



FEDERAL RESERVE BANK
OF PHILADELPHIA

Gail Todd
Assistant Vice President and Discount Officer
Supervision, Regulation and Credit

January 27, 2016

TO: Selected Financial Institutions in the Third District

ATTENTION: Chief Executive Officer

SUBJECT: Seasonal Credit Program

Attached, please find information related to the Federal Reserve's Seasonal Credit Program. The purpose of the program is to assist those depository institutions with deposits of less than \$500 million meet the seasonal credit needs of their communities without having to maintain excessive liquidity. It is intended for small depository institutions which have recurring swings in funding that are cyclical in nature and occur the same time each year. These seasonal needs must exist for at least four weeks. If you are interested in the Federal Reserve's Seasonal Credit Program or if you have any questions, please contact Glenn Fuir at (215) 574-7286 by February 16, 2016.

Sincerely,

Gail Todd
Assistant Vice President
and Discount Officer

Attachment

FEDERAL RESERVE BANK OF PHILADELPHIA
SEASONAL CREDIT PROGRAM

OVERVIEW

Seasonal credit is available to institutions demonstrating a clear pattern of recurring inter- or intra-year swings in funding needs that are cyclical in nature. The Seasonal Credit Program was established in 1973 because some small institutions were having difficulty serving customers in their local communities due to lack of access to funds in national money markets. When an absence of available funds from national markets was experienced, small institutions maintained a larger liquid asset position to accommodate customer needs at times of peak seasonal demands.

Under the Seasonal Credit Program, your institution may obtain longer-term credit, of up to nine months in duration, to satisfy liquidity funding requirements that arise due to the cyclical needs of your customers. To qualify, a need for funds should persist for at least four consecutive weeks.

An institution is expected to fund a portion of its seasonal need from its own resources. A graduated deductible based on deposit size is applied. The deductible is 2 percent of the first \$100 million in deposits, 6 percent of the next \$100 million in deposits and 10 percent of any deposits in excess of \$200 million.

QUALIFYING FOR A SEASONAL CREDIT LINE

The seasonal credit line is determined by analyzing the fluctuations of deposits and loans throughout the past three years. Therefore, each institution must supply us with the average loans and deposits for each month of the preceding three calendar years prior to the request for a Seasonal Line of Credit. This information is used to determine if you qualify for a Seasonal Line of Credit and the amount and duration of the seasonal pressures. Even though institutions with deposits up to \$500 million are eligible to apply for the program, we have found that institutions with deposits in excess of \$250 million rarely qualify for a seasonal line of credit.

ARRANGEMENTS FOR BORROWING

You must have properly executed borrowing documents from Operating Circular #10 before you can borrow. A Letter of Agreement, Authorizing Resolution for Borrowers, Form of Certificate and Organization Document are required prior to any approval of a seasonal line.

PLEDGING COLLATERAL

Acceptable collateral is required to extend any credit from the discount window. Commonly pledged collateral includes: U.S. Treasury Securities, obligations of agencies guaranteed or sponsored by the U.S. Government, municipal securities, or 1 to 4 family residential mortgages, commercial and industrial loans, or other loans secured on-site through our Borrower-in-Custody Program.

INTEREST RATE FOR SEASONAL LOANS

A market rate of interest is charged for seasonal loans. It is calculated by taking the average of the federal funds rate for a two-week reserve period and the 90 day CD rate, which is then rounded to the nearest five basis points. That rate is then charged commencing the first day of the new reserve period and for the entire reserve period.

REPAYMENT OF SEASONAL LOANS

You may prepay any outstanding loan or create a new loan at any time under your approved Seasonal Line of Credit.

PROGRAM GUIDELINES

The Seasonal Credit Program is intended to assist your institution in meeting the seasonal credit demands of your community. Funds obtained through the Seasonal Credit Program should not be used to increase your institution's net sale of Federal Funds or to add to your institution's securities portfolio. The net sale of Federal Funds is appropriate provided it is consistent with your institution's normal operating pattern during the seasonal period.

A commitment letter will be sent to you confirming your approved seasonal credit line. You will have an opportunity to comment on the proposed guidelines.

REPORTING REQUIREMENTS

When requesting a loan under your approved seasonal credit line you will be required to submit a report of selected financial data (FR2046) on the Wednesday of each week that you have an outstanding loan. Please be prepared to submit a copy (usually faxed to (215) 574-2507) of the requested information each Wednesday.

CONTACT INFORMATION

You may request advances or make loan repayments by calling (800) 372-2011 between 8:00 a.m. and 6:30 p.m. Eastern Time any day the Reserve Bank is open for business.