

Dallas P. Tonsager, Chairman and Chief Executive Officer
Jeffery S. Hall, Board Member
Glen R. Smith, Board Member



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
March 8, 2018**

These minutes reflect the business transacted at the March 8, 2018, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act, 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (FCA) adopted thereunder.

The FCA Board meeting was held at the FCA office in McLean, Virginia, beginning at 9:00 a.m. and concluding at 9:43 a.m. Members of the Board present were:

Dallas P. Tonsager, Chairman and Chief Executive Officer
Jeffery S. Hall, Member
Glen R. Smith, Member

The above named constitute the full Board.

Others present included **Charles Rawls**, General Counsel; **Dale Aultman**, Secretary to the Board; staff of the FCA and the Farm Credit System Insurance Corporation; and two members of the general public. (A list of staff attendees is attached as Exhibit A.)

Before starting the meeting, **Board Chairman Tonsager** recognized that this month is FCA's 85 Anniversary. He noted that on March 27, 1933, President Franklin D. Roosevelt signed the Executive Order creating the FCA, which Congress had approved in legislation earlier in the month.

The **Secretary** read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

Board Chairman Tonsager reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

Mr. Hall moved to adopt the Agenda as published.

Mr. Smith seconded the motion.

There being no further discussion, **Board Chairman Tonsager** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

Mr. Smith noted that the Agenda *did not* include any portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that the entire meeting remain open.

Mr. Hall seconded the motion.

There being no further discussion, **Board Chairman Tonsager** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

OPEN SESSION

Approval of Minutes

Minutes for February 8, 2018 (BM-8-MAR-18-01)

Mr. Hall moved to approve the minutes for the February 8, 2018, FCA Regular Board Meeting.

Mr. Smith seconded the motion.

There being no further discussion, **Board Chairman Tonsager** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-8-MAR-18-01)**

(A copy of the official "Board Action Item" is attached as Exhibit C.)

Report

Farm Credit System Funding Update

David Lewandrowski, of the **Office of Regulatory Policy** provided the Farm Credit System Funding Update.

Board Chairman Tonsager asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

(A copy of the PowerPoint presentation is attached as Exhibit D.)

New Business

Lending and Loan Servicing Controls Bookletter (BM-8-MAR-18-02)

Ira Marshall of the **Office of Regulatory Policy** (ORP), **Lynn Major** of the **Office of Examination** (OE) and **Jane Virga** of the **Office of General Counsel** (OGC) presented the Lending and Loan Servicing Controls Bookletter.

Board Chairman Tonsager open the discussion for questions by the board.

Board Chairman Tonsager asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

Board Chairman Tonsager called for a motion on the staff's recommendation.

Mr. Smith moved to approve the Lending and Loan Servicing Controls Bookletter as recommended by staff.

Mr. Hall seconded the motion.

Board Chairman Tonsager asked if there was any further discussion.

There being no further discussion, **Board Chairman Tonsager** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-8-MAR-18-02)**

(A copy of the official "Board Action Item" is attached as Exhibit E.)

**Prior Approval of CoBank, ACB's Request to Retire Certain
Equities Included in Common Equity Tier 1 Capital
(BM-8-MAR-18-03)**

Jeremy Edelstein of the **Office of Regulatory Policy** (ORP) and **Becky Orlich** of the **Office of General Counsel** (OGC) presented CoBank, ACB's request to retire certain equities included in Common Equity Tier 1 Capital.

Board Chairman Tonsager open the discussion for questions by the board.

Board Chairman Tonsager asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

Board Chairman Tonsager called for a motion on the staff's recommendation.

Mr. Hall moved to approve CoBank, ACB's request to retire certain equities included in Common Equity Tier 1 capital as recommended by staff.

Mr. Smith seconded the motion.

Board Chairman Tonsager asked if there was any further discussion.

There being no further discussion, **Board Chairman Tonsager** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-8-MAR-18-03)**

(A copy of the official "Board Action Item" is attached as Exhibit F.)

ADJOURNMENT

There being no further business to come before the Board, **Board Chairman Tonsager** indicated he would entertain a motion to adjourn the meeting.

Mr. Smith moved that the meeting be adjourned.

Mr. Hall seconded the motion.

Board Chairman Tonsager called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

The meeting adjourned at 9:43 a.m.

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
March 8, 2018**

Dallas P. Tonsager, Chairman and Chief Executive Officer
 Jeffery S. Hall, Board Member
 Glen R. Smith, Board Member

OFFICE	OPEN SESSION
Office of the Board	
Aultman, Dale	X
Batta, Todd	X
Kramp, Kevin	X
Morris, James	X
Corey, Kathryn	X
Roque-Brehm, Awilda	X
Calhoun, Gaye	X
COO	
Hoffman, William	X
OIT	
Golley, Jerald	X
OCPA	
Stokke, Michael	X
Delancey, Toni	X
Meaux, Willy	X
OSMO	
Rea, Laurie	X
Hudson, Bruce	X
OGC	
Rawls, Charles	X
Virga, Jane	X
Donner, Mary Alice	X
Strickland, Joy	X
Orlich, Becky	X
OE	
Coleman, Robert	X
Paulsen, Roger	X
Fennewald, Dan	X
Major, Lynn	X
OIG	
Laguarda, Wendy	X
ORP	
Mardock, Barry	X
Van Meter, Gary	X
Lewandrowski, Dave	X
Edelstein, Jeremy	X
Marshall, Ira	X
Floyd, J.C.	X

OFFICE	OPEN SESSION
EEOI	
Burlew, Thais	X
OCFO	
Smith, Stephen	X
Gandy, Doug	X
OAS	
Bell, Vonda	X
FCSIC	
Rubin, Howard	X
Pfitzinger, Rick	X
GENERAL PUBLIC	2

Farm Credit Administration

1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000



**PUBLIC ANNOUNCEMENT OF
MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT**

**Farm Credit Administration Board
Regular Meeting
March 8, 2018**

Summary: Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. Sec. 552b(e) (1)), of the forthcoming regular meeting of the Farm Credit Administration Board.

Date and Time: The regular meeting of the Board will be held March 8, 2018. The meeting is scheduled to be held at the office of the Farm Credit Administration in McLean, Virginia, from 9:00 a.m. until such time as the Board may conclude its business.

Address: Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090. Submit attendance requests via e-mail to VisitorRequest@FCA.gov. See SUPPLEMENTARY INFORMATION for further information about attendance requests.

For Further Information Contact: Dale L. Aultman, Secretary to the Farm Credit Administration Board (703) 883-4009. TTY is (703) 883-4056.

Supplementary Information: This meeting of the Board will be open to the public (limited space available). Please send an e-mail to VisitorRequest@FCA.gov at least 24 hours before the meeting. In your e-mail include: name, postal address, entity you are representing (if applicable), and telephone number. You will receive an e-mail confirmation from us. Please be prepared to show a photo identification when you arrive. If you need assistance for accessibility reasons, or if you have any questions, contact Dale L. Aultman, Secretary to the Farm Credit Administration Board, at (703) 883-4009. The matters to be considered at the meeting are:

OPEN SESSION

Approval of Minutes

- 1 February 8, 2018

Report

- 2 Farm Credit System Funding Update

New Business

- 3 Lending and Loan Servicing Controls Bookletter
- 4 Prior Approval of CoBank, ABC's Request to retire Certain Equities Included in Common Equity Tier 1 Capital

February 27, 2018
Date

/s/
Dale L. Aultman
Secretary to the Board

Farm Credit Administration

1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for February 8, 2018 Regular Board Meeting

BM-8-MAR-18-01

Effective Date: March 8, 2018

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for February 8, 2018, Regular Board Meeting as submitted.

DATED THIS 8th DAY OF MARCH 2018

BY ORDER OF THE BOARD

_____/s/
Dale L. Aultman
Secretary to the Board



The Farm Credit System's Funding Update

Exhibit D



Recent High Finance Headlines

- **U.S. Government Bonds Weaken as Powell Makes Debut Speech**





Recent High Finance Headlines

- **Japanese Are Selling U.S. Bonds Over Budget, Dollar Fears**





Recent High Finance Headlines

- **U.S. weekly jobless claims drop to lowest level since 1969**





Recent High Finance Headlines

- **Investors Bet Against Treasuries as Bond Market Anxiety Intensifies**





Funding Update Topics

- Global Market
- Agency Debt Market
- Yields & Spreads on FCS Debt
- Funding Corporation Activity
- FCS Liquidity





Global Market

- Federal Reserve
- E.C.B., Bank of England, Bank of Japan
- U.S. Treasury
- China





Credit Rating Agencies - Outlook for the United States

- Standard & Poors – AA+
Outlook – Stable
- Moody's – Aaa
Outlook – Stable
- Fitch – AAA
Outlook – Stable





Agency Debt Outstanding

Billions of Dollars	2013	2014	2015	2016	2017
F.H.L.B.	\$ 767	\$ 847	\$ 905	\$989	\$1,034
Fannie Mae	534	460	390	329	277
Freddie Mac	511	450	418	354	314
FCS	207	222	242	258	265
Tenn.V.A.	25	25	25	25	25
Farmer Mac	12	13	14	15	16
Total	\$2,056	\$2,017	\$1,994	\$1,970	\$1,830



Source: Agency Websites



Agency Debt Issuance

Billions of Dollars	2013	2014	2015	2016	2017
F.H.L.B.	\$1,306	\$1,719	\$2,054	\$2,382	\$2,498
Fannie Mae	N/A	N/A	259	707	739
Freddie Mac	406	312	604	597	480
FCS	377	330	298	334	278
Total	\$2,089	\$2,361	\$3,215	\$4,020	\$3,995

Source: Agency Websites



Funding Corp.'s Dealer Group

(Asterisk are new in past year)

BNY Mellon Capital Mkts, LLC *
Barclays Capital Inc.
Cantor Fitzgerald & Co
Citigroup Global Mkts.
Daiwa Capital Mkts. America Inc.
Deutsche Bank Securities Inc.
First Tennessee Bank N.A.
Goldman, Sachs & Co.
HSBC Securities (USA) Inc.
INTL FCStone Fin. Inc. - BD Rates Div.
Incapital LLC
J.P. Morgan Securities LLC
Jefferies LLC
Loop Capital Mkts LLC *
Merrill Lynch, Inc.

Mizuho Securities USA Inc.
Morgan Stanley & Co. LLC
Multi-Bank Securities, Inc. *
Nomura Securities Inter. Inc.
Piper Jaffray & Co.
RBC Capital Markets, LLC
RBS Securities Inc
Raymond James & Associates
Robert W. Baird & Co. Inc.
Stifel, Nicolaus & Company Inc
SunTrust Robinson Humphrey Inc.
TD Securities (USA) LLC
UBS Securities LLC
Vining-Sparks IBG, Ltd. Partnership
Wells Fargo Securities, LLC





Funding Activity by FCS



(\$ millions)	Discount Notes	Designated Bonds	Fixed Rate Bonds		Floating Rate Bonds			Retail Bonds	Other ¹	Total
			Callable	Non-Callable	LIBOR	Prime	Other			
12/31/2017	25,632	1,000	72,228	67,144	79,425	10,475	9,300	210	19	265,434
12/31/2016	29,603	4,500	59,964	68,003	81,324	7,975	6,545	252	22	257,918
12/31/2015	31,371	5,000	58,789	60,424	71,355	8,050	6,850	383	24	242,245
12/31/2014	23,975	8,200	56,509	57,534	59,170	7,225	8,850	389	28	221,879
12/31/2013	18,643	11,375	56,465	57,222	42,285	7,370	12,790	405	38	206,594

¹ Includes Linked Deposits

Source: FFCBFC Website



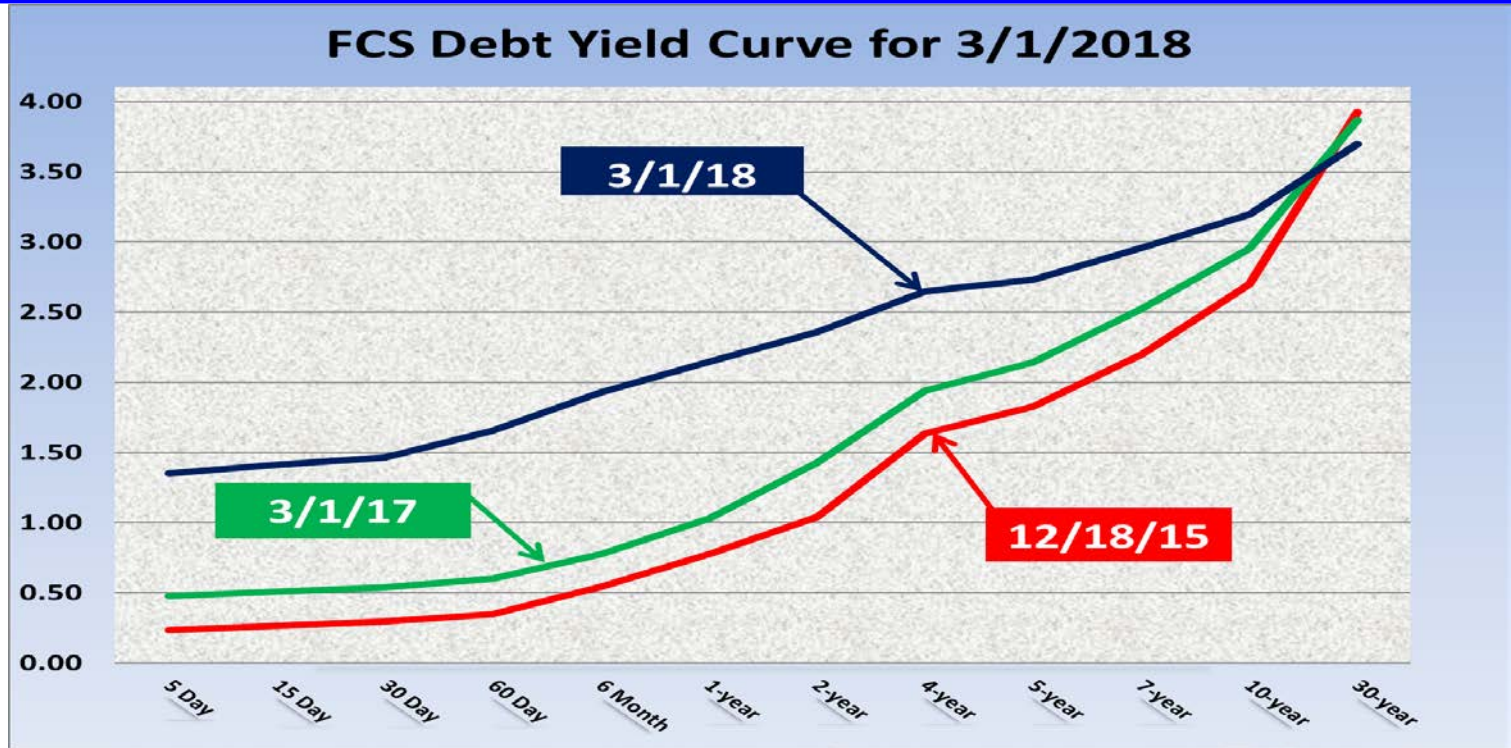
System High Level Financials



- Assets – \$329.5 billion (+ 3.0%)
- Cash & Invt. – \$ 61.6 billion (- 1.3%)
- Capital – \$ 55.4 billion (+ 5.9%)
- Net Income – \$ 5.2 billion (+ 7.%)

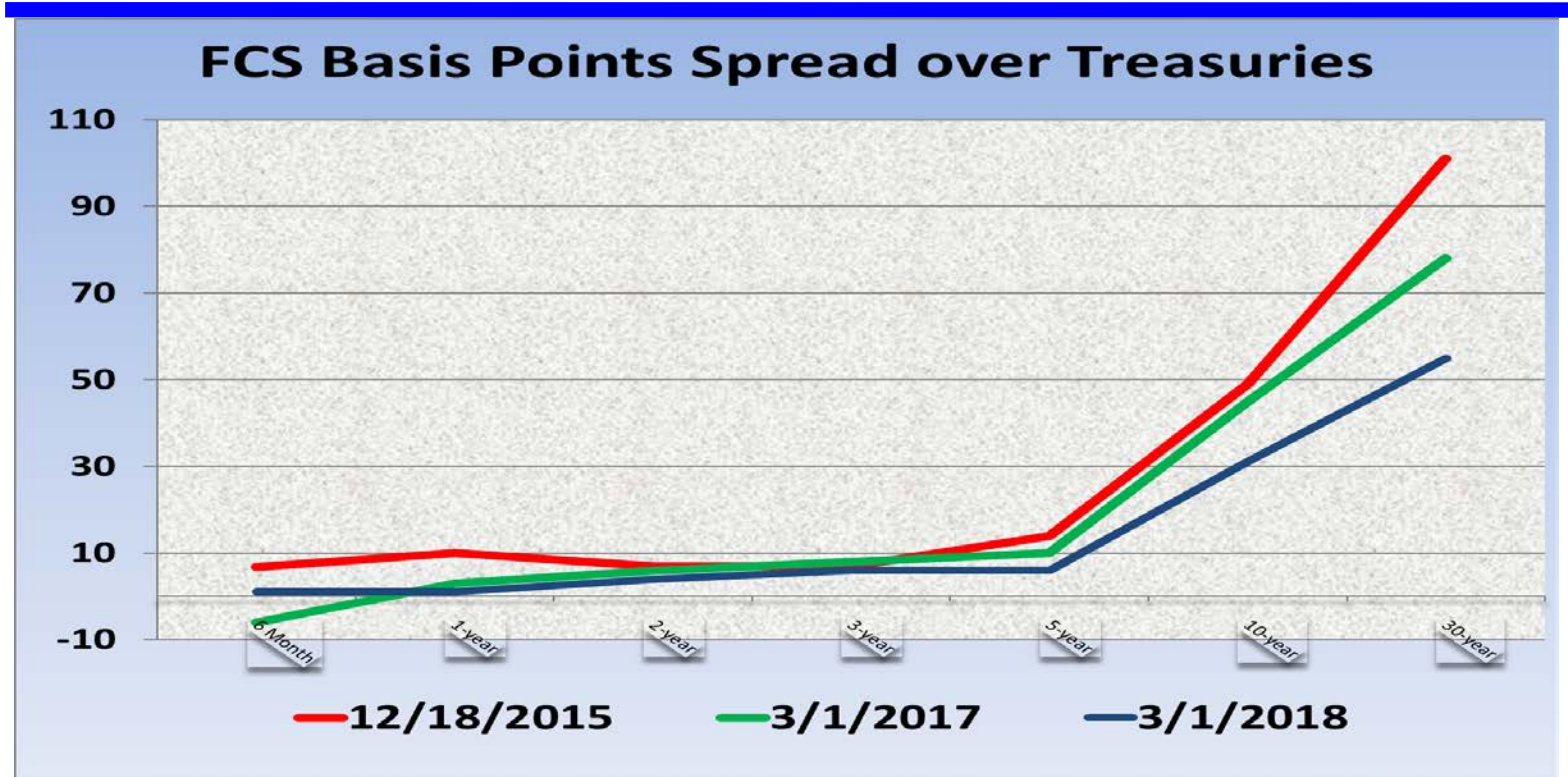


FCS Debt Yields Increasing





Tight Spreads over Treasuries

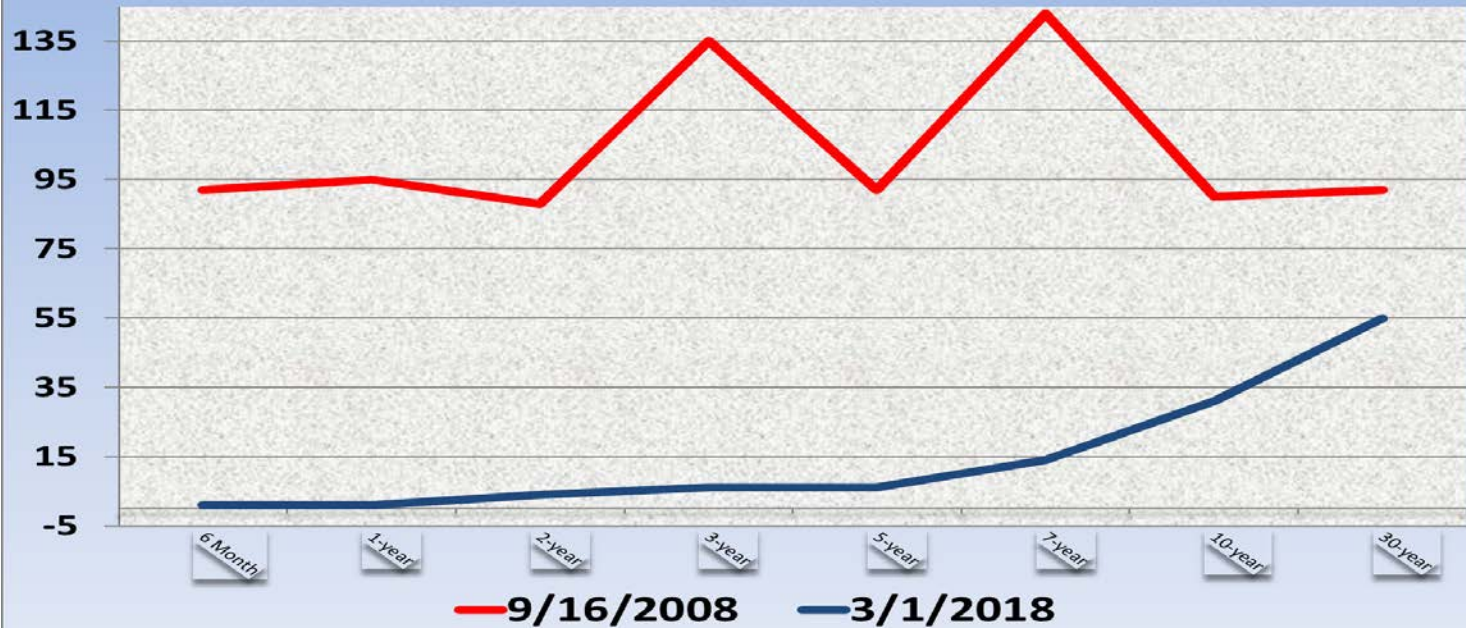




In Red the Day After Lehman Brothers Declared Bankruptcy (9/16/2008) Spreads over Treasuries Compared to This Month in Blue



FCS Basis Points Spread over Treasuries





Steep Decline in Call Activity

- **Calls in '17 – \$ 5 billion**
- Calls in '16 – \$ 58 billion
- Calls in '15 – \$ 34 billion
- Calls in '14 – \$ 19 billion
- Calls in '13 – \$ 24 billion
- Net Interest Spreads
 - **2.25% for '17**, 2.31% for '16, 2.40% for '15, 2.50% for '14, and 2.64% for '13.





Debt Maturity

- Weighted Average Maturity of FCS Debt has pushed higher.
 - ❖ Dec./2017 – 2.88 years
 - ❖ Dec./2016 – 2.72 years
 - ❖ Dec./2015 – 2.81 years
 - ❖ Dec./2014 – 2.71 years
 - ❖ Dec./2013 – 2.96 years





Debt Maturity

- Percentage of Debt maturing within a year.
 - ❖ Dec./2017 – 39.1 percent
 - ❖ Dec./2016 – 40.3 percent
 - ❖ Dec./2015 – 37.6 percent
 - ❖ Dec./2014 – 38.6 percent
 - ❖ Dec./2013 – 33.8 percent





Days of Liquidity

- As of 12/31/17 System = 175 days:
 - AgFirst = 207 days, AgriBank = 151 days,
 - FCB of TX = 227 days, CoBank = 176 days
- As of 12/31/16 System = 180 days:
 - AgFirst = 201 days, AgriBank = 143 days,
 - FCB of TX = 199 days, CoBank = 197 days





Investments for Liquidity



FCS Investments Available For Sale

(Fair Value at 12/31/17 by contractual maturity)

(In \$ millions)	Due in 1 year or less	Due after 1 year - 5 years	Due after 5 years - 10 years	Due after 10 years	Total	Weighted Avg. Yield
Commercial paper, CDs, bankers' acceptances, and other securities	6,101	187	0	0	6,288	1.58%
US Treasury securities	3,445	8,113	3,128	0	14,686	1.61
US agency securities	1,080	1,112	1,445	0	3,637	2.07
Mortgage-backed securities	3	1,540	2,560	23,340	27,443	2.06
Asset-backed securities	5	909	214	656	1,784	1.80
Total fair value	\$10,634	\$11,861	\$7,347	\$23,996	\$53,838	1.87%
Total amortized cost	\$10,642	\$11,930	\$7,440	\$24,125	\$54,137	



Summary

- Strong Demand for FCS Debt
- Debt Yields Rising
- Risk Premiums Remain Very Favorable
- Interest Rate Spreads Continue to Narrow
- Bottom Line Benefitting Less
- Substantial High Quality Liquidity



Farm Credit Administration

1501 Farm Credit Drive
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(703) 883-4000

BOARD ACTION ITEM



FCA BOARD ACTION ON

Lending and Loan Servicing Controls Bookletter

BM-8-MAR-18-02

Effective Date: March 8, 2018

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the Lending and Loan Servicing Controls Bookletter.

DATED THIS 8th DAY OF MARCH 2018

BY ORDER OF THE BOARD

_____/s/
Dale L. Aultman
Secretary to the Board

Farm Credit Administration

1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4000

BOARD ACTION ITEM



FCA BOARD ACTION ON

**Prior Approval of CoBank, ACB's Request to Retire Certain
Equities Included in Common Equity Tier 1 Capital**

BM-8-MAR-18-03

Effective Date: March 8, 2018

Impact on Previous Actions: This Board action would not have any impact on prior Board actions. Section 628.20(f)(2) and (3) authorizes FCA to give prior approval to capital retirements that are included in Tier 1 or Tier 2 Capital.

THE FCA BOARD HEREBY:

Approves the Prior Approval of CoBank, ABC's Request to retire Certain Equities Included in Common Equity Tier 1 Capital.

DATED THIS 8th DAY OF MARCH 2018

BY ORDER OF THE BOARD

_____/s/_____
Dale L. Aultman
Secretary to the Board