

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.