

## News Release

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**For Immediate Release**  
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### **FCA Board Approves Advance Notice on Regulatory Capital; Receives Report on Young, Beginning and Small Farmer Lending**

McLEAN, Va., June 10, 2010 — The Farm Credit Administration (FCA) Board today approved an advance notice of proposed rulemaking (ANPRM) to solicit public comment on mapping FCA's current regulatory capital requirements to the "Tier 1/Tier 2" capital framework of the Basel Accord (Basel) and federal banking agencies.

Currently, FCA has three risk-based capital standards—the core surplus ratio, total surplus ratio, and permanent capital ratio. Basel and the federal banking agencies use a two-tiered framework for measuring capital adequacy. Tier 1 capital includes the highest-quality, permanent and stable equity components, while Tier 2 capital includes equity components that do not qualify for Tier 1 treatment.

The ANPRM asks the public to consider the December 2009 proposed revisions to the Tier 1/Tier 2 capital requirements by the Basel Committee on Banking Supervision. The ANPRM also asks questions about possible ways to tailor Tier 1/Tier 2 standards to fit the member-owned cooperative structure of the Farm Credit System (FCS or System) and its mission as a government-sponsored enterprise.

An ANPRM is a preliminary notice published in the Federal Register, announcing that an agency is considering a regulatory action. These notices are used when an agency wishes to gather more information from the public before issuing a notice of proposed rulemaking. The comment period for this ANPRM is 120 days from the date of publication in the Federal Register.

In other business, the FCA Board adopted a direct final rule amending its regulations in parts 604, 607, 612, 614, 615, 618 and 627 to eliminate unnecessary, redundant or outdated regulations; to correct cross-reference errors; and to clarify the intent of a regulatory provision. A direct final rule does not include the customary notice and comment period because the proposed changes are technical, not substantive. FCA will publish a notice of effective date in the Federal Register following the required congressional waiting period.

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## Report on Young, Beginning and Small Farmer Mission Performance

The Board received a report on the 2009 performance of the System in meeting its congressional mandate to provide constructive credit and related services to young, beginning and small (YBS) farmers and ranchers. YBS lending and reporting are a special focus area established for the System and FCA by the Farm Credit Act of 1971, as amended.

While loans outstanding at year end to farmers in the young and beginning categories continued to increase in both dollars and numbers, loans made (both dollars and numbers) in calendar 2009 to young, beginning, and small farmers declined for the first time in several years. Loan volume outstanding to small farmers edged higher while loan numbers dipped at year end. The System's decreased YBS lending activity (new loans plus loan renewals) during 2009 was in step with declines in its non-YBS lending activity. The overall lending decline in 2009 was a result of weaknesses in the agricultural and the general economy.

Since 2001, trends in the System's YBS lending volume have nearly kept pace with the System's strong loan growth. As a percentage of total loans outstanding, loans outstanding in each of the three categories have dipped just a few points or remained relatively flat. This trend has occurred in spite of the general decline in the number of YBS farm operators in the general farming population, suggesting that the System has continued to serve the needs of YBS farmers.

For more information about the System's YBS lending activity in 2009 and its YBS lending trends over the past nine years, see the fact sheet attached to this release. Also see "Serving Young, Beginning, and Small Farmers and Ranchers" in the 2009 FCA Annual Report on the Farm Credit System, which will soon be available on the FCA website, or see the [YBS Farmer/Rancher Lending](#) page on the FCA website.

## Report by the Office of Secondary Market Oversight

During the closed session of today's Board meeting, staff from the Office of Secondary Market Oversight, which is responsible for examining and overseeing Farmer Mac, provided a quarterly report.

## Notational Votes

Since the FCA Board meeting on May 13, one notational vote has occurred. Notational votes are actions taken by the FCA Board between Board meetings.

On May 25, the Board voted to adopt a resolution stating that no regulatory action currently in the agency's Unified Regulatory Agenda meets the definition of a significant regulatory action and therefore the agency is not required to develop a regulatory plan to submit to the Office of Information and Regulatory Affairs.

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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 at [www.fca.gov](http://www.fca.gov).