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**Farm Credit Administration**

**Annual Performance Plan**

*Fiscal Years 2003 and 2004*

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## Introduction

The Farm Credit Administration (FCA or agency) Annual Performance Plan (Plan) for fiscal years (FY or FYs) 2003 and 2004 addresses how the agency will carry out the goals and objectives in its FY 2000-2005 Strategic Plan. The Plan contains performance measures that describe what the FCA intends to do over the next two years and how it will measure performance.

### FCA's Mission

***The Farm Credit Administration will promote a safe and sound, competitive Farm Credit System to finance agriculture and rural America as authorized by Congress.***

The agency believes the Farm Credit System (FCS or System)<sup>1</sup> will continue to be important to agriculture and rural America in the 21<sup>st</sup> century. Thus, within the authorities of the Farm Credit Act of 1971, as amended (Act), the agency will issue regulations and implement public policies that help the System meet agriculture's and rural America's changing demands for credit and related services. Through the agency's examination and oversight of the System, FCA will continue to ensure that System activities are conducted in accordance with relevant laws and regulations and safe and sound banking practices.

The agency commits to excellent products, performance, customer service, and communication. These goals are consistent with the Government Performance and Results Act of 1993 (Results Act), which encourages agencies to manage for results and hold managers accountable for achieving needed outcomes.

**Intent of Plan**—Although the System continues to enjoy solid financial performance, changes in global markets subject the System to new risks. The intent of the Plan is to ensure FCA's continued success as a safety and soundness regulator while helping the System best meet the new challenges of, and opportunities for providing credit and related services in a changing agricultural world.

### Agency Tasks

The agency performs two basic tasks to fulfill its mission: (1) issuing regulations and implementing public policy and (2) identifying risk and taking corrective action. To accomplish these tasks, the agency also:

- Manages its budget and its human and information resources;
- Provides legal counsel;
- Develops and provides economic and financial analyses; and
- Communicates with Congress and the public.

FCA's offices are organized to best help the agency fulfill its mission quickly and effectively. Although the agency's offices have different responsibilities, they work together to carry out the mission.

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<sup>1</sup> The FCS is a network of borrower-owned cooperative financial institutions and related service organizations, which serves all 50 states and the Commonwealth of Puerto Rico, and is the largest single agricultural lender in the country. Created by Congress in 1916 to provide American agriculture with a dependable source of credit, it is the oldest of the Government-sponsored enterprises.

**Issuing Regulations and Implementing Public Policy**—FCA has statutory responsibility and regulatory authority to set policy that interprets and carries out the Act. The FCA Board issues regulations and policy statements to promote System safety and soundness, mission focus, and compliance with the law. The FCA Board publishes its regulatory agenda semiannually in the *Federal Register* as part of the Unified Agenda of Federal Regulatory and Deregulatory Actions. The published agenda describes all rulemakings under development and the planned date for FCA Board consideration. The FCA Board issues regulations and policies as soon as it identifies the need for them so the System can continue to be a dependable source of credit and related services.

In addition to the standard notice and comment rulemaking process, the FCA uses various approaches in developing rules, including the following:

- Advance Notice of Proposed Rulemaking;
- Negotiated rulemaking;
- “Fast-Track” procedures to handle issues requiring immediate action; and
- Special customer focus groups to provide ideas and discuss regulatory options before rulemaking.

As required by the Act, the agency also approves all System funding requests and new types of related services and certain investments that are not specifically identified in FCA regulations. The agency also issues charters for System institutions and reviews and approves all applications for mergers and other corporate requests.

Finally, FCA addresses policy and regulatory issues in several other ways. The Board and staff issue guidance letters known as FCA Bookletters and Informational Memoranda, such as, Orders and Notices of Removal, Suspension or Prohibition, to the System that clarify policy or regulations or provide pertinent information. On request, the agency provides interpretations to System institutions on how regulations apply to specific factual situations.

**Identifying Risk and Taking Corrective Action**—The FCA’s primary role is to ensure the FCS and the Federal Agricultural Mortgage Corporation (Farmer Mac) operate in a safe and sound manner. This means the agency must appropriately identify risk and take corrective action. FCA has statutory authority to examine all System institutions, including Farmer Mac as well as the National Consumer Cooperative Bank, which is a non-System entity. Effective October 1, 2002, 7 Farm Credit banks, 103 associations, and 8 service corporations make up the System. By law, the FCA must examine System institutions at least once every 18 months. Typically, asset size and the risk in each System institution drive the frequency of FCA examinations. Thus, System institutions with assets of a billion dollars or more and higher-risk institutions, those identified as violating statutory or regulatory requirements, or that are engaging in unsafe and unsound practices, are examined more frequently than once every 18 months. As a part of each examination, examiners evaluate the safety and soundness of the institution and ensure that it complies with relevant laws and regulations. Encouraging institutions to take prompt action to address identified problems is a critical part of the examination process. If necessary, the agency requires institutions to take corrective actions to address problems hindering an institution’s safety and soundness or its compliance with laws and regulations.

The FCA staff continuously identifies, oversees, and evaluates risk to ensure the safety and soundness of the System. The agency:

- Collects information on economic trends and loan portfolio concentrations to help set the scope of examinations;
- Issues a Report of Examination to every institution that contains a clear, concise, objective evaluation of its overall condition;
- Provides both formal and informal guidance to institutions during examinations and in letters to institution boards. This guidance either directs or recommends that the institution take corrective actions; and
- Develops risk profiles on individual institutions that provide current information to the FCA Board and management.

The FCA Board also has authority to bring an enforcement action against an institution for violating statutory or regulatory requirements or engaging in unsafe or unsound practices. Enforcement actions include Formal Agreements, Orders to Cease and Desist, Civil Money Penalties, and Orders and Notices of Removal, Suspension, or Prohibition of individuals from participation in the affairs of a System institution. Further, if conditions warrant, the Board also can place institutions into conservatorship or receivership.

FCA's examination staff uses "special supervision" to intervene early and encourage institutions to correct problems before serious harm occurs. Special supervision allows staff to work with willing System boards and management that are able to correct safety and soundness problems before a formal enforcement action is needed.

## **Agency Outcomes and Performance Measures**

To measure how effectively the agency is fulfilling its mission, the FCA Board and management identified the following two key outcomes:

- Effective Regulation and Public Policy.
- Effective Risk Identification and Corrective Action.

These outcomes effectively measure FCA's ability to carry out its mission and support the two basic agency tasks. The tables that follow contain: (1) the measures for each outcome, with the matching goals and objectives that reflect the agency's actual performance for FYs 2000 through 2002 and the agency's desired performance for FYs 2003 and 2004, (2) the costs to achieve each of those outcomes, and (3) a five-year perspective of costs and accomplishments.

A hierarchy of relationships was developed to accumulate the cost of the various functions performed by the offices within FCA that relates the functions performed by the offices to the agency's strategic goals. Each office records the costs of basic tasks to project numbers. These tasks contribute to one or more of the products and services produced by the agency. The cumulative costs of the applicable completed products and services support a program activity for each of the agency's strategic goals. The hierarchy established to evaluate each strategic goal follows.

### **Key Outcome for Strategic Goal 1: Effective Regulation and Public Policy**

A program activity called Policy and Regulation was established to accumulate the costs incurred to achieve the key outcome of Effective Regulation and Public Policy. The products and services produced by the agency to support the accomplishment of this program activity are: Regulation and Policy Development and Statutory and Regulatory Approvals.

## Measuring the Achievement of Effective Regulation and Public Policy

The measures identified below address whether FCA appropriately recognizes market forces, completes regulatory projects, uses innovative customer service techniques, and involves the public while reducing unnecessary burden. Each regulation and policy statement strives to:

- Strengthen the safety and soundness of System institutions;
- Reduce unnecessary burden;
- Clearly define objectives and address identified risks and problems;
- Give high priority to issues that pose the greatest risk within the System;
- Set clear standards or clarify existing legal requirements; and
- Otherwise improve the ability of institutions to fulfill their public mission objectives.

1. The total number of regulation projects completed compared to the number of regulation projects in the Board-approved annual Regulatory Performance Plan.

FY 2000		FY 2001		FY 2002		FY 2003/2004	
<u>Target</u>	<u>Result</u>	<u>Target</u>	<u>Result</u>	<u>Target</u>	<u>Result</u>	<u>Target</u>	<u>Baseline<sup>2</sup></u>
> 90%	69%	≥ 90%	78%	≥ 90%	78%	≥ 78%	78%

2. Percentage of regulations completed that use “special” customer service focus or features.<sup>3</sup>

FY 2000		FY 2001		FY 2002		FY 2003/2004	
<u>Target</u>	<u>Result</u>	<u>Target</u>	<u>Result</u>	<u>Target</u>	<u>Result</u>	<u>Target</u>	<u>Baseline</u>
≥ 40%	87%	≥ 40%	100%	≥ 40%	100%	100%	100%

3. Customer acceptance survey of recently adopted FCA regulations and policies through the average of ratings (1 to 5, with 1 being the highest rating) received on the following questions:

- Did our rulemaking and policy activities recognize market forces and encourage innovation for System institutions?
- Did we adequately involve the public to seek its perspective regarding our rulemaking activities?
- Did our rulemaking and policy activities implement the Farm Credit Act without imposing unnecessary burden?

FY 2000		FY 2001		FY 2002		FY 2003/2004	
<u>Target</u>	<u>Result</u>	<u>Target</u>	<u>Result</u>	<u>Target</u>	<u>Result</u>	<u>Target</u>	<u>Baseline</u>
NA <sup>4</sup>	NA	≤ 2.50	2.31	≤ 2.50	3.05	≤ 2.50	3.05

<sup>2</sup> Baseline for Goal 1 measures is based on information obtained from the most recent Office of Inspector General (OIG) survey.

<sup>3</sup> “Special” customer service focus or features are designed to enhance the public’s ability to participate in regulatory projects or to expedite completion of projects when appropriate. These include: Advance Notice of Proposed Rulemaking; Fast-Track or Streamlined Regulation Development Procedures; Direct Final Rulemaking; Reproposal or Resolicitation of Public Comments; Comment Period Extension; Question and Answer format; Response to Petitions; and Information Meetings with Constituents and/or Congressional Committees.

<sup>4</sup> NA = Not Available.

## Costs to Achieve Effective Regulation and Public Policy over Five Years

Fiscal Year	Products and Services		Program Activity
	Regulation and Policy Development	Statutory and Regulatory Approvals	Policy and Regulation
FY 2000 Actual	\$3,151,853	\$1,770,362	\$4,922,215
FY 2001 Actual	\$3,739,816	\$2,202,248	\$5,942,064
FY 2002 Actual	\$3,828,446	\$1,372,044	\$5,200,490
FY 2003 Revised Budget	\$4,196,813	\$1,612,002	\$5,808,815
FY 2004 Proposed Budget	\$5,017,756	\$1,690,955	\$6,708,711

### Key Outcome for Strategic Goal 2: Effective Risk Identification and Corrective Action

A program activity called Safety and Soundness was established to accumulate the costs incurred to achieve the key outcome of Effective Risk Identification and Corrective Action. The products and services produced by the agency to support the accomplishment of this program activity are: Examination, Economic, Financial and Risk Analysis and FCS Data Management.

### Measuring the Achievement of Effective Risk Identification and Corrective Action

The measures we identify below address the results of FCA's examinations and oversight of System Institutions.

4. The number of direct-lender institutions with adversely classified assets to risk funds less than 100 percent divided by the total number of direct-lender institutions.

FY 2000	FY 2001	FY 2002	FY 2003/2004
<u>Target Result</u>	<u>Target Result</u>	<u>Target Result</u>	<u>Target Baseline</u> <sup>5</sup>
> 90%   100%	> 90%   100%	100%   100%	100%   100%

5. The total assets of direct-lender institutions with adversely classified assets to risk funds less than 100 percent divided by the total assets of direct-lender institutions.

FY 2000	FY 2001	FY 2002	FY 2003/2004
<u>Target Result</u>	<u>Target Result</u>	<u>Target Result</u>	<u>Target Baseline</u>
> 85%   100%	> 85%   100%	100%   100%	100%   100%

6. The number of direct-lender institutions with adversely classified assets to risk funds greater than 100 percent with corrective action plans that mitigate the excessive risk.

FY 2000	FY 2001	FY 2002	FY 2003/2004
<u>Target Result</u>	<u>Target Result</u>	<u>Target Result</u>	<u>Target Baseline</u>
100%   100%	100%   NA	100%   NA	100%   100%

<sup>5</sup> Baseline for Goal 2 measures is based on reported performance from the previous fiscal year except for measure #11, which is based on information obtained from the most recent OIG survey.

7. The total assets of direct-lender institutions complying with all capital ratio requirements (permanent capital ratio, total surplus ratio, core surplus ratio, net collateral ratio) divided by the total assets of direct-lender Institutions.

FY 2000	FY 2001	FY 2002	FY 2003/2004
<u>Target Result</u>	<u>Target Result</u>	<u>Target Result</u>	<u>Target Baseline</u>
100%   100%	100%   100%	100%   100%	100%   100%

8. The 3-year average return on average assets of FCS institutions.

FY 2000	FY 2001	FY 2002	FY 2003/2004
<u>Target Result</u>	<u>Target Result</u>	<u>Target Result</u>	<u>Target Baseline</u>
≥1.25%  1.58%	>1.25%  1.55%	≥1.25%  1.68%	> 1.25%  1.55%

9. The 3-year average return on equity of FCS institutions.<sup>6</sup>

FY 2000	FY 2001	FY 2002	FY 2003/2004
<u>Target Result</u>	<u>Target Result</u>	<u>Target Result</u>	<u>Target Baseline</u>
NA   NA	7.55%  10.18%	>7.34% 10.84%	Note 24   10.05%

10. The percentage of examinations of FCS institutions meeting statutory examination frequency requirement.

FY 2000	FY 2001	FY 2002	FY 2003/2004
<u>Target Result</u>	<u>Target Result</u>	<u>Target Result</u>	<u>Target Baseline</u>
100%   100%	100%   100%	100%   100%	100%   100%

11. Customer acceptance of FCA's examination and supervisory programs through the average of the ratings (1 to 5, with 1 being the highest rating) received on the following survey questions:

11A. The board and management believe the findings of the examination will assist (or have assisted) the institution in correcting weaknesses.

FY 2000	FY 2001	FY 2002	FY 2003/2004
<u>Target Result</u>	<u>Target Result</u>	<u>Target Result</u>	<u>Target Baseline</u>
≤2.25   1.48	< 2.25   1.66	≤2.25   1.70	≤ 2.25   1.70

11B. The board and management believe the actions required by the enforcement document will assist (or have assisted) the institution in correcting identified weaknesses.

FY 2000	FY 2001	FY 2002	FY 2003/2004
<u>Target Result</u>	<u>Target Result</u>	<u>Target Result</u>	<u>Target Baseline</u>
≤2.5   N/A <sup>7</sup>	< 2.5   N/A	<2.5   N/A	≤ 2.25   TBD <sup>8</sup>

<sup>6</sup> The target is ≥ the 10-year Treasury bond rate plus 2%.

<sup>7</sup> N/A = Not Applicable as there were no enforcement actions in these fiscal years.

<sup>8</sup> TBD = To Be Determined.

12. The number of direct-lender institutions that have programs established to furnish sound and constructive credit and related services to young, beginning, and small farmers, ranchers, and harvesters of aquatic products.

FY 2000		FY 2001		FY 2002		FY 2003/2004	
Target	Result	Target	Result	Target	Result	Target	Baseline
NA	NA	NA	NA	NA	NA	100%	TBD

### Costs to Achieve Effective Risk Identification and Corrective Action Over Five Years

Fiscal Year	Products and Services			Program Activity
	Examination	Economic, Financial and Risk Analysis	FCS Data Management	Safety and Soundness
FY 2000 Actual	\$27,893,426	\$1,287,900	\$491,615	\$29,672,941
FY 2001 Actual	\$27,807,694	\$927,383	\$438,956	\$29,174,033
FY 2002 Actual	\$27,564,256	\$1,590,839	\$734,752	\$29,889,847
FY 2003 Revised Budget	\$30,875,330	\$2,118,275	\$635,397	\$33,629,002
FY 2004 Proposed Budget	\$31,919,536	\$2,153,699	\$1,246,938	\$35,320,173

FCA has developed internal controls to help management keep focused on the desired outcomes. The strategic goals and objectives discussed below further FCA's efforts to reach these outcomes.

### Strategic Goals and Objectives

The Strategic Plan and accompanying goals and objectives link to the two outcomes of (1) Effective Regulation and Public Policy and (2) Effective Risk Identification and Corrective Action. The strategic goals and objectives for FY 2000-2005 will help ensure the long-range success of the System and FCA. Also, these goals and objectives help the agency deal effectively with rapid changes in agriculture and the System during both strong and weak economic conditions.

The Strategic Plan goals help the agency carry out its mission while being responsive to the changing needs of agriculture and the System. The goals and supporting objectives may change as various issues emerge in each planning cycle. The two strategic goals and supporting objectives for FYs 2003 and 2004 are:

**Goal 1: Ensure the Farm Credit System fulfills its public mission to provide constructive, competitive, and dependable credit and related services for agriculture and rural America.**

#### Objectives

1. Ensure System institutions fulfill their public mission by reaching out to all potential customers.
2. Ensure quality customer service at lowest cost through healthy competition.

3. Enable the System to serve evolving customer needs and compete in new agricultural and financial markets.
4. Enable optimum utilization of Farmer Mac by the FCS and other agricultural and rural housing mortgage lenders for the benefit of agricultural producers and rural America.

The objectives of Goal 1 focus on:

- Encouraging the System to develop creative solutions to emerging issues and changes in the financial markets;
- Ensuring each System institution provides an adequate and dependable source of credit and related services to eligible borrowers of the FCS;
- Issuing rules that are user-friendly and not burdensome;
- Encouraging full utilization of Farmer Mac and other lenders that benefit rural America;
- Improving customer service by the System; and
- Supporting efficient operations in response to market forces.

## **Goal 2: Supervise risk to ensure the safety and soundness of the Farm Credit System for the benefit of stakeholders.**

### **Objectives**

1. Enhance the value and effectiveness of risk-based examination, oversight, and correction of problems to ensure the safety and soundness of FCS institutions.
2. Develop regulatory guidance and examination procedures that address new ventures of System institutions, including such areas as e-commerce.
3. Design examination programs to evaluate the progress by FCS institutions in fulfilling the System's public mission.

The objectives of Goal 2 focus on continuing to improve the agency's examination and supervisory programs. These programs have brought positive recognition to the FCA and continue to help ensure the FCS's safety and soundness.

### **Agency Resources**

To carry out its mission and reach needed outcomes and results, the agency has requested a budget for direct administrative expenses of \$38.4 million for FY 2003 and \$40.9 million for FY 2004, plus reimbursable expenses. FCA's greatest expenses are its personnel costs. The anticipated costs for salaries, benefits, and Thrift Savings are about 84 percent of the FY 2003 and FY 2004 budgets. Since FY 1988, the FCA has reduced its staff from 565 full-time equivalents (FTEs) to its FY 2002 level of 284 FTEs. The FY 2003 and FY 2004 budgets are based on 292.1 and 289.6 FTEs, respectively.

### **Budget and Time Tracking by Strategic Goals**

The Results Act requires the Strategic Plan be linked to the budget. The agency has revised its budget and time reporting systems to allow for a more accurate tracking of cost and human capital utilized in the completion of projects, products, and services associated with each of the two goals.

## **Financial Management System**

The current financial management system was implemented in June 2001. In FY 2002, FCA focused on fine-tuning the financial management system and expanding the reporting capabilities to capture reimbursement, direct and investment activity separately. The payroll interface was modified to add tracking of compensatory time and credit hours earned for reimbursable activity.

The American Management System, Inc. (AMS) the developer and licensor of the Federal Financial System (FFS), the current financial management system at FCA, has indicated that they will not seek re-certification of the FFS by the Joint Financial Management Improvement Project when the current certification expires. AMS is no longer marketing the FFS; instead they are focusing their attention and resources on their new financial management system – Momentum. AMS has indicated that they will cease to provide an annual maintenance program for this software in the 2004 – 2005 timeframe. Once annual maintenance stops, each user of the FFS will pay separately for any software modifications or upgrades needed. Since the life cycle of the mainframe version of FFS is limited, FCA will begin taking steps to ensure a smooth transition to a newer, state-of-the-art financial management system.

## **Information Resources Management Plan**

In FYs 2003 and 2004, the FCA will continue to use technologies that help it carry out its mission more efficiently and effectively. Containing costs will remain a high priority. Thus, the agency will conserve resources by investing only in technology that provides the best possible return measured against the agency's strategic goals.

During the next two years, FCA will replace its Information Technology (IT) network design and laptop workstations that will reach the end of their life cycle. The agency will focus on upgrading network design by migrating from a Wide Area Network to an Internet-based Virtual Private Network (VPN). A VPN will allow staff to access agency IT resources from any location at the highest transfer rate available to them. The agency will replace its laptop workstations that have reached the end of their life cycle with new laptop computers. These replacements are necessary to maintain reliable, up-to-date workstations for agency users and continued support of e-government services. E-government services include providing Internet access required by the Workforce Investment Act, and to support the agency flexible workplace policy. FCA will also continue to invest in improving IT security through the integration of better security monitoring tools and processes. New tools and processes are needed to meet the agency's changing security needs as use of the Internet increases and other e-government initiatives are developed and implemented. Other IT projects for FYs 2003 and 2004 include:

- Continuing to expand the ability to make information available over the Internet;
- Analyzing and streamlining the agency's data and applications inventories;
- Creating new IT systems to support line functions, such as the agency's Loan Account Reporting System replacement and improving the agency's Web site through design enhancements and making more information available to the agency's constituents on the site; and
- Improving management and security of our Web-based environment.

## **Performance Measurement and Reporting**

The agency will use the performance measurement system to measure the agency's progress in carrying out the strategic goals and objectives of FCA's FY 2000–2005 Strategic Plan. The agency designed the measures to provide a balanced view of the agency's overall performance, considering inputs used, products and services produced, and results achieved.

Managers are responsible for measuring performance by collecting and analyzing performance data and developing internal controls to ensure the data is accurate and measured consistently throughout the agency. The responsible manager must report the agency's progress on assigned agency-level measures at prescribed intervals and in certain formats. FCA office measures support the agency-level measures. The agency-level measures link to our strategic goals and objectives.

## **Evaluating Performance**

FCA has the systems in place to produce reliable performance and cost data to set goals, measure performance against the goals, and evaluate and report results.

The agency's integrated control system<sup>9</sup> is used to measure the accuracy and integrity of the information system. The control system consists of three parts: self-assessments, audits and inspections by the agency's Inspector General, and audits by external parties such as the agency's external auditor and the General Accounting Office. The agency considers the findings from its self-assessments and audits when developing the goals and objectives of its Strategic Plan. For self-assessments, the Office of Management and Budget directs agencies to review and report periodically on internal controls, financial management, information resources management, and budget control.

FCA's Inspector General and external auditors regularly evaluate significant portions of the agency's operations and report their findings to Congress. The Inspector General keeps management alert to program evaluation issues. Finally, the Inspector General's semiannual reports to Congress identify any need for improvement with our programs and allow Congress to question FCA further about agency programs.

Because FCA voluntarily complies with the Chief Financial Officers Act of 1990 (31 U.S.C. 501), the agency uses external auditors to conduct an annual audit of the agency's financial statements. Testing of selected information systems is a regular part of this audit. The agency considers the findings of its self-assessments and external audits in preserving and improving the integrity of its information systems.

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<sup>9</sup> FCA's control system complies with the Federal Managers' Financial Integrity Act (FMFIA), Pub. L. 97-255, which was enacted in 1982 (31 U.S.C. 3512). The Congress passed the FMFIA to reassert the responsibility of federal managers for the overall financial integrity of programs under their supervision. The FMFIA also calls on agencies to strengthen internal accounting and administrative controls in federal programs and functions.

## Appendix 1 — Strategic Goals and Objectives with Related Performance Measures

<b>GOAL 1: Ensure the Farm Credit System fulfills its public mission to provide constructive, competitive, and dependable credit and related services for agriculture and rural America.</b>	<b>Related Measures<sup>10</sup></b>
<b>Objective 1:</b> Ensure FCS institutions fulfill their public mission by reaching out to all potential customers.	1-3
<b>Objective 2:</b> Ensure quality customer service at lowest cost through healthy competition.	1-3
<b>Objective 3:</b> Enable the System to serve evolving customer needs and compete in new agricultural and financial markets.	1-3
<b>Objective 4:</b> Enable optimum utilization of Farmer Mac by the FCS and other agricultural and rural housing mortgage lenders for the benefit of agricultural producers and rural America.	1-3

<b>GOAL 2: Supervise risk to ensure the safety and soundness of the Farm Credit System for the benefit of stakeholders.</b>	<b>Related Measures<sup>28</sup></b>
<b>Objective 1:</b> Enhance the value and effectiveness of risk-based examination, oversight, and correction of problems to ensure the safety and soundness of FCS institutions.	4-11
<b>Objective 2:</b> Develop regulatory guidance and examination procedures that address new ventures of System institutions, including such areas as e-commerce.	4-11
<b>Objective 3:</b> Design examination programs to evaluate the progress by FCS institutions in fulfilling the System's public mission.	12

<sup>10</sup> A numeric listing of measures is included in Appendix 2. The measures referenced in this column are those whose results may be affected by the affiliated objective.

## Appendix 2 — Agency Performance Measures

1	The total number of regulation projects completed for board action compared with the number of regulations planned.
2	Percentage of regulations completed that use “special” customer service focus or features.
3	Average rating on a customer acceptance survey about FCA regulations and policies (ratings from 1 to 5, with 1 being the highest rating).
4	The number of direct-lender institutions with adversely classified assets to risk funds less than 100 percent divided by the total number of direct-lender institutions.
5	The total assets of direct-lender institutions with adversely classified assets to risk funds less than 100 percent divided by the total assets of direct-lender institutions.
6	The number of direct-lender institutions with adversely classified assets to risk funds greater than 100 percent with corrective action plans that mitigate the excessive risk.
7	The total assets of direct-lender institutions complying with all capital ratio requirements (permanent capital ratio, total surplus ratio, core surplus ratio, net collateral ratio) divided by the total assets of direct-lender institutions.
8	The 3-year average return on average assets of FCS institutions.
9	The 3-year average return on equity of FCS institutions.
10	The percentage of examinations of FCS institutions meeting statutory examination frequency requirements.
11	<p>Customer acceptance of FCA’s examination and supervisory programs through the average of the ratings (1 to 5, with 1 being the highest rating) received on the following survey questions:</p> <ul style="list-style-type: none"> <li>• The board and management believe the findings of the examination will assist (or have assisted) the institution in correcting identified weaknesses.</li> <li>• The board and management believe the actions required by the enforcement document will assist (or have assisted) the institution in correcting identified weaknesses.</li> </ul>
12	The number of direct-lender institutions that have programs established to furnish sound and constructive credit and related services to young, beginning and small farmers, ranchers, and harvesters of aquatic products.

## Appendix 3 — Glossary

<b>Adversely Classified Assets</b>	Assets classified substandard, doubtful, and loss, plus other property owned (before deduction of allowance for losses).
<b>Annual Performance Plan</b>	A plan that addresses the operations of the agency and establishes performance measures and goals for those operations. Additionally, the plan links the anticipated activities of the agency to the allocation of its resources.
<b>Balanced Scorecard</b>	A concept stating that a mix of input, output, and outcome performance measures is required to provide structure to an organization's operations and to ensure that no one aspect performs to the detriment of another, at least not knowingly.
<b>Baseline</b>	The calculated level of performance for a measure at the beginning of a measurement cycle. It is used to calculate changes in performance over a period in time.
<b>Core Surplus Ratio</b>	The sum of an FCS institution's undistributed earnings/ unallocated earnings (less an association's net investment in an FCS bank), perpetual stock, and qualifying allocated equities divided by the institution's risk adjusted assets (adjustments are made based on the risk characteristics of the asset).
<b>Enforcement Actions</b>	Supervisory or administrative actions resulting from enforcement powers granted to FCA for the purpose of effecting corrective actions in FCS institutions. The actions include formal agreements, cease and desist orders, civil money penalties, and orders of removal or prohibition.
<b>Input Measures</b>	Measures that capture the quantity of resources (human, financial, facility, material) that an organization uses to produce services.
<b>Net Collateral Ratio</b>	An FCS bank's net collateral divided by its total liabilities.
<b>Outcomes</b>	The quantified results or impact of an organization's operations.
<b>Outputs</b>	The goods produced and services provided by an organization or a unit of the organization.

### Appendix 3 — Glossary (cont'd.)

<b>Performance Goals</b>	The desired target level for the product of a performance measure.
<b>Permanent Capital Ratio</b>	An FCS institution's permanent capital (net worth minus protected stock) divided by the institution's risk-adjusted assets (adjustments are made based on the risk characteristics of the asset).
<b>Performance and Accountability Report</b>	A report submitted to the President and to Congress that evaluates agency performance and results relative to the performance goals expressed in the agency's Annual Performance Plan.
<b>Regulatory Performance Plan</b>	The FCA Board-approved list of regulatory projects, with time frames, to be undertaken during a fiscal year.
<b>Results Act</b>	Government Performance and Results Act of 1993. In addition to delineating expectations for sound management practices, the Results Act requires agencies to issue a five-year strategic plan that must be updated at least once every three years, a performance plan, and an annual performance and accountability report.
<b>Risk Funds</b>	An FCS institution's net worth minus protected stock plus the allowances for loan and acquired property losses.
<b>Strategic Plan</b>	A long-range plan that provides goals and objectives for the agency to guide future operations and establishes a strategic direction for carrying out the mission.
<b>Strategic Planning Process</b>	An evaluation of an organization's operations in conjunction with the mission, available resources, strategic vision, environmental assumptions, and past performance.
<b>Total Surplus Ratio</b>	The sum of an FCS institution's undistributed earnings/unallocated earnings, the portion of the association's net investment in an FCS bank allowable per the allotment agreement, allocated equities with a planned revolvment of at least five years, and perpetual stock divided by the institution's risk-adjusted assets (adjustments are made based on the risk characteristics of the asset).