

Public Law 347

CHAPTER 785

AN ACT

August 11, 1955
[H. R. 5168]

To provide for retirement of the Government capital in certain institutions operating under the supervision of the Farm Credit Administration; to increase borrower participation in the management and control of the Federal Farm Credit System; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Farm Credit Act of 1955".

Farm Credit Act
of 1955.

TITLE I—BANKS FOR COOPERATIVES

SEC. 101. Section 42 of the Farm Credit Act of 1933, as amended, is amended to read as follows:

48 Stat. 264.
12 USC 1134d.

"SEC. 42. (a) CLASSES OF STOCK; OWNERSHIP; VOTING RIGHTS; DIVIDENDS; AND RETIREMENT OF STOCK.—Except as provided in section 111 of the Farm Credit Act of 1955, each regional bank for cooperatives shall have the following classes of stock, all of which shall have a par value of \$100 per share:

"(1) Class A stock shall be issued to and held by the Governor of the Farm Credit Administration on behalf of the United States, and stock of such banks held by the Governor on the effective date of title I of the Farm Credit Act of 1955 shall be exchanged, share for share, for class A stock of the respective banks. Class A stock shall be nonvoting and no dividends shall be paid thereon. At the end of each fiscal year, each of such banks, subject to the provisions of sections 33 and 40, shall determine the amount of class A stock that shall be retired at par by that bank. The minimum amount of class A stock that shall be retired shall be the equivalent in dollar value of the amount of class C stock issued for that year, except that class C stock issued by a regional bank on account of class C stock issued to it by the central bank, class C stock issued by a regional bank in exchange for class B stock the proceeds of which were used to retire an equivalent amount of class A stock, and class C stock issued by a regional bank in exchange for capital stock of the bank outstanding on the effective date of title I of the Farm Credit Act of 1955, shall not be included in such bank's calculation. Any amount of class A stock retired in excess of such minimum amount in one year may be used to reduce to that extent the amount of such stock required to be retired in any subsequent year. Funds from the retirement of class A stock shall be paid into the revolving fund authorized by the Agricultural Marketing Act, as amended, and shall continue to be available for the purchase of class A stock in the banks in accordance with sections 33 and 40.

Class A stock.

12 USC 1134i,
1141d, 1134b,
Post, p. 662.

"(2) Class B stock may be issued in series and amounts approved by the Farm Credit Administration, and may be sold or transferred to any person subject to the approval of the issuing bank. Such stock shall be issued only at par and shall be nonvoting. Any bank may pay dividends of not to exceed 4 per centum per annum on class B stock if declared by the board of directors and approved by the Farm Credit Administration and if the surplus account of the bank, after payment of such dividends, will not be less than 25 per centum of the sum of all its outstanding capital stock. Dividends on class B stock shall not be cumulative, but no bank shall distribute in any year any of its net savings as patronage refunds as provided in section 36 (a) unless for that year a dividend of at least 2 per centum is declared and paid upon outstanding class B stock of the bank. Each series of class B stock shall be issued only with the approval of the

46 Stat. 11,
12 USC 1141j (f).

Class B stock.

Farm Credit Administration and shall carry on the face of each certificate a statement of the maximum dividend which may be declared and paid thereon and of the minimum dividend which shall be declared and paid thereon before the bank may distribute any of its net savings as patronage refunds: *Provided*, That such maximum and minimum dividends may be the same amount. After all class A stock has been retired, class B stock may be called for retirement at par with the approval of the Farm Credit Administration and shall be called in such manner that the oldest outstanding stock at any given time will be retired first. Any holder of class B stock whose stock has been called for retirement may elect, with the approval of the issuing bank, to leave his stock in the bank subject to its being included in the next call for retirement.

Class C stock.

12 USC 1141j.

“(3) Class C stock, except as approved by the Farm Credit Administration and consented to by the issuing bank, may be issued only to banks for cooperatives and farmers’ cooperative associations as defined in section 15 (a) of the Agricultural Marketing Act, as amended. Such stock may be issued in fractional shares, shall be issued at its fair book value not exceeding par, as determined by the bank, and no dividends shall be paid on it. Each holder of one or more shares of class C stock which is eligible to borrow from a bank for cooperatives shall be entitled to one vote only: *Provided*, That any such holder which within the period of two years next preceding a date, fixed by the Farm Credit Administration, prior to commencement of the voting has not been a borrower from a bank of which it holds class C stock shall not be entitled to vote. From time to time each bank for cooperatives shall obtain information concerning its class C stockholders to determine whether they continue to be eligible to borrow from the bank and to vote. Any class C stockholder found by the bank to be ineligible to borrow shall not be entitled to vote until its eligibility is reestablished to the satisfaction of the bank. Whenever in section 5 of the Farm Credit Act of 1937, as amended, and section 4 (a) of the Farm Credit Act of 1953, provision is made for a nomination or election by cooperatives which are stockholders or subscribers to the guaranty fund of any bank for cooperatives the term ‘cooperatives which are stockholders or subscribers to the guaranty fund’ or the equivalent of that term, shall mean such cooperatives which are eligible to vote. Each borrower from a bank for cooperatives shall be required to own at the time the loan is made at least one share of class C stock. The purchase price of such stock may be retained out of the loan. In addition, each borrower as defined by the Farm Credit Administration for purposes of this sentence, shall be required to invest quarterly in class C stock an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the bank with the approval of the Farm Credit Administration, of the amount of interest payable by it to the bank during the calendar quarter. Payments for such stock shall be made quarterly or when the regular interest payments of the borrower are payable, but the stock shall be issued to the borrower as of the end of each fiscal year in the amount of the payments for stock made by it during the year. Each regional bank shall purchase at least one share of class C stock of the central bank. In addition, the regional bank shall be required to invest quarterly in class C stock of the central bank an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the central bank with the approval of the Farm Credit Administration, of the amount of interest payable by the regional bank to the central bank during the calendar quarter by reason of any interest purchased by the central bank in a loan made by the regional bank. Payments for such stock shall be made to the central bank and the stock shall be issued to

50 Stat. 704,
12 USC 640a et
seq.
67 Stat. 390,
12 USC 636c,
Post, p. 666.

the regional bank in the same manner, insofar as practicable, as is provided in this section for payments for and issuance of stock on account of loans by the regional bank in which the central bank does not purchase any interest. Subject to rules prescribed by the board of directors of the lending bank with the approval of the Farm Credit Administration a borrower may convert class B stock into class C stock for the purpose of making the investment in class C stock required by this paragraph. After retirement of all class A stock, class C stock also may be retired at par by calling the oldest outstanding class C stock, but class C stock that was issued for a fiscal year period shall not be called for retirement until all class B stock that was issued during or prior to that fiscal year has been called for retirement.

“(b) GUARANTY FUND SUBSCRIPTIONS IN LIEU OF STOCK.—If a cooperative association is not authorized under the laws of the State in which it is organized to take stock in the bank, the bank shall, in lieu thereof, require the association to pay into or have on deposit in a guaranty fund of the bank, or the bank may retain out of the amount of the loan and credit to the guaranty fund, a sum equal to the amount of class C stock which the association would otherwise be required by subsection (a) (3) of this section to own at the time the loan is made and to purchase thereafter. Any such association may make additional payments into the guaranty fund from time to time in lieu of the purchase of class B stock, and shall receive credits to such fund in lieu of patronage refunds payable in class C stock. Each reference in this Act to capital stock or class B or class C stock shall include also the guaranty fund equivalents of such stock, and, to the extent permitted under the laws of a State in which a cooperative association is organized, a holder of guaranty fund equivalents of either class B or class C stock shall have the same rights and status as a holder of class B or class C stock, respectively. The rights and obligations of the bank as respects such guaranty fund equivalents shall be identical to its rights and obligations as respects class B or class C stock, respectively.

“(c) LIEN ON STOCK.—Except as hereinafter provided in the case of an association which is a direct borrower from the central bank, each bank for cooperatives shall have a first lien on all stock in the bank owned by each cooperative association as additional collateral for any indebtedness of such association to the bank. In the case of an association which is a direct borrower from the central bank, the central bank shall have a first lien on any amount of class C stock which the borrowing association owns in any regional bank on account of direct loans of such association from the central bank; and the regional bank shall have a lien on such stock junior only to the lien of the central bank. In any case where the debt of a borrower is in default, the bank may, in accordance with regulations of the Farm Credit Administration, retire and cancel all or a part of the stock of the defaulting borrower at the fair book value thereof, not exceeding par, in total or partial liquidation of the debt, as the case may be, and, to the extent required, corresponding shares held by a regional bank in the central bank shall be retired.

“(d) CALCULATION OF PROPORTIONATE INTERESTS IN BANKS.—For the purpose of determining pursuant to section 5 (d) (2) (C) of the Farm Credit Act of 1937, as amended, the amount of the capital stock and subscriptions to the guaranty fund of a regional bank for cooperatives held by cooperatives the term ‘capital stock and subscriptions to the guaranty fund held by cooperatives’ or the equivalent of that term shall also mean all outstanding class B and class C stock and the guaranty fund equivalents thereof.”

12 USC 640d.

12 USC 1134k.

SEC. 102. Section 35 of the Farm Credit Act of 1933, as amended, is amended to read as follows:

"SEC. 35. APPLICATION OF REGIONAL BANK STOCK PROVISIONS TO CENTRAL BANK.—All provisions of law with respect to class A, class B, and class C stock in the regional banks for cooperatives shall apply to the Central Bank for Cooperatives except as they may be inconsistent with the provisions of this section. Each borrower from the central bank shall be required to own at the time the loan is made at least one share of class C stock in such regional bank as the Farm Credit Administration shall designate and shall be required to invest quarterly in class C stock in such regional bank or banks as the Farm Credit Administration shall designate an amount equal to not less than 10 nor more than 25 per centum, as prescribed by the board of directors of the central bank with the approval of the Farm Credit Administration, of the amount of interest payable by such borrower to the central bank during the calendar quarter. Payments for such stock shall be made quarterly or when the regular interest payments of such borrower are payable; but the stock shall be issued to the borrower as of the end of each fiscal year in the amount of the payments for stock made by it during such year. The regional bank whose stock is so issued to such borrower shall purchase a corresponding amount of class C stock in the central bank."

12 USC 1134l.

SEC. 103. (a) Section 36 of the Farm Credit Act of 1933, as amended, is amended to read as follows:

"SEC. 36. (a) APPLICATION OF SAVINGS.—Each bank for cooperatives, at the end of each fiscal year, shall determine the amount of its net savings after paying or providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves) and shall apply such savings as follows: (1) To the restoration of the amount of the impairment, if any, of capital stock, as determined by its board of directors; (2) 25 per centum of any remaining savings shall be used to create and maintain a surplus account; (3) if said bank shall have outstanding capital stock held by the United States during the whole or any part of the fiscal year, it shall next pay to the United States as a franchise tax, a sum equal to 25 per centum of its net savings then remaining, not exceeding, however, a rate of return on such Government capital calculated at a rate equal to the computed average annual rate of interest on all public issues of public debt obligations of the United States issued during the fiscal year ending next before such tax is due, as certified to the Farm Credit Administration by the Secretary of the Treasury; (4) reasonable contingency reserves may be established; (5) dividends on class B stock may be declared as provided in section 42 (a) (2); and (6) any remaining net savings shall be distributed as patronage refunds as provided in subsection (b) of this section: *Provided*, That any patronage refunds received by a regional bank from the central bank shall be excluded from net savings of the regional bank for the purpose of computing such franchise tax. Amounts applied as provided in (2) and (4) above after the effective date of title I of the Farm Credit Act of 1955 shall be allocated on a patronage basis approved by the Farm Credit Administration. At the end of any fiscal year, any portion of the reserve established under (4) above which is no longer deemed necessary shall be transferred to the surplus account and, if the surplus account of any such bank for cooperatives exceeds 25 per centum of the sum of all its outstanding capital stock, the bank may distribute in the same manner as a patronage refund any part or all of such excess which has been allocated: *Provided*, That any surplus and contingency reserves shown on the books of the banks as of the effective date of title I of the Farm Credit Act of 1955 shall not be distributed as patronage refunds.

In making such distributions, the oldest outstanding allocations shall be distributed first. Wherever used in this Act, the words 'surplus account' as applied to any bank for cooperatives shall mean any surpluses and contingency reserves shown on the books of the banks as of the effective date of title I of the Farm Credit Act of 1955 and any amounts applied as provided in (2) above after the effective date of said title I. Said surplus account shall be divided to show the amounts thereof subject to allocation as provided in this section and may be further subdivided as prescribed by the Farm Credit Administration. In the event of a net loss in any fiscal year after providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves), such loss shall be absorbed by: first, charges to allocated contingency reserves; second, charges to allocated surplus; third, charges to other contingency reserves and surplus; fourth, the impairment of class C stock; and fifth, the impairment of all other stock.

"Surplus account".

"(b) PATRONAGE REFUNDS.—The patronage refunds of each regional bank for cooperatives shall be paid in class C stock to borrowers, as defined by the Farm Credit Administration for the purposes of this subsection, during the fiscal year for which the refunds are declared. Patronage refunds of the Central Bank for Cooperatives shall be paid in class C stock to the regional banks for cooperatives upon the basis of interests held by the central bank in loans made by the regional banks and upon direct loans made by the central bank to cooperative associations; and any part of such refunds derived from such direct loans of the central bank shall be paid in class C stock issued to the regional bank or banks which issued to the borrower the stock incident to the loans, or to a regional bank or banks designated by the Farm Credit Administration, and such bank or banks shall issue a like amount of class C stock to the borrowers. All patronage refunds shall be paid in the proportion that the amount of interest earned on the loans of each borrower bears to the total interest earned on the loans of all borrowers during the fiscal year.

"(c) APPLICATION OF ASSETS ON LIQUIDATION OR DISSOLUTION.—In the case of liquidation or dissolution of any bank for cooperatives, after the payment or retirement, as the case may be, first, of all liabilities; second, of all capital stock issued before the effective date of title I of the Farm Credit Act of 1955 held by cooperative associations at par, all class A stock at par, and all class B stock at par; and third, of all class C stock at par; any surpluses and contingency reserves existing on the effective date of said title I shall be paid to the holders of outstanding capital stock issued before the effective date of said title I, class A stock and class C stock pro rata, and any remaining surplus and contingency reserves shall be distributed to those entities to which they are allocated on the books of the bank. If it should become necessary to use any surplus or contingency reserves to pay any liabilities or to retire any capital stock, allocated contingency reserves and surplus shall be exhausted first in accordance with rules prescribed by the Farm Credit Administration."

(b) For purposes of applying the amendment in subsection (a) of this section, that part of the fiscal year 1956 preceding the effective date of title I of this Act and that part of such year following said effective date shall be deemed to be separate fiscal years.

Separation of fiscal years.

SEC. 104. Section 31 of the Farm Credit Act of 1933 is amended to read as follows:

12 USC 1134g.

"SEC. 31. BOARD OF DIRECTORS OF CENTRAL BANK.—The Central Bank for Cooperatives shall have seven directors. Of this number four shall be appointed by the Governor of the Farm Credit Administration, by and with the advice and consent of the Federal Farm

Removal.

Rules for nominations, etc.

Credit Board, and three shall be elected by the regional banks for cooperatives and cooperative associations: *Provided*, That the terms of office of directors established prior to the effective date of title I of the Farm Credit Act of 1955 shall continue through the thirty-first day of December next following the effective date of said title I and shall expire at the end of that day. Three of the directors appointed by the Farm Credit Administration shall be appointed for terms of one year, two years, and three years, respectively, as designated at the time of appointment and the fourth appointed director shall be appointed for a term of three years and thereafter each appointed director shall be appointed for a term of three years. Any appointed director may be removed at pleasure at any time by the Farm Credit Administration. The Farm Credit Administration shall prescribe rules and regulations for the nominations and elections required by this section. Sufficiently in advance of the first day of January next following the effective date of title I of the Farm Credit Act of 1955, and at any time subsequent to the enactment thereof, the Farm Credit Administration shall take all action necessary in order to permit the elections hereby provided and shall group the several farm credit districts into three areas, each of which shall be comprised of four contiguous farm credit districts, and a director shall be elected from nominees from each of such areas by regional banks for cooperatives of the area and cooperative associations of the area eligible to vote. The three elected directors shall be elected for terms of one year, two years, and three years, respectively, as shall be designated by the Farm Credit Administration and thereafter elected directors shall be elected for terms of three years: *Provided*, That whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund of the central bank held by persons other than the Governor of the Farm Credit Administration on behalf of the United States and surplus and reserve accounts of said bank shall equal or exceed 66 $\frac{2}{3}$ per centum of the total capital stock, subscriptions to the guaranty fund and surplus and reserve accounts of said bank as of the date six months before the expiration of the term of office of any appointed director, except the fourth appointed director, whose term next expires, the successor to such director shall be elected from nominees for a term of three years by regional banks for cooperatives of the area and cooperative associations of the area eligible to vote on a basis of areas comprised of two contiguous farm credit districts as designated by the Farm Credit Administration. Appointed directors except the fourth appointed director shall continue to be replaced by elected directors in accordance with the foregoing provisions until the total number of elected directors shall be six, elected one from each of six such areas comprised of two contiguous farm credit districts. Whenever, as determined by the Farm Credit Administration, the sum of the capital stock and subscriptions to the guaranty fund of the central bank held by persons other than the Governor of the Farm Credit Administration on behalf of the United States and surplus and reserve accounts of said bank shall not equal or exceed 66 $\frac{2}{3}$ per centum of the total capital stock, subscriptions to the guaranty fund and surplus and reserve accounts of the banks as of the date six months before the expiration of the term of office of any elected director whose term next expires, the successor to such elected director shall, if the number of elected directors then exceeds three, be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board for a term of three years. In any such case where only one additional appointed director is needed in order to increase

the total number of appointed directors to four, and the terms of office of more than one elected director next expire, the Farm Credit Administration shall designate the one of such next expiring terms of office which shall be replaced by the additional appointed director. Any vacancy in the Board whether filled by appointment or by election shall be filled for the unexpired term in the same manner in which the vacant office was filled. Each regional bank for cooperatives, each cooperative association which is a direct borrower from the central bank, each holder of one or more shares of class C stock in a regional bank for cooperatives which is eligible to vote under section 42 (a) (3), and each holder of one or more shares of stock in the central bank or any regional bank for cooperatives issued before the effective date of title I of the Farm Credit Act of 1955 which is eligible to vote shall be eligible to vote for directors of the central bank and each such holder shall be entitled to one vote only without regard to the number of shares held in any one or more of said banks, and the vote of any such holder of stock in more than one bank shall be cast only with respect to elections in the area in which is located the main office of such holder. Elected directors shall have been, for at least two years, residents of the area for which they are elected. No person shall be eligible for nomination, election, or appointment as a director if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration or of any corporation operating under its supervision. Any person who is a member of the Federal Farm Credit Board or a district farm credit board when appointed or elected as director shall resign as a member of the Federal Farm Credit Board or the district board before assuming his duties as director of the central bank. No person who becomes such director shall be eligible to continue to serve if he becomes a member of the Federal Farm Credit Board or any district farm credit board or an officer or employee of the Farm Credit Administration or an officer or employee of any corporation operating under the supervision of the Farm Credit Administration."

SEC. 105. Section 32 of the Farm Credit Act of 1933 is amended to read as follows:

"SEC. 32. POWERS OF BOARD OF DIRECTORS OF CENTRAL BANK.—The Board of Directors of the Central Bank for Cooperatives shall elect a Chairman and a Vice Chairman from among its members. The powers of the Board of Directors shall be such powers as may be prescribed in the charter and bylaws with the approval of the Farm Credit Administration: *Provided*, That said Board without limitation of powers conferred by section 60 shall have power, subject to approval of the Farm Credit Administration, to appoint and fix the compensation of the chief executive officer and such other officers and employees, experts, and consultants as may be necessary for the efficient conduct of the bank's business: *Provided further*, That the chief executive officer of the bank shall not be an officer or employee of the Farm Credit Administration."

SEC. 106. Section 38 of the Farm Credit Act of 1933 is amended by adding at the end of said section the following new sentence: "After the effective date of title I of the Farm Credit Act of 1955 any amendment in the terms of the charter issued to any bank for cooperatives and any regulation issued under authority of this section or otherwise affecting lending operations of any such bank shall be consistent with the principle that the central bank shall make loans only in cases where it is not practicable for the loan to be made by a regional bank."

Vacancies.

12 USC 1134h.

Chairman and
Vice Chairman.

12 USC 1134j.

Charter amend-
ments, etc.

12 USC 1134c,
1141d.

SEC. 107. Section 41 of the Farm Credit Act of 1933, as amended, is amended by adding a new paragraph as follows:

"Notwithstanding any other provision of law, any officer or employee of the Farm Credit Administration or of any bank for cooperatives designated to act as custodian of collateral securing loans made by any such bank to any cooperative association eligible to borrow therefrom may, in accordance with regulations of the Farm Credit Administration, act at the same time as custodian of collateral securing loans made by any other lenders to any cooperative association eligible to borrow from any such bank."

12 USC 1134i,
1141d.

SEC. 108. (a) Section 33 of the Farm Credit Act of 1933 is amended by striking the words "Chairman of the Board" in the last sentence of said section and substituting in lieu thereof the words "Board of Directors".

12 USC 1134j,
1141d.

(b) Section 34 of the Farm Credit Act of 1933, as amended, is amended by striking the words "Chairman of its Board of Directors" in the first paragraph of said section and substituting in lieu thereof the words "Farm Credit Administration".

12 USC 1141f.

SEC. 109. Subsection (a) of section 8 of the Agricultural Marketing Act, as amended, is amended to read as follows:

"(a) Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan."

12 USC 1138e.

SEC. 110. (a) Section 65 of the Farm Credit Act of 1933 is amended by striking the word "regional" in the first sentence of said section.

12 USC 1138f.

(b) Section 66 of the Farm Credit Act of 1933, as amended, is hereby repealed.

12 USC 636f.

(c) The second sentence of section 7 (a) of the Farm Credit Act of 1953 is hereby repealed.

12 USC 665.

(d) Section 6 of the Act approved January 23, 1932 (47 Stat. 14), is amended by adding immediately following the comma after the word "Act" where it first appears the following: "the Farm Credit Act of 1933".

Prior loans, applicability of title, etc.

SEC. 111. This title shall be applicable to loans made before its effective date from the date on which they may be changed by agreement to conform hereto, otherwise, except as provided in this title, such loans shall be treated as though this title had not been enacted. Any cooperative association owning capital stock or guaranty fund credits in any bank for cooperatives issued before the effective date of this title which is eligible to vote shall, as long as such eligibility continues, be entitled to vote to the same extent as a holder of class C stock which is eligible to vote; any cooperative association owning such stock or guaranty fund credits shall be entitled to have such stock or credits retired as though this title had not been enacted; and any such association may with the consent of the bank have such stock or credits, if it is found eligible to own class B or class C stock, converted in whole or in part into class B or class C stock or equivalent guaranty fund credits: *Provided*, That any bank for cooperatives with the approval of the Farm Credit Administration may retire at any time capital stock or guaranty fund credits issued before the effective date of this title held by any cooperative association and may hold the proceeds of such retired stock or guaranty fund credits as security for any indebtedness of the association to the bank.

Effective date.

SEC. 112. This title shall take effect on the first day of the month next following one hundred and twenty days after its enactment.

TITLE II—PRODUCTION CREDIT SYSTEM

SEC. 201. Section 21 of the Farm Credit Act of 1933 is amended by striking out of the fifth sentence the words "all stock shall share in dividend distributions without preference" and substituting therefor the words "Dividends may be paid on class A and class B stock without preference or on class A stock alone, as the board of directors of the association may determine".

12 USC 1131e.

SEC. 202. Section 22 of the Farm Credit Act of 1933 is amended to read as follows:

12 USC 1131f.

"SEC. 22. (a) Each production credit association shall, at the end of each fiscal year, apply the amount of its earnings in excess of operating expenses (including provision for reasonable valuation reserves) during such fiscal year, first, to the restoration of the impairment, if any, of capital; and, second, to the establishment and maintenance of a surplus account, the minimum amount of which shall be prescribed by the production credit corporation.

"(b) A production credit association may pay dividends of not to exceed 7 per centum per annum when such payments are approved by the production credit corporation of the district and are consistent with policies established under regulations issued by the Farm Credit Administration."

SEC. 203. The amounts in the guaranty fund reserve and the reserve account for bad and doubtful debts of each production credit association shall, as of the effective date of this title, be transferred to the surplus account of such association established pursuant to the provisions of section 22 of the Farm Credit Act of 1933 as amended by section 202 of this title.

SEC. 204. Section 23 of the Farm Credit Act of 1933 is amended to read as follows:

12 USC 1131g.

"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 Farm Credit Administration, invest its funds and make loans to farmers for general agricultural purposes. 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 corporation. No borrower shall be indebted to the association at any one time in an amount in excess of 15 per centum of the capital and surplus of the association unless the loan has the prior approval of the corporation, or in excess of 35 per centum of the capital and surplus of the association unless the loan also has the prior approval of the Farm Credit Administration. Borrowers shall be required to own, at the time the loan is made, class B stock of the association 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 of this Act."

Investments and loans to farmers.

SEC. 205. The last sentence of section 63 of the Farm Credit Act of 1933 is hereby amended to read as follows: "The exemption provided herein shall not apply with respect to any production credit association or its property or income after the class A 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."

12 USC 1138c.

TITLE III—FEDERAL LAND BANK SYSTEM

39 Stat. 360,
12 USC 651-656,
685, 659-664, 711-
723, 731-734.

SEC. 301. Sections 3, 7, and 8 of the Federal Farm Loan Act, as amended, are amended—

(a) by changing next to the last paragraph of section 3 to read as follows: "The Farm Credit Administration shall prescribe a form for the statement of condition of national farm loan associations and land banks under its supervision, which shall be filled out by each such association or bank and transmitted to said administration as required by it.";

(b) by changing the fifth sentence of the fourth paragraph of section 7 to read as follows: "He shall make a report to the Farm Credit Administration as required by it upon forms to be provided for that purpose."; and

(c) by deleting the last sentence of section 8.

12 USC 691-698.

SEC. 302. The last paragraph of section 5 of the Federal Farm Loan Act, as amended, is repealed.

12 USC 751-756.

SEC. 303. Section 10 of the Federal Farm Loan Act, as amended, is amended by adding at the end thereof a new paragraph as follows:

Reports on value
of security, etc.

"Notwithstanding any other provision of this Act to the contrary, subject to the approval of the Farm Credit Administration, the investigation and the written report or reports on the value of the security offered for a Federal land bank loan, which otherwise are required by this section to be made by land bank appraisers appointed under the authority of section 3 of this Act, may be made, in accordance with appraisal standards prescribed by the Farm Credit Administration, by any person (including a person who is secretary-treasurer of a national farm loan association) designated so to do by the Federal land bank of the district; a Federal land bank is authorized to make a loan, if otherwise authorized, on the basis of such an investigation and report by a person so designated; and a loan so made shall be eligible as collateral for farm loan bonds under section 19 of this Act, if otherwise qualified thereunder: *Provided*, That, within one year, the land bank shall obtain a written report on the security for the loan by a land bank appraiser appointed under section 3 of this Act, in terms and form prescribed by the Farm Credit Administration, and such a loan shall be eligible as collateral for farm loan bonds thereafter only if such report by a land bank appraiser establishes that the security meets the standards prescribed by the Farm Credit Administration for a land bank loan, and in no event shall any such loan thereafter be carried as such collateral for bonds at more than 65 per centum of the normal value of the security as determined by such land bank appraiser. Except as otherwise specifically provided in this paragraph, all provisions of this Act relating to loans made through national farm loan associations shall, insofar as applicable, apply with respect to loans made on such investigations and written reports by such designated persons."

12 USC 857.

12 USC 771, 772.

SEC. 304. Section 12 of the Federal Farm Loan Act, as amended, is amended—

(a) by changing paragraph "Fourth" to read as follows: "Such loans may be made for general agricultural purposes and other requirements of the owner of the land mortgaged, under rules and regulations of the Farm Credit Administration.";

(b) by striking out the period at the end of the second sentence of paragraph "Fifth" and adding the following: "and, consistent with community standards, the appraisal may also reflect home advantages, and the availability to a typical operator of the property of earnings from other dependable sources to supplement the normal earning power of the farm.";

(c) by striking out "the raising of livestock" wherever it appears in next to the last sentence of paragraph "Sixth" and substituting therefor "farming operations" and by striking out of such sentence "Land Bank Commissioner" and substituting therefor "Farm Credit Administration"; and

(d) by striking out "\$100,000" from paragraph "Seventh" and substituting therefor "\$200,000" and by striking out of such sentence "but loans to any one borrower shall not exceed \$25,000 unless approved by the Land Bank Commissioner," and substituting "but loans to any one borrower shall not exceed \$100,000 unless approved by the Farm Credit Administration,".

SEC. 305. Paragraph "Nineteenth" of section 13 of the Federal Farm Loan Act, as amended, is amended by adding at the end thereof a new sentence as follows: "Such a deferment may be permitted for other purposes for a period not exceeding five years under regulations prescribed by the Farm Credit Administration."

12 USC 781.

SEC. 306. (a) That part of section 23 of the Federal Farm Loan Act, as amended, which precedes the last paragraph, is amended to read as follows: "Every Federal land bank shall semiannually carry to reserve account a sum not less than 50 per centum of its net earnings until said reserve account shall show a credit balance equal to the outstanding capital stock of said land bank. After said reserve is equal to the outstanding capital stock 10 per centum of the net earnings shall be added thereto semiannually until said reserve account shall show a credit balance equal to 150 per centum of the outstanding capital stock of said land bank, and any land bank having a credit balance in said reserve account in excess of 150 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration. Whenever said reserve shall have been impaired it shall be fully restored before any dividends are paid.

12 USC 901-902.

"After deducting the 50 per centum or the 10 per centum hereinbefore directed to be deducted for credit to reserve account, any Federal land bank may declare a dividend or dividends to shareholders of the whole or any part of the balance of its net earnings, but only with the approval of the Farm Credit Administration.

"The reserves of land banks shall be invested in accordance with rules and regulations prescribed by the Farm Credit Administration."

(b) The second sentence of section 24 of the Federal Farm Loan Act, as amended, is amended by striking out the period at the end thereof and adding the following: "until said reserve account shall show a credit balance equal to 50 per centum of the outstanding capital stock of said association, and any association having a credit balance in said reserve account in excess of 50 per centum of its outstanding capital stock may withdraw such excess from said reserve account with the approval of the Farm Credit Administration."

12 USC 911-915.

(c) The amendments made by (a) and (b) of this section shall become effective on the next January 1, or July 1 whichever first succeeds enactment hereof.

Effective date.

SEC. 307. Section 601 (a) of the Department of Agriculture Organic Act of 1944 is amended by inserting after "Federal land banks," the second time it appears therein, "national farm loan associations,"; by striking out "joint-stock land banks," wherever it appears therein; and by striking out the period at the end thereof and inserting "except that the amounts apportioned to national farm loan associations shall be assessed against and collected from the Federal land bank of the district which may in turn collect such amounts from the associations in a manner approved by the Farm Credit Administration."

58 Stat. 740.
12 USC 832.

TITLE IV—MISCELLANEOUS PROVISIONS

12 USC 640b.

SEC. 401. (a) Section 5 (b) of the Farm Credit Act of 1937, as amended, is amended by changing the sixth sentence thereof to read as follows: "After the date of enactment of the Farm Credit Act of 1955, no person shall be eligible for election or appointment to membership on said Board if such person has within one year next preceding the commencement of the term been a salaried officer or employee of the Farm Credit Administration, or a salaried officer or employee of any corporation operating under the supervision of the Farm Credit Administration."

12 USC 640d.

(b) Section 5 (d) of the Farm Credit Act of 1937, as amended, is amended—

(1) by substituting "six months" for "three months" wherever it occurs in paragraph (2) thereof; and

(2) by adding at the end thereof a new paragraph as follows:

"(4) As directed by the Farm Credit Administration, the election of a director under section 5 (d) (2) by any group may be begun any time within six months before the expiration of the term of office to which the director is to succeed, subject to the required determination being made as of the date six months before the expiration of such term of office that a director so elected by such group is to serve in lieu of a district director (or third district director)."

12 USC 636c.

SEC. 402. Section 4 of the Farm Credit Act of 1953 is amended—

(a) by inserting in the first proviso in subsection (a) "all persons so tied shall be considered designated as nominees" in lieu of "the procedure prescribed therein shall be followed again until the tie is broken";

(b) by inserting before the period at the end of the second sentence of subsection (b) "except that one full term of six years shall be considered to include an additional four months if the particular term is one which was legally extended for an additional four months"; and

(c) by adding the following additional sentence at the end of subsection (c): "All terms of office which otherwise would expire on November 30 of any year following enactment of the Farm Credit Act of 1955 are extended four months to expire on the following March 31 so that the term of office of all successors to the terms so extended shall begin with the first day of April."

Separability.

SEC. 403. (a) If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provisions to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this Act is hereby expressly reserved.

Approved August 11, 1955.

Public Law 348

CHAPTER 786

AN ACT

August 11, 1955
[S. 2198]

To extend the period of restrictions on lands belonging to Indians of the Five Civilized Tribes in Oklahoma, and for other purposes.

Five Civilized
Tribes, Okla.
Land restric-
tions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subject to the provisions of section 2 of this Act, the period of restrictions against alienation, lease, mortgage, or other encumbrance of lands