

## News Release

Farm Credit Administration  
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**For Immediate Release**  
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### **FCA Board Adopts Proposed Rule Permitting FCS Institutions to Purchase Agricultural and Cooperative Loans from FDIC**

McLEAN, Va., April 8, 2010 — The Farm Credit Administration (FCA) Board today adopted a proposed rule permitting Farm Credit System (FCS or System) institutions with direct-lending authority to purchase certain agricultural and cooperative loans from the Federal Deposit Insurance Corporation (FDIC).

The purpose of the proposed rule is to allow System institutions to provide credit and liquidity to rural areas affected by commercial bank failures. The proposed rule was developed in response to questions by the FDIC, System institutions, and others as to whether System institutions could provide a source of liquidity to borrowers whose operations are financed with agricultural or cooperative loans affected by commercial bank failures.

Currently, except for loan participations and for the pooling and securitizing of loans to sell to the Federal Agricultural Mortgage Corporation, FCA regulations do not permit System institutions to purchase whole loans from non-System institutions.

The proposed rule would require System institutions to perform a due-diligence review of the loans prior to purchase and to review the loans more extensively after purchase to ensure that they meet eligibility and scope-of-financing requirements for FCS loans.

All borrowers whose operations are financed by agricultural loans purchased by a System institution from the FDIC would be entitled to certain borrower rights applicable to FCS borrowers. In addition, all borrowers who have agricultural or cooperative loans would be offered membership status through a stock membership program developed by the System institution.

Non-eligible loans, and eligible loans to borrowers who chose not to become members, would be divested as soon as financially feasible. Before divesting distressed agricultural loans, however, a System institution would be required to follow loan restructuring procedures contained in FCA's borrower rights regulations.

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Following a 30-day period for congressional review, 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](mailto:reg-comm@fca.gov), through the Pending Regulations section of FCA's Web site at [www.fca.gov](http://www.fca.gov), or through the federal government Web portal at [www.regulations.gov](http://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](http://www.fca.gov).

### **Auditors' Report on FCS Building Association 2009 Financial Statements**

In other business, the Board heard an auditors' report on the 2009 financial statements of the FCS Building Association (FCSBA). Cherry, Bekaert & Holland, an independent auditing firm, provided an unqualified opinion of the FCSBA's financial statements for the year ended December 31, 2009. The auditors noted no unusual issues pertaining to the financial statements and management practices.

### **Enforcement Action Implemented**

On April 6, FCA entered into a supervisory agreement with an agricultural credit association (ACA) that requires the ACA to take actions to address issues identified previously in FCA's examination.

### **Notational Votes**

Since the FCA Board meeting on March 11, two notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

1. On March 12, the FCA Board voted to re-open the comment period for an additional 30 days on the proposed rule that would revise the Risk-Based Capital Stress Test for the Federal Agricultural Mortgage Corporation. The comment period closes April 22, 2010.
2. On March 12, the FCA Board voted to allow AgStar Financial Services, ACA, to include up to \$200 million of subordinated debt in permanent capital and total surplus. This regulatory capital treatment is subject to certain limits and conditions.

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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 charters, regulates, and examines the 99 banks, associations, and service corporations of the Farm Credit System, which makes loans to agricultural producers and their cooperatives nationwide. FCA also examines and regulates 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 Leland A. Strom, Chairman and CEO; Kenneth A. Spearman; and Jill Long Thompson.

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