



**For Immediate Release**  
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## **FCA board approves proposed rule to amend tier 1/tier 2 regulatory capital framework**

McLEAN, Va., Feb. 13, 2020 — At its monthly meeting today, the Farm Credit Administration board adopted a proposed rule that would amend parts 614, 615, 620, and 628 of FCA's regulations. FCA's objectives in proposing this rule are as follows:

- To provide technical corrections, amendments, and clarification to certain provisions in FCA's tier 1/tier 2 capital framework for the Farm Credit System (System)
- To incorporate, with appropriate adjustments, the guidance provided in FCA booklet [Tier 1/Tier 2 Capital Framework Guidance \(BL-068\) \(Word\)](#)
- To ensure that FCA's capital requirements continue to be comparable to the standardized approach that the other federal banking regulatory agencies have adopted
- To base the lending and leasing limit on tier 1/ tier 2 capital instead of permanent capital, and to align the treatment of investments related to loan participations with their treatment in the tier 1/ tier 2 capital framework
- To reduce regulatory burden where appropriate

For a summary of the proposed revisions, see the [related fact sheet](#). Following a 30-day period for congressional review, the proposed rule will be published in the Federal Register for a 60-day comment period.

The public may submit comments on proposed rules and notices by electronic mail to [reg-comm@fca.gov](mailto:reg-comm@fca.gov) or through the [public comment form](#) on FCA's website. The public may also submit comments by mail to David Grahn, 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 the [comment letters page](#) on FCA's website.

### **Final rule on criteria to reinstate nonaccrual loans**

In other business, the FCA board approved a final rule to amend accounting classifications for high-risk loans and the criteria for reinstating nonaccrual loans held by Farm Credit System banks and associations. This rulemaking finalizes the proposed rule that

was published on April 3, 2019. (See the [Feb. 14, 2019, news release \(PDF\)](#) about the proposed rule.)

The final rule reflects changes based on public comments received during the open comment period for the proposed rule. The final rule differs from the proposed rule in three respects:

- Adjusts three definitions in §§ 621.2 to more closely resemble the terminology of the Financial Institutions Examination Council
- Removes consideration of charge-offs when reinstating a nonaccrual loan under § 621.9 and aligns the categories for high-risk loans in § 621.6 with changes to § 621.9 regarding charge-offs
- Limits regulatory text on troubled debt restructuring to GAAP requirements

The final rule 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.

### **Final rule on eligibility criteria for outside directors**

The FCA board also approved a final rule to modify eligibility criteria that outside directors must meet to serve on the boards of System institutions. The final rule strengthens the independence of System institution boards by expanding the list of persons who are excluded from serving as outside directors.

It finalizes a proposed rule that was published in the Federal Register on August 24, 2018. (See the [July 12, 2018, news release \(PDF\)](#) about the proposed rule.) The final rule differs from the proposed rule in the following respects:

- Limits the application of the immediate family member criteria to only the outside director's institution, that institution's Funding Bank, or any affiliated organization in which that institution has an ownership interest
- Changes the term "borrower" by inserting the word "current" in the definition to clarify that the eligibility criteria do not include former borrowers
- Changes the definition of "controlling interest" to increase the equity percentage from 5% to 10%

The final rule 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.

### **Closed session**

During the closed session, the FCA board received a periodic report from the Office of Secondary Market Oversight.

### **Notational votes**

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

- On Jan. 16, the FCA board approved a policy statement on the oversight of the Federal Agricultural Mortgage Corporation (Farmer Mac). The statement provides general direction to FCA's Office of Secondary Market Oversight, which is responsible for examining, regulating, and supervising Farmer Mac.
- On Jan. 16, the board approved a final rule increasing the maximum civil money penalties that may be imposed under sections 5.32(a) of the Farm Credit Act of 1971, as amended (12 U.S.C. 2268), and the Flood Disaster Protection Act of 1973, as amended (42 U.S.C. 4012a(f)).
- On Jan. 28, the FCA board approved a charter for a new service corporation called SunStream Business Services, which is owned by AgriBank and some of its affiliated associations. The purpose of the corporation is to provide back-end business and technology services to certain System institutions.
- On Feb. 10, the board approved guidance on flood insurance.

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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. FCA news releases are available on the web at [www.fca.gov](http://www.fca.gov).