

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9811
March 8, 1985]

Modification of Seasonal Credit Program

*To All Depository Institutions
in the Second Federal Reserve District:*

Following is the text of a statement issued by the Board of Governors of the Federal Reserve System:

The Federal Reserve Board today announced a two-part modification in its seasonal credit program. The changes are designed to provide further assurance that small- and medium-sized agricultural banks can meet temporary liquidity requirements that might arise in accommodating the needs of their farm borrowers over the forthcoming planting and production cycle.

While the great bulk of farm banks appear to have adequate liquidity, the modifications are designed to ensure that liquidity strains do not hamper the necessary flow of credit in various local areas. The modified program to meet seasonal liquidity needs complements loan guarantee actions taken by the administration to help assure a necessary flow of credit to agriculture.

The seasonal credit program, which has been in place for many years, provides access to discount window borrowing for institutions that demonstrate recurring financing needs related to seasonal fluctuations in their deposit flows and loan demands. The program has been modified by (a) certain changes that liberalize amounts available under the regular program and (b) addition of a temporary, simplified program which may be used as an alternative.

Modification of Regular Program

The regular seasonal program requires an institution to fund a portion of the seasonal swing in its net need for funds (computed from past and projected patterns of deposit and loan variations) from its own resources before it can borrow from the Federal Reserve. The Board has reduced the amount that a bank must fund from its own liquidity.

The formula for computing this deductible has been changed from 4 to 2 percent of the first \$100 million in deposits, from 7 to 6 percent of the second \$100 million in deposits, while remaining at 10 percent of deposits over \$200 million. This change will allow a borrowing institution, especially a smaller one, to obtain a greater portion of its seasonal needs for funds from the Federal Reserve.

In addition, discount officers will be taking a more flexible approach to the administration of the seasonal credit program, particularly in judging whether there are special factors under current circumstances in the farm economy that would modify evaluation of seasonal swings based on historical data. Reserve Banks will be making special efforts to acquaint depository institutions with both the regular and temporary seasonal credit facilities.

Temporary Simplified Program

The temporary simplified program will be available through September as an alternative to smaller banks actively engaged in agricultural lending and with no or limited access to the national money market. Such banks generally would have less than \$200 million in deposits and would have a ratio of loans to farmers or for farm real estate to total loans greater than 17 percent (the average for the banking system of the ratio at each bank of farm loans to total loans). Banks with loan-to-deposit ratios of 60 percent or more would be eligible.

For banks that qualify for the program, credit at the discount window would be available to fund half of their total loan growth in excess of 2 percent from a base level, either the average for February or for the two weeks just prior to submission of an application. Credit under this program may not exceed 5 percent of a bank's deposits. It is expected that credit will be used primarily to fund loans for agricultural or agricultural-related purposes.

Exceptions under the program may be made at the discretion of a Reserve Bank for banks particularly affected by agricultural credit conditions and that lack ready access to national money markets.

As a matter of policy, borrowing under this program would be repaid as the seasonal credit needs abate. In no case should such borrowing, including renewals, be outstanding beyond February 1986.

Interest on credit advanced under the special seasonal borrowing program will be set at a rate that will remain fixed during the time that the credit is outstanding. The rate was initially set at 8½ percent, a rate between the basic discount rate and the rate on extended credit that is outstanding for more than 60 days. The rate for new loans may be changed as the basic discount rate and extended credit rates are changed.

Banks may borrow under either the regular or the temporary seasonal program. They may shift between programs, but may not borrow under both at the same time.

The Board also stressed that the discount window would be available on a regular adjustment or extended credit basis where unusual demands developed in local areas as a result of the agricultural credit situation.

Questions on the seasonal credit program may be directed, at the Head Office of this Bank, to Chester B. Feldberg, Senior Vice President (Tel. No. 212-791-6375), or Robert T. Falconer, Vice President (Tel. No. 212-791-6159), or, at our Buffalo Branch, to John T. Keane, Vice President and Branch Manager (Tel. No. 716-849-5011).

E. GERALD CORRIGAN,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

**[Operating Circular No. 13
Revised effective March 12, 1985]**

DISCOUNT RATES

*To All Depository Institutions
in the Second Federal Reserve District:*

1. This Bank has made the following change in its rate schedule, effective March 12, 1985:

A rate of 8½ percent per annum has been established on advances of special seasonal credit under sections 13 and 10(b) of the Federal Reserve Act, pursuant to a new Federal Reserve System program to accommodate the needs of agricultural borrowers and their depository institution lenders. The program is described in this Bank's Circular No. 9811, dated March 8, 1985.

Shown on the reverse side is the schedule of rates now in effect at this Bank on advances and discounts made under the Federal Reserve Act.

2. This circular supersedes our Operating Circular No. 13, revised effective December 24, 1984.

E. GERALD CORRIGAN,
President.

Rate Schedule Effective March 12, 1985

Percent
Per Annum

Advances to and discounts for depository institutions:

(a) Advances of adjustment and seasonal credit and discounts under sections 13, 13a, and 10(b) of the Federal Reserve Act	8
(b) Advances under section 10(b) of the Federal Reserve Act of extended credit (i) to institutions under sustained liquidity pressures, or (ii) for special circumstances, where such Federal Reserve credit has been outstanding (including extensions and renewals) for the following periods:*	
Not more than 60 days	8
More than 60, but not more than 150, days	9
More than 150 days	10
(c) Advances of special seasonal credit under sections 13 and 10(b) of the Federal Reserve Act	8½**

* In the case of extended credit that is expected to be outstanding for unusually long periods and in relatively large amounts, the time period for each rate in the extended credit rate structure may be shortened at the discretion of the Federal Reserve Bank of New York. Also, a flexible rate that takes into account rates on market sources of funds may be applied to any extended credit outstanding for prolonged periods.

** The rate on advances made under the special seasonal program will remain fixed for the duration of the credit. No credit under this program will mature later than February 28, 1986.