

## News Release

Farm Credit Administration  
1501 Farm Credit Drive  
McLean, Virginia 22102-5090

---



**For Immediate Release**  
NR-06-12 (11-09-06)

Contact: Martha Schober or Christine Quinn,  
703-883-4056  
E-mail: [info-line@fca.gov](mailto:info-line@fca.gov)  
Web site: [www.fca.gov](http://www.fca.gov)

### **FCA Board Approves Final Rules to Modify Disclosure and Reporting Requirements for FCS Institutions and to Revise Regulations Governing Farmer Mac's Risk-Based Capital Stress Test**

McLEAN, Va., November 9, 2006—The Farm Credit Administration (FCA or Agency) Board today approved two final rules. The first rule modifies the disclosure and reporting requirements of Farm Credit System (FCS or System) institutions; the other revises regulations associated with the Risk-Based Capital Stress Test (RBCST) used to calculate regulatory capital requirements for the Federal Agricultural Mortgage Corporation (Farmer Mac).

#### **Final Rule Modifying Disclosure and Reporting Requirements**

The final rule on disclosure and reporting requirements for FCS institutions is designed to improve the transparency of published disclosures, strengthen board and management accountability and auditor independence, and increase shareholder and investor confidence in the System. It accomplishes this in the following ways:

- By providing timely disclosures to shareholders, investors, and the public by setting earlier deadlines for System institutions to file annual and quarterly reports
- By requiring the Federal Farm Credit Banks Funding Corporation (Funding Corporation) to issue interim reports to investors
- By streamlining the filing, signature, and certification requirements for annual and quarterly reports
- By requiring management of the Funding Corporation and the largest System institutions (i.e., those with more than \$1 billion in assets) to annually review and report on the internal control over financial reporting
- By requiring the Funding Corporation to provide an annual attestation from its external auditor on management's assessment of internal control over financial reporting

- more -

- By enhancing the independence of external auditors through restrictions on nonaudit services and conflicts of interest, as well as lead audit team member rotation

This regulation will be effective 30 days after publication in the Federal Register, during which either body of Congress is in session. Compliance with all provisions of the rule must be achieved by the start of the fiscal year immediately following the effective date of this rule, or if the start of that fiscal year is within three months of the effective date, the start of the next fiscal year.

### **Final Rule Revising Regulations on RBCST**

The final rule updates the RBCST in response to changing financial markets, new business practices, and the evolution of Farmer Mac's loan portfolio. This completes several objectives from the Agency's proposed rule that was initially published for comment in November 2005. It accomplishes this in the following ways:

- By establishing proxy values for use when data are missing
- By requiring loans underlying Long-term Standby Purchase Commitments to be treated on a more equal basis with Cash Window loans in the loss estimation
- By requiring the miscellaneous income for future years to be estimated on a weighted average basis
- By revising the treatment of gain on sale of agricultural mortgage-backed securities
- By requiring operating expenses to be estimated according to a moving average

The regulation will be effective either (a) 30 days after publication in the Federal Register, during which either body of Congress is in session, or (b) March 31, 2007, whichever comes later.

Farmer Mac is a Government-sponsored enterprise regulated and examined by FCA. Farmer Mac was created by the Agricultural Credit Act of 1987 to improve the availability of mortgage financing to farmers, ranchers, and rural homeowners. It provides a secondary market for agricultural real estate and rural housing mortgage loans and helps provide greater liquidity to agricultural lenders.

In other business, the Office of Management Services presented its quarterly report of operations to the Board.

### **Notational Votes**

Since the October 12 FCA Board meeting, three notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

1. In one vote, the Board authorized Farm Credit Services of Grand Forks, ACA, to purchase interests in various Regional Angel Investment Network funds as a mission-related investment under certain conditions.
2. In another vote, the Board approved the Agency's Oversight and Examination Plan for fiscal year 2007 and granted the Chief Examiner the authority to amend the plan's priorities and strategies.
3. In the final vote, the Board approved the sale of all unused development rights owned by the FCS Building Association at the Farm Credit Building in McLean, as well as a portion of unused land (approximately one-quarter of an acre) behind the building. The amount of the total sale was approximately \$10.5 million.

###

The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System. FCA charters, regulates, and examines the 108 banks, associations, and service corporations of the System. System institutions make loans to agricultural producers and their cooperatives nationwide. Members of the FCA Board are Nancy C. Pellett, Chairman and CEO; Douglas L. "Doug" Flory; and Dallas P. Tonsager.

Note: FCA news releases are available on the Internet. Access the FCA Web site at [www.fca.gov](http://www.fca.gov).