

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. **10,007**  
February 24, 1986 ]

**1986 Temporary Simplified Seasonal Credit Program**

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

The following is quoted from the text of a statement issued by the Board of Governors of the Federal Reserve System announcing the renewal, in a slightly modified form, of its temporary seasonal credit program for banks making agricultural loans:

This program, which was also in place last year, is designed to make funds available at the discount window to agricultural banks experiencing especially strong loan demands.

While liquidity at farm banks appears generally ample, the temporary program will complement the long-standing regular seasonal credit program, which had been eased last year, to further assure that small- and medium-sized agricultural banks will not face liquidity constraints in accommodating the needs of their farm borrowers over the forthcoming planting and production cycle.

Under the temporary program banks may borrow at the discount window to fund half of their loan growth in excess of 2 percent from a base level, up to a maximum equal to 5 percent of deposits.

The Board made the following two modifications in the temporary program to enhance its usefulness to potential borrowers:

First, it gave banks the option of borrowing at the basic discount rate — currently 7½ percent — or at a fixed rate one-half percentage point over the basic rate.

Second, it gave banks additional flexibility in determining the base from which loan growth will be measured.

Printed on the reverse side of this circular is a description of the Temporary Simplified Seasonal Credit Program. Questions regarding the program may be directed, at the Head Office of this Bank, to Chester B. Feldberg, Senior Vice President (Tel. No. 212-791-6375), or Roberta J. Green, Vice President (Tel. No. 212-791-6166), or, at our Buffalo Branch, to John T. Keane, Vice President and Branch Manager (Tel. No. 716-849-5011).

E. GERALD CORRIGAN,  
*President.*

(OVER)

## Temporary Simplified Seasonal Credit 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 16 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 56 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 any four-week period beginning in October 1985 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 1987.

At the option of the borrower, interest on credit advanced under the special seasonal borrowing program can be either at the basic discount rate or at a rate that will remain fixed during the time that the credit is outstanding. This latter rate was initially set at 8 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.