

**U.S. House of Representatives**  
**Committee on Agriculture**  
Room 1301, Longworth House Office Building  
**Washington, DC 20515**

July 28, 1989

The Honorable Nicholas F. Brady  
Secretary  
Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Secretary Brady:

During the consideration of the Agricultural Credit Act of 1987 (Public Law 100-233; hereinafter "the Act") the Committee on Agriculture worked with the Department of the Treasury to fashion a legislative response to the financial difficulties facing the nation's agricultural lenders and borrowers that was acceptable to all parties concerned, including the Administration.

The Act included provisions to establish the Federal Agricultural Mortgage Corporation (Farmer Mac) as a federally chartered institution authorized to operate as a secondary market for agricultural real estate mortgages. In establishing Farmer Mac the Committee on Agriculture was hopeful that a number of benefits would flow to farmers through the operation of a viable agricultural real estate secondary market. Among those benefits contemplated by the Committee were access to new sources of funds for real estate loans, greater availability of long-term fixed-rate agricultural mortgages, and lower interest rates for farm borrowers.

The Act also included provisions which give Farmer Mac a number of the attributes of so-called "agency" status. Among those attributes is specific authority for Farmer Mac to use the book-entry system of the Federal Reserve Board provided in section 8.3(e) of the Farm Credit Act. It was envisioned that the Farmer Mac secondary market would operate much like the successful secondary market structures for home mortgages which have developed since the creation of the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae). These agencies, among many others, have been allowed to use the Federal Reserve System's book-entry system.

It has come to our attention that on February 17, 1989, John R. Dahl, Chairman of the Farmer Mac Board of Directors, wrote to the Acting Assistant Secretary David W. Mullins to request the issuance of regulations which would authorize Farmer Mac to utilize the Federal Reserve Board's book-entry system for Farmer Mac securities. It is also my understanding that, to date, Chairman Dahl has not received a response to that request.

I am hopeful that you will give Chairman Dahl's request in this regard every consideration. The inclusion of a specific authorization for Farmer Mac to utilize the book-entry system in the Act was part of the compromise reached between the Congress and the Administration to ensure that Farmer Mac maintained the attributes of agency status and could operate as a viable secondary market, despite the inclusion of provisions requiring that Farmer Mac mortgage-backed securities be registered with the Securities and Exchange Commission.

Farmer Mac should be given every opportunity to operate on a level playing field with other government-sponsored enterprises that compete for funds in the capital markets and have had access to the book-entry system for many years. To deny access to the book-entry system to Farmer Mac would place Farmer Mac at a competitive disadvantage and deny the nation's farmers and ranchers the benefits that Congress intended to flow to them by the establishment of Farmer Mac.

We will appreciate your promptly informing the Committee on Agriculture of any action the Department of the Treasury takes regarding this matter.

Sincerely,

E (Kika) de la Garza  
Chairman

Edward R. Madigan  
Ranking Member

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