

§ 614.4110

12 CFR Ch. VI (1–1–98 Edition)

(2) Require the documented evaluation of the capability and responsibility of individuals exercising delegated authorities;

(3) Provide for reporting of actions taken under delegated authority to the delegating bank;

(4) Provide procedures for periodic review and enforcement;

(5) Provide for withdrawal of authority where appropriate; and

(6) Where redelegation from the association's board to association employees is authorized, require similar control measures to be used.

[55 FR 24883, June 19, 1990]

§ 614.4110 Transfer of direct lending authority to Federal land bank associations and agricultural credit associations.

(a) Upon the transfer of authority to make and participate in long-term agricultural real estate mortgage loans by a Farm Credit Bank or agricultural credit bank to a Federal land bank association pursuant to section 7.6(a) of the Act and subpart E of part 611 of these regulations, the association shall be designated a Federal land credit association and shall have the powers set forth in § 614.4030.

(b) Upon the transfer of the authority to make and participate in long-term real estate loans by a Farm Credit Bank or agricultural credit bank to an agricultural credit association pursuant to section 7.6(d) of the Act, the association shall have all of the powers set forth in § 614.4050.

(c) An association to which such long-term lending authority is to be transferred shall have in place, prior to the transfer, policies and procedures guiding the extension and administration of credit within its territory.

[55 FR 24883, June 19, 1990]

§ 614.4120 Policies governing extensions of credit to direct lender associations.

(a) The board of each Farm Credit Bank and each agricultural credit bank shall adopt policies and procedures governing the making of direct loans to and the discounting of loans for direct lender associations and other financing institutions. The policies and procedures may provide for servicing

actions, including limiting funding for loans of certain types or amounts, to be taken pursuant to the general financing agreement when associations do not demonstrate the ability to extend and administer credit soundly or pose excessive risk to the bank. The policies shall require that the amount of credit extended at all times be consistent with sound financial and credit practices. The policies shall require an evaluation of the creditworthiness of the association on the basis of the loan underwriting policies and standards adopted pursuant to § 614.4150, and may permit lending to such institutions on an unsecured basis only if the overall condition of the institution warrants.

(b) The policies and procedures required by paragraph (a) of this section, shall require the execution of a financing agreement between the bank and the borrowing institution that meets the requirements of § 614.4130(b).

[55 FR 24883, June 19, 1990, as amended at 62 FR 51014, Sept. 30, 1997]

§ 614.4130 Direct loans to associations.

(a) *Direct loan limitation.* The total credit extended to a direct lender association under a direct loan and by discounting loans may not at any time exceed the total of that portion of the total loans, including participations purchased from other lenders, considered performing loans in accordance with the percentage as classified in the bank's most recent credit review, or such percentages as may equitably represent the same percentages on a current basis, such alternate procedure to be subject to concurrence of the Farm Credit Administration, the total of investments under Commodity Credit Corporation programs, notes insured or guaranteed by Farmers Home Administration, and in farmers' notes to cooperatives and dealers, etc.; and capital and surplus less the total of the amount invested in the bank and any portion of capital and surplus invested in loans to members, and any estimated losses not protected by reserves.

(b) *General Financing Agreement.* Farm Credit Banks and agricultural credit banks shall require execution of a General Financing Agreement, in form approved by the Farm Credit Administration, as a condition to making