

TITLE 7 - AGRICULTURE

CHAPTER XVIII - Rural Development, DEPARTMENT OF AGRICULTURE

SUBCHAPTER Q - ADMINISTRATION

PART 2000 - GENERAL

SUBPART Q - Memorandum of Understanding Between Rural Development and Farm Credit Administration (Business and Industrial Loans)

<u>Sec.</u>	<u>Page</u>
2000.801 General.	1
2000.802 Reaching agreement with FCA.	1
2000.803 - 2000.850 [Reserved]	

Exhibit A - Memorandum of Understanding between Rural Development and Farm Credit Administration

PART 2000 - GENERAL

SUBPART Q - Memorandum of Understanding Between Rural Development
and Farm Credit Administration(Business and Industrial Loans)

§2000.801 General.

The Farm Credit Administration (FCA) may provide financing for Businesses and Industries through the Bank for Cooperatives, Federal Land Banks and Production Credit Associations. The attached Memorandum of Understanding between Rural Development and (FCA) has been developed to provide for variable interest rates for guaranteed loans based upon costs of obtaining funds and administrative expenses at lowest possible costs consistent with sound business practices.

§2000.802 Reaching agreement with FCA.

Rural Development will issue appropriate instructions, to the extent necessary to properly implement the policies of the Memorandum of Understanding.

§§2000.803 - 2000.850 [Reserved]

Attachment: Exhibit A

oOo

DISTRIBUTION: WSC

Administration
General

Memorandum of Understanding
Rural Development
and Farm Credit Administration

In order to provide maximum amounts of funds for the development of Rural America, Rural Development and the Farm Credit Administration (FCA) have determined the need for a Memorandum of Understanding concerning the financing through one or more of the banks for cooperatives, Federal land banks and production credit associations with Rural Development guaranteed loans of ("Business and Industrial") loan projects approved by Rural Development under its regulations. The purpose of this Memorandum of Understanding is to state broad permissive guidelines for the negotiation and execution between Rural Development and banks for cooperatives, Federal land banks and production credit associations of guarantees of loan transactions involving approved projects.

Rural Development recognizes that these Farm Credit System institutions make loans on a variable interest rate based upon the cost of obtaining funds and administrative expenses, and that in so doing the boards of directors of the banks and associations establish each change of interest rate at the lowest reasonable cost on a sound business basis, taking into account the net cost of money to the bank or association, necessary capital and reserves, and expenses. Further, Rural Development recognizes that these institutions are operated on a cooperative basis for the mutual benefit of the members.

Rural Development agrees to guarantee loans on approved projects made by banks for cooperatives, Federal land banks and production credit associations. The interest rate program established by the banks and associations are subject to approval by the Farm Credit Administration. Rural Development reserves the right to refuse to guarantee a loan proposed to be made by a bank or association and presented for guarantee when Rural Development determines under its regulations that the project is not economically feasible. Each loan guaranteed shall comply with the Rural Development regulations. A loan proposed to be made by a bank or association and presented to Rural Development for guarantee may be subject to approval by FCA as provided in its regulations.

This Memorandum of Understanding shall take effect upon the date of its execution, may be amended at any time by agreement of both parties, and shall remain in force until it is expressly abrogated by either of the parties.

/s/

September 25, 1974

Administrator, Farmers Home Administration

/s/

Sept. 25, 1974

Governor, Farm Credit Administration