

PART 617—[REMOVED]**§§ 617.1—617.4 [Redesignated as §§ 612.2300—612.2303]**

11. Redesignate §§ 617.1 through 617.4 as new §§ 612.2300 through 612.2303.

12. Remove part 617.

13. Redesignate newly designated §§ 612.2300—612.2303 as subpart B and add a heading for subpart B to read as follows:

Subpart B—Referral of Known or Suspected Criminal Violations**§ 612.2300 [Amended]**

14. Amend newly designated § 612.2300 by removing the reference “§ 617.2” each place it appears and add in its place, the reference “§ 612.2301” in paragraphs (a), (c), and (e).

15. Add a new part 617 to read as follows:

PART 617—BORROWER RIGHTS**Subpart A—General**

Sec.
617.7000 Definitions.

Subpart B—Disclosure of Effective Interest Rates

617.7100 Who must make and who is entitled to receive an effective interest rate disclosure?

617.7105 When must a qualified lender disclose the effective interest rate to a borrower?

617.7110 How should a qualified lender disclose the cost of borrower stock or participation certificates?

617.7115 How should a qualified lender disclose loan origination and other charges?

617.7120 How should a qualified lender present the disclosures to a borrower?

617.7125 How should a qualified lender determine the effective interest rate?

617.7130 What initial disclosures must a qualified lender make to a borrower?

617.7135 What subsequent disclosures must a qualified lender make to a borrower?

Subpart C—Disclosure of Differential Interest Rates

617.7200 What disclosures must a qualified lender make to a borrower on loans offered with more than one rate of interest?

Authority: Secs. 4.13, 5.9, 5.17 of the Farm Credit Act (12 U.S.C. 2199, 2243, 2252(a)(9)).

Subpart A—General**§ 617.7000 Definitions.**

For purposes of this part, the following terms apply:

Adjustable rate loan means a loan where the interest rate payable over the term of the loan may change. This includes adjustable rate, variable rate or other similarly designated loans.

Effective interest rate means a measure of the cost of credit, expressed as an annual percentage rate, that shows the effect of the following costs, if any, on the interest rate on a loan charged by a qualified lender to a borrower:

(1) The amount of any stock or participation certificates that a borrower is required to buy to obtain the loan; and

(2) Any loan origination charges paid by a borrower to a qualified lender to obtain the loan.

Interest rate means the stated contract rate of interest.

Loan means an extension of credit made to a farmer, rancher, or producer or harvester of aquatic products, for any agricultural or aquatic purpose and other credit needs of the borrower, including financing for basic processing and marketing that directly relates to the borrower's operations and those of other eligible farmers, ranchers, and producers or harvesters of aquatic products.

Qualified lender means:

(1) A System institution, except a bank for cooperatives, that makes loans as defined in this section; and

(2) Each bank, institution, corporation, company, credit union, and association described in section 1.7(b)(1)(B) of the Act (commonly referred to as an other financing institution), but only with respect to loans discounted or pledged under section 1.7(b)(1).

Subpart B—Disclosure of Effective Interest Rates**§ 617.7100 Who must make and who is entitled to receive an effective interest rate disclosure?**

(a) A qualified lender must make the disclosures required by subparts B and C of this part to borrowers for all loans not subject to the Truth in Lending Act.

(b) For a single loan involving more than one borrower, a qualified lender is required to provide only one set of disclosures to borrowers. All borrowers may designate, in writing, one person who will receive the effective interest rate disclosure. If the borrowers do not designate a particular recipient, the lender may provide the disclosure to at least one of the borrowers who is primarily liable for repayment of the loan.

§ 617.7105 When must a qualified lender disclose the effective interest rate to a borrower?

(a) *Disclosure to prospective borrowers.* A qualified lender must provide written effective interest rate disclosure for each loan no later than the time of loan closing.

(b) *Disclosure to existing borrowers.* (1) A qualified lender must provide a new effective interest rate disclosure to an existing borrower on or before the date:

(i) The borrower executes a new promissory note or other comparable evidence of indebtedness;

(ii) The borrower purchases additional stock as a condition of obtaining new funds from the qualified lender; or

(iii) The borrower pays an additional loan origination charge to the qualified lender as a condition of obtaining new funds.

(2) A qualified lender is not required to provide a new effective interest rate disclosure when it advances new funds to an existing borrower if none of the conditions of paragraph (b)(1) of this section apply and the advance is made pursuant to a preexisting contract that specifically provides for future advances.

§ 617.7110 How should a qualified lender disclose the cost of borrower stock or participation certificates?

The cost of borrower stock must be included in the effective interest rate calculation at the time the stock is purchased in connection with a loan transaction. For subsequent loans to existing borrowers, only the cost of new stock, if any, purchased in connection with a new loan or advance of new funds must be included in the effective interest rate calculation for the transaction.

§ 617.7115 How should a qualified lender disclose loan origination and other charges?

(a) Any one-time charge paid by a borrower to a qualified lender in consideration for making a loan must be included in the effective interest rate as a loan origination charge. These include, but are not limited to, loan origination fees, application fees, and conversion fees. Loan origination charges also include any payments made by a borrower to a qualified lender to reduce the interest rate that would otherwise be charged, including any charges designated as “points.”

(b) All other payments of fees not included in the loan origination charges described in paragraph (a) of this section that borrowers are required to make to obtain a loan must be disclosed separately at the time of loan closing. These include, but are not limited to, fees paid to the lender or a third party to obtain an appraisal, and any taxes, guarantee fees, or insurance premiums paid by borrowers to third parties.