

Farm Credit Administration

§ 614.4700

(1) Failure to comply with this subpart or the terms of the agreement between the bank and the OFI.

(2) Failure to correct violation of State or Federal statutes brought to the attention of the OFI, where the nature of the violation calls into question the safety of the loan or discount relationship or the integrity of the OFI's management.

(3) Failure to maintain management, credit practices, or credit quality satisfactory to the bank.

(4) Failure to use the established credit line to the extent contemplated in § 614.4560(b)(5) of this subpart.

(5) Changes in the operation of the institution which render it ineligible under § 614.4550 of this subpart.

(b) During any period of suspension the bank shall not be required to purchase from or discount for the OFI any new obligations and no further advances shall be required pending correction of a default. The bank may make advances to cover commitments on obligations held by the bank or to preserve the security and protect the interest of the bank in obligations held by it. Before making additional advances to an OFI whose right to borrow or discount has been suspended because the ratio of its total liabilities to unimpaired capital and surplus equals or exceeds the maximum permitted under law, the bank shall satisfy itself that the OFI will not violate any applicable law by assuming liability for such additional advances.

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

§ 614.4660 Place of discount.

When an OFI has loans outstanding to borrowers in more than one Farm Credit district, it shall establish its eligibility with the bank in whose territory the OFI has its principal place of business. However, if more than 50 percent of the OFI's loans outstanding to borrowers are located in a single Farm Credit district other than that in which the OFI is headquartered, it shall establish its eligibility and discount relationship with the bank in whose territory the loan volume is concentrated. No OFI having access to a bank on the effective date of these regulations shall be required to change its

relationship to another bank unless the OFI changes its headquarters location or its lending territory.

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

Subpart Q—Banks for Cooperatives and Agricultural Credit Banks Financing International Trade

§ 614.4700 Financing foreign trade receivables.

(a) Banks for cooperatives and agricultural credit banks, under policies adopted by their boards of directors, are authorized to finance foreign trade receivables on behalf of eligible cooperatives to include the following:

- (1) Advances against collections;
- (2) Trade acceptances;
- (3) Factoring; and
- (4) Open accounts.

(b) To reduce credit, political, and other risks associated with foreign trade receivable financing, the banks for cooperatives and agricultural credit banks shall avail themselves of such guarantee and insurance plans as are available in the United States and other countries, such as the Foreign Credit Insurance Association and the Export-Import Bank of the United States. Exceptions may be made where a prospective borrower has had a long-standing successful business relationship with the eligible cooperative borrower or an eligible cooperative which is not a borrower if the prospective borrower has a high credit rating as determined by the bank.

(c) When financing a draft drawn on a foreign importer, the banks should retain recourse to the exporter unless their credit evaluation of and experience with the importer indicate recourse is not necessary or unless appropriate guarantees or insurance plans are used.

(d) The financing of foreign trade receivables shall be limited by the policies of each bank's board of directors. The policies shall provide a method of determining the maximum amount in dollars, by country, to be financed and establishing a maximum percentage of the amount of a draft drawn on a foreign party against which the bank may