

12 CFR Part 615

Accounting, Agriculture, Banks, banking, Government securities, Investments, Rural areas.

For the reasons stated in the preamble, parts 614 and 615, chapter VI, title 12 of the Code of Federal Regulations are proposed to be amended as follows:

PART 614—LOAN POLICIES AND OPERATIONS

1. The authority citation for part 614 continues to read as follows:

Authority: 42 U.S.C. 4012a, 4104a, 4104b, 4106, and 4128; secs. 1.3, 1.5, 1.6, 1.7, 1.9, 1.10, 1.11, 2.0, 2.2, 2.3, 2.4, 2.10, 2.12, 2.13, 2.15, 3.0, 3.1, 3.3, 3.7, 3.8, 3.10, 3.20, 3.28, 4.12, 4.12A, 4.13, 4.13B, 4.14, 4.14A, 4.14C, 4.14D, 4.14E, 4.18, 4.18A, 4.19, 4.25, 4.26, 4.27, 4.28, 4.36, 4.37, 5.9, 5.10, 5.17, 7.0, 7.2, 7.6, 7.8, 7.12, 7.13, 8.0, 8.5 of the Farm Credit Act (12 U.S.C. 2011, 2013, 2014, 2015, 2017, 2018, 2019, 2071, 2073, 2074, 2075, 2091, 2093, 2094, 2097, 2121, 2122, 2124, 2128, 2129, 2131, 2141, 2149, 2183, 2184, 2199, 2201, 2202, 2202a, 2202c, 2202d, 2202e, 2206, 2206a, 2207, 2211, 2212, 2213, 2214, 2219a, 2219b, 2243, 2244, 2252, 2279a, 2279a-2, 2279b, 2279c-1, 2279f, 2279f-1, 2279aa, 2279aa-5); sec. 413 of Pub. L. 100-233, 101 Stat. 1568, 1639.

Subpart P—Farm Credit Bank and Agricultural Credit Bank Financing of Other Financing Institutions

2. Revise § 614.4540(c) to read as follows: § 614.4540 *Other financing institution access to Farm Credit Banks and agricultural credit banks for funding, discount, and other similar financial assistance.*

* * * * *

(c) *Underwriting standards.* Each Farm Credit Bank and agricultural credit bank shall establish objective policies, procedures, pricing guidelines, and loan underwriting standards for determining the creditworthiness of each OFI applicant. A copy of such policies and guidelines shall be made available, upon request to each OFI and OFI applicant.

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3. Revise § 614.4550 to read as follows:

§ 614.4550 Place of discount.

A Farm Credit Bank or agricultural credit bank may provide funding, discounting, or other similar financial assistance to any OFI applicant. However, a Farm Credit Bank or agricultural credit bank cannot fund, discount, or extend other similar financial assistance to an OFI that maintains its headquarters, or has more than 50 percent of its outstanding loan

volume to eligible borrowers who conduct agricultural or aquatic operations in the chartered territory of another Farm Credit bank unless it notifies such bank in writing within five (5) business days of receiving the OFI's application for financing. Two or more Farm Credit banks cannot simultaneously fund the same OFI.

4. Revise § 614.4560(d) to read as follows:

§ 614.4560 Requirements for OFI funding relationships.

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(d) The borrower rights requirements in part C of title IV of the Act, and the regulations in subparts K, L, and §§ 614.4516, 614.4517, 614.4518, and 614.4519 of subpart N of part 614 shall apply to all loans that an OFI funds or discounts through a Farm Credit Bank or agricultural credit bank, unless such loans are subject to the Truth-in-Lending Act, 15 U.S.C. 1601 *et seq.*

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5. Amend § 614.4590 by adding new paragraphs (c) and (d) to read as follows:

§ 614.4590 Equitable treatment of OFIs and Farm Credit System associations.

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(c) Upon request, each Farm Credit Bank or agricultural credit bank must provide each OFI and OFI applicant a copy of its policies, procedures, loan underwriting standards, and pricing guidelines for OFIs. The pricing guidelines must identify the specific components that make up the cost of funds for OFIs and the amount of these components in basis points.

(d) Upon request of any OFI or OFI applicant, each Farm Credit Bank or agricultural credit bank must explain in writing the reasons for any variation in the overall funding costs it charges to OFIs and direct lender associations. The written explanation must compare the cost of funds that the Farm Credit Bank or agricultural credit bank charges the aggregate of its OFIs and affiliated direct lender associations. When possible, the written explanation shall compare the costs of funding that the bank charges several OFIs and FCS associations that are similar in size. However, the Farm Credit Bank or agricultural credit bank must not disclose financial or confidential information about any individual FCS association.

6. Amend part 614, subpart P by adding a new § 614.4595 to read as follows:

§ 614.4595 Public disclosure about OFIs.

A Farm Credit Bank or agricultural credit bank may disclose to members of the public the name, address, telephone

number, and Internet Web site address of any affiliated OFI only if such OFI, through a duly authorized officer, consents in writing. Each Farm Credit Bank and agricultural credit bank must adopt policies and procedures for obtaining and maintaining the consent of its OFIs and for disclosing this information to the public.

PART 615—FUNDING AND FISCAL AFFAIRS, LOAN POLICIES AND OPERATIONS, AND FUNDING OPERATIONS

7. The authority citation for part 615 continues to read as follows:

Authority: Secs. 1.5, 1.7, 1.10, 1.11, 1.12, 2.2, 2.3, 2.4, 2.5, 2.12, 3.1, 3.7, 3.11, 3.25, 4.3, 4.3A, 4.9, 4.14B, 4.25, 5.9, 5.17, 6.20, 6.26, 8.0, 8.3, 8.4, 8.6, 8.7, 8.8, 8.10, 8.12 of the Farm Credit Act (12 U.S.C. 2013, 2015, 2018, 2019, 2020, 2073, 2074, 2075, 2076, 2093, 2122, 2128, 2132, 2146, 2154, 2154a, 2160, 2202b, 2211, 2243, 2252, 2278b, 2278b-6, 2279aa, 2279aa-3, 2279aa-4, 2279aa-6, 2279aa-7, 2279aa-8, 2279aa-10, 2279aa-12); sec. 301(a) of Pub. L. 100-233, 101 Stat. 1568, 1608.

Subpart F—Property, Transfers of Capital, and Other Investments

8. Revise § 615.5172 to read as follows:

§ 615.5172 Investments by associations in Farmers' notes.

(a) In accordance with policies prescribed by the board of directors of the Farm Credit Bank or agricultural credit bank that funds it and each direct lender association, each direct lender association may invest in notes, sales contracts, and other similar obligations (hereafter Farmers' notes) that eligible farmers, ranchers, producers and harvesters of aquatic products, and farm-related businesses give to entities that routinely extend credit in the normal course of their business.

(b) Farmers' notes must be secured by:

- (1) Collateral of a capital nature that eligible farmers, ranchers, producers and harvesters of aquatic products use in their agricultural or aquatic operations or for their household needs;
- (2) Collateral of a capital nature that eligible farm-related businesses use in providing farm-related services to eligible farmers and ranchers.

(c) The total amount that an association may invest in Farmers' notes, at any one time, must not exceed 15 percent of the balance of its loans outstanding at the close of the association's preceding fiscal year. In addition, the total amount that an association may carry as investments in Farmers' notes originated by any one selling entity must not exceed 50