

[PUBLIC—No. 75—73D CONGRESS]

[H.R. 5790]

AN ACT

To provide for organizations within the Farm Credit Administration to make loans for the production and marketing of agricultural products, to amend the Federal Farm Loan Act, to amend the Agricultural Marketing Act, to provide a market for obligations of the United States, and for other purposes.

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

TITLE I

SECTION 1. This Act shall be known as the "Farm Credit Act of 1933."

ESTABLISHMENT OF PRODUCTION CREDIT CORPORATIONS AND BANKS FOR COOPERATIVES

SEC. 2. The Governor of the Farm Credit Administration, hereinafter in this Act referred to as the "governor", is authorized and directed to organize and charter twelve corporations to be known as "Production Credit Corporations" and twelve banks to be known as "Banks for Cooperatives." One such corporation and one such bank shall be established in each city in which there is located a Federal land bank. The directors of the several Federal land banks shall be ex officio the directors of the respective Production Credit Corporations and Banks for Cooperatives. Such directors shall have power, subject to the approval of the governor, to employ and fix the compensation of such officers and employees of such corporations and banks as may be necessary to carry out the powers and duties conferred upon such corporations and banks under this Act.

CHARTERS AND BYLAWS

SEC. 3. The charters of the Production Credit Corporations and the Banks for Cooperatives shall be granted by the governor upon application of the directors of the Federal land bank of the proper district, and applications and charters shall be in such form as the governor shall prescribe. The directors shall have power, subject to the approval of the governor, to adopt such bylaws as may be necessary for the conduct of the business of the corporations and banks.

CAPITAL OF PRODUCTION CREDIT CORPORATIONS

SEC. 4. The capital stock of each Production Credit Corporation shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of the district to be served by such corporation, and such amount may be increased or decreased from time to time by the governor in accordance with such credit

needs. Such capital stock shall be divided into shares of \$100 each. The initial capital stock of each such corporation shall be \$7,500,000, which shall be subscribed for by the governor and held by him on behalf of the United States. Payments on subscriptions to stock by the governor shall be subject to call in whole or in part by the board of directors of the corporation with the approval of the governor. The governor shall make such payments out of the revolving fund created in section 5. The stock ownership of the United States in such corporation shall be evidenced by such means as the governor shall determine.

REVOLVING FUND AND APPROPRIATION

SEC. 5. (a) There is hereby created a revolving fund of not to exceed \$120,000,000 which shall be made up as follows:

(1) The Reconstruction Finance Corporation is authorized and directed to make available to the Governor of the Farm Credit Administration all unobligated balances of the following funds and all sums heretofore returned or released to the corporation from such funds:

(A) Any balances of funds for, and all collections on loans by, the Secretary of Agriculture pursuant to section 2 of the Reconstruction Finance Corporation Act as amended;

(B) All collections on loans made or to be made pursuant to the Act of February 4, 1933 (Public, Numbered 327, Seventy-second Congress);

(C) All balances of funds authorized and directed to be made available to the Secretary of Agriculture by such Act and not used for loans pursuant thereto; and

(D) Any balances of the funds originally directed to be allocated and made available to the Secretary of Agriculture by such Acts except as expended pursuant to subsection (e) of section 201 of the Emergency Relief and Construction Act of 1932.

(2) There are hereby made available to the Governor of the Farm Credit Administration all unobligated balances of appropriations and funds available thereunder to enable the Secretary of Agriculture to make advances or loans under the following Acts and resolutions, and all repayments of such advances and loans: March 3, 1921 (41 Stat. 1347), March 20, 1922 (42 Stat. 467), April 26, 1924 (43 Stat. 110), February 28, 1927 (44 Stat. 1251), February 25, 1929 (45 Stat. 1306), as amended May 17, 1929 (46 Stat. 3), March 3, 1930 (46 Stat. 78, 79), December 20, 1930 (46 Stat. 1032), as amended February 14, 1931 (46 Stat. 1160), and February 23, 1931 (46 Stat. 1276), and Public Resolution Numbered 11, Seventy-second Congress, approved March 3, 1932.

(3) There is hereby authorized to be appropriated the sum of \$40,000,000 out of any money in the Treasury not otherwise appropriated.

(b) There is hereby authorized to be appropriated the sum of \$2,000,000, which shall remain available until expended, for all necessary administrative expenses in connection with the establishment and supervision of the Production Credit Corporations and the Production Credit Associations.

(c) The authority of the Governor of the Farm Credit Administration to allocate and expend out of the funds covered by subsection (a) of this section such amounts as he shall deem necessary for salaries, expenses, and all other administrative expenditures in the execution of the functions for which such funds have hitherto been available shall not be deemed to be restricted by this section.

(d) The authority to make loans during the calendar year 1933 pursuant to the Act of February 4, 1933 (Public Numbered 327, Seventy-second Congress), as amended, out of funds made available by that Act shall not be deemed to be restricted by this section.

STOCK OWNERSHIP OF PRODUCTION CREDIT CORPORATIONS IN PRODUCTION
CREDIT ASSOCIATIONS

SEC. 6. (a) Each Production Credit Corporation shall have power to invest its funds in stock of production credit associations as provided in this section. Such corporation is authorized to subscribe and pay for class A stock in each Production Credit Association located in the district served by such corporation in amounts sufficient to maintain the amount of class A stock held by it and other holders of class A stock equal, as nearly as may be, to 20 per centum of the volume of loans made or to be made by such association, as estimated by the corporation, but at no time shall the amount of class A stock outstanding be less than \$5,000 except with the consent of the association. Notwithstanding the provisions of the preceding sentence, (1) the governor, under rules and regulations prescribed by him, may permit a Production Credit Corporation to maintain the class A holdings of stock by the corporation and other investors at such amount, in excess of 20 per centum of such loans, as may be necessary, and (2) the corporation may at any time require the association to retire and cancel stock held by the corporation in such association, if, in the judgment of the corporation, the association has resources available therefor.

(b) Under such rules and regulations as may be prescribed by the governor and subject to such restrictions and limitations as he may prescribe, each Production Credit Corporation is authorized to subscribe and pay for stock in production credit associations not organized under this Act if such associations are controlled by cooperative associations as defined in section 55. Only stock which is preferred as to assets on liquidation and is entitled to participate in dividend distributions without discrimination may be subscribed for. The amount of the stock subscribed for by any Production Credit Corporation in any such association shall not at any one time exceed 75 per centum of the total paid-in capital of such association.

(c) The amount of the excess of earnings on stock held by the corporation above amounts necessary to pay operating expenses and restore losses and impairment of capital, if any, of the corporation shall be devoted to the creation and maintenance of a surplus equal to at least 25 per centum of the paid-in capital of the corporation. The amount of the surplus shall be invested as the governor shall prescribe in direct obligations of the United States or in class A stock of Production Credit Associations, or both.

(d) The amount of such excess of earnings not required in order to comply with the provisions of subsection (c) shall be paid into

the revolving fund heretofore authorized. Stock held by the governor in the Production Credit Corporation shall be retired upon such payment in an amount equal to the amount of such payment.

TITLE II—PRODUCTION CREDIT ASSOCIATIONS

ESTABLISHMENT OF PRODUCTION CREDIT ASSOCIATIONS

SECTION 20. The governor is authorized and directed to organize and charter corporations to be known as "Production Credit Associations." Such associations may be organized by ten or more farmers desiring to borrow money under the provisions of this title. Such individuals shall enter into articles of incorporation which shall specify in general terms the objects for which the association is formed and the powers to be exercised by it in carrying out the functions conferred upon it by this Act. Such articles shall be signed by the individuals uniting to form the association and a copy thereof shall be forwarded to the Production Credit Corporation of the district, and such copy shall be filed and preserved in its office. The governor may, for good cause shown, deny a charter to such individuals. Upon the approval of such articles by the governor, the association shall become as of the date of such approval a body corporate. The governor shall have power, under rules and regulations prescribed by him, or by prescribing the terms of the charter of the association, or both, to provide for the organization, management, and conduct of the business of the association; and the power of the governor shall extend to prescribing the amount of the stock of such association; fixing the territory within which its operations may be carried on; fixing the method of election and appointment of, and the amount and payment of the compensation of, directors, officers, and employees; fixing the maximum amount of individual loans which may be made; prescribing the conditions under which the stock may be retired; and providing for the consolidation of two or more such associations. The governor may, at any time, direct such changes in the charter of any such association as he finds necessary in accomplishing the purposes of this title. Bylaws of any such association may be adopted by the directors but shall not be valid unless approved by the governor.

STOCK OF PRODUCTION CREDIT ASSOCIATIONS

SEC. 21. The stock of such associations shall be divided into shares of \$5 each; and there shall be two classes of such stock: (1) Class A stock which is to be held by Production Credit Corporations, and which may be purchased and held by investors, and (2) class B stock which may be purchased only by farmer borrowers from the association and individuals eligible to become borrowers. Class B stock only shall be entitled to voting rights but each holder of such stock shall be entitled to no more than one vote. No class B stock, or any interest therein or right to receive dividends thereon, shall be transferred by act of parties or operation of law except to another farmer borrower or an individual eligible to become a borrower, and then only with the approval of the directors of the association. Each holder of class B stock, within two years after he has ceased to be

a borrower, shall exchange such class B stock at the fair book value (not to exceed par) thereof, as determined by the association, for class A stock. All stock shall share in dividend distributions without preference, but the directors of the association may, in their discretion, apply the amount of any dividend payable to a holder of class B stock to any indebtedness of such holder to the association. Class A stock shall be preferred as to assets of the association upon liquidation. During such time as any Production Credit Corporation is a holder of any stock of any such association, the appointment or election of directors, the secretary-treasurer, and the loan committee of such association shall be subject to the approval of the president of the Production Credit Corporation and during such time any such director, secretary-treasurer, or other officer may, at any time, be removed by the president of the Production Credit Corporation.

EARNINGS OF PRODUCTION CREDIT ASSOCIATIONS

SEC. 22. Each Production Credit Association shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year, first, to making up any losses in excess of its reserve for bad and doubtful debts; second, to the restoration of the amount of the impairment, if any, of capital; third, to the creation and maintenance of a reserve account for bad and doubtful debts, the amount of which account shall be prescribed by the Production Credit Corporation; and fourth, to the creation and maintenance of a guaranty fund equal to at least 25 per centum of the paid-in capital of the association. Any sums remaining may, with the approval of the Production Credit Corporation, be devoted to the payment of dividends but no rate of dividend in excess of 7 per centum per annum shall be paid. Sums in the guaranty fund herein provided for shall be invested subject to such rules and regulations as may be prescribed by the Production Credit Corporation.

SEC. 23. Each Production Credit Association shall, under such rules and regulations as may be prescribed by the Production Credit Corporation of the district with the approval of the governor, invest its funds and make loans to farmers for general agricultural purposes, but such part of its funds as is represented by the guaranty fund provided for in section 22 shall not be devoted to making loans to farmers. Such loans shall be made on such terms and conditions, at such rates of interest, and with such security as may be prescribed by the Production Credit Corporation. No loan shall be made for a less amount than \$50, nor shall any one borrower be indebted to the association at any one time in an amount in excess of 20 per centum of the capital and guaranty fund of the association or, if the loan is secured by collateral approved by the Corporation, in an amount in excess of 50 per centum of the capital and guaranty fund, but loans may be made to any borrower in an amount in excess of 50 per centum of the capital and guaranty fund if the loan is approved by the Production Credit Commissioner of the Farm Credit Administration. Borrowers shall be required to own, at the time the loan is made, class B stock in an amount equal in fair book value (not to exceed par), as determined by the association, to \$5 per \$100 or fraction thereof of the amount of the loan. Such stock shall not be

canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 21.

SEC. 24. Production Credit Associations doing business under this Act are authorized to borrow from, and rediscount paper with, Federal Intermediate Credit Banks subject to the restrictions, limitations, and conditions applicable under title II of the Federal Farm Loan Act, as amended (U.S.C., title 12, ch. 8). Except with the approval of the Governor, Production Credit Associations shall not have the power to borrow from or rediscount paper with any other bank or agency.

TITLE III—CENTRAL BANK FOR COOPERATIVES

ESTABLISHMENT OF BANK

SECTION 30. The governor is authorized and directed to organize and charter a corporation to be known as the "Central Bank for Cooperatives" with its principal office in the District of Columbia and such other offices as in the opinion of the governor may be necessary.

BOARD OF CENTRAL BANK

SEC. 31. (a) The board of directors of the Central Bank for Cooperatives shall consist of seven members, one of whom shall be the Cooperative Bank Commissioner of the Farm Credit Administration, who shall be chairman of the board of directors. The other six directors shall be appointed by the governor, of whom the successors of three first appointed shall be appointed from nominees selected by borrowers as provided in subsection (b). The terms of the directors first appointed shall be for one, two, and three years as designated by the governor at the time of appointment and their successors shall hold their offices during a term of three years, but a director appointed to fill a vacancy shall hold his office for the unexpired term of the director whose place he is selected to fill. Any appointed director may at any time be removed for cause by the governor. No compensation shall be paid any director as a director of the corporation but the corporation, subject to the approval of the governor, may allow directors a reasonable per diem and expenses.

(b) The successors of three of the directors first appointed shall be selected one each year by the governor from among individuals nominated by borrowers (except Banks for Cooperatives). The governor shall, not less than sixty days prior to the end of the term of any director whose successor is to be appointed from among nominees as herein provided, or as soon as practicable after a vacancy occurs in the office of such director other than by the expiration of his term, cause notice of the vacancy to be sent to each borrower eligible to vote for nominees. Each such borrower shall be eligible to cast one vote. The governor shall not count any ballot received after the expiration of thirty days after the sending of notice. From those (not exceeding three) receiving the highest number of votes, as shown by his count, the governor shall appoint the director.

POWERS OF CHAIRMAN AND BOARD

SEC. 32. The chairman of the board of the corporation shall be the executive officer of the corporation and the powers of the board of directors shall be such powers as may be prescribed in the charter and bylaws.

CAPITAL STOCK OF CENTRAL BANK

SEC. 33. The capital stock of the central bank shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under this title, and the governor may from time to time increase or decrease such amount, subject to the limitations contained in sections 35 and 37, in accordance with such needs. The stock of such bank shall be divided into shares of \$100 each. Out of the revolving fund created under section 6 of the Agricultural Marketing Act, as amended, the governor, on behalf of the United States, shall subscribe for and make payments for stock in the Central Bank and such payments shall be subject to call in whole or in part by the chairman of the board of the Central Bank with the approval of the governor.

LENDING POWER OF CENTRAL BANK

SEC. 34. The Central Bank is authorized to make loans to cooperative associations, as defined in the Agricultural Marketing Act, as amended, including amendments made in Title V of this Act, for any of the purposes and subject to the conditions and limitations set forth in such Act, as so amended, and to make loans, by way of discount or otherwise and subject to such terms and conditions as may be prescribed by the chairman of the board of the Central Bank, to Banks for Cooperatives established under section 2 of this Act.

STOCK SUBSCRIPTIONS OF BORROWERS FROM CENTRAL BANK

SEC. 35. (a) Cooperative associations borrowing from the Central Bank shall be required to own, at the time the loan is made, an amount of stock of the bank equal in fair book value (not to exceed par), as determined by the bank, to \$100 per \$2,000 or fraction thereof of the amount of the loan. Upon discharge of the loan the stock held by the borrowing association shall be retired and canceled and the association shall be paid therefor, or in case the stock subscription is included in the amount of the loan there shall be credited on the final payment of the loan, an amount equal to the amount paid for the stock or loaned to subscribe for the stock, as the case may be, minus the pro rata impairment, if any, of capital and guaranty fund of the Central Bank, as determined by the chairman of the board of the Central Bank.

(b) In any case in which a cooperative association applying for a loan is not authorized, under the law of the State in which it is organized, to subscribe for stock in the Central Bank, the bank shall, in lieu of stock subscription, require the borrowing association to pay into a guaranty fund, or the bank may retain out of the amount of the loan and credit to the guaranty fund, an amount equal to the amount which the borrowing association would have been required to own in stock if such association had been authorized to hold such

stock. Upon discharge of its loan, the provisions of the last sentence of subsection (a) shall apply with respect to sums of such association in the guaranty fund in the same manner as if such sums were represented by stock.

EARNINGS AND RESERVES OF CENTRAL BANK

SEC. 36. The Central Bank for Cooperatives shall, at the end of its fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year, first, to making up any losses incurred; second, to the restoration of the amount of the impairment, if any, of capital and guaranty fund as determined by the chairman of the board; and at least 25 per centum of the remainder of such excess of earnings shall be applied to the creation and maintenance of a surplus equal to at least 25 per centum of the amount of the capital and guaranty fund. Any sums remaining may, with the approval of the chairman of the board, be devoted to the payment of dividends. Subscribers to the guaranty fund shall be entitled to dividends in the same amounts as subscribers to stock. No rate of dividend in excess of 7 per centum per annum shall be paid. Dividends on stock held by the governor, when paid, shall be credited to the revolving fund created under section 6 of the Agricultural Marketing Act, as amended.

DEBENTURES OF CENTRAL BANK

SEC. 37. The Central Bank is authorized to issue debentures, but the amount of debentures which may be outstanding may not exceed at any one time five times the paid-in capital and surplus of the bank. Such debentures shall be issued at such times and subject to such terms and conditions as the board of directors shall determine but shall bear such interest rates as may be fixed by the chairman of the board. Such debentures shall be secured by collateral which shall be at least equal in value to the amount of debentures outstanding and which shall consist of cash, direct obligations of the United States, or notes or other obligations discounted or purchased or representing loans made under section 34. The provisions of law applicable to the preparation and issue of Federal intermediate credit bank debentures shall, so far as applicable, govern the preparation and issue of debentures issued under this section. The governor shall appoint a custodian of such collateral who shall have power subject to such rules and regulations as the governor may prescribe to approve and accept substitutions of collateral.

DIVISION OF LENDING AUTHORITY OF CENTRAL AND REGIONAL BANKS FOR COOPERATIVES

SEC. 38. The governor shall, by regulation or by prescribing the terms of the charters issued to the Central Bank for Cooperatives and the Banks for Cooperatives, or both, provide such limitations, as between the two types of banks, on the classes of borrowers to which loans may be made and the amount of the loans which may be made to individual borrowers, as will best insure the absence of duplication of effort by the two types of banks and will secure the greatest efficiency in extending the benefits of this title and Title IV to borrowers.

TITLE IV—BANKS FOR COOPERATIVES

STOCK OF BANKS

SECTION 40. The capital stock of each Bank for Cooperatives established under section 2 shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of eligible borrowers from the bank under this title, and such amount may be increased or decreased from time to time by the governor in accordance with such needs. Such stock shall be divided into shares of \$100 each. Out of the revolving fund created under section 6 of the Agricultural Marketing Act, as amended, the governor, on behalf of the United States, shall make payments for stock in the banks and such payments shall be subject to call in whole or in part by the board of directors of the bank with the approval of the governor.

LENDING POWER OF BANKS FOR COOPERATIVES

SEC. 41. The Banks for Cooperatives are authorized to make loans to cooperative associations for any of the purposes and subject to the conditions and limitations set forth in the Agricultural Marketing Act, as amended, including amendments made by Title V of this Act, and subject to such terms and conditions as may be prescribed by the board of the bank with the approval of the governor.

STOCK SUBSCRIPTIONS AND EARNINGS AND RESERVES

SEC. 42. The provisions of sections 35 and 36 shall apply in the case of Banks for Cooperatives in the same manner and to the same extent as such provisions are applicable to the Central Bank for Cooperatives, except that powers conferred on the chairman of the board of the Central Bank shall be exercised by the boards of directors of the Banks for Cooperatives, subject to the approval of the governor.

RETIREMENT OF STOCK

SEC. 43. The governor may at any time require any such bank to retire and cancel stock held by the governor in such bank, if, in the judgment of the governor, the bank has resources available therefor, and amounts received by the governor in any such case shall be credited to the revolving fund created under section 6 of the Agricultural Marketing Act, as amended.

TITLE V—AMENDMENTS TO AGRICULTURAL MARKETING ACT

SECTION 50. (a) The following provisions of the Agricultural Marketing Act, as amended, are hereby repealed:

- (1) Section 3 (relating to Advisory Commodity Committees);
- (2) Paragraph (4) of section 5 (relating to powers of the Farm Board to investigate overproduction);
- (3) Paragraph (5) of section 5 (relating to miscellaneous investigations by the Farm Board);
- (4) Paragraph (3) of subsection (a) of section 7 (relating to loans to assist in forming clearing house associations);

(5) Paragraph (4) of subsection (a) of section 7 (relating to education in the advantages of cooperative marketing);

(6) Paragraph (5) of subsection (a) of section 7 (relating to loans to enable cooperatives to advance a greater share of the market price of commodities than is practicable under other credit facilities);

(7) Section 10 (authorizing the Farm Board to assist in forming clearing house associations); and

(8) Section 11 (authorizing the Farm Board to enter into price insurance agreements).

(b) The repeal of section 7 (a) (5) shall not be construed to prohibit the extension, renewal, or refinancing of any loan made thereunder and outstanding on the date of the enactment of this Act, but loans to extend, renew, or refinance any such loan shall bear interest rates as determined under section 8 (a) of the Agricultural Marketing Act as amended by section 54 of this Act.

SEC. 51. Paragraph (1) of subsection (a) of section 7 of the Agricultural Marketing Act, as amended, is amended to read as follows:

“(1) the effective merchandising of agricultural commodities and food products thereof and the financing of its operations;”

SEC. 52. Paragraph (2) of subsection (a) of section 7 of the Agricultural Marketing Act, as amended, is amended to read as follows:

“(2) the construction or acquisition by purchase or lease, or refinancing the cost of such construction or acquisition, of physical marketing facilities for preparing, handling, storing, processing, or merchandising agricultural commodities or their food products;”

SEC. 53. Subsection (c) of section 7 of the Agricultural Marketing Act, as amended, is amended to read as follows:

“(c) Loans for the construction or acquisition by purchase or lease of physical facilities, or for refinancing the cost of such construction or acquisition,¹ shall be subject to the following conditions:

“(1) No such loan shall be made in an amount in excess of 60 per centum of the value of the facilities.

“(2) No loan for the purchase or lease of such facilities shall be made unless the Governor of the Farm Credit Administration finds that the purchase price or rent to be paid is reasonable.”

SEC. 54. Subsection (a) of section 8 of the Agricultural Marketing Act is amended to read as follows:

“(a) Loans to any cooperative association shall bear such rates of interest as the Governor of the Farm Credit Administration shall by regulation prescribe, but in no case shall the rate be less than 3 per centum per annum or more than 6 per centum per annum on the unpaid principal. In fixing such rates of interest, the governor shall fix such rates as he deems the needs of the lending agencies require and in the case of loans made for the purposes of section 7 (a) (1) the rate shall, as nearly as practicable, conform to a rate 1 per centum per annum in excess of the Federal Intermediate Credit Bank discount rate at the time the loan is made, and in the case of loans made for the purposes of section 7 (a) (2) the rate of interest shall, as nearly as practicable, conform to the prevailing rate on mortgage loans made to members of national farm-loan associations at the time the loan is made.”

¹ So in original.

SEC. 55. Subsection (a) of section 15 of the Agricultural Marketing Act, as amended, is amended to read as follows:

“(a) As used in this Act the term ‘ cooperative association ’ means any association in which farmers act together in collectively processing, preparing for market, handling and/or marketing the farm products of persons so engaged and also means any association in which farmers act together in collectively purchasing, testing, grading, and/or processing their farm supplies: *Provided, however,* That such associations are operated for the mutual benefit of the members thereof as such producers or purchasers and conform to one or both of the following requirements:

“First. That no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein; and

“Second. That the association does not pay dividends on stock or membership capital in excess of 8 per centum per annum.

“And in any case to the following:

“Third. That the association shall not deal in the products of or supplies for non-members to an amount greater in value than such as are handled by it for members.”

TITLE VI—PROVISIONS COMMON TO CORPORATIONS CREATED UNDER ACT

GENERAL CORPORATE POWERS

SECTION 60. The Central Bank for Cooperatives, and the Production Credit Corporations, the Production Credit Associations, and the Banks for Cooperatives, organized under this Act, shall have succession, until dissolved in accordance with this or any other Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of their business, to prescribe fees and charges (which in any case shall be subject to the rules and regulations prescribed by the governor) for loans and other services; and shall have such other powers necessary and incident to carrying out their powers and duties under this or any other Act of Congress as may be provided by the governor in their charters or in any amendments thereto. Each such bank, association, or corporation shall, for the purposes of jurisdiction, be deemed a citizen of the State or District within which its principal office is located. No district court of the United States shall have jurisdiction of any action or suit by or against any Production Credit Corporation or Production Credit Association upon the ground that it was incorporated under this Act or that the United States owns a majority of the stock in it, nor shall any district court of the United States within the land bank district served by such association or corporation have jurisdiction by removal or otherwise of any suit by or against any such association or corporation except in cases by or against the United States or by or against any officer of the United States and except in cases by or against any receiver of any such corporation or association appointed in accordance with section 65.

EXAMINATIONS

SEC. 61. At least once each year and at such other times as the governor deems necessary, the Central Bank for Cooperatives, and each Production Credit Corporation, Production Credit Association, and Bank for Cooperatives, organized under this Act, shall be examined by examiners designated by the governor. The governor shall assess the cost of such examinations against the bank, association, or corporation examined, which shall pay such costs to the governor. The amounts so assessed and unpaid shall be a prior lien on all assets of the bank, association, or corporation examined except on assets pledged to secure loans.

FISCAL AGENTS OF UNITED STATES

SEC. 62. The Central Bank for Cooperatives, the Production Credit Corporations, Production Credit Associations, and Banks for Cooperatives, organized under this Act, when designated for that purpose by the Secretary of the Treasury, shall act as fiscal agents of the United States Government and when acting as such shall perform such duties as shall be prescribed by the Secretary of the Treasury.

SEC. 63. The Central Bank for Cooperatives, and the Production Credit Corporations, Production Credit Associations, and Banks for Cooperatives, organized under this Act, and their obligations, shall be deemed to be instrumentalities of the United States, and as such, any and all notes, debentures, bonds, and other such obligations issued by such banks, associations, or corporations 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 by any State, Territorial, or local taxing authority. Such banks, associations, and corporations, their property, their franchises, capital, reserves, surplus, and other funds, and their income, shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such banks, associations, and corporations shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. The exemption provided herein shall not apply with respect to any Production Credit Association or its property or income after the stock held in it by the Production Credit Corporation has been retired, or with respect to the Central Bank for Cooperatives, or any Production Credit Corporation or Bank for Cooperatives, or its property or income after the stock held in it by the United States has been retired.

UNLAWFUL ACTS AND PENALTIES

SEC. 64. (a) Whoever makes any material representation knowing it to be false, or whoever willfully overvalues any property or security, for the purpose of influencing in any way the action of the Farm Credit Administration or any division, officer, or employee thereof, or of any corporation organized under this Act, or in which a Production Credit Corporation organized under this Act holds stock, or of any regional agricultural credit corporation established

pursuant to subsection (e) of section 201 of the Emergency Relief and Construction Act of 1932, upon any application, advance, discount, purchase or repurchase agreement, or loan, or any change or extension of any of the same, by renewal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, coupon, or paper in imitation of or purporting to be a note, debenture, bond, or other obligation, coupon, or paper issued by the Farm Credit Administration or by any corporation referred to in subsection (a) of this section; or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited note, debenture, bond, or other obligation, coupon, or paper, purporting to have been issued by the Farm Credit Administration or by any such corporation, knowing the same to be false, forged, or counterfeited; or (3) falsely alters any note, debenture, bond, or other obligation, coupon, or paper issued or purporting to have been issued by the Farm Credit Administration or by any such corporation; or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, any of the same as true, knowing it to be falsely altered or spurious, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both.

(c) Whoever, being an employee, officer, or agent of the Farm Credit Administration or connected in any capacity with any corporation referred to in subsection (a) of this section, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to the Farm Credit Administration or such corporation or pledged or otherwise intrusted to the same; or (2) with intent to defraud the United States, or any such corporation, or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Farm Credit Administration or of any such corporation, makes any false entry in any book, report, or statement of or to the Farm Credit Administration or any such corporation, or draws any order, or issues, puts forth, or assigns any note, debenture, bond, or other obligation, or draft, mortgage, judgment, or decree thereof; or (3) with intent to defraud the United States or any corporation referred to in subsection (a) of this section, participates or shares in or receives directly or indirectly any money, profit, property, or benefits through any transaction, loan, commission, contract, or any other act of any such corporation, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than five years, or both.

(d) Whoever knowingly, with intent to defraud the United States or any corporation referred to in subsection (a) of this section, shall conceal, remove, dispose of, or convert, to his own use or to that of another, any property mortgaged or pledged to, or held by, the Farm Credit Administration, or any such corporation, as security for any obligation, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both.

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U.S.C., title 18, secs. 202 to 207, inclusive), in so far as applicable, are extended to apply to contracts or agreements made by the Farm Credit Administration, its divisions, officers, and employees, and by the corporations referred to in subsection (a) of this section, which, for the purposes hereof, shall be held to include advances, loans, discounts, and purchase and repurchase agreements; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

(f) Whoever conspires with another to accomplish any of the acts made unlawful by the preceding provisions of this section shall, on conviction thereof, be subject to the same fine or imprisonment, or both, as is applicable in the case of conviction for doing such unlawful act.

LIQUIDATION

SEC. 65. Upon default of any obligation of any Production Credit Corporation, Production Credit Association, or regional Bank for Cooperatives, such bank, association, or corporation may be declared insolvent and placed in the hands of a receiver by the governor and proceedings shall thereupon be had in accordance with the provisions of law relating to the insolvency of national farm-loan associations. Any such bank, association, or corporation may, with the consent of the governor, liquidate voluntarily, but only in accordance with such rules and regulations as the governor may prescribe.

SEC. 66. No director, officer, or employee of the Central Bank for Cooperatives, or of any Production Credit Corporation, Production Credit Association, or Bank for Cooperatives shall be paid compensation at a rate in excess of \$10,000 per annum. No officer or employee of the Farm Credit Administration engaged in carrying out the provisions of titles I to VI, inclusive, of this Act shall be paid compensation at a rate in excess of \$10,000 per annum.

TITLE VII—AMENDMENTS TO FEDERAL FARM LOAN ACT

SECTION 70. Effective January 1, 1934, the fourteenth paragraph of section 4 of the Federal Farm Loan Act, as amended (U.S.C., title 12, sec. 683), is amended by adding after the first sentence the following: "Not more than one director of a Federal land bank may serve the bank or the Farm Credit Administration as an officer or employee. Except with the approval of the Farm Loan Commissioner, no director (other than the director who may be an officer or employee) shall receive compensation or allowances for any services rendered any Federal land bank in his capacity as director for more than thirty days in any one calendar year exclusive of the period for which compensation is paid for attendance at directors' meetings."

SEC. 70a. (a) Effective one year after the enactment of this Act, section 4 of the Federal Farm Loan Act, as amended, is amended as follows:

(1) The ninth paragraph of such section (U.S.C., title 12, sec. 678) is amended to read as follows:

"The board of directors of every Federal land bank shall be selected as hereinafter specified and shall consist of seven members. Three of said directors shall be known as local directors of whom

one shall be chosen by and be representative of national farm-loan associations and borrowers through agencies, one shall be chosen by and be representative of Production Credit Associations organized under the Farm Credit Act of 1933, and one shall be chosen by and be representative of borrowers from regional Banks for Cooperatives organized under the Farm Credit Act of 1933. Three of the seven directors shall be known as district directors and shall be appointed by the Governor of the Farm Credit Administration of whom two shall represent the public interest and one shall represent national farm-loan associations and borrowers through agencies and such director shall be a borrower from a Federal land bank. The terms of office of local and district directors shall be three years."

(2) The tenth paragraph of such section (U.S.C., title 12, sec. 679) is amended to read as follows:

"At least two months before an election of a local director the Land Bank Commissioner shall cause notice in writing to be sent to those entitled to nominate candidates for such local director. In the case of an election of a director to represent national farm-loan associations and borrowers through agencies, such notice shall be sent to all national farm-loan associations and borrowers through agencies in the district; in the case of an election to represent Production Credit Associations, such notice shall be sent to all Production Credit Associations in the district; and in the case of a director to represent borrowers from Banks for Cooperatives, such notice shall be sent to all cooperatives which are borrowers at the time of sending notice. Within ten days of receipt of such notice those entitled to nominate the director shall forward nominations of residents of the district to the Land Bank Commissioner. The Land Bank Commissioner shall, from such nominations, then prepare a list of candidates for such local director consisting of the ten nominees receiving the highest number of votes."

(3) The eleventh paragraph of such section (U.S.C., title 12, sec. 680) is amended to read as follows:

"At least one month before the election of a local director the Land Bank Commissioner shall mail to each person or organization entitled to elect the local director the list of the ten candidates nominated in accordance with the tenth paragraph of this section. In the case of an election of a director to represent national farm-loan associations and borrowers through agencies, the directors of each farm-loan association shall cast the vote of such association for one of the candidates on the list. In voting under this section each such association shall be entitled to cast a number of votes equal to the number of stockholders of such association and each borrower through agencies shall be entitled to cast one vote. In voting under this section each Production Credit Association shall be entitled to cast a number of votes equal to the number of the class B stockholders of such associations. In voting under this section each cooperative which is a holder of stock in a Bank for Cooperatives (except the Governor of the Farm Credit Administration) shall be entitled to cast one vote. The votes shall be forwarded to the Land Bank Commissioner and no vote shall be counted unless forwarded to him within ten days after the list of candidates is received. In case of a tie the Land Bank Commissioner shall determine the choice.

The nominations from which the list of candidates is prepared, and the votes of the respective voters, as counted, shall be tabulated and preserved and shall be subject to examination by any candidate for at least one year after the results of the election is announced."

(4) The sixth and seventh sentences of the twelfth paragraph of such section (U.S.C., title 12, sec. 681) are amended to read as follows: "The Governor of the Farm Credit Administration shall select a director at large for the district who shall hold his office during a term of three years. Such seventh director may be removed by the Governor of the Farm Credit Administration at any time."

(b) Subsection (a) shall apply only to the appointment or election of the successors of directors of land banks whose regular terms expire after the effective date of such subsection. The successors of the first local director whose regular term so expires shall be elected by and be representative of Production Credit Associations and the successors of the second local director whose regular term so expires shall be elected by and be representative of borrowers from Banks for Cooperatives. The successors of the third local director whose regular term so expires shall be elected by and be representative of national farm-loan associations and borrowers through agencies.

SEC. 71. Paragraph "Sixth" of section 14 of the Federal Farm Loan Act, as amended, is amended to read as follows:

"Sixth. To accept as additional security for any loan to any borrower under this Act, or any installment on any such loan, any personal property which is exempt from execution upon judgment under the laws of the State in which the land with respect to which the mortgage is given is situated."

SEC. 72. Notwithstanding the provisions of the fourth paragraph of section 9 of the Federal Farm Loan Act, as amended (U.S.C., title 12, sec. 744), the shareholders of national farm-loan associations shall not be held individually responsible for any contract, debt, or engagement of such association entered into after the date of the enactment of this Act, but this section shall not be construed to relieve any other liability with respect to stock held by such shareholders.

SEC. 73. Paragraph "Second" of section 12 of the Federal Farm Loan Act, as amended (U.S.C., title 12, sec. 771), is amended by inserting after "exceeding" where it appears the second time a comma and the following: "except with the approval of the Governor of the Farm Credit Administration,"

SEC. 74. The first sentence of paragraph "Sixth" of section 12 of the Federal Farm Loan Act, as amended (U.S.C., title 12, sec. 771), is amended to read as follows:

"No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations."

SEC. 75. (a) Paragraph "Fourth" of section 14 of the Federal Farm Loan Act, as amended (U.S.C., title 12, sec. 791), is amended by inserting after "bonds" the following: "(including consolidated bonds issued on its behalf) "

(b) Section 21 of the Federal Farm Loan Act, as amended, is amended by striking out of the fourth and tenth paragraphs thereof

(U.S.C., title 12, secs. 874 and 880) the word "indorsed" wherever the same appears in said paragraphs.

SEC. 76. (a) Section 201(b) of the Federal Farm Loan Act, as amended (U.S.C., title 12, sec. 1022), is amended to read as follows:

"(b) Such institutions shall be established in the same cities as the twelve Federal Land Banks. The directors of the several Federal Land Banks shall be ex officio directors of the several Federal Intermediate Credit Banks hereby provided for and shall have power, subject to the approval of the Governor of the Farm Credit Administration, to employ and fix the compensation of such officers and employees of such Federal Intermediate Credit Banks as may be necessary to carry on the business authorized by this title."

(b) Paragraph (1) of subsection (a) of section 202 of the Federal Farm Loan Act, as amended (U.S.C., title 12, sec. 1031), is amended to read as follows:

"(1) To discount for, or purchase from, any national bank, and/or any State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, cooperative bank, credit union, cooperative association of agricultural producers, organized under the laws of any State or of the Government of the United States, and/or any other Federal Intermediate Credit Bank, with its endorsement, any note, draft, bill of exchange, debenture, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose or for the raising, breeding, fattening, or marketing of livestock; and to make loans or advances direct to any such organization, secured by such obligations; and to discount for, or purchase from, any Production Credit Association organized under the Farm Credit Act of 1933 or any production credit association in which a Production Credit Corporation organized under such Act holds stock, with its endorsement, any note, draft, bill of exchange, debenture, or other such obligation presented by such association, and to make loans and advances direct to any such association secured by such collateral as may be approved by the Governor of the Farm Credit Administration;"

(c) Paragraph (3) of subsection (a) of section 202 of the Federal Farm Loan Act, as amended (U.S.C., title 12, sec. 1031), is amended to read as follows:

"(3) To make loans or advances direct to any cooperative association organized under the laws of any State and composed of persons engaged in producing, or producing and marketing, staple agricultural products, or livestock, if the notes or other such obligations representing such loans are secured by warehouse receipts, and/or shipping documents covering such products, and/or mortgages on livestock, and/or such other collateral as may be approved by the Governor of the Farm Credit Administration: *Provided*, That no such loan or advance, when secured only by warehouse receipts and/or shipping documents, and/or mortgages on livestock, shall exceed 75 per centum of the market value of the products covered by said warehouse receipts and/or shipping documents, or of the livestock covered by said mortgages; and to accept drafts or bills of exchange issued or drawn by any such association when secured

by warehouse receipts and/or shipping documents covering staple agricultural products as herein provided.”

SEC. 77. After the date of the enactment of this Act, no national agricultural credit corporation shall be formed under the provisions of the title II of the Agricultural Credits Act of 1923.

SEC. 78. Section 31 of the Federal Farm Loan Act, as amended (U.S.C., title 12, sec. 986), is amended by adding at the end thereof a new paragraph, as follows:

“Any mortgagee who shall knowingly make any false statement in any paper, proposal, or letter, relating to the sale of any mortgage, to any Federal land bank under the provisions of section 13 of this Act, as amended, or any appraiser provided for in this Act who shall willfully overvalue any land securing such mortgage, shall be punished by a fine of not exceeding \$5,000 or by imprisonment not exceeding one year, or both.”

SEC. 79. Section 13 of the Federal Farm Loan Act, as amended (U.S.C., title 12, sec. 781), is amended by adding at the end thereof the following new paragraph:

“Fourteenth. To enter into agreements with national farm-loan associations of the district under the terms of which losses incurred and gains realized on account of the disposition of lands covered by a defaulted mortgage indorsed by such association will be shared equally by the bank and the association.”

TITLE VIII—MISCELLANEOUS

SECTION 80. (a) After the date of the enactment of this Act, the office of Farm Loan Commissioner shall be known as the office of the Land Bank Commissioner and the Farm Loan Commissioner shall be known as the Land Bank Commissioner. The provisions of the third paragraph of section 3 of the Federal Farm Loan Act, as amended (U.S.C., title 12, sec. 653), prescribing a term of office of eight years shall not apply to incumbents hereafter appointed to the office of Land Bank Commissioner.

(b) There shall be in the Farm Credit Administration three commissioners who shall be known, respectively, as the Production Credit Commissioner, the Cooperative Bank Commissioner, and the Intermediate Credit Commissioner. Such commissioners shall be appointed by the President, by and with the advice and consent of the Senate. They shall receive an annual salary of \$10,000, payable monthly, together with actual necessary traveling expenses. Such commissioners shall perform such duties as may be assigned to them by law or by the governor of the Farm Credit Administration.

SEC. 81. The signature of the Land Bank Commissioner on Federal farm-loan bonds shall be attested by any Deputy Land Bank Commissioner.

SEC. 82. The authority and powers conferred upon the governor under this Act shall not be construed to be in substitution for authority and powers conferred upon him under existing law but shall be construed to be supplementary to such authority and powers.

SEC. 83. This Act shall not be construed to repeal subsection (e) of section 201 of the Emergency Relief and Construction Act of 1932.

SEC. 84. The Reconstruction Finance Corporation is authorized, with the approval of the Governor of the Farm Credit Administration, to reduce the capital of any Regional Agricultural Credit Corporation by such action as may be suitable for the purpose. The funds made available by any such reduction shall constitute a revolving fund, all or any part of which shall be available for use from time to time by the Reconstruction Finance Corporation for the purpose of increasing, with the approval of the Governor of the Farm Credit Administration, the capital of any Regional Agricultural Credit Corporation.

SEC. 85. The Farm Credit Administration shall have a seal, as adopted by the governor, which shall be judicially noticed.

SEC. 86. Subdivision (a) of section 10 of the Act entitled "An Act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes," approved May 12, 1933, is amended by inserting before the period at the end of the first sentence a colon and the following: "*And provided further*, That the State Administrator appointed to administer this Act in each State shall be appointed by the President, by and with the advice and consent of the Senate."

SEC. 87. If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act, and the application of such provisions to other persons or circumstances, shall not be affected thereby.

SEC. 88. The right to alter, amend, or repeal this Act is hereby expressly reserved.

Approved, June 16, 1933, 1:10 p. m.