

February, 2015



FIPCO FORMS NOTICE

Please note: This notice is not a comprehensive review of all the elements of these forms. Refer to the instructions and supplemental instructions prepared for these forms for details and further review of the forms.

The following form is available immediately from FIPCO:

Revised Commercial Lending Form **Business WBA 448 Unsecured Business Credit Agreement (7/15/14)**

Basel III Capital Requirements

Lenders are no doubt aware of recent changes in capital requirements due to the implementation of Basel III. Some options available to the parties in the Business WBA 448 Unsecured Business Credit Agreement may have an impact on the risk weight assigned to this credit agreement as a bank asset. In simple terms, the risk weight of a long term agreement (greater than one year) is higher than that of a short term agreement of one year or less. Similarly, the risk weight of an agreement of one year or less is higher than that of an agreement that is unconditionally cancellable by the Lender. These risk weight implications of various options will be noted where they apply in the supplemental instructions provided for this form.

Lenders are encouraged to refer to the federal regulators' websites for additional information on capital requirements:

<http://www.fdic.gov/regulations/capital/>

<http://www.occ.gov/news-issuances/news-releases/2013/2013-110c.pdf>

<http://www.federalreserve.gov/bankinforeg/basel/basel-coordination-committee-bulletins.htm>

Changes to the Form

Section 5 "Payment Schedule"

To accommodate a variety of practices in application of payments to charges, interest and principal by users of this form, language has been revised to state that all payments "shall be applied in such order as Lender elects to charges and amounts due under this Agreement." Also, references to "termination date" in the various payment options have been replaced with a blank space to be completed with the specific month/day/year of the final payment due date. Lenders should note that these options respecting the length of the agreement may present risk weight effects as noted in "Basel III Capital Requirements" above.

The optional automatic annual renewal provision has been relocated from section 6 to section 5 and now requires the advance notice of termination period (in number of days) to be completed by the lender in the blank space provided.

Section 6 "Termination"

This section has been revised to state that the agreement terminates upon the first to occur of any of the following:

- (a) When full and final payment is due under Section 5;
- (b) (Optional – checkbox) At any time, with or without cause, by written notice from Lender to Customer (Basel III risk weight effect is discussed in the supplemental instructions);
- (c) Upon written notice by Lender to Customer following an event of default under section 10, or without notice at such time as Customer becomes the subject of bankruptcy or other insolvency proceedings;
- (d) At such time that lender has received and is reasonably able to act upon a written notice of cancellation from customer. Customer shall continue to make payments when required under section 5; or
- (e) (Optional – checkbox) A blank line allowing the parties to fill in an alternative termination provision.

This section also includes two options for the timing of payments if subsection 6(b) or (e) is selected. The first box should be checked if the total unpaid balance is due upon termination. The second box should be checked if the total unpaid balance is to be paid when required under the payment schedule selected in section 5. One of these two options must be selected if 6(b) or (e) is checked.

Other Changes to the Form

Various other changes have been made to the sections captioned “Default, Acceleration and Set-Off”, “No Waiver; Remedies” and “Notice”.

Lenders should begin using this revised form at their earliest opportunity.

FIPCO

You may order these forms in the following ways: FIPCO web page (www.fipco.com/hcorder), e-mail (fipcosales@fipco.com), fax (608-661-9382), or call 1-800-722-3498 and select option 1.

This form will be available in a future FIPCO software and electronic form release. Contact us at 1-800-722-3498 with any questions.