

Farm Credit Administration

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Informational Memorandum



December 19, 2008

To: Chairman, Board of Directors
Chief Executive Officer
All Farm Credit System Banks and Associations

A handwritten signature in black ink that reads "Thomas G. McKenzie". The signature is written in a cursive style and is positioned to the right of the "To:" field, with a horizontal line extending from the end of the signature back towards the text.

From: Thomas G. McKenzie, Director and Chief Examiner
Office of Examination

Subject: Consumer and Borrower Rights Regulatory Compliance Requirements

As part of OE's National Oversight Program, the Office of Examination evaluated compliance with the Federal Reserve Consumer Regulations and Farm Credit Administration Borrower Rights Regulations at selected institutions. The results of the examination activity were communicated to the institutions examined. However, there were several findings observed at multiple institutions that should be reviewed by all institutions to ensure regulatory compliance. Typically, these findings resulted from outdated templates and forms that did not comply with current federal laws and regulations. In particular:

- Truth-in-Lending (TIL) disclosure forms for closed-end credit must include the format and content shown in TIL Regulation Z (12 CFR Part 226) § 226.17 and Appendix H.
- The Voluntary Monitoring Information (VMI) template must request information on the applicant's Ethnicity in addition to Race, Sex, Marital Status, and Age as required by the Equal Credit Opportunity Act (ECOA) Regulation B (12 CFR Part 202) § 202.13. Ethnicity categories include "Hispanic or Latino" and "Not Hispanic or Latino". Older versions of the VMI template being used do not include the Ethnicity category.
- VMI is required for all applications (not just approved applications) for credit used primarily for the purchase or refinancing of a dwelling occupied or to be occupied by the applicant as a principal residence, where the extension of credit will be secured by the dwelling, pursuant to ECOA Regulation B § 202.13
- The current flood plain determination form, (FEMA Form 81-93), was approved for use in December 2005 and expired on October 31, 2008. This edition may be used until the revised form is available. Institutions should obtain the updated flood plain determination form when it becomes available. The effective mandatory use of the updated form will be six months from the date of the new form's approval.

Each year, the Office of Examination evaluates compliance with consumer regulations in selected institutions as part of the National Oversight and Examination Program. In other institutions, examiners evaluate the institution's management systems to ensure there are sufficient internal controls and audit coverage of consumer compliance and borrower rights regulations. To fully comply with these regulations, institutions must ensure templates and forms are fully completed with appropriate information. Institutions should also maintain an effective and ongoing training program with emphasis on new or revised laws and regulations, as well as exceptions cited in internal audits and FCA examinations. Furthermore, we anticipate delinquencies and borrower complaints to increase in the rising risk environment facing agriculture. As a result, we encourage you to review borrow rights policies and procedures, and increase training accordingly.

If you have any questions about this memorandum, please contact your designated examiner-in-charge or FCA Examiner Keta Mitchell at (972) 869-0550, extension 4141 (mitchellk@fca.gov), or me at (703) 883-4277 (mckenzieta@fca.gov).

cc: Federal Farm Credit Banks Funding Corporation
All FCS Service Corporations