(h) For purposes of this subpart the term "bank" will include all banks, service corporations chartered under Title IV of the Act, the Federal Agricultural Mortgage Corporation, the Federal Farm Credit Banks Funding Corporation, and the Farm Credit System Financial Assistance Corporation.

16. Section 611.1172 is amended by adding "Board" after "Farm Credit Administration" in paragraph (b) and by adding new paragraphs (c) and (d) to read as follows:

§ 611.1172 Preservation of equity.

* * * * *

(c) Notwithstanding paragraphs (a) and (b) of this section, eligible borrower stock shall be retired in accordance with section 4.9A of the Act.

(d) Nothing in this section shall affect the authority of a bank in receivership to issue preferred stock in accordance with Title VI of the Act.

17. Section 611.1174 is amended by removing paragraph (c); by redesignating paragraphs (d), (e), and (f) as paragraphs (c), (d), and (e), respectively; newly redesignated paragraph (d) is amended by removing the references to "(d)" and adding in their place, "(c)"; by revising newly redesignated paragraph (c)(5); and by adding new paragraph (f) to read as follows:

§ 611.1174 Creditors' claims and priority of claims.

* * * * *

(c) * * *

(5) All claims of holders of consolidated and Systemwide bonds and claims of the other System banks arising from their payments pursuant to section 4.4 of the Act.

* * * * *

(f) Notwithstanding this section, eligible borrower stock shall be retired in accordance with section 4.9A of that Act.

18. Section 611.1175 is amended by revising paragraph (b) to read as follows:

§ 611.1175 Inventory, examination, audit, and reports to stockholders.

* * * * *

(b) The bank in receivership shall be examined on an annual basis by the Farm Credit Administration. The bank shall be audited by a certified public accountant approved by the Farm Credit Administration at such times as the Farm Credit Administration determines. The cost of such examination and audit, as determined by the Farm Credit Administration, shall be paid from the assets of the bank in receivership.

* * * * *

§ 611.1176 [Amended]

19. Section 611.1176 is amended by removing the word "Chairman" and adding in its place, the word "Board" in the first sentence; by adding the word "Board" after "Farm Credit Administration" the second place it appears; and by removing the words "pursuant to § 617.7090 of this chapter" in the third sentence.

Subpart N—Conservators and Conservatorships of Banks and Associations

20. Section 611.1180 is amended in paragraph (a) by adding the word "Board" after "Farm Credit Administation"; and in paragraphs (d) and (e) by removing the word "Chairman" and adding in its place the word "Board"; and paragraph (f) is revised to read as follows:

§ 611.1180 Appointment of a conservator.

* * * * *

(f) For purposes of this subpart "System institution" will mean all banks, associations, service corporations chartered under Title IV of the Act, the Federal Agricultural Mortgage Corporation, the Farm Credit Banks Funding Corporation, and the Farm Credit System Financial Assistance Corporation.

§ 611.1181 [Amended]

21. Section 611.1181 is amended in paragraphs (b) and (c)(1) by adding the word "Board" after "Farm Credit Administration".

22. Section 611.1182 is amended in paragraph (a) by adding the word "Board" after "Farm Credit Administration" the first place it occurs and by revising paragraph (b) to read as follows:

§ 611.1182 Inventory, examination, audit, and reports to stockholders.

* * * * *

(b) The institution in conservatorship shall be examined by the Farm Credit Administration on an annual basis. The institution shall also be audited by a certified public accountant approved by the Farm Credit Administration at such times as the Farm Credit Administration may determine. The cost of such examination and audit, as determined by the Farm Credit Administration, shall be paid from the assets of the institution in conservatorship unless otherwise ordered by the Farm Credit Administration.

* * * * *

Date: January 6, 1989.

David A. Hill,

Secretary, Farm Credit Administration Board.

[FR Doc. 89-778 Filed 1-11-89; 8:45 am]

BILLING CODE 6701-05-M

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12 CFR Parts 612, 614, 615 and 618

Personnel Administration; Loan Policies and Operations; Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; General Provisions

AGENCY: Farm Credit Administration.

ACTION: Interim rule; request for comments.

SUMMARY: In accordance with various Farm Credit Administration (FCA) regulations, Farm Credit institutions (institutions) are currently required to submit certain proposed policies, procedures, programs, and activities to FCA for its approval prior to the institution implementing such policies, procedures, programs and activities. These submissions by the institutions to FCA are referred to collectively herein as "prior approvals". The FCA Board has determined that certain prior approvals are unnecessary in light of recent amendments to the Farm Credit Act of 1971 and Congressional intent, and are inconsistent with FCA's role as an arm's length regulator. The FCA adopts an interim rule eliminating the prior approval portions of the regulations set forth below. Thus, effective immediately, institutions are no longer required to submit to the FCA certain prior approvals as more specifically discussed below. Elimination of these prior approvals does not relieve the institutions of their responsibility to develop and implement such policies, procedures, programs and activities and to operate in a safe and sound manner and in accordance with all applicable laws, rules and regulations. The institutions and such policies, procedures, programs, and activities continue to be subject to examination by the FCA. The FCA solicits comments on the amendments to the regulations.

DATE: This regulation is effective January 6, 1989. Written comments must be submitted on or before March 6, 1989.

ADDRESS: Submit any comments in writing (in triplicate) to Anne E. Dewey, General Counsel, Farm Credit Administration, McLean, Virginia 22102-5090. Copies of all communications received will be available for examination by interested parties in the

Office of General Counsel, Farm Credit Administration.

FOR FURTHER INFORMATION CONTACT: John C. Moore, Deputy Chief, Financial Analysis and Standards Division, Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102–5090. (703) 883–4402 TDD (703) 883–4444.

SUPPLEMENTARY INFORMATION: The FCA Board has determined that certain prior approvals are unnecessary in light of recent amendments to the Farm Credit Act of 1971 and Congressional intent, and are inconsistent with FCA's role as an arm's length regulator. Accordingly, the FCA adopts an interim rule amending certain regulations by eliminating prior approval language from the regulations. The effect of the amendments to the regulations listed below is that institutions are no longer required to submit the relevant proposed policies, procedures, programs, and activities to the FCA for its prior approval. The prior approvals are deleted to conform the regulations to amendments to the Act and to comply with Congressional intent as evidenced by such amendments. Accordingly, it is the judgment of the FCA Board that the language concerning the prior approvals which is delineated below should be eliminated from the relevant regulations effective immediately.

The Agricultural Credit Act of 1987 (1987 Amendments) which amended the Act specifically eliminated the following prior approvals from the statute: (1) Loss-sharing agreements between and among banks for cooperatives (BCs) and between and among Farm Credit banks (FCBs); (2) the making of "other investments" by FCBs and of certain specific investments by BCs; (3) foreign investments by BCs; and (4) BC deposits for international trade. Public Law 100–233, section 802. Accordingly, the prior approval language in 12 CFR 614.4340(a); 615.5135(b); 615.5143; and 615.5190(b) is eliminated to conform the regulations to the 1987 Amendments. Since the 1987 Amendments eliminated the loss-sharing prior approvals for FCBs and BCs which are the subject matter of 12 CFR 614.4340(a), the FCA Board has interpreted Congressional intent to require eliminating these prior approval for associations as well.

The Farm Credit Amendments Act of 1985 and the Farm Credit Act Amendments of 1986 (1985 and 1986 Amendments) eliminated the following prior approvals from the Act: (1) Bank interest rates and policies; and (2) production credit association (PCA) loans that bear interest rates as determined by the relevant FICB board. Public Law 99–509, section 1033 and Pub. L. 99–205, section 205(b). Since the 1985 and 1986 Amendments specifically eliminated these prior approvals, the FCA has interpreted Congressional intent to require that prior approvals of bank and PCA interest rate programs be eliminated as well. Accordingly, the prior approval language in 12 CFR 614.4280; 614.4320; and 614.4321 is eliminated to conform the regulations to the 1985 and 1986 Amendments.

Consistent with FCA's interpretation of the intent of Congress as evidenced by the deletion of the specific prior approvals discussed above, FCA eliminates from the following regulations the prior approval language which is not specifically required by statute or necessary at this time to ensure FCA's role as an arm's length regulator: 12 CFR 612.2150(a); 612.2150(c); 612.2160(a); 614.4345; 614.4460; 614.4511; 615.5040; 615.5104; and 618.8060.

The FCA Board has determined that it is necessary to implement these amendments to the regulations as quickly as possible to conform the regulations to statutory changes and to Congressional intent. In addition, by eliminating these prior approvals immediately, FCA is emphasizing that institutions are clearly responsible for developing and implementing the relevant policies, procedures, programs and activities, while FCA will continue to examine such matters. Thus, immediate implementation assists FCA in further establishing and fulfilling its role as an arm's length regulator. Furthermore, since these regulations relieve restrictions, the FCA Board finds that notice and public comment prior to the effective date of this rule are impracticable, unnecessary, and contrary to the public interest in this instance. *See* 5 U.S.C. 553(b)(B). For the reasons stated immediately above, the FCA Board, pursuant to 5 U.S.C. 553(d)(1) and 12 U.S.C. 2252(c)(2), finds good cause to make this regulation effective in less than 30 days.

List of Subjects in 12 CFR Parts 612, 614, 615 and 618

Accounting, Agriculture, Archives and records, Banks, Banking, Conflict of Interest, Credit, Foreign trade, Government securities, Insurance, Investments, Reporting and recordkeeping requirements, Rural areas, Technical assistance.

As stated in the preamble, Parts 612, 614, 615 and 618 of Chapter VI, Title 12, Code of Federal Regulations, is amended as follows:

PART 612—PERSONNEL ADMINISTRATION

1. The authority citation for Part 612 continues to read as follows:

Authority: Secs. 5.9 and 5.17; 12 U.S.C. 2243 and 2252.

Subpart B—Standards of Conduct for Directors, Officers, and Employees

§ 612.2150 Employees—prohibited acts.

2. Section 612.2150 is amended by removing the words "and approved by the Farm Credit Administration" in the last sentence of paragraph (a); and in the introductory text of paragraph (c) by removing the words "which have been approved by the Farm Credit Administration".

§ 612.2160 Bank and service organization policies and procedures.

3. Section 612.2160 is amended by removing the words "and shall submit the policies, guidelines, and procedures to the Farm Credit Administration for approval" in the last sentence of paragraph (a).

PART 614—LOAN POLICIES AND OPERATIONS

4. The authority citation for Part 614 continues to read as follows:

Authority: Secs. 1.3, 1.5, 1.6, 1.7, 1.9, 1.10, 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, 4.19, 4.36, 4.37, 5.9, 5.10, 5.17, 7.0, 7.2, 7.6, 7.7, 7.8, 7.12, 7.13, 8.0, 8.5; 12 U.S.C. 2011, 2013, 2014, 2015, 2017, 2018, 2071, 2073, 2074, 2075, 2091, 2093, 2094, 2096, 2121, 2122, 2124, 2128, 2129, 2131, 2141, 2149, 2183, 2184, 2199, 2201, 2202, 2202a, 2202c, 2202d, 2202e, 2206, 2207, 2219a, 2219b, 2243, 2244, 2252, 2279a, 2279a–2, 2279b, 2279b–1, 2279b–2, 2279f, 2279f–1, 2279aa, 2279aa–5; sec. 413 of Pub. L. 100–233.

Subpart G—Interest Rates and Charges

§ 614.4280 Interest rates.

5. Section 614.4280 is amended by removing the designation for paragraph (a); by removing the words "with the approval of the Farm Credit Administration" in the first sentence of paragraph (a); and by removing paragraph (b).

§ 614.4320 Production credit associations.

6. Section 614.4320 is amended by removing the words "and approved by the Farm Credit Administration" in the first sentence.

§ 614.4321 Interest rate programs.

7. Section 614.4321 is amended by removing the last sentence of the introductory paragraph.

Subpart I—Loss-Sharing Agreement

§ 614.4340 General.

8. Section 614.4340 is amended by removing the words "and with the prior written approval of the Farm Credit Administration," in the first sentence of paragraph (a).

§ 614.4345 Guaranty Agreements.

9. Section 614.4345 is amended by removing the words "with approval of the Farm Credit Administration," and capitalizing the word "Guaranty".

Subpart M—Loan Approval Requirements

§ 614.4460 Loan approval responsibility.

10. Section 614.4460 is amended by removing the words "establishment of a policy under which such loans are to be submitted to the Farm Credit Administration for prior approval," in the second sentence of the introductory text; by removing the words "and the Farm Credit Administration" in the third sentence of the introductory text and also, at the end of the third sentence of the introductory text by removing the words "with a copy to the Farm Credit Administration for post review"; and in paragraphs (f)(1) and (f)(3) by removing the words "and approved by the Farm Credit Administration".

Subpart N—Loan Servicing Requirements

§ 614.4511 Federal land bank association compensation.

11. Section 614.4511 is amended by removing the words "and the Farm Credit Administration" in the first sentence.

PART 615—FUNDING AND FISCAL AFFAIRS, LOAN POLICIES AND OPERATIONS, AND FUNDING OPERATIONS

12. The authority citation for Part 615 continues to read as follows:

Authority: Secs. 1.5, 1.11, 1.12, 2.2, 2.3, 2.4, 2.5, 2.12, 3.1, 3.7, 3.11, 3.25, 4.3, 4.9, 4.14B, 4.25, 5.9, 5.17, 6.20, 6.26; 12 U.S.C. 2013, 2019, 2020, 2073, 2074, 2075, 2076, 2093, 2122, 2128, 2132, 2146, 2154, 2160, 2202b, 2211, 2243, 2252, 2278b, 2278b–6; sec. 301(a) of Pub. L. 100–233.

Subpart A—Funding

§ 615.5040 Borrowings from financial institutions other than commercial banks.

13. Section 615.5040 is amended by removing the words "only with the approval of the Farm Credit Administration".

Subpart C—Issuance of Bonds, Notes, Debentures and Similar Obligations

§ 615.5104 Debt policy.

14. Section 615.5104 is amended by removing the words "subject to approval by the Farm Credit Administration,".

Subpart D—Other Funding

§ 615.5135 Investment policy.

15. Section 615.5135 is amended by removing the words "subject to the approval of the Farm Credit Administration," in the first sentence of the introductory text of paragraph (b).

Subpart E—Investments

§ 615.5143 Banks for cooperatives.

16. Section 615.5143 is amended by removing the words "and approved by the Farm Credit Administration" in the first sentence.

Subpart G—Deposit of Funds

§ 615.5190 General.

17. Section 615.5190 is amended by removing the words "and approved by the Farm Credit Administration" in the first sentence of paragraph (b).

PART 618—GENERAL PROVISIONS

18. The authority citation for Part 618 continues to read as follows:

Authority: Secs. 1.5, 1.11, 1.12, 2.2, 2.4, 2.5, 2.12, 3.1, 3.7, 4.12, 4.13A, 4.25, 4.29, 5.9, 5.10, 5.17; 12 U.S.C. 2013, 2019, 2020, 2073, 2075, 2076, 2093, 2122, 2128, 2183, 2200, 2211, 2218, 2243, 2244, 2252.

Subpart C—Leasing

§ 618.8060 Leasing limitations.

19. Section 618.8060 is amended by removing the words "and the Farm Credit Administration".

Date: January 6, 1989.

David A. Hill,

Secretary, Farm Credit Administration Board.

[FR Doc. 89–780 Filed 1–11–89; 8:45 am]

BILLING CODE 6705–01–M

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12 CFR Part 614

Loan Policies and Operations

AGENCY: Farm Credit Administration.

ACTION: Final rule.

SUMMARY: On November 8, 1988, the Farm Credit Administration (FCA) deferred the following portions of the borrower rights regulations: (1) That portion of 12 CFR 614.4367(c)(1) which states "* * *, including the effective interest rate;" and (2) paragraph (d)(1) of 12 CFR 614.4367. 53 FR 45073. FCA adopts and publishes a final regulation concerning these previously deferred portions of the borrower rights regulations on disclosures of changes in the effective interest rate.

The final regulation eliminates the previous requirement that qualified lenders disclose the new effective interest rate when such new rate has resulted from an adjustment in the stated contract rate. However, when the stated contract rate is adjusted, borrowers must still be provided with the following disclosures: the new contract rate, the date that the rate is effective, and a statement of any factors other than standard adjustment factors which were taken into account in establishing the new rate. 12 CFR 614.4367(c). In addition, when there has been a change in the amount of stock or participation certificates which borrowers are required to own that modifies the effective interest rate, the final regulation requires that institutions disclose the impact on the new effective interest rate by disclosing *either* the new effective rate, *or* by a representative example.

EFFECTIVE DATE: The regulation shall become effective upon the expiration of 30 days after this publication during which either or both houses of Congress are in session. Notice of effective date will be published.

FOR FURTHER INFORMATION CONTACT: Andrea J. Cali, Senior Attorney, Office of General Counsel, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4020, TDD (703) 883–4444.

SUPPLEMENTARY INFORMATION: On September 14, 1988, FCA published final regulations under Parts 614, 615, and 618 on borrower rights (53 FR 35427), which became effective on October 14, 1988 (53 FR 45073). The borrower rights include, among others, certain disclosure requirements on borrowers' loans specified in the Farm Credit Act of 1971, as amended by the Agricultural Credit Act of 1987 (the Act).

After publication of the final borrower rights regulations, FCA received comments on two portions of the disclosure regulations concerning the effective interest rate. Specifically, the two portions of the regulations required disclosure of the new effective interest rate when the rate has been modified due to: (1) A change in the stated contract rate, or (2) a change in the stock or participation certificates which borrowers must own. Farm Credit System institutions (institutions) expressed concern that, at the time, they were unable to comply with these portions of the regulations and that to

attain compliance in the future would create unnecessary costs for the institutions and not represent meaningful disclosure to borrowers. The institutions explained the main problem as the lack of information in their computer data bases on loan origination fees. *See* 53 FR 45101–45102. In light of these concerns, FCA deferred the two portions of the disclosure regulations and published a supplemental proposed rule and resolicitation of comments concerning disclosures of changes in the effective interest rate (53 FR 45073 and 45101). FCA received comments from three Farm Credit Banks (FCBs), four other institutions, the National Farmers Union (NFU), and the Farm Credit Corporation of America (FCCA) in response to the resolicitation of comments. All comments were considered in writing the final regulation.

The FCCA and one institution commented that since section 4.13(a) of the Act requires disclosures "not later than the time of the loan closing," the subject changes in the effective interest rate which occur *after* loan closing, need not be disclosed by the lenders. Although these commenters recognized that even if section 4.13(a)(4) of the Act (which requires disclosure of "any change in the interest rate") might be interpreted as requiring disclosures *after* loan closing, they asserted that the Act only requires such disclosure of changes in the stated contract rate, not the effective interest rate. Based on this statutory interpretation, FCCA asserted that 12 CFR 614.4367(d) should be eliminated in its entirety. FCA does not agree with this interpretation of the Act. The Act obviously provides for disclosures after loan closing. *See* section 4.13(a)(4) of the Act. In addition, borrowers are entitled to meaningful and timely disclosure and the need for such disclosure does not cease after loan closing.

While further discussing 12 CFR 614.4367(d), FCCA set forth its own interpretation of this section. Section (d) of 12 CFR 614.4367 states, "Each *qualified lender* that takes any action which changes the amount of stock or participation certificates which borrowers are required to own * * *" shall make the appropriate disclosures. (Emphasis added.) Accordingly, FCCA reasoned that any stock changes that the borrower/stockholders, themselves, have authorized (*e.g.*, merger votes which may include stock "ranges") are exempt from the disclosure requirements set forth in 12 CFR 614.4367(d). FCA disagrees with this interpretation. First, the fact that stockholders vote on a merger that may result in a change in the stock or participation certificate requirement, does not mean that the resulting change does *not* constitute action by a qualified lender for the purposes of disclosing the impact of the change in the stock or participate certificate requirement. Although a majority of the borrower/stockholders must authorize the merger plan, the institution's board of directors must also approve the plan. 12 U.S.C. 2279a, 2279b–2, 2279f, and 2279f–1. Thus, the action cannot be characterized as "borrower/stockholder action," as opposed to "institution action" for the purposes of avoiding compliance with 12 CFR 614.4367(d). Second, the purpose of the disclosure regulations is to provide timely and meaningful disclosure to borrowers. This, even if an action were considered to be "borrower/stockholder action," as well as "institution action," the information that is provided to stockholders during a merger transaction, for example, is not necessarily the same information that must be provided pursuant to 12 CFR 614.4367(d) to attain meaningful disclosure. *See* the discussion below. Finally, FCCA has incorrectly focused on the merger, not the change in the stock or participation certificate requirement. It is the change, and not the merger that triggers the disclosure requirements of 12 CFR 614.4367(d).

In their comments, the FCCA, institutions, and the NFU compared FCA's disclosure regulations with those imposed on other financial institutions. As was discussed by some of the commenters, the Federal Reserve Board's implementing regulations for the Consumer Credit Protection Act (the "Truth in Lending Act" or TILA) (12 CFR Part 226) do not require similar subsequent disclosures of changes in the annual percentage rate (APR) for variable rate transactions. Regulations to which other financial institutions are subject, may be useful for comparison. However, comparisons of FCA disclosure regulations to TILA disclosure requirements may not necessarily be instructive since agricultural lending is specifically exempt from TILA. *See* CFR 226.3. Also, since other lenders are not similar in all respects to Farm Credit System (System) lenders, FCA regulations cannot necessarily mirror such other regulations. Although it is beneficial to examine the treatment of APR disclosures, it must be recognized that the effective interest rate is distinctive. For example, in order to calculate the rate, one must include the impact of the amount of stock or participation certificates which borrowers must own, which is not applicable when determining an APR.

In addition to examining the Act and other similar regulations, two major factors were considered in writing the final regulation. Throughout the development of the borrower rights regulations, FCA balanced the rights to which borrowers are entitled against unnecessary costs to the institutions. In this instance, the expense that institutions will incur because of the disclosures must be balanced against the borrowers' right to meaningful disclosure. These two main considerations were discussed by most of the commenters.

The FCCA and the institutions assert that compliance with the deferred portions of the regulations would result in exorbitant costs. Figures from $160,000 for one district to $3,865,000 for the entire System were quoted in the comments. Although the NFU stated that lenders should not be burdened with complex calculations, particularly when the cost involved in providing these calculations would eventually be borne by the borrower, the organization expressed the belief that the administrative burden created by such disclosures may not be as great as lenders claim. Since the institutions must now include loan origination fees in the initial calculations and disclosures concerning the effective interest rate, there is merit to this view. *See* 12 U.S.C. 2199(a)(3). In any event, potential, as well as actual, costs to the lenders (where these can be determined) must be examined and balanced against the meaningfulness of these disclosures.

Most commenters stated that subsequent disclosure (*i.e.*, occurring after loan closing) of the new effective interest rate when there has been a change in the rate due either to a modification of the stated contract rate or the amount of stock or participation certificates which borrowers must own, would not provide meaningful disclosure to borrowers. In addition, these same commenters stated that such disclosure would create unnecessary costs for the lenders. Most commenters stated that such disclosure is not meaningful because it requires lenders to provide the subsequent effective interest rate, including the impact of the loan origination charges again after the time of loan closing. However, as the commenters explained, the loan origination charge is a one-time fee that is only relevant to the time of loan closing when a borrower needs such information to determine the true cost of the loan. The commenters further

asserted that since the fee is non-refundable, any subsequent disclosures concerning the fee do not have an effect on any decision that the borrower may make. FCA recognizes thaat subsequent disclosures (when there has been a change in the stated contract rate) concerning loan origination fees will not necessarily affect a borrower's action. However, whenever an institution assesses additional loan origination fees (*e.g.*, perhaps during a loan or rate renegotiation), FCA considers this to be a new transaction subject to the disclosure requirements found in 12 CFR 614.4367(a).

The NFU found some benefit, in general, in subsequent disclosures of effective interest rates; one institution found benefit in such disclosures only after the stock or participation certificate purchase requirement had been changed, but not after a change in the stated contract rate. Taking these views into account, FCA determines that while meaningful disclosure requires certain notifications concerning the effective interest rate after a change in the stock or participation certificate requirement, it does not require notification of the new effective interest rate that has been modified due to a change in the stated contract rate.

At the time that the stated contract rate has been adjusted, the information that the borrower needs to make an informed decision is the new stated contract rate, as well as the other information that is required to be disclosed by 12 CFR 614.4367(c). Notification of the intitial disclosures at the time of loan closing pursuant to 12 CFR 614.4367(a), and notification of the new stated contract rate once there has been a change in such a rate is adequate.

However, meaningful disclosure concerning a change in the stock or participation certificate requirement requires *at least* notification of the impact of that change on the effective interest rate. FCA agrees with the institution that commented that a "mid-stream" change in the stock or participation certificate requirement, particularly an increase, is of material significance to a borrower. Since the borrower has refinancing options available, a modification of the stock or participation certificate requirement which directly impacts the effective interest rate, may affect a borrower's decision or action. FCA believes that not only does meaningful disclosure require notification of such a change, but in addition it requires that the borrower be notified of the impact on the effective interest rate, since the stock or participation certificate requirement is an integral component of the effective interest rate.

The question then becomes how such disclosure is to be attained. The commenters who recognized the need for such disclosure stated that it is not necessary to provide borrowers with the actual new rate. Rather, they stated that meaningful disclosure may be attained by providing borrowers with a representative example. The NFU suggested that meaningful disclosure may be achieved by providing a borrower with either a standardized example or with a formula so that the borrower can perform his own calculations, provided that the lenders are available to assist the borrower in making such calculations, when the borrower so desires. FCA believes that lenders may provide either a representative example (provided the example is of similar loan type to the actual loan and represents a reasonable, likely change) or the actual new rate to achieve meaningful disclosure and the final regulation has been written accordingly.

List of Subjects in 12 CFR Part 614

Agriculture, Banks, Banking, Credit, Foreign trade, Reporting and recordkeeping requirements, Rural areas.

For reasons stated in the preamble, Part 614 of Chapter VI of the Code of Federal Regulations is amended as follows:

PART 614—LOAN POLICIES AND OPERATIONS

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

Authority: Secs. 1.3, 1.5, 1.6, 1.7, 1.9, 1.10, 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, 4.19, 4.36, 4.37, 5.9, 5.10, 5.17, 12 U.S.C. 2011, 2013, 2014, 2015, 2017, 2018, 2071, 2073, 2074, 2075, 2091, 2093, 2094, 2096, 2121, 2122, 2124, 2128, 2129, 2131, 2141, 2149, 2183, 2184, 2199, 2201, 2202, 2202a, 2202c, 2202d, 2202e, 2206, 2207, 2219a, 2219b, 2243, 2244, 2252; sec. 413 of Pub. L. 110–233.

2. Section 614.4367 is amended by revising paragraphs (c)(1) and (d)(1) to read as follows:

§ 614.4367 Required disclosures—in general.

* * * * *

(c) * * *

(1) The new interest rate on the loan;

* * * * *

(d) * * *

(1) The impact on the effective interest rate by disclosing the new effective interest rate or by a representative example;

* * * * *

Dated: January 6, 1989.

David A. Hill,

Secretary, Farm Credit Administration Board.

[FR Doc. 89–779 Filed 1–11–89; 8:45 am]

BILLING CODE 6705–01–M

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12 CFR Parts 614, 620 and 621

Loan Policies and Operations; Disclosure to Shareholders; Accounting and Reporting Requirements

AGENCY: Farm Credit Administration.

ACTION: Final rule.

SUMMARY: The Farm Credit Administration (FCA) Board adopts final regulations relating to the Federal Agricultural Mortgage Corporation (FAMC) established by the Agricultural Credit Act of 1987 (Pub. L. 100–233) (1987 Act). The regulations address the content of FAMC's annual report, the examination of FAMC, and the authority of Farm Credit System (System) banks and associations to originate loans for sale to agricultural mortgage marketing facilities (certified facilities or poolers) or to act as certified facilities.

EFFECTIVE DATE: The regulations shall become effective upon the expiration of 30 days after this publication during which either or both Houses of Congress are in session. Notice of effective date will be published in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT:

George D. Irwin, Assistant Deputy Director, Office of Financial Analysis, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102–5090, (703) 883–4054.

or

Joanne P. Ongman, Attorney, Office of General Counsel, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA. 22102–5090, (703) 883–4020, (703) 883–4444.

SUPPLEMENTARY INFORMATION: On October 11, 1988, the FCA Board published for public comment proposed regulations (53 FR 39609) implementing Title VII of the 1987 Act which added a new Title VIII to the Farm Credit Act of 1971. New Title VIII establishes FAMC as a System institution which will provide a guarantee to investors of the repayment of principal and interest on securities that are backed by, or that represent interests in, certain agricultural real estate loans. The proposed regulations addressed the