

News Release

Farm Credit Administration
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For Immediate Release
NR 16-03 (03-10-16)

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FCA Board Adopts Final Capital Rule, Issues Bookletter on Similar-Entity Lending

McLEAN, Va., March 10, 2016 — The Farm Credit Administration Board today adopted the Tier 1/Tier 2 Regulatory Capital Framework final rule, which modifies the regulatory capital requirements for Farm Credit System (System) banks and associations. The board also issued a Bookletter providing guidance to the System on similar-entity lending.

The Final Capital Rule

One of the primary objectives of the final capital rule is to modernize the System's capital requirements while ensuring that its banks and associations continue to hold sufficient regulatory capital to fulfill the System's mission as a government-sponsored enterprise.

FCA approved the proposed rule on May 8, 2014. The proposed rule was open for comment for a total of 180 days, during which FCA received more than 2,400 comment letters, including approximately 1,800 comment letters sent by the members of one association. The final rule reflects a number of changes in response to the comment letters.

The final rule takes effect on Jan. 1, 2017, and System banks and associations must start reporting based on the final rule beginning with the quarter ending March 31, 2017. For more information about the final rule, see the related [fact sheet](#) on the FCA website.

Similar-Entity Bookletter

In other business, the agency issued a Bookletter to provide guidance to System institutions that purchase participations in loans originated by non-System lenders to qualified similar-entity borrowers.

A qualified similar-entity borrower is a person or entity that is ineligible for a System loan but has operations that are functionally similar to those of an eligible borrower.

The Bookletter describes the policy, procedures, and internal controls that System institutions need if they participate in similar-entity lending. These safeguards can help System institutions ensure compliance with sections 3.1(11)(B) and 4.18A of the Farm Credit Act and FCA regulation 12 CFR § 613.3300.

For more information, see [Bookletter 67, Lending to Similar Entities](#), on the FCA website.

Notational Vote

Since the February FCA Board meeting, the following notational votes have occurred. Notational votes are actions taken by the FCA Board between board meetings.

- On Feb. 12, the board approved the termination of an enforcement action involving a written agreement between FCA and a System institution—an Agricultural Credit Association. The agreement related to supervisory actions that FCA had taken on March 17, 2011, in accordance with section 5.25 of the Farm Credit Act. FCA determined that the weaknesses that necessitated the written agreement had been effectively addressed.
- On March 4, the board approved the request of AgStar Financial Services, ACA, to invest up to \$10 million in bonds to be issued by a regional healthcare center in South Dakota. The bonds will provide financing for renovations to and expansion of the hospital and clinic facilities. FCA placed conditions on AgStar in conjunction with this investment.
- On March 8, the FCA Board approved the request of Ag Credit, ACA, to invest \$3.9 million in bonds to be issued by a company to restart a biodiesel facility in Missouri. FCA placed conditions on Ag Credit in conjunction with this investment.

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The Farm Credit Administration is the safety and soundness regulator of the Farm Credit System. The System consists of two government-sponsored enterprises—a nationwide network of cooperative banks and associations established in 1916, and a secondary market entity known as the Federal Agricultural Mortgage Corporation (Farmer Mac) that was established in 1988. The System's borrower-owned banks and associations provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible and creditworthy borrowers. Farmer Mac provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. Members of the FCA Board are Kenneth A. Spearman, Board Chairman and CEO; Dallas P. Tonsager; and Jeffery S. Hall.

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