

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 10202
November 10, 1987]

**AMENDMENT TO REGULATION H
Comment Invited on Agricultural Loan Loss Amortization**

*To All State Member Banks in the Second
Federal Reserve District, and Others Concerned:*

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

The Federal Reserve Board has announced approval of a program allowing eligible State member banks to amortize losses on agricultural loans over several years. The eligible State member banks include banks with less than \$100 million in assets, but with at least 25 percent of those assets in qualified agricultural loans.

Although the program is effective beginning November 9, 1987, amortized loans will first appear on Reports of Condition as of December 31, 1987. Consequently, interested State member banks may contact their Reserve Banks to determine whether they are eligible. Additionally, the Board is requesting comment on the regulation. Comments should be received by the Board on this matter by December 3, 1987.

The program was created by Title VIII of the Competitive Equality Banking Act of 1987. Similar programs have been adopted by the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency.

To reflect this action, the Board of Governors has amended its Regulation H, "Membership of State Banking Institutions in the Federal Reserve System," effective November 9, 1987, and has invited public comment on the amendment. Comments should be submitted by December 3, 1987, and may be sent to the Board, as indicated in the notice, or to our Compliance Examinations Department.

Enclosed — for depository institutions in this District and others who maintain sets of the Board's regulations — is the text of the amendment to Regulation H, which has been reprinted from the *Federal Register* of November 3; copies will be furnished to others upon request directed to the Circulars Division of this Bank (Tel. No. 212-720-5215 or 5216). Questions regarding Regulation H may be directed to our Compliance Examinations Department (Tel. No. 212-720-8136).

E. GERALD CORRIGAN,
President.

MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM

AMENDMENT TO REGULATION H

(effective November 9, 1987)

FEDERAL RESERVE SYSTEM

12 CFR Part 208

[Regulation H; Docket No. R-0615]

Agricultural Loan Loss Amortization

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule with request for comments.

SUMMARY: This regulation implements Title VIII of the Competitive Equality Banking Act of 1987 ("CEBA") which permits state member agricultural banks to amortize losses on qualified agricultural loans. The regulation describes the procedures and standards applicable to state member banks desiring to amortize losses under that statute. It also describes the manner in which such amortizations are to be done. Title VIII of CEBA requires regulations implementing Title VIII to be issued not less than 90 days after enactment, that is, by November 9, 1987. Therefore, the Board is publishing the rule as a final rule effective November 9, 1987, for the Call Report for December 31, 1987, but is allowing interested parties to comment through December 3, 1987. Should changes be indicated by the comments, the Board will endeavor to adopt them shortly after the close of the comment period but before the Call Report for December 31, 1987, is filed. Banks wishing to amortize losses may file an application any time after publication of the rule.

DATES: The rule will be effective November 9, 1987, and the first Call Report affected will be the Call Report for December 31, 1987. Comments must be received on or before December 3, 1987.

ADDRESSES: All comments should refer to Docket No. R-0615 and should be mailed to William W. Wiles, Secretary.

Board of Governors of the Federal Reserve System, Washington, DC 20551, or delivered to Room B-2223, 20th Street and Constitution Avenue NW., Washington, DC, between 8:45 a.m. and 5:15 p.m. weekdays. Comments may be inspected in Room B-1122 between 8:45 a.m. and 5:15 p.m. weekdays.

FOR FURTHER INFORMATION CONTACT: Rhoger H. Pugh, Manager (202) 728-5883, Stanley B. Rediger, Senior Financial Analyst (202) 452-2629, Division of Banking Supervision and Regulation (202) 728-5883; Helen Lewis (202) 452-3490, Economist, Financial Reports Section, Division of Research and Statistics; or John Harry Jorgenson, Senior Attorney (202) 452-3778, Legal Division; Board of Governors of the Federal Reserve System, Washington, DC 20551. For the hearing impaired ONLY, Telecommunications Device for the Deaf, Earnestine Hill or Dorothea Thompson, (202) 452-3544.

SUPPLEMENTARY INFORMATION: Title VIII of the Competitive Equality Banking Act of 1987 ("CEBA") permits agricultural banks to amortize: (1) Losses on qualified agricultural loans shown on its annual financial statement for any year between December 31, 1983 and January 1, 1992; and (2) losses suffered as the result of an appraisal of other assets (related to a qualified agricultural loan) that it owned on January 1, 1983, or acquires prior to January 1, 1992. Title VIII of CEBA also requires that the federal banking agencies issue implementing regulations no later than 90 days after the effective date of the Act (that is, no later than November 9, 1987). This regulation is intended to comply with this requirement. The other federal banking agencies (the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation ("FDIC")) are proposing substantially identical regulations containing only

technical variations necessary to accommodate their own regulatory and organizational systems. The standards to be applied are unchanged.

Statutory Requirements for Loan Loss Amortization

Title VIII of CEBA includes the following elements: (1) To be eligible to amortize losses, a bank must meet the following requirements:

(a) Its deposits must be insured by the FDIC;

(b) It must be located in an area the economy of which is dependent upon agriculture;

(c) It must have assets of \$100 million or less;

(d) It must have 25 per cent or more of its total loans in "qualified agricultural loans" (or, if such loans are less than 25 per cent, it must be recommended by its federal or state regulator to the FDIC as eligible);

(e) It must be in need of capital restoration, and it must have a plan to restore capital no later than the close of the amortization period;

(f) There must be no evidence that fraud or criminal abuse on the part of the bank led to the agricultural loan losses; and

(g) To remain eligible, the bank must agree to maintain in its loan portfolio a percentage of agricultural loans no lower than the percentage in its portfolio on January 1, 1986;

(h) The condition of the bank must not deteriorate to the point where it is no longer viable and fundamentally sound.

(2) A bank that is accepted as eligible may amortize, over a period of up to seven years, any loss on a qualified agricultural loan that would otherwise be reflected on the bank's annual financial statements for any year between and including 1984 and 1991. Amortization over a period of up to seven years is also permitted for losses

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For this Regulation to be complete, retain:

- 1) Regulation H Pamphlet, amended effective April 28, 1982.
- 2) Amendments effective May 15, 1985 and January 27, 1987 (included in slip sheet dated February 1987).
- 3) Guidelines for Maintaining Compliance with the Bank Secrecy Act (available on request).
- 4) This slip sheet.

on reappraisal or sale of real or personal property that was acquired in connection with a qualified agricultural loan and that the bank owned on January 1, 1983, or subsequently acquires prior to January 1, 1992.

(3) Amortization under the program will terminate on December 31, 1998, when all loans accepted for amortization through the January 1, 1992 closing date established by the statute will be fully amortized.

Definitions

The regulation will adopt a definition of "agricultural bank" which is essentially the same as the language of Title VIII of CEBA. The definition will be used to determine whether a bank making agricultural loans should be regarded as eligible to amortize losses on those loans. Included in the definition of an agricultural bank in Title VIII of CEBA is a bank which does not meet the agricultural loan volume test (that agricultural loans must be 25 per cent or more of total loans) but which the bank's federal or state regulator recommends to the FDIC for eligibility. Losses to be deferred may be included in determining whether a bank meets the agricultural loan volume test. Because of the regulation's flexibility in defining agricultural loans (see discussion below), it is anticipated that such recommendations rarely will be necessary.

The definition of "qualified agricultural loan" incorporates the definitions of "loans to finance agricultural production and other loans to farmers" and "loans secured by farm land" contained in the Schedule RC-C of the Federal Financial Institutions Examination Council's consolidated Reports of Condition and Income ("Call Report"). The Call Report definitions are virtually identical to those contained in Title VIII of CEBA but are more comprehensive and permit the agencies to use the Call Reports as the predominant monitoring device for the amortization program. Additionally, as suggested by Title VIII of CEBA, the Board has retained discretion to deem other types of loans and leases to be "qualified" and to recommend them to the FDIC as eligible if the requesting bank demonstrates those assets to be sufficiently related to agriculture.

While Title VIII of CEBA uses the phrase "area the economy of which is dependent on agriculture," the agencies have not attempted to describe such an agricultural area because the normal means of identifying such areas— income levels, revenue flows, acreage in production—are abnormally depressed

due to the current state of the agricultural economy. Adopting a list of acceptable counties or geographic regions might leave the erroneous impression that a bank located outside such an arbitrary area could not qualify even though it might otherwise qualify as an "agricultural bank." Each application should include a description of the bank's location, dominant lines of commerce in its service area, and any other information the bank believes will support the contention that it is located in an agricultural area.

Loss Amortization

The purpose of Title VIII of CEBA is best accomplished by permitting eligible banks to amortize losses on qualifying agricultural loans and other related assets that they would otherwise be required to charge off by reporting the amount of such deferred losses in new items in the asset and equity capital sections of the balance sheet of their Call Report. This approach will provide for the disclosure of the deferred losses, will not distort reported income, and will facilitate the monitoring of the bank's compliance with the loss deferral program through regular, quarterly Call Reports. Moreover, the full unamortized balance of the deferred losses will be included in primary capital for all federal regulatory and supervisory purposes by the three Federal banking agencies.

The provisions on loss amortization and reappraisal address two issues: (1) Which losses are subject to amortization, and (2) how they may be amortized. On the first issue, the regulation reflects Congress' clear intent that losses resulting from fraud or criminal abuse on the part of the bank, its officers, directors, or principal shareholders not be eligible for amortization. Accordingly, where a bank has been found eligible to participate in the loss amortization program, fraudulent losses will not be eligible for amortization. Additionally, it should be noted that Title VIII of CEBA requires there be "no evidence of" fraud or criminal abuse. Accordingly, under the regulation, it is not necessary that such fraud or criminal abuse be conclusively established to disqualify a loan or, as discussed below, a bank.

To be eligible for amortization under the regulation, a loss on a qualified agricultural loan must otherwise have been required to be reflected in the bank's financial statements for the years 1984 through 1991. Similarly, charge-offs that result from a reappraisal or sale of real or personal property may be

amortized if the property is owned by the bank on or after November 9, 1987; was acquired in connection with a qualified agricultural loan; and was owned on or after January 1, 1983, or subsequently acquired before January 1, 1992.

With respect to the second issue, *i.e.*, the manner of amortization, Title VIII of CEBA provides that the loss shall be amortized over a period not to exceed seven years as provided in regulations issued by the federal banking agencies. The regulation provides that amortization shall occur on a quarterly straight-line basis.

The regulation permits qualified losses to be amortized over a period not to exceed seven years so as to be fully amortized by December 31, 1998. Losses sustained in years prior to the effective date of the regulation would be treated as if amortized over seven years beginning on the date of the loss. Thus, a bank could take only the amortizations which remain for such a loss after it enters the program. For example, if a bank began to participate in the program in the last quarter of 1987 and had a loss sustained in the fourth quarter of 1985, that loss would be amortized over a seven year period beginning in 1985. Therefore, 5/7ths of the 1985 loss would remain to be amortized as of December 31, 1987.

Accounting for Amortization

The regulation directs that in accounting for loss amortization, a bank should restate its capital and other relevant accounts in accordance with the FFIEC instructions for the Consolidated Reports of Condition and Income. Those instructions will continue to require the reporting of actual loan losses and recoveries through the Allowance for Loan and Lease Losses but will then permit losses eligible for deferral to be reinstated in new items in the asset and equity sections of the balance sheet on the Report of Condition. Additionally, the regulation provides that any resulting increase in the capital account shall be treated as primary capital for purposes of determining the bank's compliance with the various federal regulatory requirements, guidelines, and standards affecting or related to capital.

Eligibility

Under the regulation, any bank desiring to participate in the program will be required to submit to the appropriate federal banking agency a proposal establishing both its eligibility and the eligibility of the losses it

proposes to amortize. In order to be eligible, the proposing bank must be an "agricultural bank" as defined in the regulation.

Further, the proposing bank's current capital must be in need of restoration, but the bank also must be an economically viable, fundamentally sound institution. Therefore, a bank with capital below levels established by the Board's Regulation Y (12 CFR Part 225), or which is subject to an enforcement action related to capital levels can be eligible. Acceptance of a bank for loss amortization with an adequate capital plan will normally relieve the bank of any inconsistent provisions dealing with capital in any extant Board order, agreement, or directive.

The legislative history of Title VIII of CEBA indicates that the Congress intended that only banks with capital in need of restoration be permitted to amortize losses. Banks which have experienced capital declines but which retain an acceptable amount of capital have no need to amortize or defer their recognition of losses. Congress clearly was aware of this fact in that it required as an essential condition of eligibility the submission of a plan to restore capital to a level acceptable to the banking agency.

In order to be approved, the capital plan must be based upon realistic projections as to earnings and other material factors which accurately reflect conditions in the bank's market area. Further, it should address dividend levels, compensation to directors, executive officers and individuals who have a controlling interest and their related interests; and payments for services or products furnished by affiliated companies.

Viability is not defined in the regulation. It is a judgment based on many variables. One measure of viability would be whether a bank's traditional funding sources and demand for loans of acceptable quality within its market area are sufficient to permit the bank to earn a reasonable profit in a normal environment while achieving and maintaining a capital level that enables the bank to operate throughout the normal downturns in economic cycles without suffering severe financial problems. Usually, a bank will be considered viable if it has a reasonable prospect of remaining a going concern throughout the program and at the end of the amortization period.

Congress intended that only banks with reasonable prospects for survival should be permitted to amortize losses; the legislative history indicates that Title VIII of CEBA was intended to

permit "fundamentally sound banks to weather this storm." Cong. Rec. (Daily ed.) S3941 (March 26, 1987). To permit non-viable institutions to amortize losses would merely increase the loss exposure of the FDIC with no countervailing public benefit.

The regulation does not prescribe any absolute level of capital to be achieved. The Board's capital adequacy guidelines (referenced at 12 CFR 208.13 as Appendix A to the Board's Regulation Y, 12 CFR Part 225; Fed. Res. Reg. Serv., ¶ 3-1506) already establish minimum capital standards for well run banks in satisfactory financial condition. Each bank's individual circumstances will be evaluated during the review of the requisite capital plan. This approach parallels the current practice under the Board's existing capital forbearance programs.

An additional criterion for eligibility is that there be no evidence that fraud or criminal abuse by the bank or its officers, directors or principal shareholders led to significant losses on qualified agricultural loans. Literally read, Title VIII of CEBA would seem to disqualify any bank in which there was evidence that losses resulted from fraud or criminal abuse no matter how small in amount the losses were. Certainly, where insider fraud results in significant agricultural loan losses, the bank should be disqualified. Congress intended Title VIII to "provide assistance for agricultural banks, who through no fault of their own, are being squeezed by the ongoing agricultural crisis * * *". *Id.* However, a reasonable interpretation of Title VIII, adopted in the regulation, would disqualify only banks where significant fraud losses occurred.

Conditions on Acceptance

The regulation specifies that any acceptance of a bank's proposal will be subject to certain conditions. These conditions are designed to ensure that a bank continues to meet the eligibility requirements and is properly amortizing losses under the program. First, the bank will be required to fully adhere to the approved capital plan or to obtain the prior approval of any modifications to the plan. Second, the bank will be required to maintain accounting records adequate to document the amount and timing of deferrals, repayments, and amortizations for each loss subject to deferral under the program. Third, the bank must remain a viable, fundamentally sound institution. Fourth, the bank must agree to make a reasonable effort, consistent with safe and sound banking practices, to

maintain in its portfolio a percentage of agricultural loans which is not lower than the percentage of such loans in its loan portfolio on January 1, 1986. Fifth, participating banks will be required to provide the Board or the Reserve Bank in whose District the bank is located, upon request, any information necessary to monitor the bank's amortization or its compliance with conditions, or its continued eligibility under the program. The failure of a bank to comply with any condition is grounds for revocation of an acceptance and termination of eligibility to participate in the loss deferral program. Finally, a violation of a condition may result in an administrative action against the bank under 12 U.S.C. 1818(b) because such conditions are imposed in connection with the granting of a request.

Submission of Proposals

Finally, the regulation lists the content of proposals to be submitted by banks desiring to participate in loss amortization. In addition to the items previously discussed, the proposal shall include a copy of a resolution by the bank's Board of Directors authorizing submission of the proposal. This is to ensure that the Board of Directors has been fully informed. Proposals may be submitted to the Federal Reserve Bank for the Federal Reserve District in which the bank is located on or after November 9, 1987.

Notice and Public Comment

The Board finds good cause for asking for public comment concurrently with the adoption of the rule, for not seeking public comment prior to the adoption of the rule, and for having the rule effective less than thirty days after publication. First, Title VIII of CEBA requires that regulations implementing the Title be implemented no later than 90 days after the effective date of that Title (that is, by November 9, 1987). Therefore, this regulation must be effective on November 9, 1987, which is less than thirty days of the publication date. Second, the Call Report for December 31, 1987, is the first accounting report that could be affected by this regulation, and it will not be due until after the close of the comment period. Thus, any eligible bank receiving approval to amortize loans on the basis of the regulation in its current form will have ample time prior to filing its Call Report for December 31, 1987, to make any adjustments necessary because of amendments to this rule resulting from any comments received. Accordingly, the Board believes that notice and

public participation beyond that provided for is impracticable, unnecessary and contrary to the public interest.

Information Collection

The information to be included in an application and all information needs under the loan loss deferral program are contained in a new information collection, the "Report by Banks Proposing to Amortize Losses on Qualified Agricultural Loans" (form FR 4020; OMB No. 7100-0226). This report was approved by the Board under delegated authority from the Office of Management and Budget ("OMB") at the same time the Board approved this final rule. Notice of the implementation of this information collection is provided in a separate **Federal Register** notice published contemporaneously with this final rule.

In addition to the information required to establish eligibility under the program, certain continuing information will be required for monitoring. For this purpose, the Board and the other agencies intend to rely mainly on the Reports of Condition and Income (FFIEC 031-034; OMB No. 7100-0036). A proposal requesting approval to make the necessary changes to these reports for the December 31, 1987, report date is being submitted shortly to OMB. A separate **Federal Register** notice regarding those changes will be published at the time the proposal is submitted to OMB.

Regulatory Flexibility Act Analysis

Pursuant to section 605(b) of the Regulatory Flexibility Act (Pub. L. 96-354, 5 U.S.C. 601 *et seq.*), the Board certifies that the amendments will not have a significant economic impact on a substantial number of small entities. The amendments would not have any effect on many depository institutions, and any adverse impact on small depositories affected (which only occurs if an institution chooses to take advantage of this regulation) would likely be outweighed by the benefits bestowed by the regulation on these small depository institutions.

List of Subjects in 12 CFR Part 208

Banks, Banking, State member banks, Applications, Recordkeeping, Flood insurance, Capital.

Pursuant to the Board's authority under Title VIII of the Competitive Equality Banking Act of 1987 (Pub. L. No. 100-86), and section 9 of the Federal Reserve Act, 12 U.S.C. 321 *et seq.*, the Board is amending 12 CFR Part 208 as follows:

PART 208—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM

1. The authority citation for 12 CFR Part 208 is revised to read as follows:

Authority: Sections 9, 11, and 21 of the Federal Reserve Act (12 U.S.C. 321-338, 248, and 486); sections 4 and 13(j) of the Federal Deposit Insurance Act (12 U.S.C. 1814 and 1823(j)); and sections 907 and 908 of the International Lending Supervision Act of 1983 (12 U.S.C. 3906 and 3907).

2. A new § 208.15 is added as follows:
§ 208.15 Agricultural loan loss amortization.

(a) **Definitions.** For purposes of this section:

(1) "Agricultural Bank" means a bank:
(i) The deposits of which are insured by the Federal Deposit Insurance Corporation;

(ii) Which is located in an area of the country the economy of which is dependent on agriculture;

(iii) Which has total assets of \$100,000,000 or less as of the most recent Report of Condition; and

(iv) Which has:
(A) At least 25 percent of its total loans in qualified agricultural loans; or
(B) Less than 25 percent of its total loans in qualified agricultural loans, but which bank the Board or the Reserve Bank in whose District the bank is located or its primary state regulator has recommended to the Federal Deposit Insurance Corporation for eligibility under this part.

(2) "Qualified Agricultural Loan" means:

(i) Loans qualifying as "loans to finance agricultural production and other loans to farmers" or as "loans secured by farm land" for purposes of Schedule RC-C of the FFIEC Consolidated Report of Condition;

(ii) Other loans or leases that a bank proves to be sufficiently related to agriculture for classification as an agricultural loan by the Board or the Reserve Bank in whose District the bank is located; and

(iii) the remaining unpaid balance of any loans, as described in paragraph (a)(2)(i) and (ii) of this section, that have been charged off since January 1, 1984, and that qualify for deferral under this regulation.

(3) "Accepting Official" means:

(i) The Reserve Bank in whose District the bank is located; or

(ii) The Director of the Division of Banking Supervision and Regulation in cases in which the Reserve Bank cannot determine that the bank qualifies under the regulation.

(b) *Loss amortization and reappraisal.*

(1) Provided that there is no evidence that the loss resulted from fraud or criminal abuse on the part of the bank, its officers, directors, or principal shareholders, a bank that has been accepted under this section may, in the manner described below, amortize in its Reports of Condition and Income:

(i) Any loss on any qualified agricultural loan that the bank reflected in its annual financial statements for any year between and including 1984 and 1991; and

(ii) Any loss reflected in its financial statements resulting from a reappraisal or sale of currently owned property, real or personal, that it acquired in connection with a qualified agricultural loan and that it owned on January 1, 1983, and any such additional property that it acquires on or before December 31, 1991.

(2) Amortization under this section shall be computed over a period not to exceed seven years on a quarterly straight-line basis commencing in the first quarter after the loan was or is charged off so as to be fully amortized not later than December 31, 1998.

(c) *Accounting for amortization.* Any bank which is permitted to amortize losses in accordance with paragraph (b), of this section, may restate its capital and other relevant accounts and account for future authorized deferrals and amortizations in accordance with the instructions to the FFIEC Consolidated Reports of Condition and Income. Any resulting increase in the capital account shall be included in primary capital as per section 208.13 of this Part.

(d) *Eligibility.* A proposal submitted in accord with paragraph (f) shall be accepted, subject to the conditions described in paragraph (e), if the Accepting Official finds:

(1) The proposing bank is an agricultural bank;

(2) The proposing bank's current capital is in need of restoration, but the bank remains an economically viable, fundamentally sound institution;

(3) There is no evidence that fraud or criminal abuse by the bank or its officers, directors or principal shareholders led to significant losses on qualified agricultural loans and related assets; and

(4) The proposing bank has submitted a capital plan approved by the Accepting Official that will restore its capital to an acceptable level.

(e) *Conditions on acceptance.* All acceptances of proposals shall be subject to the following conditions:

(1) The bank shall fully adhere to the approved capital plan and shall obtain the prior approval of the Accepting

Official for any modifications to the plan;

(2) With respect to each asset subject to loss deferral under the program, the bank shall maintain accounting records adequate to document the amount and timing of the deferrals, repayments and amortizations;

(3) The financial condition of the bank shall not deteriorate to the point where it is no longer a viable, fundamentally sound institution;

(4) The bank agrees to make a reasonable effort, consistent with safe and sound banking practices, to maintain in its loan portfolio a percentage of agricultural loans not lower than the percentage of such loans in its loan portfolio on January 1, 1986; and

(5) The bank shall agree to provide the Accepting Official, upon request, with such information as the Accepting Official deems necessary to monitor the bank's amortization, its compliance with conditions, and its continued eligibility.

(f) *Submission of proposals.* (1) A bank wishing to amortize losses on qualified agricultural loans or other related assets shall submit a proposal to the appropriate Accepting Official.

(2) The proposal shall contain the following information:

- (i) Name and address of the bank;
- (ii) Information establishing that the bank is located in an area the economy of which is dependent on agriculture; the information could consist of a

description of the bank's location, dominant lines of commerce in its service area, and any other information the bank believes will support the contention that it is located in such an area.

(iii) A copy of the bank's most recent Report of Condition and Income;

(iv) If the Report of Condition and Income fails to show that at least 25 percent of the bank's total loans are qualified agricultural loans, the basis upon which the bank believes that it should be declared eligible to amortize losses;

(v) A capital plan demonstrating that the bank will achieve an acceptable capital level not later than the end of the bank's amortization period. The plan should provide for a realistic improvement in the bank's capital, over the course of the amortization period, from earnings retention, capital injections, or other sources; and include specific information regarding dividend levels, compensation to directors, executive officers and individuals who have a controlling interest and in turn to their related interests, and payments for services or products furnished by affiliated companies.

(vi) A list of the loans and reappraised property upon which the bank proposes to defer loss including for each such loan or property, the following information:

(A) The name of the borrower, the

amount of the loan that resulted in the loss, and the amount of the loss;

(B) The date on which the loss was declared;

(C) The basis upon which the loss resulted from a qualified agricultural loan;

(vii) A certification by the bank's chief executive officer that there is no evidence that the losses resulted from fraud or criminal abuse by the bank, its officers, directors, or principal shareholders;

(viii) A copy of a resolution by the bank's Board of Directors authorizing submission of the proposal; and

(ix) Such other information as the Accepting Official may require.

(g) *Revocation of eligibility.* The failure to comply with any condition in an acceptance or with the capital restoration plan is grounds for revocation of acceptance for loss amortization and for an administrative action against the bank under 12 U.S.C. 1818(b). Additionally, acceptance of a bank for loss amortization will not foreclose any administrative action against the bank that the Board may deem appropriate.

* * * * *
By order of the Board of Governors of the Federal Reserve System, October 28, 1987.

William W. Wiles,
Secretary of the Board.

[FR Doc. 87-25359 Filed 11-2-87; 8:45 am]

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