



FARM CREDIT ADMINISTRATION

Examination Workpaper

Business Planning Regulatory Compliance

Institution Name:

SCD:

Business Plan

Business Plan		
Question	Response	Comment
1. Did the board of directors adopt an operational and strategic business plan for at least the succeeding 3 years no later than 30 days after the commencement of the calendar year? 618.8440(a)		
2. Does the business plan include a mission statement? 618.8440(b)(1)		
3. Does the business plan include a review of the internal and external factors that are likely to affect the institution during the planning period? 618.8440(b)(2)		
4. Does the review of internal and external factors:		
a. Incorporate the description and assessment of workforce and management strengths and weaknesses required by 618.8440(b)(7)(i) ? 618.8440(b)(2)(i)		
b. Include an assessment of the needs of the board, including skills and diversity, based on the annual self-evaluation of the board's performance? 618.8440(b)(2)(ii)		
c. Include strategies for correcting identified weaknesses? 618.8440(b)(2)(iii)		
5. Does the business plan include quantifiable goals and objectives? 618.8440(b)(3)		
6. Does the business plan include pro forma financial statements for each year of the plan? 618.8440(b)(4)		
7. Does the business plan include a detailed operating budget for the first year of the plan? 618.8440(b)(5)		
8. Does the business plan include a capital adequacy plan? 618.8440(b)(6)		
<p><i>Note: Refer to the Capital Planning tab in this workpaper to evaluate compliance with regulations on the content of the capital adequacy plan.</i></p>		

Business Planning Regulatory Compliance

Business Plan		
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9. Does the business plan include a human capital plan? 618.8440(b)(7)		
10. Does the human capital plan include: <i>Note: These items may be contained in other board-approved documents that are adopted annually, provided the items are summarized in, and incorporated by reference into, the human capital plan.</i>		
a. A description of the institution’s workforce and management and an assessment of their strengths and weaknesses? 618.8440(b)(7)(i)		
b. A description of the institution’s workforce and management succession programs? 618.8440(b)(7)(ii)		
c. Strategies and actions to strive for diversity and inclusion within the institution’s workforce and management? 618.8440(b)(7)(iii)		
11. <i>For ACBs and direct lender associations</i> , does the business plan include a marketing plan that will ensure the institution is responsive to the credit needs of <u>all</u> types of agricultural producers having a basis for credit? 618.8440(b)(8) <i>Note: This does not apply to FCBs and service corporations.</i>		
12. Does the Marketing Plan include: <i>Note 1: This does not apply to FCBs and service corporations.</i> <i>Note 2: These items may be contained in other board-approved documents that are adopted annually, provided the items are summarized in, and incorporated by reference into, the marketing plan.</i>		
a. A description of the institution’s chartered territory by market segment, including the characteristics of demography, geography, and types of agriculture practiced? 618.8440(b)(8)(i)		
b. Strategies and actions to market the institution’s products and services to all eligible and creditworthy persons, with specific outreach toward diversity and inclusion within each market segment? 618.8440(b)(8)(ii)		
13. <i>For ACBs and direct lender associations</i> , have the following board reporting requirements been met:		

Business Planning Regulatory Compliance

Business Plan		
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a. Annual reporting on the progress the institution has made in accomplishing the strategies and actions required by 618.8440(b)(7)(iii) ? 618.8440(c)(1)		
b. Annual reporting on the progress the institution has made in accomplishing the strategies and actions required by 618.8440(b)(8)(ii) ? 618.8440(c)(2)		
14. <i>For direct lender associations</i> , did the business plan address the following young, beginning, and small (YBS) farmers and ranchers program requirements:		
a. YBS farmers and ranchers program components outlined in 614.4165(d) for at least the succeeding 3 years. 614.4165(c)(1) <i>Note: This includes qualitative factors and quantitative goals for at least the succeeding 3 years.</i>		
b. Analyzed YBS performance in the previous year toward achieving the components in 614.4165(d) ? 614.4165(c)(2)(i)		
c. Discussed YBS variances and reasons for the results? 614.4165(c)(2)(ii)		
d. Identified how the YBS qualitative factors and quantitative goals in 614.4165(d) assist and expand access to credit to and education for YBS farmers and ranchers? 614.4165(c)(2)(iii)		
15. <i>For direct lender associations</i> , did the business plan include the following YBS qualitative factors: 614.4165(d)(1)		
a. A mission statement describing program objectives and specific means for achieving such objectives? 614.4165(d)(1)(i)(A)		
b. Internal controls that establish clear lines of responsibility for YBS strategic plan development and the corresponding YBS program implementation, tracking YBS program performance, and YBS quarterly reporting to the board? 614.4165(d)(1)(i)(B)		

Business Planning Regulatory Compliance

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<p>c. Efforts to offer related services, either directly or in coordination with others, that are responsive to the needs of the YBS farmers and ranchers in the territory? Examples include customized loan underwriting standards, loan guarantee programs, fee waivers, or other credit enhancements commensurate with the credit risk approved by the board of directors. 614.4165(d)(1)(ii)(A)</p>		
<p>d. Coordination with other System institutions in the territory and other governmental and private sources who offer credit and services to YBS farmers and ranchers? 614.4165(d)(1)(ii)(B)</p>		
<p>e. Implementation of effective outreach programs to attract YBS farmers and ranchers, which may include the use of advertising campaigns, educational programs, and advisory committees comprised of YBS farmers and ranchers and/or a YBS mentoring program to better serve and understand the needs of this lending segment? 614.4165(d)(1)(iii)</p>		
<p>16. <i>For direct lender associations</i>, did the business plan include the following YBS quantitative goals: 614.4165(d)(2)</p>		
<p>a. Annual quantitative goals for credit to YBS farmers and ranchers? 614.4165(d)(2)(i) Such targets <u>must include at least one of the following:</u></p> <ul style="list-style-type: none"> • Loan volume and loan number goals for YBS farmers and ranchers in the territory. 614.4165(d)(2)(i)(A) • Percentage goals representative of the demographics for YBS farmers and ranchers in the territory. 614.4165(d)(2)(i)(B) • Percentage goals for loans made to new borrowers qualifying as YBS farmers and ranchers in the territory. 614.4165(d)(2)(i)(C) • Goals for capital committed to loans made to YBS farmers and ranchers in the territory. 614.4165(d)(2)(i)(D) 		

Business Planning Regulatory Compliance

Business Plan		
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b. Were the goals based on an understanding of reliable demographic data for the lending territory? 614.4165(d)(2)(i)		
c. Were the goals approved by the board and reviewed quarterly, with adjustments made as needed? 614.4165(d)(2)(ii)		
<p>17. Did the business plan describe the institution's planned and current E-commerce initiatives? The description must include the following for each initiative: 609.935; 11/25/04 Informational Memorandum</p> <ul style="list-style-type: none"> • intended objectives • business risks • security issues • relevant markets • legal compliance 		

Business Planning Regulatory Compliance

Capital Plan

The following questions focus on the minimum regulatory compliance requirements for an institution's capital adequacy plan. Capital planning activities that support capital plan development are addressed in the **Plans & Strategies** procedure in the Capital Management Examination Manual section. Examiners should use that procedure and its related guidance, as needed, to more thoroughly evaluate the quality and adequacy of capital planning (e.g., a more in-depth evaluation of the capital needs assessment, stress testing, capital goals, capital strategies, and use of third-party capital).

Capital Plan		
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18. Did the board establish, adopt, and maintain a formal written capital adequacy plan? 615.5200(b)		
19. Does the capital plan sufficiently reflect the results of the institution's assessment of its overall capital adequacy needs in relation to its risk profile and the factors listed in 615.5200(a) , (b) , and (c) and 628.10(e) ? <i>Note: While the process of assessing capital adequacy required by 628.10(e) does not necessarily need to be documented in the capital plan, the plan should address the results of that assessment. 615.5200(a-c) identify minimum requirements for this assessment.</i>		
20. Did the capital plan include the capital targets necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital, common equity tier 1 (CET1) capital, tier 1 capital, total regulatory capital, and tier 1 leverage ratios (including the unallocated retained earnings (URE) and URE equivalents minimum) standards? 615.5200(b) <i>Note: The intent of this regulation is that the capital adequacy plan establish the board's capital goals for each of these capital ratios. These goals must be commensurate with the assessment of capital needs, particularly the level and nature of all risk exposures. These goals must also be sufficient to ensure compliance with minimum regulatory requirements. Goals can be a specific number or a range within which the institution wants to operate.</i>		
21. Does the institution have a comprehensive strategy for maintaining a level of capital commensurate with the level and nature of all risks to which the institution is exposed? 628.10(e)(2) and 615.5200 <i>Note: The intent of this regulation is that the capital or business plan establish a comprehensive strategy for maintaining an appropriate level of capital, consistent with</i>		

Business Planning Regulatory Compliance

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<p><i>the assessment of capital needs addressed in 615.5200. If the institution has adequate capital and already meets or exceeds its capital adequacy goals, this strategy can be fairly high level. However, if the institution does not yet meet its goals, or if current or projected capital levels are a potential concern, a more robust strategy is needed to strengthen capital and achieve capital goals.</i></p>		
<p>22. For capital distributions (i.e., projected dividend payments, patronage payments, equity retirements, or other action that may cause a decrease in capital or the components of capital): 615.5200(b)</p>		
<p>a. Did the capital or business plan address projected capital distributions?</p>		
<p>b. Did the plan address the circumstances and minimum time frames in which equities are redeemed or revolved?</p>		
<p>c. Are projected equity retirements consistent with the institution’s bylaws or board resolutions?</p>		
<p>23. For otherwise eligible purchased and allocated equities (common cooperative equities beyond the statutory minimum borrower stock requirement, and third-party equities) to be included in tier 1 and tier 2 capital, the institution must adopt a capitalization bylaw <u>or</u> its board must adopt a resolution that ensures equity holding periods, redemptions, and revolvments will comply with regulatory requirements, including the requirement for FCA prior approval of capital distributions. <i>If the board adopts a resolution for this purpose</i>, was the continuing and binding effect of this resolution expressly acknowledged in the capital plan? 615.5200(b)</p> <p><i>Note: The plan shall expressly acknowledge the continuing and binding effect of all board resolutions adopted in accordance with 628.20(b)(1)(xiv), (c)(1)(xiv), and (d)(1)(xi) and 628.21. 628.21 addresses the specific provisions that must be included in the resolution. The resolution can be maintained in the institution’s records or the capital plan, as long as the capital plan addresses the continuing and binding effect of the resolution. Also, institutions are not required to adopt bylaws or annual resolutions so long as regulatory capital consists only of URE, the statutory minimum borrower stock requirement, and paid-in capital.</i></p>		

Business Planning Regulatory Compliance

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<i>Examiners should be alert to any changes in the boards existing capital resolution affecting holding periods for common cooperative equities, or redesignating equities to another class of regulatory capital (e.g., redesignating CET1 equities as Tier 2 equities).</i>		

Other Comments:

This workpaper is not intended to create any rights, substantive or procedural, enforceable at law or in any administrative proceeding. While the workpaper was carefully reviewed for applicability and accuracy, changes may occur in the wording or interpretation of laws and regulations. If a situation arises where the workpaper becomes inconsistent with applicable laws or regulations, the requirement of the laws or regulations will prevail. Examination scope may vary between institutions. On a particular examination activity, the workpaper may not pertain to all factual situations or interpretations, additional concerns or issues may be addressed that are not covered in the workpaper, and some portions of the workpaper may not be used.