

§ 614.4165

12 CFR Ch. VI (1-1-04 Edition)

§ 614.4165 Special credit needs.

(a) The board of each direct lender institution shall adopt policies to establish programs to provide credit and related services to young, beginning, and small farmers, ranchers, and producers or harvesters of aquatic products.

(b) Each Farm Credit Bank and agricultural credit bank shall provide to the Farm Credit Administration an annual report summarizing the operations and achievements in its chartered territory under such programs. Such reports shall be based on the reports from each association providing services under these programs and shall be in a format prescribed by the Farm Credit Administration.

(c) *Specialized enterprises.* Consideration can be given by bank and association boards to organizing groups of similar specialized borrowers engaged in enterprises involving a high degree of risk into pools by which banks or associations may minimize the higher risk occasioned by financing such specialized enterprises. Where such programs are authorized, the direct lender institution board shall adopt appropriate policies that define criteria for the selection of specialized high-risk enterprises.

[46 FR 53022, Oct. 28, 1981, as amended at 55 FR 24883, June 19, 1990; 62 FR 51014, Sept. 30, 1997]

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 lending institution may advance funds for the payment of taxes or insurance premiums with respect to the real estate, reschedule loan payments, grant partial releases of security interests in the real estate, and take other actions necessary to protect the lender's collateral position. Any action taken that results in exceeding the loan-to-value limitation shall be in accordance with a policy of the institution's board of directors and adequately documented in the loan file.

(3) Short- and intermediate-term loans may be secured or unsecured as