

News Release

Farm Credit Administration
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FCA Board Approves Final Rule to Reflect Mandatory Changes in Civil Money Penalties

McLEAN, Va., April 11, 2013 — The Farm Credit Administration Board today adopted a final rule to adjust FCA civil money penalties for inflation. The rule revises 12 CFR 622.61, subpart B, to comply with requirements in the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended, (Inflation Adjustment Act) and the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters Act).

According to the final rule, any violation of the terms of a final order issued under section 5.25 and 5.26 of the Farm Credit Act of 1971, as amended, will be fined \$2,100 per day for each violation. Violators of the National Flood Insurance Program will be fined \$2,000 per infraction, with no cap for the total civil money penalties that can be assessed against any single institution during any calendar year.

In general, adjustment calculations are based on the percentage by which the Consumer Price Index for June 2012 exceeds the index for June of the calendar year the civil money penalties were last adjusted.

The civil money penalty for violation of the terms of a final order issued under section 5.25 or 5.26 of the Farm Credit Act was last adjusted in 1996 to a fine of \$1,100. In comparing the CPI for June 1996 to June 2012, the result is a percentage change of 46.44 percent, which results in an increase of \$510.84 when multiplied by \$1,100. When that number is rounded as required by section 5(a) of the Inflation Adjustment Act, the inflation-adjusted maximum increases to \$2,100.

The civil money penalty for a violation of the Farm Credit Act, or a regulation issued under the act, remains unchanged at \$750. This penalty did not change because it was last adjusted in 2009 and the CPI has not increased enough since then to drive the penalty higher.

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In the Biggert-Waters Act, which amends the Flood Disaster Protection Act of 1973, Congress increased the maximum amount of civil money penalties per violation of the National Flood Insurance Program from \$385 to \$2,000 and eliminated the cap on the total amount of civil money penalties assessed against a single regulated lender in any calendar year. As a result of the Biggert-Waters Act, this penalty is not subject to an inflation adjustment at this time.

This rule is issued as a final rule without notice and comment because the Inflation Adjustment Act prohibits FCA from varying the methodology used to calculate the civil penalty adjustment or the amount of adjustment. As a result, under the authority of the Administrative Procedure Act, the FCA Board has determined that public notice and comment is unnecessary.

Increased penalties for violations of the Farm Credit Act or the National Flood Insurance Program will be assessed on or after July 1, 2013, the effective date of the final rule.

Quarterly Report on the Condition of the Farm Credit System

In other business, the Board heard a quarterly report by the Office of Examination. According to the report, the U.S. economy continues to slowly recover, but the job market remains fragile. Farm sector income is expected to be strong again in 2013. The USDA projects a significant rebound in crop production, resulting in sharply lower prices. Protein and dairy sectors are vulnerable if feed costs remain high.

The Farm Credit System (System) remains fundamentally safe and sound. The System experienced moderate growth in 2012 as loan balances increased by 9.9 percent. Credit quality in the loan portfolio continues to gradually improve, although risk is elevated for some sectors. The System posted strong earnings and higher capital levels in 2012. The System's liquidity position continues to be strong, and it has reliable access to funding.

Auditors' Report on FCS Building Association 2012 Financial Statements

The Board also heard an auditors' report on the 2012 financial statements of the FCS Building Association. Cherry Bekaert LLP, an independent auditing firm, provided an unqualified opinion of the Building Association's financial statements for the year ended Dec. 31, 2012. The auditors noted no unusual issues pertaining to the financial statements and management practices. During a closed executive session, the Board met with the auditors to discuss the audit in greater detail.

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The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System and the Federal Agricultural Mortgage Corporation (Farmer Mac). FCA charts, regulates, and examines the 94 banks, associations, service corporations and special-purpose entities of the Farm Credit System. The System makes loans to agricultural producers and their cooperatives nationwide. It includes Farmer Mac, which provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. Members of the FCA Board are Jill Long Thompson, Board Chair and CEO; Kenneth A. Spearman; and Leland A. Strom.

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