

News Release

Farm Credit Administration
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FCA Board Adopts Final Rule to Require External Auditors of the Funding Corporation to Directly Assess Internal Control Over Financial Reporting

McLEAN, Va., October 11, 2007 — The Farm Credit Administration (FCA) Board today adopted a direct final rule requiring the external auditor of the Federal Farm Credit Banks Funding Corporation (Funding Corporation) to express an opinion on the effectiveness of internal control over financial reporting (ICFR).

The Funding Corporation manages the sale of Farm Credit System (FCS) debt securities, which finance the loans made by FCS institutions.

Under the previous requirement, the external auditor of the Funding Corporation was required to report on management's assessment of ICFR. Under the new requirement, the external auditor must express an opinion directly on the effectiveness of ICFR. This opinion must be included in the annual report that the Funding Corporation prepares for investors in FCS securities.

This change brings FCA's position on this matter in line with similar changes recently made to the regulations of the Securities and Exchange Commission and auditing standards of the Public Company Accounting Oversight Board.

The FCA Board adopted this rule as a direct final rule with opportunity to comment. If no significant adverse comment is received on the direct final rule within 30 days after publication in the Federal Register, the rule will be effective 30 days after publication during which either body of Congress is in session. Notice of the effective date will be published in the Federal Register.

Comments on the rule may be submitted by electronic mail to reg-comm@fca.gov, through the Pending Regulations section of FCA's Web site at www.fca.gov, or through the

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Federal Government Web portal at www.regulations.gov. Comments also may be sent by mail to Gary K. Van Meter, Deputy Director, Office of Regulatory Policy, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090, or by fax to 703-883-4477. The public may read comments submitted at the FCA office in McLean, Virginia, or through FCA's Web site at www.fca.gov.

In other business, the Board received a quarterly report from the Office of Examination on the condition of the FCS. According to this report, the FCS remains safe and sound, with strong capital levels, asset quality, and earnings. During the closed session, the Office of Examination provided an update on its oversight activities and its supervision of specific institutions.

Notational Votes

Since the September 13 FCA Board meeting, one notational vote has occurred. Notational votes are actions taken by the FCA Board between Board meetings.

The FCA Board voted to delegate limited authority to the director of the Office of Secondary Market Oversight to approve divestiture plans for certain investments.

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The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System. FCA charters, regulates, and examines the 107 banks, associations, and service corporations of the FCS. System institutions make loans to agricultural producers and their cooperatives nationwide. Members of the FCA Board are Nancy C. Pellett, Chairman and CEO; Dallas P. Tonsager; and Leland A. Strom.

Note: FCA news releases are available on the FCA Web site at www.fca.gov.