

Farm Credit Administration

§617.7135

§617.7130 What initial disclosures must a qualified lender make to a borrower?

(a) *Required disclosures—in general.* A qualified lender must disclose in writing:

- (1) The interest rate on the loan;
- (2) The effective interest rate of the loan;
- (3) The amount of stock or participation certificates that a borrower is required to purchase in connection with the loan and included in the calculation of the effective interest rate of the loan;
- (4) All loan origination charges included in the effective interest rate;
- (5) That stock or participation certificates that borrowers are required to purchase are at risk and may only be retired at the discretion of the board of the institution; and
- (6) The various types of loan options available to borrowers, with an explanation of the terms and borrower rights that apply to each type of loan.

(b) *Adjustable rate loans.* A lender must provide the following information for adjustable rate loans in addition to the requirements of paragraph (a) of this section:

- (1) The circumstances under which the rate can be adjusted;
- (2) How much the rate can be adjusted at any one time and how much the rate can be adjusted during the term of the loan;
- (3) How often the rate can be adjusted;
- (4) Any limitations on the amount or frequency of adjustments; and
- (5) The specific factors that the qualified lender may take into account in making adjustments to the interest rate on the loan.

EFFECTIVE DATE NOTE: At 74 FR 67972, Dec. 22, 2009, §617.7130 was amended by revising the introductory text of paragraph (b), and paragraphs (b)(4) and (5), and by adding a new paragraph (b)(6), effective 30 days after publication during which either or both Houses of Congress are in session. For the convenience of the user, the added and revised text is set forth as follows:

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(b) *Adjustable rate loans.* A qualified lender must provide the following information for adjustable rate loans in addition to the requirements of paragraph (a) of this section:

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- (4) Any limitations on the amount or frequency of adjustments;
- (5) The specific factors that the qualified lender may take into account in making adjustments to the interest rate on the loan; and
- (6) If the borrower's interest rate is directly tied to a widely publicized external index:
 - (i) How and where the borrower may obtain information on changes to the index; and
 - (ii) When the qualified lender will provide written notice of changes to the borrower's interest rate.

§617.7135 What subsequent disclosures must a qualified lender make to a borrower?

(a) *Notice of interest rate change.* (1) A qualified lender must provide written notice to a borrower of any change in interest rate on the borrower's existing loan, containing the following information:

- (i) The new interest rate on the loan;
- (ii) The date on which the new rate is effective; and
- (iii) The factors used to adjust the interest rate on the loan.

(2) If the borrower's interest rate is directly tied to a widely publicized external index, a qualified lender must provide written notice to the borrower of the rate change within forty-five (45) days after the effective date of the change.

(3) If the borrower's interest rate is not directly tied to a widely publicized external index, a qualified lender must send written notice to the borrower of the rate change within ten (10) days after the effective date of the change.

(b) *Notice of increase in stock purchase requirement.* If a qualified lender increases the amount of stock (or participation certificates) a borrower must own during the term of a loan, the lender must send a written notice to the borrower at least ten (10) days prior to the effective date of the increase. The notice must state:

- (1) The new effective interest rate on the outstanding balance for the remaining term of the borrower's loan;