

§ 614.4368

12 CFR Ch. VI (1-1-98 Edition)

the stated rate of interest is subject to change during the life of the loan.

If an Adjustable Rate Loan—

The interest rate on the loan may be changed (Period).

The interest rate may be changed a maximum ±(Percentage).

You will be notified 10 days prior to any increase in the effective rate or simultaneously with any decrease in the effective rate.

The Standard Adjustment Factor(s) which the institution takes into account in making adjustments to the interest rate is (are) (list the factors).

The Standard Adjustment Factors may  or may not  be changed during the life of the loan.

Except with respect to eligible borrower stock under section 4.9A of the Farm Credit Act of 1971, stock that is purchased in this institution is at risk.

See your contract documents for further information on loan terms and conditions.

Should you have any questions concerning the information contained in this form please contact us at (Telephone Number).

Form 2

This loan is not subject to the Truth in Lending Act, 15 U.S.C. 1601, et seq. The following disclosure is made in accordance with section 4.13(a) of the Farm Credit Act of 1971, as amended, 12 U.S.C. 2199.

DISCLOSURE OF A CHANGE IN THE EFFECTIVE INTEREST RATE

Date: \_\_\_\_\_

Lender: \_\_\_\_\_ (Name)

Borrower: \_\_\_\_\_ (Name)

This is to inform you that on (loan and loan number),

The effective rate of interest will be adjusted effective (Date).

The effective rate of interest on your loan is changed to (Percentage) from (Percentage).

This change resulted from a:

1. Change in the amount of stock borrowers are required to hold in the lender to (Percentage) from (Percentage).

2. Change in the stated rate of interest on your loan effective (Date).

The stated rate of interest on your loan changed to (Percentage) from (Percentage).

The change was computed based on the:

Standard adjustment factors—factors mentioned on the initial interest rate disclosure.

Other—describe.

3. Change for other reasons—describe.

Should you have any questions concerning the information contained herein, please contact us at (Telephone Number).

[53 FR 35451, Sept. 14, 1988, as amended at 54 FR 1153, Jan. 12, 1989; 54 FR 50736, Dec. 11, 1989; 61 FR 11304, Mar. 20, 1996]

§ 614.4368 Disclosure of differential interest rates.

(a) A qualified lender offering more than one rate of interest to borrowers shall, at the request of a borrower:

(1) Provide a review of the loan to determine if the proper interest rate has been established;

(2) Explain to the borrower in writing the basis for the interest rate charged; and

(3) Explain to the borrower in writing how the credit status of the borrower may be improved to receive a lower interest rate on the loan.

(b) A qualified lender offering more than one rate of interest as described in paragraph (a) of this section, shall notify prospective borrowers not later than the time of loan closing of their right to request a review under paragraph (a) of this section.

Subpart L—Actions on Applications; Review of Credit Decisions

SOURCE: 53 FR 35452, Sept. 14, 1988, unless otherwise noted.

§ 614.4440 Definitions.

For purposes of this subpart, the following definitions shall apply:

(a) Adverse credit decision means a decision to deny the credit applied for, or approve an extension of credit in an amount less than the amount applied for; to deny an application for restructuring;

(b) Applicant means any person who completes and executes a formal application for an extension of credit from a qualified lender, or a borrower who completes an application for restructuring;

(c) Application for restructuring means a written request—

(1) From a borrower for the restructuring of a distressed loan in accordance with a preliminary restructuring plan proposed by the borrower as a part of the application;

(2) Submitted on the appropriate forms prescribed by the qualified lender; and

(3) Accompanied by sufficient financial information and repayment projections, where appropriate, as required by the qualified lender to support a sound credit decision.

(d) *Application for a loan or loan application* means a formal application for an extension of credit from a qualified lender;

(e) *Distressed loan* means a loan for which the borrower does not have the financial capacity, as determined by the lender, to pay according to its terms and which exhibits one or more of the following characteristics:

(1) The borrower is demonstrating adverse financial and repayment trends;

(2) The loan is delinquent or past due under the terms of the loan contract; and

(3) One or both of the factors listed in paragraphs (e) (1) and (2) of this section, together with inadequate collateralization, present a high probability of loss to the lender.

(f) *Independent evaluator*, for the purposes of this subpart, means an individual who is a qualified evaluator and who satisfies the standards established by §614.4260 of subpart F of this part and by the Farm Credit System institution for the type of property to be evaluated. The independent evaluator may not be a Farm Credit System institution employee or have a relationship with the institution or any of its officers or directors that contravenes the provisions of part 612, subpart B of this chapter.

(g) *Loan* means a loan made to a farmer, rancher, or producer or harvester of aquatic products, for any agricultural or aquatic purpose and other credit needs of the borrower, including financing for basic processing and marketing directly related to the borrower's operations and those of other eligible farmers, ranchers, and producers or harvesters of aquatic products.

(h) *Qualified lender* means:

(1) A System institution that makes loans (as defined in paragraph (g) of this section) except a bank for cooperatives; and

(2) Each bank, institution, corporation, company, union, and association

described in section 1.7(b)(1)(B) of the Act, but only with respect to loans discounted or pledged under section 1.7(b)(1).

(i) *Restructure and restructuring* means rescheduling, reamortization, renewal, deferral of principal or interest, monetary concessions, or the taking of any other action to modify the terms of, or forbear on, a loan in any way that will make it probable that the operations of the borrower will become financially viable.

[53 FR 35452, Sept. 14, 1988, as amended at 57 FR 54699, Nov. 20, 1992; 57 FR 58860, Dec. 11, 1992; 61 FR 67187, Dec. 20, 1996]

#### **§614.4441 Notice of action on loan application.**

Each qualified lender shall render its decision on a loan application in as expeditious a manner as is practicable. Upon reaching a decision on a loan application, the qualified lender shall provide prompt written notice of its decision to the applicant. In the case of a loan application involving more than one primary obligor, the notice may be provided to any one of such parties. Where the qualified lender makes an adverse credit decision on a loan application, the notice shall include:

(a) The specific reasons for the qualified lender's action;

(b) Notification that the applicant can request a review of the decision;

(c) Notification that any request for review must be made in writing within 30 days after the applicant's receipt of the qualified lender's notice; and

(d) A brief explanation of the process for seeking review of the decision, including the appraisal process, whom to contact at the lender for access to the relevant information, and the right to appear before the credit review committee.

#### **§614.4442 Credit Review Committee.**

The board of directors of each qualified lender shall establish one or more credit review committees to review adverse credit decisions made by the lender with ultimate decision-making authority on the loan. The membership of each committee shall include at least one member from the lender's board. In no case shall a loan officer involved in the adverse credit decision on