

**Statutory Notes and Related Subsidiaries****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.

**§ 2023. Taxation**

The Farm Credit Banks and the capital, reserves, and surplus thereof, and the income derived therefrom, shall be exempt from Federal, State, municipal, and local taxation, except taxes on real estate held by a Farm Credit Bank to the same extent, according to its value, as other similar property held by other persons is taxed. The mortgages held by the Farm Credit Banks and the notes, bonds, debentures, and other obligations issued by the banks shall be considered and held to be instrumentalities of the United States and, as such, they and the income therefrom shall be exempt from all Federal, State, municipal, and local taxation, other than Federal income tax liability of the holder thereof under the Public Debt Act of 1941 (31 U.S.C. 3124).

(Pub. L. 92-181, title I, §1.15, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1629; amended Pub. L. 100-399, title IV, §401(l), Aug. 17, 1988, 102 Stat. 997.)

**Editorial Notes****PRIOR PROVISIONS**

A prior section 1.15 of Pub. L. 92-181 was classified to section 2033 of this title prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

A prior section 2031, Pub. L. 92-181, title I, §1.13, Dec. 10, 1971, 85 Stat. 587; Pub. L. 99-205, title II, §205(d)(4), Dec. 23, 1985, 99 Stat. 1703; Pub. L. 100-233, title VIII, §802(e), Jan. 6, 1988, 101 Stat. 1710, related to organizations, articles, and charters of Federal land bank associations, and powers of Farm Credit Administration, prior to the general amendment of this subchapter by Pub. L. 100-233, §401. See section 2011 of this title.

A prior section 2032, Pub. L. 92-181, title I, §1.14, Dec. 10, 1971, 85 Stat. 587, related to board of directors, prior to the general amendment of this subchapter by Pub. L. 100-233, §401. See section 2012 of this title.

A prior section 2033, Pub. L. 92-181, title I, §1.15, Dec. 10, 1971, 85 Stat. 587; Pub. L. 96-592, title I, §110, Dec. 24, 1980, 94 Stat. 3439; Pub. L. 99-205, title II, §205(d)(5), Dec. 23, 1985, 99 Stat. 1704; Pub. L. 100-233, title VII, §705(b), title VIII, §805(b), Jan. 6, 1988, 101 Stat. 1707, 1715; Pub. L. 100-399, title VI, §604, title VII, §702(a), Aug. 17, 1988, 102 Stat. 1006, related to general corporate powers, prior to the general amendment of this subchapter by Pub. L. 100-233, §401. See section 2013 of this title.

A prior section 2034, Pub. L. 92-181, title I, §1.16, Dec. 10, 1971, 85 Stat. 589; Pub. L. 96-592, title I, §111, Dec. 24, 1980, 94 Stat. 3439; Pub. L. 99-205, title III, §304(a), Dec. 23, 1985, 99 Stat. 1708, related to association stock, value of shares, voting, and purchase, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

A prior section 2051, Pub. L. 92-181, title I, §1.17, Dec. 10, 1971, 85 Stat. 589; Pub. L. 96-592, title I, §112, Dec. 24, 1980, 94 Stat. 3439; Pub. L. 99-205, title II, §205(d)(6), title VI, §602, Dec. 23, 1985, 99 Stat. 1704, 1711; Pub. L. 100-233, title VIII, §802(f), Jan. 6, 1988, 101 Stat. 1711, related to land bank reserves, dividends, and patronage refunds, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

A prior section 2052, Pub. L. 92-181, title I, §1.18, Dec. 10, 1971, 85 Stat. 589; Pub. L. 96-592, title I, §113, Dec. 24, 1980, 94 Stat. 3439; Pub. L. 99-205, title VI, §603, Dec. 23, 1985, 99 Stat. 1711; Pub. L. 100-233, title VIII, §802(g),

Jan. 6, 1988, 101 Stat. 1711, related to association reserves, dividends, and patronage refunds, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

A prior section 2053, Pub. L. 92-181, title I, §1.19, Dec. 10, 1971, 85 Stat. 590; Pub. L. 96-592, title I, §114, Dec. 24, 1980, 94 Stat. 3439, related to agreements for sharing gains or losses, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

A prior section 2054, Pub. L. 92-181, title I, §1.20, Dec. 10, 1971, 85 Stat. 590; Pub. L. 96-592, title I, §115, Dec. 24, 1980, 94 Stat. 3439; Pub. L. 99-205, title II, §205(d)(7), Dec. 23, 1985, 99 Stat. 1704; Pub. L. 100-233, title VIII, §805(c), Jan. 6, 1988, 101 Stat. 1715, related to liens on stock and participation certificates, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

A prior section 2055, Pub. L. 92-181, title I, §1.21, Dec. 10, 1971, 85 Stat. 590; Pub. L. 100-399, title IX, §901(a), Aug. 17, 1988, 102 Stat. 1007, related to tax exempt status, prior to the general amendment of this subchapter by Pub. L. 100-233, §401. See section 2023 of this title.

**AMENDMENTS**

1988—Pub. L. 100-399 inserted a comma after “therefrom” and substituted “3124” for “742(a)”.

**Statutory Notes and Related Subsidiaries****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.

**SUBCHAPTER II—FARM CREDIT ASSOCIATIONS****Editorial Notes****CODIFICATION**

Title II of the Farm Credit Act of 1971, comprising this subchapter, was originally enacted by Pub. L. 92-181, title II, Dec. 10, 1971, 85 Stat. 590, and amended by Pub. L. 95-443, Oct. 10, 1978, 92 Stat. 1066; Pub. L. 96-592, Dec. 24, 1980, 94 Stat. 3437; Pub. L. 99-205, Dec. 23, 1985, 99 Stat. 1678; Pub. L. 99-509, Oct. 21, 1986, 100 Stat. 1874; Pub. L. 100-233, Jan. 6, 1988, 101 Stat. 1568. Such title is shown herein, however, as having been added by Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1622, without reference to such intervening amendments because of the extensive revision of the title's provisions by Pub. L. 100-233.

Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1629, substituted “Farm Credit Associations” for “Federal Intermediate Credit Banks and Production Credit Associations” as subchapter heading.

**PART A—PRODUCTION CREDIT ASSOCIATIONS****Editorial Notes****CODIFICATION**

1988—Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1629, substituted “Production Credit Associations” for “Federal Intermediate Credit Banks” as part A heading.

**§ 2071. Organization and charters****(a) Charter**

Each production credit association shall continue as a Federally chartered instrumentality of the United States.

**(b) Organization****(1) In general**

Production credit associations may be organized by 10 or more farmers or ranchers or producers or harvesters of aquatic products desiring to borrow money under the provisions of this part.

**(2) Articles of association**

The proposed articles of association 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 the bank in such amounts as may be required by the bank.

**(3) Contents of articles**

The articles shall specify in general terms the—

- (A) objects for which the association is formed;
- (B) powers to be exercised by the association in carrying out the functions authorized by this part; and
- (C) territory the association proposes to serve.

**(4) Signatures**

The articles shall be signed by persons desiring to form such an association and shall be accompanied by a statement signed by each such person establishing eligibility to borrow from the association in which such person will become a stockholder.

**(5) Copy 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 such an association in order to adequately serve the credit needs of eligible persons in the proposed territory and whether that territory includes any area described in the charter of another production credit association.

**(6) Denial of charter**

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

**(7) Approval of articles**

On approval of the proposed articles by the Farm Credit Administration, and on the issuance of a charter, the association shall become as of such date a federally chartered body corporate and an instrumentality of the United States.

**(8) Powers of FCA**

The Farm Credit Administration shall have the power, under rules and regulations prescribed by the Farm Credit Administration or by prescribing in the terms of the charter, to—

- (A) provide for the organization of the association;
- (B) provide for the initial amount of stock of the association;
- (C) provide for the territory within which the association's operations may be carried on; and
- (D) approve amendments to the charter of the association.

(Pub. L. 92-181, title II, §2.0, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1629;

amended Pub. L. 100-399, title IV, §401(m), Aug. 17, 1988, 102 Stat. 997; Pub. L. 102-237, title V, §502(b), Dec. 13, 1991, 105 Stat. 1868.)

**Editorial Notes****PRIOR PROVISIONS**

A prior section 2071, Pub. L. 92-181, title II, §2.0, Dec. 10, 1971, 85 Stat. 590; Pub. L. 100-233, title VIII, §802(h), Jan. 6, 1988, 101 Stat. 1711, related to establishment and branches of Federal intermediate credit banks, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

**AMENDMENTS**

1991—Subsec. (b)(8). Pub. L. 102-237 substituted “charter, to” for “charter to” in introductory provisions.

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

Subsec. (b)(3)(B). Pub. L. 100-399, §401(m)(2), (3), struck out “the” before “powers” and substituted “this subtitle” for “this part”, both of which for purposes of codification were translated as “this part”, requiring no change in text.

Subsec. (b)(3)(C). Pub. L. 100-399, §401(m)(3), struck out “the” before “territory”.

Subsec. (b)(8). Pub. L. 100-399, §401(m)(4), struck out in introductory provision “or by approval of bylaws of the association” after “the charter” and amended subpar. (D) generally. Prior to amendment, subpar. (D) read as follows: “direct at any time such changes in the charter as the Farm Credit Administration finds necessary for the accomplishment of the purposes of this chapter”.

**Statutory Notes and Related Subsidiaries****EFFECTIVE DATE OF 1991 AMENDMENT**

Amendment by Pub. L. 102-237 effective as if included in the provision of the Food, Agriculture, Conservation, and Trade Act of 1990, Pub. L. 101-624, to which the amendment relates, see section 1101(b)(4) of Pub. L. 102-237, set out as a note under section 1421 of Title 7, Agriculture.

**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.

**MERGER OF PRODUCTION CREDIT ASSOCIATIONS AND FEDERAL LAND BANK ASSOCIATIONS**

Pub. L. 100-233, title IV, §411, Jan. 6, 1988, 101 Stat. 1638, as amended by Pub. L. 100-399, title IV, §403, Aug. 17, 1988, 102 Stat. 999, provided that:

“(a) SUBMISSION OF PROPOSAL.—Not later than 6 months after the date of the merger of the Federal land bank and the Federal intermediate credit bank in a district, the Boards of Directors of each Federal land bank association and each production credit association in such district, that share substantially the same geographical territory with each other, shall submit to the voting stockholders of each such association for their approval, a plan, approved by the supervising bank and the Farm Credit Administration, for merging such associations.

“(b) PREREQUISITES TO MERGER.—

“(1) STOCKHOLDER VOTE.—The stockholder vote required for approval of a merger under subsection (a) shall be a majority of the voting stockholders of each

association voting, in person or by written proxy, at a duly authorized stockholders meeting.

“(2) SUBMISSION TO FCA.—Not later than 60 days prior to the end of the 12-month period beginning on the date of the enactment of this section [Jan. 6, 1988], the plan of merger under subsection (a), together with all information to be presented to the stockholders, shall be submitted to the Farm Credit Administration.

“(3) EXPEDITED CONSIDERATION BY FCA.—The Farm Credit Administration shall expedite its consideration of the plan and accompanying information submitted under paragraph (2) so that review and approval of such plan and information shall be completed by the Administration so as to enable a stockholder vote to occur within the 12-month period referred to in paragraph (2).

“(c) DIRECT LENDERS.—On approval of a merger under this subsection, the resulting association shall be a direct lender in the same manner as applies to production credit associations.”

#### REASSIGNMENT OF ASSOCIATIONS TO ADJOINING DISTRICTS

Pub. L. 100-233, title IV, §433, Jan. 6, 1988, 101 Stat. 1662, as amended by Pub. L. 100-399, title IV, §417, Aug. 17, 1988, 102 Stat. 1004, provided that:

“(a) PETITION OF BANK.—Notwithstanding any other provision of law, effective for the 12-month period beginning on the date of enactment of this Act [Jan. 6, 1988], each Federal land bank association or production credit association, whose chartered territory adjoins the territory of another district, may petition the Farm Credit Administration to amend the charters of the association and the adjoining district bank to provide that the territory of the association is part of the adjoining district.

“(b) REQUIREMENTS OF PETITION.—To be considered under this section, the petition must be signed by not less than 15 percent of the stockholders of the association. Only one such petition may be filed by an association under this section.

“(c) FCA ACTION.—The Farm Credit Administration shall take any action necessary—

“(1) to amend the charters of the association and the district bank; and

“(2) to incorporate the petitioning association into the adjoining district if the reassignment is approved by—

“(A) a majority of the stockholders of the association voting, in person or by proxy, at a duly authorized stockholders' meeting held for such purpose;

“(B) the board of directors of the adjoining district bank;

“(C) the Farm Credit System Assistance Board; and

“(D) the Farm Credit Administration Board.”

#### § 2072. Board of directors

Each production credit association shall elect from the voting members of such association, a board of directors of such number, for such terms, with such qualifications, and in such manner as may be required by the bylaws of the association, except that at least one member shall be elected by the other directors, which member shall not be a director, officer, employee, stockholder, or agent of a System institution.

(Pub. L. 92-181, title II, §2.1, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1630; amended Pub. L. 100-399, title IV, §401(n), Aug. 17, 1988, 102 Stat. 997; Pub. L. 102-237, title V, §502(c), Dec. 13, 1991, 105 Stat. 1868.)

#### Editorial Notes

##### PRIOR PROVISIONS

A prior section 2072, Pub. L. 92-181, title II, §2.1, Dec. 10, 1971, 85 Stat. 591; Pub. L. 96-592, title II, §201, Dec. 24, 1980, 94 Stat. 3439; Pub. L. 99-205, title II, §205(e)(1), Dec. 23, 1985, 99 Stat. 1704; Pub. L. 100-233, title VII, §705(c), title VIII, §§802(i), 805(d), Jan. 6, 1988, 101 Stat. 1707, 1711, 1715; Pub. L. 100-399, title VI, §604, title IX, §901(b), Aug. 17, 1988, 102 Stat. 1006, 1007, related to corporate existence and general corporate powers, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

##### AMENDMENTS

1991—Pub. L. 102-237 substituted “stockholder, or agent” for “or stockholder”.

1988—Pub. L. 100-399 struck out the comma after “except that”.

#### Statutory Notes and Related Subsidiaries

##### 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 in part that this section is effective 6 months after Jan. 6, 1988.

#### § 2073. General corporate powers

Each production credit association shall be a body corporate and, subject to supervision by the Farm Credit Bank for the district and regulation by the Farm Credit Administration, shall have the power to—

(1) have succession until terminated in accordance with this chapter or any other Act of Congress;

(2) adopt and use a corporate seal;

(3) make contracts;

(4) sue and be sued;

(5) acquire, hold, dispose, and otherwise exercise all of the usual incidents of ownership of real and personal property necessary or convenient to the business of the association;

(6) operate under the direction of the board of directors of the association in accordance with the provisions of this chapter;

(7) subscribe to stock of the bank;

(8) purchase stock of the bank held by other production credit associations and stock of other production credit associations;

(9) contribute to the capital of the bank or other production credit associations;

(10) invest funds of the association as may be approved by the Farm Credit Bank under regulations of the Farm Credit Administration and deposit the current funds and securities of such with the Farm Credit Bank, a member bank of the Federal Reserve System, or any bank insured under the Federal Deposit Insurance Corporation, and may pay fees therefor and receive interest thereon as may be agreed;

(11) buy and sell obligations of or insured by the United States or of any agency thereof or of any banks of the Farm Credit System and buy from and sell to such banks, interests in loans and in other financial assistance ex-

tended and nonvoting stock, as may be authorized by the Farm Credit Bank in accordance with regulations of the Farm Credit Administration;

(12) borrow money from the Farm Credit Bank, and with the approval of such bank, borrow from and issue notes or other obligations to any commercial bank or other financial institution;

(13) make and participate in loans, accept advance payments, and provide services and other assistance as authorized in this part and charge fees therefor, and when authorized by the bank participate with one or more other Farm Credit System institutions in loans made under this subchapter or other subchapters of this chapter on the basis prescribed in section 2206 of this title;

(14) endorse and become liable on loans discounted or pledged to the Farm Credit Bank;

(15) as may be authorized by the Farm Credit Bank in accordance with regulations of the Farm Credit Administration, agree with other Farm Credit System institutions to share loan or other losses, whether to protect against capital impairment or for any other purpose;

(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.

(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.)

#### Editorial Notes

##### 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).

#### Statutory Notes and Related Subsidiaries

##### 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 in part that this section is effective 6 months after Jan. 6, 1988.

#### § 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), 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.)

**Editorial Notes**

**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.”

**Statutory Notes and Related Subsidiaries**

**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.

**§ 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 di-

rectly 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 outstanding 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) 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.

(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; Pub. L. 115-334, title V, §5411(3), Dec. 20, 2018, 132 Stat. 4679.)

#### Editorial Notes

##### 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

2018—Subsec. (d). Pub. L. 115-334 struck out subsec. (d) which described a special rule for providing credit and technical assistance in a district containing only two production credit associations.

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).

#### Statutory Notes and Related Subsidiaries

##### 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.)

#### Editorial Notes

##### 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.

#### Statutory Notes and Related Subsidiaries

##### 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.)

#### Editorial Notes

##### 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.

#### Statutory Notes and Related Subsidiaries

##### 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.)

#### Editorial Notes

##### 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”.

#### Statutory Notes and Related Subsidiaries

##### 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

#### Editorial Notes

##### 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.

### (4) Approval of articles

On the approval of the proposed articles by the Farm Credit Administration and the issuance of such charter, the association shall become as of such date a federally chartered body corporate and an instrumentality of the United States.

### (c) FCA authority on organization

The Farm Credit Administration shall have power, in the terms of the charter, under rules and regulations prescribed by the Farm Credit Administration—

- (1) to provide for the organization of the association;
- (2) to provide for the initial amount of stock of the association;
- (3) to provide for the territory within which the association may carry on its operations; and
- (4) to approve amendments to the charter of such association.

(Pub. L. 92-181, title II, §2.10, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1634;

amended Pub. L. 100-399, title IV, §401(s), (t), Aug. 17, 1988, 102 Stat. 998.)

#### Editorial Notes

##### PRIOR PROVISIONS

A prior section 2091, Pub. L. 92-181, title II, §2.10, Dec. 10, 1971, 85 Stat. 597; Pub. L. 96-592, title II, §207, Dec. 24, 1980, 94 Stat. 3442; Pub. L. 99-205, title II, §205(e)(10), Dec. 23, 1985, 99 Stat. 1704; Pub. L. 100-233, title VIII, §§802(f), 805(g), Jan. 6, 1988, 101 Stat. 1711, 1715, related to organization and charters of production credit associations, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

##### AMENDMENTS

1988—Subsec. (b)(1). Pub. L. 100-399, §401(s)(1), inserted “under section 2015(a) of this title” after “a Farm Credit Bank”.

Subsec. (b)(2)(D)(i). Pub. L. 100-399, §401(s)(2), amended cl. (i) generally. Prior to amendment, cl. (i) read as follows: “the individual’s eligibility for, and request or need of the individual of a Farm Credit Bank loan;”.

Subsec. (c). Pub. L. 100-399, §401(t), amended subsec. (c) generally. Prior to amendment, subsec. (c) read as follows: “The Farm Credit Administration shall have power, in the terms of the charter, under rules and regulations prescribed by the Farm Credit Administration or by approving the bylaws of the association, to provide for the—

- “(1) organization of the association;
- “(2) the initial amount of stock of such association;
- “(3) the territory within which the operations of the association may be carried on; and
- “(4) to direct at any time changes in the charter of such association as the Farm Credit Administration finds necessary in accomplishing the purposes of this chapter.”

#### Statutory Notes and Related Subsidiaries

##### 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.

#### § 2092. Board of directors

Each Federal land bank association shall elect from its voting shareholders a board of directors of such number, for such terms, in such manner, and with such qualifications as may be required by its bylaws except that, at least one member shall be elected by the other directors, which member shall not be a director, officer, employee, stockholder, or agent of a System institution.

(Pub. L. 92-181, title II, §2.11, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1635; amended Pub. L. 102-237, title V, §502(d), Dec. 13, 1991, 105 Stat. 1868.)

#### Editorial Notes

##### PRIOR PROVISIONS

A prior section 2092, Pub. L. 92-181, title II, §2.11, Dec. 10, 1971, 85 Stat. 598, related to board of directors, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

##### AMENDMENTS

1991—Pub. L. 102-237 substituted “stockholder, or agent” for “or stockholder”.

#### Statutory Notes and Related Subsidiaries

##### 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.

#### § 2093. General corporate powers

Each Federal land bank association shall be a body corporate and, subject to supervision of the Farm Credit Bank for the district and the regulation of the Farm Credit Administration, shall have the power to—

- (1) adopt and use a corporate seal;
- (2) have succession until dissolved under the provisions of this chapter or other Act of Congress;
- (3) make contracts;
- (4) sue and be sued;
- (5) acquire, hold, dispose, and otherwise exercise all of the usual incidents of ownership of real estate and personal property necessary or convenient to the business of the association;
- (6) operate under the direction of the board of directors of the association in accordance with this chapter;
- (7) 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 the duties of such, and require surety bonds or make other provision against losses occasioned by employees, except that 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 such director served;
- (8) 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;

(9) accept applications for Farm Credit Bank loans and receive from such bank and disburse to the borrowers the proceeds of such loans;

(10) subscribe to stock of the Farm Credit Bank of the district;

(11) elect by its board of directors a loan committee with power to elect applicants for membership in the association and recommend loans to the Farm Credit Bank, or with the approval of the Farm Credit Bank, delegate the election of applicants for membership and the approval of loans within specified limits to other committees or to authorized employees of the association;

(12) on agreement with the bank, take such additional actions with respect to applications



and loans and perform such functions as are vested by law in the Farm Credit Banks as may be agreed to by the association;

(13) endorse and become liable to the bank on loans it makes to association members;

(14) receive such compensation and deduct such sums from loan proceeds with respect to each loan as may be agreed between the association and the bank and make such other charges for services as may be approved by the bank;

(15) provide technical assistance to members, borrowers, applicants, and other eligible persons and make available to them, at their option, such financial related services appropriate to their operations as it determines, with Farm Credit Bank approval, are feasible, under regulations of the Farm Credit Administration;

(16) borrow money from the bank and, with the approval of such bank, borrow from and issue association notes or other obligations to any commercial bank or other financial institution;

(17) buy and sell obligations of or insured by the United States or any agency thereof or of any banks of the Farm Credit System;

(18) invest association funds in such obligations as may be authorized in regulations of the Farm Credit Administration and approved by the bank and deposit securities and current funds of the association with any member bank of the Federal Reserve System, with the Farm Credit Bank, or with any bank insured by the Federal Deposit Insurance Corporation, and pay fees therefor and receive interest thereon as may be agreed;

(19) perform such other function delegated to the association by the Farm Credit Bank of the district;

(20) exercise by its board of directors or authorized officers or agents all such incidental powers as may be necessary or expedient in the conduct of its business;

(21) contribute to the capital of the bank; and

(22) operate as an originator and become certified as a certified facility under subchapter VIII.

(Pub. L. 92-181, title II, §2.12, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1635; amended Pub. L. 100-399, title IV, §401(u), Aug. 17, 1988, 102 Stat. 998.)

#### Editorial Notes

##### PRIOR PROVISIONS

A prior section 2093, Pub. L. 92-181, title II, §2.12, Dec. 10, 1971, 85 Stat. 598; Pub. L. 96-592, title II, §208, Dec. 24, 1980, 94 Stat. 3442; Pub. L. 99-205, title II, §205(e)(11), Dec. 23, 1985, 99 Stat. 1704; Pub. L. 100-233, title VII, §705(d), Jan. 6, 1988, 101 Stat. 1707; Pub. L. 100-399, title VI, §604, Aug. 17, 1988, 102 Stat. 1006, related to general corporate powers, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

##### AMENDMENTS

1988—Par. (7). Pub. L. 100-399, §401(u)(1), substituted “provide by its board of directors for” for “elect by its board of directors” and “serve as” for “be elected or designated”.

Par. (8). Pub. L. 100-399, §401(u)(2), amended par. (8) generally. Prior to amendment, par. (8) read as follows:

“prescribe by its board of directors, association bylaws, not inconsistent with law, providing for the classes of association stock and the manner in which such stock shall be issued, transferred, and retired; the officers and employees of the association elected or provided for, the property of the association that is acquired, held, and transferred, the general business of the association conducted, and the privileges granted to the association by law exercised and enjoyed;”.

Par. (12). Pub. L. 100-399, §401(u)(3), substituted “agreed to by” for “agreed to or delegated to”.

Par. (22). Pub. L. 100-399, §401(u)(4)–(6), added par. (22).

#### Statutory Notes and Related Subsidiaries

##### 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.

#### § 2094. Federal land bank association capitalization

In accordance with section 2154a of this title, the Federal land bank 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 its earnings distributed.

(Pub. L. 92-181, title II, §2.13, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1636.)

#### Editorial Notes

##### PRIOR PROVISIONS

A prior section 2094, Pub. L. 92-181, title II, §2.13, Dec. 10, 1971, 85 Stat. 599; Pub. L. 96-592, title II, §209, Dec. 24, 1980, 94 Stat. 3442; Pub. L. 99-205, title II, §205(e)(12)–(14), title III, §304(b), Dec. 23, 1985, 99 Stat. 1705, 1708; Pub. L. 100-233, title VIII, §805(h), Jan. 6, 1988, 101 Stat. 1715, related to stock and participation certificates, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

#### Statutory Notes and Related Subsidiaries

##### 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.

#### § 2095. Repealed. Pub. L. 100-399, title IV, § 401(v), Aug. 17, 1988, 102 Stat. 999

Section, Pub. L. 92-181, title II, §2.14, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1636, provided that whenever any Federal land bank association was liquidated, a sum equal to its reserve account as required in this chapter was to be paid and become the property of the bank in which such association was a shareholder.

A prior section 2095, Pub. L. 92-181, title II, §2.14, Dec. 10, 1971, 85 Stat. 600; Pub. L. 99-205, title II, §205(e)(15), title VI, §605, Dec. 23, 1985, 99 Stat. 1705, 1711, related to application of earnings, restoration of capital impairment, and surplus account, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

**Statutory Notes and Related Subsidiaries**

## CONSTRUCTION OF REPEAL

Pub. L. 100-399, title IV, §401(v), Aug. 17, 1988, 102 Stat. 999, repealed this section and provided that this chapter be applied and administered as if this section had not been enacted.

**§ 2096. Agreements for sharing gains or losses**

Each Farm Credit Bank may enter into agreements with Federal land bank associations in its district for sharing the gain or losses on loans or on security held therefor or acquired in liquidation thereof, and associations are authorized to enter into any such agreements and also, subject to bank approval, agreements with other associations in the district for sharing the risk of loss on loans endorsed by each such association. As may be authorized by the bank in accordance with regulations of the Farm Credit Administration, associations also may enter into agreements with other Farm Credit System institutions to share loan and other losses, whether to protect against capital impairment or for any other purpose.

(Pub. L. 92-181, title II, §2.14, formerly §2.15, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1636; renumbered §2.14, Pub. L. 100-399, title IV, §401(w), Aug. 17, 1988, 102 Stat. 999.)

**Editorial Notes**

## PRIOR PROVISIONS

A prior section 2096, Pub. L. 92-181, title II, §2.15, Dec. 10, 1971, 85 Stat. 601; Pub. L. 96-592, title II, §210, Dec. 24, 1980, 94 Stat. 3442; Pub. L. 99-205, title II, §205(b), Dec. 23, 1985, 99 Stat. 1703; Pub. L. 100-233, title IV, §431(f), title VIII, §805(i), Jan. 6, 1988, 101 Stat. 1660, 1715; Pub. L. 100-399, title IV, §415(b), Aug. 17, 1988, 102 Stat. 1004, related to short- and intermediate-term loans, participation, other financial assistance, terms, conditions, interest, and security, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

A prior section 2.14 of Pub. L. 92-181 was classified to section 2095 of this title and was repealed by Pub. L. 100-399, §401(v).

**Statutory Notes and Related Subsidiaries**

## 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.

**§ 2097. Liens on stock**

Each Federal land bank association shall have a first lien on the stock and participation certificates it issues, except on stock or participation certificates held by other Farm Credit System institutions, for the payment of any liability of the stockholder to the association or to the bank, or to both of them.

(Pub. L. 92-181, title II, §2.15, formerly §2.16, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1637; renumbered §2.15, Pub. L. 100-399, title IV, §401(w), Aug. 17, 1988, 102 Stat. 999.)

**Editorial Notes**

## PRIOR PROVISIONS

A prior section 2097, Pub. L. 92-181, title II, §2.16, Dec. 10, 1971, 85 Stat. 602; Pub. L. 96-592, title II, §211, Dec.

24, 1980, 94 Stat. 3443, related to other services, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

A prior section 2.15 of Pub. L. 92-181 was renumbered section 2.14 and is classified to section 2096 of this title.

**Statutory Notes and Related Subsidiaries**

## 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.

**§ 2098. Taxation**

Each Federal land bank association and the capital, reserves, and surplus thereof, and the income derived therefrom, shall be exempt from Federal, State, municipal, and local taxation, except taxes on real estate held by a Federal land bank association to the same extent, according to its value, as other similar property held by other persons is taxed. The mortgages held by the Federal land bank associations and the notes, bonds, debentures, and other obligations issued by the associations shall be considered and held to be instrumentalities of the United States and, as such, they and the income therefrom shall be exempt from all Federal, State, municipal, and local taxation, other than Federal income tax liability of the holder thereof under the Public Debt Act of 1941 (31 U.S.C. 3124).

(Pub. L. 92-181, title II, §2.16, formerly §2.17, as added Pub. L. 100-233, title IV, §401, Jan. 6, 1988, 101 Stat. 1637; renumbered §2.16 and amended Pub. L. 100-399, title IV, §401(w), (x), Aug. 17, 1988, 102 Stat. 999.)

**Editorial Notes**

## PRIOR PROVISIONS

A prior section 2098, Pub. L. 92-181, title II, §2.17, Dec. 10, 1971, 85 Stat. 602; Pub. L. 99-205, title II, §205(e)(16), Dec. 23, 1985, 99 Stat. 1705; Pub. L. 100-233, title VIII, §805(j), Jan. 6, 1988, 101 Stat. 1715, related to taxation, prior to the general amendment of this subchapter by Pub. L. 100-233, §401.

A prior section 2.16 of Pub. L. 92-181 was renumbered section 2.15 and is classified to section 2097 of this title.

## AMENDMENTS

1988—Pub. L. 100-399, §401(x), substituted “derived therefrom, shall” for “derived therefrom shall”, “by the associations” for “by the banks”, and “3124” for “742(a)”.

**Statutory Notes and Related Subsidiaries**

## 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.

# SUBCHAPTER III—BANKS FOR COOPERATIVES

## PART A—BANKS FOR COOPERATIVES

### Editorial Notes

#### CODIFICATION

Pub. L. 100-233, title IV, §415(1), Jan. 6, 1988, 101 Stat. 1642, inserted part A heading.

### § 2121. Establishment; titles; branches

The banks for cooperatives established pursuant to sections 2 and 30 of the Farm Credit Act of 1933, as amended, shall continue as federally chartered instrumentalities of the United States. The Farm Credit Administration shall approve amendments consistent with this chapter to charters and organizational certificates of banks for cooperatives. Unless an existing bank for cooperatives is merged with another bank, there shall be a bank for cooperatives in each farm credit district. A bank for cooperatives may include in its title the name of the city in which it is located or other geographical designation. When authorized by the Farm Credit Administration each bank for cooperatives may establish such branches or other offices as may be appropriate for the effective operation of its business.

(Pub. L. 92-181, title III, §3.0, Dec. 10, 1971, 85 Stat. 602; Pub. L. 100-233, title IV, §414(b), title VIII, §802(m), Jan. 6, 1988, 101 Stat. 1641, 1711; Pub. L. 100-399, title IV, §406(b), title IX, §901(c), Aug. 17, 1988, 102 Stat. 1000, 1007; Pub. L. 115-334, title V, §5411(4), Dec. 20, 2018, 132 Stat. 4679.)

### Editorial Notes

#### REFERENCES IN TEXT

Sections 2 and 30 of the Farm Credit Act of 1933, as amended, referred to in text, were classified to sections 1134 and 1134f, respectively, of this title prior to their repeal by section 5.26 of Pub. L. 92-181, which enacted this chapter.

#### AMENDMENTS

2018—Subsec. (a). Pub. L. 115-334 struck out “and a Central Bank for Cooperatives” after “each farm credit district” and “The Central Bank for Cooperatives may be located in such place as its board of directors may determine with the approval of the Farm Credit Administration.” after “other geographical designation.”

1988—Pub. L. 100-399, §901(c), substituted “merged with another bank” for “merged with one or more other such banks under section 2181 of this title”.

Pub. L. 100-233, §802(m), substituted “The Farm Credit Administration shall approve amendments consistent with this chapter to charters and organizational certificates of banks for cooperatives” for “Their charters or organization certificates may be modified from time to time by the Farm Credit Administration, not inconsistent with the provisions of this subchapter, as may be necessary or expedient to implement this chapter”.

Pub. L. 100-233, §414(b), which designated existing provisions as subsec. (a), and added subsec. (b) reading “Each bank for cooperatives shall elect from its voting stockholders a board of directors of such number, for such term, in such manner, and with such qualifications as may be required in its bylaws, except that, at least one member shall be elected by the other directors, which member shall not be a director, officer, employee, or stockholder of a System institution.”, was

repealed by section 406(b) of Pub. L. 100-399. See Construction of 1988 Amendment note below.

### Statutory Notes and Related Subsidiaries

#### EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-399 effective as if enacted immediately after enactment of Pub. L. 100-233, which was approved Jan. 6, 1988, see section 1001(a) of Pub. L. 100-399, set out as a note under section 2002 of this title.

#### CONSTRUCTION OF 1988 AMENDMENT

Pub. L. 100-399, title IV, §406(b), Aug. 17, 1988, 102 Stat. 1000, provided that section 414(b) of Pub. L. 100-233, cited as a credit to this section, is repealed and that the Agricultural Credit Act of 1987 (Pub. L. 100-233) and this chapter shall be applied and administered as if such section had not been enacted.

#### VOLUNTARY MERGER OF BANKS FOR COOPERATIVES

Pub. L. 100-233, title IV, §413, Jan. 6, 1988, 101 Stat. 1639, as amended by Pub. L. 100-399, title IV, §405, Aug. 17, 1988, 102 Stat. 1000, provided that:

##### “(a) SUBMISSION OF PROPOSAL.—

###### “(1) SPECIAL COMMITTEE.—

“(A) IN GENERAL.—Not later than 15 days after the date of the enactment of this section [Jan. 6, 1988], a special committee shall be selected pursuant to subparagraph (B), for the purpose of developing a proposal for the voluntary merger of the banks for cooperatives.

“(B) COMPOSITION.—The special committee selected under subparagraph (A) shall be composed of—

“(i) one member of each district board elected by the voting stockholders of the bank for cooperatives in the district; and

“(ii) one member chosen from the board of directors of the Central Bank for Cooperatives by the board of such Bank.

“(C) DEVELOPMENT OF PLAN.—Not later than 75 days after the date of the enactment of this section [Jan. 6, 1988], the special committee shall develop a plan of merger for all such banks and the Central Bank for Cooperatives into a National Bank for Cooperatives.

##### “(2) PREREQUISITES TO MERGER.—

“(A) SUBMISSION TO FCA.—On completion of the plan of merger pursuant to paragraph (1)(C), the special committee shall submit the proposed plan, together with all information that is to be distributed to the stockholders concerning such plan, to the Farm Credit Administration for approval.

“(B) EXPEDITED REVIEW.—Not later than 30 days after the Farm Credit Administration receives the plan of merger, the Administration shall promptly review such plan and advise the special committee concerning any required changes that are necessary to the plan.

“(3) SUBMISSION TO STOCKHOLDERS.—On approval of the plan by the Farm Credit Administration, the special committee shall, under such procedures as may be established by the committee, submit the plan and recommendations to all voting stockholders of the district banks for cooperatives and the Central Bank for Cooperatives.

##### “(b) VOTING REQUIREMENTS.—

“(1) MAJORITY VOTE REQUIRED.—An approval of the plan of merger developed and submitted under subsection (a) shall—

“(A) require a majority vote of the stockholders of each district bank for cooperatives voting, in person or by proxy, at a duly authorized stockholders’ meeting, computed both—

“(i) in accordance with the requirement that, except as provided in section 3.3(d) [12 U.S.C. 2124(d)], each cooperative that is the holder of voting stock in the bank for cooperatives shall be entitled to cast one vote; and