

Farm Credit Administration

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INFORMATIONAL MEMORANDUM



March 16, 1998

To: Chairman, Board of Directors
Chief Executive Officer
Each Farm Credit System Institution

From: Roland E. Smith, Chief Examiner
Office of Examination

Subject: Reporting Requirements for Amended 12 CFR Parts 614 and 627

The Farm Credit Administration (FCA) recently amended parts 614 and 627 of its regulations. Part 614 governs the funding relationship between a Farm Credit Bank (FCB) or Agricultural Credit Bank (ACB) and a direct lender association or other financing institution (OFI). Part 627 permits the voluntary liquidation of Farm Credit System institutions, including service corporations, by means of an FCA Board-approved liquidation plan.

The amendment of both regulations provides FCBs, ACBs, direct lenders, and OFIs flexibility to address issues that pertain to their funding relationship. Consistent with our efforts to streamline regulations by removing unnecessary prior approvals, FCA no longer prior approves General Financing Agreements (GFAs).

The amended regulations set out certain reporting requirements to FCA. The purpose of this Informational Memorandum is to clarify these requirements:

- **614.4125(b)** -- Requires the FCB or ACB to deliver a copy of the executed GFA and all related documents to the Chief Examiner or to the FCA office that the Chief Examiner designates. All executed GFA's within a Farm Credit System district should be submitted to the FCA Field Office responsible for that district's bank examination. Please forward as follows:

FCB or ACB

AgAmerica / Western
AgriBank
AgFirst
CoBank
Texas
Wichita

FCA Field Office

Sacramento
Bloomington
McLean
Denver
Dallas
Denver

- **614.4125(e)** -- Requires simultaneous notification to FCA and to the Farm Credit System Insurance Corporation (FCSIC) in instances wherein an FCB or ACB provides notice to a direct lender association that it is in material default of its GFA, promissory note, security agreement, or other related documents. FCA notification should be directed to the Chief Examiner, Office of Examination. FCSIC notification should be sent to the Director, Risk Management of the FCSIC.
- **614.4125(f)** -- Requires a direct lender association to provide written notification to FCA and FCSIC if it has been notified of being in material default under its GFA, loan agreement, promissory note, security agreement, or other related documents. FCA notification should be directed to the Chief Examiner, Office of Examination. FCSIC notification should be sent to the Director, Risk Management of the FCSIC.
- **614.4125(g)** -- Requires that an FCB or ACB obtain prior written consent of FCA before taking any action that leads to or could lead to the liquidation of a direct lender association. Notification should be directed to the Chief Examiner, Office of Examination. This notification should include a narrative justifying the need and basis for the proposed action.
- **614.4130(b)** -- Requires each FCB and ACB to provide a copy of the executed GFA and all related documents, as well as subsequent amendments to these documents, to the Chief Examiner or the FCA office designated by the Chief Examiner. Provide the executed GFA, related documents, and any subsequent amendments to the FCA Field Office that is responsible for that district's bank examination as listed previously for 614.4125(b).
- **627.2795(a)** -- Requires the consent of the FCA Board before a Farm Credit System institution may voluntarily liquidate. Upon resolution to liquidate by its board of directors, the institution should submit the proposed voluntary liquidation plan to the Secretary of the FCA Board.

If you have any questions regarding this document, please call me or Thomas M. Glenn, Director of Operations, Office of Examination, at 703-883-4160. Contact may also be made at the following e-mail addresses: *smithr@fca.gov* and *glennt@fca.gov*.