FCA board approves final rule on Farmer Mac investment eligibility

McLEAN, Va., Sept. 13, 2018 — At its monthly meeting today, the Farm Credit Administration board adopted a final rule to revise regulations governing nonprogram investment eligibility at the Federal Agricultural Mortgage Corporation (Farmer Mac). These regulations define the criteria a nonprogram investment must meet for Farmer Mac to be allowed to invest in it.

To comply with Dodd-Frank, the final rule removes references to credit ratings issued by nationally recognized statistical rating organizations from the existing regulations. These ratings have been used to evaluate the creditworthiness of investments. The final rule replaces these ratings with provisions placing greater responsibility on Farmer Mac to perform its due diligence when analyzing prospective investments.

The rule has a compliance date of Jan. 1, 2019, or the effective date of the final rule, whichever is later. For more information about the final rule on Farmer Mac investment eligibility, see the related fact sheet.

Bookletter on nominating committees

In other business, the FCA board approved updates to “Bookletter 043 Revised—Guidance on Farm Credit Bank and Association Nominating Committees.” The revised bookletter clarifies several points. It clarifies that all voting stockholders may vote for every candidate for a position on the nominating committee regardless of the member’s geographic location. It clarifies the criteria individuals must meet to serve as nominating committee members and as directors, and it reminds institutions that their nominating process cannot reveal protected information about individuals.

This bookletter provides guidance through a question-and-answer format on organizing and operating a nominating committee at a System institution. The nominating committee identifies, evaluates, and nominates candidates for positions on an association or Farm Credit bank’s board of directors.

Quarterly Report on Conditions in Agriculture and the Farm Credit System

The FCA board also received a quarterly report on economic issues affecting agriculture and an update on the financial condition and performance of the Farm Credit System as of June 30, 2018.
Favorable economic growth in the domestic and global markets continues to drive agricultural demand. However, farm profitability continues to be impacted by several factors. For soybean and hog producers, retaliatory tariffs have hampered exports, causing margins to slip. Milk prices are lower than they were a year earlier, which is putting pressure on dairy producers, and drought in the Southwest continues to hurt cattle producers.

Also, the Federal Reserve is expected to raise the federal funds rate two more times in 2018. The rate increases will put additional stress on farm cash flows and liquidity levels.

For the first six months of 2018, the System reported strong earnings and increased capital. Loan portfolio risk went up slightly because of increases in credit stress for certain agricultural sectors. Overall, the System continues to be financially safe and sound, with substantial risk-bearing capacity.

Closed session

During the closed session, the FCA board received a quarterly report from the Office of Examination’s supervisory and oversight activities.

Notational votes

Since the Aug. 9 FCA board meeting, three notational votes have occurred. Notational votes are actions taken by the FCA board between board meetings.

- On Aug. 21, the board approved a request to extend the effective date of the subsidiary mergers of Farm Credit Services Southwest, Agricultural Credit Association (ACA), and Farm Credit West, ACA, to not later than Nov. 1, 2021.

- On Sept. 4, the FCA board reissued policy statement 62, “Equal Employment Opportunity and Diversity.” Other than minor technical changes and a minor change to reflect revision to the regulations implementing the Rehabilitation Act, the statement is unchanged from the version that was issued last year. The agency reissues the statement annually to demonstrate its commitment to EEO and diversity principles.

- On Sept. 5, the board voted to approve the agency’s FY 2019 revised budget and its FY 2020 proposed budget.

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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), which 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 Dallas P. Tonsager, board chairman and CEO; Jeffery S. Hall; and Glen R. Smith. Note: FCA news releases are available on the web at [www.fca.gov](http://www.fca.gov).