

(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) 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.

(Pub. L. 92-181, title II, §2.4, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1632; amended Pub. L. 100-399, title IV, §401(p), (q), Aug. 17, 1988, 102 Stat. 997; Pub. L. 101-624, title XVIII, §1832(b), Nov. 28, 1990, 104 Stat. 3832.)

PRIOR PROVISIONS

A prior section 2075, Pub. L. 92-181, title II, §2.4, Dec. 10, 1971, 85 Stat. 594; Pub. L. 95-443, Oct. 10, 1978, 92 Stat.

1066; Pub. L. 96-592, title II, §204, Dec. 24, 1980, 94 Stat. 3441; Pub. L. 99-509, title I, §1033(b), Oct. 21, 1986, 100 Stat. 1877, related to terms, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

AMENDMENTS

1990—Subsec. (a)(1). Pub. L. 101-624 substituted “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” for “at least 20 percent, or such larger percent as is required by the supervising bank under regulations of the Farm Credit Administration, of the total processing or marketing for which financing is extended”.

1988—Subsec. (b)(1). Pub. L. 100-399, §401(p), substituted “this part” for “this subchapter” and substituted “or planned” for “planned”.

Subsec. (d). Pub. L. 100-399, §401(q), added subsec. (d).

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.

EFFECTIVE DATE

Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1622, provided that this section is effective 6 months after Jan. 6, 1988.

§ 2076. Other services

Each production credit association may provide technical assistance to borrowers, applicants, and members and may make available to them at their option such financial related services appropriate to their on-farm and aquatic operations as is determined feasible by the board of directors of each Farm Credit Bank, under regulations prescribed by the Farm Credit Administration.

(Pub. L. 92-181, title II, §2.5, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1633.)

PRIOR PROVISIONS

A prior section 2076, Pub. L. 92-181, title II, §2.5, Dec. 10, 1971, 85 Stat. 595; Pub. L. 96-592, title II, §205, Dec. 24, 1980, 94 Stat. 3442; Pub. L. 100-233, title III, §305, Jan. 6, 1988, 101 Stat. 1621, related to services related to borrowers' operations, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

EFFECTIVE DATE

Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1622, provided that this section is effective 6 months after Jan. 6, 1988.

§ 2076a. Liens on stock

Except with regard to stock or participation certificates held by other Farm Credit System institutions, each production credit association shall have a first lien on stock and participation certificates the association issues, on allocated surplus, and on investments in equity reserve, for any indebtedness of the holder of the capital investments and, in the case of equity reserves,

for charges for association losses in excess of reserves and surpluses.

(Pub. L. 92-181, title II, §2.6, as added Pub. L. 101-624, title XVIII, §1833(2), Nov. 28, 1990, 104 Stat. 3832.)

PRIOR PROVISIONS

A prior section 2.6 of Pub. L. 92-181 was renumbered section 2.7 and is classified to section 2077 of this title.

EFFECTIVE DATE

Section effective Jan. 7, 1988, see section 1861(d) of Pub. L. 101-624, set out as an Effective Date of 1990 Amendment note under section 2001 of Title 7, Agriculture.

§ 2077. Taxation

Each production credit association and its obligations are instrumentalities of the United States and as such any and all notes, debentures, and other obligations issued by such associations shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or any State, territorial, or local taxing authority, except that interest on such obligations shall be subject to Federal income taxation in the hands of the holder.

(Pub. L. 92-181, title II, §2.7, formerly §2.6, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1633; amended Pub. L. 100-399, title IV, §401(r), Aug. 17, 1988, 102 Stat. 998; renumbered §2.7, Pub. L. 101-624, title XVIII, §1833(1), Nov. 28, 1990, 104 Stat. 3832.)

PRIOR PROVISIONS

A prior section 2077, Pub. L. 92-181, title II, §2.6, Dec. 10, 1971, 85 Stat. 595; Pub. L. 96-592, title II, §206, Dec. 24, 1980, 94 Stat. 3442; Pub. L. 99-205, title II, §205(e)(7), (8), Dec. 23, 1985, 99 Stat. 1704; Pub. L. 100-233, title VIII, §§802(k), 805(f), Jan. 6, 1988, 101 Stat. 1711, 1715, related to net earnings, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

A prior section 2078, Pub. L. 92-181, title II, §2.7, Dec. 10, 1971, 85 Stat. 597; Pub. L. 99-205, title II, §205(e)(9), Dec. 23, 1985, 99 Stat. 1704, related to distribution of assets on liquidation, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

A prior section 2079, Pub. L. 92-181, title II, §2.8, Dec. 10, 1971, 85 Stat. 597; Pub. L. 100-399, title IX, §901(a), Aug. 17, 1988, 102 Stat. 1007, related to taxation, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

AMENDMENTS

1988—Pub. L. 100-399 substituted “interest,” for “interest” and inserted “, except that interest on such obligations shall be subject to Federal income taxation in the hands of the holder”.

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.

EFFECTIVE DATE

Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1622, provided that this section is effective 6 months after Jan. 6, 1988.

PART B—FEDERAL LAND BANK ASSOCIATIONS

CODIFICATION

Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1634, substituted “Federal Land Bank Associations” for “Production Credit Associations” as part B heading.

§ 2091. Organizations; articles; charters; powers of the Farm Credit Administration

(a) Charter

Each Federal land bank association shall continue as a federally chartered instrumentality of the United States.

(b) Organization

(1) In general

A Federal land bank association may be organized by any group of 10 or more persons desiring to borrow money from a Farm Credit Bank under section 2015(a) of this title, including persons to whom the Farm Credit Bank has made a loan directly or through an agent and has taken as security real estate located in the territory proposed to be served by the association.

(2) Articles of association

(A) Description of territory

The articles of association shall describe the territory within which the association proposes to carry on its operations.

(B) Submission to FCB

Proposed articles shall be forwarded to the Farm Credit Bank for the district, accompanied by an agreement to subscribe on behalf of the association for stock in accordance with the bylaws of the Farm Credit Bank.

(C) Stock purchase

Association stock may be paid for by surrendering for cancellation stock in the bank held by a borrower and the issuance of an equivalent amount of stock to such borrower in the association.

(D) Statement

The articles shall be accompanied by a statement signed by each of the members of the proposed association establishing—

- (i) the individual's eligibility and request for a Farm Credit Bank loan;
- (ii) that the real estate with respect to which the individual desires the loan for is not being served by another Federal land bank association; and
- (iii) that the individual is or will become a stockholder in the proposed association.

(E) Submission to FCA

A copy of the articles of association shall be forwarded to the Farm Credit Administration with the recommendations of the bank concerning the need for the proposed association in order to adequately serve the credit needs of eligible persons in the proposed territory and a statement as to whether or not the territory includes any territory described in the charter of another Federal land bank association.

(3) Denials of charters

The Farm Credit Administration for good cause shown may deny the charter applied for.