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FCA Board Approves Proposed Rule on Director Elections

McLEAN, Va., March 12, 2009 — The Farm Credit Administration (FCA) Board today approved a proposed rule to clarify the director election process for Farm Credit System (FCS or System) institutions and update the rules to incorporate interpretations issued recently through bookletters. The intent of the proposed rule is to increase stockholder participation in the director election process and enhance impartiality and disclosure in director elections.

The rule would amend FCA regulations at Parts 611, 615, and 620 to consolidate Farm Credit bank and association director election and voting rules and enhance reporting and disclosure rules.

The cooperative structure of the FCS relies on the participation of stockholders in the management, control, and ownership of System institutions and requires that the majority of all Farm Credit bank and association directors be elected by the voting stockholders of the institutions in which they serve. This ensures that the ownership of each institution remains firmly in the hands of its voting stockholders.

The proposed rule is intended to

- recognize the right of each Farm Credit association as a stockholder in its affiliated bank to have appropriate and reasonable use of its property, resources, and facilities to support a director candidate in a bank director election, to the extent permitted by the bank's policy and procedures;
- clarify the duties of the nominating committee and regulate floor nominations in accordance with informal guidance FCA has issued;
- establish minimum requirements for banks and associations that hold online annual stockholder meetings in addition to traditional meetings;
- improve stockholder attendance at annual meetings;
- eliminate the practice of counting mail ballots to meet quorum requirements;

- enhance impartiality, eligibility, and disclosure requirements in the election of directors; and
- consolidate director election and voting rules into Part 611 and reporting and disclosure rules in Part 620.

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. The public may read submitted comments at the FCA office in McLean, Virginia, or on FCA's Web site at www.fca.gov.

Notational Vote

Since the FCA Board meeting on February 12, one notational vote has occurred. Notational votes are actions taken by the FCA Board between Board meetings.

On February 26, the FCA Board approved the proposed disclosure that First South Farm Credit, ACA, and First South Farm Credit, FLCA, will provide to their stockholders to obtain long-term lending authority under Title I of the Farm Credit Act, as amended, within First South ACA's entire chartered territory pursuant to amendments to the Farm Credit Act that become effective on January 1, 2010. Congress provided this new authority as part of the 2008 farm bill. Currently, First South ACA and its Federal Land Credit Association (FLCA) subsidiary may only make long-term loans in one county in the ACA's chartered territory.

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The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System (System) and the Federal Agricultural Mortgage Corporation (Farmer Mac). FCA charters, regulates, and examines the 102 banks, associations, and service corporations of the System and Farmer Mac. System institutions make loans to agricultural producers and their cooperatives nationwide. Farmer Mac provides a secondary market for agricultural real estate and rural housing mortgage loans. Members of the FCA Board are Leland A. Strom, Chairman and CEO; Nancy C. Pellett; and Dallas P. Tonsager.

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