

## Farm Credit Administration

§ 614.4155

direct loans to production credit associations and other financing institutions. Direct loans and advances to other financing institutions will be evidenced by a separate promissory note. Direct loans and advances to production credit associations may be evidenced by a separate promissory note or as provided in the General Financing Agreement.

(c) Securities and other obligations pledged to the bank by an association pursuant to a general pledge and direct loan agreement, shall be held by the bank as collateral for direct loans made by the bank against such securities, as general collateral to secure all paper discounted for the association, and as security for all other obligations of the association to the bank. In the event it is necessary for a bank to realize on such collateral the proceeds therefrom will be applied in that order.

[37 FR 11424, June 7, 1972. Redesignated and amended at 55 FR 24880 and 24883, June 19, 1990; 58 FR 48791, Sept. 20, 1993]

### Subpart D—General Loan Policies for Banks and Associations

#### § 614.4150 Lending policies and loan underwriting standards.

Under the policies of its board, each institution shall adopt written standards for prudent lending and shall issue written policies, operating procedures, and control mechanisms that reflect prudent credit practices and comply with all applicable laws and regulations. Written policies and procedures shall, at a minimum, prescribe:

(a) The minimum supporting credit and financial information, frequency for collection of information, and verification of information required in relation to loan size, complexity and risk exposure

(b) The procedures to be followed in credit analysis

(c) The minimum standards for loan disbursement, servicing and collections

(d) Requirements for collateral and methods for its administration

(e) Loan approval delegations and requirements for reporting to the board

(f) Loan pricing practices

(g) Loan underwriting standards that include measurable standards:

(1) For determining that an applicant has the operational, financial, and management resources necessary to repay the debt from cashflow

(2) That are appropriate for each loan program and the institution's risk-bearing ability; and

(3) That consider the nature and type of credit risk, amount of the loan, and enterprises being financed

(h) Requirements that loan terms and conditions are appropriate for the loan; and

(i) Such other requirements as are necessary for the professional conduct of a lending organization, including documentation for each loan transaction of compliance with the loan underwriting standards or the compensating factors or extenuating circumstances that establish repayment of the loan notwithstanding the failure to meet any one or more loan underwriting standard.

[62 FR 51014, Sept. 30, 1997]

#### § 614.4155 Interest rates.

Loans made by each bank and direct lender association shall bear interest at a rate or rates as may be determined by the institution board. The board shall set interest rates or approve individual interest rate changes either on a case-by-case basis or pursuant to an interest rate plan within which management may establish rates. Any interest rate plan shall set loan-pricing policies and objectives, provide guidance regarding the circumstances under which management may adjust rates, and provide the upper and lower limits on management authority. Any interest rate plan adopted shall be reviewed on a continuing basis by the board, as well as in conjunction with its review and approval of the institution's operational an strategic business plan.

[62 FR 66818, Dec. 29, 1997]

EFFECTIVE DATE NOTE: At 62 FR 66818, Dec. 22, 1997, § 614.4280 of subpart G was redesignated as § 614.4155 of subpart D and revised, effective upon the expiration of 30 days after publication in the FEDERAL REGISTER during which either or both houses of Congress are in session. For the convenience of the user, the superseded text is set forth as follows: