

Mr. President, the CIA's statutory inspector general is an issue that is near and dear to me, particularly since it was at my initiative that this office was established. I, along with a good number of my Senate colleagues who served both on the Iran-Contra Committee and the Senate Select Committee on Intelligence, had voiced concern with the need for objectivity, authority, and independence on the part of the CIA's Office of Inspector General. And, working in close collaboration with my colleague Senator GLENN, we crafted a provision that in 1989 was included in the Intelligence Authorization Act of fiscal year 1990—subsequently enacted into law—to establish an independent, Presidentially appointed statutory inspector general at the CIA. In November, 1990, the Honorable Frederick P. Hitz was formally sworn in as the CIA's first statutory inspector general.

As chairman of the Senate Select Committee on Intelligence, I am pleased to report to my colleagues that in the 5 years since Fred Hitz was sworn in as the CIA IG, the committee has noted a vast improvement in the effectiveness and objectivity of that office. This has been due in no small measure to the capable leadership of Fred Hitz. While the committee has not always agreed with the judgments of the CIA inspector general's office, the CIA IG has been fearless in taking on difficult and controversial issues such as BCCI, BNL, the Aldrich Ames case, and CIA activities in Guatemala—just to name a few. And the work of Fred Hitz's shop has been an invaluable supplement to our committee's intelligence oversight role.

Mr. President, there was fierce resistance to the creation of a statutory inspector general at the Central Intelligence Agency, and there continues to be strong resentment of an independent IG in certain quarters of the CIA to this day.

This should come as no surprise. It is hard to think of another Federal agency in the U.S. Government more institutionally resistant to having an independent inspector general than the CIA. Accordingly, I believe that any CIA IG worth his or her salt would be about as popular as Fred Hitz currently is with some of his present and former CIA colleagues. It is a mark of his tenacity and integrity that Fred and his office continue to tackle the IG's mission of serving as an independent fact-finder and, when necessary, a critic of CIA programs and operations.

Mr. President, the statutory CIA inspector general has made the Central Intelligence Agency more accountable to the American people. I and my Senate colleagues wish to acknowledge and commend the fine work of this office, and congratulate Fred Hitz on his 5-year anniversary as the first statutory CIA inspector general.

Mr. KERREY. Mr. President, I rise to join my distinguished chairman, Senator SPECTER, in introducing this reso-

lution to acknowledge the important role of the Central Intelligence Agency's statutory inspector general's office and noting the excellent work of Fred Hitz—the first CIA statutory IG who has recently celebrated his 5-year anniversary in this challenging position.

There was, to say the least, some skepticism about the wisdom of creating the statutory IG office at the CIA. Indeed, no one should be surprised that there was little support in the Agency for the creation of a statutory inspector general office. But fortunately, Senator SPECTER and Senator GLENN and others convinced the Senate to support this idea, and the office was created. Yet even after enactment, there was still resistance to an independent fact-finder within the Agency, and some of it persists even today.

The CIA has a proud but insular culture which tends to resist the scrutiny of an independent examiner. Also, because CIA operates in secret and undertakes—at the request and direction of policymakers—activities which the United States must deny, the additional oversight of an independent IG is essential. To perform this oversight effectively and honestly means to occasionally render strong criticism. Those who are criticized are sometimes offended. Their response to criticism ranges from the stoic silence we associate with CIA, to both attributable and anonymous counter-criticism of Mr. Hitz.

Mr. President, criticism of the IG by past and present CIA employees suggests to me that Mr. Hitz has been doing his job in the spirit Congress intended. I do not claim, nor would Mr. Hitz claim, that he has done his job perfectly. Few of us attain such a level of performance. I and some other members of the Intelligence Committee have not always agreed with his conclusions in particular investigations. But I would claim the CIA is a stronger, more effective organization today because he has been a strong, independent IG, as Congress envisioned.

Congress' own oversight of intelligence activities would be much more difficult without the insights provided by an independent IG. At the same time, an independent IG must not contribute to a climate in which CIA is afraid to take risks when vital U.S. interests are at stake. An independent IG must not create an internal empire of inspectors which has the same chilling effect on creative action in Government that excessive regulation has on business. Like the congressional oversight committees, a good IG must ensure that the Agency acts in accordance with U.S. law and U.S. values without inhibiting the Agency's ability to act boldly.

From what I see from the vantage point of the Intelligence Committee, Fred Hitz has been that kind of IG. I congratulate him on his completion of 5 years of service and I congratulate my colleagues who 5 years ago envi-

sioned what we now agree is a very necessary job.

Mr. SANTORUM. I ask unanimous consent that the resolution be agreed to, the preamble be agreed to, the motion to reconsider be laid upon the table and any statements be placed in the appropriate place in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The resolution (S. Res. 201) was agreed to.

The preamble was agreed to.

The resolution, with its preamble, reads as follows:

S. RES. 201

Whereas, because of its concern with the need for objectivity, authority and independence on the part of the Central Intelligence Agency's Office of Inspector General, the Senate in 1989 included in the Intelligence Authorization Act of Fiscal Year 1990—subsequently enacted into law—a provision establishing an independent, Presidentially-appointed statutory Inspector General at the CIA;

Whereas in November, 1990, The Honorable Frederick P. Hitz was formally sworn in as the CIA's first statutory Inspector General;

Whereas the CIA's statutory Office of Inspector General, under the capable leadership of Frederick P. Hitz, has demonstrated its independence, tenacity, effectiveness and integrity; and

Whereas the work of the CIA Office of Inspector General under Mr. Hitz's leadership has contributed notably to the greater efficiency, effectiveness, integrity and accountability of the Central Intelligence Agency: Now, therefore, be it

Resolved, That the Senate expresses its congratulations to Frederick P. Hitz on his 5-year anniversary as the first statutory CIA Inspector General and expresses its support for the Office of the CIA Inspector General.

SEC. 2. The Secretary of the Senate shall transmit a copy of this resolution to Frederick P. Hitz.

MEASURES INDEFINITELY POSTPONED—S. 1315 AND S. 1388

Mr. SANTORUM. Mr. President, I ask unanimous consent that Calendar No. 287, S. 1315, and Calendar No. 288, S. 1388, be indefinitely postponed.

The PRESIDING OFFICER. Without objection, it is so ordered.

FARM CREDIT SYSTEM REFORM ACT OF 1996

Mr. SANTORUM. I ask unanimous consent that the Committee on Agriculture be discharged from further consideration of H.R. 2029 and that the Senate proceed to its immediate consideration.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will report.

The legislative clerk read as follows: A bill (H.R. 2029) to amend the Farm Credit Act of 1971 to provide regulatory relief.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

AMENDMENT NO. 3109

(Purpose: To provide a complete substitute.)

Mr. SANTORUM. Mr. President, I send a substitute amendment to the

desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Pennsylvania [Mr. SANTORUM], for Mr. LUGAR for himself and Mr. LEAHY, proposes an amendment numbered 3109.

Mr. SANTORUM. I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. LUGAR. Mr. President, I rise in support of H.R. 2029, the Farm Credit System Reform Act of 1996. The bill makes changes to the authorizing legislation for the Federal Agricultural Mortgage Corporation [Farmer Mac] to afford it a final opportunity to establish a successful secondary market for agricultural loans. Its future is seriously threatened and without this corrective legislation, the benefits it offers farmers, ranchers, and rural homeowners may be lost. Farmer Mac was established to encourage a stable and highly competitive lending environment for rural America, an environment that must be preserved.

The bill also provides changes to the underlying statute for the cooperative Farm Credit System [FCS] to provide relief from outdated and unnecessary regulations. These changes will give FCS more flexibility in its operations and allow it to provide competitive loan rates and improved service. The bill also extends the U.S. Department of Agriculture's interest rate reduction production on guaranteed farm loans. This program is an important tool used to transfer direct loan borrowers to guaranteed loans, eventually leading to borrower graduation from Federal support. Finally, the bill will authorize a new foundation to facilitate creative solutions to soil and water conservation problems. This foundation will be funded primarily through private donations.

Farmer Mac is responsible for providing farmers, ranchers, and rural homeowners with access to a stable and competitive supply of credit for mortgage loans. It is a privately owned and operated corporation created by Congress in 1988. Farmer Mac is known as a Government sponsored enterprise, similar to Sallie Mae and Fannie Mae, which employ private capital to establish business operations charged with specific responsibilities to carry out public policy. Farmer Mac, which began operations after the enactment of the Agricultural Credit Act of 1987, raised \$21 million in private capital from banks, insurance companies, and Farm Credit institutions to fund the development and operation of a secondary market. No Federal funds were invested in the original capitalization of Farmer Mac and no Federal funds have ever been appropriated to support

any facet of its operation. In fact, Farmer Mac pays the Farm Credit Administration annual assessments to cover the cost to the Government of regulating the secondary market.

Farmer Mac must make a profit to support its operations or its capital base will eventually be exhausted. Should the capital base erode—it is currently down to about \$11 million—the original investors would lose their investments and the secondary market would terminate. Termination of Farmer Mac would deny rural Americans access to competitive long-term fixed rate mortgages at a time when budget reductions and changes in Government housing and agricultural policy will place increased pressure on farmers, ranchers, and rural homeowners to reduce expenses to remain competitive.

The successful Fannie Mae and Freddie Mac residential mortgage secondary markets were used as the structural design for Farmer Mac. However, certain distinctions were made that have become obstacles to Farmer Mac's success: First, the requirement that Farmer Mac operate its program through poolers, and Second, the requirement that every Farmer Mac loan be backed by a minimum 10-percent subordinated participation interest. The bill repeals both of these obstacles. Nine poolers have been certified since 1990. However, the poolers have only submitted six pools of qualified loans, totaling \$790 million, for guarantee under the program. The limited participation has prevented the program from generating enough income to support its cost of operation. Under H.R. 2029, Farmer Mac will now be permitted to purchase and pool loans itself, and the 10-percent cash reserve requirement is eliminated. The removal of these impediments will make Farmer Mac's structure essentially identical to other successful GSE's.

In addition, the legislation: extends the time period before the Farm Credit Administration may promulgate risk-based capital regulations to 3 years after the date of enactment; provides a time triggered transition period to increased minimum and critical capital requirements; requires Farmer Mac to increase its core capital to at least \$25 million within 2 years or curtail its operation; and provides procedures for the Farm Credit Administration to liquidate Farmer Mac's operation in the event it fails to establish a successful secondary market.

It has become apparent that after almost 6 years of operation, Farmer Mac's statutory structure will not work. This important piece of legislation gives Farmer Mac everything it needs to succeed for the sake of rural Americans.

The bill also removes undue regulatory burden placed on the Farm Credit System and provides the System greater flexibility in its operations to offer its borrowers competitive loan rates and improved service.

This portion of the legislation provides that FCS borrower stock and borrower rights requirements do not apply for 180 days to loans designated for sale to the secondary market; allows FCS associations to form administrative entities; provides for rebating to System banks excess amounts in the Farm Credit System Insurance Fund after 8 years of interest earnings accumulate on top of the System's secure capital base; provides procedures for allocating to System banks and to other institutions holding Financial Assistance Corporation [FAC] stock excess amounts in the Farm Credit System Insurance Fund until \$56 million is repaid; provides authority to prohibit or limit golden parachute payments to System executives; and repeals the requirement for establishing a new board of directors for the Farm Credit System Insurance Corporation and retains the current board structure.

The FAC stock provisions lay to rest a long standing controversy in the Farm Credit System. Beginning in 1984, the System came upon hard times due to the credit crisis in farming and System associations were required to purchase FAC stock for the amount of unallocated retained earnings exceeding 13 percent of their total assets to assist in rescuing the floundering system. The associations which had a high level of capital in relation to their loan volume were affected most. Many associations believe that they and their borrowers were required by the Agricultural Credit Act of 1987 to carry a disproportionate share of the System's self-help burden. The substantial depletion of capital resulting from the assessment caused associations to increase interest rates to their customers. The assessment was challenged by 21 production credit associations shortly after the enactment of the 1987 legislation. However, the U.S. Court of Appeals affirmed the authority of Congress to impose the assessment in June 1992. Legislation in 1988 and 1989 permitted the return of \$121 million to the FAC stockholders of the more than \$177 million collected from System institutions.

Many in Congress believe that the assessments and mandatory purchase of FAC stock represented a commitment to the future of the Farm Credit System. It was the inherent responsibility of System institutions to join the Federal Government to bail out the System in exchange for continued agency status for their debt securities. The compromise included in this bill permits the repayment of \$56 million to the remaining FAC stockholders and terminates the Financial Assistance Corporation trust upon full repayment of that sum. I support this compromise and I am pleased that this controversy has been amicably resolved.

Preserving and making more efficient a system that provides rural America access to stable and competitive credit is of the utmost importance. Farmer Mac can make an important

contribution to this goal. This legislation is a final congressional effort to make Farmer Mac viable. Legislative restrictions may have hobbled the institution until now. If the new authorities do not prove sufficient, it will be time to declare Farmer Mac a failed experiment. The bill before us provides for orderly procedures in this event.

I urge my colleagues to support this important piece of legislation.

Mr. LEAHY. I rise at this time to engage the gentleman from Indiana, the chairman of the committee, in a colloquy.

Mr. LUGAR. I would be pleased to engage the Senator in a colloquy.

Mr. LEAHY. It is my understanding that the legislation before us today includes provisions designed to provide relief to institutions of the Farm Credit System from the paperwork, costs, and other burdens associated with unnecessary and archaic regulatory requirements placed on such institutions under current law. It is also my understanding that similar legislation to provide regulatory relief to the commercial banking industry is also under consideration by the Congress.

Mr. LUGAR. The Senator is correct.

Mr. LEAHY. It is also my understanding that the legislation before the Senate includes amendments to title VIII of the Farm Credit Act of 1971 to modernize, expand, and make other improvements in the Federal charter and authorities of the Federal Agricultural Mortgage Corporation so that this entity, commonly known as Farmer Mac, can better provide credit to agricultural borrowers through commercial banks and other lenders.

Mr. LUGAR. The Senator is correct.

Mr. LEAHY. It is my further understanding that this legislation includes an agreed-upon compromise to address once and for all the issue of the return of the remaining 32 percent of the one-time self-help contributions paid by Farm Credit Systems banks and associations to help capitalize the Financial Assistance Corporation. The institutions that were assessed these contributions were designated as holders of stock in the Financial Assistance Corporation, commonly referred to as FAC stock. Is it not true that this stock, in and of itself, has no value, and that the holders of this stock have no legal claim, either now or in future, against any party in association with this stock, beyond any that may arise as a result of the specific provisions of the bill before us today?

Mr. LUGAR. The Senator's understanding is absolutely correct.

Mr. LEAHY. I am disappointed that the bill before us today does not include amendments to the remaining titles of the Farm Credit Act of 1971 to provide similar modernization, expansion, and improvements to the Federal charter and other authorities of the remaining institutions of the Farm Credit System. These banks and associations of the Farm Credit System provide a needed source of credit to the farmers, ranchers, their associations, and cooperatives across rural America.

The System also provides financing for agricultural exports, rural water and waste, and other rural enterprises. Does the chairman have any plans to comprehensively review the authorities of these other institutions regulated under the Farm Credit Act of 1971 with an eye toward providing for the similar modernization, expansion and improvement of their Federal charter and other authorities?

Mr. LUGAR. Yes, it is my intention next year to work with the gentleman from Vermont and other interested Members to conduct a comprehensive review by the Committee on Agriculture, Nutrition, and Forestry of the authorities of the institutions regulated under the Farm Credit Act of 1971, other than Farmer Mac, consistent with the jurisdiction of the committee. The stated goal of this review will be to develop legislation to provide for the modernization, expansion, and improvement of their Federal charter and other authorities of the institutions of the Farm Credit System. Such legislation, if warranted by our review, could provide for enhanced agricultural, business, and rural development financing across the United States.

Mr. LEAHY. I thank the Senator for his cooperation on the bill before us today and look forward to working with him next year on the important Farm Credit System modernization legislation he has just described.

Mr. SANTORUM. Mr. President, I ask unanimous consent that the amendment be agreed to and the bill be deemed read a third time and passed, and the motion to reconsider be laid upon the table.

The PRESIDING OFFICER. Without objection, it is so ordered.

So the amendment (No. 3109) was agreed to.

So the bill (H.R. 2029) was deemed read the third time and passed.

So the title was amended so as to read: An Act to amend the Farm Credit Act of 1971 to provide regulatory relief, and for other purposes.

MEASURE READ THE FIRST
TIME—HOUSE JOINT RESOLU-
TION 134

Mr. SANTORUM. I inquire of the Chair if the Senate has received from the House House Joint Resolution 134?

The PRESIDING OFFICER. It has been received.

Mr. SANTORUM. I ask the joint resolution be read for the first time.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

A joint resolution (H.J. Res. 134) making further continuing appropriations for the fiscal year 1996, and for other purposes.

Mr. SANTORUM. I now ask for its second reading and object to my own request on behalf of Senators on the Democratic side of the aisle.

The PRESIDING OFFICER. The bill will be read a second time on the next legislative day.

ORDERS FOR FRIDAY, DECEMBER
22, 1995

Mr. SANTORUM. I ask unanimous consent that when the Senate completes its business today it stand in adjournment until the hour of 10:15 a.m. on Friday, December 22, that following the prayer, the Journal of proceedings be deemed approved to date, no resolutions come over under the rule, the call of the calendar be dispensed with, the morning hour be deemed to have expired, and the time for the two leaders be reserved for their use later in the day.

The PRESIDING OFFICER. Without objection, it is so ordered.

PROGRAM

Mr. SANTORUM. At 10:15 a.m. the Senate will begin 30 minutes for closing debate on the veto message to be followed by 30 minutes for closing debate on the welfare conference report. Two back-to-back votes will occur beginning at 11:15 on both issues. Following the two back-to-back votes, the Senate will begin the START II treaty. The Senate could also be asked to consider available appropriations bills, other conference reports, and other items due for action. Rollcall votes are therefore expected throughout the session of the Senate on Friday.

POSTPONEMENT OF CLOTURE
VOTE

Mr. SANTORUM. Mr. President, I further ask unanimous consent that the cloture vote scheduled for today be postponed to occur at a time to be determined by the two leaders on Friday.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR ADJOURNMENT

Mr. SANTORUM. If there is no further business to come before the Senate, I now ask that the Senate stand in adjournment under the previous order, following the remarks of the Senator from Pennsylvania.

The PRESIDING OFFICER. Without objection, it is so ordered.

PERSONAL RESPONSIBILITY AND
WORK ACT OF 1995—CONFERENCE
REPORT

The Senate continued with consideration of the conference report.

Mr. SANTORUM. Mr. President, again I want to restate my admiration for the Senator from Delaware and for the members of the Finance Committee staff for their tremendous work in this legislation and for hastily preparing Members for this debate this evening that was not expected until tomorrow.

I want to also thank Senator CHAFEE, who really worked diligently during the conference between the House and the Senate on behalf of points that the