

Farm Credit Administration

§ 614.4165

achieve equitable rate treatment within categories of borrowers. In the adoption of differential interest rate programs, institutions may consider, among other things, the effect that such interest rate structures will have on the achievement of objectives relating to the special credit needs of young, beginning or small farmers.

[61 FR 67186, Dec. 20, 1996. Redesignated at 62 FR 66818, Dec. 22, 1997]

§ 614.4165 Young, beginning, and small farmers and ranchers.

(a) *Definitions.* (1) For purposes of this subpart, the term "credit" includes:

(i) Loans made to farmers and ranchers and producers or harvesters of aquatic products under title I or II of the Act; and

(ii) Interests in participations made to farmers and ranchers and producers or harvesters of aquatic products under title I or II of the Act.

(2) For purposes of this subpart, the term "services" includes:

(i) Leases made to farmers and ranchers and producers or harvesters of aquatic products under title I or II of the Act; and

(ii) Related services to farmers and ranchers and producers or harvesters of aquatic products under title I or II of the Act.

(b) *Farm Credit bank policies.* Each Farm Credit Bank and Agricultural Credit Bank must adopt written policies that direct:

(1) The board of each affiliated direct lender association to establish a program to provide sound and constructive credit and services to young, beginning, and small farmers and ranchers and producers or harvesters of aquatic products (YBS farmers and ranchers or YBS). The terms "bona fide farmer or rancher," and "producer or harvester of aquatic products" are defined in § 613.3000 of this chapter;

(2) Each affiliated direct lender association to include in its YBS farmers and ranchers program provisions ensuring coordination with other System institutions in the territory and other governmental and private sources of credit;

(3) Each affiliated direct lender association to provide, annually, a com-

plete and accurate YBS farmers and ranchers operations and achievements report to its funding bank; and

(4) The bank to provide the agency a complete and accurate annual report summarizing the YBS program operations and achievements of its affiliated direct lender associations.

(c) *Direct lender association YBS programs.* The board of directors of each direct lender association must establish a program to provide sound and constructive credit and services to YBS farmers and ranchers in its territory. Such a program must include the following minimum components:

(1) A mission statement describing program objectives and specific means for achieving such objectives.

(2) Annual quantitative targets for credit to YBS farmers and ranchers that are based on an understanding of reasonably reliable demographic data for the lending territory. Such targets may include:

(i) Loan volume and loan number goals for "young," "beginning," and "small" farmers and ranchers in the territory;

(ii) Percentage goals representative of the demographics for "young," "beginning," and "small" farmers and ranchers in the territory;

(iii) Percentage goals for loans made to new borrowers qualifying as "young," "beginning," and "small" farmers and ranchers in the territory; or

(iv) Goals for capital committed to loans made to "young," "beginning," and "small" farmers and ranchers in the territory.

(3) Annual qualitative YBS goals that must include efforts to:

(i) Offer related services either directly or in coordination with others that are responsive to the needs of the "young," "beginning," and "small" farmers and ranchers in the territory;

(ii) Take full advantage of opportunities for coordinating credit and services offered with other System institutions in the territory and other governmental and private sources of credit who offer credit and services to those who qualify as "young," "beginning," and "small" farmers and ranchers; and

(iii) Implement effective outreach programs to attract YBS farmers and

ranchers, which may include the use of advertising campaigns and educational credit and services programs beneficial to “young,” “beginning,” and “small” farmers and ranchers in the territory, as well as an advisory committee comprised of “young,” “beginning,” and “small” farmers and ranchers to provide views on how the credit and services of the direct lender association could best serve the credit and services needs of YBS farmers and ranchers.

(4) Methods to ensure that credit and services offered to YBS farmers and ranchers are provided in a safe and sound manner and within a direct lender association’s risk-bearing capacity. Such methods could include customized loan underwriting standards, loan guarantee programs, fee waiver programs, or other credit enhancement programs.

(d) *Review and approval of YBS programs.* The YBS program of each direct lender association is subject to the review and approval of its funding bank. However, the funding bank’s review and approval is limited to a determination that the YBS program contains all required components as set forth in paragraph (c) of this section. Any conclusion by the bank that a YBS program is incomplete must be communicated to the direct lender association in writing.

(e) *YBS program and the operational and strategic business plan.* Targets and goals outlined in paragraphs (c)(2) and (c)(3) of this section must be included in each direct lender association’s operational and strategic business plan for at least the succeeding 3 years (as set forth in § 618.8440 of this chapter).

(f) *YBS program internal controls.* Each direct lender association must have internal controls that establish clear lines of responsibility for YBS program implementation, YBS performance results, and YBS quarterly reporting to the association’s board of directors.

[69 FR 16470, Mar. 30, 2004]

Subpart E—Loan Terms and Conditions

SOURCE: 55 FR 24884, June 19, 1990, unless otherwise noted.

§ 614.4200 General requirements.

(a) *Terms and conditions.* (1) The terms and conditions of each loan made by a Farm Credit bank or association shall be set forth in a written document or documents, such as a loan agreement, promissory note, or other instrument(s) appropriate to the type and amount of the credit extension, in order to establish loan conditions and performance requirements. Copies of all documents executed by the borrower in connection with the closing of a loan made under titles I or II of the Act shall be provided to the borrower at the time of execution and at any time thereafter that the borrower requests additional copies.

(2) The terms and conditions of all loans shall be adequately disclosed in writing to the borrower not later than loan closing. For loans made under titles I and II of the Act, the institution shall provide prompt written notice of the approval of the loan.

(3) Applicants shall be provided notification of the action taken on each credit application in compliance with the requirements of 12 CFR 202.9.

(b) *Security.* (1) Long-term real estate mortgage loans must be secured by a first lien interest in real estate, except that the loans may be secured by a second lien interest if the institution also holds the first lien on the property. No funds shall be advanced, under a legally binding commitment or otherwise, if the outstanding loan balance after the advance would exceed 85 percent (or 97 percent as provided in section 1.10(a) of the Act) of the appraised value of the real estate, except that a loan on which private mortgage insurance is obtained may exceed 85 percent of the appraised value of the real estate to the extent that the loan amount in excess of 85 percent is covered by such insurance. The real estate that is used to satisfy the loan-to-value limitation must be comprised primarily of agricultural or rural property, including agricultural land and improvements thereto, a farm-related business, a marketing or processing operation, a rural residence, or real estate used as an integral part of an aquatic operation.

(2) Notwithstanding the requirements of paragraph (b)(1) of this section, the