

News Release

Farm Credit Administration
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For Immediate Release

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FCA Board Approves Proposed Rule on Investment Eligibility

McLEAN, Va., June 12, 2014 — The Farm Credit Administration Board today approved a proposed rule to modify regulations related to eligible investments for the banks and associations of the Farm Credit System (FCS or System).

The proposed rule would strengthen the safety and soundness of the investment activities of System banks by more accurately reflecting the risk in particular investments. It would also comply with a provision of the Dodd–Frank Wall Street Reform and Consumer Protection Act by replacing credit rating requirements with other standards of creditworthiness.

In addition, the proposed rule would grant associations greater flexibility regarding the risk management purposes for which they may hold investments while placing new limits on the amounts and types of investments they may hold. It would strengthen risk management practices at associations and require greater bank oversight of association investments.

Following a 30-day period for congressional review, the proposed rule will be published in the Federal Register for a 90-day comment period. The public may submit comments by electronic mail to reg-comm@fca.gov, through the Pending Regulations section of FCA's website at www.fca.gov, or through the federal government Web portal at www.regulations.gov.

The public may also submit comments by mail to Barry F. Mardock, 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 website at www.fca.gov.

For more information about this proposed rule, see the [related fact sheet](#).

Annual Report on the System's YBS Lending Results for 2013

In other business, the Board received FCA's 2013 Annual Report on the System's Young, Beginning, and Small (YBS) Farmer Mission Performance.

The number of loans that System associations made to young and beginning farmers rose in 2013 from 2012, while the number to small farmers fell slightly. The number of loans to young and beginning farmers increased by 2.3 percent and 5.0 percent but fell by 0.5 percent to small farmers. At the same time, the *dollar volume* of new loans to all three YBS categories fell in 2013 from 2012, reflecting a corresponding but smaller decline in the System's overall volume of new farm loans made.

For more information about the System's YBS farmer lending in 2013, see the [related fact sheet](#).

Report on Economic Conditions Affecting Agriculture, Update on System Condition

The Board also received a quarterly report on significant economic conditions affecting agriculture, as well as an update on the financial condition and performance of the FCS.

According to the report, the farm economy remains healthy, but certain sectors will be challenged. While the profitability outlook is strong for the livestock and dairy sectors, crop producers face tighter margins. Farmland values, particularly in the Midwest, are being pressured by lower crop prices. Drought conditions in California and the Southwest continue to be a concern.

The FCS remains financially sound and is well-positioned for the challenges facing agriculture. For the first quarter of 2014, the System reported solid earnings and higher capital levels. Credit measures were stable, and the System's loan portfolio quality continues to be strong.

Office of Examination Semiannual Report

In addition, the Board received the Semiannual Report on Office of Examination Operations. Through the second quarter of FY 2014, FCA examiners had conducted onsite activities at all the System's banks, Farmer Mac, two service corporations, and more than 70 percent of System associations.

Closed Session

During the closed session, the Board received a quarterly report on the Office of Examination's supervisory and oversight activities.

Notational Votes

Since the May 8 FCA Board meeting, three notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

- On May 19, the FCA 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"; therefore, the agency is not required to develop a Regulatory Plan to submit to the Office of Management and Budget's Office of Information and Regulatory Affairs.
- On May 20, the FCA Board voted to extend or reopen the comment period for the proposed rule governing standards of conduct applicable to Farm Credit System institutions, excluding the Federal Agricultural Mortgage Corporation. The comment period ends on June 20, 2014.
- On June 9, the FCA Board voted to adopt as a final rule, without change, the interim rule that removed regulatory requirements for nonbinding, advisory votes at System banks and associations.

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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 89 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 Jill Long Thompson, Board Chair and CEO; Kenneth A. Spearman; and Leland A. Strom.

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