

## **Credit Title**

### **Section-by-Section**

#### **SEC.501. SOIL AND WATER CONSERVATION AND PROTECTION**

Amends section 304 of the Consolidated Farm and Rural Development Act (Con Act ) by updating the priorities for loans made or insured for soil and waster conservation and protection to include, beginning farmers or ranchers, socially disadvantaged farmers or ranchers, and organic farmers.

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

Amends Sec 304 of the Con Act by adding a new section “304A” that would create a conservation loan guarantee program. This program would allow the Secretary to provide loans and interest subsidies, or both, to farmers, ranchers, and other entities primarily and directly engaged in agricultural production to carry out conservation projects.

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

Amends Sec 305(a)(2) of the Con Act, by increasing the farm ownership loan limit from \$200,000 to \$300,000; requires the Secretary to establish a plan to encourage borrowers to graduate to private commercial or other sources of credit.

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

Amends Sec 313(a)(1) of the Con Act, by increasing the operating loan limit from \$200,000 to \$300,000 for a loan other than one guaranteed by the Secretary.

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

Amends Section 335(c) of the Con Act by restoring priority to socially disadvantaged farmers and ranchers whenever the Secretary sells or leases property; requires the Secretary, whenever selling or leasing property, to ensure that socially disadvantaged farmers and ranchers are included in the process.

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

Amends Section 346(b) of the Con Act by increasing from 70 to 75 percent for the amount of direct farm ownership loans that the Secretary is to reserve for beginning farmers and ranchers; includes, participation loans along with down payment loans, as the type of loans that the Secretary is to reserve for beginning farmers and ranchers; changes from 60 percent to 66 percent for the amount of direct farm ownership loans that are to be reserved for down payment and participation loans for beginning farmers and ranchers; increases from 35 to 40 percent for the amount of direct operating loans that are to be made available to beginning farmers and ranchers; increases from 25 to 40 percent for the amount of guaranteed farm ownership loans to be reserved for beginning farmers and ranchers.

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

Amends section 344 of the Con Act by creating a new section, Section 345, which requires the Secretary, when making or insuring a real estate or operating loans, to establish regulations that have as their goal, the transitioning of borrowers to sources of credit, including private commercial credit, in the shortest practicable period of time.

**SEC.524. EXTENSION OF THE RIGHT OF FIRST REFUSAL TO REACQUIRE HOMESTEAD PROPERTY TO IMMEDIATE FAMILY MEMBER OF BORROWER-OWNER**

Amends Section352(c)(4)(B) of the Con Act by extending the right of first refusal to reacquire a homestead property to members of the immediate family of the borrower-owner; allows for an independent appraisal of the property by an appraiser selected by the immediate family member of the borrower-owner.

**SEC.531. AGRIBUSINESS LOAN ELIGIBILITY**

Amends Section 1.9 of the Farm Credit Act (FCA) to authorize Farm Credit banks to provide credit and financial services to agribusinesses; that is, persons primarily engaged in processing, preparing for market, handling, purchasing, testing, grading, distributing, or marketing farm or aquatic products; or primarily engaged in furnishing farm or aquatic business services, or farm and or aquatic supplies, including inputs such as feed, fertilizer, equipment, and other capital goods to farmers, ranchers, or producers or harvesters of aquatic products only to the extent that the activities are related to renewable energy.

- Amends Section 1.11(a)(1) of the FCA to allow Farm Credit banks to make loans for agricultural or aquatic purposes to agribusinesses; that is, persons who are primarily engaged in processing, preparing for market, handling, purchasing, testing, grading, distributing, or marketing farm or aquatic products; or primarily engaged in furnishing farm or aquatic business services, or farm or aquatic supplies, including inputs such as feed or fertilizer, equipment and other capital goods to farmers, ranchers, or producers or harvesters of aquatic products for necessary capital structures and equipments and initial working capital for activities only to the extent that the activities are related to renewable energy.
- Amends Section 2.4 of the FCA by allowing Production Credit associations, under standards prescribed by the board of directors of the Farm Credit banks, to make, guarantee or participate with other lenders in short- and immediate-term loans to agribusinesses; that is, persons who are primarily engaged in agribusiness; that is, processing, preparing for market, handling, purchasing, testing, grading, distributing, or marketing farm or aquatic products; or primarily engaged in furnishing farm or aquatic business services, or farm or aquatic supplies, including inputs such as feed or fertilizer, equipment, and other capital

goods to farmers, ranchers, or producers or harvesters of aquatic products only to the extent that the activities are related to renewable energy.

- Amends Section 3.8(b)(1) of the FCA to allow persons who are primarily engaged in processing, preparing for market, handling, purchasing, testing, grading, distributing, or marketing farm or aquatic products; or primarily engaged in furnishing farm or aquatic business services, or farm or aquatic supplies, including inputs such as feed or fertilizer, equipment, and other capital goods to farmers, ranchers, or producers or harvesters of aquatic products, only to the extent that their activities are related to renewable energy, to be eligible to borrow from a bank for cooperatives.

#### **SEC.532. POPULATION LIMIT FOR SINGLE-FAMILY HOUSING LOANS**

Amends Section 1.11(b)(3) of the FCA, with respect to extensions of credit, by changing the definition of rural area for rural housing purposes to a city or town that has population “of greater than 6,000 inhabitants and the urbanized area contiguous and adjacent to such a city or town” – current law restricts the definition to exclude “any city or village having a population in excess of 2,500 inhabitants.”

- Amends Section 2.4(b)(3) of the FCA, with respect to short- and immediate-term loans, by changing the definition of “rural area” for rural housing purposes to a city or town that has population “of greater than 6,000 inhabitants and the urbanized area contiguous and adjacent to such a city or town” – current law restricts the definition to exclude “any city of village having a population in excess of 2,500 inhabitants.”

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

Amends Section 3.3(c) of the FCA by authorizing the issuance and transfer of voting stock in the bank to, and the holding of such stock by, banks for cooperatives and associations.

- Amends Section 4.3A(c)(1)(D) of the FCA, with respect to the requirements of the bylaws regarding the capitalization of Farm Credit institutions, by adding to the list of eligible borrowers of Farm Credit System stock, person and entities eligible to borrow from banks for cooperatives and associations.

#### **SEC.534. BORROWER STOCK REQUIREMENT**

Amends Section 4.3A(c)(1)(E)(i) of the FCA by changing the requirement, as a condition of borrowing from a Farm Credit institution, that a borrower, at the time the loan is made is to acquire \$1,000 or 2 percent of the amount of the loan, whichever is less to an amount that is to be “determined by the institution.”

#### **SEC.535. RURAL UTILITY LOANS**

Amends Section 8.0(9) of the FCA to allow rural utility loans (loans, or interest in a loan, for electric and telephone facilities) to be considered as “qualified loans.”

### **SEC.536. FARM CREDIT SYSTEM INSURANCE CORPORATION**

Amends Section 1.12(b) of the FCA to change the method that each Farm Credit System bank must use to assess associations and other financing institutions to cover the costs of making Farm Credit System Insurance Corporation (FCSIC) premium payments under Part E of Title V of the FCA. This section would change current law to no longer specify how Farm Credit System Banks are to assess lenders, but would allow the assessments to be computed in an “equitable manner.”

- Amends Section 5.55(a) of the FCA to reduce the total insured debt obligations on which premiums are assessed by 90 percent of federal government-guaranteed loans and investments, and 80 percent of state government-guaranteed loans and investments. Current law only applies to federal government-guaranteed loans and state government-guaranteed loans.
- Amends Section 5.55(b) of the FCA by striking the word “annual,” which would allow FCSIC to collect premiums more frequently than annually.
- Amends Section 5.55(c) of the FCA to allow Farm Credit System banks to deduct a percentage of federal government-guaranteed investments and a percentage of state government-guaranteed investments when calculating the “secure base amount.” Current law allows Farm Credit System banks to deduct a percentage of federal government-guaranteed loans and a percentage of state government-guaranteed loans when calculating the “secure base amount.”
- Amends Section 5.55(d) of the FCA to determine the principal outstanding on all loans made by an insured Farm Credit System bank or the amount outstanding on all investments made by an insured system bank for purposes of premium calculations and “secure base amount” calculations. Current law only pertains only to loans and not to investments.
- Amends Section 5.55(e) of the FCA to require FCSIC to use year end numbers, rather than the “average daily balance” in calculating excess funds; simplifies the formula, contained in current law, concerning payments from the Farm Credit Insurance Fund Allocated Insurance Reserve Accounts – which is where excess funds are placed according to current law.
- Amends Section 5.56(a) of the FCA, by allowing Farm Credit System banks to file certified statements quarterly rather than annually, as current law mandates.
- Amends Section 5.58(10) of the FCA to clarify that FCSIC has the authority to adopt rules and regulations concerning section 1.12(b) of Title I of the FCA, “Authority to Pass Along Cost of Insurance Premiums.”