Operating and other costs of the System institutions and their supervisory agency are borne by the borrowers. No Federal tax dollars are involved.

The amendments will help individual borrowers by:

Permitting the FLBs to make loans of up to 97 percent of the market value of the property taken as security when the loans are guaranteed by a Federal agency such as the Farmers

Home Administration or a state government. This makes it possible for the banks to finance those with limited equity, particularly young farmers. It is also in tune with FmHA's shift in emphasis from direct loans to guaranteed loans.

The limit on the other loans will remain at 85 percent of the appraised value of the security.

Broadening the authority of FLBs and PCAs to finance the processing and marketing activities of bona fide farmers, ranchers, and fishermen. To be eligible for such loans, 20 percent of the product processed or marketed must come from the lead borrower's operation.

Establishing clearly that FLBAs and PCAs may sell credit or term life, credit disability, and other types of insurance necessary to protect the member's farm or aquatic unit. This service is limited to hail and

multiple peril crop insurance, title insurance, and insurance to protect the equipment and facilities of fishermen.

Expanding aquatic financing to allow FLBs to make long-term loans and permitting FICBs to discount aquatic loans of other financing institutions.

Allowing Farm Credit institutions to provide fishermen with financial services related to their operations.

The amendments are beneficial to cooperatives by:

Lowering to 60 percent the farmer membership requirement for rural electric, telephone, and public utility cooperatives and for certain local farm supply cooperatives. Marketing and other cooperatives will still have to satisfy the 80 percent farmer membership requirement to be eligible to borrow from a Bank for Cooperatives.

Establishing that

cooperatives organized to provide business services to commercial fishermen are eligible to borrow from a Bank for Cooperatives.

Permitting the Banks for Cooperatives to finance certain export activities of cooperatives, making it possible for farmers to more directly benefit from these activities.

Other facets of the legislation include:

Permitting PCAs to issue participation certificates to commercial banks and other lenders, streamlining the method by which PCAs can participate in loans originated by others.

Making possible the incorporation of entities that perform service and finance functions for the banks and associations.

Farm Credit officials say they view the amendments as providing the banks and association with the contemporary authorities they need to serve the changing needs of their borrowers in the 1980s.

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### HOLIDAY SCHEDULE:

**CLOSED THURSDAY DECEMBER 24 AT 4:00 PM, REOPENING MONDAY, DECEMBER 29 at 7:30 A.M.**

**CLOSED JANUARY 1, 1981**

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