

## News Release

Farm Credit Administration  
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**For Immediate Release**  
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### **FCA Board Adopts Final Rule on Disclosing Interest Rates**

McLEAN, Va., December 10, 2009 — The Farm Credit Administration (FCA) Board today approved a final rule that amends the borrower rights regulations governing the disclosures a Farm Credit lender must make to a borrower whose interest rate is directly tied to a widely publicized external index.

Under the final rule, at the time the loan is made, the Farm Credit lender is required to disclose how and where the borrower can obtain information about changes to the index and when the Farm Credit lender will provide a written notice of the change to the borrower's interest rate. This disclosure will allow borrowers to stay informed about interest rate changes and how these changes will affect their loan payment.

The final rule also provides a new option for Farm Credit lenders to notify borrowers in writing of changes in the interest rate for loans tied to an external index. Lenders may either follow the current rule and provide notification within 45 days of the effective date of the rate change or provide notice as part of the borrower's first regularly scheduled billing statement affected by the rate change.

For applicable borrowers with adjustable rate loans directly tied to an external index and who did not previously receive the "new" disclosures required at the time the loan was made, the Farm Credit lender is required to provide these new disclosures in its next regularly scheduled correspondence to the borrower after April 1, 2010.

The final rule will be effective 30 days after publication in the Federal Register during which either body of Congress is in session. Notice of the effective date will be published in the Federal Register.

In other business, the Board adopted a proposed rule that would revise regulations governing the risk-based capital stress test for the Federal Agricultural Mortgage Corporation (Farmer Mac). The test calculates the minimum amount of regulatory capital Farmer Mac is required to hold.

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Farmer Mac was created by the Agricultural Credit Act of 1987 to provide a secondary market for agricultural real estate and rural housing mortgage loans. The 2008 Farm Bill expanded Farmer Mac's program authority to include rural utility cooperative loans. The proposed rule would incorporate the potential risk of rural utility cooperative loans into the stress test.

The proposed version of the stress test would add a component to characterize credit losses on rural utility loan volume, modify the risk-reducing characteristics of structures such as off-balance-sheet AgVantage, and revise the component that recognizes counterparty risk on nonprogram investments.

The proposed rule, which would amend the regulations at 12 CFR part 652, subpart B, and its Appendix A, will be published in the Federal Register and will be open for a 45-day comment period. Comments on the proposed rule may be submitted by electronic mail to [reg-comm@fca.gov](mailto:reg-comm@fca.gov), through the Pending Regulations section of FCA's Web site at [www.fca.gov](http://www.fca.gov), or through the Federal Government Web portal at [www.regulations.gov](http://www.regulations.gov).

Comments also may be sent by mail to Joseph T. Connor, Associate Director for Policy and Analysis, Office of Secondary Market Oversight, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090, or by fax to 703-790-3260. The public may read submitted comments at the FCA office in McLean, Virginia, or on FCA's Web site at [www.fca.gov](http://www.fca.gov).

### **Enforcement Action Implemented**

On November 18, FCA entered into a supervisory agreement with an agricultural credit association (ACA) that requires the ACA to take actions to address issues identified previously in FCA's examinations.

### **Notational Votes**

Since the FCA Board meeting on November 12, two notational votes have occurred. Notational votes are actions taken by the FCA Board between Board meetings.

1. On November 13, the Board approved the 2010 operating budget of the FCS Building Association including 2010 capital and major building repairs, and the association's 2010 assessment of Farm Credit System member banks.
2. On November 18, the Board renewed the rural housing mortgage-backed securities programs of AgFirst Farm Credit Bank and the Farm Credit Bank of Texas through December 31, 2014, subject to revised conditions.

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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 101 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; Nancy C. Pellett; and Kenneth A. Spearman.

Note: FCA news releases are available on the Web at [www.fca.gov](http://www.fca.gov).