

News Release

Farm Credit Administration
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FCA Board Approves Two Final Rules Governing Investment Management and Bookletter on Financing Local Food Farmers

McLean, Va., October 11, 2012 — At its monthly meeting today, the Farm Credit Administration Board approved two final rules governing investment management. One rule revises the investment management regulations for Farm Credit System (FCS or System) banks and associations. A second rule revises the investment management regulations for the Federal Agricultural Mortgage Corporation (Farmer Mac). FCA adopted these two rules to strengthen the safety and soundness of System banks and associations and of Farmer Mac, with appropriate consideration of their status as government-sponsored enterprises.

The Board also approved a bookletter that provides guidance on how System associations can meet the credit and related services needs of farmers who market their agricultural products through local and regional food systems.

The rule amending FCA's regulations governing the investment management of FCS banks and associations was proposed in August 2011. The rule amending FCA's regulations governing Farmer Mac's investment management was proposed in November 2011. In addition to investment management, both proposed rules addressed investment eligibility, as well as other investment-related issues. After the comments on the two rules were considered, both final rules address investment management only. The other issues will be addressed in future rulemakings.

Among other changes, the final rules adopted today governing System banks, associations and Farmer Mac strengthen the regulations governing investment management and interest rate risk management, modify the investment portfolio limit calculation, reduce regulatory burden for investments that fail to meet eligibility criteria after purchase, and make other changes that will enhance safety and soundness. In addition, the Farmer Mac rule adds a permissible investment purpose.

For additional information on the two final rules, please see the attached fact sheets.

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Both final rules will become effective 30 days after publication in the Federal Register during which either body of Congress is in session. Notice of the effective date will be published in the Federal Register.

In other action, the Board approved Bookletter BL-66 titled, "Providing Credit to Farmers and Ranchers Operating in Local/Regional Food Systems." The booklet explains how System associations can serve the financing needs of local food farmers and certain farm-related businesses under existing statutes and regulations and prior guidance issued by FCA. It provides guidance on how the recently adopted regulations pertaining to strategic business planning and senior officer compensation at FCS institutions apply to financing local/regional food farmers.

The booklet provides specific guidance to the System on the following:

- Determining the eligibility and scope of financing for local food farmers
- Determining when a local food hub, aggregator, or support business qualifies for financing as a farm-related service business, processing or marketing operation, or similar entity
- The application of creditworthiness and underwriting standards to local food farmers
- The role of FCS banks in supporting association lending
- Educational support for local food farmers
- Developing a strategic business plan for emerging agricultural markets

Notational Votes

Since the Sept. 13 FCA Board meeting, five notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

- On Sept. 17, the Board approved an updated policy on Equal Employment Opportunity (EEO) and Diversity (Policy Statement 62) to comply with the Equal Employment Opportunity Commission's guidance for agencies to annually review and reissue their EEO and Diversity policies. Two nonmaterial changes were made to FCA's policy.
- On Sept. 18, the Board voted not to object to the proposed Offering Circular that CoBank, ACB, intends to use in connection with the issuance of up to \$400 million (4 million shares) of Series F Non-Cumulative Fixed-to-Floating Rate Perpetual Preferred Stock, for sale or transfer in amounts of at least \$25,000 to qualified institutional buyers, institutional accredited investors, and eligible individual accredited investors. CoBank may use the Offering Circular to issue this stock through Sept. 30, 2013.
- On Oct. 3, the Board approved the FCA Office of Examination's fiscal year 2013 oversight and examination plan.

- On Oct. 3, the Board approved Bookletter 065, “Establishment and Implementation of a Shared-Asset Identifier.” The booklet details FCA’s expectation for establishing and implementing a shared-asset identifier to facilitate timely and accurate evaluations of credit risk at each System institution and the System as a whole.

Enforcement Action

- On Oct. 3, the Board voted by notational vote to approve the execution of a formal supervisory agreement with a System institution.

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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 94 banks, associations, service corporations and special-purpose entities of the Farm Credit System. The System makes loans to agricultural producers and their cooperatives nationwide. It includes 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.