News Release

Farm Credit Administration
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FCA board receives 2019 annual report on the Farm Credit System's young, beginning, and small farmer lending

McLEAN, Va., Aug. 13, 2020 — At its monthly meeting today, the Farm Credit Administration board received FCA's 2019 Annual Report on the Farm Credit System's Young, Beginning, and Small (YBS) Farmer Mission Performance.

FCA defines young farmers as those who are 35 years old or younger, beginning farmers as those who have been farming for 10 years or less, and small farmers as those with gross annual sales of less than $250,000.

Outstanding loans

Both the dollar volume of the System's total loans outstanding and the dollar volume of YBS loans outstanding increased in 2019. Total System loan dollar volume outstanding increased by 6.3%, and loan dollar volume outstanding to young farmers increased by 3.3%, to beginning farmers by 3.9%, and to small farmers by 4.6%.

However, the total number of loans outstanding both for the System as a whole and for YBS borrowers remained relatively flat in 2019. The number of total System loans outstanding increased by 0.5%. The number of loans outstanding to young farmers increased by 1.0%, to beginning farmers by 1.8%, and to small farmers by 0.6%.

New loans

From Dec. 31, 2018, to Dec. 31, 2019, the System's overall new loan dollar volume increased by 5.4%. New loan dollar volume to young farmers increased by 7.3%, to beginning farmers by 8.0%, and to small farmers by 15.9%.

The number of loans made during the year also increased in 2019 for both total System lending and for all YBS categories. The number of total System loans made during the year increased by 4.8%. The number of loans to young farmers increased by 5.9%, to beginning farmers by 8.1%, and to small farmers by 7.8%.

System institutions are required by law and FCA regulation to maintain programs to provide sound and constructive credit and related services to YBS farmers and ranchers. They must report annually to FCA on their YBS lending activity.

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For more information about the System's YBS farmer lending in 2019, see the related fact sheet (PDF). Also, see the PowerPoint presentation (PDF) used at the FCA board meeting.

Final rule on investment eligibility

In other business, the board approved a final rule to amend FCA regulation 615.5140(b)(2), which took effect on Jan. 1, 2019. The final rule will permit associations to now purchase loan portions in the secondary market that are fully and unconditionally guaranteed by USDA. These USDA-guaranteed loan portions will serve as risk management investments in addition to those investments already authorized by this FCA regulation.

The final rule will enhance the ability of associations to manage risks, and it should help increase liquidity in rural credit markets, which is consistent with the System's mission.

Final rule on amortization

The FCA board also approved a final rule that will repeal regulatory provisions that impose amortization limits on loans made by production credit associations (PCAs). For any loan that amortizes over a period that is longer than its term to maturity, the final rule will require all System associations to establish an appropriate loan amortization schedule consistent with their underwriting standards. These standards should consider the type and purpose of the loan, the expected useful life of the asset being financed, and the repayment capacity of the borrower.

The final rule is unchanged from the proposed rule, which was published on Jan. 23. The agency removed the PCA limits because it views loan amortization as a credit underwriting issue, not a legal authority issue.

Effective dates for final rules

Both final rules will take effect 30 days after publication in the Federal Register during which either body of Congress is in session. Notice of the effective date for each rule will be published in the Federal Register.

Notational votes

Since the July 16 FCA board meeting, the following notational votes have occurred. Notational votes are actions taken by the FCA board between board meetings.

On July 26, the FCA board approved the transfer of procurement functions from the Office of Agency Services to the Office of the Chief Financial Officer.

On July 29, the FCA board approved a request by Compeer Financial, ACA, to renew the streamlined approval process that allows the association to invest in certain healthcare-related bonds. The bonds must involve facilities in rural areas that have met the USDA's definition of an "essential community facility." The approval is subject to conditions, including a total limit of $200 million in bonds.

On Aug. 4, the board approved the request by MidAtlantic Farm Credit, ACA, to distribute $8.25 million in allocated equities to its member-borrowers.

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The Farm Credit Administration is the safety and soundness regulator of the Farm Credit System. The System consists of two government-sponsored enterprises — a nationwide network of cooperative banks and associations established in 1916, and a secondary market entity known as the Federal Agricultural Mortgage Corporation (Farmer Mac), which was established in 1988. The System's borrower-owned banks and associations provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible and creditworthy borrowers. Farmer Mac provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. FCA news releases are available on the web at www.fca.gov.