



For Immediate Release

NR 24-03 (02-08-24)

Contact: Trevor Reuschel or Emily Yaghmour,
703-883-4056

Email: info-line@fca.gov

FCA approves final rule on risk-weighting high-volatility commercial real estate exposures

McLEAN, Va., Feb. 8, 2024 — At its monthly meeting today, the Farm Credit Administration board approved a final rule on risk-weighting high-volatility commercial real estate exposures.

Final rule on risk-weighting high-volatility commercial real estate

The board approved a final rule to amend FCA regulatory capital requirements for Farm Credit System (System) banks and associations. It is designed to meet the following objectives:

- Define and establish a 150% risk weight for high-volatility commercial real estate exposures to reflect their increased risk characteristics
- Ensure continued comparability to the Basel framework and the rules of the federal banking regulatory agencies

The final rule excludes certain acquisition, development, and construction loans that do not present as much risk and therefore do not warrant the risk weight for high-volatility commercial real estate loans.

The final rule builds upon the agency's proposed rule, which the board approved on July 8, 2021, to amend the agency's tier 1/tier 2 capital framework to define and establish a risk weight for high-volatility commercial real estate exposures. The final rule differs from the proposed rule in one respect: It adds an exclusion for loans originated for less than \$500,000. FCA decided to incorporate this exclusion after it received comments regarding administrative burden.

The final rule will be effective Jan. 1, 2025.

Notational votes

Since the Jan. 11 FCA board meeting, one notational vote has occurred. Notational votes are actions the FCA board takes between board meetings.

On Jan. 25, the board adopted an [Innovation Philosophy Statement \(PDF\)](#) that lays out the board's position on innovation in the System and the agency.

FCA Board Chairman and CEO Vincent Logan publicly unveiled the philosophy statement last week during his [address \(PDF\)](#) at the Farm Credit Annual Meeting. For more information, see the [Jan. 30 news release \(PDF\)](#).

###

The Farm Credit Administration is the regulator of the Farm Credit System. The System is the nation's oldest government-sponsored enterprise. It consists of a nationwide network of cooperative banks and associations, which was 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. FCA news releases are available on the web at www.fca.gov.