

Rules and Regulations

Federal Register

Vol. 65, No. 80

Tuesday, April 25, 2000

This section of the FEDERAL REGISTER contains regulatory documents having general applicability and legal effect, most of which are keyed to and codified in the Code of Federal Regulations, which is published under 50 titles pursuant to 44 U.S.C. 1510.

The Code of Federal Regulations is sold by the Superintendent of Documents. Prices of new books are listed in the first FEDERAL REGISTER issue of each week.

FARM CREDIT ADMINISTRATION

12 CFR Part 614

RIN 3052-AB87

Loan Policies and Operations; Participations

AGENCY: Farm Credit Administration (FCA).

ACTION: Final rule.

SUMMARY: This final rule deletes requirements for a Farm Credit System (Farm Credit or System) institution to provide notice to or seek consent from other System institutions when it buys participation interests in loans originated outside its chartered territory. Repealing these notice and consent requirements can help increase the flow and availability of agricultural credit and help diversify geographic and industry concentrations in the loan portfolios of Farm Credit banks and associations. As a result of this rule, a Farm Credit bank or association will no longer need approval from other System institutions when it buys participations in loans from non-System lenders.

EFFECTIVE DATE: These regulations will become effective 30 days after publication in the **Federal Register** during which either one or both houses of Congress are in session. We will publish a notice of the effective date in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT:

S. Robert Coleman, Senior Policy Analyst, Office of Policy and Analysis, Farm Credit Administration, McLean, VA 22102-5090, (703) 883-4498, TDD (703) 883-4444; or

Richard A. Katz, Senior Attorney, Office of General Counsel, Farm Credit Administration, McLean, VA 22102-5090. (703) 883-4020, TDD (703) 883-4444.

SUPPLEMENTARY INFORMATION:

I. Objective

Our objectives are to:

- Increase the flow and availability of agricultural credit to farmers, ranchers, and aquatic producers;
- Diversify geographic and industry concentrations in the loan portfolios of Farm Credit banks and associations; and
- Remove notice and consent requirements for loan participations purchased from non-System lenders.

II. Background

We repeal the notice and consent requirements that apply to loan participations between Farm Credit and non-System lenders. As a result, a System bank or association will no longer need approval from other Farm Credit institutions when it buys participations in loans that non-System lenders make outside of the purchaser's chartered territory.

This final rule does not affect loan participations between System institutions. We have never required consent for intra-System participations because the originating lender's consent is implicit when it offers the participation.

On November 9, 1998, we published a proposal to repeal several regulations that restrict your institution's authority to make loans, buy loan participations, and offer related services outside your chartered territory. *See* 63 FR 60219. On December 16, 1998, we extended the comment period until May 10, 1999. *See* 63 FR 69229.

We received over 270 comment letters on the proposed rule. No commenter cited any statutory provision that restricts the authority of System banks and associations to participate in loans outside of their chartered territory. Only one comment letter mentioned the statutory authorities of System institutions to participate in loans.

Separately, three System associations asked us for permission to participate in loans in the territory of other System institutions without consent. These institutions wanted to diversify credit and concentration risks in their loan portfolios and help farmers and ranchers by increasing the liquidity of non-System lenders.

III. Removing Notice and Consent Requirements for Loan Participations

Removing the geographic restrictions on loan participation authorities will

allow System lenders and non-System lenders to work together at a time when the agricultural economy is experiencing significant stress. Currently, farmers and ranchers are suffering from weak commodity prices, depressed export markets, drought, and reduced production.

Our final rule will benefit farmers, System institutions, and non-System lenders such as commercial banks and the finance arms of farm supply businesses and equipment dealers. Sound loan participation programs can increase the availability of agricultural credit to farmers and ranchers. System banks and associations can increase the liquidity of community banks and independent finance companies by purchasing participation interests in loans that these lenders make to farmers and ranchers. System institutions can also diversify geographic and industry concentrations in their loan portfolios by buying participation interests in sound credits made in a larger geographic territory. Cooperation among System and non-System lenders can increase agricultural credit availability, particularly during downturns in the economic cycle, such as the one that agriculture is currently experiencing.

Our former regulations restricted out-of-territory loan participations for policy reasons. Agriculture and financial markets have changed dramatically over the past 20 years. Commercial lenders have consolidated and are subject to few restrictions on their authority to lend to farmers throughout the United States. As a result, our former regulations are outdated because the System cannot effectively work with non-System lenders to most efficiently deliver credit to agriculture and rural America.

In recent years, we have eliminated non-statutory restrictions that prevent System institutions from leasing and participating in similar entity¹ loans outside of their territories. This rule extends our policy to loan participations purchased from non-System lenders. This final rule creates a consistent policy that allows System banks and associations to participate in loans that

¹ Similar entity means a party that is ineligible for a loan from a Farm Credit bank or association, but has operations that are functionally similar to the activities of eligible borrowers in that a majority of its income is derived from, or a majority of its assets are invested in, the conduct of activities that are performed by eligible borrowers. *See* sections 3.1(11)(B)(ii) and 4.18A(a)(2) of the Act.

non-System institutions make to both eligible borrowers and similar entities that operate in the chartered territory of other System institutions.

The final rule does not authorize direct lender associations to exercise lending authority outside their chartered territory without consent. Furthermore, buying out-of-territory loan participation does not change the chartered territory of any System institution. In buying participations in loans that non-System lenders originate, a System institution is not lending outside its chartered territory.

We believe buying out-of-territory loan participations helps the System to fulfill its mission to finance agriculture. Our rule enables the System under section 1.1(a) of the Farm Credit Act of 1971, as amended (Act) to improve “the income and well-being of American farmers and ranchers by furnishing sound, adequate, and constructive credit * * * to them * * *.” By eliminating artificial territorial restrictions for loan participations, we promote cooperation among creditors, which will in turn benefit farmers, ranchers, and rural America.

We achieve these objectives by exercising our statutory power to repeal regulations that restrict the free flow of credit to farmers and ranchers. The Act specifically allows System banks and associations to participate with commercial lenders in the types of loans that they can make. In granting this broad authority, the Act places no geographic restrictions on where System banks and associations may buy participations in loans.

List of Subjects in 12 CFR Part 614

Agriculture, Banks, banking, Flood insurance, Foreign trade, Reporting and recordkeeping requirements, Rural areas.

For the reasons stated in the preamble, part 614 of chapter VI, title 12 of the Code of Federal Regulations is amended to read as follows:

PART 614—LOAN POLICIES AND OPERATIONS

1. The authority citation for part 614 continues to read as follows:

Authority: 42 U.S.C. 4012a, 4104a, 4104b, 4106, and 4128; secs. 1.3, 1.5, 1.6, 1.7, 1.9, 1.10, 1.11, 2.0, 2.2, 2.3, 2.4, 2.10, 2.12, 2.13, 2.15, 3.0, 3.1, 3.3, 3.7, 3.8, 3.10, 3.20, 3.28, 4.12, 4.12A, 4.13, 4.13B, 4.14, 4.14A, 4.14C, 4.14D, 4.14E, 4.18, 4.18A, 4.19, 4.25, 4.26, 4.27, 4.28, 4.36, 4.37, 5.9, 5.10, 5.17, 7.0, 7.2, 7.6, 7.8, 7.12, 7.13, 8.0, 8.5, of the Farm Credit Act (12 U.S.C. 2011, 2013, 2014, 2015, 2017, 2018, 2019, 2071, 2073, 2074, 2075, 2091, 2093, 2094, 2097, 2121, 2122, 2124,

2128, 2129, 2131, 2141, 2149, 2183, 2184, 2199, 2201, 2202, 2202a, 2202c, 2202d, 2202e, 2206, 2206a, 2207, 2211, 2212, 2213, 2214, 2219a, 2219b, 2243, 2244, 2252, 2279a, 2279a–2, 2279b, 2279c–1, 2279f, 2279f–1, 2279aa, 2279aa–5); sec. 413 of Pub. L. 100–233, 101 Stat. 1568, 1639.

Subpart A—Lending Authorities

§ 614.4000 [Amended]

2. Amend § 614.000 as follows:
 - a. Remove paragraph (d)(2);
 - b. Remove the words “and paragraph (d)(2) of this section” from paragraph (d)(1);
 - c. Redesignate paragraphs (d)(1), (d)(1)(i), and (d)(1)(ii) as paragraphs (d) introductory text, (d)(1) and (d)(2), respectively;
 - d. Remove the “:” at the end of newly designated paragraph (d)(1) and add “; and”;
 - e. Remove “; and” at the end of newly designated paragraph (d)(2) and add “.”.

§ 614.4010 [Amended]

3. Amend § 614.4010 as follows:
 - a. Remove paragraph (e)(2);
 - b. Remove the words “and paragraph (d)(2) of this section” from paragraph (e)(1);
 - c. Redesignate paragraphs (e)(1), (e)(1)(i), and (e)(1)(ii) as paragraphs (e) introductory text, (e)(1) and (e)(2), respectively; and
 - d. Remove “; and” at the end of newly designated paragraph (e)(2) and add “.”.

§ 614.4030 [Amended]

4. Amend § 614.4030 as follows:
 - a. Remove paragraph (b)(2);
 - b. Remove the words “and paragraph (b)(2) of this section” from paragraph (b)(1); and
 - c. Redesignate paragraphs (b)(1), (b)(1)(i), and (b)(1)(ii) as paragraphs (b) introductory text, (b)(1) and (b)(2), respectively; and
 - d. Remove the “:” at the end of newly designated paragraph (b)(1) and add “; and”;
 - e. Remove “; and” at the end of newly designated paragraph (b)(2) and add “.”.

§ 614.4040 [Amended]

5. Amend § 614.4040 as follows:
 - a. Remove paragraph (b)(2);
 - b. Remove the words “and paragraph (b)(2) of this section” from paragraph (b)(1); and
 - c. Redesignate paragraphs (b)(1), (b)(1)(i), and (b)(1)(ii) as paragraphs (b) introductory text, (b)(1) and (b)(2), respectively.

§ 614.4050 [Amended]

6. Amend § 614.4050 as follows:
 - a. Remove paragraph (c)(2);

b. Remove the words “and paragraph (c)(2) of this section” from paragraph (c)(1); and

c. Redesignate paragraphs (c)(1), (c)(1)(i), and (c)(1)(ii) as paragraphs (c) introductory text, (c)(1) and (c)(2), respectively.

Dated: April 14, 2000.

Vivian L. Portis,

Secretary, Farm Credit Administration Board.
[FR Doc. 00–9955 Filed 4–24–00; 8:45 am]

BILLING CODE 6705–01–M

EMERGENCY STEEL GUARANTEE LOAN BOARD

13 CFR Part 400

RIN 3003–ZA00

Emergency Steel Guarantee Loan Program; Conforming Changes

AGENCY: Emergency Steel Guarantee Loan Board.

ACTION: Final rule.

SUMMARY: The Emergency Steel Guarantee Loan Board (Board) is amending the regulations governing the Emergency Steel Guarantee Loan Program (Program). These changes are meant to conform the regulations and the guarantee agreement that will be used for the program. The intent of these changes is to eliminate potential ambiguities or unintended conflicts between the language of the regulations and that of the Guarantee agreement. This rule also makes several technical changes to merely conform the regulations with the standard of care adopted by the Board, to conform the regulations to the form of the Guarantee and form of Application for Guarantee adopted by the Board, correct minor typographical errors and add a mail stop to the Board’s mailing address, or to clarify the allocation of Lender responsibilities, liabilities and restrictions in circumstances where more than one lender are parties to the Guarantee.

DATES: This rule is effective April 25, 2000.

FOR FURTHER INFORMATION CONTACT: Jay E. Dittus, Executive Director, Emergency Steel Guarantee Loan Board, U.S. Department of Commerce, Room H2500, Washington, DC 20230, (202) 219–0584.

SUPPLEMENTARY INFORMATION: On October 27, 1999, the Board published a final rule codifying at chapter 4, title 13, Code of Federal Regulations (CFR), regulations implementing the Program, as established in chapter 1 of Public Law 106–51, the Emergency Steel Loan Guarantee Act of 1999 (64 FR 57932).