



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-73-2005
August 3, 2005

TOBACCO TRANSITION PAYMENT PROGRAM

Examination Treatment of Assets Related to the Tobacco Transition Payment Program

Summary: The FDIC is making publicly available the attached examiner guidance regarding the proper treatment of assignments of tobacco transition payments and successor-in-interest contracts.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Lending Officer
Compliance Officer

Related Topics:

The Fair and Equitable Tobacco Reform Act of 2004

Attachment:

Guidance on the Examination Treatment of the Tobacco Transition Payment Program

Contact:

Section Chief Serena Owens at sowens@fdic.gov or (202) 898-8996

Case Manager Nikita Smith at nsmith@fdic.gov or (901) 818-5705.

Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2005/index.html.

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (1-877-275-3342 or 202-416-6940).

Highlights:

- The Tobacco Transition Payment Program terminates the federal tobacco marketing quota and price support loan programs. It also establishes a 10-year transitional payment program for eligible tobacco quota holders (i.e., land owners) and producers (i.e., farmers) with annual installments beginning in fiscal year 2005 and ending in fiscal year 2014. The sign-up period to be eligible to receive the 2005 payment began on March 14, 2005, and ended on June 17, 2005.
- Financial institutions may offer individual producers and quota holders a lump sum payment – in exchange for the stream of annual payments received under the tobacco buyout program – through either an assignment of payments or a successor-in-interest contract. Assignments may begin with the fiscal year 2005 payment, while successor-in-interest contracts may not begin until the fiscal year 2006 payment.
- The attached examiner guidance provides information about the Tobacco Transition Payment Program. It also describes risk-management examination procedures to be used for state nonmember banks that enter into related assignment of payments arrangements or successor-in-interest contracts.

