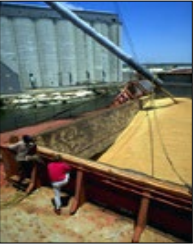




FCA Board Meeting June 2022

Semi-Annual Report on Office of Examination Operations June 9, 2022

Angela Greenlee
Director of Operations
Office of Examination





OE Operations Agenda Topics



- ▶ Operating Plan Objectives:
 - Risk Supervision and Examination Activities
 - FY 2022 National Oversight Plan (NOP)
 - Public Mission
 - Operational Efficiency and Effectiveness
 - Human Capital Update

- ▶ Summary



Risk Supervision & Examination Activities



System Profile
as of
3/31/22

69 Lending Institutions

4 Funding Banks

Asset Size from \$35B to \$183B

65 Associations

Asset Size from \$33mm to \$38B

\$453.0
billion

Total Assets

\$360.2
billion

Gross Loans

\$1.8
billion

1st Qtr Earnings

FCS institution activities and guidance

(Fiscal Year-to-Date 3/31/2022)

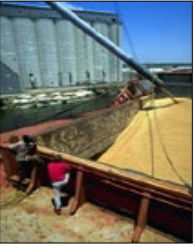
- ▶ Conducted examination and/or oversight activities at all funding banks, all associations, and 8 other entities.
- ▶ Issued 31 reports of examination and 21 interim activity letters.
 - Three institutions were under a higher level of supervisory oversight.
- ▶ Issued communications and guidance.



Supervision & Examination Initiatives

2022 NOP Risk Topics and Strategies:

- ▶ Cybersecurity in an Increasing Threat Environment
 - Inventory critical information technology (IT) assets of System institutions and their counterparties.
 - Assess vulnerability management and cybersecurity incident response plans.
 - Review technology plans for selected institutions and identify and inventory major technology initiatives impacting critical financial systems.
 - Evaluate the adequacy of controls over ACH/wire transfer programs.



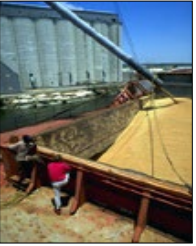


Supervision & Examination Initiatives

2022 NOP Risk Topics and Strategies:

- ▶ Loan Underwriting in a Period of Significant Volatility
 - Assess new loan sources and quality by monitoring changes in RE values, reviewing Systemwide RE loan-to-value trends, and examining loan underwriting in portfolios with strong loan growth or significant cash grain concentrations.*
 - Compare each institution's LUS and risk rating criteria against System guidance and peer institutions.
 - Identify portfolio segments and institutions most vulnerable to drought and water challenges and assess LPM practices to mitigate implications.

* OE revised this NOP strategy in the FY 2022 OE Operating Plan because of evolving risk conditions.

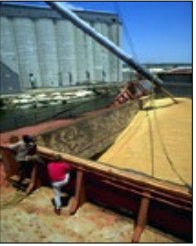




Public Mission

Young, Beginning, and Small Farmers (YBS) Programs and Strategies:

- Develop and implement phase one of the stand-alone YBS rating system in partnership with ODAE and other agency offices, aligning with the availability of the data from the new qualitative non-lending reporting.
- Develop a survey and repository for examiners to document an institution's YBS lending best practices and summarize results.

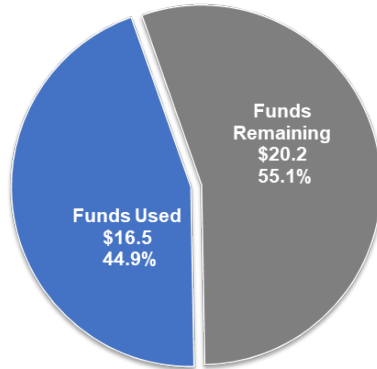




Operational Efficiency & Effectiveness

- ▶ **Examination tools | Ongoing technology initiatives**
 - EDGe and management reporting
 - Data analytics and examination tools
- ▶ **OE budget results** (Fiscal year-to-date as of 3/31/2022)

FY 2022 OE Budget



FTEs	
◆ Projected Full Year FTE's	181.1
◆ Budgeted Full Year FTE's	184.8
Budget Variance	(3.7)





Human Capital Update

- ▶ Hiring and developing Associate Examiners
- ▶ Development opportunities
- ▶ Post-commission training
- ▶ OE-All hybrid conference

Total OE Staff*

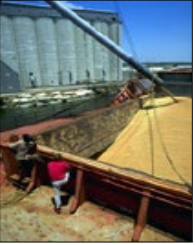
Total OE Staff*	Planned	Known prior to 5/31/2022	Variance
Beginning FY 2022	184	183	(1)
Attrition Retirements	(17)	(26)	(9)
Hirings	16	15	(1)
Ending FY 2022	183	172	(11)

Commissioned Examiners*

Commissioned* Examiners	Planned	Known prior to 5/31/2022	Variance
Beginning FY 2022	87	87	0
Attrition Retirements ¹	(8)	(13)	(5)
Hirings	0	1	1
Newly Commissioned	10	11	1
Ending FY 2022	89	86	(3)

*All known hiring and attritions as of May 31, 2022.

¹ Attrition includes two commissioned examiners moving into Senior Management.





Summary

- ▶ Continued effectively conducting oversight and examination activities through the 1st half of FY 2022.
- ▶ Conditions still require some modifications in examination approach and staff development.
- ▶ Remain focused on ensuring OE has sufficient highly skilled staff to accomplish its mission.
- ▶ On target to accomplish adjusted 2022 Operating Plan objectives.

