

INFORMATIONAL MEMORANDUM



January 15, 2020

To: Chief Executive Officer
Each Farm Credit System Institution

From: David P. Grahn, Director
Office of Regulatory Policy

Subject: Significant Weather Impact on Agricultural Producers and Distressed Loan Servicing

The Farm Credit Administration recognizes that borrowers of the Farm Credit System (System) have been affected by unusual and significant weather events across the country. These events include record rainfall, severe droughts, and unseasonal ice storms, as well as disastrous natural and manmade wildfires.

Law and regulations provide System institutions with the flexibility to work with agricultural producers experiencing financial stress due to these extreme weather events. Such efforts may include, but would not necessarily be limited to, extending the terms of loan repayment or restructuring a borrower's debt obligations.

Just as borrowers need flexibility during times of disaster, we recognize that institutions need flexibility, too. As we noted in [Board Policy Statement 71](#), conditions related to a disaster may impair an institution's ability to comply in a timely way with regulatory requirements. If this happens, your institution may request temporary regulatory relief from specific requirements.

Generally, FCA grants requests made under Policy Statement 71 under two conditions:

- If a regulatory provision limits the ability of an association to make loans during a disaster
- If granting the request does not impair the safe and sound operations of the institution

For example, FCA recently granted a request under Policy Statement 71 from an association where record flooding and rainfall had created hardship for many borrowers in its territory. We granted the association's request to temporarily stop conducting least-cost analysis of restructuring decisions made on loans of borrowers affected by the disaster. The relief granted was limited to situations where foreclosure and other loan liquidation actions were not anticipated. (This limitation was important because least-cost analysis must always be performed before foreclosures occur.)

If your association needs regulatory relief during a disaster that affects borrowers in your territory, please submit a written request to David Grahn, Director of the Office of Regulatory Policy.¹ Also, keep in mind that the situation must involve the following conditions:

- A significant number of borrowers operate in, or contiguous to, counties designated disaster areas by the USDA.
- A significant number of borrowers have applied for or received crop insurance payments related to disaster or prevented plantings.

If you have any questions, please contact Mark Johansen, Associate Director, Office of Regulatory Policy, at (703) 883-4064 or johansenm@fca.gov.

¹ Also, in accordance with Policy Statement 71, be sure to inform the director of the Office of Examination when relief from specific regulatory or reporting requirements is needed.