

## Farm Credit Administration

§ 619.9015

(c) Direction for the operation of a program to review and assess its assets. These policies shall include standards which address the administration of this program, described in the list which follows:

(1) Loan, loan-related assets, and appraisal review standards, including standards for scope of review selection and standards for workpapers and supporting documentation.

(2) Asset quality classification standards to be utilized in accordance with a standardized classification system consistent among associations within a district and their funding Farm Credit Bank or agricultural credit bank.

(3) Standards for assessing credit administration, including the appraisal of collateral.

(4) Standards for the training required to initiate the program.

(d) The role of the audit committee in providing oversight and review of the institution's internal controls.

[55 FR 24888, June 19, 1990, as amended at 71 FR 5763, Feb. 2, 2006]

### § 618.8440 Planning.

(a) No later than 30 days after the commencement of each calendar year, the board of directors of each Farm Credit System institution shall adopt an operational and strategic business plan for at least the succeeding 3 years.

(b) The plan must include, at a minimum, the following:

(1) A mission statement.

(2) An annual review of the internal and external factors likely to affect the institution during the planning period. The review must include:

(i) An assessment of management capabilities,

(ii) An assessment of the needs of the board, based on the annual self-evaluation of the board's performance, and

(iii) Strategies for correcting identified weaknesses.

(3) Quantifiable goals and objectives.

(4) Pro forma financial statements for each year of the plan.

(5) A detailed operating budget for the first year of the plan.

(6) The capital adequacy plan adopted pursuant to §§ 615.5200(b), 615.5330 (c), and 615.5335(b).

[53 FR 39250, Oct. 6, 1988, as amended at 62 FR 4450, Jan. 30, 1997; 64 FR 34519, June 28, 1999; 71 FR 5764, Feb. 2, 2006]

## PART 619—DEFINITIONS

Sec.	
619.9000	The Act.
619.9010	Additional security.
619.9015	Agricultural credit associations.
619.9020	Agricultural credit banks.
619.9025	Agricultural land.
619.9050	Associations.
619.9060	Bank for cooperatives.
619.9110	Consolidation.
619.9130	Differential interest rates.
619.9135	Direct lender.
619.9140	Farm Credit bank(s).
619.9145	Farm Credit Bank.
619.9146	Farm Credit institutions.
619.9155	Federal land credit association.
619.9170	Fixed interest rate.
619.9180	Fixed interest spread.
619.9185	Funding Corporation.
619.9195	[Reserved]
619.9200	Loss-sharing agreements.
619.9210	Merger.
619.9230	Open-end mortgage loan plans.
619.9235	Outside director.
619.9240	Participation agreement.
619.9250	Participation certificates.
619.9260	Primary security.
619.9270	Qualified Public Accountant or External Auditor.
619.9310	Senior officer.
619.9320	Shareholder or stockholder.
619.9330	Speculative purposes.
619.9340	Variable interest rate.

AUTHORITY: Secs. 1.4, 1.7, 2.1, 2.4, 2.11, 3.2, 3.21, 4.9, 5.9, 5.17, 5.18, 5.19, 7.0, 7.1, 7.6, 7.8, and 7.12 of the Farm Credit Act (12 U.S.C. 2012, 2015, 2072, 2075, 2092, 2123, 2142, 2160, 2243, 2252, 2253, 2254, 2279a, 2279a-1, 2279b, 2279c-1, 2279f).

SOURCE: 37 FR 11446, June 7, 1972, unless otherwise noted.

### § 619.9000 The Act.

The Farm Credit Act of 1971; Pub. L. 92-181 and amendments.

### § 619.9010 Additional security.

Supplementary collateral to the primary security taken in connection with the loan.

### § 619.9015 Agricultural credit associations.

Agricultural credit associations are associations created by the merger of

## § 619.9020

one or more Federal land bank associations or Federal land credit associations and one or more production credit associations and which have received a transfer of authority to make and participate in long-term real estate mortgage loans pursuant to section 7.6 of the Act.

[55 FR 24888, June 19, 1990]

## § 619.9020 Agricultural credit banks.

Agricultural credit banks are those banks created by the merger of a Farm Credit Bank and a bank for cooperatives pursuant to section 7.0 of the Act.

[55 FR 24888, June 19, 1990]

## § 619.9025 Agricultural land.

Land improved or unimproved which is devoted to or available for the production of crops and other products such as but not limited to fruits and timber or for the raising of livestock.

[37 FR 11446, June 7, 1972. Redesignated at 55 FR 24888, June 19, 1990]

## § 619.9050 Associations.

The term *associations* includes (individually or collectively) Federal land bank associations, Federal land credit associations, production credit associations, and agricultural credit associations.

[55 FR 24888, June 19, 1990]

## § 619.9060 Bank for cooperatives.

A bank for cooperatives is a bank that is operating under section 3.0 of the Act.

[61 FR 67188, Dec. 20, 1996]

## § 619.9110 Consolidation.

Creation of one new organizational entity from two or more existing entities or parts thereof.

## § 619.9130 Differential interest rates.

An interest rate program under which different rates of interest may be made applicable to individual or classes of loans on the basis of type, purpose, amount, quality of loan, or a combination of these factors.

## 12 CFR Ch. VI (1-1-11 Edition)

## § 619.9135 Direct lender.

The term *direct lender* refers to Farm Credit banks and associations (production credit associations, agricultural credit associations, and Federal land credit associations) authorized to lend to eligible borrowers identified in § 613.3000.

[55 FR 24889, June 19, 1990]

## § 619.9140 Farm Credit bank(s).

Except as otherwise defined, the term *Farm Credit bank(s)* includes Farm Credit Banks, agricultural credit banks, and banks for cooperatives.

[55 FR 24889, June 19, 1990]

## § 619.9145 Farm Credit Bank.

The term *Farm Credit Bank* refers to a bank resulting from the mandatory merger of the Federal land bank and the Federal intermediate credit bank in each Farm Credit district pursuant to section 410 of the Agricultural Credit Act of 1987, Pub. L. 100-233, or any bank resulting from a merger of two or more Farm Credit Banks.

[55 FR 24889, June 19, 1990]

## § 619.9146 Farm Credit institutions.

Except as otherwise defined, the term *Farm Credit institutions* refers to all institutions chartered and regulated by the Farm Credit Administration as described in section 1.2 of the Act, and to the Funding Corporation.

[55 FR 24889, June 19, 1990, as amended at 56 FR 2675, Jan. 24, 1991]

## § 619.9155 Federal land credit association.

The term *Federal land credit association* refers to a Federal land bank association that has received a transfer of direct long-term real estate lending authority pursuant to section 7.6 of the Act.

[55 FR 24889, June 19, 1990]

## § 619.9170 Fixed interest rate.

The rate of interest specified in the note or loan document which will prevail as the maximum rate chargeable to the borrower during the period of the loan.

## Farm Credit Administration

§ 619.9320

### § 619.9180 Fixed interest spread.

A percentage to be added to the cost of money to the bank or association as the means of establishing a lending rate.

### § 619.9185 Funding Corporation.

The term *Funding Corporation* refers to the Federal Farm Credit Banks Funding Corporation established pursuant to section 4.9 of the Act.

[55 FR 24889, June 19, 1990]

### § 619.9195 [Reserved]

### § 619.9200 Loss-sharing agreements.

A contractual arrangement under which the parties agree to share losses associated with loans or otherwise, as may be provided for in the agreement.

[42 FR 20457, Apr. 20, 1977]

### § 619.9210 Merger.

Combining of one or more organizational entities into another similar entity.

### § 619.9230 Open-end mortgage loan plans.

A mortgage loan which permits the borrower to obtain additional sums during the term of the loan.

### § 619.9235 Outside director.

A member of a board of directors selected or appointed by the board, who is not a director, officer, employee, agent, or stockholder of any Farm Credit System institution.

[71 FR 5764, Feb. 2, 2006]

### § 619.9240 Participation agreement.

A contract under which a lender agrees to sell a portion of a loan to one or more purchasers under specific terms set forth in the agreement.

### § 619.9250 Participation certificates.

Evidence of investment in a bank or association to which all the rights and obligations of stock attach with the exception of the right to vote in the affairs of the institution.

### § 619.9260 Primary security.

The basic collateral securing the loan.

### § 619.9270 Qualified Public Accountant or External Auditor.

A qualified public accountant or external auditor is a person who:

(a) Holds a valid and unrevoked certificate, issued to such person by a legally constituted State authority, identifying such person as a certified public accountant;

(b) Is licensed to practice as a public accountant by an appropriate regulatory authority of a State or other political subdivision of the United States;

(c) Is in good standing as a certified and licensed public accountant under the laws of the State or other political subdivision of the United States in which is located the home office or corporate office of the institution that is to be audited;

(d) Is not suspended or otherwise barred from practice as an accountant or public accountant before the Securities and Exchange Commission (SEC) or any other appropriate Federal or State regulatory authority; and

(e) Is independent of the institution that is to be audited. For the purposes of this definition, the term "independent" has the same meaning as under the rules and interpretations of the authoritative body governing overall audit performance. At a minimum, an accountant hired to audit a System institution is not independent if he or she functions in the role of management, audits his or her own work, or serves in an advocacy role for the institution.

[71 FR 76119, Dec. 20, 2006, as amended at 74 FR 28599, June 17, 2009]

### § 619.9310 Senior officer.

The Chief Executive Officer, the Chief Operations Officer, the Chief Financial Officer, the Chief Credit Officer, and the General Counsel, or persons in similar positions; and any other person responsible for a major policy-making function.

[71 FR 5764, Feb. 2, 2006]

### § 619.9320 Shareholder or stockholder.

A holder of any equity interest in a Farm Credit institution.

[75 FR 18744, Apr. 12, 2010]

**§ 619.9330**

**§ 619.9330 Speculative purposes.**

To buy or sell with the expectation of profiting by fluctuations in price.

[40 FR 49078, Oct. 21, 1975]

**§ 619.9340 Variable interest rate.**

An interest rate on the outstanding loan balances, which may be changed from time to time during the period of the loan, if provision is made in the note or loan document.

**PART 620—DISCLOSURE TO SHAREHOLDERS**

**Subpart A—General**

Sec.

620.1 Definitions.

620.2 Preparing and filing the reports.

620.3 Accuracy of reports and assessment of internal control over financial reporting.

**Subpart B—Annual Report to Shareholders**

620.4 Preparing and providing the annual report.

620.5 Contents of the annual report to shareholders.

**Subpart C—Quarterly Report**

620.10 Preparing the quarterly report.

620.11 Content of quarterly report to shareholders.

**Subpart D—Notice to Shareholders**

620.15 Notice.

620.17 Contents of the notice.

**Subpart E—Subpart E—Annual Meeting Information Statements and Other Information To Be Furnished in Connection with Annual Meetings and Director Elections**

620.20 Preparing and distributing the information statement.

620.21 Contents of the information statement and other information to be furnished in connection with the annual meeting or director elections.

**Subpart F—Bank and Association Audit and Compensation Committees**

620.30 Audit committees.

620.31 Compensation committees.

AUTHORITY: Secs. 4.19, 5.9, 5.17, 5.19, 8.11 of the Farm Credit Act (12 U.S.C. 2207, 2243, 2252, 2254, 2279aa-11); sec. 424 of Pub. L. 100-233, 101 Stat. 1568, 1656; sec. 514 of Pub. L. 102-552, 106 Stat. 4102.

**12 CFR Ch. VI (1-1-11 Edition)**

**Subpart A—General**

**§ 620.1 Definitions.**

For the purpose of this part, the following definitions shall apply:

(a) *Affiliated organization* means any organization, other than a Farm Credit organization, of which a director, senior officer or nominee for director of the reporting institution is a partner, director, officer, or majority shareholder.

(b) *Association* means any of the associations as described in §619.9050 of this chapter.

(c) *Bank* means any of the Farm Credit banks as described in §619.9140 of this chapter.

(d) *Direct lender association* means any association that is a direct lender as described in §619.9135 of this chapter.

(e) *Immediate family* means spouse, parents, siblings, children, mothers- and fathers-in-law, brothers- and sisters-in-law, and sons- and daughters-in-law.

(f) *Institution* means any bank or association chartered by the Act.

(g) *Loan* means any extension of credit or lease that is recorded as an asset of a reporting institution, whether made directly or purchased from another lender. The term “loan” includes, but is not limited to, loans originated through direct negotiations between the reporting institution and a borrower; purchased loans or interests in loans, including participation interests, retained subordinated participation interests in loans sold, interests in pools of subordinated participation interests that are held in lieu of retaining a subordinated participation interest in loans sold; contracts of sale; notes receivable; and other similar obligations and lease financings.

(h) *Material*. The term *material*, when used to qualify a requirement to furnish information as to any subject, limits the information required to those matters to which there is a substantial likelihood that a reasonable person would attach importance in making shareholder decisions or determining the financial condition of the institution.

(i) *Normal risk of collectibility* means the ordinary risk inherent in the lending operation. Loans that are deemed