

PROCEDURE REFERENCE : FmHA Instruction 1902-C
PURPOSE : Used to notify Financial Institution of
Concentration Banking System (CBS)

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
(Location)

Dear (Representative of Financial Institution):

The (name of County or town) (County/District) Office of the Farmers Home Administration (FmHA), an agency of the United States Department of Agriculture, is selecting a financial institution to participate in the Concentration Banking System (CBS).

Under CBS, FmHA and the U.S. Treasury will open a Treasury Limited Account for the deposit of borrower's loan payments received by this office. Funds will be deposited in that account each business day unless the amount collected does not warrant making a deposit. The concentrator bank, Mercantile Trust Company, NA of St. Louis, MO. will withdraw the funds overnight via an Automated Clearinghouse (ACH) entry for transfer to the Treasury. The financial institution must have the capability to receive ACH transfers, either directly or through a correspondent, in order to participate in the system.

Compensation to the financial institution takes two forms. First, the financial institution is reimbursed for individual transactions. Attachment A shows estimated transaction volume for this office. Fees, which are based on an independent survey, are shown on Attachment B. In addition, financial institutions may elect to be reimbursed for uncollected funds by completing the schedule of availability in Form FmHA 1902-7. Financial Institution Summary For CBS. The Treasury Department will compensate financial institutions for uncollected funds based on the average Federal funds rate for three months. The financial institution will not be reimbursed for uncollected funds if this schedule is not completed.

We are interested in having you participate in our cash management program. A financial institution will be selected based on proximity to this office, best availability factor, reasonable cutoff time for deposits, courier service, and ability to accept commercial and Governmental ACH entries. Please call us with any questions. We will supply you with additional information and copies of the agreements and associated Treasury regulations upon request.

Sincerely,

(County Supervisor or District Director)

Attachments: Attachment A
Attachment B

INFORMATION
FOR
FINANCIAL INSTITUTIONS

FmHA Office Address:

Telephone () - Ext. _____

Estimated Number and Amount of Payments Received from Borrowers Each Year

Number _____

Amount _____

TREASURY LIMITED DEPOSITARY COMPENSATION FORMULA

PROCESSING CHARGES

<u>VOLUME-BASED ACTIVITIES</u>	<u>PER ITEM RATES</u>
Deposit tickets	.32
Credit/debit memos	.36
Return items	1.25
Encode checks	.07
Effect ACH debits and credits	.10
Maintain account (monthly)	8.75

UNCOLLECTED FUNDS EXPENSE

Average daily deposit times uncollected funds factor times 1/360 times Federal funds rate times number of calendar days in the month = total uncollected funds expense.

Reimbursement for concentration banking is based on the assumption that all checks received will be cleared when the ACH transfer is made. If the financial institution's availability schedule is less than 100 percent availability after one day, the above formula will be applied.