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FCA Board Adopts a Proposed Rule to Authorize FCS Institutions to Make Rural Community Investments

McLEAN, Va., May 8, 2008 — The Board of the Farm Credit Administration (FCA) voted today to issue a proposed rule to authorize Farm Credit System (FCS or System) institutions to purchase and hold investments in rural communities.

According to FCA Chairman Nancy Pellett, “authorizing FCS institutions to make community investments in their rural communities to improve health care services, infrastructure improvements, quality-of-life projects, and other economic opportunities is meaningful to rural residents and contributes to a strong agriculture.”

Since 2005, FCA has approved requests by System institutions on a case-by-case basis to initiate pilot programs enabling them to make investments in rural communities. Over the past three years, 37 System institutions have made investments through these pilot programs.

Because of the success of these programs, FCA is proposing a rule to allow all System banks, associations, and service corporations to make certain investments in rural communities under prescribed conditions. The proposed rule would allow the System to invest in the following:

- Essential community facilities
- Basic transportation infrastructure
- Rural communities recovering from disaster
- Debt securities for rural development projects sponsored or guaranteed by the United States, U.S. agencies, any of the 50 states, Puerto Rico, or local and municipal governments
- Debt securities that support the rural development activities of non-System financial institutions

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- Rural business investment companies
- Venture capital funds that invest in rural businesses that create jobs and economic growth under specific conditions

It also would enable the FCS to work with government and non-System financial institutions to invest in facilities, infrastructure, services, and projects that create jobs that benefit rural communities and their residents. Investments in rural communities under the proposed rule, however, would be restricted to rural communities outside of urbanized areas as determined by the latest decennial census of the U.S. Census Bureau. The U.S. Census Bureau defines rural communities as having fewer than 50,000 residents.

The authority for the proposed rule is derived from the Farm Credit Act of 1971, as amended (Act), which allows System institutions to hold investments that FCA approves. Additionally, the preamble to the statute expressly states that the purpose of the FCS is “to provide for an adequate and flexible flow of money into rural areas” and “to meet current and future rural credit needs.”

The proposed rule establishes controls to ensure that investments in rural communities do not adversely affect the safety and soundness of System institutions. These controls also serve to maintain System compliance with statutory authorities and to ensure that the FCS continues its primary mission of lending to agricultural producers, eligible cooperatives and agribusinesses, and rural utilities.

The proposed rule will be published in the Federal Register for a 60-day comment period. Comments for the proposed 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 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 703-734-5784. The public may read submitted comments at the FCA office in McLean, Virginia, or on FCA’s Web site at www.fca.gov.

In other business, the FCA Board approved the agency’s Strategic Plan for Fiscal Years 2008–2013. The plan retains the same mission statement and two primary goals as previously published in the Strategic Plan for FY 2004–2009. In adopting the Strategic Plan, the FCA Board recognizes that changes in the agricultural and financial marketplaces create both opportunities and risks. As FCA addresses these changes, it will work together with its constituencies in a responsible manner to preserve and strengthen the System so that it

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continues as a dependable source of credit and financially related services for rural America. FCA remains focused on its regulatory duty to ensure that the System operates safely and soundly. A copy of the plan is available on FCA's Web site at www.fca.gov.

Reports

The Board heard two reports at the meeting today. The first was a report on agency operations from the Office of Management Services.

The second was a quarterly report from the Office of Examination, which consisted of an overview of economic conditions affecting the FCS and certain agricultural industries and a report on the condition of the FCS. According to the report, the System's assets continued to grow in 2007, and the FCS remains safe and sound, with strong earnings, capital levels, and asset quality. The report noted that economic conditions in agriculture overall remain favorable despite the considerable slowdown in the general economy of the United States; however, the emerging volatility in agricultural markets warrants monitoring.

Notational Votes

The Board had no notational vote actions since the April 10 FCA Board meeting.

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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 106 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.

Note to Editors: A Fact Sheet that provides additional information about the proposed rule was issued with this news release and is posted with the release on the FCA Web site.