

(16) prescribe, by its board of directors, its bylaws that shall be consistent with law, and that shall provide for—

(A) the classes of its stock and the manner in which such stock shall be issued, transferred, and retired; and

(B) the manner in which it is to—

- (i) select officers and employees;
- (ii) acquire, hold, and transfer property;
- (iii) conduct general business; and
- (iv) exercise and enjoy the privileges granted to it by law;

(17) provide by its board of directors for a manager or other chief executive officer, and provide for such other officers or employees as may be necessary, including joint employees as provided in this chapter, define their duties, and require surety bonds or make other provisions against losses occasioned by employees, but no director shall, within one year after the date when such director ceases to be a member of the board, serve as a salaried employee of the association on the board of which he served;

(18) elect by the board of directors of the association a loan committee with power to approve applications for membership in the association and loans or participations or, with the approval of the bank, delegate the approval of applications for membership and loans or participations within specified limits to other committees or to authorized officers and employees of the association;

(19) perform any functions delegated to the association by the bank;

(20) exercise by the board of directors or authorized officers or employees of the association, all such incidental powers as may be necessary or expedient to carry on the business of the association; and

(21) operate as an originator and become certified as a certified facility under subchapter VIII of this chapter.

(Pub. L. 92-181, title II, §2.2, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1630; amended Pub. L. 100-399, title IV, §401(o), Aug. 17, 1988, 102 Stat. 997.)

PRIOR PROVISIONS

A prior section 2073, Pub. L. 92-181, title II, §2.2, Dec. 10, 1971, 85 Stat. 592; Pub. L. 96-592, title II, §202, Dec. 24, 1980, 94 Stat. 3440; Pub. L. 99-205, title II, §205(e)(2)-(5), title VI, §604, Dec. 23, 1985, 99 Stat. 1704, 1711; Pub. L. 100-233, title VIII, §§802(j), 805(e), Jan. 6, 1988, 101 Stat. 1711, 1715, related to Federal intermediate credit bank stock, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

AMENDMENTS

1988—Par. (16). Pub. L. 100-399, §401(o)(1), amended par. (16) generally. Prior to amendment, par. (16) read as follows: “prescribe by the board of directors of the association the bylaws not inconsistent with law providing for—

“(A) the classes of association stock and the manner in which the stock shall be issued, transferred, and retired;

“(B) the officers and employees elected or provided for;

“(C) the property acquired, held, and transferred by the association; and

“(D) the general business conducted, and the privileges granted to the association by law exercised and enjoyed;”.

Par. (17). Pub. L. 100-399, §401(o)(2), substituted “provide by its board of directors for” for “elect by the board of directors of the association” and “serve as” for “be elected or designated”.

Par. (21). Pub. L. 100-399, §401(o)(3)-(5), added par. (21).

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-399 effective immediately after amendment made by section 401 of Pub. L. 100-233, which was effective 6 months after Jan. 6, 1988, see section 1001(b) of Pub. L. 100-399, set out as a note under section 2002 of this title.

§2074. Production credit association capitalization

(a) In general

In accordance with section 2154a of this title, each production credit association shall provide, through its bylaws and subject to Farm Credit Administration regulations, for its capitalization and the manner in which its stock shall be issued, held, transferred, and retired and, except as provided in subsection (b) of this section, its earnings distributed.

(b) Application of earnings

At the end of each fiscal year, each production credit association shall apply the amount of the earnings of the association for the fiscal year in excess of the operating expenses of the association (including provision for valuation reserves against loan assets in accordance with generally accepted accounting principles)—

(1) first, to the restoration of the impairment (if any) of capital; and

(2) second, to the establishment and maintenance of the surplus accounts, the minimum aggregate amount of which shall be prescribed by the Farm Credit Bank.

(c) Patronage

When the bylaws of an association so provide and subject to the general directions of the Farm Credit Administration, available net earnings at the end of any fiscal year may be distributed on a patronage basis in stock, participation certificates, or in cash. Any part of the earnings of the fiscal year in excess of the operating expenses for such year held in the surplus account may be allocated to patrons on a patronage basis.

(Pub. L. 92-181, title II, §2.3, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1632; amended Pub. L. 102-552, title V, §501, Oct. 28, 1992, 106 Stat. 4129.)

PRIOR PROVISIONS

A prior section 2074, Pub. L. 92-181, title II, §2.3, Dec. 10, 1971, 85 Stat. 593; Pub. L. 96-592, title II, §203, Dec. 24, 1980, 94 Stat. 3440; Pub. L. 99-205, title II, §205(e)(6), Dec. 23, 1985, 99 Stat. 1704, related to loans, discounts, participation, and leasing, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

AMENDMENTS

1992—Subsec. (b). Pub. L. 102-552 amended subsec. (b) generally. Prior to amendment, subsec. (b) read as follows: “Each production credit association at the end of each fiscal year shall apply the amount of the earnings of the association for such year in excess of the operating expenses of the association (including provision for valuation reserves against loan assets in an amount equal to one-half of 1 percent of the loans outstanding

at the end of the fiscal year to the extent that such earnings in such year in excess of other operating expenses permit, or in such greater amounts as are deemed necessary under generally accepted accounting principles, until such reserves equal or exceed 3½ percent of the loans outstanding at the end of the fiscal year, beyond which 3½ percent further additions to such reserves may be made, if deemed necessary under generally accepted accounting principles) first to the restoration of the impairment, if any, of capital, and second, to the establishment and maintenance of the surplus accounts, the minimum aggregate amount of which shall be prescribed by the Farm Credit Bank."

§ 2075. Short- and intermediate-term loans; participation; other financial assistance; terms; conditions; interest; security

(a) Short- and intermediate-term loans

Each production credit association, under standards prescribed by the board of directors of the Farm Credit Bank of the district, may make, guarantee, or participate with other lenders in short- and intermediate-term loans and other similar financial assistance to—

(1) bona fide farmers and ranchers and the producers or harvesters of aquatic products, for agricultural or aquatic purposes and other requirements of such borrowers, including financing for basic processing and marketing directly related to the operations of the borrower and those of other eligible farmers, ranchers, and producers or harvesters of aquatic products, except that the operations of the borrower shall supply some portion of the total processing or marketing for which financing is extended, except that the aggregate of the financing provided by any association for basic processing and marketing directly related to the operations of farmers, ranchers, and producers or harvesters of aquatic products, if the operations of the applicant supply less than 20 percent of the total processing or marketing for which financing is extended, shall not exceed 15 percent of the total of all outstanding loans of all associations in the district at the end of its preceding fiscal year;

(2) rural residents for housing financing in rural areas, under regulations of the Farm Credit Administration; and

(3) persons furnishing to farmers and ranchers farm-related services directly related to their on-farm operating needs.

(b) Rural housing

(1) In general

Rural housing financed under this part shall be for single-family, moderate-priced dwellings and the appurtenances of such not inconsistent with the general quality and standards of housing existing in, or planned or recommended for, the rural area where it is located.

(2) Limitation

The aggregate of such housing loans in an association to persons other than farmers or ranchers shall not exceed 15 percent of the outstanding loans at the end of its preceding fiscal year except on prior approval by the Farm Credit Bank of the district. The aggregate of such housing loans in any farm credit district shall not exceed 15 percent of the out-

standing loans of all associations in the district at the end of the preceding fiscal year.

(3) Rural areas

For rural housing purposes under this section the term "rural areas" shall not be defined to include any city or village having a population in excess of 2,500 inhabitants.

(4) Equipment

Each association may own and lease, or lease with option to purchase, to stockholders of the association equipment needed in the operations of the stockholder.

(c) Interest rates and charges

(1) In general

Loans authorized in subsection (a) of this section shall bear such rate or rates of interest as are determined under standards prescribed by the board of the bank subject to the provisions of section 2205 of this title, and shall be made upon such terms, conditions, and upon such security, if any, as shall be authorized in such standards.

(2) Setting of rates

In setting rates and charges, it shall be the objective to provide the types of credit needed by eligible borrowers, at the lowest reasonable cost on a sound business basis, taking into account the cost of money to the association, necessary reserves and expenses of the association, and services provided to borrowers and members.

(3) Varying rates

The loan documents may provide for the interest rate or rates to vary from time to time during the repayment period of the loan in accordance with the rate or rates currently being charged by the association.

(4) Prior approval

Such standards may require prior approval of the bank on certain classes of loans, and may authorize a continuing commitment to a borrower of a line of credit.

(d) Special district rule

(1) Provision of credit and technical assistance outside service territory

Notwithstanding any territorial limitation in the charter of a production credit association located in a district in which there are only two such associations, the Farm Credit Administration Board, on request of such association, may permit such association to provide credit and technical assistance to any borrower who is denied credit by the other production credit association in the district if the Board determines that such other production credit association in the district is unduly restrictive in the application of credit standards.

(2) Timing of determination

If the Farm Credit Administration Board approves the extension of credit and technical assistance under paragraph (1), the association shall approve or deny the application for credit within 90 days after receipt of the application from the borrower.