

Farm Credit Administration

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INFORMATIONAL MEMORANDUM



November 8, 1999

To: The Chief Executive Officer
All Farm Credit System Institutions

From: Roland E. Smith, Director /s/
Office of Examination

Subject: Web Site and Internet Guidelines

The purpose of this memorandum is to explain how the Farm Credit Administration (FCA) will evaluate an institution's Web site and to communicate the standards which we will apply in our examinations. The establishment of appropriate Web sites and Internet guidelines is a good business practice, and such guidelines are increasing in importance as access to the Internet grows. A survey completed by the Department of Agriculture's Statistical Service reported the percentage of farmers nationwide with access to the Internet grew from 13 percent in 1997, to 29 percent in early 1999. For many farmers, the Internet has become a primary source for sharing and gathering information and even buying products. Farm Credit System (FCS) Web sites that offer financial services and information are a logical response to the growing use of the Internet by farmers and ranchers. In addition, FCS Web sites can be an effective method to reach potential customers, such as young, beginning, and small farmers and ranchers.

In our examination of an institution's Web site and Internet activities, FCA examiners will evaluate:

- The adequacy of an institution's policies and procedures, including a documented security policy.
- The adequacy of internal controls and internal audit of Internet operations. These controls should: (1) contain firewalls and other devices that isolate internal systems from public access; (2) enable the institution to quickly detect either an intrusion or site defacement and quickly restore the site; and (3) provide for periodic reporting to the board on the internal audit results of Internet activities.

Our examiners will also evaluate whether FCS institutions' Web sites comply with various Federal laws that govern Internet activities. For example, the "Children's Online Privacy

Protection Act of 1998" (Act) prescribes rules that commercial Web sites must follow when collecting and using personal information from children. The Act becomes effective April 21, 2000. The full text of the Act is attached and additional guidance can be found at <http://www.ftc.gov/opa/1999/9910/childfinal.htm>. FCS institutions should be especially mindful of the sites they choose to link to their own Web site. Therefore, we will examine FCS institution Web sites to ensure they contain the following:

- A privacy statement that identifies the information the Web site gathers and how the information is used.
- A specific statement identifying the institution as an equal credit opportunity lender if the Web site contains an online loan or lease application or even advertises credit availability.
- A specific statement identifying the institution as an equal housing lender if the Web site advertises rural residence loans.
- A specific statement identifying the institution as an equal opportunity employer if the Web site contains job announcements or online job applications.

We recognize that operating arrangements of a Web site may differ and some FCS institutions jointly manage a single Web site. Other FCS institutions use third-party firms to run their Web sites. In either case, there should be a documented agreement among all parties involved. In the near future, we will be revising our *Examination Manual* to provide more detail on the Office of Examination's approach to examining Internet activities and Web site operations. If you have any questions about this memorandum, please call Thomas M. Glenn at (703) 883-4412, or correspond on the Internet at e-mail address glennt@fca.gov.

Attachment