Letter of Credit Contents

Bond-approving officers must only accept a letter of credit that is issued by a federally insured financial institution such as a Production Credit Association or insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLI) or National Credit Union Association (NCUA).

3. **Letter of Credit Contents**. A letter of credit must include all of the following:

a. Letter of credit number (assigned by the issuer).

b. A statement that the letter of credit is irrevocable.

c. Name and address of issuing institution unless included in the letterhead.

d. The legal name of the principal which must be identical to the name on the contract, mineral extraction authorization, permit, license, special-use authorization, or collection agreement.

e. The maximum credit limit, which must equal or exceed the penal sum of the bond.

f. A statement that the letter of credit secures the performance, payment, or bid on a contract, mineral plan of operation, permit, license, special-use authorization, or collection agreement with the number and name of the same.

g. An authorization to draw sight drafts on the issuing institution in favor of the USDA Forest Service. To avoid difficulties when presenting sight drafts, the letter of credit should specify an example of an acceptable sight draft if other than the example set forth in section 12, exhibit 08.

It may be possible to receive monies through wire transfer in lieu of a physical demand. If so, this must be stated in the letter of credit.

h. Location(s) where the Forest Service may present sight drafts and a statement that the letter of credit number appearing on the sight draft is sufficient identification to honor the letter of credit.

i. An unqualified expiration date for presentation of sight drafts for payment that is equal to the term of the bonded activity plus sufficient time to meet the following requirements:

(1) **Timber Sale Contract.** Sufficient time to close out the contract after cutting is complete. <u>This should be at least 1-year after the contract expiration date</u>. Letters of credit issued for individual timber sale bid bonds may contain an expiration date for a term less than a year. Such bonds cover only the period of time from bid opening to execution of a contract and receipt of the required cash deposit usually 60 days.

(2) Other Bonded Activities. Sufficient time to complete the specific performance required and to determine any damages and receipt of any funds due the Government.

j. A corporate seal.

k. The following statement: “The deposits of (Name of financial institution) are insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Association.”

l. Signature line for person authorized to sign on behalf of the issuing institution and that person’s title.

Letter of Credit Contents

SAMPLE

Letter of Credit

Letterhead of Issuing Financial Institution

Date

Irrevocable letter of credit number_______

USDA Forest Service (*Beneficiary)*

Monongahela National Forest
200 Sycamore Street
Elkins, WV 26241

Gentlemen:

Name of issuing and paying institution has established an irrevocable letter of credit in your favor at the request of and for the account of ___*Name of principal*___, to the extent of _____________ U.S. dollars ($_____________)[1] to secure the _________________[2] on *contract* No._________.

Said funds are available by presentation of your sight draft(s) which clearly specify the number of this credit and are drawn in favor of USDA Forest Service for the secured obligation cited above.

Draft(s) drawn in conformity with the conditions of this credit will be honored by us if presented at our office (list location(s) if other than one cited in address) on or before __*Date*__.[3] This letter of credit will be automatically extended without amendment for periods of one year from the then relevant expiry date unless at least 60 days prior to that relevant expiry date we notify you in writing, by certified mail or courier, that we elect not to extend this Letter of Credit. Upon receipt of such notice, you may immediately draw upon this Letter of Credit by means of your sight draft and referencing our letter of credit number.

The deposits of *Name of financial institution* are insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Association

Corporate Seal

Sincerely,

Name of financial institution with byline
for signature of person authorized to sign
and their title

Notary

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[1] Must equal or exceed the penal sum which the letter of credit is pledged to secure.
[2] Enter bid, payment, or performance.
[3] Must exceed the term of the project being bonded by one year.