

cost to the bank. Any uniform minimum capital requirement based on the bank's administrative costs shall be supported by documented costs which clearly demonstrate the need for the minimum requirement.

(2) The initial capital required to be invested in the bank by an OFI shall be no greater than the actual average investment required of associations in the district. OFIs with established access relationships may be assessed for additional capital if the contract is renegotiated to permit a larger volume of loans or when a general capital equalization or assessment is made. Capital invested in the bank by an OFI shall be retired in accordance with bank policy.

(3) No obligation shall be purchased from or discounted for, and no loans shall be made or other similar financial assistance extended by a bank to an OFI if the amount of such obligation added to the aggregate liabilities of such OFI, whether direct or contingent (other than bona fide deposit liabilities), exceeds 10 times the paid-in and unimpaired capital and surplus of such OFI or the amount of such liabilities permitted under the laws of the jurisdiction creating such OFI, whichever is less. It shall be unlawful for any national bank which is indebted to any bank upon obligation discounted or purchased to incur any additional indebtedness, if by virtue of such additional indebtedness its aggregate liabilities, direct or contingent, will exceed the limitation contained herein. A debt-to-capital ratio less than that permitted by statute may be imposed to assure that the OFI maintains its eligibility to borrow and provides adequate capital from a credit standpoint. Any lesser ratio imposed initially shall not be less than one ratio point below the district average for associations. Once the OFI has established and maintained a satisfactory access relationship with a bank, the debt-to-capital standard shall be the same as that used in evaluating associations.

(4) General collateral securing the entire credit line from a bank may be required in accordance with § 614.4570 of this subpart. The amount to be required shall be based on the credit risk presented by the OFI and shall not be

proportionally greater than is required of a association under similar circumstances.

(5) Credit lines with a bank shall be established based solely on the management ability, financial condition, and needs of the OFI. The line shall be renegotiated based on these same criteria when the needs of the OFI increase. A credit line shall be established for at least a 2-year term in support of the OFI's continuing need for access. The OFI shall provide the bank a 2-year projected average daily loan balance. Failure to maintain an annual average daily balance of loans discounted to at least 70 percent of the projected average daily balance shall subject the OFI to payment of an annual loan commitment fee. The fee shall be equal to 1 percent of the difference between the projected and approved average daily balance and the actual average daily balance of loans outstanding or discounted. The bank must make exceptions when failure to comply with this requirement is caused by a general decrease in agricultural borrowings caused by an economic decline, but no exception shall be made when failure to comply with this requirement is due to borrowings obtained from other sources or repurchase of loans by an affiliate. Repeated failure to utilize the line of credit at an acceptable level may result in loss of access. No fee shall be assessed if the relationship is terminated by the bank for reasons other than those stated in this section. OFIs with inactive access relationships on the effective date of these regulations shall be notified and given a reasonable opportunity to activate or cancel the relationship.

[46 FR 51886, Oct. 22, 1981, as amended at 46 FR 59960, Dec. 8, 1981; 55 FR 24886, June 19, 1990]

§ 614.4565 Lending limit.

An OFI having access to a bank shall not accept liability on any loan or other obligation, or obtain any endorsement or guarantee from a borrower where the aggregate of such liabilities or indebtedness to the OFI would exceed 50 percent of its capital and surplus or such lesser amount as may be established by other State or Federal statute. OFIs which have loans

Farm Credit Administration

§ 614.4600

in excess of this limitation shall have 2 years from the effective date of these regulations to reduce individual risk exposure to within this limitation.

[46 FR 51886, Oct. 22, 1981, as amended at 55 FR 24886, June 19, 1990]

§614.4570 General collateral requirements.

As a condition precedent to establishing a credit line with a bank, OFIs (except depository institutions) shall pledge as collateral for any and all obligations to the bank, cash, or readily marketable securities of high rating, in an amount to be determined by the bank. At the discretion of the bank, depository institutions may be required (unless prohibited by law or by supervisory authority) to deposit acceptable collateral. Securities and obligations pledged with the bank shall be deposited under a collateral pledge agreement pursuant to which all securities and obligations so pledged, including all substitutions and additions and the proceeds of any such collateral, including all income derived, shall be available to secure any and all obligations to the bank, whether direct or contingent, present or future.

[46 FR 51886, Oct. 22, 1981, as amended at 55 FR 24886, June 19, 1990]

§614.4580 Use of funds.

Funds obtained from the bank may not be used by an OFI to expand lending activity in loans which would be ineligible for discount.

[46 FR 51886, Oct. 22, 1981, as amended at 55 FR 24886, June 19, 1990]

§614.4590 General financing agreement.

An OFI desiring to access a bank shall execute a general financing agreement. The agreement shall state the general terms and conditions under which loans will be discounted or made or credit otherwise extended and shall provide for the OFI to periodically furnish the bank acceptable financial reports and any data necessary to assure that the OFI remains in compliance with these regulations. The agreement shall further provide that the OFI, other than a State bank, trust company, or savings association, agrees to

examination by the Farm Credit Administration if such examination is requested by the Chairman. With respect to an OFI which is a State bank, trust company, or savings association, the agreement shall provide that such OFI, at the request of the Chairman, consents that reports of its examination by constituted State authorities may be furnished by such authorities to the Farm Credit Administration.

[51 FR 41947, Nov. 20, 1986, as amended at 55 FR 24886, June 19, 1990]

§614.4600 Methods of financing.

(a) A bank may provide funds to OFIs by discounting or purchasing individual loans or by direct loan to the OFI, all subject to the following:

(1) Direct discount or purchase is normally made at full face value of the individual loan of acceptable quality. At the option of the bank, a loan of less than acceptable quality may be discounted or purchased at less than the full amount of such loans. In such transactions, the OFI shall be required to apply all repayments toward repayment of the amount of the less than acceptable loan discounted or purchased by the bank.

(2) A bank is authorized to make loans and advances to OFIs secured by notes or other such obligations of eligible borrowers defined in part 613 of these regulations; however, such loans or advances may be made to enable the OFI to make or carry loans to such bona fide farmers and ranchers or to producers or harvesters of aquatic products.

(b) The following classes of obligations are authorized for discount or purchase or as collateral for direct loans and advances to OFIs, subject to approval of the bank to which such securities are to be pledged:

(1) Obligations of eligible borrowers defined in part 613 of these regulations arising from direct credit extension by the OFI.

(2) Loan participations purchased.

(3) Obligations set forth in §615.5140(a) which have been approved by the Farm Credit Administration for