

News Release

Farm Credit Administration
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FCA Board Approves Proposed Bookletter on Farm Credit System Investment Asset Management

McLEAN, Va., December 9, 2010 — The Farm Credit Administration (FCA) Board today approved a Bookletter providing guidance to Farm Credit System (FCS or System) institutions on investment asset management.

The purpose of the Bookletter is to communicate FCA's expectations regarding the key elements of a robust investment asset management framework that each System institution should establish to prudently manage its investments in changing markets. Although existing FCA regulations outline fundamental investment asset management practices, the recent financial crisis and its lingering effects have re-emphasized the importance of sound investment and liquidity risk management practices. As a result, the agency is issuing this Bookletter to provide clarification and guidance regarding FCA's regulations and expectations in this area.

Bookletters are documents that communicate FCA's position on specific issues. The [FCA Bookletters database](#) on the FCA website at www.fca.gov contains all Bookletters issued since December 1985 that are still in effect.

Report

The Board also heard a report by the Office of Regulatory Policy and the Office of Examination (OE) on Farmland Values and Collateral Risk Guidance. FCA staff has analyzed the increase in farm real estate prices, which increased by 64 percent over the seven-year period 2003 through 2009 and continued to rise in 2010. The presentation included a review of drivers causing the farm real estate run-up in the 1970s compared with conditions affecting the market today.

Also covered was a review of System real estate lending concentration by state and risks that could affect farmland prices in the future. The report concluded with a review of how, during the past five years, FCA has increased its oversight of collateral risk in System institutions and communicated examination expectations for managing collateral risk by issuing guidance through the OE National Oversight Plan, Informational Memorandums, Bookletters, and Examination Bulletins.

Closed Session

During the closed session, the Board received a quarterly report by the Office of Secondary Market Oversight, which examines and oversees the Federal Agricultural Mortgage Corporation (Farmer Mac).

Notational Votes

Since the FCA Board meeting on November 10, four notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

1. On November 30, the Board voted to approve a letter to the five FCS banks and the Federal Farm Credit Banks Funding Corporation regarding the Joint and Several Liability Reallocation Agreement, confirming that FCA will perform certain actions specified in the recitals to the agreement.
2. On November 30, the Board voted to approve a draft amendment to the Amended and Restated Market Access Agreement among the five FCS banks and the Federal Farm Credit Banks Funding Corporation; the Board also approved publication of the draft amendment in the Federal Register.
3. On December 1, the Board approved Regulatory Enforcement Committee Recommendation 10-04 to pursue a formal supervisory action concerning an FCS institution.
4. On December 3, the Board approved the 2011 operating budget of the FCS Building Association including 2011 capital and major building repairs, and the association's 2011 assessment of FCS member banks.

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The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System and the Federal Agricultural Mortgage Corporation (Farmer Mac). FCA charters, regulates, and examines the 98 banks, associations, and service corporations of the Farm Credit System, which makes loans to agricultural producers and their cooperatives nationwide. FCA also examines and regulates Farmer Mac, which provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. Members of the FCA Board are Leland A. Strom, Chairman and CEO; Kenneth A. Spearman; and Jill Long Thompson.

Note: FCA news releases are available on the Web at www.fca.gov.