

News Release

Farm Credit Administration
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FCA Board Hears Auditor's Report on FCA's FY 2008/2007 Financial Statements

McLEAN, Va., January 8, 2009 — The Farm Credit Administration (FCA or Agency) Board today heard the auditor's report on FCA's fiscal year 2008/2007 financial statements.

Brown & Company CPAs, the independent accounting firm that audited the statements, concluded that the Agency's principal financial statements presented fairly, in all material respects, the financial position of FCA as of September 30, 2008 and 2007, in conformity with generally accepted accounting principles.

In addition, the firm found no material weaknesses in internal control over financial reporting and noted no reportable instances of statutory or regulatory noncompliance that could have a direct and material effect on the determination of financial statement amounts.

FCA's Inspector General concurred with the reports and stated that Brown & Co.'s work provided a reasonable basis for its opinion.

Secure and Fair Enforcement for Mortgage Licensing Act of 2008

The Board also received a briefing on the application of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Mortgage Licensing Act of 2008) to FCA and the Farm Credit System.

The SAFE Mortgage Licensing Act, which was signed into law last July as part of the Housing and Economic Recovery Act, encourages states to establish a Nationwide Mortgage Licensing System and Registry (NMLSR) for loan originators (as defined in the statute) for the residential mortgage industry. The purpose of the NMLSR is to increase uniformity, reduce regulatory burden, enhance consumer protection, and reduce fraud in the residential mortgage industry.

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As required by the law, FCA and five federal banking agencies are working together to jointly develop a system for registering employees of the financial institutions they regulate as registered loan originators with the NMLSR.

In addition, these agencies, including FCA, must ensure that required employee information, such as fingerprints, criminal history background checks, personal history, and experience, are provided to the NMLSR.

The law also requires these six agencies to coordinate with the NMLSR to establish protocols for assigning a unique identifier to each registered loan originator. This identifier will facilitate electronic tracking and uniform identification of, and public access to, the employment history of loan originators, as well as any disciplinary and enforcement actions against them.

The law requires the NMLSR to be implemented before July 30, 2009.

Report on the Financial Condition and Performance of the FCS

In other business, the Board received a report on the financial condition and performance of the FCS by staff from the Office of Examination (OE).

According to the report, the FCS remains financially strong and continued to meet very significant credit demands during the first nine months of this year. Total loans increased by 10.6 percent. Also, its capital levels remain strong overall. Despite a much more difficult funding environment, the System has been able to meet its funding needs.

However, because of the unfolding global recession and the volatility in farm commodity prices, FCA examiners do expect some deterioration in asset quality in the coming months.

As a result, the Agency is increasing its monitoring of the portfolios, management actions, and internal controls of System lenders. Over the past year OE has increased its staff and has increased its on-site presence at FCS institutions. OE has also increased its communication with System institutions. In addition, the Agency has updated its enforcement processes and developed new examination guidance and tools so that it is prepared to respond effectively in an elevated risk environment.

Notational Votes

Since the December 11 FCA Board meeting, one notational vote has occurred. Notational votes are actions taken by the FCA Board between Board meetings.

On December 16, the Board approved the 2009 compensation program for FCA employees.

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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 104 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 Dallas P. Tonsager.

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