

Overview of the Seasonal Lending Program

The Seasonal Lending Program (SLP), offered by the Federal Reserve Bank of Minneapolis, was established in the early 1970s to assist smaller depository institutions, in both urban and rural areas, in meeting the seasonal borrowing needs of their communities. The SLP provides a reliable source of funds for smaller depository institutions that experience annual liquidity pressures of a seasonal nature (see graph). By relieving those liquidity pressures, the SLP allows depository institutions to release more funds for lending into their local communities.

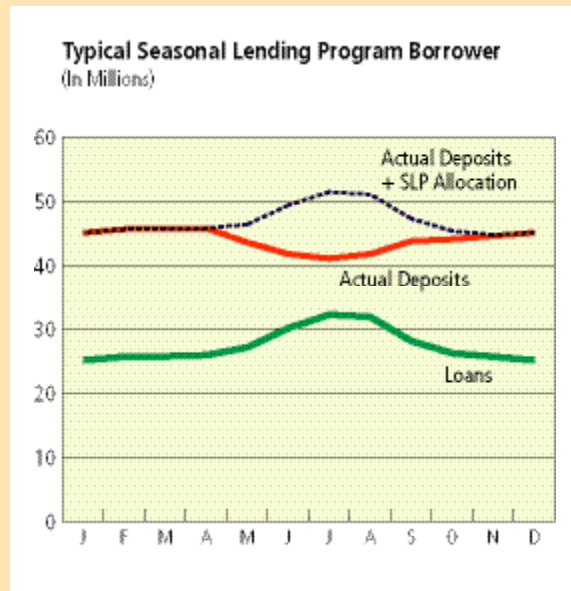
Under the SLP, your institution may qualify for funding for up to nine months in a calendar year to satisfy liquidity requirements arising from the seasonal funding needs of your customers. Seasonal credit is available to institutions with deposits of \$500 million or less that also meet the following criteria:

- are in satisfactory financial condition;
- demonstrate a recurring seasonal need for funds, and;
- have the seasonal need for funds persist for at least four consecutive weeks.

The SLP was not designed to act as a substitute for core deposit growth. Therefore, the SLP also requires an institution to fund a portion of its seasonal need from its own resources. A graduated deductible equal to 2 percent of the first \$100 million of average deposits, 6 percent of the next \$100 million and 10 percent of the excess over \$200 million is subtracted from estimated seasonal needs to achieve this SLP requirement.

Applying for the Seasonal Lending Program

Since participation in the SLP requires pre-qualification, an application should be completed well in advance of the anticipated need for funds. As part of the initial application process, your institution must provide three years of monthly loan and deposit data to the Reserve Bank. We will analyze this information to determine your eligibility as well as the amount and duration of your



approved seasonal credit line. The SLP application can be found at: www.frbdiscountwindow.org/09_seas.cfm.

Modifying the Credit Line

Although the seasonal credit line is based on historical loan and deposit data, flexibility exists within the SLP to modify the amount and/or timing of credit lines when current year seasonal conditions deviate from historical patterns.

Interest Rate and Fees

The interest rate charged for SLP loans is market-based, reflecting the average of the federal funds rate and the rate on three-month CDs rounded to the nearest five basis points. The interest rate is reset every two weeks and applies to all outstanding seasonal loans. For the most up-to-date Discount Interest Rates, see www.frbdiscountwindow.org. The SLP does not charge commitment fees, usage fees, or have minimum usage requirements. Approved SLP credit may be drawn down incrementally as needed. You may prepay your seasonal loan, either partially or in full, prior to maturity.

Lending Documentation Requirements

To qualify for any type of Reserve Bank credit, including SLP credit, your institution must complete legal documents discussed in our Operating Circular 10 prior to borrowing. This includes, but may not be limited to the following documents: Letter of Agreement, Form of Certificate, Authorizing Resolutions for Borrowers, and Official OC-10 Authorizing List. The Operating Circular 10 documentation can be found at: www.frbdiscountwindow.org. Contact the Credit/PSR Section if you need assistance completing these documents.

Pledging Collateral

All loans made by Reserve Banks must be secured by acceptable collateral. We accept a wide variety of collateral including, but not limited to, U.S. government and agency obligations, municipal securities, CMOs, and commercial, consumer and real estate loans. We require a perfected security interest in collateral pledged and will require a public filing when appropriate. Credit/PSR staff is available to assist you with any questions regarding collateral.

Lending and Repayment of Seasonal Loans

Once your SLP application has been approved and you have the necessary legal agreements and collateral in place, an authorized individual from your institution may contact the Credit/PSR Section and request an advance against your institution's monthly line of credit. A credit will be made to your Reserve Bank account on the day the advance is requested (or to the account of your correspondent if you have provided us with the correspondent agreement in Operating Circular 10). An automatic debit is made to the same account on the date the loan matures for any outstanding balances. Except in unusual circumstances, credits and debits will post to the account at the close of Fedwire on the day of borrowing or payment. Your institution may request advances or make payments from 8:00 a.m. until the close of Fedwire (typically 5:30 p.m. Central Time), Monday through Friday.

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Seasonal Lending Program Restrictions

The SLP is intended to assist your institution in meeting the credit needs of your community. Funds obtained through the SLP should not be used to increase your institution's securities portfolio and net federal funds sales. While borrowing under the SLP, your institution should maintain a level of net federal funds sales and securities that is consistent with your normal operating pattern. When borrowing under the SLP, you will be required to submit a report of selected balance sheet data (FR2046) in order for us to ensure that loan proceeds are not used to fund increased sales of federal funds or to purchase other liquid assets.

Termination of Seasonal Lending Line

The Federal Reserve Bank of Minneapolis reserves the right to significantly reduce or revoke an approved SLP line of credit should an institution be classified as a problem institution by a federal banking agency, should it become undercapitalized, or should the use of SLP funds be deemed inconsistent with the Program's purpose.

Credit/PSR Section Contact Information

Toll-Free (877) 837-8815
Fax (612) 204-5911
Email mpls.credit@mpls.frb.org

For information on the Federal Reserve Lending Programs, visit: www.frbdiscountwindow.org.



Federal Reserve Bank of Minneapolis
Discount Window

Seasonal Lending Program



Federal Reserve Bank of Minneapolis
Supervision, Regulation & Credit Division
Credit/Payments System Risk Section
90 Hennepin Avenue
Minneapolis, Minnesota 55401
Toll-Free (877) 837-8815
Fax: (612) 204-5911



Supervision, Regulation & Credit Division