Farm Credit Administration

INFORMATIONAL MEMORANDUM

FCA
FARM CREDIT ADMINISTRATION

November 20, 2012

To: Chairman, Board of Directors
        Chief Executive Officer
        All Farm Credit System Banks and Associations

From: Gary K. Van Meter, Director
        Office of Regulatory Policy

Subject: Regulatory risk-weighting of loans covered by Farmer Mac's Long-Term Standby
          Purchase Commitment program

The FCA has received several recent inquiries about the regulatory capital treatment of loans covered by the Federal Agricultural Mortgage Corporation's (Farmer Mac) Long-Term Standby Purchase Commitment (Commitment) program.

On May 2, 2012, we issued an Informational Memorandum (IM)[1] describing the treatment of Farm Credit System (System or FCS) loans covered by Farmer Mac's Commitment program, including risk-weighting of the loans for regulatory capital ratios under 12 CFR Part 615, Subparts H and K. In the IM we state that loans and portions of loans held by System banks and associations should be assigned to the 20-percent risk category under Farm Credit Administration (FCA) Regulation § 615.5211(b)(6) provided they are covered by a Farmer Mac Commitment agreement. This continues to be the position of the FCA.

Further, pursuant to FCA's Regulatory Performance Plan,[2] we are planning to update the risk-based capital requirements for FCS banks and associations so that they are consistent with the International Basel Accord (Basel 3), as appropriate. We note that in their recent proposed rule on the standardized approach to Basel 3, the Federal bank regulatory agencies maintained the current 20-percent risk weight for non-equity exposures to government sponsored enterprises, such as FCS banks, associations, and Farmer Mac.

If you have questions, please contact Gary K. Van Meter, Director, Office of Regulatory Policy, at (703) 883-4026 (vanmeterg@fca.gov).

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[1] http://www.fca.gov/apps/infomemo.nsf

[2] http://www.fca.gov/law/perf_plan.html