

News Release

Farm Credit Administration
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FCA Board Approves Final Notice on Regulatory Burden

McLEAN, Va., October 15, 2009 — The Farm Credit Administration (FCA) Board today approved a notice for publication in the Federal Register to respond publicly to comments received in response to a 2008 Regulatory Burden Solicitation on FCA regulations.

FCA solicited public comment in the June 23, 2008, Federal Register on regulations that are duplicative, ineffective in achieving their objectives, or impose burdens greater than the benefits received. Five comment letters were received, raising issues covering a range of FCA regulations.

The Federal Register notice, when published, will provide an analysis of all comments received. FCA determined that a small number of technical changes could be addressed in a direct final rule, which will be prepared for Board approval at a later date. The remaining comments suggest changes to regulations that will not be made at this time because (1) the comments are being considered under other regulatory projects, (2) the comments raise issues that are beyond the scope of regulatory burden but could be addressed in future rulemaking or guidance, (3) the comments suggest changes that are inconsistent with the Farm Credit Act or safety and soundness, or (4) the comments suggest changes that would not reduce regulatory burden.

Quarterly Report of the Office of Examination

In other business, the Board received a quarterly report from staff in the Office of Examination. The report discussed general economic conditions, developments in the farm sector, and the financial condition and performance of the Farm Credit System (FCS or System).

Weakness in the farm economy has contributed to heightened risk for System borrowers. After posting a record high in 2008, farm sector net cash income is expected to decline significantly in 2009 because of lower cash receipts for both crops and livestock products. Production expenses are expected to be down in 2009, but to a lesser degree than

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the decline in cash receipts. Industries that continue to be of concern include dairy, hogs, and ethanol. Other areas of concern relate to drought in the West and parts of Texas, though recent rains are helping to alleviate this issue in some regions. Finally, weakness in the general economy and high unemployment rates pose a risk to those borrowers with off-farm sources of income to service their loans.

According to the report, the FCS remains in solid financial condition overall despite the weaker farm economy and its impact on borrowers. The System's growth has slowed considerably this year while its capital levels have increased. Capital continues to be adequate overall. However, declining Financial Institution Rating System (FIRS) ratings are an indication of rising risk. As a result, FCA has increased its oversight and examination activities at System institutions.

The current stress is affecting the System's asset quality measures, which have deteriorated in recent quarters from historically strong levels; further deterioration is anticipated. Earnings of FCS institutions remain good but are being negatively impacted by higher provisions for loan losses and operating expenses.

The System's capital levels remain adequate overall as a result of slower growth and solid earnings that System institutions retained. Because of its financial strength, the System continues to be well positioned to meet the challenges of this more difficult economic environment.

In response to the heightened risk environment, the Office of Examination reported it has increased its presence at System institutions, raised staffing levels, and increased examination focus on areas of existing and emerging risk in the FCS. The agency has also issued examination guidance related to emerging risks.

Closed Session

During the closed session of today's Board meeting, Office of Examination staff provided the Board with an update on institution-specific oversight activities.

Notational Votes

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

1. On September 18, the Board gave preliminary approval with conditions for the proposed plan of merger of Farm Credit of the Heartland, ACA, and its subsidiaries into American AgCredit, ACA (Agricultural Credit Association), and its subsidiaries, and the disclosure of information to stockholders.
2. On September 25, the Board authorized the FCS Building Association (FCSBA) to renew the lease for FCA's Sacramento, Calif., field office for a period of 60 months, starting May 1, 2010.

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3. On September 29, the Board authorized the FCSBA to amend the existing lease to expand the Bloomington, Minn., field office and to use \$150,000 from the FCSBA's reserve account to pay for build-out, furnishing, and data and voice infrastructure.
4. On September 29, the Board approved the request of U.S. AgBank to clarify the treatment of preferred stock in regulatory core surplus and the regulatory capital treatment of certain positions in securitizations.
5. On September 29, the Board gave preliminary approval with conditions to the proposed disclosure for a stockholder vote on the conversion of the Louisiana Federal Land Bank Association, FLCA (Federal Land Credit Association), into the Louisiana Land Bank, ACA, with FLCA and PCA (Production Credit Association) subsidiaries.

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The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System (System) and the Federal Agricultural Mortgage Corporation (Farmer Mac). FCA charters, regulates, and examines the 101 banks, associations, and service corporations of the System and Farmer Mac. System institutions make loans to agricultural producers and their cooperatives nationwide. Farmer Mac provides a secondary market for agricultural real estate and rural housing mortgage loans. Members of the FCA Board are Leland A. Strom, Chairman and CEO; Nancy C. Pellett; and Kenneth A. Spearman.

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