

Public Law 103-376  
103d Congress

An Act

To amend the Farm Credit Act of 1971 to enhance the ability of the banks for cooperatives to finance agricultural exports, and for other purposes.

Oct. 19, 1994

[H.R. 4379]

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

Farm Credit  
System  
Agricultural  
Export and Risk  
Management  
Act.  
12 USC 2001  
note.

**SECTION 1. SHORT TITLE.**

This Act may be cited as the "Farm Credit System Agricultural Export and Risk Management Act".

**SEC. 2. PARTICIPATION DEFINED.**

Section 3.1(11)(B) of the Farm Credit Act of 1971 (12 U.S.C. 2122(11)(B)) is amended by adding at the end the following new clause:

"(iv) As used in this subparagraph, the term 'participate' or 'participation' refers to multilender transactions, including syndications, assignments, loan participations, subparticipations, or other forms of the purchase, sale, or transfer of interests in loans, other extensions of credit, or other technical and financial assistance."

**SEC. 3. AGRICULTURAL EXPORT FINANCING.**

Section 3.7(b) of the Farm Credit Act of 1971 (12 U.S.C. 2128(b)) is amended—

(A) in paragraph (1)—

(i) by striking "assistance to (A)" and inserting "assistance to";

(ii) by striking "the export or" and inserting "the"; and

(iii) by striking "and (B)" and all that follows through "subparagraph (A): *Provided, That a*" and inserting "if the"; and

(B) by striking paragraph (2) and inserting the following new paragraph:

"(2)(A) A bank for cooperatives may make or participate in loans and commitments to, and extend other technical and financial assistance to—

"(i) any domestic or foreign party for the export, including (where applicable) the cost of freight, of agricultural commodities or products thereof, farm supplies, or aquatic products from the United States under policies and procedures established by the bank to ensure that the commodities, products, or supplies are originally sourced, where reasonably available, from one or more eligible cooperative associations described in section 3.8(a) on a priority basis, except that if the total

amount of the balances outstanding on loans made by a bank under this clause that—

“(I) are made to finance the export of commodities, products, or supplies that are not originally sourced from a cooperative, and

“(II) are not guaranteed or insured, in an amount equal to at least 95 percent of the amount loaned, by a department, agency, bureau, board, commission, or establishment of the United States or a corporation wholly-owned directly or indirectly by the United States, exceeds an amount that is equal to 50 percent of the bank’s capital, then a sufficient interest in the loans shall be sold by the bank for cooperatives to commercial banks and other non-System lenders to reduce the total amount of such outstanding balances to an amount not greater than an amount equal to 50 percent of the bank’s capital; and

“(ii) except as provided in subparagraph (B), any domestic or foreign party in which an eligible cooperative association described in section 3.8(a) (including, for the purpose of facilitating its domestic business operations only, a cooperative or other entity described in section 3.8(b)(1)(A)) has an ownership interest, for the purpose of facilitating the domestic or foreign business operations of the association, except that if the ownership interest by an eligible cooperative association, or associations, is less than 50 percent, the financing shall be limited to the percentage held in the party by the association or associations.

“(B) A bank for cooperatives shall not use the authority provided in subparagraph (A)(ii) to provide financial assistance to a party for the purpose of financing the relocation of a plant or facility from the United States to another country.”.

#### SEC. 4. CONFORMING AMENDMENT.

Section 3.8(b)(1) of the Farm Credit Act of 1971 (12 U.S.C. 2129(b)(1)) is amended—

(A) by striking subparagraph (B);

(B) by redesignating subparagraphs (C), (D), and (E) as subparagraphs (B), (C), and (D), respectively; and

(C) by aligning the margin of subparagraph (D) (as so redesignated) so as to align with the margin of subparagraph (C) (as so redesignated).

#### SEC. 5. LOAN PARTICIPATION AUTHORITY FOR FARM CREDIT BANKS AND DIRECT LENDER ASSOCIATIONS.

IN GENERAL.—Title IV of the Farm Credit Act of 1971 (12 U.S.C. 2151 et seq.) is amended by inserting after section 4.18 (12 U.S.C. 2206) the following new section:

12 USC 2206a.

#### “SEC. 4.18A. AUTHORITY OF FARM CREDIT BANKS AND DIRECT LENDER ASSOCIATIONS TO PARTICIPATE IN LOANS TO SIMILAR ENTITIES FOR RISK MANAGEMENT PURPOSES.

“(a) DEFINITIONS.—As used in this section:

“(1) PARTICIPATE AND PARTICIPATION.—The terms ‘participate’ and ‘participation’ shall have the meaning provided in section 3.1(11)(B)(iv).

“(2) SIMILAR ENTITY.—The term ‘similar entity’ means a person that—

“(A) is not eligible for a loan from the Farm Credit Bank or association; and

“(B) has operations that are functionally similar to a person that is eligible for a loan from the Farm Credit Bank or association in that the person derives a majority of the income of the person from, or has a majority of the assets of the person invested in, the conduct of activities that are functionally similar to the activities that are conducted by an eligible person.

“(b) LOAN PARTICIPATION AUTHORITY.—Notwithstanding any other provision of this Act, any Farm Credit Bank or direct lender association chartered under this Act may participate in any loan of a type otherwise authorized under title I or II made to a similar entity by any person in the business of extending credit, except that a Farm Credit Bank or direct lender association may not participate in a loan under this section if—

“(1) the participation would cause the total amount of all participations by the Farm Credit Bank or association under this section involving a single credit risk to exceed 10 percent (or the applicable higher lending limit authorized under regulations issued by the Farm Credit Administration if the stockholders of the respective Farm Credit Bank or association so approve) of the total capital of the Farm Credit Bank or association;

“(2) the participation by the Farm Credit Bank or association would equal or exceed 50 percent of the principal of the loan or, when taken together with participations in the loan by other Farm Credit System institutions, would cause the cumulative amount of the participations by all Farm Credit System institutions in the loan to equal or exceed 50 percent of the principal of the loan;

“(3) the participation would cause the cumulative amount of participations that the Farm Credit Bank or association has outstanding under this section to exceed 15 percent of the total assets of the Farm Credit Bank or association; or

“(4) the loan is of the type authorized under section 1.11(b) or 2.4(a)(2).

“(c) PRIOR APPROVAL REQUIRED.—

“(1) IN GENERAL.—With respect to a similar entity that is eligible to borrow from a bank for cooperatives under title III, the authority of a Farm Credit Bank or association to participate in a loan to the entity under this section shall be subject to the prior approval of the bank for cooperatives having, at the time the loan is made, the greatest loan volume in the State in which the headquarters office of the similar entity is located.

“(2) TERMS AND CONDITIONS.—Approval under paragraph (1) may be granted on an annual basis and under such terms and conditions as may be agreed on between the Farm Credit Bank or association, as the case may be, and the bank for cooperatives granting the approval.

“(3) APPROVAL BY SUPERVISING FARM CREDIT BANK.—An association may not participate in a loan to a similar entity under this section without the approval of the supervising Farm Credit Bank of the association.”

**SEC. 6. CONFORMING AMENDMENTS.**

Section 3.1(11)(B)(i)(I)(bb) of the Farm Credit Act of 1971 (12 U.S.C. 2122(11)(B)(i)(I)(bb)) is amended—

(A) by striking “the other banks for cooperatives under this subparagraph” and inserting “other Farm Credit System institutions”; and

(B) by striking “all banks for cooperatives” and inserting “all Farm Credit System institutions”.

Approved October 19, 1994.

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**LEGISLATIVE HISTORY—H.R. 4379:**

**CONGRESSIONAL RECORD**, Vol. 140 (1994):

Sept. 29, considered and passed House.

Oct. 5, considered and passed Senate.