

INFORMATIONAL MEMORANDUM



September 26, 2025

To: Chair, Board of Directors
Chief Executive Officer
Each Farm Credit System Institution

From: Mike Duffy, Director and Chief Examiner
Office of Examination

Subject: National Oversight Plan for Fiscal Year 2026

The Farm Credit Administration's Office of Examination establishes a National Oversight Plan (NOP) each year as part of our annual planning process. Through the NOP, we identify the focus areas we will emphasize when examining and overseeing Farm Credit System (System) institutions in the coming fiscal year (FY). We issue this informational memorandum each year to notify you about our priorities and we hope you find it beneficial.

For FY 2026, the focus areas are as follows:

- Serving agriculture in volatile times
- Operational resilience
- Public Mission and Young, Beginning, and Small (YBS) farmer and rancher programs
- System loan data reporting

Serving agriculture in volatile times

After a period of strong profitability in agriculture and loan growth for many System institutions, the operating environment has become more challenging. Weakening profit margins, elevated volatility, and geopolitical and macroeconomic uncertainty have increased credit risk for System institutions, particularly in capital market loans and certain production agriculture sectors. While significant credit stress has not yet become apparent for most borrowers, due in part to government support and borrower financial strength, profitability and liquidity levels are declining and additional stress is expected. It remains critical System institutions maintain the necessary expertise and resources to handle the expected increase in distressed customers and loan servicing. Furthermore, institutions need to periodically evaluate their Current Expected Credit Loss (CECL) processes to ensure the allowance for loan losses remains sufficient.

With increasing credit risk, we will continue to focus on timely and accurate risk identification and loan servicing. Timely risk identification directly supports the ability to make effective risk management decisions. The current risk environment also requires thoughtful and proactive servicing to achieve the best possible outcome for both borrowers and institutions while adhering to borrower rights regulations.

The System is reminded of previous FCA informational memoranda, [Portfolio Management in Volatile Times](#) (January 29, 2015) and [Servicing Loans to Borrowers in Distressed Industries](#) (January 21, 2016). This guidance emphasizes the importance of strong portfolio management in maintaining System stability, and that proactive loan servicing during periods of economic adversity is vital to ensuring timely risk identification and borrower needs are appropriately evaluated and addressed.

Operational resilience

The ability of System institutions to withstand and recover from operational disruptions remains crucial. This is an area of increasing emphasis for all financial regulators and includes ensuring business continuity, managing third-party risks, and maintaining operational stability in the face of unforeseen events. The need for operational resilience was highlighted in mid-2024 when a flawed software update at a large cybersecurity firm and weaknesses in change management programs caused global operating disruptions, shutting down computer systems across many sectors, including the financial sector.

Artificial intelligence (AI) is reshaping the cyber risk landscape, increasing both the volume and sophistication of cyber-attacks and escalating operational risks for organizations. We understand AI offers significant benefits in risk management and cybersecurity, but AI also introduces additional operational risks (e.g., potential for malicious misuse, model bias, accuracy and transparency concerns, data quality concerns, etc.). The increasing use of AI in various aspects of operations necessitates robust governance frameworks.

Through ongoing examination activities, we will continue to evaluate specific components of business continuity and third-party risk management. We will also evaluate a sample of institutions to better understand current and future use of AI in risk management practices and operational processes. This includes identifying which risk management and operational processes are incorporating AI technologies and evaluating any associated emerging risks.

Public Mission and Young, Beginning, and Small (YBS) farmer and rancher programs

While safety and soundness remains our key priority, we will continue to emphasize the importance for the System to promote the public mission and fulfill the responsibility to serve all creditworthy borrowers and rural America, in good times and bad. Fundamental to this public commitment are the System's programs supporting YBS farmers and ranchers.

Our examinations will continue to include evaluation of System YBS plans and strategies for compliance with regulatory requirements (FCA Regulation [614.4165](#)) and adherence to the sound principles outlined in [FCA Bookletter BL-040 REVISED](#), both of which emphasize coordination with governmental entities, like the USDA, to support the credit needs of YBS borrowers. We will continue to evaluate management's implementation of the plans and strategies outlined in policies, procedures, and business plans through evaluation of YBS loan actions and steps taken to meet YBS program qualitative and quantitative goals and objectives.

System loan data reporting

As part of our continued efforts to enhance data-driven supervision, and consistent with FCA Regulation [621.15\(a\)](#), which requires institutions to submit reports of accounts and exposures, we will emphasize the accuracy and completeness of System loan data reported to FCA. Complete and accurate data provide valuable insights into loan portfolio composition

and emerging risks to support sound System oversight. This focus area is a collaborative effort to improve a shared resource. We will continue to work closely with the System to identify and prioritize data enhancements and support related data change requests. We appreciate the efforts you have already made to populate this database and look forward to working together to ensure it meets our examination and supervisory needs.

About this guidance

Please use this information about our priorities in your planning for the upcoming year. Also, please distribute and discuss this memorandum with your board members and executive management. Our examiners-in-charge will discuss this information with you during ongoing communications or at an upcoming meeting.

If you have any questions, please contact your designated examiner-in-charge or Mike Duffy, Director, Office of Examination, by phone at (703) 883-4265 or by email at duffym@fca.gov.