

Approved *Clyde Graeber* March 22, 1988
Date

MINUTES OF THE HOUSE COMMITTEE ON Commercial and Financial Institutions.

The meeting was called to order by Representative Clyde D. Graeber at
Chairperson

3:30 ~~xx~~ a.m./p.m. on March 17, 1988 in room 527-S of the Capitol.

All members were present except: Representative Clifford Campbell, Representative Herman Dillon, Representative Mary Jane Johnson, Representative Kenneth Francisco, Representative Jim Russell and Representative Sam Roper, Excused.

Committee staff present: Bill Wolff, Research Department
Myrta Anderson, Research Department
Bruce Kinzie, Revisor of Statutes
June Evans, Secretary

Conferees appearing before the committee: Jim Maag, Kansas Bankers Association
Charles Henson, Kansas Bankers Association

The Chairman, Clyde Graeber, brought the meeting to order.

Jim Maag, representing Kansas Bankers Association, introduced Charles Henson, attorney for the Kansas Bankers Association, who testified for Senate Bill 535. S. B. 535 would require that to be judiciously enforceable by a debtor the credit agreement must be in writing and signed by the party to be charged. The Bill would create a statute of frauds for this type of agreement in that the terms of the written agreement may not be varied by evidence of prior agreements, either written or oral or by contemporaneous oral agreements. Under the amended Bill that would require a written credit agreement containing notice to the debtor to the effect that the writing expresses the total agreement. After much discussion by the committee the hearing was closed. (See Attachment #1).

The Chairman opened the hearing on Senate Bill 498. Jim Maag representing the Kansas Bankers Association, testified for the Bill which deals with the ability of a shareholder of a bank having the ability to sell his bank stock if he or she does not have a loan with that institution and the loan is past due.

Mr. Maag also requested that the committee consider an amendment to S.B. 498 which would add a new sub-section to K.S.A. 9-1101 which is that section of the state banking code relating to the general powers and investment authority of state chartered banks. The amendment as drafted would authorize Kansas state chartered banks to purchase shares of the federal agricultural mortgage corporation or what it is called "Farmer Mac". This authority would allow agricultural banks and other agricultural lenders in the State of Kansas to be involved in the agriculture real estate lending and this authority would grant them the ability to sell such loans and they would not be forced to hold them on the books of the bank for an extended period of time. This should make the making of real estate loans on agricultural land by banks more competitive and drive down the cost to the farm customer. (See Attachment #2).

Representative Hamm moved that the amendment be added to Senate Bill 498.

Representative Sand seconded the motion.

Representative Eckert suggested it be printed before going to the Floor.
Representative Hamm asked for a balloon amendment.

Staff stated it would read basically the same, just adding a new Section 2.

Representative Hamm moved and Representative Sand seconded that SB 498 be moved out as amended.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON Commercial and Financial Institutions
room 527-S Statehouse, at 3:30 ~~xx~~m./p.m. on March 17, 1988

Representative Shallenburger moved and Representative Eckert seconded that the date be changed to read January 1, 1989, on Senate Bill 535.

The Chairman asked if there was any action wished on Senate Bill 535.

Representative Roenbaugh moved and Representative Sand seconded that Senate Bill 535 be passed out of committee favorably.

There was a vote on the action . . . 3 Yeas and 5 Nays.

The Bill did not pass.

The Chairman again brought to the table for discussion Senate Bill 665 and reported that the Sub-Committee which had been appointed to study the Bill was not needed since staff had proposed an amendment which they felt satisfied the problems raised as to the authority of the State Bank Commissioner to grant the necessary authority to establish a bankers' bank under Senate Bill 665. The Chairman asked the committee to review the proposed amendment, asked the staff to look at the same for satisfaction of the questions they had raised about the Commissioner's authority under the state statute and to bring the same back to the committee for discussion and possible action on March 22. There being no further business the meeting was adjourned at 4:45.

Date: March 17, 1988

GUEST REGISTER

NAME	ORGANIZATION	ADDRESS
C. Henson	KBA	Tapeles
Jim Macy	"	"

EIDSON, LEWIS, PORTER & HAYNES

LAWYERS

1300 MERCHANTS NATIONAL BANK BUILDING

EIGHTH AND JACKSON STREETS

TOPEKA, KANSAS 66612-1252

913-233-2332

TELECOPIER (913) 233-7905

PHILIP H. LEWIS
JAMES W. PORTER
WILLIAM G. HAYNES
CHARLES N. HENSON
AUSTIN NOTHERN
CHARLES D. MCATEE
DALE L. SOMERS
K. GARY SEBELIUS
RICHARD F. HAYSE
RONALD W. FAIRCHILD
JOHN H. WACHTER
ANNE L. BAKER
PATRICIA A. REEDER

THOMAS D. HANEY
GREGORY F. MAHER
JOHN D. ENSLEY
N. LARRY BORK
CATHERINE A. WALTER
AARON G. HOVE
E. LOU BJORGAARD
PROBASCO
W. JOHN BADKE
PATRICIA E. HAMILTON

OF COUNSEL:
O. B. EIDSON

March 16, 1988

The Honorable Clyde D. Graeber, Chairman
House Committee on Commercial and Financial
Institutions
State Capitol Building
Topeka, KS 66612

RE: S.B. 535, as amended by Senate Committee

Dear Mr. Chairman and Members of the Committee:

I represent the Kansas Bankers Association, which requested this bill.

S.B. 535 would require that to be judicially enforceable by a debtor, a credit agreement must be in writing and signed by the party to be charged. A credit agreement is defined in the bill as any agreement to extend credit or make some other type of financial accommodation. The bill would create a statute of frauds for this type of agreement, as for many years the law has provided that no action may be maintained to charge a person to answer for the debt of another, or on any agreement for the sale of real estate, or on any agreement not to be performed within one year, etc., unless the agreement is in writing. These and similar requirements have been in the law for many years, not to prevent injured persons from obtaining redress, but to prevent fraud and perjury in the event of later judicial dispute, and to avoid future litigation by having the agreement reduced to writing.

The bill requires a credit agreement to be in writing to be enforceable by a debtor. The reason for not including a creditor is that creditors do not seek to enforce agreements to lend money or otherwise extend credit; creditor suits are upon unsatisfied debt created through the extensions of credit.

The Senate amendment would require that a written credit agreement contain a notice to the debtor to the effect that the writing expresses the agreement, and the written agreement may not be varied by evidence of prior agreements, written or oral, or by contemporaneous oral agreements. The Kansas Bankers Association feels the Senate amendment will contribute to avoidance of future controversy, and thus it strengthens the bill.

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Hon. Clyde D. Graeber - 3/16/88 - page 2.

Thank you for your consideration of this proposed
legislation.

Sincerely yours,

Charles N. Henson
of Eidson, Lewis, Porter & Haynes

CNH/vem

EDISON, LEWIS, PORTER & HAYNES

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OF COUNSEL:
O. B. EIDSON

April 11, 1988

Representative Edwin H. Bideau III
State House Representatives
State Capitol Building
Topeka, KS

**RE: S.B. 535, as Amended by House on Final Action
(1988 Session)**

Dear Representative Bideau:

You have asked that I express to you my understanding of the following provision of Section 2(b) of the captioned bill:

"(b) All credit agreements shall contain a clear, conspicuous and printed notice to the debtor that states that the written agreement is a final expression of the agreement between the creditor and debtor and such written agreement may not be contradicted by evidence of any oral agreement or of a contemporaneous oral agreement between the creditor and debtor ..."

Section 2(a) of the bill is a statute of frauds provision, providing that neither the debtor nor the creditor may maintain an action on a credit agreement, as the term is defined in the bill, unless the agreement is in writing and is signed by both parties. The provision in Section 2(b) that the written agreement contain a notice to the debtor that the written agreement is a final expression of the agreement and that the terms of the written agreement may not be contradicted by evidence of any prior or contemporaneous oral agreement between the parties, puts the debtor on notice that the writing is the final and exclusive statement of the terms of the agreement between the debtor and creditor, that the agreement is completely integrated in the writing, and that its terms may not be varied by evidence of oral agreements. I understand this to be a notice to the debtor of the affect of the parol evidence rule under which, as a general rule, the terms of a complete and unambiguous written agreement may not be varied by parol evidence of prior or contemporaneous agreements or understandings.

Written contracts, which under the parol evidence rule may not be varied by parol evidence of prior or contemporaneous agreements, may be subject to defenses, such as fraud and mutual

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mistake, established by oral evidence. I do not believe S.B. 535 prevents assertion of such defenses against written credit agreements.

Should you have further questions regarding this bill, please let me know.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles N. Henson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Charles N. Henson
General Counsel, Kansas Bankers
Association

CNH/vem

cc: Mr. James Maag,
Kansas Bankers Association



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

March 17, 1988

TO: House Committee on Commercial and Financial Institutions
FROM: James S. Maag, Director of Research
Kansas Bankers Association
RE: Amendment to SB 498

Mr. Chairman and Members of the Committee:

The KBA would like to have the committee consider an amendment to SB 498. The amendment would add a new subsection to K.S.A. 9-1101 which is that section of the state banking code relating to the general powers and investment authority of state-chartered banks.

On January 6, 1988, President Reagan signed into law the Agricultural Credit Act of 1987 and Title VII of that act provides for a secondary market for agricultural real estate loans. The facility for these loans is to be known as the Federal Agricultural Mortgage Corporation or, as it has already been dubbed, "Farmer Mac".

The establishment of Farmer Mac will have a big impact on ag lending in states such as Kansas as it will allow ag banks and other ag lenders to become much more involved in ag real estate lending since they will now have a means of selling such loans and not be forced to hold them on the books for an extended period of time. This should have the effect of making ag real estate lending more competitive and drive down costs to the farm customer. Information as to how Farmer Mac will work is attached to this testimony.

There is currently concern that when the board and officers of Farmer Mac are in place, they may require banks to hold stock in the corporation in order to participate in the secondary market operation. Congress is

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Atch 2

currently considering technical corrections to the Ag Credit Act which would grant nationally chartered banks the right to hold stock in Farmer Mac. It is important that the same authority be granted to state-chartered banks. Not only the right to participate in the secondary market is at stake here, but also the right of state-chartered banks to be involved in the selection of the permanent board of directors must be considered. If no action is taken this session to allow Kansas state-chartered banks to purchase Farmer Mac stock, those banks may well miss the opportunity to participate in the selection of the permanent board.

Therefore, the KBA is requesting that the attached amendment to K.S.A. 9-1101 be included in SB 498 and that the bill in its amended form be recommended favorably for passage. We have discussed this matter with the Bank Commissioner and he has no objection to the amendment.

We appreciate very much your consideration of this important matter.

Article 11.—BANKING CODE; POWERS

9-1101. General powers; maximum interest rates on deposit accounts; investments. Any bank hereby is authorized to exercise by its board of directors or duly authorized officers or agents, subject to law, all such powers, including incidental powers, as shall be necessary to carry on the business of banking, and:

(1) To receive deposits and to pay interest thereon at rates which need not be uniform. The state bank commissioner, with approval of the state banking board, may by regulations of general application fix maximum rates of interest to be paid on deposit accounts other than accounts for public moneys;

(2) to buy and sell exchange, gold, silver, foreign coin, bullion, commercial paper, bills of exchange, notes and bonds;

(3) to buy and sell bonds, securities, or other evidences of indebtedness of the United States of America or those fully guaranteed, directly or indirectly, by it, and general obligation bonds of the state of Kansas or any municipality or quasi-municipality thereof, and of other states, and of municipalities or quasi-municipalities in other states of the United States of America. No bank shall invest an amount in excess of 15% of its capital stock paid in and unimpaired and the unimpaired surplus fund of such bank in bonds, securities or other evidences of indebtedness of any municipality or quasi-municipality of any other state or states of the United States of America: (a) If and when the direct and overlapping indebtedness of such municipality or quasi-municipality is in excess of 10% of its assessed valuation, excluding therefrom all valuations on intangibles and homestead exemption valuation; (b) or if any bond, security, or evidence of indebtedness of any such municipality or quasi-municipality has been in default in the payment of principal or interest within 10 years prior to the time that any bank acquires any such bonds, security or evidence of indebtedness;

(4) to make all types of loans, including loans on real estate, subject to the loan limitations contained in this act. Every real estate loan shall be secured by a mortgage or other instrument constituting a lien, or

the full equivalent thereof, upon the real estate securing the loan, according to any lawful or well recognized practice, which is best suited to the transaction. The mortgage may secure future advances. The lien of such mortgage shall attach upon its execution and have priority from time of recording as to all advances made thereunder until such mortgage is released of record. The lien of such mortgage shall not exceed at any one time the maximum amount stated in the mortgage;

(5) to discount and negotiate bills of exchange, negotiable notes and notes not negotiable;

(6) to buy and sell investment securities which are evidences of indebtedness. The buying and selling of investment securities shall be limited to buying and selling without recourse marketable obligations evidencing indebtedness of any person, co-partnership, association, corporation, or state or federal agency, including revenue bonds issued pursuant to K.S.A. 76-6a15, and amendments thereto, or the state armory board in the form of bonds, notes or debentures or both, commonly known as investment securities, under such further definition of the term "investment securities" as prescribed by the board, but the total amount of such investment securities of any one obligor or maker held by such bank shall at no time exceed 15% of the capital stock paid in and unimpaired and the unimpaired surplus fund of such bank except that this limit shall not apply to obligations of the United States government or any agency thereof. If the obligor is a state agency including any agency issuing revenue bonds pursuant to K.S.A. 76-6a15, and amendments thereto, or the state armory board, the total amount of such investment securities shall at no time exceed 25% of the capital stock paid in and unimpaired and the unimpaired surplus fund of such bank;

(7) to subscribe to, buy and own such stock of the federal national mortgage association as required by title 3, section 303 of the federal act known as the national housing act as amended by section 201 of public law No. 560, of the United States (68 Stat. 613-615), known as the housing act of 1954, or amendments thereto;

(8) to subscribe to, buy and own stock in one or more small business investment companies in Kansas as otherwise autho-

rized by federal law, except that in no event shall any bank acquire shares in any small business investment company if, upon the making of that acquisition the aggregate amount of shares in small business investment companies then held by the bank would exceed 5% of its capital and surplus. Nothing in this act contained shall prohibit any bank from holding and disposing of such real estate and other property as it may acquire in the collection of its assets;

(9) to subscribe to, buy and own stock in any agricultural credit corporation or livestock loan company, or its affiliate, organized pursuant to the provisions of the laws of the United States providing for the information and operation of agricultural credit corporations and livestock loan companies, in an amount not exceeding either the undivided profits or 10% of the capital stock and surplus and undivided profits from such bank, whichever is greater;

(10) to become the owner or lessor of personal property acquired upon the specific request and for the use of a customer, and may incur such additional obligations as may be incident to becoming an owner or lessor of such property. Any bank which claims a credit against its privilege tax of any amount of ad valorem taxes on property acquired pursuant to this subsection shall not be designated as a depository for any state funds by the pooled money investment board. Lease transactions shall not result in obligations for the purpose of determining limitations or restrictions on the amount of loans. Lease payments on such transactions shall be considered rents and not interest;

(11) to subscribe to, buy and own stock in minbank capital corporation, a company formed for the purpose of providing capital to minority-owned banks. No bank's investment in such stock shall exceed 2% of its capital and surplus;

(12) to buy, hold, and sell any type of investment securities not enumerated in this section with approval of the commissioner and upon such conditions and under such regulations as are prescribed by the state banking board;

(13) to act as escrow agent;

(14) to subscribe to, acquire, hold and dispose of stock of a corporation having as its purpose the acquisition, holding and disposition of loans secured by real estate mortgages, and to acquire, hold and dispose

of the debentures and capital notes of such corporation. No bank's investment in such stock, debentures and capital notes shall exceed 2% of its capital stock, surplus and undivided profits and such investment shall be carried on the books of the bank as directed by the commissioner;

(15) to purchase and sell securities and stock without recourse solely upon the order, and for the account, of customers;

(16) to subscribe to, acquire, hold and dispose of any class of stock, debentures and capital notes of MABSCO agricultural services, inc. or any similar corporation having as its purpose the acquisition, holding and disposition of agricultural loans originated by Kansas banks. No bank's investment in such stock, debentures and capital notes shall exceed 2% of its capital stock, surplus and undivided profits. Such investment shall be carried on the books of the bank as directed by the commissioner;

(17) to buy, hold and sell mortgages, stock, obligations and other securities which are issued or guaranteed by the federal home loan mortgage corporation under sections 305 and 306 of the federal act known as the federal home loan mortgage corporation act (P.L. 91-351);

(18) to buy, hold and sell obligations or other instruments or securities, including stock, issued or guaranteed by the student loan marketing association created by (P.L. 92-318) of the United States;

(19) to engage in financial future contracts on United States government and agency securities subject to such rules and regulations as the state bank commissioner may prescribe pursuant to K.S.A. 9-1713, and amendments thereto, to promote safe and sound banking practices;

(20) to subscribe to, buy and own stock in a federally chartered bankers' bank chartered pursuant to subsection (b) of 12 U.S.C. 27, except no bank's investment in such stock shall exceed 10% of its capital stock, surplus and undivided profits;

(21) subject to such rules and regulations as the state bank commissioner may adopt pursuant to K.S.A. 9-1713, and amendments thereto, to promote safe and sound banking practices, upon recorded prior approval by the board of directors of the initial investment in a specific company and pursuant to an investment policy approved by the board of directors which spe-

cifically provides for such investments to buy, hold and sell shares of an open-end investment company registered with the federal securities and exchange commission under the federal investment company act of 1940 and the federal securities act of 1933 and of a privately offered company sponsored by an affiliated commercial bank, the shares of which are purchased and sold at par and the assets of which consist solely of securities which may be purchased by the bank for its own account. Such shares may be purchased without limit if the assets of the company consist solely of and are limited to obligations that are eligible for purchase by the bank without limit. If the assets of the company include securities which may be purchased by the bank subject to limitation, such shares may be purchased subject to the limitation applicable to purchase by the bank of such securities.

History: L. 1947, ch. 102, § 30; L. 1949, ch. 110, § 1; L. 1955, ch. 64, § 1; L. 1957, ch. 70, § 1; L. 1957, ch. 71, § 1; L. 1959, ch. 58, § 1; L. 1961, ch. 63, § 1; L. 1965, ch. 75, § 1; L. 1967, ch. 69, § 1; L. 1969, ch. 61, § 1; L. 1971, ch. 32, § 1; L. 1973, ch. 44, § 1; L. 1973, ch. 45, § 1; L. 1975, ch. 44, § 12; L. 1982, ch. 50, § 1; L. 1983, ch. 46, § 2; L. 1984, ch. 49, § 1; L. 1984, ch. 48, § 4; L. 1985, ch. 56, § 2; L. 1985, ch. 57, § 1; L. 1986, ch. 332, § 9; L. 1987, ch. 54, § 5; May 7.

(22) to subscribe to, acquire, hold and dispose of stock of any class of the Federal Agricultural Mortgage Corporation, a corporation having as its purpose the acquisition, holding and disposition of loans secured by agricultural real estate mortgages. No bank's investment in such corporation shall exceed 5% of its capital stock, surplus and undivided profits and such investment shall be carried on the books of the bank as directed by the commissioner.

FARMER MAC IN A NUTSHELL

By James E. Murray

In December, Congress passed legislation which will create a secondary market facility for agricultural real estate loans. The facility is entitled the Federal Agricultural Mortgage Corp. ("Farmer Mac"). The Farmer Mac title is part of The Agricultural Credit Act of 1987, which provides principally for the reorganization of the Farm Credit System and for relief to financially-troubled institutions in the system.

The establishment of Farmer Mac launches a new era in agricultural lending. Long-term, fixed-rate mortgages will once again be available to farmers and ranchers. Agricultural banks, life insurance companies, and other traditional agricultural lenders will be able to return to the agricultural real estate market with an assured source of liquidity. Farmer Mac will bring fundamental changes to agricultural lending, through securitization, which holds great long-term promise for a return to a healthy and prosperous agricultural economy.

Here is a capsule description of how Farmer Mac will be set up and how it will work.

Farmer Mac board. Farmer Mac will be an independent, federally sponsored corporation within the Farm Credit System. Within 90 days of enactment of the Farmer Mac legislation, the President will appoint an interim board of directors, consisting of nine members. Three members will represent commercial banks and other agricultural lenders; three member will represent system institutions; and three will represent farmers and the general public.

The interim board will arrange for a sale of \$20 million in common stock. The common stock will be sold in two classes, Class A and Class B. Class A stock will be sold to commercial banks and other agricultural lenders. Class B stock will be sold to Farm Credit System institutions. As soon as the stock is sold, the interim board will arrange for the election and appointment of the permanent board. The permanent board will consist of 15 members. Five members of the permanent board will be elected by Class A stockholders, five members will be elected by Class B stockholders, and the remaining five will be appointed by the President. The President will also appoint the chairman.

Organizational steps. The permanent board will select the principal officers who, in turn, will hire the key employees necessary to begin operations. The following are three of the most significant actions Farmer Mac must take before it is fully operational:

(1) Develop underwriting, appraisal, servicing, and qualified loan standards;

(2) Publish standards for certification of agricultural mortgage marketing facilities ("Certified Facilities"). Generally,

Mr. Murray is a partner in the Washington office of Brown & Wood. He is a former president and general counsel of the Federal National Mortgage Association. Mr. Murray represented the American Bankers Association in the development and passage of the Farmer Mac legislation.

certified facilities must demonstrate that they are adequately capitalized and have managerial ability with respect to agricultural mortgage loan underwriting, servicing, and marketing. They must also demonstrate that they have loan underwriting, appraisal, and servicing standards and procedures which meet or exceed Farmer Mac's standards.

(3) Establish guidelines for the securities which will be guaranteed by Farmer Mac. The act requires that the certified facility pooling the loans must either establish a reserve or retain a subordinated participation interest equal to 10% of the principal amount of the pool. A subordinated participation interest may be shared with the originator.

Farmer Mac operations. The new law contemplates that Farmer Mac will approve certified facilities which have met its required standards. The certified facilities, in turn, will make arrangements with originators to deliver agricultural loans to the certified facilities for pooling and the issuance of Farmer Mac-guaranteed securities. The originators will service the mortgages which are pooled.

A great deal of discretion is accorded to Farmer Mac under the new law as to the kinds of securities it is authorized to guarantee. Because the certified facility, as issuer of the securities, is entitled to favorable tax treatment as a real estate mortgage investment conduit (a "REMIC"), it is assumed that Farmer Mac-guaranteed securities will in most instances be similar to REMIC-type securities popular in the residential mortgage-backed-securities markets.

Other highlights. The following are other aspects of the new law:

- Farmer Mac will have a \$1.5 billion backstop line of credit with the Treasury. This should result in its guaranteed securities receiving favorable treatment in the credit markets so that the yield on its securities should be lower than AAA-rated corporate securities.

- Only agricultural real estate loans (which include residential mortgages not in excess of \$100,000 in communities not exceeding 2,500 in population) will qualify for pooling.

- State usury laws will not apply to agricultural loans pooled for Farmer Mac guarantees.

- Loan limits for individual agricultural mortgage loans in the pools will be the greater of \$2.5 million, adjusted for inflation, or loans secured by no more than 1,000 acres.

- No individual loan in a pool may exceed 3.5% of the pool.

- Pools must contain a minimum of 50 loans.

- Farmer Mac-guaranteed securities will be eligible investments for investors authorized to invest in obligations issued or guaranteed by the U.S. government.

- Farmer Mac-guaranteed securities are not "exempt" securities and are thus subject to registration under the Securities and Exchange Act of 1933. However, such securities will be eligible for purchase and underwriting by banks.

- Farmer Mac will be subject to the regulatory authority of the Farm Credit Administration as to the "safety and soundness" of its operations.

Secondary market



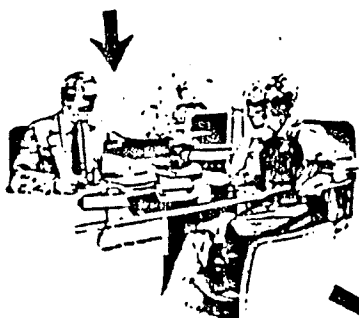
Farmer-Borrower

- Applies for farm-mortgage loan.



Regulator

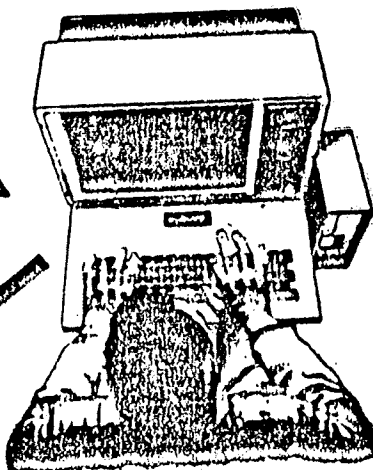
- Farm Credit Administration provides for the safe and sound operation of the Corporation.



Loan Originator

(Bank, Federal Land bank, etc.)

- Evaluates/appraises loan.
- Sells loan to pooler — either all or a percentage.
- Has the right to service loans.
- May share in loss on non-performing loan.



Pooler of Farm Mortgages

- Reviews and buys loans; forms pools of loans.
- Sends pools to Corporation for credit enhancement.
- Issues public securities backed by the pools.
- Establishes reserves to protect the federal government in case of loan default.
- Receives loan payments; makes payments to investors.



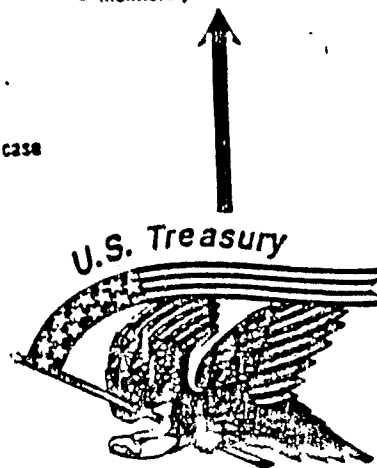
Secondary Market Corporation

- Sets underwriting standards for the mortgage loans.
- Approves poolers.
- Sells credit enhancement to poolers.
- Monitors pools.



Investor

- Buys mortgage-backed securities.



Credit Enhancer

- (For assurance of timely payment of principal and interest to investors)
- Provides credit enhancement on pools approved by the Corporation.